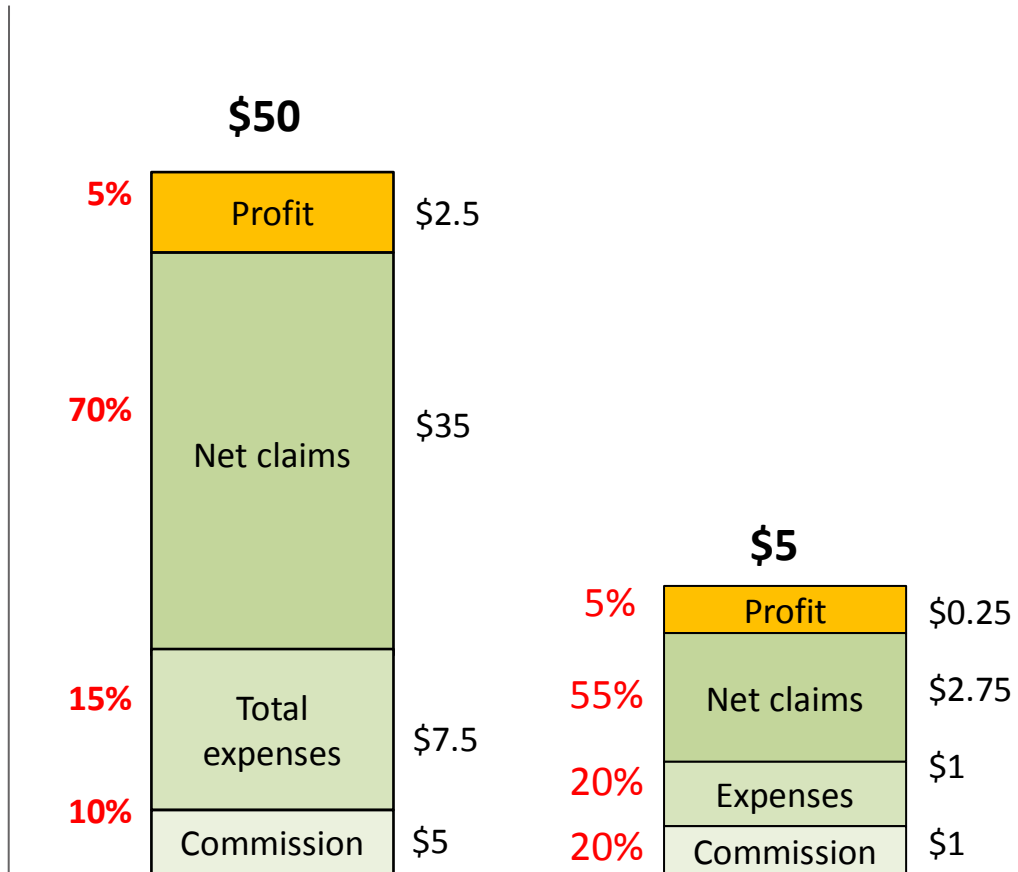


Thinking Big: Drivers of Scale

9th International Microinsurance Conference: Drivers of Scale, 13 November 2013

Why is Scale important?

Net premium



Traditional insurance

vs.

