



Expanding Microinsurance Scheme in Mongolia and the People's Republic of China

The need to protect the most vulnerable groups against risks has prompted a wide diversity of organizations to start developing viable options to meet their needs. Evidence shows that establishment of microinsurance schemes is a necessary step for efficient nationwide sustainable social protection for the poor. Various organizations have collaborated to implement a regional initiative to enhance the technical capacities of stakeholders in the microinsurance industry and more efficiently provide social protection.¹

The Need for Microinsurance in Mongolia and the People's Republic of China

People's Republic of China (PRC). In an attempt to address the vulnerability of farmers and low-income families in the PRC, the China Insurance Regulatory Commission is striving to develop a microinsurance market in rural areas.² In 2009, China Life Insurance Company (China Life), a leading provider of insurance products, developed three new microinsurance products to better meet the farmers' demand for accident medical cost compensation.³ As of June 2009, the company has provided microinsurance in 18 western and middle provinces, insuring more than 6 million low-income farmers. China Life sold additional

insurance policy to 11.5 million policyholders in rural districts from January to September 2010.⁴

Moreover, the China Post Life Insurance Company launched its microinsurance pilot product in the PRC, targeting farmers, low-income urban residents, and migrant workers in the cities. There are other several local insurance companies that provide low-premium life insurance for people who are not covered by other insurance schemes.⁵

Microinsurance products are only recently piloted in the PRC. Private insurers estimated that there are at least 200 million potential clients in the PRC, and about 400,000 in Mongolia.⁶

Mongolia. There is a growing need for microinsurance for poor households in Mongolia to protect them in the event of death, illness, disability, and natural disasters. Provision of microinsurance to the poor has been considered an important step in achieving the Millennium Development Goals in Mongolia. Microinsurance could be one method of risk management for poor and socially vulnerable people.

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Microfinance institutions, savings and credit cooperatives, and commercial banks in Mongolia have expanded their outreach to the poor and the vulnerable groups in the country. In addition, some insurance providers are developing new insurance products to targeted individuals, particularly herders.⁷ However, the concept of providing microinsurance to the uninsured is relatively new. Many micro and small business owners, unemployed people, and seasonal workers are not insured because there is limited understanding of how insurance can help protect them against risks. There is also a lack of well-designed microinsurance products in the current market in Mongolia.⁸ Finally, but also importantly, there are some regulatory restrictions to the expansion of microinsurance in Mongolia.

ADB Contribution to Mongolia and PRC in Providing Microinsurance

In April 2010, the Asian Development Bank (ADB) provided technical assistance (TA) to help ease barriers affecting the development of microinsurance in the PRC and Mongolia. The TA enables insurance firms in both countries to provide microinsurance products to poor households to better manage risks and protect

themselves against sudden death, illness, or injury of household members, or loss of income or property. It is expected that, by end-2013, microinsurance will be made available in at least 10 regions in the PRC and Mongolia, and at least four private firms will offer microinsurance products in both countries. The TA is expected to help improve the policy and regulatory environment for microinsurance in both countries.⁹

ADB, through the TA, will work with the Access to Insurance Initiative (A2II), a global program launched in 2009 with the International Association of Insurance Supervisors (IAIS)—the international standard-setting body for insurance regulation and supervision. ADB, A2II, and the German Society for International Cooperation (GIZ) teams will work with the Chinese Insurance Regulatory Commission (CIRC) and the Mongolia Financial Regulatory Commission (FRC) to promote expanded insurance services to poor people. Both CIRC and FRC will be providing counterpart staff and data access during the TA implementation.¹⁰

A country assessment report of the market and policy environment for microinsurance in Mongolia and in the PRC is being developed to evaluate the current microinsurance pilots, craft a road map for policy, regulatory improvements; and support implementation of the first step of reforms and remove initial market barriers.

Endnotes

- ¹ International Labour Organization. n.d. *From Local Initiatives Towards National Solidarity Systems. Social Security Extension Initiatives in Asia*. 2006–2016 Asian Decent Work Decade.
- ² *People's Daily Online*. 2008. Moves to Boost Micro Insurance. Available at <http://english.peopledaily.com.cn/90001/90776/90884/6381713.html>
- ³ _____. n.d. *On the Innovation Development of Microinsurance of China Life Insurance Company*. Available at www.munichre-foundation.org/NR/rdonlyres/6C67821C-C808-4004-91A6-A5A1463D1E20/0/S8_MIC2010_Paper_Su_e.pdf
- ⁴ R. Ng. 2010. China Life Aims to Increase Rural Microinsurance Premiums By 25% With Market Expansions. *Microfinance Africa*. 10 December. Available at <http://microfinanceafrica.net/microfinance-around-the-world/china-life-aims-to-increase-rural-microinsurance-premiums-by-25-with-market-expansions/>
- ⁵ *Business China*. 2010. China Post Life Initiates Microinsurance Business. 16 Mar. Available at <http://en.21cbh.com/HTML/2010-3-16/zMMDAwMDE2ODkzMw.html> (accessed 20 January 2011)
- ⁶ ADB. 2010. *Technical Assistance for Establishment of Microinsurance*. Manila (TA7525-REG, approved 26 April 2010, financed by the Regional Cooperation and Integration Fund under the Regional Cooperation and Integration Financing Partnership Facility).
- ⁷ United Nations Development Programme Mongolia. Capacity for the Micro-Insurance Market. Project Document. Available at www.undp.mn/publications/Signed_Prodoc_Microinsurance.pdf?bcsi_scan_7823DFCE46415F3E=0&bcsi_scan_filename=Signed_Prodoc_Microinsurance.pdf (accessed 19 January 2011)
- ⁸ Footnote 7.
- ⁹ Footnote 6.
- ¹⁰ ADB. 2010. ADB Supports Microinsurance for Millions of Poor in PRC, Mongolia. News Release. Available at www.adb.org/Media/Articles/2010/13313-east-asia-microinsurance-projects/

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two-thirds of the world's poor: 1.8 billion people who live on less than \$2 a day, with 903 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

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