



International
Labour
Organization



► Attaining and Improving Profitability and Sustainability in Inclusive Insurance

Learning from the Leaders Working Paper Series



generation
foundation

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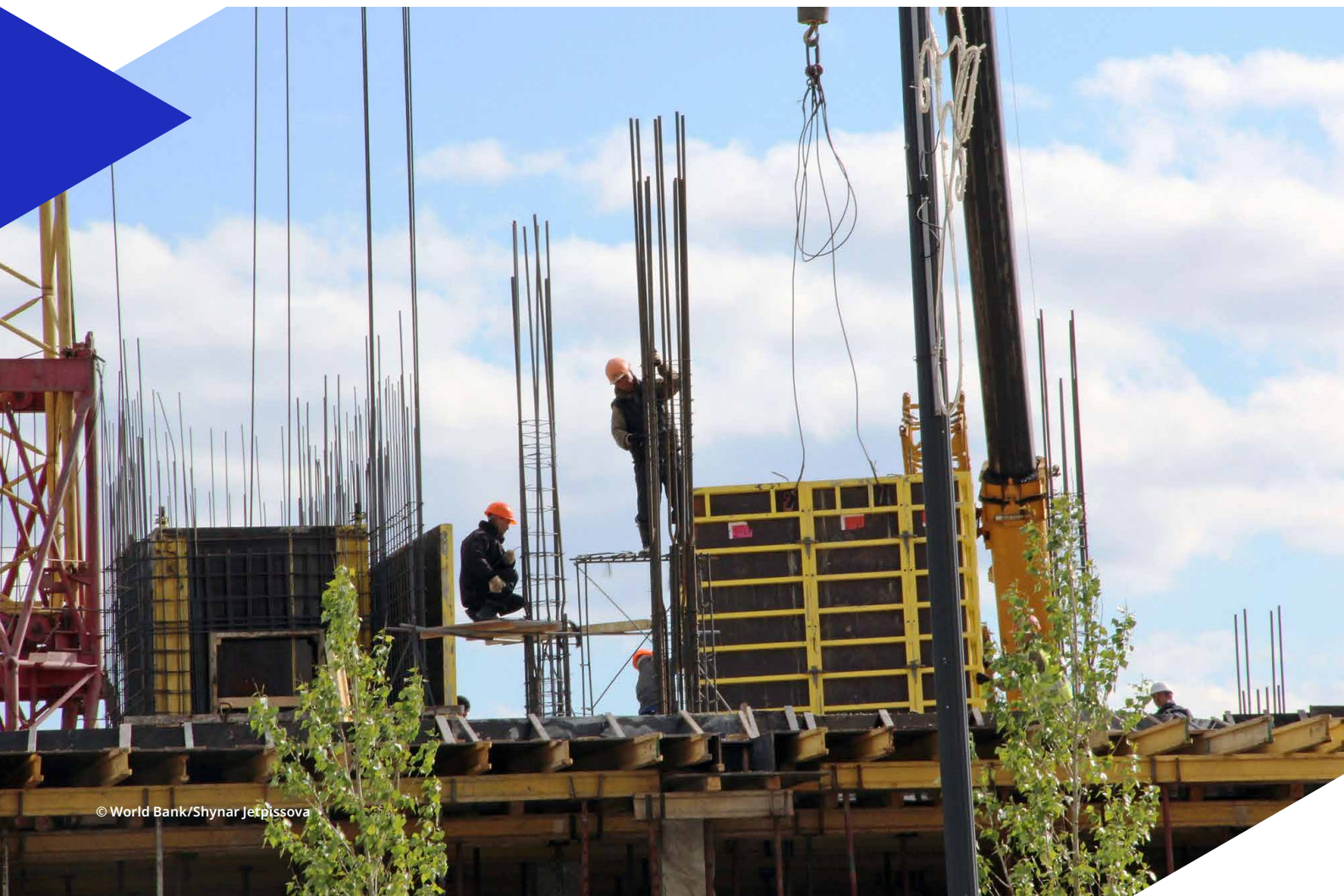
► About the Learning from the Leaders Series

The Learning from the Leaders series brings together insights from the most recent research of the ILO's Impact Insurance Facility and Microinsurance Network on inclusive insurance. Information for the working papers has been systematically collected through dozens of interviews with both insurers that do not currently offer inclusive insurance and leading inclusive insurers. Findings are also supported by earlier research on the topics.

Arranged into six core working papers and related webinars, the goal is to generate and share practical knowledge to overcome key barriers identified in inclusive insurance, promoting the adoption of innovative and sustainable solutions

in the sector. The series is designed to highlight success stories and actionable insights from industry leaders, helping insurers enhance the value and viability of their products for underserved markets.

For this working paper, a related webinar entitled "Improving Profitability" can be found by following [this link](#) and scrolling to the bottom of the page. The webinar features Lorenzo Chan, President and CEO of Pioneer Inc and Quentin Gisserot, Head of Partnerships - AXA EssentiALL, AXA's inclusive insurance business. It is moderated by Lisa Morgan, Technical Specialist at the ILO's Impact Insurance Facility.



► Executive Summary

Insurance serves as a crucial mechanism for protecting individuals and businesses from unforeseen risks. It helps strengthen resilience by providing financial security, aids economic growth by mitigating risks and encouraging investment in businesses, and provides peace of mind. However, despite notable progress in extending insurance to underserved markets over the past 20 years, there is still a hesitation within the insurance sector to invest in developing insurance solutions for less affluent or less conventional markets. This limits the necessary supply of insurance to entrepreneurs, small businesses, smallholder farmers, low-income households and other under-served market segments. With the growing threats posed by climate change, this issue needs to be addressed urgently. It is a critical time to ensure that insurance solutions enable a broader population to effectively manage risks and avoid disruption to productive work. At the same time, there is an economic opportunity for insurers that can successfully serve these relatively untapped markets. Where insurers can successfully and responsibly be more inclusive, there is a win for all.

Research with insurers not currently offering inclusive insurance revealed that one of the main concerns was being able to attain financial viability. Not all insurance organisations are for-profit, such as mutuals and Takaful insurers, however all will want to be financially viable.

The purpose of this paper is to share the current best practices of successful inclusive insurers that have managed to achieve financial sustainability. It is intended to be a reference document for organisations that either want to develop new inclusive insurance solutions or improve what they are currently offering.

Packed with case studies and a useful checklist tool in Appendix A, this paper presents the secrets of success to financial sustainability under three key categories:

- Having a clear strategy and securing stakeholder support
- Designing the right inclusive insurance solutions and achieving scale
- Managing expenses

Securing the support and buy-in from all stakeholders is not only necessary but can greatly help to develop optimal solutions that are appropriate, customer-centric and acceptable by all. When securing senior management support, it is important to set realistic expectations regarding profitability and emphasize the long-term vision. Delivering quick wins can help to build confidence. Collaborating with trusted experts and demonstrating the value of partnerships, especially distribution partnerships, is key to sustainability.

To design the right solutions and reach scale, having the right team with the right qualifications and experience is crucial. Market research both before the launch and on an ongoing basis is highly recommended, as is using a Human-Centred Design (HCD) approach for product development. Successful inclusive insurance products are AAARS products – they are affordable, accessible, appropriate, responsive and simple. To reach scale, inclusive insurers need to develop strong and diverse distribution partnerships. Trust also needs to be built through responsive claim payouts.

On managing expenses, it is advisable to simplify product design and monitor experience, especially by tracking key performance indicators (KPIs) – the most common KPIs are given in Sections 1.2 and 2.5. Successful inclusive insurers leverage technology to reduce administration and distribution costs, maintain a lean team and focus on strategic partnerships that also help to minimise their costs.

This research shows that inclusive insurance can indeed reach profitability and be financially sustainable, but that it usually happens under certain conditions, with a certain mindset and by applying key strategies. We encourage all organisations that either want to develop new inclusive insurance solutions or improve what they are currently offering to read this paper. Now is the time to develop new or improve existing insurance solutions so that many more individuals and businesses can benefit and strengthen their financial resilience.

► 1. Introduction – profitability and sustainability

With inclusive insurance, which is insurance that is aimed at underserved populations, the purpose is to build the resilience of individuals, families and small businesses, and in turn their communities, so that they can survive and thrive, despite the financial shocks that might come their way. The insurance industry and its partners (including governments) need to be able to do this in a **responsible and financially viable way**. Achieving the purpose of inclusive insurance is inextricably linked to long-term financial sustainability; without this, there is no viable insurance solution.

The mission of the ILO's Impact Insurance Facility is to enable the financial services industry, governments, and their partners to realise the potential of insurance for social and economic development. Similarly, the Microinsurance Network (MiN) is committed to building a world where people of all income levels are more resilient and less vulnerable to daily and catastrophic risks through improved access to effective risk management tools, including insurance services.

Some insurers and other risk carriers also view the purpose of inclusive insurance through an environmental, social, and governance (ESG) lens, where inclusive insurance contributes to a strong social, equitable and environmental impact. Attaining the double or triple bottom line with inclusive insurance business is a natural alignment. Insurance is a part of a wider programme to build resilience and adapt to climate change. Furthermore, knowledge shared by insurers with their policyholders and setting conditions for insurability can also have an indirect impact on climate change mitigation, for example, improving farming knowhow in such a way that reduces or eliminates the need to cut down rainforests.

For some insurers inclusive insurance is part of their core business strategy. An example of this is Hollard, a South African insurer that has been offering inclusive insurance for the last 25 years, with a keen focus on funeral insurance – an insurance solution aligned to support the cultural importance of death and burial.

►► “We believe that there is something we can do as an insurance company, that has a huge impact on the low-income populations that we serve, while at the same time making it financially viable and sustainable for our business. Inclusive insurance is core to our strategy.”

► Masafumi Mayumi, Group Executive – Strategy & Synergies, Hollard Group, South Africa

For clarity, inclusive insurance includes micro-insurance, which is insurance developed for low-income populations, but is not limited to it. To illustrate the difference with an example, women are an underserved population across all financial services, but not all women have low incomes. A gender protection gap exists, where women across all socio-economic groups use less insurance than men, and therefore are less resilient against the same financial shocks. Microinsurance for women would be aimed only at low-income women, but inclusive insurance for women, would be for all women who currently don't benefit from insurance, regardless of their socio-economic status.

This working paper is aimed at the insurance industry, especially insurers looking to start or improve their inclusive insurance business. However, the intention is that their partners, such as insurtechs, reinsurers, regulators, distribution partners, academics, and development professionals will also find it useful in their pursuit of improving global financial inclusion, which incorporates access to insurance.

The authors have interviewed dozens of insurers and other stakeholders to understand the real issues and practical solutions around achieving and improving profitability and long-term sustainability. The results are presented in this paper.

