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International Labour Organization

MICROINSURANCE
PAPER No. 7

Mars 2011

FORMALIZING THE INFORMAL INSURANCE INHERENT IN MIGRATION

EXPLORING THE POTENTIAL LINKS BETWEEN MIGRATION, REMITTANCES AND MICROINSURANCE

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ILO Cataloguing in Publication Data

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Formalizing the Informal Insurance Inherent in Migration, Exploring the Potential links between Migration, Remittances and Microinsurance/ Jennifer Powers; Barbara Magnoni, Emily Zimmerman; International Labour Office. - Geneva: ILO, 2011
47 p. (Microinsurance paper ; no.7)

ISBN: 978-92-2-124828-6 (web pdf)

International Labour Office

microinsurance / information technology / information processing / social security administration

11.02.3

ILO Cataloguing in Publication Data

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PREFACE

The primary goal of the International Labour Organization (ILO) is to contribute with member States to achieve full and productive employment and decent work for all. The Decent Work Agenda comprises four interrelated areas: respect for fundamental worker's rights and international labour standards, employment promotion, social protection and social dialogue. Broadening the employment and social protection opportunities of poor people through financial markets is an urgent undertaking.

Housed at the ILO's Social Finance Programme, the Microinsurance Innovation Facility seeks to increase the availability of quality insurance for the developing world's low-income families to help them guard against risk and overcome poverty. The Facility, launched in 2008 with the support of a grant from the Bill & Melinda Gates Foundation, supports the Global Employment Agenda implemented by the ILO's Employment Sector.

Research on microinsurance is still at an embryonic stage, with many questions to be asked and options to be tried before solutions on how to protect significant numbers of the world's poor against risk begin to emerge. The Microinsurance Innovation Facility's research programme provides an opportunity to explore the potential and challenges of microinsurance.

The Facility's *Microinsurance Papers* series aims to document and disseminate key learnings from our partners' research activities. More knowledge is definitely needed to tackle key challenges and foster innovation in microinsurance. The *Microinsurance Papers* cover wide range of topics on demand, supply and impact of microinsurance that are relevant for both practitioners and policymakers. The views expressed are the responsibility of the author(s) and do not necessarily represent those of the ILO.

José Manuel Salazar-Xirinachs
Executive Director
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CONTENTS

ACRONYMS AND ABREVIATIONS

ADB	Asian Development Bank
AIC	Alternative Insurance Company
CIDR	Centre International de Développement et de Recherche
CERMES	Centre de Recherche Médecine, Sciences, Santé, Société
EPSS	Empresa Promotora de Servicios de Salud
EU	European Union
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
ILO	International Labor Organization
IMTC	International Money Transfers Conference
IOM	International Organization for Migration
MFI	Microfinance Institution
MFIC	Microfinance International Corporation
MIF/FOMIN	Multilateral Investment Fund
MTA	Money Transfer Agent
NGO	Non Governmental Organization
US	United States

ACKNOWLEDGEMENTS

This report was prepared by EA Consultants and commissioned by the International Labour Organization's (ILO) Microinsurance Innovation Facility. It was co-authored by Jennifer Powers, Barbara Magnoni and Emily Zimmerman with the invaluable assistance of Sara Duquette.

The authors would like to thank the following migration, microinsurance and microfinance experts for their input and suggestions during the research process: Betty Wilkinson of the ADB, Gilmer Imke and Andrea Riester of GTZ, Maria Victoria Saenz of the IBD, Ricardo Cordero and Sonia Pellecer of the IOM, and Sonia Plaza and Yoko Doi of the World Bank.

We would also like to thank the following insurers, practitioners and money transfer agents for participating in our interviews: Isabelle Depeche of AIC, Alicia Govea of AMUCSS, Angela Monroy of Banco Sol, Juan Viteri of Banorte, Alain Letourmy of CERMES, Adama Ndongo of IDEM Microfinance, Hugo Cuevas-Mohr of IMTC, Kai Schmitz of MFIC, Noel Deguzman and Geric Laude of Pioneer Group, Nitin Madan of Rajasthan Shram Sarathi and Daysi Rosales of Seguros Futuro. Without your openness in sharing your experiences and your time during our interviews, this report would not have been possible.

The authors also appreciate the contributions and guidance of Michal Matul, Caroline Philly and Craig Churchill from the ILO's Microinsurance Innovation Facility during the research and writing process.

EXECUTIVE SUMMARY

INTRODUCTION

In our increasingly global economy, labor continues to be a major export commodity for many developing countries. Since 1990 the number of people living outside their country has increased by nearly 40 percent, from 155 million to 214 million in 2010. Migration can help families mitigate their risks by increasing overall income levels and diversifying income sources. Moreover, having a family member abroad can serve as a form of informal insurance for families back home, as migrants often send funds during crises. Yet, many migrants tend to find themselves in positions of vulnerability in their host countries without any access to social safety nets. Emergencies can, thus, quickly erode any savings or assets that the migrant has. Migration can also create additional risks for both the migrant and the migrant's family by breaking up the family unit and making it more vulnerable to shocks. Migrant-linked insurance products can help transnational families manage their risks and protect their assets.

International remittance flows are increasing and are estimated to reach US$ 465 billion in 2011; the majority of remittances go towards meeting basic household needs. However, research suggests that migrants want more control over how their remittances are spent, and would like to allocate less to daily consumption and more to savings. Ideally, migrants could transfer some of the risk and responsibilities they bear to others. Insurance companies have the potential to transfer this risk efficiently, distributing it among larger risk pools. Mechanisms that allow transnational families to use a portion of their remittances to purchase formal insurance could help reduce their vulnerability.

PRODUCTS & MODELS

There is a need to develop products specifically tailored to the risks of transnational families. Specific migration-linked insurance products include: i) products aimed at mitigating the unique risks faced by migrants in their host countries, such as accident or repatriation insurance; ii) those aimed at mitigating the unique risks of migrant's families in their home countries, in protecting the flow of remittances if a negative shock should affect the migrants' ability to send money home; iii) those seeking to tap into remittance flows or the distribution channels and networks created by migration; and iv) those that tap into the migrants' desire to protect their families in their absence by formalizing the informal insurance provided by migration, such as health insurance. While organizations in Latin America and Asia have launched such programs, few have reached significant scale.

Three types of models have emerged to address the microinsurance needs of migrants and their families - the **Host** country model (where the migrant is working), the **Home** country model (where the migrant comes from) and the **Hybrid** model. **Host** models are best placed to insure migrants themselves as domestic insurers are already licensed in the country and therefore not subject to restrictions on the marketing and sale of insurance. They have the potential to reach large scale, though they are restricted by their traditional business models, which may not have products or delivery channels appropriate for the target clients. **Home** models may insure the migrant (easiest before departure) or the migrant's family depending on the product and the distribution channel. They may be linked to other financial products and services in the home country such as remittances or savings accounts. The **Hybrid** model is one in which risk-taking entities have a presence in both the home and the host country and thus can insure both the migrant and the migrant's family without encountering significant legal and regulatory hurdles. Despite this advantage, few insurers have implemented such a model, perhaps because insurance companies with an international presence tend to serve a higher-income segment of the market.

CHALLENGES & OPPORTUNITIES

Legal and regulatory restrictions pose one of the most significant constraints to selling insurance to migrants and their families across borders as insurers are generally not licensed in both the home and host country. The constraints insurers face vary depending on the host and home country of the migrant, whether the migrant and/or family members in the home country are beneficiaries of the policies, and the location of the insurance company. These constraints are often under-researched or underestimated, yet are one of the main causes of "failure to launch" of programs.

Marketing and Sales challenges are significant due to the bi-localization of the target market as well as the cross-border nature of many programs. For migration-linked microinsurance models to be successful, they must either find a way to market to both sides of the transnational family or structure their program in such a way that one party has full decision-making power. For migrants seeking to insure their family members back at home, it is difficult for most models both to market and sell to the migrant as well as to subscribe the migrant's family. Initial findings indicate that it may be more effective to market migration-linked insurance products directly to the migrant. There is a special need for consumer education for the families of migrants as they are less familiar with the concept of formal insurance.

Operational processes including policy issuance, customer service, claims and verification can be challenging in cross-border transactions. Obtaining paperwork, for instance, for repatriation and life policies can be complex for a migrant's family back home. To address this issue, some home models manage claims through alliances with repatriation companies based in the host country.

Partnerships with third parties may be a way to overcome some of the marketing and sales challenges. The selection of partners, such as religious groups, sports groups or remittance agencies, that already have regular transactions and the trust of the community can add value to insurers. Insurers may also be able to tap into the social capital created by migration, such as through migrant organizations in the host country.

Insurers can also **tap into remittance flows** through partnerships with money transfer agents (MTAs) or banks in the home or in the host country. These partnerships allow insurers to intervene at either the inception point or the reception point of the remittance flow. Partnerships with MTAs are most effective when remittances are largely sent through formal channels and are "smooth," rather than "chunky." Smooth remittances tend to be small, and are generally sent with regular frequency through formal channels. Chunky remittances tend to be larger, but are less frequent, less predictable and often sent through informal channels.

INITIAL LESSONS FROM EARLY EXPERIENCES

Early experiences in offering migration-linked microinsurance point to initial lessons that can inform future efforts. These include:

- Legal and regulatory constraints pose one of the most significant constraints to migration-linked insurance as insurers are generally not licensed in both the home and host country. It is essential that prior to launching a project the legal and regulatory issues are fully analyzed.
- It may be more effective to market migration-linked insurance products directly to the migrant, given the often divergent spending preferences of migrants and their families and the informal insurance responsibility of the migrant.
- The undocumented status of many migrants can pose serious challenges to marketing insurance products to them in their host countries.

- There is a significant need for consumer education and financial literacy to promote migration-linked insurance products, especially for the families of migrants.

- Finding an appropriate distribution channel is key to achieving scale.

- Insurers can benefit by selecting partners that are trusted by the community and have recurring transactional relationships with it.

- To facilitate payments, migration-linked microinsurance products may be able to tap into remittance flows through partnerships with MTAs.

- Programs must take special care to develop claims procedures and customer support facilities that are accessible to the migrants and their families from abroad.

An analysis of existing programs can inform those interested in developing these models further, however, it is important to note that the opportunities and challenges encountered in migration-linked microinsurance models can be very specific to the country and migration corridor. The type of migration, the characteristics of the migrants can vary dramatically by country and region, thus warranting customized or adaptable approaches to migration-linked microinsurance.

1 > INTRODUCTION

In our increasingly global economy, labor continues to be a major export commodity for many developing countries. Since 1990 the number of people living outside their country has increased by nearly 40 percent, from 155 million to 214 million in 2010 (United Nations 2009). This migration is generally motivated by a desire to increase income and provide a better life for one's family. Migrants often come from poorer households in their countries of origin and generally migrate to a higher-income developed country.

