

Making public-private partnerships work for better insurance coverage

Haiti is the poorest country in the Western Hemisphere and has seen more than its share of both natural and man-made disasters. In a country like Haiti, microfinance not only helps to create jobs and income, but becomes a relief and survival strategy after disaster. Sarah Bel, Information Officer for the ILO's Microinsurance Innovation Facility, reports on how public-private partnerships play an important role to scale up quality and affordable insurance products for low-income workers.

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LES CAYES, Haiti (ILO Online) – Josette Lazarre is a 48-year-old nurse and mother of three, who lost her husband in the earthquake in 2010.

When heavy rain pummeled Haiti in June 2011, causing mudslides, flooding and destruction of property, Josette lost all her merchandise – medical supplies including water purification tablets, oral rehydration solution, and medicines.

Fortunately, she had purchased Kore W, Haitian Creole for “Reinforce you”, an insurance coverage to protect small entrepreneurs in the event of natural disasters provided by Fonkoze, the largest microfinance institution of the country. She received quickly her pay out (about US \$125), had her current loan cancelled, and received a new loan.

“It got me going again,” Josette said. “Fonkoze provided me the initial medical supplies and training to get my pharmaceutical business up and running.” With this support, Josette was able to respond quickly when the cholera epidemic struck her community.

500 million access microinsurance

The number of insurance schemes worldwide that protect low-income entrepreneurs like Josette has dramatically increased over the past five years.

[Recent research](#) carried out by the [Microinsurance Innovation Facility](#) of the International Labour Organization and the Munich Re Foundation estimates that 500 million low-income people worldwide have now access to affordable insurance products and are covered against accidents, illnesses, death in the family, natural disasters or property losses, representing dramatic growth in recent years.

Despite this new scale, the regional distribution of microinsurance has not changed dramatically and Asia is spearheading the growth.

Roughly 80% of the clients live in Asia, 15% in Latin America and 5% in Africa. About 60% of microinsurance clients worldwide are Indian. They are covered through mass health schemes that provide social protection to more than 50 million families, and there are more than 160 million low-income people with life, agriculture or livestock insurance, often partly subsidized by the government. Conservatively another 40 million low-income people may have access to insurance in China mostly through government-owned insurance companies.

Several factors contribute to this exponential expansion, the most significant one being governments' commitment to use insurance to support public policy objectives.

Government support is a key driver of growth

Some governments contribute to market development by putting in place microinsurance regulation and by supporting public-private partnerships (PPPs).

As Dirk Reinhard from the Munich Re Foundation puts it, “the challenges are often too great to be met by

individual players alone. Strategic and country-wide approaches are needed, such as the one adopted by the Philippines in which the insurance industry, government, donors and organizations representing the clients join forces”.

Several countries, including India, Peru, the Philippines and South Africa, have created enabling regulatory environments for financial inclusion by removing barriers and creating incentives for insurers to go down market. In 2005, for instance the Indian regulator promulgated the “Micro-Insurance Regulations”, which reduced the certification requirements to be a microinsurance agent and defined a microinsurance product.

This facilitative regulation legalized alternative delivery channels to enable insurers to diversify their distribution methods. The same type of enabling regulation has also recently been approved in Brazil.

PPP are a good way to exploit the strengths of various stakeholders in order to drive scale and to enforce quality and efficiency standards. Broadly speaking, governments can secure funding, attract reinsurers to protect against drought or natural disasters, provide infrastructure (e.g. health care facilities), maintain a stable pool of risks and promote insurance education. The private sector is inherently seen as more capable to innovate, improve efficiency and respond to clients’ needs.

One of the largest public-private partnerships is Rashtriya Swastya Bima Yojana (RSBY), India’s national inpatient insurance program for low-income households, a scheme that is managed by both public and private insurance companies. Under this scheme, for example, ICICI Lombard, the largest Indian private sector general insurance company, provides health coverage to more than 7 million families.

“Without the leadership of the Indian Government, the growth story would be downgraded from extraordinary to only noteworthy” says Craig Churchill, Team Leader of the ILO’s Microinsurance Innovation Facility.

Quality versus numbers

The optimal trend is for more low-income families to have better access to a greater variety of valuable risk management products.

Microinsurance growth has been driven so far by a few committed countries, but in many regions it has not yet taken root.

As more policymakers and insurance supervisors follow the lead of ground-breaking countries and learn from their experiences, there will be a new boost in global microinsurance outreach. Even in countries where microinsurance is already growing, it might expand further if policymakers promote premium subsidies and expand their engagement in PPPs to achieve public policy objectives with limited budgets.

A critical challenge in building the market is on the demand side, creating conditions that encourage low-income households to turn naturally to insurance as part of their risk management toolkit. But governments, insurers and health care providers (in the case of health insurance), need to keep harnessing the trust of the market through efficient claims payments and access to quality services, so as to build on the emerging demonstration effect.