



Microinsurance Innovation Seminar



Lusaka, 3 February 2010

Agenda

- 08:30 - 09:00 Coffee and arrival
- 09:00 - 09:15 Welcoming and opening remarks
- **09:15–10:30** **Session 1 – What is microinsurance, who would buy it and what is the bottom line?**
- 10:30 – 11:00 Coffee break
- **11:00–12:45** **Session 2 – Overview of microinsurance models, internationally**
- 12:45-13:45 Lunch
- **13:45–15:15** **Session 3 – Microinsurance innovation: cross-cutting issues, trends and lessons for Zambia**
Questions and discussion

About Cenfri and FinMark Trust

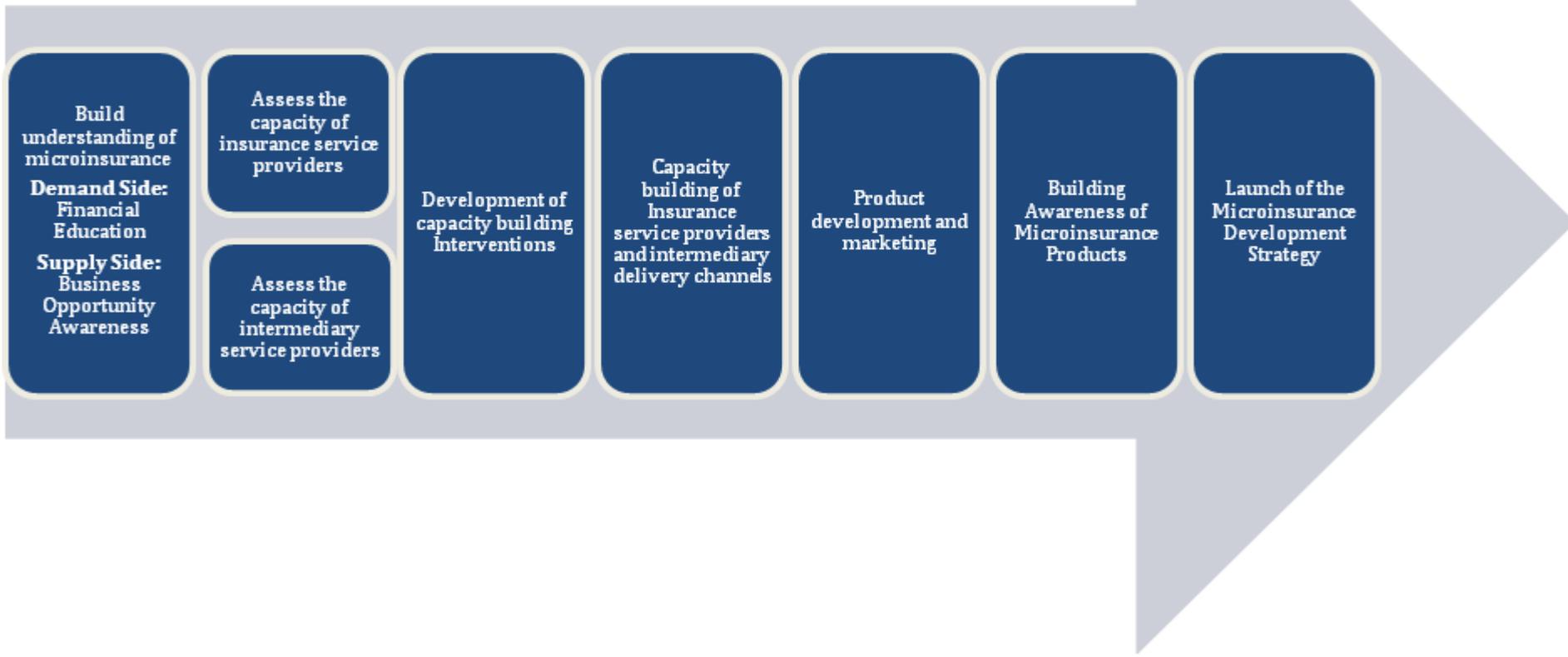
- FinMark
 - “Making financial markets work for the poor”
 - South African trust set up in 2002 with funding from DFID
 - Africa mandate, all financial sectors
 - FMT Zambia and FinScope Zambia
- Cenfri
 - Non-profit research centre based in Cape Town and established with support of FMT
 - Support financial sector development and financial inclusion
 - Manages FMT research on microinsurance, health financing, retail payment systems and AML/CFT across Africa
 - Global experience with MI
 - Involved in developing new MI regulatory framework in SA (since 2003)
- More information at: www.cenfri.org or www.finmark.org.za

Background to Zambia MI review

- Increasing interest in MI over last decade
 - ▣ 2003: SA regulatory investigation started
 - ▣ 2005: India passed first MI regulation
 - ▣ 2006-2008: Country studies under MIN-IAIS develop guidelines for regulators (Colombia, India, Philippines, South Africa and Uganda)
 - ▣ 2008: MIF, Weather index, private equity and several other initiatives commence
 - ▣ 2009: A2II to extend and implement guidelines in 18-20 countries
- ILO/UNCDF supporting MI development in series of African countries: Ethiopia, Zambia, Kenya and others to follow
- FMTZ joined Zambian initiative

Taking ownership

- Stakeholder workshop June 2009
- Formation of TAG and SC
- Development of Action Plan & Strategy

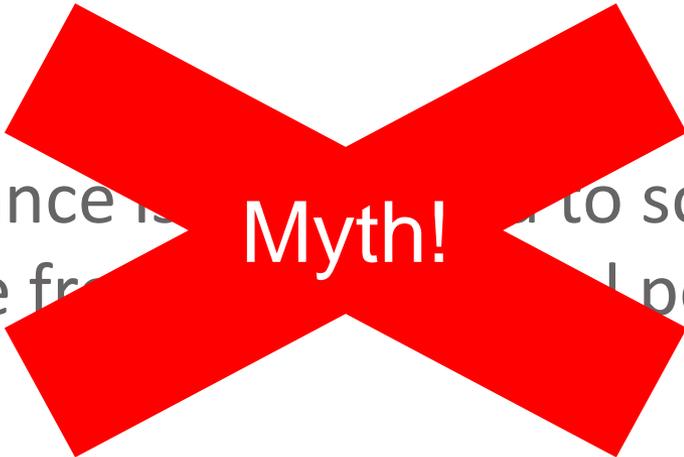




Session 1: What is MI, who would buy it and what is the bottom line?

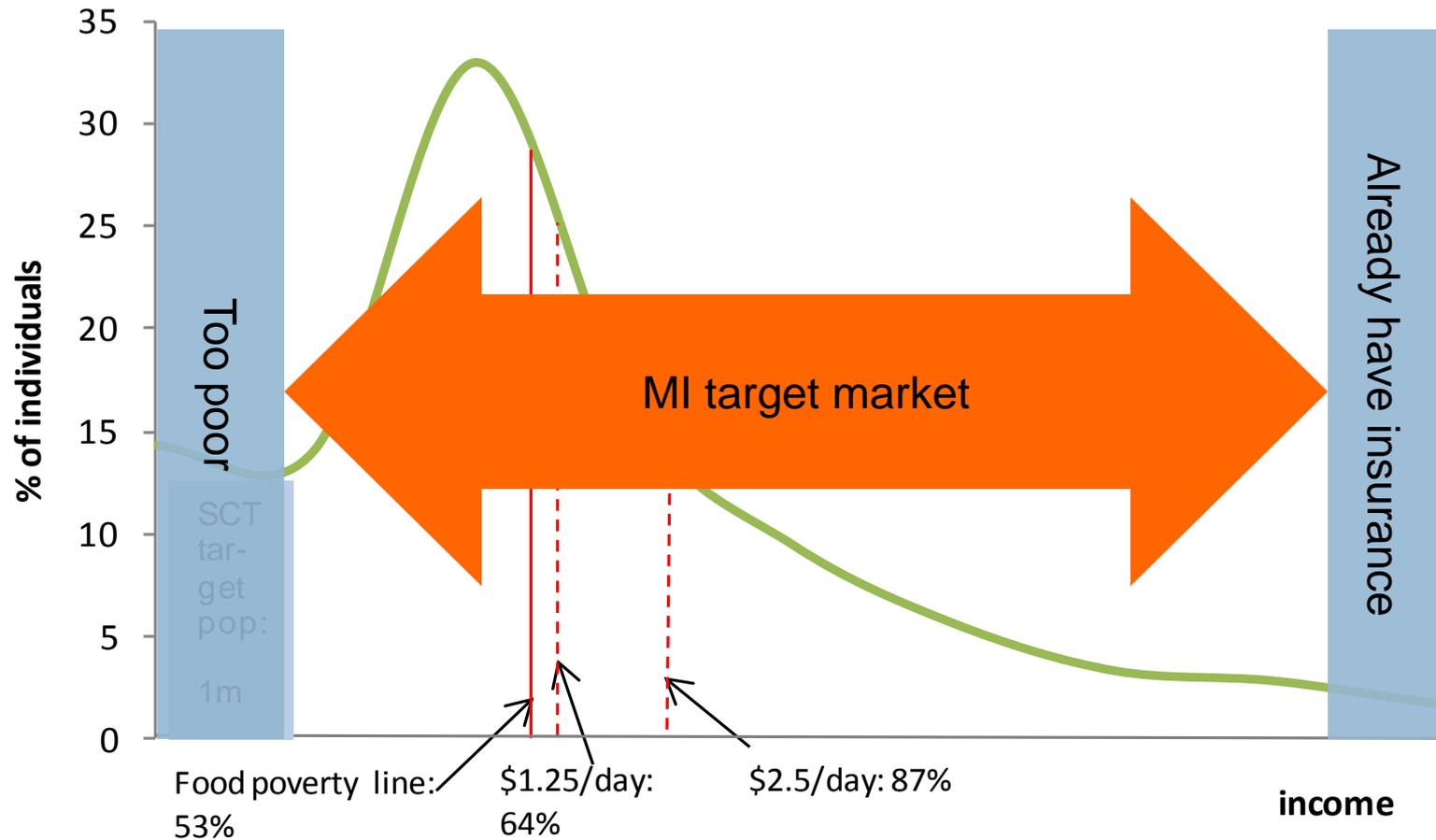
What is MI?

