



International
Labour
Organization

ANNUAL REPORT 2008



MICROINSURANCE INNOVATION FACILITY

MICROINSURANCE INNOVATION FACILITY

PROTECTING THE WORKING POOR

A N N U A L R E P O R T **2 0 0 8**



International
Labour
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MICROINSURANCE INNOVATION FACILITY

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ISBN 978-92-2-121948-4

Published by: International Labour Office (ILO)
Compiled by: Kay Sayce, Words at Work, London, UK
Designed by: Paprika, Annecy, France

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“We are proud to support the ILO’s Microinsurance Innovation Facility. This initiative is committed to protecting low-income families from risk and to ensuring that these families understand insurance and their rights so they can make good choices. We believe the Facility stands poised to find lower-cost, high-impact insurance products and more efficient delivery channels that will make insurance widely accessible to the poor. It will also serve as a resource for practitioners, policymakers and donors to better understand the opportunities – and the challenges – of scaling up microinsurance. If successful, these efforts will help to dramatically expand access to insurance and, in doing so, may offer useful lessons on how we can reach the poor with other financial services they want, including savings.”

Bob Christen, Director, Financial Services for the Poor,
Bill & Melinda Gates Foundation



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FACILITY MILESTONES, 2008

January	Received the first grant disbursement from the Bill & Melinda Gates Foundation
February-March	Conducted interviews and recruited the Facility team members
19 March	Finalized the innovation grant guidelines and application form
28 March	Called for applications for innovation grants (Round 1)
15-16 May	Held a 2-day staff retreat for team building, training and planning
16 May	Deadline for receiving innovation grant applications (Round 1); 127 applications received
26-27 June	Held a Steering Committee meeting to review the grant applications (Round 1)
July-August	Informed the Round 1 grantees and negotiated grant details with them
10 July	Published first roster of technical assistance providers
8 August	Called for applications for innovation grants (Round 2)
Mid-August	Launched the Facility’s website and the online grants application form
9-10 September	Held a workshop with the EUDN to develop the Facility’s research strategy
17 September	Deadline for receiving innovation grant applications (Round 2); 79 applications received
October	Provided the Facility’s first technical assistance grant and selected the Facility’s first microinsurance Fellow and joint-mission participants
Early October	Recruited two more people to join the Facility team
2-3 November	Held a Steering Committee meeting to review the grant applications (Round 2)
November-December	Informed the Round 2 grantees and negotiated grant details with them

FOREWORD

The International Labour Organization (ILO) is concerned chiefly with the conditions under which women and men access decent work opportunities; that is, work in conditions of freedom and security, equity and dignity. Broadening the employment and social protection opportunities of poor people through financial markets is an urgent undertaking.

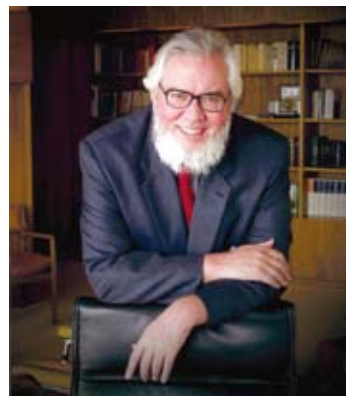
In 2008, the ILO and the Bill & Melinda Gates Foundation jointly launched the Microinsurance Innovation Facility. Through experimentation and investigation, the Facility aims to better understand the risk management environment of the working poor.

The Facility supports experimentation in designing relevant insurance products and in forging sustainable business models to significantly increase the availability of financial products specifically tailored to the needs and constraints of low-income households. The focus is on innovations and on systematic learning to stimulate new knowledge and new products.

We are particularly pleased to partner with the Gates Foundation in this initiative, which we feel will yield tangible benefits and contribute to achieving the international commitments on the eradication of poverty. Through the Microinsurance Innovation Facility, we the ILO, the grantees and our other partners will be able to learn as much about substance as about the methods chosen.

As a tripartite organization composed of governments, employers and workers, the ILO has a strong interest in making economic growth and financial services work for the poor. Microinsurance – through new partnerships linking public and private institutions, as well as governments and employers' and workers' organizations – holds the potential of extending protection and security to people usually excluded from prevailing formal arrangements, thereby enhancing the access of the working poor to financial services.

I strongly believe that the eradication of poverty and the promotion of decent work for more people will come about through multiple public and private partnerships such as the one sustaining the Microinsurance Innovation Facility. I invite you to read this first Annual Report of the International Labour Office Microinsurance Innovation Facility.



©ILO/Isaac J.

Juan Somavia, Director-General,
International Labour Office

Juan Somavia
Director-General, International Labour Office

SUPPORTING PROGRESS IN MICROINSURANCE



CRAIG CHURCHILL
TEAM LEADER, MICROINSURANCE INNOVATION FACILITY,
INTERNATIONAL LABOUR OFFICE

Microinsurance is a big tent. Under the tent there are many different types of organizations, approaches and risks being covered. Often the cacophony of discussion around the word ‘microinsurance’ can create considerable confusion because it has different meanings for different people. To create some order, it is useful to divide microinsurance into some of its components. One way of doing this is to divide it into productive and protective functions:

- **PRODUCTIVE:** Some microinsurance products are designed to support investments in productive activities. For example, weather index insurance enables farmers to access credit for agricultural inputs, because without protection banks would be more cautious about lending. Similarly, insurance for livestock or small enterprises can help the working poor to protect their income-generating assets.
- **PROTECTIVE:** Although all insurance is essentially protective, we refer here specifically to personal or family protection, including life and health insurance. Health insurance is a particularly tricky issue because ideally all persons should have access to universal coverage. However, the ideal does not exist in developing countries (nor in many developed countries), and where government health schemes are available, they are often unable to reach workers in the informal economy, or budgetary constraints impose a severe rationing of benefits. Microinsurance can therefore play two roles vis-à-vis social protection for health: helping to extend benefits to unserved segments of the population; and providing supplementary benefits for those who want additional coverage, or access to different health care providers, than that provided by the government.

The ILO’s Microinsurance Innovation Facility is interested in promoting productive and protective microinsurance because both make important contributions to poverty alleviation and the promotion of decent work. The poor are vulnerable to numerous risks and often do not distinguish between coverage for personal needs or income-generating activities. Consequently, some organizations provide composite products that combine both productive and protective elements, enabling them to cost-effectively provide more comprehensive coverage that responds to the needs of the target group.

Another way of organizing the space under the microinsurance tent is by the ownership structure of the providers, which includes mutuals and co-operatives, NGOs and commercial insurers. From the experiences thus far, all the institutional models that provide insurance to the poor have advantages and disadvantages. Consequently, we think it is important to work with a variety of institutional types, and encourage collaboration between different types of institutions, or promote hybrid models to leverage the advantages and minimize the disadvantages. For example, one of our Mexican grantees, Seguros Argos, a commercial insurer, is helping rural associations to create mutual insurers, where the company and the mutuals share the risks and returns.



"Low income people don't want complicated products; they want a product that has most of the answers for what they need."

Charles Mutua, Senior Programme Officer, SCC, Kenya

In our big tent approach to supporting coverage for different risks through diverse models, the Facility is helping microinsurance to emerge from the shadow of microfinance. Microfinance institutions will continue to be critical distribution channels for insurance, but their outreach is limited, especially when they only provide loans. Many other organizations could potentially distribute insurance to the poor. Among the Facility's grantees in 2008, the distribution channels include water associations in Peru, agricultural and financial co-operatives in Mexico and Kenya, airtime salespersons in South Africa, labour boards in China, and tea plantations and small retailers in India. We anticipate further innovation, as labour unions, post offices, utility companies, mobile phone operators and others enter the fray. A number of players are particularly attracted by the opportunity to link microinsurance with social transfers and migrant worker remittances.

The emergence of microinsurance with its own identity is critical because insurance is a tangibly different financial service that has its own logic. Unlike savings and credit, it is not specifically a market-based intervention. Indeed, microinsurance lies at the crossroads between commercial insurance and social protection. Some of the more interesting opportunities can be found at that intersection; for example, through public-private partnerships that engage insurers in the provision of social protection. The Facility's grantee in Kenya is such an example, where the Cooperative Insurance Company (CIC) is collaborating with the National Hospital Insurance Fund to extend coverage to workers in the informal economy.

Many challenges remain for the expansion of microinsurance. The industry needs to continue to improve products to provide better value to the poor. When cost structures and commissions devour most of the premium income, it is impossible to return sufficient benefits to low-income households. Greater attention should be given to reducing operating costs and enhancing efficiencies so that a higher proportion of premiums can benefit the poor. Initial experiments with technology, such as the 'smartcards' used by the Union des Assurances du

Burkina Vie (UAB) in Burkina Faso and the handheld devices that Max Vijay (an initiative launched by Max New York Life) in India supplies to its agents, might prove successful in reducing operating costs and fraud, and in enhancing affordability and access.

Technology will not be a magic wand that solves all the product problems. Many organizations are struggling with customer retention, but this cannot be significantly helped by technological solutions. Instead, some organizations are experimenting with





providing additional services so that their policyholders see that they are receiving some benefits from the insurance even if they do not have a claim. Some additional services can have the added advantage of reducing claims and therefore might even pay for themselves. In India, for example, an insurance scheme known as VimoSEWA, launched by the Self Employed Women's Association (SEWA), is testing the effect of health education on the incidence of the most common diseases, and Calcutta Kids plans to provide outpatient counselling; both of these approaches could enhance retention while reducing claims costs.

