Microinsurance
An Innovative Tool for Risk and Disaster Management

Edited by:
Emanuela Morelli
Giorgio Amsicora Onnis
Walter J. Ammann
Corina Sutter
Contents

Preface iii
Prefazione v
Introduction Emanuela Morelli & Giorgio Amsicora Onnis 1

I Keynotes on Microinsurance

Integrated Risk Management in Microinsurance
Ralf Radermacher, Jacquiline Roberts Singh & Siddharth Srivastava 7

Microinsurance and Climate Change
Thomas Loster & Dirk Reinhard 39

Improving Access to Insurance for the Low Income Market – the Role of Enabling Policy and Regulatory Frameworks
Arup Chatterjee 43

II Life Microinsurance

Microinsurance through Mutual Benefit Associations in the Philippines
Camilo G. Casals 81

Understanding the Context Is Understanding the Impact: Evidence from a Qualitative Microinsurance Impact Survey in Indonesia
Martin Hintz 109

Zurich Bolivia: Demonstrating Key Microinsurance Success Factors
Raymond Risler & Craig Churchill 137

III Health Microinsurance

SEWA’s Model of Microfinance as a Risk Management Instrument for the Poor
Tara Sinha, Mirai Chatterjee, Jayashree Vyas 157

Penetration by Lenient Method
Francis Somerwell 173
Voluntary Affiliation to Micro Health Insurance and Social Capital among Resource-Poor Persons: Initial Evidence from India
Iddo Dror

IV Disaster Microinsurance

Robust Decision Making for Sustainable and Scalable Drought Index-Based Microinsurance in Ethiopia: Reducing Weather Related Disaster Risk With Rural Agro-Insurance
Jillian Dyszynski & Takeshi Takama

Practical Experiences in Improving Affordability and Delivery Channels of Weather Index Insurance for Kenyan Smallholder Farmers
Rose Goslinga

Shock-Coping and Household Finance in Rural Vietnam: Evidence and some Implications
Niels Kemper & Rainer Klump

Microinsurance and Public-Private Partnership in the Context of Catastrophic Risk Management: Examples from Indonesia
Barbara Rohregger & Matthias Rompel

Resilience Against Disasters and Microinsurance – Managing Urban Risks in Jakarta
Mario Wilhelm

Disaster Insurance for the Poor: All India Disaster Mitigation Institute and Afat Vimo
Mihir Bhatt, Tommy Reynolds & Mehul Pandya

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List of Authors
Understanding the Context Is Understanding the Impact: Evidence from a Qualitative Microinsurance Impact Survey in Indonesia

Martin Hintz

_Institute of Southeast Asian Studies, University of Passau, Passau, Germany_

**ABSTRACT:** This paper presents the findings from a qualitative-explorative longitudinal impact assessment of an enhanced credit life microinsurance pilot in Indonesia. Different from the practical or econometric-quantitative approaches of the few microinsurance impact assessments available today, the approach applied here is sociological. Emphasis is put on contextualization. A variety of research components were executed: a baseline/endline survey of customers, interviews with 24 Muslim beneficiaries and additional research with loan officers, credit group leaders, experts, and MFI managers. Despite a number of methodological constraints which preempt absolute data accuracy, the breadth of available data nonetheless allows for indicative conclusions. This impact assessment identifies microinsurance as an agent of social change and highlights the complex interplay of the actual product with its respective socio-cultural context in producing impact. It turns out that the social impact of the surveyed product which waives the loan balance and provides substantial additional payouts upon death of a micro-borrower, was literally “micro”. For reasons of religion and tradition, most additional payouts were used for social investments. Payouts appear to substitute some of the traditional, informal, post-mortem family assistance (crowding out). To some extent, the insurance payouts also seem to have contributed to an inflation of funeral costs. Dependence on informal assistance was reduced leading to a potential erosion of equality-focused social cohesion. Positive impacts were found in the form of an increase in financial literacy. Also peace of mind of the insured increased. However, some of those insured felt less secure for reasons of religion and superstition. Customer satisfaction was nonetheless high. The insured voiced a strong demand for more urgent risk management challenges such as education and health costs.

**KEYWORDS:** microinsurance in Indonesia, qualitative impact research, sociological and asset-based approach, credit life insurance
1 INTRODUCTION

This paper presents the results of an impact assessment of an enhanced credit life microinsurance implementation in Indonesia. The paper aims to contribute to the scarce but growing body of empirical impact research on microinsurance. First, a short overview will be given on why there is still little impact research available to date and what research trends can be discerned. In a second step, the impact of the surveyed microinsurance implementation in Indonesia will be analyzed by applying a sociological framework of analysis with special emphasis on the socio-demographic, cultural and religious context.

Microinsurance is still a relatively recent phenomenon. It rose to prominence around the turn of the millennium when development advocates became increasingly aware of the importance of effective risk management as a supportive condition for economic growth. The 2000/2001 World Development Report epitomizes this expansion of the development agenda (World Bank 2000). When the World Bank moved on to present its Social Risk Management (SRM) framework in 2001, it conceptualized SRM not only as a safety net but as a springboard for development (World Bank 2001; Moser 2001). In consequence, interest in microinsurance as a market-based solution to Social Risk Management increased and respective donor funding became available. Not surprisingly, the number of microinsurance implementations has since grown rapidly. Although insurance has long been sold to low-asset customers, only its entry into the development discourse under the label of microinsurance (the term first appeared in the late 1990s) created a need for impact assessments. The short “developmental” history of microinsurance, however, has given researchers little opportunity to date to carry out well-funded and rigorous longitudinal impact studies (cf. Dercon and Kirchberger 2008).

The few available publications can be grouped by (1) surveyed risk type, (2) geographic region, and (3) research approach. In terms of surveyed risk types, health insurance is taking the lead over other insurance types such as disaster or life insurance (Dercon and Kirchberger 2008: 9). The dominance of impact assessments on health can be explained by three factors: (1) health protection is perceived as being of highest priority in developing countries (Roth et al. 2007: 25), (2) the number of micro-health schemes is higher than for other microinsurance types (Roth et al. 2007: 27), and (3) the high claim frequency makes impact research on health easier than for infrequent risks such as natural disasters, death or disability.

In terms of geographic regions, a clear preference is still not discernable, but research can be expected to follow those regions where microinsurance schemes are most numerous: India, Africa, and Latin America. Regarding Indonesia, the focus country of this assessment, no empirical impact research on microinsurance has been carried out before.
In terms of applied research approaches, the few available works are either based on practical analysis without an academic framework, or they are rooted in the field of development economics. For the more practical surveys, qualitative methods such as focus group discussions and key person interviews as well as small scale surveys, dominate. A SyncConsult impact assessment from Ghana is a rare example of a practical survey which uses a baseline/endline approach, albeit not the more robust double difference approach because it operates without control groups (SyncConsult 2006). Impact assessments rooted in development economics favor quantitative surveys using panel, cross-sectional or time-series data and statistical methods of analysis. Randomized Control Trials (RCTs) are currently the most accepted econometric method of impact research. What has been markedly absent so far are sociological approaches that take a closer look at how the socio-demographic, cultural, and religious context interplays with the actual microinsurance product in producing impact.