“Microinsurance is not viable for social MFIs and is not viable from a commercial point of view”



- Microinsurance is not microbusiness
- Many international examples of commercial insurers profitably embarking on MI through innovation and efficiency gains

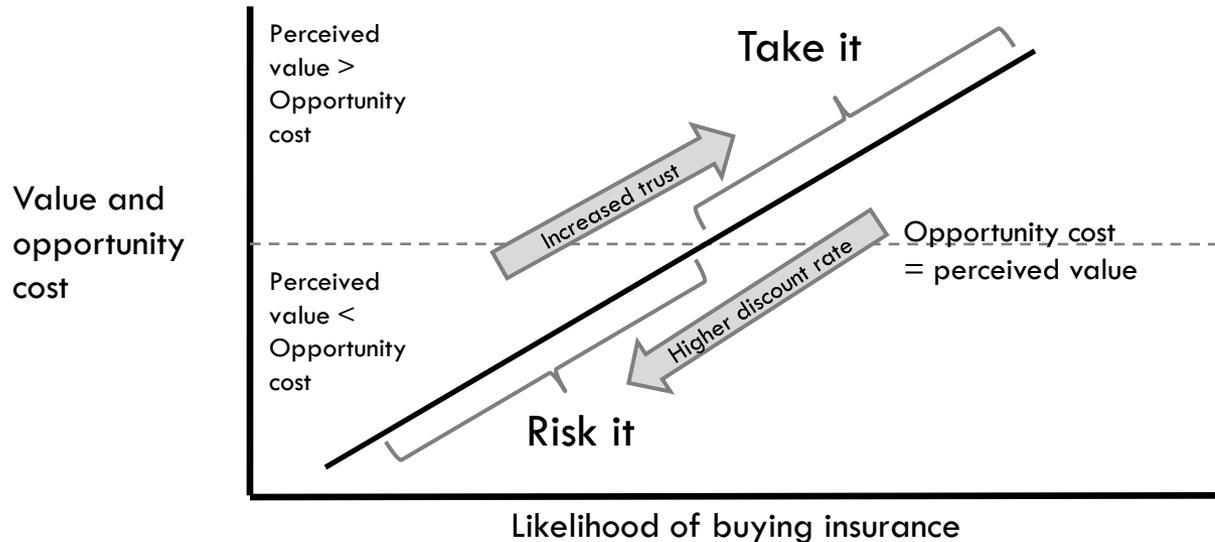
The bulk of the Zambian market is MI



What does MI mean in practice?

- Insurance accessible to the low-income market: 'AAA'
 - ▣ **Affordable** – what proportion of income does premium present? Willingness to pay?
 - ▣ **Appropriate** to their needs – simplicity, types of cover, flexibility in payment
 - ▣ **Accessible** – where can they buy it? How and where can they pay premiums?
- Typical parameters to reduce risk, target products:
 - ▣ **Type of cover** – typically risk-only
 - ▣ **Contract term** – 12 months (or less)
 - ▣ **Benefit value** – small sum assured, large volume
 - ▣ **Simplicity** – policy wording, vernacular

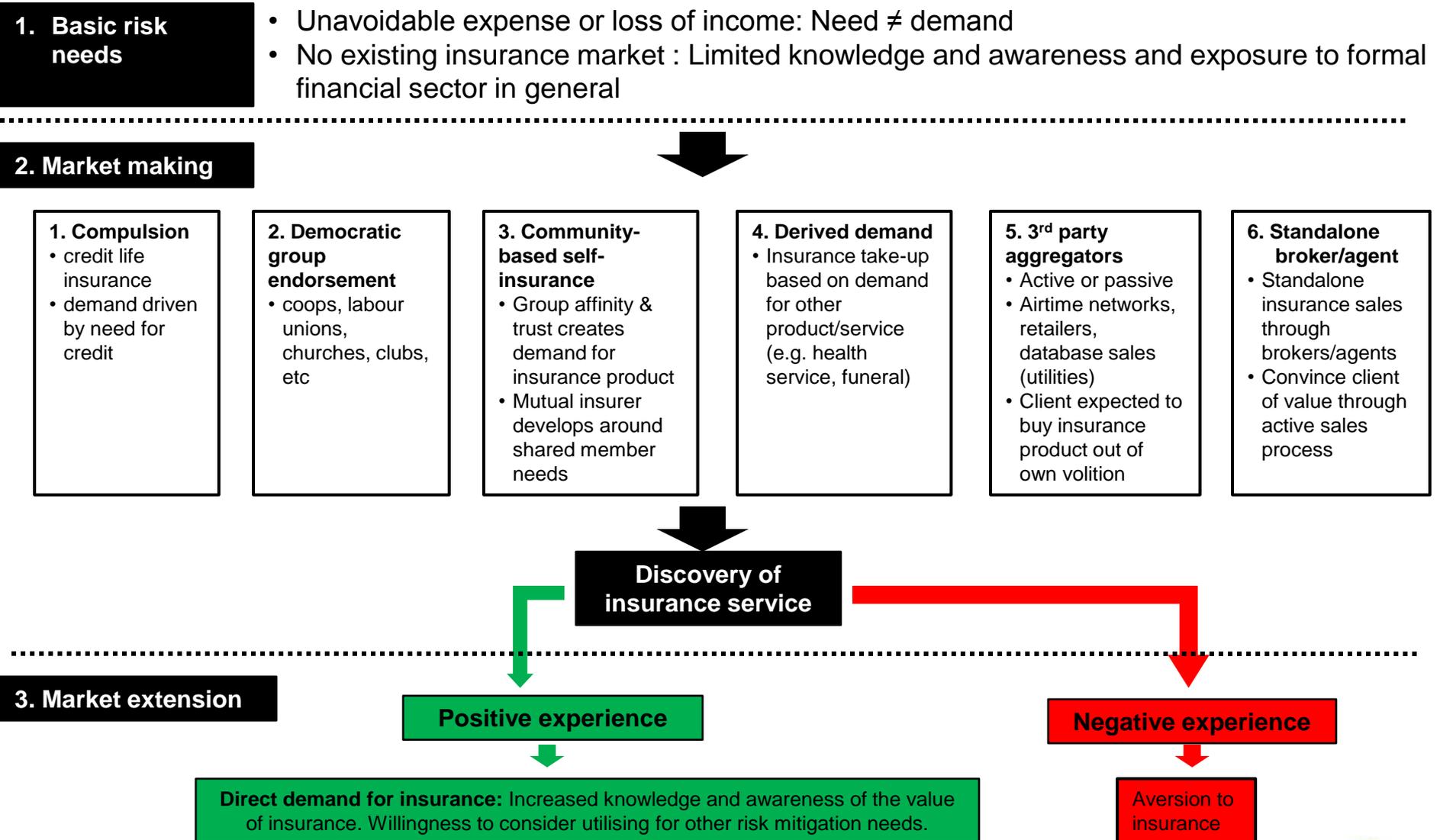
What will make low-income people buy insurance?



The insurance decision

- **Perceived value**
 - ▣ Perceptions – awareness and financial education, active sales to explain insurance concepts
 - ▣ Tangible benefit easier to assess than financial value
 - ▣ Underestimate probability of risk event occurring
 - ▣ Trust: Likelihood of successful claim - distrust commercial and trust mutual
 - ▣ Easy access (service, claims)
- **Perceived opportunity cost**
 - ▣ Less disposable income means higher opportunity cost
 - ▣ Product design: cost and frequency of premiums, product-demand match

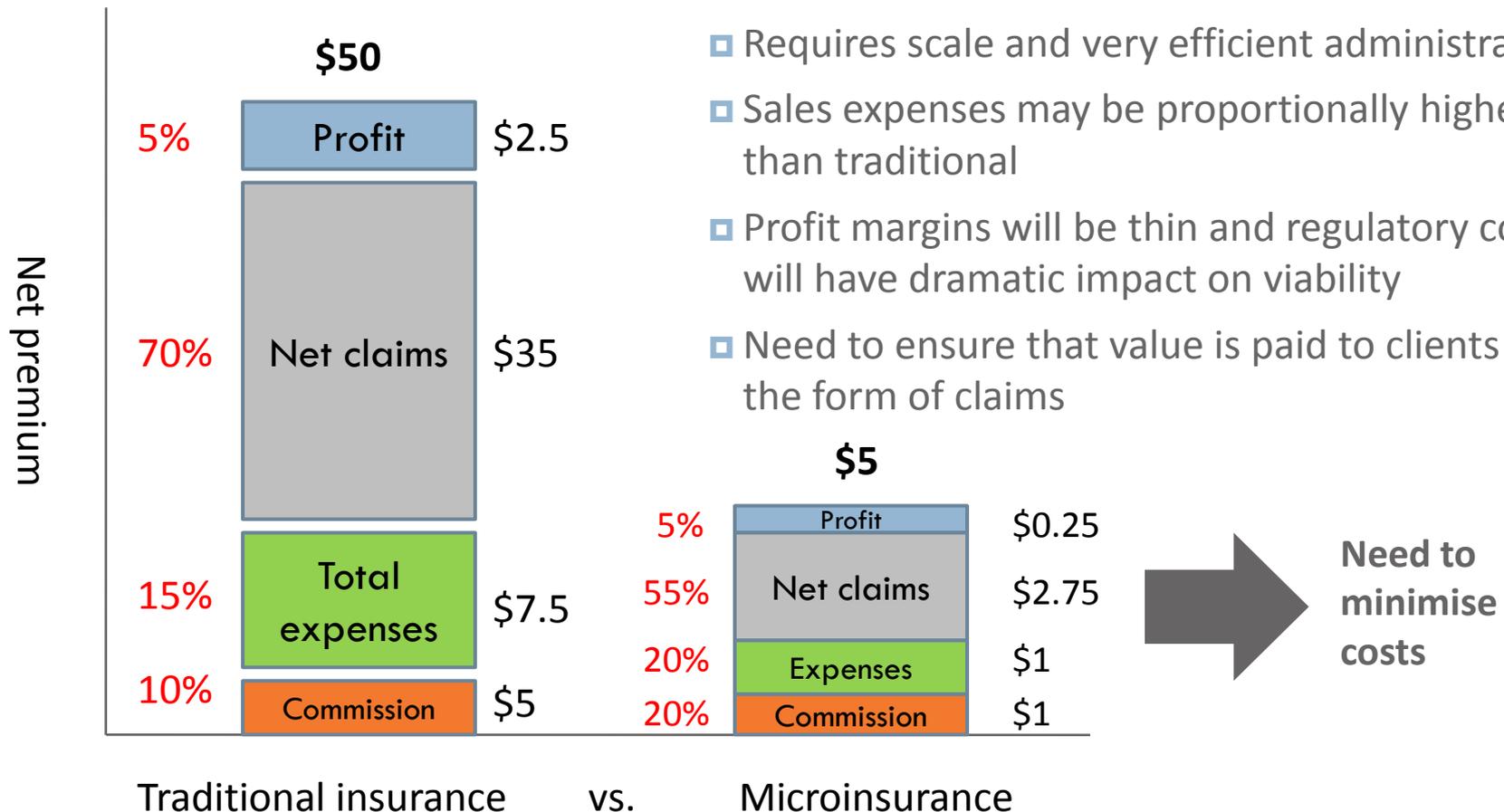
How are MI markets made?



