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General Insurance 2020:
Insurance for the Individual

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Abstract

The world is constantly changing, with new technologies and new attitudes creating social shifts in nations across the globe. The insurance industry is not detached from these changes, with the increasing discussion on the implications of climate change being just one example of how the industry must adapt to a changing world.

This paper aims to put forward some thoughts on potential future developments in General Insurance arising from recent trends. In particular, the increasing focus on empowerment of the individual – whether through the increased voice provided by the internet in the developed world or through microfinance projects in the developing world – offers exciting opportunities. It is up to actuaries to recognise and take advantage of these opportunities for the profession to remain relevant.

Given the vast array of potential topics that could be covered, the focus of this paper will be confined to two main topics:

• The increasing role of technology in fostering innovative insurance products and in offering new means of distribution for existing products. We consider possible establishment of an online "peer-to-peer" insurance market enabling individuals to insure one another, and following on from the advent of peer-to-peer lending in the United Kingdom. Possible prototypes for the operation of such a market could include derivatives markets.

• The rise of Microinsurance in the developing world, offering communities and individuals the chance to be insured at prices far lower than in the developed world. Within developing countries such as India and China where large segments of the population survive on very low incomes, there is likely to be scope for commercial insurers to test out product innovations whilst also obtaining brand penetration into a market that potentially comprises the "middle-class of tomorrow".

These issues will throw up new ideas and new challenges to insurers, actuaries and regulators, but also open up a vast array of new possibilities.

Keywords: insurance, microinsurance, peer-to-peer

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1. Introduction

Earlier this year, Australian Prime Minister Kevin Rudd called the “2020 summit”, a gathering of over 1000 Australians to discuss the key issues affecting our nation and to consider policy measures that would be worth pursuing over the next decade. This paper was originally conceived at around that time as a chance to consider what the general insurance industry might feature by 2020. Rather than taking a completely ‘blue-sky’ approach, however, we have sought to build our ideas on existing concepts, and to keep things manageable, have focused on two main areas, namely technology and microfinance.

Technology plays an increasingly prominent role in our lives, be it through the development of more sophisticated software, more advanced medical equipment or the almost universal presence of the internet. The tremendous potential of the World Wide Web has only been scratched so far, and in recent times this has generated increasing inter-connectedness of both systems (e.g. modern mobile phones are often camera, calendar, mobile internet device and address book – not to mention being phones) and of people (most evident through the rise of social networks). The increased capacity of technology has also allowed development of more sophisticated products, such as Pay-As-You-Drive insurance. Such developments will have an impact on the general insurance industry, and it is merely a question of when, not if, this impact becomes obvious to the world at large.

Although it has been around in various forms for decades, the field of microfinance has gained a great deal of attention in recent years. Most notably, Professor Muhammad Yunus and the Grameen Bank won the Nobel Peace Prize in 2006 for their efforts to alleviate poverty through providing financial services to the poor. Likewise, the related field of microinsurance recently received a big media boost when the Bill and Melinda Gates Foundation invested US$34 million in a microinsurance development partnership with the International Labour Organization (ILO, 2007). The publicity generated by these and other media hits brings wider attention, and hopefully resources, to the microfinance and other organisations who have already made significant investments in developing regions such as India, Africa, and South America.

We are also in a time where the prevalence of concepts such as ‘corporate social responsibility’ and ‘sustainability’ are causing corporations to re-think the corporate ethos. In fact, some proponents for change, such as Professor Yunus, are calling upon the business world to look at the social return from activites rather than just focusing on financial reward. Regardless of motivation, the reality is that 80% of the world’s population currently lives on less than US$2 a day (Prahalad, 2006) with very little access to mechanisms that help protect against financial loss. Microinsurance is one possible solution that is being explored in developing, and in some cases even developed, countries around the world as a way to bring formal insurance products to the low-income markets.

