# VISIONS OF THE FUTURE OF MICROINSURANCE, AND THOUGHTS ON GETTING THERE

**MICROINSURANCE NOTE #9**

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The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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# EXECUTIVE SUMMARY

This Microinsurance Notes series has addressed issues of concept, product, and process. The intention has been to provide a sound foundation of knowledge in microinsurance coupled with links to more extensive resources for those that wish a deeper level of understanding. This final note takes a look at the future of microinsurance. The premise of this paper is that massification—providing huge numbers of low-income people with access to microinsurance products that they perceive as valuable—is an important goal for the future. Two questions are key:

- What achievements are necessary to generate massification?
- What changes or innovations are necessary to reach these achievements over the next ten years?

In order to address these questions, several top microinsurance thinkers and providers were consulted. These microinsurance practitioners and thinkers come from varied specialties, geographies, and experiences, and their responses create a mosaic of the future of microinsurance and what is needed to get there.

The MicroInsurance Centre's 2006 "Landscape of Microinsurance" found that over 78 million low-income people in the 100 poorest countries were accessing microinsurance of some kind. Much of this was a basic credit life type product, though there were many examples of more client-responsive microinsurance products. The study found that commercial insurers provide the bulk of microinsurance, with the exception of health insurance. Other, non-commercial microinsurance models show significant volumes as well.

A mere year later, the number of low-income people accessing microinsurance may have increased by as much as 50% from 2006, partly due to the identification of new programs, and partly because of significant growth of covered lives within both existing and new microinsurance programs. Microinsurance has very recently become increasingly popular and as "insurers" (in the broadest sense, including commercial insurers, mutual benefit associations, community-based groups, and others) learn more lessons about this market there is improvement in product offerings, process efficiencies, and market responsiveness.

The massified market could mean coverage by quality microinsurance products for as many as one billion low-income people over the next ten years. Clearly, there is a long way to go, many lessons to learn, and distribution and efficiency breakthroughs yet to come to get good microinsurance to a billion people in ten years. What follows are the thoughts of several of the leading people in microinsurance on just how we can get there.

# THE MARKET AND MASSIFICATION

To identify the best ways to massify microinsurance one must first understand the market itself. The market of low-income people typically has little education, little experience with insurance, and little trust of companies or their agents. Together, these characteristics make selling insurance to the low-income market extremely challenging. These challenges must be addressed if there is to be successful massification.

**Michal Matul** is the Manager of the Financial Education Program at the MicroFinance Centre for Eastern Europe and the Newly Independent States in Poland. He has overseen several detailed microinsurance market studies with qualitative and quantitative components in countries such as Ukraine, Georgia, Azerbaijan, and Romania. He has also applied the Access Frontier tool of FinMark Trust to these results, generating significant specific information about what is needed in these countries to develop the microinsurance market. Michal suggests that:

> *Microinsurance massification would not be possible without building insurance culture among low-income households. In most of the developing countries, low-income clients think they do not need insurance, they do not trust insurers, they do not understand fully the risk-pooling concept, and strongly believe insurance is just for rich and that they do not have enough resources to pay for it. These are key market challenges, which reduce effective demand, and thus hamper the work on widespread access to microinsurance.*
>
> *Obviously good products and marketing are necessary (based on thorough research and adapted to the given cultural context). However, the market challenges are so significant that mainstream marketing will probably not be sufficient to overcome them. There is a need to build financial capabilities of low-income households so that they are more proactive money managers, understand their financial needs and see the need for microinsurance as one of several financial instruments helping to build their assets. Financial education programs, which integrate social campaigns, classroom workshops and individual counseling, are a must for microinsurance massification.*
>
> *Education is necessary to build trust. It may be helpful in building trust to allow for some form of self-governance. These are, after all, people accustomed to relying on themselves and their community. It might also help with education. People then have a reason to learn.*

Michal points out that even though demand research shows a strong demand for tools to manage key risks, low-income people do not necessarily see “insurance” as a tool they can use to fill the gap. He identifies an important issue: trust. To build trust it is necessary to provide education that is comprehensive enough to help low-income families recognize and appreciate insurance as a financial instrument they can use effectively.

At Microfinance Opportunities, **Monique Cohen** the Founder and President, and **Elizabeth McGuinness** the Senior Project Manager in charge of microinsurance, have considered the link between microinsurance “needs” and insurance products as a response to them for several years. Their activities have included several market research studies looking at demand for and satisfaction with microinsurance products in countries such as Indonesia, Laos, Vietnam, Kenya, and Uganda. They have developed a guide for conducting microinsurance demand research through the USAID AMAP program and are working on financial education tools for the low-income market that includes education about microinsurance. Thus, Monique and Liz are well placed to look into the future and provide suggestions that might help generate massive access through a knowledgeable and prepared market. Their submission echoes the concerns that Michal has raised:

> *Currently the incentives for design and delivery of insurance favor the insurers and the agent within the partner agent model. The client's interests are largely ignored be it in terms of the products and/or the delivery of insurance from registration for a policy through the claims process. Correcting this imbalance in favor of the client will be paramount if microinsurance is to be perceived by the potential policyholder to be of value. We know that once poor people understand the product they recognize its utility. However, getting there will call for changes in the way business is done. While we have favored prioritizing the type of insurance products in demand to correspond with a ranking of risks by low-income households, the better-suited and more appropriate product will be a composite one which includes components of life, health and livestock protection.*
>
> *We have observed through our client satisfaction work that even existing policyholders do not fully understand insurance. When they become better informed they also use the product more effectively and are more satisfied. These findings point to the need for financial education on risk management and insurance to ensure that those who consider taking out an insurance policy voluntarily can ask the right questions. The focus of this insurance education should be on risk pooling, concepts of insurance and the details of what is contained in a policy. The challenge will be to deliver this education on a large enough scale and in a way that meets the needs of a wide variety of people with varying degrees of literacy. We envisage the use of campaigns, radio, videos, CDs and street theatre as vehicles for delivering this information.*

Microinsurance should expand when people perceive value in the products they are offered. To recognize value, the market needs to understand the basic concepts of microinsurance so that they will ask appropriate questions. Only by understanding insurance concepts will low-income people be able to appreciate and determine relative value of offered products. The challenge is to disseminate education broadly and in a variety of ways to get the message out, yet through cost effective means.

**Lemmy Manje,** currently the Mennonite Economic Development Associates (MEDA) Field Project Manager for Ethiopia and Zambia, has conducted microinsurance market research, studied microinsurance programs, and has taught and presented on microinsurance issues. Lemmy suggests that microinsurance massification will need to focus on voluntary products and that customer satisfaction will be the key to expansion of such products.

