

# *CGAP Donor Working Group on Microinsurance*

## *8 March 2002, ILO, Geneva*

- 9:30 Welcome, Bernd Balkenhol  
9:45 Introductions and Briefings, Craig Churchill  
11:00 Success Factors of a Working Group, Syed Hashemi  
11:30 How Can Donors Advance the Development of Microinsurance?  
Michael McCord  
12:30 Lunch  
2:00 What is the Purpose of this Working Group? Craig Churchill  
2:15 Possible Activities of the Working Group, Michael McCord  
3:30 Develop a Work Plan, Craig Churchill  
4:15 Operations of the Working Group, Craig Churchill

### *Participants*

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# *CGAP Working Group on Microinsurance Work Plan and Notes*

*8 March 2002, ILO, Geneva*

Although originally proposed in 2000, the CGAP Working Group on Microinsurance finally became a reality in March 2002 when sixteen persons representing 12 organisations met at the ILO in Geneva (see participant list below). The primary objectives of the meeting were to develop a plan of action for the coming years and to create an operational structure for the Working Group. A secondary objective was to share experiences with regard to supporting microinsurance.

## *I. What is the Purpose of the Working Group?*

The proposed purpose of the Working Group is: "To enhance the development of microinsurance through increased donor coordination and information sharing." There is not yet consensus on this exact wording, but it seems to reflect the gist of what the Working Group is trying to accomplish.

## *II. What is the Philosophy of the Working Group?*

Microinsurance is...a financial service for low-income persons that involves a risk pooling mechanism. This mechanism combines the resources of the many to compensate for the losses of the few. In effect, policyholders pay for the average loss suffered by the group rather than the actual cost incurred when a risk event occurs. Microinsurance can be delivered through a variety of channels including, but not limited to, insurance companies, microfinance institutions, trade unions and other community associations, on their own or in partnership with each other.

While the philosophy of the Working Group is very much a work in progress, participants did not envision supporting microinsurance over the long-term. There was a strong feeling that the supply of microinsurance could be provided by private insurance companies. Therefore donor resources could be well leveraged if they encourage or facilitate the entry of insurance companies into the low-income market. Careful attention should be given to avoid distorting the market; subsidies should not be given for something that can be done on a commercial basis.

When considering microinsurance as a form of social protection, as in the case of health insurance for example, it may be useful to consider some form of subsidies from the public sector, and perhaps even from the private sector (employers) where applicable.

## *III. Working Group Activities*

The proposed work plan revolves around three sets of activities:

### **A. Coordinate Research and Documentation**

Before being able to effectively coordinate research and documentation, the Working Group felt the need to conduct a selective stocktaking of existing resources on microinsurance, and insurance resources that may be applicable to the low-income market.

The purpose of the stocktaking is to identifying current knowledge, as well as good and bad practices. Stocktaking is also intended to identify gaps in our knowledge base that will serve as the foundation for a future research agenda. The stocktaking exercise was divided into three sections:

- 1) Good Operational Practice: **McCord** (leader), **Ramm**, **Pierik** and **Churchill**
- 2) Client Side (demand): **Roth** (leader), **Cohen**, **Hashemi**
- 3) Regulatory and Policymakers Environment: **Pierik** (leader), **Jungbluth** and **Qureshi**<sup>1</sup>

For each topic, the volunteer committees are responsible for developing a proposal for review by the Working Group of what they plan to accomplish and how by **30/06/2002**.

Once the Working Group agrees on how the stocktaking exercise will be pursued for each topic area, then it will actually be implemented. A key output will be the identification of future research activities.

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<sup>1</sup> Zahid Qureshi from ICMIF did not attend the Working Group meeting but has volunteered to participate in this committee: [zahid@icmif.org](mailto:zahid@icmif.org).

