**Key takeaways from the 12\textsuperscript{th} International Microinsurance Conference 2016**

Innovation in technologies and their application in providing insurance to low income people, climate change and disaster risk prevention, as well as a focus on Sri Lanka and drivers of growth in the Asian microinsurance market, were themes that permeated the 12\textsuperscript{th} edition of the International Microinsurance Conference. Below we provide a summary of the salient contributions and of the sessions of particular interest.

**Technology and innovation**

Innovative applications of technology in microinsurance are playing a pivotal role in bringing microinsurance to scale. Mobile Network Operators (MNOs) are, for example, already providing coverage to 40 million people across Asia. In Asia 9 out of 10 times mobile microinsurance is a client's first experience with insurance. It is important to ensure that customer value remains at the centre of operation, given the often complex commercial negotiations between MNOs, insurers and Technical Service Providers (TSPs).

The MicroEnsure approach, for example, rests on 5 pillars:

1. Simple products developed through a bottom-up approach;
2. Delivery through trusted brands, with a paperless sign-up process and no questions asked approach;
3. A transparent approach with minimal or no exclusions;
4. A simplified claims process with minimum documentation requirements;
5. Low-cost and tech-based administrative process allowing quick turnaround on clients’ requests.

An example of a successful mobile microinsurance products demonstrated how it is possible to, for example, achieve a 30% conversion rate from loyalty freemium to paying customers (hospital plan offered in Pakistan by MicroEnsure). Another example showed how it was possible to reach over 480,000 new active customers in the span of only two years, with 84% first time insured (Bima, life and hospitalisation cover in Papua New Guinea).

An example from India showed how mobile applications for livestock insurance are able to lessen costs because of increased efficiency in distribution. Furthermore they also significantly contribute to reducing the spread of epidemic diseases, as the speed-of-tracking enables farmers to implement precautionary measures more quickly. The potential for mobile applications to take care of enrolment, policy issuance, and claims settlement, thereby reducing administrative costs and making products more viable, is huge. Other examples of innovative technology include the use of biometric and iris detection as a unique identifier for residents. An online platform named Aadhaar relying on this technology was able to bring a micro-health insurance to 45,000 customers in just 3 months (presentation by Pompy Sridar,
Manipal Group). FinTech start-ups and satellite data are also giving product development a boost.

Since limited purchasing power is a problem for low income people, insure-tech can reduce costs through radical digitalisation, blockchain systems, and the adoption of a Peer2Peer approach. Insurance on demand makes premium payment easier, and concierge intermediation reduces costs through more transparent competition in the insurance industry.

The use of Peer2Peer enabling technologies is essentially bringing about a new type of mutual in the tech environment. Mobile applications can support these types of products by enabling on-demand protection. For example, an app could allow customers to buy cover for specific things by taking pictures of these items. This system has, for example, applications in agricultural or travel insurance.

**Climate change and disaster risk prevention**

With the onset of more frequent or intense disasters linked to climate change, and the world’s poorest being the most affected and the least equipped to deal with the aftermaths, risk prevention, mitigation and resilience are globally recognised as priority areas.

In 2015, the G7 – under German presidency – launched the InsuResilience Initiative that aims to reach an additional 400 million poor people with insurance coverage against the risks of climate change by 2020. Out of these 400 million, InsuResilience aims to reach 100 million beneficiaries through direct insurance schemes.

Volker Hey from BMZ explained that work on three levels is required to reach sustainable market development:

1. Regulatory, for supervision of public goods, remote sensing and digital data;
2. Supply, by qualifying industry associations and public/private sector engagement;
3. Demand, by developing new products and strengthening consumer protection.

Ulrich Hess from GIZ stated that there is a need for good data, remote sensing technologies, smart subsidies and massive Research & Development (R&D) at the insurers’ levels to insure households and enterprises. Knowledge should be created on the demand side, and the insurers should be capacitated in generating new products. Further, smart subsidies need to be developed for specific target populations, with an intention for these subsidies to fade out eventually.

