

MICROINSURANCE THAT WORKS FOR WOMEN : MAKING MICROINSURANCE PROGRAMS GENDER-SENSITIVE

Anjali Banthia (*Women's World Banking*)
 Susan Johnson (*Centre for Development Studies, University of Bath*)
 Michael J. McCord (*The Microinsurance Centre*)
 Brandon Mathews (*Zurich Financial Services*)

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1. Introduction

Women comprise 70 percent of the world's poor. They earn less income than men and have less ownership and control of property. They face disproportionate levels of physical vulnerability and violence. When these vulnerabilities are combined with the responsibility of ensuring the welfare and security of their families, it is clear that women have a unique and pressing need for appropriate means to manage risk.

The role of insurance is to manage risk and reduce vulnerability to shocks yet it is estimated that only 3 percent of the low-income people in the world's 100 poorest countries have a microinsurance product, leaving approximately two billion people unserved. This paper is intended to generate discussion of a gendered approach to microinsurance.¹ While insurance companies are beginning to design and deliver a variety of products to the poor, the paper focuses primarily on health and life insurance because these two risks typically are reported to exert significant financial pressure on poor women. The authors explore how health and life microinsurance could be designed to more effectively respond to women's needs, and offer practical advice to insurance companies for delivering such schemes. They conclude with a call to action for microfinance providers and insurance companies to make insurance more gender-sensitive, which will serve the dual mission of poverty alleviation and profitability.

2. Why Women?

Women tend to dominate in the roles of caregiver, homemaker, and increasingly as household resource managers and income earners, through formal employment or informal businesses. Inherent to these roles is the responsibility of coping with risks such as health problems, death in the family or emergencies. Unmanaged, any one of these risks can deliver serious and often devastating financial shocks to poor women and their households, potentially intensifying poverty, instability and vulnerability.

Poor women have traditionally managed risk by such means as selling assets, relying on their husbands, pulling children out of school to earn income, or using informal mechanisms such as self-help groups for support. Some risk management strategies, while perhaps effective in the short-term, can lead to enduring adverse secondary implications, perpetuating a cycle of poverty. Allocating business profits to savings to deal with short-term emergencies instead of to longer-term investment, for example, is one of the largest barriers to growth in women's businesses. Another common risk coping mechanism for a woman is to sell productive assets, such as livestock or equipment, whereby she wipes out her ability to earn income from those assets in the future. Similarly, pulling children out of school causes a serious and immediate loss for her children, and also severely curtails their long-term earning potential. Microinsurance offers a promising alternative way for poor women to manage risk and use their assets more productively.

¹ This brief is excerpted from the Microinsurance Paper No 3 available at www.ilo.org/microinsurance, which also includes all the acknowledgements and relevant citations. The research was led by Women's World Banking and the Zurich Insurance Company. It was supported by the ILO's Microinsurance Innovation Facility and the Swiss Development Cooperation.

3. Designing and Delivering Gender-Sensitive Microinsurance

Because of their roles as resource managers and caregivers, women are a natural segment for insurance companies; the challenge is to create microinsurance programs that strike a balance between providing coverage that meets the needs of poor women, minimizing operating costs for the delivery channels and insurers, and keeping premiums low to foster affordability and accessibility.

Take health insurance as an example. Women face special health risks, such as those related to pregnancy and childbearing, and those arising from their greater vulnerability to diseases such as HIV/AIDS. Yet many health insurance programs, even where they exist, exclude pregnancy coverage, citing the high costs for insurers and customers. There are schemes however that have successfully dealt with the challenge of providing comprehensive coverage at an affordable price (see box).

Bolivia's BancoSol Negotiates to Deliver Better Benefits to Women

While many microinsurance programs exclude maternity benefits or impose waiting periods of 9 months or longer to prevent already pregnant women from enrolling, BancoSol in Bolivia offers a uniquely comprehensive health insurance program to women in conjunction with Zurich Insurance. The program provides full maternity coverage with a 7-month waiting period, giving pregnant women a valuable 2-month window to purchase insurance to cover the birth of their child. As Bolivia's top-performing MFI with nearly 200,000 clients, BancoSol was able to exercise its bargaining power to negotiate these women-friendly terms with Zurich Insurance, and quickly demonstrated the viability of such a program through a pilot test. In the two years since that pilot, BancoSol's health insurance program has reached over 14,000 clients. Sixty-two percent of these clients are women, compared to just 45 percent of the bank's borrowers, underscoring the high value of gender-sensitive microinsurance programs for women.

Another attribute that women value highly in a health insurance product is coverage for the entire family. High incremental costs for adding family members often make family coverage unaffordable, or force

women to pick and choose who to insure. The latter response raises serious issues for women and girls because they are often the ones left out.

Many microfinance providers offer loan-linked life insurance, which often only protects the life of the borrower. Since the vast majority of microfinance borrowers are women, this leaves them unprotected if their husbands die. Loan-linked coverage also results in mandatory insurance programs; however, poor women often express a strong dislike for such programs, particularly when coverage does not respond to their needs and when they are not fully aware of the benefits. Many MFIs value the protection mandatory insurance offers on their loan portfolios and some are motivated by the revenues. Mandatory life insurance programs do feature an important advantage for clients, however; because administration costs and risks to insurers are kept low, the premiums tend to be significantly lower than those for voluntary programs. It is thus critical for MFIs to closely examine their clients' willingness to pay to see if voluntary programs are appropriate in the local context. Additionally, women also want to be able to choose the beneficiaries of their policies, yet many products do not offer women this flexibility. Many women want the freedom to choose another beneficiary if they feel that their husbands would not provide suitable protection for their children in the event of their death. La Equidad has tackled this issue with an innovative approach (see box).

