



Linking insurance with remittances to improve resilience among migrant-sending families

Enabling Gulf Cooperation Council (GCC) migrant workers to access insurance products to protect the income and living condition of their family members back home, through an innovative technology solution linked to remittances.

BACKGROUND

From October 2017 to September 2020, ADA and Democrance - a unique IT platform specialized in microinsurance based in the United Arab Emirates (UAE) - implemented an innovative project linking microinsurance and remittances to provide insurance services to migrants and their families back home.

The project was co-funded by the International Fund for Agricultural Development (IFAD) through its Financing Facility for Remittances (FFR) initiative and the Ministry of Foreign and European Affairs of Luxembourg.

OBJECTIVE

The objective of the project was to offer migrant workers, who seek to protect income and living condition of their families back home, insurance products through the Money-Transfer Operators (MTO) they use when sending money home.

This process would be facilitated by an innovative technology platform simplifying onboarding and payment processes for clients and insurers alike.

MILESTONES

- **Carrying out a stakeholders and market assessment** to better understand the financial needs and capacity of the target population (migrant workers) and to study the possibility of partnership with Money Transfer Operators (MTOs) and insurance companies.
- **Development of a unique platform** integrating delivery channels from both insurance and distributor companies by adapting and enhancing Democrance's IT solution, to successfully integrate interfaces with insurance companies and distributors for the delivery of the insurance products to the target population.
- **Piloting and testing the new platform** via different interfaces to detect any deficiencies and prove its value. This testing phase was key to discover what was possible using real-world data and to allow stakeholders and potential clients to familiarize with the new platform.
- **Knowledge acquisition and upscaling strategy:** throughout the project, the lessons and knowledge acquired were used to improve the products and processes with the aim of scaling up and targeting a wider population.



Project duration

October 2017 – September 2020 (3 years)

Location

United Arab Emirates – Middle East



Global and local context

- 272 million migrants worldwide (3.5% of the world population)
- In 2018, global remittances reached \$689 billion, which represents three times the amount of international aid in the same year.
- Globally, one in nine people is supported by migrant remittances.
- 8.5 million migrants work in the UAE representing 88% of the population, and making the country the 6th largest migrant destination in the world.
- Origins of migrants: India (3.4 million), Bangladesh (1.1 million), Pakistan (1 million) and the Philippines (0.6 million).