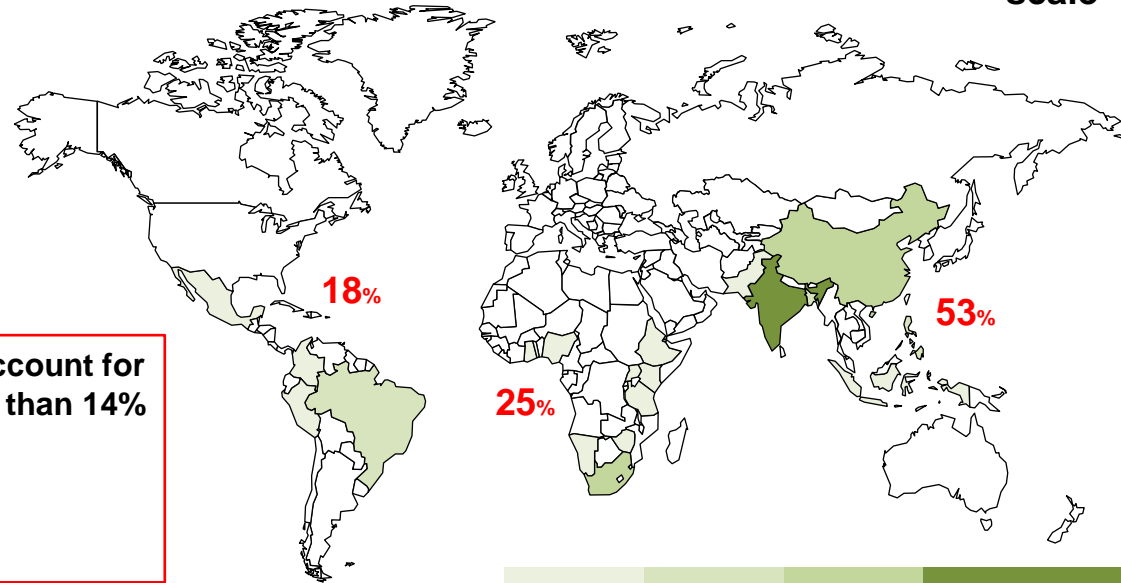
Microinsurance



Need to
Maximise
Volumes

Emerging Trends in Scale: Geography and Distribution

Microinsurance initiatives that have achieved scale



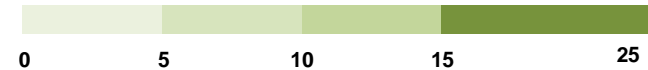
Client Interface for Scale



MNOS and Retailers account for less than 14%



MFIs, groups and banks account for 52%

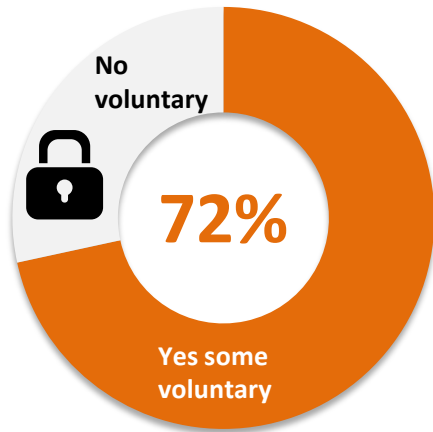


of schemes that have achieved scale

- Scale = >1m policies/ lives covered in Asia, Latin America
- Scale = >500k policies/lives covered in Africa

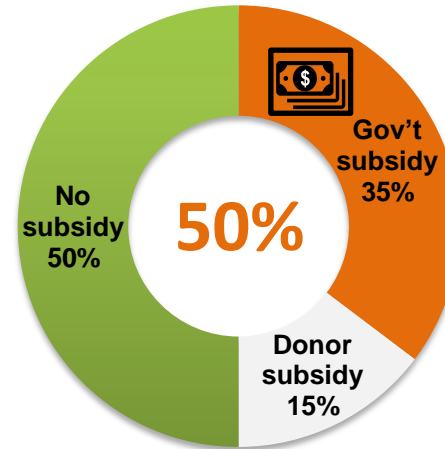
Number of initiatives: # 95 schemes

Emerging Trends in Scale: Products



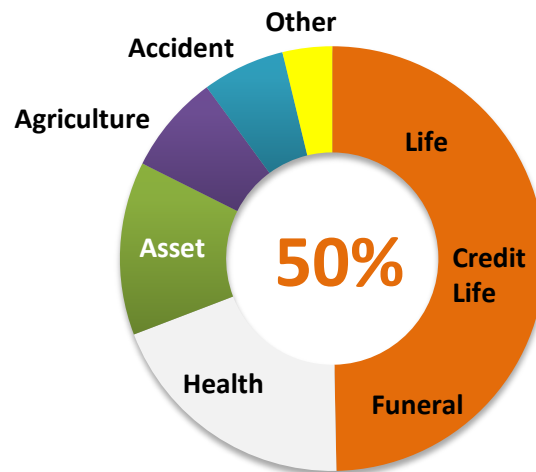
Voluntary?

- 72% of schemes offer some voluntary products



Subsidies?

