

24th February 2016

# **MicroTakaful**

## **- How to get takaful to the poor; Case Studies**

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International Takaful Summit  
London

## Micro Takaful in Indonesia

- Developed by OJK (Insurance Regulator in Indonesia)
- Targeted for those earning less than USD185 per month
- Sum covered a maximum of USD3,700 on death and disability
- Premium of USD3.70 per month
- Distributors needed to have a Special Agency License for Micro takaful

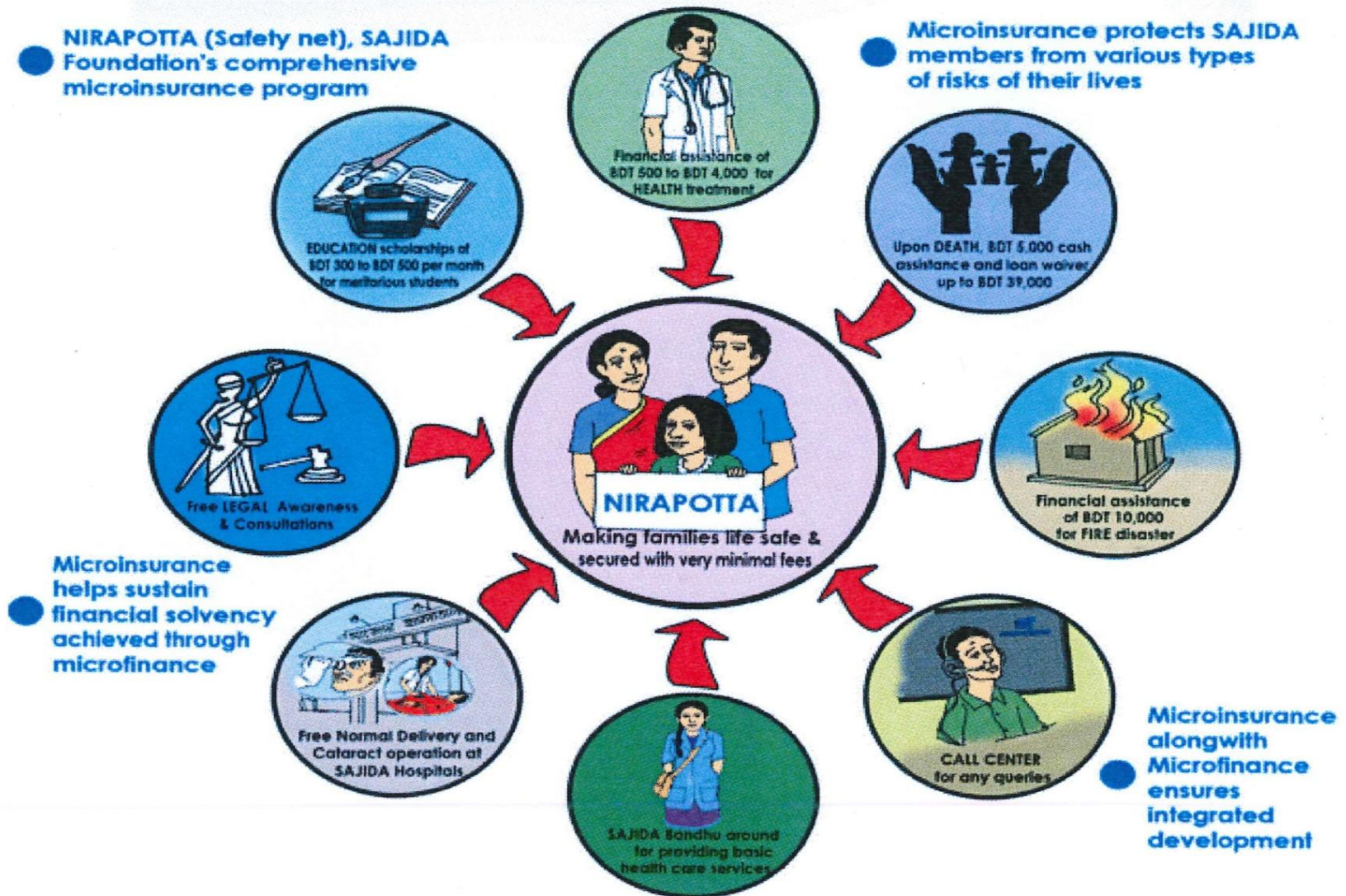
**Program was not successful as there was very little support from the brokers/agents, takaful operators/windows in Indonesia**

# Bradesco Micro insurance

## The Product

- Coverages and assistance
  - Accidental death
  - Funeral Assistance
- Benefits
  - Monthly lottery (Brazilian Federal Lottery)
- Other information
  - Annual periodicity
  - Cash payment
  - 30% total commercial loading
- Options of plans
  - 1) Sum insured: US\$ 1,135.00 Lottery: US\$ 1,135.00 Premium: US\$ 4.49
  - 2) Sum insured: US\$ 2,270.00 Lottery: US\$ 2,270.00 Premium: US\$ 5.45
  - 3) Sum insured: US\$ 4,540.00 Lottery: US\$ 4,540.00 Premium: US\$ 8.12
  - 4) Sum insured: US\$ 6,810.00 Lottery: US\$ 6,810.00 Premium: US\$10.39

