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Landscape of Microinsurance

Thematic Report

Expanding value: The role of microfinance institutions in inclusive insurance distribution

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Content

Thematic report

Expanding value:
The role of microfinance institutions in inclusive insurance distribution

Executive summary

Inclusive insurance can be a powerful instrument for strengthening the resilience of low-income households and the financial institutions that serve them. For vulnerable clients, health shocks, natural disasters, and other risks can quickly destabilise livelihoods and undermine repayment capacity. Insurance offers a mechanism to manage these risks, protecting financial stability at both the household and institutional levels while contributing to broader development goals. Yet despite the promise of microinsurance, the global protection gap remains wide. Out of an estimated 3 billion potential clients, 2.65 billion people still lack insurance coverage. According to the Microinsurance Network's Landscape of Microinsurance 2024 ("the Landscape"), only 11.5% of this potential market is insured, covering about 344 million people globally.

Microfinance institutions (MFIs) have traditionally been key players in extending insurance to low-income households, using their trusted relationships, client data, and operational networks to bridge gaps that traditional insurers struggle to reach. However, these same MFIs face constraints that shape how effectively they can distribute insurance. This report draws on findings from the Landscape and primary data from a survey of 62 MFIs as well as interviews with 15 stakeholders. It explores how MFIs create value across the insurance distribution lifecycle—from product design and awareness building to enrolment, servicing, and claims—and how these functions translate into a viable business case. It concludes with lessons and recommendations on how MFIs, insurers, and development partners can strengthen inclusive insurance systems.

MFI engagement in insurance has evolved considerably over time. What began as a mechanism to protect lending portfolios through credit-life products has increasingly shifted toward a broader goal of strengthening client resilience. Today, 73% of surveyed MFIs cite reducing client vulnerability as their main motivation for offering insurance. This signals a clear intention to move from portfolio protection toward client protection. Yet in practice, surveyed institutions continue to rely heavily on mandatory or credit-linked products, which constrains premium growth by keeping it in lockstep with loan client growth. Voluntary distribution could be the key to developing new insurance covers that respond to client needs. Scaling voluntary, client-centred solutions such as health, accident, and agricultural covers that more directly address the risks households face, is still a challenge. These products require greater levels of actuarial information, and in some cases, multi-stakeholder partnerships and investments in technology or new processes. They might also be costly and more difficult to explain, service, and pay out, thus hampering potential interest from clients.

Robust processes and digital systems can better position MFIs to expand their insurance businesses and offer such voluntary products. Some microfinance institutions have developed in-house departments dedicated to aligning insurance products and distribution processes with client needs. For those without in-house teams, capacity is more limited, and it is more feasible to offer bundled and mandatory products. Partnerships with brokers, intermediaries and insurtech's can help level the playing field, allowing even small MFIs or those with early-stage experience in microinsurance to offer a range of products while reducing administrative costs. As such, these intermediaries can play an important role filling MFI capacity gaps, even replacing the need for in-house teams. But MFIs caution against relying too much on external systems that may diverge from their own approaches to client service. Ultimately, MFIs are weary of outsourcing the client experience, which is crucial to client retention and a healthy lending business.

Across the insurance distribution lifecycle, MFIs demonstrate both strengths and opportunities. Their proximity to clients and detailed knowledge of borrowing and saving behaviour position them to contribute meaningfully to product design, particularly when insurers are open to co-creation. In awareness building, MFIs play a critical role in demystifying insurance, though frontline staff often need training and confidence to explain products effectively. To ensure responsible sales of microinsurance, client awareness-building and transparency needs to be a constant feature of the MFI value proposition. Enrolment and premium collection remain core advantages of MFI-led distribution, given their ability to integrate insurance into existing credit and savings systems. In servicing and claims, data suggests that MFIs outperform other distributors on responsiveness, with claims processed faster on average and higher acceptance rates.

MFIs that have built successful insurance business lines note that investments integrating insurance into their core operations do pay off, but results often take time. Nonetheless, survey findings show that 45% of MFI Boards expect profitability either immediately or within a year of launching microinsurance, while only 12% anticipate a longer time horizon of three to five years. Understanding the foundational conditions that shape the business case for microinsurance—and the levers needed to strengthen it—can motivate MFIs seeking sustainable results. The business case for MFIs in insurance depends on balancing four interrelated pillars: premium volume, client value, leadership commitment, and favourable regulation. Scale and client-centred design generate revenue and loyalty, while strong governance and supportive policy frameworks enable institutional continuity. Yet challenges remain. Only half of MFIs surveyed have dedicated insurance teams, and 46% report operating in countries with no progressive microinsurance regulation. Digital uptake is still limited—only one-third of MFI-distributed products documented in the Landscape are sold through digital channels, while distribution costs remain high. Commission revenues are an important lever to offset these costs but need to be balanced thoughtfully if they are to be sustainable. Industry voices warned throughout this exercise that excessive commissions, when not used to improve products and services, can distort incentives and erode client value. After all, if premiums are used primarily to cover commission, little remains to cover the actual risk or pay claims.

Lessons from across markets reinforce that inclusive insurance systems often require donor support to "nudge" MFIs and insurers into offering new products, such as agricultural insurance. In Eswatini, for example, IFAD's technical assistance and advocacy efforts spurred insurers to enter the agricultural insurance market. Networks and associations can also play a role in building capacity, sharing lessons, and negotiating bulk pricing for some risks. VisionFund International's partnership with IBISA to launch ClimaCash, a parametric climate insurance product, demonstrates how one microfinance network is rolling out new models that were once considered too costly or complex.

Understanding how MFIs integrate insurance into their core business can offer insights for designing responsive products, streamlined operations, responsible sales, solid partnerships, and supportive regulations. This report recommends rebalancing business case drivers toward long-term value, ensuring transparency in commissions, strengthening institutional capacity, and embedding insurance metrics into social and environmental performance assessments. To achieve this, donors and industry networks should continue to back training, leadership development, and self-regulation on commission levels and transparency to reinforce responsible growth.

Introduction

Inclusive insurance can be a powerful instrument for strengthening the resilience of low-income households and the financial institutions that serve them. For vulnerable clients, health shocks, natural disasters, and other risks can quickly destabilise livelihoods and undermine repayment capacity. Insurance offers a mechanism to manage these risks, protecting financial stability at both the household and institutional levels while contributing to broader development goals. Yet despite its promise the global protection gap remains wide. The Microinsurance Network's The Landscape of Microinsurance 2024 ("the Landscape", "the Landscape 2024") reveals that out of an estimated 3 billion potential clients, 2.65 billion people still lack insurance coverage. According to the Landscape, only 11.5% of this potential market is insured, covering about 344 million people globally and representing just 15% of an estimated USD 41 billion in total premiums.

Regionally, markets in Asia and the Pacific are most advanced in filling the inclusion gap, where the Landscape estimates that 36% of the total microinsurance market holds at least one policy. In Latin America and the Caribbean (LATAC) and Africa, however, only five and four percent of these markets are captured respectively. Regional differences reflect both supply-side constraints and the diversity of delivery models. Distribution models for inclusive insurance vary widely across regions, reflecting both regulatory structures and market maturity.

One major barrier to microinsurance penetration is the limited capacity of distribution channels to deliver insurance products cost-effectively to low-income and vulnerable households and businesses. Globally, according to the Landscape, financial institutions remain the leading channels for microinsurance, responsible for 65% of gross microinsurance premiums, followed by agents and brokers, digital platforms, and aggregators. Microfinance institutions (MFIs)[1] stand out for their sustained reach to low-income and rural populations across Africa, Asia, and Latin America. Their credit-linked insurance products have often served as an entry point for clients into formal risk management. Yet the regional data show strong divergence driven by dominant market players and regulatory environments. In Latin America and the Caribbean (LATAC) 76% of gross premiums are distributed through financial institutions. Financial institutions account for 68% of gross premiums offered in Asia. This is skewed down by the high penetration of agents and brokers in India. In Africa, microinsurance continues to be driven by financial institutions, which distribute 41% of gross

[1] Microfinance institutions (MFIs) are defined in the 2024 MiN Landscape report as a type of financial institution that are not regulated banks or cooperatives. For the purposes of this report, the definition is expanded to include banks that focus on serving individuals and small businesses who lack access to conventional banking and financial services.

premiums. Notably, mobile distribution now accounts for roughly one-fifth of covered lives in the region, though challenges in product persistence and claims servicing remain.

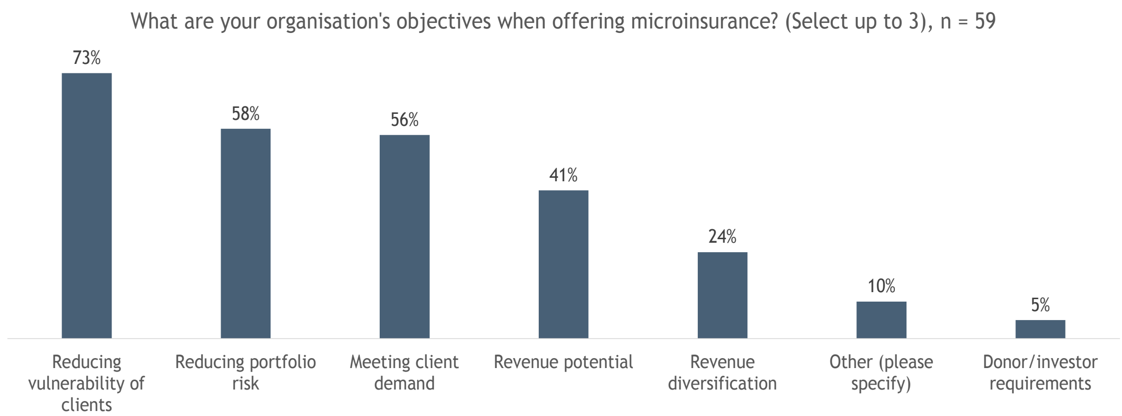
The evolution of MFI-led insurance distribution reflects a fundamental shift in purpose. Initially, MFIs viewed insurance primarily as a tool to protect their loan portfolios—ensuring that credit risk was covered in the event of borrower death or incapacity. Over time, this narrow objective has given way to a more sophisticated understanding of financial resilience, positioning insurance not only as institutional risk mitigation but also as a service that strengthens clients' stability and livelihoods. As voluntary products—such as health, agricultural, and accident insurance—gain traction, MFIs are increasingly serving as a bridge between basic portfolio protection and more comprehensive, client-centred risk management.

This evolution has also been shaped by business realities. Most MFI survey respondents report that revenue from microinsurance distribution has increased in the past decade, and nearly a third of respondents expect that insurance revenue will contribute more than 10% of overall revenues. While insurance products can "ride on the rails" of existing credit and savings operations, MFIs must also absorb significant fixed and ongoing costs related to staff training, client communication, and product servicing. Sustainable business models therefore depend on balancing revenue growth with cost management, while delivering client value—ensuring that insurance both supports institutional performance and delivers real protection to end-users.

Data from the MFI Survey of 62 representatives conducted for this study (Figure XX) illustrate that MFIs offer insurance to both protect their own risks, increase revenues, and support clients' resilience. The majority of respondents (73%) cite reducing client vulnerability as a core objective, followed by reducing portfolio risk (58%) and meeting client demand (56%). Fewer MFIs identify revenue potential (41%) or revenue diversification (24%) as primary motivations. While social mission remains central, MFIs increasingly recognise that financial protection and business sustainability are interlinked. Insurance can reinforce client loyalty, strengthen repayment performance, and open new avenues for growth.

FIGURE 1

MFI SURVEY RESPONSES ON ORGANISATIONAL OBJECTIVES FOR OFFERING MICROINSURANCE



To explore these dynamics, the report integrates evidence from the Landscape with 62 MFI surveys and 15 stakeholder interviews across regions (See full methodology in Annex A). The analysis follows the insurance distribution lifecycle—from product design, awareness, and enrolment to servicing and claims—and examines how these operational stages connect to the business case for MFIs. It concludes with lessons and recommendations on how to strengthen partnerships, improve regulation, and support inclusive insurance models that deliver value for both institutions and the clients they serve.

MFI value added in the lifecycle of distributing microinsurance

Insurers play a central role in the development and delivery of inclusive insurance, bringing technical expertise and institutional capacity that are difficult to replicate elsewhere in the financial ecosystem. Their core value proposition lies in their ability to design and manage products based on actuarial principles, risk assessment, and regulatory compliance. Across the insurance lifecycle, insurers create value at multiple points. In product design and development, they provide the actuarial analysis, risk pooling mechanisms, and capital reserves that allow policies to be underwritten. At the enrolment and premium collection stages, they bring the necessary regulatory licenses and financial systems that guarantee products meet national requirements. In claims management, they establish standardised procedures to assess, verify, and pay out claims. These functions are fundamental to maintaining solvency and ensuring consumer protection.

Yet, while these strengths are indispensable, they are not always sufficient in inclusive insurance markets. Insurers are often unfamiliar with low income and informal sector households and businesses and might develop products and enrolment processes that require excessive paperwork or documentation. Also, traditional claims processes are often structured to handle relatively few, high-value cases. When inclusive insurance introduces thousands of low-value policies, these traditional claims processes, may face delays or bottlenecks. Similarly, insurers' marketing and training are typically geared toward corporate clients or upper- and middle-income segments. They may lack the localised approaches and simple communication strategies that are required to engage low-income or rural populations. This creates gaps in the client experience, where products may be technically sound but fail to achieve scale or sustained use.

Partnerships with MFIs help bridge these gaps. Insurers benefit from MFIs' proximity to clients, their understanding of client business and financial lives, their existing distribution channels, and the trust they hold within communities. By embedding insurance into established lending or savings processes, insurers can reduce acquisition costs and improve persistency. MFIs also provide the on-the-ground client education and handholding that insurers typically cannot deliver at scale. This complementary relationship allows insurers to focus on what they do best—underwriting, risk pooling, and compliance—while leveraging MFIs to ensure products are understood, accessed, and used.

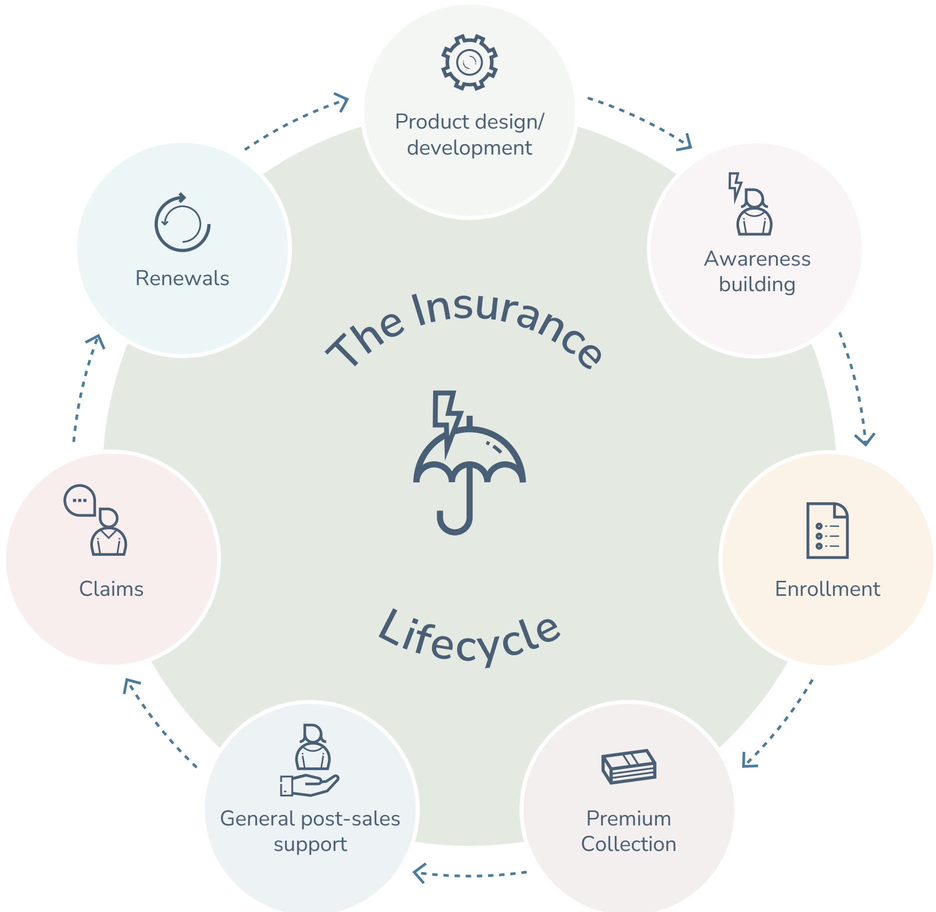
This section illustrates the insurance distribution lifecycle, highlighting the stages where MFIs can add value as a distribution channel for insurance companies

This section illustrates the insurance distribution lifecycle (Figure 2), highlighting the stages where MFIs can add value as a distribution channel for insurance companies. This section combines analysis from the raw data from the Landscape with additional primary data collected for this report. The analysis of the Landscape data divides products into two categories: those distributed by MFIs (including cases where other channels are also involved, referred to as “MFI” in the tables below) and those distributed exclusively through non-MFI channels—such as brokers, banks, and mobile network operators—referred to as “Non-MFI” in the tables below. Additional primary data was collected for this report through a survey of 62 microfinance institutions (MFIs) and additional 15 qualitative interviews with MFIs and key stakeholders conducted between July and October 2025 (see Annex A for details on methodology).

By triangulating data from the three sources above, the analysis below explores the role of MFIs at each step in the insurance product lifecycle—from product design and pricing to distribution, servicing, and claims management—to better understand how these institutions integrate insurance within their broader financial operations and client relationships.