While the growing interest of commercial insurers in the 'bottom of the pyramid' is promising, because they bring the technical expertise and financial resources necessary to achieve massive outreach, they need some encouragement to move beyond the low-hanging fruit. Instead of providing products that address the critical risk-management needs of the poor, commercial insurers are flocking to credit-linked coverage where microinsurance can indeed be efficient – but rather than providing significant value, some insurers are generating significant returns. The Facility is providing innovation grants to organizations that are bucking that trend, that are trying to enter new territory, such as Hollard's voluntary property insurance product in South Africa.

Delivery channels, like microfinance institutions, are often complicit in this injustice. Instead of negotiating appropriate arrangements for their clients or members, some MFIs have sought collaboration with insurers that provide the best value for themselves, in the form of commissions or even kickbacks. As noted by Michael McCord of the MicroInsurance Centre, microfinance institutions and other delivery channels need to act more like brokers, representing the interests of their customers, instead of agents representing the interests of the insurers.

To address this problem, a movement towards greater transparency is a critical next step for microinsurance to set benchmarks for key performance indicators. The ILO's grantees in 2008 have all agreed to provide their financial and operational performance details, which will form the foundation of a microinsurance database and lead to a better understanding of appropriate performance for both delivery channels and risk carriers. In the



interest of promoting social justice, we want to create a shift in perspective so that, instead of being elated by claims ratios of 5 or 10 per cent, insurers pride themselves on providing sufficient value to the poor.

As we entered the final quarter of 2008 and the global economy began going into a tailspin, many microinsurance stakeholders were rightfully concerned that this would adversely affect the development of insurance for the poor. Insurers with healthy balance sheets might be willing to take a risk on serving a new market, but if they are being squeezed by low investment returns they are more likely to consolidate around their



"Microinsurance comes from the heart, but it is a business and not a charity."

Dr Álvaro Uribe Vélez, President of the Republic of Colombia (speaking at the opening of the Munich Re Conference on Microinsurance in Cartagena, Colombia in November 2008)



core business. Governments with reduced revenues might curtail what they consider to be non-essential services, such as social benefits for the poor. We feel, however, that the crisis offers an opportunity to improve the understanding of microinsurance and we will try to encourage some organizations to enter microinsurance in response to the crisis, enabling them to diversify their risk coverage and expand their markets. We hope that the emergence of microinsurance enables limited budgets to go further by leveraging alternative distribution channels.

THE MICROINSURANCE INNOVATION FACILITY

Millions of low-income families in the developing world live constantly with the risk of losing what little they have. Unprotected, they are vulnerable to adverse events – drought, flood, accident, illness, sudden death – with each new event further eroding their ability to manage risk, build financial security and move out of poverty.

Insurance products can help people manage risk. In the developed world there is a wide choice of affordable and appropriate products, but in the developing world the story is very different. It is estimated that less than 3 per cent of the working poor have any insurance coverage at all, and most of that is in the form of credit-life schemes that provide limited benefits to the poor (as noted by Roth et al., see page 30). It was to address this need that the concept of microinsurance was developed in the 1990s (see Box 1) and it soon became clear that microinsurance could indeed be a key tool in risk management among the working poor.



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BOX 1 WHAT IS MICROINSURANCE?

Microinsurance is a mechanism to protect poor people against risk (accident, illness, death in the family, natural disasters, etc.) in exchange for insurance premium payments that are tailored to their needs, income and level of risk. It is aimed primarily at the developing world's low-income workers, especially those people in the informal economy who tend to be underserved by mainstream commercial and social insurance schemes.

The term 'microinsurance' first began to be used in development and academic circles in the 1990s. Derived from the older term 'microfinance', the term started appearing in publications in 1999 and 2000, and a milestone meeting, convened by the CGAP Working Group on Microinsurance (see page 29), took place in March 2002. The first major international conference on the subject, organized by the Munich Re Foundation, was held in October 2005. The 4th Annual Conference on Microinsurance took place in Colombia in November 2008 (see Box 9), and at the same time the CGAP Working Group became the Microinsurance Network.

Against this background, and following up on the work done by the CGAP Working Group, the ILO, in partnership with the Bill & Melinda Gates Foundation, established the Microinsurance Innovation Facility. The primary objective of the Facility is to encourage insurance providers to develop and promote sustainable microinsurance models and products suited to the needs of the world's working poor (see Box 2).



BOX 2 THE VISION OF THE MICROINSURANCE INNOVATION FACILITY

We believe that:

- Low-income people should be able to benefit from valuable insurance services and make informed choices to manage risk
- Increasing access to insurance and creating a better understanding of its value will help reduce vulnerability and poverty among low-income people
- Creating an insurance culture enables low-income people to appreciate the utility of insurance and demand better quality services

The Facility team was recruited from both the non-profit and commercial sectors, and in early 2008 it began developing a strategy to provide answers to three core questions:

- To what extent can insurance products help low-income families to manage risk?
- What insurance products are appropriate and how do you provide them?
- How do you develop an insurance culture among the poor?

Working closely with a range of people and institutions in the private and public sectors (see Box 3), the Facility devised a set of activities to be implemented over a 5-year period. All these activities are geared towards extending microinsurance coverage to a further 25 million low-income people in developing countries by 2012.

BOX 3 THE PARTNERS OF THE MICROINSURANCE INNOVATION FACILITY

We see the Facility as a catalyst to enable a range of agencies to work together to learn more about microinsurance and to strengthen their capacity to develop and deliver valuable products on a significant scale:

- **RISK CARRIERS** such as insurance companies, semi-formal microinsurers and federations of microinsurance schemes
- **DELIVERY CHANNELS** such as NGOs, co-operatives, labour unions, employer associations, banks, insurance brokers and health care providers
- **INSURANCE INDUSTRY** players such as claims processors, technical assistance providers, training institutions, insurance associations, IT providers and database management services
- **RESEARCHERS** working in institutes, networks, universities and local resource centres

Our emphasis is on working with institutions, both commercial and non-profit, in Africa, Asia and the Pacific, Latin America and the Caribbean, and the Middle East.

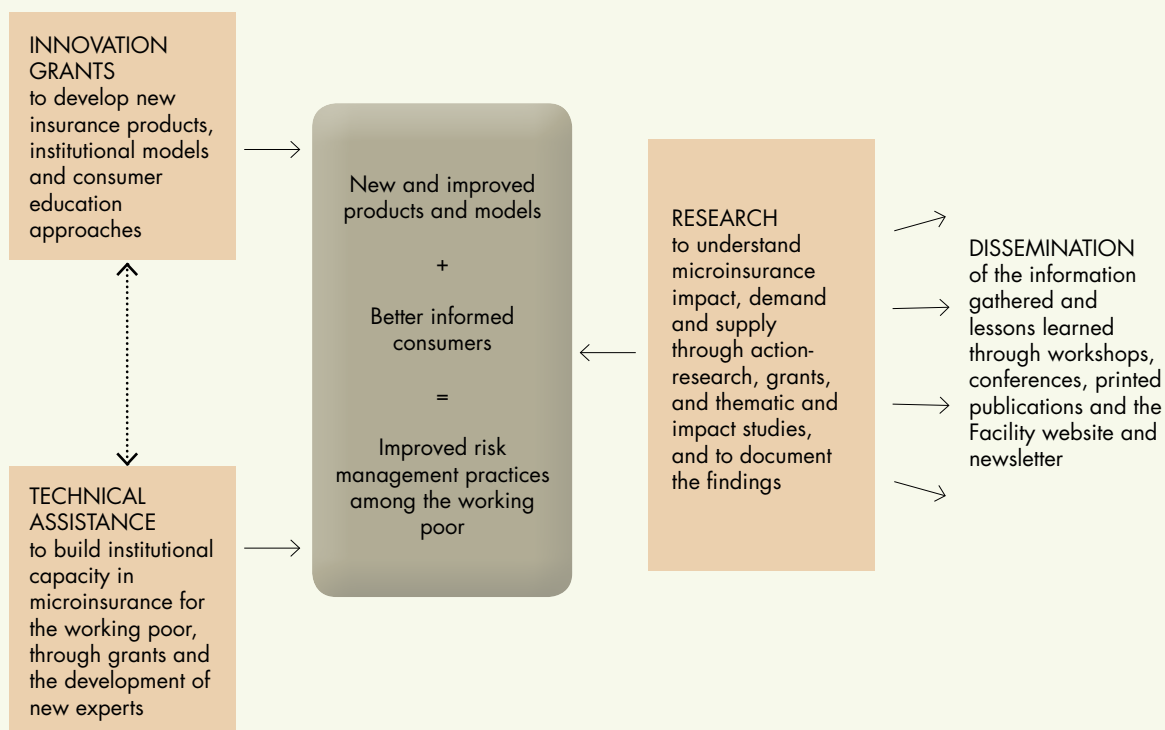
➤ Activities

All our activities revolve around learning. If microinsurance is to succeed in providing protection for significant numbers of the world's working poor, we need to learn much more about what products are needed, how to make them attractive and affordable, and how to deliver and manage them.