2. The First World – Technological Progress and its impact

Over the last decade and a half, technology has become a far greater part of daily life in the developed world, with mobile phones emerging and now expanding into general-purpose devices, vast increases in the capabilities of computers and advances in the capacities of programmers. At the forefront of the revolution – and perhaps its most prominent feature – has been the internet, which has reached into both our work and our homes, to the extent where the first reaction of many to an unfamiliar situation is "let's Google it". Indeed, in a May 2007 interview Google's CEO, Eric Schmidt, declared that Google's goals included "*that Google be able to answer questions that we cannot answer today like, "What should I do tomorrow?"*" (Schmidt, 2007).

That such an ambition can be taken seriously shows just how far technology has advanced – it is now possible for individuals to obtain far greater variety and choice in their everyday lives. It also, however, highlights what is perhaps the great paradox in such advances – the new array of choice both empowers the individual to make their own decisions but at the same time creates the problem of too much choice[1]. One example is the dizzying array of information now available – in addition to the traditional media, there are thousands of weblogs covering almost every topic conceivable.

The general insurance industry (and for that matter the actuarial profession) is not immune to the spread of technology. At its most basic, one only needs to look at the popularity of the now-ubiquitous spreadsheet to see how far things have come, and at a deeper level the capabilities that have been provided e.g. in the ability of actuaries to produce increasingly sophisticated models of catastrophic events, capital needs for companies, etc[2] (this was briefly touched on by Rade Musulin in the April 2008 issue of Actuary Australia). For the individual consumer on the outside, however, the evidence of technological progress in general insurance comes from two main sources:

- The internet – offering both the opportunity to purchase insurance and the opportunity to learn more about it.
- The creation of new and innovative products, such as Pay-As-You-Drive insurance, and reductions in costs of existing products.

2.1 The internet – bringing the world to one's fingertips

As noted at the start of this section, the internet has brought the world to our fingertips, and that world includes general insurance. Websites are now a key distribution channel for many insurers, offering a lower-cost option to gain market share than existing channels. Indeed, some insurers operate exclusively on an online model. However, there remain complications with the use of this approach, including:

- The need to maintain existing distribution channels and relationships with agents whilst bringing the new technology online (and beyond this);
- The need to establish a point of difference and convenience online without giving away any competitive advantage.

The second point is particularly important – given the variety of content available online, it is necessary to establish a convenient and easily accessed interface to hold the attention of the potential customer. At the same time, making information too accessible risks giving away a great deal of information e.g. online quoting facilities can be used to derive information about pricing structures. This is perhaps one reason why online quoting facilities are not always as friendly as the user might like. Perhaps as a result of trying to balance this trade-off, online insurance has taken off most readily in those classes where insurance can perhaps be described as a more commoditised product e.g. travel insurance or motor insurance.

The internet also provides consumers with the opportunity to access a much wider base of knowledge, so that they can approach the process of obtaining insurance from a much stronger bargaining position. One consequence of this is that (at least some!) insurers focus on being able to explain changes in the premiums charged to consumers by linking this back to the claims experience. A side benefit for insurers is that it adds to the transparency of the process and forces them to the discipline of taking the experience into account. The greater pool of information available can also have other implications, in that it gives rise to a much wider pool of potential entrepreneurs who might seek to enter the insurance industry in the future (one avenue for this is discussed below in Section 3.2).

2.2 Breaking into uncharted waters – Innovation and Pay-As-You-Drive Insurance

But the impact of technology is not purely limited to the internet – the modeling capacity now available to insurers has also enabled the creation of new and innovative products, and is likely to continue doing so in the future. With the possibility of testing the projected impact of products under a range of scenarios – and the development of more advanced market research mechanisms to verify those products (e.g. choice modeling techniques), significant cost savings can be obtained in the development process.