FIGURE 2

THE INSURANCE DISTRIBUTION LIFECYCLE FOR MFIs

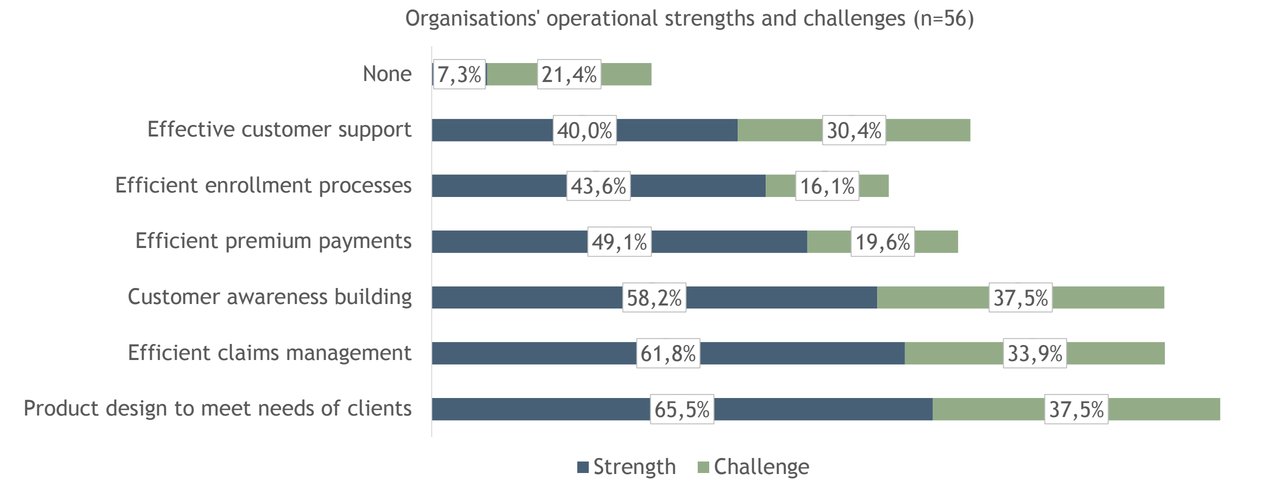


Along the distribution lifecycle, MFI Survey respondents are most confident in their ability to develop products, build customer awareness, and help manage claims.

The extent of MFI involvement across the insurance distribution lifecycle varies widely. Figure 3 below provides self-reported assessments by surveyed MFIs of their operational capacity at different moments in the lifecycle. In doing so, the analysis reveals capacity gaps. While over half of MFI respondents are confident in their operational strengths around product development, building customer awareness, and claims management, fewer than half are confident in their ability to provide customer support, enrol clients into insurance policies efficiently and efficiently collect payments. Interestingly, the top three strengths reported by some MFIs are also the top three weaknesses others report, followed by effective customer support. Below, each component of the lifecycle is discussed in greater depth.

FIGURE 3

OPERATIONAL STRENGTHS AND WEAKNESSES ACROSS THE INSURANCE LIFECYCLE FOR MFIS (MFI SURVEY)



*Totals do not add to 100% because respondents were asked to select all relevant strengths and weaknesses, in which cases, some categories did not qualify as either.

Product design/development

MFIs are well positioned to innovate in product design, their regular lending and savings cycles generate rich data on repayment behaviour, demographics, and documentation—information that can be leveraged to design insurance products that align with clients' realities. Indeed, the MFI survey shows that two-thirds of respondents identify product design to meet client needs as an operational strength. One Indian MFI manager explains, "insurance sits in our Plan–Grow–Protect–Diversify philosophy… it's about protecting the household." He describes how each loan product is paired with a corresponding insurance product—such as shop loans with shopkeeper coverage and cattle loans with livestock protection—so that "we are covering the household entirely… not only the lives, the entire business ecosystem."

For many MFIs, credit protection is often the first step product in their insurance offering. As one insurance intermediary in East Africa explained, "Microfinance institutions seem to have a bias towards the credit life product. That is for their own interest—to ensure that repayment is done should there be an unfortunate incidence of death or permanent disability." Indeed, the MFI survey reinforces this, where most MFI representatives surveyed report distributing credit life insurance (72%). The Landscape data show a lower prevalence of credit life insurance (15%), which may be understating this cover.

Despite MFIs' advantageous position in designing bespoke products for clients, the array of risks covered is still limited. According to the MFI survey, respondent MFIs primarily offer life (61%) and health (46%) products and agriculture (21%). The Landscape data reveals a similar 17% of products cover agricultural risks (Figure 4). In Africa, the Landscape shows a greater concentration of agricultural products, representing 24 percent of MFI-distributed products, compared to under 10% in Asia and LATAC. This likely reflects the region's strong dependence on farming, its exposure to climate risks, and strong interest by governments and donors alike to support initiatives in agricultural insurance.

BOX 1

VISIONFUND INTERNATIONAL – DESIGNING AFFORDABLE AGRICULTURAL INSURANCE IN KENYA

Originally skeptical of agricultural insurance due to its complexity and cost, VisionFund re-entered the space through a simple parametric design that triggers small automatic payouts after heavy rainfall. As Solène Favre, Global Director of Insurance at VisionFund International, explains, “We couldn’t find a successful crop insurance product anywhere, so we decided to design something different”

By simplifying coverage, keeping premiums under $2 per year, and allowing clients to top up, ClimaCash made insurance both affordable and scalable for small businesses and farmers. Its success has prompted expansion to Rwanda and Ghana—demonstrating that when donors, MFIs, and insurers are willing to experiment, innovation can emerge even in markets long seen as too risky.

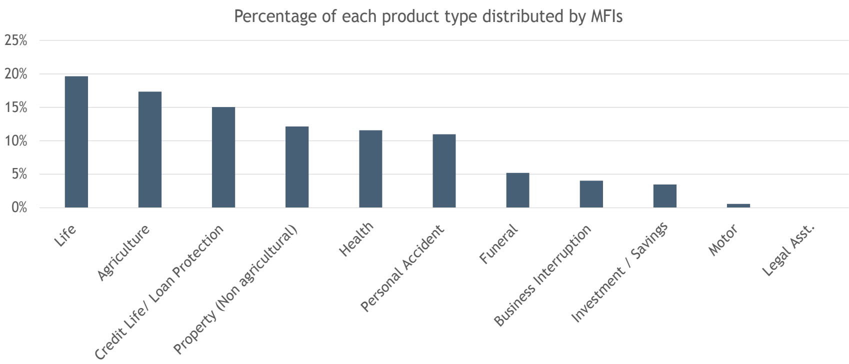
Even though MFIs might know their clients' needs, designing non-life products can be challenging when insurers are not flexible. In Eswatini, for instance, MFIs depend on South Africa-based insurers whose standardised products rarely fit the needs of low-income clients. As one MFI manager noted, "[Products are] not really for our clients—we're just overriding somebody else's product."

The Landscape 2024 data reveals that only 12% of products distributed by MFIs cover health and property risks, suggesting that there is still ample room to innovate in these product lines.

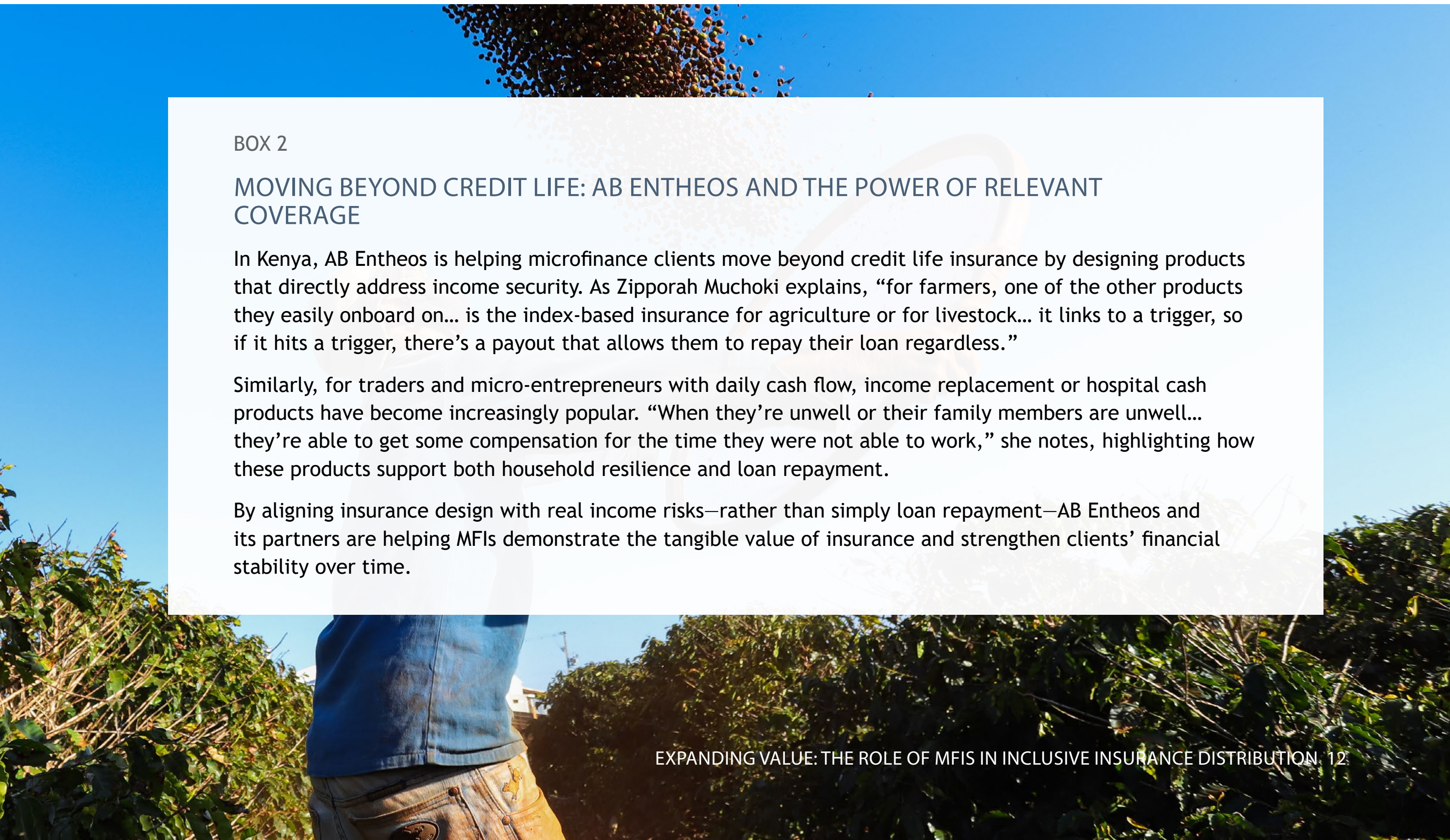
In Central America, one MFI manager agrees that product design often falls outside the MFI's control, even in the case of a simple funeral cover. They cite the example of a funeral insurance policy that failed to meet rural clients' needs because it covered, among other costs, an in-kind coffin. "The insurer realises that many times rural clients do not use the coffin because they live far away or have no one to transport it. So, within their calculations, they save that cost and only cover certain funeral expenses."

FIGURE 4

PRODUCT LINES DISTRIBUTED THROUGH MFIS NON-EXCLUSIVELY (LANDSCAPE 2024)



Successful initiatives prioritise products that reflect client needs rather than institutional convenience (See Box 2). In East Africa, one respondent highlights how tailoring products (hospital cash for traders, index insurance for farmers) and aligning premiums with cash flow patterns drive higher uptake, allowing MFIs to move from simple credit-life covers to relevant voluntary covers



BOX 2

MOVING BEYOND CREDIT LIFE: AB ENTHEOS AND THE POWER OF RELEVANT COVERAGE

In Kenya, AB Entheos is helping microfinance clients move beyond credit life insurance by designing products that directly address income security. As Zipporah Muchoki explains, "for farmers, one of the other products they easily onboard on… is the index-based insurance for agriculture or for livestock… it links to a trigger, so if it hits a trigger, there's a payout that allows them to repay their loan regardless."

Similarly, for traders and micro-entrepreneurs with daily cash flow, income replacement or hospital cash products have become increasingly popular. "When they're unwell or their family members are unwell… they're able to get some compensation for the time they were not able to work," she notes, highlighting how these products support both household resilience and loan repayment.

By aligning insurance design with real income risks—rather than simply loan repayment—AB Entheos and its partners are helping MFIs demonstrate the tangible value of insurance and strengthen clients' financial stability over time.

Products distributed through MFIs are generally more affordable than those distributed through non-MFI channels, even when accounting for distribution costs.

Affordability is a crucial component of appropriate product design in microinsurance. Data from the Landscape 2024 reinforces the finding that MFI-distributed products are generally more affordable. Table 1. Illustrates that median premiums are lower for MFI-distributed products (USD 8) than for non-MFI products (USD 18.8) globally. This difference is driven by Asia and LATAC (Table 2). In contrast, median premiums on products distributed by MFIs in Africa are slightly higher than those charged by non-MFI distributors. This difference may reflect two underlying phenomena in the region. First, there is a prevalence of products distributed by mobile network operators (MNOs) in the non-MFI category. These are often sold as a "freemium" product—free or heavily subsidised by MNOs for end customers. Second, the prominence of agricultural insurance among African MFIs might elevate the median premium levels in the region as these are more complex and costly to design, administer, and service. As one stakeholder explained, agricultural insurance is often "too expensive, too complicated."[2]

Inclusive insurance often requires product adaptation and creative risk-sharing mechanisms. This may involve simplifying benefit structures, aligning products with loan terms, or introducing parametric models where loss assessment is otherwise costly. Reinsurance partnerships can also be structured to manage exposure, particularly in agricultural or climate-related products. The Landscape 2024 data uncovers that MFI-distributed products are more likely to use reinsurance (56%) vs non-MFI distributed products (46%), perhaps because of their prevalence offering climate and agricultural insurance, which are commonly reinsured.

TABLE 1

COMPARING KEY INDICATORS FOR MICROINSURANCE PRODUCTS DISTRIBUTED THROUGH MFIS AND NON-MFIS (LANDSCAPE 2024)

Product-level Indicators	MFI	Non-MFI
USD Median Average Premium per Life	8 (n=169)	18.8 (n=514)
Reinsurance Use	56% (n=100)	46% (n=231)
Percentage Women Policy Holders (Average)	60% (n=119)	49% (n=276)
Percentage of Female Lives Covered (Average)	58% (n=122)	45% (n=285)
Claims Ratio (Median)	24% (n=165)	23% (n=456)
USD Median Average Claim Size	442 (n=130)	334 (n=345)

TABLE 2

MEDIAN USD PREMIUM PER LIFE BY REGION (LANDSCAPE 2024)

Region	MFI	Non-MFI
Africa	\$23 (n=50)	\$19 (n=187)
Asia	\$6 (n=76)	\$7 (n=120)
LATAC	\$12 (n=43)	\$24 (n=207)

MFI-distributed products are more often reinsured than those not offered by MFIs, perhaps reflecting efforts to take on products with greater risk to cover client needs.

[2] The prominence of agricultural insurance may also explain why MFI-distributed products surveyed in the Landscape 2024 are more likely to use reinsurers (56%) as compared to those not distributed by MFIs (46%).

Products distributed through MFIs are reaching a larger share of women clients

MFIs are also reaching a larger share of female clients than non-MFIs (Table 1). The Landscape data reveals that on average, 60% of policyholders of products distributed by MFIs are women, compared to 49% for non-MFI channels, and with a similar pattern for percentage of female lives covered (58% vs. 45%). While limited data exists on the percentage of women in microfinance institution portfolios worldwide, the MFI survey reveals that 66% of respondents' loan portfolios comprised women. Indeed, it is common practice for some MFIs, especially those that offer village banking or joint liability group loans to focus primarily on women. Box xx below illustrates how MFIs can leverage their understanding of women clients' needs and design specific products to address these. Designing for women requires intentionality, however. Even MFIs with majority women clients can make mistaken assumptions about their protection needs. For example, one MFI in India shares that while women make up the majority of their loan portfolio, loans are often used by male household members. Under this scenario, insurance products designed for women might be the wrong household risk. For example, with life insurance, if the male loan user dies, he would not be covered and his wife would not receive a benefit, even though he is the principal breadwinner.

Product value is also dictated by claims payments. Consistently low levels of claims can translate into customers disappointment when they do not receive the payouts that they expect. On aggregate, claims ratios are similar between products distributed by MFIs and Non-MFIs, though factors such as product type, product maturity and premium play a role. For example, products offered by MFIs in Asia suggest greater value (higher claims ratios), while in Africa and Latin America, MFI and Non-MFI categories are largely similar (Table 3).

TABLE 3

MEDIAN CLAIMS RATIOS BY REGION (LANDSCAPE 2024)

Region	MFI	Non-MFI
Africa	21% (n=50)	26% (n=177)
Asia	33% (n=75)	21% (n=114)
LATAC	16% (n=40)	19% (n=165)

MFIs cannot always control claims ratios. MFI-distributed products have higher claims ratios than those not distributed by MFIs only in Asia.

> *Nearly 60% of MFIs surveyed believe that building client awareness is an operational strength. However, field staff capacity and belief in insurance is also cited as a key capacity gap for MFIs.*

Awareness building

Insurers often emphasise the value of MFIs in raising client awareness about insurance by leveraging their close, trusted relationships with clients on the ground. Indeed, this activity is the cornerstone of a responsible sales effort. Nearly 60% of MFIs surveyed believe that building awareness is an operational strength. Stakeholders interviewed for this study echo this point. One MFI manager reinforces the fact that insurance awareness-building can be incorporated into existing loan processes "I think what has really helped us is we have incorporated it [insurance] as one of our products. Because for all of our products, we really do a lot of explaining. There's a lot of back and forth. There's a lot of sensitisation. There's a lot of, you know, loan application forms, field visits that we do, assessment, appraisals. So, we've incorporated all that, and for officers, they know that when they go to the community or they need some people, they really need to talk about all the products." As one MFI manager recounts, the MFI trains loan officers to explain products clearly, follows up with digital Welcome Kits via WhatsApp, and conducts Net Promoter Score surveys to confirm that clients understand and value their coverage, adding, "We find that the client who is well informed, in the end, ends up having a very good experience with the entire insurance service."

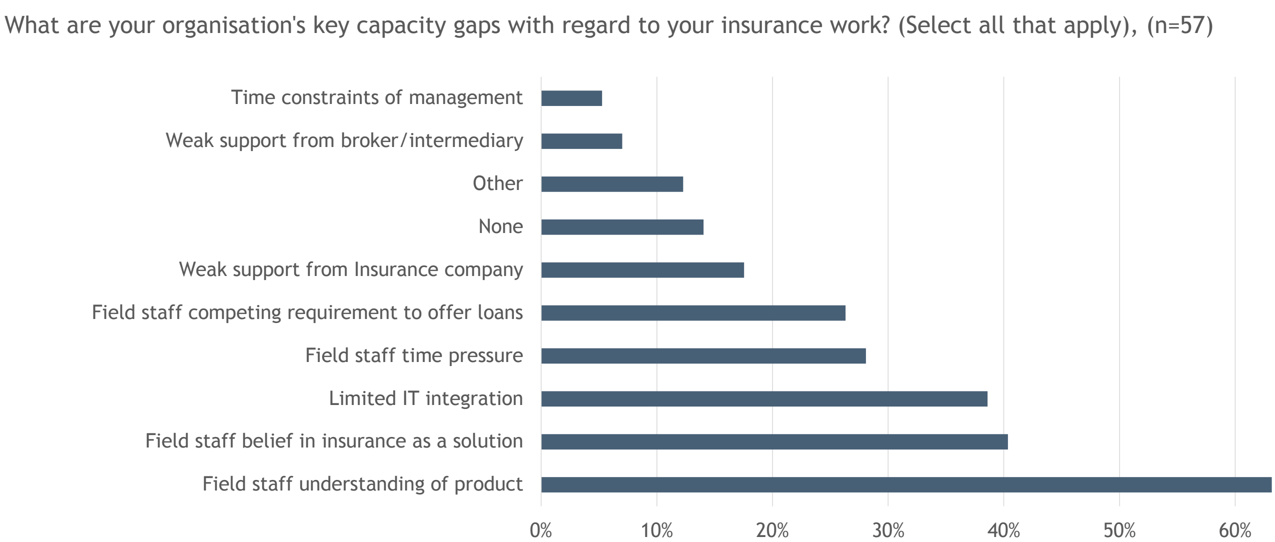
> *Awareness-building challenges can constrain MFIs from delinking the explanation and offer of products from loans, restricting product innovation.*

Yet effective awareness building can be challenging. Indeed, 38% of MFI Survey respondents believe that client awareness building is an operational weakness. Loan officers are not trained insurance agents, and many are hesitant to promote products they do not fully understand or trust. Continuous supervision and refresher trainings are essential to keep staff motivated and ensure clients not only purchase products but also understand how to use them. The MFI Survey reveals that while 66% of respondents feel that their clients understand insurance well or very well, another 26% believe clients either don't understand the product well or at all and some 9% do not know.