This diversification of income and geographies can help migrants and their families (transnational families) mitigate some of the risks faced by poor families, especially large financial shocks in the home or host country. For the families back home, the migrant often serves as informal insurance when an adverse event occurs. When there is a death in family, sickness or other emergency that requires a significant cash outlay, the migrant is often called upon to send funds to cover the expense. Yet, many migrants tend to find themselves in positions of extreme vulnerability, often working in the informal sector and unable to access basic social safety nets in their host countries. Thus emergencies can quickly erode any savings or assets a migrant has, threatening their ability to provide for their families in the short and long-term. Moreover, migration can create additional risks for the migrant, such as increased chance of accidents, disability or death because of poor and often dangerous working conditions.

Microinsurance can help transnational households manage their risks and protect their businesses, homes and livelihoods. Households require simple, accessible, low cost products, yet finding the means to pay for these products and low cost channels that distribute them is a challenge. Tapping into the social capital created by migration and the money transfer channels that are already working with this population may help insurers overcome both the distribution and cost issues. In 2010, the international remittance market was estimated to have reached US$ 437 billion, three times more than the amount of developing aid flowing to developing countries (Ratha 2010). Some of this money is channeled into development activities through religious institutions or community organizations, but the majority goes directly to the families of migrants to support basic household needs, such as rent, food and school fees. Mechanisms that allow transnational families to use a portion of these funds over time to purchase formal insurance could go a long way in reducing their vulnerability and risks in the long-term.

In many host countries, migrants make up a large portion of the population that is generally not well served by the financial sector and especially by insurers.[1] Thus, migration-linked microinsurance products present an opportunity for insurers to reach out to a relatively untapped market, compared to their traditional middle and upper class markets where competition can be intense. In home countries, linking microinsurance to migration may help to overcome some of the challenges of regular microinsurance sales. Migrants' capacity to pay is often higher than that of their peers in their home countries, and once settled in their host countries, they have multiple motivations for wanting to protect their families back home (cf GTZ 2009).

The objective of this research is to explore the existing and potential links between migration, remittances and insurance. It provides a mapping of migration-linked microinsurance products, a framework for how to think about them, and an outline of the opportunities and challenges for microinsurers interested in developing products for this market segment.

Section II of this report provides an overview of the research methodology. Section III briefly outlines the key migration and remittance trends that impact migration-linked microinsurance products. Section IV explores how migration may affect the preferences and demand for insurance of migrants and their

[1] 2009 United Nations data shows migrants comprise 41 percent of the population in Singapore, 23 percent in Switzerland, 22 percent in Australia and 21 percent in Canada.

families, based on a review of existing literature. Section V provides a framework for migration-linked microinsurance products and an overview of the existing products. Section VI explores the opportunities and challenges to developing and implementing migration-linked microinsurance, including the legal and regulatory challenges, and those related to marketing, sales, payments and operational processes. Finally, Section VII concludes our study and provides key recommendations for stakeholders, especially microinsurers, as they seek to address the risk management needs of migrants and their families.

2 > STUDY METHODOLOGY

This report was prepared using a combination of primary and secondary desk research as well as a series of interviews with key migration and remittance experts, development experts, microinsurance practitioners, and money transfer agents (a list of interviews can be found in Appendix A). It considers a range of microinsurance schemes to fall under the auspices of "migration-linked," including: i) insurance products aimed at mitigating the unique risks faced by migrants in their host countries, such as accident or repatriation insurance; ii) products aimed at mitigating the unique risks of migrant's families in their home countries, such as protecting the flow of remittances if a negative shock should affect the migrants' ability to send money home; iii) products that tap into remittance flows or the distribution channels and networks created by migration; and iv) products that tap into the migrants' desire to protect their families in their absence by formalizing the informal insurance provided by migrants, such as health insurance.

A limitation of this research is that many of the programs examined are still in their nascent stages of development, so it is difficult to draw out definitive lessons learned. There have been several programs that were launched and failed, so from these it is possible to draw conclusions on what has not worked and why. Another limitation is that most of the programs identified seek to tap into international migration flows, not domestic migration flows. As such, the majority of our discussion centers around the opportunities and challenges of linking microinsurance to international migration and does not fully explore opportunities within country borders, which may suffer from fewer of the constraints we have identified. Rural-urban migration or inter-province migration may be less constrained by some of the regulatory and delivery barriers that we have identified in cross-border insurance. However, the demand challenges to developing such programs are likely to be similar to those we identified in international migration.

3 > BACKGROUND: MIGRATION AND REMITTANCES

To understand the potential market for migration-linked microinsurance schemes, it is essential to first explore some basic trends in migration and remittances, as well as how these impact the risks faced by migrants and their families.

3.1 MIGRATION TRENDS

Since 1990 the number of people living outside their country has increased by nearly 40 percent, from 155 million to 214 million in 2010; this equates to 3.1 percent of the global population (United Nations 2009). Migration from developing to developed countries, or low/middle-income countries to high-income countries accounted for approximately 56 percent of international migration in 2005 (excluding migration between high-income countries). Developing to developing country migration comprised 41 percent of international migration in 2005, although this figure likely understates the true level as it does not capture unofficial migration well.[2]

The type of migration varies by region, with more than 80 percent of migration in Latin American and the Caribbean, East Asia and the Pacific and the Middle East and North Africa occurring from developing to developed countries compared to less than 50 percent in South Asia, Sub-Saharan Africa and Europe and Central Asia (Ratha & Shaw 2007).
Table 1 below highlights the most active migration corridors as of 2005, the largest of which are mainly developing to developed countries. The Mexico to United States corridor is nearly three times as large as any other corridor.

Table 1: Top Migration Corridors (excluding former Soviet Union), 2005

Countries	Number of migrants (millions)	Type of Migration
Mexico – United States	10.3	ING to ED
Bangladesh – India	3.5	ING to ING
Turkey – Germany	2.7	ING to ED
India – United Arab Emirates	2.2	ING to ED
Philippines – United States	1.6	ING to ED
Afghanistan – Islamic Rep. of Iran	1.6	ING to ING
Germany – United States	1.4	ED to ED
Algeria – France	1.4	ING to ED
India – Saudi Arabia	1.3	ING to ING
Arab Rep. of Egypt – Saudi Arabia	1.2	ING to ING

Source: Migration and Remittances Factbook. "ING" = developing. "ED" = developed.

3.2 REMITTANCE TRENDS

International remittance flows are also increasing and are estimated to reach US$ 437 billion in 2010 and US$ 465 billion in 2011 (Ratha 2010).[3] In many countries, remittances account for a very significant portion of GDP:

[2] World Bank estimates.
[3] World Bank remittance data, defines remittances as the "sum of three components: (a) workers' remittances recorded under the heading "current transfers" in the current account of the balance of payments; (b) compensation of employees which includes wages,

Philippines (11.2 percent), Bangladesh (11.4 percent) and Lebanon (25.1 percent) (see Appendix B for the top remittance receiving countries).[4] These figures would likely be even larger if remittances sent through informal channels were included.

The level, frequency and regularity of remittances vary by many factors including: home country, host country, status of migrant (documented vs. undocumented), duration of migration, income level of the migrant, gender and which family members are left behind. It is important to note that the frequency and regularity of remittance flows as well as the channels through which they are sent can impact whether or not these flows or channels can be leveraged to promote migration-linked microinsurance schemes (see discussion in Section VI). For example, in Uganda it is estimated that only 20 percent of remittances flow through formal channels, while in the Dominican Republic and Guatemala formal remittances are estimated at more than 95 percent of total remittances (World Bank 2006).

One important variation to note is how remittance levels vary between developing-developed migration and developing-developing migration. Although the latter is estimated to comprise 41 percent of total international migration, the World Bank estimates that remittances flows from developing to developing country only comprise 9 percent to 30 percent of total remittance flows (Ratha & Shaw 2007). This is understandable given the lower per capita incomes of these host countries. What this implies from a development perspective is that developing-developing migration has less of an impact on home country incomes. Likewise, these migrants' capacity to purchase microinsurance for themselves or their families is likely less than those who migrate to developed countries. This is further compounded by the fact that the cost of developing-developing country remittances is usually significantly higher due to a lack of competition, lack of banking infrastructure and onerous documentation requirements in some countries.[5]

3.3 HOW MIGRATION AND REMITTANCES IMPACT RISK[6]

Migration can help families mitigate their risks by increasing overall income levels and diversifying income sources and economic resources between the home and host country (Chimhowu et al. 2003). Thus, in the event of a crisis in one country, the family members in the other may be able to support those affected by the crisis. This is commonly seen when migrants send money home when a crisis hits. For example, Yang and Choi (2007) found that in the case of rainfall shocks in the Philippines, 60 percent of the decrease in household income was covered by remittances when households included an overseas worker. There are also "reverse remittances" when a personal or economic crisis affects the migrant in his host country. For example, there is initial evidence of reverse remittances from Mexico to the United States due to higher unemployment in the United States as a result of the recent economic crisis (FNS 2009). Thus, there may exist a co-insurance between the migrant and his family.

For many families, having a family member abroad can serve as an informal insurance policy for personal emergencies as well. For example, Amuedo-Dorantes, Sainz and Pozo (2007) found that hospital expenditures were highly responsive to remittances flows, suggesting that in a health emergency the migrant is called upon to send funds to cover these expenses. While this arrangement protects the family, the question is whether this informal insurance is efficient, or whether dedicating small sums over time in order to mitigate

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salaries, and other benefits of border, seasonal, and other non- resident workers (such as local staff of embassies) and which are recorded under the "income" sub- category of the current account; and (c) migrants' transfers which are reported under "capital transfers" in the capital account of the IMF's Balance of Payments Yearbook"

[4] World B ank, Migration and Remittances Factbook 2008 remittance data.

[5] Some developing countries including Bangladesh, India, Lesotho and Morocco, require migrants to obtain authorization before the central bank will approve remittance transfers.

[6] For additional reading on the theory behind how migration and remittances may affect risk management strategies and microinsurance, see Gilmer and Riester 2010.

some of these risks with formal insurance might help migrants and their families better manage during times of crisis and in the long run. For many migrants this cost is substantial and can negatively impact their economic situation in the host country, as well as their savings and long-term planning (de Bruyn and Wets 2006).

It is also important to note that migration can create additional risks related to the upfront investment required to migrate; the increased risk of accident and disability for low-skilled migrants who may take on more dangerous jobs; the risk of the sudden death of the migrant and ceasing of remittance. Families may also be more willing to take on risk or show less inclination to adopt preventative mechanisms to avoid negative events, since the migrant is perceived as available to bail them out (Azam and Gubert 2006). Similarly, family members back home may be less willing to seek out alternative sources of income in their home country (Chen 2006). Families' vulnerability may also increase in the absence of one of its members (Gilmer and Riester 2010).