We engage in four sets of activities, designed to work as an integrated whole (see Figure 1):

- providing **innovation grants** to institutions to help them devise and test new models and approaches that offer better insurance products to the low-income market in developing countries
- developing the pool of **technical assistance** providers and facilitating access to qualified expertise
- supporting **research** to assess the impact of insurance on the risk management of low-income policyholders, and to identify successful practices
- disseminating **information** and lessons learned to key stakeholders

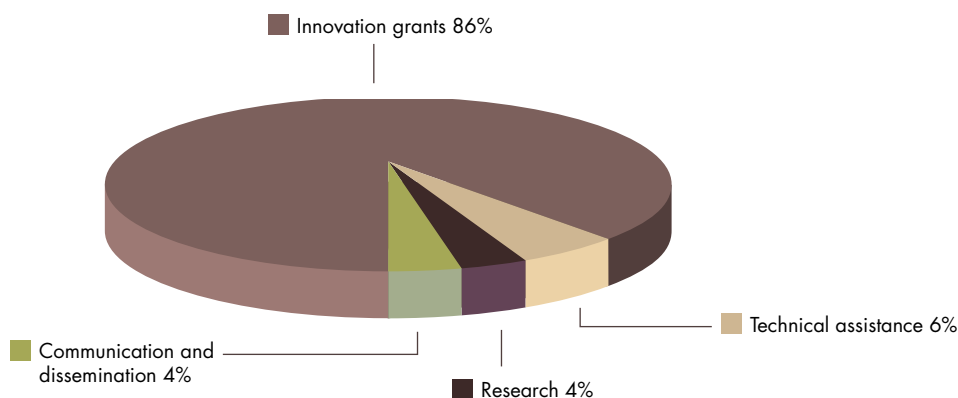
FIGURE 1 THE FACILITY'S MAIN ACTIVITIES, WORKING AS AN INTEGRATED WHOLE



"There is an enormous potential for creativity and a huge space for innovation, but it is important to understand that microinsurance is a totally different business in all its dimensions, from the perspective of delivering, skills, underwriting, claim payment, policy issuance and premium collection."

Luis Huerta Rosas, CEO, Seguros Argos, Mexico, and Chairperson of the Microinsurance Working Group of the International Actuarial Association (IAA)

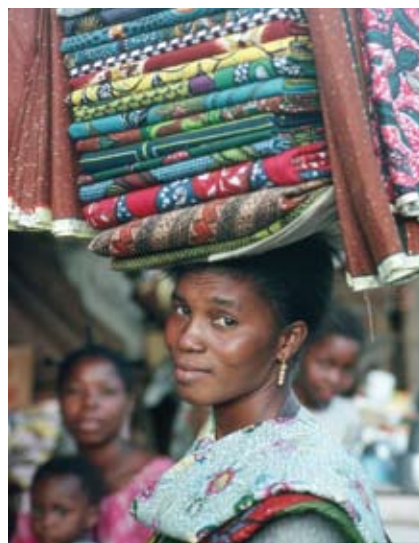
FIGURE 2 THE BUDGET ALLOCATION FOR FACILITY ACTIVITIES, 2008



BOX 4 FOR MORE ON OUR ACTIVITIES...

This Annual Report provides an outline of our activities. For more detail on what we do, please go to our website, www.ilo.org/microinsurance, or contact us at:

Innovation grants: microinsurancegrants@ilo.org
Research: microinsuranceresearch@ilo.org
Technical assistance: microinsurancetechassist@ilo.org
Dissemination: microinsurancemedia@ilo.org



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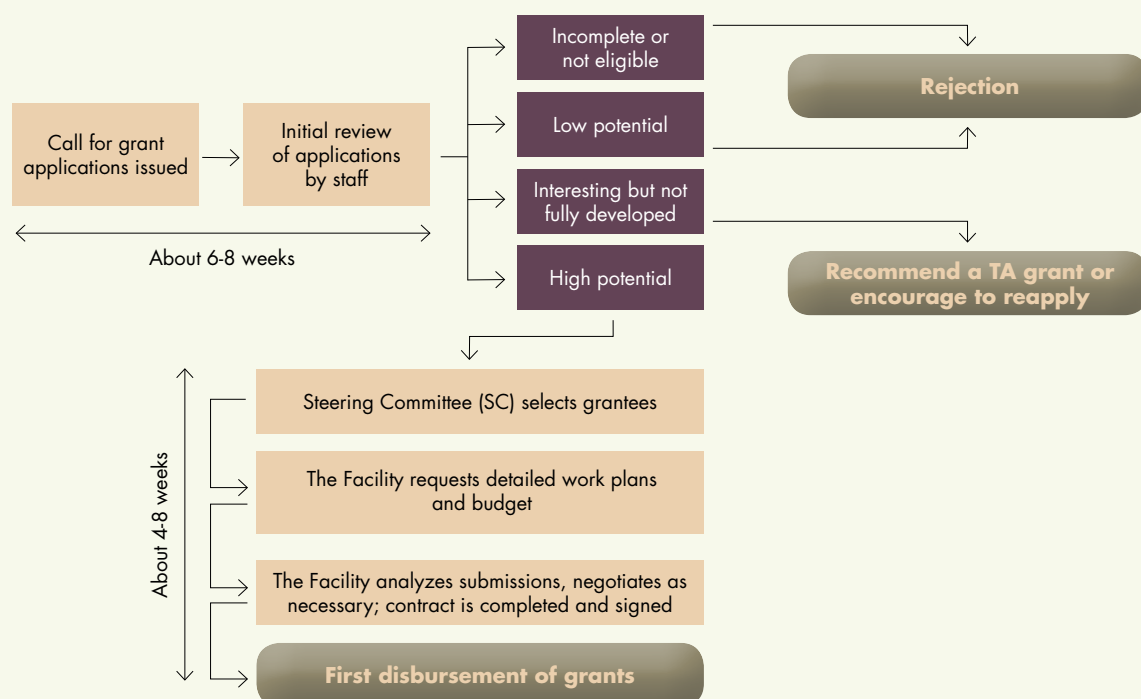
INNOVATION GRANTS

Developing affordable and high-impact insurance products and scalable and efficient models to deliver and manage these products requires time and resources and involves risk. Insurance providers, delivery channels and other players need support to test innovative ways of, for example, raising consumer awareness, designing insurance products, collecting premiums, verifying claims and using technology to improve efficiency.

Through our innovation grants, we encourage experimentation to learn how to make insurance more appropriate and more accessible to greater numbers of low-income people. Between 2008 and 2012 we will award 40 to 50 innovation grants, totalling US\$18 million. The grants awarded in 2008 ranged from US\$35,000 to US\$600,000, averaging about US\$300,000.

The calls for grant applications are published twice a year via email and our website. After a review and selection process involving an independent Steering Committee and lasting about 2 months (see Figure 3), the selected projects are fine-tuned in terms of objectives, work plan, milestones, budget and learning agenda. The projects can be new or already in progress, but they should be viable at the end of the grant period (maximum 3 years) because either they have become self-sustaining or they can draw on other resources. We prioritise projects focusing on voluntary insurance products where demand exceeds supply, such as agriculture, health, life and property.

FIGURE 3 THE INNOVATION GRANT SELECTION PROCESS





The Facility's Senior Grant Officer, Jeanna Holtz, with the representatives from SEWA, an innovation grantee in India

In 2008, the response to the first call for applications (Round 1), issued on 28 March, went way beyond expectations. The Facility received 127 proposals from 41 countries representing a range of organizations – commercial insurers, co-operatives, NGOs, academic institutions and labour unions. We selected the grantees partly according to the extent to which they would contribute to a diverse portfolio of projects, organizations and geographical locations. The disbursement of the grants began in August.

FIGURE 4 INNOVATION GRANT APPLICATIONS, 2008

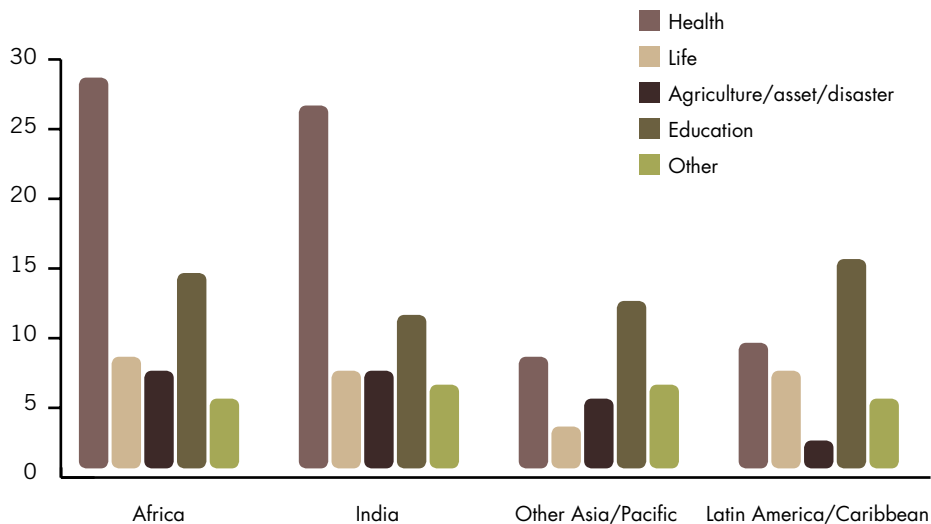
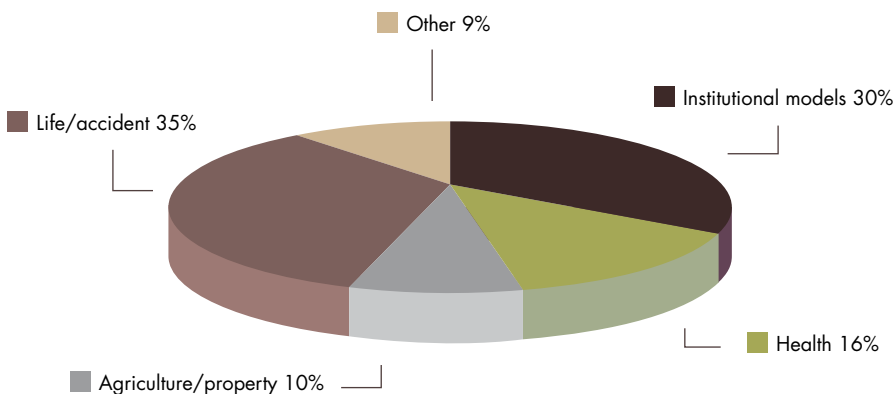


FIGURE 5 INNOVATION GRANTS AWARDED, BY TYPE, 2008



"Microinsurance is the neglected part of microfinance, and we would like to see the emphasis and support to it grow."
Getaneh Gobezie, Deputy Managing Director, Amhara Credit & Savings Institution, Ethiopia

The second call for applications was issued on 8 August, with the launch of our online application process which proved easier for both the applicants and the Facility to use (see Box 5). In this round, we encouraged proposals to test specific innovation ideas in health insurance. Again, a significant number and broad range of project proposals were received, with 79 proposals coming in from 40 countries. The grantees were selected in November. The third call for applications will be announced in January 2009.