One recent example of such a product is Pay-As-You-Drive (distance-based) motor insurance in a number of jurisdictions, which we will use as a form of case study in this section. Another example is the recent introduction in Queensland of "loss of license" insurance, which covers some of the costs in the event that a driver has their license suspended for low-level speeding offences, though the technology in this case is that of the speed cameras.

Pay-As-You-Drive (PAYD) insurance for motor vehicles has recently been introduced into the Australian market by Real Insurance[3], following its introduction – with varying degrees of success – in a number of markets overseas, originally in the USA by Progressive Insurance. The idea is that users are charged for motor insurance based on distance driven rather than based on the length of time the cover is taken out for. Such an approach is considered both more equitable (in that it assigns more of the costs of cover to those drivers who drive more) and to promote social objectives, by giving drivers an incentive to drive shorter distances.

The original form of PAYD insurance sold by Progressive in the US and by Norwich Union in the UK was device-based. It involves installing an on-board telematic device in the vehicle that transmits data back to the insurer. Although this can lead to lower premiums for the consumer, there are several potential pitfalls, for both the insurer and the insured. These include the costs of producing and installing such a device (cited by Norwich Union as the reason they have temporarily discontinued the product (Grush, 01/09/2008)) and the privacy concerns.

The latter were particularly strong, as the on-board devices would transmit details such as speed, time of day and location to the insurer. This is not necessarily a bad thing – Norwich Union, for example, took advantage of the wide array of extra information to offer differential pricing based on the time the car was being driven, the type of road being driven on (main highways vs. urban streets, etc.) and other factors. The main issue was (and remains) the concern held by many over allowing this level of access to their data. It will be interesting to see if trends in social attitudes lead to this changing in the future e.g. the increased willingness – especially amongst young people – to share personal information freely online.

In Australia, a new form of PAYD insurance is being sold that attempts to overcome these issues, particularly the privacy issue. Rather than installing a telematic device, the buyer quotes the odometer reading on their vehicle when applying for a policy and purchases cover for a specified number of kilometers, again based on the odometer readings. In the event of a claim or of a policy cancellation, the odometer is verified to confirm no tampering has occurred. Such an approach is also significantly cheaper to run as it does not require installation of a telematic device, however it essentially commoditises the product, making it much easier for other insurers to potentially bring on competing products. In addition, there would appear to be less potential to build on the product as Norwich Union sought to do.

2.3 The new age – the rise of Web 2.0 and potential for "Peer to Peer" insurance

In recent times, one popular topic of discussion (especially amongst social commentators) has been the concept of "Web 2.0". This is not a particularly well-defined term, and we do not propose to define it well here. For our purposes, the term will refer to "the proliferation of interconnectivity and interactivity of web-delivered content"[4]. The core element underpinning this, regardless of the definition, is the social aspect – the closer integration of different aspects of a person's life with that of their social circle. The advent of technology has only sped up this process – for many people their mobile phone now also acts as web browser, calendar, organizer, music player, camera and much more, leading to a culture of feeling the need to be perpetually "connected". These trends can be symbolized most aptly by the social networking website Facebook and the ubiquitious Blackberry.

As more and more information becomes available, it is likely that when an individual needs insurance, then rather than turning to an insurance company and enduring the underwriting process, they can turn to their social networks. The rise of such a "peer-to-peer" (P2P) insurance market could be modeled on a basis very similar to that of online lenders, such as Kiva (http://www.kiva.org). Indeed, in many ways this goes right back to the foundations of insurance and the concept of pooling risks in mutual funds.

The main difference between what took place historically and what is now possible in this brave new world though is that a much wider population of potential poolers now exists, thanks to the ability to easily communicate with people from around the world. Indeed, it may be possible to set up 'insurance trading markets' in a fashion similar to the derivatives markets we see today. One example of such a market that already exists is the market for credit default swaps, which effectively insure against the failure of financial institutions. The current credit crunch, however, has also illustrated one of the key risks around this, which is the potential for unsophisticated participants to be caught up in the market.

