

## Factsheet on inclusive insurance

### Mongolia: Inclusive Insurance schemes by Ulaanbaatar City Insurance

#### The challenge

Mongolia is a developing country which has relatively high proportion of young population. Children between 0 and 18 years old represent 39% of the population. According to estimates, 7% of these children suffer from injuries caused by approximately 40,000 accidents per annum. Out of these accidents, most common one (53%) is slips and falls, followed by traffic accidents (11%), animals bites (9%) burns (8%) and injuries caused by sharp blade objects (6%). These accidents represent a financial burden on families. In many cases, they need consultations from doctors and transportation costs are incurred.

Another risk for these families is related to their dwellings. Especially families living in the traditional “ger districts” (gers are traditional yurt houses) in the periphery of Ulaanbaatar are highly vulnerable to flood and fire risks. At the same time, they lack the financial means to cope with the situation and rely on external support. Furthermore, many families never receive any financial education and have no regular access to appropriate insurance products.

#### Enabling policies and regulations

In 2014, the Financial Regulatory Commission (FRC) of Mongolia issued the Resolution 303 which provided rules for the development of inclusive insurance products. These products specifically target the low-income market by having low premiums and simple policy contracts. In November 2015, the Resolution 303 was included in the Regulation 407. In both documents, the FRC defines

inclusive insurance as “type of products of voluntary insurance which are intended to provide insurance coverage for every individual. An insurance contract’s wordings, terms and conditions should be easily understandable for individuals and the insurance premium should be affordable.” The regulation allows only up to five (5) exclusions and determines the claims payment to take place within ten (10) working days.

#### Child Accident Insurance Product: Business Model

In order to cover all kinds of accidents of children, for low-income families, Ulaanbaatar City Insurance LLC (UBCI) developed the Child Accidental Insurance product which insures an amount of USD 250 with an annual premium of USD 6. The product is officially registered as inclusive insurance product by the FRC.

Product	Child Accidental Insurance
Ages Covered	Child (0-18)
Insurance Risk	All kinds of accident
Sum Insured	USD 250
Insurance Premium	USD 6 (annual)

UBCI launched this brand new product in the market in September 2016 through its specially trained agents. This insurance product has been sold first to the selected apartment towns through agents. It was introduced to existing customers who have “Condominium owners insurance”.

In support to the priorities of the Mutual Exchange Forum on Inclusive Insurance (MEFIN), and in



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cooperation with the German Development Cooperation (GIZ), UBCI developed and published posters and brochures for its Child Accident insurance product. Using these communication materials, the company will carry out public awareness campaign about the features and benefits of inclusive insurance products.

### Private Residence Insurance: Lessons Learned

Another product for the low-income market is the “Complete Package for Private Residence Ownership” which was supposed to insure private residences, including gers, fences, and houses against fire, natural disasters and electrical risks.

Product	Private Residence Insurance	
Assets covered	Gers or houses	Fences
Insurance risk	Fire, natural disasters, electrical risks	
Sum insured	USD 500	USD 500
Insurance Premium	USD 9 (annually) USD 0.8 (monthly)	USD 9 (annually) USD 0.8 (monthly)

While UBCI introduced this product, several challenges were faced with both distribution and premium collection. For instance, training of dedicated agents required a lot of time and financial resources. Furthermore, the agents perceived it as very difficult to make sales in ger districts due to a lack of proper addresses of potential clients as well as the risk of becoming crime victims or bitten by dogs. Because of the challenges in the distribution process, the product was cancelled.

Although UBCI had cancelled the selling of private residence insurance, the company was able to determine the insurance need and risk levels as a result of survey in ger district area. The survey was

part of a Memorandum of Understanding with the GIZ. Currently, the company is preparing to participate in the DeveloPPP.de project competition with the project of designing and implementing a brand new product package combining property and personal accident insurance.

### Package for Condominium Owners: Business Model

The Complete Package for Condominium Owners is registered as regular insurance product, but is characterized by low premiums of only USD 9 per year or USD 0.80 per month. The insurance product is easy to understand, offers flexible payment terms and pays claims promptly. The insurance rates and premiums have been determined on the basis of actuarial calculations taking the purchasing power of low and medium income individuals into consideration.

According to the strategy of UBCI, each consumer is approached individually by an agent. The insurance agent first educates the potential client about insurance in general and then offers the product.

As of January 2017, it has recorded a sale of 58,405 policies or an increase by 19% from the cumulative sales of 47,554 in May 2016. About 80% of the policies are sold in Ulaanbaatar while the rest are mainly sold in Erdenet where many of the customers are employees in the mining sector. The claims ratio fluctuates around 40%.

Product	Package for Condominium Owners	
Insurance covered	Apartments	Responsibility Insurance
Insurance risk	Fire, water, natural disasters	
Sum insured	USD 640	USD 640
Insurance Premium	USD 9 (annually) USD 0.8 (monthly)	USD 9 (annually) USD 0.8 (monthly)



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