

**NATIONAL
FLOOD
INSURANCE
PROGRAM**



CONDENSED MILK: Microinsurance Lessons from History

A Study of Analogs

Lessons from the experience of insurance markets in developed countries

Microinsurance providers wrestle many challenges associated with delivering financial protection to the poor including modifying insurance products, marketing methods, distribution schemes and regulatory policies to fit the particular circumstances and needs of the poor in developing countries. While the problems may be challenging, not all of them are new. Indeed much of early insurance in now developed countries was microinsurance. Insurance markets in these countries historically faced similar issues as we do in microinsurance today. The MicroInsurance Centre's MILK Project examined aspects of the record of life, property catastrophe and health insurance markets in developed countries that are particularly relevant to microinsurance and gleaned lessons arising from their challenges and successes.

Life Insurance – private innovation bringing insurance to the masses

- ⇒ Traditional life insurance products in the United States were too expensive and not well-suited to the needs of low-income families.
- ⇒ Industrial insurers offered low sum-assured policies with accessible payment, claims, and servicing structures.
- ⇒ Fraternal insurers relied on distribution through affinity groups with common ethnic, religious or trade based ties. Their growth was stunning: by the turn of the 19th century, fraternal life insurance accounted for the majority of all life insurance in the United States.
- ⇒ Over time, industrial and fraternal insurers lost market share as public programs emerged and commercial insurers introduced new distribution models, most importantly group employment based coverage.

Implications for Microinsurance

- ⇒ Products must be appropriate for low-income clients (not just low sum-assureds, but processes and structures).
- ⇒ Installment payments can make products more accessible and expand markets
- ⇒ A broad array of distribution channels and methods are often needed to serve low-income clients.
- ⇒ Early movers can expect inevitable changes in government policy, and even the most successful should be prepared to adapt to new competitive market dynamics.

Property Catastrophe Insurance – the crucial role of government intervention

- ⇒ Voluntary purchase of property catastrophe coverage is often spotty in developed countries, even among the wealthy. Households that are not compelled to buy coverage typically opt to forego coverage.
- ⇒ In some developed country contexts, people are required by law to carry catastrophe coverage; in others, indirect pressure (such as from lenders) compels coverage.
- ⇒ Government intervention in the market is common and takes on a variety of forms.
- ⇒ Insurance coverage varies drastically by risk and context, and government involvement does not always increase coverage.

Implications for Microinsurance

- ⇒ Demand is also a challenge in microinsurance markets, perhaps more so due to financial and informational constraints.
- ⇒ Government involvement in the markets, by mandating private coverage and/or by providing public risk protection or disaster relief coordinated with private coverage is likely necessary in most cases.

Health Insurance – filling in gaps in public coverage

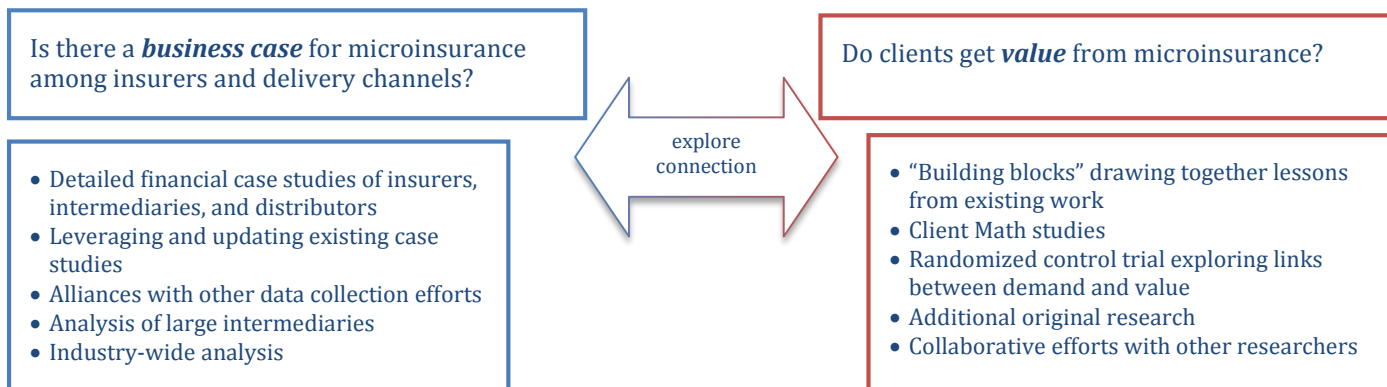
- ⇒ In developed countries health insurance is primarily provided by governments; there were no examples in developed countries where private, individual health insurance was the predominant model.
- ⇒ Private insurance fills in gaps in public coverage, and main buyers are typically the rich.