> *Massification should also be measured in terms of increased access in good quality 'voluntary' microinsurance products. Client satisfaction studies indicate that low-income people are still concerned about forced access. Further, the studies have revealed that literacy level is not a strong factor in consumer-product education. Illiterate low-income people can understand insurance products. Considerable investment will be required in innovative approaches to consumer education and marketing to enhance appreciation of insurance. Despite the growth and development of microinsurance provision, policyholders in some schemes still suffer from product*

*and insurance ignorance owing to deficiencies in product education, especially in relation to mandatory covers. If microinsurance products actually add value to household risk management strategies, insurers and delivery channels should invest in providing detailed information on their products and the insurance concept itself in an appropriate manner.*

*In the partner–agent model, there is greater scope for effective delivery of consumer education by insurance companies. There is also scope for joint investments in market research and client satisfaction measurement. Insurance companies are critical for microinsurance product manufacturing and therefore need to understand better the demand for insurance among low-income market. Microfinance institutions, usually serving as 'front offices' for microinsurance products, need increased capacity building on insurance concepts to communicate effectively to clients.*

Massification of access to microinsurance is predicated on getting people to purchase insurance out of an appreciation of how these products will add value to the household risk management strategies. Some say that mandatory products will help to do that. Lemmy, and others, disagree. Instead, there is evidence that in many cases mandatory products do not yield appreciation amongst the low-income market. When people are unsatisfied with a product they are forced to purchase, they will not likely purchase other insurance products. Therefore, product development will need to focus more on linking the recognized demand for better risk management tools with microinsurance as a solution.

This issue of voluntary products is critical given that satisfying the microinsurance needs of low-income people will require a movement from mandatory products to voluntary products. An MFI for example, can force clients to purchase a cheap credit life policy, but for a USD100 working capital loan, the MFI cannot reasonably require the purchase of a health policy for the borrower's spouse or children. Yet, the health policy (given good value for money) is dramatically more important for the household than the credit life policy.

The movement to voluntary product offerings brings the key elements identified in this section into clear focus as critical to massification, including:

- Improved, more client-focused microinsurance products, that will foster interest and appreciation among the market
- Market education, to help build and, in turn, strengthen the insurance culture
- Efficient mechanisms to expand policyholder demand and satisfaction assessment tools so that insurers and delivery channels can better understand the market and its needs in terms of products, service, and processes.

# OWNERSHIP AND MASSIFICATION

**Ralf Radermacher** is the Director for Research and Training at the Micro Insurance Academy in New Delhi. The Micro Insurance Academy focuses on community-based microinsurance interventions as their directors see this model as having the greatest potential for expanding microinsurance among the low-income populations. Ralf has been involved in developing the Micro Insurance Academy, its evidence-based research, and actively works with communities to customize insurance-based solutions to their specific needs in India. Ralf offers that:

> *Trust, alignment of incentives, and a desirable product seem to constitute the core issues for massification of insurance. Transparency creates trust and transparency can be created through participation and control by clients in the business process of insurance. Mutual insurance schemes function through client participation and control by applying the principle of self-administration. Furthermore, mutual insurance schemes have the ability to align the incentives of insurer and insured, as clients are at the same time the owners of their insurance activity and the policyholders. Members do not feel "their money is lost, when they do not claim" because they have incentives to avoid unnecessary claims and to keep an eye on other members' claim behavior.*
>
> *Aligned incentives directly impact the transaction costs of the insurance activity, therefore increasing affordability and value for money (as admin loadings do not create value for the client). To deliver value for money, the product needs to be right. A product is likely to be perceived delivering value for money if the democratic structure of a mutual allows members to influence the product: microinsurance is about rationing and most people in the world prefer to take their rationing decision themselves.*
>
> *However, to make massification through a mutual structure successful, these mutual schemes must be able to obtain the services they need: they must be able to cede risk to reinsurers and to obtain the necessary capacity building. This allows combining advantages of small groups with an insurance necessity: pooling on large scale.*

Thus, in order to create value, a structure of local decision-making and ownership is necessary. Massification then requires both the strengthening of local capacity coupled with links to broader risk pooling mechanisms.

**Sabbir Patel,** Chief Financial Officer and Senior Vice-President at the International Cooperative and Mutual Insurance Federation (ICMIF), also follows a model of member ownership. Cooperative and mutual insurance is different from community-based models in that the former tend to have professional management for the member-owners. Indeed, mutual insurance is where insurance started and some very large insurance companies to this day remain with a mutual structure. Sabbir is also a noted expert on Takaful or Islamic Insurance, which includes many of the key principles of mutual insurance. Sabbir reminds us that insurance does not occur in a vacuum and he advocates building a sound foundation in market education, regulation, communication, and retention prior to massification. Sabbir notes:

*The objective of providing access to a large number of individuals should not be the overriding determining factor in the short-term. More focus has to be given to ensuring good retention, trust and understanding with the policyholder group. With a good reputation, word of mouth will ensure the increase in the size of the pool.*

*Continuous policyholder education and involvement in decision-making about the insurance scheme can ensure loyalty and greater participation. The opportunity cost of the premium payment is great for the poor and needs to be justified.*

*There needs to be an effective communication channel in place and strategies which encourage risk reducing behavior. Community based organizations such as cooperatives and mutuals could be an effective tool if there is good corporate governance and technical training in place. If the policyholders have a stake in the success/failure of the scheme, they are likely to be more effective in limiting fraud and lowering costs of administration.*

*Penetration into the lower income sectors is a big challenge for microinsurance. We need to understand at which point microinsurance can be affordable for the poor and still be sustainable. Do the donors have a role to play in bringing risk protection to the poorest of the poor until they are in a position to afford it themselves or could this lead to more damage than good?*

*For microinsurance to be an effective tool in poverty alleviation there has to be accompanying strategies that will facilitate the productive use of the assets of the poor be they credit or savings, tools, children's education, etc.*

*Regulation must take a bottom-up approach as well as a top-down approach to allow community based organizations the opportunity to succeed and enter into the formal sector. Such bottom-up regulation could take the form of a risk-based approach and encourage a gradual scaling up of operations to ensure consumer protection.*

*How can microinsurance be made more tangible, so the poor can feel and understand what they are paying for even when a claim is not made?*

Sabbir also brings some questions of his own for consideration, reminding us that there is still much to learn on the road to massification. His questions highlight some key areas. One of the most difficult aspects of microinsurance product development is the balancing of coverage that adds value with a premium that people can reasonably afford. High value coverage often brings high premiums that make microinsurance inaccessible to much of the intended market. As coverage is whittled away to arrive at an affordable premium, the value to the household is reduced.

