Introduction

1.3 billion people are currently living in low to middle income countries where access to health care is restricted

Why?

• Health care systems work by transferring resources from:
  
  ![High Income](#) ![Low Income](#) ![High Risk](#) ![Low Risk](#) ![High Productivity](#) ![Low Productivity](#)

• Low and middle income countries have:
  – Large informal economies
  – Large rural populations

• This leads too:
  – Difficulties in resource mobilization
  – Problems unifying funds
  – Issues allocating resources

Client Needs

Of the three methods for managing risk—risk reduction, mitigation, and coping—the poor most often rely on coping.

Three types of risk that need to be addressed:

<table>
<thead>
<tr>
<th>Lifecycle</th>
<th>Structural</th>
<th>Crisis</th>
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<tbody>
<tr>
<td>Degree of Predictability</td>
<td></td>
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<tr>
<td>Requires high level of expenditure</td>
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<tr>
<td>Ex: Marriage, child’s education, illness, death of spouse</td>
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<td>Permanents or long-term changes to the national or international economy</td>
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<td>Ex: Loss of job due to regime change, change in prices due to currency devaluation</td>
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<td>Unexpected shocks</td>
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<td>Often cause a decrease in ability to generate income</td>
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<td>Ex: Sudden illness, natural disaster, accident</td>
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Insurance focuses on risk reduction and mitigation by:

• Encouraging clients to seek assistance in the early stages of an illness
• Offering preventative health services
• Avoiding the sale of income generating assets
MicroInsurance

The World Bank estimates that Microfinance organizations are now serving some 16 million poor.

Poor previously considered to be “uninsurable”
- Carried a higher level of risk
  - Risk determines premium? premiums for poor will be higher
- Low income individuals cannot afford the additional cost
- Assumed resistance to a system that requires payment even when no illness exists
- Concern about how to implement controls to prevent fraud

Microcredit sets example for how a product can be altered to cater to the bottom of the pyramid
- Price of premium should not be so expensive that it requires individuals to sell off other assets in order to acquire a policy.
- Coverage should be comprehensive enough to address problems and encourage clients to seek attention early
- Payments must be structured in a way that is convenient for clients

Business Models

Four business models of micro-insurance have developed

**Partner-Agent Model**

- **Agent**
  - Know How
  - Financing
- **Partner**
  - Health Care Provider
- **Client**
  - Transfer of Risk
  - Contact with Client

**Full Service Model**

- **Agent**
  - Know How
  - Financing
  - Risk
- **Client**
  - Health Care Provider

**Community Based Model**

- **Client**
  - Management
  - Know-How
  - Risk
  - Services
  - Health Care Provider

**Provider Model**

- **Client**
  - Management
  - Know-How
  - Risk
  - Services
  - Health Care Provider
Industry Challenges

Microinsurance faces a series of challenges that can impact the viability of the industry’s future.

| Regulation          | • Can serve as a means of promoting or restricting access to microinsurance  
|                    | • Should protect customers  
|                    | • Should not create barriers that make serving the bottom of the pyramid unattractive. |
| Reinsurance         | • Allows insurers to spread risks and protect themselves from loss  
|                    | • Unavailable to majority of microinsurers, since it is only offered to formal insurance providers  
|                    | • Creates greater risk for the industry as a whole |
| Education           | • Lack of understanding of risk pooling can lead to high attrition rates  
|                    | • High attrition causes greater risk of insolvency |