

# Delivery Models

Micro Insurance



# Examples of micro insurance delivery?



# Examples of micro insurance delivery

## Partner-agent model

- Insurers utilize MFI's delivery mechanism to provide sales and basic services to clients
- There is no risk and limited administrative burden for MFI's

## Full-Service Model

- The provider is responsible for all aspects of product development, sales, servicing, and claims assessment
- The insurers are responsible for all insurance-related costs and losses and they retain all profits

## Community-Based Model

- The policyholders own and manage the insurance program, and negotiate i.e., with external health care providers

## Provider Model

- The service provider and the insurer are the same, i.e., hospitals or doctors offer policies to individuals or groups

# Partner-agent model

- Commercial or public insurers together with MFIs or NGOs
- Collaboratively develop the product.
- The insurer absorbs the risk
- MFI/NGO markets the product through its established distribution network.
- Lowers the cost of distribution and thus promotes affordability.

# Partner-agent model?

- New concept of “micro-insurance agent” (in addition to insurance agent or corporate agent or insurance broker)
- Micro-insurance agent can be any one of the following -
  - NGO, SHG, MFI
- Micro-insurance agent can be appointed by an insurer by entering into a deed of agreement

# Partner-agent model?

- *win-win situation*: the distribution potential of the MFI with the institutional capacity of an established insurer
- MFI itself will not place any risk on its loan portfolio
- *leverage potential*: the insurance company may be able to reinsure part of its exposure
- *possible disadvantage*: existing insurance products too mechanically down-streamed to the poor.

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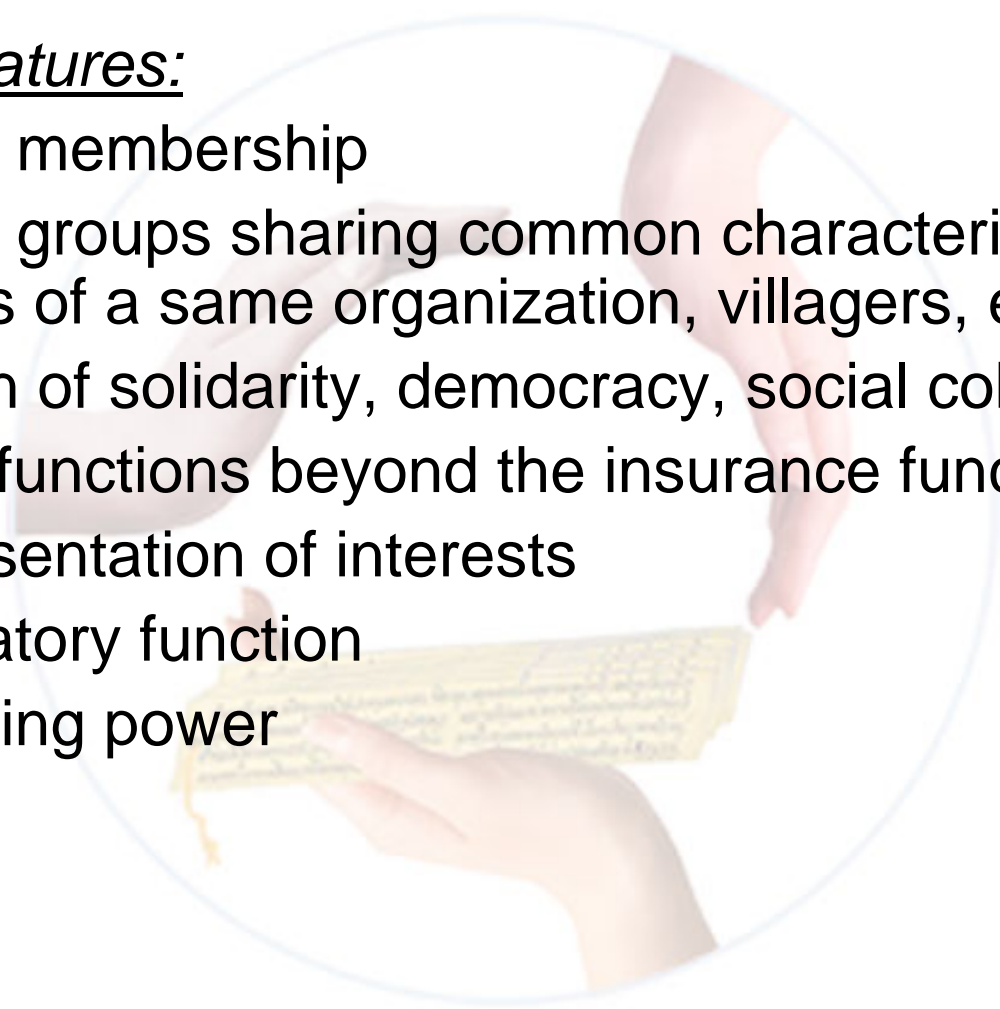
- Local communities, MFIs, NGOs and/or cooperatives
- develop and distribute the product, manage the risk pool and absorb the risk.
- Similarly to insurance mutuals, there is no involvement on the part of commercial insurers.



