

perXmicro

il microcredito in italia

Category of Good Practice: Products and Services

Good Practice's title:

Microinsurance for individuals

Main objective:

To offer auxiliary services, apart from microcredit, to better serve customers in their everyday needs and pursuit of extra revenues. MFIs can grow by offering microinsurance services with the aim of promoting social and financial inclusion to people who are excluded from essential services.

Key words:

Personal Microcredit, Family Microcredit, Housing, Health, Work, Education, Microinsurance, Auxiliary Services

Type of organization: Non-banking financial institution

Country: Italy

Year of inception of the good practice: 2013 (Credit Protection Insurance) and 2015 (Income Protection and Return Back Home)

Services and products provided: Personal and business microloans, non-financial support

Portfolio (€): 39,917,990 (December 2015)

Avg loan size (€): 5.500 € for family microcredit and 19.000 € for business microcredit

of active clients: 7.075 (December 2015)

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Institutional profile:

Created in 2007, PerMicro is a company specialised in microcredit. Initially only operating in Torino, PerMicro now operates in 11 Italian regions with 14 branches. It is the first Italian microcredit company that professionally manages all phases of a micro company project: scouting, preliminary inquiry, risk assumption, and follow up (in collaboration with the Association PerMicroLab Onlus). The company belongs to the Italian (RITMI) and international network of microfinance organizations (EMN). PerMicro finances up to 25.000 EUR for companies or up to 10.000 EUR for families and is designed for people who do not have easy access to traditional bank credits.

Mission of the organization:

PerMicro's mission is to create employment opportunities and promote social inclusion through the provision of professional microcredit services to the sectors of the population who are excluded from traditional channels of credit due to poor credit history or precarious employment status. These services include financial education and coaching services for start-ups.

Governance structure:

PerMicro's governance consists of multiple entities. Shareholders are of a various nature: institutional investors, private equity investors, private investors and one industrial partner. Ten members with different backgrounds form the Board of Directors. A President with power of attorney chairs PerMicro and there is a CEO with executive roles. Under the control of the

CEO, there are the areas of Risk Management, Compliance and the Chief Operating Officer who coordinates the work of the four operational supervisors: Business Development, Branch Network, Operations, Administration & Finance.

Good Practice

Introduction

PerMicro is continually advancing its portfolio of microfinance products and has developed some additional services beyond microcredit for its customers, such as microinsurance products. These products are built in collaboration with three different insurance companies.

The three insurance products offered by PerMicro include:

1) Credit Protection Insurance: protects the credit in case of the following events happening to the subscriber: death, permanent total disability or hospitalization.

The following two products are specifically targeted to PerMicro's foreign customers:

2) Income Protection: protects the individual in case of total temporary disability (due to accident or illness), loss of employment, hospitalization (due to accident or illness), permanent disability (due to accident or illness); moreover, the contract can grant outplacement services and a provide a refund of domestic expenses. PerMicro provides this insurance through two different Insurance Companies (Nobis and Cardif, by BNL – BNP Paribas group).

3) Return Back Home: protects the individual in case of death of the subscriber, covers the cost of transportation for a relative and the corpse to the mother country for burial; moreover, the insurance covers the cost of the journey to the mother country in case of the death of a son/daughter living there. An additional option to the basic contract is specifically to cover medical expenses in Italy (medical counselling on the phone, pet care during hospitalization, monitoring of health conditions and communication to the family, transportation from the hospital to home after discharge).

Target group and accessibility:

PerMicro tailor-made its insurance products to suit the needs of its microcredit customers. Most of our microinsurance subscribers are foreigners who work as care-givers, house cleaners or baby-sitters for Italian families: they mainly wish to protect their credit or their monthly income in case of death, hospitalization or serious illness.

Innovativeness:

Among the three microinsurance products offered by PerMicro, one is a classic Credit Protection Insurance, whereas the other two are particularly innovative since they are not strictly related to the Credit but thought of and built from the needs of our target family microcredit customers: mainly foreign house cleaners and caregivers.

Relevance given the context:

Most microinsurance subscribers are also personal microcredit customers who, as stated above, are foreigners living in Italy and do not have easy access to a series of services. Since their families may not be able to help them financially in case of hospitalization, serious illness or death, PerMicro's microinsurance products meet their needs and cover these unique situations with affordable costs for the customers.

Adaptability to other contexts:

PerMicro's personal microcredit model operates in well-established branches across the Italian territory in order to gain local knowledge and better serve local areas. Providing microfinance products such as microinsurance is certainly a replicable model in the Italian territory, as well as on an international level, especially considering the current relevant migrations in western Europe and the needs of migrants after settling in a new country.

Efficiency:

PerMicro's aim is to provide customers with a full range of microfinance products, both in order to offer them a wide range of services and to pursue extra revenues. The business opportunity is large since it is not necessarily required to expand the target customer market: e.g. the customers are the same, but they are provided with different products that they would not be offered elsewhere since they may be considered as 'unbankables'.

Outcomes:

As from the introduction of the good practice, PerMicro had 5.271 microinsurance contracts subscribed, of which 4.060 are active contracts in the portfolio. A total of 23 total claims were registered, mainly covering subscribers in the case of hospitalization and death.

Sustainability:

The partnership framework with the three insurance companies (Cardif, Italiana Assicurazioni and Nobis) clearly identifies the tasks for which each company is responsible and which helps the cooperation to be sustainable.

PerMicro informs the client, manages the contract subscription and receives part of the collected premium to cover part of its distribution costs. After the subscription, PerMicro facilitates the relationship between client and insurer (renewal, cancelation, but mostly claims). The Insurance Companies cover the risks and manage the contracts.

In practice: Specific description of a success story

Archie is 33 years old and lives in Pineto, near Pescara, in the central area of Italy. Born and raised in the Philippines, he arrived in Italy in 2015 where he almost immediately found a job as a worker for a construction company, thanks to his academic degree in Construction Engineering. He lives with his wife, who is Filipino as well, in a house owned by the Italian family for whom she works as a baby-sitter.

Archie is an only child and his mother is no longer alive, so when his father in the Philippines had to undergo lung surgery, he was the only one who could help him with the medical expenses: the young man was able to send his support to his father thanks to PerMicro's family microcredit of 4.000 euro.

Together with the microcredit, Archie also decided to subscribe an insurance to protect the credit: this means that in case of his death, permanent total disability or hospitalization, the instalments will be covered by the insurance company.