In terms of results, the few available assessments draw a positive picture of microinsurance impacts. Young et al. (2006) investigate the impact of group accident and health insurance in Uganda. While results for health are tentatively positive, group accident results are not particularly tangible due to difficulties in locating beneficiaries. Mosley (2003: 150) lists a number of positive impacts that he found in analyzing two micro-health schemes, one operated by BRAC in Bangladesh and one by FINCA in Uganda. He notes higher stability of incomes and expenditures, reduced reliance on informal emergency borrowing, increased investment in physical and human assets, and consequently an increase in peace of mind. SyncConsult (2006) reports on a voluntary life-cum-savings microinsurance project in Ghana and finds a positive impact on the livelihood of the insured. The SyncConsult report mentions in passing that respondents were superstitious that life insurance may lead to bad luck and premature death. While Mosley does not reveal much of the applied methodology, the SyncConsult report contains a number of apparent methodological flaws, such as not following up on drop-outs. In fact, preliminary results from a first systematic overview of microinsurance impact literature prepared by the Impact Working Group of the Microinsurance Network concludes that the results of most available material are tainted by methodological flaws (MiN 2009: 1). Moreover, as noted, the discussion of social context and social impacts remains marginal at best.

Something little broached so far by the existing corpus of impact research is the fundamental conceptual difference between microinsurance as a modern, highly-formalized and individualized risk management tool that is based on the concept of conditional general reciprocity and, on the other hand, traditional collective risk management arrangements such as mutual help which, as Platteau (1997) has shown, operate on a balanced reciprocity basis. This difference is especially apparent with commercial microinsurance, but to a lesser extent also applies to modern mutual insurance arrangements, because both approaches know “winner” (claimants) and “losers” (non-claimants).
Traditional collective risk management aims to provide subsistence insurance through a carefully institutionalized system of more or less balanced gives and takes (Scott 1976; Hsken and Koning 2006). For this system to work, a more or less equalized distribution of material wealth in the community is needed. The self-interested individualized accumulation of economic capital is consequently condoned though a socio-economic structure that Thompson has termed the “moral economy” (Thompson 1971; cf. Scott 1976; cf. Bourdieu 1977). When (commercial) microinsurance enters the scene, it is therefore not simply confined to its functional value as a risk management tool, but necessitates a particular way of thinking and perceiving the world, namely in an individualized and rational way familiar to modern Western societies but not necessarily familiar to low-asset families in developing countries. This paradigm shift towards individualized protection reduces the need for collective risk management activities and thereby shakes the very foundation on which traditional societies are built, for better or worse. In developing contexts where the impact of the moral economy is still discernable (Scott 1976; Ravallion 1988; Evers 1994), (commercial) microinsurance therefore assumes the role of an actor of social change. This role has so far received too little attention and deserves further research. Especially interesting would be an investigation looking at the extent mutual microinsurance fares better in maintaining social cohesion over the long term compared to commercial microinsurance.

For the moment then, the state of the art on microinsurance impact research presents itself as described above: (1) few available empirical assessments on actual microinsurance implementations, especially on non-health risks, (2) no impact research on Indonesia, and (3) dominance of an economic over a sociological or integrated research focus. With this limited state of the art, the relevance of the impact assessment presented in this paper derives from addressing all these three research gaps. In addition – as this volume is dedicated to analyzing microinsurance in the context of natural disaster mitigation – I argue that the strong influence of the respective socio-demographic, cultural and religious context demonstrated in the following empirical account is a general phenomenon that needs to be considered for any microinsurance intervention, including in the field of disaster risk. The contribution by Wilhelm (same volume) points in the same direction.

2 Practical framework of Payung Keluarga (‘Family Umbrella’)

Based on an initial microinsurance demand and market study for Indonesia (McCord et al. 2006), in 2006 Allianz insurance and the German Technical Corporation (GTZ) set out to develop a pilot microinsurance product in that largest Muslim country in the world. I was involved in the project as the project coordinator at Allianz Indonesia. I acknowledge that I carry responsibility for the way the product was developed, launched, socialized and operated, and thereby also for the respective social impact, which – as it turns out – is
rather sobering. Despite the fact that McCord et al. (2006: 26) had found education and health in highest demand, Allianz and GTZ chose to focus on the identified top-4 risk, namely death of a relative, in the form of an enhanced credit life microinsurance product called *Payung Keluarga* (‘Family Umbrella’). This decision was based on the relative simplicity of credit life insurance and advantages in distribution through MFIs (cf. Churchill 2002: 384). Moreover, I regarded the risk of failure of a credit life pilot as relatively low and the profitability prospects as relatively high and quick when compared to more complex products. Therefore, although pursuing lower developmental aspirations, credit life can be helpful to familiarize insurance companies with the microinsurance business model and make it easier in the long run to mobilize resources for more complex follow-up products. I therefore strongly endorsed and promoted this choice.

*Payung Keluarga* provides two benefits instead of the usual single credit life benefit. The first benefit, i.e. the standard credit life benefit, waives the outstanding loan balance in case of death of the debtor. The second benefit consists of an additional payout of twice the original loan amount to the beneficiary. I regarded this additional payout feature as the real “micro”, that is developmental, component of the product. In this standard two-benefit configuration seven local MFIs attached *Payung Keluarga* to 71,889 micro-credits from 1st of September 2006 until 30th of September 2008. This time span is the reference period for my impact research.¹

*Payung Keluarga* was compulsory. The MFI’s microcredit customers could not opt out of the insurance coverage. The premium rate was calculated as 0.1 percent of the loan amount per month (1.2% per year) and not differentiated by age or sex. On average, customers paid a one-off premium of USD 0.92 for a loan of USD 154 with a loan length of five months and 20 days. The premium was deducted from the loan at disbursement. Claims were checked and paid by the MFIs from the collected premiums, and later, without further checking, reimbursed by Allianz in case of deficits. In the reference period, 64 claims occurred. The average time from death to payout was 28 calendar days. The average waived credit balance was USD 83 and the additional payout to the beneficiary USD 287. As of September 2008, the 12-months rolling claim ratio for *Payung Keluarga* stood at 60 percent, which is a considerably high value for credit life products and serves as an indicator of considerable “customer-value” in terms of premiums being returned in forms of claims (cf. Wipf and Garand 2008: 23).

Owing to its compulsory nature, the product required no particular marketing. It was nonetheless in the interest of Allianz and the MFIs to inform the

¹*Payung Keluarga* was also sold through other MFIs. Moreover, product features were eventually made more flexible and started to differ among MFIs. For reasons of data consistency, here and in what follows, all numbers on *Payung Keluarga* refer only to those MFI which participated in the impact research while distributing *Payung Keluarga* in its described original standard configuration.
insured micro-credit customers about *Payung Keluarga*. Allianz thereby hoped to increase its brand awareness and build a large and loyal customer base, especially in expectation of further economic development in Indonesia. The MFIs considered *Payung Keluarga* with its additional payouts to be of added value to their customers and a differentiation to competing MFIs which only provided standard credit life coverage or required relatives to continue paying installments after the death of the debtor. Therefore, Allianz and the MFIs channeled considerable effort in product education such as training loan officers and customers, printing and distributing brochures, elaborating claim payment ceremonies, and last but not least a clearly marked insurance premium deduction instead of hiding the insurance premium in general administration fees or having it paid directly by the MFIs.