BOX 5 GRANT APPLICANT SURVEY

We conducted a survey of grant applicants in October to obtain feedback on our online application procedure. More than 83 per cent found the registration process easy, and more than 90 per cent said the application guidelines were helpful and the application process easy. Many of the survey respondents also provided valuable comments on how to improve the process.

Facility team members visited many of the grantees during the year, including those in Burkina Faso, Haiti, India, Kenya, Mexico and South Africa. In November, we co-ordinated a meeting of grantees prior to the microinsurance conference in Colombia (see Box 9). At the meeting, the grantees described the innovations they were testing through their projects and brainstormed on a range of key topics, including consumer education, learning through action-research, and how to monitor performance.

The organizations that applied successfully for an innovation grant in 2008 are listed on pages 17 to 26, along with an outline of their projects and the learning we hope to derive from them.



Sessions during the grantees' meeting arranged by the Facility in Colombia, November 2008

TECHNICAL ASSISTANCE

Technical assistance (TA) – the provision of expertise on a contractual basis – is essential in microinsurance because the necessary capabilities are scarce. Insurance companies have the insurance expertise, but often do not understand the characteristics and preferences of the low-income market. Development practitioners, on the other hand, generally have a good understanding of this market, but might lack insurance skills. Technical assistance can help fill these gaps by bringing the two sets of skills and experience together to complement each other's strengths and serve the working poor.

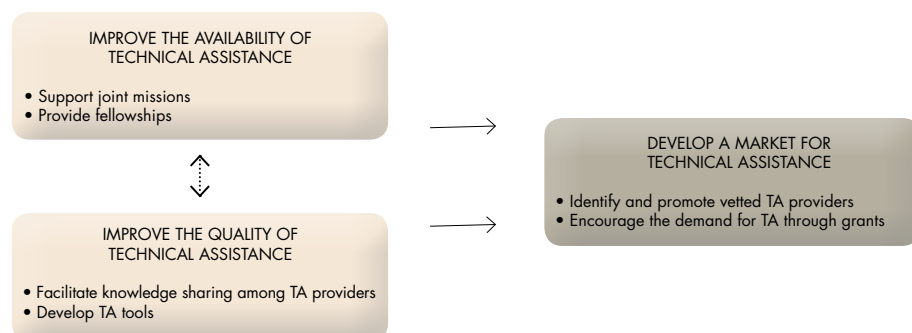


A TA provider with RADOL beneficiaries

We facilitate access to the relevant expertise by:

- offering TA grants to support the provision of some of this expert assistance
- publicizing microinsurance experts who can efficiently provide TA to organizations looking for such input

FIGURE 6 THE FACILITY'S TECHNICAL ASSISTANCE (TA) PROGRAMME



By the end of 2008, the roster of TA providers featured more than 50 individual experts and a dozen institutions, a good basis for implementing and improving our TA activities. However, the supply of TA providers remains limited, hence our ongoing efforts to help develop a community that could provide valuable services to organizations in need of expertise. We aim to do this by:

- nurturing a new generation of microinsurance experts, through joint missions and fellowships
- supporting the sharing of experience and tools within the community of TA providers

BOX 6 WHO CAN BE FEATURED ON OUR ROSTER?

TA providers on our roster include institutions and independent consultants, ranging from actuaries, reinsurance advisors and management consultants to marketing specialists and IT experts. Providers from the South are particularly encouraged to join our list of experts. The latest roster is on the Facility website (www.ilo.org/microinsurance).



The Facility's TA Officer, Mary Yang (centre), holding a meeting with RADOL staff and beneficiaries

In August, as a pilot, we invited TA grant applications from 20 of the most promising, but unselected, innovation grant applicants and in October we awarded our first TA grant. The recipient, the Rehabilitation and Development Organization for the Landless (RADOL), an NGO working with the rural poor in Bangladesh, is using the grant to strengthen the microinsurance capacity of a consortium of private insurers and NGOs. A second grant was awarded to Select Africa, operating in seven African countries and seeking to use the expertise of a South African insurance consultancy firm to conduct market research and develop needs-based products for Swaziland.

Due to the success of these first grants, in November we opened up the TA grants programme to all interested organizations and now consider applications on a rolling basis. Two more TA grants were made before the year ended, one to the District Fishermen's Youth Welfare Association (DFYWA) in Andhra Pradesh, India, and the other to Action pour le Bien-être de l'Homme (ABIHO) in Cameroon to improve its health scheme.

To nurture a new generation of TA providers, we developed our joint-mission and fellowship programmes. Joint missions allow professionals (not exclusively from the insurance and microfinance sectors) to acquire microinsurance experience by working on TA assignments for a short period alongside experts from our roster. The three participants in the programme in 2008 completed assignments in China, South Africa/Swaziland and Tanzania. Fellowships enable professionals to gain in-depth experience in microinsurance by working onsite for 6-12 months under the guidance of a mentor. We are in the process of engaging the Institute of International Education (IIE) to administer our fellowship programme, and have appointed a Lead TA Mentor (see Box 7). In 2008 the Facility interviewed more than 20 prospective fellowship candidates, eventually selecting three.

BOX 7 IMPLEMENTING OUR FELLOWSHIP PROGRAMME

An independent non-profit organization, the **Institute of International Education (IIE)** is one of the world's largest education and training organizations. It administers more than 200 programmes (including the renowned Fulbright Program), benefiting about 20,000 men and women from 175 countries. As the administrator of our programme, the IIE will conduct the day-to-day administration tasks once the Facility has selected and matched Fellows to host organizations.

The Facility appointed **Michael J. McCord** as the Lead TA Mentor. Specializing in institutional development for microinsurance, new product development, and the analysis of microinsurance programmes, he brings extensive and invaluable experience and expertise to the Facility's TA activities in general and to our fellowship programme in particular.



Clémence Tatin-Jaleran, the Facility's first TA Fellow; a French actuary working with a Bolivian NGO on life and agricultural insurance products, her focus will be on designing a viable microinsurance product for the NGO

RESEARCH

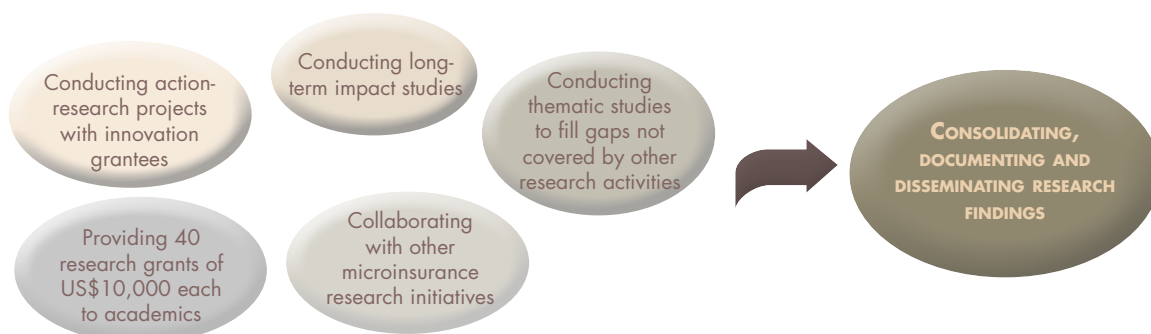
Research on microinsurance is still at an embryonic stage, with many questions to be asked and options to be tried before solutions on how to protect significant numbers of the world's poor against risk begin to emerge. The Facility's research programme provides an opportunity to explore the potential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

Our research strategy was finalized at a 2-day workshop in Geneva in September. The discussions drew on a literature review and on interviews with key stakeholders in the private and public sectors. The workshop participants included academics from the European Development Research Network (EUDN), which is helping us achieve our ambitious agenda (see Box 8). Aimed at consolidating knowledge and stimulating new learning to push the microinsurance frontiers, the strategy focuses on three main issues:

- **IMPACT:** how, and to what extent, low-income households benefit from microinsurance
- **DEMAND:** how to stimulate demand and develop an insurance culture among low-income households
- **SUPPLY:** how to overcome the key challenges for the widespread and sustainable provision of insurance for low-income households

We are implementing the strategy through a range of mechanisms, including research grants, research partnerships, action-research, and impact and thematic studies (see Figure 7).

FIGURE 7 THE FACILITY'S RESEARCH PROGRAMME



The first call for research grants was issued in November, with submissions requested by late January 2009. Over the next 4 years the Facility plans to award 40 small grants (up to US\$10,000 each) to academics, mainly in developing countries, to conduct research that will contribute to learning on microinsurance and promote interest in the subject in academic circles.

The framework for the action-research programme was finalized in late 2008. This programme invites innovation grant recipients to join it in order to improve project performance and to enable the Facility to extract lessons from the projects that could be useful for the wider microinsurance community.



