
THE KEY TO SUCCESSFUL MICROINSURANCE FOR THE POOR

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While microinsurance has great potential to meet the financial needs of low-income clients, its spread has been constrained by high administrative costs relative to transaction value. While a large client base is needed to diversify risk, there is often limited understanding of, or demand for, microinsurance in many markets where insurance is not already widely used. Bundling microinsurance with other financial services and mobile products helps bring microinsurance to scale. This greatly decreases transaction costs for providers and encourages use of a new product, resulting in dramatic increases in coverage.

In Pakistan, an MNO and a microfinance bank are making new microinsurance as simple as the widely-used mobile wallet. Customers with an average monthly balance of USD 21 in their wallet receive accidental death insurance coverage of USD 1,039, and higher balances are eligible for greater coverage. A similar product in Tanzania rewards customers who make at least ten transactions in a month with funeral insurance of USD 126 for the following month. These products not only provide protection for customers against financial shocks, but also encourage savings practices. Providers benefit from greater customer loyalty and lower churn rates.

Experience shows that this kind of first, successful and trusted experience becomes a gateway to more use of insurance. A product offered in Ghana and Tanzania provides free microinsurance to mobile subscribers on an opt-in basis, extending life insurance in proportion to airtime purchased. The program has resulted in over a million microinsurance clients, 80% of them using insurance for the first time. Within the first few months of the product launch, tens of thousands of customers also chose to pay for a premium upgrade, which provides twice the benefits.

Continued research and innovation in microinsurance is needed, however, to better understand client experiences and the impact of these services, and to help to grow the market and meet customer needs.