THE PRACTICE OF MICRO-INSURANCE IN WEST AFRICA –THE JOURNEY SO FAR.

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1.0 INTRODUCTION

It gives me a singular honour and privilege to deliver this laconic speech on this auspicious and momentous occasion. In Act 2 Scene 7 of his masterpiece play entitled "***AS YOU LIKE IT***" My learned and erudite "BARD OF AVON" William Shakespeare wrote the following words and I quote in extenso: "ALL THE WORLD IS A STAGE AND ALL THE MEN AND WOMEN MERELY PLAYERS. THEY HAVE THEIR EXIT AND THEIR ENTRANCES AND ONE MAN IN HIS TIME PLAYS MANY PARTS. HIS ACTS BEING SEVEN AGES…." and so we are all assembled here today to discuss this all important topic- ***Micro-Insurance: its roles and impact in the Economies of Emerging Markets in West Africa***. And on my part to share my views with you on ***"The practice of Micro-insurance in West Africa; The journey so far".***

I am optimistic that my humble contributions will go along way to generate a fruitful discuss that will usher in a new era of insurance practice in our sub-region. Your contributions here today and the days to follow will be one of the many parts we must play at this time to see to the effectual take-off of Micro-insurance as one of the many contributions our industry must also take in ensuring the socioeconomic development of our sub-region.

Let me assure you distinguished Ladies and Gentlemen, that I am under no illusions that we will completely agree on our various views on this subject matter here today. Indeed, I have come here with an open mind and with keen interest in others' view – points to be expressed in the discussions that may hopefully follow my presentation.

Insurance is undoubtedly one of the most ingenious creations of the human mind, which has survived for more than 200 years because it rests on very solid foundations and on sound fundamental principles. If any criticism has been leveled against insurance, it is certainly not because Insurance has lost its usefulness in our societies rather it is probably because the practitioners (who are the sellers) have deviated from its fundamental principles or that the public are ignorant of its numerous indispensable roles in our society.

When thinking about economic and rural development in our society, it is extremely sad that Insurance has never been in contemplation as a possible tool. Why? Perhaps it may be because insurance had been and always being the profession of the elites in the urban areas. No one has thought it wise to see insurance as one of the inevitable tool for the emancipation of the majority of people in our rural areas – the purview of micro-insurance which I am glad we are gathered here to discuss today.

However, while Insurance's core functions remain vitally important to all sectors of the economy i.e. the protection of the huge human and material resources of every nation. What is often not appreciated by people in our part of the world, including the insurance practitioners themselves is the way Insurance has gone well beyond the protection of assets, to become an inevitable vehicle for enhancing assets, spurring economic growth and developments and above all catalyzing the eradication of poverty in rural societies.

2.0 POVERTY IN OUR SOCIETY

Poverty reduction is an almost universal objective. It finds expression in the strategies and programmes of multilateral institutions, national governments, bilateral aid agencies and regional and sub-regional development banks. It is the first of the eight Millennium Development Goals for improving human welfare enunciated by the United Nations General Assembly in 2000. In Africa, poverty reduction is the overarching objective of almost all Government policies and the private sector initiatives since their various independences and will remain a central objective in the Strategic Plans for the long future to come.

But what causes poverty in our society?

If we begin to analyze the causes of poverty in our society, we may continue until we are paralyzed! However, the following are the technical summary of what I consider the causes of poverty in all societies.

- Unemployment, which condemns people to unsustainable livelihood.
- Lack of access to production resources such as land and capital.
- Lack of Government policies on Agriculture and the development of rural areas where the greatest geographical concentration of the poor live.
- Lack of resources allocation towards poverty eradication by Governments, Communities, the Private Sector and Development Agencies.
- Population growth and pressure on scarce resources.
- Unfavourable International terms of trade and debt servicing for the developing countries.
- Persistent climatic fluctuations caused by unsustainable consumption patterns of the global rich, among others.

Any of these or their combination can bring about abject poverty in any society.

3.0 THE PLIGHT OF THE POOR IN WEST AFRICA

Poverty has multiple negative effects, many of which have been referenced already. They include levels and standards of consumption inadequate for nutritional and physical health for safe and healthy living, for accumulation of knowledge and skills, and for child care and protection or advancement of the welfare of future generations. The health problems and energy deficiency of the poor contribute to absenteeism in the work place, and limited capability for extended spells of work, while education and training deficiencies directly constrain productivity. In these circumstances, our societies are not making fullest use of their human resources. The poverty of workers contributes to the underachievement of productivity and economic growth.

However, the economic growth connections are not limited to workers. Deteriorations in environmental quality are often associated with conditions of poverty. Examples are squatter settlements, poor waste disposal and sanitary practices, deforestation, each of which reduces quality of life for the society as a whole and through the resource costs of remedial action in the areas of health, security and law and order, to name a few, weaken the impetus for economic growth.

Poverty itself also contributes to social exclusion, loss of self-confidence, loss of psychological health, social alienation and absence of commitment to a communal future. Furthermore, even though poverty is not the only cause of crime, it is a cause. The poor are also more vulnerable to natural hazard occurrences because they tend to reside in hazardous locations with greater exposure to floods, windstorms and landslides because their quality of housing does not usually conform to codes for disaster-risk reduction, and because of the temporary or 'casual' nature of their employment made them usually the first to be laid off when production is disrupted especially in the tourism and agricultural sectors.

Ladies and Gentlemen, permit me to take you through a panoramic view of the deplorable conditions of the West African States in relations to their contemporaries in the world.

TABLE ONE- HUMAN DEVELOPMET INDEX IN WEST AFRICA.

COUNTRY	LIFE EXPECTANCY (YEAR)	ADULT LITERACY (RATE)	POPULATION (MILLIONS)	PROPORTION LIVING IN RURAL AREAS	POVERTY LIVING BELOW US$1 A DAY
NIGERIA	46.5	69.1	141.4	52.3%	70.8%
GHANA	59.1	57.9	22.6	50.7%	44.8%
S/LEONE	41.8	34.8	5.6	51.0%	90.2%
LIBERIA	44.7	51.9	3.4	50.0%	92.4%
THE GAMBIA	58.8	32.6	1.6	40.0%	87.5%

Looking at the positions of these countries among the nations of the world, one can easily draw reasonable conclusions from the data available. The table below shows the ranking of the 1st 177 countries of the world.