Implications for Microinsurance

- ⇒ Microinsurers should cover gaps that are specific to low income needs even when there is public health care available.
- ⇒ Public-Private Partnerships for health microinsurance may be necessary to provide significant access to the low income markets.



Microinsurance Learning and Knowledge (MILK) is an initiative of the MicroInsurance Centre that is working to gain insight into two questions:



MILK Publications

Available on the MILK website at www.microinsurancecentre.org/milk-project/milk-docs

MILK Briefs

- MILK Brief #1: What is MILK?
- MILK Brief #2: Client Value Landscape Study
- MILK Brief #3: Business Case Landscape Study
- MILK Brief #4: What We Know About the Financial Value of Microinsurance for Poor Clients: A Snapshot
- MILK Brief #5: Changing Role of Family Networks in Coping with Risk
- MILK Brief #6: Research Design for Measuring the Client Value of Microinsurance
- MILK Brief #7: A Microinsurance Puzzle: How do Demand Factors link to Client Value?
- MILK Brief #8: "Doing the Math" - Cashless Funeral Microinsurance in Colombia
- MILK Brief #9: What is "Client Math"?
- MILK Brief #10: "Doing the Math" - Property Insurance in Ghana
- MILK Brief #11: "Doing the Math" - Health Microinsurance in Maharashtra, India
- MILK Brief #12: "Doing the Math" - Health Microinsurance in Karnataka, India
- MILK Brief #13: "Doing the Math" - Funeral and Life Microinsurance in the Philippines
- MILK Brief #14: The Business Case for Life Microinsurance in the Philippines: Initial Findings
- MILK Brief #15: "Doing the Math" - Catastrophe Insurance in Haiti
- MILK Brief #16: "Doing the Math" - Life Microinsurance in Mexico
- MILK Brief #17: "Doing the Math" - Calamity Microinsurance in the Philippines
- MILK Brief #18: "Doing the Math" - Property Microinsurance in Coastal Colombia
- MILK Brief #19: Multinational Microinsurance-only Intermediaries: Is there a Business Case? The Early Years
- MILK Brief #20: "Doing the Math" - Loan Protection Insurance in Cambodia
- MILK Brief #21: Colombian Life Microinsurance: An Emerging Success Story
- MILK Brief #22: "Doing the Math" - Outpatient Health Insurance in Tanzania
- MILK Brief #23: Getting better at improving client value: the case of Fonkoze's Kore W microinsurance product
- MILK Brief #24: "Doing the Math" - Health Insurance and Chronic Disease in Nigeria
- MILK Brief #25: Keep Your Insurance Close, and Your Friends and Family Closer
- MILK Brief #26: The Business Case for Health Microinsurance in India: The Long and Winding Road to Scale and Sustainability
- MILK Brief #27: "Doing the Math" - Funeral Insurance and Speedy Claims in the Philippines
- MILK Brief #28: "Doing the Math" - Women's Health Microinsurance in Guatemala

Literature Reviews

- Is There a Business Case for Microinsurance? A review of recent literature
- Do Clients Get Value from Microinsurance? A systematic review of recent and current research

Discussion Notes

- MILK Discussion Note #1: Doing the Math: Can Delayed Payment of Claims Erode the Value of Life Microinsurance?
- MILK Discussion Note #2: Are Existing Health Financing Mechanisms Sufficient for Poor Women in Guatemala?
- MILK Discussion Note #3: Counting Lives Covered: Getting it Right

Randomized Control Trial

- Protecting those Left Behind: An Experimental Study of Life Microinsurance Purchase Decisions of Compartamos Banco's Borrowers in Mexico