



Microfinance : Microinsurance

Avoiding the Poverty Trap with Microinsurance

It is difficult to earn money with microinsurance. Michael Anthony explains why a commercial insurer like Allianz still offers insurance to the poor.



Michael Anthony, Allianz SE

"One way of avoiding a debt trap is by selling microinsurance on top of a microcredit."

Why does Allianz only offer microinsurance, and not microcredit?

We believe that microinsurance can help people in poor communities to avoid falling into the poverty trap. Clearly, poor people are mostly affected by natural disasters or critical illnesses. Microinsurance can help them to cope with these shocks.

With 170,000 employees worldwide, Allianz is very close to its customers. In some rural areas of emerging economies, our company has a particularly strong presence. Here, our microinsurance policies have a positive social impact. At the same time we are building relationships to customers that will hopefully remember us in the future as they become wealthier.

Why work with local partners?

Our partners have experience helping poor communities to work and learn together. Identifying their needs are the best ways to address them. With our partners we can find out the needs and wishes of our clients and create a microinsurance product that truly supports them.



Microinsurance Coverage in Africa & Asia

Click on the image to compare coverage on the two continents

Where does Allianz offer these services?

So far, we offer microinsurance in India, Indonesia, Egypt, and are beginning to offer it in West African countries.

What does Allianz offer in these places?

In India, we offer two types of products with our partner Care International. One of them is a bundled product covering the risks of accident, death and loss of household assets, natural disaster, and fire. The product also offers an educational allowance to a child and provides funeral expenses in case of fatal accidents, as well as hospital cash.

The other one is a community-based micro health insurance program. With technical advice from Bajaj Allianz and Care, the villagers will set up a community fund, known as a 'Mutual,' into which they pay their monthly insurance premiums. The cooperative insurance, the 'Mutual,' retains 65 percent of that income, while the rest is passed on to Bajaj Allianz, which uses it to cover an eventual excess. In the case of illness, a doctor appointed by Bajaj Allianz and Care treats the villagers and, if necessary, sends them to partner hospitals in the region. As a result, Bajaj Allianz and Mutual models share the risks collectively.

In Indonesia we offer a group-credit life products with extra payouts to the beneficiary. The product is sold on top of microcredits. That means, that if a person who took up a microcredit becomes severely ill or die, the microcredit will be paid back by the insurance. That way the family does not fall into a debt trap. In Egypt we are selling a similar product as in Indonesia: a death and disability product on top of microcredits.

What are the goals for the next few years?

On a global scale, we aim to reach 700,000 clients by the end of 2009.

Why is microfinance in Africa less developed than in Asia?

In general, the financial market in Africa is less developed than in Asia, as well as the infrastructure, industry, etc. Financial systems are also underdeveloped in Africa, as the weakness of the central bank, payment instruments, telecommunication infrastructure, etc.

Therefore also microfinance is developing slower in the African markets. But we are now observing that MFIs are gaining confidence in Africa and are building up.

Some say microfinance can be a debt trap. How can we avoid this?

One way of avoiding the debt trap is by selling microinsurance on top of a microcredit as mentioned previously. That is what we can do as an insurer.

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What are the biggest obstacles in offering microinsurance?

Education and training is certainly a challenge. Taking out a microloan means receiving cash; taking out an insurance is buying a promise. Creating awareness about the idea and value of insurance is therefore quite a challenge.

What was the most surprising thing for you when visiting local projects and partners?

Certainly, the originality of our partners in getting across what the concept of insurance is all about. The partner NGOs organize awareness raising events, gathering hundreds of villagers, mostly women. The "show" features a Bollywood-like sketch and a puppet theatre, both of which explain insurance. We even created a "microinsurance song" with new lyrics to a known Indian song that tells about microinsurance.

The whole village or even several villages assemble for these launch parties and it is amazing to see the enthusiasm and feedback that we are receiving.

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