The key challenges in dealing with such markets are how to regulate it but also how to set it up – arguably the greatest impact of the credit crunch has been the crisis of confidence created by market participants simply not knowing where the risks lie. This is an area where actuaries can get involved, bringing to bear both a focus on the risks (potentially tied in to the embryonic Enterprise Risk Management programs currently under development). More importantly, actuaries can focus on the basics of the operation – whilst it is possible to get carried away with the bells and whistles, ultimately an insurance product is about getting the underwriting and pricing correct, i.e. knowing who you are selling to and making sure you are getting an appropriate return. This will be discussed further in Section 4.

3. Micro-insurance – from the developing world and into the future

The previous example of P2P insurance is in fact very similar in concept to the principle of what is already occurring in parts of the world via microfinance, which aims to provide financial services to low-income people. The majority of microfinance ventures relate to microcredit, or the provision of small loans aimed at helping poor people undertake income-generating activities to raise themselves out of poverty. Over time, the products and services offered by microfinance enterprises have expanded to meet the needs of their customers. Microinsurance is the provision of insurance in this fashion, and was born out of the need for a mechanism to help protect against risks that threaten the income-generating activities and resulting savings of the poor, such as illness, death or loss of assets.

Developments in microinsurance take many forms. Broadly speaking, there are two main varieties of microinsurance endeavours – (1) those seeking a new market for commercial insurers and (2) those focused on social protection for workers in the informal economy (Churchill, 2006). This creates both conflicting and complementary forces in the microinsurance arena. Likewise, this leads to a myriad of players in microinsurance, including governments, non-governmental agencies (NGOs), microfinance institutions (MFIs) and commercial insurers, such as Allianz and AIG. In fact, AIG in Uganda has proven to be one of the more successful instances of where microinsurance has been provided as a profitable operation in its own right, though it too faces its own challenges (McCord, 2005).

Various types of microinsurance products have developed based on the primary needs of the customer. Because the biggest threat to financial security for the very poor is the loss or incapacitation of the household income generator, most microinsurance programmes focus on life or accident and sickness products. Health insurance products, especially community health schemes, are also becoming popular. Because the target markets for microinsurance typically have few physcial assets, property and other general insurance products have thus far been less of a priority. However, there is scope for continuing development in general insurance, particularly finding ways to enhance and expand agriculture-related microinsurance products such as those covering crops and livestock.

Although the ‘micro’ in microinsurance often refers to the size of the policy or premium, it also relates to the ‘micro’ or granular view that microinsurers take when developing products and services. This means truly understanding the needs of the customers then designing a framework that best meets those needs in a sustainable way. In many ways, microinsurance organisations must take a ‘back to basics’ approach to insurance, shedding developed market conventions. What works in Australia may not necessarily be successful in India; furthermore, what is successful in an urban region of India may not necessarily work in a rural region in India. From the experiences of the microinsurers, we may be able to take away valuable learnings and emerging practices to re-think how to serve insurance customers in all markets.

3.1 Back to Basics – focus on the individual

In the development and delivery of microinsurance products, the focus on the individual primarily emerges in:

- Understanding the customer
- Educating the customer
- Providing high-quality service

3.1.1 Understanding the customer

A key component in designing a microinsurance scheme is to assess the demand for the product, which requires a detailed understanding of the customer. One of the early lessons learned by microinsurers is that adapting traditional insurance products to meet the needs of the poor without consulting them is often unsuccessful. This is because these products were designed for customers in very different environments. Launching a product that is inappropriate for the culture or needs of the target market is doomed to fail.

One way this has been addressed in microinsurance is through the use of demand studies. This research can be carried out on three levels: (1) understanding client needs and risk management behaviour, (2) product-specific research and (3) analysis of the overall potential market (Churchill, 2006).