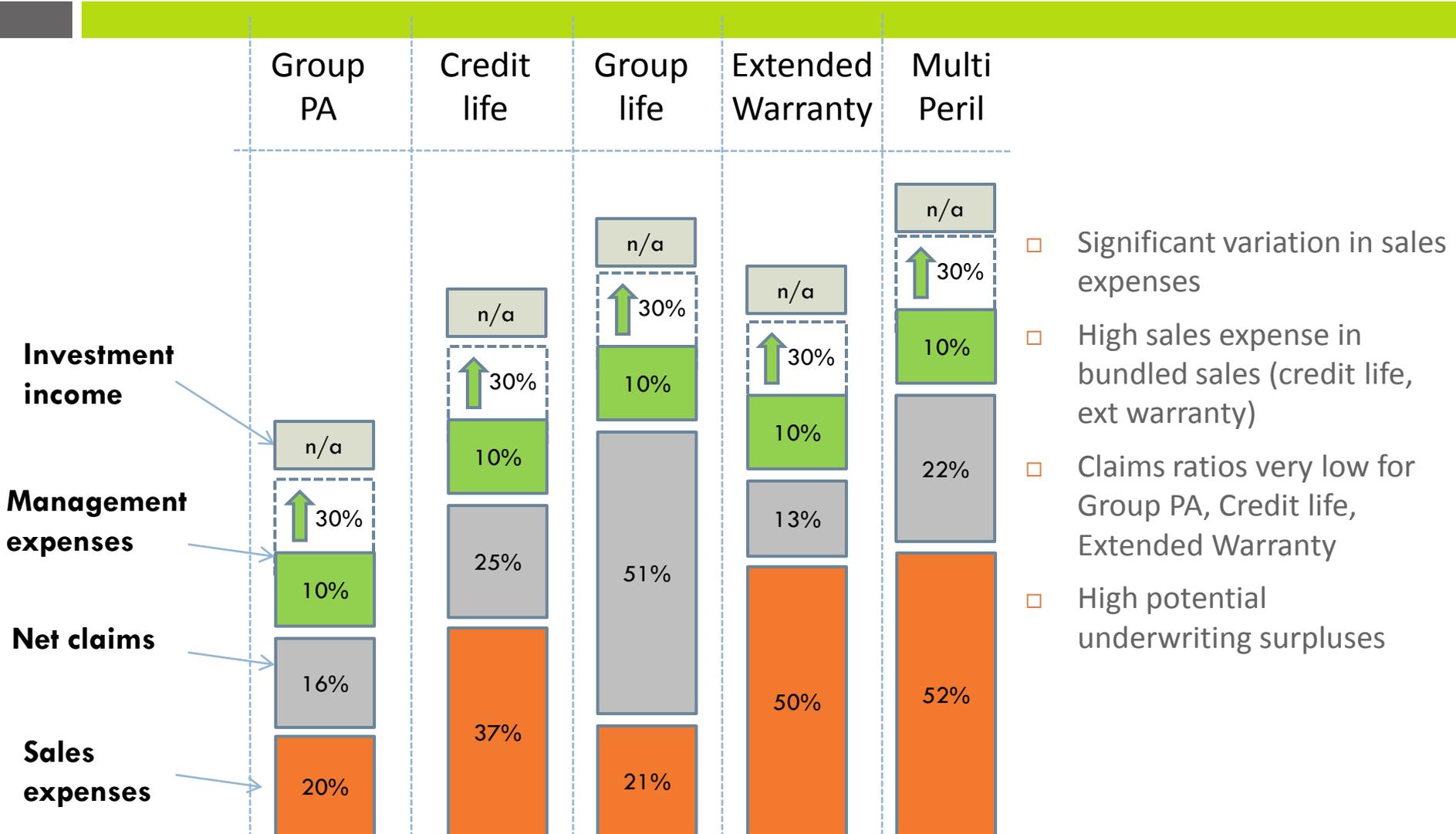
The microinsurance bottom line

Efficiency is key:

- ▣ Premiums from as low as \$2/month
- ▣ Requires scale and very efficient administration
- ▣ Sales expenses may be proportionally higher than traditional
- ▣ Profit margins will be thin and regulatory costs will have dramatic impact on viability
- ▣ Need to ensure that value is paid to clients in the form of claims



Brazilian example



- Significant variation in sales expenses
- High sales expense in bundled sales (credit life, ext warranty)
- Claims ratios very low for Group PA, Credit life, Extended Warranty
- High potential underwriting surpluses

Knowing the market

- FinScope as strategic market research tool
- How to unlock?
 - ▣ Know how many people have insurance, how many not
 - ▣ Profiling those with insurance
 - What other features do they tend to have? Income, urban vs. rural, occupation, cell phone, bank account
 - ▣ Profiling those without insurance
 - What features? Employment, income, areas, understanding of insurance
 - What potential touch points? (bank account, microloan, association, cell phone)
 - ▣ Market segmentation: develop and estimate size of different target client groups and delivery channels

Knowing the market

- Customer satisfaction surveying – building learning into product design and distribution
 - ▣ *Lemmy Manje*

Knowing the Market

Customer Satisfaction Surveying –

Building learning into product design and distribution

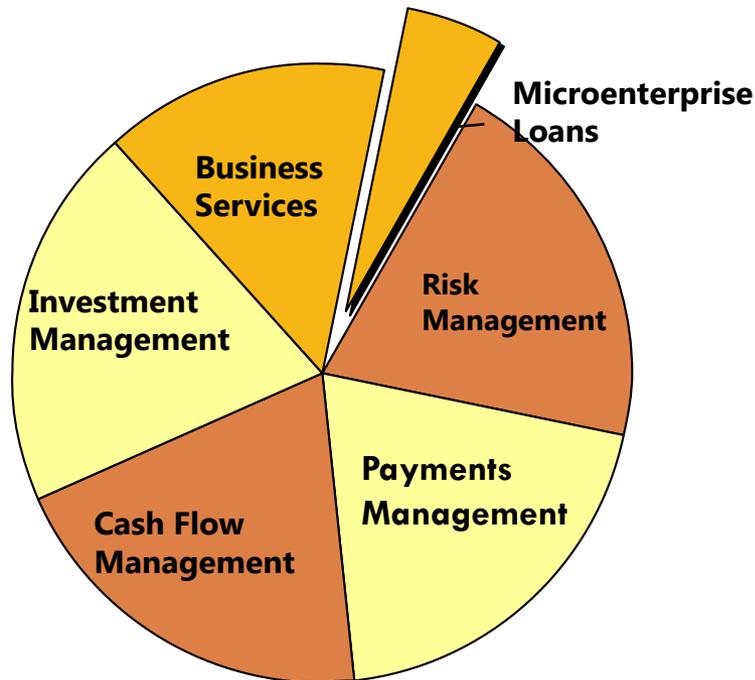
Lemmy Manje

Introduction and Background

- The presentation is based on the results of a study that aimed to understand clients' relative satisfaction with four microinsurance products and services.
- Lessons from two health microinsurance products in Uganda and two funeral insurance products in Zambia.

Understanding the Consumers

Low-Income Households' Range of Financial Services Needs



Motivations For Developing New Products

Development Agenda:

- Supporting the development of new financial services for low-income people.
- Development benefits of multiple products reinforce each other; addressing various financial service needs.

Commercial Agenda:

- Significant untapped potential market if economics can be worked out
- Opportunity to 'broaden' existing customer relationships
- Multiple products may improve sustainability of each individual product