An interesting attempt to address this coverage-versus-premium issue is that implemented by the Micro Insurance Academy. The Academy uses a tool they call "Choosing Healthplans All Together" (CHAT). With this tool, groups of potential policyholders choose from an array of healthcare options which clearly link options to premiums. In this way, the coverage versus premium decision is turned over to the households. Success with such a tool requires an array of appropriate products and a mechanism for educating people on the options (as well as appropriate controls). More tools with such characteristics will prove valuable as we move to make the sales activities more efficient while at the same time providing more and better information to the potential policyholder.

Also focusing on microinsurance through member ownership is **Aris Alip,** the Chairman of the CARD Mutually Reinforcing Institutions (MRI). CARD MRI includes CARD Mutual Benefit Association (MBA) now covering over 17 million Philipinos, and its consulting arm REMANSI, which works with institutions around Asia to develop mutual benefit associations for insurance. CARD clients own the MBA and select professional insurance managers to operate the program. Aris notes a few issues that will be critical to attend to if we expect massification.

> *There are equally other important elements that need to be addressed and which differentiate Mutual Benefit Associations from commercial insurance:*
>
> - *Timely payment of benefits: I am not talking here of weeks and months, insurers should be able to pay within 24 hours or at the latest 72 hours as the poor need their money on time;*
> - *Ensuring controls to avoid fraud*
> - *Massive education of the poor so they will know not only their benefits but also their responsibilities and accountabilities;*
> - *Governance*
> - *Treasury management of premiums collection—as experienced by CARD MBA, we need to professionalize investment and treasury management to ensure investment yield and that the funds are invested properly and in the right institutions and instruments;*
> - *Development and implementation of microinsurance standards for financial and operations ratios.*
> - *Conducive policy regulations for MBAs*
> - *Professionalizing microinsurance through development of masters degrees and non-degree programs in microinsurance*
> - *Effective and efficient MIS systems*

Aris brings some new thoughts to the discussion. Typically, we talk about responding to client needs and providing fast service with value-added products. Aris reminds us that part of the education process requires people to understand their responsibilities as insured. People understanding their responsibilities should help to reduce controls costs and limit the problems of lapses and other issues.

# COMMERCIAL MICROINSURANCE AND MASSIFICATION

**Jim Roth,** a partner with a microinsurance investment company, LeapFrog Investments, and the author of several documents on microinsurance from his tenure at the MicroInsurance Centre and before, has an approach that clearly focuses on the benefits of commercial insurers and their involvement in microinsurance. Among his publications is the 2007 co-written "Landscape of Microinsurance in the World's 100 Poorest Countries." Jim offers the following key points in considering microinsurance massification:

> *Only the commercial insurance sector has the resources (financial and technical) to massify microinsurance (outside of social security).*
>
> *Since the commercial insurance sector is driven by profit, it will only massify microinsurance when it either believes it can make a profit selling microinsurance, or when it is compelled to sell microinsurance.*
>
> *A major achievement in massifying microinsurance in India was compulsion (whether or not this led to good quality microinsurance is another matter). The costs and benefits of compulsion need to be understood and potentially replicated in other countries.*
>
> *More important is helping commercial insurers develop profitable products. This can be done in a variety of ways at the macro, meso and micro levels. However, all planned interventions aimed at massification should be filtered through the question "will whatever we are doing help commercial insurers develop profitable products?"*

The issue of compulsion and its clear impact on growth of microinsurance in India does bring forth another option for massification. Microinsurance developed rapidly in India, and there have been several important innovations in microinsurance in India. However, especially in light of the above comments on the future, it is important to recognize that many of these products provide little value to the low-income market, are not accompanied by education or quality services, and are simply there to satisfy legal requirements. Though massification might occur through compelling insurers into this market, the result remains questionable and even the ability to replicate the model from India with success is problematic and dubious.

At the same time, it is important to recognize that commercial insurers do have both the potential and the capacity to drive microinsurance massification. The interest shown by commercial insurers in this market has grown at a rapid pace, and product offerings to the microinsurance market have likewise begun to expand rapidly. We are likely at the beginning of tremendous growth as insurers become more comfortable in this market, and the market becomes more comfortable with them.

Microcare in Uganda started out as an NGO developing microinsurance products for healthcare in Uganda. They began by trying to understand the needs of low-income people and developing products to respond to those needs. Recognizing the benefits of legal formality, Microcare obtained an insurance license and now provides an array of insurance products mainly focused on low-income people. **Francis Somerwell,** the Managing Director of Microcare Ltd, and Gerry Noble, the Chairman, have built an exemplary model for microinsurance. In looking to the future, Francis offers views on several key areas for consideration:

> **Health Insurance:** *Among all the uncertainties and challenges faced by low-income people in their day-to-day lives, most of the communities tell us that health is the top priority. Designing the health insurance package is a challenge. People in Africa face many health challenges with malaria, waterborne diseases, maternity, and HIV related illnesses, to name but a few. Every disease is a "top priority" for people, and excluding even one can have an effect on marketing voluntary microinsurance. Any good health product must have a basic coverage to meet most of the common health concerns of the people. Then an insurer needs to consider adding on other coverage, such as that relating to chronic illnesses. Designing such a package that offers value on an affordable basis will be easily marketable. Mostly, it is (religious) mission and NGO hospitals that can meet the affordability requirements of the communities because of the low consultation cost and some subsidy received by these providers. On the other hand, the costs of drugs are exaggerated and low-income people often cannot afford them. Negotiating and sensitizing the hospital (Service Providers) is essential to make them understand the insurance concept and how it can benefit them.*
>
> **Marketing (massifying):** *It takes a lot of time before community people will trust a product. However once you have a successful and trusted product, word of mouth and testimonial marketing work effectively. Using community leaders to sell products as agents, with commission earnings, can contribute to sales and retention of clients. Retention is critical because most new groups will clean-up their accumulated illness in the first year so more normal levels of insurance usage will be seen on retention. Moreover, from the second year onwards, the policyholder's understanding of insurance will be more mature leading to use of the insurance program only for essential needs. Simplified products will help in the maturity process. In the first year, it is always used as a trial for even common illness. Therefore, it is better to give higher commission to the agents for renewals rather than initial sales.*
>
> **Controls:** *It is necessary to develop and implement strong controls on the microinsurance program immediately and at the beginning. If this is not done initially, the program will face much resistance from the community once they get used to abusing the system. It has been shown many times that lack of effective controls in insurance will result in about 30% to 40% over-usage. It is better to preempt these problems and invest wisely on controls at the client level, as well as at the level of service providers, and on one's own staff.*
>
> *Collection of correct data is a must. If you do not manage to get the correct data, your analysis will give wrong guidance for refining your product.*
>
> **Technology:** *In today's world, neglecting technology is a big mistake. Moreover, technological input is getting cheaper day by day. It is now possible to develop a very inexpensive technological solution for microinsurance programs. The return on technology investments in our case is immeasurable and in fact, we cannot imagine any success without such IT contribution.*