BlueOrchard Finance has established an USD 60 million Climate Insurance Fund and aims to invest USD 0.5 to 5 million over the next five to seven years. The Fund has already invested USD 35 million in equity for insurance companies, brokers, financial institutions, service providers to the insurance sector, and those that want to expand their services to provide credit coupled with insurance policies to farmers.
In Sri Lanka specifically, to counteract climate change, SANASA Insurance Company is promoting weather index insurance by providing products at 25 locations across the country, with a special focus on tea plantation farmers.

Weather Risk India designed an innovative climate-risk linked index product. It integrates crop care and good agricultural practices with farmers who follow specific schedules for damage prevention of their cotton crops paying lower premiums. There is a need to enhance capacity at all levels to ensure that delivery channels are in place and that claims procedures allow for pay-outs in a timely manner to improve disaster risk management in general.

**Microinsurance in Sri Lanka**

The Government of Sri Lanka has placed a special focus on social inclusion in the 2017’s budget, in recognition of the importance of providing support to the most vulnerable and marginalised. The Minister of Finance of Sri Lanka, Ravi Karunanayaka, explained the Government will be supporting disaster coverage in 2017 and called for the local industry to not only focus on credit life. He highlighted that support will be given to the development of agricultural insurance because farming is the country’s most important sector. Furthermore, he invited all commercial and microinsurance companies to place their head offices in Sri Lanka, highlighting that no taxes will be charged. According to Idrani Sugathadesa, of the Sri Lankan Insurance Board, microinsurance is to be considered a key tool in addressing the protection gap in Sri Lanka.

According to the [Landscape of Microinsurance in Sri Lanka](#), published by the Microinsurance Network and the Munich Re Foundation, microinsurance premium represent 6% of the total insurance premium in the country (based on reported data). The country has seen an almost 100% increase in the number of microinsurance policies in the 2013-2014 and 2014-2015 periods, reaching 1.4 million policies in 2015. Agricultural products however average USD 170 a year which is quite expensive for the low-income market.

Based on the discussions at the conference the recommendations going forward are that insurance stakeholders have to take more ownership over their industry and invest in R&D, in capacity building and financial literacy, and invest in Public-Private-Partnerships. Sri Lanka appears to have a vibrant informal sector but it is unclear whether this really caters for the needs of the recipients. Bottlenecks in the Sri Lankan microinsurance industry need to be addressed at the grassroots level. Insurers getting into microinsurance should therefore be aware of the need for huge awareness raising, as well as of innovative models and entrepreneurship.
Drivers of growth in Asia

The conference looked at identifying the main drivers of growth that have enabled the rapid development of the Asian microinsurance market, with a view of harnessing lessons learned for future development. Three main drivers were identified:

1. An enabling regulatory environment;
2. The use of MNOs as a distribution channel (see Insights on Mobile Network Operators as a distribution channel for microinsurance in Asia);
3. And the establishment of Public-Private-Partnerships (PPPs).

In Indonesia for example, Firdaus Djaelani, from the Financial Service Authority, commented that there is scope to improve microinsurance penetration from 5.8 million to 23 million by developing regulatory frameworks and using non-conventional distribution channels. In Sri Lanka MNO Dialog partnered with Ceylinco and BIMA to cover 1.4 million people through mobile insurance till today. Quentin Gisserot, from AXA, France, explained that persuading the regulator to enable the provision of microinsurance through MNOs remains a challenge.

Key takeaway is that it is eminent that all stakeholders join forces: Insurers, mutuals, coops, regulators, and alternative providers such as telecom companies. Together they can reach the millions of poor and low income families and make a difference that adds to resilience and sustainability across the Asian region.

Creating an enabling environment

It is felt that inclusive insurance regulations often lead to higher levels of inclusive insurance outreach, and – generally speaking – markets react positively to such measures. The challenge for the regulators is to find a balance between consumer protection and offering marketing incentives. Proportionate regulations are meant to have found this balance. Simplicity of products (including simple disclosure), and a flexible approach to distribution are important components of proportionate regulations.

New regulations create new challenges in the market, and new developments create new challenges for the regulator. This is especially the case for mobile insurance and index and agricultural insurance regulations. Fintech entering the market is also constituting a challenge for regulation. Further, the role of Technical Service Providers is usually not defined in the legislation, because they are more than brokers. Hence, a current issue is how to balance this development with consumer protection. The industry understands these concerns, but stresses the need to simplify disclosure requirements and freeing up distribution options.