Source: Migration Policy Institute, 2020

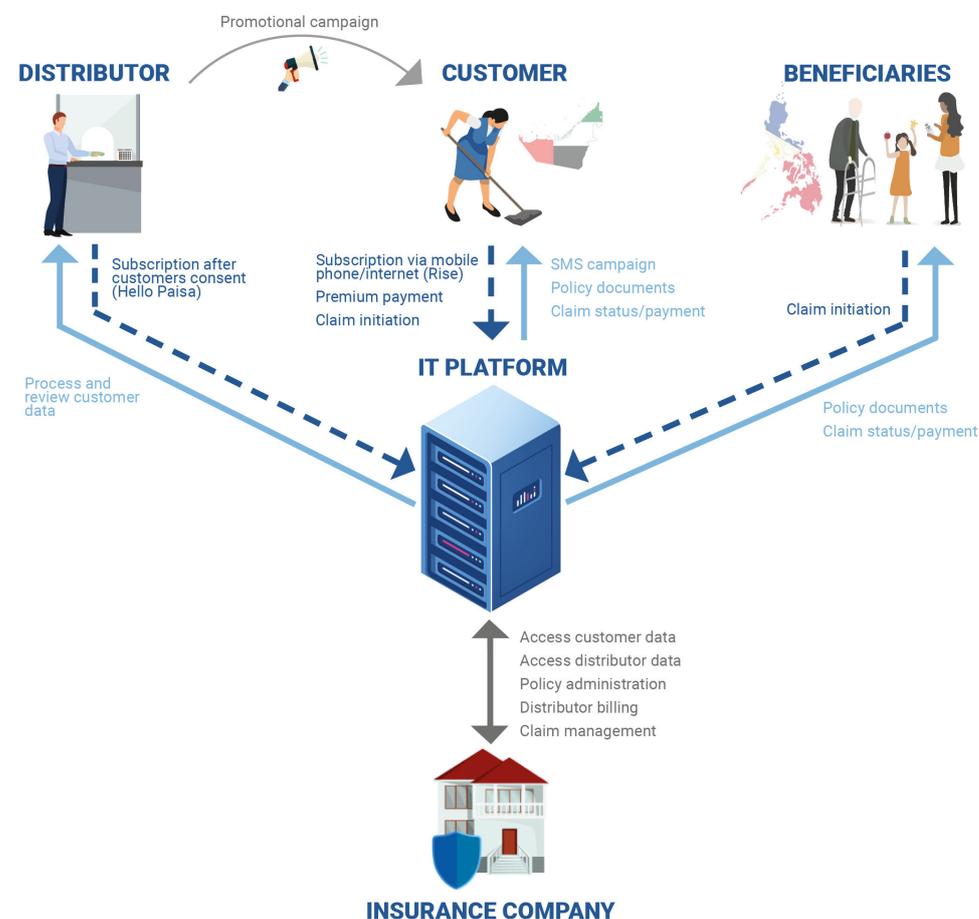
Budget

€504,000

MAIN RESULTS

An innovative digital platform was developed to ensure a seamless customer journey

The IT platform integrates a wide range of distribution channels, back-end processes for acquisition, payments and claims, while keeping the user experience simple and easy.



Donors

- The International Fund for Agricultural Development (IFAD) through the Financing Facility for Remittances (FFR)
- The Ministry of Foreign and European Affairs of Luxembourg

Stakeholders/partners

- Democrance: UAE-based IT start-up specialized in microinsurance
- AXA: global insurance company
- Rise: UAE-based fintech company
- Hello Paisa: South Africa-based money-transfer operator operating in the UAE

Direct contribution to SDGs



Project contact

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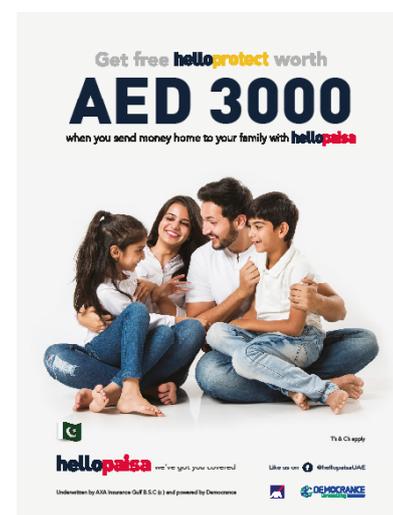
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Two insurance products (freemium and premium) were developed and launched and one product directly targeting the families back home is currently under development

- **“Freemium” pilot product 1** – the product offered a 90-day policy to preselected customers. The policy covered customers for accidental death and permanent disablement up to a sum of AED 3,000 (EUR 690) at no extra cost for the customer.
- **“Freemium” pilot product 2 “HelloProtect”** – the product is bundled with each remittance transaction and covers customers for a period of 30 days for accidental death and permanent disablement up to a sum of AED 3,000 (EUR 690) when they remit through a MTO solution. The policy is renewable each month subject to customers remitting through the same MTO again.
- **“Premium” product** – launched by the distributor through its social media and SMS channels as a paid alternative to replace the “freemium” pilot. The policy duration was expanded to cover a 365-day period with accidental death and permanent disability insurance up to a sum of AED 25,000 (EUR 5,747). This includes one month of free teleconsultations and medical expenses in the case of partial disability, and repatriation expenses in the case of death. The premium is payable either monthly (AED 7 / EUR 1.6) or annually (AED 70 / EUR 16.1).
- **Family product** – currently under development, the product, paid by the migrant in the UAE, aims to provide insurance for the migrant families back home.



