## The Development Challenges

The financial sector faces unprecedented challenges with the global financial crisis, as the largest economies struggle with debt and currency issues. With so much uncertainty in upcoming years, investors are seeking alternatives and are considering the large untapped markets of the low-income populations in developing countries. Solutions such as Islamic finance, microfinance, and micro-insurance are just some that are being considered.

With the success of microcredit worldwide, many programs have shown that people with low incomes are a proven market for financial services and are effective consumers if given appropriate products, processes, and knowledge. Over the past two decades, the microfinance revolution has proven successful in providing financial services to millions of low-income households in developing countries, thereby demonstrating strong demand for formal financial services among the economically active poor.

As microcredit is helping the poor acquire some wealth, micro-insurance will help them maintain it. However, the market has important demand and supply gaps. In the insurance field, micro-insurance can provide the specialized insurance products demanded by underserved low-income markets.

Because this market remains significantly underpenetrated, it presents a huge opportunity for investors. The latest market reviews indicate that the micro-insurance market has grown from 135 million people covered in 2003 to 500 million covered in 2010. Conservative projections anticipate about 1 billion policies sold by 2050, and a potential global market size is estimated at 4 billion people.

## The World Bank’s Response

Over the past decade, a number of projects have been supported by the World Bank. They range from numerous targeted pilot projects covering a variety of insurance products that reach up to 100,000 people to scaled-up projects that reach more than 10 million people. For example, the pilots include insurance for health in Nigeria, livestock in Mongolia, life in India, and index-based agriculture in Malawi. In India and Brazil, the scaled-up projects target a larger number of people and are implemented through typical health, education, or agriculture World Bank loans or grants. In those projects, insurance facilitates reaching objectives such as access to finance, access to education, or access to regulated markets. Additional projects have been structured around the concept of smart subsidies such as output-based aid, conditional cash transfers, or performance-based grants where social transfer programs are bundled with market-based micro-insurance.

Looking more closely, World Bank funding has typically supported projects that aim at helping the poor (income levels from US$2 to US$4 per day). The support takes the form of premium subsidies, market infrastructure (for example, increasing information technology capability or purchasing weather data), consumer awareness campaigns, and traditional technical assistance enabling the environment (regulatory and policy support, product development, and training). In many projects, previous successfully piloted community organization models have been leveraged as a key element for scaling up, as demonstrated in India, Brazil, and several African countries.

## Highlights

The Micro-Insurance Development Program (MIDP) will provide advisory services, technical assistance, and capacity building to government agencies, insurance providers and regulatory authorities. MIDP will provide direct investments through micro-insurance risk carriers. MIDP will be jointly implemented by the World Bank and International Finance Corporation in the fiscal years 2013–18. Its components include the following:

- Raise consumer awareness.
- Invest in new product development and build market infrastructure.
- Build public-private partnerships.
- Strengthen the enabling environment.
- Catalyze investments in micro-insurance providers and intermediaries.
Microinsurance can play a significant role in addressing risks faced by low income households and enterprises, primarily MSMEs.

**MIDP Concepts**

The Micro-Insurance Development Program (MIDP) will be jointly implemented by the World Bank and the International Finance Corporation. The MIDP will work at the macro (policies and institutions), mezzo (market), and micro (consumers) levels, while using the latest knowledge and technology available. Issues to be addressed include (a) deficiencies in market institutions and infrastructures, (b) inadequacies in the legal and regulatory framework, (c) lack of financial literacy among consumers, and (d) poor product design. To address the issues, the program will provide advisory services, technical assistance, and capacity building to government agencies, insurance providers, and regulatory authorities. The program will offer direct investments through micro-insurance risk carriers. MIDP will also leverage complementary World Bank programs, such as the Agricultural Insurance Development Program, to deepen certain insurance markets.

The program will be implemented in three phases (FY 2013–18) with the objective of making strong footprints in 15 carefully selected countries. Activities will be organized in the following five areas:

- **Raise consumer awareness**: (a) Implement insurance awareness campaigns, which include financial literacy, among low-income population and (b) implement micro-insurance awareness and capacity building among insurance company staffs and management.

- **Invest in new product development and build market infrastructure**: (a) Build a global database on micro-insurance, (b) invest in product development, and (c) develop alternative distribution and service delivery channels.

- **Build public-private partnerships**: Develop strong partnerships among governments, donor organizations, and private sector companies to ensure that social obligations are met and successful sector reforms and public investments achieved.

- **Strengthen the enabling environment**: Develop and implement legal, regulatory, and supervisory frameworks that meet the International Association of Insurance Supervisors (IAIS) standards for inclusive insurance markets.

- **Catalyze investments in micro-insurance providers and intermediaries**: Invest in both national and global micro-insurance providers and intermediaries and support micro-insurance investment vehicles (MIV).

### How to Follow Up

Fatou Assah  
Program Coordinator,  
NBFI, Capital Markets Practice  
World Bank Group  
fassah@worldbank.org  
5336+3330 / +1-202-473-6160

**Websites:**  

### Table 1. Micro-Insurance’s significant role in addressing risks faced by low-income households and enterprises

<table>
<thead>
<tr>
<th>Without microinsurance</th>
<th>Example products</th>
<th>With microinsurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deaths/Funerals cause significant financial strain on families, who may end up spending significant portions of their savings or taking on substantial amounts of debt to cover funeral costs and make up for lost income</td>
<td>Life &amp; funeral</td>
<td>With life insurance products that also cover funeral costs, low income families better manage their limited financial resources and can preserve capital to make needed investments</td>
</tr>
<tr>
<td>Farmers may plant lower yielding, but faster producing crops to protect against risk of drought or natural disasters</td>
<td>Agriculture</td>
<td>With sufficient protection, farmers plant higher yielding and more economically beneficial crops</td>
</tr>
<tr>
<td>Illnesses, injuries, and other medical conditions are either not treated in a timely fashion or not treated at all</td>
<td>Health</td>
<td>Low income families can more easily receive required treatments in a timely and preventative fashion</td>
</tr>
</tbody>
</table>