Microinsurance and Remittances –
Teaming up for development or obstructing each other?
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Registered offices
Bonn and Eschborn, Germany
Friedrich-Ebert-Allee 40
53113 Bonn, Germany
Phone: +49 228 44 60-0
Fax: +49 228 44 60-17 66
Dag-Hammarskjöld-Weg 1-5
65760 Eschborn, Germany
Phone: +49 61 96 79-0
Fax: +49 61 96 79-11 15
Email: info@giz.de
Internet: www@giz.de

Authors
Dr. Andrea Riester, technical advisor on remittances, GIZ
Imke Gilmer, technical advisor on microinsurance, formerly GIZ, now BMZ

Responsible
Roland Gross, Sector Project Financial Systems Development

Design
Barbara Reuter, Oberursel,
Email: barbarareuter-grafik@web.de

This publication was developed in joint collaboration with the Sector Project Migration and Development, headed by Regina Bauerochse Barbosa

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Abstract:

In the debate on remittances and risk management, two opposing views are dominating the scene: either remittances are seen as substitute to formal risk management instruments like insurance, or they are seen as ideal means for acquiring the latter. In this contribution to the PEGNet conference 2010, we give further insights into this issue. Thus, we will a) start by showing a framework for our analysis of migrants, their families, their risks and how they deal with these risks, b) present evidence from the existing literature on the relationship between microinsurance and remittances in this framework, c) analyze a case study, d) point out possible policies to increasing the leverage of remittances for microinsurance, and e) formulate research questions for future investigations in this area.
1 Introduction

Poverty and vulnerability form a vicious circle. Poor people are particularly vulnerable to a high number of risks like illness, accident, or unemployment. As they lack liquid disposable assets to cushion these shocks they are forced to use ex ante risk management strategies that minimize their risks but also yield only low returns, like planting robust crops instead of cash crops which might perish easily. In addition, they are forced into high cost ex post coping strategies, like taking their children out of school, selling income-generating assets (like livestock or land) or taking out high-interest rate emergency loans. All of these strategies limit future income earning possibilities. This vicious circle has been substantiated in the scientific literature (notably Elbers und Gunning 2006 and Dercon 2005). Overcoming this vicious circle of poverty and vulnerability would result in more productive activities by the people concerned and thus lead to poverty reduction.

This insight highlights the importance of appropriate risk management strategies for development. This paper touches on two of them: remittances and microinsurance. For many people, migration is a way to diversify their livelihood opportunities, to earn higher incomes, and to reduce the vulnerability of their families by sending remittances back home. In the debate on remittances and risk management, two opposing views are dominating the scene: either remittances are seen as substitute to formal risk management instruments like insurance, or they are seen as ideal means for acquiring the latter. Although there is a lot of policy-oriented research on the contribution of both, microinsurance and remittances, individually to development, the specific relation between these two still remains underresearched.

We assume that in many cases, remittances are used to mitigate, and cope with risks and as such function as insurance for senders and recipients, because the demand for adequate private or public insurance is not met. GIZ has already developed some ideas to leverage remittances for instruments of risk management with its publication on “Remittances and Social Protection” (2009). It concluded that instruments of risk management could use remittances as leverage if “1) they do not directly link remittances to formal employment relationships but rather treat remittances as part of disposable income, 2) prompt and appropriate services are to be provided, or 3) the term of the insurance coincides with the term of migration.” Based on these insights, this paper goes further in exploring the link between remittances and microinsurance.

In our contribution to the PEGNet conference, we will a) start by showing a framework for our analysis of migrants, their families, their risks and how they deal with these risks, b) present evidence from the existing literature on the relationship between microinsurance and remittances in this framework, c) analyze a case study, d) point out possible policies to increasing the leverage of remittances for microinsurance, and e) formulate research questions for future investigations in this area.
2 Framework: Migrants and their families, risks and risk mitigation strategies

Economic research has thus far approached risk management by taking either the individual or the household as economic actor and thus as unit of analysis. The new economics of migration (NEM) research in recent years has favoured the latter, since migrants and their employment abroad provide an important part of household income and are generally part of the household’s livelihood strategy. Concerning risk management within a transnational household, i.e. families which are scattered across a number of countries, we believe that the household cannot be considered as single economic actor and that it is necessary to differentiate between the interests and strategies of the migrants abroad and those of the family members in the country of origin. In consequence, migrants and their families might need different kinds of support from development actors and should be approached differently.