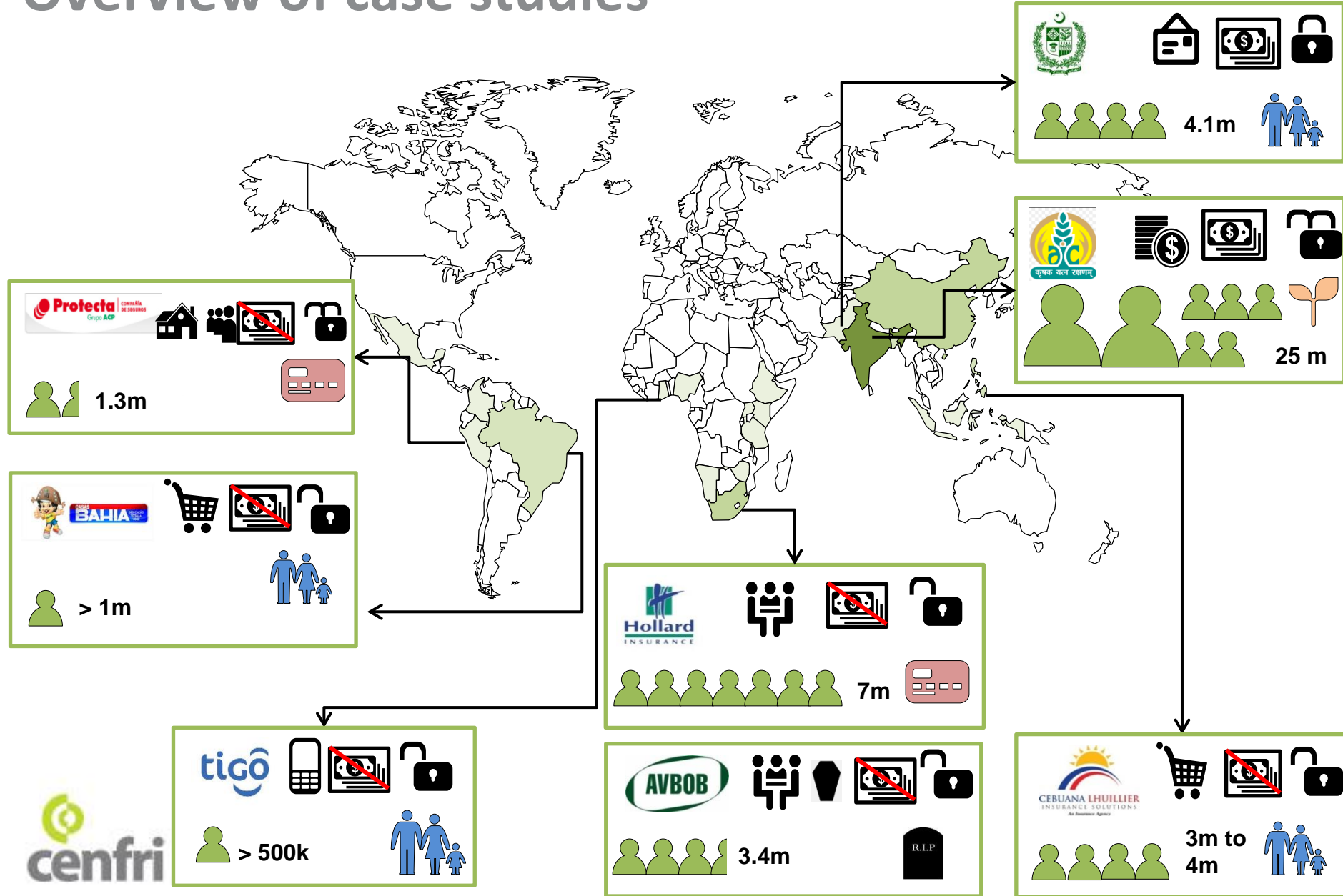
- 50% do not have subsidies



Product Type?