TABLE TWO – RANKING AMONG THE 1ST 177 COUNTRIES OF THE WORLD.

COUNTRY	HDI	LIFE EXPECTANCY	GDP PER CAPITAL
NIGERIA	**158**	**165**	**160**
GHANA	**135**	**137**	**126**
S/LEONE	**177**	**173**	**169**
LIBERIA	**DID NOT ENTER**	**DID NOT ENTER**	**DID NOT ENTER**
THE GAMBIA	**155**	**138**	**144**

In all the variable of ranking as above none of the West African states entered the first 100 countries in the world out of the 177 considered. This is not only a disturbing statistic; it must be a cause for serious concern to all of us.

In West Africa as at 2007, the following statistic also obtained:

i) 1 in every 3 are without adequate shelter
ii) 1 in every 5 have no access to safe water
iii) 1 in every 7 have no access to health services
iv) 1 in every 4 live without electricity
v) 3 in every 4 people living on less than US$1 a day are found in the rural areas

The challenges facing West African Countries especially the Anglophone West Africa sub-region are daunting. They have one of the highest proportions of their population in extreme poverty and may not be able to meet the Millennium Development Goals (MDGs) by 2015 as agreed at the United Nations in 2000.

One of these daunting challenges is the need to eradicate extreme poverty and hunger and to develop a global partnership for development. If we are to be realistic and committed to these goals, Micro-insurance is one of the best rational options for poverty eradication in our sub-region. The early we all realize this obvious fact the better for all of us. As a new market for the private sector, Micro-insurance occupies a place in what C.K. Prahalad calls the 'bottom of the income-pyramid' made up of the poor and the low income households living on less than US$1500 a year.

Countless explanations have been put forward for the despairing situation of the many millions of poor people in West Africa. And about 80% of the West African poor citizens live in rural areas. Employment is informal, family or self-oriented and mainly in agriculture, providing only seasonal and fluctuating cash flows. Inadequate roads and lack of transportation and communication isolate the poor from economic opportunities (Thanks to the almighty GSM today) and limited access to social services including health, food, sanitation, education and lack of access to the formal sector.

The settlements of the poor are commonly found in hazardous or coastal areas where nobody else has use of the land. These slums are highly inflammable, structurally very weak and prone to all forms of social, political, natural and epidemic risks.
This pitiable situation of the poor in West Africa, calls for urgent and sustainable process of poverty alleviation to which Micro-insurance may just be our saviour.

3.1 **THE IMPACT OF THESE RISKS ON THE POOR**

All over the world, the poor households face difficulty in generating regular and substantial income and are extremely vulnerable to economic, political and physical down turns.

Additionally, the inequality, lack of diversification and social injustice faced by the poor mean that unexpected losses can only be met from existing funds; there are limited opportunities to find others sources of income or assistance. The risk is that some perils such as death, sickness, accident or old age may interrupt income, forcing the disposal of productive assets or household consumables to recover from the loss, which in turn decreases future income and current livelihood.

The frequency of losses is also greater on the poor, life expectancy is lower, and illness, disability and crime rates are higher than the average citizens. Crimes such as theft and violence occur regularly in a poor neighbourhood, where there are no adequate means of safeguarding assets. Cheaply constructed houses in slum areas are more like to be destroyed by fire and natural disasters, spiraling many households into poverty following the depletion or damage the productive assets. Peasant Farmers are more regularly affected by flood, Locust and other pests' destructions, draught and the likes than the mechanized Farmers.

It is therefore important that the poor are protected from these risks not only to directly alleviate poverty but at least to enable the benefits of other measures such as education, gender equality, sanitation, employment opportunities, population control, healthcare and nutrition to be realized.

4.0 **MICRO-INSURANCE PRACTICE IN WEST AFRICA.**

All over the world, Insurance has been found to be a major player in the socio-economic development of societies and more recently in the strive towards poverty eradication in our societies. Insurance in West Africa cannot therefore be an exemption. Given its rightful place in this poverty alleviation crusade, Insurance can help tremendously in uprooting completely the causes and effects of poverty in our societies.

To provide protection against risks the poor have in the past developed informal and non-Insurance mechanisms such as;

i) Diversifying income sources
ii) Building assets by saving money, stocking food and investing in housing and healthcare
iii) Strengthening social networks
iv) Participating in reciprocal borrowing and lending systems, welfare associations and other informal group-based insurance systems
v) Enrolling in formal insurance or pension schemes or other formal social security systems
vi) Managing money well by controlling consumption and maintaining acess to multiple sources of credit.
vii) Selling assets, exchanging gifts, cash transfer, diversifying crops

In West Africa, people had tried "OSUSU" as a means of providing for unforeseen contingencies. Unfortunately these have proved inadequate and have instead retarded economic growth and social mobility. Many elderly people live in Poverty due to limited access to pension plans and saving facilities. These are the specialties of Micro-insurance Products today. Since Loan facilities are increasingly impossible to access by the poor, the Micro-Insurance principles take cognizance of the situation of the poor and hence created products and services that are at the reach of the poor.

4.1 WHAT IS MICRO INSURANCE?

Micro Insurance is a financial arrangement to protect low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved (Craig Churchill, 2006). This definition Churchill adds does not refer to:

i. The size of the risk-carrier – some are small and even informal, others very large companies;
ii. The scope of risk – the risk themselves are by no means 'micro' to the households that experience them;
iii. The delivery channel which can be done through variety of different channels including small community-based schemes, credit chains or other types of micro finance institutions, but also by enormous multinational insurance companies.

Micro Insurance is synonymous to community-based financing arrangements (Peter et al, 2002), including community health funds, mutual health organisations, rural health insurance, revolving drugs funds and community involvement in user-free management. Most community financing schemes have evolved in the context of severe economic constraints, political instability and lack of good governance. The common future within all is the active involvement of the community in revenue collection, pooling resource allocation and frequent service provision.

