

# Microinsurance

## Providing Affordable Insurance to Asia

### Assessing the demand and placement of microinsurance products in India, Indonesia and Lao PDR

In order to properly assess the potential for microinsurance to succeed in the developing world, UNDP partnered with Allianz AG and Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) to analyze the demand, acceptability and affordability of microinsurance products in Southern Asia.

Every serious illness, every accident and every natural disaster threatens the existence of poor people and usually leads to deeper poverty. Two-thirds of human beings suffering in the most extreme poverty are women, often living within \$1 per day. Microinsurance is a market-based mechanism designed to provide affordable insurance products for low-income people. By protecting against common risk, microinsurance supports sustainable livelihoods and provides an opportunity for individuals to advance without the stress of crisis or injury.

UNDP and Allianz AG worked together on a market study to analyze demand for microinsurance products in India, Indonesia and Lao People's Democratic Republic (PDR). This public-private partnership acquired greater strength when GTZ, experienced in the area of social protection and microinsurance, joined the alliance. They immediately saw the value of working in this under-explored area:

**India** currently has the most dynamic microinsurance sector in the world:

- Liberalization of the economy and the insurance sector has created new opportunities for insurance to reach the vast majority of the poor, including those working in the informal sector

**Indonesia** has strong demand for insurance to cover the risks that people are least prepared for and have insufficient means to manage:

- Risks include serious illness, poor harvest, death in the family and social obligations
- Education of children is a priority, and the potential microinsurance policy holders would like to ensure that an unforeseen shock or stress does not deprive their children

**Lao PDR** has a nascent social security system (practically absent for the informal economy) and microfinance institutions are conspicuously inadequate. Analysis confirms a necessary commitment by the Government in several relevant areas.

- **Countries:** India, Indonesia, Lao PDR
- **Launched:** 2005
- **Partners:** Allianz AG, Gesellschaft für Technische Zusammenarbeit (GTZ), UNDP
- **Program Highlights:** Strong conditions for microinsurance products in India and Indonesia, affordable life insurance costs of 0,20 Euro per month, 60,000 people have taken out life insurance policies in the Indian State of Tamil Nadu, microinsurance is a regular business practice for Allianz AG in Indonesia



Microinsurance has become an affordable product for many people in Indonesia. Above: Allianz AG customers in Tangerang, Banten Province

Pilot insurance schemes have been launched in India and Indonesia with operations continually developing. In the current system, life insurance costs only about 0,20 Euro a month.

- In the Indian state of Tamil Nadu, nearly 60,000 people have taken out a life insurance policy with the Indian-German Joint Venture Bajaj Allianz through an NGO, the Activists for Social Alternatives, as group policy-holder
- For Allianz AG in Indonesia, microinsurance has progressed from pilot status to a regular business practice