- Life (life, funeral or credit life) dominates with 50% of the products
- Health and Agriculture largely subsidised

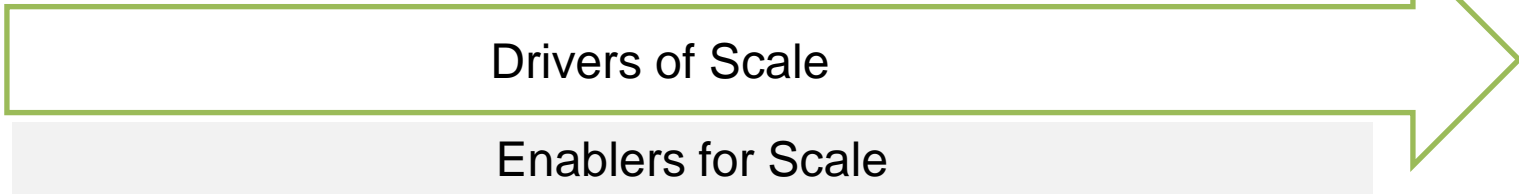
Overview of case studies



Factors driving scale

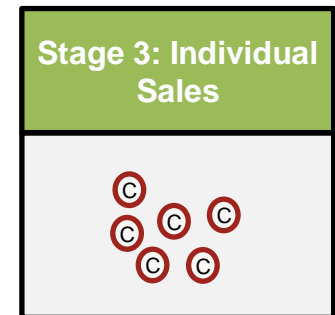
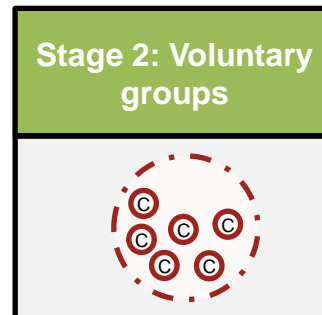