Insurance functions on the concept of risk pooling, and likewise regardless of its small unit size and its activities at the level of single community, so does micro insurance. Micro insurance links multiple small units into layer structure, creating networks that enhance both insurance functions through broad risk pools and support structures for improved governance i.e. training data bank, research facilities, access to reinsurance, etc. This mechanism is concerned as an autonomous enterprise, independent of permanent external financial lifelines and its main objective is to pool both risks and resources of whole groups for the purpose of providing financial protection to all members against the financial consequences of mutually determined risks.

These definitions suggest the following critical features of micro insurance:

i. Transaction are low-cost and reflect members willingness to pay;
ii. Clients are essentially low-net-worth but not necessarily uniformly low;
iii. Communities are involved in the important phases of the process such as package, design and rationing of benefits;
iv. The essential role of the network of micro insurance units over and above what each can do when operating as a stand-alone entity;
v. And finally that cooperation among stakeholders is the key to successful provision of micro insurance to the poor, who are the teaming population in West African mainly illiterates and are of low-income group who could hardly afford the prices of the conventional insurance products, currently sold by commercial insurers.

Others include:

i) Small benefits amounts
ii) Clearly defined and simple rules and restrictions
iii) Easily accessible claims documents requirements
iv) Fast payment of benefits
v) Specially adapted client education
vi) Affordable premiums payable in small amounts
vii) As exclusive as possible.

To thread successfully in this unpopular road, the insurance practitioners must be facing or are ready to face some obvious challenges. The key principles of innovation for this market with enormous potentials are;

i) Conventional wisdom in delivery of products and services has to be challenged
ii) Significant investment in customer education is imperative
iii) Volume is a basis for returns on investment
iv) Technology has to be combined with the existing infrastructure
v) Government huge investment in guarantee confidence in the sector by the private sector is paramount

The challenges of micro insurance in West Africa are many. It is vital to know that our local conditions are unfavorable, Premium income is low, administrative costs are relatively high and infrastructure for insurance support is lacking. These explain why the commercial insurers in West Africa have not taken more interest in this market. Reaching the poor people, many of whom are illiterates and make a living in the informal economy is difficult. And benefit of insurance is often misinterpreted since most of them do not understand why the premiums are not refunded if no claim is made.

These challenges are compounded by the following;

- ❖ No mechanism to systematically reach the informal workers- workers are unorganized
- ❖ No employer contribution
- ❖ The poor may not be able to afford the full cost
- ❖ Insufficient government resources to cover recurring expenses and
- ❖ Inadequate infrastructure to provide appropriate services

Micro-insurance as social security therefore:

- ❖ Fills the gap to provide coverage to the excluded
- ❖ Responds to an urgent need in the absence of formal social security
- ❖ Creates delivery mechanisms to extend government programmes to the informal economy
- ❖ Strives to integrate the informal and the formal

The institutions or set of institutions implementing micro-insurance are commonly referred to as a Micro Insurance Scheme.

There are government policies and programmes to reduce poverty and vulnerability by diminishing people's exposure to risk and enhancing their capacity to protect themselves but in West Africa; these programmes are not particularly effective. The main obstacles being:

i. No mechanisms to systematically reach informal workers
ii. No employer contributions
iii. The poor cannot afford the full costs
iv. Insufficient government resources to cover recurring expenses
v. Inadequate infrastructure to provide appropriate services

4.2 HISTORICAL DEVELOPMENT OF MICRO-INSURANCE

Micro-insurance is not a new invention. The industrial life assurance sold at factory gates in American cities in the early 1900s made the then Metropolitan life insurance company the largest company – not just as an insurance company but among all companies in the world at the time. Their industrial life assurance is the forerunner of what today is known as commercial micro-insurance.

It was simply a response to a market demand managed in a manner that made the products appropriate for the market. The delivery channels – agents at each factory gates – were specific to this market. The premiums reflected the particular risks of the factory worker market. Coverage responded to the workers specific needs, premium collection – on pay day as the workers exited the factories – were efficient. In general, industrial life assurance was then a response to a market that provided access to quality insurance products for low income workers and access to a large market for the insurers.

Today the need to meet the demand of the poor is becoming increasingly significant as majority of the population in West Africa especially live in the rural areas where access to micro-finance has been limited and hence insurance provisions at low ebbs. Consequently, the provision of insurance products to micro-finance clients is becoming increasingly common and popular. Much has been learnt over the past decade about how to design products to better meet the needs of the poor.

The provision of any financial services to the poor must start with an understanding of client demand.

4.3. FINANCIAL NEEDS OF POOR PEOPLE

In developing economies and particularly in the rural areas, many activities that would be classified in the developed world as financial are not monetized: that is, money is not used to carry them out. Almost by definition, poor people have very little money. But circumstances often arise in their lives in which they need money or the things money can buy.

In Stuart Rutherford's recent book *The Poor and Their Money*, he cites several types of needs:

- *Lifecycle Needs*: such as weddings, funerals, childbirth, education, homebuilding, widowhood, old age.
- *Personal Emergencies*: such as sickness, injury, unemployment, theft, harassment or death.
- *Disasters*: such as fires, floods, cyclones and man-made events like war or bulldozing of dwellings.
- *Investment Opportunities*: expanding a business, buying land or equipment, improving housing, securing a job (which often requires paying a large bribe), etc.

Poor people find creative and often collaborative ways to meet these needs, primarily through creating and exchanging different forms of non-cash value. Common substitutes for cash vary from country to country but typically include livestock, grains, jewellery and precious metals.

Recent studies have also shown that informal methods of saving are very unsafe. For example a study by Wright and Mutesasira in Uganda concluded that "those with no option but to save in the informal sector are almost bound to lose some money – probably around one quarter of what they save there.