4 > DEMAND CONSIDERATIONS FOR MIGRATION-LINKED MICROINSURANCE SCHEMES

Microinsurance initiatives could provide cost-effective tools to shift some of the burden of mitigating risks from the migrant to a third party. The hypothesis that migration may lead to an increased demand for microinsurance products is based on the assumptions that 1) migration increases income levels in the transnational family, and thus their capacity to pay for insurance; 2) migration, while helping to diversify some risks, also creates unique risks for the transnational family; 3) migrants have a desire to have more control over how their remittances are spent; 4) migrants would like to transfer some of the risk and responsibilities they bear for family members back home to others, namely insurance companies or other risk carriers. As the first two assumptions are discussed in the previous section, this section focuses on the last two assumptions.

4.1 DESIRE TO CONTROL HOW REMITTANCES ARE SPENT

Most studies have found the bulk of remittances are used for consumption and basic household needs (Orozco 2003, Alvarez Tinajero 2009, Asfar 2003, de Bruyn and Wets 2006). Education and health are also common uses of remittances, with some studies finding that nearly 50 percent of remittances are spent on health care needs (including medication) in some countries (Amuedo-Dorantes et al. 2007). The majority of the time it is the migrants' families that are making the spending decisions.[7] When the preferences of migrants and migrants' families on how to spend remittances diverge, the migrant may wish to have greater control over how his or her funds are spent. IDEM Microfinance and FARENA in France interviewed migrants from the north of Senegal and south of Mauritania as part of their efforts to launch migrant-sponsored health insurance mutuals in the two countries. They found that migrants often complained of family members not using the money sent well.[8]

Studies have found that if given full control over how remittances are spent, migrants and their families would spend money very differently, allocating less to daily consumption and more to savings (Ashraf et al. 2010). In a controlled experiment on savings looking at the Washington D.C. to El Salvador remittance corridor, Ashraf et al (2010) found that the savings accounts that gave the migrant the highest degree of control led to significantly higher accumulated savings levels. The study found that remitters wanted approximately 21 percent of their remittances saved, compared to only 2.6 percent for recipients. Similarly, studies in Kenya, the Democratic Republic of the Congo and Tajikistan found evidence that migrants wanted greater control over spending decisions and the ability to monitor how remittances are spent; they often increased the level of remittances in line with the degree of control available (De Laat 2005, de Bruyn and Wets 2006, Olimova and Bosc 2003).

4.2 DESIRE TO TRANSFER RISKS TO THIRD PARTY

A recent study on formal funeral insurance in South Africa by Crayen et al (2010) indicates that convincing migrants' families to spend remittances on insurance may be difficult. Even when income levels allow for the purchase of formal insurance, families receiving regular remittances may be less likely to purchase insurance. This suggests that having a family member abroad is not only an informal insurance policy, but may actually affect the migrant's family's decision to purchase formal insurance. Such decision making, however, can adversely affect the migrant who will be held responsible for the cost of any adverse event.

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[7] Alvarez Tinajero 2009 found that in only 5 percent of cases did the migrant decide how remittance funds would be spent and in on 12 percent of cases was it a joint decision between the migrant and the head of the household receiving the remittance.
[8] Interview with Adama Ndongo, IDEM Microfinance

Migrants, on the other hand, may have an interest in purchasing insurance for their families both to protect their loved ones and because they are the ones who often foot the bill in the case of a crisis. A study conducted by SegurCaixa, "El Barometro," an insurance company providing insurance to migrants in Spain, found that migrants would like coverage for themselves when visiting their home country as well as coverage for their family members back home. A survey of Haitian migrants in the Turks & Caicos, conducted by AIC, a Haitian insurance company, also found that migrants were interested in transferring some of the risks and responsibility for their families back home to more formal channels.[9] They were especially interested in health insurance and liked that AIC was a "real" insurance company interested in helping them mitigate risk. Similarly, in focus groups with Guatemalan and El Salvadorian migrants, the Microfinance International Corporation (MFIC) found that migrants were very interested in insurance products for their families, although less interested in purchasing insurance for themselves, with the exception of repatriation and accident insurance.

4.3 SEGMENTING DEMAND

Demand by migrants or their families for microinsurance is likely to vary depending on income levels, degree of assimilation, documentation and other factors. SegurCaixa's study finds a strong correlation between income, assimilation, and insurance demand. Take up among immigrants was concentrated in those with incomes over €2,000 per month and those who have been in the host country longer are more likely to have insurance, with 66 percent take up among those that have been in Spain for over 6 years. Magnoni et al also showed that insurance take up was more likely among Mexican immigrants in New York City who had been in the United States longer, finding that the main determinants of having insurance included income, years in the host country, having a bank account and marital status.

The focus of donor agencies and practitioners that support microinsurance, is typically on poorer populations. In the context of migration, these populations tend to be undocumented, lower skilled, and less financially sophisticated. Their purchasing power as well as that of their families back home is likely to be lower; thus when targeting this population, finding simple, affordable products becomes critical. Efforts to develop and market these products face significant hurdles: the undocumented status of migrants in the host country presents regulatory and logistical challenges; migrants may be less organized; they are less likely to be linked to the formal financial sector in their host country due to lack of information or fear of sharing personal details; they may have less knowledge of the benefits of insurance and require more consumer education/financial literacy; their families back home are also less likely to be integrated into the formal financial sector.

4.4 PRODUCTS TO MEET THE NEEDS OF TRANSNATIONAL FAMILIES

As discussed in Section III, transnational families face many unique risks. Thus in addition to the standard range of microinsurance products that might be attractive to the migrant's family in the home country, such as health or weather insurance in agricultural areas, there exists a need to develop products specifically tailored to the risks these families face. For example, one of the concerns expressed by many migrants in focus groups with El Salvadorian and Guatemala migrants in the United States was a need for repatriation insurance.[10] Many of the programs identified in this study have responded to this demand, with almost a third of programs offering repatriation insurance. Alongside the need for repatriation insurance, there is a need to protect the livelihoods of the families of migrants, which are especially vulnerable in the event of the migrant's untimely death. Thus there is a need for life insurance or remittance protection insurance that provide families with a source of income (at least temporarily). Additionally, it is important to consider who is left behind when the

[9] Interview with Isabelle Depeche, Head of Microinsurance, AIC.
[10] Interview with Kai Schmitz of MFIC.

migrant leaves. In a study of Mexican immigrants, most family members back home are parents and in-laws, suggesting that health insurance related to the problems of aging populations might be more appropriate for this community Magnoni et al (2010). In other communities, migrants leave small children behind. Products that cover educational expenses either with savings add-ons or educational benefits upon the death of disability of the migrant may be more appropriate.

Accident insurance is another critical need for many migrants. Migrants from Tajikistan, for example, often work in dangerous fields with high accident rates, such as construction and oil and gas extraction. It is not uncommon for a migrant to return home as an invalid because of an accident (Olimova and Bosc 2003). El Salvadorian and Guatemalan migrants also expressed an interest in accident insurance in the focus groups conducted by MFIC. Other products that may meet the specific needs of migrants include unemployment insurance and travel insurance.

5 > FRAMEWORK: THE 3-HS OF MIGRATION-LINKED INSURANCE MODELS

Many insurers and development practitioners have recognized the potential benefits of developing formal microinsurance products that meet the specific needs of migrants and their families. Several programs have been launched in Latin America and Asia to try to tap into this market. However, few have reached significant scale, with many still in their nascent stages, while others have failed shortly after or even before starting. As a result, the long-term viability of these initiatives is still unclear.

Three types of models have emerged to address the microinsurance needs of migrants and their families. Dubbed the 3Hs in Magnoni et al (2010) these are the Host country model, the Home country model and the Hybrid model. The defining characteristic of each of these models is where the risk taking entity or insurer is based. Table 2 summarizes the key characteristics of each model, including who the insured is likely to be; for whom the risks are being mitigated; whether or not an intermediary is required; and whether or not the product is able to leverage existing remittance flows. A list of the programs identified can be found in Appendix C.

Table 2: General Characteristics of the 3H Models

Model	Insured	Mitigates Risk for:	Need for an Intermediary	Leverages Remittances
Host Country	Migrant	Migrant and migrant's family (depending on product)	Maybe for marketing purposes	Unlikely
Home Country	Migrant's family (most likely) or Migrant (prior to departure)	Migrant (indirectly) and Migrant's family (directly)	Definitely if targeting migrant. Maybe if targeting migrant's family	Very possible
Hybrid	Migrant and/or migrant's family	Migrant and/or migrant's family	Maybe for marketing or money transfers	Possible

HOST COUNTRY MODELS

In the Host country model the insurer is located in the country to which the migrant has immigrated. Programs of this type are best placed to insure the migrants themselves as domestic insurers are already licensed in the country and therefore not subject to restrictions on the marketing and sale of insurance. They may also have the potential to reach greater scale as they can easily serve migrants from multiple countries of origin. Nonetheless, depending on the type of migrant being targeted (documented/undocumented, banked/unbanked, etc.), host models may be constrained by their traditional business models, which tend to have limited products and delivery channels appropriate for the target clients; and may struggle to win the migrant's trust.

Host programs typically do not have the capacity to insure the migrant's family back home due to regulatory and geographic barriers related to marketing products, processing of applications and claims administration. However, they may indirectly offer security to migrants' families. For example, SegurCaixa's repatriation and accidental death insurance provide families with a cash benefit that can ease the shock of losing remittance income in the case of a death or accident (see Box 1).

Box 1: SegurCaixa's Repatriation and Accidental Death Insurance

SeguraCaixa, an affiliate of La Caixa, one of the largest cooperatives in Spain, offers some of the few migration-linked insurance products to reach a reasonable scale. In 2008, 66,000 legal migrants, mostly coming from Africa and Latin America, were insured with SegurCaixa Repatriación and 14,000 were covered by SegurIngreso. SegurCaixa Repatriación pays €30,000 upon the death of the migrant and covers the repatriation of the migrant's body to his or her country of origin from any country in the EU, as well as travel expenses for an accompanying family member or friend. Premiums start at €6 a month. Through SegurIngreso, beneficiaries receive a payment of €6,000 as well as regular monthly income for five years in the event of the migrant's death. The monthly payment varies depending on the coverage chosen by the migrant, but monthly premiums start at €7. Total premiums for the two products in 2008 were €6 million. (See Box 9 for more information on claims).

Sources: www.laCaixa.es and SegurCaixa Holding Annual Report 2008.

