

# MICROINSURANCE

## PAPER No. 3

### MICROINSURANCE THAT WORKS FOR WOMEN: MAKING GENDER-SENSITIVE MICROINSURANCE PROGRAMS

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## PREFACE

The primary goal of the International Labour Organization (ILO) is to contribute with member States to achieve full and productive employment and decent work for all. The Decent Work Agenda comprises four interrelated areas: respect for fundamental worker's rights and international labour standards, employment promotion, social protection and social dialogue. Broadening the employment and social protection opportunities of poor people through financial markets is an urgent undertaking.

Housed at the ILO's Social Finance Programme, the Microinsurance Innovation Facility seeks to increase the availability of quality insurance for the developing world's low-income families to help them guard against risk and overcome poverty. The Facility, launched in 2008 with the support of a grant from the Bill & Melinda Gates Foundation, supports the Global Employment Agenda implemented by the ILO's Employment Sector.

Research on microinsurance is still at an embryonic stage, with many questions to be asked and options to be tried before solutions on how to protect significant numbers of the world's poor against risk begin to emerge. The Microinsurance Innovation Facility's research programme provides an opportunity to explore the potential and challenges of microinsurance.

The Facility's *Microinsurance Papers* series aims to document and disseminate key learnings from our partners' research activities. More knowledge is definitely needed to tackle key challenges and foster innovation in microinsurance. The *Microinsurance Papers* cover wide range of topics on demand, supply and impact of microinsurance that are relevant for both practitioners and policymakers. The views expressed are the responsibility of the author(s) and do not necessarily represent those of the ILO.

José Manuel Salazar-Xirinachs  
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## CONTENTS

Preface.....	ii
Contents.....	iii
Acknowledgements.....	iv
Summary.....	v
1 > Introduction.....	1
2 > Gender and risk in poor households.....	3
3 > Risk and resource allocation in poor households.....	5
4 > Key risks for poor women.....	7
5 > Traditional risk management and coping strategies.....	12
6 > Gender-sensitive microinsurance programs.....	17
7 > Conclusion: A call to action.....	23
8 > Bibliography.....	26

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## SUMMARY

1. Poor women are especially vulnerable to risks related to health, income generation, old age and death. This paper explores how microinsurance could be designed and delivered to help them manage those risks and contribute to poverty alleviation.
2. Microinsurance refers to the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved.<sup>1</sup> Women are especially good candidates for microinsurance because they respond to different risks in different ways than men and are often particularly vulnerable. To reach them, microinsurance providers must pay attention to the unique characteristics of this segment by:
  - a. **Addressing women-specific risks.** Women face special health risks, such as those related to pregnancy and childbearing, those arising from greater vulnerability to diseases such as HIV/AIDS, and those related to longevity as women are more likely than men to outlive their spouse. These can be compounded due to their position in society: they are more vulnerable than men to domestic violence and often confront greater hardship if divorced. In their role as caregivers, women respond to the needs of dependents and income-earning activities are frequently made secondary to these responsibilities. Their informal sector activities are - more often than not - the only income opportunities for low-income women and also makes this segment more likely to fall victim to risks such as theft of assets and harassment by authorities.
  - b. **Addressing women as household risk and resource managers.** Women play key roles in managing risk and resources for their families and are frequently their family's primary caregiver as mentioned above. As such, women are a natural target segment for insurance companies. These roles make women especially interested in strategies to manage and cope with risks (such as savings or microinsurance) because they are often responsible for dealing with urgent household shocks, such as the health care needs of children, losses to family income due to a spouse's ill-health or death, or ensuring the future of their children in the event of their own death.
  - c. **Addressing gender dynamics in households.** While in some relationships men and women may cooperate over household management, in others they may disagree or come into conflict over how resources are used. Dynamics within the household can be a source of risk for poor women, one that affects how they seek to manage the other risks they face. These relations can affect their ability to purchase microinsurance, and how they want that microinsurance to pay out, i.e. to their children rather than their husbands.

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<sup>1</sup> Craig Churchill, ed. Protecting the Poor: A Microinsurance Compendium, p. 12

The opportunity to use microinsurance to respond to these risks and produce positive impact in the lives of women and their families is compelling:

3. Microinsurance offers potential for positive change, especially for women, precisely because the risks and reactions to risks of women in low-income communities are different than for men. Based on the risks outlined above, the following benefits appear possible:
  - a. Women-specific risks due to longevity, rights of access and recourse, and due to universal perils such as health-shocks or loss of productive assets mean that core features of insurance can have greater impact in this segment. Insurance to manage longer-term risks, such as supporting dependants are in common use in wealthier segments as are those for health and property. More uniquely, however, can be the role of a contractual partner, a formal and regulated insurance company, which helps low-income women to obtain access and recourse.
  - b. Women as household risk managers use their resources to manage and cope with risks, but often miss business opportunities through using inefficient risk strategies. This can also be addressed through formal insurance coverage. Where a contingent risk is better addressed through insurance, women may be able to shift resources from inefficient forms of savings and into income-generating opportunities.
  - c. Women in the household, and more widely through their position in society, have characteristics that may make them more attractive risks to formal insurers. For example, their mobility is usually less than men's, they are more likely to make be more reliable in making regular payments as has been borne out by experience in the microfinance sector.

Together these factors highlight the need and opportunity for microinsurance to be gender-sensitive. Practical recommendations follow:

4. The following attributes should be considered in **designing** gender-sensitive microinsurance:
  - a. Affordable coverage for specific health problems faced by women, especially maternity coverage.
  - b. Extended health insurance cover for the whole family.
  - c. Extended life coverage for the death of a spouse.
  - d. Property and assets insurance, including marital property, that assures that the title is in the woman's name. This can help prevent assets being seized by a husband's relatives in the event of his death.
  - e. Coverage that ensures that children benefit after a woman's death. This may mean giving women a choice of the nominated beneficiary, allowing women to name someone other than their spouse if thought necessary. It may also involve structuring benefits to support children, such as providing money for education or food through longer-term financial payments.

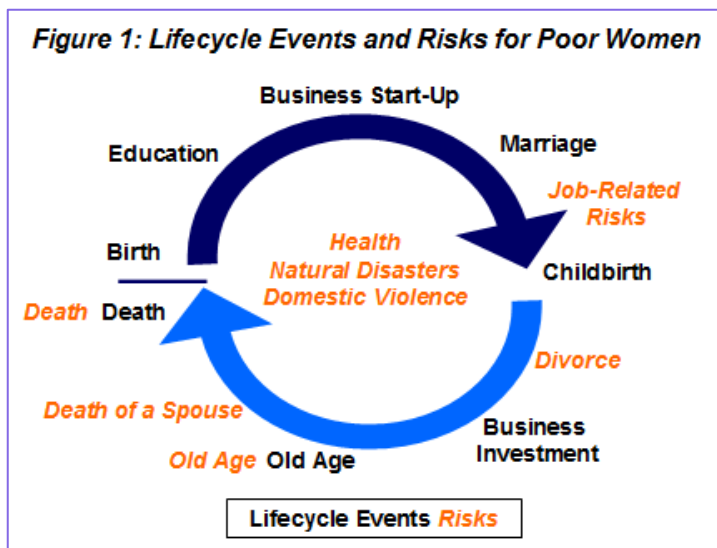
5. Key attributes of **delivery** will make microinsurance more gender-sensitive:
  - a. Coverage that is accessible to borrowers and non-borrowers of microfinance institutions (MFIs).
  - b. Life coverage that is voluntary and flexible.
  - c. Gender-sensitive communication, education and marketing strategies deployed by women sales agents.
  - d. Claims support for women who may require assistance in generating required documentation or in managing other aspects of the claims process.
  
6. This paper is intended to generate discussion of a gendered approach to microinsurance. The research on which it is based vividly demonstrates the concerns women have to manage risk for themselves and for their households. Further work is needed to take this forward and we therefore make a **call to action** and ask that:
  - a. **MFIs and other delivery channels** conduct research on local women's needs for risk management and coping and then work with insurers and donors to develop more gender-sensitive microinsurance programs. This can benefit their business directly by providing additional revenue streams, and indirectly by making their clients more resilient to risks.
  - b. **Insurance companies** work with MFIs and other delivery partners to execute gender-sensitive microinsurance programs.
  - c. **Researchers** investigate the risk management and coping behavior of women, implications for the gender-sensitive design and delivery of microinsurance, and the impact of microinsurance on their lives.
  - d. **Donors** invest in developing gender-sensitive microinsurance by funding research, consumer education, technical assistance, and capacity-building for MFIs and others.



# 1 > INTRODUCTION

When Mary Anyango contracted typhoid in Kisumu, Kenya, her family took her home to die. Across Lake Victoria in Kampala, Uganda, when Betty Waswa was profusely bleeding after the birth of her first baby, she was taken to a good quality hospital, where she was treated and released in good condition. Both women lived on about USD 2 per day. What was the difference? Betty had microinsurance.<sup>2</sup>

For millions of women around the world, the difference between life and death often lies in having an effective way to cope when a disaster strikes. Having coping mechanisms is crucial for poor women, who not only face a heightened vulnerability to risk<sup>3</sup> for themselves, but who also shoulder the burden of managing their family's risks. Over the course of a woman's lifetime, these risks can include health problems for themselves and family members, the loss of



a breadwinner's income due to death or divorce, vulnerability in old age, worry over the care of children in case of own death, domestic violence, job-related risks such as income volatility or on-the-job injuries, natural disasters, and other emergencies (see Figure 1). Unmanaged, any one of these risks can deliver serious and often devastating financial shocks to poor women and their households, potentially intensifying poverty, instability, and vulnerability.

Poor men confront many of these same risks. However, the impact on poor women is far greater. Globally, women comprise 70 percent of the world's poor.<sup>4</sup> They face disproportionate levels of physical vulnerability and violence. They earn less income, often from informal sector employment, with less ownership and control of property.<sup>5</sup> When these vulnerabilities are combined with the responsibility of ensuring the welfare and security of their families, it is clear that women have not only a unique and pressing need for appropriate means to manage risk, but also serve as proxies for the risk management of their entire families.

## THE NEED FOR GENDER-SENSITIVE MICROINSURANCE PROGRAMS

Poor women have traditionally managed and coped with risk by such means as selling assets, relying on their husbands, pulling children out of school to earn income, or utilizing informal mechanisms such as helping groups for support. They also practice risk-averse behavior, such as prioritizing savings over investing and spreading what little investment they have made across several low risk/low return businesses. While these approaches offer some protection to poor women, they are frequently limited, inefficient,

<sup>2</sup> McCord, Michael J. "The insurance sector and its economic potential for developing countries," *Insure Magazine*, December 2007. This story is a composite and the names have been changed.