# The Sajida Foundation ([www.sajidafoundation.org](http://www.sajidafoundation.org))



## The Sajida Foundation ([www.sajidafoundation.org](http://www.sajidafoundation.org))

- Primarily a Micro finance Institution for women in Bangladesh
- Premiums from USD3.20 to USD13.40 depending of amount and term of loan
- Strengths, weaknesses and lessons learnt\*
  - Flexibility in claims payments and encompasses “living benefits”
  - Incorporates a community health program (includes primary and preventive health care). Observed reduction in maternity related deaths
  - Benefitted from not having to be subjected to the conditions and large margins required by insurers
  - Importance on relying on technical (e.g. actuaries) and skilled managers
  - Exposed to concentration of risks due to lack of reinsurance
  - Potential regulatory restrictions in the future
  - Even if members do not make a claim, they benefit from the strong social objective provided by the Foundation.

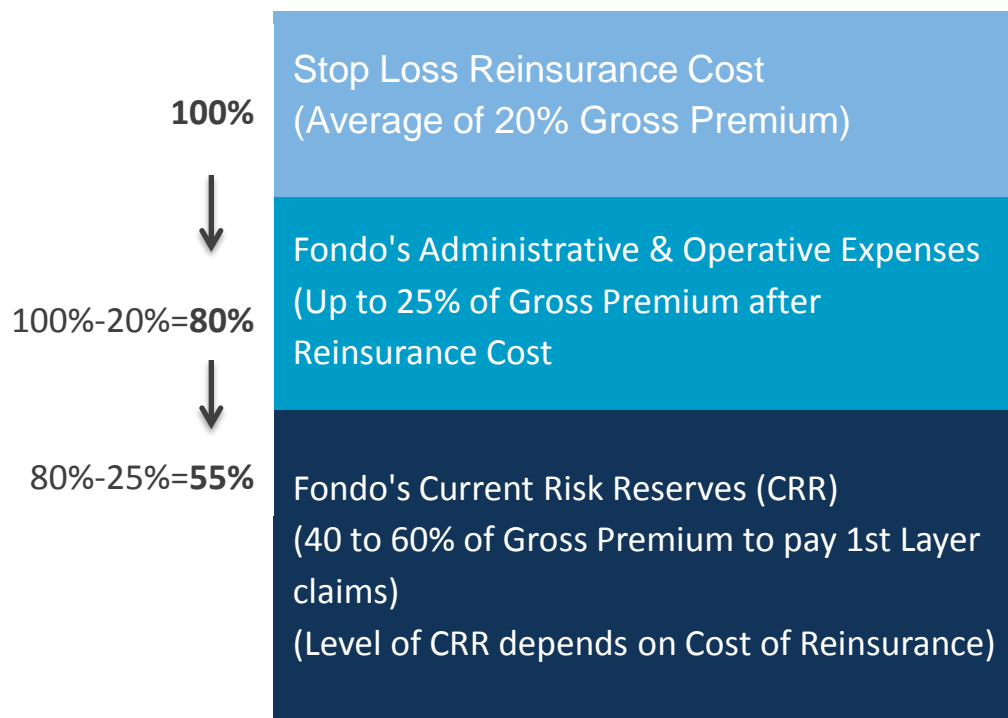
Note\* Source: Actuaries in Microinsurance - article by Agrotosh Mookerjee

## Fondos - self-insured agriculture funds

- Fondos are self insured funds formed by local growers and regulated by Mexico's Agriculture and Rural Insurance Fund law. Cover provided are limited to agriculture related losses and certain insurance on the life of the farmer.
- The other leg to the Scheme are the Integrating Agencies(IA) which oversees the activities of the Fondos. One IA can be responsible for many Fondos and they are responsible for enrolment, setting risk retention limits, settling claims, managing reinsurance and training. This allows scale to be built up quickly.
- Government's role is to provide premium subsidy and ensure availability of reinsurance capacity

# Fondo's allocation of gross premium

## Allocation of Original Gross Premium



## Allocation of Underwriting Surplus

Special Contingency Reserve for CAT losses	25%
Labor Liabilities Reserves for Fondo's Employees or extra Expenses/Reserves	5%
Social Fund (available to be used/spent as per Fondo's decision)	70%

**Source:** Mexico: Agriculture Insurance Market Review

## Conclusion

- The poor have very little disposable income, every dollar he or she earns is spent with reluctance
- Very often the policyholder will not himself “enjoy” the benefits so it is important to “package” insurance with more tangible benefits. This will ensure persistency on renewals
- Running micro takaful as a successful “business” requires volume and good persistency experience both especially difficult to achieve in the segment of the market
- Experience may suggest that the sustainable micro takaful model may be that which is based on communal pooling of risks with a strong social objective





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