MFI survey responses about capacity gaps shed some light on this. MFIs cite field-staff related gaps among four of the top five capacity gaps in their institution. Field staff understanding of offered insurance products (63%) and belief in the product as a solution for clients (40%) are the main issues cited. Additional structural constraints such as field staff competing interests and time pressures are also noted.

FIGURE 5

KEY CAPACITY GAPS (MFI SURVEY)

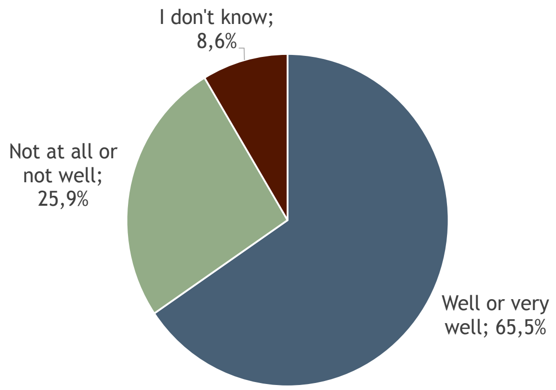


Smaller MFIs with limited capacity can find awareness building especially challenging. To bridge this gap, some institutions rely on specialised intermediaries. One MFI in Central America, for example, partners with SERINSA, an intermediary that also provides training and financial education for loan officers. Similarly, in East Africa, AB Entheos supports smaller MFIs and SACCOs and has developed interactive consumer-awareness "games" to help clients grasp key insurance concepts.

FIGURE 6

CLIENT UNDERSTANDING OF INSURANCE (MFI SURVEY)

How well do your organisation's clients understand the concept and value of insurance? (n=58)



MFIs offering simpler, easier-to-explain products tend to face fewer challenges. As illustrated in Box 3, Fundación Paraguaya's approach—focusing on straightforward product design—demonstrates how simplicity can enhance both staff confidence and client understanding.

BOX 3

LESSON FROM FUNDACION PARAGUAYA, PARAGUAY: THE SIMPLER THE PRODUCT, THE EASIER IT IS TO ALIGN STAFF TRAINING, CLIENT UNDERSTANDING, AND INSTITUTIONAL SUPPORT

A common challenge in microinsurance distribution is preparing frontline loan officers to explain products clearly and confidently. Credit officers already manage heavy workloads around loan sales and collections, and they are understandably cautious about offering products that might confuse clients or generate complaints. As Roberto Giménez, Programs Manager of Fundación Paraguaya observed, "Selling microinsurance is different from selling credit. They need to know exactly what is and isn't covered. The officer doesn't want to sell problems."

Fundación Paraguaya's credit life insurance demonstrates the advantages of simplicity. Designed in 2010 with no exclusions, age limits up to 80 years old, and minimal bureaucracy, the product is easy to explain and easy for clients to use: a death certificate is sufficient to pay off the outstanding loan and release a $500 cash benefit for the family. Staff are comfortable explaining it, clients quickly grasp its value, and management supports it as part of responsible lending.

By contrast, the institution's health insurance, which it has embedded as one of various benefits for joining a membership club proved much harder for staff to explain and for clients to use. This contrast underscores a clear lesson: simple, transparent products are not only easier to train staff on, but also more likely to reach scale and be trusted by clients.

Enrolment is a key strength for MFIs offering insurance– but there is room for improvement. While only 16% of surveyed MFIs believe efficient enrolment is an operational weakness, only 44% classify it as an operational strength.

Enrolment

MFIs can add efficiency to insurance enrolment processes by integrating insurance into existing credit and savings enrolment, reducing friction at the insurance point of sale. Data from the Landscape (above), highlight the central role MFIs play in enrolling clients into insurance during the loan disbursement process. MFIs surveyed generally align with this, with only 16% citing efficient enrolment as an operational weakness. Anecdotally, larger MFIs appear more able to integrate insurance enrolment into core credit and savings enrolment processes. They benefit from larger teams and IT capacity, greater capital for investment, and a greater potential to amortise these technological integrations through scale.

Products distributed through MFIs are more often categorised as voluntary; however, because they are frequently embedded into loans, clients may not always realise that enrolment is optional.

Only 44% of MFI respondents classify enrolling clients in insurance as an operational strength, suggesting the need to design processes that can make this more effective and efficient. One important strategy is defined loosely as "bundling" or "embedding" insurance with MFI loans (See box 4). Programmes that embed insurance into other financial services offerings tend to have high enrolment rates, where it can be difficult to establish whether products are purchased on a truly voluntary basis or whether clients believe them to be required in other to access other financial services. A stakeholder from East Africa describes how bundling insurance with credit results in higher uptake because clients perceive it as part of the loan process and are less likely to question the cost. "So, for the groups that are purchasing, it is a mandatory requirement. You don't have an option. And unfortunately, most of the people don't even know that they have an insurance component to their loans when they're taking it."

BOX 4

DISTINGUISHING BUNDLED AND EMBEDDED DISTRIBUTION STRATEGIES

There is some distinction between the terms embedded and bundled, where "bundling" can be synonymous with products that are mandatory when clients take out loans while "embedded" insurance is not. Unlike mandatory credit-linked insurance, which borrowers are required to purchase as a loan condition, embedded products can offer greater flexibility and relevance, positioning insurance as a value-added service.

Embedded insurance is described as packaged with another financial or commercial transaction, allowing clients to access protection seamlessly at the point of sale—such as when taking a loan or opening a savings account. For lenders, this approach creates opportunities to align insurance more closely with client needs and improve uptake of voluntary products. For clients, embedded products are not always distinguishable from mandatory insurance, rendering their operational processes effectively identical and potentially conflating uptake with demand.

Indeed, MFI stakeholders clarify that it is unusual for clients to opt out when offered products embedded with loans. For example, one MFI manager in India explains that while bundling insurance with loans is not permitted by the regulatory authorities, unregulated MFIs commonly follow this practice unofficially. He recalls the regulator questioning, "how 100% of clients could have chosen insurance" at an unregulated institution. In comparison, he describes a regulated microfinance Bank, where opt-out was "real" and uptake was only 20% for similar products.

The Landscape defines embedded products as "bundled with non-insurance", where about 24.3% of MFI products fit this definition, compared to 10.5% for non-MFIs (Table 4). The MFI survey combined embedded and mandatory products into one concept, revealing that MFI respondents show a strong preference for this distribution method. 72% of MFI respondents prefer embedded or mandatory products either exclusively or along with voluntary offers. According to one provider of parametric insurance. "We prefer doing bundles that are synergetic…for example, [climate insurance coverage] with seeds, fertilizer where if the seed fails to germinate, you do a payout such that farmers can have a second opportunity to seed. That's a strong rationale because actually you're giving them a second chance and both parties are better off because the lender is more likely to get the payment back."

TABLE 4

COMPARING KEY PROCESS INDICATORS FOR MICROINSURANCE PRODUCTS DISTRIBUTED THROUGH MFIS AND NON-MFIS (LANDSCAPE 2024)

Indicators	MFI	Non-MFI
Voluntary/Non-Voluntary (Voluntary Percentage)	75.86% (n=174)	78.79% (n=547)
Digital Platform (Percentage)	33.5% (n=176)	54.7% (n=391)
Bundled with Insurance (Percentage)	12.74% (n=157))	16.07%% (n=535)
Bundled with Non-Insurance (Percentage)	24.3% (n=214)	10.5% (n=436)
Average Claims Turnaround Time (days)	32.5 (n=131)	37.4 (n=301)
Internal Claims Turnaround Time (days)	12.97 (n=138)	14.71 (n=308)
Average Claims Acceptance Rate (Percentage)	94% (n=131)	86% (n=299)
USD Median Average Claim Size	442 (n=130)	334 (n=345)

Regional data from the Landscape 2024 sheds some light on sequencing of voluntary insurance covers, where MFIs may begin offering bundled products and add on more niche, voluntary products over time.

The Landscape data suggests that the trade-offs when choosing to offer embedded vs. stand-alone insurance vary across regions. In some regions, such as Asia and Africa, products are more likely to be voluntary, and less likely to be bundled with insurance. Alternatively, in Latin America and the Caribbean, there is a much greater percentage of product bundled with loans (72%) than in Asia (24%) and Africa (22%), though small samples in Latin America may skew this result (Table 5). Regulatory frameworks may also drive these results. For example, in countries such as India, which explicitly prohibit bundling by regulated financial institutions, products must be voluntary.

Allan Robert Sicat, Executive Director of the Microfinance Council of the Philippines, Inc. (MCPI), offers some context to this data, suggesting that MFIs may begin to offer insurance as a bundle, but over time, expand to more voluntary covers. He explains that when the market first developed, “clients had no choice but to adopt the product because it was compulsory. Part of their weekly amortisation went to insurance.” This remains true for most MFIs today: life and credit-life products are still compulsory, while voluntary products such as accident or calamity insurance have limited uptake. Sicat notes that this model helped expand coverage quickly by embedding insurance within loan repayment systems. When it comes to bundling covers with other insurance products, however, Latin American products are less likely to be bundled with other risk covers whereas African products are more likely to be part of bundled covers.

TABLE 5

COMPARING DISTRIBUTION OF MFI PRODUCTS BY APPROACH AND BY REGION (LANDSCAPE 2024)

Region	Voluntary insurance products distributed by MFIs	Insurance products bundled with loans distributed by MFIs	Insurance products bundled with other insurance distributed by MFIs
Africa	77.6% (n=58)	21.8% (n=55)	16.9% (n=59)
Asia	67.1% (n=85)	23.5% (n=81)	1.2% (n=73)
LATAC	96.8% (n=31)	72.4% (n=29)	8% (n=25)

Digital tools can improve enrolment efficiency, yet only about one-third of MFI-distributed products are sold digitally versus over half for non-MFIs, reflecting ongoing gaps in client literacy and adoption.

Digital distribution can also impact efficiency in the enrolment process. In practice, however, both low insurance literacy and low digital literacy among MFI clients makes this challenging. Indeed, the Landscape 2024 (Table 4) reveals that MFI-distributed products are less likely to be distributed through digital platforms (33.5%) than non-MFIs products (54.7%), with the exception of Africa, where over half of products distributed MFIs are distributed digitally. MFI respondents in the survey reflect relatively low use of digital solutions, with 30% using mobile money as an innovation that enhance accessibility and relevance for their organisation’s clients, while only 18% cite banking apps, 12% cite chatbots and 11% cite USSD platforms.

Only about half of MFI respondents cite premium collection as an operational strength, perhaps reflecting growing needs for non-credit linked channels.

Premium collection

Premium collection through MFIs can be highly efficient, particularly when linked to existing transactions. Premiums deducted from loan repayments or savings accounts reduce friction for clients, while claims deposited directly into savings accounts improve transparency and trust. Yet only 49% of MFI respondents report premium collection as an operational strength. This may reflect the limitations of tying insurance payments to loan or savings products, which restricts sales outside lending cycles. The challenge is especially evident in agriculture, where loans align with investment cycles, but insurance is tied to production cycles, often requiring separate payment channels. Indeed, only 20% specifically report efficient premium collection as an operational weakness.

Another challenge is integrating accounting and reporting systems between MFIs and insurers. One MFI in rural Colombia is addressing this by restructuring its payment and claims systems. Clients can now pay premiums through mobile banking, correspondent networks, in-branch payments, or loan instalments, with face-to-face options available for those less comfortable with digital tools. An app interface links to back-office loan systems to ensure premiums are included in loan payment plans. Claims are processed directly into client accounts, made possible by disbursing all loans through deposit accounts. This integrated approach enhances client convenience and lowers administrative costs by managing both credit and insurance within a single platform.

Post-sales product support, claims and renewals

Post-sales support is an area where MFIs’ local presence and trusted relationships are especially valuable. Clients often go to their loan officer or branch staff with questions about coverage long before contacting the insurer. By offering clear explanations and reassurance, MFI staff help build confidence in the product and strengthen client trust, making policyholders more likely to maintain coverage. MFI surveys reflect that 30% perceive this support as an operational weakness, with only a few more perceiving this as an operational strength (40%).

One senior MFI manager explains that improving post-sales service has been key to their successful distribution of insurance. Establishing an end-to-end process in which both the MFI and insurer share responsibility avoids the “sell-and-forget” problem, where each actor assumes the other would handle follow-up. Transparent sales communication and regular reminders also helped, as the manager noted, to “make insurance feel tangible before a loss.” In cases where MFIs cannot provide this level of service directly, brokers can fill the gap. As one stakeholder described, “The broker is an extended arm for operations, training, etc.”

MFIs place strong value on providing post-sales and claims support to ensure client satisfaction. When direct servicing proves challenging, they can rely on intermediaries—such as brokers or insurtechs—to bridge the gap.

While claims ratios are largely outside an MFI’s control and do not differ significantly between MFI and non-MFI products (Landscape 2024 data Table 1 above), the claims process itself is an area where MFIs can make a difference. The Landscape data (Table 6) reveals that products distributed through MFIs show faster claim turnaround times—an average of 32.5 days compared to 37.4 days for non-MFI products—and higher acceptance rates (94% versus 86%). These results suggest that MFI-distributed products are generally more responsive when MFIs support clients and facilitate dialogue with insurers when submitting claims. Indeed, about two thirds of MFIs surveyed believe that effective claims handling is an operational strength (See Philippines example in Box 5).

Products distributed through MFIs process have more efficient claims processes, though this does not translate to higher claims ratios.

BOX 5

CLAIMS HANDLING IN THE PHILIPPINES IS COMPETITIVE ADVANTAGE OFFERED BY MFIS

The Philippines offers a clear example of leadership in this specific process. Here, the microinsurance market has learned to process claims more efficiently and uses fast claims as part of the overall value proposition for clients. Led by Mutual Benefit Associations (MBAs) engaged in microinsurance, and a few leading traditional insurance companies, the microinsurance market, fast claims are a key market characteristic where most have adopted a “1-3-5” policy that ensures claims are handled in 1, 3 or 5 days. Allan Robert Sicat explains the Microinsurance MBA Association of the Philippines, Inc (MiMAP) has helped achieve this in the Philippines, “Processing of claims, it used to be like the policy is 3-57, now it’s 1-3-5. Now it’s shorter because that’s the way the MBAs, particularly the MBAs that are a member of this network, MiMAP….They train their members to process claims in 1-3-5.” One industry leader, CARD MBA, affiliated with CARD Bank has recently reduced 1-3-5 further to 8/24, assuring microfinance client claims can be handled in between 8 and 24 hours.

Over one third of MFIs surveyed believe that effective claims handling is an operational.

Across the globe, when insurers do not offer tailored microinsurance claims practices, MFIs have struggled to ensure efficient claims handling. Over one third of MFIs surveyed believe that effective claims handling is an operational weakness. Processing large numbers of claims and ensuring that insurance company fraud prevention practices are in place can be burdensome for MFIs, even when they have dedicated insurance teams. Intermediaries ranging from traditional brokers to insurtech companies have filled this gap in some cases. Democrance, an insurtech interviewed for this report solves this by helping insurers detect and prevent fraud by using automated algorithms that cross-check claims data for inconsistencies, validate documentation, and flag suspicious entries within minutes. Rather than relying on AI, the system uses structured rule-based validation to ensure data accuracy and reduce human error in high-volume, low-value claims processing. According to Michele Grosso, CEO, ""For MFIs, we make insurance easier to distribute and manage by automating processes and connecting them directly with insurers, so they can focus on serving clients rather than on paperwork."

TABLE 6

COMPARING CLAIMS PROCESSING OF MFI DISTRIBUTED AND NON-MFI DISTRIBUTED PRODUCTS (LANDSCAPE 2024)

Indicators	MFI	Non-MFI
Average claims turnaround time (days)	32.5 (n=131)	37.4 (n=301)
Internal claims turnaround time (days)	13 (n=138)	14.7 (n=308)
Average claims acceptance rate (%)	94% (n=131)	86% (n=299)

Renewals are closely tied to loan cycles, since most coverage is embedded in credit products. This can be efficient when clients roll over loans, but it also creates vulnerabilities: when borrowers take a break or "rest" from credit, their coverage ends as well. The result is that clients may be left unprotected during critical periods. This structural limitation underscores both the advantage and the fragility of loan-linked insurance.

MFIs who have integrated insurance processes into loan cycles are challenged to renew policies when loans are not renewed.

Technology can unlock value across the insurance distribution lifecycle—from product design to claims servicing—by reducing costs and expanding outreach.