HOME COUNTRY MODELS

In the Home country model, the risk taking entity is located in the migrant's country of origin. The insured can be the migrant and/or the migrant's family depending on the product and distribution channel.. Products distributed through Home models may allow migrants' family members to mitigate their own risks as well as cover the migrant with products such as repatriation or travel insurance. Policies for the migrant are easiest to distribute *prior* to migration. In Indonesia, for example, migrant placement agencies coordinate with insurance consortiums to provide a mandatory package of insurance coverage including life, funeral, disability, health, travel, job placement and legal to all migrants they place abroad (see Box 8).[11]

Home models may also seek to tap into remittance flows to meet premium payments. This can be facilitated by setting up an online third-party payment system for their products or partnering with a money transfer agent (MTA). They may also seek to indirectly tap into remittance flows by specifically targeting communities sending a large number of people abroad, or partnering with remittance receiving agencies or other organizations to market their products, as have Seguros Futuro in El Salvador and Pioneer Group in the Philippines (see Box 3 and Box 5).

HYBRID MODELS

The Hybrid model is one in which risk-taking entities have a presence in both the home and the host country. Such a model has the advantage of being able to insure both the migrant in the host country and the migrant's family in the home country without encountering significant legal and regulatory hurdles. It may also be able to leverage existing distribution channels in both countries, which can facilitate marketing, sales and distribution. Hybrid models may also facilitate the provision of cross-border insurance products, whereby the migrant in the host country can directly pay for a policy insuring the migrant's family back at home.

Although the Hybrid model has many advantages, there are very few insurers who have actually attempted to implement such a model. This may be because insurance companies with an international presence tend to be larger, generally serving a higher-income segment of the market and with less economic incentive to enter the microinsurance space. Nonetheless, there is potential for the hybrid model, especially for international companies already active in microinsurance such as Allianz, Metlife, and Zurich.

[11] The Ministry of Manpower and Transmigration has mandated that placement agencies coordinate with insurance consortiums to apply for this mandatory insurance package collectively on behalf of the migrants they send abroad. Source: Interview with Yoko Doi, World Bank Office Jakarta and *Enhancing Access to Finance for Indonesian Overseas Migrant Workers: Evidence from a Survey of Three Provinces.*

One example of a hybrid-like scheme is in the Philippines, where the Pioneer Group has two separate programs geared towards migrants and their families. Through a marketing entity in Hong Kong (where it also has a licensed branch), it offers its SparxX product (see Box 2) to Filipino migrants. Concurrently, in the Philippines, Pioneer has partnered with the Catholic Church to form Savings and Wellness Clubs for migrants' families, through which it offers microinsurance (see Box 5). The two programs are not linked. However, given the company's international presence there may be potential to expand its existing products for migrants and even allow migrants in Hong Kong to enroll their family members into the Savings and Wellness Clubs in the Philippines and/or purchase SparxX cards for them, perhaps through an online platform.

Box 2: Pioneer Life - SparxX

Pioneer's SparxX is a bite sized savings and insurance plan designed to be accessible to the lower incomes segments of the Philippine population. It comes in denominations of as low as 300 Pesos (US$ 6) and provides a guaranteed return after a certain number of years, based on the individual's age. Concurrently it provides the purchasers with life insurance equal to the guarantee future value. Multiple cards can be accumulated over time to increase savings and insurance protection.

Pioneer is currently testing a variety of distribution schemes for its SparxX product, including two targeting migrants and their families. SparxX is being promoted through a marketing entity in Hong Kong to migrants using a network marketing and points scheme. It is also bundling SparxX with other insurance products for the families of migrants back in the Philippines through its Savings and Wellness Clubs (See Box 5 for more detail).

Sources: Interviews with Noel Deguzman and Geric Laude of Pioneer Life Inc. and Pioneer Group and www.pioneer.com.ph

6 > LEGAL AND REGULATORY CHALLENGES FOR MIGRATION-LINKED MICROINSURANCE SCHEMES

Legal and regulatory restrictions pose one of the most significant constraints to selling insurance to migrants and their families across borders as insurers are generally not licensed in both the home and host country. The constraints insurers face vary depending on the host and home country of the migrant, whether the migrant and/or family members in the home country are beneficiaries of the policies and the location of the insurance company. These constraints are often under-researched or underestimated, yet are one of the main causes of "failure to launch" of programs. This section provides an overview of the types of regulations implicated by migration-linked microinsurance products.

CHOICE OF LAW

The first challenge in any cross border transaction is to determine which jurisdiction's law applies. Likewise, for migration-linked microinsurance programs where insurance is sold by a foreign insurance company and/or some or all beneficiaries are located abroad, it may not be clear which countries' insurance law should apply. In general, parties can choose the law that governs a contract (including an insurance policy) between them, but the issue is largely untested with respect to cross-border insurance sales and products.

SCOPE OF REGULATION

Regardless of which country's law applies to the insurance contract itself, the parties must comply with the insurance laws of all countries in which they conduct activities. In most countries insurance is governed at a national level by a separate ministerial authority (Vollbrecht 2000). In the United States, however, insurance and related activities are governed by individual state laws, which can make things very complex for Home models seeking to work with migrants in the US.[12] The European Union employs a "passporting" regime, a system of uniform regulation which allows insurers authorized by the regulator in their country of domicile to carry on business and insure risks thought the EU (Krishnan 2010). This may make it easier for migration-linked microinsurance programs to develop between Eastern and Western European countries.

Migration-linked microinsurance programs must also cope with different definitions of insurance and insurance related activities in Home and Host countries. Regulators tend to define the scope of regulated activity broadly, often making it difficult for companies to interpret what is or is not insurance and what is or is not a permitted insurance related activity.[13] Moreover, requirements relating to the type of coverage and exclusions required or allowed may differ between countries, posing challenges to the uniformity of coverage across borders.[14]

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[12] McCarran-Ferguson Act, 15 U.S.C. §§ 1011-15 (1945)

[13] New York law defines an "insurance contract" as a "transaction whereby one party, the 'insurer', is obligated to confer benefit of pecuniary value upon another party, the 'insured' or 'beneficiary', dependent upon the happening of a fortuitous event in which the insured or beneficiary has...a material interest which will be adversely affected by the happening of such event." In other jurisdictions, the term "insurance" is not legally defined in the regulations, but rather left to the interpretation of the courts. For example, in the UK, an insurance contract is generally understood to be "any enforceable contract under which a 'provider' undertakes: (1) in consideration of one or more payments; (2) to pay money or provide a corresponding benefit... to a 'recipient'; (3) in response to a defined event the occurrence of which is uncertain... and adverse to the interests of the recipient."

[14] According to Warner, these different laws, even if they are not in direct conflict with one another, could create significant administrative difficulties, and may lead to uncertainty where it is unclear which country's law is applicable. For example, in the Philippines, insurers are liable under life insurance policies in the case of suicides only when committed after the policy has been in force for two years (unless the policy provides a shorter period), while many US-based life insurance policies exclude coverage in the case of suicide regardless of when it occurs.

LICENSING OF INSURERS

Nearly all countries require insurance companies to obtain a license to insure risks located within their borders (Krishnan 2010). Others also require an insurance company to be licensed to engage in other activities, including selling insurance policies within their borders (regardless of the location of the risk), marketing products, soliciting applications, and facilitating transactions.

Licensure can be a significant obstacle to Home models, where (a) insurers are unlikely to compete with host country insurers and (b) the migrant population is often relatively small, making it difficult to realize the economies of scale needed to offset the financial and administrative costs of licensure. Home models may seek partnerships in the Host country to try to overcome these challenges, although depending on the country, even this may be impossible. Two such programs were discontinued because of such legal concerns (both between Latin America and the US).[15]

The Host country model avoids many of the obstacles related to insurer licensing, as domestic insurers that are already licensed in the host country can enter into insurance contracts with migrants located in those countries. However, Host models may be limited to insuring the migrant and unable to insure the migrant's family abroad if they do not have a branch or an affiliate in the home country.

REGULATION OF INSURANCE INTERMEDIARIES AND MARKETING

Most countries require intermediaries involved in insurance contracts to be authorized (Sterling 2000). In all three models, intermediaries may be subject to regulation in the home and/or host country, depending on where the advertising, entry into the contract, payment of premiums, and other activities occur. Although marketing and delivery channels may already exist for Host country insurers, these channels are often ill-suited to serve migrant populations. Thus alternative channels must be sought, which may not have the capacity to obtain a broker or agent license (see Section VII.A).[16] Often even licensed agents and brokers have limited authority to market or otherwise aid in the sale of products by unlicensed insurers.[17]

There is some room for non-licensed intermediaries to promote migration-linked insurance schemes, although the scope of activities an intermediary may engage in without a license varies greatly by country. For example, in Italy, some insurance products may be sold through banks and post offices by unlicensed persons (International Monetary Fund 2006). Indian law allows certain "micro-insurance agents" (including NGOs and MFIs) appointed by insurers to assist in collecting applications, distributing products, processing payment of premiums, and settling claims, but they may only work with products specifically approved by the regulatory authority as microinsurance products.[18] By contrast, in the United States, most activities related to marketing, solicitation, and otherwise aiding in the transaction of insurance business are restricted to licensed agents and brokers, although some states are more restrictive than others (Magnoni et al 2010).

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[15] MFIC ceased offering EPSS's medical health plans to Guatemalan migrants in the United States out of concern they would it would be considered illegal by regulators (see Box 4 for additional information on this program). Banco Sol also ceased to offer repatriation insurance to Bolivian migrants in the US after it realized it had been misinformed by its partner about the legal restrictions on foreign insurers marketing and selling policies in the US.

[16] Brokers (who represent the insured) are almost always required to be licensed, while agents (who represent insurers) often are not. The rationale for this distinction is that agents are indirectly supervised by virtue of the fact that they act on behalf of insurers, who are directly supervised. Agents are, however, often required to be registered with the regulatory authority or a professional association (Vollbrecht 2000).

[17] Both insurers and intermediaries must also comply with advertising laws applicable in any country in which products are marketed.

[18] Insurance Regulatory and Development Authority (Micro-Insurance) Regulations, 2005.

