

# An Introduction to Microinsurance

**The Microinsurance Innovation Facility for Palestine ,**

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# What is ILO

The international Labour Organization (ILO) is the United Nations agency devoted to advancing opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity.



# ILO

The ILO was created in 1919 and is the only 'tripartite' United Nations agency in that it brings together representatives of governments , employers and workers to jointly shape policies and programs and it provides assistance to member states and social partners in implementing standards.



# ILO

- The International Labour Organization (ILO) is concerned chiefly with the conditions under which women and men access decent work opportunities, that is, work in conditions of freedom and security, equity and dignity.
- Broadening the employment and social protection opportunities of poor people through financial markets is an urgent undertaking.



# Micro insurance

...a mechanism aimed at protecting poor people against risk in exchange for insurance premium payments tailored to their needs, income and level of risk. It is aimed primarily at the developing world's low income workers, especially those in the informal sector, who tend to be underserved by mainstream commercial and social insurance schemes



## **...making economic growth and financial services work for the poor.**

- Microinsurance- through new partnerships linking public and private institutions, as well as governments and employers' and workers' organizations- holds the potential of extending protection and security to people usually excluded from prevailing formal arrangements, thereby enhancing the access of the working poor to financial services.



# The microinsurance continuum



## Social Protection

- Benefits are a human right (e.g., health, pension)
- Contains a redistributive element

## New Market

- 4 billion persons living on less than \$2/day
- Product and distribution innovations can make the poor a viable market for insurers

# Microinsurance Innovation Facility

- Part of the ILO
- Launched in 2008
- Funded by Bill and Melinda Gates Foundation
- Goal: Support emergence of valuable insurance coverage for millions of low income people.



# Partners of the Micro insurance Innovation facility

- Risk Carriers
- Delivery Channels
- Insurance Industry
- Researchers



# The Facility's Activities

Large number of low  
income people making informed choices  
to manage risk and access quality insurance products

INNOVATION  
GRANTS

TECHNICAL  
ASSISTANCE

RESEARCH

DISSEMINATION

MICROINSURANCE INNOVATION FACILITY

# Microinsurance Facility Steering Committee

The SC advises the ILO on the facility's operations, with representative of the ILO as Chairperson of the committee



# Structure of microinsurance schemes

1. Partnerships between insurers and distribution agents
2. Self-insuring MFIs or cooperatives that assume risk
3. Informal mutual assistance schemes
4. Regulated insurance companies that serve the low-income market directly
5. Healthcare providers offering health care schemes
6. Community-based schemes that pool funds, carry risk and manage a relationship with a healthcare provider
7. Formalized informal schemes, i.e., insurance companies created by credit union/cooperative federations
8. Government programs

# Ten Factors for Success in MI

1. Understand market's needs
2. Involve market in designing simple products
3. Educate the market
4. Earn the trust of the market
5. Maximize efficiencies
6. Leverage existing relationships
7. Reach huge numbers of people, and keep them
8. Encourage claims
9. Create institutional culture for microinsurance
10. Adopt a long-term perspective

# Microinsurance as a tool for Disaster and Risk Management

Present role is evolving:

- Disaster cover is a safety net, but can also:
  - Aid rise from poverty and improve economic viability (through increased credit, investment and productivity)
  - Protect assets and prevent slide into poverty after a shock
- Products are evolving (e.g., weather index), but need to demonstrate greater scale, affordability, value
- Most microinsurance covers individuals or groups which are only a portion of a population at risk
- Disasters such as earthquake, hurricane, war/riots are typically excluded
- Governments or NGOs can serve area-wide populations, but benefits may not reach the poor.
- Regulation may limit non-insurers from providing cover

## Lessons learned

- There are many organizations out there with some excellent ideas-indeed, the demand for the facility's assistance far outstrips our resources
- Interest in microinsurance exists throughout the developing world, but especially in India
- Commercial insurers are becoming more interested in serving the low-income sector, with many of them developing and implementing “bottom of the pyramids’ strategies
- Health microinsurance is one of the greatest needs of the poor, and developing it poses one of the greatest challenges.



# Step Foreword

ILO will conduct a Microinsurance Market Survey to assess the legal, economical and institutional context of Palestine to identify the gaps and opportunities that can lead existing Palestinian intuitions and other to be involved in micro insurance interventions and potentially benefit from the ILO's Innovations Grants





## Closing remark

- We strongly believe that the eradication of poverty and the promotion of decent work for more people will come about through multiple public and private partnerships such as the one sustaining the Microinsurance Innovation Facility. I invite you to read the first Annual Report of the International Labour Office Microinsurance Innovation facility.



*Thank you!*

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