



## Economic development and employment

# Insurance

### The challenge

Many people in developing and transition countries are not adequately protected against the consequences of life risks, natural disasters, weather events or crop losses. Lack of access to insurance often requires informal responses to risk events, such as asset sales. Insurance products enable people to manage the financial consequences of unexpected events more efficiently, contribute to their livelihood protection and can help to prevent people from slipping into poverty. However, insurance markets in developing and transition countries are not growing at the same pace as economic activity, posing challenges at all market levels. The situation in many countries is characterised by weak political and regulatory frameworks, an insufficient supply of adequate insurance products as well as low levels of consumer awareness of insurance and little trust in insurance providers.

### Our approach

The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH systematically supports its public and private partners at all levels in order to meet the challenges of insurance markets in developing and transition countries (the 'multilevel approach'). Our advisory services focus on the promotion of inclusive insurance markets in which all groups of the population can take out high-quality and demand-oriented insurances. Thereby the following areas<sup>1</sup> are at the heart of our services:

**Microinsurance** is insurance protection for informal workers and small and micro entrepreneurs in exchange for

<sup>1</sup> Solutions offered under a public mandate to protect against and insure individual life risks such as illness, accidents, old age, disability and death are covered by the products 'universal social health protection' and 'social protection systems'.

a premium payment that is adapted to their needs, risk exposure and income situation. Microinsurance policies are mainly used in the areas of property and life insurance. For life risks they form an important building block of individual risk protection in the form of private or community-based micro health, life or pension insurance policies. Thus, they can complement public social security systems or substitute them where they are lacking.

**Agricultural and climate risk insurance schemes** are becoming increasingly important due to climate change and in the light of increasing weather-related risks. Agricultural insurance services – usually in the form of crop insurance – often form an integral part of public support systems that help to protect farmers from financial losses. In the context of climate change, public actors are increasingly recognising the potential of insurance solutions to provide protection from damage caused by extreme weather events or other natural disasters.

### Our services

We provide advisory services to all major actors of the insurance industry: public institutions (insurance regulators, ministries, public insurance companies), private sector companies (primary insurers, reinsurance companies and their sales partners) and civil society actors.

- **Shaping political and legal frameworks**  
We advise regulatory authorities and ministries on designing legal frameworks for the development of inclusive insurance markets.
- **Strengthening insurance infrastructure**  
We support the establishment and strengthening of insurance associations, as well as education and training institutions.



- **Improving and expanding insurance services**

We advise private and public insurance companies on developing innovative and demand-oriented insurance products, thereby covering the whole value chain from demand research to product development, sales and servicing.

- **Supporting the application of innovative technologies**

A sustainable insurance scheme has to be based on data in order to adequately assess the risk to be insured. Data collection often requires modern technologies. We provide advice on selecting and implementing such technologies.

- **Improving and enhancing consumer protection and financial literacy**

We provide support in planning and implementing educational campaigns. The goal is to enable people, including those with low levels of education, to understand the benefits and obligations that arise from concluding an insurance contract in order to strengthen their trust in insurance products and providers.

## The benefit

We work closely with standard-setting bodies such as the International Association of Insurance Supervisors (IAIS) and play an active role in international initiatives and networks such as the Access to Insurance Initiative (A2ii) and the Microinsurance Network (MIN). This enables us to articulate our position on current topics and participate in setting international standards. We also draw on many years of experience in working in partnerships with the private sector.

## An example from the field

The project 'Promoting Insurance in Ghana' (PromIGH) aims at enabling low-income households and small enterprises to gain better access to insurance products and to make greater use of them. On behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), GIZ is supporting a network of Ghanaian partners using a multilevel approach. GIZ is advising the National Insurance Commission (NIC) as the central partner in the development and implementation of a regulatory framework that meets international standards and supports the development of microinsurance schemes. As providers of insurance services often lack technical expertise and qualified professionals, the project works together with various partners in making technical expertise accessible and available on a sustainable basis. This is a prerequisite for the development of innovative and financially viable products. In order to improve understanding and awareness of the purpose and benefits of insurance services and to develop customer relationships based on trust, the project supports the insurance industry in piloting target group-oriented awareness campaigns, improving consumer protection and increasing insurance providers' responsiveness to clients' needs.

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