The distribution lifecycle: Technology as an enabler across the distribution lifecycle

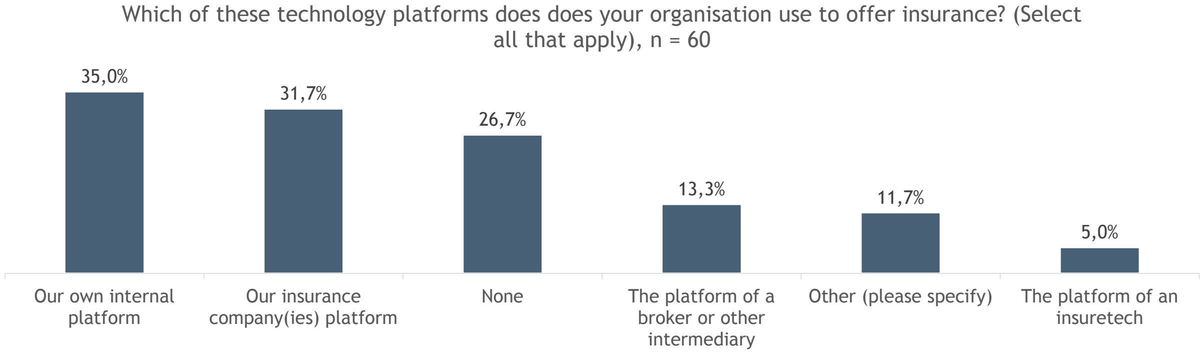
The use of technology can unlock value across the insurance distribution lifecycle—from product design to claims servicing—by reducing costs and expanding outreach. In product development, digital platforms such as RuralNet in the Philippines are transforming how MFIs and their clients access insurance. Rather than simply aggregating products, RuralNet serves as a digital intermediary connecting insurers, banks, and MFIs through an API-driven platform that manages customer enrolment, policy administration, and claims. By automating these processes, it disrupts the traditional MBA model—reducing the need for heavy infrastructure and overhead—while lowering technical barriers that prevent MFIs from offering a broader range of products. At the same time, RuralNet maintains a hybrid model that preserves human interaction, recognising that in low-income markets, personal engagement remains essential to building trust and understanding.

In awareness and education, innovative approaches are emerging to close literacy gaps and build trust. Insurtechs are offering interfaces that include insurance awareness through gamification, particularly through apps or chat-based engagement for MFI clients. AB Entheos in East Africa partners with MFIs and other distribution channels, offering gamified learning tools like the Resilient Me game to help microinsurance clients understand risk management and insurance concepts, making financial literacy interactive and community-driven.

In enrolment, digital systems are increasingly integrated with MFI loan platforms. MFI Survey responses reveal that MFIs use a broad range of platforms for offering insurance about equally. These include in-house platforms (35%), insurance company platforms (32%) and platforms of brokers, Insurtechs or others (30% combined). 27% of surveyed MFIs do not use any platform.

FIGURE 7

MFI USE OF TECHNOLOGY FOR ENROLMENT (MFI SURVEY)

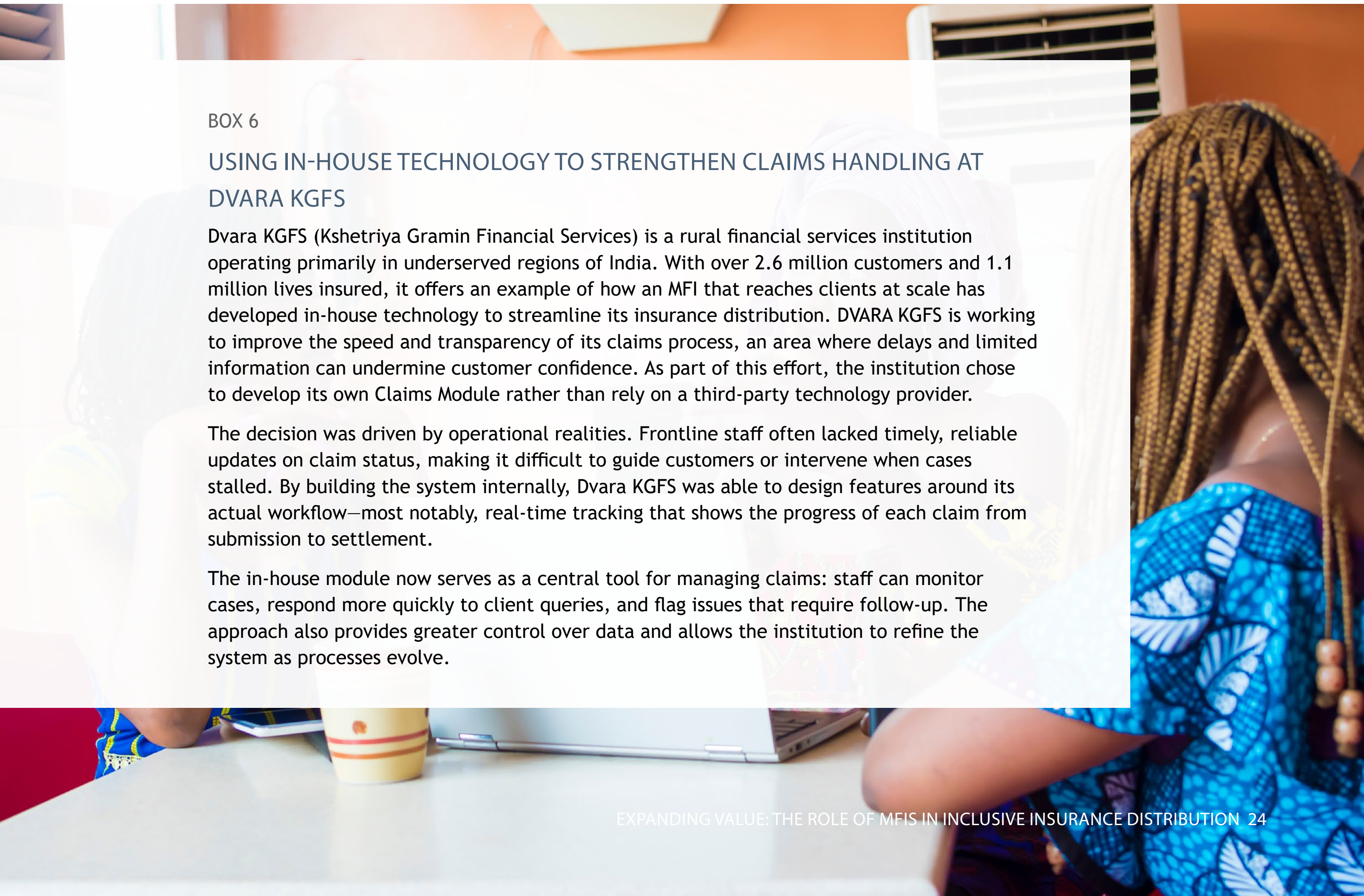


A Central American MFI, through its partnership with SERINSA, a regional microinsurance intermediary, has digitised loan officer workflows so that client data and insurance enrolment flow seamlessly to insurers, reducing paperwork and error rates. Similarly, one MFI interviewed in India has embedded insurance in its vernacular mobile app, allowing users to complete policy enrolment in just two to three clicks with OTP verification—already accounting for 30–35% of policies sold servicing and claims.

Platforms such as Democrance use algorithmic validation to detect anomalies and expedite legitimate claims, reducing fraud and administrative delays for insurers and MFIs. These solutions have improved auditability and feedback loops, addressing one of the sector's weakest points.

Despite these advances, technology remains a complementary, rather than complete solution when distributing inclusive insurance. Digital platforms can simplify enrolment and servicing, but they also risk excluding clients who lack smartphones, data access, or the digital literacy to navigate applications. Many low-income and rural clients still depend on branch visits or field staff for guidance, limiting the scalability of fully digital models. One Indian MFI adds that rural households in India often share one cell phone, and women are often not the main users. By linking enrolment solely to digital tools, women might be excluded from access. Similar challenges arise elsewhere. Often, digital processes enable staff to assist clients unfamiliar with electronic forms but are not directly used by clients. One intermediary in East Africa notes, "They built technology to help them onboard people, although to some extent, there are those who still… have a technological platform, but it is backed up by paperwork." Infrastructure constraints limited digital literacy and usage continue to pose barriers to full digitisation. For MFIs, the challenge is to balance efficiency gains from technology with inclusive design—ensuring that digital transformation enhances, rather than replaces, the trusted human relationships at the heart of microfinance.

Technology remains a complementary, rather than complete solution when distributing inclusive insurance, where users who are digitally excluded can lose access to insurance if processes are fully digital.



BOX 6

USING IN-HOUSE TECHNOLOGY TO STRENGTHEN CLAIMS HANDLING AT DVARA KGFS

Dvara KGFS (Kshetriya Gramin Financial Services) is a rural financial services institution operating primarily in underserved regions of India. With over 2.6 million customers and 1.1 million lives insured, it offers an example of how an MFI that reaches clients at scale has developed in-house technology to streamline its insurance distribution. DVARA KGFS is working to improve the speed and transparency of its claims process, an area where delays and limited information can undermine customer confidence. As part of this effort, the institution chose to develop its own Claims Module rather than rely on a third-party technology provider.

The decision was driven by operational realities. Frontline staff often lacked timely, reliable updates on claim status, making it difficult to guide customers or intervene when cases stalled. By building the system internally, Dvara KGFS was able to design features around its actual workflow—most notably, real-time tracking that shows the progress of each claim from submission to settlement.

The in-house module now serves as a central tool for managing claims: staff can monitor cases, respond more quickly to client queries, and flag issues that require follow-up. The approach also provides greater control over data and allows the institution to refine the system as processes evolve.

BOX 7

DIGITALISATION ACROSS THE MICROINSURANCE DISTRIBUTION LIFECYCLE

Digitalisation shapes nearly every step of the inclusive-insurance value chain—from back-end data integration to client-facing enrolment tools—helping MFIs reduce costs, errors, and delays while enhancing transparency. This report findings reinforce that technology is most effective where it reinforces, rather than replaces, trusted MFI relationships—linking efficient digital systems with the human touch that sustains client confidence.

Back-End and Systems Integration. The strongest gains occur behind the scenes, where connecting MFIs' core-banking systems with insurers' enrolment, premium, and claims platforms eliminates duplication and speeds reconciliation. Several MFIs report that integrated back-end solutions allow seamless transfer of client data and transaction records, cutting administrative time and paperwork. In particular, digitising the claims process shows particular value. The Landscape data suggests that MFIs can be agile and responsive when processing claims, leading to speedier payment turnaround times. Where MFIs lack in-house capacity, insurtech or other intermediaries provide critical bridging infrastructure, ensuring interoperability between lenders and insurers. These may include automation and algorithmic validation tools such as those provided by Democrance, an insurtech, which detect anomalies, expedite legitimate claims, and reduce fraud, giving MFIs an operational edge in managing high-volume, low-value claims. Because insurers often don't have the bandwidth to process claims on small policies individually, these digital solutions can enable

Front-End Digital Processes. On the operational front, many MFIs equip loan officers with mobile or tablet apps that replace paper forms and sync instantly with insurer databases. These interfaces ease enrolment and even claims processing during field visits and enhance accuracy. A Central American MFI working with SERINSA, an intermediary, digitized loan-officer workflows so enrolment data flow automatically to insurers. Dvara KGFS in India built an internal real-time claims module linking its banking software to insurer systems, enabling immediate claim initiation by field staff. However, fully client-led self-enrolment remains nascent. One Indian MFI's vernacular mobile app reduced sign-up to "two or three clicks with OTP verification," now generating over a third of its policies. But at this MFI, the vast majority of clients are enrolled by loan officers, who in turn, use digital platforms.

Parametric insurance, which pays automatically when a trigger—like rainfall, wind speed, or drought index—is reached, offers an even more compelling use case for technology and digital integration as it underpins the expansion of parametric insurance. By combining satellite imagery, remote-sensing data, and automated algorithms, insurers can price risk more precisely and deliver faster payouts, reducing administrative costs and moral hazard. Insurtechs often combine the capacity to design, distribute and pay claims on parametric products in one platform, which links to insurance company and MFI systems. In the Blue Marble model, digital platforms aggregate weather data, monitor exposure zones, and execute payouts through integrated dashboards, making it possible to serve smallholder farmers efficiently. However, in this model, parametric insurance systems do not yet fully integrate with the MFIs' or cooperatives' core banking and client-management systems. Instead, data transfer between partners often occurs through parallel digital dashboards or CSV uploads, rather than real-time synchronization. Their experience is that integration can slow implementation and tie the product to one partner's technology environment. Instead, Blue Marble uses modular digital tools—dashboards, APIs, and data feeds—that can connect to multiple partners or piloting new products with greater agility.

The microinsurance lifecycle is best understood as a process of continual improvement—where each stage offers opportunities to refine operations, simplify processes, and enhance client experience.

The distribution lifecycle: Final reflections

The microinsurance lifecycle helps to understand where MFIs add value and where they can make continual improvements, strengthening client touchpoints over time and progressively reduce friction for both clients and partners. From product design to enrolment, premium collection, and claims, each stage offers opportunities to refine operations, simplify processes, and enhance client experience. Increasingly, digital tools are helping MFIs do so more efficiently—automating enrolment, integrating data systems, and accelerating claims—while hybrid models ensure that personal relationships and trust remain central to service delivery.

The case study in Box 7 illustrates this process in practice, showing how one MFI has leveraged its existing client relationships and credit “rails” to build a more sustainable business model, using familiar systems to streamline insurance delivery and reinforce trust. This integration not only improves efficiency but also positions the MFI as a long-term partner in clients’ financial resilience.

Yet creating value across the lifecycle requires both investment and operational discipline. Servicing insurance can represent a significant cost. Stakeholder respondents offered estimates of distribution costs that varied between 10 to 25% of the premium value.

The most successful MFIs treat each stage in the lifecycle as an opportunity to learn and adapt—investing in systems, training, technology, and partnership structures that make insurance easier to sell, understand, and use. These ongoing improvements not only enhance client value but also lay the foundation for a stronger institutional proposition. The next section explores this dimension in greater depth, examining the business case for MFIs to distribute insurance and the factors that make such models both sustainable and attractive over time.

BOX 8

CLIENT-CENTERED MICROINSURANCE STRATEGY

Bancamía in Colombia has built its insurance strategy around client-centred research, demonstrating how careful listening and product specialisation can both protect vulnerable clients and strengthen the institution’s portfolio.

The process began with diversification. Starting from a single, basic credit-life policy, the institution moved toward specialized products tailored to client risks. For example, they introduced a maternity insurance product for women entrepreneurs.

The institution also recognised that lack of awareness and weak sales practices undermine insurance. Loan officers are not insurance experts, so clients often misunderstood coverage. To address this, Bancamía reinforced transparency, providing post-sale communications such as WhatsApp welcome kits, ensuring that clients receive clear explanations beyond the initial sales conversation. These efforts are grounded in research on client comprehension and help build trust in insurance as a useful service rather than an expense.

Additionally, the MFI implemented a research-driven monitoring system, including insurance Net Promoter Score (NPS) and “double validation”: checking whether clients understood what their advisor explained and what the product covered. This data is cross-referenced with claims—filed, objected, and paid—so management can see that well-informed clients report better experiences and fewer disputes.

Finally, client research also guides pricing strategy. Products are designed starting with client willingness-to-pay. The insurer then works backward from that price to set benefits, ensuring affordability. As the manager explained, “all the product design is centred on the client. The client tells us the needs and how far they would be willing to pay.”

This approach prevents products from being “born dead”, according to the manager because of high premiums and strengthens the business by aligning client needs with institutional sustainability.

The MFI business case for offering inclusive insurance

Strengthening MFI capacity along the insurance distribution lifecycle requires commitment and resources, this section explores the business case from the MFI perspective.

The insurance lifecycle described above underscores the opportunity for insurers to leverage MFIs' multiple client touchpoints to distribute insurance efficiently. It shows that MFIs, to varying degrees, can add value across different stages of the process—from developing suitable products for low-income and vulnerable households and businesses to reducing friction in sales, premium collection, and post-sales servicing, and supporting policy renewals. However, such efforts require sustained commitment and resources, which are only justified when there is a compelling business case. This section explores the business case from the MFI perspective. Drawing from an initial review of the Landscape 2024 data and comparing this with the results of a survey of 62 MFIs and 15 stakeholder interviews (see methodology in Annex A.). The business case model is designed to shed light on the reasons MFIs offer insurance to their clients, the business case elements that support this and the challenges and opportunities they perceive.

MFI business case for insurance distribution rests on four foundational pillars: premium volume, client value, leadership, and favourable regulation and policy.

Based on the results of the MFI Survey and stakeholder interviews and complemented with the knowledge and expertise of the MIN team and the authors of this paper, Figure 8 illustrates four foundational pillars underpinning a financially viable and impactful microinsurance distribution model for MFIs. Each pillar represents a condition for balancing commercial sustainability with client value and systemic stability:

FIGURE 8

FOUNDATIONAL PILLARS OF A SUSTAINABLE BUSINESS CASE FOR MICROFINANCE DISTRIBUTION

Premium Volume

- Larger client base
- Higher premium policies
- Risk bundles

Client Value

- Customer centric products
- Simple, accessible processes
- Client awareness
- Affordable prices
- Reasonable payout

Leadership

- Senior management and Board-level commitment
- Long-term vision
- Commitment to action
- Solid partnerships with Board and management-level alliances and shared vision

Favorable Regulation & Policy

- Encourage partnerships between insurers, aggregators, and distribution channels
- Dialogue between regulators and industry associations
- Client protection

Pillar 1. Premium Volume

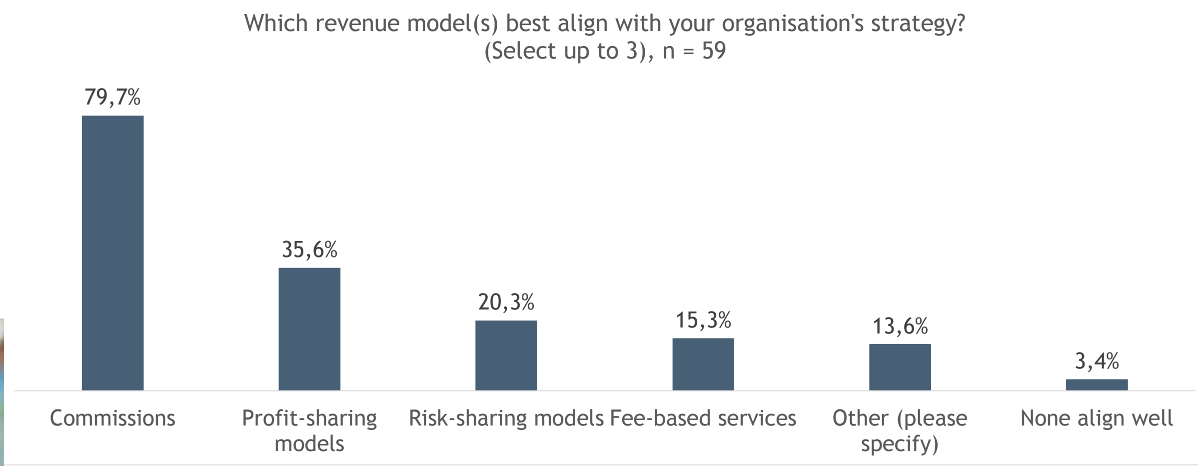
Achieving scale—whether through a large client base, higher-value policies, or bundled risks—is essential to generate sufficient premium income and support distribution costs. In larger countries or where MFIs reach large numbers of clients, this is typically reached through transaction volume with upwards of 100,000 customers. In smaller markets or MFIs, higher-premium products offered to clients can dictate higher premium volume without large numbers of clients. As one insurer in the Caribbean notes, "Through a financial institution, you can reach, not one, but 100,000, 200,000, 300,000 customers." An officer from an Indian MFI reinforces this, "In [my former MFI], my HospiCare penetration, I had around 100,000 customers. The HospiCare penetration was around 80%." MFIs represented in the survey had a median of 48,750 clients, suggesting that scale alone might not drive their business models without achieving higher levels of premium.