New industry developments and trends include product bundling, mobile insurance and e-commerce (handling the different stages from marketing through claims management solely through internet). As regulators do not always understand how these developments work and what appropriate regulations should be, the key recommendation is therefore to allow for a trial period before starting to regulate.
Women in inclusive insurance

Currently, not much documentation seems to be available on access to insurance for women. However, IFC will publish a compendium with several case studies in April 2017, currently available on the GIZ website in draft form. Below some of the key findings outlined in this compendium are provided: Women are often extra vulnerable because men are working elsewhere in the city or abroad. They also have less income and less financial literacy. These factors result in less options to buy insurance, as they usually have less access to mobile phones. Women often work out of their homes or work in garment factories, thus their work circumstances are often worse off. Their health situation is worse especially because of pregnancy and birth delivery. Women live longer but no old-age protection is available for them. Their assets are seldom protected and they are in need of micro-health insurance and micro-pension. They are usually better and more loyal customers, and they take better care of the future of their children and family members. Therefore regulators, development partners, and insurers need to focus more on the special needs of women, and the sector should encourage them to work in the industry.

In essence, moving forward, all stakeholders need to join forces to develop products that cater for women’s needs. Maternity may not seem an uncertain event, but the unpredictability is in the complications during and after giving birth. Thus it must be made insurable. Further, the sector needs to pay attention to the conditionality of pay-outs for life insurance: Husbands will not always use it for the education and care of their children, so it is recommended to look at what local laws can allow in terms of conditionality, and consider providing saving accounts managed by the insurer for the children of deceased mothers. The income problems of elderly women can be solved by creating a micro-pension system. And finally, women should be given legal rights and registration as citizens so that they may be entitled to own the rights to the land they work on.

Closing remarks

The sector is being encouraged to look beyond the low hanging fruits to provide products that really cater to the needs of those who require it the most.

In doing so it is important to adopt a multi-stakeholders approach; to remember that the value for customers and trust building are achieved through speedy claims settlement; and that this can be achieved both through key stakeholders and the use of cutting edge technology. Further, regulators need to take a leading role in a developing sensible regulations that enable the development of new products, channels and technology innovation.

Partnerships need to focus on adding value to the people in need. Health insurance relies on proper access to care. Insurance without proper health care is worthless.

Understanding the context in which the poor live is absolutely essential for everyone in insurance including actuaries. The industry needs to think more about segmentation of the target groups, such as women, elderly and illiterate people, and design appropriate ways to
approach them. Women need special products to meet their needs. They need products that protect their health and at the same time empower them, guarantee protection of their assets and provide better prevention of problems when giving birth.

Going forward, the sector needs to think innovatively and focus on listening to people’s needs before designing products. The role of monitoring cannot be overstated as the industry needs to continue being in-line with the needs of people: As those needs change, so should the products.

In Sri Lanka the sector has received a boost thanks to the conference. Public-Private-Partnerships will be receiving more emphasis in the near future. Community-Based-Organisations also need to be stimulated to reach out to the poor and make them aware and insurable. Skilled manpower is an important stimulus for growth of the sector, and the sector must put more emphasis on developing local actuarial know-how.

Jagath Alwis, Host of the 12th IMC, head of the local Organising Committee and Chief Technical Officer at Ceylinco General Insurance, underscored that the true winners from the conference will be the low income people, stating that “They need our support based on the lessons learned during these days”.

The Conference has proven that microinsurance today is no longer a niche market. Innovation and technology and their appropriate implementation are a real game changer.

Next year’s conference

Eduardo Mórón, President of the Peruvian Association of Insurance Companies (APESEG), announced that the 13th International Microinsurance Conference will be taking place in Peru next year, November 6-10.

Peru has an ancient history and culture, and has been doing well in terms of economic and financial development. The percentage of people living in poverty has decreased recently from 40% to 10%. Yet insurance is not very well established and risks are mostly covered through informal solutions. The Peruvian regulator is very much in favour of further developing microinsurance in the country and believes the 2017 conference will help boost microinsurance outreach.