



CONDENSED MILK #16

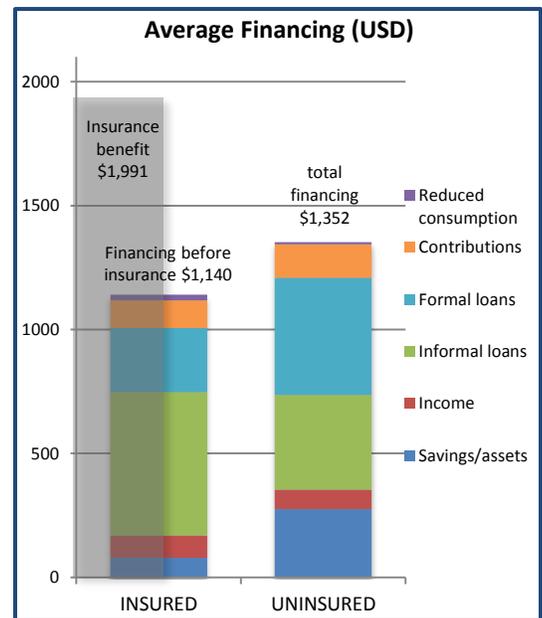
“Doing the Math” with Life Microinsurance in Mexico

Studying Compartamos Banco’s “Seguro de Vida” in Mexico

The death of a family member can lead to great financial strain for low income families as they struggle to cover funeral costs while burdened by the loss of the deceased’s income. MILK partnered with microfinance institution Compartamos Banco in Mexico to explore the role a life microinsurance product played in helping families cover funeral costs and move forward after the death. The loss of a breadwinner can burden a family with outstanding debt, funeral costs and lost income. Compartamos covers the loan balance and offers insurance coverage that provides a cash payment to beneficiaries upon the death of a current Compartamos borrower. The borrower’s loan balance is covered separately. The first USD 1,160 of coverage is included with each loan at no additional cost, and borrowers may purchase additional modules of coverage. We interviewed insured and uninsured families after the recent death of a member to better understand the costs they incurred and how those costs were financed.

What did we learn?

- ⇒ While there was great variation in funeral costs, average costs were similar between insured and uninsured.
- ⇒ Both insured and uninsured families relied heavily on debt. For the insured this debt was largely informal, while uninsured families turned to high interest rate bank loans. The certainty that an insurance benefit was coming may have improved access to loans from friends and family among the insured.
- ⇒ Uninsured families also relied heavily on more stressful mechanisms, using savings and liquidating large assets to pay for the funeral.
- ⇒ Most Compartamos borrowers in the sample purchased additional coverage beyond the free module, and their average payout exceeded basic funeral costs substantially. While some of this additional money appears to have been used for larger, more elaborate funerals, a large portion of it was used as additional income, replacing the deceased’s income as the family adapted to the loss.





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

Is there a **business case** for microinsurance among insurers and delivery channels?

- Detailed financial case studies of insurers, intermediaries, and distributors
- Leveraging and updating existing case studies
- Alliances with other data collection efforts
- Analysis of large intermediaries
- Industry-wide analysis

explore connection

Do clients get **value** from microinsurance?

- “Building blocks” drawing together lessons from existing work
- Client Math studies
- Randomized control trial exploring links between demand and value
- Additional original research
- Collaborative efforts with other researchers

MILK Publications

Available on the MILK website at <http://www.microinsurancecentre.org/milk-project/milk-docs.html>

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" with Property Insurance in Ghana
- MILK Brief #11: Doing the Math: Health Microinsurance in Maharashtra, India
- MILK Brief #12: "Doing the Math" 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

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

Coming Soon!

- “Doing the Math” with Calamity Microinsurance in the Philippines
- “Doing the Math” with Property Microinsurance in Coastal Colombia
- Multinational Microinsurance-only Intermediaries: Is there a business case?
- Agricultural microinsurance: High potential but low demand