### 3 Framework of analysis

*Payung Keluarga* was conceived as a tool for managing the risk of a breadwinner’s death in order to reduce low-asset families’ vulnerability to poverty. My aim in carrying out an impact assessment was to measure the impact of *Payung Keluarga* on the lives of the insured and their beneficiaries, especially with regards to whether risk management had been improved and vulnerability reduced. Before turning to the actual research, several concepts employed in this rough outline need a clearer definition: namely impact, poverty, assets, vulnerability, and risk management. For these definitions to work, we need to be clear on the unit of analysis first.

For my assessment, there are two primary units of analysis: (1) The insured who survive the entire length of the insurance contract, and (2) the beneficiaries of those insured who died during the reference period. Both the insured and the beneficiaries are individual persons but I do not clearly delineate the insured and beneficiaries from their respective families. It would have been interesting to include the wider community as a unit of analysis as well. However, the scope of the assessment did not allow for it. Closely following the official OECD general definition of impact, I define microinsurance impact as positive and negative, primary and secondary changes produced by a microinsurance intervention, directly or indirectly, intended or unintended over the short-term and long-term (cf. OECD 2007: 24). The usefulness of this definition lies in its broad scope which explicitly includes the possibility of unintended, negative and long-term impacts. Those tend to be the changes with the highest probability of being overlooked.

Turning to poverty, I do not operationalize poverty as an absolute measure such as the famed 1-USD-expenditure-per-day poverty line. Instead, I take the ex-ante state of a low-asset family’s multi-dimensional asset base as a
point of departure. Becoming poorer thus means negative changes to the asset base while becoming better off means positive changes to the asset base. Therefore, it is the relative change to the family’s own asset base that matters. When defining the asset base, I build on asset approaches presented by Moser (1998; 2007) and Heitzmann et al. (2002) who in turn draw on the works of Sen (1981) and others who have expanded the previously dominating one-dimensional monetary view on poverty. In consequence, I decompose a low-asset family’s asset base into the following components: (1) labor, (2) human assets such as health status, education, skills, and psychological states such as peace of mind and optimism, (3) physical assets, especially productive assets such as land, equipment, livestock, and housing, (4) social assets such as social networks within the family and between families and even extending to the community and state (e.g. access to safety net mechanisms), (5) financial assets such as cash, savings, social security coverage, and insurance contracts, (6) location and infrastructure such as proximity and access to water and sanitation, educational facilities and markets, and (7) political and institutional assets such as participation in family decision making as well as in organizations at the community, civil or political level. This broad definition of the asset base underlines that low-asset families, just as those that are better off, are “managers of complex asset portfolios” (Moser 1998: 1). In addition, it unveils numerous areas on which microinsurance might produce further impacts. For example, an increase in financial literacy of the insured would mean an increase in human assets; or social ties within the core family may strengthen and inter-family ties may weaken causing changes to social assets, with the net effect not being necessarily clear cut.

Thus defined, the asset base not only serves as the reference point for poverty or its antithesis, welfare, it also provides the means for managing risks. To illustrate this, we need to put the asset base in relation to the concepts of vulnerability, risk and risk management. Following Heitzmann et al. (2002: 4), vulnerability can be decomposed into the so-called “risk chain”: (1) the risk itself as an uncertain negative event, (2) the options and actions for managing risks, i.e. the risk response or risk management, and (3) an eventual welfare loss as a function of risk and risk response. In order to stay consistent with the broadly defined asset base as a proxy for poverty, I further specify the term “welfare loss” employed by Heitzmann et al. (2002: 4) as a loss of assets. Assets like cash, savings, insurance, social relations, skills, and education can all be employed for designing and deploying a risk management strategy. The asset base suffers if the function of risk and asset-based risk response bears a negative sign.

2I prefer the loose term ‘family’ instead of the more common term ‘household’ because it better fits socio-demographic conditions among low-asset Indonesians. There, the concept of family is not restricted to those living under the same roof but rather encompasses a wider social network of relatives, in-laws and even neighbors and friends (cf. Lont 2000: 162; cf. Newberry 2007: 1314).
Three major strategies can be used in mobilizing assets for the risk response: (1) risk reduction, (2) risk mitigation, and (3) risk coping (Alwang et al. 2001: 3; Moser 2001: 364; Heitzmann et al. 2002: 9; Holzmann et al. 2003: 7). Risk reduction and risk mitigation take place ex-ante in anticipation of a still unmaterialized risk event. Risk coping takes place after the risk has materialized as a shock. These strategies are not mutually exclusive. Components of each can be integrated into the risk response. Microinsurance fits into the category of risk mitigation because it promises compensation for future anticipated losses. A special strength of microinsurance is seen in its capacity to cover covariant risks, e.g. natural disaster risks, which affect many families in the same geographic area and are said to cause the disintegration of informal risk management networks (Alwang et al. 2001: 19; Dercon and Kirchberger 2008: 5; Pan 2008: 6). Naturally, families will strive to employ the most efficient and loss-minimizing combination of assets and strategies in their risk response.

The issue of embeddedness further adds to risk management complexity. As proposed by Polanyi (1944), furthered by Granovetter (1985), and later taken up by Hefner (1998) for Southeast Asia, the concept of embeddedness postulates that economic and socio-cultural processes are intertwined. An essentially economic process such as managing risks through microinsurance cannot be understood and analyzed without regards to culture in general and, as I argue for Indonesia, religion and the remnants of the moral economy in particular. In short, insured and beneficiaries are not completely free from cultural and religious constraints in their risk management choices and actions.

If we thus consider the complexities of (1) a highly diverse asset base, (2) a variety of non-exclusive risk management strategies, (3) a myriad of asset-strategy combinations in formulating risk responses, and (4) the issue of embeddedness, it becomes clear that the one-dimensional original theory of change for Payung Keluarga championed by GTZ, Allianz, and myself needs to be critically reviewed. This original theory of change closely follows Brown and Churchill (1999) and Young et al. (2006) and is based on three hypotheses: (1) The insured micro-credit debtors, in the case of Payung Keluarga mostly women, contribute significantly to the family income. (2) If the microentrepreneurial breadwinner dies, the family is doubly hit by a financial crisis due to the income lost and expenses such as funeral costs and settling of debts and other accounts. (3) Payung Keluarga with its double benefit of credit waiving and additional payouts is assumed to cushion the post-mortem financial crisis and ideally leaves funds available for opening up new income sources, e.g. by financing training or business investments. By doing so, Payung Keluarga would render severely asset-depleting high stress coping measures like the sale of productive assets unnecessary (cf. Sebstad and Cohen 2000: 60). As indicated above, the major part of the available literature on microinsurance impact focuses on this essentially economic perspective of impact. However, the theory of microinsurance change in its manifestation as Payung Keluarga needs to
be expanded. Beyond its actual function as a risk mitigation tool in case of
death with possible protective impact on physical and financial assets, Payung
Keluarga should also be scrutinized for impacts on other assets, for example
(1) changes to human assets such as education, skills and peace of mind, as
well as (2) changes to social assets like the stability and reliability of social
networks. In consequence, – diverging from the aforementioned closely defined
impact hypotheses – the rather explorative key assumption which underlies
my methodology is that microinsurance impact materializes itself as part of a
complex mixture of asset-based risk management strategies which, are likewise,
twined with the respective socio-cultural context.