ADDITIONAL CHALLENGES

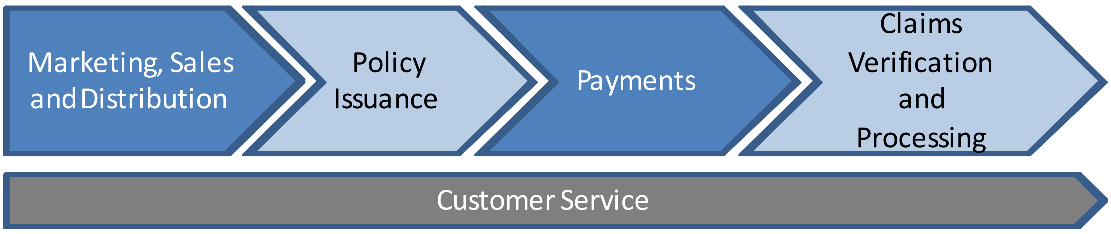
The undocumented status of many immigrants can pose serious challenges when purchasing insurance products in their host countries. Insurance companies often (though they typically are not legally required to) request identifying documentation that migrants may not have or may be uncomfortable sharing. In most developed countries, undocumented immigrants have broad rights to access courts and to enforce rights under contracts, but these rights are often limited in practice, which can penalize immigrants in case of a dispute with the insurance company.[19]

[19] In the US, undocumented migrants have a legal right to pursue claims in court (Hagl v
. Jacob Stern & Sons, Inc. and Montoya v. Gateway Ins. Co.). In the EU, many fundamental rights apply to everyone regardless of administrative status, but in practice undocumented migrants are denied a wide range of social protections. Carrera (2009). Australian Government, About Australia: Legal System (2008).

7 > OPERATIONAL OPPORTUNITIES AND CHALLENGES TO MIGRATION AND REMITTANCE LINKED MICROINSURANCE

Despite the potential market opportunities of migration-linked products, developing the products, distribution channels, and administrative and operational functions to serve transnational families can be complex and challenging, especially as all of these functions often must comply with legal and regulatory regimes in both the home and host country. This section outlines the opportunities and challenges facing migration-linked insurance programs in five areas: marketing and sales, policy issuance, payments, claims administration and customer service. Table 4 at the end of the section summarizes the main opportunities and challenges by model type.

Diagram 1: Microinsurance Operational Flow



7.1 MARKETING, SALES AND DISTRIBUTION

The challenges to distributing insurance to transnational families are significant due to the bi-localization of the target market as well as the cross-border nature of many programs. Thus for migration-linked microinsurance models to be successful, they must either find a way to market to both sides of the transnational family or structure their program in such a way that one party has full decision making power. For Home models insuring the family and for Host models insuring the migrant, it is relatively easy to place this decision making power with one party. However, for migrants seeking to insure their family members back at home, it is difficult for most models to market and sell to the migrant as well as to subscribe the migrant's family. Below we discuss in greater detail the specific marketing challenges the three types of migration-linked microinsurance models are likely to encounter.

HOME COUNTRY MODELS

For Home models, the biggest challenge in marketing to migrants is finding an appropriate distribution channel either in the home country prior to the migrant's departure or in the host country upon their arrival. When migration is legal and organized in advance, it is easier to market to migrants prior to their departure, as the terms of their migration (country, duration, type of employment) are likely to be pre-defined with arrangements made through a formal channel, minimzing the legal and regulatory constraints by avoiding the cross-border sale of insurance. For example, the majority of legal migrants from Indonesia and the Philippines use placement agencies to secure overseas work, visas, and other documentation; these agencies can be an excellent distribution channel for microinsurance (see Box 8). It is important to note, however, that much legal migration is short-term in nature (seasonal or for 1-3 years), making product design and premium collection easier, but limiting the potential for client retention.

Home models in which there is not a viable marketing and distribution option prior to a migrants' departure encounter additional sales and marketing challenges. Restrictions on marketing and the physical distance from the migrant can make it difficult to select or use mass media outlets and do not allow face to face contact with potential clients. Thus many Home models have sought partners in the host country through whom to market their products; however, these partners may face their own legal, regulatory or capacity constraints to marketing insurance (See Box 4). Internet based solutions may help to overcome some of these restrictions, but they are unlikely to be effective without on the ground promotion in the host country.

To avoid many of the challenges encountered when trying to market to the migrant in the host country, home country insurers may choose to market directly to the migrant's family so that they purchase insurance themselves or relay the information back to the migrant. However, these transmission channels can be slow and unreliable. Depending on the product, family members may not be incentivized to share the information with the migrant, as the migrant already serves as a substitute for insurance. They may be more inclined to share information about products that mitigate their risk in the event of the migrant's death, such as repatriation and remittance protection insurance; although even then information may be "lost in translation" or family members may be concerned about losing the flexibility of receiving cash remittances if they are partially diverted for insurance. This highlights the importance of consumer education. Seguros Futuro in El Salvador is one example of a home country model marketing directly to migrant's families in conjunction with a financial education component (see Box 3).

Box 3: Seguros Futuro, El Salvador: Recognizing the Need for Consumer Education

Seguros Futuro, the only cooperative insurance company in El Salvador, recently launched a Repatriation and Remittance insurance product designed to protect the migrant and the migrant's family back in El Salvador if the migrant was to die abroad. It is marketing its products through a network of savings and loans cooperatives estimated to serve approximately 100,000 members with family members abroad. The insurance covers the cost of repatriating the migrant's body from the United States or Canada and provides the family with an ongoing monthly remittance for one year (the level varies according to the coverage selected). Premiums starts at US$ 35 a year for repatriation insurance and remittance protection of US$ 83 a month; a premium of US$ 125 a year provides remittances protection of US$ 850 a month.

Seguros Futuro believes that there is a need for such a product amongst its clientele as approximately 20 percent of its affiliates have a family member abroad. However, the "demand" for the product is questionable, as most of the target market does not recognize the need for such insurance, as often occurs with their other voluntary microinsurance products. Thus, Seguros Futuro is actively providing financial literacy to its target market on the benefits of insurance (both its repatriation product and its other products). Uptake has been approximately 25-30 percent in the first 6 months for those attending training, with 222 policies sold. The target for the program is 1,000-10,000 policies within 3 years.

Seguros Futuro has tried to find a way to also market its repatriation and remittance product directly to migrants in the US and Canada, but, as with so many Home Country models they have been unsuccessful in finding a legal way to do so as US regulations are strict regarding marketing the products of foreign insurers. Through the federation of cooperatives, to whom they belong, they have been talking to several money transfer agencies.

Sources: Interview with Daysi Rosales, Executive Director of Seguros Futuro and www.segurosfuturo.com

HOST COUNTRY MODELS

Host models face far fewer challenges when marketing to the migrant, as the insurers are already licensed in the host country. They may also have existing networks in the host country that can support distribution. Nonetheless, insurance markets in many host countries, especially developed countries, have evolved very little in terms of low cost distribution and still rely heavily on relatively costly broker and agent models. This combined with legal and regulatory barriers and slow innovation in technology, has limited outreach of traditional insurers to lower income markets.

Thus, Host models may need to partner with organizations already working with the target community in order to distribute their products. These organizations can help locate migrants, help insurers gain the trust of migrants, and also potentially help with consumer education. Such partnerships are even more important for undocumented migrants who are more difficult to reach and may require more consumer education.

HYBRID MODELS

Hybrid models should be able to overcome many of the marketing and sales challenges faced by Home and Host country models. A home country based insurer partnering with a host country insurer does not face the same legal and regulatory constraints of the Home model, has proximity to both the migrant and the migrant's family, and has the ability to develop products for both. Choosing the appropriate distribution channel is still important.

MARKETING AND DISTRIBUTIONS PARTNERSHIPS

Box 4: The Right Way to Market? Medical Plans for the Families of Guatemalan Migrants working in the United States and Canada

In 2007, the IOM Guatemala brought together Empresa Promotora de Servicios de Salud (EPSS), a health care services company in Guatemala, and Microfinance International Corporation (MFIC), a US based microfinance and remittance processing company, to allow Guatemalan migrants in the US the opportunity to buy pre-paid medical services plans for their family back home. EPSS has one of the largest networks of health clinics and hospitals in Guatemala and MFIC's affiliate, Alante Financial, was already working with unbanked migrant communities from Latin America in the US, providing financial services such as remittances, personal and business loans, and check cashing. In theory, the match seemed ideal, but the program never got off the ground, selling only 15-20 plans in the US.

According to program staff interviewed, the program's dismal results cannot be attributed to the product design as EPSS's plans are well priced and well regarded in Guatemala, with more than 190,000 families and 750,000 beneficiaries enrolled. Rather, there were legal and distribution challenges that limited sales. The program was ultimately discontinued because of MFIC's concern that there was too great a risk to market EPSS services in the US without a license.

There were also problems with distribution. According to MFIC, there was a lot of interest shown by Guatemala migrants remitting at Alante's branches, but they were skeptical of the benefits of insurance as well as EPSS itself. It was not a "household name" for them and they had not seen anything about the plans on TV or other mass media channels. The low-key marketing strategy was not sufficient to win the migrant's trust. The IOM felt that another constraint was that sales procedures were not streamlined. Alante Financial marketed the plans when migrants were sending their remittances. However, even if initial interest was shown, the tellers were not trained to discuss the plans in detail. Rather the migrant had to discuss with a product specialist in the branch. Another constraint was that Alante was asking for documentation that many migrants were unable or unwilling to comply with as they were in the US illegally.

Concurrently, EPSS worked with the Guatemala-Canada Labour Migration Programme to market to migrants going to Canada for seasonal work. After a pilot in 2007, all 2,500 workers and their families in 2008 and 3,900 workers in 2009 were enrolled in the program. It is expected that in 2010 the figure will reach 4,000. This disparity in outreach between the US and Canadian programs highlights how key the distribution channel is to the success of a migration-linked remittance program; and the additional difficulties encountered when trying to work with illegal or undocumented migrants.

Sources: Interviews with Sonia Pellecer, IOM Guatemala and Kai Schmitz, MFIC;
www.saludosualcance.net, www.mfi-corp.com, www.munichre-foundation.org.

Table 3 outlines partnerships that can be used in migration-linked insurance programs. These partnerships can influence the cost of policy for the end user, thus the selection of partners that already have the trust of the community, and recurring transactional relationships with the community or both can add more value.

Insurers can partner with MTAs or other financial institutions to build on their organizations existing client bases and marketing strategies. They would likely need to pay an additional fee and/or make the case that the institution would have an economic motivation for partnering with them. Smaller MTAs have shown interest in this type of alliance to compete with larger agencies that have reduced pricing substantially.[20] These models allow smaller agencies to offer a broader range of products to new clients and obtain greater loyalty without needing to slash prices.

Insurers may find some financial institutions resistant to such a partnership if they view the insurer as competition. In the Philippines, for example, Pioneer Life Inc. considered partnering with an MTA to promote its Savings and Wellness Clubs and SparxX "savings product." The alliance was not possible, however, because most remittances go through banks in the Philippines and the banks viewed SparxX as direct competition.

