IDEAS FOR ACTION COMPETITION 2015
Executive Summary
Creating New Microinsurance Products for Remittance Service Providers in India

Problem & Context
Remittances represent significant financial flows between both developing and developed countries and have rapidly increased in volume in recent years. The global sum of remittances currently equals three times all official development aid worldwide, reaching $582 billion in 2014. Migrant workers commonly use remittances to support their families; after going abroad for more-promising work opportunities, they send some of their earnings home. Families who are dependent on remittances from family members abroad are generally in a position of higher risk, and microinsurance is well suited to reducing the risk of lower-income families. Microinsurance seeks to bring insurance products to a market segment that cannot afford or access traditional forms of insurance. However, there are few microinsurance products available that are specifically tailored to meet the needs of remittance-dependent families.

Our Solution
Our proposal recommends two new forms of microinsurance, which we have coined “Income Stream Insurance (ISI)” and “Family Remittance Insurance (FRI)”. ISI insures the stream of income sent from migrant workers to their home countries in case they meet with an accident or fall ill. FRI directs a portion of the stream of remittance money into health microinsurance to help protect the livelihood of the families of the migrant workers. Our FRI product would give migrant workers who prefer that their remittances be used for investment over consumption the opportunity to invest directly in their families’ well-being.

Our proposal allows families and migrant workers to sign up for either ISI, FRI, or both. Figure 1 depicts a hypothetical flow of remittance money from a migrant worker to India when the worker is signed up for both ISI and FRI. Migrants will decide with their families how much money to allocate toward their ISI and FRI accounts. The first stream of money is a $100 base amount of remittance money that families in India would directly receive. An additional $4 premium each will be paid into the FRI and ISI account. The remittance service provider (RSP) receives a $2 transaction fee. Under our proposed plan, the RSP is responsible for distribution of the remittance base amount of $100 to the family. The microfinance institution (MFI) is responsible for holding insurance premiums in an account under the family’s name and distributing insurance payouts when the conditions of the FRI or ISI products apply. We chose India as the pilot location as it currently constitutes the largest proportion of global remittances received and has a strong microinsurance infrastructure in place.

An essential element of this idea is a partnership between RSPs and MFIs that operate in India. RSPs will have a strong incentive to cooperate with MFIs because a segment of the population that did not previously use RSPs will now be drawn to use their services. We believe that our microinsurance products would not only expand insurance penetration among low-income families but also target the needs of a population heavily involved in remittance transactions. In addition, MFIs and RSPs have significant profit potential in accessing new sources of revenue and cross-selling to existing customers by implementing this idea.

Expected Impact
We believe our solution will improve the lives of lower-class families in India in several ways:

- **Risk reduction.** Our microinsurance products tied to the RSP services can reduce risks for families whose lives are already particularly vulnerable to many unexpected events (such as health- and weather-related shocks).
- **Financial literacy.** The families our plan targets will also become more financially literate regarding the importance of insurance and various ways of spending and saving their money.
- **Worker empowerment.** Our unique solution will enable migrant workers to invest in their families’ welfare through insurance. We believe migrant workers will feel more secure about their families’ safety and future.
- **Remittance growth.** More migrants may be attracted to RSP services, increasing the remittances consequently sent overseas to families in India that depend on these funds to sustain their livelihoods.