4 Methodology and data

I carried out impact research on Payung Keluarga on the sidelines of my
employment with Allianz in Indonesia. My research was not commissioned
by Allianz or GTZ. However, Allianz allowed me to dedicate a portion of
my working time on impact research (for which I am grateful). I undertook
fieldwork (in Indonesian) on several occasions at the respondents place of living
from July 2006 until October 2008. The regional focus was on urban and
semi-urban areas in the Greater Jakarta area, mixed with research stints in
Bali, Sumba and West-Timor. The methodology I applied was qualitative-
exploratory. The 404 total respondents draw from a wide range of backgrounds
to ensure a holistic approach able to capture as many intended and unintended
impacts of microinsurance as possible, and to allow for a triangulation of
data. Respondents were grouped into six research components: (1) a
customer component that consisted of a baseline and endline survey using
group questioning methodology, (2) a beneficiary component of interviews
with 24 Muslim Payung Keluarga beneficiaries, (3) a loan officer component
that consisted of group questionings with MFI staff in order to benefit
from their “helicopter perspective” on the insured MFI borrowers, (4) an
expert component consisting of 20 loosely structured background interviews
with experts from a range of fields including academics, religion, insurance,
microfinance, and politics, (5) a credit group leader component for a more
in-depth inquiry into customer’s perspectives and motivation using a mix of
group questioning and focus group methodology, and lastly (6) a number of
interviews with managers of Allianz’ MFI partners.

Table 1 displays socio-demographic and insurance variables (as far as available)
on the total insured population as well as of the customer and beneficiary
components.

Customer component participants were not randomly chosen but selected by

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Bamberger (2000: 14) defines triangulation of data as “the principle of increasing the
validity of the data by looking at different data sources”. According to Kabeer (2003: 113),
triangulation serves “to ensure validity of interpretation”.

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Table 1: Socio-demographic and insurance variables of customers and research participants

<table>
<thead>
<tr>
<th>All insured (N)</th>
<th>Customer Component¹</th>
<th>Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases</td>
<td>71,889</td>
<td>313</td>
</tr>
</tbody>
</table>

- **Living surroundings**
  - urban 43%
  - semi-urban 42%
  - rural 15%
  - urban 49%
  - semi-urban 37%
  - rural 14%
  - urban 62%
  - semi-urban 38%
  - rural 0%

- **Female ratio** 89%
  - urban 62%
  - semi-urban 38%
  - rural 0%

- **Average age** 39.30²
  - urban 62%
  - semi-urban 38%
  - rural 0%

- **Marital status**
  - single 5%
  - married 86%
  - widowed/divorced 9%
  - single 13%
  - married 83%
  - widowed/divorced 4%

- **Religion**
  - Muslim 83%
  - Protestant 10%
  - Catholic 5%
  - Hindu 2%
  - Muslim 54%
  - Protestant 25%
  - Catholic 8%
  - Hindu 12%
  - Muslim 100%

- **Average years of schooling** 8.94
  - informal 98%
  - semi-formal 0%
  - formal 2%
  - informal 38%
  - semi-formal 38%
  - formal 24%

- **Estimated illiteracy rate** 10%

- **Employment status**
  - informal 98%
  - semi-formal 0%
  - formal 2%
  - informal 38%
  - semi-formal 38%
  - formal 24%

- **Principal occupations**
  - trading 50%
  - farming 17%
  - housewife 15%
  - trading 29%
  - office boy 8%
  - construction worker 8%
  - taxi driver 8%

- **Estimated average income (USD/month)**
  - 100
  - 125
  - 150

- **Payung Keluarga coverage ratio (ex-post only)**
  - 100,00%
  - 80%

- **Average loan (USD)**
  - 134,75
  - 177,604⁴

- **Average loan length (months)**
  - 5.68
  - 8.30⁴

- **Average premium (USD)**
  - 0.92
  - 1.33⁴

¹Ex-ante (n=174) and ex-post participants (n=139) are summed together. 62 repeat participants are therefore counted twice. This accounts for a considerable number of intermediate changes e.g. on age or occupation.
²Age at time of loan disbursement. Note that date of birth data of MFI customers is often inaccurate.
³Includes spouses who became “Payung Keluarga” beneficiaries after the death of the insured.
⁴Last loans of those ex-post participants who had taken a loan since the ex-ante survey, i.e. received insurance.
the MFIs based on a number of selection criteria I had provided. Nevertheless, the customer component profile provides a sufficiently close match with the general insured population for the purpose of this study. It should be noted, however, that the group component participants were slightly better off than the average insured as can be seen from their higher estimated income and higher loan amounts.

The high female ratio of insured (89%) and customer component respondents (83%) reflects the focus of MFIs to provide microcredits as working capital to women. Most of these so-called female micro-entrepreneurs were involved in petty-trade, such as selling foodstuffs, cosmetics and textiles. It is still remarkable that 15 percent of the customer component respondents stated their principal occupation as being housewives. This indicates that (1) some loans were actually passed on to the husbands and that (2) many women regarded their micro-business as a side-activity. The existence of these two phenomena was confirmed by loan officers and group leaders. With such a high female ratio among the insured, it is not surprising that most beneficiaries were male, namely the insured’s husbands. I therefore generally refer to the insured as women and to the beneficiaries as men.

I did not undertake a specific investigation into the customers’ and beneficiaries’ income and expenditure patterns. Income figures are therefore to be taken as highly indicative only. As a rule of thumb, the difference in loan amounts served as reasonable proxy for differences in physical and financial assets, i.e. economic strength. From general observation it was clear that insured and beneficiaries commanded considerable physical assets. TV sets, refrigerators, motorcycles, quality furniture, and good clothes were standard items in the homes where I conducted my field work. In fact, the respondents themselves described themselves as belonging to the middle class (ekonomi menengah), not as poor. What also came out very clearly was that the husbands were assigned the role of main breadwinner and head of the family. The women, however, were responsible for managing day-to-day expenditures. Their petty businesses contributed ancillary income to the family budget.

If we summarize the socio-demographic profile of the customer component, it is particularly representative for (1) married, Muslim women engaged in petty trading of (2) diverse ethnic backgrounds and (3) of low but not very low income and physical assets (4) who, through their husbands and other relatives, have access to considerable additional family assets, and (5) live in urban and semi-urban areas, mostly in Greater Jakarta. Other clusters of respondents such as male rice farmers in rural Bali and Sumba are only marginally represented.

My fieldwork benefited from two major factors: (1) the product configuration of *Payung Keluarga* was identical across all MFIs and geographical regions. Such uniformity is atypical for market-based microinsurance products. It promotes comparability of research data. (2) *Payung Keluarga* was a particularly simple microinsurance product covering death as an easily observable major life cycle
risk. This simplicity facilitated research design and enhances transferability of findings. Considering the hypothesis that microinsurance impact is produced within a complex risk management mix embedded in a socio-cultural context, simplicity of one factor, namely the product itself, reduces overall complexity.

There were also, however, three major limitations: (1) lack of control groups, (2) difficult and non-randomized respondent selection, and (3) small sample sizes. Regarding the lack of control groups, neither for the customer component nor for beneficiary component could I apply the double difference approach strongly recommended by Rao and Woolcock (2000: 175). Although double difference methods are usually associated with quantitative data collection (Baker 2000: 56), it would nonetheless have been ideal to compare insured and uninsured respondents also on a more qualitative basis. The reason for a lack of control-groups was that Payung Keluarga was obligatory from the start which meant there were no active micro-credit customers without insurance among the partner MFIs. Research at other MFIs which had decided not to implement Payung Keluarga was not possible because I could not incentivize them to undertake the considerable administrative efforts to support my research. As regards the beneficiaries, I had no access to low-asset families living within a similar context but without insurance. I therefore had to gauge the counterfactual by asking beneficiaries to imagine how their situation would have been without insurance. Because death of a relative is a fairly clear-cut and singular occurrence, and because post-mortem procedures in Indonesia are highly institutionalized, I hold that such establishment of a counterfactual enjoys an acceptable degree of validity.