Table 3: Partners for Marketing and Distribution of Migration-Linked Microinsurance

Host country	Home country
- Remittance sending agencies (banks, MTAs, limited MFIs) - Diaspora organizations - Service Providers (i.e. repatriation company) - Religious organizations - Sports groups - Employers - Other community organizations or NGOs	- Remittance receiving agencies (banks, MFIs, MTAs, pawnshops, post offices) - Migrant/job placement agencies and programs - Service Providers (i.e. health care networks) - Religious organizations - Other community organizations or NGOs

LEVERAGING THE SOCIAL CAPITAL OF MIGRATION

Organizations, such as church groups, home town associations and immigrant outreach centers, that have already gained the trust of migrants, either because of a long-standing relationship with the community, the provision of services or advice, or good reputation, can help insurers gain the trust of migrants, as Pioneer has done with the Catholic church in the Philippines (see Box 5). Another way insurers can informally leverage the social capital created by migrant communities is through referral schemes, whereby insurers reward migrants for referring their friends to the company. In Hong Kong, for example, the migrants can be awarded points (which can be exchanged for additional SparxX cards) for both buying its SparxX its cards and referring others (See Box 2).

Box 5: Pioneer's Savings and Wellness Clubs

Pioneer Group partnered with the Catholic Church in the Philippines to reach out to the families of migrants. Through its parishes, the church organizes Savings and Wellness Clubs that seek to help the families better manage their finances and make better use of their remittances. Generally this population is considered to save very little, to be big spenders and to plan very little for their future as they count on the migrant continuing to support them. The goal of the clubs is to change this behavior. Thus by helping the families of the migrant to better manage their risks, Pioneer hopes to also protect the migrant.

[20] Interviews with insurers and Hugo Cuevas-Mohr from IMTC.

The Savings and Wellness Clubs bundle Pioneer's SparxX savings/life insurance product, with a life policy, personal accident policy and accidental medical reimbursement coverage. In addition financial literacy training is provided periodically in a group setting. The annual cost of joining the clubs is relatively low, US$ 10 for adults and US$ 8 for those under 16. It is distributed as follows:

	0-16 years	16+ years
SparxX	$4	$6
Insurance	$1	$1
Education	$3	$4

As of June 2010, Pioneer had signed up approximately 1000 club members in its first 6 months and aimed to reach 7000 by December 2010. Through its launches co-hosted with the church it has achieved around a 20 percent conversion rate (# of club members/# of launch attendees), which it considers very reasonable. The bigger challenges have related to the Church's capacity to organize launches in additional areas (there is only 1 full time Church employee working on this) and getting members to continue to save or top up their SparxX cards after the initial fee is paid. Renewals are also anticipated to be challenging, but Pioneer has adopted a 3 step approach to encourage renewal: 1) early calls, 2) letters mailed, and 3) give coordinators the list of referrals in their area to follow up with.

Sources: Interviews with Noel Deguzman and Geric Laude of Pioneer Life and Pioneer Group and www.pioneer.com.ph

7.2 POLICY ISSUANCE

In schemes where migrants are paying for insurance for their family members, it can be logistically challenging for insurers to obtain the necessary information and issue the policy to the family, partly due to restrictions on insuring third parties. Some insurers have structured their programs such that the migrant makes the payment in the host country and passes on the personal details of the family member to the insurer. The family member is then responsible for filling out the application. For example, the Haitian insurer AIC plans to partner with an MTA in the United States to allow migrants to directly purchase funeral insurance for their family members back in Haiti. The migrant would give the personal details of his or her family member to the MTA and the MTA would share this with AIC and transfer the premium payment directly to a holding account for AIC. The funds would only be released once AIC has contacted the family member to fill out a formal application for insurance.

7.3 PAYMENTS

One of the potential opportunities for migration-linked microinsurance is the ability of insurers to tap into remittance flows to ensure timely premium payments. They can do so by partnering with a MTA[21] in the home or in the host country, intervening at either the inception point or the reception point of the remittance flow. Eventually they may also be able to leverage technological innovations that facilitate cross-border premium payments.

PARTNERSHIPS WITH MTAS

Home models can partner with local MTAs to market their products and encourage premium payments when migrants send remittances directly to their families, such as in the case of Seguros Futuro in El Salvador (see Box 3). Home models working with migrants in their host country typically depend on a partnership with an MTA if receiving payment directly from the migrant. In BancoSol in Bolivia, remittance payments are made from MTAs into migrants' savings accounts in Bolivia from which insurance premiums are debited directly. Host

[21] MTA is defined broadly here and could include a specialized money transfer agency such as Western Union; a bank, MFI or financial institution; or other type institution authorized to send or receive remittances (such as pawnshops in the Philippines).

and Hybrid models can also benefit from agreements with MTAs to serve as payments centers or channels for unbanked migrants in host countries.

REMITTANCE TYPES

Partnerships with MTAs are most effective when remittances are mostly sent through formal channels (i.e. banks, MFIs, or other MTAs.), rather than informal channels (i.e. friends, family, with the migrant himself or as "in-kind" gifts). MTAs also have a greater potential to become a regular payment channel for insurers when remittances are "smooth," rather than "chunky." Smooth remittances are those that are sent with regular frequency, generally through formal channels. They tend to be small, but their regularity and predictability facilitates monthly, quarterly, or bi-annual premium payments. Remittances to Latin America tend to be smooth. Chunky remittances tend to be larger than smooth remittances, but are less frequent, generally less predictable and often sent through informal channels. Remittances for seasonal migrants and legal short-term placements are inclined to be chunky, for example, in Asia. For chunky flows, partnerships with MTAs are less likely to be effective and would likely require annual premium payments, which can be a financial burden on the migrant and/or migrant's family.

COST OF REMITTANCES

Other constraints to using MTAs as payment channels in some countries include the concentration of MTAs in urban areas, high cost of services, and a lack of competition, which may increase the cost of insurance and/or discourage MTAs from broadening their services. Regulations often set high thresholds for MTAs' net worth and/or require them to post large bonds resulting in limited competition and high costs. Some countries require remittance providers to have the same license required by a bank or financial institution.[22] If these high costs are tacked on in full to the transfer of premium payments, this could significantly increase the cost of microinsurance products. Instead, models should consider "tacking" small insurance premiums onto existing money transfers to leverage the fixed cost of sending money. One way regulators can minimize these costs is by gradually implementing the regulations or making them proportional. (See Box 6 for more on the cost of remittances).

For insurers to successfully partner with a MTA for a migration-linked product, it is essential that both the insurer and the MTA are fully committed to the project and the relationship. It can take significant time and resources to set up the guidelines and systems to allow for the direct payment of premiums, and explain to staff and customers how payments can be made. MTAs need to be convinced of the market potential of the product and it needs to align with their other strategic goals. For example, one of the problems with MFIC's distribution of EPSS medical health plans to Guatemala migrants in the US was that they did not have financial resources to invest fully in the project. Another migration-linked insurance scheme MFIC was working on with AIG also fell by the wayside because the prepaid card it was to be linked to was not deemed a top priority by the board.[23]

Box 6: Cost of Remittances

The cost of sending remittances varies greatly by country and channel. The table below shows the average cost of sending US$ 200 for the top migration corridors.[1] Although costs can be quite high, cost tends not to be the primary consideration for migrants when choosing a remittance channel. They are more inclined to consider convenience for their family and security. Where remittance channels are used to pay insurance premiums, these costs can add to the cost of premiums, particularly when payments must be made frequently.

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[22] The recent implementation of the EU Payments Services Directive has helped overcome this in Europe by opening up the market to allow non-banks to provide payment services.

[23] Interview with Kai Schmitz of MFIC

Cost of Remittances for Top Migration Corridors

Singapore to Bangladesh	4.48
United Arab Emirates to India *	9.79
Saudi Arabia to India *	9.82
Saudi Arabia to Egypt *	12.69
United States to Philippines *	13.16
United States to Mexico *	14.85
Germany to Turkey *	18.81
France to Algeria *	19.95
Tanzania to Rwanda	40.78
Australia to Papua New Guinea	43.32

* *Indicates top 10 remittance corridor* Sources: (1) http://remittanceprices.worldbank.org

HARNESSING TECHNOLOGY TO FACILITATE PREMIUM PAYMENTS

Online platforms and other technological innovations promise to reduce the overall cost of money transfers and increase convenience. Some MTAs, including Western Union, have already begun to introduce their online platforms worldwide, adding payments for utilities, credit cards, and financial services to their menus. Safaricom, a mobile phone service provider in Kenya, has introduced money transfer services (M-Pesa) via its mobile phone network. In partnership with Vodafone it is possible for Kenyans to send money home from the UK via their mobiles.

None of the programs identified in this study have yet fully operationalized a platform allowing for the direct payment of insurance premiums, so it is difficult to know how receptive migrants will be to these payment channels. It is likely to depend on the level of computer and technology literacy of the migrant group and comfort level and trust in such payment systems. It may also depend on whether there is a supporting organization in the host country that can help to 1) market and direct migrants to the site and 2) answer any questions and concerns they may have regarding the product.

7.4 CLAIMS VERIFICATION AND ADMINISTRATION

Another challenge of cross-border insurance programs is claims verification and processing. Claims processing can be especially difficult when the policy holder and the beneficiary are in different countries, as is the case with most policies that cover migrants for repatriation and life. Obtaining the paperwork to meet claims requirements from abroad can be complex and time consuming, and not easily accessible to the migrant's family back home. To address this issue, some Home models offering repatriation insurance programs manage claims through alliances with repatriation companies based in the host country that support the claims process. For example, Banorte's life and repatriation insurance for Mexicans in the United States and Canada works in partnership with a repatriation company based in the United States.

SegurCaixa has partnered with a repatriation company in Spain that is responsible for paying the cost of repatriating the body, as well as the cost of travel of a family member or friend (See Box 7). If there is no one in Spain that can help the beneficiary to gather the necessary documents to complete the claim, SegurCaixa will also work with the deceased's consulate to do so.

Some insurers have also partnered with brokers who represent the beneficiary if they are out of the country. For example, BancoSol in Bolivia has a representative in Spain that helps migrants fill out insurance and claims applications and then forwards them on to Bolivia to be processed. This is possible because Spain allows brokers to conduct limited activities on behalf of foreign insurers not licensed there. For its accidental death insurance, SegurCaixa also uses brokers to help settle claims in the host country on behalf of the policy's beneficiaries abroad, as claims must be made at La Caixa's branches and require significant documentation. Claims are paid through money transfers to a network of financial institutions allied with La Caixa in the home countries and can be collected in cash or paid directly to bank accounts.

Box 7: SegurCaixa's Repatriación Claims Process

- Beneficiary contacts claims hotline from Spain or abroad.
- Beneficiary or representative collects required certificates and brings them to the funeral home that SegurCaixa works with for processing.
- If there is no family member in Spain, the consulate helps with the process
- Funeral home in Spain prepares body, gets airplane tickets for body and one other person to accompany them.
- A funeral home in the home country with which SegurCaixa partners collects the body when it lands in the home country and takes it to a local funeral home.

Source: SeguroCaixa repatriation claims hotline.

