

**PLANET FINANCE**

[www.planetfinance.org](http://www.planetfinance.org)

The Microfinance Platform



**PLANET  
GUARANTEE**

## Microinsurance: a risk management tool for better access to financial services

Sabrina Régent

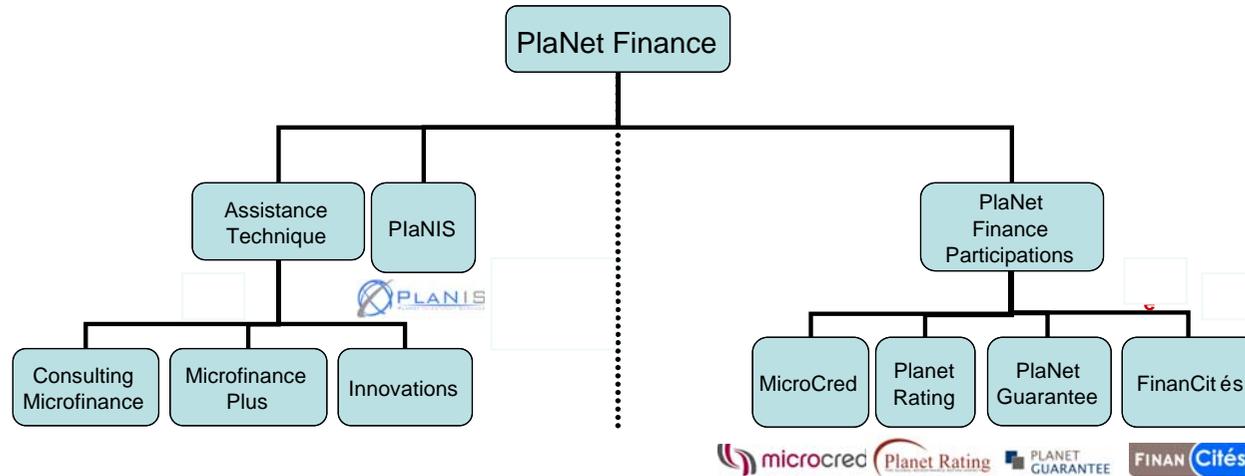
- I. Planet Finance**
- II. Brief overview on MFI market**
- III. Planet Finance and Microinsurance**
- IV. Microinsurance products targeted to MFIs**
- V. Potential impact of microinsurance on access to financial services**
- VI. Conclusion**

PlaNet Finance is an International Non Profit Organization that aims at contributing to the improvement of human lives condition by ensuring each person's dignity through the development of microfinance worldwide.

The organization is focusing on the main needs of microfinance sector:

- Strengthening the capacity of the microfinance sector (Microfinance Institutions, Governments, Banks & Financial Institutions, etc.)
- Increasing the transparency of the microfinance sector
- Increasing the funding available to Microfinance Institutions

## 6 ACTIVITIES TO DEVELOP THE MICROFINANCE SECTOR



As the **microfinance expert**, PlaNet Finance Group provides a diversified set of services to help increase access to financial services for the poor :