Regarding the second major limitation, the non-randomized choice of respondents, this was prone to lead to selection bias and skewed results. The limitation mostly applied to the customer component. As I had no access to the MFIs’ customer databases before the onset of Payung Keluarga, a randomized choice of credit groups could not be done. I therefore resorted to providing the MFIs with a catalogue of selection criteria, which included among others the selection of typical rather than show-case credit groups. And in fact, the groups which I could visit were of varying social cohesion and loan repayment performance. There was a fair mix of good, average and bad groups. For the beneficiary interviews, the selection process was much smoother. I nonetheless still had to take limited time for research and travelling into account, which often led me to abandon interview possibilities in more remote areas. However, with 38 percent of all beneficiaries visited, the beneficiary sample enjoys a fair degree of representativeness by virtue of its relative size. The remaining components primarily served for qualitative data collection, which is why non-randomization is not particularly critical in these cases.

The third major limitation regards sample size. Only in the customer component did I have more than 100 respondents, which – at least for quantitative data collection – is regarded as the minimum threshold for
achieving representative results (Morduch 2005: 54; Pan 2008: 92). Samples in all other components were smaller. This is especially unfortunate for the beneficiary component. However, for the remaining components I did not strive for large sample sizes in the first place because their focus was on qualitative research and gathering of in-depth background information.

To summarize, the research findings presented below should be regarded as findings that reveal indicative tendencies of microinsurance impact without claiming to accurately quantify them. Even where at first sight data seems quantitative, the methodological constraints described only give these figures “validity by tendency”. It will be the challenge for future microinsurance impact research to further perfect data collection methodologies.

5 The complexities of demand

Although the decision to design Payung Keluarga as an enhanced credit life product had already been taken by the time the ex-ante customer survey started in July 2006, I nonetheless asked the 174 ex-ante participants about risks to their daily life and on their applied risk management strategies. Table 2 shows the result of this effort.

Column (C) shows a weighted ranking of risks to the respondents’ daily lives, which is generally much in line with the findings of the earlier demand and supply study by McCord et al. (2006: 26). Column (D) displays how often these risks had actually happened to the respondents. Sample size is only n=63 because this was an open-ended qualitative question. The majority of respondents did not share their experiences. Columns (E) and (F) show coping measures which the respondents had applied, roughly separated into high stress and low stress measures. Again, not all those who recounted their experiences shared information on how they dealt with them.

Due to the chosen methodology, numbers in columns (D), (E), and (F) are at best indicative rather than fully representative. Nonetheless, a number of conclusions can be drawn: (1) the risk ranking (column C) shows a large gap between education expenses and severe illness as the two top daily preoccupations compared to all other risks. (2) Drought, fire, and other disaster risks are ranked low although the preoccupation with drought was unsurprisingly higher in rural areas than in urban areas. More surprising, however, was that credit groups in Central Jakarta which had experienced both neighborhood fires and severe flooding – and moreover had to sell parts of their assets to cope with those disasters – still ranked those risks well below education and health. (3) Risk perception is therefore related to both the frequency of risk occurrence (which is not accurately displayed here) and how well risks can be dealt with, and eventually related to the resulting costs. This general finding is not new (cf. Brown and Churchill 1999). (4) What is new here is that in an Indonesian low-asset context, low stress measures such as family
Table 2: Risk perception and risk management among ex-ante customer component participants

<table>
<thead>
<tr>
<th>#</th>
<th>Risk</th>
<th>Risk ranking by points (n=174 respondents)</th>
<th>Observed frequency (n=63 respondents)</th>
<th>Applied coping – High Stress (observed frequency)</th>
<th>Applied coping – Low Stress (observed frequency)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Educational expenses</td>
<td>248</td>
<td>6</td>
<td>Asset sale (5)</td>
<td>Family Assistance (1) Pawnshop (1)</td>
</tr>
<tr>
<td>2</td>
<td>Severe illness</td>
<td>230</td>
<td>28</td>
<td>Asset sale (3)</td>
<td>Family Assistance (10) Savings (7) Free Treatment (4) Family ROSCA (arisan) (1) Community Assistance (1)</td>
</tr>
<tr>
<td>3</td>
<td>Expensive social obligations</td>
<td>62</td>
<td>2</td>
<td>Asset sale (2)</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Death (of family member, not spouse)</td>
<td>56</td>
<td>17</td>
<td>Family Assistance (6) Office loan (1) Family ROSCA (arisan) (1) Community Assistance (1)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Death (of spouse)</td>
<td></td>
<td>6</td>
<td>Asset sale (1) Money Lender (1)</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Transportation accident</td>
<td>42</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Bankruptcy</td>
<td>32</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Drought</td>
<td>22</td>
<td>5</td>
<td>Asset sale (5) Overdue credit 5</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Old age</td>
<td>21</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Natural disaster (flood, earthquake)</td>
<td>16</td>
<td>11</td>
<td>Asset sale (10) Money Lender (1)</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Fire</td>
<td>6</td>
<td>11</td>
<td>Asset sale (10) Money Lender (1)</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Theft</td>
<td>4</td>
<td>2</td>
<td></td>
<td>Family Assistance (1)</td>
</tr>
<tr>
<td>12</td>
<td>Lay-off (of a family member)</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
and community assistance apparently play a small role in financing education, a larger role in financing medical treatment, and a particularly large role in financing death related expenses. This explains the inverse risk perception of such risks. Expensive social obligations as the third-ranked risk, are the flip side of this overall strong showing of collective risk management. In case of distress and disasters, the wider family and community are supposed to help. This can cause considerable financial pressure on the assisting persons. A last noteworthy point is that the death of a spouse, normally the husband, can lead to high stress coping methods such as assets sales, most likely because of the forgone income-generating capability. Such high stress coping does not seem to happen in case of death of other family members and if it occurs, it tends to do so a considerable time after death.

An inquiry with the credit group leader component revealed the most decisive reason why education was perceived as the most pressing risk, even before health (which is unusual by international comparison (Roth et al. 2007: 8)), and why dealing with death was so much less of an issue. Unanimously, the women declared that in their living environment assistance by family and community was strongest in case of death, less so in case of illness, and almost absent in case of education expenses. It seems that tragic and ever-recurring events such as death and, to a lesser extent, severe illness had been responded to by the establishment of institutionalized collective assistance. Wilhelm (same volume) shows that the same holds true for age-old repetitive disasters like fire and flooding. On the other hand, relatively modern phenomena like education expenses and modern medical treatment have not yet led to the establishment of institutionalized and collective informal risk management strategies.

6 HOW PAYOUTS WERE USED – AND WHY

The above observations raise doubts whether the beneficiaries of Payung Keluarga were in fact in urgent need of formal life insurance. The question is how such individualized risk management relates to previously existing, collective informal assistance in practice. For this reason, Muslim beneficiaries were asked how they had made use of their additional Payung Keluarga payouts (see Table 3).