7.5 CUSTOMER SERVICE

Customer support, in terms of gathering information and claims processing is especially important but complex because of the transnational nature of the families covered. Because there are only a few models that have experimented with cross-border coverage, and many of these programs are still in their nascent stages, there has been little advancement to date on strengthening customer service. Indonesia's government-mandated program provides a good example of this problem. The general customer service and information sharing are poor so that in a survey conducted by the World Bank, the majority of migrant households reported that they had no insurance (apart from government health insurance) despite the fact that all legal migrants are required by law to have insurance. Family members of migrants were not aware of their coverage, and even some migrants did not know that they had insurance (See Box 8 for list of issues).

Box 8: A Review of Indonesia's Mandatory Overseas Workers Insurance

In Indonesia approximately 90-95 percent of migrants use a placement agency to arrange their work visas, travel and employment abroad. In the past many of these migrants have been taken advantage of or suffered ill treatment in their host countries. Thus, in 2006, the government introduced regulations requiring all migrant placement agencies to provide migrants with a set package of insurance providing coverage prior to their departure, during their stay in the host country and upon their return (TKI Insurance). This package includes coverage for: accidental death; death from sickness; funeral costs; accidental disability; medical expenses; trip cancellation; physical abuse; failure in work placement; early contract termination; unpaid wages; deportation; mental illness; unauthorized work transfer; legal and court fees.

The insurance is distributed by migrant placement agencies, but 9 private consortiums of insurers issue the policies. The premium is included in the fee charged by the migrant placement agencies, IDR 400,000 (US$ 44) for a 30 month period. While successful in achieving scale, according to a review of the program by the World Bank, it does not appear to be working well for the migrants or for the insurance companies.

Some of the primary issues for the migrant include:

- Poor communication of coverage to migrant and migrant's family (the beneficiary); no card passed on to the migrant, despite regulation to the contrary

- Actual policies and claims procedures are complex; especially for the target clientele. This creates a barrier for the migrant to access the insurance that they are paying for.
- Minimal representation of insurers in host country, where the majority of incidents are likely to occur

Some of the primary issues for the insurance companies include:

- The broker's fees charged by placements agencies can be very high
- Price set by regulation considered to be low
- Insurance is more complicated than anticipated
- Required to insure "non-insurable" items

Another issue for all parties is the lack of a migrant database or comprehensive information on the claims figures, which negatively affects transparency, pricing and smooth claims processing.

Sources: Interview with Yoko Doi, Financial Specialist, the World Bank Office Jakarta and World Bank Office Jakarta 2010.

As detailed in the sections above, home, host and hybrid models all have distinct advantages and disadvantages in starting and managing a migration-linked microinsurance product. The table below summarizes the key opportunities and challenges of the three models.

Table 4: Summary of Opportunities and Challenges of the 3H Models

	Opportunities	Challenges
Home Country Models	More likely to understand needs of target client group More inclined to enter microinsurance given it is a big market in many "migrant exporting" countries Can more easily market, sell and administer policies for migrants' families – especially useful for insurance requiring service providers, such as health care Can tap into local distribution channels already working with the target clientele including remitters and MFIs to reach migrants' families) or migrant placement agencies to reach migrants.	Legal barriers to marketing and selling insurance in host country Lack of proximity to migrant makes marketing to them more difficult Need a distribution channel in host country to work with migrants or to facilitate direct payment of premiums Demand constraints for products in home country (lack of consumer education required, trust, etc.)
Host Country Models	Legal and regulatory barriers likely to be less significant as insurers already licensed Can be a large untapped market, as migrants are generally not as well served by the financial sector and there is little competition from other insurers May have existing models that can support distribution (although not tailored to the target population) Migrants are more likely to demand insurance and be able to pay for it than family members Migrants often organized in associations/networks which facilitates marketing	Less likely to understand the needs of the target group Less likely to have access to distribution channels working with the target population Customer support and claims administration are complicated where beneficiaries are family members in the home country
Hybrid Models	Avoid many of the legal and regulatory challenges because there are licensed insurers in both countries Can market more effectively to migrant and family – important where families make joint decisions Existing distribution channels in both countries (although	Premiums may be higher as the partnership creates an additional layer Claims administration more complicated where beneficiaries and services are in both countries, and two insurers are

	may not to be tailored to target market) Can provide continuous service to migrants who return to home countries	involved Choice of law issues are more complicated

8 > CONCLUSION

This paper examines how insurers can address the specific risks faced by the transnational family and how the networks and linkages created by migration may be leveraged to reach this market. The majority of migration-linked microinsurance programs are still in their nascent stages so it is difficult to draw definitive lessons learned which microinsurers and stakeholders could apply in the future. An analysis of existing programs can inform those interested in developing these models further, however, the opportunities and challenges that may be encountered in migration-linked microinsurance models can be specific to the country and migration corridor. The type of migration (developing/developed, long-term/short-term, etc.), and the characteristics of the migrants (documented/undocumented, low-skilled/high-skilled, banked/unbanked, etc.) can vary dramatically by country and region and this can impact the demand for risk management products as well as the structure of the marketing, distribution and operational processes. Thus, a blanket approach to best practices in migration-linked microinsurance would be ill-advised.

Early experiences in offering migration-linked microinsurance point to initial lessons that can inform future stakeholders' efforts. These include:

- **Legal and regulatory constraints pose one of the most significant constraints to migration-linked insurance as insurers are generally not licensed in both the home and host country. It is essential that prior to launching a project the legal and regulatory issues are fully analyzed, as activities permitted in one jurisdiction can be illegal in another:** For example, the legal and regulatory environment in the United States is strict regarding licensure of insurers and intermediaries. This makes it difficult for Home models to reach out to migrants in the United States. Conversely, Spain's insurance legislation has just enough flexibility to allow Home models to have a representative in the country, providing them with the opportunity to market and work directly with migrants.
- **It may be more effective to market migration-linked insurance products directly to the migrant, given the often divergent spending preferences of migrants and their families and the informal insurance responsibility of the migrant.** This is not a necessity for success, but assuming the legal constraints can be overcome, this would overcome some of the demand related challenges. If marketing to the migrant's family, there seems to be a need to pair insurance with consumer education and financial literacy.
- **Finding an appropriate distribution channel is key to achieving scale:** For Home models, when migration is mostly legal, it may be easier to market to migrants prior to their departure; after departure it is generally necessary for them to find a partner in the host country. Although traditional marketing channels may already exist for host country insurers, these channels are often ill-suited for migrant populations, necessitating host country insurers to seek out new partnerships.
- **Insurers can benefit by selecting partners that are already trusted by the community and have recurring transactional relationships with it.** For programs that are seeking to use the social capital created by migration, it is important to consider how well organized the target group is, as well as the degree to which it has assimilated in its host country. Such channels work best when migrants are well established and well organized. For groups of migrants that are not well organized, it is much more difficult to find good distribution channels. In such instances it is necessary to be creative, looking perhaps at sports teams or other recreational activities, in order to reach the migrants.

- **The undocumented status of many migrants can pose serious challenges to marketing insurance products to them in their host countries.** Nonetheless, they may have a greater need for insurance from a risk management perspective. Donors and government agencies from both the home and host countries, including public health service providers, consular support services and private donors striving to improve access to insurance can help meet these needs.
- **There is a significant need for consumer education and financial literacy to promote migration-linked insurance products, especially for the families of migrants.** Migrants who arrive in a host country without prior financial literacy are vulnerable as they often do not have the exposure to financial tools, such as savings accounts, insurance, and low cost payments systems that can help them build assets and manage risks. When access to banks is low, familiarity, trust, and access to insurance can be even lower. Greater effort is required to help create the demand for insurance and trust in insurers. Initiatives to improve financial literacy should be incorporated into programs that market insurance to migrants or their families and can often be integrated into existing outreach efforts relatively seamlessly. Yet these programs are costly and could benefit from new efforts to reach migrants with mass media outlets, telephone and internet platforms.
- **To facilitate payments, migration-linked microinsurance products may be able to tap into remittance flows through partnerships with MTAs.** These are most effective when remittances are largely sent through formal channels, and are "smooth." They are also likely to be more effective when the cost of sending remittances is kept low and there is healthy competition amongst MTAs. Policymakers and stakeholders can encourage this by promoting best practices in international money transfer regulations. Online platforms and other technological innovations may be an alternative payments channel for insurers, although it is difficult to know how receptive migrants will be to these payment channels.
- **Programs must take special care to develop claims procedures and customer support facilities that are accessible to the migrant or his or her family from abroad.** This is especially important when the insured and the beneficiary are in different countries. Insurers may be able to partner with service companies or brokers that can support beneficiaries in these processes.

Migrants and their families represent a relatively untapped market for insurance companies, and one with many unique, and some insurable, risks. While the challenges are substantial, the potential rewards, for both insurers and transnational families, of formalizing the informal risk management created by migration can also be substantial. However, to establish a successful migration-linked microinsurance scheme requires a clear understanding of the market segment and its specific needs. Success is contingent on a firm commitment to the project by all parties involved, the microinsurer, the intermediaries and any supporting organizations to resolve the legal, marketing, distribution and payment challenges. In order to continue to expand migration-linked microinsurance schemes, especially to communities where the development potential is highest, further efforts to overcome the many challenges are needed.

9 > APPENDICES

9.1 LIST OF INTERVIEWS CONDUCTED

Name	Organization
International Organizations	
Betty Wilkinson	Asian Development Bank
Ricardo Cordero	International Organization for Migration
Sonia Pellecer	International Organization for Migration - Guatemala
Sonia Plaza	World Bank
Andrea Riester	Deutsche Gesellschaft für Technische Zusammenarbeit
Gilmer Imke	Deutsche Gesellschaft für Technische Zusammenarbeit
Maria Victoria Saenz	Inter-American Development Bank
Christiane Stroh	GTZ Consultant
Yoko Doi	World Bank Jakarta
Migration Linked Programs/Practitioners	
Isabelle Depeche	Alternative Insurance Company
Alicia Govea	AMUCSS
Angela Monroy	BancoSol
Juan Viteri	Banorte
Alain Letourmy	Centre International de Développement et de Recherche
Adama Ndogo	IDEM Microfinance
Noel Deguzman	Pioneer Group
Geric Laude	Pioneer Group
Nitin Madan	Raj. Shram Sarathi
Daysi Rosales	Seguros Futuros
Jenny Bernhardt	WOCCU
Money Transfer Agents	
Kai Schmitz	Microfinance International Corporation
Hugo Cuevas-Mohr	International Money Transfers Conference

9.2 MIGRATION AND REMITTANCE DATA

LIST OF TOP MIGRANT SENDING COUNTRIES IN 2005[24]

Ranking by Number of Emigrants	
Country	Emigrants (millions)
Mexico	11.5
Russian Federation	11.5
India	10.0
China	7.3

Ranking by Percentage of the Population	
Country[25]	Emigrants (% of population)
Jamaica	39
Bosnia & Herzegovina	38
Trinidad and Tobago	28
Albania	27

[24] All tables in (a) and (b) use the UNPD definition of "migrant," which includes all persons who move to a country other than that of their usual residence for a period of at least one year, so that the country of destination effectively becomes their new country of usual residence.
[25] Countries with less than 1 million in population excluded.

