Notes from the distribution frontier

Going where no insurer (or regulator) has gone before

Doubell Chamberlain

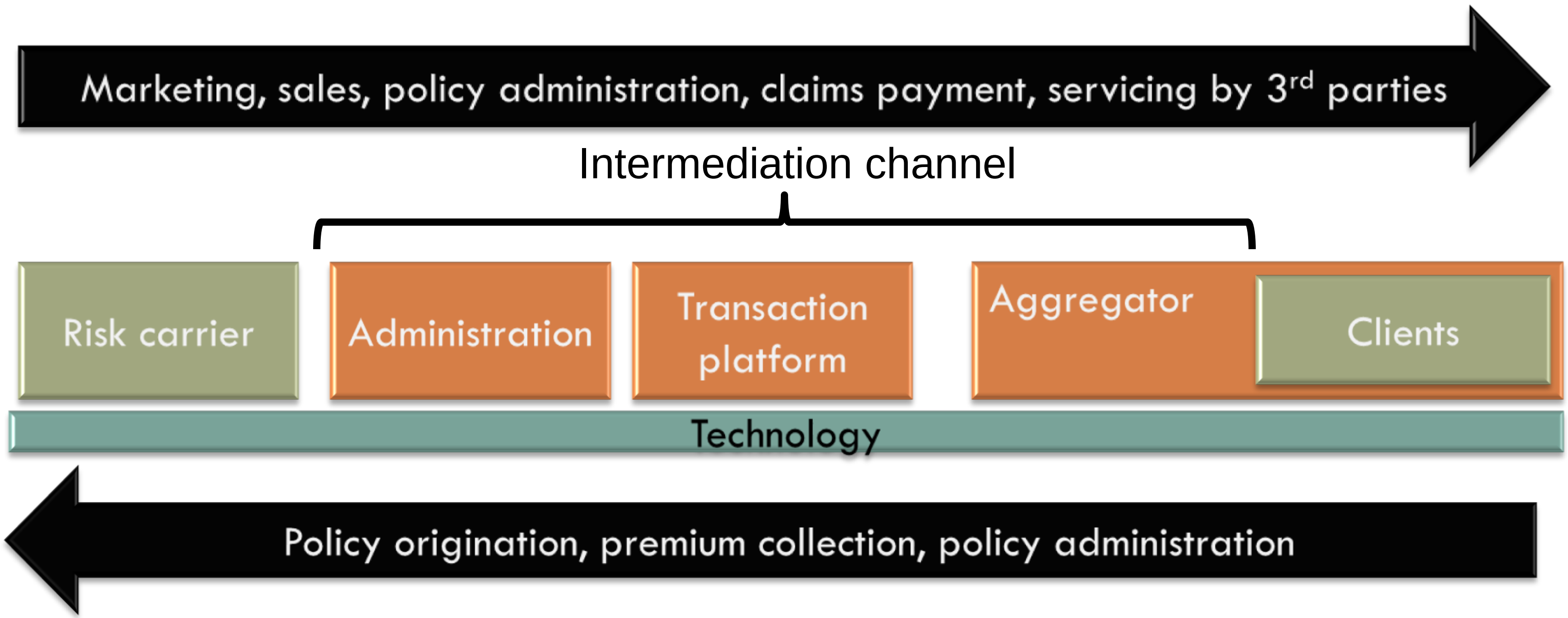
Dakar, Senegal 5 November 2009

“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)

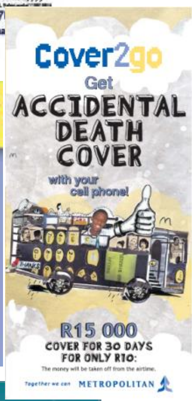
Transaction networks

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)



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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)

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Some notes from the frontier

- **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

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Thank you!

Doubell@cenfri.org

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