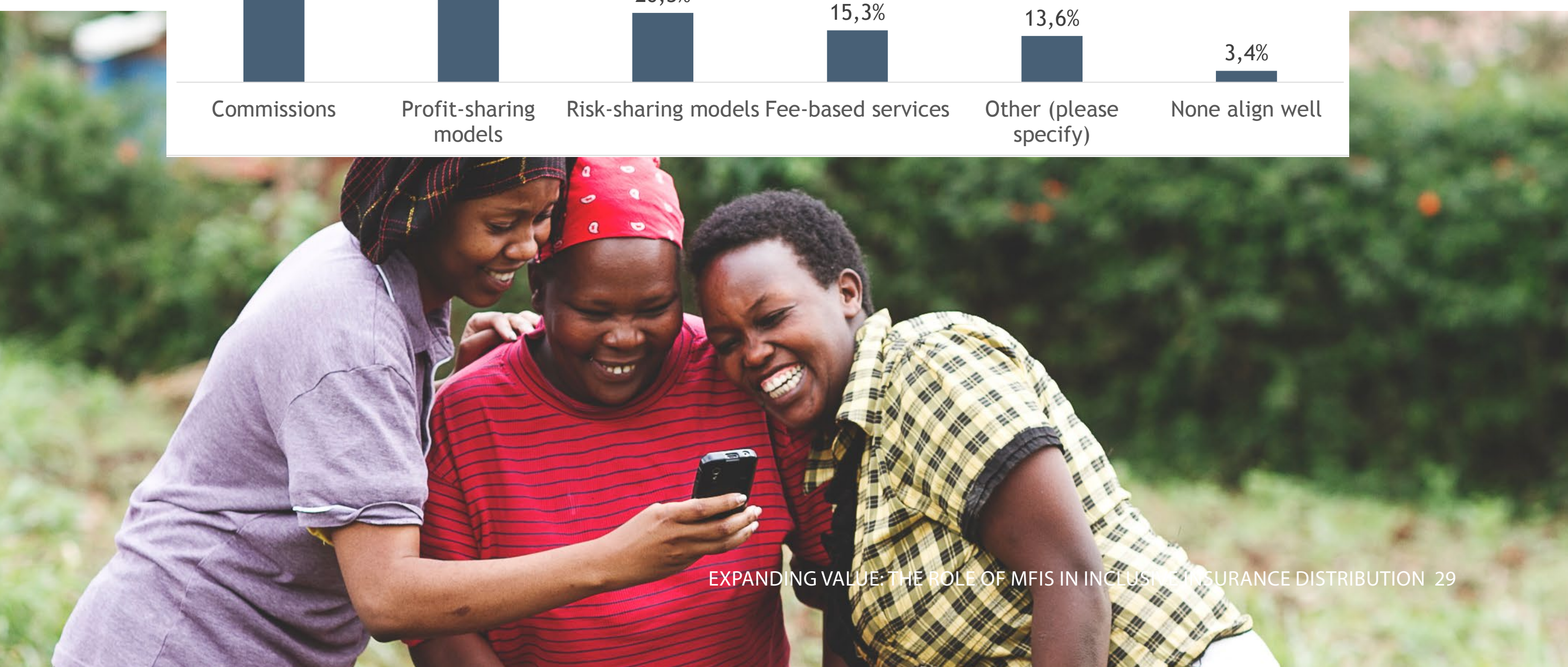
Premium volume is an indicator that captures how both larger and smaller MFIs can reach scale.

Most MFI representatives surveyed describe revenue from these sales as commission revenue (79%), which is based on premium value, as most common. Less prevalent models include profit-sharing (36%), risk sharing (20%) and fee-based (15%) models (Figure xx). Regardless of the model, feasibility is driven by overall premium volume and requires an MFI to either reach a large number of clients, or charge sufficiently high premiums to compensate the effort.

FIGURE 9

MFI SURVEY RESPONSES REGARDING REVENUE MODELS





Pillar 2. Client value

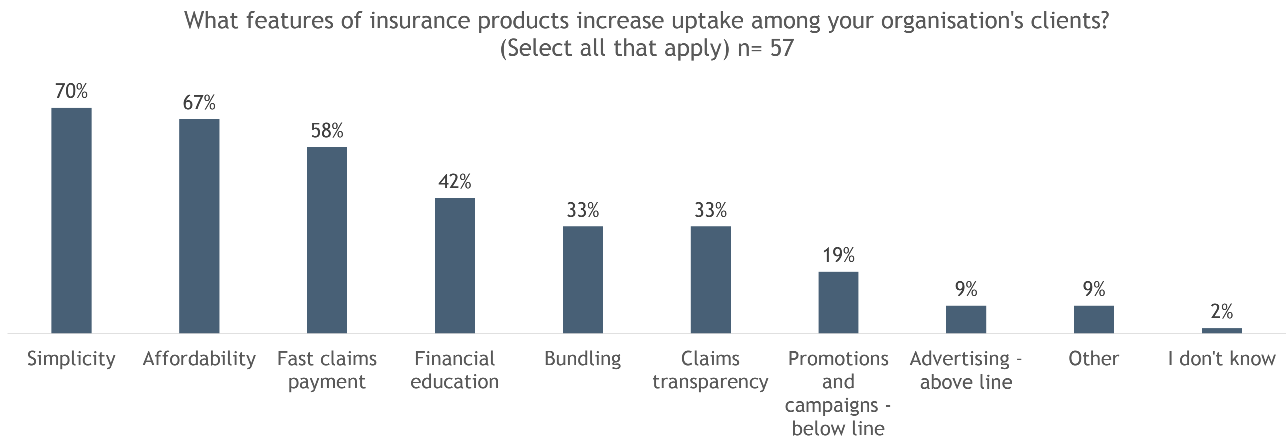
Client value—what clients perceive and receive from insurance products—is a key driver of uptake. This comprises various elements including the relevance of the coverage and the delivery of the promise of a payout when an event occurs. According to one MFI manager, “The impact team, they just look at claims…it’s only looking at part of the thing. Peace of mind is really important to look at that because, clients feel more confident, and it’s surely an impact that they have.” While demand and value are not synonymous, there is a relationship between demand and the perceived value of a product. If clients think a product is valuable, they will be more likely to buy it. Findings from the MFI survey show that affordability, simplicity, and efficient claims processes are among the strongest drivers of demand according to MFI Managers (Figure XX). When meeting these criteria, products are more likely to be used, renewed and recommended, reinforcing both client trust and institutional sustainability.

Client value encompasses affordability, simplicity, efficient claims processes, which are, in turn, shaped by commission and pricing structures between insurers and MFIs.

At the same time, value is also shaped by price and commission structures between insurers and MFIs, which. When claims are denied or designed with minimal payouts, clients lose confidence in the product and its providers. Achieving balance between affordable pricing and adequate claims payment is therefore essential to sustainability. This often requires moderating commission levels to avoid eroding insurers’ ability to pay claims or driving up premiums that make coverage unaffordable. As one Latin American MFI manager explains, “I always negotiated both the commission and the loss ratio. And when claims were below expectations, instead of keeping the difference, we created incentives for our clients—not for the bank, but for the clients—so that when we sold insurance again, the client would see it as a benefit.”

FIGURE 10

DRIVERS OF CLIENT UPTAKE (MFI SURVEY)



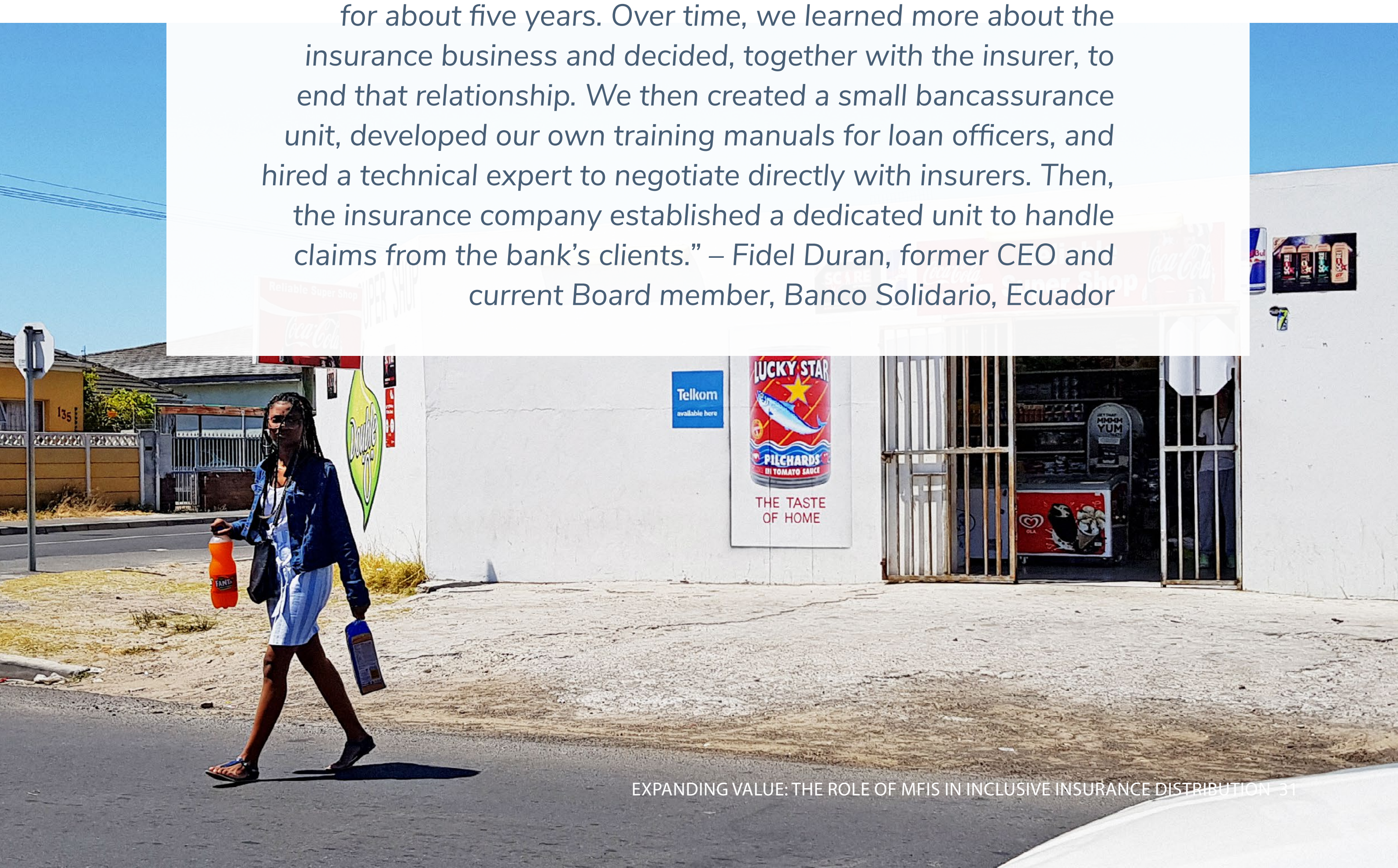
Pillar 3. Leadership Commitment

Institutional buy-in from senior management and Boards is essential for strategic alignment, resource allocation, and long-term continuity in insurance partnerships. Matthew Genazzini, Executive Director of the Microinsurance Network, similarly emphasises that strong leadership and board-level commitment are critical for institutions to invest in innovation and scale. The MFI survey reinforces this, revealing that nearly all decisions about microinsurance distribution occur at high levels of institutional governance—47% of respondents say that decisions take place at the Board level and 44% at senior management level (Figure 10). However, while governance engagement is strong, maintaining Board patience is often a challenge. Insurance distribution takes time to set up and mature, requiring sustained investment before results become visible.

Business models require patient capital, allowing MFIs to introduce higher-premium products over time as clients learn to trust and value insurance. However, MFI Boards often expect strong results in under one or two years.

Stakeholders interviewed share stories of starting with limited knowledge and technical capacity—minimal IT integration, limited negotiation experience with insurers, and early uncertainty about pricing and claims processes. They describe the importance of having a long-term vision, and how these gaps narrowed and how the business became more viable, often over three to six years or longer.

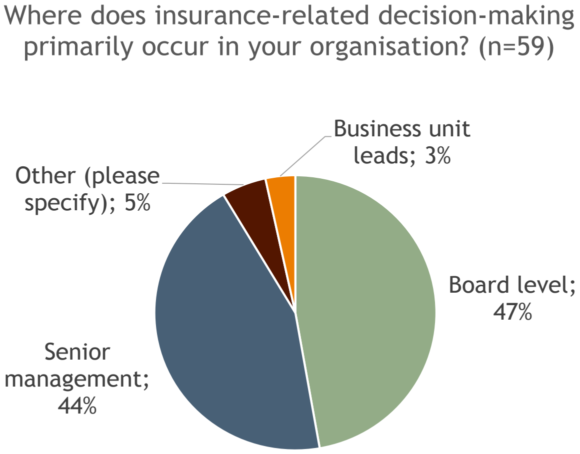
“We started around 2008 or 2009 and worked with a broker for about five years. Over time, we learned more about the insurance business and decided, together with the insurer, to end that relationship. We then created a small bancassurance unit, developed our own training manuals for loan officers, and hired a technical expert to negotiate directly with insurers. Then, the insurance company established a dedicated unit to handle claims from the bank’s clients.” – Fidel Duran, former CEO and current Board member, Banco Solidario, Ecuador



Despite evidence that these processes take time, MFI survey responses reveal that 45% of respondents' Boards expect profitability either immediately or within one year, while only 12% report a time horizon of three to five years (Figure XX). This mismatch underscores why strong leadership commitment and realistic expectations are critical. Building inclusive insurance requires not only technical adaptation but also patient governance willing to invest in long-term institutional learning and stability.

FIGURE 11

ORGANISATIONAL INSURANCE-RELATED DECISION-MAKING (MFI SURVEY)

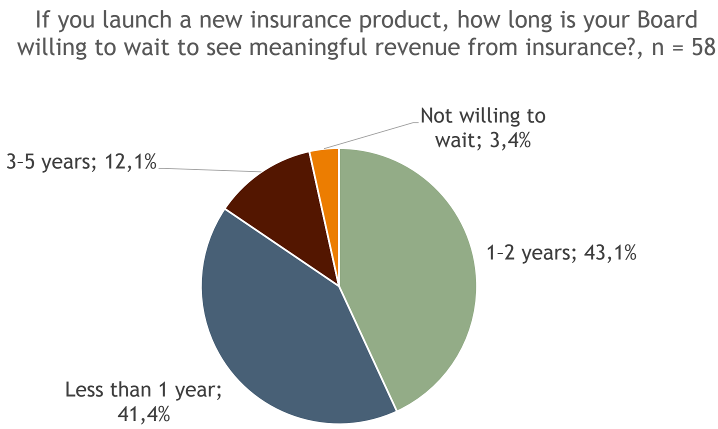


Building effective insurance for low-income clients requires strong partnerships between MFIs, insurers, brokers, and technology providers. Each actor brings a different piece of the puzzle—distribution and trust at the MFI level, underwriting expertise from insurers, operational scale and training from brokers, and efficiency through digital platforms. When well-aligned, these partnerships improve client value and institutional sustainability; when misaligned, they can undermine trust and usage. Long-lasting alliances lead to greater investments in co-design and fair pricing (See Box xx). Strong partnerships were cited as the most crucial factor in scaling solutions by respondents in the MFI survey, with 80% citing this factor. An Indian MFI manager stressed that its ability to negotiate lower premiums and adapt products like HospiCash rests on "long relationships, data on loss experience, and positioning insurance as part of a broader wealth management strategy." These stable relationships allow MFIs to prioritise scale and client protection over short-term margins.

Building effective insurance for low-income clients requires strong partnerships between MFIs, insurers, brokers, and technology providers.

FIGURE 12

TIME HORIZON FOR BOARD WILLINGNESS TO WAIT FOR MEANINGFUL REVENUE (MFI SURVEY)



BOX 9

PARTNERSHIP STRATEGY IN PRACTICE

At Dvara KGFS in India, partnerships with insurers have been shaped by a deliberate strategy that goes beyond the transactional exchange of premium volume for commissions. Over 17 years, the institution has "not moved around much" between insurers, cultivating what leaders describe as "sticky" relationships. Rather than treating insurers as interchangeable suppliers, the MFI cultivates long-term alliances, negotiating affordability, leveraging data for product improvement, and limiting complexity in the client experience.

A central feature of this strategy is a focus on client value rather than maximising commission. Leaders emphasised that their negotiations with insurers aim to keep premiums affordable while maintaining reasonable sums insured. As one noted, "We are not expecting from them a huge money… it's a win-win situation for both the entities. They are also making money; we are also getting our commissions paid." This balance ensures that insurance remains accessible and sustainable for clients while still viable for insurers and the MFI.

Long-standing relationships also create space for product innovation. While many products remain off-the-shelf, Dvara has leveraged its credibility and claims history with insurers to push for adaptations, such as HospiCash with EMI protection — a feature that is still uncommon in the market. Their ability to show data on past claims and their impact on client business has been used to persuade insurers to adjust terms and product features.

Finally, the institution maintains a careful balance between offering choice and keeping products simple. While technically able to present nine insurer partnerships, they prefer to narrow the menu to a manageable set, tailored to geography and borrower type. This approach avoids overwhelming frontline staff and ensures that clients are presented with clear, relevant options.

Taken together, this partnership strategy illustrates that success does not come from treating insurers as interchangeable suppliers. Rather, it emerges from cultivating long-term alliances, negotiating affordability, leveraging data for product improvement, and limiting complexity in the client experience.

Pillar 4. Favourable regulation and policy

Supportive regulatory frameworks that enable bundling, third party distribution, and cross-sector partnerships between insurers and MFIs are foundational to achieving scale. Stakeholders consulted for the Landscape broadly agreed that regulation matters most when it creates obstacles, for example, where there are restrictive rules on credit bundling or capitalisation. The Landscape findings suggest a strong relationship between market penetration and the presence or absence of regulatory frameworks. Among the top five countries in terms of penetration, four (in order, Zimbabwe, Zambia, Peru and the Philippines) have implemented dedicated microinsurance regulations. Indeed only one of the 10 countries with the highest microinsurance penetration, Uruguay, has neither implemented nor is in the process of developing microinsurance regulations.

