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Making Small Big - Practical Advice in Microinsurance

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Compulsory Insurance Sounds Amazing!

- The government does the selling for you
- Everyone is required to buy and maintain insurance ... which is just good for them anyway
- All you need to do is price it, sign it, and service it
- So, this should work for emerging markets insurance, too, right?
- Developing insurance markets arguably needs cover more than anyone else



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Compulsory: If, If, If, If

- **If** it's going to work, it has to be REALLY compulsory
- **If** it's going to stick, you need to build in a monitoring mechanism
- **If** it's going to be effective, you'll still have to invest in financial education
- **If** it's going to be compulsory, it still has to be affordable

And even then, compulsory microinsurance won't be the same as compulsory auto in Massachusetts!



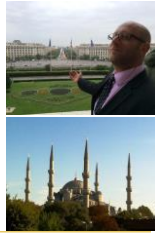
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What Can We Learn From Compulsory Schemes Worldwide

- PAID (Romania)
 - 20% penetrated
 - No real monitoring or enforcement mechanism
 - Requesting more gov't intervention and support
- TCIP/DASK (Turkey)
 - 40+% penetrated
 - 50+% retention
 - Proof of insurance required up front
 - Marketing used to drive retention (no subsequent check)



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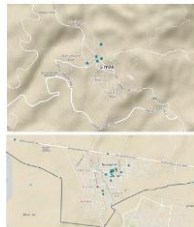
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Since we're on the subject of Turkey ...
let's take a look at something else

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Customer Retention Through Insurance

- Turkish telecom provider: TRY500 in terror cover
- Bonus for being a loyal customer
- 500,000 policies in force
- Triggered in 2016 (PCS Turkey Cat 1613)
- Terror attacks in Şırnak, Mardin, Hakkâri
- Avg personal claim: TRY26,000



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Nothing Beats Real Selling and Real Value

- Compulsory protection can only get you so far – especially in microinsurance markets
- Financial education and affordability will always be major factors
- Mandating protection fails to solve the real problem
- The market needs to know what coverage is, what it does, and why it's important
- No program can become self-sustaining without an informed customer base



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So, How Do You Sell Emerging Markets Insurance?

- Think back to that Turkish telecom provider: partnerships are crucial!
- Look for local market players with:
 - Large customer bases
 - Deep local market understanding
 - Frequent and regular transactional relationships
 - Level of trust with customers
 - Clear trustworthiness in dealings with you
- And you need to provide:
 - Tools for marketing and selling
 - Product information and knowledge
 - A useful, valuable product at a viable price point
 - Commitment to ongoing support
 - Sufficient patience
 - A realistic revenue stream for your local partner



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A Look at Global Retailers

- Of the world's top 100 retailers:
 - 26 in LatAm
 - 17 in Africa
 - 15 in the Philippines
 - 14 in India
 - 5 in Pakistan
- And this is just a look at some regions with microinsurance potential
- You can achieve scale with the right global partner



Sophisticated retailers will require a clear value proposition. You'll face competition from:

- Banking and financial services products
- Telecom products
- Core retail priorities
- Global corporate initiatives



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The Real Temptation of Emerging Markets Insurance

- Profitable business with the potential to scale significantly over time
- Ability to grow alongside overall economic growth and middle class development
- Entry of more **original risk** into global re/insurance
- A top-line alternative to standard soft market thinking ... why cut when you can grow? For decades?



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Now, let's talk about how potential distribution channels could work!

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Microinsurance Product Examples

Name of Partnership	Bradesco	HDFC-FINO	Malayan-CLIS	Holland-Edcon
Country	Brazil	India	Philippines	South Africa
Product	Life + Accident + Disability	Health + Accident	Accident + Disability + Fire	Funeral
Product Payment	Single Premium	Single Premium	Single Premium	Monthly Recurring
Product Term	Annual	Annual	4 months	Monthly
Average Monthly Premium (US\$)	0.38	0.43	0.16	4.40
Coverage (US\$)	2,200	3,300	530	1285

High Variety and Low Premium: Efficiency is Key

Source: "Achieving Scale and Efficiency in Microinsurance through Retail and Banking Correspondents"
Jeremy Leach, et al.



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Function of Distribution Channels

- More than just sell the product
- What can the channel do for me?
- What value can I bring to the distributor?
- Trust, efficiency and scale

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A number of new **Microinsurance distribution models** have evolved
that rely on the utilization of partnerships with organizations
not traditionally in the insurance space.

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Choices of Channels

- Financial Institution
- Community-Based Organization (CBO)
- Postal Network
- Retailer
- Mobile Network Operator (MNO)

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Financial Institutions



Women's World Banking Ghana linked free life insurance to savings account

Source: Microinsurance Distribution Channels, Alice Mary et al.

- **Organizations:** microfinance institutions (MFIs), credit unions, cooperatives and commercial banks
- **Advantages:** Offer an existing client base and payment platform; financial protection for the bank loan
- **Most often sell:** mandatory products, life products, some health products



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Community-Based Organizations (CBO)

- **Organizations:** Community groups and faith-based organizations
- **Advantages:**
 - Can group large number of people
 - Perceived as trustworthy
 - Familiar with the customers' needs
- **Most often sell:** voluntary or mandatory products, wide range of product lines



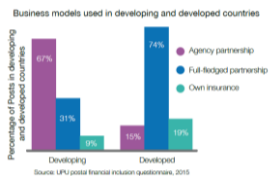
China Life sells village policies on Accident + Health insurance



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Postal Office as a Distribution Channel



- **1.5 billion people** get access to financial services through post offices, only 38% of which offers insurance
- **Three business models** to sell insurance:
 - Agency partnership
 - Full-fledged partnership
 - Own insurance
- **Most often sell:** life and disability insurance



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Retail Channels

- **Organizations:** Supermarkets, appliance stores, agricultural input retailers
- **Advantages:**
 - Efficient and convenient premium payment mechanisms
 - The retailers' brand helps overcome distrust of insurers
 - Adjacencies aligns incentives between the partners and improves client value
- **Most often sell:** voluntary products, life, disability and agriculture products



*crop insurance often sold
in retail stores of
seeds and fertilizers*



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Partnering with Mobile Network Operators (MNO)

Scale: Vast pool of mobile phone subscribers, the majority of whom do not have insurance

Benefit to Insurer:

- Efficient enrollment and claim processes
- Better customer care

Point of Interact: MNO are highly visible and assessable to people of all income levels

Benefit to MNO:

- Additional revenue stream
- Differentiation from the competitors

Can sell a wide range of products



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Is the Channel Right for My Target Market?

Sequence the use of distribution channels according to the maturity of the target market



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Key Success Factors



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