Research Agenda

**PRODUCT
COVERAGE**

ACCESSIBILITY

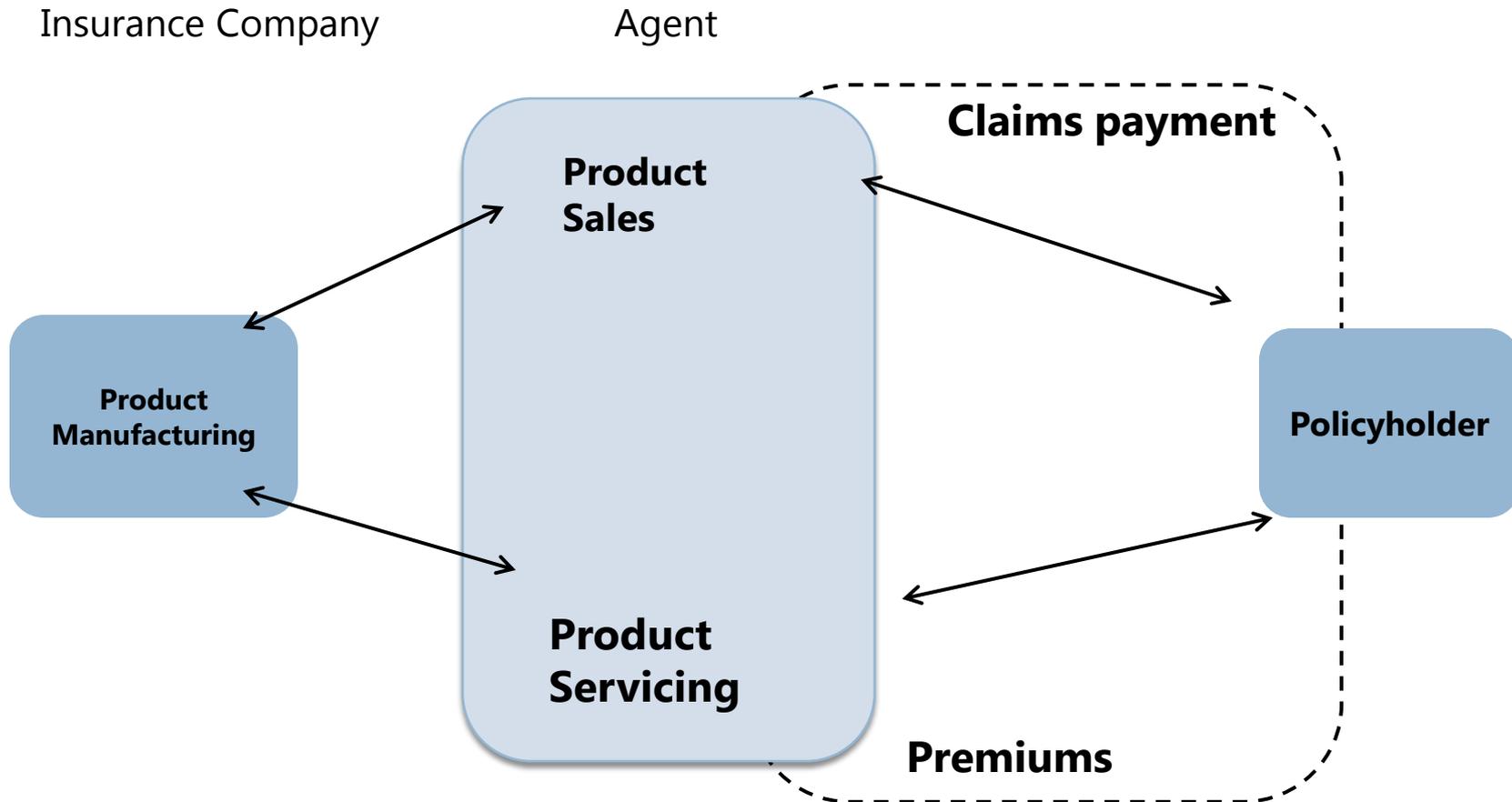
TIMELINESS

APPROPRIATENESS

The key research questions were:

1. How satisfied or dissatisfied are clients?
2. Which aspects are clients most satisfied with?
3. Which aspects are clients most dissatisfied with?
4. What specific recommendations do clients have for insurance providers?

Microinsurance Delivery Model: Partner Agent



Client Satisfaction

“You have to eat salt even if its price is increased.”

Knowledge of Product & Understanding of Insurance

2 Separate Issues

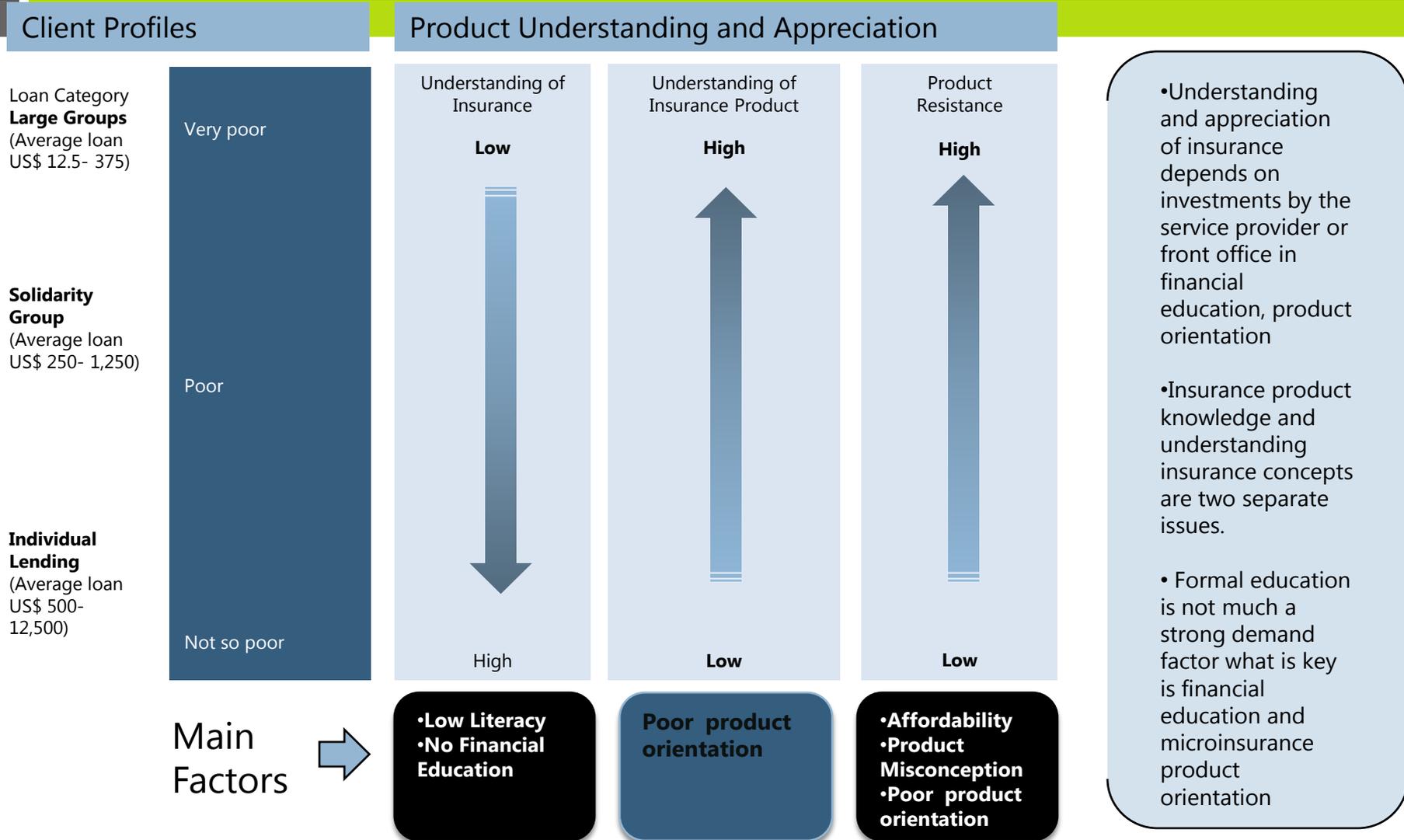
Product Knowledge

How well informed the policyholder is about the details of the specific product they have purchased including the price, coverage, exclusions, benefits and processes

Understanding of Insurance

How well policyholders comprehend the concept of insurance in general and idea of risk pooling specifically

Understanding of Insurance and the low-income market Zambia



Value of Product Information

“If their insurance products are good, they should invest in telling us detailed information about the products”

MFI clients, Focused Group Discussion

Understanding of Insurance and Insurance Product Knowledge Uganda

- ◉ In general- **poor understanding** of how insurance works
- ◉ Seemed to have partially contributed to **high drop out rate – 20%** per year (credit only schemes have 5% drop out)
- ◉ Those who don't use the service during the year don't understand why they need to pay the premium the next year
- ◉ Written and complete description of policy
- ◉ Most policyholders **know the premium amount**
- ◉ Most do not have a good understanding of product coverage and exclusions
- ◉ **Group leaders are better informed** than regular policyholders

Recommendations for Product Improvement

Uganda

Product Improvement

Areas for improvement of insurance product:

- ◉ **Claims process**
- ◉ **Management of membership card**

Areas for improvement of the

- ◉ **Timeliness of membership cards**

Health insurance is meeting a real need

- ◉ **Perceived as relevant to the policyholders lives**
- ◉ **overall satisfaction with the products**

Policy Holder Education

SHU Policyholders:

- ◉ **Knowledge of the claims process, and**
- ◉ **Understanding of insurance in general**

Microcare Policyholders:

- ◉ **Knowledge of the product coverage and exclusions**

Risk and Risk Management Strategies

Zambia

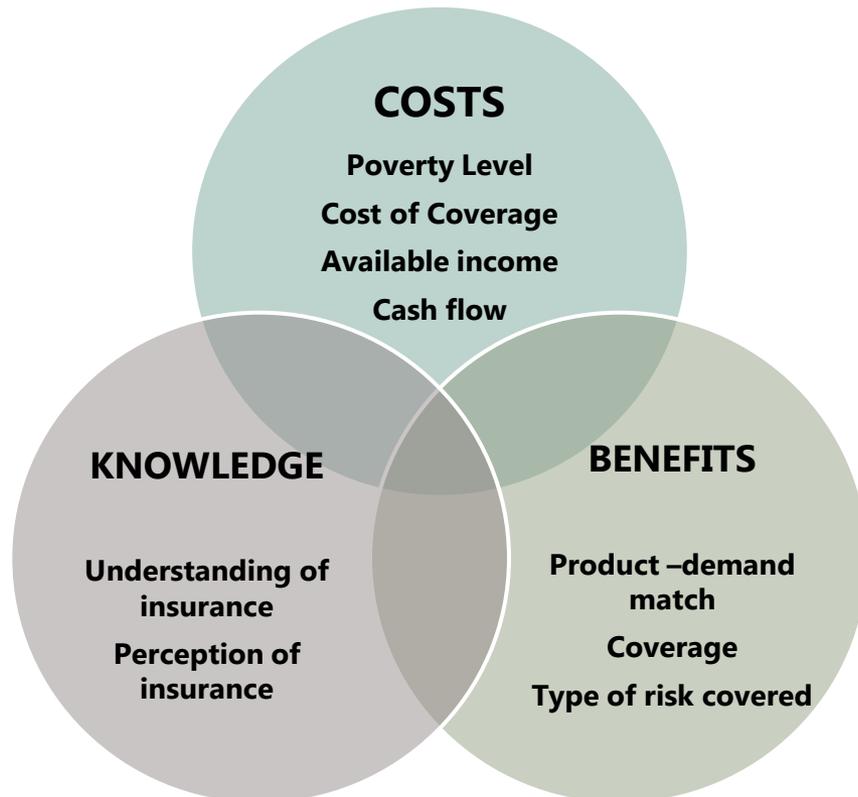


- ◉ Most of risks are not addressed by formal financial services.
- ◉ In some instances, low-income people informal financial services (money lenders, merry-go-round savings) and social capital
- ◉ For illness, majority of the interviewees go to cheap clinics or government hospitals

Demand Considerations

Zambia and Uganda

- What would you consider in your decision to buy insurance?