"For us, at least to start with any product, it's the regulation. The regulation helps or not."

– Solène Favre, Global Director of Insurance at VisionFund International

MFI Survey results reveal that the most common regulatory measure governing the distribution of insurance through MFIs or informal channels for MFI respondents is one that encourages partnerships between insurers and fintechs or aggregators (56%). About two in five MFI respondents report operating in a regulatory environment that permits bundled or composite insurance products (41%) or that simplifies approval processes and reduces bureaucracy (41%). A smaller share (33%) indicate that their framework allows for tiered licensing to accommodate smaller or digital insurers, while 11% cite other regulatory mechanisms.

Specific microinsurance regulations are not necessarily required when the existing framework for general insurance is favourable, however. Among MFI respondents, just over half (52%) indicated that general insurance regulations govern distribution of insurance through MFIs or informal channels in their country. When asked for examples of progressive regulation that actively enabled innovation in inclusive insurance, nearly half (46%) of MFI Survey respondents report no notable regulatory initiatives in their countries, while 31% point to regulatory sandboxes for innovation and 17% to tiered or proportional licensing regimes. A smaller share cites mobile-based distribution policies (12%) or tax incentives and subsidies for inclusive products (6%).

Supportive regulatory frameworks can be crucial, but MFIs responding to the survey are largely satisfied with their regulatory environments.

MFI survey results show that over half of respondents work in countries where microinsurance is governed by a specific general insurance regulation (Table 7). This result not always problematic. Indeed, only 4% of respondents feel their national policies were not aligned with international microinsurance standards (Table 8).

TABLE 7

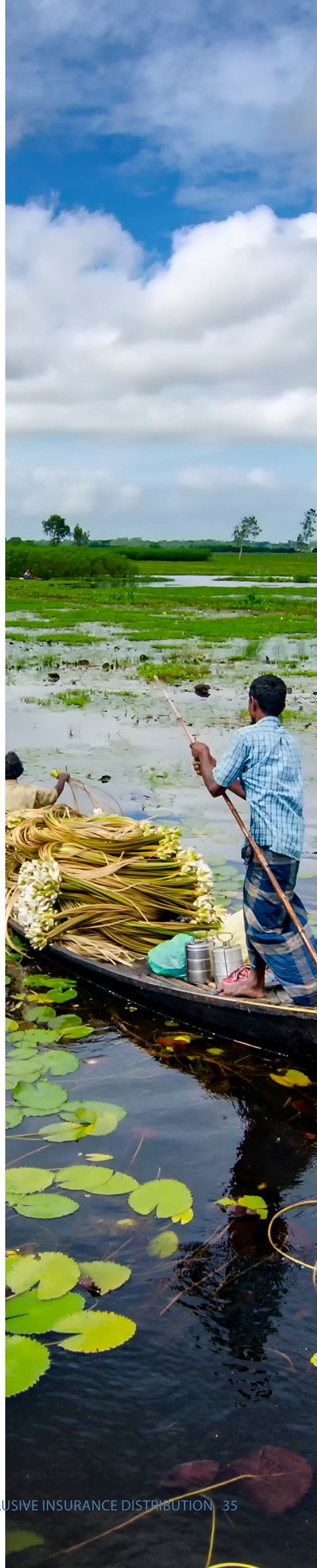
REGULATION IN RESPONDENT COUNTRIES (MFI SURVEY)

What type of policies or regulations govern the distribution of insurance through MFIs or informal channels in your country? (Select all that apply) (n= 54)	
General insurance regulation	52%
Specific regulation for microinsurance	50%
No clear regulation on MFIs or alternative distribution	22%
Other	4%

TABLE 8

REGULATORY ALIGNMENT WITH NTERNATIONAL GOOD PRACTICES (MFI SURVEY)

How well aligned are national insurance regulations with international good practices in microinsurance (e.g., flexibility, proportionality, innovation)? (n=54)	
Partially aligned	28%
Fully aligned	24%
Mostly aligned	22%
I don't know	17%
Prefer not to answer	6%
Not aligned	4%



BOX 10

EXAMPLES OF HOW REGULATION CAN DRIVE OR CHALLENGE DISTRIBUTION

The Philippines provides one of the clearest examples of how progressive regulation can accelerate inclusive insurance. According to Allan Robert Sicat of the Microfinance Council of the Philippines, Inc. (MCPI), the Insurance Commission's proportional regulatory approach—particularly the introduction of microinsurance regulations and tiered licensing—has enabled a diverse ecosystem of providers, including cooperatives, rural banks, and MFIs. MCPI members have leveraged these frameworks to distribute bundled credit life and health products at scale. The rules permit MFIs to serve as agents under simplified requirements and to collaborate with microinsurance mutual benefit associations (MBAs), which are locally owned and regulated entities. This structure has balanced consumer protection with accessibility, reducing barriers to entry and administrative costs. As Sicat explained, the Philippines' regulatory regime "does not overburden small institutions" and has helped MFIs build long-term partnerships with insurers. The result has been one of the highest microinsurance penetration rates globally, suggesting that proportionate supervision and clarity of roles can catalyze outreach and market depth.

In contrast, stakeholders note that microinsurance in West Africa is often constrained by regional and national regulatory frameworks. The CIMA Code (Code des Assurances de la Conférence Interafricaine des Marchés d'Assurances) serves as the unified insurance framework for 14 francophone countries across West and Central Africa. Adopted in 1992, it was designed to harmonize supervision, strengthen solvency, and enhance consumer protection within a single regional insurance market. Under the Code, insurers must comply with common rules set by the CIMA Regional Commission, covering licensing, capital adequacy, product approval, distribution, and reinsurance. While this harmonization has contributed to a more stable and transparent sector, it has also drawn criticism for its rigidity. Requirements such as high minimum capital thresholds (approximately USD 8.5 million in paid-up capital), strict local reinsurance retention rules, and limits on foreign participation have become barriers to innovation and market entry for smaller or specialized insurers. In addition, many CIMA-member countries are subject to lending regulations under the West African Economic and Monetary Union (WAEMU), administered by the Central Bank of West African States (BCEAO). This framework sets a legal ceiling on lending rates of 24% per year for microfinance institutions. Although intended to protect borrowers, this cap constrains the ability of MFIs to bundle insurance premiums into loan repayments. As a result, they must either sell insurance separately—reducing uptake—or absorb costs, weakening incentives to distribute such products.

Pulling business case levers to enhance the business model

Business sustainability can be challenging to achieve; however, business levers that strengthen profitability can be "pulled" to increase revenue or reduce costs .

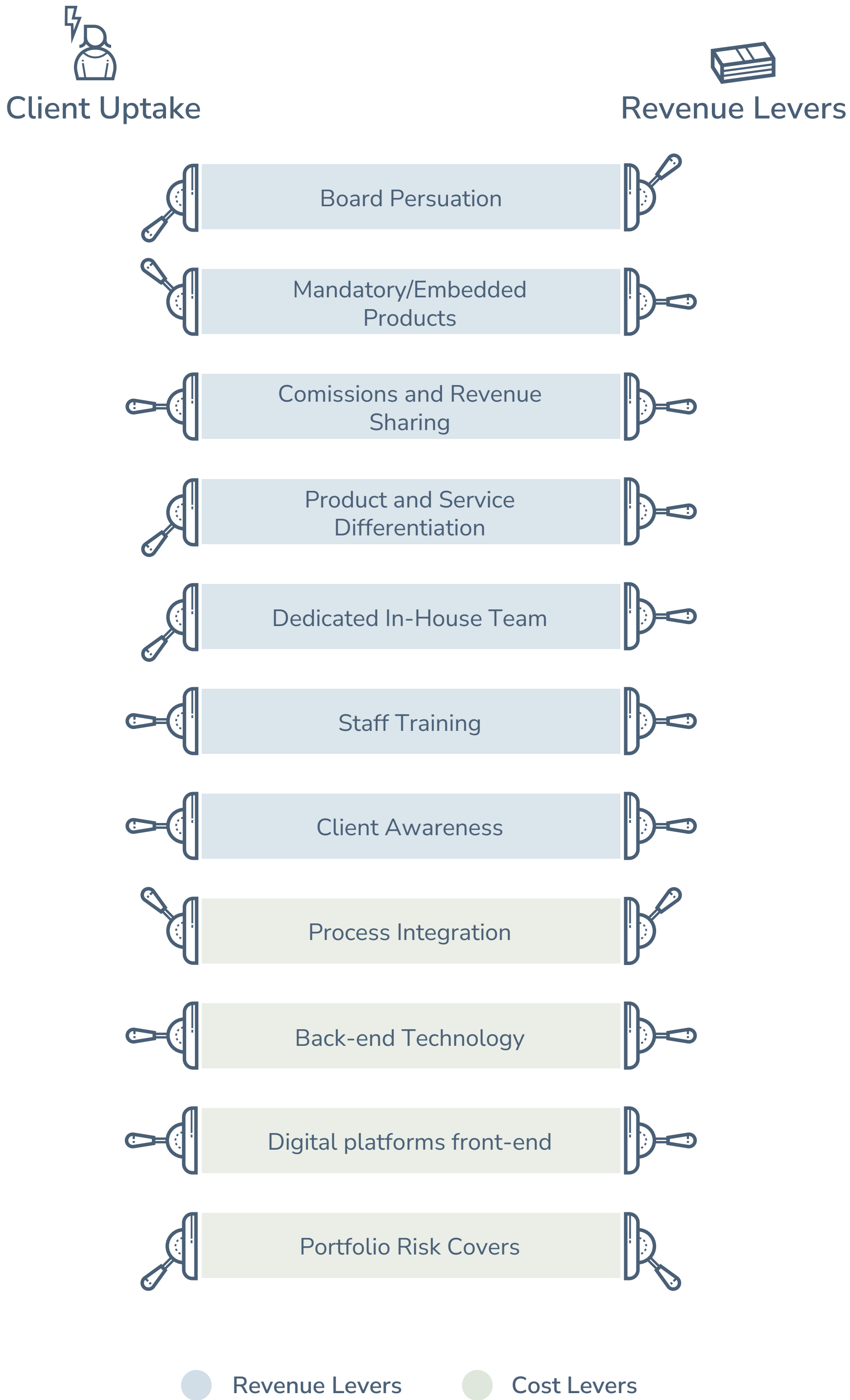
While the four pillars establish the foundation for a sustainable MFI insurance distribution model, they do not automatically translate into profitability or scale. Distribution remains costly and revenues are frequently limited by low uptake and small-ticket products. To achieve viability, MFIs must actively "pull" business case levers that strengthen both revenue and efficiency, creating a self-reinforcing cycle of growth and client value.

Figure 11 summarises these revenue and cost levers, drawing from MFI Survey responses and stakeholder interviews. Each lever influences client uptake—positively, negatively, or neutrally. When MFIs activate ("pull up") revenue- or efficiency-enhancing levers on the right side of the diagram, they can simultaneously stimulate client uptake on the left side, reinforcing the overall business case. In practice, this means balancing multiple levers—such as pricing, commissions, technology, and client education—to reach an equilibrium where products are both sustainable for the institution and valuable for the client.

Historically, MFIs have relied on revenue levers—such as commissions and service fees from insurers, or embedding products into their loan offering—to build their business models. As they matured, many "pulled" additional revenue levers that drive client uptake, including differentiating products and services, building in-house insurance teams, and investing in consistent staff training and client education. On the cost side, insurance can "ride on the rails" of existing MFI operations—credit, savings, and repayment systems—allowing distribution cost-effectively and without duplicating infrastructure. Innovations in technology, operations, and product design help MFIs reduce costs, mitigate risk, and protect margins. When digital integration is paired with clear client communication, it lowers transaction costs, builds trust, and stimulates demand—creating a virtuous cycle where higher client uptake drives both premium volume and value.

FIGURE 13

MFI REVENUE AND COST LEVERS FOR MICROINSURANCE BUSINESS PROFITABILITY AND SCALE



REVENUE-SIDE LEVERS

Board and senior management persuasion

Getting leadership and the board aligned on the business case can unlock resources, strategic priority, and institutional commitment. When a Board and Senior Managers are convinced, they can mandate product rollout, set revenue targets, or approve cross-selling strategies that directly drive sales. To pull this "lever", MFIs can start by engaging leadership in training and sensitisation. Indeed, one global MFI manager notes that to achieve buy in with some national affiliates, the organisation sent them to microinsurance trainings, "We have sent the CEO of Kenya … in Uganda and the COO in Rwanda, and it was really a game changer when they get trained." The trainings provided managers with concrete examples of the business opportunities and offered them greater confidence in their ability to implement insurance distribution.

Mandatory/embedded products

Bundling insurance or financial services into a product or loan can increase insurance uptake. Because clients cannot easily opt out, this lever can drive scale, improve risk pooling, and increase premium revenue. But MFI stakeholders with decades of insurance distribution experience warn that voluntary products are more likely to be sustainable. This distribution method takes client feedback into consideration at the product design stage and engages clients as decision makers throughout the sales, claims, and renewal process. Some MFI stakeholders also warn that that embedded products can increase the perceived cost of loans, which in competitive markets can drive clients away to borrow from competing MFIs. Combining embedded products such as mandatory credit-life and life covers with voluntary opt-in products can offer one strategy to balance these competing interests, especially when competitors follow suit. Stakeholders recommend that starting with a solid foundation of mandatory products and combining this with an investment in client communication and awareness building can help to build a sustainable business model based on voluntary products.

BOX 9

MFI DISTRIBUTION MODELS CAN EVOLVE FROM RELYING ON EMBEDDED PRODUCTS

Various factors might contribute to how insurance is offered by MFIs, including regional and MFI-sector contexts. However, interviews with MFI stakeholders suggest that MFI distribution requires time to maturity, and as MFIs that mature they might transition away from reliance on embedded models. In an incipient insurance distribution model, when an MFI embarks on a new insurance distribution initiative, MFI clients are often uninformed, and processes are new. As such, MFIs will typically embed insurance into loan processes to achieve sufficient scale to negotiate affordable premiums with insurers and earn sufficient commission revenues to reach sustainability. Once an MFI is able to mature in its distribution model, it might add on new product offerings or offer additional covers such as spousal coverage, additional life benefits or other voluntary covers to add value to clients while bringing in greater commission revenue.

In large markets such as India, MFIs can shift to voluntary stand-alone products as per government requirements by offering low premium products at scale. In the case of DVARA KGFS in India, products other than credit-life are sold on a voluntary basis in line with regulatory requirements. Hospicash is an inexpensive offer that has over 70% voluntary acceptance. In smaller markets, MFIs can balance lower uptake and scale by offering higher premium voluntary products. For example, in Paraguay, Fundacion Capital has over 40% take up on an outpatient medical cover. In the case of Mexico, Banco Compartamos (a specialized microfinance bank) has shown it can offer voluntary products both at scale and with higher premiums and coverage. Its model evolved over a decade, starting with one mandatory life insurance product, expanding it to be voluntary, and then broadening coverage to include life, cancer, hospital cash, surgery, accident, lab exams, and pediatric cancer. Additionally, this MFI offers theft insurance and vehicle insurance for Bank customers.

According to the survey, 60% of respondents have seen an increase in commissions over the past five years.

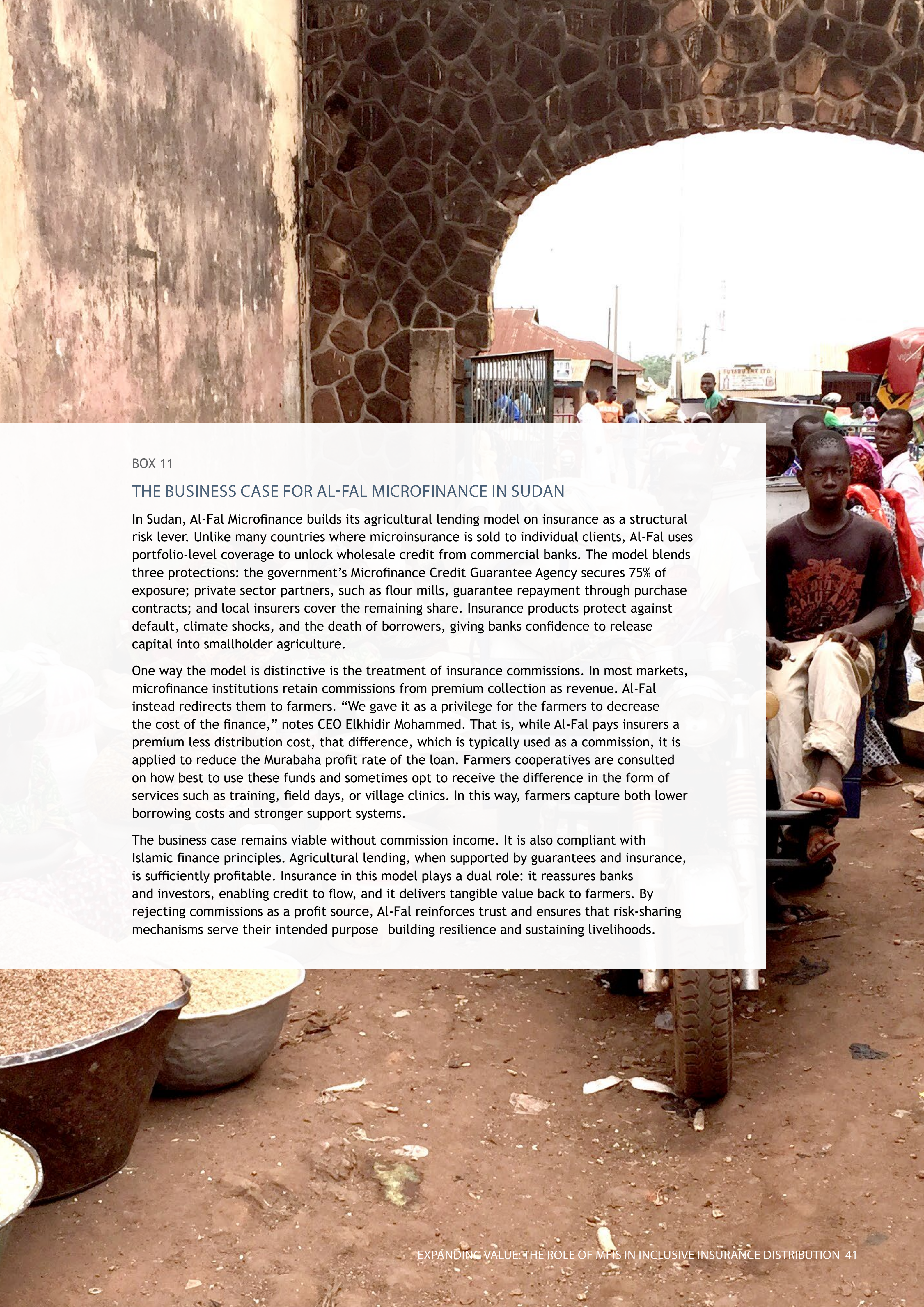
Commission/revenue sharing

Commissions represent a key revenue-side lever for the MFI business case, but one that must be managed carefully to avoid undermining client value. The MFI Survey reveals that MFIs perceive this as an important contributor not only to their insurance business, but often, to their broader business model. According to the survey, 60% of respondents have seen an increase in commissions over the past five years.