<sup>3</sup> Risk is defined as the chance of a loss or a loss itself. From Cohen, Monique and Jennefer Sebstad. "The Demand for Microinsurance," in Craig Churchill (ed), *Protecting the Poor*, International Labor Organization, 2006, p. 48.

<sup>4</sup> UNIFEM "Women, Poverty and Economics" at [www.unifem.org](http://www.unifem.org).

<sup>5</sup> Mayoux, p. 2.

unreliable, or even harmful. For example, in poor households, high savings rates mean that women have few remaining resources to invest in their businesses. Allocating resources in this way stunts their businesses' ability to grow and alleviate poverty.

Microinsurance offers a promising new way for poor women to manage risk.<sup>6</sup> From Bolivia to India, successful microinsurance programs have emerged in recent years as powerful tools to help poor families cope with risk and alleviate poverty. Women form a significant segment of this market because they seek microinsurance both for themselves and for their families, serving as risk managers for entire households. Nonetheless, millions of poor women are uninsured. **In response to the needs of women and their households, this paper aims to serve as a call to action to MFIs and other delivery channels (such as employers, unions, cell phone providers), as well as to donors, insurers, and the research community to develop gender-sensitive microinsurance programs.**

## BUILDING EFFECTIVE MICROINSURANCE PROGRAMS FOR WOMEN AND THEIR HOUSEHOLDS

Greater attention must be paid to understanding both the risks that poor women face, and the influence that household dynamics have on the ways in which those risks are managed. This paper aims to develop this understanding and begin an exploration of how microinsurance programs can be better designed and delivered.

Findings for this paper are primarily drawn from qualitative market research studies conducted by Women's World Banking (WWB) during 2003-2008 in eight countries spanning South Asia, Northern and Sub-Saharan Africa, the Middle East, Eastern Europe, and Latin America, and the existing literature on savings and microinsurance. Two WWB studies focused on the provision of health insurance with WWB network members: Fundación Mundo Mujer Bucaramanga (FMMB) (Colombia, 2008) and Microfund for Women (Jordan, 2007). Four studies focused on designing savings services with WWB network members: Bank Dangang Bali (Bali, 2002), [Asociación Dominicana para el Desarrollo de la Mujer](#) (Banco ADOPEM) (Dominican Republic, 2003), Association pour la Promotion et l'Appui au Développement des Micro-Enterprises (PADME) (Benin, 2006), and Kashf Foundation (Pakistan, 2007). This analysis is further informed by five gender baseline studies with WWB network members: Banco ADOPEM (Dominican Republic, 2002), Association Al Amana (Morocco, 2003), Mi-BOSPO (Bosnia and Herzegovina, 2006), Microfund for Women (Jordan, 2006), and Kashf Foundation (Pakistan, 2008).

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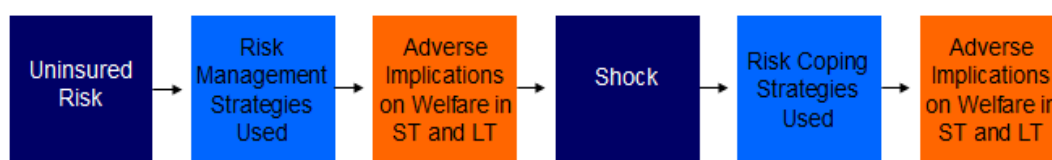
<sup>6</sup> Microinsurance refers to the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved. From Craig Churchill, ed. *Protecting the Poor: A Microinsurance Compendium*, p. 12.

## 2 > GENDER AND RISK IN POOR HOUSEHOLDS

One of the key reasons that poor people remain poor is their vulnerability to shocks. Without adequate risk management and coping tools, this vulnerability can drive poor households into two potentially vicious circles. First, they seek to manage the probability that an adverse event will occur and/or the impact that such an event would have on their lives if it did occur. These *ex ante* risk management strategies often reduce their chances of improving their economic position. For example, poor people often invest small amounts in a wide range of low risk/low return activities rather than a smaller number of higher return but riskier activities. Moreover, when the shocks that they were seeking to manage do in fact occur, poor people often have to employ inadequate coping strategies (i.e. after the event - *ex post*) that can further damage their welfare, for example, selling livestock when prices are low. Figure 2 below captures this course of events:

**Figure 2: Risk Strategies & Implications**

Adapted from Dercon and Kirchberger (2008)



Microinsurance can help people break both of these vicious cycles. First, microinsurance can reduce the impact of a shock once it has occurred. Then, because this impact has been reduced, risk can be managed *ex ante* in less harmful ways. For example, effective crop insurance allows farmers to specialize in fewer, more high-value crops. With property or asset insurance, people can invest more in illiquid assets that offer higher returns,<sup>7</sup> rather than liquid assets with lower returns.

How do these *ex ante* risk management decisions and *ex post* risk coping strategies differ between women and men? For men, the roles of provider, authority figure and head of household form the core of their gender identity. In these roles, men are usually responsible for making major household decisions and generating income for investment, housing, education, health care, marriage, and so on. Women tend to dominate in the roles of caregiver, homemaker, and increasingly as income earners, through formal employment or through informal businesses. In these roles, women are responsible for caring for immediate family members, and often for extended family, including parents, siblings, and in-laws. Responsibilities may include housework, caring for sick family members, generating income, and ensuring that children receive education, acquire jobs, and find marriage partners. Inherent to caregiving is the responsibility of coping with risks - such as health problems, deaths in the family, or emergencies - in order to maintain the security, health, and stability of the home. Women also often function as their household's financial managers. "The woman has to be the manager, the economist, to see how to make both ends meet by the end of the month. Men just give you the money and tell you to manage," says a woman in Morocco.<sup>8</sup>

These roles give rise to different sources of *ex ante* risk for women and men, and to different behavior in managing and coping with risks. These different risk management strategies can be explored from three perspectives. First, there are 'women-specific risks' that arise from both their physiology and as a result of

<sup>7</sup> Dercon and Kirchberger, p. 6.

<sup>8</sup> WWB Gender Report with Al Amana (Morocco), p. 60.

their position in the household and society more widely. Second, women often have a lead role in *ex ante* management of the risks faced by the household, and in coping *ex post* when risk events occur. Third, there are some risks that arise for women as a result of intra-household relations themselves.

## HEIGHTENED VULNERABILITY TO RISK FOR POOR WOMEN

Poor people are more susceptible to risks because of their lack of income and assets, insecure and often unsafe working conditions, and increased exposure to health risks through poor housing, sanitation, and so on. Among poor people, women are especially vulnerable.

To begin with, women's biological roles make them vulnerable to particular health risks associated with pregnancy and childbirth. They are also at higher risk for certain diseases, such as HIV/AIDS, driven not only by their physiological vulnerability, but also by the fact that women in many cultures find it hard to negotiate safe sex. Furthermore, women face additional risks related to their gendered position in society. They are more vulnerable to domestic violence, divorce, and loss of support in old age than men. Such risks are aggravated by their unequal ownership of property, especially housing. These vulnerabilities can be further intensified in cultures where women have ongoing obligations to extended families, or where diminished independence and mobility limits their ability to seek help from outside the home.

Women's own income-earning activities are also subject to a wide range of pressures. The responsibility for caring for sick family members often means that the ill health of children, partners and extended family members impinges on their ability to generate income.<sup>9</sup> Less income means fewer resources to invest in reliable equipment, good quality housing, or disease-resistant strains of livestock, making these assets much more likely to be damaged or destroyed.<sup>10</sup> Women's physical vulnerability makes their property particularly susceptible to theft and crime. This is especially true for the many women who work in the informal sector,<sup>11</sup> where in addition to theft and crime, they are also vulnerable to harassment, confiscation of property, and the destruction of market stalls by authorities.<sup>12</sup>

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<sup>9</sup> Lund and Srinivas, p44; Chen et al, 2005

<sup>10</sup> Mayoux, p. 2.

<sup>11</sup> Lund and Srinivas, p44

<sup>12</sup> Kabeer, p90; Mayoux, p. 2.

### 3 > RISK AND RESOURCE ALLOCATION IN POOR HOUSEHOLDS

Women are keen savers. The evidence from WWB's studies and elsewhere suggest that such saving is driven by a need to be able to deal with shocks when they occur. By contrast, men usually manage larger businesses and larger absolute amounts of income, with which they often favor more aggressive investment strategies to make sure those businesses survive and expand. Women typically utilize their earnings to improve the care and standard of living in their households by either spending business profits immediately for these purposes or saving them for the future. This behavior reinforces the dominant role of caregiver for women in poor households, leaving with them the responsibility to both manage risk *ex ante* and cope with it *ex post*, i.e., after a shock has occurred. If women are providing for the day-to-day needs of the family in this way, it may free up the investment strategies for men, and in this sense their roles are interdependent. A Pakistani man sums this up: "Women use [their income] in the house, they think about the children. They keep money for the dowry or the education of the children. That is what women do. Men want to expand their business."<sup>13</sup> A Dominican woman described her situation in this way: "My husband doesn't think about the future. He can make 300 or 400 pesos today and he'll spend 350 like he doesn't have his head on straight. I always try to go with him and tell him how things really are."<sup>14</sup>

It has often been argued that women are more risk-averse than men in the way they manage risk and in their financial strategies. For example, evidence from developed countries suggests that women are more risk averse in their financial investing than men.<sup>15</sup> However, this could be because their incomes and wealth levels are lower to start with.<sup>16</sup> That is, with lower income or wealth levels than men, they are less inclined to take on risky strategies which bring higher returns and so - by gaining only low returns - further perpetuate their poorer position. Some research using experiments finds that these differences disappear when the experiments are framed with a clearly defined context rather than in abstract ways.<sup>17</sup> This, in turn, suggests that differences in risk aversion may not be biological or innate but rather arise from the gendered opportunities and risks that women and men face. However, whether these differences ultimately arise from different innate preferences for risk or from gendered contexts, women and men do face different risks and manage them differently and this has implications for microinsurance. It means that women are an important market, and that product design and delivery must take account of these differences.