1.1. Perceived and actual barriers to market entry

To identify the challenges preventing conventional insurers from developing inclusive insurance solutions, 37 non-participating insurers were interviewed. From the conversations on perceived and actual barriers, key themes around profitability emerged:

- **Most insurers agreed that inclusive insurance could be profitable and sustainable under certain conditions** (the terms are explained in detail below). It was not so much an issue of whether profitability is possible, but more an issue of convincing senior management and others about the time needed to reach sufficient scale to achieve profitability. Inclusive insurance needs a medium to long-term focus (on average, around 4 to 5 years to profitability, see Figure 1 on reaching scale), while some investors expect unrealistic short-term results which can create misaligned expectations and hinder the required long-term commitment.

►► “Just because they are inclusive does not mean they are not profitable.”

- **An insurer interviewee, not currently offering inclusive insurance, but who recognises the potential.**

- **A few interviewees had the perception that inclusive insurance might not be profitable due to its low price point and relatively high operational costs.** They were also uncertain about how to reach scale. Scale is central to profitability since the model for inclusive insurance is one of low-margins and high-volumes. There were also concerns and a lack of know-how about how to adapt to new markets in terms of marketing, staff, negotiating fair commission structures, distribution and dealing with regulations.
- **Some insurers had already tried to launch inclusive insurance solutions, but had difficulties establishing the right partnerships, especially for distribution.** Rather than iterating and trying to find solutions – which is necessary with new markets – these companies exited.
- **Some perceived that lower-income populations are riskier and their risks possibly not insurable.** Often insurers lack data about certain risks and/or population segments, and without good data they are reluctant to test the waters.
- **Some traditional insurers had a limited appetite for inclusive insurance,** held back by the perceived and actual barriers mentioned, while **others had just not thought about expanding their portfolio to cover these new markets.** For others it was a case of inclusive insurance not currently being part of their core strategy, for example where an insurer wanted to focus on associating their brand with prestige.

- Non-participating insurers felt there was a **lack of information** in the public domain about inclusive insurance; what exists had not yet reached them. Furthermore, they had not done their own research. For many of the non-participating insurers interviewed, there was also a clear absence of a dedicated internal champion.

This working paper presents a range of solutions to these barriers, most of which come from interviews with insurers that are leaders in inclusive insurance. Reference is also made to past research conducted by the ILO, the MiN and others.

1.2. Profit, profitability and sustainability

Not all insurers are for-profit organisations (such as insurance mutuals, takaful insurance programmes and other community-based schemes), and so some of the terminology in this paper might need adaptation. For brevity, we will use the terminology for for-profit organizations, however, all the points made are relevant to all types of organisations. For a non-profit organisation, references to “profit” can be replaced by “surplus” and “profitability” by “financial sustainability”. Furthermore, “product” can be replaced by “scheme”, “customers” by “members” and “premiums” by “contributions”. We also refer to sustainability, which goes further than financial sustainability and is described below.

When actuaries perform their pricing role, assumptions are made about all elements of the “equation of value”, in which the premium must cover the cost of claims and all other expenses. A profit margin is assumed, as is the potential scale, the latter with input from the marketing team. However, pricing is done on best estimate assumptions about the future and, since actuaries are not fortune tellers, actual experience always differs from that assumed. The degree to which this differs depends on multiple factors, including the quality of the data available to set pricing assumptions. With pricing there is a delicate balance – underprice too much, and losses will be made, overprice too much and the insurance might not be competitive, leading to low volumes (and losses).

Accountants, actuaries and/or other financial analysts will then look backwards over a specific period (e.g. a year) to calculate the **profit**. Simply put, a profit will have been made if all the revenues are greater than the cost of claims and expenses. Revenues include earned premiums, investment income and subsidies, while expenses include incurred claims, commissions, administration expenses, distribution expenses, cost of capital, taxes. This information can be found in the income statement. Profit is an absolute amount and can vary widely from one year to the next. However, in the context of insurance, a useful key performance indicator (KPI) is the **insurance profit** (which can be calculated gross or net of reinsurance). See Box 1 for the formulae. This can be calculated by product or for a portfolio, where the revenues and expenses are appropriately apportioned.

Profitability, on the other hand, is a medium- to long-term concept, and refers to the extent to

► Box 1: KPIs for calculating insurance profit

Gross insurance profit = Gross earned premiums – gross claims incurred – expenses

Net insurance profit = Net earned premiums – net claims incurred – expenses
(net of reinsurance)

which a company earns a profit. Profitability is about *financial* sustainability. It is also a measure of efficiency. Profitability is commonly expressed as a ratio. It can tell key stakeholders whether a company can sustain its position in the market and continue to grow¹. In the context of inclusive insurance, useful KPIs include the gross insurance profit ratio and the net insurance profit ratio (see Box 2). It tells us how much of the earned premium is going towards profit and is more useful when comparing products than using profits, which are absolute amounts, and can vary widely. More about using these ratios can be found in Angrove and Tande (2011). The point of looking

¹ <https://www.investopedia.com/ask/answers/012715/what-difference-between-profitability-and-profit.asp>

at these equations is that anything impacting any of their components impacts profitability. Thus, strategies to 1) price correctly, 2) increase scale, 3) manage the cost of claims and 4) manage expenses (namely acquisition and administration costs) will help to ensure a viable business model. Many strategies mentioned by the leading insurers interviewed are centred on one or more of these levers.

► **Box 2: KPIs for calculating profitability for inclusive insurance**

Gross insurance profit ratio = Gross insurance profit/Gross earned premium

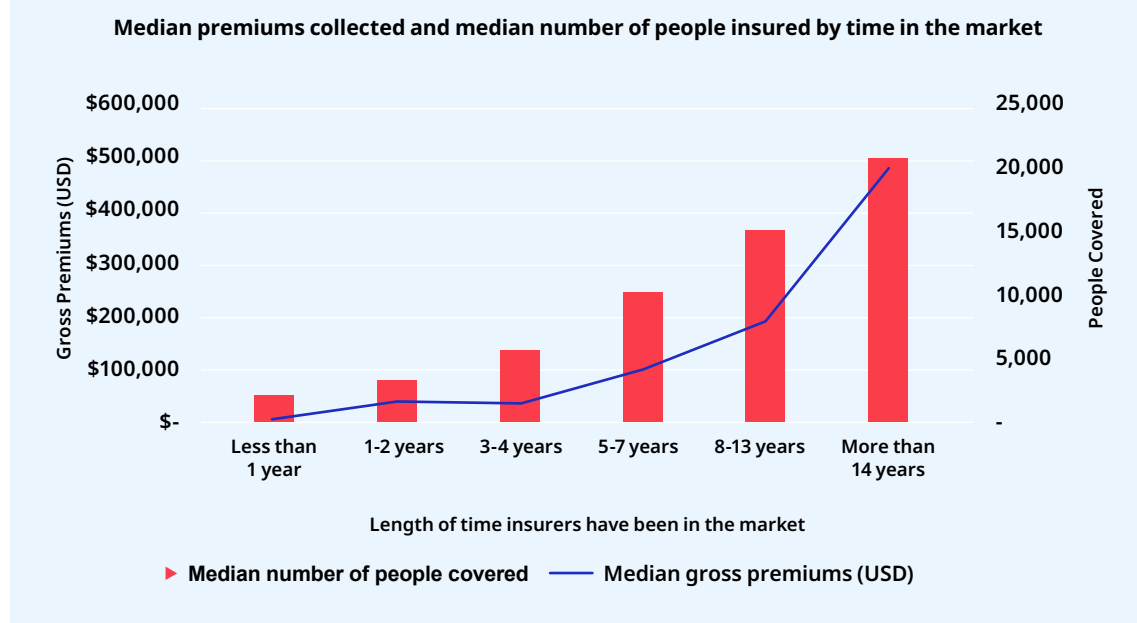
Net insurance profit ratio = Net insurance profit/Net earned premium
(net of reinsurance)

This paper only focuses on *financial* sustainability. However, some research has already been done on the ways in which insurers can account for, and insurance can contribute towards broader sustainability. Recent research by the ILO also shows how the insurance industry can contribute towards “just transitions”, leading to more resilient and sustainable economies. “Just” in this context is about environmental and social justice or fairness. More on this topic is summarised in Appendix B, however, ongoing research on how insurance can contribute towards sustainability is needed.

1.3. Can inclusive insurance be profitable?

Can inclusive insurance be profitable? From interviews with leading inclusive insurers and research, the answer is a resounding yes. However, it is not a given. It happens under certain conditions, with a certain mindset and by applying key strategies.

► **Figure 1: The median premiums collected, and median number of people insured per insurer, by the length of time that insurers have been in the market**



Source: The Microinsurance Network

Looking at statistics from the Microinsurance Network's Landscape of Microinsurance 2024, the longer that insurers persevere with their inclusive insurance solutions in the market, the more they are rewarded with a higher number of customers and greater premium income². Furthermore, the growth by year in the market is exponential. Figure 1 shows that significant scale can be attained after the fifth year in the market and that there are inclusive insurers that have

been in the market for more than 14 years – good news for senior management who might be concerned about the longevity of inclusive insurance. According to the same data, nearly 20 per cent of all microinsurance products studied covered 100,000 people or more.

We further illustrate the potential for profitability by turning to two case studies with Pioneer Inc. (Box 3) and AXA EssentiALL, AXA's inclusive insurance business (Box 4).

► Box 3: The path to profitability and sustainability – Pioneer's microinsurance journey

The importance of paying claims and being seen to pay claims. Pioneer Insurance, based in the Philippines, started its microinsurance business in 2008. Products sold include bundled coverages, for example, those that bundle accident and/or burial with calamity, agriculture, income loss, and other non-life insurance needs of the underserved market. As shown in Figure 2, the experience remained relatively flat in the early years.

In November 2013, Typhoon Haiyan devastated provinces in the Philippines. It was one of the strongest tropical cyclones ever recorded, killing an estimated 6,352 people. In the wake of the destruction, Pioneer stepped forward with speedy processing and settlement of claims. Staff joined forces with partners during the aftermath but more importantly, they made sure to keep their word. Pioneer knew the importance of paying all legitimate claims. Following the claims experience from Typhoon Haiyan in 2013, and later from Typhoon Rammasun and Hagupit in 2014, more people began to believe in insurance. Pioneer saw demand increase and enrolments double in the following year(s). Except for a dip in the pandemic years, the upward trend has continued. The observation is that when insurers pay claims quickly, it confirms the value of insurance to existing customers and encourages potential customers to try it. This drives both retention and new business growth.

Other keys to profitability. While the recurring typhoons presented opportunities for Pioneer to demonstrate the value of insurance, there is more to say about its journey to success. It is equally important to **secure the support of upper management and/or the board** when one enters new markets. Pioneer did this by relating the objective of pursuing microinsurance to the corporate vision of being the insurer of choice. Management presented this in language appreciated by the board. Furthermore, delivering some early wins can go a long way towards consolidating such support.