*Information and communication technology is very user friendly and readily available at an affordable cost. The necessary technology is only likely to become cheaper and more effective in the future so there is really no reason not to manage such insurance operations without the proper technology.*

**Life insurance for the poor:** *Most credit life products are cheating today's microinsurance policyholders. This product is driven by the MFIs. A better approach would be to introduce a life insurance product with a good sum assured, say 10 times more than the loan amount. With such a product, in the event of a death, a family can use this money to secure their remaining family members' future. The premium can be paid from the income derived from business. Clients can then pledge their life insurance certificate to acquire loans. This way, microinsurance would be driven by the community people themselves and the ethos of the entire life security will be more logical and they will have autonomy over their own insurance.*

As an insurer, Francis is clearly concerned with providing value to low-income policyholders. Improving value in terms of product coverage, improving affordability through technology and the cost savings that result from good controls, and improving delivery through key leaders in communities will all help to generate massive access. He also points out that we need to shift microinsurance drivers from MFIs or insurers to the expected policyholders. Better products at better prices coming from a demand push rather than a supply pull will be powerful keys to massifying the market.

Another insurer that recognizes the need for value in microinsurance products is **Brandon Mathews.** Brandon is the Head of Microinsurance for Zurich Financial Services (ZFS). That ZFS has a unit dedicated to microinsurance says much about their interest in and commitment to this market. ZFS already has microinsurance operations in several countries.

*I was stranded in New York City during the 2003 blackout, and for the next two years, I carried a small flashlight in my backpack. The flashlight did not cost much, but its potential to help in another blackout was obvious and to use it I needed only to press a button. For Microinsurance to be accepted on a massive scale, it cannot cost much, its value must be obvious, and it must be simple to use.*

*Commercial insurers have assets to deliver against these needs. With existing capital, licenses, and specialized staff, commercial insurers have a potential cost advantage over start-ups—one that can be passed along to end-customers. Communicating the utility of insurance is a fundamental requirement for insurance sales and much energy is expended on how best to do this. Insurance companies maintain expert staff for the logistics of delivering benefits when claims occur. Commercial insurers will dedicate these assets to the low-income segment as they realize that doing so creates shareholder value; the light of profit must be discernible at the end of a not-too-long tunnel.*

*Understanding customers' needs and then leveraging efficient processes/technology to deliver on those needs reliably are the cornerstones of success. As these processes are proven repeatable, commercial insurers (among other practitioners) will commit more and more assets to develop the segment and will achieve the vision of greatly extending coverage to everyone that wants and needs it.*

Microinsurance can be like Brandon's flashlight—affordable, simple, valuable. Commercial insurers have the ability to develop and offer products with such characteristics, as long as there is a short-to-medium term return. The lack of need for immediate return also suggests some level of value in satisfying corporate social responsibility objectives. But, there still must be a return. If there is a return, then commercial insurers will be able to push towards massification for the betterment of insurers and insureds.

An important way to generate a return on affordable, simple, and client-valuable products is efficient and aggressive delivery channels. Insurers themselves are unlikely to reach full potential by having their own traditional agent staff trying to sell microinsurance to individuals in the bush. Clearly, there is a need for new and effective delivery channels.

One of the largest delivery channels for commercial insurers in Latin America is the MFI Compartamos. **Mariana Torres** the Microinsurance Manager at Compartamos has been with their program from the initial market research. They now offer life insurance and she is in the process of developing health insurance products for Compartamos clients. The risk on the current products is held by Banamex Insurance and the microinsurance is sold through Compartamos. From her experience as a delivery channel for microinsurance, Mariana shares what she believes will be needed to massify access.

In terms of the relationship with insurers, the delivery channel must be the primary driver in product development. The MFI must be able to:

- *Develop simple complementary products that respond to client's needs. This might be simply having two basic products (life and health) which, as additional benefits, could help to cover different needs of clients while enhancing the value of products already offered by the MFI, such as savings.*
- *Understand that they have all the control to negotiate successfully with insurers. This control should be used to successfully represent the needs of clients. Among the benefits the MFI brings to the insurer: client volumes, market knowledge, efficient access, a new market segment for the insurer, favorable mortality rates, and diversification. In the future, smart MFIs will use this leverage to get insurers to offer better products.*
- *Success in a relationship with an insurer requires the insurer to have a proactive relationship with the MFI or delivery channel. Constantly, the insurer should take more initiative towards understanding the MFI segment so that they can participate with the MFI in developing effective marketing strategies and incentive programs that will improve the ability to sell the good products.*
- *In terms of regulations, the insurer will need to use more statistics and real evidence to be able to negotiate, together with the MFI, for better conditions of underwriting and requirements for the microinsurance products.*
- *In terms of the delivery of the products themselves, the MFI will need a specialized sales force so that they can offer multiple microinsurance products and in the future offer these products without dependence on the loan methodology. It is critical that the MFI educate their clients on microinsurance in terms of prevention, the benefits of being insured, and the claims procedures. Education will always be a challenge as the MFI tries to balance limiting costs while maximizing client knowledge.*
- *Technology will also be critical for massive expansion. MFIs will need software that facilitates communication with the insurer for the transfer of data.*

- *Finally, measuring quantitative and qualitative indicators will help improve efficiency and service to the client and will help to add value to clients, MFIs, and insurers.*

From the perspective of a delivery channel Mariana reminds us of the power of the channel itself. Providing significant inputs for an insurer puts the MFI in a position of power, especially if they have a large number of potential policyholders. In the future, more MFIs will need to use this power for the betterment of their clients. Several institutions like ASA and BancoSol have considered their client's needs and have used their institutional influence to obtain products of value for the clients. Institutions that look beyond their own needs to those of their clients will be significant factors in microinsurance massification. Those that simply want to satisfy their own needs will likely just continue with low-value credit life products where the chief objectives are portfolio protection and fee generation.

Because there is such little value added in credit life policies, it is likely that more savvy MFIs will simply deal with default risk due to client death through their own balance sheets with a reserve-for-possible-client-death type account, as Compartamos does. Moving from such basic products will require greater sophistication on the part of both insurers and delivery channels, including MFIs.