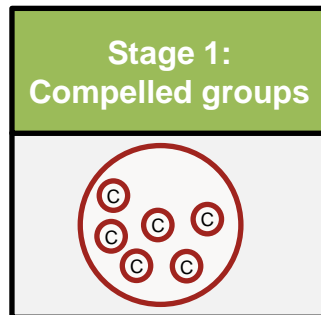
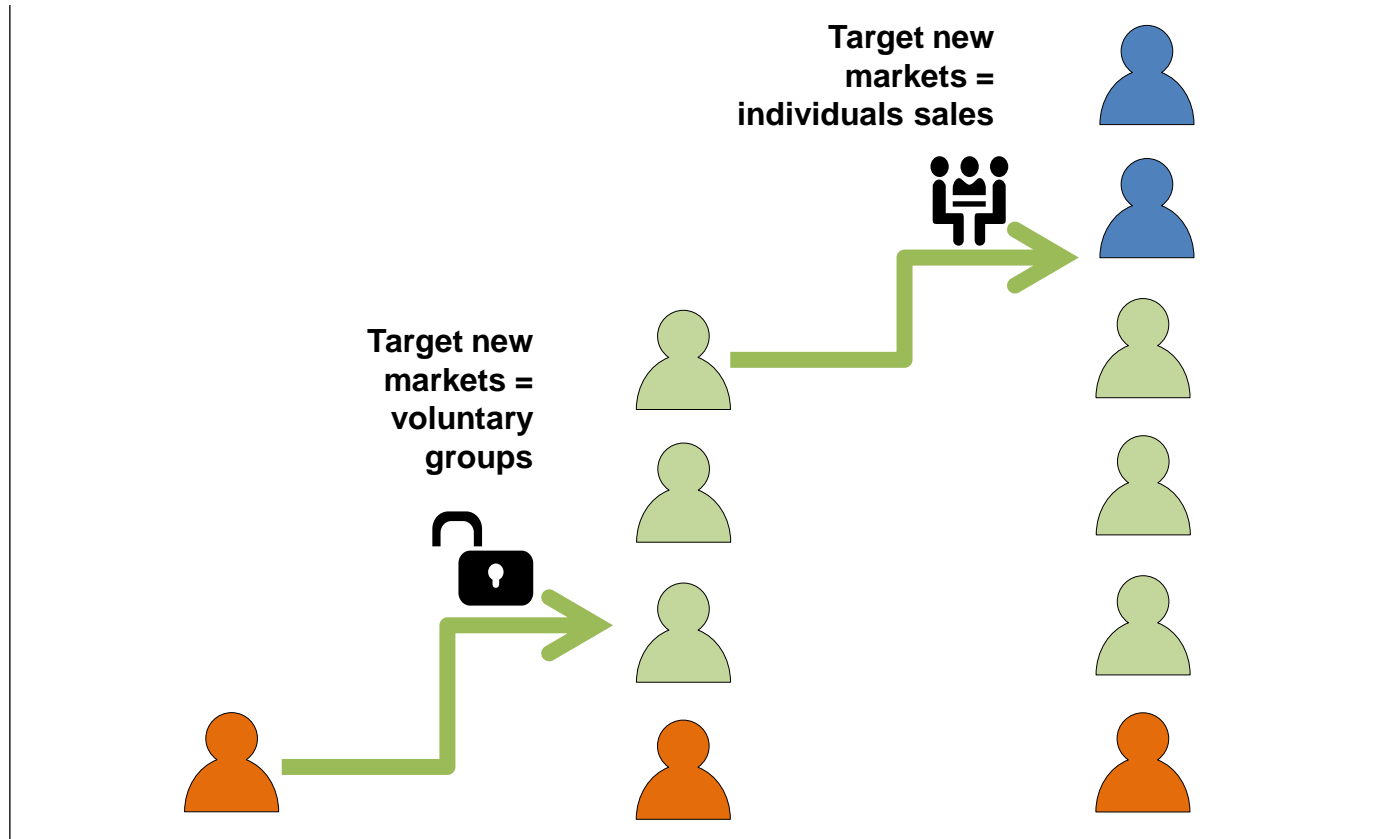
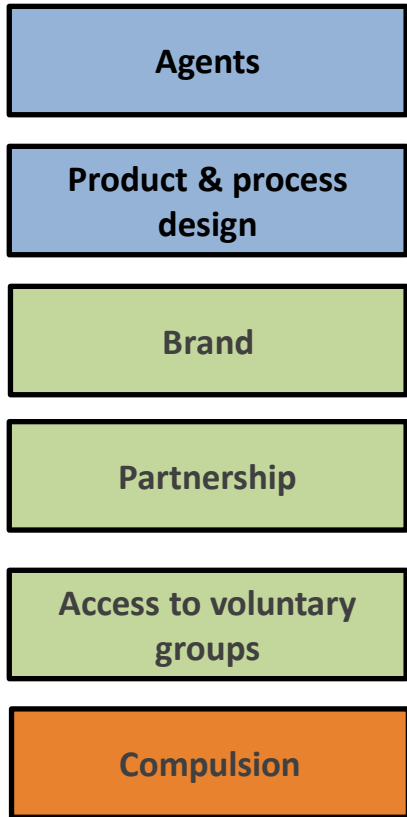
- Simplicity
- Affordability
- Convenience
- Tangibility
- Tailoring of product
- Awareness and communication
- Demonstration effect