4.4 <u>MICRO INSURANCE PRODUCTS</u>

In Stuant Rutherford's recent book, "The poor and their money", Rutherford (2000) cites several types of financial needs of the poor people. These include:

(a) Lifecycle Needs – such as weddings, friends, childbirth, education, home building, widowhood, old age, etc.
(b) Personal Emergencies – such as sickness, injury, unemployment, theft, harassment or death.
(c) Disasters – such as fires, floods, cyclones, and man-made events like war or bulldozing of dwellings.
(d) Investment opportunities – such as expanding a business, buying land, buying equipments, improving housing, securing a job, etc.

The work of Rutherford, Wright and others has caused practitioners to reconsider a key aspect of the micro-credit paradigm: that poor people get out of poverty by borrowing, building micro-enterprises and increasing their income. The new paradigm places more attention on the efforts of poor people to reduce their much vulnerability by keeping more of what they earn and building up their assets.

While they need loans, they may find it as useful to borrow for consumption as for micro-enterprise. A safe, flexible place to save money and withdraw it when needed is also essential for managing household and family risk.
Poor people over the years have found creative and often collaborative ways to meet these needs, primarily through creating and exchanging different forms of non-cash value. Hence, the idea of micro insurance cannot be totally strange to them.

Therefore, micro insurance can be offered in the following areas:

(a) Health risks
   i. Illness
   ii. Injury or
   iii. Death

(b) Property risks
   i. Damage
   ii. Loss

(c) Agricultural risks
   i. Low yield
   ii. Livestock
   iii. Theft
   iv. Fire

(d) Life risks
   i. Travel risks
   ii. Death
   iii. Disability risks
   iv. Accident risks

(e) Natural disasters
   i. Ecological risks
   ii. Wind & storm
   iii. War and warlike risks
   iv. Fundamental risks

It must be noted that the poor are not homogeneous risk. Individuals in the low-income bracket have needs and preferences that may vary. Micro insurance product design must therefore reflect this heterogeneity and premium payments should be tailored to the customers' cash flow position. Micro insurance product should therefore have the following key attributes:
(a) Coverage

(b) Accessibility
(c) Timeliness
(d) Credibility and
(e) Value for money

4.5 THE PLACE OF MICRO-INSURANCE

In advance societies, micro-Insurance is the name given to Insurance for the poor. Such Insurances are the most effective means of reducing the vulnerability of the poor from the impacts of disease, theft, violence, disability, fire and other hazards. Insurance protects against unexpected losses by pooling the resources of the many to compensate for the losses of the few, the more uncertain the event the more Insurance becomes the most economical form of protection. There is hardly any need of the poor that insurance cannot take care of both in terms of wealth creation and their sustainability. See table below.

TABLE1–MICRO-INSURANCE PRODUCTS FOR POVERTY ALLEVIATION

Class of Insurance	Needs of the Poor	Micro-Insurance Products
Life Assurance	1. Death	(Terms Assurance, Mortgage Protection Policy, Group Life)
	2. Disease	(Sickness policies, Permanent health Insurance, Medical Expenses Insurance).
	3. Funeral	(Burial policies, Industrial life Assurance)
	4. Invest/Savings	(Endowment Assurance, Unit linked, with profits policies)
	5. Child care	(Children Educational Endowment, School Fees, Deferred Child Assurance).
	6. Old age	Pension and retirement benefits, Annuities)
	7. Wealth Creation	Universal Life Assurance, deferred assurance
	8. Religious needs	Islamic Insurance – (Takaful) Hajj Policy etc.
General Insurance	1. Loan	Mortgage protection policy, Group Personal Assurance etc.
	2. Asset Protection	Fire, theft, goods in transit, money Insurance Engineering Insurance, etc.
	3. Liability protection	Liability Insurances; public liability, product liability Employers liability, professional indemnity, legal expense liability etc.
	4. Agricultural risks	Agric-Insurance; crops, Animal, Poultry, Fishery, Machinery etc.

	5. Maritime risk 6. Aviation 7. Tourism Risks	Marine Insurance cargo, voyage, time, freight carrier, Transit etc. Cargo, liability. Traveler's policy, Personal accident, medical expense/sickness policy, Boat traveler's policy.
NHSS	Society Security	Unemployment, Medicare, Housing, Student loan, Widow allowance, old age benefit, etc.

These policies can either be provided by the conventional Insurance Companies or by a cooperative Insurance society formed by the people themselves for that purpose. A cooperative insurance unit or a micro-insurance unit can also be set up by an insurance company to provide insurance for the poor in the society. With the high capitalization of Insurance Companies in Africa, operations in these areas will be ready investment avenues for our companies.

4.6 THE PLACE OF TAKAFUL (ISLAMIC) INSURANCE

Permit me to provide further insight into the importance of Islamic Insurance as a poverty alleviation mechanism.

Worldwide the Muslim population in 2001 stood at 1,433.71 million or 23% of the total population, of which 1,385.45 million are based in Asia and Africa. Muslims account for 47% of the population in Africa, 27% in Asia, 7% in Europe and 2% in North America (Fejlahi 2001).

Muslims around the world are commonly faced with low-income levels and lack access to social security systems, healthcare, and education, sanitation and employment opportunities (Sabbir Patel 2002). There is growing inadequate infrastructures in Islamic countries even in the rich Arab nations due to increasing populations and a wave of cheap immigrant labour. It is therefore important that some risk protection mechanism is available to lower the vulnerability of the Muslim population.

While conventional Insurance Companies do operate in Islamic countries, their services are limited to commercial needs and to the elite sector of the population. Insurance penetration in Islamic countries is low. This is because conventional Insurance Policies contain elements that are contradictory to Islamic principles, namely uncertainty (Gharar), gambling (Maisir) and interest (riba) (sigma 2001).

However Insurance in Islam has existed since the early secured century of the Islamic era when Muslim Arabs expanding trade into Asia mutually agreed to contribute to a fund to cover mishaps or robberies along the numerous sea voyages. Muslim jurists have therefore concluded that Insurance in Islam should be based on principles of mutuality and cooperation and encompasses the elements of shared responsibility, joint indemnity, common interest and solidarity (Fisher 1999, Yusof 1999 and Shakir 1999).