"(Microinsurance) is a profitable market and we would love to invite as many people as possible to try to make this market as competitive as possible. Honestly, there can't be enough competition. Competition is going to be what is important to forming a real market at the bottom of the pyramid."

Brandon Mathews, Head of Microinsurance, Zurich Financial Services

Four thematic studies were initiated in 2008. The topics covered were: the use of technology in microinsurance; alternative distribution channels (such as retailers and utility companies); cashless claims management in health microinsurance; and livestock insurance in India. The results of the first study, on technology, were published during the year (see Box 8).

BOX 8 RESEARCH PUBLICATIONS IN 2008

The outputs from our research activities are documented and disseminated to the microinsurance industry and other stakeholders. Publications in 2008 included:

- Dercon, S.; Kirchberger, M. 2008. *Literature Review on Microinsurance* (EUDN/ILO)
- Gerelle, E.; Berende, M. 2008. *The Use of Technology in Microinsurance: Scoping Study* (ILO)

These papers, as well as the Facility's research strategy, are available on our website.

The research advisers for the Facility, representing the EUDN, are: Jean-Philippe Platteau (University of Namur), Stefan Dercon (University of Oxford), Jan Willem Gunning (VU University Amsterdam) and Stephan Klasen (University of Göttingen).

➤ Innovation Grant Beneficiaries

The grantees contracted by the end of 2008 are listed here; additional organizations were selected for grants, but their contracts had not been finalized by the time this annual report went to print.

AFRICA

Centre International pour le Développement et la Recherche (CIDR)

Institution: Association of mutual health organizations

In collaboration with: Union des Mutuelles de Santé de Guinée Forestière (UMSGF)

Country: Guinea

Expected outreach: 75,000 people for the family product; 21,000 women for maternity coverage; 50,000 school children for accident coverage

Established by CIDR in 1999 as part of a health insurance programme, UMSGF is a network governing and providing technical services to 35 mutual health organizations (MHOs) in Guinea. CIDR has been involved in health service management since 1961 and has introduced health microinsurance schemes in several African countries.

Project: **Health product diversification and improvement of institutional efficiency.** The project involves improving the existing family health product and adding two new mandatory products: maternity coverage and, for school children, accident insurance. It also seeks to improve training, communication and marketing in the MHOs and to provide them with reinsurance mechanisms.

Learning: The project should contribute to a better understanding of how to get the balance right between coverage and price and to provide effective health insurance within the context of a poor health service infrastructure. It should also produce information on how to improve the sustainability of MHOs.

Foundation for International Community Assistance (FINCA) Uganda

Institution: Commercial microfinance institution

In collaboration with: Microcare Insurance Ltd

Country: Uganda

Expected outreach: 20,000

In the 1990s FINCA Uganda was one of the first microfinance institutions to provide microinsurance mainly for women microentrepreneurs – an accidental death and disability product – in collaboration with the American International Group (AIG). Microcare has developed innovative claims processing mechanisms, working closely with health care providers, and it has extensive experience in using technology to deliver insurance products.

"If you're dealing with community organization, you need to get the key leaders – the opinion leaders – on board; if they do not understand what you're doing, if they do not buy in to the concept, they won't be in a position to sell the idea to the other members. It is only when they buy in to that you can move ahead."

Dr Gerry Noble, CEO, Microcare, Uganda

Project: Improving access to health insurance. FINCA and Microcare provide voluntary health insurance to informal sector workers. The project involves testing new strategies for increasing membership of this scheme, including lowering the group enrolment threshold, training staff in consumer education and designing a savings-based system to help members pay the premiums.

Learning: Some valuable learning should emerge from this project, including the costs of adverse selection of the voluntary group enrolment and the extent to which linking insurance with savings instead of loans helps clients pay for insurance. It should also throw light on the benefits of including consumer education approaches in staff training.

PlaNet Guarantee

(part of the PlaNet Finance Group)

Institution: Microinsurance broker

Country: Mali

Expected outreach: n/a

With 38 offices in Africa, the Americas, Asia, Europe and the Middle East, the PlaNet Finance Group created a microinsurance arm, PlaNet Guarantee, in 2007 to help MFIs, banks and insurance and reinsurance companies develop microinsurance products.

Project: Developing crop insurance for farmers. The project aims to protect cotton farmers, their assets and their crops by developing a crop insurance programme based on a weather index. As a stepping stone, the Facility is supporting a feasibility study to assess the demand for crop insurance in Mali, identify the risks that poor farmers have most difficulty coping with, and establish whether the infrastructure is strong enough to support a reliable index.

Learning: The project should provide useful information on how to develop index insurance and on the role of the broker in this type of insurance, as well as how to build an understanding among farmers of the benefits of crop insurance.

Swedish Cooperative Centre (SCC)

Institution: NGO

In collaboration with: Cooperative Insurance Company (CIC), Folksam Mutual Insurance Company and National Health Insurance Fund (NHIF)

Country: Kenya

Expected outreach: 200,000 policies

The SCC application was made with the Cooperative Insurance Company (CIC, Kenya) and the Folksam Mutual Insurance Company (Sweden). All three organizations have experience in microinsurance, with the SCC and Folksam being founding members of the CGAP Working Group on Microinsurance.



"Traditionally we would send a very skilled highly paid loss assessor out to somebody's house to find out what the cost of the claim was. Now we're looking at sending out low-skilled individuals with very sophisticated mobile devices and they can send back information to Hollard. That is a way to reduce the cost."

Bipin Bhagwan, Microinsurance Project Manager, The Hollard Insurance Group, South Africa

Project: Launching a composite product through new delivery channels. The product covers inpatient health care, accidents and funerals. The project has an education component and will include building the CIC's capacity to manage the product, strengthening the delivery channels and creating product awareness.

Learning: The project could help establish whether composite insurance products for the working poor add value and are popular, easily understood and used correctly. It could also provide valuable information about education campaigns and how to 'massify' microinsurance through member-based organizations such as co-operatives. The initiative will also illustrate the effectiveness of public-private partnership in extending social protection benefits to workers in the informal economy.

The Hollard Insurance Group

Institution: Insurance company

Country: South Africa

Expected outreach: 1 million over 10 years

A family-owned company known for its commitment to serving the low-income market, Hollard was founded in 1980. It has a reputation for innovation, having pioneered new distribution methods and launched the Afro-Global Expansion programme to create partnerships in other southern African countries and in Asia.

Project: Developing home and contents insurance policies for the poor and distributing them through new channels. The project will include using mobile phones and GPS technology to facilitate sales, creating a cadre of microinsurance claims assessors and developing education and brand awareness strategies.

Learning: The Hollard initiative will help to show whether home-owner insurance is viable in the low-income market and how effective new technologies can be in enhancing sales and efficiency. It should also shed light on how to design education strategies, train microinsurance claims assessors and process microinsurance claims.

Union des Assurances du Burkina Vie (UAB)

Institution: Life insurance company

Country: Burkina Faso

Expected outreach: 200,000

With a third of the life insurance market share in Burkina Faso, UAB is a large, locally owned company. In 2003 it started offering a microinsurance product to workers in the informal sector, aimed at helping families sustain small enterprises after the death of a breadwinner. It now has more than 15,000 clients in the scheme.

Project: Improving the delivery of a life and disability microinsurance product. The project will involve working with a Senegalese company, Ferlo, to roll out the product on a large scale using new technologies. The product is based on a contractual savings scheme, with client contributions collected daily.



Learning: The effectiveness of equipping clients with ‘smartcards’ is one of many aspects of this project that will provide the Facility with useful information on how to increase outreach and efficiency. It should also provide information on how to build trust among low-income people.

ASIA AND THE PACIFIC

Calcutta Kids

Institution: NGO

Country: India

Expected outreach: 18,000

Calcutta Kids was founded in 2003 to give children and expectant mothers in Calcutta’s slums better access to health and nutrition services. Its primary focus is on community-based programmes that enhance the delivery of good health care. As its work has progressed it has recognized the strong link between access to health services and the ability to pay for them.

Project: **Enhancing and sustaining health microinsurance through outpatient counselling.**

Supported by MicroEnsure, Medicare TPA and United India Insurance, Calcutta Kids is launching an inpatient health insurance scheme in 2009. It will use the innovation grant to explore the value to the scheme of offering outpatient counselling services to non-claimants.

Learning: The project will demonstrate whether providing free services for non-claimants will enhance client satisfaction and lead to increased renewals of insurance cover. The project also aims to measure the impact of outpatient counselling on the use and cost of inpatient care, and to assess the overall cost-benefit of this intervention and whether it contributes to the financial viability of the insurance product.

Centre for Insurance and Risk Management (CIRM)

Institution: Non-profit research centre

Country: India

Expected outreach: n/a

Part of the Institute for Financial Management and Research (IFMR), one of India’s leading business schools, the CIRM was established in 2006 to design and promote innovative insurance products for the low-income market. It is a major player in microinsurance initiatives in the country.

"The consumer of a microinsurance policy today will be the consumer of traditional insurance products tomorrow."
 Antonio Cássio dos Santos, CEO, MAPFRE, Brazil

Project: Mapping microinsurance products and best practices in India. The project involves conducting an online microinsurance inventory and mapping exercise among a variety of stakeholders, to document innovations emerging in India and learn more about the players implementing them. The aim is to provide a clear picture of the microinsurance sector; the maps will help insurance companies entering India to plan their strategies for entering the low-income market.

Learning: The project should demonstrate the usefulness of a mapping system analysing microinsurance products in terms of such variables as innovation, growth potential and delivery channels in order to identify best practices, challenges and potential solutions for providing insurance to the working poor.