Revisiting commission structures or negotiating more balanced revenue-sharing agreements with brokers, aggregators, or digital platforms can reduce distribution costs while ensuring that incentives remain aligned. Efficient agreements reward partners for performance without eroding margins or distorting priorities. As one East African stakeholder explained, "Insurance companies have realised how influential microfinance institutions are, and therefore they are more willing to give a better, more enticing commission to MFIs. As a result, they can ride on the trust and networks that MFIs have to reach insurance clients."

Yet, this commission "lever" is delicate. First, higher commissions can erode product value, by reducing the amount of risk premium available to pay claims. Additionally, when partnerships are driven primarily by commission revenue rather than client value, they risk becoming transactional exchanges that undermine long-term collaboration. Jaime de Piniés' warning above is echoed by practitioners in the field. The Board President of SERINSA, a Central American microinsurance intermediary noted that while some private insurers now offer commissions of up to 40% of premium levels, SERINSA deliberately retains 10% to reinvest in education, innovation, and technical assistance—ensuring that partnerships remain viable and client-centred over time. Similarly, in the case of Al-Fal Microfinance in Sudan, a commitment to Sharia principles drives the MFI to reinvest commission revenue into clients either by reducing interest rates on loans or providing agricultural extension services (See Box 10).

"The cost of this [MFI] channel can be very high... unchecked, it can destroy value. All it takes is one actor paying excessive commissions to MFIs, and suddenly the whole market shifts—MFIs follow the money, customers lose value, and insurers that want to keep products sustainable are pushed out."– Jaime de Piniés, CEO, Blue Marble



BOX 11

THE BUSINESS CASE FOR AL-FAL MICROFINANCE IN SUDAN

In Sudan, Al-Fal Microfinance builds its agricultural lending model on insurance as a structural risk lever. Unlike many countries where microinsurance is sold to individual clients, Al-Fal uses portfolio-level coverage to unlock wholesale credit from commercial banks. The model blends three protections: the government's Microfinance Credit Guarantee Agency secures 75% of exposure; private sector partners, such as flour mills, guarantee repayment through purchase contracts; and local insurers cover the remaining share. Insurance products protect against default, climate shocks, and the death of borrowers, giving banks confidence to release capital into smallholder agriculture.

One way the model is distinctive is the treatment of insurance commissions. In most markets, microfinance institutions retain commissions from premium collection as revenue. Al-Fal instead redirects them to farmers. "We gave it as a privilege for the farmers to decrease the cost of the finance," notes CEO Elkhidir Mohammed. That is, while Al-Fal pays insurers a premium less distribution cost, that difference, which is typically used as a commission, it is applied to reduce the Murabaha profit rate of the loan. Farmers cooperatives are consulted on how best to use these funds and sometimes opt to receive the difference in the form of services such as training, field days, or village clinics. In this way, farmers capture both lower borrowing costs and stronger support systems.

The business case remains viable without commission income. It is also compliant with Islamic finance principles. Agricultural lending, when supported by guarantees and insurance, is sufficiently profitable. Insurance in this model plays a dual role: it reassures banks and investors, enabling credit to flow, and it delivers tangible value back to farmers. By rejecting commissions as a profit source, Al-Fal reinforces trust and ensures that risk-sharing mechanisms serve their intended purpose—building resilience and sustaining livelihoods.

Product/service differentiation

Designing products that stand out—through added value, better claims experience, or tailored features—attracts new clients and justifies premium pricing. Differentiation also helps retain clients, building longer-term revenue streams. As discussed above, products offered by MFIs tend to cover a narrow set of risks and concerns, yet various MFIs shared that over time, as clients learn about insurance, and as institutions become more comfortable servicing insurance, they begin to shift into more customised, voluntary products. One intermediary explains that some clients actually took out a loan with an MFI because of the hospital cash cover that was bundled with it, "they want to have the hospital cash product, it became so like, you know, so, so popular." Valuable products should drive clients toward, not away from a relationship with an MFI.

Dedicated in-house team

The MFI survey shows that only about half (53%) of respondent MFIs have an in-house team dedicated to insurance. Additionally, about half (52%) of MFI respondents cited staff capacity as a barrier to scaling insurance, suggesting that there are persistent gaps in institutional readiness and implementation processes. Having a team that focuses only on inclusive insurance or financial resilience products means more energy behind sales, product iteration, and distribution partnerships. Dedicated teams reduce dilution of effort and create accountability for revenue growth. Two MFI stakeholders interviewed explained that they eliminated their reliance on brokers and built their own in-house team. This allowed them to expand their value proposition to clients by holding insurance to the same standards of service as their other financial service offerings. They developed their own manuals, trained staff internally, professionalised sales, reduced dependence on intermediaries, and aligned the client insurance experience with their overall brands.

Staff training

Frontline staff are the main touchpoint with clients. Training them to clearly explain benefits, handle objections, and align products with client needs improves conversion rates, renewals, and cross-selling—ultimately lifting revenue. One MFI in India explains that they train their 6,000–7,000 staff with image-based learning modules that have strengthened client communication and trust, demonstrating that awareness—when supported by consistent staff capacity—can turn a "push" product into one that customers choose voluntarily. Blue Marble's experience reinforces the importance of collaborating with MFIs to train staff on new products. The company structures "train-the-trainer" models within MFIs allow loan officers and call-centre teams to translate technical concepts like parametric triggers into relatable examples, fostering understanding and voluntary uptake. One MFI in East Africa explains that their MFI conducts weekly product refresher sessions ensure that every loan officer can clearly explain coverage, exclusions, and claims procedures—reducing misinformation and client frustration. The manager explains that consistent internal training, often with insurer participation, helps staff "clearly and accurately explain all the products" and has made clients "more confident" as they see peers benefit from payouts.

Client awareness

Client awareness is a foundation of responsible distribution in inclusive insurance. In markets where insurance is still perceived as complex or unfamiliar, awareness efforts play a crucial role in building trust and increasing demand, creating the potential to develop products that cover more risk and offer greater protection. One Latin American MFI explains that clients' lack of understanding was a key barrier to adoption, "the client is not aware, and the loan officers who sell the products are not experts in insurance." To address this, the institution began measuring "moments of truth," tracking whether loan officers explained coverages clearly and whether clients truly understood them. It complemented this with digital transparency—sending every policyholder a WhatsApp "Welcome Kit" detailing benefits and procedures, which reduced dependence on staff for after-sales support. Another MFI stakeholder in the region reframed education as an ethical obligation. After discovering that many customers "thought the insurance was almost mandatory," the MFI created an in-house insurance unit, trained loan officers, and introduced tangible incentives—such as free medical checkups or school health vouchers—to make benefits visible and credible. One Indian MFI found that combining digital accessibility with hands-on engagement significantly improved adoption. Its mobile app—featuring visual and audio explanations in 11 languages—simplifies product understanding and allows clients to enrol in just a few clicks. Yet, the manager insists, early awareness still depends on loan officers, who introduce customers to the app and guide them through initial purchases.

COST-SIDE LEVERS

Process integration (front- and back-end)

Automating processes (e.g., policy issuance, premium collection, claims handling) cuts down administrative overhead. Integration across systems reduces duplication of work, improves speed, and lowers errors—saving operational costs. Streamlining training, enrolment, sales and support operations to leverage MFI process makes sense. On the back end, integration is critical. But while many of the MFIs interviewed explained that back-end digital integration allowed for a smoother process, one insurance intermediary disagrees, explaining "If every time you need to work with a partner, you need to integrate yourself fully, it just makes it tremendously hard. So, we do work in ways where we can actually bundle the service with a financial institution without necessarily integrating systems."

Back-end technology

Linked to many of the processes above is the need for an integrated back end that allows MFIs to seamlessly communicate enrolment, premium payment, claims and other critical data on the insured party. According to one insurer that focuses on microfinance segments, integrating software and processes between insurance companies and MFIs is critical, "Normally, we provide the web tool that [MFIs] can use to offer products. Many times, these institutions use electronic devises, and software for this, the more technology they have, the easier it is for them to reach the end client….it isn't the same to visit a client and make them fill out forms, as it is to have the client in front of you and fill everything instantly on a tablet with software." Large MFIs, such as Dvara KGFS in India might invest in internal technology. For example, Dvara KGFS has developed an in-house real-time claims module, which reduces reliance on third-party platforms and empowers frontline staff to support the claims process. For smaller MFIs, particularly those working with insurers that do not have integration capabilities, third party insurtech platforms can offer a solution. For example, Democrance offers a cloud-based platform that automates enrolment validation, premium reconciliation, and claims processing for insurers and MFIs, eliminating manual Excel tracking and reducing the need for each MFI to maintain its own data infrastructure. Instead of managing servers or hiring developers, MFIs can transmit enrolment and claims files through Democrance's system, which automatically checks accuracy, assigns approval status, and provides an auditable "source of truth" for premium invoicing.

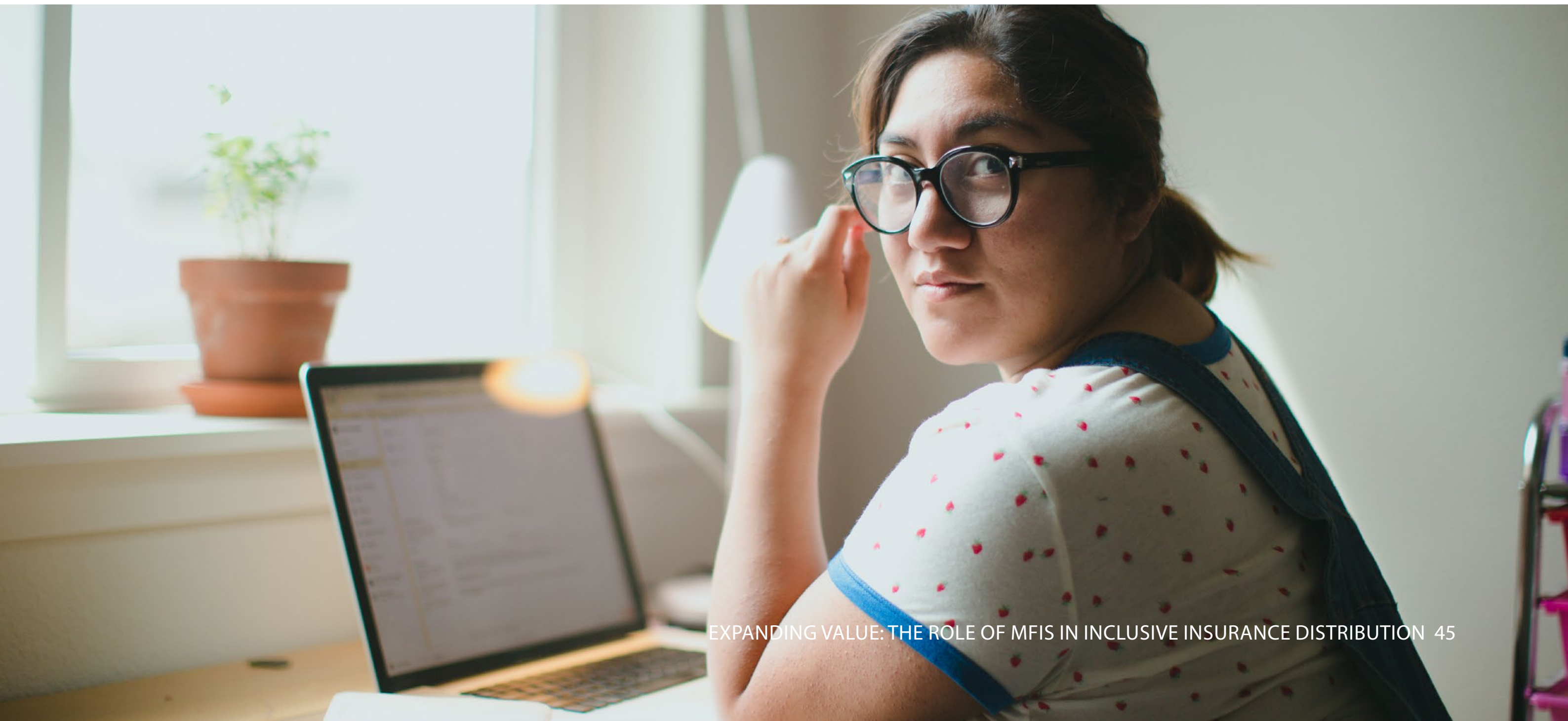
Front-end digital platforms

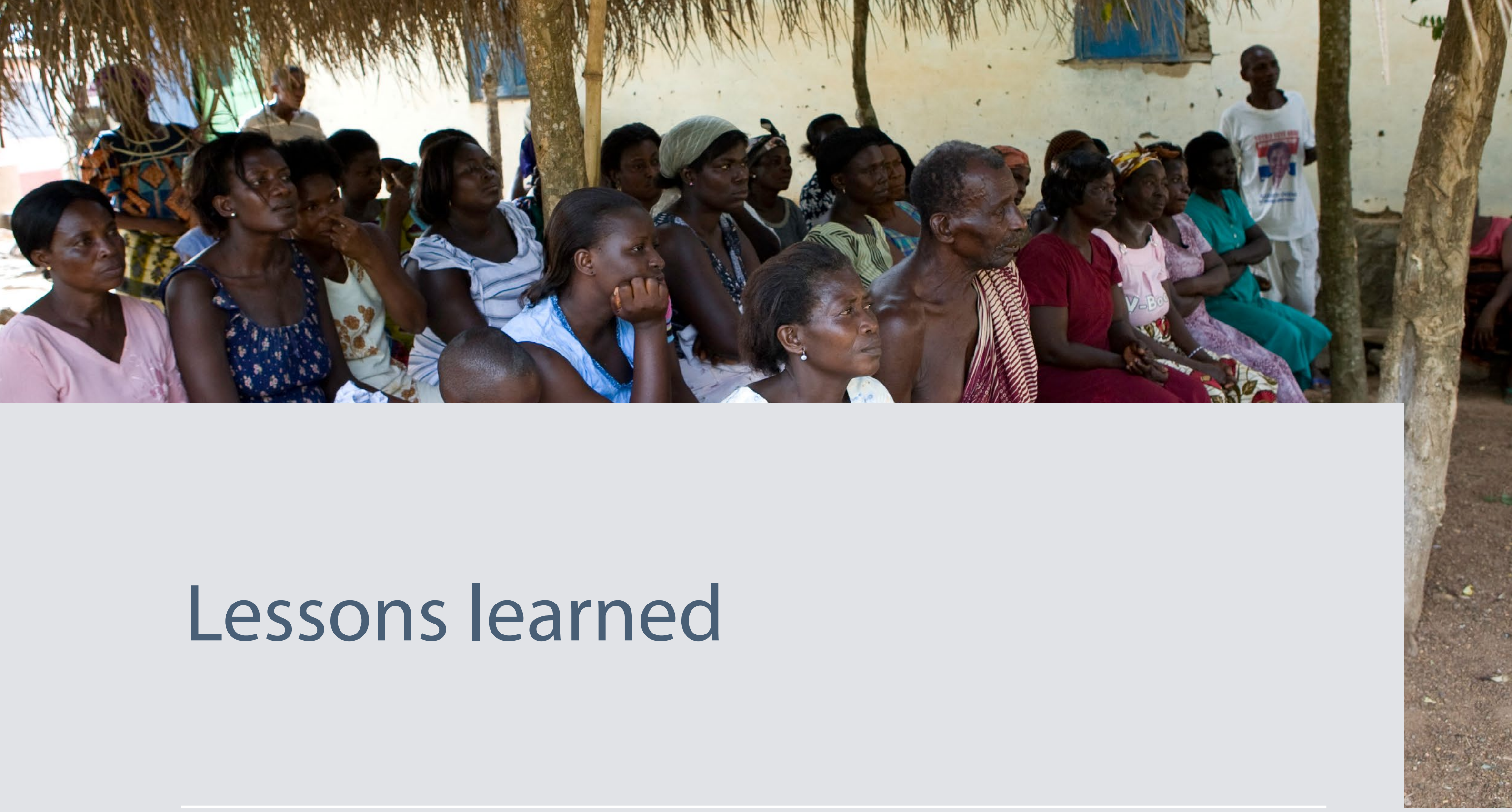
Examples of platforms that allow clients to enrol directly into insurance are limited. One MFI in India shared that their collaboration with insurers succeeded in part because of their vernacular mobile app: "The app has simplified the process to 2–3 clicks with OTP verification, significantly reducing enrolment friction… 30–35% of policies are sold via the app, with rapid growth compared to paper-based sales" Such tools reduce administrative burdens for MFIs and insurers alike, while empowering clients with accessible interfaces. For many MFI clients, however, self-directed mobile phone apps and software are untenable. MFI stakeholders emphasise that clients are often not ready to self-enrol directly on their phones, but more typically, loan officers use a specialised app to enrol them when visiting them in person. One representative from an African MFI notes, "most of our clients are rural based, they're quite slow in adapting and really understanding and appreciating the benefits of the technology." Most MFIs that have developed front-end platforms have done so for their loan officers to use for enrolment and support purposes, rather than for MFI clients directly. Importantly, technology might offer cost savings, but these take time to materialise. Hardware and servers often need upgrades to manage new apps and processes, for example. According to one MFI manager in Latin America, "One thinks that when you do digital transformation you will have savings, but the savings don't come in the short term. You invest a lot of money … license costs, structure, high-end cell phones, training costs, consultants to design the process, and apps that you can use with fintechs … in the first three years you don't save money—you actually have more expenses."

Portfolio risk covers

Insurance can mitigate the risk of loan defaults caused by health shocks, natural disasters, or other unforeseen events. By ensuring that clients have access to payouts when crises occur, MFIs might expect increased repayment capacity and reduce portfolio at risk. This can translate into fewer write-offs and more stable cash flows, particularly in sectors exposed to climate or health-related shocks. While 58% of MFI survey respondents point to reducing portfolio risks as a reason for offering insurance, stakeholder interviews reveal that few MFIs have successfully measured the effectiveness of most covers in insuring this risk. One exception is climate risk when specifically pertaining to crops. According to an insurance intermediary specialising in climate risk, MFIs often provide climate insurance for "their own portfolio management and their risk management of their portfolio to certain external risk."