Takaful is therefore the form of Insurance deemed permissible for Muslims under Shariah Law (Islamic Law). The fundamental philosophy of Takaful is the same as that of the conventional with added restrictions on investments and more flexibility on capital formation.

Since the first takeful Insurer, the Islamic insurance company of Sudan was established in 1979, there are now almost 100 Takaful Companies around the world. In addition, the conventional Insurance Companies have also imbibed the principles underlying the takaful insurance and are therefore selling takaful policies.

With the existing Insurance Schemes available, takaful products in Africa, will protect the middle and working classes from falling into poverty in the event of a large loss. Establishing "Micro-takaful" schemes in Africa will also enable insurance to become much more acceptable and accessible to the poor.

Insurance can assist in achieving greater equality and empowerment of the poor by protecting them against unforeseen losses and giving them the courage to improve their productivity and livelihood through access to education, healthcare and employment. Insurance can ensure that the foundation on which poverty alleviation is built is strong enough to keep the individual out of poverty.

4.7 STRATEGIES FOR THE PROVISION OF MICRO-INSURANCE.

The environment of each country, each region and each village is different and its insurance requirements are also unique, therefore to put forward a standardized approach to establishing a micro-Insurance scheme for Countries in Africa would be impracticable. However the following process summarizes my suggestions to achieving a sustainable and viable Insurance scheme for the poor in Africa.

First, we must involve all the three levels of the society, in our efforts to provide insurance to the poor. These include:

- ❖ The Governments.
- ❖ The organized Private sector. and
- ❖ The Civil Societies.

The WDR 2004, **Making Services Work for Poor People**, authored by a team led by Shanta Devarajan and Riva Reinikka, warned that "*broad improvements in human welfare would not occur unless poor people received wider access to affordable and improved services in Health, Education, Water, Sanitation, and Electricity. Without such improvements in services, freedom from illness and freedom from illiteracy – two of the most important ways poor people escape poverty- would remain elusive to many"*. The only viable way to achieve this is by making effective use of the involvement of these three layers of our societies especially the Civil Societies who are closer to majority of the poor in our rural areas.

In the WDR 2005, tagged **A Better Investment Climate for Everyone**, the Report concluded that "*accelerating growth and poverty reduction required Governments to reduce the policy risks, costs and barriers to competition facing firms of all types- from farmers and micro-entrepreneurs to local manufacturing companies and multinationals"*. Hence Governments of African Countries have a lot to do in this crusade for poverty alleviation in Africa. They must create the enabling environments for the organized private sector and the civil societies to operate effectively.

Generally, achieving responsible growth and considerable reduction of poverty in our societies will require concerted efforts in establishing a more balanced relationship between the rich and the poor countries, opening up trade, fostering agricultural productivity, delivering water and energy, managing the environment and natural resources, building health and human capital, and attaining social equity and inclusion in our societies and above all taking out the consequential risks of life through micro insurance provision to the poor.

Action plans for sustainable development such as Agenda 21 or the Millennium Development Goals adopted at the UN Millennium Summit 2000, can only be achieved if all stakeholders will come together to champion the solutions that will have long-term effects and are resolute to implementing their decisions to the letter in a partnership forms. It is through collective responsibility such as this and group actions that hope can be brought about for the millions of poor people in Africa.

My recommendations here are therefore inline with the current governments' vision 2015 tagged the Million Development Goals (MDGs). I have recommended steps that could be taken to move the insurance industry in Africa close to the ideal in terms of the provision of Micro insurance to the poor in the next twenty years. (See table 2 - below).

4.7.1 THE TYPOLOGY OF MICRO-INSURANCE

There are four main methods of offering micro-insurance. These include:

- Partner-Agent Model – Scheme for delivery and marketing; agent for design and development;
- Full service Model – Scheme in charge of all;
- Provider-driven Model – Healthcare provider responsible for all;
- Community-based/Mutual Model – Policyholder or clients in charge.

One of the greatest challenges for micro-insurance is the actual delivery to clients. Methods and models for doing so vary depending on the organization, institution, and provider involved. In general, there are four main methods for offering micro-insurance the partner-agent model, the provider-driven model, the full-service model, and the community-based model. Each of these models has their own advantages and disadvantages.

- **Partner- agent model**: A partnership is formed between the micro-insurance scheme and an agent (insurance company, microfinance institution, donor, etc.), and in some cases a third-party healthcare provider. The micro-insurance scheme is responsible for the delivery and marketing of products to the clients, while the agent retains all responsibility for design and development. In this model, micro-insurance schemes benefit from limited risk, but are also disadvantaged in their limited control.
- **Full service model**: The micro-insurance scheme is in charge of everything; both the design and delivery of products to the clients, working with external healthcare providers to provide the services. This model has the advantage of offering micro-insurance schemes full control, yet the disadvantage of higher risks.
- **Provider-driven model**: The healthcare provider is the micro-insurance scheme, and similar to the full-service model, is responsible for all operations, delivery, design, and service. There is an advantage once more in the amount of control retained, yet disadvantage in the limitations on products and services.
- **Community-based/mutual model**: The policyholders or clients are in charge, managing and owning the operations, and working with external healthcare providers to offer services. This model is advantageous for its ability to design and market products more easily and effectively, yet is disadvantaged by its small size and scope of operations.

Micro insurance functions like the conventional insurance services. The use of the mechanism of insurance implies:

(a) Prepayment and resource pooling;
(b) Risk sharing – those affected by predetermined risks are compensated and those not exposed to these risks do not get their contributions back;
(c) Guarantee of coverage – a financial compensation for a number of risks, in line with a predetermined benefit package.

Micro insurance in its broader sense therefore refers to a movement that envisions "a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance and fund transfers.

These recent studies in Africa have caused a paradigm shift in the way the poor meet their financial needs. The results points to the fact that the poor people get out of poverty by borrowing, building micro enterprises and increasing their income. These new paradigm places more attention on the efforts of poor people to reduce their many vulnerabilities by keeping more of what they earn and building up their assets. While they need loans they will also find it more useful to buy micro insurance products as a rational option for poverty alleviation.