In this paper we focus on economic risks of migrants and their families, i.e. risks that put a financial burden on households if the risk event occurs. This happens if the household loses income, e.g. through severe illness or unemployment of its main breadwinner, which quite often is the migrant abroad. Furthermore these negative events can cause additional expenditures for the household, e.g. for the medical treatment of sick household members or the funeral of a family member. In India, health care costs are responsible for over half of all the cases of decline into poverty according to several studies in villages conducted by the Indian Planning Commission (Gill 2009). It is estimated that high out of pocket payments drove 39 million people in rural India into poverty in 2004/2005 (Times of India 2010). In some world regions, like for example in matrilineal societies in Ghana, funerals are essential rituals to which the entire community is invited, demonstrating power and prestige of a family. Their costs, to which migrants are expected to contribute substantive sums, can amount to several thousand USD and pose a heavy burden on households (Mazzucato 2006). Migration of individual household members is thus an informal risk management strategy via income diversification within the household, but it is also a strategy that creates additional risks for the migrant, like for example a risky journey or the risk of exploitation at work abroad.
The following figure no. 1 maps risks related to migrants and their families. The figure does not seek to be comprehensive, but shows the most important risk events that can occur from the migrant’s and from his/her family’s perspective. This differentiation is valuable for our following analysis, as one need to consider who buys a formal insurance product for whom and what his/her individual risk management needs and demands are.

![Financial risks borne by migrants and their families](image)

The figure shows that most risks of the migrant’s family become the migrant’s risks and vice versa. Ties between migrants and their families usually comprise mutual support arrangements. Therefore the illness of a family member can transform into an economic risk for the migrant, as he/she carries the burden to cover medical bills for treatment by increasing his/her remittances. The same applies to
some of the migrant’s risks: for example, the income loss resulting from unemployment is transferred to the family as remittances will be reduced. In addition, there are some specific risks that are related to the migration process, such as the risk that the migrant deceases abroad and his/her body needs to be repatriated home for the funeral. The figure also names two other life cycle events, old age and education. Both are often referred to as risks although their occurrence is not something that turns up unexpectedly. But old age can turn into a financial risk, as one cannot predict how long a pension will be necessary. Education can be quite costly and costs for education might increase unexpectedly (rising enrolment fees) and might thus also be dependent on the migrant’s income.

Most literature distinguishes between idiosyncratic and covariant risk. The former are risk events tied to individuals, while covariant risks affect an entire community, like for example natural disasters or epidemics. This distinction is particularly important for determining which risk management strategy is adequate and how to insure the respective risk. Covariant risks are more difficult to insure by community-based schemes, as the entire risk-pool could be affected by these risks. For some risks the appropriate risk management strategy is savings rather than insurance, e.g. old age and education. Obviously, the decision of an individual to apply a certain risk management strategy depends on the range of options available. We therefore consider in a next step different risk management strategies for migrants and their families keeping in mind that migration as such is not only a means to acquire higher income, but also an important strategy to mitigate risk.

Risk management strategies include avoiding risks, mitigating risks, and dealing with the damage. The latter includes depleting savings, borrowing from friends, family or financial institutions and several formal and informal insurance mechanisms. In this setting, remittances can be used for several risk management strategies as shown in figure no. 2 (see next page), amongst others buying formal insurance. The choice for one particular risk management strategy impacts on future choices of other risk management strategies. For example, one might prefer not to rely on one single risk management strategy, e.g. savings, but prefer to save and in addition to purchase insurance coverage. Empirical evidence shows that remittances negatively impact the demand of rural poor in Ghana for formal insurance (Bendig et al. 2009; Crayen et al. forthcoming). This might point towards a substitutive relationship between remittances and microinsurance. However, we argue that one needs to take a closer look at the motivation to send remittances and the behavioral consequences for the household receiving remittances.
Framework: migrants and their families, risks and risk mitigation strategies

### Risk management strategies making use of remittances

<table>
<thead>
<tr>
<th>Migrant / remittance sender</th>
<th>Migrant’s family / remittance receivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saving</td>
<td>Saving remittances</td>
</tr>
<tr>
<td>Saving for family</td>
<td></td>
</tr>
<tr>
<td>Investment</td>
<td>Investing remittances</td>
</tr>
<tr>
<td>Investment for family</td>
<td></td>
</tr>
<tr>
<td>Building social capital</td>
<td>Using remittances to building social capital</td>
</tr>
<tr>
<td>Buying formal insurance</td>
<td>Buying formal insurance</td>
</tr>
<tr>
<td>Buying formal insurance for family</td>
<td></td>
</tr>
<tr>
<td>Taking out loan</td>
<td>Membership in informal insurance arrangements</td>
</tr>
<tr>
<td></td>
<td>Using remittances to guarantee loan</td>
</tr>
</tbody>
</table>