#### INTRA-HOUSEHOLD RELATIONS AND RISK MANAGEMENT

Some households operate with high degrees of cooperation, with significant joint decision-making and negotiation. In others there may be a strong separation of roles, with little discussion or collaboration, with each member pursuing their own responsibilities. In still others, there may be latent or overt conflict in which there is little agreement and in which some members (usually women) feel that they are seeking to fulfill their responsibilities in spite of their spouse. In these cases men may offer little assistance, withdraw their contributions when women earn their own income, or make demands on women's savings and incomes for their own purposes. In the worst cases, conflict may lead to domestic violence and divorce. The proportion of female headed households varies across regions from 13% in the Middle East and North Africa, to 16% in Asia, 22% in sub-Saharan Africa and 24% in Latin America and is over a third in Ghana, Haiti, Kenya and

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<sup>13</sup> WWB Gender Report with Kashf Foundation (Pakistan), p. 16

<sup>14</sup> WWB Gender Report with ADOPEM (Dominican Republic), p. 30.

<sup>15</sup> Jianakoplos, N. A. and A. Bernasek. "Are Women More Risk Averse?," *Economic Inquiry*, 36: 620-630, 1998.

<sup>16</sup> Bajtelsmit, V. L. and A. Bernasek. "Why Do Women Invest Differently Than Men?," *Financial Counselling and Planning*, 7: 1-10, 1996.

<sup>17</sup> Schubert, R. and M. Brown. "Financial Decision-Making: Are Women Really More Risk Averse?," *American Economic Review Papers & Proceedings*, 89(2): 381-385, 1999.

Zimbabwe - a phenomena that has also been evident to WWB in its research in these countries. The reasons for spousal absence are divorce, separation, abandonment, and death.<sup>18</sup>

How a household operates will dictate a lot about how resources are allocated towards saving and insurance. Where cooperation is strong, joint decisions to mobilize funds for insurance may be made easier. In households where roles are clearly separated or where there is conflict, these decisions are more likely to be problematic. In these cases, women who desire to purchase policies that respond to the needs ascribed to their role - for example, health care for children - may have to do this out of their own, usually lower, levels of income and savings. Household conflict may by itself increase her desire to buy insurance. She may wish to nominate her children as beneficiaries in the event of her own death for fear that otherwise benefits may go only to her spouse. Awareness of such intra-household gender dynamics may enable improved design and delivery of savings and microinsurance products.

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<sup>18</sup> Bongaarts, John. "Household size and composition in the developing world". Working Paper No. 144, New York: Population Council, 2001, p. 21.

## 4 > KEY RISKS FOR POOR WOMEN

### HEALTH

Health shocks are amongst the biggest and least predictable risks that poor households face.<sup>19</sup> Indeed, poor health is not just a *symptom* of poverty – health-induced financial shocks are also a serious *cause* of persistent poverty for many households.<sup>20</sup> Mounting medical costs and lost wages can often push otherwise stable households into poverty.<sup>21</sup> Women face a double blow when it comes to health risks: they are more susceptible to health problems for themselves *and* more likely to be responsible for caring for the health problems of others, including children, husbands, and elderly parents or in-laws where joint families are common.

Examples of greater susceptibility to illness for women include issues in reproductive health, as seen by the estimated 300 million women currently suffering permanent health damage resulting from pregnancy and childbirth.<sup>22</sup> Women are also more susceptible to sexually-transmitted diseases such as HIV/AIDS, as women are often in weaker positions to negotiate safe sex.<sup>23</sup> Health can be threatened through increased exposure to unsanitary water while cleaning, and to harmful firewood or charcoal fumes while cooking.<sup>24</sup> Poor women may also be less likely to use their limited resources for treatment when they are sick, preferring instead to use resources to treat sick family members, which can exacerbate their health issues.<sup>25</sup> Lost wages and high treatment costs add a financial shock to these physical problems, which can be multiplied when women also have to take time away from income-generating activities to care for sick family members and pay for their medical costs. WWB research has highlighted the stress and burden of this responsibility for poor women. “[The women] in the market with us, we tell them to give the prescription to their husbands [but] if he doesn’t pay, the child has to stay at home and so does the woman, so [women] want to pay so that we can work,” says a woman in Benin.<sup>26</sup> A woman in The Gambia echoes the same sentiments when she says, “Women take their children to the hospital, it is never the men. That is why it is very worrying for women. Men sometimes help, but it is the women who suffer and go to the hospital.”<sup>27</sup>

### DEATH OF A HUSBAND

In most countries, women tend to outlive their husbands. The likelihood increases where women are likely to marry men who are many years older than them, and where male life expectancy is shortened by violence, unsafe working conditions, or military participation.

For poor women, the death of a husband can be devastating – not just emotionally, but financially and legally as well. Widows must survive independently without a spouse for a period of time, often in their old age, with rare opportunities to remarry. The risk is magnified for women with young children to support and educate. Widows may also face significant legal and cultural battles to retain shared property upon their husband’s death. Widows are particularly vulnerable to these disputes if they are not the legal owner of the

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<sup>19</sup> Chen, Theresa, Alison Comfort, and Natalie Bau. “Implementing Health Insurance through Micro-Credit: A Case Study of SKS Microfinance, India.” Institute for Financial Management and Research, Center for Micro Finance, 2008, p.3.

<sup>20</sup> World Bank 2004 World Development Report

<sup>21</sup> Chen et al, p.3.

<sup>22</sup> Ahmed, Mosleh and Gabriele Ramm. “Meeting the Special Needs of Women and Children” in Craig Churchill (ed), *Protecting the Poor*, International Labor Organization, 2006, p. 132.

<sup>23</sup> “2008 Report on the Global AIDS Epidemic: Executive Summary,” UNAIDS, United Nations, 2008, p. 13.

<sup>24</sup> Ahmed and Ramm, p. 132.

<sup>25</sup> Kern, Ann and Jo Ritzen. “Dying for Change: Poor People’s Experience with Health and Ill Health,” World Bank, 2002, p. 11.

<sup>26</sup> WWB Savings Report with PAD/ME (Benin), p. 72.

<sup>27</sup> WWB Individual & Group Loan Report with The Gambia Women’s Finance Association (Gambia), p. 59.

property, i.e. they did not have their name on the title - frequently the case in many developing countries. Across much of Sub-Saharan Africa, when a widow is not the legal owner of her marital home, she can be evicted by her in-laws.<sup>28</sup> In The Gambia, women face this risk upon their husband's death if they have not had any children. "When I got married, I didn't worry much, but [now] I would want my compound because if he dies, I would be kicked out because I don't have any children. For your own dignity as a woman, you have to fight and have your own [house]. In Islam, if your husband dies and you don't have any children, you are nil," reports a woman from The Gambia.<sup>29</sup> The growing HIV/AIDS epidemic has led to an increase in evictions of women widowed by the disease, particularly if the women themselves are also infected. A 2008 USAID study documented a common attitude in Kenya that HIV-positive widows should not be entitled to land "because they will die anyway."<sup>30</sup> A study in India drew similar conclusions, with 90 percent of HIV/AIDS widows reporting that they had been evicted from their marital home, or were forced to leave their homes due to social stigmas.<sup>31</sup>

For widows, having land taken away can threaten income and food security. Even if women are paying for asset or property insurance, their control over assets may be questioned upon their husband's death if the asset does not explicitly belong to them in writing. Insurers might play a positive role in such situations by requiring that insured assets are in the woman's name.<sup>32</sup>

## DIVORCE

WWB research reveals that many divorced women are under intense financial pressure - a pressure that is heightened if she has children to care for. Divorce presents many of the same risks as death of a spouse. Women lose the financial support of their husbands, a cost which is underlined in countries where alimony is either not required or not enforced. A woman in Jordan says, "Of course, it was very hard; my husband divorced me the day my son was born. [There] was a lot of pressure when [my son] was growing up."<sup>33</sup> In the Dominican Republic, where men often have multiple families to support, they may limit the money they spend on each family to just food and housing, leaving the other expenses to the women.<sup>34</sup> Second, also as with the death of a husband, women face significant legal battles to retain property after divorce. In The Gambia, Jordan and Morocco, women do not typically retain property rights to her family's home after divorce. "If the house is in the name of her husband, even if she paid in blood, she will never get access to it," explains one Jordanian woman. "I got 3,000 dinars (USD 4,237) from my father when he died and I put it in [our] house, but it's in my ex-husband's name [so I lost it]."<sup>35</sup>

These financial risks become even less tolerable when combined with the cultural barriers and social ostracism that divorced women may face. In many cultures, divorced women are looked down upon, blamed, or eyed with suspicion, even by friends and family. These barriers can perversely make it harder to manage the risks associated with divorce, for example by excluding women from informal or community mechanisms, or by limiting their freedom to work in marketplaces, find customers or business partners. While "divorce insurance" may not be feasible, MFIs can support divorced women by offering credit without the need for male co-signers, and insurers and delivery channels can encourage women to have their name on the legal titles of assets when those assets are being insured, or purchased using credit, to protect them in the event of divorce or death of a husband. MFIs and other delivery outlets could also help divorced

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<sup>28</sup> Benschop, Marjolein. "Women's Rights to Land and Property," UN-Habitat Commission on Sustainable Development, 2004, p. 1.

<sup>29</sup> WWB Individual & Group Loan Report with The Gambia Women's Finance Association (Gambia), p. 60.

<sup>30</sup> Knox, Anna and Renee Giovarelli. "Land Tenure, Property Rights and HIV/AIDS," USAID, 2008, p. 4.

<sup>31</sup> Knox and Giovarelli, p. 5.

<sup>32</sup> Ahmed and Ramm, p. 132.

<sup>33</sup> WWB Gender Report with MFW (Jordan), p. 112.

<sup>34</sup> WWB Gender Report with ADOPEM (Dominican Republic), p. 17.

<sup>35</sup> WWB Gender Report with MFW (Jordan), p. 94.



women by providing linkages to affordable women's legal services that can help them retain their property after divorce.

## OWN DEATH

Many women worry that their children, especially their daughters, will not be properly looked after in the event of their death. Women also worry about burdening their families with funeral costs and outstanding debt, and those that earn income fear that their family may not have the resources to survive without their contribution.<sup>36</sup> A Dominican woman articulates this concern when she says, "It's worrying when you know for sure you're going to die [someday] and you're not prepared. For example, now I'm here but if I died, I have debts and problems with my business. And so I say, my God, if I died today it would be good if I had good insurance so that my children could continue in school and at least eat. This is my biggest worry. I don't want to leave problems for my children."<sup>37</sup>

Microinsurance is an obvious tool for providing financial support, including repaying outstanding debts and providing other financial benefits, to children in such cases, yet many women express concern whether life insurance payouts will in fact be used for that purpose. Some women fear that their spouses, if declared the beneficiary of the life insurance policy, may spend part or all of an insurance payout for unintended purposes.<sup>38</sup> To work around this problem, many women designate friends or relatives as beneficiaries and instruct them to use the payout for their children's education and other necessities.<sup>39</sup> This suggests that delivery channels might offer culturally-sensitive counseling to help women think through their options for naming a beneficiary. Microinsurance can also be designed to provide practical benefits directly, such as groceries or vouchers for school fees.

