

Development: A prerequisite for success in microinsurance?

7th June Member Meeting Report

Around 50 members of the Microinsurance Network, including representatives from industry, regulators, academic researchers, and donor organisations convened for two days for the Network's annual June Member Meeting at KTC in Königstein, Germany. The event brought together members to discuss current trends and insights of the sector, share emerging best practices and look at innovations within the sector from the past year.



Chair of the Network Board, **Michael J. McCord** gave a brief opening welcoming the members, some of the key issues to be discussed at the meeting and introducing the Secretariat's new Interim Executive Director, **Henk van Oosterhout**.



Van Oosterhout went on to give a brief overview of the meeting agenda and introduce the newest members of the Network as well as the invited guests present.



Toon Bullens of **Juwon**, who took the floor for the first plenary session of the event on **Financing risk reduction through microinsurance**, talked about how historically the objective of earlier insurance efforts was the need to raise money for big infrastructure works and other major investments in society. Secondly he believes that insurance is an instruments for behavioural change. Bullens illustrated his case with an example from the livestock industry: In order to meet consumer needs, risk management and agricultural institutes suggested precautions chicken farmers should take to prevent salmonella in egg production, including organisational and hygienic measures. If all preventive measures were met, they would then have access to mutual insurance.

CEO of **MicroEnsure**, **Richard Leftley** then took the floor and presented on **Telenor and the Indian case study**. He highlighted how a shift in focus to a business approach ended up being a key lesson learned, as it was instantly recognised as a win-win: cost-effective for the provider (low real cost), and of good value for the consumer.



The following session featured a free-flowing debate with audience interaction on **the importance of formalisation for inclusive insurance**, with **Hannah Grant** from **A2ii** outlining the benefits and **Richard Leftley** highlighting some of the more critical arguments. Although both did agree in general terms that formalisation is a key component needed for financial inclusion in the form of inclusive insurance, they differed on the degree it should be implemented. Leftley sees the current regulatory climate as misguided, and drew from his own company's example to shed light on this issue. He argued that insurance intermediaries who design and price products on behalf of insurance companies should not be pigeonholed as the proverbial bad guys, but that insurance companies should also be looked at. The constant "skating around" the legalities of regulation was also emphasised by **Lorenzo Chan** of **Pioneer Life**. **Denis Garand**, of **Denis Garand & Associates** stressed that continued dialogue was essential and that there must be a balancing act between the two extremes.



A glimpse of the Network's commitment to regionalisation was on display in the session that followed, where three members from the regions shared their experiences, opportunities and challenges encountered in implementing microinsurance schemes in the field. **Peter Palaniswami** from **SHEPHERD**, India kicked it off by outlining their main projects, namely supporting *surabhi* women loans, micro health insurance initiative with UIIC, and an awareness and education programme for target groups. Political red tape was highlighted as a substantial barrier to implementation, and Peter explained that the RSBY national scheme is currently not working well.



Gilbert Rukurutsa from **ADED**, Democratic Republic of Congo, spoke of his organisation's self-help group approach as a strategy for building community resilience and response to medical care for vulnerable households. Creating a conducive environment through community education, mutual cells, a monitoring and evaluation system, as well as lobbying and advocacy towards decision-makers, economic growth can be attained in even the poorest of communities. **Bert Opdebeek** from **BRS** pointed out that there is currently a huge opportunity for the microinsurance sector in **DRC**, as mutuals have recently been included in the national health protection plan and regulatory framework (a regulator is going to be appointed) and the country has a 60 million people wide market with little expertise in the sector.



The third speaker for this session, **Michele Grosso**, Founder & CEO of **Democrance**, spoke of the opportunities in the MENA region and challenges of getting established there as a pioneer start up (Democrance is located in Dubai, UAE), and said the key was to show potential partners why your service would be beneficial to them.



The session **Microinsurance business processes handbook and case study** held with **Dr David Dror** and **Dr. Swapna Jambhekar** from the **Micro Insurance Academy (MIA)** via Skype provided food for thought on how to manage the business processes of mutual health schemes. Dr. Dror stressed that one of the main things was learning how to deal with trust, as the basic behavioural filter in the informal sector and rural areas in particular tend to be very specific – they only trust a very defined circle of people who they know.