According to Table 3, most funds are spent on funeral ceremonies (37%), especially for the traditional slametan ceremony, i.e. the solemn gathering of the wider family and the nearby community after death, for prayers and eating. Slametan are of autochthonous origin and are strongly connected to ancestor and spirit beliefs. Slametan are held on the 1st, 3rd, 7th, 40th, 100th and 1000th day after death (cf. Geertz 1964: 68-76; cf. Magnis-Suseno 1981; cf. Sutrisnaatmaka 1987).

Slametan always involves the serving of food and refreshments which makes them expensive. Together with other funeral rites, such as the proper Islamic
Table 3: Usage of additional Payung Keluarga payouts among Muslim beneficiaries (n=24)

<table>
<thead>
<tr>
<th>Rank by USD</th>
<th>Usage</th>
<th>USD</th>
<th>%</th>
<th>#</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Funeral ceremonies (slametan etc.)</td>
<td>2.950</td>
<td>37%</td>
<td>18</td>
<td>37%</td>
</tr>
<tr>
<td>2</td>
<td>Paying off other debt</td>
<td>1.630</td>
<td>21%</td>
<td>6</td>
<td>12%</td>
</tr>
<tr>
<td>3</td>
<td>Business investment</td>
<td>1.110</td>
<td>14%</td>
<td>6</td>
<td>12%</td>
</tr>
<tr>
<td>4</td>
<td>Savings / remaining money</td>
<td>0.900</td>
<td>11%</td>
<td>8</td>
<td>16%</td>
</tr>
<tr>
<td>5</td>
<td>Medical costs</td>
<td>0.420</td>
<td>5%</td>
<td>1</td>
<td>2%</td>
</tr>
<tr>
<td>6</td>
<td>Education</td>
<td>0.360</td>
<td>5%</td>
<td>5</td>
<td>10%</td>
</tr>
<tr>
<td>7</td>
<td>Charity (amal)</td>
<td>0.300</td>
<td>4%</td>
<td>1</td>
<td>2%</td>
</tr>
<tr>
<td>8</td>
<td>Others</td>
<td>0.150</td>
<td>2%</td>
<td>2</td>
<td>4%</td>
</tr>
<tr>
<td>9</td>
<td>Living expenses</td>
<td>0.080</td>
<td>1%</td>
<td>1</td>
<td>2%</td>
</tr>
<tr>
<td>10</td>
<td>Distributing to other family members</td>
<td>0.040</td>
<td>1%</td>
<td>1</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>7.940</strong></td>
<td><strong>100%</strong></td>
<td><strong>49</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

burial shortly after death and the ensuing nightly praying sessions (tahlilan), the minimum costs of all funeral ceremonies until the 40\textsuperscript{th} day sum up to a minimum of USD 210 and to an average of USD 375. The financing of the funeral ceremonies was derived from different sources. The first seven days were primarily covered by community donations. The later festivities, such as the slametan on the 40\textsuperscript{th} and 100\textsuperscript{th} day after death were largely financed by contributions from close and distant family members (compare Table 2). Those contributions can take the form of outright gifts or informal interest-free loans; the boundaries are fluid here. Depletion of savings only plays a minor role. The beneficiaries regarded the sale of assets or the taking of formal credit as an inappropriate or strange (aneh) way to finance funerals. I conclude that such an overt incurring of a financial burden goes against the Muslim understanding that funerals should not burden the family.

Although it is not a Muslim ritual, the beneficiaries considered the proper holding of a series of slametan after death as obligatory to ensure a dignified passage of the deceased to the afterlife, and to thereby safeguard the welfare and prosperity of the remaining family and community. This strongly reflects the ongoing influence of autochthonous ancestor beliefs that postulate an ongoing connection between the dead and the living and the intertwining of their fortunes. Of course, from an instrumental perspective, an elaborate funeral ceremony is also connected to issues of social status. By and large, when seen from a Western perspective, the payout usage for funerals can be regarded as a social investment. In the perspective of the customers and beneficiaries, however, the connection between a proper funeral and consequent (economic) welfare is much more direct and appears perfectly reasonable. In
their understanding, the holding of proper funeral rites is beneficial for the further stability and increase of physical and financial assets, as well as human assets in terms of peace of mind. These strongly intertwined asset classes are once again representative of the prevalence of embeddedness.

**Payung Keluarga** has only financed approximately 34 percent of total funeral expenses. Family and community assistance still made up at least 40 percent. Nonetheless **Payung Keluarga** seems to have substituted parts of the informal assistance; not so much regarding the early community assistance but rather the later family assistance. Nine beneficiaries reported that without **Payung Keluarga** their family and friends would have had to contribute more funds. In addition, six beneficiaries declared that due to **Payung Keluarga** they had spent more on the funeral ceremonies than they would otherwise have done. One of the six extra-spending beneficiaries explained the personal motivations and social pressure at work when deciding how much to spend on the funeral:

“Of course I wanted to have a proper funeral for my wife, including the 40-day *slametan* as is prescribed by local tradition. I received lots of donations which were enough for the (festivities of the, M.H.) first seven days. For the 40-day *slametan* I didn’t want to spend as much as I actually did. My friends came and pressed me to spend even more, and so I spent more, but not as much as they recommended ... Yes, the pressure to spend a lot on the *slametan* is increasing. When I first moved to this area the situation was different.”

This example shows the ongoing influence of the moral economy. Socio-cultural norms induce the beneficiaries to spend considerable amounts of money on funerals. In addition, social pressure leads them to spend even more than they themselves consider appropriate. These are clear constraints on the free, personal choice of the usage of life insurance payouts. Through the serving of food and the informal payment of the “professional praying men” involved, much of the insurance fund is distributed in small portions onto the community members. The funds are virtually atomized.

Next to an increase in funeral spending, there are other implications of substituting collective assistance with individual insurance: **Payung Keluarga** has intruded into an arena of collective risk management which is highly institutionalized and appears to work effectively (due to high levels of migration even in cases of covariant shocks). Indications therefore point to making a case that **Payung Keluarga** is crowding out instead of offering complementary protection. A second implication is that in the long run, social cohesion may suffer when social capital – in the sense of ensuring access to help on the basis of balanced reciprocity – is of decreasing importance.

These findings, while indicative in nature, already open two potential avenues of argument: (1) microinsurance actively promotes the individualization of society, or (2) microinsurance provides needed individualized protection to
a society which in any event is heading toward individualization thanks to larger forces such as migration, urbanization, and the extension of the market economy. Although I hold that there is truth in both points of view, this article is meant to raise awareness of such questions rather than answering them. As mentioned before, more research would be needed here, ideally with a longitudinal timeframe and with more rigorous data collection methods.

Let us turn back to the analysis of the usage pattern of Muslim beneficiaries. Paying off other outstanding debt consumes the second largest portion of funds (21%). Even more than the expensive funeral rites, debt repayment is religiously motivated. According to the unanimous belief of the interviewed insured and beneficiaries, the repayment of debt is a precondition for Muslims to enter heaven. The quicker debts are repaid, the better for the deceased. Typical comments by customers were: (1) “Hutang lunas, mati lancar” (With debts repaid, death will be smooth); (2) “Orang meninggal bawa hutang, bingung” (If someone dies and carries debt, that’s confusing). These comments strongly focus on a religious and psychological level. Therefore, my position is that the repayment of debt is largely of social benefit rather than providing urgent economic relief. A second observation supporting this argument relates to the nature of the repaid debt which was generally informal and interest free. Creditors were family members, neighbors or employers and, as such, are unlikely to urge the bereaved family for immediate repayment.