## OLD AGE

Old age exerts substantial pressure on poor households through the need for financial support, living assistance, and increased health care. This pressure is amplified for poor women, who are more likely to outlive their spouses, less likely to have employer pensions and less likely to have resources to support themselves independently.<sup>40</sup> Traditionally, women have coped with this risk primarily by relying upon their adult children to support them. "In this country, you have a child and you raise that child. Then when you are old and become a child again, your child has to take care of you, it's their obligation. We're poor and we trust our future to our children, we say that a person without children is like a tree without fruit," says a woman in the Dominican Republic.<sup>41</sup> Increasingly, however, we find that women are worried that their children will be unable or unwilling to provide this support. "Boys should be caring, but children today don't do anything. These days, if I grow old, I know that my son will not take care of me," says a widow in Pakistan.<sup>42</sup> This breakdown of traditional roles leaves many women vulnerable, particularly widows. When ranking life events that cause the highest financial risk, a woman in the Dominican Republic says, "I would rate this issue very high, because most women, when they get old, they have nothing."<sup>43</sup>

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<sup>36</sup> WWB Gender Report with ADOPEM (Dominican Republic), p. 25.

<sup>37</sup> WWB Gender Report with ADOPEM (Dominican Republic), p. 25.

<sup>38</sup> Ahmed and Ramm, p. 133.

<sup>39</sup> Cohen, Monique and Jennefer Sebstad. "The Demand for Microinsurance," in in Craig Churchill (ed), *Protecting the Poor*, International Labor Organization, 2006, p. 36.

<sup>40</sup> Ahmed and Ramm, p. 133.

<sup>41</sup> WWB Gender Report with ADOPEM (Dominican Republic), p. 32.

<sup>42</sup> WWB Gender Report with Kashf Foundation (Pakistan), p. 9.

<sup>43</sup> WWB Gender Report with ADOPEM (Dominican Republic), p. 25.

## DOMESTIC VIOLENCE

Domestic violence not only puts women's physical and mental health at risk, but can also threaten their financial security. Women who suffer from domestic violence can incur serious financial costs for care and rehabilitation<sup>44</sup>, and may also find that their ability to earn an income to offset these and other costs is reduced or curtailed if their working subjects them to abuse or if abuse has rendered them unable to work. Domestic violence may also limit a woman's ability to access coping mechanisms, again if doing so subjects them to abuse. For poor women who do not own property, this risk is exacerbated. Research in South India found that 49 percent of married women who neither owned a piece of land nor a house suffered from domestic violence, whereas that figure drops to 10-18 percent for those who owned either land or a house. Surprisingly, the study found no clear change in violence levels if women earned an income or not.<sup>45</sup> This research suggests women who own assets may be safer and more protected from risks in their households than those who do not. Thus, MFI efforts to encourage asset ownership through savings and credit can also be an important risk management tool for women.

## JOB-RELATED RISKS

Poor people face a range of job-related risks. Income losses due to either job loss or a decline in business revenues can be particularly devastating because they may not have savings or other safety nets to fall back upon, especially if income is lost over a long duration.<sup>46</sup> Because a poor woman's income is typically spent on the care of family members and other required household expenses, losing her income can put an entire household at risk. Pregnancy, illness, and caring for young children or sick family members can have the same effect.<sup>47</sup>

Sometimes work is itself the source of risk, especially the kind commonly done by poor women. Traders who work on streets or in marketplaces may be vulnerable to theft and physical violence.<sup>48</sup> Sex workers are highly susceptible to sexually-transmitted diseases, rape, and abuse.<sup>49</sup> Home-based workers are vulnerable because they lack the safety measures which may be in place in factories and because they are physically isolated from others, decreasing their opportunities to join unions and seek equal pay for their work.<sup>50</sup> By contrast, women working in factories or sweatshops may suffer injuries resulting from hazardous working conditions, exhaustion due to long working hours, and other related problems. And since women typically get paid less for their work than men, their abilities to prevent or cope with these risks are more constrained.

## NATURAL DISASTERS

The effects of natural disasters on poor people can be especially acute. Furthermore, a significantly larger proportion of disaster victims in many recent natural disasters have been women. An Oxfam study of the 2004 tsunami's impact on women, for example, found that in the eight Indonesian villages surveyed, three to four men survived for every one female survivor. Oxfam also found a similar pattern in Indian villages hit by the tsunami.<sup>51</sup> These gender disparities have been found to result from various gender differences: As caregivers to children, women may be physically closest to dependents in a disaster situation and may

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<sup>44</sup> Ahmed and Ramm, p. 134.

<sup>45</sup> Murray, p. 8.

<sup>46</sup> Canagarajah, Sudharshan and S.V. Sethuraman. "Social Protection and the Informal Sector in Developing Countries: Challenges & Opportunities," World Bank, 2001, p. 29.

<sup>47</sup> WWB Gender Report with Kashf Foundation (Pakistan), p. 28.

<sup>48</sup> Canagarajah and Sethuraman, p. 29; Lund and Srinivas, p. 44.

<sup>49</sup> Kabeer, p. 89.

<sup>50</sup> WWB Gender Report with Kashf Foundation (Pakistan), p. 29; Kabeer, p. 88.

<sup>51</sup> Dimitrijevic, Anna. "Mainstreaming Gender into Disaster Recovery and Reconstruction," World Bank, 2007, p. 5.

therefore need to try to rescue them, reducing their ability to quickly evacuate. Cultural restrictions on the ability of women to leave their homes without male permission may also limit timely evacuation.<sup>52</sup> Even if women survive the disaster itself, women suffer a second wave of risk as the threat of physical and sexual violence against women has been shown to increase, especially in shelters and relief camps, during the recovery phase.<sup>53</sup> The risks associated with natural disasters are particularly difficult for poor women because the informal coping strategies that they often employ, such as relying on friends and family for help, tend to break down during such crises since many of those same people have also been affected. The effects may span across several aspects of people's lives, including health, housing, children, and income-generating activities. Without effective safety nets, these risks can be unbearable for poor people, particularly women.

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<sup>52</sup> Dimitrijevs, Anna. "Mainstreaming Gender into Disaster Recovery and Reconstruction," World Bank, 2007, p. 5.

<sup>53</sup> Dimitrijevs, p. 10.

## 5 > TRADITIONAL RISK MANAGEMENT AND COPING STRATEGIES

The mechanisms poor women traditionally use to deal with risk are split into two main groups: risk management or 'ex-ante' strategies (actions taken to limit risks or prepare for a risk event's occurrence), and risk coping or 'ex-post' strategies (actions taken to deal with consequences of shocks after they have occurred). Women generally use a mix of these strategies, though even when combined they are often inadequate to fully cope with risk. Furthermore, many common approaches have strong adverse welfare implications for poor households.<sup>54</sup> This section will discuss non-microinsurance risk management or coping strategies; microinsurance as a risk management strategy will be discussed in the following section.

### SAVINGS ARE A KEY RISK MANAGEMENT STRATEGY FOR POOR WOMEN

As their family's risk managers, many women make a point of setting aside small amounts of money at regular intervals. "We women, even when men only give us 100 pesos (USD 3) for food, even then we save," says a woman in the Dominican Republic.<sup>55</sup> Savings are generally used for risks associated with their caregiver role, including health, education, marriages, old age, emergencies, and other household expenses. Many women also keep private savings as a personal safety net. "I have my own savings. When my husband asks me for some [money], I don't tell him I have my own savings. I lie and save 2,000-3,000 rupees (USD 25-37), as this is my money that I save for emergencies," says a Pakistani woman.<sup>56</sup> These savings are captured through informal mechanisms, such as saving at home or in rotating savings and credit associations (ROSCAs), and through formal mechanisms such as savings accounts held at banks, MFIs, cooperatives, and other financial institutions. A woman in the Dominican Republic stresses the necessity of saving to make up for other protections when she says, "I'll tell you something. In this country, there is no insurance. My insurance is my savings account."<sup>57</sup>

### OTHER RISK MANAGEMENT STRATEGIES

Besides saving, poor women use a variety of other mechanisms to prepare for or limit risks and financial shocks.

- **Making risk-averse business decisions:** Women face many constraints in running their businesses. Because they have access to small amounts of capital and few skills, along with the constraints of their 'reproductive' activities, they tend to invest in businesses that have low barriers to entry in terms of skills and capital. They are also operating in markets that are in themselves gendered. For example, women's mobility is constrained due to family responsibilities and hence their access to more distant markets; they often lack access to business networks through which to gain access to information and opportunities for sources of inputs, marketing, new ventures or influence over how contracts are allocated. In this environment, hoping to limit risk in their business endeavors, many poor women adapt their behavior in one of three key ways: diversification, preference for low-risk/low-return businesses, and cautious reinvestment. In agriculture or animal husbandry, women

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<sup>54</sup> Dercon, Stephan and Martina Kirchberger. "Literature Review on Microinsurance," European Development Research Network (EUDN), Oxford University, 2008, p. 4

<sup>55</sup> Murray, p. 5.

<sup>56</sup> WWB Gender Report with Kashf Foundation (Pakistan), p. 18.

<sup>57</sup> WWB Gender Report with ADOPEM (Dominican Republic), p. 24.

can diversify by planting several varieties of crops or purchasing multiple types of cattle.<sup>58</sup> In other activities, “horizontal investment” in multiple small businesses is a preferred method of diversification. In the Dominican Republic, women commonly take on a mix of income-generating activities, such as selling food and drinks, renting a room in a house, managing a corner store, and/or offering beauty services from their home.<sup>59</sup> This strategy aims to lower the consequence if any one business fails and helps poor women smooth their income flow. In Bangalore, poor women mitigate the risk of losing their housemaid or garment factory jobs by taking on second jobs, such as selling food, flowers or saris in the evenings.<sup>60</sup> Another risk-averse strategy for women is to undertake only low risk/low return businesses activities, avoiding large losses but also large gains. Lastly, a high propensity for savings as described above highlights the reluctance of women to reinvest in their businesses, preferring the security of savings over the chance of investment loss.