Understanding client needs and risk management behaviour is akin to taking a customer view rather than product view. Research in this area looks at the variety of risks or 'shocks' that households are subjected to and how they currently cope with these events. For instance, risks such as illness disrupt the household's income stream and may incur significant healthcare costs. The client must make the difficult decision as to whether to draw upon savings or borrow money to cope with the loss. By understanding the most common types of risks and how the target market prefers to cope with those risks, the microinsurer can assess which areas can best be supplemented with an insurance product and tailor the product accordingly.

Product-specific research can provide valuable insight into design of new products and refinement of existing products. For instance, a microinsurer may discover that lack of uptake in an insurance product was due to the timing of premium payments. Up-front premium payments may be difficult for some customer segments if their income is variable and it is difficult to access lump sums. Premium mechanisms that tie to how customers save may lead to a more successful product. Product-specific research may also shed light on a product's affordability. Slight reductions to the cost of a product may dramatically increase the number customers willing to purchase a policy.

A study of the potential target market can help identify its size and characteristics. This type of research may help insurers segment the market based on factors such as key risks faced, capacity to pay and culture. For instance, in many developing countries women manage the household funds. Often key priorities are funding education for their children and protecting against the loss of the primary income earner. Some women participate in informal savings clubs and others may have access to formal financial services through a local MFI. A microinsurer may choose to pilot a product with the women who participate in these activities since they demonstrate the ability to save and a basic level of trust in group financial mechanisms.

3.1.2 Educating your customers

Insurance is a product that is not well understood by most people, even in the developed world. In fact, insurance executives have been known to publicly admit that they don't even understand their own insurance policies. Imagine how difficult it must be then to explain the concept of insurance to someone who has never heard of it before and, by the way, is illiterate. This is the situation microinsurers often face, and so much effort is invested in finding innovative ways to educate customers and in keeping the products as simple as possible.

Marketing plays a big role in educating individuals in the target market about microinsurance. The primary marketing messages that have been used by microinsurers are protection, solidarity, optimism and trust (Churchill, 2006). These messages are used to help explain the purpose of insurance – to help households cope with risks. They also help explain how insurance works through risk pooling. This is especially important, as many who are unfamiliar with insurance do not understand why you would pay premiums and then not get something back when the policy expires. This misunderstanding leads to low renewal rates and a negative image of insurance.

Another big feature of microinsurance is that the simpler the product, the better. When the product is straightforward and the cost is transparent, the customer is better able to understand the benefits and is more likely to buy. This also avoids disappointment and frustration when a claim is denied due to complex exclusions or unintentional policy lapse. In addition, microinsurers often rely on distribution 'agents' such as MFI loan officers, microinsurer field staff or community volunteers to promote their products. These agents must have a good understanding of how the products work in order to effectively advise potential customers on whether or not they should buy insurance. Finally, a simpler product aids in minimising operational expenses and reduces delays in claim payment.

Due to geographical, cultural and language challenges, microinsurers have adopted creative ways to educate their target markets. As mentioned previously, many segments of the poor in developing countries are illiterate. Therefore, microinsurers use graphical means such as cartoons or pictures to explain why insurance might be needed and how it works. Some organisations use videos or plays to convey marketing messages. Microinsurers also partner with other community organisations to create awareness and enhance their image. For instance, a microinsurer may sponsor a health camp or livestock camp for the general public in the community, which promotes both the microinsurer and risk prevention.

3.1.3 Provide high quality service

One of the most effective means of marketing is through word of mouth. It is thus extremely important to ensure that existing customers have a positive experience. As mentioned previously, making sure that the customer understands the policy at the outset is one factor. In addition, timely payment of claims is important. The public's mistrust of insurance companies, both in developed and undeveloped countries, often stems from experiences with denial of claims or extreme delays in the payment of claims. In developed countries, this leads to frustration and inconvenience. For lower-income households in developing nations, however, this can create a crisis for the policyholder and may drop them below the poverty line.