Développement International Desjardins (DID)

Institution: NGO

In collaboration with: Sanasa Insurance Company (SICL), BASIX and Financière Agricole du Québec-Développement International (FADQDI)

Country: Sri Lanka

Expected outreach: n/a

Established in the 1970s and rooted in the co-operative movement, DID is a Canadian-based organization that provides technical support and investment for the community finance sector in developing countries. Working with BASIX (a pioneer of index insurance in India) and the Sanasa Insurance Company (serving 2 million households in Sri Lanka), it seeks to replicate BASIX's successful rural insurance services.

Project: Developing a strategy for indexed agricultural insurance. This project will involve conducting a feasibility study to assess demand and identify the risks that poor farmers have most difficulty coping with, and to establish whether the infrastructure is suited to providing index insurance.

Learning: Bringing together expertise from the developed and developing worlds to address the need to protect poor rural households should offer valuable lessons. The project will also provide an opportunity to see if the BASIX experience can be replicated, what delivery channels suit rural populations and what mechanisms can be used to promote South-South technical assistance.



"A few important product features inhibit greater uptake of microinsurance. 'Affordable' products that pass substantial intangible costs to the community end up experiencing lower demand. Accessibility and trust matter most when households choose a cover."

Rupalee Ruchismita, Executive Director, CIRM, India

ICICI Prudential Life Insurance

Institution: Insurance company

Country: India

Expected outreach: 60,000

One of the largest insurance companies in India, ICICI Prudential works with many MFIs and has 250 rural offices. Since its establishment in 2000, ICICI Prudential has been committed to developing microinsurance activities and it now implements these activities through two dedicated teams.

Project: Offering term life insurance with a savings component. The pilot will focus on tea plantation labourers in north-eastern India, using intermediary agencies (the tea plantations) to deliver the product and using technology to improve efficiency, reduce transaction costs and improve customer service.

Learning: The project should shed some light on how to reach large numbers of low-income workers and create an insurance culture among them. It should also provide valuable information on how to leverage third-party delivery channels and technology in improving product affordability, value and delivery.

Max Vijay

(an initiative launched by Max New York Life Insurance)

Institution: Insurance company

Country: India

Expected outreach: 500,000

An initiative launched by Max New York Life (MNYL), a leading life insurance company in India established in 2001, Max Vijay has developed a model designed to serve 100 million low-income households by improving access to life insurance and minimizing transaction costs. MNYL has built up extensive rural penetration through its 366 offices across the country.

Project: Reducing costs and educating the market to bring insurance to the poor. The model is based on distributing a simple, tangible savings and insurance product through established channels (e.g., retailers and NGOs) and using IT, including handheld terminals, to manage payments that are likely to be low and irregular. Max Vijay started piloting this 'unlapseable' product in July 2008 and with the Facility grant it will increase the number of terminals available, to test the effectiveness of this mechanism.

Learning: The project should provide valuable information on the extent to which technology improves efficiency and boosts policyholder trust, on the effectiveness of segmenting the market and using different distribution channels, and on the capacity of low-income households to pay an up-front premium. It should also show how to make insurance something the poor will buy because they want it, not because it has been sold to them.



People's Insurance Company of China (PICC)

Institution: Insurance company

Country: China

Expected outreach: 900,000

Partly state owned, with more than 5,500 domestic branches, the PICC provides all major lines of insurance. Some 19.8 per cent of its stock is owned by the American International Group (AIG). It receives strong support from the China Insurance Regulatory Commission (CIRC), which is keen to promote microinsurance in China.

Project: Providing migrant workers with personal accident and accidental medical insurance. The project will pilot new channels (local village committees, sales outlets and employment agencies) for distributing the insurance product, allowing insured workers to claim in regions other than the one where they bought the policy. The project will also explore providing policyholders with cashless services and negotiated medical fees.

Learning: Much could be learned from this project about the needs of migrant workers, how best to reach and serve them, which of the three delivery channels is the most effective and how to supply cross-regional services. The project will also shed some light on how to better educate migrant workers on the benefits of insurance.

VimoSEWA

(a programme of the Self Employed Women's Association [SEWA])

Institution: Trade union insurance unit

Country: India

Expected outreach: n/a

SEWA's main goals are to promote full employment and self-reliance among low-income, self-employed women. In 1992 it established VimoSEWA to meet members' insurance needs, with the members themselves owning, managing and using its services. Through collaboration with various insurance companies, VimoSEWA offers an integrated package of life, medical, accident, asset and widows' coverage.

Project: Measuring the impact of integrating community health activities with health insurance. Building on SEWA's community health programme, this project will conduct action-research among insured households in urban and rural locations, and test the impact of health education and simple treatment interventions and care co-ordination for common preventable diseases (e.g., gastroenteritis and malaria) on the overall performance of the health insurance programme. In particular, the project will assess the impact of the interventions on inpatient claim cost and frequency.

Learning: The project will provide a model for integrating health prevention and basic treatment activities with health insurance. It should also provide valuable feedback on what education messages are effective in reducing the frequency and intensity of hospitalization, and whether community health programmes help reduce insurance claims and illness expenditure and contribute to the viability of health insurance.



LATIN AMERICA AND THE CARIBBEAN

Alternative Insurance Company (AIC)

Institution: Insurance company

Country: Haiti

Expected outreach: 300,000 policies

A leading insurance company in Haiti, with a commitment to tap into the low-income market, AIC provides a range of household, commercial, travel and health insurance products. It recently implemented a pilot project with a microfinance organization, Fonkoze, which found that funerals are a major expense facing poor households in the country.

Project: Launching a funeral insurance product on a mass scale. The project will involve a large retail bank, Banque Nationale de Credit, and a network of funeral houses in Haiti. It will build on the successful pilot project and will include investment in an education campaign.

Learning: The comprehensive market research done for the pilot should be helpful in determining the added value of funeral insurance in one of the world's poorest countries. The project should also help in understanding the benefits of using a popular bank as a delivery channel, effective consumer education approaches, and what other products could be added to funeral insurance.

Asociación Mexicana de Uniones de Crédito del Sector Social (AMUCSS)

Institution: Non-profit organization

Country: Mexico

Expected outreach: 100,000 marginalized families

With more than 15 years of experience in rural finance, promoting microcredit and rural credit networks, AMUCSS has developed significant expertise in microfinance. Since 2005 it has offered microinsurance (life), distributing about 2,000 policies a month through rural organizations.

Project: Developing an institutional model to provide microinsurance to marginalized rural communities. Working with insurance companies and more than 65 rural agencies, and acting essentially as a broker between the two groups, AMUCSS aims to construct a microinsurance network integrating key players, research and education components, and product development and delivery.

Learning: The major learning will be from creating large organizational structures for developing and delivering microinsurance. The project is also likely to produce valuable information on the potential replicability of the model and on the microinsurance needs and attitudes of marginalized rural communities.

Guy Carpenter

Institution: Reinsurance broker

Region: Latin America

Expected outreach: 500,000

A global reinsurance broker founded in the early 20th century, Guy Carpenter has long been a leader in innovative reinsurance approaches. Recognizing that many reinsurers are tentative about microinsurance, the company wants to take a pro-active approach, gathering data on the needs of microinsurers and finding reinsurers to meet those needs.

Project: Setting up a micro-reinsurance facility. The project seeks to encourage microinsurers, many of which are MFIs, to include catastrophic risk, as well as microinsurance-specific risk transfer, in their portfolios by giving them the access to reinsurance that most of them lack. The access mechanism will be a Multi-line Micro-reinsurance Facility that the company will develop over 12 months and then implement, mainly in the Americas.

Learning: The project should demonstrate the extent to which the availability of reinsurance improves insurance products, expands access to insurance and addresses the regulatory issues facing many microinsurers today. Its work on structuring reinsurance products that are both affordable for microinsurers and profitable for reinsurers should also provide valuable information.



The Facility's Grant Officer, José Navarro, visiting a rural micro-enterprise in Mexico typical of those targeted by the AMUCSS project

La Positiva Seguros y Reaseguros

Institution: Insurance company

Country: Peru

Expected outreach: 1.6 million clients of rural water boards

La Positiva is one of Peru's leading insurance companies and has been providing microinsurance products since 1988. It has the ability to reach significant numbers of people, and has associated companies in Bolivia, Nicaragua and Panama, where the project could be replicated.

Project: Designing and delivering microinsurance products to farmers via rural water boards. La Positiva will collaborate with an IT company and the national consumers association for rural water rights to research and develop life, health, personal accident and funeral insurance products for farming families, with the premium payments being added to families' water bills.

Learning: There should be much to learn from the innovative ideas in this project, such as its novel premium collection system, its research on farmers' insurance needs and perceptions, the involvement of an IT company and the effectiveness of using new technology to transmit data and accelerate claims payments.

©110

"You have to take into consideration that people don't have experience with formal insurance mechanisms. The point is not only to sell insurance and collect a premium, but to explain how microinsurance works, translate a financial concept into simple things that people can understand."

Isabel Cruz, Director, AMUCSS, Mexico

Seguros Argos

Institution: Life insurance company

Country: Mexico

Expected outreach: 500,000

Seguros Argos was founded in 2002 by a group of experts with more than 25 years of experience in the insurance industry. In 2006, after AEGON Insurance bought a 49 per cent stake in the company, it continued to be managed by local experts, but it now has technical support from a leading multinational insurance company. It focuses on developing products suited to Mexico's lower-middle to low income classes.