Internal: within the insurers control	<ul style="list-style-type: none"> • Compulsion • Access to voluntary groups • Partnership • Brand 	<ul style="list-style-type: none"> • Product and process design • Agents
External: Beyond the insurers control	<ul style="list-style-type: none"> • Subsidy • Latent demand 	

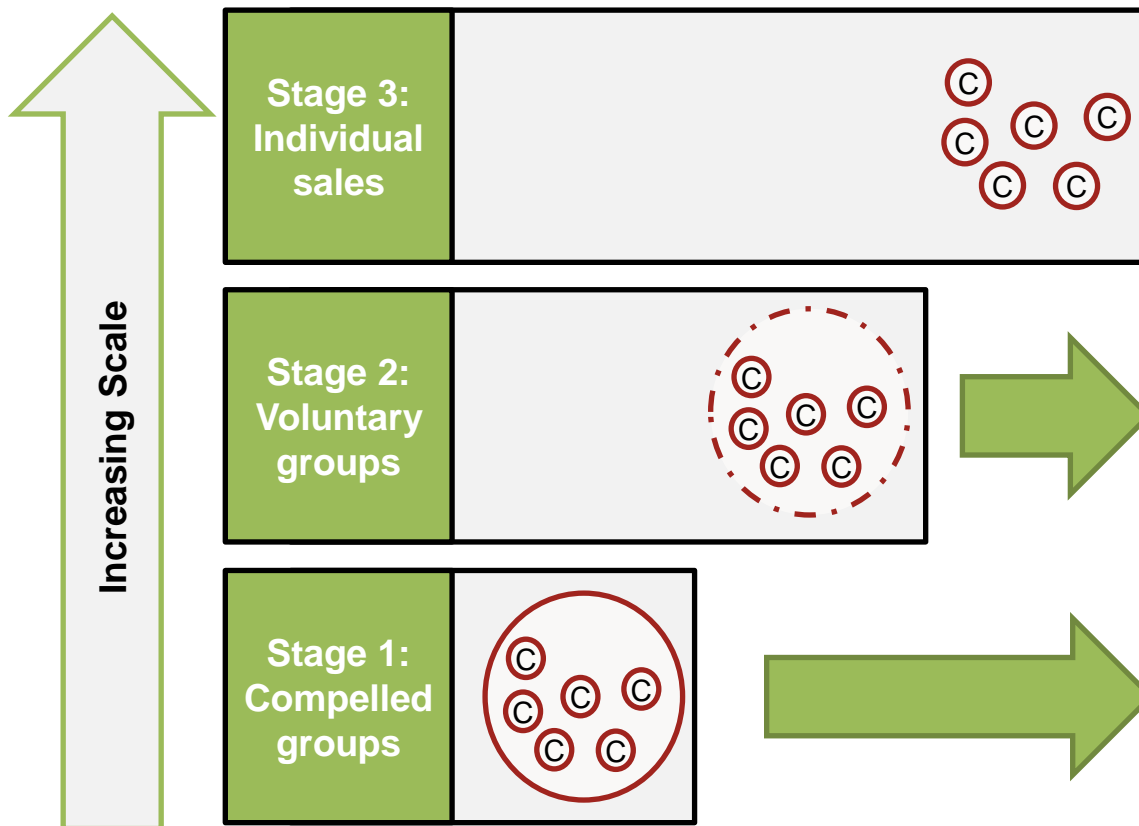


Internal: within the insurers control	<ul style="list-style-type: none"> • Technology (client interface) • Technology (administration) • Human resources 	
External: Beyond the insurers control	<ul style="list-style-type: none"> • Subsidy • Regulation 	<ul style="list-style-type: none"> • Market structure • Market infrastructure

Drivers of scale by stage



Frontier markets drive stages of scale



Agency:

- Initiatives start targeting clients on an individual, voluntary basis and contract agents to make sales.