On **scale/reaching a critical mass**, finding the right distribution partners is critical. Pioneer has a diversified portfolio of partners, including the country's biggest microfinance institution, pawnshops, remittance centres, rural banks, shopping malls, and major motorcycle distributors, among others. Working with these partners requires innovation around the 6 Ps as a useful framework (the appropriate product, price, place, positioning, people, and processes). Lastly, one must listen to the target market, build trust, and be continuously customer centric.

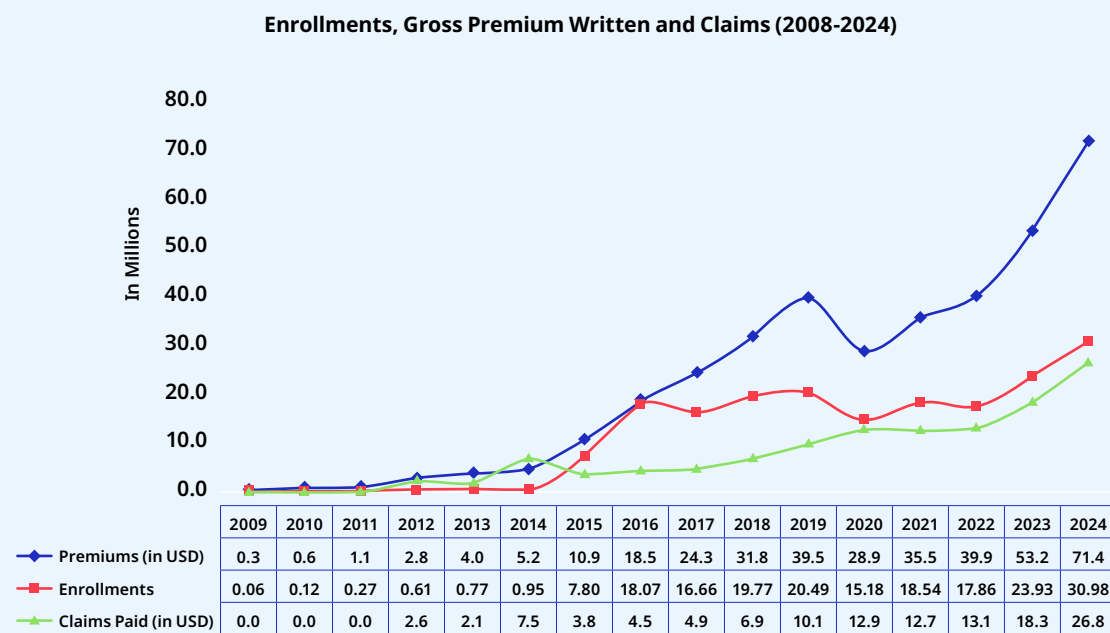
² The figures in the Landscape study are based on voluntary, self-reported information provided by 294 insurance providers in 37 countries on their microinsurance activity in 2023. These insurance providers reported on 985 microinsurance products covering a total of 344 million people. Collectively, these products cover a sum insured of more than USD 11,237 billion. For insurance providers, the products represent revenues of USD 6.2 billion in written premiums, up from USD 5.8 billion in the previous year.

On **balancing costs and premiums**, Pioneer's experience shows that managing and the sharing costs and roles with its key partner in the early years of the joint venture is vital. Maintaining an open mindset to asking customers, testing, reviewing, and recalibrating the value proposition will continuously improve products and processes.

Pioneer's journey to date. When Pioneer Inc. began offering insurance to low-income households in 2008, it started with one key distribution partner, CARD MRI. In 2013, five years after they started working together, Pioneer and CARD MRI entered a joint venture called CARD Pioneer Microinsurance Inc. (CPMI). Today, all Pioneer Inc. companies offer microinsurance, working with almost 100 institutional partners. In 2024, Pioneer had over 30 million enrolments and generated over USD 71 million in premiums. CPMI is currently one of the biggest microinsurance providers in the Philippines.

More can be found in [ILO case brief on Pioneer Microinsurance](#) and [the webinar](#) associated to this paper.

► **Figure 2: Pioneer's microinsurance journey (amounts in PhP – USD 1 is about PhP50)**



Source: Pioneer Insurance

Inclusive insurance is not only needed in developing countries. While AXA EssentiALL has operations around the globe, recent experience shows

that there are also gaps to be filled in developed countries (see Box 4).



► Box 4: AXA EssentiALL, AXA's inclusive insurance business

AXA, a global leader in insurance, has significantly expanded its inclusive insurance footprint over the past decade, first entering markets across Asia, Africa, Latin America, and then in Europe. Since launching operations in four countries in 2016, AXA's emerging consumer business line has grown to insure over 17 million customers across 20 countries at the end of 2024. This success has been attributed to **three key principles: patience, context, and diversification**. AXA's approach emphasizes the importance of understanding local market dynamics. Its **model for inclusive insurance** is built on **four main pillars**:

- **Affordable, accessible and attractive products** – The type of coverage influences product design, notably health which is structured as a complement to government safety nets, but simplicity and relevance are always core to success.
- **Optimized distribution models** – Utilizing diverse channels such as microfinance collaborations, cooperatives and digital platforms enhances market reach and efficiency.
- **Data-driven operations** – Simpler products with less exclusions enable simpler processes, notably for claims, reducing costs and turnaround time by enabling digital customer journeys.
- **Collaboration with the public sector** – Many policymakers around the world are working to develop more conducive regulatory frameworks for inclusive insurance. Some products, notably agriculture insurance, intrinsically require subsidies to reach sustainable scale.

Using this context-driven approach in France, AXA identified a high-need, underserved segment: micro-entrepreneurs. Each year, approximately 700,000 new micro-enterprises are launched in France. However, these businesses face significant risks with 40 per cent lacking any form of property insurance and many more hesitating to start their business due to the absence of the usual insurance benefits available to traditional employees.

To address these challenges, AXA designed a Micro-Entrepreneur Insurance Pack, which bundles multiple coverages into a single, affordable product. This package includes liability insurance to cover damages caused by business operations, property insurance for protection against losses due to theft, fire, or damage, legal protection to support entrepreneurs in case of disputes and income protection in case of hospitalization or accidents. The success of the product is driven by:

- **Contextualized product design** – Bundling coverage minimized adverse selection by ensuring customers purchased comprehensive protection rather than selective policies.
- **Operational efficiency** – Streamlining distribution and administrative costs allowed for affordable pricing while maintaining profitability. AXA negotiated a 30% lower fee for agents as the simplified product required less underwriting effort. Simplified policy terms and claims processing reduced administrative expenses, making the product more accessible.
- **Competitive pricing** – Standard professional insurance in France averages €600 annually, whereas AXA's package was priced at €350, making it significantly more attractive to micro-entrepreneurs.

Profitability in inclusive insurance requires patience. By balancing financial returns with social impact, AXA demonstrates that sustainable models can thrive over time. The company's decade-long journey underscores the importance of patience, efficiency, and a deep understanding of customer needs. As insurance markets continue to evolve, AXA's model provides a valuable blueprint for achieving long-term sustainability in the sector.

► “There is no silver bullet in inclusive insurance. In every country you have very different realities, and you need to combine nimble experimentation with long-term commitment.”

► **Quentin Gisserot**, AXA EssentiALL Head of Partnerships.

► 2. Insights from experience – the secrets of success

This section summarises the highlights from conversations with leaders in inclusive insurance about the secrets to success regarding financial sustainability. While one can map out the equations and ratios to understand the levers of profitability (as we have done in section 1), understanding which strategies to focus on and how to manage all the moving parts is something that comes with experience, and trial and error. For those relatively new to inclusive insurance or wanting to enter the market, there is good news: reading about the experience of those who have succeeded can give you a head start. Approaches may vary depending on the type of inclusive insurance solution, but most of the insights shared are product agnostic.

2.1. Overall strategy and securing stakeholders' support

As mentioned in the advice provided by Pioneer in Box 3, senior management buy-in is necessary to move forward. It may not only be senior management – there could be investors and others that need convincing. Nevertheless, the advice still applies. The following insights should be part of the conversation.

2.1.1. Different goals for different strategy periods

Some leading insurers interviewed said that in different strategy periods, they had different goals – for example deliberately focusing on achieving growth over profit in the short term, and the opposite at a later point. For some, the goal for their inclusive insurance business was to grow, but just to break even or make modest profits – something they believed was more responsible and appropriate given the target market. All stressed it is important to have a mid- to long-term vision of inclusive insurance and value the customer since,

as with the experience with Equity Bank in Kenya, known for “growing with its clients”, the inclusive insurance customer of today, could be the conventional insurance customer of tomorrow.

►► “The inclusive insurance customer of today, could be the conventional customer of tomorrow.”

► Leading inclusive insurers

Others interviewed said that they do not fix a timeline (see Box 5). Rather – because inclusive insurance is so core to their mission – they must show that they are on the right path, and this is sufficient. However, it was still important for them to keep challenging the viability of the product or portfolio, and if necessary, try new things.

► Box 5: Seguros Bolívar's approach to inclusive insurance

Seguros Bolívar is a Colombian insurer with the vision of supporting the development of its country and giving security to its customers with solutions tailored to their needs. Examples are Seguros Bolívar's range of parametric insurance products designed to protect coffee and cacao farmers. It views its inclusive insurance business as follows: "We see it as a long-term internal investment, both from a sustainability perspective and as a business. It is part of our mission."

A little over four years ago, Seguros Bolívar established a team to formulate its position

on social responsibility and evolve its ESG vision. With input from this team, Seguros Bolívar committed itself to a sustainable business strategy. Of this strategy, they said: “We do not see sustainability as a separate area, but rather we have sought to integrate sustainability into everything that the company does. In the case of agriculture, we work with inclusive insurance, which obviously touches on environmental issues. These are insurance products that have a coverage against climate risks, so they are the materialization of sustainability, which is why everyone is very encouraging and collaborative.”

In addition, management stated that their objective is not profit, but they also do not want to lose money. What they do want is to have a great social impact. Today Seguros Bolívar covers nearly 60,000 agricultural producers who previously did not know about insurance and, due to their rural locations, did not have access to insurance.

Seguros Bolívar’s goal is to make its inclusive insurance business sustainable from an economic point of view and to contribute to the sustainability of the country.

2.1.2. Reinsurers and trusted consultants can help

Reinsurers and trusted consultants sometimes have access to data from the same or similar markets and experience of setting up similar inclusive insurance schemes. One approach that some insurers use, including La Positiva in Peru (see Box 6), is to rely on reinsurers that have relevant experience to help with the initial design and pricing. Having credible reinsurers or consultants involved, who base advice and decisions on real-life data can help allay the fears that senior management might have about venturing into new territory without credible (inhouse) data.

