

# Microinsurance for Low-Income Households



Photo by Monique Cohen/MFO

Natural disasters destroy crops and homes without warning, illness and death bring grief and threaten livelihoods, and theft can close a business. People all over the world lose their life's savings or hard won assets when paying the cost of these unexpected events. Low-income families, however, are more vulnerable to potential crises, and less prepared to cope financially with their negative impact. As the availability of microinsurance products grow, Microfinance Opportunities is assessing the market for these products as well as launching a new financial education program along with Freedom from Hunger to increase understanding and promote the use of microinsurance.

## **Microfinance Opportunities on the Cutting Edge**

Two recurrent issues in microinsurance are the lack of consumers' understanding of microinsurance and the importance of matching the product to the customer's needs. Microfinance Opportunities works on both of these topics and is a market leader in both financial education and market research for microinsurance.

## **Giving Voice to the Policyholders**

Microinsurance draws support on the supply side from microfinance institutions to transnational insurance companies. At the same time, many microinsurance providers have presumed what low-income policyholders want rather than engaging them in conversation. By listening to low-income households, microinsurance providers should be able to link policyholder perspectives with product design and delivery. Paying close attention to poor people's preferences can significantly enhance consumer uptake of microinsurance products.

## **Microfinance Opportunities Program**

Microfinance Opportunities is known for its skill in listening to clients. Through demand assessments and customer satisfaction studies Microfinance Opportunities integrates policyholder perspectives into successful product design. Its innovations in global financial education are reflected in the development of a core curriculum on savings, budgeting, debt management, financial negotiations and financial services. Recently, Microfinance Opportunities and the Global Financial Education Program developed specialized learning modules on risk management and insurance, remittances, consumer protection and youth. As a result of training programs, Microfinance Opportunities has reached more than 275,000 people with financial education in just over two years. It was also trained more than 300 trainers from 180 organizations in 37 countries.

Microfinance Opportunities continues to apply these capabilities strategically to the promotion of microinsurance, by addressing some of the following questions:

- Where could microinsurance fit within the risk portfolios of the target populations?
- What attributes do low-income people seek in specific microinsurance products?
- What do people understand about microinsurance?
- How can microinsurance best be marketed?

## Our Experience with Microinsurance Projects:

- Assessing the impact of the Aga Khan Agency for Microfinance's (AKAM) health microinsurance program in Pakistan
- Developed financial education curriculum on risk management and insurance that is designed to help low-income households reduce their vulnerability and better understand the value and benefit of microinsurance
- Developed a customized program for microinsurance providers and brokers
- Led a ground-breaking microinsurance market assessment in East Africa (later published in the Journal of International Development), followed by similarly-patterned studies in Nepal, Vietnam, Indonesia, Laos, Pakistan and Palestine
- Conducted assessments for agricultural microinsurance in Vietnam and health microinsurance in Uganda
- Directed innovative policyholder satisfaction studies on microinsurance in Uganda and Zambia with findings presented at the 2007 Microinsurance Conference in Mumbai

## Our Funders for past Microinsurance Projects:

- IRIS Center, University of Maryland (with Gates Foundation support)
- Pakistan Microfinance Network
- Microfinance Centre in CEE & NIS (with IFAD support)
- Academy for Educational Development
- UNDP
- USAID
- Citi Foundation
- MicroInsurance Centre
- World Perspectives, Inc. (with Asian Development Bank support)

### About MFO:

**Microfinance Opportunities** is a global non-profit committed to understanding the financial realities of low-income households. We work with financial service providers, policy makers, telco's, card providers, mobile money operators and other private sector organizations to connect product and service offerings to the realities of the unbanked or under-served.

MFO works to translate consumer research, market analysis and practice insights into relevant, engaging and enabling consumer-focused financial inclusion strategies, financial capability development programs, as well as financial education training materials and tools.

In the face of changing social and economic conditions, MFO is continuously innovating, creating new content that responds to an ever evolving financial services sector; as well as experimenting and trialling emerging technologies in an effort to scale the delivery of financial education more effectively.

## FOR MORE INFORMATION, PLEASE CONTACT

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