**Figure 2: Risk management strategies making use of remittances**
3 Evidence from the literature on microinsurance and remittances

Although it is clear that there is a link between remittances and microinsurance, the former substituting or enabling the latter, there is currently very little in-depth research on this particular relationship (an exception is Crayen et al. (forthcoming) and Bendig et al. (2009)). Still, it is useful to revisit existing literature on the two issues, remittances and microinsurance, as it indicates possible linkages between them and helps to formulate questions which remain open for future research.

Four areas of economic research are of interest to our discussion on the role of remittances for risk management:

a. Migrants’ motives for sending remittances (cf. Agarwal and Horowitz 2002; Cox 1987; Funkhouser 1995; Lucas and Stark 1985; Hagen-Zanker/Siegel 2007): in general, there will be a mix of altruism and self-interest. As a rule, one can say that migrants, besides wanting to do good for their families, also need to sustain good relations to their countries of origin, in particular if they count on returning and inheriting there one day. Sending remittances can then be seen as the migrants’ investment into his/her future after return. Additionally, there might be an obligation to repay debts incurred by the journey which the family might have funded.

b. Effects of external shocks on the amount of remittances sent (Hagen-Zanker/Siegel 2007:5, Rapoport/Docquier 2006; Mohapatra et al. 2009, Yang 2007, Gubert 2002, Yang and Choi 2007): remittances have been shown to increase after natural catastrophes, indicating that migrants feels responsible for their families at home and provide an important ex post coping mechanism, which the family might use as quasi-insurance.

c. Effects of receiving remittances on the migrants’ family (Azam and Gubert 2006, Bendig et al. 2009, Chami et al 2003, Crayen et al. forthcoming): the reception of remittances can have similar effects on a household like those observed in a rent-seeking economy. The intrinsic motivation to work hard and earn higher income might be reduced. This seems to be reflected on the macroeconomic level, where high levels of remittances on GDP are correlated with low levels of economic growth. Additionally, as remittances work as insurance, moral hazard behavior can be observed on the part of the migrant’s family in that they are less likely to buy formal insurance than families that do not receive remittances.

d. Changes in mental accounting due to remittances for both, migrants and their families (Thaler 1990; Karlan/Morduch 2009; Ashraf et al. 2006): as households calculate with remittances as part of their current income account, they are more likely to consume than to save remittances or use them for formal insurance. This is not per se problematic. It might even be the reason why migration has been undertaken in the first place. However, if there is the need for risk management and a financial scope beyond consumption, financial literacy trainings can try to influence mental accounting and teach people to consider remittances as part of their asset or future income accounts.
4 Case study: Transnational micro health insurance of the federation of health mutuals in the Comoro Islands

Keeping in mind what economic research has brought to light, we would like to explore the following question: what do we need to consider if the developmental aim is to channel remittances at least partially towards microinsurance? We will approach this question by drawing up possible solutions and then looking at one concrete example, namely a micro health insurance in the Comoro Islands.

Remittances and microinsurance can be linked in several ways that are depicted in the following figure no. 3. First, the migrant can remit money to his/her family that the family in turn uses to buy insurance. Second, the migrant directly pays the insurance premium of the family, meaning that part of his/her remittances are (automatically) deducted and go to the insurance company. Third, the migrant himself can purchase insurance cover for him-/herself or for his/her family and thus enter directly into a contractual relationship with the insurance company.

In the first model (illustrated on the left) the decision and control to purchase insurance lies completely with the family. Given the discussion above, the family might lack the incentive to buy formal insurance and prefer to rely on additional remittances in the case of calamity. To avoid this situation the migrant might wish to directly purchase the insurance cover for his/her family. This second option would compromise insurance products that the migrant could purchase directly to cover his/her family’s health situation (illustrated on the right). In this case he/she will be the policy holder while the family is the beneficiary. This model is challenged by several regulatory and organizational obstacles as the insurance company might not be present in both, the country of the policy holder and the country of the beneficiary. The third option (illustrated in the middle) is to enable the migrant to pay directly the insurance premium for his family, while the insurance contract is between the insurance provider and the family. The migrant has the control that the remittances are invested in insurance, but needs to initially convince his/her family to sign the insurance contract. The following case study is an example for this third option.