- Low income households are concerned about the costs and benefits of insurance because it competes with other financial needs
- They are also concerned about paying for products they do not understand.

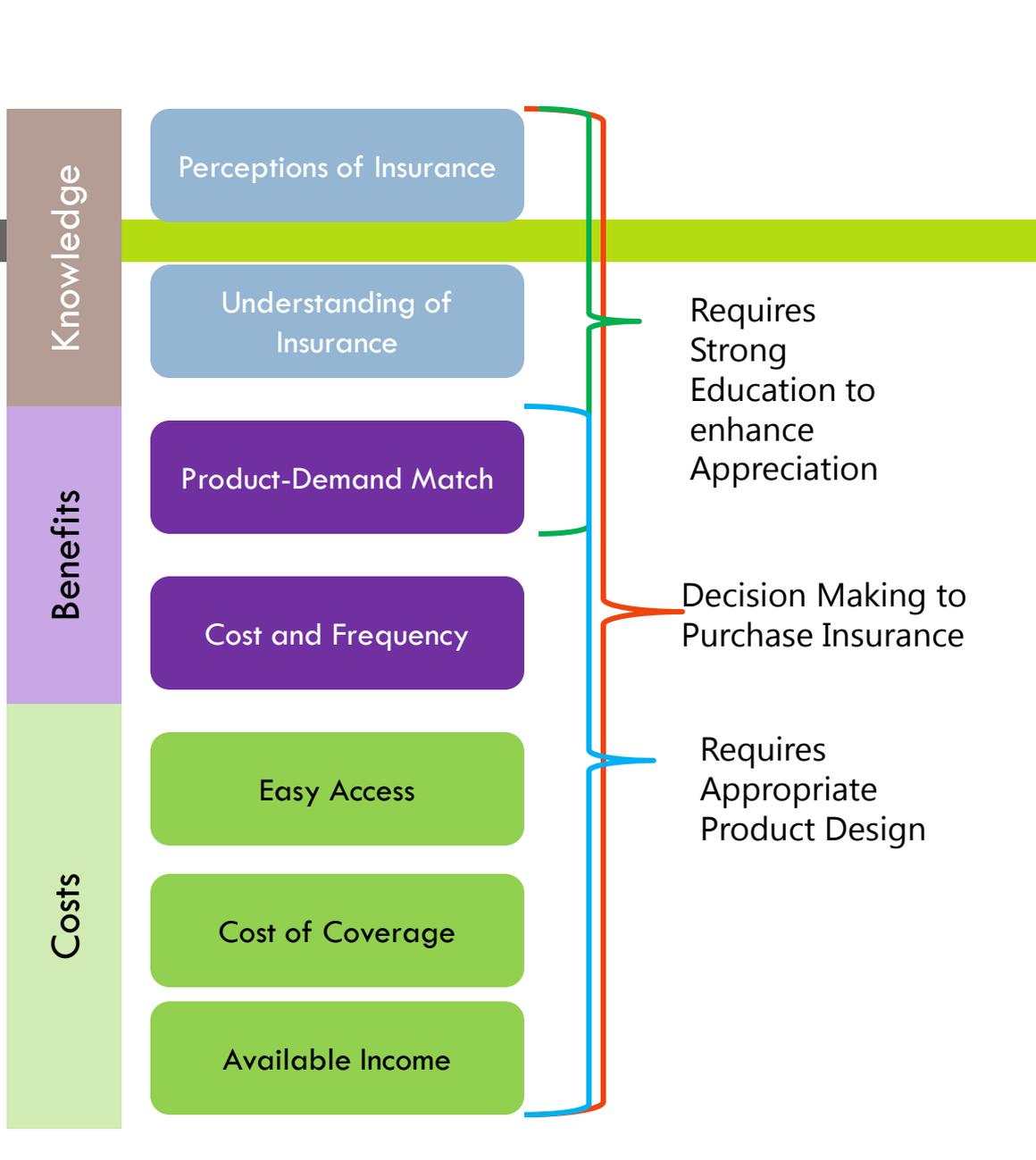
Timeliness in Claims Processing Zambia

□ **Claim process**

- Significant delays experienced when claims have to be paid only after being seen and processed by the Insurance company. **Clients had to spend their money first before receiving the payout.**

□ **Linkage of loan performance to claims validity**

- Claim processing and payout should be not linked to loan repayment status. This was a major concern especially for clients in the groups; as long as one member of the group is in arrears, claims from all the members were invalid



Factors that influence appreciation and purchase of insurance

- Client education on insurance and proper product orientation can enhance appreciation of insurance products
- Decisions on mode of premium payment, price of insurance and average income levels of low-income households are important factors in product design

Conclusions- Key Messages on Microinsurance Provision

- ◉ Low-income people are very much concerned with the professional manner in which services are sold or provided to be them.
- ◉ Low-income people are often very desperate for quality health care.
- ◉ In providing insurance against death one should not ignore potential product resistance based on traditional values of people.
- ◉ Unlike other financial services such as savings and credit products, insurance requires more investment in education. Insurers and associated intermediary service organizations should be involved in consumer education.

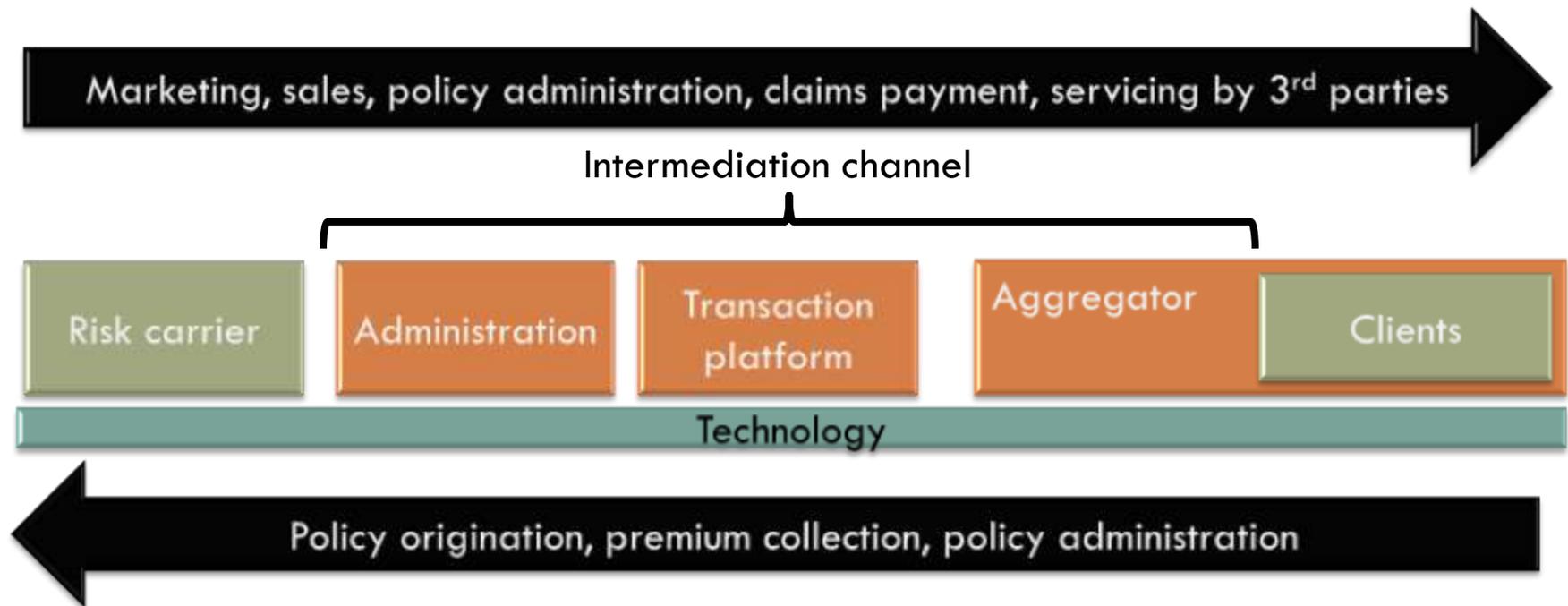
Conclusions- Key Messages on Microinsurance Products

- Policyholder Education
 - ▣ Improvement in Marketing Microinsurance Products
 - ▣ Improve product orientation
 - Address product misconceptions
 - Increase understanding of insurance amount consumers
- Product features and processes
 - ▣ Consider product differentiation - **Premium amount-Benefits**
 - ▣ Delink insurance from loan products - Conditionality on Claims
 - ▣ Revisit mode of premium payment
 - ▣ Improve claims process; role of Insurance company and Agent



Session 2: Innovative microinsurance models emerging internationally

Innovation across the MI value chain



Innovative MI models around the world



Types of insurance cover

Region	Type of cover	Region	Type of cover
Latin America	Accidental Death	Asia	Accidental death and disability
	Hospital Cover		Life insurance
	Household structure and content	Africa	Funeral
	Cell phone insurance		Accidental death
	Extended warranties		Household content insurance
	Funeral		Extended warranties
	Life		Credit life
	Credit Life		Cell phone insurance
	Business structure and content		Legal insurance
Critical illness (female cancer & heart attack products)			
Southeast Asia	Accidental death		
	Auto insurance		

Types of client aggregators

Region	Aggregator type	Example	Region	Aggregator type	Example
Latin America	Utility companies	Codensa (Colombia) Cemig (Brazil)	Southeast Asia	Retailer	Carrefour (Thailand)
	Retailer	Grupo Elektra (Mexico) Casas Bahia (Brazil) Falabella (Chile) Sears (Mexico) Archángel pharmacy (Peru) Carrefour (Colombia)		Payment system	Cellular* (Philippines)
	Fixed line operators	Telefonica (Brazil) Telmex (Mexico)	Asia	Retail	3i Infotech I-SERV (India)
Cell phone network provider	Vivo (Brazil)				
Africa	Retailer	Shoprite (South Africa) Pep (South Africa) Edcon (South Africa)			
	Payment systems	Wiredloop (South Africa) Take it Eezi (South Africa) Cellular* (South Africa)			