- **Investing in property:** Many poor women view owning property as a critical strategy for managing the risks of divorce, widowhood, or old age. With their name on land title, women can avoid complicated and costly legal battles over property if divorced or widowed, thereby securing their place to live after such circumstances. Owning a home allows women to pass the house on to their children, creating security for their old age as most women would then live with the adult children to whom they passed the property. It also guarantees a place to live if other options, such as living with their children or natal families, are not available or not desirable. A home is also a productive asset, because many women work from home. Lastly, owning a home gives many women an option to either rent all or part of the house, which is particularly vital for elderly women who need a source of income but are not physically able to work. “You can have two floors and live on one and rent the other, or allow your kids to live there if they want to get married. When you are old and sick you can live with the rent you make,” says a woman in Morocco.<sup>61</sup>
- **“Investing” in children:** Women often view investments in their children’s futures as investments in their old age security as well. “The biggest investment you can make is to educate your kids, to give them money to go to the university,” says a Dominican woman.<sup>62</sup> The hope is that well-educated kids will have well-paying jobs, and thus the resources to take care of their parents, as well as the loyalty to ‘pay them back’ for supporting them while they were young.
- **Participating in informal reciprocal social relationships:** Women in many cultures invest in informal reciprocal social relationships to prepare for various lifecycle events, such as the birth of a child or the death of a spouse. In these relationships, women (and sometimes men also) work together to help mitigate their individual risks through a limited risk-pooling effort. These relationships generally come in two forms: risk management or risk coping. Risk management relationships, like Munno Mukabis (which translates to “friend-in-need associations”) in Uganda, provide an opportunity for members to collect funds over time in order to amass sufficient resources to aid their members should a specific pre-agreed upon financial shock occur, such as deaths in the family, weddings, children’s graduations, etc. In addition to a financial payout, members of these groups also often promise to make their labor available whenever another member is in need.<sup>63</sup> Risk coping relationships, on the other hand, help poor families cope with large financial shocks after they have occurred. For example, in the Harambees (which translates to “pool together”) in Kenya, social relationships are maintained and when there is a risk event, community members come together to contribute to covering the cost of the risk. Similarly, a study in Nepal found that when someone dies, community members typically donate small amounts of money and food,

<sup>58</sup> Dercon, p. 5.

<sup>59</sup> WWB Gender Report with ADOPEM (Dominican Republic), p. 19.

<sup>60</sup> Banthia, Anjali. “Garment Factory Workers in Bangalore,” Ujivan Financial Services, 2007, p. 7

<sup>61</sup> WWB Gender Report with Al Amana (Morocco), p. 21.

<sup>62</sup> WWB Gender Report with ADOPEM (Dominican Republic), p. 33.

<sup>63</sup> “Microfinance and Risk Management: A Client Perspective”, CGAP, Focus Note No. 17, 2000, p. 3

which families use during the 13-day mourning period.<sup>64</sup> In both of these types of relationships, contributions to others are made with an implicit expectation of reciprocity.<sup>65</sup>

## RISK-COPING STRATEGIES

Poor people deal with financial shocks by reducing expenses, trying to earn extra income, borrowing, selling assets, and drawing on whatever other strategies they have already put in place. However, these can have particular impacts on women's wellbeing.

- **Slashing household expenses:** Like people everywhere, poor women often respond to financial shocks by cutting household expenditures. This can include a reduction in day-to-day expenses, such as food and transportation, as well as longer-term cost reductions, such as moving into less expensive housing or pulling children (especially daughters) out of school.<sup>66</sup> However, evidence suggests that women may disproportionately bear the burden of these cut backs and even reduce their own food intake as a result as evidence from the current crisis suggests.<sup>67</sup>
- **Borrowing money:** Many poor women take loans to cope with financial shocks, either from family or friends, MFIs, or high-cost moneylenders and pawnbrokers. Women may also divert funds previously borrowed for another purpose (i.e. income-generation) towards managing immediate risks. When loans have already been taken, a last-resort risk coping strategy may be to default on the loan if the money is needed elsewhere.
- **Selling assets:** Another risk-coping strategy involves selling assets, including productive assets such as business equipment or livestock, and other assets, such as gold, land, or housing.<sup>68</sup> In South Asia, it is particularly common for women to "save" gold jewelry expressly to be able to sell or borrow against when money is needed.<sup>69</sup>
- **Starting or increasing income-generating activities:** Members of poor households may also take up or increase income-generating activities to earn extra money to cope with financial shocks.<sup>70</sup> Frequently it is a severe financial shock that pushes women (and their children) into the labor force. This was the case for a Jordanian woman who says, "My children were young when my husband got sick... [since] he could not work, I had to start working. If my husband was healthy, I would not work."<sup>71</sup> A recent study of women sex workers in Western Kenya disturbingly reveals that they are nearly 20 percent more likely to increase their supply of riskier, more well-compensated sex on days when a family member, particularly a child, falls sick as a way to cope with health-related expenses.<sup>72</sup>
- **Drawing upon savings and social resources :** Finally, faced with a financial shock, poor women draw upon investments or savings made as risk management strategies, including all of those discussed above: savings, property, children, and informal reciprocal social relationships. While savings may have been precautionary it may also have been used for other purposes, such as school fees or asset purchase, in which case an opportunity is lost.

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<sup>64</sup> Simkhada, Nav Raj, Sushila Gautam, Mira Mishra, Ishwori Acharya, and Namrata Sharma. "Research on Risk and Vulnerability of Rural Women in Nepal," Center for Micro Finance Nepal, 2000, p. 34.

<sup>65</sup> WWB Gender Report with Al Amana (Morocco), p. 46.

<sup>66</sup> World Bank (Mar 2009) *The Global Financial Crisis: Assessing Vulnerability for Women and Children*. PREM Gender and Development, World Bank.

<sup>67</sup> "Accounts of Crisis: Poor People's Experience of the Food, Fuel and Financial Crises in Five Countries," Institute of Development Studies, 2009, p. 16.

<sup>68</sup> Robinson, Jonathan and Ethan Yeh. "Transactional Sex as a Response to Risk in Western Kenya," Policy Research Working Paper, World Bank, 2009, p. 15.

<sup>69</sup> WWB Savings Report with ADOPEM (Dominican Republic), p. 23.

<sup>70</sup> Ezemenari, Kene, Nazmul Chaudhury, and Janet Owens. "Gender and Risk in the Design of Social Protection Interventions," World Bank, 2002, p. 14.

<sup>71</sup> WWB Gender Report with MFW (Jordan), p. 12.

<sup>72</sup> Robinson and Yeh, p. 14-15.

## CONSEQUENCES OF RISK STRATEGIES: INADEQUACIES AND ADVERSE SECONDARY IMPLICATIONS

Though many of the risk management strategies that poor households use provide some measure of protection, evidence suggests that they are left patching together different strategies to deal with shocks when they arise, and this can lead to high transaction costs as a result.<sup>73</sup> Further, these strategies can actually have adverse secondary implications.

### *Inadequacies*

While WWB research suggests that poor women are keen to save and can save around 10-15 percent of their net monthly income, this is rarely enough to cover more than basic emergencies and some health-related costs. For example, women surveyed in Jordan save an average of 10-15 dinars (USD 14-21) per month, yet require nearly double that amount for monthly family health expenditures.<sup>74</sup> Some women source their savings from money given to them by their husbands. "I leave 50 dirhams (USD 6) a day for my wife and she is responsible for everything, and if she manages to save from this, it's her's," says a man in Morocco.<sup>75</sup> This highlights the additional difficulties women face in saving when food costs rise or the husband's income falls. Savings are particularly difficult to amass during economic crises. "Yes, before I used to save money, but currently with this recession, there is no more saving. You use the money to take care of the family and there is no extra," says a woman in Benin.<sup>76</sup>

Savings can also be ineffective when the security of those savings is itself in question. This is often the case for informal savings where the threat of theft, fraud, or pressure from other family members to spend counteract its ability to serve as an effective coping mechanism. Research in Uganda found that 22 percent of savings are lost in informal savings schemes compared to a loss rate of just 3.5 percent in the formal sector.<sup>77</sup> Since women are more likely to use informal savings mechanisms, this risk disproportionately affects women.<sup>78</sup> Saving through ROSCAs, which facilitate informal group savings whereby one member of the group receives a payout usually either once a week or once a month depending on how the ROSCA is set up, can be helpful when one member confronts a financial shock, but this depends on the rules of the ROSCA. In some arrangements, members can negotiate or trade places in the order or receive additional support when necessary,<sup>79</sup> but others can be less responsive to member needs (i.e. when payout recipients are strictly selected by lottery). Such rules often render ROSCAs inadequate for coping with emergencies and are also less effective when multiple members require money at the same time or when the amount required is more than what the ROSCA provides.<sup>80</sup>

Informal reciprocal social relationships are also inadequate to thoroughly handle all kinds of risks. In the earlier example from Nepal, contributions from community members were found to only cover 25 percent of the costs associated with the death of a family member.<sup>81</sup> Social relationships may also provide little protection from covariant risks, such as natural disasters or health epidemics, because others may be facing similar problems, limiting their ability to help. Relying upon adult children to provide care and housing may

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<sup>73</sup> Cohen and Sebstad. "Making microinsurance work for clients", Microinsurance Centre Briefing Note #3

<sup>74</sup> WWB Gender Report with MFW (Jordan), p. 4.

<sup>75</sup> WWB Gender Report with Al Amana (Morocco), p. 22.

<sup>76</sup> WWB Savings Report with PADME (Benin), p. 22.

<sup>77</sup> Wright, Graham and Leonard Mutesasira. "The Relative Risks to the Savings of Poor People," MicroSave, 2001, p. 3.

<sup>78</sup> WWB Savings Report with ADOPEM (Dominican Republic), p. 22.

<sup>79</sup> Johnson, S. "Milking the Elephant: financial markets as real markets in Kenya" Development and Change, 2004

<sup>80</sup> WWB Gender Report with ADOPEM (Dominican Republic), p.19.

<sup>81</sup> Simkhada et al, p. 34.

also be untenable if children are unable or unwilling to provide that support. Thus many traditional risk strategies, even when combined, are inadequate to fully cover the risks that poor households face.