<table>
<thead>
<tr>
<th>Possible constellations in purchasing formal insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Migrant</strong></td>
</tr>
<tr>
<td>Sends remittances</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Instead of sending full amount of remittances,</td>
</tr>
<tr>
<td>pays insurance premium of family</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Instead of sending full amount of remittances,</td>
</tr>
<tr>
<td>purchases insurance cover for family</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td><strong>Family</strong></td>
</tr>
<tr>
<td>Buys insurance with remittances</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Buys insurance, premium is directly paid by migrant</td>
</tr>
<tr>
<td>---</td>
</tr>
</tbody>
</table>

*Figure 3: Possible constellations in purchasing formal insurance (authors’ illustration)*
4.1 Institutional setting

The Fédération nationale des organisations mutualistes de santé aux Comores (FNOMSC) unites 27 village-level health mutuals in the Comoro Islands. With the support of the Centre International de Développement et de Recherche (CIDR), FNOMSC built up an internet-based platform to connect its community members and to administer the health insurance schemes. In addition, this platform manages third party payments of health care providers, thus linking community-based insurance schemes to private and public hospitals based on a cooperation agreement between these mutuals and health care providers. The insurance schemes are registered with the Ministry of Health. They manage their relationship with their members, collect premiums and pay them into the common platform which clears the payment of health care providers. The village-level mutuals then act as accessible interface to the local community.

4.2 Insurance coverage

The mutuals offer health insurance to their members (households) covering in-patient and out-patient care. The yearly premium is 12 EUR per person to be paid as a lump sum. Currently, each mutual tailors its insurance product in a participatory process according to the expressed needs of its members. CIDR promotes the introduction of three standardized products, ranging from very basic health coverage to a more comprehensive package. The policy holder receives a membership card that entitles the members of his/her household to free treatment except for a small co-payment per visit at the hospital or doctor. The health care providers bill the insurance platform directly.

4.3 Transnational element

In 2007, CIDR started to enable the sharing of premium payments between migrants and their families. Migrants can either pay the entire premium amount for their families or share the amount with their families. To ease international payments CIDR is currently setting up an internet-based payment portal. To market the product, CIDR is in contact with migrant organisations in Southern France or addresses the migrants during their vacations on the Comoros. CIDR mainly started this transnational initiative to overcome financial sustainability problems of the insurance scheme. The scheme suffered from high drop-out rates. Clients reported that they were too poor to afford the yearly premium payment. In addition, migrants told CIDR staff that their families would not save the remittances they had sent to make provisions for future health care expenditures, but would spend the money for other purposes. In case of illnesses in the family, the migrants would then be called upon to send more remittances.

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1 The Federation of health mutuals of the Comoros

2 This case study relies heavily on a background study written by Christiane Ströh de Martínez and commissioned by GTZ. Information on the insurance scheme was gathered in interviews with CIDR staff working in the project and from the CIDR website (CIDR 2010).

3 Further support consists of financial management training for the local mutuals and a health education program for their respective members.
### 4.4 Characteristics of the transnational micro health insurance of the federation of health mutuals in the Comoro Islands

The following table summarizes the features of the insurance scheme and differentiates – where applicable – between the scheme’s relationship with the migrant and his/her family.