No interviewed stakeholders had done any quantitative analysis to sustain the link between insurance on clients and reduced portfolio risk. Still, insurance can enhance the perception of MFI stability among socially motivated investors, development finance institutions, and other lenders. A continued hypotheses is that by embedding risk protection for borrowers, MFIs can explain that their loan portfolios are more resilient to external shocks. This can reduce the cost of funds, improve access to longer-term capital, and crowd in investors that value social impact alongside financial returns.





Lessons learned

MFIs are well positioned to serve vulnerable households, businesses, women and farmers protection against risks, including climate risks. They are particularly effective in co-designing relevant and affordable products, enrolling clients with limited friction and facilitating payouts. Surveys and interviews suggest that offering insurance can strengthen an MFI's overall business model—diversifying revenue, enhancing client loyalty, and reinforcing its brand—while simultaneously protecting vulnerable clients. One emerging lesson is that MFI distribution models are not static but dynamic, where they often begin by offering insurance that covers their portfolios and evolve to more client-centric products as they get to know their clients. Mandatory or bundled products ted to be a starting point, allowing for clients to "try" insurance at scale, and thus profitably. Over time, positive client experiences with well-designed products and services can convince MFIs to offer a broader array of customised covers on a voluntary basis. Without a committed and competent leadership, this evolution can be stunted, whereas where there is leadership, there is also room for investment in in-house technical teams, training and client awareness building, which leads to positive reinforcing dynamics. On the cost side, efficiencies in process integration, technological applications, and portfolio risk analysis can also sustain and support MFI business models.

Relevant product design requires insurance company buy in

A key lesson emerging from research and practice in microinsurance is that designing products that genuinely respond to client needs requires co-creation, with not only MFI engagement, but also insurer willingness to adapt. In smaller markets or countries where insurers are not active in the space, an MFI alone might not be able to convince insurers to re-examine products to better suit their needs. This includes product simplicity, removing exclusions and deductibles and simplifying claims requirements are cornerstone product design characteristics that are still not ubiquitous in the inclusive insurance space.

Without local product design capacity or regulatory frameworks to promote microinsurance innovation, MFIs are left advocating for more tailored, socially impactful products that reflect the realities of smallholder farmers and low-income clients. Building this alignment—through technical support, lobbying, and partnerships—remains critical for achieving both client value and business sustainability.

Partnerships that align around a long-term vision can unlock innovation and bring greater-value products to clients

A central lesson emerging from the cases studied is that long-term partnerships between MFIs, insurers, brokers, and technology providers form the backbone of the inclusive insurance ecosystem. Effective collaboration allows MFIs to focus on scale, affordability, and client protection, while insurers gain confidence to co-invest in product development and operational improvements. When partnerships are designed well, they align each actor’s strengths—MFIs’ trusted client relationships and distribution reach, insurers’ product and risk management expertise, and intermediaries’ technical or technological support—to deliver affordable, well-serviced products at scale. Yet partnerships can easily become misaligned when incentives prioritise volume and commissions over product quality and client value. Successful partnerships depend on balanced and aligned incentives, transparency, and an ongoing commitment to client value rather than short-term sales targets.

DVARA KGFS in India exemplifies this approach: through sustained engagement with insurers, it has built a diversified suite of tailored products—such as livestock and shopkeeper coverage—aligned with borrowers’ financial and livelihood needs. Similarly, MFIs in Ecuador, Paraguay, and India have found that long-term partnerships enable them to negotiate lower premiums or added-value services for clients by jointly tracking product performance and maintaining open communication with insurers. By contrast, MFIs in smaller markets such as Eswatini face more limited influence. There, local institutions often depend on “off-the-shelf” insurance products from South Africa-based providers that are ill-suited to their clients’ scale and context. As one MFI representative explained, “It’s not really for our clients—we’re just overriding somebody else’s product.”

MFIs underutilise key levers to strengthen the insurance business case

Many MFIs are not fully exploiting the levers available to enhance the profitability of their insurance portfolios. As a result, they continue to rely heavily on high commissions and bundled credit-linked products, which generate predictable income but constrain long-term growth and client value. While some have begun integrating insurance into core operations, others lack the dedicated teams, partnerships, and technology needed to do so effectively. This limits their ability to expand voluntary product offerings, build client trust, and deliver meaningful post-sales support.

Donor and external support in unlocking barriers, particularly in agricultural insurance

External actors—donors, development networks, and regulators—play a critical role in unlocking barriers that MFIs and insurers may struggle to overcome on their own. Across interviews, stakeholders emphasised the value of training and capacity-building programs—particularly those that equip MFI staff and local partners with the skills to sell, service, and explain insurance effectively. When donor funding is targeted strategically, it not only mitigates early-stage risks but also builds the institutional and technical foundations for sustainable, client-centred insurance ecosystems. For example, ADA supported SERINSA in developing digital dashboards that strengthened claims monitoring and improved operational transparency.

Agricultural and climate insurance rarely emerge without external influence. IFAD's involvement was instrumental in encouraging insurers to enter the agricultural space in Eswatini and financed the design and rollout of early products. External initiatives like these likely help explain the higher share of agricultural products in African markets. They can "nudge" insurers to develop products for underserved rural markets and collaborate with MFIs. Donor-led efforts helped reduce perceived risks, demonstrate viability, and encourage domestic innovation—critical first steps in building trust and laying the foundation for a functioning market. Similar nudges have inspired innovation elsewhere, for example in VisionFund International's ClimaCash pilot in Kenya.

Recommendations

The evolution of microinsurance within microfinance presents both opportunities and risks. MFIs initially used credit-life products mainly to protect their own loan portfolios. Over time, many have expanded to offer coverage addressing broader client risks such as health, accident, and agricultural shocks. This evolution highlights the potential of insurance to strengthen the resilience of low-income households—but also exposes structural challenges. In some markets, high commissions and weak regulation distort incentives; in others, scale-driven models compromise client understanding and product fit. In fragile contexts, insurance can unlock capital flows but remains constrained by exclusion and limited institutional capacity.

To ensure that microinsurance fulfils its dual promise—balancing institutional sustainability with genuine client value—the following recommendations are proposed:

Rebalance business case drivers

In several markets, commission income has become the dominant motivation for offering insurance, often at the expense of long-term client value. Stakeholders can rebalance these incentives by strengthening the business case for microinsurance—anchoring it in MFI portfolio stability, client retention, and risk mitigation to complement commission revenue. Achieving this shift requires senior leadership commitment to longer-term time horizons and business models that reward sustainable performance.

A long-term strategy involves MFIs embedding insurance more deeply into their core processes and brand strategy. This means developing in-house capacity, investing in digital tools to streamline sales and servicing. For smaller MFIs, partnering with insurtechs or intermediaries to enhance efficiency can be an alternative but collaborations need to make sure that systems are aligned, processes, and client communication with the MFI's brand and mission. Donors and investors can further support this approach by embedding business case considerations into program design, reporting frameworks, and performance assessments.

Promote commission transparency and fair limits

Excessive or opaque commission structures can undermine the market by prioritising short-term sales over client value. When MFIs are rewarded mainly for premium volume rather than client outcomes, competition shifts toward higher commissions instead of better products, eroding trust among partners and clients alike. At the same time, a large part of premium revenue is used to pay for distribution and less is available to pay claims to clients who suffer financial shocks. Regulators and industry associations can therefore promote commission transparency and establish self-regulatory principles that keep commissions proportionate to the service provided and aligned with long-term product value. For socially oriented MFIs, this alignment is not only ethical but strategic: transparent and balanced commission structures reinforce their social mission and strengthen their ESG and impact ratings—creating incentives that link financial performance with client well-being.

Build MFI institutional capacity

Many MFIs rely on brokers or third parties for product design and operations, especially in the early stages of offering insurance. As their models mature, larger MFIs bring more of these functions in-house to increase efficiencies and improve the client experience. Technical assistance and capacity-building initiatives can help MFIs develop internal expertise in insurance management, product analytics, and process integration. Strengthening these internal capabilities enables MFIs to gradually internalise key functions, ensuring consistency and control over client interactions. At the same time, support for insurers to adapt products and processes to MFI operations can further improve efficiency and client value.

Build insurer capacity to co-create client-centred and viable products with MFIs

To strengthen inclusive insurance markets, insurers must be trained to understand both client realities and the business case levers that make microinsurance viable. Relevant product design depends on insurer buy-in—particularly their willingness to adapt traditional offerings to meet the needs of low-income clients and small businesses. Training and technical support should focus on co-creation with MFIs and other distributors, emphasising simplicity, transparent terms, minimal exclusions, and streamlined claims processes.

In markets where insurers have limited experience with inclusive products, development partners and industry associations, donors and networks can play a key role by convening MFIs and insurers to identify shared incentives, pilot innovative designs, and build local capacity for product adaptation. Over time, this can build stronger partnerships between MFIs and insurers as it realigns interests, shifting insurer mindsets from compliance-driven product design to client-centered innovation.

Systematically measure linkages between insurance and loan portfolio protection

Many MFIs still design insurance primarily to safeguard their loan portfolios. At the same time, few MFIs can measure the cost savings of covering their portfolios with insurance. Further research and data integration are needed to substantiate the link between client insurance coverage and MFI portfolio stability. While many institutions cite risk mitigation as a rationale for offering insurance, empirical evidence remains limited. Building monitoring systems that connect claims data with repayment performance could clarify how insurance affects default rates and cash flow stability. Donor support and technical assistance may facilitate this process by funding analytical tools and sharing methodologies. Over time, stronger evidence on this relationship could also enhance MFIs' credibility with investors and development finance institutions, supporting arguments that risk protection contributes to institutional resilience and access to sustainable capital. A stronger case for portfolio risk mitigation can also lead to a transition of some products that are being bundled with loans to clients at a micro level into meso-level covers.

Deepen coverage from portfolio to client protection

While portfolio-level cover is crucial, it is insufficient from a client perspective. Often products that aim to protect clients can be poorly explained and lead to client dissatisfaction. Additionally, they can be mismatched to real household decision-making. One example is when women take loans used by male relatives, but insurance products cover only their risk, they are left unprotected if the household's main breadwinner falls ill or dies. This narrow approach limits the potential for products that address clients' broader needs.

Regulators, donors, and technical assistance providers should work with insurers and MFIs to encourage expansion into client-centric insurance product design that considers the needs and preferences of clients. This includes risk covers such as health, accident, or agricultural coverage. But also includes affordability, simplicity, and relevance to clients' needs. A funeral cover that cannot provide all clients the same service, a life insurance product that overlooks a main household breadwinner, or a product that covers too little when a large shock strikes, are not valuable enough to be sustainable.

Use targeted external support to unlock market barriers and catalyse innovation

Products in agricultural and climate insurance rarely evolve without external intervention. Targeted donor involvement can de-risk entry for insurers, encourage collaboration with MFIs, and foster innovation tailored to rural and low-income clients. When designed strategically, such interventions can reduce uncertainty, promote domestic innovation, and lay the groundwork for sustainable, client-centered insurance markets. Donors, industry stakeholders and associations should continue to support efforts to design and roll out agricultural insurance. In some countries, where governments offer some level of premium subsidy that reduce the cost to end-clients, collaboration can be useful.

Leverage MFI and insurance associations to structure efficient and scalable interventions

As insurance markets mature, insurers can leverage collective platforms such as national or regional microfinance associations to extend coverage more efficiently. In markets such as Central America, where associations already coordinate bulk policies or joint negotiations, these collective structures have helped lower transaction costs and improve fairness, enabling smaller MFIs to participate in insurance markets on more equal terms.

Efforts to strengthen or formalise MFI associations can also help aggregate lessons and training materials to support MFI sales efforts. As markets evolve, these associations should be able to negotiate access to low-cost, portfolio-level coverage for life, climate, and other risks at scale. When products demonstrably reduce portfolio risk, MFIs may be more willing to cover premium costs directly, without passing them on to clients.

Insurance associations also have a critical role to play. By exposing members to tools and training that support their expansion into low-income markets, they can help reduce perceived risks. They can further promote responsible growth by adopting self-regulatory codes of conduct that emphasise fair pricing, transparent commissions, and responsible sales and servicing of microinsurance policies.

Strengthen investor due diligence on insurance

While investors increasingly assess MFIs through social performance indicators, few frameworks evaluate how institutions manage or distribute insurance responsibly. Integrating insurance-related indicators into existing tools such as SPI-Alinus and social audit frameworks. This would allow investors to identify responsible distributors and avoid those prioritising commissions over client value. Investor metrics might help MFIs take a longer view towards profitability that balances client value and business outcomes.

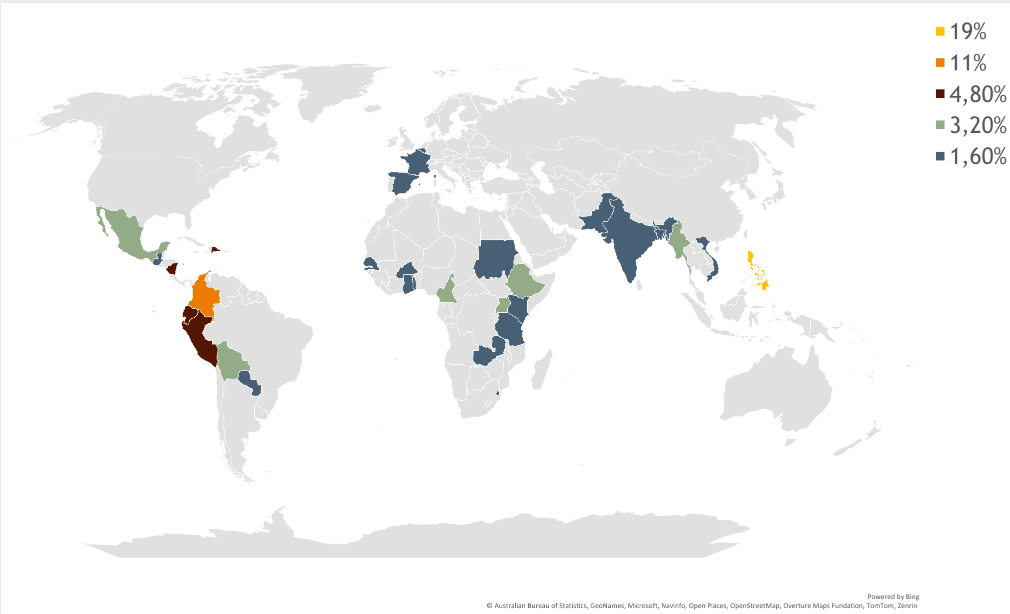
Annex A: Methodology

The research employed a mixed-method design that combined existing evidence with new primary data to deepen understanding of the barriers and opportunities microfinance institutions (MFIs) encounter when offering insurance to business and consumer loan clients. A comprehensive desk review was first undertaken to compile and synthesise existing literature, datasets, and previous publications, including data from the Microinsurance Network's Landscape studies and other key sources on MFIs and insurance distribution (Hassan, 2006; Churchill, Dalal, and Jing, 2014). Findings from this review informed and guided subsequent data collection activities.

The mixed-method approach consisted of an online survey and a series of in-depth interviews conducted via Zoom. The survey sought to identify key opportunities and challenges faced by MFIs in the administration and distribution of microinsurance products. It was administered through SurveyMonkey in English, French, and Spanish to maximise accessibility. Over a period of 4 weeks, responses were collected from 60 institutions across 27 countries (See Figure 12 below). The survey was disseminated through the Microinsurance Network's partners, as well as industry executives and leaders, who were invited to share it within their professional networks. This outreach ensured a diverse respondent base encompassing MFIs and related financial service providers across multiple regions.

FIGURE 14

COUNTRIES REPRESENTED IN SURVEY OF MFIs



In parallel, 15 semi-structured interviews were conducted with key stakeholders, including representatives from MFIs, insurtech providers, and development partners, covering 10 countries across 4 regions. Interviewees were drawn from the networks of EA Consultants and the Microinsurance Network, with some identified through expressions of interest in the survey. Interviews were adapted to the organisational profile of each participant to capture perspectives across the insurance value chain—from product design and underwriting to distribution and servicing. The discussions aimed to illuminate the motivations driving organisations to offer microinsurance, as well as the operational, regulatory, and client-related considerations influencing product implementation and delivery. All interviews were recorded, transcribed, coded, and analysed using a matrix framework in Excel to identify cross-cutting themes and insights.

Annex B: List of experts interviewed and consulted for this paper

Company	People Interviewed
Bancamía (Colombia)	Natalia Pérez, Director of Value Offer Management
Seguros Ademi (Dominican Republic)	Hector Sánchez, Director of Value Offer and Operations
Democrance (Global)	Michele Grosso, CEO
Dvara KGFS (India)	Antony Raj, Business Head, Liability Products; Rahul Tripathy, Chief Product Officer
Blue Marble Microinsurance Ltd. (Kenya)	Representative (Broker / Microinsurance Provider)
FDL (Nicaragua)	Julio Flores, CEO
AB Entheos (Kenya)	Anne Kamau, Co-Founder and Executive Director
Al Fal Microinsurance (Sudan)	Elkhidir Mohammed, CEO
Ujjivan (India)	Siddhartha Sarbapriya, Project Manager
Fundación Paraguay (Paraguay)	Roberto Gimenez, Head of Programs
MCPI (Philippines)	Allan Sicat, Executive Director
Banco Solidario (Ecuador)	Fidel Durán, Former CEO
VisionFund (Global)	Solene Favre, Global Insurance Director
SERINSA (Central America)	Regina Silva, CEO
AXA (Global)	Quentin Gisserot, Head of Partnerships
Crezcamos (Colombia)	Mauricio Osorio, CEO
Microinsurance Network (Global)	Matthew Gennazzini, CEO; Nicolas Morales, Regional Manager for LATAC; Sara Orozco, Regional Coordinator for LATAC

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This publication was supported by:

THE GOVERNMENT OF THE GRAND-DUCHY OF LUXEMBOURG
Ministry of Finance

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Published by: Microinsurance Network

Layout: Gianmarco.design

Author: Barbara Magnoni, EA Consultants

The quantitative information presented in this paper does not represent an absolute number of products, clients, or other data. Rather, this paper reports what the team was able to identify as microinsurance. Although the data for this study is not an absolute measure of microinsurance in the three regions studied, the data set is large enough to represent the "landscape" of microinsurance and provide, for the most part, an accurate picture of these markets and their components.

ISBN 978-99987-586-1-2

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About the Microinsurance Network

The Microinsurance Network is the global multi-stakeholder platform for professionals and organisations that are committed to making insurance inclusive. Membership-based, we bring together diverse stakeholders from across the value chain who share our vision of a world where people of all income levels are more resilient and less vulnerable to daily and catastrophic risks. We encourage peer-to-peer exchange and learning, facilitate the generation of knowledge and research, and act as advocates, promoting the role that effective risk management tools, including insurance, play in supporting the broader development agenda.

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