► Box 6: La Positiva – creating the first crop insurance product in Peru with the support of a reinsurer

When developing a nationwide catastrophic insurance programme for agriculture in Peru, the insurer La Positiva found that using the services of a reinsurers (Hanover Re) and consultants – that already had data and experience in similar countries – was beneficial. Such organisations can help design and price appropriately, calibrating new schemes to the local environment. Experience-based design as well as data-based pricing, where possible, are very important for sustainability.

Hanover Re had already supported a similar programme in Mexico and was therefore able to work with La Positiva and the Government of Peru to develop Peru’s first catastrophic insurance programme, which was launched in 2009. As part of its work, Hanover Re also organised a study visit to Mexico so that La Positiva could learn from their experience – La Positiva found this exchange to be very valuable.

In addition to Hanover Re, La Positiva used the services of a consultant with experience in Brazil, Argentina and Chile. La Positiva also commented that it is critical to involve climate professionals and farming experts (e.g. agricultural engineers) when developing such a scheme. Public information may not be good, so experience is needed. Furthermore, they suggested that experienced loss adjustors/assessors be involved to avoid overpricing.

2.1.3. Look at the portfolio by channel and as a whole

A leading insurer interviewed recommended looking at the profitability of inclusive insurance/microinsurance by channel i.e. aggregate the profitability calculation for all products sold through the same channel. This practice helps to ensure that even if a product has not yet reached its break-even point, but the overall channel is still

profitable, then the insurer may be more willing to give the product more time. Looking at the profitability of one inclusive insurance product in isolation can distort the impression of all possible inclusive insurance products.

2.1.4. Time to profitability

Finally, the business case will set out the expectations of how long the new or adapted inclusive insurance solution or programme will take to become profitable. Just like most other insurance products, senior management should not expect profitability in the first year. Expectations should be in line with experience: a typical profitability horizon for inclusive insurance is 3 to 5 years. Different products will have different payback periods. Some interviewees said expectations should even be from 5 to 10 years, depending on the circumstances, but it depends on how focused the insurer is and what its goals might be.

2.2. Designing the right inclusive insurance solutions

The right inclusive insurance solutions offer high value to the client. They are “**AAARS**” products: products that are **A**ffordable, **A**ccessible, **A**ppropriate, **R**esponsive and **S**imple. These are the attributes that we already know provide client value. But this is only achieved with the right team, adequate research and a customer-centric design process.

2.2.1. The right team

Leading insurers invest in quality people and devote dedicated resources to developing their inclusive insurance business. The team needs to know about or be willing to learn about inclusive insurance, which is different to conventional insurance. Other advice was to invest in the training of the team by sending them on courses, such as The Microinsurance Master or the ILO’s Impact Insurance Academy, and getting involved in networks, such as the Microinsurance Network, and other forums on inclusive insurance or microinsurance.

The right team does not need to be a big team. Most leading inclusive insurers had “lean teams” and shared various functions with the wider business (such as marketing, actuarial and finance). Some insurers also leveraged specialized teams within and outside of their organizations to focus on different parts of the insurance value chain. This is easier for larger insurers than small startups. One interviewee said: “To deliver inclusive insurance, you need to have the right level of skills, with the right number of people at the right cost.” There was also consensus that hiring people with prior experience in inclusive insurance or with experience in organising the community, such as understanding and working with population aggregators (such as cooperatives) was beneficial.

►► “To deliver inclusive insurance, you need to have the right level of skills, with the right number of people at the right cost.”

► Leading inclusive insurers

2.2.2. Customer-centric design

Experience shows that doing thorough [market research](#) yields better results. Market research should be done before entering the market and from time to time to improve a product. Part of market research is understanding the barriers to uptake and any potential reputational risk. Green Delta in Bangladesh, for example, always conducts focus group discussion with its beneficiaries before any new product or process is introduced. For its crop insurance, Green Delta included the input from agronomists and any other relevant stakeholders.

A key tip was to extend the research on and with distribution partners. By speaking to distribution partners, some leading insurers gleaned a much better understanding of what products they wanted and felt would fulfil their members’

or clients' needs. Co-designing products with distribution partners, including insurtechs, can be a useful approach, on the condition that the process remains customer centric.

Some insurers do their market research inhouse, and others go external. One approach mentioned was to invest in continuous market research. Some insurers partner with external research and consulting companies to target specific segments of the underserved market and use their services on an ongoing basis.

Given that inclusive insurance, by definition, targets new or previously uncovered target populations, extra care needs to be taken to ensure that the solutions are relevant. Customer centricity is therefore key. Human-Centered Design (HCD) has become the go-to approach for many inclusive insurers.

2.3. Strategies to achieve scale and improve retention

Building scale or successful distribution is seen as the holy grail of inclusive insurance. This means both reaching new clients/beneficiaries and retaining them. It should be kept in mind that reaching scale requires time. Some strategies are discussed below.

2.3.1. Building trust – being responsive, paying claims and being visible

Insurance is a promise; a promise that when something bad happens, the insurer will be there to help out. We have already seen from Pioneer's experience in Box 3, that paying claims sends a powerful message about insurance being able to deliver on this promise. This is about inclusive insurance providing responsive (the "R" in "AAARS") products for client value. This builds trust and trust is needed to build and retain scale, which in turn is a key building block for financial sustainability. Many insurers know the power of being visible when it counts. Both APA in Kenya and Hollard in South Africa, for example, invest time in claims payout ceremonies (see Box 7).

► Box 7: Seeing is believing – paying claims builds trust and trust builds scale

South African insurer **Hollard** and Kenyan insurer **APA** both understand that it is important for clients to witness claims payouts. As the saying goes, seeing is believing. Insurance can be a difficult product or solution to sell because it is buying something intangible for the future, that may or may not actually materialise. While purchasing insurance does provide peace of mind, it is also comforting for all to see that claims promises are honoured when the risk event occurs. The point at which claims are paid is known as "the moment of truth".

Funerals are very important in South Africa from a cultural perspective, with funeral insurance being a useful solution to help offset some of the direct and indirect costs. For decades, funeral insurance has been a popular product, although trusting insurance companies is not always a given. To help build trust amongst clients, **Hollard** has held claims payment ceremonies, sometimes during funerals, so that it is visible. At these ceremonies Hollard has erected branded tents, with staff available to answer questions after paying the claim.

APA uses a similar approach to building awareness and trust. For agricultural insurance, APA combines claims payout ceremonies with crop insurance awareness training. During the ceremony and training, "dummy" claims cheques are presented to beneficiaries, with the real payments being directly credited to the farmers' M-PESA accounts. These ceremonies are jointly planned and organized with insurance aggregators, for example **Apollo Agriculture**.

Pandemics and natural catastrophes, while heart-breaking, are times when insurers can demonstrate their value. Experience shows a huge surge in sales after such events where insurers have kept their promises and paid claims – even if this means a temporarily high loss ratios, e.g., the increase in sales after Typhoons Haiyan, Rammasun, and Hagupit (as experienced by Pioneer) and after COVID-19 (as experienced by Pioneer, APA and Britam). Microinsurance sales of Pioneer's key products such as CARD Care Plus grew by 32 per cent and 25 per cent, and Kabuklod grew by 19 per cent and 33 per cent, in 2021 and 2022, respectively; these increases followed claims settlement and product enhancement during the pandemic years. Microinsurance sales at APA grew by 24 per cent during the Covid-19 Pandemic, across all product lines.

2.3.2. Distribution partnerships and strategies

The next working paper in this series, Learning from the Leaders, will delve more deeply into the topic of distribution. While it is not the only factor for success, success is not possible in inclusive insurance without having a successful distribution strategy and the right distribution partners – these are needed to attain scale.

Inclusive insurance relies on a far broader range of distribution partners than conventional insurance. Reaching these new clients requires a more innovative approach. The secret to success with inclusive insurance is understanding the financial touchpoints of the targeted population and then exploring possible partnerships with these alternative distribution channels – they are alternatives or supplementary to the usual inhouse agents (direct sales), tied agents/brokers, and large financial institutions, such as banks. Alternative distribution channels for inclusive insurance include microfinance institutions, mobile networks operators, post offices, agro-distributors, formal retailers, informal retailers and traders, utility companies, petrol stations and community groups. More can be read on this topic in this paper: [Microinsurance distribution channels](#).

With financial viability in mind, insurers interviewed highlighted the importance of analysing the different distribution channels available, and mapping expected numbers of policyholders by channel. Different channels are also responsible

for selling different things, and so the type of insurance solution(s) that would make sense for a channel will differ from channel to channel. Mapping the potential number of customers by channel can help an insurer prioritize where to focus its efforts. Sometimes one channel does not work out, but those interviewed frequently mentioned that it was a case of trial and error until they found something that either worked better with the channel in question or with a different channel.

The success and profitability of a product is highly correlated to the success of the distribution partners. If they are successful with their customer base, then the insurer has a better chance of profitability with the associated insurance solutions; however, the reverse is also true. Therefore, from a profitability point of view, diversifying with a few different partners and different types of products by channel is a good strategy. Hollard, for example, has done this by partnering with various retail chains, financial service providers, brokers, mobile network operators and others with a range of products. Looking for innovative partners across a value chain is another good strategy, such as in the example of Seguros Bolívar and Nespresso (see Box 8).

► Box 8: Innovative distribution partners for scale – the experience of Seguros Bolívar and Nespresso

Colombian insurer **Seguros Bolívar** needed volumes of clients to make its parametric insurance product viable and achieve the desired social impact. To achieve scale, Seguros Bolívar worked with **Nespresso** and **Blue Marble**, an insurtech company, as well as with various actors in the coffee value chain, such as **cooperatives** and **associations**, to reach the targeted population. Working with Blue Marble (as the technical advisor) and Nespresso (with its sustainability program to benefit local producers), Seguros Bolívar was able to provide insurance to Nespresso's coffee suppliers. The insurer currently reaches more than 27,000 out of an estimated population of 500,000 small-holder coffee farmers, most of whom do not yet use risk transfer tools, such as insurance.

2.3.3. Technology for scale

Technology is key to reaching scale. Having said this, there was also some pushback on relying too heavily on technology without human intervention. Inclusive insurance will not sell itself through an app, especially if the target population is new to insurance. Rather, the “phy-gital” approach to sales/distribution was recommended – combining aspects of the physical and digital. A successful approach is to have a digitally enabled distribution workforce that is still front faced by a human.

For inclusive insurers that need assistance with technology for scale, insurtechs can play an important role. However, the costs and benefits of doing so need to be weighed up. Insurtechs have ready-to-go platforms and systems to help establish inclusive insurance programmes, and may offer technical expertise, such as assistance with product design, ongoing analytics and the latest relevant applications of AI. This can help to move quickly and take advantage of technology that may have already been tried and tested, however, it will also entail a cost and possible profit sharing. The alternative to working with an insurtech is to develop the necessary technology inhouse, which also comes at a cost and requires expertise, but could pay off in the long run. Either way, technology is needed to keep costs down and reach scale – all successful inclusive insurers invest in technology.

