



CONDENSED MILK #19

Microinsurance-only Multinational Intermediaries: The Early Years

Is there a business case for microinsurance intermediation?

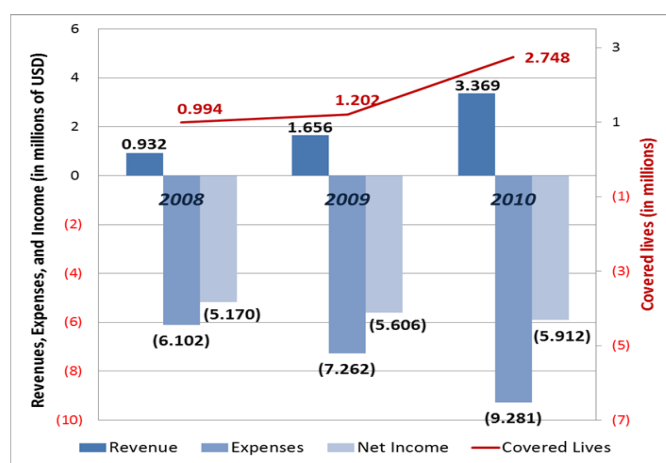
As part of its exploration of the business case for microinsurance, the MILK project is studying the commercial viability of three stand-alone multinational microinsurance-only intermediaries – Aga Khan Agency for Microfinance’s First Microinsurance Agency Pakistan, MicroEnsure and PlanetGuarantee – for the period from inception (2006-2007) through the end of 2010. An update on these programs’ subsequent development is planned for later in 2013. The theoretical value proposition for a microinsurance intermediary is to bring together insurers that are unfamiliar with the BOP market and delivery channels (such as MFIs or NGOs) that are unfamiliar with insurance. However, the intermediary is one small link in the insurance value chain, and the fees it can earn for each policy are small. As such, the business case for a stand-alone microinsurance intermediary is highly leveraged to scale. Simple broking earns such small fees per transaction that it is virtually impossible to imagine a business case. A more comprehensive scope of services yields more revenue but requires significant resources. To date no firm has figured out how to gain the scale needed to cover those costs.

“Our role as a broker, strictly speaking, is a small part of what we do.” MicroEnsure

What did we learn?

- ⇒ None of the firms studied were profitable, and all were far from having reached enough scale to support the cost of their Europe-based home offices.
- ⇒ Links to established MFI networks lead to quick market entry and funding support but not necessarily to a sustainable multinational intermediary.
- ⇒ Credit life business can contribute to, but in and of itself will not support a successful multinational intermediary.
- ⇒ Health microinsurance appears to be a space in which intermediaries can add important value, but the three intermediaries studied were unable to make it economically viable despite substantial and varied effort.

Consolidated highlights 2008 - 2010 (in millions)





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" - 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

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