**PlaNet Finance Technical Solutions**, the technical assistance and consulting provider;

**PlaNIS**, the business unit specialised in microfinance fund advisory, structuration and management;

**Planet Rating**, the microfinance rating agency;

**MicroCred**, the microfinance investment company;

**PlaNet Guarantee**, the microinsurance specialist;

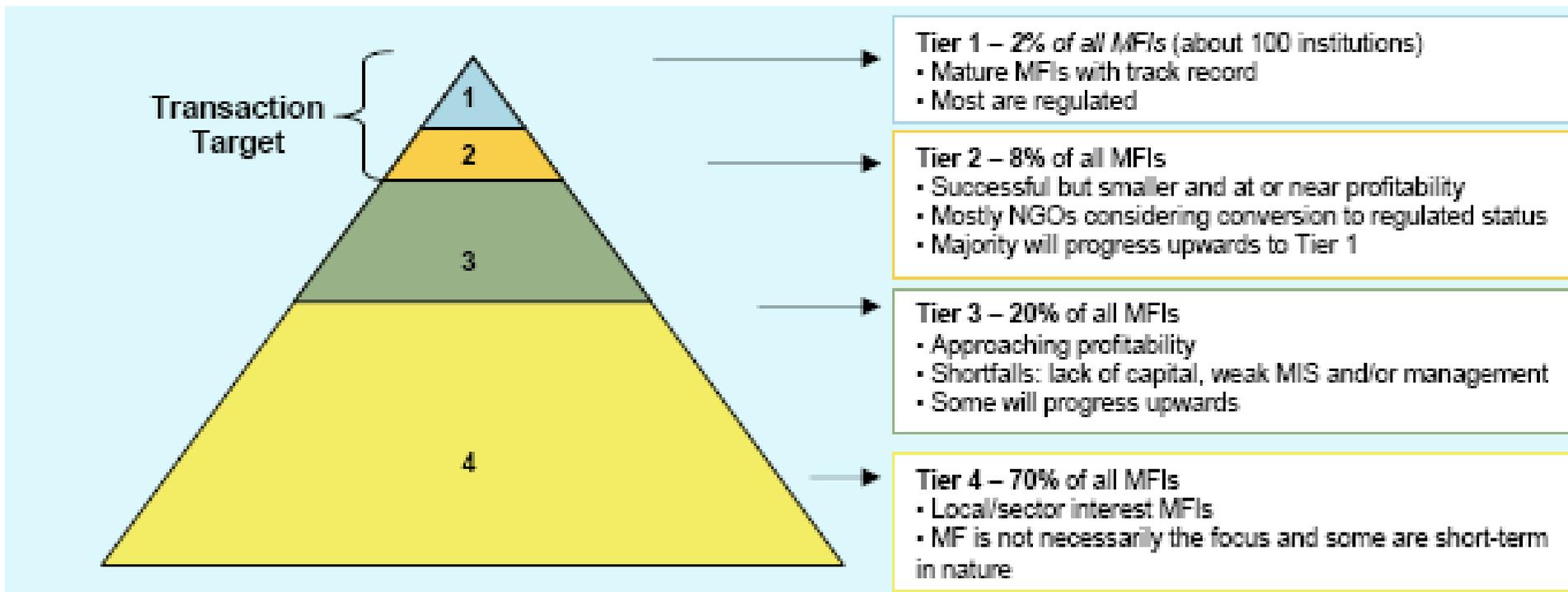
**FinanCités**, the venture capital company for microentrepreneurs in French deprived urban areas.

## International Network





- Today we consider that 150 m people benefit from microcredit and 300 m from microsaving (CGAP)
- Around 10 000 MFs worldwide





- Microfinance is poverty reduction tool: it provides a stable and sustainable source of income that enables clients to climb steadily out of poverty, while providing better living conditions and opportunities for their families.
- Important to strengthen the capacity of the existing MFIs by giving them a better access to financial services among with insurance products.

- PlaNet Finance has created in 2007 a subsidiary dedicated to the promotion and the development of microinsurance schemes : PlaNet Guarantee
- PlaNet Guarantee aims at creating sustainable microinsurance schemes and offering innovative products that respond to the demand, needs and financial capacity of microentrepreneurs and their families
- PlaNet Guarantee is today registered as a broker

## The strategy of Planet Guarantee :

### ➤ With MFIs:

MFIs have a deep knowledge and good access to the low income population (good distribution channel) but they are not able manage properly insurance products;

### ➤ With insurers and reinsurers:

Insurers and reinsurers have the capacity to carry the risk but are not present on low-income market.

### ➤ PlaNet Guarantee's added value is to be a catalyst between insurers, reinsurers and MFIs.

## Credit Life insurance

- Guarantees the MFI's portfolio in case of death following disease or accident and disability following accident of the borrower.
- The insurance company repays the **seed capital** from which:
  - the MFI receives the outstanding capital
  - The microentrepreneur receives the difference between the seed capital and the outstanding capital.
- Product implemented in 11 MFIs in 6 countries (Cameroon, Egypt, Ivory Coast, Madagascar, Senegal, Sri Lanka).