Guest speaker **Hassan Bashir**, from **Takaful Insurance of Africa** took the floor for a presentation on **Index-based livestock insurance: Experience from pastoral communities in Northern Kenya**. He outlined the four main models of Takaful – trust, pure agency, pure partnership and hybrid – and responded to questions ranging from satellite data usage (ILRI-calculated trigger used for the time being, looking to use independent calculating agents in future), to the rationale for setting up the scheme as Takaful (in Northern Kenya, as well as some other rural areas, Takaful-only is wanted by the customers).



Concluding day one of the event, was an interactive session on **Benchmarking in microinsurance**, where **Bert Opdebeeck** began by doing a recap of where the microinsurance sector stands today and highlighted that one in every five people requesting claims are having them denied (21%)! He then prompted the participants to get into groups of 4 and discuss what their ideal claims ratio would be if they had a microinsurance product. An average consensus of 61% was determined, with 40% the minimum answer offered and 75% the maximum.



Doubell Chamberlain of **Cenfri** opened the second day of the conference, with his session on **Why insurance matters, but insurers don't**, through which he outlined four stages of market development for the insurance sector catering to low-income people. He then highlighted the need for market and regulatory strategies to be tailored to the stage of development the market is in, but also aim the need for them to build towards the next stage. He further highlighted the role Fintech will have in enabling a broader reach and better value in delivery, especially when in stage 2 of market development, where group and bundled products start to appear. The alignment of the

interests of controlling entities with that of the industry is another critical factor in insurance development and value delivery to clients. Regulators have an important role to play in enabling the entry of non-traditional players. He concluded that whilst insurance will continue to remain relevant to market development and the client, traditional insurers may soon become redundant if they don't dramatically change and adapt their business models, highlighting that we may well be at the "Uber-moment" of insurance.



Branko Wehnert from **GIZ** then presented **Regulatory Aspects of Mitigating the Risk of Mobile Insurance in Ghana**, a study conducted for the Ghanaian regulator to identify the risk profiles mobile insurance products impose to the sector in Ghana. Whilst Ghana's microinsurance market appears to have undergone an impressive growth with some 27 products on the market in 2014 and 2.8 million m-insurance policyholders as of June 2015, claims ratios are generally very low and there appear to be issues with clients' understanding of the products. An in-depth analysis

highlighted particular, product-specific risk profiles, which need to be monitored and assessed through a coordinated process amongst the three relevant regulators. The first steps have been taken by the National Insurance Commission to put in place coordinated market surveillance and the development of mobile-insurance market rules of conduct. The session ended with a discussion on the pre-conditions necessary for m-insurance products to be inclusive and responsible services.



Faced with many responsibilities and risks, migrants are often amongst the most vulnerable people in a country. **Barbara Magnoni** from **EA Consultants** presented some of the research she has done on the subject, outlining three models for insurance product design and delivery targeting migrants, and sharing some key takeaways from her work. These include the potential for

remittance-linked insurance given the scale of remittance flows and more generally the potential for this migrant linked insurance given the potential scale of the market. Barbara concluded that host models tend to be easier to scale whilst home models face significant delivery hurdles and that regulation still needs to go a long way to act as an enabler in this environment.

The event then moved into the Microinsurance Network portion, with a series of sessions enumerating aspects of the Network's functionality, programmes, strategy and role to the members.

First, **Expert Groups: The concept and in practice** was presented by **Michael J. McCord**, Network Chair. He clarified that the old Working Groups have now been phased out, with the Network instead focusing on taking a lead in facilitating member interaction and exchange. There will be an application form on the website available to those who wish to propose an idea for a theme or project and these will most often begin with the organising of an Expert Forum or more (depending on how many the particular topic warrants). Expert Forums will be regular events and serve as one component of member interaction, but other member engagement can also occur in the form of side meetings, P2P events, Consultative Forums and shared events. Once an Expert Forum has been organised, the concept of an Expert Group may emerge as an output of the Forum. The Secretariat is to facilitate the access of groups to the WebEx software for meetings, but if a group decides that its outcome from the idea is a project, the money must be fundraised. The Secretariat is responsible for filtering projects based on three criteria – fit with strategic framework, cutting-edge topics and member value – and then disseminating outcomes in a targeted manner.