The experience of microfinance organisations indicates that low-income markets are particularly brand-conscious, which is another reason why microinsurers aim to avoid negative publicity through unsatisfying service. This brand-consciousness can also be used to advantage in product distribution, as for example a microinsurer may partner with an established microcredit MFI in a target area to bring insurance products to the population. This helps reduce distribution costs and also allows the insurer to capitalise on the trust built between the MFI and its customer base. However, as with any third-party relationship, the insurer must then be careful not to tarnish the MFI's image through poor service. Not only does this damage the insurer's reputation with the customer base, but also with the MFI partner and other organisations in the broader microfinance network that the insurer may wish to partner with in the future.

For microinsurance policyholders, even filing a claim in the first place can be a tricky business. Loss control procedures for claim filing often include documentation requirements, such as proof of identity or a death certificate. Such documentation requirements can be troublesome since developing countries often lack national identity tracking systems and have bureaucratic structures that are difficult to navigate. Many policyholders find their claims rejected due to inadequate documentation and others find the process so cumbersome that they give up filing the claim altogether. Some customers may not even remember that they have a policy or know that an event was covered by insurance.

Easing the claim process is a significant challenge, and microinsurers are trying a number of measures to facilitate claim filing and payment. One consideration is to limit the documentation requirements or find ways to balance loss control with working around bureaucratic roadblocks. For instance, when death certificates are difficult to obtain, an insurer may accept written confirmation from a medical professional or clergy to validate the claim. A personal touch can also be helpful in providing a positive claims experience. Some mutual microinsurance schemes involve members as participants on claims committees that assess the validity of claims and decide payment amounts. Other organisations rely on field agents, who interact closely with communities and get to know customers and their families personally, to be trusted conduits of knowledge for both the microinsurer and the policyholder.

3.2 Technology and Microinsurance

Technology is being applied to enhance the provision of microfinance services, although to a relatively limited extent in microinsurance to date. However, there are examples where technology can be used to facilitate the process, which include:

- Some micro-insurers using biometrics and smartcards to verify claimant identity in countries without identity cards (or an equivalent);

- The use of computerised verification of coverage at the point of service for health insurance claims.

There are other potential technological developments that may be of relevance in micro-insurance, which may include:

- Use of mobile phones by microfinance field agents or individual customers to facilitate payment of insurance premia/claims. It is already possible to carry out banking using your mobile phone, not only in advanced nations (such as South Korea, Japan or Australia) but also in nations one might expect to be further behind on the technological curve (such as Kenya). Indeed, in many ways mobile banking (or m-banking) is more advanced in poorer nations, which are able to simply skip past much of the cumbersome infrastructure that still restricts us in developed nations. It is quite possibly only a matter of time before insurance too joins this trend.
- Taking advantage of the online open source community for technological needs – it is not hard to envisage a situation where programmers develop software and claims systems on an open-source basis, similar to the development of the Unix operating system (and its successors). Such an option not only draws upon the vast array of skills available online, but will have flow-on benefits to commercial insurers as new minds are drawn to look at the insurance industry (projects perceived as serving a higher social purpose may draw fresh talent to look at the problems and issues that are raised).

These ideas are still merely speculative, however the importance of technology's role has been recognised – the Fourth International Microinsurance Conference will take place next year in Colombia, and one of the four key themes is technology and the possibilities for increasing the efficiency of the sector. In addition, the CGAP Working Group on Microinsurance and the Microinsurance Innovation Facility are currently conducting a scoping study on the use of technology in microinsurance (their website is at http://www.ibex.ch/TM/index.htm).

4. The implications – what does this mean for Actuaries?

The previous two sections have talked about ideas – namely technology and micro-insurance, and these ideas will have a number of implications for Actuaries. The rise of a P2P insurance market, for example, will bring with it its own brand of challenges – with "insurers" effectively being individuals, what is the role of Actuaries in assisting them? Similarly there will be challenges in trying to bring micro-insurance into the developed world, since for example the overheads and costs involved will be much higher and regulatory impacts will need to be considered.