## **B. Promote Information Sharing**

A key function of the Working Group will be to promote greater information sharing on microinsurance. An Information Dissemination committee was established to develop a proposed strategy by the **first week of April** for the Working Group, possibly including conferences, website, a listserv. The committee includes: **Churchill** (leader), **McCord, de Ville, Sander** and **Hashemi**.

## **C. Develop Donor Guidelines**

A primary focus for the Working Group will be to develop donor guidelines and principles of good practices. The committee responsible for advancing this topic - **Polatajko** (leader), **Jacquier, Wohlner** and a representative from **USAID** (to be determined) - will draft a TOR by **31 May** for a consultant, who should consider the following issues:

- 1) Basic framework for donor guidelines (see Pink Book and Savings Working Group guidelines)
- 2) What do donors need guidelines in?
- 3) Are there donor practices that contradictory or misguided?
- 4) Are the guidelines different for different types of insurance, delivery systems and under different regulatory environments?
- 5) Existing microinsurance guideline-like documents: Cautionary Note (USAID's MBP) and Abidjan Platform (ILO/STEP)

The process of developing guidelines may possibly include developing an inventory of existing donor microinsurance projects, analysing the grant making and monitoring process, and drawing lessons learned from this brief experience.

## *IV. Budget*

While no one was in a position to make firm commitments or promises, the Working Group is optimistic that it can count on financial contributions from GTZ, DfID, USAID, CGAP and SIDA as well as in-kind contributions from the ILO, Micro Insurance Centre and ICMIF. The strategy is to align the Working Group's priorities with those of its members.

## *V. Working Group Operations*

The ILO (Social Finance Programme) will continue to chair the Working Group and various committees were established to assume responsibility for different topic areas. Communication will be primarily via email and telephone. The next meeting will likely be a day or half a day before or after the upcoming CGAP meeting in Morocco scheduled for 10-12 of September. It is expected that the Working Group will have a close relationship with CGAP, and that any activities that CGAP undertakes with regard to microinsurance would be coordinated with the Working Group and vice-versa.

## *VI. Possible Future Activities*

The three priorities highlighted above were chosen from a long list of possible Working Group activities. Other activities that the Working Group or individual donors might undertake to advance the development of microinsurance include:

- a) Coordinate grant making through joint appraisal missions, coordinated or integrated investments, a collective pool of funds to support Microinsurance Innovations
- b) To improve the technical analysis of grant requests, develop proposal appraisal tool and identify key external resource people (perhaps a Working Group committee could provide free advice)
- c) Coordinate grant monitoring so that all microinsurance projects report on the same core information; perhaps grant monitoring could be managed through a centralised database to have a bird's eye view of all microinsurance projects supported by donors
- d) Set standards for research, such as case study guidelines and recommended methods for

- evaluating the supply/demand for microinsurance (without stifling research innovations)
- e) Develop a course to train donors on the fundamentals of microinsurance
  - f) Develop techniques to educate clients about the potential role of insurance in reducing their vulnerability (video)
  - g) Collect operational tools from the insurance industry, adapt them for use in microinsurance, and disseminate
  - h) Engage in advocacy and dialog with policymakers; reduce regulatory (and other) barriers that inhibit insurers from serving the low-income market
  - i) Build the capacity of insurance managers and directors, especially in small mutual insurance schemes
  - j) Encourage linkages between MFIs and other community associations with insurance companies
  - k) Support the development of a reinsurance mechanism for microinsurance
  - l) Support the development of an investment fund into which microinsurers would place their premiums and claims reserves (as a means for keeping funds out of an MFI's loan portfolio). The carrot to attract the funds would be a guaranteed return on investment, with donors subsidizing the difference between the actual and guaranteed return. This fund would also enhance performance monitoring of microinsurers since they would have to submit regular reports and meet certain criteria to remain eligible.
  - m) Develop training materials (considering the different needs for different models) for elected officials, insurers and actuaries, microinsurance staff, donors, clients, service providers, and regulators
  - n) Improve access to actuarial data by influencing design of large-scale data collection efforts, such as those conducted by the World Bank and others