Ukraine	6.1		Armenia	27
Bangladesh	4.9		West Bank & Gaza	26
Turkey	4.4		Kazakhstan	25
United Kingdom	4.2		Georgia	23
Germany	4.1		Ireland	22
Kazakhstan	3.7		Serbia & Montenegro	22
Philippines	3.6		Eritrea	19
Italy	3.5		Portugal	19
Pakistan	3.4		Belarus	18
Morocco	2.7		Macedonia, FYR	18
Egypt	2.4		Lebanon	17
Poland	2.3		Moldova	17
Serbia & Montenegro	2.3		El Salvador	16
United States	2.3		Azerbaijan	16
Vietnam	2.2		Croatia	16
Uzbekistan	2.2		Lesotho	16

Source: World Bank, Migration and Remittances Factbook 2008.

LIST OF TOP REMITTANCE RECEIVING COUNTRIES, 2005

Ranking by Number of Immigrants			Ranking by Percentage of the Population	
Country	Immigrants (millions)		Country[26]	Immigrants (% of population)
United States	38.4		United Arab Emirates	71
Russian Federation	12.1		Kuwait	62
Germany	10.1		West Bank and Gaza	45
Ukraine	6.8		Singapore	43
France	6.5		Israel	40
Saudi Arabia	6.4		Jordan	39
Canada	6.1		Saudi Arabia	26
India	5.7		Oman	24
United Kingdom	5.4		Switzerland	23
Spain	4.8		Australia	20
Australia	4.1		Latvia	19
Pakistan	3.3		Canada	19
United Arab Emirates	3.2		Lebanon	18
Israel	2.7			
Italy	2.5			
Kazakhstan	2.5			
Cote d'Ivoire	2.4			
Jordan	2.2.			
Japan	2.0			
Iran	2.0			

Source: World Bank, Migration and Remittances Factbook 2008.

[26] Countries with less than 1 million in population excluded.

LIST OF TOP REMITTANCE SENDING COUNTRIES, 2008

Country	Remittance outflows (in US$ million)
United States	47,182
Russian Federation	26,145
Switzerland	18,954
Saudi Arabia	16,068
Germany	14,976
Spain	14,656
Italy	12,718
Luxembourg	10,922
Netherlands	8,431
Malaysia	6,385
China	5,737
Oman	5,181
United Kingdom	5,048
Norway	4,776
Japan	4,743
France	4,541
Czech Republic	3,826
Kuwait	3,824
Belgium	3,689
Kazakhstan	3,559

Source: World Bank staff estimates based on the International Monetary Fund's Balance of Payments Statistics Yearbook 2008.

LIST OF TOP REMITTANCE RECEIVING COUNTRIES, 2009

Ranking by Total Remittances	
Country	Remittance Inflows (in US$ millions)
India	47,000
China	46,989
Mexico	22,870
Philippines	19,411
France	15,603
Spain	11,664
Germany	10,762
Bangladesh	10,431
Nigeria	9,585
Belgium	9,134
Pakistan	8,619
Poland	8,500
Romania	8,000
Egypt	7,800
United Kingdom	7,602

Ranking by Remittances as a % of GDP	
Country	Remittances Inflows (% of GDP)
Tajikistan	49.6
Tonga	37.7
Moldova	31.4
Kyrgyz Republic	27.9
Lesotho	27.3
Samoa	25.8
Lebanon	25.1
Guyana	24.0
Nepal	21.6
Honduras	20.1
Jordan	19.0
Haiti	18.7
El Salvador	17.2
Bosnia and Herzegovina	14.8
Jamaica	14.5

Lebanon	7,000		Nicaragua	12.4
Vietnam	6,901		Albania	12.2
Indonesia	6,639		Guatemala	11.4
Morocco	5,720		Bangladesh	11.4
Russian Federation	5,506		Philippines	11.2

Source: World Bank staff estimates based on the International Monetary Fund's Balance of Payments Statistics Yearbook 2008.

INTRA- AND INTER- REGIONAL MIGRATIONS (MILLIONS)

		Migrants in									
		LAC	East Asia & Pacific	South Asia	Europe & Central Asia	Middle East & North Africa	Sub-Saharan Africa	High-income OECD	High-income non-OECD	Total	South-North as a percentage of total
Migrants from	LAC	3.40	0.01	0.00	0.01	0.00	0.00	22.3	0.02	25.9	86.8
	East Asia & Pacific	0.06	2.54	0.11	0.04	0.01	0.02	9.7	5.3	17.7	84.4
	South Asia	0.01	0.29	7.60	0.02	2.11	0.09	4.5	5.6	20.2	49.9
	Europe & Central Asia	0.07	0.01	0.00	27.81	0.01	0.00	13.7	1.9	43.6	35.9
	Middle East & North Africa	0.06	0.00	0.00	0.08	2.12	0.08	6.7	2.8	11.8	80.3
	Sub-Saharan Africa	0.01	0.00	0.01	0.01	0.01	10.02	4.0	0.5	14.5	30.7
	High-income countries	1.84	0.32	0.05	1.03	0.64	0.27	28.7	1.1	34.0	0.0
	Total	5.5	3.2	7.8	29.0	4.9	10.5	89.6	17.3	167.7	

Source: Ratha & Shaw 2007, using data from the University of Sussex and the World Bank. These data include only identified migrants—60.7 million in the South and 106.9 million in the North—for which both source and destination are known. These exclude 4.7 million migrants in the South and 4.9 million in the North for whom the source country is not known, as well as 12.7 million migrants in 37 countries in the South and 0.8 million migrants in 6 countries in the North about whom the respective censuses offer no information.

9.3 MIGRATION LINKED MICROINSURANCE PROGRAMS

Insurer or Risk Taking Entity	Home Country	Host Country	Product (s)	Intermediary	Status
Home Country Models					
Zurich Boliviana Seguros Personales SA	Bolivia	USA and Spain	Family: Health insurance Migrant: Life and accident insurance	9.3.1.1 BancoSol	Active
PICC Property & Casualty Co.	China	China	Migrant: Life and disability insurance	None	Active
Village-based health mutuals	Comoros Islands	France	Family: Health insurance	Centre International de Développement et de Recherche (CIDR)	Active
PlanSeguro	Ecuador	USA and Spain	Migrant: Repatriation and funeral expenses	Banco Bolivariano	Active
Seguros Futuro	El Salvador	United States and Canada	Migrant/Family: Repatriation and remittances insurance	Cooperatives in FEDECER	Active
Empresa Promotora de Servicios de Salud (EPSS)	Guatemala	Canada	Family: Medical plans	Labour Migration Program	Active
Empresa Promotora de Servicios de Salud (EPSS)	Guatemala	USA	Family: Medical plans	Alante Financial/ Microfinance International Corporation	Discontinued
Seguros Columna	Guatemala	Europe and Canada	Migrant: Life and repatriation, accident and disability	Cooperativa Salcaja	Active
Alternative Insurance Compagnie (AIC)	Haiti	Turks and Caicos	Family: Funeral insurance	Small money transfer agent	In development
Indian Overseas Bank	India	UAE	Migrant: Life and health insurance covering return visits to India		Active
Bajaj Allianz	India	Persian Gulf	Migrant: Unit-backed life insurance		Active
Various consortiums of Private Insurers	Indonesia	Global	Migrant: Life, funeral, disability, health (home and host), travel, job placement and payment, legal *Mandatory for all migrant workers going through placement agencies.*	Various migrant placement agencies	Active
l'Union Technique de la Mutualité malienne (UTM)	Mali	France	Family: Health insurance	La Mutuelle des Maliens de l'extérieur	In development

Insurer or Risk Taking Entity	Home Country	Host Country	Product (s)	Intermediary	Status
				(MME)	
Zurich Mexico	Mexico	USA	Family: Life insurance, remittance protection Migrant: Repatriation	Associación Mexicana de Uniones de Credito de Sector Social (AMUCSS)	Active
Seguros Azteca	Mexico	USA and Canada	Migrant and Family: Dual life insurance	Banco Azteca Elektra	Active
Banorte Generali	Mexico	USA and Canada	Migrant: Dual life insurance/repatriation	Banorte	Active
Seguridad Seguros	Paraguay		Migrant: life and repatriation	Financiera El Comercio	Active
Government of Perú, Banco de la Nación (Serpost Post office)	Peru		Family: Continued remittance payment in the case of death of sender during Migrant: Funeral coverage	Ministry of External Relations, Peru	Active
La Positiva Seguros Generales	Perú	USA and Spain	Family: Traditional funeral insurance, life insurance	Federación de Cajas Municipales, Western Union	Active
Health Mutuals	Senegal and Mauritania	France	Family: Health insurance	IDEM Microfinance, FARENA, CIDR	In develop ment
Sri Lanka Bureau of Foreign Employment (SLBFE)	Sri Lanka	Saudi Arabia, Kuwait, Bahrain, Muscat, Qatar, UAE	Migrant: Life and disability insurance *Mandatory for all Sri Lankan migrant workers in the Host Countries*		
Pioneer Group	Philippines	Any	Family: Life insurance, personal accident, accidental medical, bite-sized savings/annuity (SparxX)	Lipa Archdiocesan Commission for Migrants and Mission - Catholic church	Active

Host Country Models					
Pan-American Life	Central America (excluding Nicaragua), Colombia, Ecuador, Puerto Rico, Cayman Islands	United States	Migrant: Life insurance and repatriation/funeral expenses Family: remittance coverage	Gigante Express	Discontinued
Pioneer Group	Hong Kong	Philippines	Migrant: Bite-sized savings/annuity (SparxX)	Hong Kong Branch	Active
SegurCaixa	Latin America and North Africa	Spain	Migrant: Life and repatriation, disability	La Caixa	Active
Hybrid Models					
Sekure Healthcare	Mexico	USA	Migrant: Health Family: Health	Migrants' employers	Active
Knights of Columbus	Mexico/USA	Mexico/USA	Migrant/Family: Life, accident and pension	Knights of Columbus/Cableros de Colon	Active

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MICROINSURANCE INNOVATION FACILITY

Housed at the International Labour Organization's Social Finance Programme, the Microinsurance Innovation Facility seeks to increase the availability of quality insurance for the developing world's low income families to help them guard against risk and overcome poverty. The Facility was launched in 2008 with the support of a grant from the Bill & Melinda Gates Foundation.
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