Global micro insurance can help reduce poverty

Micro insurance has a potential market of 3 billion people, with potential revenue of up to $30 billion from insurance premiums. As it stands, only about 5% of the total market in Asia, Africa, and Latin America is covered, and only about 20% of micro insurance is being distributed by microfinance institutions globally. Micro insurance must expand globally to meet the needs of the poor.

In the Philippines, frequent natural disasters make micro insurance a vital financial service for the poor. After Typhoon Haiyan in 2013, insurers rethought their business models because operations were disrupted and claims spiked, threatening their financial sustainability.

Offering a variety of financial products that meet specific market needs would be more effective and provide better value than current standard single-product solutions. Digital solutions may be more resilient to the physical challenges of disaster recovery.

The mobile phone is a useful tool for financial inclusion, but the experience of BIMA, a major emerging-market insurance player delivering insurance products by mobile telephone to low-income families, is that some developing countries still have a large gap between mobile penetration and usage, often 70% or more, and nearly half of their targeted customers do not have access to formal bank accounts or mobile money wallets. Worse, 80% of these customers are accessing the products for the first time.

Financial services often require face-to-face contact to build trust, assess new clients' capability to pay, and overcome literacy and numeracy problems. BIMA reached 20 million customers across 15 economies within 5 years of starting operations by combining traditional approaches with modern tools.

Micro insurance can also be improved by proportionally regulating products according to size and scope to nurture growth. Providers are hesitant to offer new products in the face of uncertain regulations.

But overregulation may stifle growth, hampering firms from adapting to market demand quickly and appropriately, especially because disaster risks are unpredictable and digital finance evolves so swiftly. Considering the overlaps in jurisdiction of digital delivery of products, regulation across different government agencies must urgently be harmonized; this requires continued communication between public and private stakeholders.