■ ■ “If you cannot utilise technology, you can't be there. But it is also about knowing how to use it for scalability and profitability”

► **Leading inclusive insurers**

2.3.4. The importance of client value

Insurance needs to be seen (and experienced) as valuable if it is: a) it to be purchased/used in the first place; and b) for customers/members to renew their policies. Good client value means new customers and persistency, the ingredients for scale.

There are various KPIs for scale, which are recommended. These are provided in section 2.5.

One recommendation about persistency is to see what flexibility there is in how premiums can be paid and how frequently. This is important for customers who might not be banked and may not have regular incomes.

Some stressed the importance of financial education; that this needs to be provided in parallel to the provision of insurance, although few insurers and their partners think about doing it. Some insurers, however, do have financial education embedded in their inclusive insurance programmes, such as APA's women's insurance programme, APA SHEild. As part of APA SHEild, which was launched in 2023, APA holds webinars that each attract between 450 and 600 participants. The webinars cover topics related to wealth, health and financial protection. In March 2024, APA also launched a “Mom's Club”, which organises events that include building financial awareness. Since the launch of APA SHEild, APA has experienced an increase in both the proportion of retail and corporate female clients.

2.3.5. Mandatory and group products where possible

Experience shows that it is much easier to reach scale where products are mandatory and embedded with other products, such as compulsory credit life cover with a loan, or when sold to groups. Box 9 is a good example from Britam about how moving from voluntary to mandatory products was a game changer for profitability.

► **Box 9: Always opt for mandatory or group products where possible – the experience of Britam.**

Britam is a Kenyan-based insurer with microinsurance operations in 7 countries and has around 2 million microinsurance customers (in 2023). It is driven by key values of sustainability and impact. Britam offers a range of microinsurance products, including insurance for groups and micro, small and medium enterprises (MSMEs), embedded insurance and climate insurance. Products range from group health, funeral and accident to business insurance and index-based crop, livestock and flood insurance. Britam has over a decade of experience and has reached both profitability and scale.

However, Britam's path to profitability and scale has not always been smooth. Figure 3 shows key metrics from the start of its

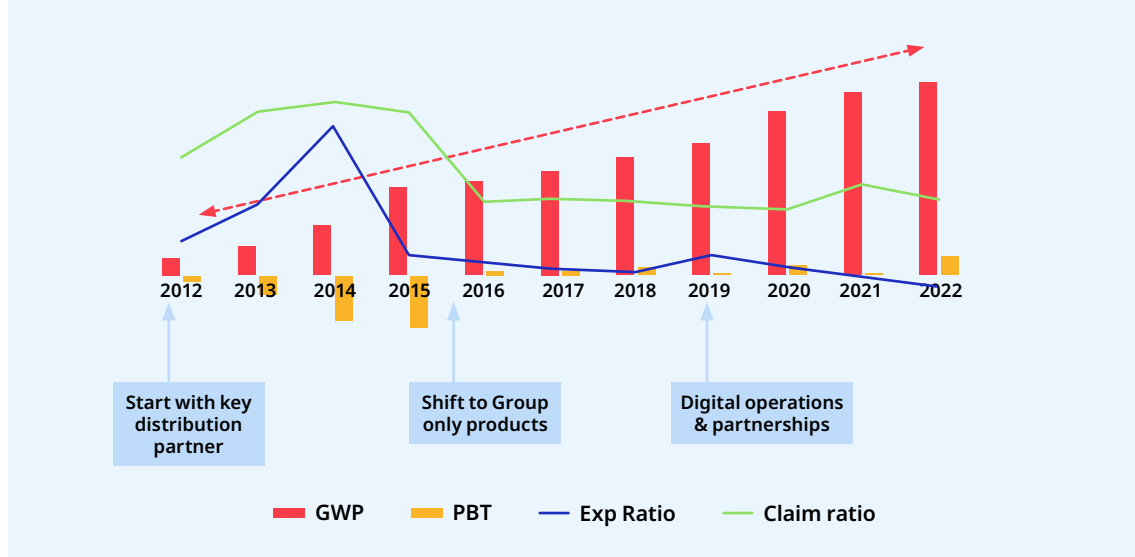
microinsurance business in 2012 (Gross Written Premium, Profit Before Tax, and the Expense and Claims Ratios). In 2015 Britam shifted from voluntary to group only products – this had a massive impact on its expense and claims ratios, which plummeted by removing the anti-selection that is typical with voluntary insurance. Since 2016, Britam's microinsurance business has been profitable.

In 2019, Britam also shifted to digital operations and partnerships, further driving down its expense ratio. Despite profitability challenges early in the company's inclusive insurance journey, Britam persisted with the strategy of digitalising operations and striking strategic partnerships.

More about Britam's experience can be found in the ILO paper: [Making a profitable inclusive insurance business - a case study of Britam, Kenya](#)



► Figure 3: Britam's path to profitability and scale



Source: Britam

The main challenge with mandatory and embedded products is that clients may not know that they are covered, and therefore they may not claim, which undermines the opportunity to demonstrate the real value of insurance. To overcome this challenge, leading insurers advise their distribution partners to “sell” mandatory coverage, meaning that they effectively convey what risks are covered and how to make a claim. Then insurers often follow up with a sample of insured clients to assess what they understood from the sales pitch and make adjustments with the channel as necessary. Some insurers also send text messages to remind them that they are insured.

Of course, there is also a case for voluntary products, however, best practice advice is to start with mandatory or group products as the “bread and butter” business and build upon this with voluntary offerings.

2.3.6. Public-Private Partnerships can help to reach scale

Government driven, mandatory products with government subsidies have high potential to reach scale. However, subsidies may not last forever, and so it is important to keep this in mind when developing these schemes.

In the research, we looked at public-private partnerships (PPPs) for agricultural schemes, where the arrangements vary. Through a procurement process, an insurer may win a contract to implement the scheme, or the government may ask insurers to operate in a consortium, pooling the risk and working alongside the government, where the government brings various important agricultural networks and subsidies. Such partnerships have the aligned objectives of food security and protecting farmers.

An example of such a partnership is the Kenyan consortium of 7 insurers, led by APA, which was piloted in 2016 and 2017, and launched in 2018 under the name of the [Kenya Agricultural Insurance Programme \(KAIP\)](#). The idea is, given the increased risks from climate change, all insurers in the consortium can share the risk. In any case, agricultural claims can be quite volatile. Working in partnership with government, the insurers can utilise their structures to reach the width and breadth of the country while the government benefits from the expertise of the insurers and, importantly, diversifies the risk. As of 2024, the consortium covered 1.8 million people. Hollard is involved in a similar consortium in Zambia.

One insurer commented that partnerships with governments can help reach scale but might come with other challenges, such as understanding and dealing with political sensitivities and possible bureaucracy.

Having PPPs in place can pave the way for voluntary and non-subsidised agricultural inclusive insurance, which may be positive especially where the government cannot commit to subsidies every year, or on an ongoing basis. One argument is that smallholder farmers learn about the value of insurance through the subsidised schemes and then are more willing to buy it in the future, even when no subsidies are involved. This was the case in Peru (see Box 10).

► **Box 10: From experience to demand – how PPPs paved the way for crop insurance in Peru**

The insurer La Positiva was the first to introduce crop insurance in Peru – also known as the catastrophic insurance programme – in 2009. This was done through a public-private partnership (PPP) whereby the government subsidises 100 per cent of the premium. The programme is designed to support smallholder farmers against perils and climate risks, such as drought, flooding, landslide, hail, high winds and plagues from insects. La Positiva sees this government support as having been very important in launching crop insurance in Peru. The PPP also allowed La Positiva to gain experience and gather data.

Experience from the government-sponsored scheme paved the way for La Positiva to develop a separate crop insurance scheme for medium-scale farmers, which is sold through microfinance institutions. This scheme was launched in 2013 and was initially not subsidised.

Seeing the success of La Positiva and wanting to help further, the government then started subsidising insurance aimed at medium-scale farmers, with an 80 per cent premium subsidy from 2022. La Positiva now receives 4 to 5 times the premium, allowing it to work with even more microfinance institutions and provide many more farmers with

access to insurance. The impact of subsidies on such a product to reach scale is clear.

Before subsidies, microfinance institutions only offered insurance in regions where the risk was perceived as high, even though all regions have climate risks, albeit with different frequencies and severities. With subsidies, microfinance institutions now sell insurance to farmers in all regions, as it is now more affordable and more accessible. This has helped to prove that insurance is important everywhere, because there have been payouts in all regions – even in regions where it is perceived that there are no climate risks.

There is growing awareness of insurance amongst farmers in Peru because they see when there is a flood or drought, there is a payout – some farmers said that they would keep buying insurance even if there was no subsidy. La Positiva sees this as an indication that subsidies that diminish over time could work.

2.4. Strategies to manage expenses

A critical lever in attaining financial sustainability is managing expenses, of which there are many.

Loss payments arising from claims (also called the cost of claims or claims expenses) typically constitute the major expense. There are strategies to manage claims expenses, such as having mandatory/group insurance to avoid anti-selection, however in this section we focus on the expenses that are not related to claims. These are the costs of providing insurance – **the operational expenses** – and include items such as acquisition expenses, general expenses and premium taxes, licenses, and fees. In summary:

- **Acquisition expenses** – these are generated by new business, and include expenses related to marketing, distribution (commissions and other sales costs) and administration (employee wages).

- ▶ **General expenses** – these are generated by maintaining and supporting departments such as accounting, legal, statistical and data management, actuarial, customer service, information technology, and building maintenance.
- ▶ **Premium taxes, licenses, and fees** – depending on different government regulations, an insurer must pay certain taxes that can take the form of a percentage, or fixed fees for its running operations.

2.4.1. Managing operational expenses

A key tool for managing expenses is to use KPIs. More can be found on this in section 2.5.

When asked about how they managed their operational expenses for inclusive insurance, leading insurers mentioned a few key approaches:

- ▶ Sharing costs with the **parent company** came up in several conversations. This is sharing the main functions e.g. finance, actuarial, risk, legal and other support services with the parent company, utilising their wider departments that service the entire company and having their expenses apportioned.
- ▶ Offloading or sharing operational costs to/with **partners**, especially **distribution partners**, was another strategy that was frequently mentioned. The key message is to build strategic partnerships that enable lower costs, leveraging what already exists. This means going through the insurance value chain to see which partners can help with which expenses, from marketing to premium collection (using their sales team and systems) to claims payouts and beyond. There needs to be strong trust between partners from the beginning.
- ▶ Another strategy to keep claims management costs low is to **design very simple products**, for example without too many exclusions; the idea is to make claims management as easy as possible. Keeping the benefits simple is another example, e.g., having lump-sum products allows insurers to pay quickly. Many leading insurers also spoke about paying the “easy” claims first and/or automating claims payments for the bulk of claims, below a certain amount, or where there were unlikely to

be issues. An example for automating crop insurance payouts was given – one insurer mentioned allowing its partner microfinance institutions to automate payouts, only sending out a loss adjuster in certain situations.

