



Microfinance : Microinsurance

Reducing the Risks of the Poor: An Introduction to Microinsurance

Part 1: Even if poor families survive catastrophes like droughts, floods or epidemics, they often lack the means to rebuild their lives. Microinsurance can offer a new kind of social protection.



Video (click to start)

When Ida Rosina's daughter died, she left behind her son, a small business, and an unpaid loan. But microinsurance helped her to cope

When Ida Rosina's daughter died, she left behind her son Taffy, a small business, and an unpaid loan of 100 euros. With Ida's sorrow came a financial burden, that would have cast Ida back into poverty if she hadn't taken out a microinsurance with Allianz, for less than 40 cents. After her daughter's death, Allianz paid off the loan and also paid out another 100 euros to Ida.

Microinsurance - risk protection designed specifically for low-income households - is a critical tool to help eradicate poverty. In order to climb the economic ladder, poor people more than anyone else need financial tools to protect themselves and their families against risk.

"The risks faced by the poor are much the same as those for most individuals, but research has shown that they experience those risks with greater frequency and with a relatively greater financial impact," says Heinz Dollberg, head of the Asia-Pacific division of Allianz, which has launched microinsurance projects in India and Indonesia.



Access to Financial Services (click on the image to enlarge)

Find out what fraction of households in a given country has access to financial services

"For example, poor people often live in areas prone to flooding, or work in factories under very hazardous conditions," adds Dollberg. "The fact that they have little money to respond to those risks makes them even more vulnerable."

Circumventing old barriers

Microinsurance is also about finding solutions to old problems that have long prevented the finance sector from reaching low-income groups. When a bank or insurer used to look at reaching low-income populations in the developing world, they often saw a wall of obstacles, ranging from a lack of local experience to the high administrative costs of servicing thousands of small-premium insurance policies or loans.

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To get around this wall, larger financial institutions now team up with local organizations, such as NGOs, trade unions and microfinance institutions to deliver insurance products. The practice of covering many clients - sometimes thousands of people - under a single microinsurance contract has also simplified things.

Part 2: The Major Risks and How to Protect Against Them

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