



USAID
FROM THE AMERICAN PEOPLE

MD OVERVIEW: MICROINSURANCE

INTRODUCTION

Poor people often improve their financial positions with microcredit, but easily fall back into poverty as soon as they face a financial crisis such as the death of a breadwinner, payment of essential health care costs, or the loss of livestock or other productive assets. Microinsurance is a key development tool in terms of helping low-income households better manage the many risks they face and protect the gains they have made. Unlike microcredit, which initially depended on donors to bring significant pools of funds to develop, maintain and expand MFIs, microinsurance is in many ways being pushed by the commercial insurance industry and has been expanding and evolving rapidly.

The donors' role in microinsurance is significantly different from that in microfinance, calling for a broad focus on the creation of enabling macro-, meso-, and micro-level environments for microinsurance. This, in turn, will make it possible for more products to get to low-income markets, improving the risk management capabilities of the poor and decreasing their vulnerability.

LEARNING OBJECTIVES

USAID's Microenterprise Development office (MD) aims to provide information that helps explain the opportunities of microinsurance, the international lessons

learned, and practical means for implementing microinsurance projects.

KNOWLEDGE AND PRACTICE

Knowledge Generation

In order to help meet these learning objectives, a [Microinsurance Note series](#) was developed to provide an introduction and overview of key topics in microinsurance with links to resources that allow for greater exploration. This series can be a "crash course" for donors, practitioners, or project staff interested in microinsurance. The compiled discussion from the [Microinsurance Speaker's Corner](#) provides an additional opportunity to gain a broad understanding of the global state of the practice.

The first three Microinsurance Notes develop a general understanding of microinsurance, reviewing the importance of microinsurance in alleviating poverty, describing the fundamentals of microinsurance products, and introducing the array of delivery channels, including partnerships between MFIs and commercial insurers.

The next four Notes present a more detailed review of specific microinsurance products. These Notes are devoted to successful product development in

microinsurance, life insurance, health insurance, and index-based insurance.

The series concludes with two Notes addressing macro level issues. [*Facilitating an Appropriate Regulatory and Supervisory Environment for Microinsurance*](#) evaluates the role of regulation in microinsurance, stressing the need for developing country regulators to manage increasing access, innovation and technological change while ensuring financial sector stability and consumer protection.

The final Microinsurance Note, [*Visions of the Future of Microinsurance, and Some Thoughts on Getting There*](#), considers the evolution of the industry and the potential for massification. The note summarizes the responses of a broad and diverse group of microinsurance experts about how they see microinsurance growing to cover more than a billion people with products that the low-income market will value.

In addition to the Microinsurance Note series, MD in collaboration with the [*CGAP Working Group on Microinsurance*](#) will also produce a *Lessons and Recommendations for Donors* Note. Using the CGAP working group's [*Preliminary Donor Guidelines*](#) as a foundation document, and incorporating interviews with donor staff, consultants, and practitioners, the Note will provide a summary and analysis of current donor approaches to supporting microinsurance, implementation issues and challenges, funding mechanisms, and performance and impact monitoring systems.

Influencing Practice

During the period in which the [*Microinsurance Notes*](#) were produced there has been a dramatic advancement in the understanding of microinsurance, strong progress in the development of new products, and a sustained expansion of markets. The contribution of these Notes to the general pool of knowledge has been important in expanding microinsurance. Using authors at the top of the industry and focusing on synthesizing lessons and knowledge have made this series an effective tool for people to quickly understand the issues, trends, and lessons of microinsurance as a central tool to achieving a more permanent solution to poverty.

Visit www.microlinks.org/fs/insurance for resources related to this topic.