Colombia's La Equidad Structures Life Insurance Benefits to Protect Children

In Colombia, an unfortunate yet common response to the financial shock of losing a parent is to remove children from school. This cuts education costs and frees up the child to do paid labor, yet profoundly endangers a child's learning, development, and long-term income potential. To prevent this, La Equidad, a mainstream insurer of more than 3 million people, structured the benefits of its Amparar life microinsurance program to protect children. In addition to a lump sum payment for death and funeral support, the policy pays monthly benefits that can only be used towards education for the two years following the death of a parent and also provides families with a monthly payout for food for one year. This program is explicitly designed to prevent families from having to cut children's education or caloric intake to cope with the financial shock of the death of a parent. The program currently reaches around 30,000 clients.

Together these factors highlight the need for microinsurance to be gender-sensitive if it is to appeal to women and effectively respond to their needs. The paper offers practical advice to insurance companies in delivering such programs. For instance, effective programs should contain a strong educational element to inform women of how microinsurance works. Even if clients are convinced of the benefits of microinsurance and choose to enroll, the program will not be sustainable unless it offers clear and simple information on costs, eligibility, claims processing, coverage and long- and short-term benefits. Messaging for women should also take into consideration the tendency, in many cultural contexts, for women to require more information before making a financial decision than men, as well as high rates of illiteracy amongst women in certain communities. One successful example of delivering gender-sensitive microinsurance is SEWA Bank of India (see box).

India's SEWA Bank: A Pioneer in Gender-Sensitive Microinsurance

With a tagline of "Our lives are full of risks, Vimo SEWA makes our life secure!", India's SEWA Bank offers its clients—all self-employed poor women—a choice of three microinsurance schemes that have been designed to provide unique 'cradle to grave' coverage for many of the key financial pressures faced by poor women. Available at various price points to ensure affordability, the schemes cover the death, health and assets of women, with options to also cover husbands and children for a low incremental fee. The children's coverage provides protection to all the children in the family in one premium, to avoid families having to choose which of their children to insure. Starting with 7,000 clients in 1992, Vimo SEWA now covers nearly 200,000 women, men and children. The programs are uniquely integrated with SEWA's fixed deposit savings accounts, giving clients the option to pay insurance premiums with the interest accrued from their savings account. SEWA uses a variety of communication strategies to promote these products and educate clients about microinsurance. They have found that regular face-to-face interactions with clients are highly valued by women, who appreciate the feeling of involvement and the opportunity to ask questions about their policies and discuss broader family issues relating to risk. SEWA also provides comfortable women-only forums to discuss issues such as what can happen when a woman or a poor family confronts a major risk and how they can protect their families from those risks by using microinsurance.

4. Benefits of Providing Coverage for Women

Promoting gender-sensitive microinsurance has many direct benefits for microfinance providers, other delivery channels and insurance companies. For microfinance providers, it means a stable loan portfolio and profitable source of revenue. For providers using group lending methodologies, microinsurance also provides an important way to prevent individual risks with one client from spreading to other clients. For any microinsurance delivery channel, differentiating between needs of men and women translates directly into happier and more loyal clients, which is the cornerstone of any business today.

For insurance companies who primarily serve higher-income people in the developing world, serving poor women opens up a market of millions of new clients. With an estimated potential market for microinsurance of about two billion people, there is significant opportunity for insurers to tap into high volume sales (estimated to be \$1.5 billion in premiums for each 0.01 percent increase in market penetration). Surprisingly, this can come with less complexity for insurers than might be imagined. For example, in 2005, AIG-Uganda was able to cover over 1.6 million lives with 23 policies issued to microfinance providers. Furthermore, by marketing microinsurance to women, insurers may enjoy a multiplier effect due to the strong preference of many women to enroll husbands and children as well, provided it is affordable to do so. Thus, gender-sensitive programs may help drive scale in poor communities. Lastly, paving inroads into poor communities gives insurers not just an opportunity for profits and scale, but also an opportunity to be innovative and differentiate themselves from peers.

5. Call To Action

The research on which this paper is based vividly demonstrates the concerns women have to manage risk for themselves and for their households. Further work is needed to take this forward and the paper recommends steps that various players can take. To facilitate women-centered product development the paper concludes with a call to action to researchers to investigate such pressing issues as:

- How are attitudes to risk, and related management and coping behavior, different across contexts? What are the implications for microinsurance?
- How does the coverage and benefits of microinsurance compare to those of alternative risk strategies? How do poor women combine microinsurance with existing risk management strategies?

- How does microinsurance affect women's rates of investment into their businesses, savings behavior, or levels of household consumption? What difference does this make to how resources are used?
- What is best practice in gender-sensitive microinsurance marketing, distribution and product design?

The final challenge is issued to the donor community. With their mission to support poverty reduction, donors can fund research and consumer education, and provide critical support via technical assistance and capacity building to microfinance providers and others seeking to develop microinsurance programs. The costs associated with the initial research and development of gender-sensitive microinsurance programs can be quite high, and where commercial insurers may be reluctant to initially get involved, early donor support can be crucial to kick-start these efforts.

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



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microinsurance@ilo.org
www.ilo.org/microinsurance