Typology of models

Retailer-based

- **Hollard Pep, Jet (SA)**
- Shoprite Money Market (SA) – Metropolitan
- Cover2Go Cash-back funeral; **Old Mutual Pay-when-you-can**; Doves funeral
- Max New York Life – Max Vijay (India)
- **Mapfre Casas Bahia (Brazil)**
- Protecta Arcangel (Peru)
- **Seguros Azteca (Mexico)**
- **Colseguros Carrefour (Colombia)**



Typology of models

Retailer-based

Technology based

Transaction networks

Cell phone

Hollard Take it Eezi (SA)

Cover2Go Wiredloop (SA)

Cover2Go cell phone accidental death (SA)

Safari Bima (Kenya)

AKSIText (Philippines)



Typology of models

Retailer-based

Technology based

Affinity group

→ **Bima ya Jamii (Kenya)**

→ **Sanlam Sky ZCC (SA)**

→ **Hollard Kaizer Chiefs (SA)**



Typology of models

MI innovation

Retailer-based

Technology based

Affinity group

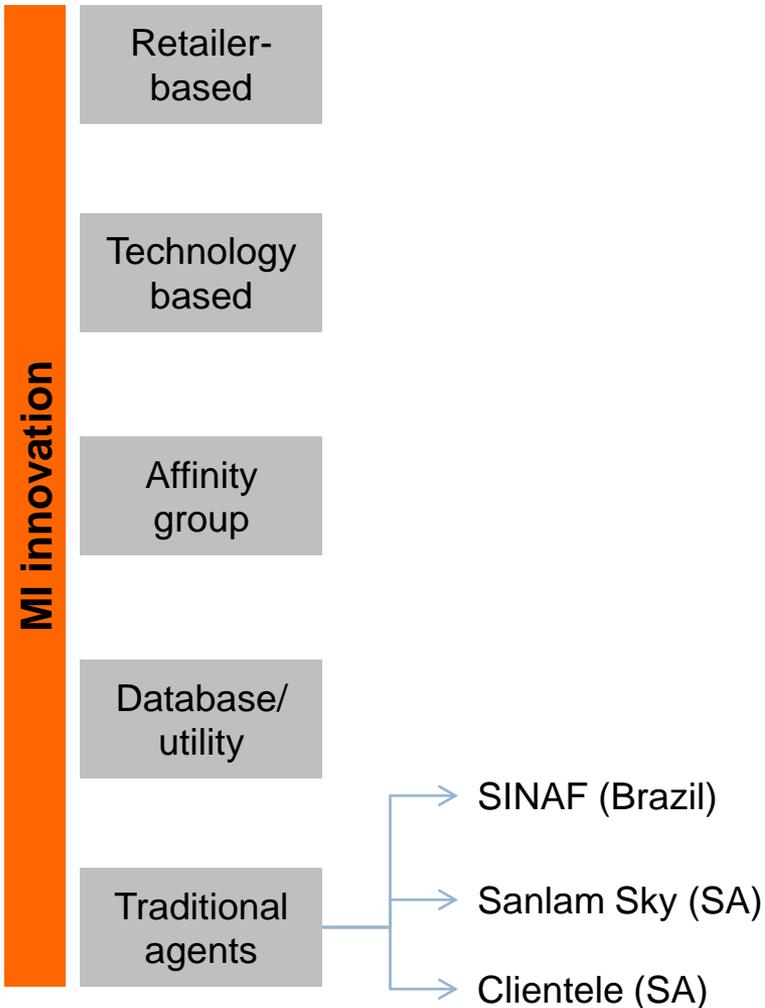
Database/
utility

Mapfre Codensa (Colombia)

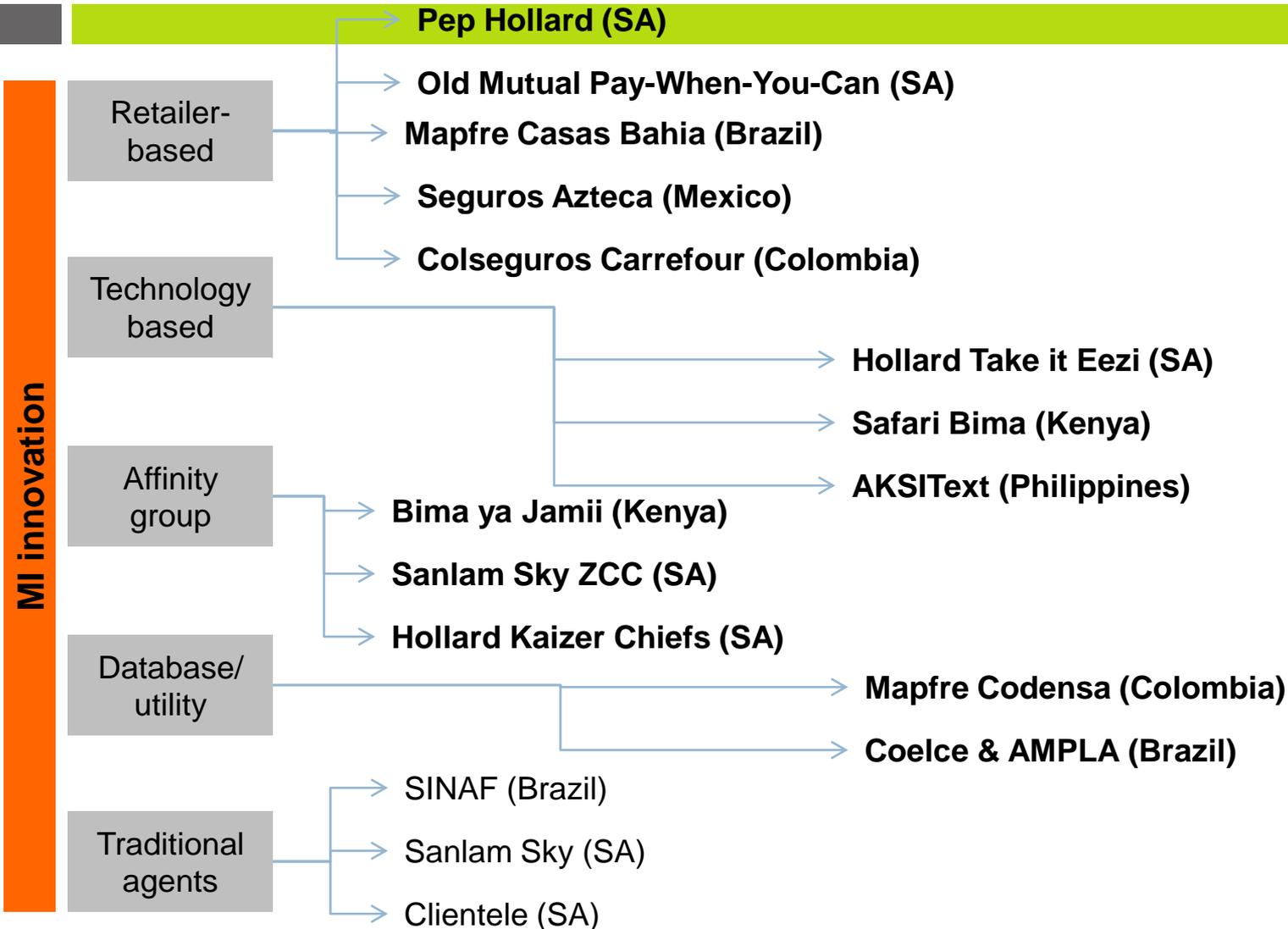
Coelce & AMPLA (Brazil)



Typology of models

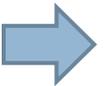


Typology of models





Case studies:





Retailer distribution

Hollard Pep Funeral

- 1159 retail stores, JV matched by broker, strong brand trust
- Prepaid “starter pack” available off the shelf containing policy card, policy document and other information. Cashier captures basic details, call centre then phones client to activate
- Only funeral (previously also cell phone and personal accident at R19.99 each)
- Funeral offering first expanded to 2 options, now 5 options (to accommodate client needs, higher mortality experience):
 - Family Funeral: R7,500 @ R40/month or R12,500 @ R60
 - Senior Funeral (individuals aged 56-74): R7,500 @ R50 or R12,500 @ R70
 - Family Supporter (single member): R20/month, R6,000 cover paid in 12 monthly instalments
- Monthly premiums payable in-store, sms reminder. Debit orders at additional charge or up to 3 months pre-payment allowed
- 6 months waiting period for natural death; accidental death in first 6 months paid out at 200%
- Claims settled directly by the insurance company (bank account, Mzansi, Post Office)
- >200,000 active policies sold since launch in 2006. Success due to:
 - Trusted brand, best price, convenient delivery
 - Low distribution costs due to available infrastructure, MIS & administration
 - Costs kept low by provision of limited verbal info, no advice
 - Strong vested interest by Pep



Seguros Azteca and retailers (cont..)