- ▶ **On people**, the advice was to have a “lean team” and light capital model. Staff can be one of the greatest expenses, up to half of operating expenses. One insurer had the strategy of hiring a young and energetic team – there is a compromise between young, inexperienced and cheap, and more experienced and relatively more expensive. The right balance needs to be found within the team.

2.4.2. Technology and cost efficiency

While a substantial investment might be required to upgrade the technology needed for inclusive insurance, this is often a worthwhile investment. Parametric insurance, for example, is tech-heavy, but once the systems are in place, operating costs can be kept relatively low. Automatic payments are triggered by hitting a predefined level of an index, which means that clients don’t need to report damage, nor does a claims assessor need to be sent out to verify it. This can reduce the operational burden. For most inclusive insurance business, technology is needed to manage large volumes of transaction and to automate processes as much as possible to reduce operational costs.

An alternative strategy is to work with an insurtech provider that already has specially designed systems for inclusive insurance in place. Insurtechs often work on a transactional cost basis, sharing in a percentage of the premium. The advantage is that insurers can try out new products quickly and at low cost without having to buy new systems to run these products.

Using technology for scale and to reduce costs can greatly help achieve profitability. It can be especially helpful when trying to reach remote customers, however connectivity can sometimes be an issue. Best use of technology, however, comes with a caveat: it needs to be relevant and suited for the processes – the process should define the technology and not vice-versa.

► **Box 11: How technology can be used for cost efficiency – the case of Etherisc**

The insurtech Etherisc, one of the pioneers in parametric blockchain insurance, managed to reduce operational costs by 80 per cent.

Transforming Agricultural Insurance with Smart Contracts

Etherisc, in partnership with Acre Africa, Mercy Corps AgriFin, Ethereum Foundation, and Chainlink Foundation, piloted the effect of adopting blockchain-based smart contracts into weather index insurance, targeting 12,500 small holder farmers in Kenya. The pilot introduced automation in policy triggers, claims processing, and payouts, ensuring faster and fairer compensation in the event of extreme weather conditions.

The results of the pilot programme revealed that:

- **Faster insurance payouts** – Smart contract integration drastically reduced payout times by 97 per cent, from an industry average of 45 days to just 24 hours.
- **Increased coverage for farmers** – Automating payouts and reducing operational costs led to a 27 per cent increase in the amount of coverage for smallholder farmers.
- **Enhanced trust in insurance** – Transparency through smart contracts resulted in over 50 per cent of farmers reporting increased trust in insurance products.
- **Improved quality of life** – 40 per cent of farmers said that insurance improved their quality of life by reducing financial stress and increasing resilience to climate shocks.
- **Commercial impact and scaling** – The pilot's success led ACRE Africa to commit to putting all parametric insurance products on blockchain, expanding the solution beyond Kenya.
- **Reduced operational costs** – the adoption of automated verification processes and faster claims payments reduced operational costs by 80 per cent.



2.4.3. On creating ecosystems

Inclusive insurers, no matter their product offering, will have a constellation of partners with whom they need to work. These partners may already have relationships with each other. Key to success is identifying the synergies and aligning incentives, so that costs and information can be shared. It is important to bring the awareness that **insurance is an enabler** and can be used as a tool for agricultural producers to access a broad range of financial services as illustrated in Box 12.

Seguros Bolívar stressed that a common understanding must be maintained between all the different actors: the vision of sustainability and financial inclusion, which is understood as long-term business opportunities with moderate profitability that seeks to benefit populations without access to financial tools such as insurance and credit, but with great potential.

► Box 12: On Seguros Bolívar creating an ecosystem within the agricultural value chain

Seguros Bolívar created an ecosystem by linking various value-chain actors for small agricultural producers. These actors include cooperatives, associations, input suppliers, technical assistance and service entities such as banks, insurers and the national government. By creating connections, identifying the synergies and aligning incentives, sustainable parametric agricultural insurance is being delivered.

Key to creating this ecosystem was bringing the awareness that **insurance is an enabler**, and can be used as a tool for agricultural producers to access a broad range of financial services for the following main purposes:

- **Risk mitigation:** Parametric insurance cover that comes with the installation of an early warning system.
- **Financing:** Seguros Bolívar has an alliance with the bank Davivienda, so that farmers can have access to credit and credit cards. They also facilitate claims payments through mobile wallets.
- **Social upliftment:** Seguros Bolívar assesses the needs of its insurance beneficiaries and develops bespoke value-added programs, for example: rural financial education programmes, youth programmes, etc.

2.5. The importance of monitoring experience

2.5.1. Key Performance Indicators (KPIs)

If you cannot measure something, you may not know that anything is wrong, and you won't be able to tell whether you have improved it. Key Performance Indicators (KPIs) are a necessary tool – all leading inclusive insurers use KPIs and have reporting schedules.

For inclusive insurance, it is recommended that insurers make use of the KPIs documented in the earlier ILO paper entitled: [A business case for microinsurance: an analysis of the profitability of microinsurance for five insurance companies](#) by Angrove and Tande and the handbook entitled: [Performance Indicators For Microinsurance](#) (second edition) by Wipf and Garand.

Aside from measuring KPIs, the advice from our leading insurers was to be organised with data and have one central system where possible. This saves time and makes monitoring easier. They also advise synchronizing data with all distribution partners.

►► “If they are profitable, the success is in the monitoring.”

► Leading inclusive insurers

In addition to the KPIs mentioned in Box 1 and Box 2, we recommend tracking the KPIs in Boxes 13, 14 and 15.

► Box 13: KPIs for scale

The following KPIs can be used to monitor **scale**:

1. Number of lives covered
2. Annual gross premium income
3. Number of policies written in a year
4. Average annual per policy premium = $\text{Annual gross written premiums} / \text{Number of policies}$
5. Renewal rate = $\text{Number of policies renewed (current year)} / \text{Number of policies (previous year)}$

► Box 14: KPIs for managing claims costs

The following KPIs can be used to monitor **claims costs**:

1. Gross claims ratio = $\text{Gross claims incurred} / \text{Gross earned premiums}$
2. Net claims ratio = $\text{Net claims incurred} / \text{Net earned premium}$
3. Claims expense ratio = $\text{Claims handling expenses} / \text{Claims paid}$
4. Per-claim claims expense ratio = $\text{Claims handling expenses} / \text{Number of claims}$

► Box 15: KPIs for managing expenses

The following KPIs can be used to monitor **expenses**:

1. Acquisition expense ratio = $\text{Acquisition expenses} / \text{Gross written premiums}$
2. Per policy acquisition expense ratio = $\text{Acquisition expenses} / \text{Number of policies}$
3. Administration expense ratio = $\text{Administration expenses} / \text{Gross written premiums}$
4. Per policy administration expense ratio = $\text{Administration expenses} / \text{Number of policies}$
5. Overall expense ratio = $\text{Total expenses} / \text{Gross written premiums}$

Examples of using these KPIs is given in the paper by Angrove and Tande (2011).

2.5.2. Going beyond the usual KPIs

While the KPIs mentioned above are recommended, there are others that can be created depending on the type of product. A good example of this is how Lumkani and Hollard go beyond the usual KPIs to help manage their property insurance and measure their social impact (Box 16).

► **Box 16: Hollard and Lumkani – going beyond the usual KPIs**

The mission of **Lumkani**, a social enterprise and insurtech, is to help mitigate the loss of life and property caused by informal settlement fires in South Africa. Its purpose is to create safe and resilient communities for underserved people, reducing risks and inequalities, and promoting inclusive economic growth.

With the high-density housing in many of South Africa's urban informal settlements, fire is a major risk and can spread easily from one property to the next, especially during windy seasons. To reduce this risk, Lumkani developed an easy-to-install, low-cost fire detection device – specifically for informal settlements – which alerts the homeowner to a potential fire threat by the alarm going off and via an SMS. The networked early warning system then activates the alarms of all devices within a 60-meter radius. The communal alert means that the community can respond rapidly and stop fires from spreading. There are, however, still cases where fires cannot be contained, resulting in loss of property. Lumkani therefore partnered with **Hollard Insure** to help protect its clients from this financial loss by bundling fire insurance for the structure and contents in the home with the fire detection device. A fire in the home can be a devastating event – destroying property and possibly leading to loss of life. In such situations, the cover provided by inclusive insurance can go a long way in helping to rebuild. Lumkani also offers funeral cover that can be added as a benefit to the fire cover policy.

The partnership between Hollard and Lumkani is one of shared value, where both financial return and social impact are important. They monitor their experience closely. This helps them to grow and continuously improve their products. Aside from the usual KPIs (gross written premiums, net incurred claims, net earnings before tax, loss ratios and combined ratios), they also monitor the following (see Figure 4 for KPIs from 2024):

- The value of property saved from fire (through the detection system)
- The number and percentage of fire events where clients report that the detection system helped to limit the spread of fire
- The percentage of fire events limited to the first home
- The estimated reduction in claims due to risk reduction technology
- The number of jobs created for women in informal communities
- The value saved through rewards program (discounts on groceries, education and travel)

How monitoring helps Lumkani and Hollard: Monitoring helps Lumkani and Hollard communicate their value to consumers and potential partners, showing how the risk reducing technology makes their home, community or the partner organisation's membership base safer. The solution reduces the risk of catastrophic claims events from fire. Having evidence of savings improves the uptake of Lumkani's rewards program, which leads to improved conversion and retention rates. By tracking number and gender of agents employed, Lumkani and Hollard can measure their social impact in terms of creating employment in the low-income market where unemployment is high. Agents mostly live in the communities they serve, and their employment has a direct impact on the economy of their settlements.

How monitoring helps the customer: KPIs can show us how useful, valued and needed the solution is. Sharing the KPIs helps build client's awareness of the technology's value, which leads to greater engagement in its use. This leads to more responsiveness to fire alerts, building more resilience and lowering losses.

How monitoring helps improve sustainability/profitability: Risk reduction helps to prevent fires from spreading. This in turn decreases loss ratios, as fewer homes and possessions are lost. Premiums can also be kept at an affordable level. Client's being aware of the product's value improves client retention and therefore sustainability. Furthermore, by having credible data that shows that the needs of the community are being met (by saving and replacing property), it helps to build trust and reach scale – key to ensuring sustainability.