When one is working to satisfy real demands from clients in product areas that are not as straightforward as credit-life, it is even more necessary that the parties to the "partnership" understand each other. This is typically not the case between delivery channels and insurers. In traditional insurance, it is a broker that often provides the knowledge link between the different entities. In microinsurance, **Richard Leftley,** President of the Micro Insurance Agency, has created an intermediary focused on microinsurance to help bridge the gap between insurers and policyholders, while improving the value of products getting to the low-income market. By structuring the Micro Insurance Agency as a for-profit business, he and his team have created an environment that will reward aggressive development and sales of good microinsurance products. Richard offers:

> *At the Micro Insurance Agency, we believe that there are three tasks that need to be performed if insurance is to be extended to the poor. The first task is that somebody has to carry the risk; we believe that insurers and reinsurers are best placed for this task and when they are unavailable in a particular geography or product line then special vehicles such as Protected Cells are required.*
>
> *The second task that needs to be performed is the front office activity, or selling to the end user. Whilst microfinance organizations have significantly played this role so far, we are increasingly seeing a role for humanitarian aid organizations in the provision of the sales platform. We are also interested in the possibility of individual sales made through partnerships with retail organizations such as mobile phone companies at airtime kiosks. The ability to leverage other company's brands, such as by getting cell phone retailers to sell microinsurance products using their brand, will be critical if we are to develop retail models given the limited overheads available to pay for their own brand development.*
>
> *The third task is that of the back office; keeping track of insured's details, collecting and accounting for premiums and administration of claims (especially health claims) all require a sound and sophisticated MIS system. In our model, this back office processor also provides training to the front office staff, marketing materials to the end users and product development assistance to the risk carrier.*
>
> *We have found that this model maximizes the potential for growth because of the remuneration model. As an intermediary we only get paid if the product sells and remains competitive; we do not*

*receive consultancy fees, just commissions after the sale, which tends to align everybody's interests towards growth. By using the model of risk carrier, front and back office, we can imagine many new models for the delivery of insurance and I think it is critical to move beyond the partner-agent or mutual models as the exclusive models in microinsurance.*

*In addition to new models, in the future I think we have to get serious about health and weather index insurance simply because these products are probably more impactful on the lives of the poor than life insurance in isolation. The rural poor are far more numerous and often poorer than their urban counterparts yet microcredit has largely failed to reach rural clients. One reason for this is the higher risk resulting from potential climatic events. Weather index insurance has demonstrated early promise in providing a potential solution, which will act as a catalyst to rural lending, increase ability to purchase farm inputs, and ultimately increase rural livelihoods. In order to massify this effort, there will need to be a concerted global effort to get weather data out of Governments for all to use because it is impossible to build the indices without historical data.*

*A similar argument can be made for health insurance. The poor want help most with the cost of healthcare (you only die once but you seek medical help frequently after all!). The challenge ahead is how to reduce the cost of the infrastructure needed to handle the frequent claims and reduce fraud by both the clients and healthcare providers. Until we can do this, probably with the help of technology, the relative cost of infrastructure will make premiums for coverage that includes outpatient as well as inpatient simply out of the reach of the poor.*

The need for effective and efficient new models to address the three activities of insurance will be needed to massify the total operation of microinsurance. Additionally, a greater focus on new products and especially products in the health and agricultural realm—a greater focus on demand-driven products as discussed above—will help to massify microinsurance since people will respond better to products that satisfy their needs. But indeed, better models and greater efficiencies will both be necessary to bring premiums on such products to a level that makes them affordable to the low-income markets.

**Craig Churchill** is a Microfinance Expert in the ILO's Social Finance Programme, is the Chair of the CGAP Working Group on Microinsurance, and will oversee a new USD 34 million microinsurance innovation facility granted to the ILO by the Bill and Melinda Gates Foundation. Craig shows here that massification of microinsurance access requires consideration of two perspectives.

*I think we need to look at achievements from two perspectives: top down and bottom up. The ultimate achievement from the "top down" perspective would be if policymakers, regulators, supervisors and insurers took the low-income market seriously and were committed to finding ways of extending social and commercial insurance to the poor.*

*Success from the "bottom up" perspective would be if large numbers of low-income persons understood insurance—what it can and cannot accomplish, on its own and in conjunction with other financial services—and make well-informed decisions about whether or not to purchase insurance. Insurance is not for everyone—at least commercial insurance is not; social insurance should be. However, what I want to see is that they are making knowledgeable purchasing decisions and by doing so are starting to have greater influence over the design and quality of products and services that they can access.*

*To reach "top down" success, the primary input is time. Attitudes are changing, and they will continue to change, particularly as more tangible evidence emerges. So what we need are:*

- *innovations to create greater success in extending insurance to the poor*
- *documentation of those innovations with persuasive data, and*
- *dissemination of those lessons to convince policymakers and insurers that the poor can be a viable market for insurance products.*

*To get to the "bottom up" achievement, consumer education is critical. Ideally I would like to see this supported and promoted by insurance industry associations so that individual insurers can stay out of the education activities, since they are probably not well positioned to engage objectively.*

Basically, the vision is for a normal efficiently functioning market—willing and knowledgeable buyers coming to serious sellers, in a market that is facilitated in its efficient functioning by government. Innovations in the broad sense, coupled with efficient market education will help to get us there. Craig reminds us that there are parties outside the policyholders, intermediaries, and insurers that provide crucial inputs to massifying the microinsurance market. He also reminds us that associations of insurance companies have an important role in providing public goods—such as market education. These associations will likely play an important role in the massification of microinsurance.

It is clear from the vision of several people who have commented so far that innovative technology and efficient infrastructure are going to be key inputs to the massification of access to microinsurance. Both efficient physical and electronic infrastructure will prove necessary ingredients to dramatic expansion. Covering millions of lives with significant cover at low relative premiums mandates that administrative costs are minimized. Some have suggested that costs and infrastructure should be shifted as much as possible to the policyholder, thus reducing the costs to other parties. The simple truth is that for microinsurance massification to occur, the total cost, to all related parties, of microinsurance manufacture and delivery must be reduced. Microinsurance providers cannot be satisfied that they have transferred collection costs if a low-income market vender must take time from productive activities to collect the premiums of her co-members. We cannot be happy that an MFI now aggregates premiums rather than expecting policyholders to make the payments themselves, but charges a 30% commission to do so. We must get to a situation where there is little work, and thus little cost, on the part of client, delivery channel, and risk taker. The only way that we can significantly reduce the total cost of microinsurance is through technology and infrastructural efficiencies.