<table>
<thead>
<tr>
<th>Characteristics of the transnational micro health insurance</th>
<th>Concerning migrants abroad</th>
<th>Concerning migrants’ families in the Comoro Islands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provider model</td>
<td>Federation of 27 village-level health mutuals in the Comoro Islands. Connected via internet based platform to manage the mutual health insurance scheme. Platform enables third party payment of the health services delivered by public and private hospitals, thus connecting village-level mutuals and health service providers.</td>
<td></td>
</tr>
<tr>
<td>Contractual relationship</td>
<td>Migrant does not have a contractual relationship with insurance provider. He/her agrees with family to pay/share the premium.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Families are members of local health mutuals. Only they can enter into contractual relationship.</td>
<td></td>
</tr>
<tr>
<td>Distribution channel</td>
<td>CIDR markets products to migrants, either through their associations, for instance mostly in Southern cities of France, or directly to them during their vacation in the Comoros. But family needs to sign contract with local health mutual.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Village level health mutual, supported by NGOs, information in local language</td>
<td></td>
</tr>
<tr>
<td>Risk carrier</td>
<td>Local health mutuals</td>
<td></td>
</tr>
<tr>
<td>Product design</td>
<td>Basic health insurance with yearly premium; families involved in participatory processes to design policies with local health mutuals; yearly term; policy need to be renewed by customer; policy in local language; individual insurance per family; premium calculate according to number of family members to be insured.</td>
<td></td>
</tr>
<tr>
<td>Benefits covered</td>
<td>No insurance cover for migrant (abroad)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>In- and out-patient care. Very small entry fee to pay to doctor/hospital; main share of costs is paid directly by the health mutual through the platform; patient shows identification card to doctor/hospital</td>
<td></td>
</tr>
<tr>
<td>Access requirements</td>
<td>No health exam, but only family can decide on participation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>No health exam, family takes decision to participate</td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>12 EUR per person per year, thus very affordable to migrants in the EU but quite expensive for families in the Comoros (monetary poverty line at around 580 EUR per year and per person)</td>
<td></td>
</tr>
<tr>
<td>Payment term</td>
<td>yearly</td>
<td></td>
</tr>
<tr>
<td>Payment reminders</td>
<td>none</td>
<td></td>
</tr>
<tr>
<td>Payment options</td>
<td>via internet from Nov 2010 onwards</td>
<td></td>
</tr>
<tr>
<td></td>
<td>via village-level mutuals</td>
<td></td>
</tr>
<tr>
<td>Bundling with other products</td>
<td>No other products are offered</td>
<td></td>
</tr>
<tr>
<td>Sustainability</td>
<td>Remittances support financial viability of program, high drop-out rates in the past due to inability (unwillingness) of families to pay premium, coupled with migrants reporting that their families did not use remittances to prevent for health care. Currently, support by CIDR for mutuals to establish platform and for marketing campaign targeted at clients. Sustainability depends heavily on ability of federation to manage platform.</td>
<td></td>
</tr>
<tr>
<td>Outreach</td>
<td>30% of members of mutuals have family member abroad.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>27 local mutuals reach 11,000 members equaling 1.4 percent of the Comoro Island population</td>
<td></td>
</tr>
</tbody>
</table>
4.5 Discussion

This case study holds some very interesting features and offers some insights into how to team up remittances and microinsurance. This particular health insurance scheme complies with most characteristics of a fair and good insurance product as defined by the BMZ strategy paper on microinsurance (see Klein et al. 2009):

- The insurance covers a very relevant risk. Illness is named as one of the priorities or even the priority in focus group discussions and household surveys around the globe and in Africa.

- In addition the insurance product decreases out-of-pocket payment considerably. Providing large or even small amounts of money can be quite difficult for poor people. Therefore the small co-payment requirement makes the insurance very attractive.

- As the product is distributed by local health mutuals it is physically accessible. The policy is simple and in local language which helps clients to understand the product.

However, some changes could improve the pro poor focus of the insurance product:

- The premium is paid annually. This burdens the policy holder with a fairly high amount to pay at once. While annual premium payments are easier to administer for the insurance providers, small and flexible premium payments would be favorable for the clients.

- In the past the insurance scheme suffered from high drop-out rates. While some were due to the inability or unwillingness of clients to pay the premium some may be due to the mere unawareness of clients that the contract ends if premiums are arrear. Payment reminders and financial literacy campaigns would certainly help to lower drop-out rates.
In addition, the federation is supported by technical assistance. To achieve a sustainability of the insurance program, the federation needs to ensure that they have the funds and capacity to manage the internet platform once this support is phased out. In addition, its individual members need basic financial and managerial skills and capacity, which often is a challenge for small mutuals.

Taking into account the transnational relationship of migrants and their families, the insurance product offers the migrant the possibility to use part of his/her remittances to directly pay the premium. On the one hand, this solution avoids regulatory and other constraints that are related to the (abroad) purchase of an insurance product by the client. On the other hand, it addresses some moral hazard risks, as migrants can decide over the usage of remittances when paying the premium. However, migrants do not have full control; the family needs to sign and renew the insurance contract on a regular basis. So far, it has been a challenge for CIDR to convince migrants to pay for their families’ health insurance, even though they see the importance of the project and would also like to increase provision for the families’ health. This highlights how crucial it is, to build trust and to offer financial literacy training at both ends of the remittance corridor. It is one thing to understand how a microinsurance scheme operates. Yet, it is quite another thing to have faith in its performance if – like in the above cited example – one is not the contract holder and does not live in the same country as the people covered by the insurance.

