



## Global Information on MicroInsurance

### Key issues of legislation on microinsurance in the social protection field

ILO-STEP defines a microinsurance scheme as a scheme that uses (among others) the mechanism of insurance and whose beneficiaries (at least part of) are people excluded from formal social protection schemes, in particular informal economy workers and their families. This kind of scheme differs from schemes created to provide legal social protection to formal economy workers. Membership is not compulsory (but can be automatic), and members pay, at least partially, the necessary contributions in order to cover the benefits.

Governments have to define the scope and level of a minimum guaranteed package of social security and organize the access to this package through legislative and regulatory means. This package should be subsidised for those who cannot afford it. This does not mean that the "distribution" of this package has to be operated by public or semi-public institutions.

**Microinsurance could be used by national governments to deliver this social protection package and thereby contribute extending social security to uncovered populations.** Some microinsurance products are by nature social security-oriented, such as health and maternity benefits, disability, death, and old age.

Microinsurance is increasingly recognized as an important tool in the fight against poverty. New microinsurance institutions are emerging, while microfinance institutions increasingly tend to include insurance services in their product portfolios. Poor customers learn about insurance and generate demand for these services. Donors view them as a means of structural poverty reduction. And supervisors learn about informal insurance providers in their jurisdiction. Thereby an adequate regulation is needed. It will play a positive role in the development and sustainability of microinsurance schemes, as well as the protection of the insured.



ILO/STEP conducted from 2004 to 2006 a participatory process in the eight Member States of the West African Economic and Monetary Union (UEMOA) in order to draw a legislation on mutual health institutions. A draft regulation is now under examination at UEMOA and should be adopted in 2007. This project aimed at really taking into consideration the specificity of these institutions which are private, not for profit, based on solidarity, and providing a social protection coverage.

Much effort has been done in order to take into account both the necessity to protect the individuals (insured) and to avoid putting too much burden on still new and fragile institutions.

*For more information go to: [www.itcilo.org/step/mutuelles](http://www.itcilo.org/step/mutuelles)*

1. It increases the protection of the insured

Microinsurance institutions collect funds (premiums, subsidies) and conduct insurance activities, often at a local level. To this end, it is important that their activities be carried out in the framework of clear legal rules (notably prudential rules in order to control the viability of these institutions).

2. It enhances the development of microinsurance institutions and increases the viability and sustainability of these institutions, especially:

- by setting administrative and prudential rules for these institutions;
- by providing these institutions with a legal status, which allows them to sign contracts, to buy and sell goods and services, to have their own property;
- by detailing their rights and obligations;
- by identifying authorities to regulate them.

Such a framework provides individuals with more confidence when they consider joining a microinsurance scheme. It can be also used as a benchmark or guidelines by microinsurance organizations in the conduct of their activities and in their development.

3. Thanks to the regulation, governments may recognize the role of these institutions in the fight against poverty and the extension of social protection, as well as their specific benefits and may support them in their mission (including financial support).

ILO/STEP is currently listing some key recommendations to be followed in order to draft a regulation on microinsurance. For instance:

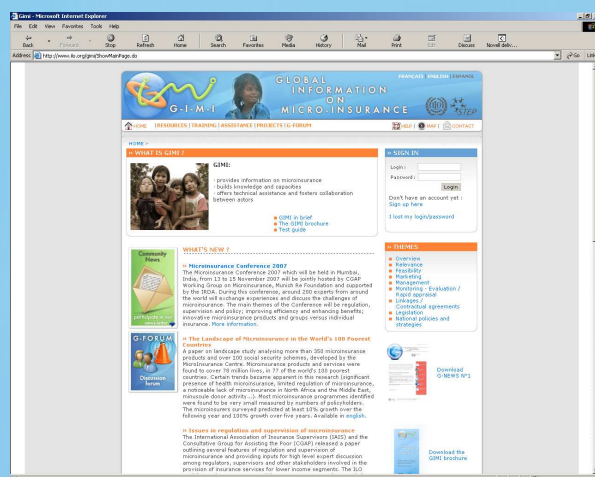
- Microinsurance must be seen as a social protection tool and therefore must be dealt with in a different manner than commercial insurance;
- Microinsurance can be delivered through various delivery channels (commercial insurance, cooperatives, mutual organizations...);
- All delivery channels cannot be regulated by legislation on private commercial insurance.



*Do you have other recommendations? Do you want to share your opinion?  
Participate in our discussion forum on the principles of microinsurance regulation  
on the GIMI platform: <http://list.step.ilo.org/sympa>*

More info on GIMI: <http://www.ilo.org/gimi/ShowLegislation.do>

**GIMI, a dynamic platform of STEP connecting microinsurance actors for the extension of social security through exchange, technical support and knowledge management.**



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