



MILK Brief #2: Client Value Landscape Study¹

What is Client Value in Microinsurance?

Client value may be direct or indirect and represents the *added value*, in comparison to other available risk coping mechanisms, of having insurance either when claims are made or as a result of owning a policy and trusting that it will be honored. It is comprised of three components: **expected value** (through behavioral incentives and “peace of mind,” even if claims are not made), **financial value** (when claims are made), and **service quality value** (externalities created through access to product-related services). Demand issues, while relevant to an understanding of client value, may also be influenced by a variety of other factors, and as such are considered separately, though demand informs MILK’s analysis of both client value and business case.

Key Findings of Landscape Review

MILK recently conducted an extensive landscape review analyzing 180 academic and practitioner studies of microinsurance and traditional insurance products as well as other risk management mechanisms. Existing, in progress, and planned studies were reviewed. While not a comprehensive review of all available studies related to client value, the landscape review is intended to provide a clearer picture of what the relevant body of work looks like.

MILK then aggregated findings in the existing literature. These provide only partial answers to the questions of when and how microinsurance may have value to clients and their families. Studies have been concentrated in health and agricultural insurance. Only a handful of studies looked at life and accidental death and disability products, which make up the majority of microinsurance policies currently covering low-income people. The table below summarizes the findings of the studies reviewed, breaking down each component of value into sub-questions and indicating how the studies answered each question. The following are some key lessons learned from aggregating study information:

- Health microinsurance can increase utilization of both routine services such as preventive outpatient care and high-cost, low-frequency services such as surgery.
- Agricultural microinsurance can boost farmers’ business investment and incentivize farmers to make riskier but more profitable business decisions.
- There is evidence, though limited, of improved health outcomes and quality of care as a result of health microinsurance.
- Benefits of microinsurance appear in some cases to differ by income level, gender, urban/rural residence, and age, but studies often do not flesh out the differences between client segments clearly.
- There is mixed evidence regarding the ability of health microinsurance to reduce expenditures or protect income. However, studies often fail to clearly describe the cost of insurance policies or to distinguish between routine and catastrophic shocks.
- There is a large body of work examining the various risk-coping tools (such as savings, emergency loans, informal risk-sharing arrangements, and gifts) used by poor households, but little concrete analysis of the role these tools play as alternatives or complements to formal insurance products.
- Methodological difficulties result from the many variables at play, the presence of adverse selection, and the infrequency of many insured events. These have limited the questions and product types studied, as well as the robustness and generalizability of the findings of some studies.

¹ This brief summarizes the findings of the complete [client value landscape study](#) conducted by MILK.



How Does Existing Literature Answer Key Questions of Client Value?

Does microinsurance...			How Many Studies?
Expected value	lead to reduced savings or increased consumption or household investment?	yes	very few
	increase business investment or lead to riskier business decisions?	yes	few (all in agriculture; studies of other risk management tools can inform further work)
	provide "peace of mind" effects on the health and psychology of clients?	yes	very few
	empower clients to make financial decisions?	yes	very few
Financial value	protect assets?	yes	very few
	lead to reduced borrowing when an insured event happens?	inconclusive	very few
	lead to lower recurring/routine expenses?	inconclusive	many (all in health)
	lead to lower expenses or greater income protection for catastrophic events?	inconclusive (but inclining toward "yes")	many
	lead to cash flow smoothing?	inconclusive	many (studies of other risk management tools can inform further work)
	complement (rather than compete with) other risk management tools?	inconclusive	very few
Service quality value	increase utilization of healthcare services?	yes	many
	improve the quality of healthcare services received?	inconclusive	few
	improve health outcomes?	yes	few
	lead to education or access to other products or services?	yes	very few

Red shading indicates gaps

Moving Forward

MILK's landscape study also identified numerous gaps in understanding of client value in microinsurance. These gaps are geographic (most studies were in rural areas of Asia and Africa) and product-based (very few studies analyzed products other than health and agricultural). There are significant gaps in the questions answered, and studies also often fail to provide contextual information about products and clients. MILK has identified a set of questions aimed at beginning to fill some of these gaps. Moving forward, the project team will draw from the lessons learned in the landscape study, enhancing them with both original and collaborative research with others like the ILO's Microinsurance Innovation Facility to help answer the questions:

- 1) Does microinsurance help protect people from large shocks (high cost events) in comparison to other alternatives?
- 2) To what extent is microinsurance effective in smoothing income or protecting assets of the poor when smaller shocks (low cost events) occur and if it is not, are there demand factors that are worthy of considering that make a case for value to clients of covering these small shocks with microinsurance?

Microinsurance Learning and Knowledge (MILK) is a project of the MicroInsurance Centre that is working collaboratively to understand client value and business case in microinsurance. [Barbara Magnoni](#) leads the client value effort and [Rick Koven](#) leads the effort on the business case. Contact [Michael J. McCord](#), who directs the project, for more information.