# Community-based model?

## Essential features:

- Voluntary membership
- Based on groups sharing common characteristics (members of a same organization, villagers, etc.)
- Promotion of solidarity, democracy, social cohesion, etc.
- Potential functions beyond the insurance function
  - Representation of interests
  - Regulatory function
  - Opposing power



# Community-based model?

## Essential features:

- Improve access to insurance through risk-sharing/resource spooling
- Not-For-Profit
- Mutual interest organizations (owners/deciders/policyholders = members). Which implies:
  - Participation mechanisms (design of the insurance product and organizational options)
  - Control mechanisms (organizational and financial)
- No (medical-based) selection of the members

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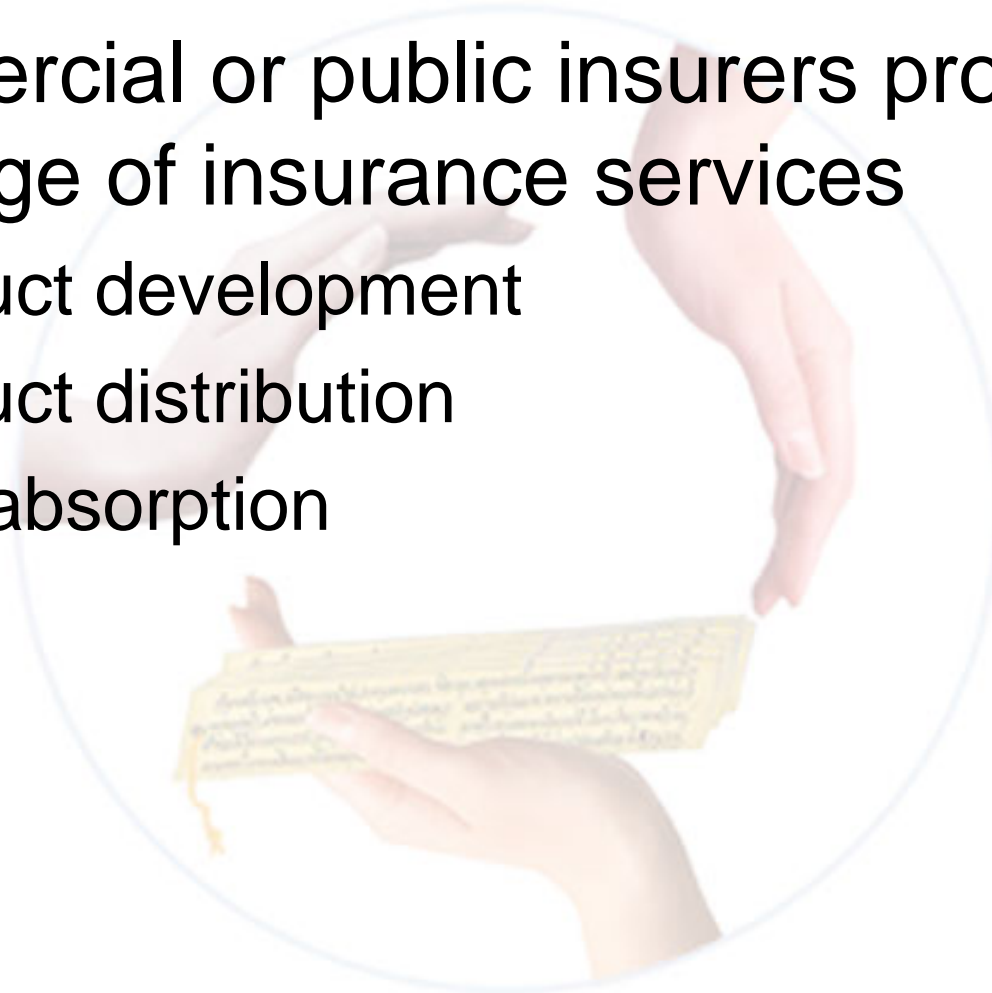
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# Full service model