# THE ROLE OF INFRASTRUCTURE AND TECHNOLOGY IN MASSIFICATION

**Francois-Xavier Hay** is an Actuary Consultant for GTZ and is a Director of UPLIFT India Association, a self-regulating microinsurance resource centre acting as an apex structure for six member and stakeholder implementing organizations. Francois-Xavier is also the head of the Working Group on Microinsurance—sub-group on Technology.

> *The way I look at microinsurance and technology:*
>
> *Technology is an information vehicle and includes hardware and software such as mobile phones, chip cards, and netware (GPRS/ internet). Information technologies bring a sense of freedom, and as information spreads, markets and best practices improve while people are connected.*
>
> *When technology costs go down, more and more information reaches more and more remote places. Kiva.org or babajobs.com have shown that we can already create a system where a slum dweller in Mumbai is connected directly with a French bourgeois from the XVIth arrondissement of Paris who provides the slum dweller a microloan! Many MFIs have MIS already with the functionality to send SMS messages when the repayment is late.*
>
> *Microinsurance is not a new product. It is only a new retailing system like Unilever daily washing powders (their most profitable business line!) Though microinsurance seems complex for people who have never heard about insurance before, these same people have been subject to many new micro concepts in past years and have a very fast learning curve, including technological knowledge.*
>
> *Massification will come with more information. For example, when people understand that group-enrollment is cheaper they will pool their risks (like self-help groups in finance) in order to place them outside, or to a certain extent keep them. This is where technology plays its role (customized reporting).*

As with "environmental issues," it becomes obvious that everybody has an interest in not leaving anyone on the roadside. This ideal will help to massify microinsurance.

At the level of organizations, the same story happens leading towards the version 2.0 of enterprises: being open and transparent is a necessity to "breathe innovation." Collaborative platforms are able to do miracles for everybody's benefit that no private capital could gather before. Technologies bring different collaboration/working techniques, and the emergence of mechanisms to facilitate the development and growth of collaborative techniques will help reduce costs and spread availability of these systems.

Organizations based on "business as usual" fears, hiding internal "technologies" and systems will end up losing distance, investing much more money in security technologies for the protection of these internal assets and the related profits. Others, those not afraid of cooperating, will not be bothered by copyrights and they will show the way to real "massification" by inviting everyone to copy, alter and propagate public systems for enriching creative commons. These movements in technology will help significantly in the massification of microinsurance.

Francois-Xavier reminds us that microinsurance is not new, but that it is merely a new packaging or retailing system for an old concept. In focusing on microinsurance as a retailing system, it becomes very clear that technology must be a central feature. Technology plays several potential roles in microinsurance that include:

- Marketing—conveying information and possibly education to the market through technological means such as cell phones, for example.
- Sales transactions—where, for example, a hand-held device might help in accepting and then providing key policy information, or computer kiosks and the internet might be used to finalize a transaction.
- Premium collection—such as bank software sweeping policyholder premiums from the customers' accounts, or payments made by cell phones, for example.
- Information tracking—for example, with specialized back office software that allows easy access to individual and aggregate information as well as management of controls, or chip cards that carry a health insured's health information to allow for more efficient care.
- Claims processing—with call centers to accept immediate claims reporting, or systems to facilitate generation of claims confirmation data.
- Communications between key parties—such as between insurers and MFIs which are completely paperless and require no human intervention.
- Long-distance linking—as Francois-Xavier suggests with someone in Paris potentially paying health insurance premiums for a family they were linked to over the internet.

Certainly, there may be many more ways that technology can and will improve the efficiency of microinsurance delivery and servicing. This will be especially true if some efficiency issues can be addressed using public technology systems that will limit the requirement for everyone investing in the development of their own systems.

One key issue that will need to be addressed is that of human contact. Several contributors have noted the need for trust, education, participation, and comfort in the process. How will we address these issues while at the same time moving to less (or potentially non-) labor intensive means of selling and servicing microinsurance in an effort to bring down costs, maintain or improve the product value to the policyholder, and cover the lives of many millions of low-income people and their families? The balance of human contact and the level of technology will become a key issue as technology solutions satisfy more and more of the potential they show for microinsurance.

**Jeremy Leach** was recently Executive Director for FinMark Trust which focused on stimulating innovation in financial services for the low-income market, before joining Hollard Life Assurance in 2008 as Principal in the Business Development Unit responsible for strategy and innovation in the emerging market segment. Jeremy's vision of future massification requires consideration of several areas.

*In order to achieve massive scale over the next few years, my view is that the following need to be addressed.*

- *Widespread* ***access to transactional banking*** *services will be necessary as this not only reduces the transaction cost for the service provider in terms of collecting premiums and paying claims, but is also beneficial for the consumer as it provides greater choice (thus improving competition) and reduces the cost of travel and time spent in paying premiums (which is often spent in day-long group meetings at massive opportunity cost).*
- *An* ***improved enabling environment for technology*** *is necessary, from allowing airtime to be used as value (as at Metropolitan's cover2go product), to the use of non-bank issued e-money for low value payments (as is being developed in Europe, Kenya (although this seems to be stalling) and South Africa).*
- *Agnosticism* ***about the type of intermediary*** *so that the focus is on the customer touch points rather than organizational type. Through this focus, one can realize that retailers (such as Wal-Mart, Shoprite Checkers or Tesco), banks, airtime vendors or even spaza shops (South African kiosks) can become the intermediary. This of course needs the support of enabling regulation.*
- *Insurers that* ***act in the best interest of the client*** *as a form of enlightened self-interest, as this will not only ensure that consumers benefit but will also prevent a massive whiplash from regulators and consumer bodies. This requires good disclosure and financial education.*
- *Huge* ***improvement in understanding the needs of the low-income market,*** *which requires better understanding of risks facing consumers and their financial needs. The FinScope surveys provide an ability to understand need, and key risks, as well as a holistic segmenting of the market. Among other helpful information from FinScope are examples of core risks facing households. Such information is critical to developing appropriate risk management products.*

Taking such a holistic approach and addressing issues on several levels will be necessary for microinsurance massification. Indeed one of the hindrances of microfinance historically had been the approach of addressing only parts of the supply chain with interventions. Weak legislation, for example, held back massification of microfinance even after hundreds of millions were spent to enhance MFIs. Jeremy reminds us here that we need to have open minds and we must recognize the potential of different products to satisfy certain risk management needs, and that the institutional form is not important as long as we can get products of value to the market effectively, including through the implementation of innovative technology facilitated by an enabling environment.

Jeremy is certainly correct: massification will require improved systems but as **Denis Garand** points out below, good systems have limited value without skilled people to manage them. With good skills and good systems, we can offer better products.

