Notes from the distribution frontier

Going where no insurer (or regulator) has gone before

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“Microinsurance belongs to the distribution channel”

Brazilian insurer

- Distribution and product innovation often led by channel rather than insurer
Intermediation revisited

Source: adapted from Genesis (2007)
Transaction networks

Airtime network and mobile phones:

- **Cover2Go cell phone channel**: Poster/pamphlet marketing, personal accident.
- **Safari Bima (Kenya Orient Insurance)**: airtime network with agent selling? (few policies sold – thousands)
- **AKSItext (Philam Life)**: accidental death. Poster/pamphlet marketing. Scratch cards discontinued due to cost. Limited take-up.

Bill payment networks:

- **WiredLoop (Cover2Go)**: 1200 POS, Wiredloop viewed as administrative rather than intermediary)
- **Take-it-Easy (Hollard)**: 18000 agents, funeral insurance, SMS activation with call centre follow-up, cover from $2pm, limited take-up so far (Jan 2007)
Retailer-based aggregators

- **Pep/Hollard (SA):** various forms of funeral insurance, passive sales with call centre follow-up, around 200k policyholders (June 2008), brand aligned with Pep.

- **Shoprite money market counter (SA):** Multiple products and providers (independently branded). Passive sales. Funeral and personal accident

- **Max Vijay (India):** Utilise various neighbourhood stores. Life with savings. Passive. “relatively successful”

- **Protecta Arcángel (Peru):** Pharmacies with agent in store. Life and disability cover. Recently launched.

- **Carrefour (Colseguros, Colombia):** Cashier prompts, agents and counter in store. Mostly PA. 600k policies sold since Nov 2007.

- **Casas Bahia (Mapfre, Brazil):** active sales. Credit life and personal accident (with limited life cover and medical discounts) (>2m active policyholders)
Limited success: Increasing number of experiments but few successes yet

MI belongs to distribution and is led by distribution channel

Passive sales strategies can work in special cases BUT active sales works better

Technology is important efficiency factor but not the driver of take-up (and not cheap – call centres, mobile payments, etc)

Payment networks: Emergence of non-bank cash friendly payment system networks is likely to be major driver of MI development

Mostly life and PA (with some experiments on housing insurance)

But what is actually driving sales?

Simple products, tangible benefits and demand for service – funeral SA, Colombia, Brazil (with high level of product awareness)

Benefits in life: food hampers/vouchers, discounts on medical costs, visits to doctor, cash back and lottery (Brazil)

Active sales: Channels that can facilitate active sales achieve most take-up
Implications for regulation

- **Regulation vs reality:** Regulation does not comfortably facilitate partnerships with alternative distribution channels
- **Avoidance:** Structure driven by need to avoid regulatory obstacles and costs (e.g. SA and Brazil)
- **Insurer-centric:** Regulation risks being insurer-centric at the cost of these partnerships
- **Brand risk for channel:** Strong incentive to deliver good value product
- **Awareness:** Active selling of good value products may be best awareness campaign. Regulation should encourage this.
- **Non-insurance regulators** have impact: e.g. utility regulatory in Brazil
Thank you!

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