Products



VidaCard (Life Card)
Accidental Death cover
- \$3850



Infarto (Infarct)
Dread disease cover – Heart
attack - \$3850



HogarCard (Home insurance)
Household content insurance -
\$1925



Mujer (Women)
Dread disease cover – Breast
and cervical cancer - \$3850



Tu Negocio Protegido
(Your protected business)
Business insurance – Fire,
robbery etc. - \$1925

Old Mutual Shoprite Pay-When-You-Can

- Old Mutual oldest and one of largest insurers in SA; Shoprite 309 stores, active low-income targeting
- Pay-when-you-can launched 2007 as innovative, flexible top-up insurance, sold through Shoprite Money Market
 - ▣ Designed to accommodate seasonal/temporary workers
 - ▣ Starter pack (R10, \$1.33) with 2 policies: Family Funeral Cover, Family Accidental Cover
 - ▣ Targeted at LSM1-4 households, monthly income up to R3,000 (\$360)
- Accidental death: Activate starter pack at Money Market for 60 days of R5,000 (\$590) cover.
 - ▣ Option to increase the cover in increments of R5,000 at a cost of R6.95 each up to a maximum amount of \$2,363 (R20,000) for each 60 day period.
- Funeral cover: sold as top-up to accident cover for 12 month period using policy number from starter pack. Each top-up acts as individual policy. 6 month waiting period, i.e. top-up is needed 2 x per year for continuous cover
 - ▣ Premiums: R14 (\$1.86)/year (\$0.16, R2.35/month) to R130 (\$17)/year (\$1.44, R22/month), depending on cover
 - ▣ Cover: from R500 (\$60) adult (lower child and stillborn) to R5,000 (\$600)
 - ▣ To register beneficiaries: must fax ID to Old Mutual or visit Old Mutual customer centre
- Claims paid by insurer into bank account
- Relatively low take-up, challenges include complexity, unclear period and amount of cover

	Cash premiums	Standalone	Opt-in	No verbal disclosure at point of sale	Use of client aggregators	Product only distributed through passive channel	Voluntary
Model descriptors	√	√	√	√	√	√	√

Colseguros and Carrefour (Colombia)

- **About the underwriter:** Colseguros is a subsidiary of German Allianz group and is the oldest insurance company in Colombia (founded in 1874). It offers both general and long term insurance products. Colseguros has been actively involved in the low-income market.
- **About the client aggregator:** Carrefour, a French retailer started operations in Colombia in 1998 and targets the low-income market through an adapted hypermarket format called Tintalito. Carrefour has 9,200 employees and more than 60 stores in 28 cities.
- **About the product:** Product takes one of two forms.
 - It is sold by the cashier at the end of a normal sales transaction. The client can either request the insurance from the cashier, or the cashier could ask the client whether he would like to purchase the product. The policy document is printed at point of payment with only one cash premium for the duration of the cover. Policy cover is immediate and last for a set period (usually 30 days).
 - Simple insurance cover at very low premiums (<\$1) giving accidental cover for short period
 - More complex insurance can be obtained from an insurance desk in-store.

	Cash premiums	Standalone	Opt-in	No verbal disclosure at point of sale	Use of client aggregators	Product only distributed through passive channel	Voluntary
Model descriptors	√	√	√	×	√	×	√

Colseguros and Carrefour (cont...)

- **Products range** includes accidental death insurance, medical assistance insurance, household content insurance, life cover in the form of monthly payments and life cover in the form of educational support to child dependants.
- **Policy take-up** to date has been relatively successful with 639,000 policies sold since the launch in November 2007.

Seguro de Accidentes Personales **Asistencia Domiciliaria**

Con el Seguro de Asistencia Domiciliaria no tienes por qué preocuparte.



Seguro de Accidentes Personales **Asistencia para Motos**

Si tu moto es uno de tus bienes más preciados ¿Cuentas con las asistencias necesarias para cubrir cualquier eventualidad que se pueda presentar?



Seguro de Accidentes Personales **Para Automóviles**

Si tu vehículo es uno de tus bienes más preciados ¿Cuentas con las asistencias necesarias para cubrir cualquier eventualidad que se pueda presentar?



Seguro de Vida **Canasta**

El mejor regalo para tu familia es pensar en tu bienestar cuando no estés presente.



Seguro de Vida **Educación**

El mejor regalo para tus hijos es la educación.



La Póliza de Accidentes **Personales**

El mejor regalo para tu familia es pensar en tu bienestar cuando no estés presente.





Cell phone/transaction network distribution

Hollard Take it Eezi

- Branded initiative for airtime & pre-paid electricity, >18,000 vendors, innovative SIM-based POS
- “Starter pack” containing the policy number, document and relevant product information. Currently only funeral policies, bought directly from the vendor operator.
- Operator registers policyholder through an SIM based POS system that conveys the information to the administrator, (“Best Funeral Society”), who then phones client for more info
- SMS confirmation to all parties, monthly SMS reminders for premium payment
- A call centre will phone the client to register the client’s beneficiaries and activate the policy
- 5 types of funeral cover, single or family:
 - Single (18-65 yrs): R10,000 (\$1182) @ R18/month (\$2.13) or R20,000 (\$2363) @ R28 (\$3.31)
 - Family: R5,000 (\$667) @ R25 (\$3.33), R10,000 (\$1333) @ R38 (\$5) or R20,000 (\$2667) @ R78 (\$10.4)
 - Can add additional extended family members up to age 74 at extra charge
- 6 month waiting period for natural death
- Monthly premiums are payable at any Take it Eezi vendor. Claims are settled directly with the insurance company.
- Disappointing sales to date (~2,000 active policies)
- Challenges: limited vendor incentive, higher than expected mortality rates, absence of a trusted brand

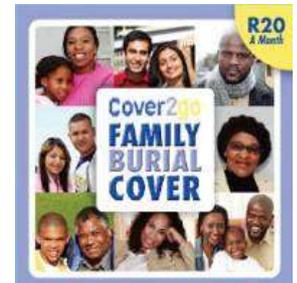


Premium & Family Benefits		Level 1	Level 2
Funeral Cover		R10,000	R20,000
Monthly Premium		R18	R28
Family Cover		R5,000	R10,000
Monthly Premium		R25	R38
Additional Dependent Benefits			
Spouse			
Child			
Parent			
Grandparent			
Other			

	Cash premiums	Standalone	Opt-in	No verbal disclosure at point of sale	Use of client aggregators	Product only distributed through passive channel	Voluntary
Model descriptors	✓	✓	✓	✓	✓	✓	✓

Metropolitan Cover2go Wiredloop

- ❑ 1,200 vendors (not branded)
- ❑ Funeral policy that takes the form of a starter pack containing the policy number, document and relevant product information.
- ❑ Starter pack (equal to 1st month's premium) is purchased directly from the vendor. Vendor will activate the insurance by capturing the client's information using a GPRS enabled point of sales device.
- ❑ Premium: R20 (\$2.4) per month, paid at any Wiredloop vendor.
- ❑ Cover: R5,000 (\$590) for members aged 18-64, R1,500 (\$177) for children 3-21, R500 (\$59) children <3
- ❑ Claims settled directly with the insurance company.
- ❑ Policy take-up has been unsatisfactory since its launch in April 2008 and new product sales were discontinued during May 2009.
- ❑ Challenges: temporary nature of informal vendors, higher than expected mortality, insufficient brand trust of informal vendors



	Cash premiums	Standalone	Opt-in	No verbal disclosure at point of sale	Use of client aggregators	Product only distributed through passive channel	Voluntary
Model descriptors	✓	✓	✓	✓	✓	✓	✓

Kenya Orient Insurance Safari Bima

- **Kenya Orient Insurance** Limited was incorporated in 1982 and holds a general insurance licence. Kenya Orient's gross premiums for 2007 was US\$3.781m (KSH283.4 m).
- The **Safari Bima accidental death and disability cover**, launched Nov. 2008 targeting individuals/entrepreneurs going on trips



Jipange Na SafariBima Scratch Cards...

ONE WEEK COVER

ONE MONTH COVER

...Another First from Kenya Orient!

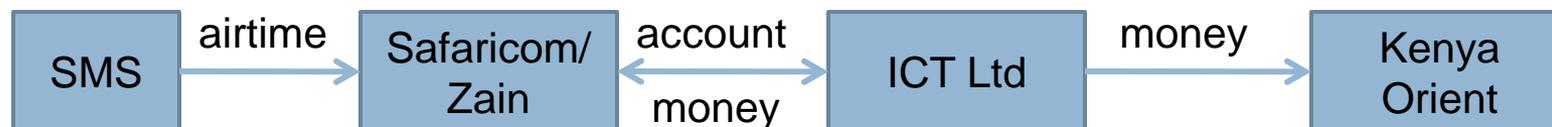
CONTACT YOUR AGENT OR BROKER FOR DETAILS

CORPORATE HEADQUARTERS • Capital Hill Towers, 6th Floor Cathedral Road • P. O. Box 14330 00100 Nairobi, Kenya • Tel. 271386214 • Fax. 2728407 Email: safaribima@kenorient.co.ke • Website: www.kenorient.co.ke

	Cash premiums	Standalone	Opt-in	No verbal disclosure at point of sale	Use of client aggregators	Product only distributed through passive channel	Voluntary
Model descriptors	X	✓	✓	✓	X	X	✓

Kenya Orient Safari Bima (cont.)

- Product can be obtained in one of two ways:
 - ▣ **SMS:** 24 hrs cover of \$1366 (KSH100,000) by sending ID number, cell phone number & name to premium rated short code.
 - Information on policy activation advertised through posters , pamphlets & in Kenya Orient insurance offices.
 - Premium subtracted from cell phone account or prepaid airtime.
 - Confirmation SMS that cover has started



- ▣ **Scratch card** for \$1366 (KSH100,000) cover
 - 1 week : premium \$2.2 (KSH160)
 - 1 month : \$9.6 (KSH700) premium
- ▣ Sold through Kenya Orient insurance offices or agents – who may resell to shops, groups, etc.
- ▣ Policy activated by sending SMS containing the PIN from the scratch card, national ID number & phone number.

Philam Life AKSIttext

- The Philippine American Life and General Insurance Company (Philam Life) is the largest insurance company in the Philippines and a subsidiary of AIG. Sells life, asset and medical insurance policies.
- **AKSIttext accidental death policy.** Cover is obtained by sending an SMS containing the individual's name, surname, birthday and physical address to a premium rated number.
 - ▣ Distribution through sari-sari (spaza) shops discontinued
- Information on the product is distributed via posters and advertisements.
- Cover commences 24 hours after receipt of the confirmation message containing the individuals' policy number.
- Premiums payable every 15 days: automatically subtracted from available airtime (if pre-paid) or added to policyholders' post paid bill.
- Claims paid out directly from the Philam Life offices in cheque form and redeemable at any bank.

	Cash premiums	Standalone	Opt-in	No verbal disclosure at point of sale	Use of client aggregators	Product only distributed through passive channel	Voluntary
Model descriptors	X	√	√	√	X	√	√

Philam Life cell phone (cont...)

AKSItext accidental death: \$0.22 premium, \$215 cover



P10 lang, insured ka na ng P10,000
Isang text lang!