Denis is an independent management and actuarial consultant specialising in microinsurance and group insurance, and is a co-chair of the sub-group on Performance Indicators of the CGAP Working Group on Microinsurance.

*For microinsurance to reach greater numbers, we require several important developments.*

- *The introduction and development of appropriate MIS systems to help track clients and manage the business efficiently. This means enrolling clients at the village level with all data captured and* *entered immediately in a centralized database. In addition, medical care also must be tracked by individual resulting in a complete system that can track and evaluate the protection provided.*

- *The pool of talent developing and managing microinsurance has to expand significantly. The organizations involved in microinsurance have to improve in all areas of managing an insurance product. For the harder products of health care and agriculture, managers must master how the provider side functions. Organizations must also continue to develop based on lessons learned from each other.*
- *Medical care delivery, health promotion and public health measures have to be revised to address the real, current structural issues in delivering health care that negatively impact an efficient health care delivery system.*

An improved infrastructure for developing and delivering microinsurance is necessary for dramatic expansion of microinsurance. Better, faster, more efficient, less labor intensive, well accepted, easy to learn, durable, and controlled technological innovation will be keys to massive growth. Already there are efforts towards innovative microinsurance delivery and management with cell phones, chip cards, rural computer kiosk sales, back office tracking and other ingredients important to an efficient microinsurance market. With rapidly growing interest in this market for insurance, it is likely that more players will be involved and that technological advancement in this area will be significant especially as we move more towards an “agnosticism of intermediaries” that Jeremy suggests.

As several contributors have suggested, successful massification of microinsurance also requires an appropriate environment. Governments have a critical role to play in creating and maintaining the “enabling environment” within which microinsurance will expand.

# GOVERNMENTS AND MASSIFICATION

**Martina Wiedmaier-Pfister** is a Financial Systems Development Support Consultant for GTZ. She has done significant work on microinsurance regulation in developing countries. Martina was also a lead author of the International Association of Insurance Supervisors' (IAIS) May 2007 approved paper "Issues in Regulation and Supervision of Microinsurance," and is an active member of both the IAIS Joint Working Group on Microinsurance and the CGAP Working Group on Microinsurance's sub-group on Regulation, Supervision and Policy (RSP). Martina suggests the following:

> *In the light of rapidly growing microinsurance markets in developing countries, enabling its sound massification requires a conducive policy environment in terms of regulatory, supervisory and policy frameworks. In this regard, authorities'—i.e. policymakers and regulators - commitment to facilitate the development of microinsurance is a crucial aspect. This implies changes in their attitude and capacity, having provided insurance to the poor directly as a government in the past instead of relying on market forces, and having regulated and supervised predominantly the commercial players. Other relevant factors at policy level are coherence of different policies of sectors such as social protection, labor, agriculture or climate change; fiscal incentives such as financial services tax relief; and an enabling over-all legal and economic environment with well-organized contract enforcement, low inflation or no restrictions to foreign investments.*
>
> *One of the most powerful policy tools is maybe the regulation and supervision of microinsurance, which allows new delivery channels, includes players from outside the formal insurance system, motivates the establishment of new licensed insurers and improves market conduct rules to respond to poor clients' particularities in terms of policies, claims and consumer recourse. However, as important as regulatory adaptations may be, alone they can hardly create significant improvements in micro insurance provision. Since often, regulation follows industry practice, the importance of dialogue with and motivation of existing insurers outside of the formal insurance system such as often community-based insurers, or the commercial insurers, cannot be overstated.*
>
> *Last but not least, adapting the policy including the regulatory environment requires investing significantly in the human and institutional capacities of ministries, regulators and supervisors to equip them for the access-oriented reform of the insurance system. Some countries have been introducing new policy approaches to spur microinsurance. As each jurisdiction is unique, these approaches can serve as role models, however regulatory changes and other policy solutions need to be tailored to the country context. In a nutshell, motivating the industry, and motivating policy makers, are two sides of a coin which optimally should go together to mainstream microinsurance. Governments need to understand and disseminate lessons, assess their impact and invest significant resources to back-up insurance market development with efficient and effective policies to safeguard poor peoples' investments with insurers.*

Appropriate policies, regulation, and supervision will help to facilitate microinsurance massification, but poor systems can also serve to eliminate the potential for microinsurance. Clearly, there is still much to learn about microinsurance and what works and what does not. It is quite possible that supervisors, in their zeal to protect low-income people from “bad” microinsurance, might create hurdles and safeguards that make microinsurance unpalatable for insurers because of restrictions and reporting requirements. Protecting people by leaving them with no access to insurance cover is not an appropriate solution. Supervisors must balance their role in consumer protection with the need for flexibility in all aspects of microinsurance product development, delivery, and management.

Compelling insurers to provide products to the low-income market is also not a good solution. Certainly, in India there has been dramatic expansion of microinsurance based on such legal compulsion. However, much of what is offered has very limited value for low-income households and is offered by insurers that simply see servicing this market as a cost of doing business in the Indian market.

We recognize that there are some very low-income people that will never be reached by any type of policy that requires a premium payment. These people may not be insurable with commercial or mutual types of insurance, but we cannot simply disregard them. Indeed, these are the poorest of the poor and for them, there is a role for Government assistance.

**Gaby Ramm** is a Senior Advisor to GTZ, and has been working on microinsurance and social security issues. Gaby is also the head of the CGAP Working Group on Microinsurance’s sub-group on Capacity Building. She has this to say:

*Microinsurance cannot reach the very poor who are unable to contribute premiums. Also, for those who can contribute but only a marginal amount, the microinsurance benefits are often so limited that the products may not be attractive to a large section of the population. Thus, for very poor people stand-alone microinsurance is not sufficient to protect the poor for the following reasons:*

- *insufficient benefit package*
- *often lack of sustainability*
- *difficult to reach out to large numbers of excluded people*
- *insufficient consumer protection*

*Because of these issues, there is a need for Government to play a significant role in helping to provide the risk management tools needed by very low-income families. The government roles include:*

- *Redistribution of subsidies for minimum microinsurance packages of social protection for the very poor, the elderly, the chronically ill, and those not able to contribute as a social assistance measure striving towards the availability of equitable access to minimum protection (this would not distort the market).*
- *Legislation and regulation to be adapted to microinsurance schemes and operations in order to enable replication and expansion of microinsurance, as well as defining the roles of the actors involved.*
- *Microinsurance support, for example, for secondary institutions to provide technical support and training to microinsurance institutions and operators, provide information to improve products and operations, facilitate exchange of information for replication to other groups and geographical areas, and to strengthen viability through for example, guarantee funds.*

