



MICROINSURANCE CONFERENCE

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CAPE TOWN

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Microfinance Industry in Uganda

- **Knowing the nature of risk and the environment**
- **Banks ignored the poor as bad financial risks and too costly to service**
- **Enter the Non Governmental Organisations (NGO's) who set up Microfinance Institutions (MFI's) focused on enterprise development loans mainly to woman**
- **Group lending programs built around a pyramid of management committees from a base of small groups with joint responsibility for repayments**
- **Expansion puts pressure on capital forcing MFI's to borrow from other financial institutions including retail banks**
- **MFI's may require deposits for a period before giving a loan and/or monthly savings along with repayments**
- **Regulation of MFI's who take deposits and/or carry insurance risk is an international issue**

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Microinsurance in Uganda (cont.)

- Dominated by MFI's focused on small, short term enterprise development loans mainly to woman. Mostly under \$ 500 for less than 6 months
- Mainly in LSM's 1-3 Bottom segment equates to the informal economy
- Little education or business skills. No understanding of insurance and no desire to buy it except for funeral cover
- Problem with individual insurance distribution - difficult access / high overheads / poor continuity / potential for fraud / general lack of interest
- MFI's have distribution network for education on insurance products / premium collections / claims management and are trusted by borrowers
- Follow example of major banks utilize MFI infrastructure so called PARTNER - AGENT MODEL
- Licensed intermediary necessary – best using a tied agent

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Benefits of Tied Agent Intermediary

- A dedicated licensed resource with a full understanding of how microfinance institutions operate in the region
- It is the focal point for management, processing and servicing
- It provides management of claims settlements
- Agency is the resource for training MFI loan officers on insurance programs across the widely dispersed region and translates training documentation into the numerous local languages
- The agency is a central access point for general queries
- The agent represents the microinsurance industry in negotiations with insurers
- Without the tied agent as the intermediary each MFI would require to license an employee as an agent

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- **Initially no history so cautious approach**
- **Experience has allowed us to broaden coverage and each MFI can customise its own program and can accommodate social / cultural / religious differences**
- **Open market forces providing competition to keep service and product competitive**
- **AIG international pool ideas and learn from successes**

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- **Death of the borrower from natural causes repays the loan amount to the lender**
- **Permanent total disability of the borrower repays the loan amount to the lender**
- **An additional amount for accidental death or disability of the borrower is payable to the spouse/ family**
- **Accidental death of the pre-identified spouse payable to the borrower**
- **Accidental death of pre-identified legal children / dependants payable to the borrower**
- **Total loss of the physical property from catastrophe / disaster / major perils up the loan amount**
- **Funeral benefits in respect of death of the borrowers, identified spouse and children**

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- **Many NGO's are international and while the MFI is under their control many decisions are taken centrally**
- **Social responsibility presents an opportunity for organizations such as ours to contribute to NGO funding**
- **MFI's are the principal microfinance source at present in Uganda. Specialised banks will become a major participant offering unsecured personal loans to individuals including loans for housing and vehicles. The microinsurance approach to this needs to be different however it will again be on a Partner - Agent relationship**

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