Project: Creating mutual insurance schemes for rural and semi-rural women. The project objective is to create 10 mutual insurance schemes offering a term life product, aimed mainly at vulnerable women and implemented through organizations already working in the target areas. The schemes would include sending a doctor into the community to record the death and a lawyer to help with administrative matters, to ensure prompt payment of the covered amount.

Learning: The project should demonstrate the advantages and disadvantages of models that combine commercial and mutual insurance, and whether such models overcome poor people's distrust of commercial insurance. It will also provide information on the efficiency of the delivery model and on the best ways to administer claims.

TABLE 1 SUCCESSFUL INNOVATION GRANT APPLICANTS, 2008

	AFRICA	ASIA	LATIN AMERICA/ CARIBBEAN
INSTITUTIONAL MODELS	SCC / CIC / NHIF (Kenya)		La Positiva (Peru) AMUCCS (Mexico) Seguros Argos (Mexico)
HEALTH	FINCA / Microcare (Uganda) CIDR (Guinea)	Calcutta Kids (India) VimoSEWA (India)	
PROPERTY / AGRICULTURE	Hollard (South Africa) PlaNet Guarantee (Mali)	DID / SICL (Sri Lanka)	
LIFE / ACCIDENT	UAB (Burkina Faso)	Max Vijay (India) PICC (China) ICICI Prudential (India)	AIC (Haiti)
OTHER		CIRM (India)	Guy Carpenter (Latin America)

➤ Dissemination

Our communication and dissemination programme has two main tasks:

- to build awareness about the Facility, its goals and activities and the opportunities it offers to develop microinsurance models and products
- to share the findings and lessons generated by the Facility's activities with key microinsurance stakeholders – from policymakers, insurers and investors to researchers, donors, delivery channels and development practitioners

We began by creating a visual identity for the Facility, and then during the course of 2008 we developed a range of communication tools, including a brochure, posters, a website and a quarterly e-newsletter, the first issue of which was mailed to 6,000 addresses in November.

The website was launched in August, and carries information, news, announcements, facilities to download our publications and subscribe to our newsletter, and more – it is clearly going to be one of our most important communication tools. Between August and December the website received more than 6,400 visits from 147 countries, about 13 per cent of the traffic coming from India.



Some of the Facility's communication tools – a poster (left), a brochure (top centre), a page from the website (bottom centre), and the front page of the first issue of the e-newsletter (bottom right)



Finding innovative and effective ways of interacting with as many stakeholders as possible, and encouraging them to exchange views and information with the Facility, will be at the core of our work over the next 4 years. In 2008 we used various mechanisms to encourage dialogue, including online Web 2.0 tools to conduct surveys (see Box 5) and face-to-face meetings at workshops and conferences (see Box 9). We also produced an audio Power Point presentation about the Facility, with a built-in question-and-answer facility via Skype, for use as a substitute when team members are unable to attend meetings in person.



BOX 9 THE MICROINSURANCE CONFERENCE IN CARTAGENA

The 4th Munich Re Foundation Conference on Microinsurance, held in Cartagena, Colombia in November, provided us with a great opportunity to raise the profile of the Facility, publicize its activities and interact with key players.

- Our stand attracted many visitors and we held two meetings, one in English and the other in Spanish, to talk about our innovation and technical assistance grants, both meetings concluding with lively question-and-answer sessions.
- We organized a meeting with our first grantees, a challenging event with so many languages spoken, but one which contributed significantly to our efforts to build a community of practice (see page 13).
- We conducted video-taped interviews with key players from microinsurance organizations such as MicroEnsure and the MicroInsurance Centre, as well as with many of the grantees. And we captured key conference sessions on video, to disseminate via our website and via CD Rom to as wide an audience as possible.

Working with the media, particularly at the local level, is a key element of our emerging communication strategy. During 2008 we submitted articles on the Facility in particular and on microinsurance in general to several newsletters and magazines, including *Improving Risk Management for the Poor*, *Prosper*, *World of Work* and the Oxfam-Novib, ASKMI and WSBI newsletters. To mark the awards of innovation grants we convened press conferences in India, Kenya and Peru, attracting prominent business media to all three occasions and getting good press coverage (and we know that at least one of the resulting articles, in a business magazine in Kenya, encouraged an organization to apply for an innovation grant).



Press coverage in Kenya on the launch of the Facility (left), and an article in *Prosper* magazine on one of our innovation grantees (right)

OTHER GLOBAL MICROINSURANCE INITIATIVES

Over the past decade many initiatives aimed at solving key microinsurance challenges have been launched. Some operate at a local or national level, others have taken on the challenge from a global perspective. Some of the leading global organizations are outlined here.

MICROINSURANCE CENTRE

Created in 2000 out of an initiative of MicroSave-Africa and based on the partner-agent model, this Centre links microinsurance schemes to established commercial insurance companies, with the insurer carrying the risk. It has been involved in projects in many countries, including Ghana, India, Indonesia, Jordan, Kenya, Laos, Nepal, Peru and Uganda. The Centre conducts country case studies, provides microinsurance training and disseminates information through its website and the Microinsurance 'Briefing Notes' series.

(www.microinsurancecentre.org)

MICROENSURE

Formerly known as the Micro Insurance Agency, MicroEnsure has its roots in Opportunity International, a microfinance network which, in 2002, began developing insurance products to cover the risks faced by its borrowers. This revealed a huge demand for microinsurance, and in 2005 the agency was established as an intermediary to work with microfinance networks and humanitarian organizations. With outreach in 10 countries in Africa, Asia and Latin America and subsidiaries in four countries, it has a customer base of more than 3 million people.

(www.microinsuranceagency.com)

MICROINSURANCE NETWORK

Among the first global players in microinsurance was the Consultative Group to Assist the Poor (CGAP) Working Group, comprising about 60 donors, insurers and other interested parties. In 2003 it began

documenting microinsurance experiences around the world. Two years later, with sponsorship from the Munich Re Foundation, it convened a major conference to look at these experiences, attracting some 100 experts from 24 countries representing development agencies and the insurance industry. In 2008 the CGAP Working Group was renamed the Microinsurance Network; the Facility participates in several of its new working groups.

(www.microinsurancefocus.org)

MUNICH RE FOUNDATION

Established in 2005, the Munich Re Foundation is involved in a wide range of activities, including education and training, science and research, disaster prevention, environmental protection and public health care. In recent years it has become a major player in promoting microinsurance in developing countries, sponsoring the first major international conference on the subject in 2005 (see Microinsurance Network, above). Since then, it has organized an annual international conference on microinsurance (see Boxes 1 and 9).

(www.microinsuranceconference.org)

STRATEGIES AND TOOLS AGAINST SOCIAL EXCLUSION AND POVERTY (STEP)

Set up by the ILO's Social Security Department, this global programme focuses on the poor and excluded populations in the informal economy and the rural sector. It works in two complementary fields – the extension of social protection and the fight against social exclusion – carrying out fieldwork, research, training and information dissemination. Its dissemination tools include the online resource, Global Information on Micro-insurance (GIMI), a network of microinsurance practitioners and researchers, development agencies, donors, and others.

(www.microinsurance.org)

MICROINSURANCE PUBLICATIONS

FACILITY PUBLICATIONS, 2008

Dercon, S.; Kirchberger, M. 2008. *Literature Review on Microinsurance*. Microinsurance Paper No. 1 (EUDN/ILO)

Gerelle, E.; Berende, M. 2008. *The Use of Technology in Microinsurance: Scoping Study*. Microinsurance Paper No. 2 (ILO)

The Microinsurance Innovation Facility Research Strategy (ILO)



OTHER USEFUL PUBLICATIONS

Churchill, C. 2006. *Protecting the Poor: A Microinsurance Compendium* (ILO)

Dercon, S. 2005. Risk, insurance and poverty: a review. In Dercon, S. (ed) *Insurance Against Poverty* (Oxford University Press)

Garand, D.; Wipf, J. 2008. *Performance Indicators for Microinsurance – A Handbook for Microinsurance Practitioners* (ADA, BRS and CGAP Working Group on Microinsurance)

McCord, M.J. 2008. *Visions of the Future of Microinsurance, and Thoughts on Getting There*. Microinsurance Note 9 (USAID)

MicroInsurance Centre. 'Briefing Notes' series

Microinsurance Network. Briefs. *Microinsurance in Focus*

Microinsurance Network. Newsletter. *Microinsurance: Improving Risk Management for the Poor*

Morduch, J. 2006. Microinsurance: the next revolution? In Banerjee, A.; Benabou, R.; Mookherjee, D. (eds) 2006. *Understanding Poverty* (Oxford University Press)

Roth, J.; McCord, M.J.; Liber, D. 2007. *The Landscape of Microinsurance in the World's 100 Poorest Countries* (MicroInsurance Centre)

FACILITY STEERING COMMITTEE

The Steering Committee advises the ILO on the Facility's operations, with a representative of the ILO as Chairperson of the Committee. Its main responsibilities are to provide advice on the deployment of funds, to promote the Facility's activities and to recommend grant recipients to the ILO.

The Committee is composed of technical experts primarily from outside the ILO, participating in a personal capacity. The Committee members currently include two actuaries, someone with experience in health insurance operations, a reinsurance expert, someone with a mutual/co-operative background, a social protection expert and a technology expert specializing in insurance.