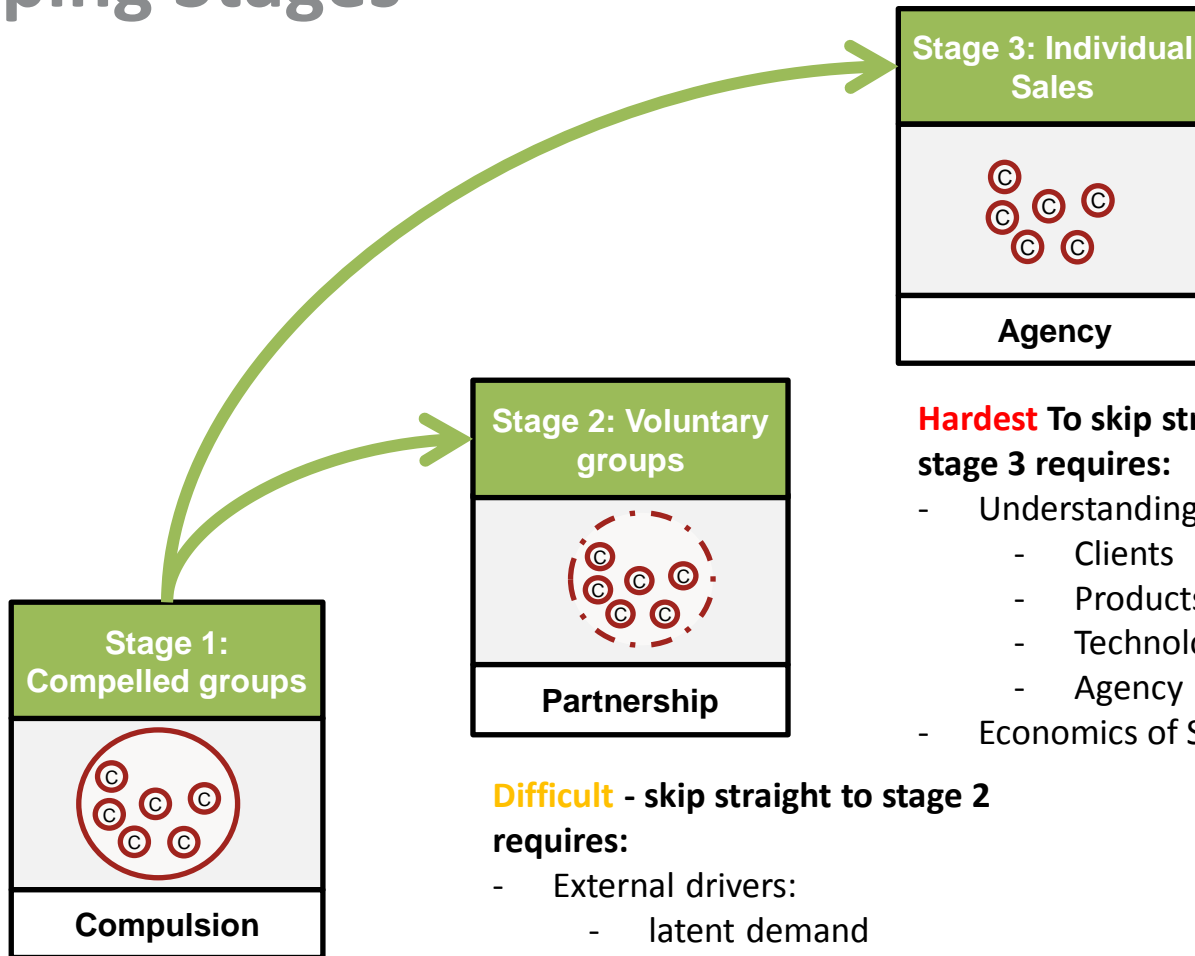
Partnership

- Insurance is sold to existing groups or client databases but on a voluntary basis. Products generally sold through cross-selling.

Compulsion

- A group of people are either automatically enrolled into an insurance product (e.g. as public policy or loyalty initiative) or compelled to buy insurance.(e.g. compulsory credit life). The choice may exist to opt-out of the policy.

Skipping Stages



Ideal - Stage 1 requires:

- Enabling regulation
- Availability of group

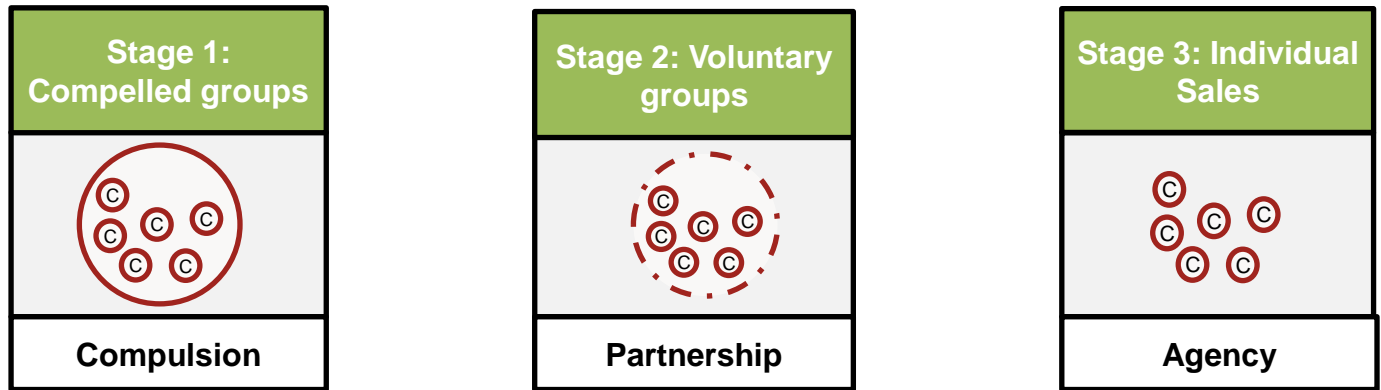
Difficult - skip straight to stage 2 requires:

- External drivers:
 - latent demand
 - Subsidy
- Active and affordable sales

Hardest To skip straight to stage 3 requires:

- Understanding of
 - Clients
 - Products
 - Technology
 - Agency
- Economics of Scale

Stages of scale: Regulation and Technology



Regulation allows compulsion



Regulation allows alternative intermediation and regulatory coordination important



Simple agent requirements that protect client and offer access to information



Basic back-office system

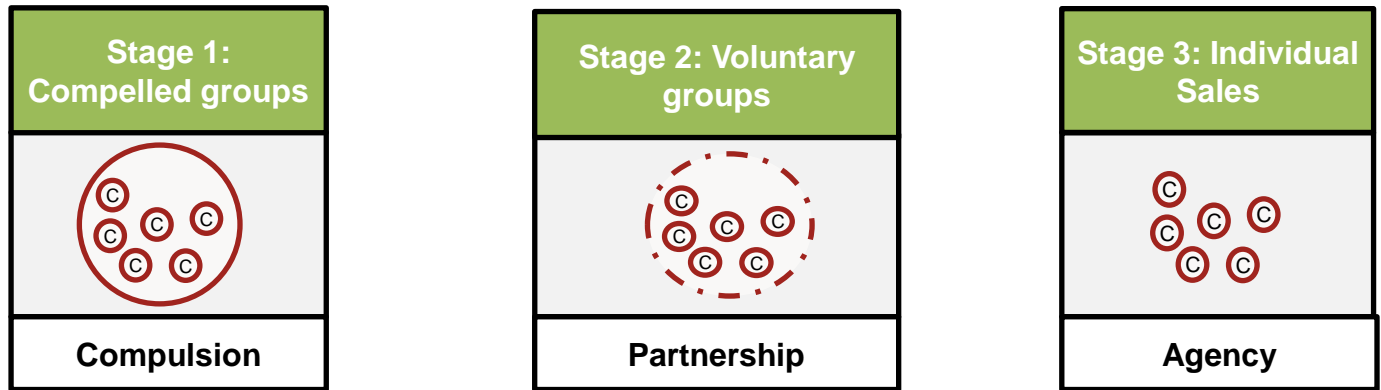


More complex back-office system and basic client interaction



Complex back-office system and sophisticated client interaction

Stages of scale: Client Value



- Cost reduction through subsidy and potential saving on product design/sales cost



- Client database
- Convenience
- Reduction in distribution cost



- Tailored product meet consumer needs
- Information to make informed choice

- Low awareness (auto-enrolment)
- Product does not meet needs of consumer



- Cost to remunerate partner
- Product designed for partner, not consumer



- High sales and distribution cost impacts affordability

Take aways

Scale strategy depends of frontier target market

- Different drivers of scale need to be implemented when targeting different frontier markets in the 3 stages of scale.

Compulsion or actively targeted captive markets a good kick-start to scale

- Compulsion or similar drivers important to initiate scale. Many schemes evolve from there to add further voluntary tailored products.

Thinking big

- Most initiatives that achieve scale in microinsurance do not build up to scale over time. A decision to access a large group through a partner is the most successful strategy.

Thank You!

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www.cenfri.org



micro **nsurance**
| **nnovation facility**

Case Studies

Icon Legend

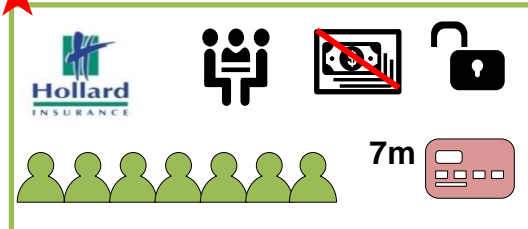
	Retailer/Pawnshop
	MFI
	Bank
	Post Office
	Group
	Direct sales
	Subsidies
	No subsidies
	Voluntary
	Compulsory
	Life
	Credit-Life
	Funeral
	Agriculture

Panellists

★



★



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Additional cases reviewed