► Figure 4: Selected KPIs for Lumkani and Hollard, 2024

Impact Report

In 2024: Lumkani's fire detection system helped to limit the spread of a confirmed 22 fires in communities across South Africa. We estimate that 726 homes, R29m of informal property , were saved from fire.	96% Of fire events, the Lumkani system helped to limit the spread of fire	R710m Value of informal property insured against financial loss	701 Events where the Lumkani system alerted the community to fire risk this year	358k+ people with fire protection in high risk homes. And 358k+ indirect beneficiaries.
	65% Fire events limited from spreading beyond the first home	180 Jobs created for women in informal communities	5528 People alerted to fire risk events in their community via SMS this year	100k+ Homes with fire alarms, geo-tagged, and eligible for financial cover.

Source: Lumkani and Hollard

We end this section with a case study of Radiant Yacu's journey to profitability. This case study brings together several important points discussed in many of the sections above.

► **Box 17: Case study – Making microinsurance profitable – The Radiant Yacu turnaround story**

Radiant Yacu Ltd (Radiant), a Rwandan microinsurance provider, has successfully developed a profitable microinsurance model through strategic recruitment, partnerships, digital innovation and a strong focus on building trust within underserved communities. Radiant began its microinsurance journey in 2019, initially focusing on agricultural insurance. However, the company struggled financially, generating only USD 8,000 in revenue in its first year, which – despite this being insufficient time to reach profitability – led to the dismissal of senior management, including the CEO and Chief Technical Officer. However, the company broke even just one and a half years later and turned into a profitable microinsurance business in just three years. Ovia Tuhairiwe, CEO of Radiant, shared the journey and key learnings that helped turn things around for Radiant.

1. Right staffing: The company restructured by recruiting new employees and re-evaluating existing staff to ensure it had the right team in place. Radiant strategically focused on recruiting and retaining individuals who were committed to the company's mission. Emphasis was placed on ensuring that the team was not only efficient but could handle the complexities of microinsurance.

2. Leverage public-private partnerships to build trust:

Rather than relying on expensive marketing campaigns, Radiant capitalized on public-private partnerships to establish trust. One of the most defining moments came in 2021 when a major agricultural insurance payout following heavy rainfall demonstrated the company's reliability. The company paid USD 260,000 in claims to farmers who had suffered crop losses. This quick, transparent payout – coupled with the presence of key government officials – helped demonstrate the effectiveness of the product and build consumer confidence.

“ We did not invest much money in marketing but rather the claims payment marketed the business for us. We have learnt to view claims payment as an investment not an expense.”

► **Ovia Tuhairiwe, CEO, Radiant Yacu.**

3. Leveraging digital transformation to increase coverage, generate revenue and reduce costs:

One of Radiant's hospital cash products initially faced slow adoption among motorcycle drivers due to inefficient premium collection methods through the cooperative models. Following a customer-centric research process to understand the reason, Radiant launched a USSD payment system that allowed motorcycle drivers to pay their premiums directly via their mobile phones, bypassing intermediaries like the cooperatives. This shift led to significant growth in premiums, demonstrating the importance of making payments accessible through simple technology. In addition, Radiant also partnered with MFS Africa to leverage cross-border mobile transactions. This partnership allowed Radiant to collect insurance premiums from customers who sent mobile money across borders. The collaboration with tea cooperatives also opened a new market for the hospital cash product, where tea pickers were offered coverage against accidents (See the figure below).

How Radiant leveraged the digital partnerships to lower costs and build traction

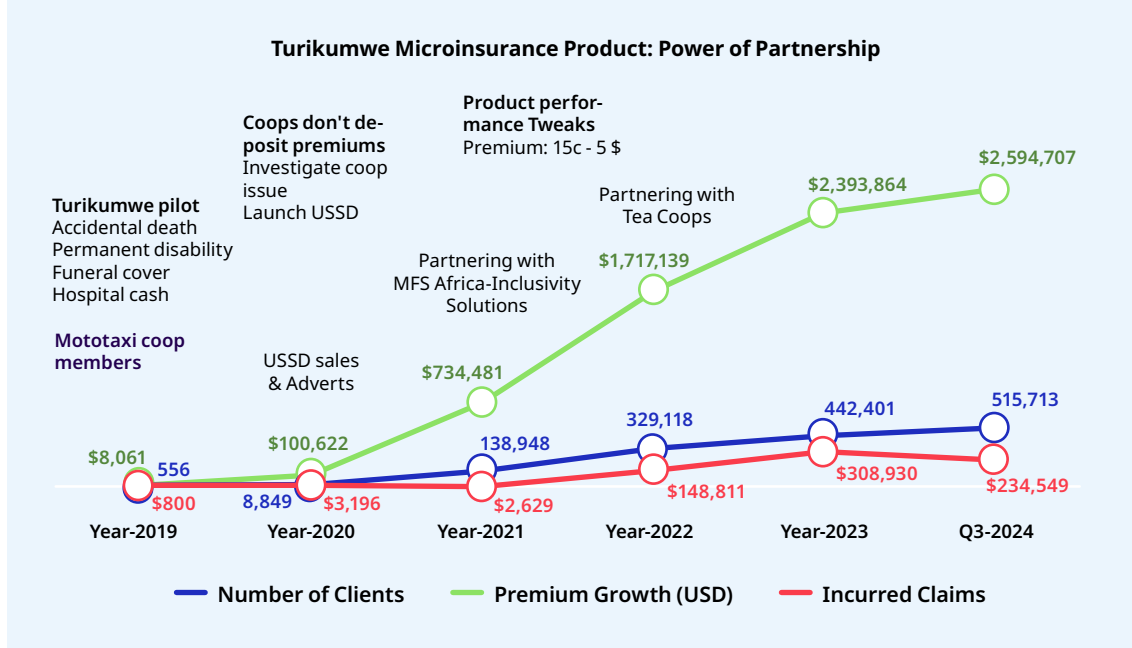
- **Digital claims processing:** Radiant developed an internal system for claims tracking and utilized mobile money for quick payouts, enabling a faster, more transparent process. This reduced administrative costs and minimized the need for large in-person staff.
- **Bundling of products:** Bundling also makes insurance more affordable and accessible. By offering a package at a lower price compared to individual policies, companies can attract a wider customer base, especially in lower-income markets. For example, Radiant's motorcycle insurance package, which bundles health and accident insurance, allowed drivers to access coverage at an affordable cost, helping increase uptake.
- **Mobile reminders:** The company uses SMS reminders to notify farmers about upcoming renewals, drastically reducing the risk of policy lapses. The nudge is sent to the policy holder and the recruiting officer ensuring that follow ups reminders are automated. Radiant's SMS reminder system has been particularly helpful in nudging policyholders to renew, leading to a 95 per cent renewal rate.

Radiant's journey illustrates that making microinsurance profitable requires more than just innovative products – it demands combining the right staff (microinsurance champions), a robust strategy of trust-building, leveraging technology and meeting customers where they are. By focusing on customer education, efficient claims processing, and embracing digital tools, Radiant has proven that microinsurance can not only be sustainable but also profitable in markets traditionally resistant to insurance.

“On average 95 per cent of our policy holders renew because of reminders. We are the only company that has that system that sends reminders to both the policyholder and the agent on ground.”

► Ovia Tuhairiwe, CEO, Radiant Yacu.

► Figure 5: Radiant-Yacu's experience: inflection points and partnerships



Source: Radiant-Yacu

► 3. Conclusion and recommendations

The research and many case studies and examples provided show that inclusive insurance can be profitable or – for insurance organisations that are not-for-profit such as mutuals and Takaful insurers – attain financial sustainability. However, certain conditions are necessary, as is the right mindset and having key strategies in place.

Appendix A provides a useful checklist of actions that can be taken to improve profitability and financial sustainability. These are summarised into three key categories:

- Having a clear strategy and securing stakeholder support. The first checklist focuses on senior management, however it is advisable to also seek support more broadly, depending on the insurance solution (for example, when developing agricultural solutions, it would be wise to consult with farmer cooperatives, the Ministry of Agriculture and others depending on the context).
- Designing the right inclusive insurance solutions and achieving scale
- Managing expenses. Part of managing expenses is monitoring KPIs, which is key to understanding all the moving parts and which actions might need to be taken to steer the inclusive insurance solution or portfolio towards sustainability.

We recommend that insurance organisations that either want to develop new inclusive insurance solutions or improve what they are currently offering to read this paper in full, refine their strategies and apply the checklist. The opportunity is there for inclusive insurers and for society to benefit from more and better risk management solutions.



► Appendix A: Best-practice tool – checklists of actions to improve profitability/financial sustainability

Checklist 1: On securing senior management support

Set realistic expectations regarding profitability	
► Emphasize the long-term vision – inclusive insurance is not an instant profit generator but can become financially sustainable within 3 to 5 years , or sometimes longer.	
► Leverage existing industry data – Use examples from successful inclusive insurance providers to demonstrate how scale and profitability improve over time. Show how inclusive insurance can contribute to overall portfolio growth , increase customer loyalty, and open new markets.	
► Share examples from inclusive insurance companies that have achieved profitability after strategic shifts to build confidence that profitability can be achieved with the right strategies in place .	
Deliver quick wins to build confidence	
► Focus on early successes , such as partnership agreements, initial product launches, or policy uptake data to build confidence with the management.	
► Highlight pilot projects or small-scale rollouts that demonstrate potential before scaling up , emphasizing that each growth phase follows a distinct strategy and set of goals, which may not always focus on profit margins.	
► Track performance by channels as a whole and not in isolation . Aggregate the profitability calculation for all products sold through the same channel.	
Engage with trusted experts and demonstrate the value of partnerships	
► Collaborate with reinsurers and experienced consultants who have worked in similar markets.	
► Collaborate with reinsurers and experienced consultants who have worked in similar markets.	
► Showcase how the partnerships as risk sharing mechanisms can mitigate exposure and reduce acquisition and distribution costs to the management.	
► Engage with all stakeholders within the insurance ecosystem to find alignment.	

Checklist 2: On designing the right solutions and reaching scale

Assemble the right team dedicated to championing inclusive insurance	
► Invest in a dedicated team with expertise in inclusive insurance and willingness to champion microinsurance segment .	
► Have experienced actuaries help with pricing . Have clear targets of the volumes needed. Employ careful strategy based on achieving volumes.	
► Train staff through networks, courses, and industry collaborations (e.g., the ILO's Impact Insurance Academy and the Microinsurance Network).	
Conduct market research before launch, and on an ongoing basis	
► Context drives relevance ; understand customer needs, pain points, and willingness to pay.	
► Go beyond end-user research – engage with distribution partners to align products with their customer base.	
► Use insights from focus group discussions, field visits, and expert input (e.g., agronomists for agricultural insurance).	
Apply Human-Centered Design (HCD) principles to design relevant products that fit the consumer needs and way of life	
► Co-create solutions with customers and partners to ensure product relevance .	
► Simplify product features to reduce claims processing complexity .	
► Ensure pricing is data-driven and aligned with customer income cycles .	
Build trust through responsiveness and claims payments	
► Paying claims quickly builds credibility and encourages repeat purchases and word-of-mouth marketing .	
► Host claims payout events to demonstrate impact. These events build community trust creating visibility for your organization as a trusted brand.	
Develop strong and diverse distribution partnerships to increase coverage	
► Consider alternative channels with mass reach such as microfinance institutions, mobile network operators, retail chains, utility companies, post offices, and agro-distributors, community groups and cooperatives. These channels have the mass market and coverage that you can leverage on to embed/ bundle products.	
► Combine digital and human touchpoints ("phy-gital" approach) —apps alone won't drive adoption. Have teams on ground to interact with your policy holders signalling trust and creating visibility.	