## Characteristics:

- ❑ Exclusions are reduced to the minimum (up to 65 years, no medical selection, no health status declaration)
- ❑ The MFIs benefits from:
  - a fixed income (7% of the premium collected)
  - a variable income (80% of net result)

Risk management tool to protect MFIs portfolio against default payment in 2 specific cases (death and disability)

## Credit insurance

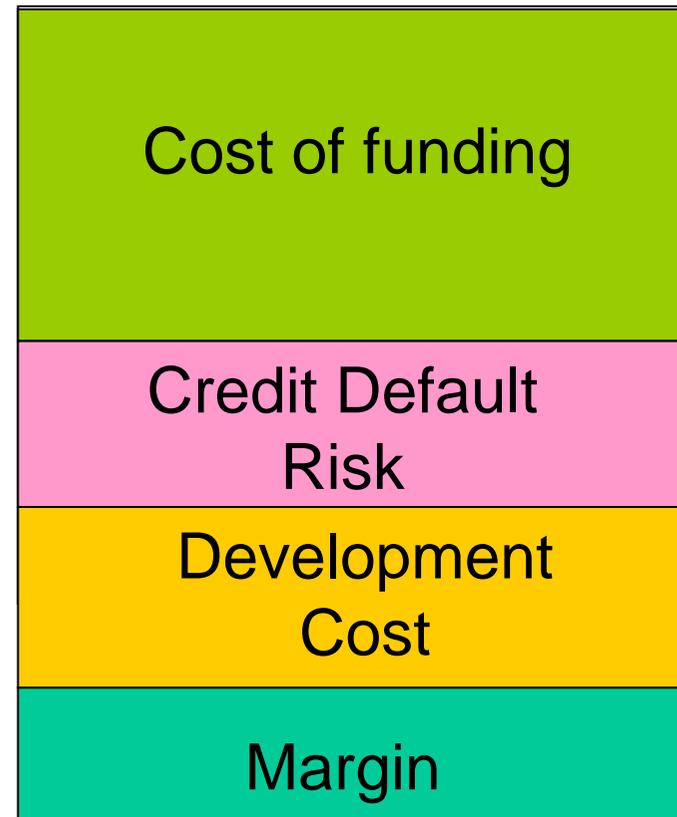
Objective: protect the MFIs against catastrophic losses (natural disaster, political risk or other risk)

- ❑ Insurance can:
  - cover the entire loan portfolio or specific portfolio segments;
  - provide for indemnisation on the basis of write-offs during the cover period
- ❑ Insurer/Reinsurer work as stop loss cover: protect the lender against risk of unexpected loss within a predefined layer capacity (ex. from 1 to 4%)
- ❑ Few exclusion (risk originating from war and war-like events, nuclear energy events)
- ❑ In case of excess losses (above a predetermined default payments of the MFI's portfolio), the insurance will cover the portfolio at risk on a cost sharing basis (ex. 60% the insurance/40% the MFI)

Risk management tool that covers the entire portfolio against any kind of risks: it can help MFIs in their growth and development.

Microinsurance products can have a direct impact on:

- Credit default rate/Portfolio at risk (PAR)/Write-offs
- Interest rate applied by the MFI



- Access to funding: based on the GIRAFE method of rating (Planet Rating): a comprehensive analysis of the risk profile of MFIs that will be looked at by investors.

**G** OVERNANCE

**I** NFORMATION

**R** ISK MANAGEMENT

**A** CTIVITIES AND SERVICES

**F** INANCING AND LIQUIDITY

**E** FFICIENCY AND PROFITABILITY

- ❑ Microinsurance is risk management tool that can help reinforce MFIs
- ❑ Planet Guarantee aims at developing microinsurance products specially targeted to MFIs
- ❑ Credit life insurance and credit insurance can be an important risk management tool against default payment
- ❑ Can have positive impact on different elements relevant for funders and improve access to the financial market

## PLANET GUARANTEE TEAM

Sébastien Duquet (Managing Director PlaNet Finance)

Philippe Rives (Executive President PlaNet Guarantee)\*

Sabrina Régent ( Head of Microinsurance Programs)\*

Mathieu Dubreuil (Coordinator Microinsurance programs for Africa)\*

Florent Dauba (Coordinator of Microinsurance programs for Sri Lanka)\*

Clémence Doumenc Aidara (Head of PF Senegal)\*

Carole Serviere (Microinsurance coordinator MENA)\*

Frédérica Andriamanantena (Project manager, Paris)

Axelle Dusouchet (Project manager, Senegal)

\* Experts certified by the Microinsurance Technical Assistance Program of ILO

*Thank you!*