Efficient claims process, in accordance with the best practices to settle claims

Once an insurance product is activated, both sender (migrant) and receiver (family back home) will receive an SMS confirming the details of the policy as well as the process to make a claim. With the Democrance platform, the whole process is simplified using only mobile phone. The beneficiary can make a claim via their mobile phone, and once approved, the payment is made via the remittance channel over the next few days. The process itself is operational, more claims will need to be submitted and processed effectively in order to reach a firm conclusion.

IMPACT As of 31/09/2020

Number of beneficiaries

More than 13,000 migrants in the UAE accessed insurance products, of which:

- Around 1/3 are women
- Around 1/3 are Filipinos
- Around 1/2 are Pakistanis

Number of indirect beneficiaries

More than 13,000 families back home:

- Children, parents, spouses and siblings of the migrants.
- As 40% of the global remittance flows go to rural areas, the insurance product is expected to benefit the rural population proportionally.

TESTIMONIALS



I am very happy that I am covered by this insurance, especially right now with these uncertain times, as we don't know what is going to happen to us. So it is very important that we are sending regularly money to the Philippines to our loved ones. I would like to tell my two boys that they don't have to worry about me here, I am safe and protected with the insurance. Subscribing is so easy, it is just in the mobile application and I will definitely buy this one for my family back home.

Laarni Capuz, beneficiary of the Rise insurance product, UAE



Financial inclusion is not just about affordability, but also about understanding the needs and having access to the lower-income market. This is where a collaboration between insurers and remittance houses can offer wider reach of the uninsured, while offering increased differentiating value for both industries as well as cost savings through optimized distribution.



Michele Grosso, Co-founder and Chief Executive Officer, Democrance, UAE



CHALLENGES

The project highlights that many of the challenges raised in the early discussions of migrant-linked insurance a decade ago continue to exist. Yet these have become more surmountable. Past initiatives focused primarily on home-country models of serving migrants abroad. This was mainly because of the difficulty of offering insurance in host countries, where migrants work and most need to be protected. The main challenges included:

- 1) regulatory hurdles** restricting the marketing of insurance products not licensed in the country or state of sale;
- 2) the lack of distribution channels**, particularly given low levels of financial inclusion among migrant populations; and,
- 3) low levels of knowledge and information** among migrant populations.

The project model addresses the first two challenges by working on a host-country-based model and by identifying new distribution channels. The third challenge was partly addressed, albeit still falling short.

LESSONS LEARNED



Overcoming the regulatory challenges

A key success factor of the project is that it overcame some regulatory hurdles of previous migrant-linked insurance initiatives through a host-country-based model where a locally licensed and regulated insurer takes on the insurable risk. This simplifies the regulatory hurdles tested in other countries where home-country insurers market their products in the host country and may not have the required licenses. Often, host country insurers are less interested in offering these services because of the back-end complexity of accessing the migrant market, but Democrance's IT interface simplifies the process sufficiently to reduce the friction for insurers.



Added-value of technology

The use of technology to integrate back-end processes is a game changer in expanding to new and more appropriate channels. While in the past, these may not have been viable partners due to the complexity of integrating back-office systems, technology has created new opportunities, sparking the interest of actors who have traditionally avoided these types of models. Democrance's technology platform enables insurers, along with a wide range of distribution channels, to offer insurance to migrants by integrating back-end processes for acquisition, payments, and claims into insurers' systems while keeping the user experience simple. The project illustrates the potential that these types of platforms can have beyond this one experience in offering back-end integration with a broad range of non-bank distribution channels that are more suited for migrants and other unbanked and under-banked populations.



Partnering with social-oriented organizations

While migrants are the focus of MTOs, they and their families are perceived as a risky population and thus have not been targeted by insurance companies. The former are not especially interested in distributing products which are not highly profitable. Working with organizations already sensitive to microinsurance or social initiatives for their target clients helps, as it was the case with this project. Moreover, these types of organizations have a very good knowledge of their customers' needs and they are close enough to interact with them directly.