- *Facilitation of linkages between community groups, third party administrators, and commercial insurers for example. Grouping small microinsurance schemes to national federations that are officially recognized by insurers and Government will help to provide them with better stability. Government assistance in designing contractual agreements between mutuals and health care providers could help strengthen the weak negotiating position of mutuals. For example, in the Philippines, the PhilHealth social security system works with cooperatives for collecting premiums and marketing of microinsurance to informal economy workers. Such linkages will help to expand the reach of microinsurance.*

- *Integrate microinsurance into the social protection policy of the government to create coherence of social protection and integrate informal economy workers as in Cambodia. In Cambodia several policies facilitate this integration:*

  - *compulsory social health insurance for the formal economy*
  - *voluntary insurance through community-based health insurance schemes*
  - *social assistance through government funds for the extreme poor*

  *Also in **Karnataka** (India) the government has establishment social security committees with all actors, including the State Government, decentralized local bodies, the private sector (employers and insurers), and civil society. These committees are responsible for awareness building, marketing, microinsurance operations, and information dissemination of formal social protection and poverty alleviation programs. They also ensure registration of all eligible citizens and monitoring by civil society.*

  *Through the mix of measures mentioned above, microinsurance massification with improved products and services could effectively reach even the very poor with access to quality risk management strategies.*

Government has several roles in providing social protection for those with very low incomes. Fundamentally, governments must first understand the overall requirement for their intervention and ensure that the actions they take actually facilitate the intended outcomes of these roles. Too often there is little to no consideration of how social protection and microinsurance can work together to make each more efficient, and thus more effective. Where commercial or mutual types of microinsurance can provide risk management solutions, they should be facilitated by government, through regulatory, infrastructural, and fiscal means. Government's role, then, is to address the needs of those who cannot reasonably be covered, or fully covered, by these other programs. When government and other risk management providers can come together effectively, they can improve the potential outcomes from each party's activities, and generally provide better, more focused cover, to people in the full range of economic levels in a country. This can be significantly more effective than government trying to cover all people in a population whether they can pay for the cover or not.

Many of the activities noted above to generate massive access to microinsurance will require financial inputs. Some of this will come from governments, much will come directly from the income statements of commercial insurers, and some will be needed from donors.

# DONORS PROPELLING MASSIFICATION IN MICROINSURANCE

Donors, from bi- and multi-lateral public sources, to foundations and others, are likely to have a significant role in the massification of microinsurance products of value to the low-income markets. **Nhu-An Tran** is a Microenterprise Development Officer with USAID. Nhu-An has taken the lead in coordinating the soon-to-be released publication "Lessons Learned and Recommendations for Donors Supporting Microinsurance" and oversees the development of USAID's series of Microinsurance NOTES.

*Besides growth in numbers, other objectives that we will also need to address are affordability, depth of coverage, and diversity of providers. Ultimately, we want to make sure that low-income consumers have choice and protection—choice to opt in and opt out of policies, to pick and choose from a menu of items the package that is most appropriate to their needs, and protection from unfair pricing and discriminatory or exclusionary policies.*

*I am becoming increasingly convinced that massification and the future of microinsurance will depend on various forms of public-private partnerships. There is certainly a big space for purely commercial insurance to fill, however, at the really low end, for very vulnerable populations, and for certain products such as health insurance, there is an obligation on the part of governments to provide a minimum safety net. We as donors have an important role to play in:*

- *identifying the intersection points between health financing and health insurance and fiscal policy, and*
- *facilitating the coordination of commercial insurance with national level safety net or social protection programs.*

*Donors can play a role in bringing together the various players and stakeholders who are working on improving health systems, including those who work:*

- *on the delivery side of health services (both public and private)*
- *on the financing side*
- *on insurance*
- *with governments on budgeting and fiscal reform.*

*There is a need to ensure that there is a sustainable source of public financing for basic health insurance complemented by value-added services provided by commercial providers.*

*Secondly, as the discussions at the Microinsurance Annual Meeting in Mumbai suggested, technology will be a key driver in reducing transaction costs and enabling process and product innovation. An interesting innovation / change to explore would be to use electronic payment* *platforms to deliver bundled products—some governments have already started paying social benefits and salaries through mobile phones or card-based systems. It would be hugely cost-efficient to leverage that existing IT infrastructure to add on premium payment and claims processing. Opportunity International in Malawi is already doing this with their biometric cards, and is currently testing a program where governments would subsidize the cost of the card for food aid recipients. The challenge would be to replicate and scale up this model, which requires high upfront investments and a supportive regulatory environment. However, if such elements could be implemented, they would have huge implications for the efficient expansion of the microinsurance sector.*

Donors have an important role in bringing parties together, and in pushing processes and products to the next level of value with efficiency. It is important that they recognize what is happening in a market before entry so that their interventions are complementary and supportive of others' interventions. It is clear already, for example, that, unlike the early days of microfinance, commercial insurers are making investments in this market. Public monies should support these efforts and not replace or compete with them.

# CONCLUSIONS

The vision of good quality microinsurance products reaching hundreds of millions of low-income people across the globe is attainable. The thoughts of the contributors to this paper should help us to refine that vision and, more importantly, help us better understand the path we need to take to get there. There are many inputs required, and on many levels. Some of the key general categories of inputs focus on:

- Coordination of knowledge of activities to allow all parties—mutuals, commercial insurers, intermediaries and delivery channels, governments, donors, and others—to maximize effectiveness.
- Improving products and processes that recognize the needs of low-income families and satisfy their needs with value. This requires innovation in product development and innovation in market education, all focused on the realities of low-income households.
- Innovation in processes that can be replaced or augmented by technology. This requires financial and regulatory facilitation, and an openness to offer such technology on a public platform. Also needed will be agnosticism about insurance models. We need to find many ways of getting quality products to the market. These will likely be significantly different from what we see now.
- Careful development of regulation that effectively balances the need for consumer protection with the flexibility needed to develop and service a massive market. We know too little yet to truncate innovation through regulatory and supervisory actions. Regulations that eliminate access to good products for low-income people are not appropriate means of protection.

We see the beginnings of some of these requirements already. With interest, and indeed activity, within the rapidly growing microinsurance market, it is likely that we will see more and more focus on these issues. We cannot simply be satisfied with overpriced credit-life products to microfinance clients, and life policies that pay claims after many months. Massification of this market will happen when all parties become serious about microinsurance and responsibly address the issues discussed by these contributors. This can happen, and there are many signs that improvements will continue.

Let us all move onward to covering one billion low-income people by 2018 with products that they value, offered efficiently, in an environment that facilitates continued expansion.