The term for Committee members is 12 months, on a renewable basis. The Committee members in 2008 were:

Pauline Barrett (until October)
Social Security Department, ILO

Richard Leftley
MicroEnsure

Donald G. Canning
Microsoft Corporation

Brandon Mathews
Zurich Financial Services

Craig Churchill
Social Finance Programme, ILO

Amolo Ng'weno
Bill & Melinda Gates Foundation

Denis Garand
Actuary and Independent Consultant

Gabriele Ramm
Consultant to GTZ

Priya Jaisinghani
Bill & Melinda Gates Foundation

John Woodall (from October)
Social Security Department, ILO



The Facility's Steering Committee and team, with the Director-General of the International Labour Office (Juan Somavia), the Executive Director of the Employment Sector (J.M. Salazar) and the Director of the Social Finance Programme (Bernd Balkenhol)

FACILITY TEAM

CRAIG CHURCHILL Team Leader

Craig has nearly two decades of microfinance experience in both developed and developing countries. He is Chairman of the Facility's Steering Committee, and in November was appointed Chairman of the Microinsurance Network. He serves on the Editorial Board of the *MicroBanking Bulletin* and has authored and edited more than 40 articles, papers, monographs and training manuals on various microfinance topics. Craig's most recent publication, *Protecting the Poor: A Microinsurance Compendium* (see page 30), which he edited, is widely considered to be one of the most authoritative books on the subject.

SARAH BEL Communications and Public Information Officer

Sarah has extensive experience in strategic communication, information products and the media. After working in French Embassies in Asia as a cultural officer, and subsequently in France as a communications officer and a magazine journalist, she took up an appointment with the Technical Centre for Agricultural Cooperation (CTA), an ACP-EU agency, where she was responsible for the production of radio and video information products, corporate communication and media activities.

BEATRICE GUILLEMAIN Project Assistant

Before joining the Facility, Beatrice worked as a Library and Information Management Assistant for the Employment Sector at the ILO. She has also worked in North Africa and Eastern Europe. Her areas of specialization are communication, conference/relations, library and information management, and document production.

HEATHER HARRIS Legal and Administrative Officer

Heather worked as a legal officer for the ILO for several years before joining the Facility as its Legal and Administrative Officer.



The Facility team: (back row, left to right) Craig Churchill, Jeanna Holtz, José Navarro, Michal Matul and Sarah Bel; (front row, left to right), Caroline Phily, Mary Yang, Heather Harris and Beatrice Guillemain



JEANNA HOLTZ Senior Grant Officer

Prior to joining the Facility, Jeanna worked for 5 years for the Allianz Group, based in Germany, leading a team of internal consultants to support worldwide health insurance initiatives within Allianz. Earlier, she had worked for the US health insurer, Aetna, developing medical provider networks and supporting health plan operations. Jeanna's areas of expertise include medical cost management, provider network development, business process improvement and health insurance operations. She represents the Facility on the Health Working Group of the Microinsurance Network.

MICHAL MATUL Research Officer

Michal managed the Financial Education Program at the Microfinance Centre for Central and Eastern Europe and the New Independent States in Poland, prior to joining the Facility. He has been involved in many microfinance action-research projects in Central Asia, Eastern Europe and West Africa. His main areas of expertise are financial education, social performance, microinsurance, impact assessment, marketing and product development. He represents the Facility on the Impact Working Group of the Microinsurance Network.

JOSÉ NAVARRO Grant Officer

A certified actuary with a Masters degree in financial derivatives, José has worked in direct insurance and reinsurance companies in Latin America and Europe. He was a senior consultant at Watson Wyatt in Spain, supporting insurance companies in the transition to the European Solvency II framework. He has also worked in the Economic Value Management Unit at Swiss Re Zurich, modelling risk capital and pricing reinsurance treaties. He represents the Facility on the Technology Working Group of the Microinsurance Network.

CAROLINE PHILY Technical Officer (grants, research and TA)

Caroline is a certified actuary and has a Masters degree in development studies. She has worked for the private sector in France and Chile, mainly in credit insurance and in developing risk-management and pricing tools. For 2 years she was a technical assistant for a community-based health insurance scheme in Cambodia.

MARY YANG Technical Assistance Officer

Mary practised as an actuary and a global retirement benefits consultant at Towers Perrin for 10 years before she joined the Facility. A Fellow of the Society of Actuaries in the USA, she has experience in addressing international human resources issues and has carried out multi-country projects on a range of human resources topics, including benefits policy, design, valuation and risk management. She represents the Facility on the Capacity Building Working Group of the Microinsurance Network.

INNOVATION GRANT APPLICATION GUIDELINES

The Facility has developed a comprehensive set of guidelines for organizations that would like to apply for an innovation grant. The guidelines are on our website, and can also be obtained by contacting us by letter, email or telephone. They are updated before each round of grant applications.

The guidelines seek to provide information about the Facility's objectives, requirements and procedures, and to answer the sort of questions that an applicant might ask. Here is a summary of the questions and answers.

WHAT ISSUES DOES THE FACILITY SEEK TO ADDRESS?

- High-impact products, for greater and more effective insurance coverage
- Efficient and scalable models, based on an appropriate balance of the interests of all parties
- Effective consumer education, to dispel preconceptions among the poor about insurance and illustrate its benefits

WHO IS ELIGIBLE FOR INNOVATION GRANTS?

- Risk carriers such as insurance and reinsurance companies, semi-formal microinsurers and federations of microinsurance schemes
- Delivery channels such as NGOs, co-operatives, labour unions, employer associations, banks, insurance brokers and health care providers
- Insurance and reinsurance industry players such as claims processing centres, technical assistance providers, training institutions, insurance associations, IT providers and database management services

WHAT TYPE OF PROJECTS WILL BE SUPPORTED?

- Those put forward by organizations with a track record of success in insurance for the poor, or that are new to the field but have a good prospect of succeeding in it
- Those from developing countries focusing on voluntary insurance products for which there is considerable demand
- Those seeking funding for the project itself, not for the general running costs of the organization implementing the project
- Those that appear to have great potential, can be partly funded by the organization but need extra funding to be implemented successfully



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WHAT DOES THE FACILITY EXPECT FROM GRANTEES?

- Compliance with the terms of the Standard Grant Agreement, which includes clauses on intellectual property, financial reporting and project implementation
- Participation in analyses of their projects and in efforts to document and disseminate lessons learned
- Achieving mutually agreed milestones in implementing the project and submitting reports

WHAT ARE THE SELECTION CRITERIA?

- Client and market issues (relevance and potential)
- Viable project idea (well thought out and achievable)
- Applicant's capabilities (technical expertise, market understanding, financial strength, and ability to work collaboratively)
- Strategic relevance (innovative, replicable, scalable and focused on at least one of the Facility's priorities – product, model or education)

Acronyms and abbreviations

ABIHO	Action pour le Bien-être de l'Homme
ACP	Africa-Caribbean-Pacific
ADA	Appui au Développement Autonome
AIC	Alternative Insurance Company
AIG	American International Group
AMUCSS	Asociación Mexicana de Uniones de Crédito del Sector Social
ASKMI	Asian Knowledge Centre for Mutual Insurance
BRS	Belgian Raiffeisen Foundation
CEO	Chief Executive Officer
CGAP	Consultative Group to Assist the Poor
CIC	Cooperative Insurance Company
CIDR	Centre International pour le Développement et la Recherche
CIRC	China Insurance Regulatory Commission
CIRM	Centre for Insurance and Risk Management
DFYWA	District Fishermen's Youth Welfare Association
DID	Développement International Desjardins
EU	European Union
EUDN	European Development Research Network
FADQDI	Financière Agricole du Québec-Développement International
GIMI	Global Information on Micro-Insurance
GPS	Global Positioning System
GTZ	Gesellschaft für Technische Zusammenarbeit
IAA	International Actuarial Association
IFMR	Institute for Financial Management and Research
IIE	Institute of International Education
ILO	International Labour Organization
IT	information technology
MAPFRE	Mutua de Accidentes de Propietarios de Fincas Rústicas de España
MFI	microfinance institution
MHO	mutual health organization
MNYL	Max New York Life
NGO	non-governmental organization
NHIF	National Health Insurance Fund
PICC	People's Insurance Company of China
RADOL	Rehabilitation and Development Organization for the Landless
SC	Steering Committee
SCC	Swedish Cooperative Centre
SEWA	Self Employed Women's Association
SICL	Sanasa Insurance Company
STEP	Strategies and Tools against social Exclusion and Poverty
TA	technical assistance
TPA	third-party administrator
UAB	Union des Assurances du Burkina Vie
UMSGF	Union des Mutuelles de Santé de Guinée Forestière
USAID	United States Agency for International Development
WSBI	World Savings Bank Institute

This is the first Annual Report of the Microinsurance Innovation Facility, launched in 2008 by the International Labour Organization (ILO) and the Bill & Melinda Gates Foundation.

WHAT HAVE WE LEARNED ABOUT MICROINSURANCE IN OUR FIRST YEAR OF OPERATION?

- *There are many organizations out there with some excellent ideas – indeed, the demand for the Facility’s assistance far outstrips our resources*
- *Interest in microinsurance exists throughout the developing world, but especially in India*
- *Commercial insurers are becoming more interested in serving the low-income sector, with many of them developing and implementing ‘bottom of the pyramid’ strategies*
- *Health microinsurance is one of the greatest needs of the poor, and developing it poses one of the greatest challenges*



International
Labour
Office

DECENT WORK

A better world starts here.

The social dimension of finance

The International Labour Organization (ILO) is the United Nations agency devoted to advancing opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity. Its main aims are to promote rights at work, encourage decent employment opportunities, enhance social protection and strengthen dialogue in handling work-related issues.

The ILO is the only ‘tripartite’ United Nations agency in that it brings together representatives of governments, employers and workers to jointly shape policies and programmes. The ILO is the global body responsible for drawing up and overseeing international labour standards. Working with its 182 member States, the ILO seeks to ensure that labour standards are respected in practice as well as principle.

ISBN 978-92-2-121948-4