

Covering New Communities

Low-Cost Insurance Policies Target Immigrants as Untapped Market

By Krissah Williams
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Low-skilled immigrants rarely have insurance, whether life, accident or unemployment, and sometimes when they have an emergency, friends and family members pass donation buckets in small churches or call Spanish-language radio stations conducting phone-a-thons to raise money to pay the bills.



Once largely ignored by U.S. insurance companies, those immigrants are now viewed as a red-hot growth market. Insurers have begun structuring low-cost insurance programs tailored to their circumstances.

Foreign-born workers, many of whom do not have bank accounts, could become loyal customers if wooed by the financial services industry, said Len Battifarano, senior vice president of the international insurance division of [American International Group](#), one of the world's largest insurance companies.

"The addition of insurance to banking services for the poor is something that financial services companies around the world are looking into," Battifarano said. "As people who have not been a part of the formal economy learn that in addition to banking there are insurance products, the demand has increased exponentially."

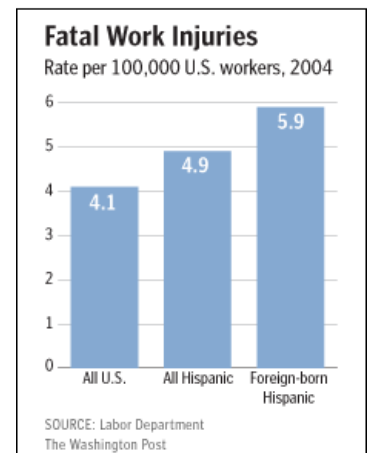
Still, insurers have been slow to create low-cost policies that fit a low-skilled immigrant's income level and lifestyle and have not effectively marketed to such customers, said Michael S. Barr, a law professor at the [University of Michigan](#) who studies financial services for low- and moderate-income households.

Recent figures from the [Bureau of Labor Statistics](#) show that the rate of fatal work injuries for foreign-born Hispanic workers was 5.9 per 100,000 in 2004, compared with the overall national rate of 4.1 deaths per 100,000 workers.

"Immigrants are under-covered for unemployment and certainly disability [insurance]," Barr said. "There is a mismatch between what the financial services sector offers and what low-income people need. It's a significant problem."

In the Washington region -- where the foreign-born population has grown by at least 23 percent, to more than 1 million, since 2000, with another 300,000 foreigners working here illegally -- AIG has teamed with a local money-transfer and loan company that caters to Latino immigrants to roll out an immigrant-friendly payroll benefits package.

The package, though still being finalized, is expected to be offered next month. It includes the ability to send money internationally for as little as \$5 through AIG's local partner, Microfinance International. That's about half the average cost of transferring money to [Latin America](#). Workers will also get access to loans of a few hundred dollars; a Visa payroll card; and insurance with a



maximum payout of \$5,000 to help cover the costs of buying a casket and shipping it to [El Salvador](#), [Mexico](#) or another country and expenses such as embalming and cremation. It also includes a \$3,000 accidental death and dismemberment policy.

Such product packaging is among the new attempts by mainstream financial institutions to draw foreign-born consumers by catering to their strong emotional and financial ties back home.

Immigrants began to attract more attention from corporate America about a decade ago, when researchers started to track more closely the amount of money they sent to family members abroad. Last year, for example, immigrants living in the United States sent \$62.3 billion to Latin America.

Following the growing spending power of immigrants, [Bank of America](#) started offering credit cards to customers without Social Security numbers earlier this year. A State Farm spokeswoman said its network of agents is becoming increasingly diverse to appeal to growing immigrant populations.

AIG and Microfinance International will sell their benefits package to local employers at \$10 to \$20 a month per worker. The companies hope to sign at least 25 to 30 employers this year and said they assume that the workers they enroll in the program will be legal U.S. residents who have been vetted by their employers.

Hoteliers, poultry companies and construction firms have already expressed an interest, said Kai Schmitz, executive vice president of Microfinance International, which operates its money-transfer branches under the brand name Alante.

Immigrant advocates and employers of foreign-born workers have acknowledged the gap in insurance coverage. Companies would pay for benefits packages to help retain workers in the competitive commercial construction market, said Craig Silvertooth, director of federal affairs for the National Roofing Contractors Association.

"That's something that employers would smile upon because it would remove a lot of the anxiety that immigrants face when they are here in the U.S., and they don't have savings to tap in the event of emergencies," he said. "If it could be expanded to include some kind of health-care component, that would certainly help us out."

[Marriott](#) of [Bethesda](#) said that the life insurance coverage included in its existing benefits package has been used to ship an immigrant employee's body abroad and that it recently launched a company-wide health-care assistance program that offers free nurse consultations in English and Spanish.

A major hurdle will be educating immigrants unfamiliar with insurance about the U.S. practice of buying policies to cover unforeseen risks, company executives said. AIG and Microfinance International plans to conduct on-site workshops to inform employees about insurance, which is not accessible to the poor in many Latin American countries. Some are unfamiliar with the concept of insurance altogether, said Luis Pastor, president of the Latino Community Credit Union in [Durham, N.C.](#)

"Without explaining all the costs and benefits of these new products," Pastor said, "it is just another fee you are charging people."

AIG said it has been educating low-income people in other parts of the world about insurance for years. The company decided to pursue immigrants in the United States after testing low-cost insurance packages in [Africa](#). A decade ago, it started offering insurance to the poor in [Uganda](#) and backed micro-loans to start tiny businesses. Insuring U.S. immigrants was part of a natural progression, the company said.

"We are looking at this as one of the foundations of our business," Battifarano said.