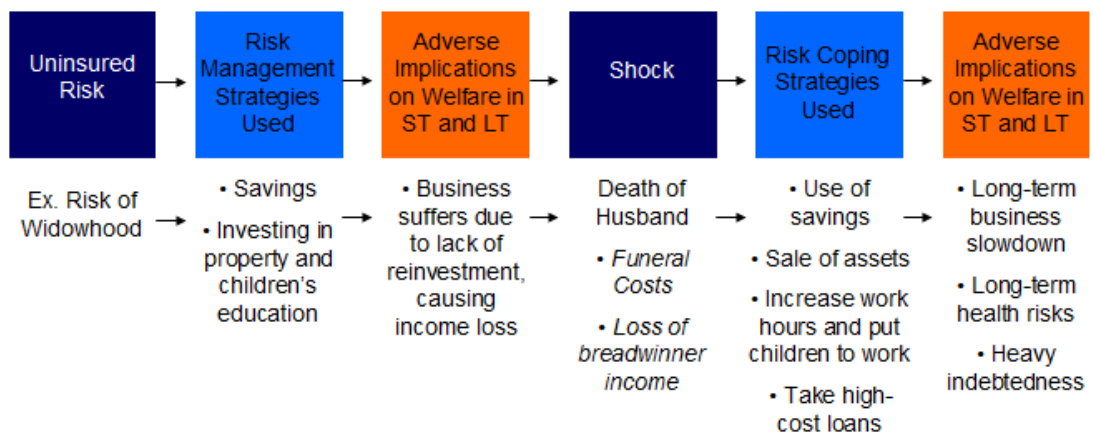
**Adverse secondary implications**

Several risk management strategies, while sometimes effective in the short term, can lead to enduring adverse secondary implications, perpetuating a cycle of poverty for many poor women and their households. Allocating business profits to savings instead of investment, for example, is one of the largest barriers to future income potential in women’s businesses, and one of the main reasons that women’s businesses fail to grow to the same extent as men’s businesses.<sup>82</sup> Building precautionary savings can also limit expenditures on other vital needs, such as housing or education. Other risk-averse business practices, such as the diversification of time and money into a number of smaller businesses, may reduce the impact on the household of any one business failing, yet limit every business’s chance to succeed. These risk-averse choices cause poor women to forego some profitable opportunities that may have helped them break the cycle of poverty.<sup>83</sup>

When a woman copes with shocks by selling productive assets, such as livestock or equipment, she wipes out her ability to earn income from those assets in the future. Similarly, pulling children out of school may reduce immediate school-related costs and free up children’s time to work, but it causes a serious and immediate loss to children and severely curtails their long-term earning potential. Borrowing may be a good mechanism for relatively low-cost emergencies, but beyond that may lead to significant long-term indebtedness and financial burden.<sup>84</sup> Defaulting on existing loans may free up short-term cash, but may result in a longer-term loss of access to financial markets. The following diagram illustrates how many of the aforementioned risk management and coping strategies can fail the woman who employs them:<sup>85</sup>

**Figure 3: Example of Risk Strategies & Implications**

Adapted from Dercon and Kirchberger (2008)



While several risk strategies are available to poor women today, many are incapable of adequately covering risk-related expenses, and some actually do more harm than good. This suggests a strong need for more robust protections that can provide more adequate and long-lasting coverage without negative secondary side-effects.

<sup>82</sup> Murray, p. 5.

<sup>83</sup> Dercon, p. 2.

<sup>84</sup> Simkhada et al, p. 8.

<sup>85</sup> Dercon, p. 4.



## 6 > GENDER-SENSITIVE MICROINSURANCE PROGRAMS

If properly designed and marketed to address the needs of poor women, microinsurance can provide adequate, long-lasting coverage against shocks for poor women. While a diverse array of microinsurance programs are becoming increasingly available, including schemes to protect against crop failures, property damage, natural disasters, unemployment, disabilities, and even costs associated with women's roles as caregivers, this discussion will focus primarily on health and life microinsurance because those risks typically are reported to exert the most financial pressure on poor women.<sup>86</sup>

### BENEFITS OF GENDER-SENSITIVE HEALTH AND LIFE MICROINSURANCE PROGRAMS FOR WOMEN

Microinsurance can allow women to live healthier and more secure lives. A key component of this is reducing women's dependency on many of the inadequate and sometimes harmful risk strategies previously described. For example, comprehensive health microinsurance can help poor women tackle expensive health-related costs for themselves and their family members without taking out high-cost loans or cutting food expenses, which can cause significant stress to the household. Likewise, well-designed life microinsurance can help poor women cope with both the short-term expenses (funeral costs) and long-term adjustments (loss of a breadwinner's income) associated with the death of a husband, and can help poor women ensure that their children are cared for in case of their own death without having to sell productive assets or exclusively depend on children or social relationships for support.

Microinsurance spreads the costs of expensive health treatments or death-related expenses over many years,<sup>87</sup> moderating a burden that falls disproportionately to women. A woman in the Dominican Republic says, "I pay for health insurance. [When] my son cut himself and I had to pay the clinic, but I didn't have to worry about whether someone would lend me 500 pesos (USD 14), because I pay for my insurance every month. I take the money out of my business every month. These are things you have to have because it's very hard when a person falls ill and [you] have no money."<sup>88</sup>

Further, the likelihood of a woman being widowed in many countries is quite high. Thus, life microinsurance can reduce the financial shock associated with losing a spouse and the payout they receive can help them contribute towards securing their old age. Microinsurance can also provide women with better quality and more convenient and consistent health care. "We have [health] insurance with a private hospital. [We] pay 5 dinars (\$7) per month for the whole family. It covers everything. I can go to any hospital I want," says a Jordanian woman.<sup>89</sup> In Uganda, a recent study found that women with health insurance were more willing to seek treatment early, more likely to complete a full and appropriate course of treatment, and more likely to take preventive measures against disease, all contributing to healthier lives for themselves and their families.<sup>90</sup> Finally, one of the most significant benefits of microinsurance for women is the peace of mind and stress relief that having microinsurance can provide. "[With health insurance], when you have an emergency

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<sup>86</sup> Roth, James; Michael J. McCord, and Dominic Liber. "The Landscape of Microinsurance in the World's 100 Poorest Countries". The Microinsurance Centre, 2007, p. 10.

<sup>87</sup> "Financial Institutions and Health, HIV & AIDS Risk Management," Africap Microfinance Fund, 2006, p. 108.

<sup>88</sup> WWB Gender Report with ADOPEM (Dominican Republic), p. 24.

<sup>89</sup> WWB Healthcare Financing Report with MFW (Jordan), p. 6.

<sup>90</sup> Young, Pamela, Peter Mukwana, and Edward Kiyaga. "Microinsurance: Exploring Ways to Assess its Impact," Microfinance Opportunities, 2006, p. 11.

you do not have to worry about it. You just go and [get] treatment] yourself."<sup>91</sup> Women also like the fact that having microinsurance gives them independence and, in many cultures, is seen as a more dignified way to cope with risks than relying on (or begging for) the generosity of others when a disaster strikes.<sup>92</sup>

## DESIGNING AND DELIVERING GENDER-SENSITIVE MICROINSURANCE PROGRAMS

Successful microinsurance programs will strike a balance between providing coverage that meets the needs of poor women, minimizing operating costs for the delivery outlet and insurers, and keeping premiums low to foster affordability and accessibility.<sup>93</sup> Many delivery outlets have been able to tackle this challenge through negotiations with insurers to slash costs, and using market research to hone in on the most desired attributes. Others, like the Micro Insurance Academy, have presented clients with a "menu" of benefits, allowing women to pick and choose attributes depending on their needs and ability to pay. Others have offered clients other financial products such as savings accounts or specially-designed loans to supplement gaps in their microinsurance programs. The boxes presented in this section illustrate some examples of successful gender-sensitive microinsurance programs.

### DESIGN ATTRIBUTES

#### ***Affordable women's health and maternity benefits***

Health microinsurance for women should go beyond the coverage of basic health needs to cover women's lifecycle health risks, including reproductive health issues, such as pregnancy (including pre-natal and well-baby care), contraception, and menopause; as well as preventive care, such as regular health screenings, vitamins, education on disease prevention, and immunizations and vaccinations for themselves and their children. Comprehensive health microinsurance also should cover various types of care, such as primary care, specialist care, mental health care, out-patient treatments, hospitalization, surgeries, and prescription drugs, as well as access to women physicians (from whom some women may be more comfortable receiving care).

Many health microinsurance programs lack this type of comprehensive coverage, or offer it at a cost which is unaffordable for most poor women. Several schemes exclude pregnancy coverage, citing the high costs for insurers and customers - an obvious gap for MFI customers who are overwhelmingly women of child-bearing age. When the Indian non-governmental organization (NGO) Shepherd tried to negotiate the price for a health microinsurance program which included maternity benefits with the state-owned United India Insurance Co. Ltd., they were told that the premiums would be roughly double the

#### **Box 1: Bolivia's BancoSol Negotiates to Deliver Better Benefits to Women**

While many microinsurance programs exclude maternity benefits or impose waiting periods of 9 months or longer to prevent already pregnant women from enrolling, BancoSol in Bolivia offers a uniquely comprehensive health microinsurance program to women in conjunction with Zurich Insurance. The program provides full maternity coverage with a rare 7-month waiting period, giving pregnant women a valuable 2-month window to purchase insurance to cover the birth of their child. As Bolivia's top-performing MFI with nearly 200,000 clients, BancoSol was able to exercise its bargaining power to negotiate these women-friendly terms with Zurich Insurance, and quickly demonstrated the viability of such a program through a pilot test. In the two years since that pilot, BancoSol's health microinsurance program has reached over 14,000 clients. Sixty-two percent of these clients are women, compared to just 45% of loan borrowers, underscoring the high value of gender-sensitive microinsurance programs for women.<sup>1</sup>

<sup>91</sup> WWB Healthcare Financing Report with MFW (Jordan), p. 7.

<sup>92</sup> Mechler, Reinhard, Joanne Linnerooth-Bayer and David Peppiatt. "Microinsurance for Natural Disaster Risks in Developing Countries," ProVention Consortium, 2006, p. 4.

<sup>93</sup> Churchill, Craig. "What is Insurance for the Poor?" in Craig Churchill (ed), Protecting the Poor, International Labor Organization, 2006, p. 24.

maternity-excluded amount. Because the NGO felt that their members could not afford those premiums, they were forced to support a product which did not cover the pregnancy-related costs.<sup>94</sup> Others offer limited pregnancy cover. Delta Life in Bangladesh, for example, excludes coverage of women in their first pregnancy due to higher risk of death during the birth of a first child.<sup>95</sup> Other programs have a 9-month waiting period for health coverage to prevent women from enrolling in insurance upon discovering that they are pregnant, or restrict benefits to just one or two births per client.<sup>96</sup> Thus, the challenge is to find a way to provide comprehensive coverage at an affordable price. This is especially challenging when multiple microinsurance products are offered, and clients wish to purchase several types of microinsurance with limited resources. See Box 1 for an example of how the Bolivian MFI BancoSol dealt with this problem.