Build strong client value propositions	
► Nudge you customers: Create good insurance awareness practices such as reminding clients of policy renewals, flexible premium payments, how to claim in case of an event and general financial education constantly communicating the value proposition of being a policy holder.	
► Bundling and embedding products into other financial products to cover diverse risks with one policy.	
► Create AAARS products – products that are affordable, accessible, appropriate, responsive and simple.	

Checklist 3: On managing expenses

To build cost-effective inclusive insurance models, the goal is to streamline the product design process, leverage technology and optimize distribution strategies. By adopting digital tools, strategic partnerships, and efficient claims processes, insurers can reduce costs while improving accessibility and customer trust.

Simplify product design and track KPIs	
► Bundle products to spread fixed costs across multiple policies.	
► Keep product designs simple to reduce administrative and claims processing expenses.	
► Focus on mandatory, bundled or group insurance to minimize anti-selection risks and lower costs.	
► Track key performance indicators (KPIs) like claims ratios, acquisition expenses, and administrative costs to identify inefficiencies. Recommended KPIs are given in sections 1 and 2.5 above.	
Leverage technology to reduce administrative and distribution costs	
► Use automated claims processing and digital platforms to streamline operations.	
► Partner with insurtech companies to assess risk and automate claim payouts, avoiding heavy upfront investment in technology.	
► Utilize digital financial services to lower acquisition costs. Leverage mobile network operators (MNOs) and digital payment platforms (e.g., USSD, mobile wallets) to collect premiums efficiently.	
► Automate premium collection. Reduce reliance on costly intermediaries by automating premium collection and reconciliation.	
► Accelerate claims verification and settlement through AI and technology, and prioritize fast settlement. Adopt use of AI and image-based verification to eliminate costly physical visits for low-value claims and enhance customer trust with faster payout. Deploying parametric insurance models with predefined payout triggers can reduce claims processing time.	
Maintain a lean team	
► Share specialized functions across the business to enhance efficiency by centralizing key operations – such as finance, actuarial, risk, legal, and other support services – with the parent company.	

Leverage strategic partnerships to minimize distribution costs	
► Collaborate with traditional financial institutions such as SACCOs, banks, and microfinance institutions (MFIs) to embed insurance into existing financial products, leveraging them as a distribution partner.	
► Leverage public-private partnerships (PPPs) schemes to access government subsidies and achieve scale.	
► Negotiate lower distribution commissions with partners to optimize cost efficiency.	
► Offloading or sharing operational costs to/with partners, especially distribution partners	

► Appendix B: Actions insurers can take to contribute towards sustainability

Sustainable development requires an integrated approach that takes into consideration environmental concerns along with economic development. In 1987, the United Nations Brundtland Commission defined sustainability as “meeting the needs of the present without compromising the ability of future generations to meet their own needs.” Despite some pushback, many businesses today are still aiming to contribute towards sustainability and achieve a positive “triple bottom line” – so rather than just focusing on profit (one bottom line), commit to having a positive outcome in terms of profit, people and the planet. Focusing on sustainability can also improve an insurance company’s ESG ratings. Examples of measuring the impact on people are social metrics such as: the number of low-income families covered, the number of small businesses protected by insurance, the number of small-holder farmers covered, or the number of women covered within a portfolio. Measuring the impact on the planet/environment might be more challenging in the context of inclusive insurance, however, there are some examples, such as the number of farmers employing climate-friendly farming methods or the number of hectares of forest saved through either better farming methods or left untouched thanks to the insurance payouts (in the context of agricultural or climate insurance).

In this Appendix we summarise some of the findings and guidance in the following two reports:

- In the report entitled “Accounting for Nature” (UNEP-WCMC and UNEP FI, 2024), five main activities can be considered by inclusive insurers.
- The report entitled “Just Transition Finance - Pathways for banking and insurance” (ILO and UNEP FI, 2023), incorporates a broad range of examples and ideas about how the financial sector, including the insurance industry, can transition their activities to have a positive impact on the planet, but also people,

especially in the context of their work. Through the mechanics of insurance and the way in which insurers invest their reserves, there is significant scope for impact.

Assessing, measuring and disclosing nature-related activities

The report entitled “Accounting for Nature” (UNEP-WCMC and UNEP FI, 2024), provides an overview of the key methodological and conceptual trends among private sector assessment and disclosure approaches on nature-related issues. It is primarily aimed at financial institutions and businesses preparing for the implementation of these assessments and disclosures. Inspired by and summarised from the report, these five activities can be considered by inclusive insurers looking for ways in which to assess, measure and disclose their planet/environmental/nature-related activities.

- **Integrate environmental impact assessments:** many companies are starting to assess and disclose their nature-related impacts and dependencies. In the context of agricultural and climate inclusive insurance, this could mean that insurers:
 - Evaluate the relationship between their products and ecosystem conservation.
 - Consider the environmental impacts of the sectors they insure, such as agriculture or fisheries, using frameworks like the TNFD (Taskforce on Nature-related Financial Disclosures).
 - Use the metrics recommended in the report to measure environmental impact, such as deforestation reduction or improvements in soil resilience due to sustainable practices incentivized by insurance.

► **Use sustainability assessment frameworks:** various frameworks can help insurers measure and improve the sustainability of their products. Some useful tools for insurance include:

- Science-Based Targets for Nature: for defining environmental objectives.
- Global Reporting Initiative Standards: to measure and disclose environmental and social impacts.
- European Sustainability Reporting Standards: These include metrics applicable to the financial sector, useful for evaluating sustainability.

► **Focus on the insurance value chain:** many sustainability assessment methodologies include not only a company's direct activities but also its entire value chain. For inclusive insurance:

- Distribution infrastructure sustainability could be assessed (e.g., using digital channels to reduce carbon footprint).
- Indirect impacts could be measured, such as soil degradation reduction or increased resilience of insured crops.
- Insurers can incentivize sustainable practices among their clients, such as discounts for adopting green technologies.

► **Disclose nature-related risks and opportunities:** current disclosure frameworks are beginning to include environmental risks and their financial impact. For inclusive insurance, this could mean:

- Adapting climate risk models based on the latest environmental projections.
- Including ecosystem dependency in actuarial analysis, such as the availability of water and its impact on insured crops.
- Exploring eco-incentivized insurance opportunities, such as discounts for clients implementing sustainable agricultural practices.

► **Create new sustainability-aligned insurance products:** sustainability is increasingly linked to competitiveness. In the case of inclusive insurance, this could involve:

- Designing climate parametric insurance that promotes reforestation or soil conservation.
- Implementing biodiversity insurance, such as those protecting communities from pollinator loss or soil fertility degradation.
- Exploring blended finance mechanisms (public-private) that subsidize insurance with positive environmental impact.

Insurers and their role in a just transition

The report entitled “Just Transition Finance – Pathways for banking and insurance” (ILO and UNEP FI, 2023), explores the ways in which financial institutions, including insurers, can contribute towards a “just transition”, leading to more resilient and sustainable economies. “Just” in this context is about environmental *and* social justice/fairness.

A key concept is that while there is a strong focus on the environment as we attempt to mitigate and adapt to climate change, we must also not lose sight of people – especially their livelihoods. Through careful execution of greening the economy, there is also a window of opportunity to promote social justice and address poverty, inequality, and gender gaps, while also enhancing society's ability to manage natural resources sustainably, increase energy efficiency and accessibility, and reduce waste.

The insurance industry can actively promote a just transition throughout its activities. While the paper goes into far more depth, providing examples through case studies, some areas for insurers to consider include:

- **Enabling business operations** of innovative low-carbon activities and technologies and incentivising behavioural change.
- **Improving client readiness** to face climate and climate transition-induced risks by improving their resilience. This focusses on providing new and improved insurance solutions to improve client resilience with increased risks from the climate transition.

- **Contributing towards climate change mitigation** building this into the design of products (e.g., farming practices in agricultural insurance and promoting less driving with pay-as-you-go car insurance.)
- **Closing the protection gap and extending the benefits of insurance protection**, making sure no one is left behind.
- **Using the power of investment.** Insurers play a powerful role as investors. Through making careful investment decision, insurers can actively support companies, technologies and public initiatives that are green and socially responsible. Furthermore, insurance is a major enabler, facilitating access to finance. This is as true for access to microcredit as it is for huge infrastructure projects. As underwriters, the insurance sector can prioritise the provision of insurance cover for renewable energy projects, green technologies, socially focused innovative business models and public sector initiatives.
- **Contribute as risk analysis experts, sharing data and risk-management knowhow.**

► Appendix C: Recommended further reading

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About the ILO's Impact Insurance Facility

Housed in the Social Finance Programme of the International Labour Organization, the ILO's Impact Insurance Facility enables the financial services industry, governments, and their partners to realise the potential of insurance for social and economic development. Impact insurance reduces vulnerability, promotes stronger enterprises and facilitates better public policies. The ILO's Impact Insurance Facility has nearly two decades of experience of supporting insurance innovations, connections to an extensive network, a qualified technical team, leadership in customer-centricity, and the largest one-stop shop for inclusive insurance know-how. Since 2008, the Facility has pushed the innovation frontier through grants and technical support for product and process innovations.

The Facility has established itself as a global hub for knowledge and capacity development, extracting lessons from pioneers, facilitating learning, and sharing successes and challenges with all interested stakeholders. In collaboration with local insurance schools, the Facility's capacity building programme trains hundreds of insurance professionals every year. The Facility's knowledge management platform is visited by over 4,000 online users every month with access to over 40 practitioner-oriented papers, tools and training modules, another 40 plus research studies, and 100 plus bite-sized insights on burning issues.

About the Microinsurance Network

The Microinsurance Network is the global multi-stakeholder platform for professionals and organisations that are committed to making insurance inclusive. Membership-based, they bring together diverse stakeholders from across the value chain who share our vision of a world where people of all income levels are more resilient and less vulnerable to daily and catastrophic risks. The Network encourages peer-to-peer exchange and learning, facilitates the generation of knowledge and research, and acts as an advocate, promoting the role that effective risk management tools, including insurance, play in supporting the broader development agenda.

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