Microinsurance: Protecting migrant workers from risk

With one in two residents in the GCC being a migrant worker, there is much that insurance can do to protect their interests, say **Ms Annalisa Bianchessi** of the Microinsurance Network and **Mr Michele Grosso** of **Democrance**.

In 2015, 244 million people, or 3.3%of the world's population, lived outside their country of origin. The majority of migrants go abroad in search of a better life; others are forced to flee a crisis in their own country.

The journey of a migrant is riddled with risks: from leaving behind loved ones and crossing borders, often illegally, to finding new living arrangements, adapting to new cultural norms and seeking employment in an unknown environment. The task of finding a home alone can be very onerous, where rents are costly and often require documentation or credit histories that migrants often do not have. As a consequence migrants frequently end up living in poor conditions, which means facing additional health and safety risks.

Once migrants find employment, the possibility of losing a job or being injured while working are added to their risks. Migrants are often working in low paying, unstable jobs with limited access to social and government support in their host countries. At the same time, the migration process usually entails an increase in the migrant's burden of responsibility as the primary income earner for those left behind back home. This role can put even more strain onto their situation as it reduces their ability to set aside money for unexpected expenses.

Faced with so much responsibility and so many risks, migrants are often amongst the most vulnerable people in a country. With limited social networks in the host country and considerable barriers to accessing information, resources and opportunities, migrants could stand to benefit from insurance schemes aimed at alleviating them from some of their risks. Yet devising and delivering microinsurance for migrants is a complex task.

Product design & distribution

In a paper published recently by the Migrants in Countries in Crisis Initiative, Emily Zimmermann and Barbara Magnoni from EA Consulting outline three models for insurance product design and delivery targeting migrants.

The models are differentiated through the country in which the insurer is based and where the covered risk occurs: a "home model" based in the migrants host country, a "host model" provided in the host country, and a hybrid model, spanning over home and host countries. In addition delivery models fall into three categories: those targeting the migrant directly, those provided through the sending or receiving governments, and finally those provided through the employers.

Highlights

- Migrant workers are amongst the most at risk group of people in a society, but are largely an untapped segment for insurers.
- Main challenges of providing microinsurance to migrants are distribution and regulatory constraints.
- Technology can help overcome some of the distribution challenges.

Each model has its set of challenges and benefits. Where insurers in the home country may have a better understanding of the target market and may be able to reach economies of scale if they are in large migrant-sending countries, they may be much more constrained in their ability to deliver benefits to the migrant without a presence in the host country. On the other hand insurers in the host country often lack the understanding of the customer's needs as well as the appropriate delivery channels.

A feasible approach

The bilateral model could represent the best of both worlds but only few companies are in a position to be able to develop such a model.

We can find examples of the home model in the Philippines (a compulsory government scheme including death, disability and repatriation for overseas Filipino workers), and in Sri Lanka (a social security scheme with similar coverage, by the Sri Lankan Bureau of Foreign Employment); of the host model in Germany (where the government provides irregular migrants with public health benefits), and Spain (a voluntary repatriation insurance for migrants by Segurcaixa), and the hybrid model in the Philippines and Hong Kong (life insurance by Pioneer Life).

"When we think about providing microinsurance for migrants, two of the biggest challenges are distribution and regulatory constraints," explains Ms Zimmerman, Senior Research Associate at EA Consultants.

"The insurers in the host country are often unfamiliar with the migrant population, and don't have the expertise and distribution networks to reach migrants who are often financially and socially excluded and have limited prior experience with and trust in formal financial service providers. At the same time, regulation in many countries limits the distribution of insurance through informal, non-licensed channels," she adds.

Covering migrants in the MENA region

The MENA region, GCC in particular, is made up of populations that have been migrating for centuries due to geographical, political and religious reasons. In the GCC, one out of two residents is a migrant worker (this rises to 85% in the UAE and Qatar). With such high numbers of migrants, migrant insurance is a topic of growing importance.

A 2013 law requires that, as of July this year, all nationals and residents of the Emirate of Dubai are to be provided with health insurance by their employer, including lower income workers (e.g. domestic and construction workers).

This is not the first government-mandated "host model" health insurance programme in the UAE designed for low-income workers: The government of Abu Dhabi implemented the "Abu Dhabi Basic Plan" 10 years ago, covering all workers earning up to AED5,000 per month (US$1,360). The Plan is sold to employers at a subsidised price of AED600 annually and has reached 1.4 million low-income workers so far.

The programme is administered by the National Health Insurance Company – Daman, a public joint-stock company that is 80% owned by the Abu Dhabi government with the remaining 20% owned by Munich Re.

"From where we stand, we can confirm that awareness of the health Plan and its benefit are now firmly established. Low-income migrant workers enjoy financial protection when they need healthcare, and they have access to it," highlights Dr Michael Bitzer, CEO of Daman.

Dr Michael Bitzer

"The Abu Dhabi Basic Plan is one of the best health insurance covers available anywhere in the world. For a fixed price, the facilities that are available are unparalleled in this segment. The Plan shows the governments' commitment to supporting better healthcare for all its residents irrespective of economic strata."

Multiplier effect

Dr Bitzer adds that, for the majority of customers the mandatory health insurance is the first insurance product that they own. Most Basic Plan members are from countries and regions where the concept of health insurance is altogether non-existent. The insurance therefore represents a significant benefit offered by employers, at the behest of the UAE government.

Further, he explains, that because health insurance is mandatory, the quality of healthcare is also notably better in the UAE than in some other countries: mandatory healthcare is an incentive for world-class service providers to establish healthcare operations in the UAE as it guarantees them a large base of potential customers.

Dr Bitzer highlights that in addition to the compulsory car accident insurance, employers can check if any other insurance products, such as a group life insurance or workmen's compensation in case of job-related injuries, can also extend to migrants.

Technology a key enabler

Technology can help tackle the distribution and administration challenges of providing insurance to the mass segments. Democrance, a FinTech startup based in the UAE, has built a platform that enables insurance companies to reach and better serve existing and new customer segments through digital and mobile channels. The product has just been launched in the market and is currently in its pilot phase with early adopters.

New technologies and innovative solutions are required to tap into the large untapped market opportunity that microinsurance represents. While health insurance become mandatory across GCC countries, there are certainly other products needed by the low-income migrant population across the region: life, accidental, savings and retirement insurance solutions are just few examples of how insurance can contribute to improve the condition of migrant workers and their families back home.

Ms Annalisa Bianchessi is the Communications Coordinator at the Microinsurance Network, while Mr Michele Grosso is the Founder and CEO of Democrance - the first FinTech startup dedicated to microinsurance in the MENA region.