There are some basic problems as to how to rationally justify the impact of micro insurance in eradicating poverty in West Africa. How do we measure the relationship between micro insurance and poverty alleviation? How do we assess with a balance of probability the actual effectiveness of micro insurance as a tool for economic development especially in West Africa? How do we secure a reliable statistics for rating micro insurance risks? How do we ensure the enthusiasm of the West African poor people in buying insurance, let alone micro insurance products? What level of cooperation can the financial institutions have with the micro insurance schemes? What will be the government's role in this process? And how can we ensure sincerity of purpose among the micro insurance providers?

These and several other questions are begging for answers if micro insurance will be realistically profitable in West Africa.

Clearly efforts need to be redoubled towards insurance growth in West Africa which must be inclusive and of real value to the poor. The challenge though universal, the solutions must be location-specific. Every member country of West Africa must develop unique solutions to the problem of poverty alleviation in our societies.

I have also recommended the path towards a viable and sustainable micro-insurance scheme for Africa. (See Appendix 1 and 2 below).

4.8. DIMENSIONS OF MICRO INSURANCE

To provide effective Micro insurance products in West Africa the following dimensions of Micro insurance must be thoroughly considered:

1. Micro Insurance Organisational Structure

The purpose of looking at the organisation structure is to demonstrate the ability of an insurance company to manage and monitor micro insurance as an independently viable business in the rural sectors of the Africa economy.

2. Marketing and Distribution of Micro Insurance

The purpose of this dimension is to measure the effectiveness of distribution and marketing which are both important for micro insurance programme sustainability. Marketing and distribution effectiveness is one of the most important requirements for the long-term sustainability of a micro insurance scheme. Without successful marketing, the organisation is unlikely to reach or attain the critical mass that it needs to survive.

3. Financial Management and Viability

The purpose of this dimension is to assess the quality and practices of financial management and the viability of the micro insurance programme in the long run especially in West Africa.

4. Risk Management

Here the purpose is to assess the risk management practices required of an MI provider. It is crucial to identify development trends and analyse results in order to monitor risk and to make well-informed management decisions.

5. Investment Management

The purpose here is to assess the Micro Insurance programme's investment related practices that will match the nature of funds generated through micro insurance since investment mismatch could push the organisation into bankruptcy and imperil the long-term sustainability.

6. Operations Management

The purpose of this dimension is to assess key micro insurance management practices to see how they can deal with procedures and service delivery that will bring about customer satisfaction. Such issues as:

- Separation of data
- Collection of relevant and accurate data
- Production of financial statements
- Calculation and setting of Premiums and Reserves
- Efficient claim monitoring
- Clear investment policy
- Right technical insurance expertise
- Transparency in operations

7. Economic, Client Value and Service

The purpose of this dimension is to assess client value and service. Good product value is one of the most important catalysts for the participation rate and for the programme to remain viable. We must note here that the poor desire to be empowered, they are in the best position and have the greatest determination to escape poverty. All they want is a fair chance to achieve it. Micro-insurance through the protection and security it provides, and its pro-poor principles, empowers individuals to have the capability to secure a better future for themselves and for subsequent generations.

8. Government support

Micro-insurance cannot achieve these envisaged contributions to poverty eradication without adequate government support. The government must support the development of Micro-insurance through promotion and sensitization of public opinion and other measures such as:

i) Building the capacity of Micro-insurance schemes through improved management and monitoring systems
ii) Strengthening the viability and financial capacity of the schemes, for example through reinsurance or guarantee funds
iii) Supporting structures like second-tier associations or networks that provide technical support and training to Micro-insurance schemes.
iv) Facilitating the exchange of information between actors to make sure that successful experiences can be replicated with other groups or in different geographical areas
v) Formulating recommendations on design; benefits package, affiliation, administration, methods of payment to healthcare providers

vi) Establishing structures to produce information that can be used by these schemes to price their products more accurately.

4.9 MICRO-INSURANCE IN WEST AFRICA-JOURNEY SO FAR

When we begin to ask ourselves about the journey so far in the practice of Micro-insurance in West Africa, must then be under the assumption that Conventional Insurers in West Africa have been offering micro-insurance products and services to the population of the poor in both urban and rural areas of the sub-region. Even though statistics are hard to find in this part of the world, there seams to be little or no progress so far made in ensuring that insurance services reach this segment of our society. By our current insurance practices, it will be difficult to get the poor in West Africa to subscribe to our products and services. ***Currently out of the 4billion people on earth who live on less than $2 per day, fewer than 10million have access to insurance. i.e. 2.5% of the world population have access to insurance.***

We have given the several reasons responsible for this position and thus the need for the insurance industry in our sub-region to brace up to the challenges of the moment. No systematic effort to map the distribution of microfinance has yet been undertaken. A useful recent benchmark was established by an analysis of ‘alternative financial institutions’ in the developing world in 2004. The authors counted approximately 665 million client accounts at over 3,000 institutions that are serving people who are poorer than those served by the commercial banks. Of these accounts, 120 million were with institutions normally understood to practice microfinance, but not including micro-insurance.

Reflecting the diverse historical roots of the movement, however, they also included postal savings banks (318 million accounts), state agricultural and development banks (172 million accounts), financial cooperatives and credit unions (35 million accounts) and specialized rural banks (19 million accounts). Most of these efforts are in the Banking and finance sectors of the developing economies which conspicuously excluded micro-insurance products and services.

Regionally the highest concentration of these accounts was in India (188 million accounts representing 18% of the total national population). The lowest concentrations were in Latin American and the Caribbean (14 million accounts representing 3% of the total population) and Africa (27 million accounts representing 4% of the total population). Considering that most bank clients in the developed world need several active accounts to keep their affairs in order, these figures indicate that the task the microfinance movement has set for itself is still very far from finished. If this is true for Microfinance, you can all join me to echo what to say about micro insurance in Africa and especially West Africa.