Concerning **The World Map of Microinsurance (WMM) Programme**, Dirk Reinhard of Munich Re Foundation shared with the audience that 8000 downloads had been made, and also pondered the WMM's long-term sustainability – saying that he envisaged regulators collecting and using the data in the long run. He suggested a steering committee and an Expert Group on the topic and said the WMM was a perfect project for the Network. He acknowledged however, that despite Munich Re Foundation's will to keep funding it, five to six donors contributing 25,000 EUR each were needed.

In the following session, McCord presented the key elements of the draft Strategic Document Brief 2017-22 which sparked a lively discussion on the **role of the Network going forward**. With many and far-ranging points made, a consensus was reached that the three predominant themes to be discussed in the break-out groups would be: Funding strategy, regionalisation and strategic alliances, and a more focused Network.

Regarding the **funding strategy**, the projection in the brief is to derive 50% of future income from services, with alternative options to be sought, including a cut on fixed overhead costs and an effort to broaden the Network with new members, as well as generating income from conferences. Within the break-out group, however, the conferences idea was not well-received, believing instead that the Network should hammer out the details on a new cooperation with Munich Re Foundation to ensure it can make a profit by raising attendance fees and attracting large sponsors, without compromising its values. Furthermore, the Secretariat should examine trends and priorities within the donor community and exploit these, as well as strengthen the relationship with the Luxembourg Government, identify local institutions that are looking to spend on projects in developing countries for Corporate Social Responsibility (CSR), among other proposed changes in membership fees and classifications.

The Network being too distant from its members in the South, as well as a number of other factors including language contribute to the lack of **regionalisation**. The session, thus concluded that the aforementioned aspects should not be issues moving forward and that solutions to these should be pursued (for e.g. Expert Forums in French and Spanish). Given the fact that the Secretariat has been understaffed for around six months, it was agreed that at least one new staff should be based in the regions and make use of the logistics of a regional organisation. The topic of P2P exchanges was also broached, with mixed feelings overall, but in the end an understanding was that the Secretariat could be used to facilitate match-making, but not to provide funding for the P2P visits.

The third and final consensus idea discussed was that of a **more focused Network**. The fact that the fundraising influenced the product strategy and rendered the strategy paper less focused, whilst consultancy and training work undertaken may be duplicating the work of some of its members and putting the Network in direct competition with them, propelled the idea of refining the focus of the strategy. To achieve this, the break-out group set about reviewing all sub-components under outcome 1 in the Strategy Paper to determine which were dispensable. The overriding consideration guiding each decision was that the "Network was a platform that connects people, institutions and donors and shares information for a purpose and the important role the Network has in advocacy." If the sub-component did not fit the bill of the aforementioned statement, it should be removed from the Paper. Costs, services needed by members, and the Secretariat's capacity for carrying out these activities are also factors to be considered. The final outcome was that Regional conferences,

Expert Forums, Position Papers, World Map and Data Exchange should be taken on; Ad-hoc Research could be kept under certain conditions and Field Trips, Training events/capacity building, and Peer2Peer exchanges should be removed.

Once the break-out groups reconvened in the main hall and shared their feedback, the conference proceeded with its final formalities. **Henk van Oosterhout** addressed the next Board elections, including the voting of the Nominations Committee, which will then determine the Board slate. Members of the current Board fielded some questions thereafter before van Oosterhout brought the 7th June Member Meeting to a close.

Members were able to contribute valuable insights, learn and exchange knowledge and interact with new guest speakers. We hope that all participants had a great time, and hope to see as many of you back for next year's edition.

The Microinsurance Network Secretariat, July 2016