### ***Health microinsurance coverage for whole family***

As caregivers, women strongly value health microinsurance programs that allow them to cover their whole family. Several health microinsurance programs do allow family coverage. However, high incremental costs for adding family members often make family coverage unaffordable for many households, or force women to pick and choose who to insure. The latter response raises serious issues for women and girls because they are often the ones left out.<sup>97</sup> In other cases the choice is not available, as in the case of employer plans which only cover employees. A woman in Jordan facing this situation says, "My husband is insured alone for the company he works for. They take away 7 dinars (USD 10) per month from his salary. He can go to private hospitals, but we are not covered. He would have to pay more to include us [and we cannot afford it]."<sup>98</sup> The Self-Employed Women's Association (SEWA) in India has attempted to mitigate this problem by offering their clients packaged family health microinsurance plans, which automatically include all family members with no need to pick and choose. While the packages are more expensive than insuring one individual, SEWA found that they were able to keep incremental costs low by insuring a larger population: the program tripled in volume in 2005.<sup>99</sup> This example suggests that it may be possible to offer both low-cost and successful family plans, and also highlights the multiplier effect for insurers when the women's market is targeted as a conduit for family health coverage. See Box 2 for more information on SEWA's comprehensive approach to microinsurance for women.

### ***Life microinsurance coverage for husbands***

A critical aspect of life insurance for women is to make coverage available to both themselves and their husbands, yet in many schemes only women are offered coverage. This is often the case with loan-linked coverage, one of the most common forms of life microinsurance, which only protects the life of an MFI borrower.<sup>100</sup> Since the vast majority of MFI borrowers are women, this leaves these women unprotected if their husbands die. This has been called "one of the great ironies" of loan-linked microinsurance, suggesting that offering coverage only on a woman's life effectively means that "for a woman to 'benefit' from insurance, she would have to die first."<sup>101</sup> WWB network member Center for Agriculture and Rural Development (CARD) in the Philippines recognized this need, and so modified their product to cover spouses. This created an added benefit to CARD's loan portfolio because death of a spouse can impact a woman's ability to repay a loan.<sup>102</sup> Life microinsurance programs should not only cover death of a spouse, but that coverage should be comprehensive. The death of a spouse creates an immediate need for funeral

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<sup>94</sup> Ahmed and Ramm, p. 135.

<sup>95</sup> Ahmed and Ramm, p. 139.

<sup>96</sup> Herbas, Julio C. "BancoSol's Microinsurance Programs," Microfinance Network: Microinsurance Working Group Conference Call, 2009.

<sup>97</sup> Ahmed and Ramm, p. 141.

<sup>98</sup> WWB Healthcare Financing Report with MFW (Jordan), p. 6.

<sup>99</sup> Chatterjee, Mirai. "Microinsurance - A Note on the State of the Art", SEWA, 2005, p. 4.

<sup>100</sup> McCord, Michael J. "Partnerships: Microfinance Institutions and Commercial Insurers," USAID, 2007a, p. 2.

<sup>101</sup> Ahmed and Ramm, p. 141.

<sup>102</sup> Ahmed and Ramm, p. 141.

coverage, as well as a longer-term need to replace lost income. Such coverage is not available with many life microinsurance products.

Protection for women's children: choice over beneficiaries and practical child-friendly claims

While many microinsurance schemes assume that husbands will be the beneficiaries of their wives' life insurance claims, many women want the freedom to choose another beneficiary if they feel that their husbands would not provide suitable protection for their children in the event of their death, or if they worry that their husbands might use the insurance payout for unintended purposes.<sup>103</sup> Given the choice to designate a beneficiary, many women would choose friends, relatives, or adult children over husbands, yet many products do not offer women this flexibility.<sup>104</sup>

Another way to protect children is to structure claims to offer maximum long-term protection and incentives to avoid harmful risk coping strategies, such as pulling those children out of school. The All Lanka Mutual Assurance Organization (ALMAO) in Sri Lanka introduced a life microinsurance plan that pays staggered benefits to children over a period of four years (20 percent on death of a parent and 20 percent each year for the four years following the death), with the intention of providing children with longer term financial support as they grow older. See Box 2 below for a description of the innovative approach that La Equidad in Colombia uses to help ensure that the children of a deceased parent stay in school.

### Box 2: Colombia's La Equidad Structures Life Insurance Benefits to Protect Children

In Colombia, an unfortunate yet common response to the financial shock of losing a parent is remove children from school. This cuts education costs and frees up the child's time to do paid labor, yet profoundly endangers a child's learning, development, and long-term income potential. To prevent this, La Equidad, a mainstream insurer of more than 3 million people, structured the benefits of its *Amparar* life microinsurance program to protect children. In addition to a lump sum payment for death and funeral support, the policy pays monthly benefits that can only be used towards education for the two years following the death of a parent and also provides families with a monthly payout for food for one year. This program is explicitly designed to prevent families from having to cut children's education or caloric intake to cope with the financial shock of the death of a parent. The program currently reaches around 30,000 clients.

## DELIVERY ATTRIBUTES

### ***Availability for borrowers and non-borrowers***

Many MFIs do not offer insurance to women who do not have a current outstanding loan. A Jordanian woman expresses her concern over this policy, "It should not be for MFW [borrowers only]. Now I am a [borrower], but if my circumstances improve, I may not renew my loan. So insurance should be a different product from the loan. If I want a loan, I can buy a loan. If I want insurance, I can buy insurance."<sup>105</sup>

Unbundling life microinsurance and loans could be an effective way to ensure more complete coverage for clients, and increase the number of policies sold through MFIs to non-borrowing members.

### ***Voluntary enrollment***

Poor women often express a strong dislike for mandatory microinsurance programs, particularly when coverage does not respond to their needs and when they are not fully aware of the benefits. The latter problem was observed in a recent study in Uganda where women MFI clients were made to pay

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<sup>103</sup> Ahmed and Ramm, p. 133.

<sup>104</sup> Cohen, Monique and Jennefer Sebstad. "The Demand for Microinsurance," in in Craig Churchill (ed.), *Protecting the Poor*. International Labor Organization, 2006, p. 36.

<sup>105</sup> WWB Healthcare Financing Report with MFW (Jordan), p. 11.

mandatory microinsurance premiums without even being aware of the coverage, resulting in a misconception that these premiums were actually loan processing fees.<sup>106</sup>

Mandatory life microinsurance programs are common. Many MFIs value the protection they offer on their loan portfolios. Some are motivated by the revenue potentials from commissions, and they may not want or be able to invest resources into convincing clients to buy the products voluntarily. Mandatory life microinsurance programs do feature an important upside for clients, however; because administration costs and risks to insurers are kept low, the premiums tend to be significantly lower than those for voluntary programs. It is thus critical for MFIs and other delivery outlets to closely examine their clients' willingness to pay to see if voluntary programs are appropriate in the local context.

Several successful and profitable voluntary microinsurance schemes, such as those offered by SEWA in India and BancoSol in Bolivia, have found that poor women are happy to pay for microinsurance if they value the benefits and find the premiums affordable.<sup>107</sup> As mentioned earlier, some programs allow women to pick and choose from a list of benefits in order to further customize coverage to their needs. These demand-driven programs not only empower women to choose the types of risk strategies that are the most appropriate for them, but also can deliver profitable results to MFIs and other delivery vehicles.

### ***Gender-sensitive client communication: effective client education, marketing, and women sales agents***

Effective gender-sensitive microinsurance programs must contain a strong educational element to inform women of how microinsurance works and how it can deliver tailored benefits to them and their households. Microinsurance will be a new concept for most and many may be reluctant or suspicious of it. Easy-to-understand information on costs, eligibility, claims processing, coverage and long- and short-term benefits

must be conveyed to women. This can be done through mass marketing, sales agents, or client education programs. Communications must take particular care to address the most common misunderstanding about microinsurance, expressed by a Jordanian woman when she says, "I joined an insurance scheme. We paid an amount for three children and my husband. The year finished [and] we did not benefit. So we saw we did not benefit from it and left the scheme. We paid 50JD per year for each individual!"<sup>108</sup>

Women must be shown that there is a benefit from microinsurance even if they do not claim each year, because the financial impact of even one emergency may exceed the premiums paid over several years. Because women in many cultures are less educated than men, this may make the challenge of

### **Box 3: India's SEWA Bank: A Pioneer in Gender-Sensitive Microinsurance**

With a tagline of "Our lives are full of risks, Vimo SEWA makes our life secure!," India's SEWA Bank offers its clients - all self-employed poor women - a choice of three bundled microinsurance schemes that have been designed to provide unique 'cradle to grave' coverage for many of the key lifecycle financial pressures faced by poor women. Available at various price points to ensure affordability, the schemes cover the death, health and assets of women, with options to also cover husbands and children for a lower incremental fee. The children's coverage provides protection to all the children in the family under one premium, as to avoid families having to choose which of their children to insure. Starting with 7,000 clients in 1992, Vimo SEWA now covers nearly 200,000 women, men and children under these three programs. The programs are uniquely integrated with SEWA's fixed deposit savings accounts, giving clients the option to pay insurance premiums with the interest accrued from their savings account. SEWA uses a variety of communication strategies to promote these products and educate clients about microinsurance. They have found that regular face-to-face interactions with clients are highly valued by women clients, who appreciate the feeling of involvement and the opportunity to ask questions about their policies and discuss broader family issues relating to risk. SEWA has used both small and large client meetings to provide comfortable women-only forums to discuss issues such as what can happen when a woman or a poor family confronts a major risk and how they can protect their families from those risks by using microinsurance.

<sup>106</sup> Young et al, p. 17.

<sup>107</sup> Chatterjee, Mirai. "Microinsurance: A Note on the State of the Art", SEWA, 2005, p. 2.

<sup>108</sup> WWB Healthcare Financing Report with MFW (Jordan), p. 8.

communicating the benefits of microinsurance more difficult. Nonetheless this type of comprehensive educational messaging is critical.

