

Making public–private partnerships work in insurance

Briefing Note

Insurance is an effective mechanism to complement or extend social protection schemes. By using insurance mechanisms and the insurance industry, governments can achieve various public policy objectives, such as improved food security and universal health coverage.

Effective public-private partnerships (PPPs) can achieve scale and improve the quality of social protection programmes by leveraging the skills and resources of the partners. Following are **ten recommendations** that governments and insurers should follow when designing and implementing a PPP in insurance.

1. COMBINE A STRATEGIC APPROACH WITH FLEXIBILITY.

PPPs in insurance require a careful design that can evolve over time as both the government and the private sector learn from the results. An approach that allows for this can give certainty to all parties. The establishment of clear rules and processes is critical for success; these rules can be adapted on a regular basis but sticking to them will strengthen the credibility of programmes.

2. DEFINE YOUR TARGET BENEFICIARIES CLEARLY.

Better and more significant cover can be provided to final beneficiaries when insurers have an optimal understanding of the risk profile and preferences of beneficiaries; at the same time insurers can price products correctly. Concise definitions of final beneficiaries will also help to deliver the appropriate products and services to the right target.

3. A SOLID LEGAL AND REGULATORY FRAMEWORK IS NEEDED.

Collaboration between the public and private sector should be based on clear rules and a long-term vision. A framework that gives room for modifications and adaptations will be important to support the start-up, development and improvement of PPPs.

4. USE INSURERS AS AN ALLY TO ACHIEVE PUBLIC POLICY OBJECTIVES.

Governments should avoid making insurance compete with other government initiatives. Instead insurance can be used as a complementary tool to align incentives and create behavioural changes, and to reduce and manage risks. On the other hand, the government can create incentives for the insurance industry to use its expertise and entrepreneurial approach to solve public policy problems.

5. ALLOCATE ROLES CLEARLY BETWEEN THE PUBLIC AND PRIVATE SECTORS.

Identifying all the critical activities involved in the partnership and then assigning different partners to them will help create accountability. The investment needed for particular activities and infrastructure, along with its source of funding, should be agreed upon to create transparency around resource use. A stable coordination team should be created to guarantee continuity of the activities in the long term.

6. TAKE ACCOUNT OF THE CAPACITY-BUILDING NEEDS OF THE DIFFERENT LEVELS OF THE PUBLIC SECTOR (CENTRAL, STATE AND MUNICIPAL).

Extra capacity might be needed to design policy, oversee insurance mechanisms, and monitor and audit insurance programmes. Capacity needs differ at different government levels depending on their involvement in the implementation of programmes; yet the involvement of all levels in a capacity-building programme can help to support the partnership to continue, despite administration changes.



7. THE PRIVATE SECTOR SHOULD BUILD ITS CAPACITY AROUND BEST PRACTICE, PRODUCT INNOVATION, PRICING, REINSURANCE, DISTRIBUTION AND TECHNOLOGY.

A private sector that develops its capacity to understand low-income populations better and to implement large-scale programmes will be able to create the results needed in the public policy domain and demonstrate the success needed for further engagement.

8. ENDEAVOUR TO IMPROVE THE VALUE OF PRODUCTS.

PPPs offer an opportunity to some segments of the population to experience insurance mechanisms for the first time in their lives. It is therefore important that their experience is informed and positive. Activities to bring higher-value products to these segments will enable insurance to achieve its promise to both governments and final beneficiaries.

9. INCLUDE MONITORING AND EVALUATION SYSTEMS WITH CLEAR INDICATORS.

Establishing indicators that are accepted on both sides brings accountability and permits partners to monitor programmes over time. The set-up of monitoring and evaluation mechanisms at the outset is an important way to establish a results-oriented environment. Evaluations will shed light on how improve the design and operation.

10. TAKE A KNOWLEDGE-MANAGEMENT APPROACH BY DOCUMENTING LESSONS, AND MEASURING AND SHARING RESULTS.

Programmes that analyse their experience and learn from problems and challenges will, over time, improve the value and experience for final beneficiaries while achieving scale. Being able to learn from experiences will provide insights and ideas that can help programmes to prevent errors and foster faster growth and improvement.

Housed at the International Labour Organization, the Impact Insurance Facility enables the insurance industry, governments, and their partners to realise the potential of insurance for social and economic development. The Facility was launched in 2008 with generous support from the Bill & Melinda Gates Foundation, and has received subsequent funding from several donors, including the Z Zurich Foundation, Munich Re Foundation, the World Bank Group, USAID and AusAID. See more at: <http://ilo.org/impactinsurance>