The third position in Table 3, namely economic investment, was more in line with the original causal model and the expectations of GTZ and Allianz. However, with only six instances and 14% of funds, such cases cannot be taken as proof for broad economic relief brought about by Payung Keluarga, especially because most such investments were made by notably better-off beneficiaries. There appear to be several factors which are conducive to the undertaking an investment out of an insurance payout: (1) a relatively high asset base of the beneficiary, (2) payouts well above the customary funeral costs, (3) absence of semi-formal or formal employment of the beneficiary, (4) presence of an entrepreneurial attitude, (5) a religious attitude which sanctions the usage of payouts for forward-looking purposes. If we scrutinize these points more closely, they give additional clues why payouts were used as documented in Table 3. Most beneficiaries were men commanding considerable and independent incomes, often from semi-formal or formal employment. The male beneficiaries were therefore in a relatively strong financial asset position to afford the documented social investments. Entrepreneurial need and attitude was often lacking due to the comfort of dependent employment. If Allianz and MFIs had insured the main breadwinners, namely the husbands, instead of the female micro-borrowers, the usage pattern of payouts would likely have looked differently.

Even more influential than economic need and entrepreneurial spirit was the religious attitude of the beneficiaries with regards to the insurance payout.
Most beneficiaries agreed that the primary purpose of the insurance payout was to serve the religious needs of the deceased, not the material needs of living. The insurance payout was perceived as a form of donation. This is not surprising if traditionally all financial assistance received from external parties was in the form of donations, either from the community or from the family. As those donations were clearly marked to finance funeral ceremonies, not investment or consumption, why should the “insurance donation” be regarded differently? Only beneficiaries with a more flexible perception felt morally authorized to use parts of the insurance payouts for their own purposes, such as economic investment. The finding that insurance payouts are often perceived as donations for the deceased also explains why few funds were spent on education (5%), distribution to other family members (1%), or to cover living expenses (1%). Moreover, the extremely low usage for living expenses confirms the earlier observation that beneficiaries were not facing severe poverty in the short-term after the death of the insured. This falsifies the first key hypothesis of the original GTZ-Allianz theory of change, namely the assumption of a severe post-mortem financial crisis. If anything, such crisis seems to develop only some considerable time after death.

7 Effect on other assets

Regarding peace of mind, 44% of the insured participants of the ex-post customer component (n=109) stated feeling “a lot safer” because of Payung Keluarga. 45% felt “somewhat safer”, six percent reported “no change” and five percent felt “less safe”. As mentioned above such figures are to be taken as “valid by tendency” only. Nonetheless, a general increase in the feeling of protection can be noted. This however does not translate into more affinity for business risk. Although slightly more ex-post than ex-ante respondents described themselves as willing to venture into new business opportunities, available data does not allow to attribute this change to the provision of Payung Keluarga. It is more enlightening to consider the reasons for some customers to actually feel less safe with Payung Keluarga, a phenomenon which I came to call takut cepat mati (afraid of dying prematurely). I found such concerns to be based on two beliefs: (1) one’s lifespan is based on divine decision (cf. Sutrisnaatmaka 1987: 50); (2) it is consequently impossible and blasphemous to try to insure a life; doing so would entail divine retribution in the form of cutting short one’s life (cf. Samik-Ibrahim 1963: 122). While the first conviction was unanimously held by all respondents regardless of religion, the second is based on a literal interpretation of the term life insurance in the sense of insuring that a person will not die. This second belief was held by a much smaller portion of respondents. The above numbers suggest a rate of five percent. However, further qualitative feedback shows that takut cepat mati concerns were shared to a varying degree by many of the insured.

While the matter of positive impact on peace of mind is therefore ambiguous,
the matter of financial literacy as another component of human assets is much easier dealt with. Here, a clear increase in financial literacy, or more precisely insurance literacy, can be observed. In a self-assessment of their insurance know-how, ex-ante customer component participants (n=174) attested themselves a weighted average insurance know-how of 23 percent (with zero percent marking low know-how and 100 percent marking good know-how). In the repetition of this self-assessment during the ex-post survey, know-how levels (n=139) increased more than twofold to 54 percent. In the absence of exogenous factors like large awareness and marketing campaigns by the government or other private insurers, this is a remarkable result. Here, the product education efforts by the MFIs and Allianz described above seem to have paid off. Further proof of increased financial literacy comes from a brand recognition exercise: in the ex-ante customer component, participants recognized 36 percent of the shown logos of major banks and insurers. One year later, the portion had risen to 63 percent. The biggest jump in brand recognition was naturally registered by Allianz. From the least known of ten logos Allianz jumped to being the second-best known company. If we exclude Allianz, recognition levels of the remaining nine companies jumped from 39 to 60 percent. When combined, both exercises give strong evidence for an increased sensitization to insurance related messages, and probably to messages of financial planning as a whole. It should be added, however, that despite such sensitization only one single respondent had voluntarily bought a new insurance product in the intermezzo between baseline and endline surveys. Due to a lack of appropriate follow-up products, Allianz has therefore not yet managed to turn its increased brand awareness into cross-sales.

8 Customer satisfaction

When, during the endline survey, customers were asked about their satisfaction with Payung Keluarga, they anonymously gave Payung Keluarga 8.3 out of 10 possible points. This is a good but not a spectacular result for an insurance product in an Indonesian context where feedback, rankings, and grades are known for having a strong positive bias. Again, the origins of this satisfaction bear strong contextual connotations. Let’s look at possible points of criticism first: issues of affordability and trust were almost absent from customer feedback. Apparently these concerns were mitigated by comparably low premiums and high levels of trust of micro-borrowers to their MFIs. Critical reflections of possible negative social consequences and actual effectiveness in providing better risk management options, which are so present in this paper, were absent from the feedback of customers, beneficiaries, loan officers, and MFI managers. The most frequent criticism, where there was any, was that the insurance protection was too limited.

Looking at aspects noted positively in the endline survey, the main drivers of customer satisfaction were: (1) feeling of protection, (2) good price, (3)
tolong menolong (mutual assistance). While the first two points have already been dealt with, the aspect of tolong menolong (mutual assistance) deserves a closer look. The idea of mutual help and assistance is deeply imbued in the respondents’ conscience and regarded as highly meritorious. During the training of loan officers and the socialization of Payung Keluarga to customers, I strongly emphasized the aspect of tolong menolong in order to depict insurance as a large mutual assistance network in the hope of making insurance principles more palpable. This resounded well with customers. However, to them, tolong menolong still meant an eventual definite return for any assistance given, i.e. a system of balanced reciprocity. Therefore, the question of a premium refund at the end of a loan contract still emerged as the most frequently asked customer question.

An additional, less obvious reason for customer satisfaction is the fact that Payung Keluarga, and insurance in general, offers the insured and their beneficiaries the possibility of avoiding reliance on direct financial relationships with neighbors and friends, while – through emphasis on tolong menolong or by holding proper slametan – sticking to publically sanctioned forms. For example, it is by no means true that beneficiaries are perfectly happy with having to rely on financial assistance from family and friends. The majority of beneficiaries admitted to a feeling of malu (shame, awkwardness) when having to rely on assistance from others, although the level of malu varies depending on circumstances and their closeness to the lender. Likewise, contributors are also not necessarily happy about their obligation to contribute. This is strongly indicated by “expensive social obligations” faring as the third most challenging risk in Table 2. Insurance therefore enables the insured to maintain proper outward forms while inner substance is diverging in a way which is personally regarded as more convenient. In short, increased autonomy and individualization seem to be the preferred choice of the insured.