Raising awareness on insurance among the target population

The market for such an innovative project was nascent in the UAE. While some remittance houses provide insurance to customers, they did so with no effort to engage customers. Prior to the project, many insurance companies and other private actors had not explored yet the business model and feasibility of such a project and the target customers were also unfamiliar with the possibilities. As such, the project made a strong early effort to boost customer awareness, particularly leveraging AXA's expertise in emerging customers to work with partners and tweak materials and messaging. Our evidence is still limited, but suggestive of the need to further improvements on messaging, particularly post-sales.



Specific COVID-19 Lessons

With COVID-19, migrants have suffered increases in the cost of living, and pressures to support families back home who deal with the same difficulties. Many migrants suffered job losses or have unstable jobs that do not allow for increased remittance sending. The project highlights how insurance can offer an additional layer of protection for workers and their families. It also brings to light additional coverage that may benefit migrants.

COVID-19 has caused programmatic challenges, impacting the financial educational aspect of the project the most. These educational aspects are not only important for ensuring customer value and social impact but also for the long-term viability of the business model. The **use of social media** and direct customer outreach can help fill some of these gaps as shown by the project, but requires a strong brand awareness, social media presence and engagement strategy. The target market of migrant workers in the UAE relies strongly on social networks. Digital literacy rates are high, as is smartphone penetration, and these populations are operating in a WIFI-rich environment.



Low-income UAE workers to receive free insurance when sending money home

Democrance, Axa and Hello Paisa team up to offer Dh3,000 in personal accident cover for total disability or death



UAE residents remitting money to their home countries in the Middle East, Africa and Asia through Hello Paisa will have complimentary access to the new "Hello Protect" insurance product. Victor Besa / The National (Source : www.thenationalnews.com).

YouTube



health services and education, and the hope of a better future for their children.

Linking insurance with remittances to improve resilience
251 vues - 11 juin 2020

PERSPECTIVES

Scalability is at the heart of the longevity of the project and whether its positive impact will continue is closely tied to sustainability given that the business model relies on very small margins from many customer policies for all of the actors involved. This is particularly the case with the remittance corridor which leverages pre-existing migrant financial flows that, although dynamic, are nevertheless relatively stable.

The project is highly scalable, and different ways to scale up are in progress:

In terms of products and target	In terms of insurers and distribution partners	In terms of countries
<ul style="list-style-type: none">• New products for families back home by the end of 2020.• Additional / bundled products for migrants, covering other risks and offering additional benefits.	<ul style="list-style-type: none">• One of the distributors involved in the project is partnering with other remittance houses to offer free insurance products, as insurance is a differentiator for them. They prefer to scale up to more branches and get more customers before launching paid products.• Given the results of this first pilot experience, other insurers in the country now consider the specific remittance-linked product as a potential diversification tool for their business in the gulf countries, by building closer relationships with remittance houses as distribution channels.	<ul style="list-style-type: none">• Democrance remains committed, alongside AXA, to scale up the remittance distribution channel across a higher number of corridors (specifically in Asia and Europe) and leverage the market exposure to broaden its partnership base.



Supporting financial inclusion

ADA is a Luxembourgish NGO which plays a leading role in the inclusive finance sector internationally. Since 1994, ADA has been working to develop microfinance services in favor of populations excluded from the conventional banking circuits. Its action is designed to reinforce both the autonomy and capacities of microfinance institutions (MFIs), professional associations and networks. ADA also assists governments in their efforts to support and structure the microfinance sector at the regional and national level.

Mission: Poverty reduction by providing the populations concerned, mainly micro and small entrepreneurs, with responsible financial and technical solutions adapted to their needs.

Vision: ADA acts as a catalyst to generate, identify, develop and implement solutions that facilitate inclusive development.

High Patronage from HRH the Grand Duchess of Luxembourg

Chair of the Board: Nomination in process

Executive Committee: Laura Foschi, Executive Director, and Christian Baron, Head of Operations

Annual Budget: €9 MM/year

Website: www.ada-microfinance.lu