

Small premiums, long-term benefits: Why poor women need microinsurance

Microinsurance coverage is an important safety net for households in developing countries, providing a tool to protect productive assets. For poor women, however, coverage can be even more critical.

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premiums

Monica Kirunguru's husband was an outgoing man, and a prominent member of his small community. The couple lived together on a farm near Mount Kenya, where they worked hard to support their seven children and five grandchildren. In August 2009, Monica's husband was admitted to hospital, where he died one month later.

Coping with the emotional shock that accompanies the death of a life partner can be staggeringly difficult. Coping with the financial shock at the same time can make the situation seem impossible. Typically, a Kenyan woman in Monica's circumstances would have two options to cover the hospital and funeral expenses: take out a high-interest emergency loan, or approach friends and family for money. Monica was lucky. When her husband was admitted to the hospital, she was informed that he had bought health and life insurance two months earlier. The policy paid out US\$330 to cover hospital bills, a weekly stipend of \$25 for the family's living expenses during hospitalization (Monica used this money to continue paying the children's school fees), and \$400 toward the funeral, which was attended by over 1,000 people. She is now learning how to run the farm on her own, grateful not to be in debt.

Monica's story is certainly an exception among poor women struck by crisis. The role of microinsurance is to help low-income people manage risk and reduce their vulnerability to shocks, yet it is estimated that only 3 per cent of the low-income people in the world's 100 poorest countries benefit from a microinsurance product, leaving approximately two billion people unprotected. Of those two billion, more than half are women.

Making the most of women's resources

Women comprise 70 per cent of the world's poor. They earn less than men, have less control of property, and face higher levels of physical vulnerability and violence. They are often caregivers, homemakers, and, increasingly, household resource managers and income earners. Considering this combination of vulnerability and responsibility for the welfare of their families, women have a unique and pressing need to manage risk.

Traditional risk management strategies that women use to cope with crises involve long-term sacrifices that perpetuate the cycle of poverty. For example, using business profits to deal with emergencies instead of using them for long-term investments is one of the largest barriers to growth for female entrepreneurs. Similarly, selling productive assets such as livestock or equipment sacrifices any future income from those assets. Another crisis management strategy, pulling children out of school, not only stunts children's social and intellectual growth but also severely curtails their long-term earning potential.

Sustainable and sensitive: Designing products for women

Microinsurance offers a promising alternative for poor women to manage risk and use their assets more productively. As resource managers and caregivers, women are a natural target market for insurance companies. The challenge, however, is creating microinsurance programmes that meet the needs of poor women, minimize operating costs, and keep premiums affordable – all at the same time.

Poor women have specific needs that make it difficult to design profitable insurance products. For example, many health microinsurance programmes exclude pregnancy, citing the high costs caused

by adverse selection. However, some schemes have successfully used innovative models to reduce costs and improve accessibility. In West Africa, a French NGO called *Centre International de Développement et de Recherche* (CIDR) has developed a health insurance product with maternity cover. The product is sold at the village level, with all inhabitants paying an annual fee to cover all pregnant women in the village. Since participation is mandatory, adverse selection and administrative costs are minimized, allowing for an extremely affordable premium: only \$0.40 per year. In Guinea, after one year, the maternity benefits covered 1,000 women.

In India, another programme is meeting women's unique needs in a sensitive, sustainable way. SEWA Bank offers its clients – all self-employed poor women – a choice of three microinsurance schemes covering death, health and assets. Like pregnancy, coverage for the entire family is another aspect of microinsurance that is important to women but is often unaffordable. Available at various price points to ensure accessibility, SEWA's schemes provide options to cover husbands and children for a low incremental fee. All the children in a family are covered by one premium, to avoid families having to choose which of their children to insure. Another innovative feature is that the insurance is integrated with SEWA's savings accounts. Clients can use their accrued interest to pay premiums, improving accessibility and reducing administrative costs. Starting with 7,000 clients in 1992, Vimo SEWA now covers nearly 200,000 women, men and children.

The future of microinsurance for women

Microinsurance represents a new frontier of development, and there is much work to be done toward creating a gender-sensitive microinsurance industry. It is crucial to understand how women combine microinsurance with existing risk management strategies, how their attitudes toward risk differ from those of men, and how microinsurance affects their rates of investment into businesses, savings behaviours and household consumption. Donors, researchers, and practitioners each have an important role to play in furthering the development of microinsurance.

As for Monica, she reports that since her husband's death her friends and family have been asking her about the insurance and how she managed to avoid incurring debts or asking the community for money. Monica is spreading the good word – she now tells everyone she meets that they should buy the insurance. And, she says, she will definitely renew the policy when it lapses.

*The ILO's **Microinsurance Innovation Facility** was established in 2008 to further the extension of insurance to millions of low-income people in the developing world, with the overall aim of reducing their vulnerability to risk. With support from the [Bill and Melinda Gates Foundation](#), the Facility makes grants to projects throughout the developing world that are using microinsurance in innovative ways. For more information, see www.ilo.org/microinsurance*