Messaging for women should also take into consideration the tendency, in many cultural contexts, for women to require more information before making a decision to purchase insurance than men.<sup>109</sup> Women must be convinced of the product's function and benefits if they are to enroll voluntarily. The most successful gender-sensitive communication strategies ensure frequent contact with women clients not just to sell the products, but throughout the duration of coverage.<sup>110</sup> Box 3 provides a description of SEWA's approach to women's microinsurance and discusses the strategies SEWA uses to maintain frequent and approachable communication with its clients. In addition, the personnel interacting with women to discuss insurance are as important as frequency and messaging. Hiring and training women sales agents from local communities has been a critical success factor for Tata-AIG as means to ensure that sales agents are approachable and accessible to local women. These agents are encouraged to sell first to people they know in their community, and then to branch out from there.<sup>111</sup> Lastly, interactions must be handled in a way that is sensitive to women who are living in difficult or abusive relationships because these women may require additional support to negotiate the purchase and terms of microinsurance with their husbands.

***Simple insurance policies and claims processing: suitable processes for less-educated women***

Insurance policies geared towards poor women should be simple and easy to understand. Exclusions and complex provisions should be kept to a minimum, and payouts should be straight-forward and clear. This will make it easier for potential enrollees to understand how microinsurance works and what the benefits are for them. Insurance policies must also feature clear and simple claims processing if the programs are to be successful.<sup>112</sup> This means that the delivery outlet (i.e. a MFI) must provide sufficient and easy-to-understand information on how to process the claim and offer support to clients who need assistance. This is especially crucial for new customers who may not be familiar with the process. Without an easy-to-use claims process accessible to illiterate customers, women may not only fail to receive the full benefits of microinsurance, they may also effectively forfeit money paid towards premiums which could have been used towards other risk strategies.<sup>113</sup>

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<sup>109</sup> McCord, Michael J.

<sup>110</sup> Chatterjee, p. 2.

<sup>111</sup> Churchill, Craig and Richard Leftly. "Organization Development in Microinsurance," in Craig Churchill (ed.), *Protecting the Poor*, International Labor Organization, 2006, p. 275.

<sup>112</sup> Mayoux, p. 6.

<sup>113</sup> Mayoux, p. 6.

## 7 > CONCLUSION: A CALL TO ACTION

Poor women face a range of potentially catastrophic risks. The traditional risk strategies at their disposal are diverse but often inadequate. Microinsurance, when effectively designed to meet the unique needs of poor women, can offer compelling benefits to this target market and help them move out of poverty. Yet, with extensive demands for comprehensive coverage, and pressures to keep costs low for MFIs, insurers and poor women themselves, the execution of successful gender-sensitive microinsurance programs represents a serious challenge. This paper has attempted to raise many of the gender issues related to the provision of microinsurance, and proposes an urgent call to action to donors, insurers, the research community, MFIs and other delivery channels.

### MFIS AND DELIVERY CHANNELS

Uniquely in touch with the financial needs of poor women and with the specialized capabilities to design and execute programs to help them, MFIs have an opportunity to go beyond the provision of loans to offer gender-sensitive microinsurance programs. Other delivery channels, such as NGOs, unions and employers, may have less access to the women's market, but still offer large opportunities for reaching poor women, and emerging delivery partners such as cell phone providers offer valuable inroads into poor households. ***When approaching the topic of microinsurance, we encourage all of these delivery channels, even those delivery vehicles that are already reaching many women, to learn about women's needs for risk management and coping through localized gender market research.*** Because organizations that serve women may not necessarily be gender-sensitive or fully aware of women's needs, it is critical for all institutions seeking to launch microinsurance to engage in such research. ***After market research has been conducted, we encourage prospective delivery channels to then work with insurers and donors to develop new or improve existing gender-sensitive microinsurance programs.*** After a program has been launched, impact assessment studies are critical to ensuring that the programs respond to women's needs in the local context.

Developing these gender-sensitive microinsurance programs offers two tiers of benefits - direct and indirect - to delivery channels. One direct benefit is the commissions or fees paid by insurers for selling microinsurance. For large-scale delivery outlets, this can amount to a significant and profitable source of revenue.<sup>114</sup> For MFIs offering loan-linked life microinsurance, they can also receive direct payments from insurers to cover outstanding loan amounts in the event that an insured borrower passes away, thereby protecting the MFI's loan portfolio.

Indirect benefits to delivery channels include various effects associated with having healthier and more financially secure households. For employers and unions, this can mean healthier and better workers. For MFIs, healthier and more financially secure borrowers will be less likely to default on loans, will be more satisfied with the MFI, and also more likely to keep up with savings contributions.<sup>115</sup> Because effective microinsurance helps women cope with financial shocks, resources can be allocated to growing businesses or other productive uses, which may in turn increase the amount of money a client is willing to borrow from the MFI for her business. Thus, offering microinsurance should be an important part of MFI's product offerings, including loans and savings. For MFIs using group lending methodologies, microinsurance also provides an important way to prevent individual risks with one client from spreading to other clients. Without microinsurance, the personal crisis of one group member could destabilize the entire group and contaminate the quality of several loans, which can be especially damaging when risks span the community

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<sup>114</sup> McCord (2007a), p. 2.

<sup>115</sup> Mayoux, p. 1.

and multiple group members are simultaneously affected.<sup>116</sup> In these circumstances, well-functioning microinsurance products can mean the difference between a stable loan portfolio and numerous defaults.

## INSURERS

***We encourage insurance companies to seize this opportunity and commit to working with MFIs and other delivery partners to execute gender-sensitive microinsurance programs.*** For insurance companies who primarily serve higher income people in the developing world, reaching out to poor women opens up a market of millions of new clients. In 2007, the MicroInsurance Centre estimated that just 78 million, or 3 percent, of the low income people in the world's 100 poorest countries were found to have a microinsurance product.<sup>117</sup> The MicroInsurance Centre estimates a potential market for microinsurance of about 2 billion people. This leaves a significant opportunity for insurers to tap into high volume sales (estimated to be \$1.5 billion in premiums for each 0.01% increase in market penetration).<sup>118</sup> Surprisingly, this can come with less complexity for insurers than might be imagined. For example, in 2005, AIG-Uganda was able to cover over 1.6 million lives servicing just 23 policies.<sup>119</sup> This was possible because the insurer only issued policies to MFIs, who in turn mandated that their clients purchase group insurance through the program that AIG-Uganda devised especially for MFIs. Furthermore, by marketing microinsurance to women, insurers may enjoy a multiplier effect due to many women's preference to enroll husbands and children as well, provided it is affordable to do so. Thus, gender-sensitive programs which appeal to the women's market may help drive scale in poor communities. Lastly, paving inroads into poor communities gives insurers not just an opportunity for profits and scale, but also a chance to be innovative and differentiate themselves from peers.

## THE RESEARCH COMMUNITY

There is a vital need to better understand gendered responses to risks and how risk strategies such as microinsurance can help alleviate the financial burden of risks on poor women. ***We encourage the research community to investigate such pressing research questions as:***

- How are attitudes to risk, and related management and coping behavior, different across contexts? What are the implications for microinsurance?
- How does the coverage and benefits of microinsurance compare to those of traditional risk strategies? How does the availability of microinsurance affect the use of inefficient risk strategies? How do poor women combine microinsurance with existing risk management strategies and with informal financial mechanisms?
- How does microinsurance free up resources for women in poor households? Does microinsurance affect women's rates of investment into their businesses, savings behavior, or levels of household consumption? What difference does this make to household economic security?
- How do secure savings accounts and microinsurance programs affect a poor women's ability to manage and cope with risks?
- What are the best practices in gender-sensitive microinsurance marketing, distribution, and product design, including advertising, client/market education, promotions, claims design, pricing, servicing, etc.? What modalities are best suited for gender-sensitive education? How can claims be better designed to ensure that women in various contexts get the most value from them?

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<sup>116</sup> McCord (2007a), p. 2.

<sup>117</sup> Roth, Jim and Michael J. McCord and Dominic Liber. "The Landscape of Microinsurance in the World's 100 Poorest Countries," The MicroInsurance Centre, 2007.

<sup>118</sup> Matthews, Brandon. "Microinsurance: Delivering the Core Value of Insurance to New Customers," Zurich Insurance, 2008.

<sup>119</sup> McCord (2006), p. 2.



## DONORS

With vast resources and missions to support poverty reduction, the donor community - including bilateral and multilateral agencies, regional development banks, foundations, socially responsible investors, and other organizations that fund microinsurance - is uniquely poised to provide critical support in the early stages of developing gender-sensitive microinsurance programs that benefit women in particular. **We encourage donors to use their resources to invest in developing microinsurance for women in several ways.** Donors can fund research and consumer education, and can also provide critical support via technical assistance and capacity building to MFIs and other delivery channels seeking to develop microinsurance programs.<sup>120</sup> As the costs associated with the initial research and development of microinsurance programs can be quite high, and where commercial insurers may be reluctant to initially get involved, early donor support can be crucial to kick-start these efforts. As commercial insurers show interest, donors can help broker deals between these companies and MFIs and other delivery channels. Prominent foundations such as the Bill and Melinda Gates Foundation have also used their resources to stimulate new ideas in microinsurance by providing competitive innovation grants. On a larger level, donors can promote an enabling policy and regulatory environment for microinsurance. Because microinsurance strengthens microfinance portfolios, funding microinsurance in any of these ways can be a savvy strategy for donors who also fund microfinance.

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<sup>120</sup> Latortue, Alexia, Aude de Montesquiou, Vanessa Ward. "Microinsurance: What Can Donors Do?," CGAP Working Group on Microinsurance, 2008, p. 1.

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# MICROINSURANCE INNOVATION FACILITY

Backed by a grant from the Bill & Melinda Gates Foundation, the ILO's Microinsurance Innovation Facility was established in 2008 to support the extension of insurance to millions of low-income people in the developing world, with the overall aim of reducing their vulnerability to risk.

The ultimate objective of the Facility is to encourage the development of microinsurance so that - by the end of 2012 - 150 million low-income people will be able to make informed choices on how to manage risk and will have access to a wider range of insurance products that provide better value for money.

To achieve its goals, the Facility engages in four sets of activities:

- o giving **grants** to institutions to devise and test innovative approaches to providing better insurance products to low-income women and men in developing countries
- o supporting the development of **technical assistance** providers and encouraging the demand for such services
- o supporting **research** on core issues related to insurance cover for low-income households
- o **disseminating** information and lessons learned to key stakeholders

For more information, check the Facility's website ([www.ilo.org/microinsurance](http://www.ilo.org/microinsurance)) or contact us at [microinsuranceresearch@ilo.org](mailto:microinsuranceresearch@ilo.org).