The key themes, however, have been of a "back to basics" approach, and it is likely that this will have the greatest impact on Actuaries. As was discussed in Section 3, the main emphasis is on understanding the customer, educating the customer and providing high quality service. It is hard to see these fundamentals changing, but the manner in which they are implemented can and will vary. As a case study, we consider the setting up of a P2P insurance market, and what sort of questions would need to be answered.

4.1 Setting up a P2P Insurance market

Suppose we wish to set up a P2P insurance market in the same vein as the credit default swap market or an options trading exchange. That is, to set up a situation where the underlying security behind a contract is the right to insure a particular individual for an initial premium. This naturally begs certain questions:

- How should individuals or the market as a whole determine capital requirements for participants in this market? Is it appropriate to have *any* capital requirements?
- What are the legal implications of setting up such an online market, in terms of identifying the jurisdictions which apply? What regulatory body would have authority over such a market and under what terms?
- To facilitate an orderly market, should a 'standard set' of underwriting conditions be mandated? What risks arise from letting participants specify their own terms?

In addition, the roles that could be played by existing insurers should be carefully examined. In such a brave new world, for example, it is possible that an existing large insurer could decide to supply all the supporting infrastructure to administer insurance – thus if John Smith wanted to insure Fred Bloggs, then World's Largest Insurer (WLI) might as part of the arrangement supply the contract and the claims processing / policy administration.

Of course, it is not infeasible that such an arrangement takes place regardless of the existence of a P2P insurance market. That is, a situation where an insurer determines to divide its different functions (pricing, underwriting, claims processing, etc.) into separate business units and then to offer the services of those independent business units to the market as a whole (i.e. achieving operational separation of the insurer). This would enable much smaller insurers to cut costs by outsourcing their claims processing to the claims department of a large insurer, for example, whilst at the same time providing additional revenue sources to the large insurer.

5. Conclusion

There are several potential avenues that spring to mind when considering how the field of general insurance might develop and how it has developed over the last few years. The rapid advance of technology has opened up a world of possibilities for the insurance industry, some of which are already being exploited but many of which undoubtedly remain to be discovered. As such developments emerge it is possible that existing markets will be reshaped to reflect new paradigms and approaches to business.

Finding a way to serve the 80% of the world's population that currently lacks access to the commercial insurance market could be considered the next frontier in insurance. This does not just cover microinsurance in the developing world, but also the possibility of similar arrangements amongst disadvantaged communities in what is regarded as the First World.

Although microinsurers are in many ways taking a 'back to basics' approach to insurance, they are also challenging accepted practices, with much of the experimentation driven by a 'micro' view of the customers in the target markets, i.e. focused on the individual consumers. The types of products that were designed with the richest 20% of the world's population in mind cannot simply be scaled down for low-income markets. As microinsurers find ways to reach these new markets, it is quite possible their learning will penetrate back to insurers in existing markets as well.

In this paper, the authors have sought to highlight a few key points, though our intent is not to suggest that these are the only points. In many ways, this paper is really just a starting point, with the aim of encouraging people to think and innovate. There are still significant challenges to be faced in providing insurance in any market, however success stories will continue to emerge, and continue to drive innovation in these markets. Ultimately though, it will always be about getting the basics right, as these are the fundamental building blocks that will drive any business.

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[1] This idea comes up frequently, and there is in fact an entire book dedicated to it ('The Paradox of Choice' by Barry Schwarz).
[2] Having said this, the improvements in modeling capabilities have been accompanied by the problem of what to do when trying to explain the model to anyone other than the builders!
[3] http://www.payasyoudrive.com.au – the website is really quite useful, and features links to a number of relevant articles and discussions.
[4] http://en.wikipedia.org/wiki/Web_2.0 (this was still current as at 01/10/2008)