9 Conclusion

As a point of departure for this paper, a short discussion of available impact research on microinsurance implementations has revealed a scarcity of academic publications on the issue, especially regarding Indonesia and non-health market-based microinsurance. However, the increasing number of microinsurance implementations which has followed the broadening of vulnerability and poverty conceptualizations in the development discourse, now calls for scrutiny on the effectiveness of such microinsurance programs. As the current discussion is dominated by development economics, sociological approaches are largely absent in current impact research. This absence carries the risk that the importance of socio-cultural context in the way microinsurance impact is produced is being missed. It is this research gap that this paper has tried to address.
To ensure a holistic and contextualized research perspective, I have employed a broad asset-vulnerability framework that strongly builds on Moser (1998; 2007) and Heitzmann et al. (2002), and – next to typical assets such as labor, land, or cash – includes soft assets such as education, health status, and social relations. In addition, the framework is enriched by the notion of the interdependent embeddedness of economic and social spheres. Based on this research perspective, I have surveyed the impacts of the obligatory enhanced credit life product Payung Keluarga launched by Allianz and GTZ in Indonesia in 2006. Payung Keluarga has been largely developed and operated by myself as the Allianz project coordinator. In this position, I wondered if microinsurance was really doing the job it was supposed to do, namely to reduce the insured’s vulnerability to asset losses and thereby prevent poverty. This provided the trigger to undertake my non-commissioned (but tolerated) impact research. The applied qualitative-explorative research methodology (e.g. ex-ante/ex-post group questionings, interviews, triangulation of data) was greatly facilitated by the uniformity and simplicity of the product. However, my research was also beset by a number of often unavoidable shortcomings (e.g. lack of control groups, non-randomized respondent selection, small sample sizes). Research outcomes can therefore not lay claim to accuracy. They nonetheless reveal indicative tendencies on the way Payung Keluarga has created impact through its interplay with context.

Research outcomes show that the initial theory of change for Payung Keluarga was too individualistic and one-dimensional by wrongly assuming a severe financial crisis after the death of the breadwinner which could be mitigated by Payung Keluarga. Instead, several enlightening findings emerge: (1) The insured female micro-borrowers were not the main bread-winner of the families but were mostly supplementing the higher incomes generated by semi-formally or formally employed husbands. Bluntly put, Payung Keluarga benefited the main breadwinner in the form of additional payouts instead of insuring him. (2) More than half of the additional payouts were used for so-called social investments such as funeral festivities instead of being used for direct business investment. This usage pattern was certainly facilitated by the relatively strong economic position of the beneficiaries. However, the main driving forces were social and religious norms, such as the increasingly monetized and expensive tradition of elaborate slametan festivities to be held at set intervals after death. This constitutes an example of the still prevailing clout of the moral economy in an embedded environment which puts socio-cultural constraints on the free choice of payout usage by the beneficiaries. Moreover, feedback from the insured and beneficiaries alike highlights that their understanding of what constitutes reasonable usage choices is notably different to orthodox rational choice models based on an individualized *homo oeconomicus* conception. (3) Payung Keluarga has done little to improve the asset situation of beneficiaries. Payouts appear to have substituted a portion of the highly-institutionalized collective risk management practices of family donations. Furthermore, the
availability of such exogenous funds appears to have increased funeral spending in a number of cases. These indicative findings may bear social consequences: even if Payung Keluarga as a particularly simple product may not have a significant single effect here, commercial microinsurance taken further seems to have the potential to decrease the dependency of the insured and beneficiaries on the rigorous norms of the family’s social assistance network, with potentially liberating effects for the insured individual and potentially negative effects on the egalitarian tendencies in social cohesion. The consequence could be an increase in social inequality. (4) On the other hand, notable improvements can be observed regarding the insureds’ financial literacy as a human asset. However, feedback on feelings of peace of mind as another human asset is more ambivalent. Here, superstitions of interference with divine destiny and fear of consequent bad luck coexist with more practical considerations of the need for financial protection.

In summary, the impact of Payung Keluarga on the asset base and risk management options of insured and beneficiaries can at best be described ‘micro’, with a number of questions relating to social sustainability being raised. This meager result is due to a lack of contextualization during the product planning and implementation process, a shortcoming and lesson learned not the least for myself as the project leader on Allianz’ behalf.

What clearly stands out is a good level of customer satisfaction and a strong demand for more insurance products, especially for education and health insurance. Customer satisfaction was mainly driven by (1) feelings of protection, (2) low premiums, (3) and an associated notion of participating in mutual help (tolong menolong) through insurance. Feedback from beneficiaries also points to the fact that the insured may indeed prefer individualized formal protection over the necessity to rely on social relations for protection. Asking for assistance seems to be connected to a feeling of malu (shame, awkwardness), while giving assistance places clearly felt strains on the financial assets of the donators. A much stronger driving factor for demand, however, seems to be the weakness or absence of institutionalized informal collective risk management arrangements for relatively modern risk phenomena such as education expenses and the costs of modern medical treatment. Demand for disaster risk protection, on the other hand, was low. This can be ascribed to its comparatively low frequency and to the existence of relatively effective informal responses (cf. Wilhelm, same volume).

How to proceed? The question regarding the desirability of supporting individualized risk protection to the potential disadvantage of collective informal risk management arrangements needs further research and discussion. Potential unintended negative or positive consequences on social cohesion need to be considered. More attention should be paid to the notion that formal insurance is a fundamentally different concept than informal collective risk management arrangements based on mutual trust and social cohesion.
Apart from the need for more rigorous follow-up research on the social impact of commercial microinsurance, the bridging role that mutual insurance may be able to play between traditional informal assistance based on balanced reciprocity and individualizing commercial microinsurance based on conditional general reciprocity also merits further investigation.

For the time being, I suggest a pragmatic approach: microinsurance in Indonesia is certainly going to expand. The satisfaction levels of customers, MFIs and Allianz clearly point in this direction. Other insurers are also becoming more active in the Indonesian microinsurance market. More products will certainly be developed and ideally, these should first address those demands where existing risk management capacities are least developed, i.e. education and health. The scope for disaster insurance should be carefully assessed, especially in light of low demand correlated with considerable existing risk management capacities in the communities. Already during the planning stage, the possible social impact of any future products should be considered as holistically and contextualized as possible. The broad asset-vulnerability framework that served as the impact research guideline on Payung Keluarga may also be of help for other microinsurance projects to fathom the complexities of risk management decisions in an embedded environment, where, after all, microinsurance is only one of many available risk management options. What this paper has shown is that microinsurance impact can only be understood in close relation to the socio-cultural context in which it is developed and applied.4

REFERENCES


4As a post-scrip to this research, and as its first practical impact, Allianz Indonesia has meanwhile introduced joint-life coverage for Payung Keluarga and is now marketing this form of benefit to its partner MFIs instead of promoting high additional payouts to mostly male beneficiaries. In addition, Payung Keluarga has meanwhile proven to be economically sustainable so that microinsurance is now firmly established as a line of business with Allianz Indonesia. The company is seriously considering the introduction of education and health based microinsurance as a follow-up to Payung Keluarga. After all, the strategy to first start with a low-risk pilot while accepting limited initial developmental impact seems to have paid off for the long run.