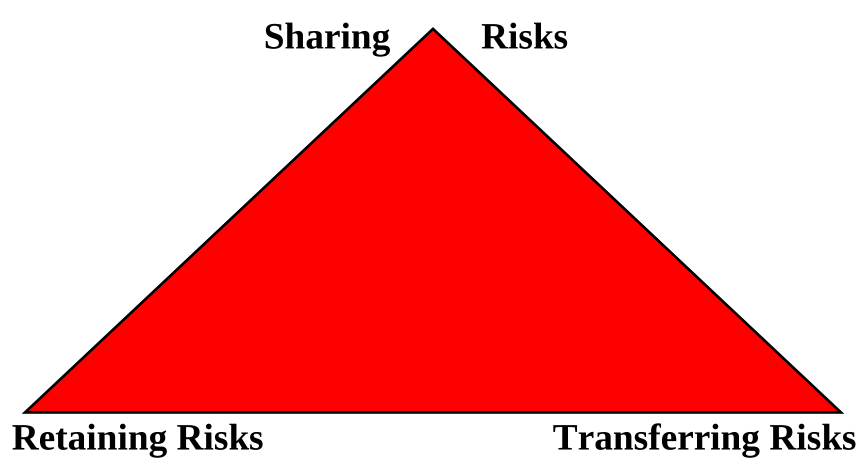
An important source of detailed data on selected microfinance institutions is the *Micro-Banking Bulletin*. At the end of 2006 it was tracking 704 MFIs that were serving 52 million borrowers ($23.3 billion in outstanding loans) and 56 million savers ($15.4 billion in deposits). Of these clients, 70% were in Asia, 20% in Latin America and the balance of 10% in the rest of the world including Africa.

As yet there are no studies that indicate the scale or distribution of 'informal' microfinance organizations like ROSCAs and informal associations that help people manage costs like weddings, funerals and sickness. Numerous case studies have been published however, indicating that these organizations, which are generally designed and managed by poor people themselves with little outside help, operate in most countries in West Africa.

Generally all over the world, as weather-related natural disasters increase, so does the vulnerability of the poor. We need to build inclusive financial sectors for impoverished communities to help them better cope with risks. In Nigeria for example many catastrophic natural disasters happened unmentioned, unlike the Hurricane Katrina, Hurricane Andrew and the like most celebrated because they happened in God's own Country. Thousands of poor Nigerians died as a result of the Ikeja Bomb blast, which should have been named "Hurricane Onigbongbo" if it had happened in America, but how much attention did that received? Together we need to come up with not just conferences on micro-insurance as an industry, but also solutions and turn those solutions into actions by which our rural populace in West Africa can be liberated from abject poverty.

Today the poor in West Africa are not homogeneous in their level of poverty, They defer in their needs and preferences and thus Micro-insurance products must be tailored to meet their specific needs so as to replace their current haphazard approach to risk management to a more coordinated approach. Currently these haphazard approaches are in three dimensions as shown in the figure below.

FIGURE 2 - THE POORS' WAYS OF COPING WITH RISK



Many Countries such as Singapore, Argentina, Canada, and Sweden have well-established and large cooperative insurers owned and controlled jointly by a number of cooperative businesses and organizations. In others like the United Kingdom, France, Germany, Finland, New Zealand, Costa Rica and even South Africa, There are successful and well-run mutual benefits Insurers own by individual policyholders.

The table below shows some of the prominent micro-insurance products.

SUMMARY OF MAJOR MICRO-INSURANCE PRODUCTS.

PRODUCTS	COUNTRY	PEOPLE NSURED	BENEFIT OFFERED	PREMIUM INCOME
CARD MBA	PHILIPPINE	600,000	CREDIT LIFE	1.5% OF LOAN
SERVIPERU	PERU	6,700	HEALTH, FUNERAL	US$1.43-5.80PER MONTH
YASIRU	SRILANKA	9,000	LIFE, ACCIDENT, FUNERAL	US$1.20-18.00 PER YEAR
GRAMEENKALYAN	BANGLADESH	117,000	HEALTH	US$0.88-1.76 PER YEAR
SEGUROS LA EQUIDAD	COLOMBIA	28,000	LIFE, DISABILITY	US$1.00-15.00 PER MONTH
TATA AIG	INDIA	15,000	ENDOWNMENT,TERM	U$0.01-0.57 PER MONTH
DELTA LIFE	BANGLADESH	1,000,000	ENDOWNMENT WITH PROFIT	US$2 PER US$20 FACE VALUE PER YEAR
ASEEF	BENIN	3,500	HELTH	US$0.75 PER MONTH
MUTUAL HEALTH	BENIN, GUINEA, KENYA, SENEGAL, MALI, TANZANIA	2,450,000	HEALTH	VARY FROM COUNTRY TO COUNTRY.
MICROCARE	UGANDA	1,000,000	HEALTH	VARY
FUNERAL	NIGERIA	4700	BURIAL	VARY
AGRICULTURE	NIGERIA	25,000	CROP, LIVESTOCK, NATURAL DISASTERS	VARY

5.0 CONCLUSION AND RECOMMENDATION

I can not end this paper without a mention of the efforts that some insurance Companies in West Africa are making at providing what can be termed micro insurance policies to the poor in their various countries of operations. An analysis of existing attempts will reveal that their efforts are either in direct involvement or indirect involvement of the poor in such activities.

5.1 DIRECT INVOLVEMENT

These may include Insurance companies which are set up by mutual or cooperative societies to provide insurance services to their members and sometimes to other non-members. The form of insurance policies written by these types of companies is in the likes of micro insurance policies. They provide reduced premiums on policies; allow installment payments of premiums and premiums are collected more regularly than done under the conventional insurance policies. A good Example is the Unique Insurance Company in Ghana doing wonderfully well with their owner's insurance needs the Workers Transport Union of Ghana.

5.2 INDIRECT INVOLVEMENT

These are Insurance companies owned by others who extend their services to the poor by way of Small scale loan guaranteeing policies, Credit guarantee policies, self-employed retirement policies, injury covers done in a way to allow the poor access. I am not unaware of these efforts going on in West Africa today. But looking at the magnitude of the solutions required to make these efforts significant, one cannot but stress the need for greater improvements in these areas. We must harness these efforts and further advance the cause of poverty alleviation or eradication through the instrumentality of insurance in West Africa.

