A new paper on migration-linked insurance products suggests that it may be more effective to market insurance to migrants, rather than to their families, because their spending and risk management preferences differ. Typically, migrants’ families decide how to spend remittances, often choosing to spend most of the money on consumption and basic household needs. Even when they have remittances that are sufficient, families may be unlikely to purchase insurance, since having family members abroad may be perceived as an informal form of insurance.

Migrants, on the other hand, may be more interested in purchasing insurance for their families both to protect their families and to avoid bearing unplanned and potentially catastrophic costs in the case of a crisis. Studies reviewed in the paper indicate that if given full control over how remittances are spent, migrants and their families would spend money very differently, with migrants allocating less to daily consumption and more to savings. One survey found that migrants were interested in transferring some of their risks and family responsibilities to more formal channels, such as insurance.

For more on migration-linked insurance, see Briefing Note No. 6 - Formalizing the Informal Insurance Inherent in Migration [1]. The paper provides a mapping of migration-linked microinsurance products and an outline of the opportunities and challenges for insurers interested in developing products for this market segment.

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