- Commercial or public insurers provide the full range of insurance services
  - Product development
  - Product distribution
  - Risk absorption



# Full service model?

## (Dis)advantages:

- reduces processing time and allows for strong controls throughout the system
- lack of sparring
- distribution, particularly in rural areas may be cost-ineffective
- disadvantage of the 'power balance': the small client versus the big firm.

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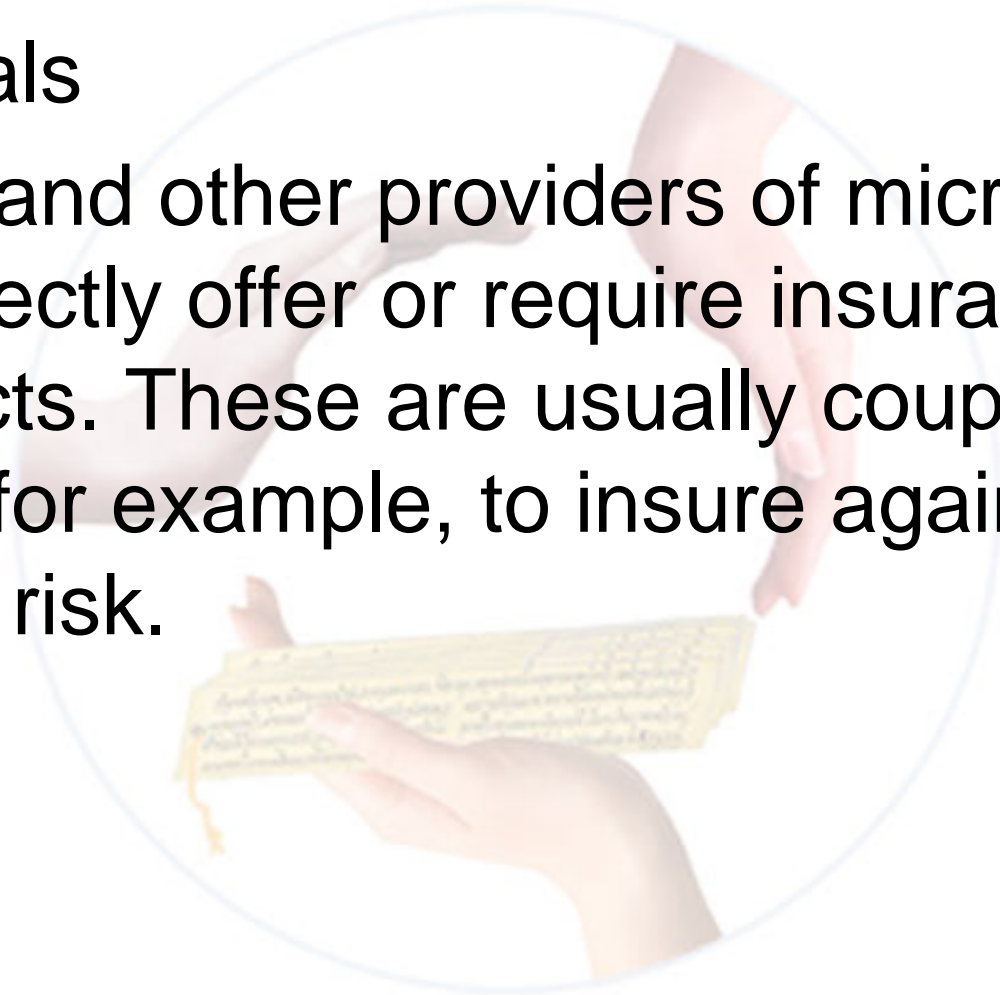
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# Provider model

- Hospitals
- Banks and other providers of microfinance can directly offer or require insurance contracts. These are usually coupled with credit, for example, to insure against default risk.



**Thank you!**