5.3 PROMOTING INSURANCE TO THE POOR

Many people, rich or poor, are reluctant to buy insurance because they do not want to think about loss, illness or death. But risk for which insurance is aimed at controlling is a concomitant of life. Regardless of whatever problems insurance may have had in the past, its core values are indispensable. Why then should the poor resist this great idea?

- i) They often lack familiarity with insurance and it roles
- ii) Insurance benefits are intangible
- iii) If there is no claim experience they would think they have wasted their money
- iv) They have short term perspective to life
- v) They occasionally if not always distrust insurance providers

Hence marketing micro-insurance to the poor will demand aggressive sales practices that will undermine efforts to create an insurance culture among the poor. Consequently, the promotion of micro-insurance requires ***social marketing techniques*** along with ***financial education*** to change their attitude towards insurance. Micro-insurance Marketing appeals must contain messages such as:

i) Protection through testimonials
ii) Solidarity through mutual assistance
iii) Positive spin through positive expectations
iv) Message of trust in the buyers-sellers dyad.
v) And doing the promise satisfactorily on time

Distinguish Ladies and Gentlemen I am therefore aware that Insurance in West Africa is still a "child". However, it is a child with a difference. It is:

- A child with high initiatives
- A child with capabilities coupled with ability and willingness to grow.
- A child of destiny, with a great future, which if allowed becoming an adult can permanently put a stop to the now loud voice of poverty in our society.

But, how can this child grow?
In the Declaration on the right to development adopted by UN General Assembly resolution 41/128 of 4 December 1996. A part of it says "confirming that the right to development is an inalienable human right and that equality of opportunity for development is a prerogative both of nations and of individuals who make up nations".

It therefore becomes obvious, that poverty eradication or alleviation is not only the responsibility of government but a collective responsibility of everyone.

We in Insurance must begin with conscious efforts at reaching the multitude of poor people living in both the urban and rural areas of our nations. We all have significant roles to pay in this crusade to allow the Industry take its central position in our efforts to eradicate poverty in our society.

- We must stop accepting unmerited criticism of Insurance there is no rational alternative.
- Ignorance is the worst enemy of mankind; the Poor must become knowledgeable about Insurance and its ability to fight poverty effectively, we need to begin a massive campaign through education and training.
- We must individually accept to take this first step today to actualize our responsibility.

The best place to begin a journey is from where you are. (Peter Drucker). Also the Newton Law of motion I was taught in school says "Every object is at a stand still until an adequate and appropriate force is applied". This means nothing will move, until it is moved. We practitioners must begin this great process of educating Africans on the roles insurance can play to help eradicate or at least alleviate poverty in our societies.

We should remember that "a bent tree will never grow straight" so also an impoverished population cannot promote rapid growth and development.

To succeed in our current bid to alleviate poverty, we need good leaders and good followership. "For an army of sheep led by a lion, would defeat an army of lions led by a sheep". There is now an urgent need than ever before, for a great cooperation between the Insurance Industry in our various countries and between the insurance industry in West Africa and others sectors of the West African economy. We need not procrastinate on this. For the future is now!

Thank you and God bless.

Appendix 1

TABLE 2- PROVIDING INSURANCE TO THE POOR IN WEST AFRICA		
STEP ONE	Year Zero	Undertaking feasibility study on the demand for insurance within a pre-existing group such as a credit union or cooperative. It is beneficial that savings and credit facilities are already available to cover small losses of client and introduce a saving culture. The scheme should be compulsory or have a sufficient number of policyholders enrolled before it becomes active, it should also cover a wide range of risks and minimize exclusion.
STEP TWO	Year One	Search for a partner from an established insurance company, preferable a cooperative and negotiate an appropriate agreement for distribution, training products and reinsurance OR set up own insurance scheme, separate to existing services, with limited coverage and simple products (e.g. loan protection and life insurance) and confirm with donor agency or organizations like ICMIF for long term technical assistance and training needs.
STEP THREE	Year One	Establish clear and concise policy wordings, product coverage, and administration system for dealing with applications, claims and payment. Ensure adequate capital reserves.
STEP FOUR	Year One to Five	Education and marketing of insurance concept to policyholders, training of staff on principles and practices of insurance, implement an accurate and timely accounting and information system.
STEP FIVE	Year One to Five	Train staff on cooperative principles, reinsurance, insurance accounting reserving, actuarial calculation and specialist training on different product lines.
STEP SIX	Year Five to Fifteen	Regulatory compliance training for staff, training on investments. Investigate and expand in different product lines, more intense reinsurance training and administer a regional and national network of branch offices.
STEP SEVEN	Year Five to Fifteen	Investigate potential collaboration with other micro-insurance schemes; find equity partners from the cooperative movement or from an established insurer or raise capital from members and lobby government for enabling legislation.
STEP EIGHT	Year Fifteen to Twenty	Obtain reinsurance cover and move towards setting up own cooperative insurance company.

APPENDIX 2

THE PATH TOWARDS A VIABLE AND SUITABLE MICRO-INSURANCE SCHEMES IN WEST AFRICA

Obtain reinsurance cover
Establish cooperative
Insurance company

Lobby government
Capital from members
Micro-insurance collaboration
Equity Partners

Compliance training of Staff Investments training
Investigate and provide additional product
Detailed reinsurance training
Regional and national network

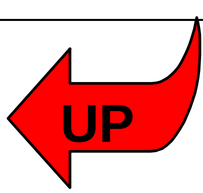
Training staff on cooperative and reinsurance
Principles and basic insurance accounting
reserving and actuarial calculations
Specialists training on marketing underwriting
and distribution of different products

Education and marketing to policyholders
Training of staff and agents on insurance
Implement suitable accounting system

Policy wordings
Policy coverage
Adequate reserves
Administration system

Partner-agent
VS
Own insurance Scheme

Feasibility study
Group participation



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