5 Policies to increasing the leverage of remittances for microinsurance

From the review of the literature on remittances and microinsurance, as well as from the presented case study, we can draw a number of conclusions and make recommendations for the implementation of microinsurance solutions in developing countries. These recommendations complement the conclusions drawn in the study “Remittances and Social protection” by GTZ (2009). First of all, remittances as largest source of finance in many developing countries could be channeled towards microinsurance. There is a pressing need for increased risk cover. Even though remittances perform a risk management function for the receiver, the sender would profit from cover (of himself/herself and his/her family) by microinsurance. In addition, microinsurance adds a risk management strategy to the transnational household allowing diversifying their portfolio of risk management strategies, thereby decreasing their vulnerability. Besides, remittances and microinsurance are both financial services that involve a payment transfer. Combining both will reduce transaction costs.

To make use of remittances for microinsurance, it is crucial to distinguish between the interest of migrants and the interest of their families in the country of origin. Although – given the choice - everyone prefers being protected against risks, mental accounting may provoke an economically suboptimal strategy to achieving this. As we explained in this paper, migrant remittances are seen as insurance on the part of the family, and migrants may be hard pressed to initiate a type of remittances usage which relieves him/her from the obligation to help in the case of calamity. Instead, remittances are usually seen as increasing current income, destined for consumption, even if there would be financial scope for risk management. It is sometimes mentioned that migrants abroad are more likely to come in touch with formal insurance and might thus be prone to initiate insurance usage in their countries of origin. However, development cooperation can contribute a lot to facilitating this process.
Recommendations:

- When microinsurance schemes are being set up, moral hazard in connection with remittances could best be avoided by allowing migrants to buy insurance for their families, even while abroad. As we have mentioned, the incentive for migrants to buy formal insurance products is higher than for his/her family who consider the migrant to be their (informal but effective) insurance. Thus, migrants should either be able to buy insurance cover for their families or – if regulatory obstacles to this cannot be overcome in the short run - direct payment from abroad should be allowed for.

- In any case, marketing abroad with the help of migrant organizations should be envisaged. Migrants should be understood as a very important target group for marketing microinsurance products, due to their specific situation: not only are they faced with numerous risks and have a higher need for insurance, but they are also expected to function as “insurance company” for their families which poses an additional financial risk to the migrants.

- Mental accounting of people can be influenced by the help of awareness raising and financial literacy training at both ends of the remittance corridor. This kind of intervention can teach people not to take remittances as simple addition to current income but to use it as instrument of risk management, thereby avoiding substitution effects. Additionally, financial literacy is essential in building trust in microinsurance schemes.

- Also, on a very technical level, small premium payments do not make an insurance product a microinsurance product. The paper by Klein et al. (2010) gives some recommendations how to design pro-poor microinsurance products that cater the special needs of poor clients. In addition, most microinsurance schemes suffer from high drop outs. Flexible payment options, payment reminders and incentives for long-term membership are important tools to avoid this.

While microinsurance products can destined to migrants alone or to their families in the countries of origin or to both, one needs to make sure that the risk pool is sufficiently large.

- Ideally, development policy supports the development of sound microinsurance markets that provide diversified products catering to the diversified needs of clients, including migrants and their families. This support addresses challenges at the provider level as well as regulatory and policy issues.
6 Research questions for future investigations

Writing this paper, we noticed how scarce research on the linkages between remittances and microinsurance currently is. Currently, there is an ILO study under way, which will provide an overview of existing schemes of microinsurance including migrants as well as the regulatory obstacles these schemes are facing. We are convinced that this study will provide important groundwork for developing new schemes worldwide. From what we have read and learnt so far, we propose a number of issues for future investigation:

- We feel that transnational households cannot be treated as single economic actor. At the moment, divergent interests and perspectives of migrants abroad and the family members in the country of origin are hardly been taken into account in the literature on microinsurance.

- Furthermore, we did not come across any studies investigating the actual demand for microinsurance amongst migrants and their families. Little is known about the usage of remittances and the actual scope of using money beyond the coverage of basic needs. Although in recent years household surveys have started to include questions on remittances, usage thereof definitely needs to be looked into in more detail, in order to clarify two things: a) is there any scope at all for using remittances for microinsurance, and b) how big is the demand for such a product.

- Another issue that has not yet been explored in detail is which of the particular risks that a transnational household is facing can be insured by the help of microinsurance and which cannot.

- It would be interesting to learn which challenges the different models to link remittances and microinsurance, as described in this paper, are facing. From this analysis recommendations about the appropriate model in a given context could be drawn.
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