

Asia-Pacific Financial Forum

KEY MESSAGES: MICROINSURANCE

BACKGROUND

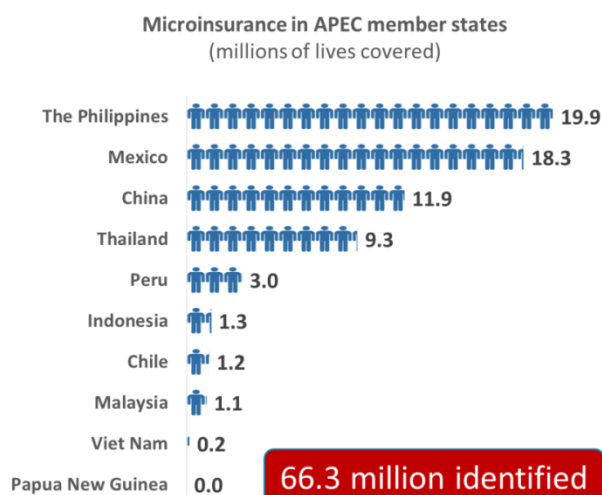
Globally, direct financial losses from natural disasters are steadily increasing, having reached an average of \$165 billion per year over the last 10 years, outstripping the amount of official development assistance almost every year. Increasing exposure from economic growth, and urbanization—as well as a changing climate—are driving costs even further upward. In such situations, governments often find themselves faced with pressure to draw funding away from basic public services, or to divert funds from development programs.

Insurance as an important financing tool for disaster risk management plays a crucial role in this situation as it reduces the impact from disasters and helps recovery faster.

As most of the people exposed to such disasters are the poor and vulnerable, it is important to also make insurance work for them and why a focus on microinsurance is essential to establish sustainable and resilient economies.

MICROINSURANCE OUTREACH

Microinsurance products not only support farmers in the event of extreme weather conditions, but also other vulnerable groups and MSMSs subject to climate-related disasters. Microinsurance refers to all insurance products that are designed to address the needs of the low-income market in terms of cost, terms, risk and distribution. According to the microinsurance landscape studies of Asia (2012)ⁱ and Latin America (2014)ⁱⁱ, 66.3 million lives and properties covered in the APEC region, with a coverage ratio of 3.25%. Specifically, in Asia only 4.3% of people are covered, compared to 7.6% in Latin America.



This leaves a coverage gap that has economic implications beyond the wellbeing of the lower income.

BRIDGING THE GAP

In order to bridge the gap, inclusive insurance services providers face following outreach challenges:

- Limited market education and financial literacy efforts
- Absence of favorable and encouraging regulation; and

- Need for better distribution channels and use of technologies that would reach the low income populations at scale, a must for sustainable offering of inclusive insurance.

These gaps can be bridged through awareness raising, capacity development, best practices development and collaborative efforts.

Although it is not reflected yet in outreach numbers, it is through the emergence and leadership of several champions: Brazil's efforts on financial education; Peru's and the Philippines on appropriate regulation and Vietnam linking microinsurance to social protection platforms for broad coverage.

THE MICROINSURANCE NETWORK'S ROLE IN APFF AND APEC

The Microinsurance Network acknowledges the APFF for including microinsurance and enhancing financial resilience as an integral part of its contributions to the APEC Finance Ministers' Cebu Action Plan.

The Microinsurance Network supports the activities by providing inputs to the Cebu Action Plan and APEC, ABAC and APFF events as well as participating in APEC/APFF forums and seminars that include microinsurance.

We also look forward to collaborate on international activities such as the Global Financial Inclusion Initiative (GFI) and its development in APEC member economies; and are open to explore partnerships with relevant institutions in holding regional or domestic workshops.

The role for some of our partners and members has been well established collaborate with us and our members and partners on specific activities that aim to support the development of Microinsurance:

- Partnering with multilateral institutions, including the Asian Development Bank;
- Collaborating with the Access to Insurance Initiative (A2ii) in Latin America;
- Creating a list of contact persons in member entities through various outreach activities;
- Participating in APEC/APFF forums and seminars that include microinsurance; and
- Providing inputs to the Cebu Action Plan and APEC, ABAC and APFF events.

Insurance is an important disaster risk mitigation instrument, especially for those most affected by climate change - the poor and the low-income- and we do underline the need for

- Capacity development for all stakeholders and financial literacy;
- Collaboration between regulators and industry for appropriate regulation;
- Distribution channels, leveraging technology and PPPs.

Without access to effective insurance the world's poor will not achieve lasting prosperity

Prepared by the Microinsurance Network

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For further information please contact:

Mr. Michael J. McCord, Chairman, Microinsurance Network (mjmccord@microinsurancenetwork.org)

Ms. Veronique Faber, Executive Director, Microinsurance Network (vfaber@microinsurancenetwork.org)

ⁱ The Landscape of Microinsurance in Asia and Oceania, 2013. Briefing note: http://www.munichre-foundation.org/dms/MRS/Documents/Microinsurance/2013MILandscape/2013_AsiaOceaniaLandscape_BriefingNote_E_Web.pdf

ⁱⁱ The Landscape Study of Microinsurance in Latin America and the Caribbean, 2014. Briefing note: <http://www.microinsurancenetwork.org/groups/landscape-microinsurance-latin-america-and-caribbean-2014-preliminary-briefing-note-panorama>