Text PHILAM AKSI ON
First Name/Middle Initial/Last Name/
Address/Birthday mmdyyyyy
to 8070
Better Text Than Sorry

PHILAM LIFE AKSI TEXT SMART



P10 lang, insured ka na ng P10,000
Isang text lang!

Better Text Than Sorry

Text PHILAM AKSI ON
First Name/Middle Initial/Last Name/Address/Birthday mmdyyyyy to 8070
(Juan/S/Dela Cruz/59 G. Reyes St, Valenzuela/11061984)

PHILAM LIFE AKSI TEXT SMART

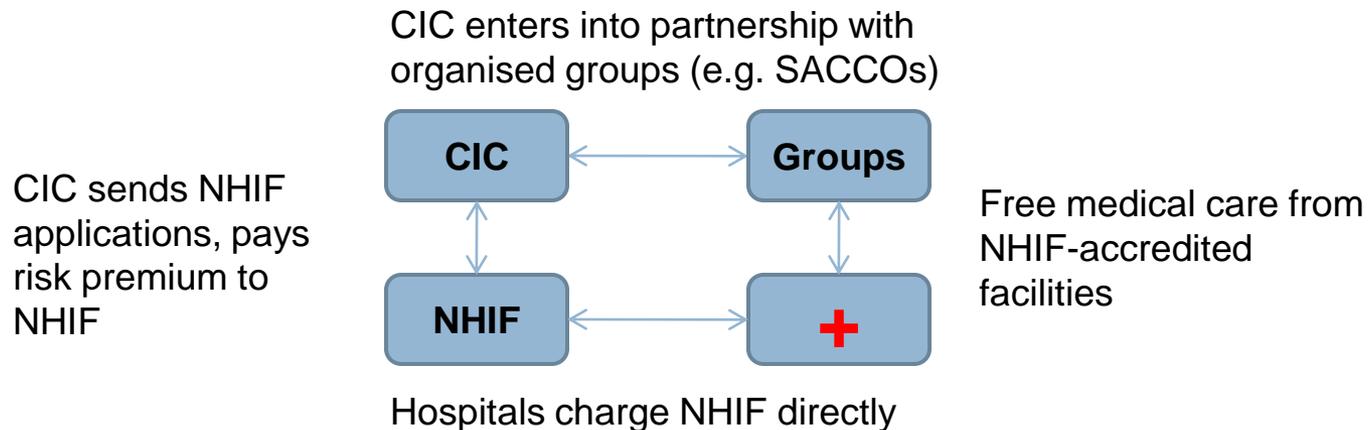
Another Text from Philam Life
Accidental death coverage
Only P10.00 daily.



Affinity/group distribution

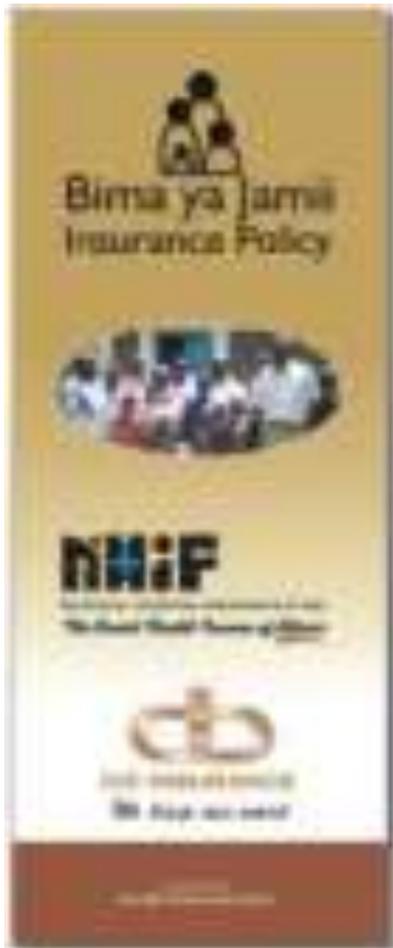
Bima ya Jamii micro health (Kenya)

- **Cooperative Insurance Company**, est. 1978, preferred underwriter for cooperatives. Project managed by Swedish Cooperative Centre, funding by ILO MIF.
- **PPP with National Hospital Insurance Fund**, a govt institution offering family health cover through public, low-cost private and mission hospitals. 4 links in chain:



- Initial phase targets 47 rural based SACCOs with 360,000 members. Sign up SACCOs as a whole – captive client base. SACCOs finance premiums (on credit) to address affordability.
- Importance of IT system (also core for MicroCare Uganda)
- **About the product:** “Insurance for the Family” (Bima ya Jamii). Standard cover, no age limits, no chronic illness exclusions.

Bima ya Jamii (cont.)



- Annual premium of KSH 3,650 (US\$50) per family, amounts to KSH10 per family per day (US\$0.14)
- Cover:
 - Comprehensive family medical insurance (in-patient): admission and treatment for any illness or accident up to 6 months in 300 NHIF-accredited hospitals
 - Loss of income hospitalisation benefit for principal and family members – KSH2,000 (\$27.3) per week (max. 25 weeks)
 - Accidental death benefits for beneficiaries of principal – KSH100,000 (\$1366) lumpsum
 - Loss of income disability benefit – KSH100,000 (\$1366) lumpsum
 - Funeral expenses for the member – KSH30,000 (\$410) paid within 48 hours (additional cost to cover additional members)
- Cash benefits paid directly by CIC to policy holders, through SACCO account or (ideally) M-Pesa
- 2009: 18,000 policyholders, expected to rise to 200,000 in 2010.

Hollard Kaizer Chiefs Affinity

- Large soccer club based in Gauteng
- Products:
 - ▣ **Kaizer Chiefs Funeral Plan** – from R42,40 (\$5.65)/month (main member, partner & 5 children)
 - ▣ **Kaizer Chiefs Commuter Accident Plan** – R37 (\$4.93)/month, R50,000 (\$6666.7) cover for accidental death or disability (can increase up to R300,000/\$40,000)
 - ▣ **Kaizer Chiefs Monthly Provider** – R1,200 (\$160)/month payout for 12 months to beneficiaries; premium R63 (\$8.4)/month
- Network marketing: airtime rewards for sending details to call centre



Sanlam Sky (African Life) Zion Christian Church

- Most well-known example of affinity distribution in SA, long-standing partnership
- 1,100 congregations, 4m members
- Castellum administrator – central role in brokering relationship
- Group insurance: funeral cover and support; personal accident, now introducing asset
- Premium collected by ZCC branch committee – front office, some back office (simple, easy paper-based system), assistance with organisation of funeral
- ZCC has discretionary fund to e.g. top up if missed premiums result in no-claim



Utility/database distribution

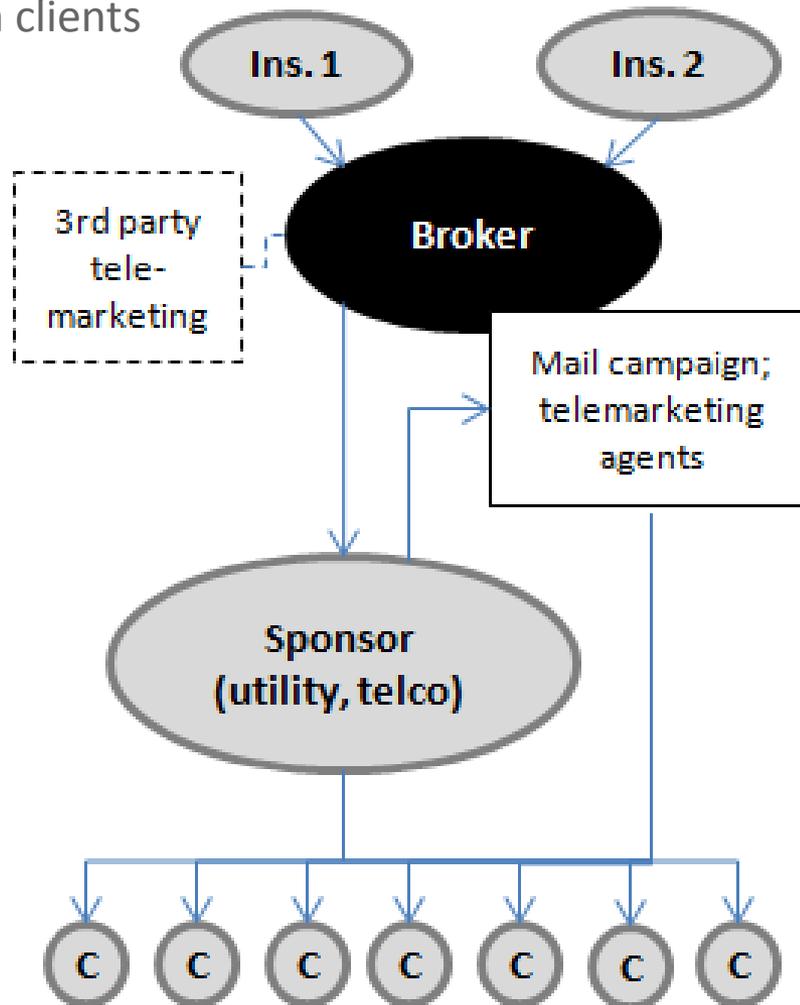
Mapfre and Codensa (Colombia)

- Codensa: largest electricity company in Colombia with around 2m customers
- Partnership with Mapfre since 2001: more than 300,000 insurance policies (2008), of which 90% low-income
- Products: funeral insurance, life, extended warranty, personal accident
- Clients “tick the box” on flier enclosed with utility bill, agent then sent to house



Database distribution (Brazil)

- 177m Brazilians have electricity accounts
- >10m clients



Roles

Underwriting

Product development

Facilitating relationship

Mining market intelligence

Marketing

Product development

Labour

Database

Premium collection

Admin

Database distribution Brazil (cont.)

Coelce Seguros –
Vida Protegida

- **Life cover of:**
 - \$2,500
 - 12 electricity bills of \$25
 - 4 food baskets of \$75
 - \$1,000 funeral assistance
 - Up to 60% medicine discounts through accredited pharmacies
 - \$1,500 monthly draw

AMPLA Seguro
Premiado

- **\$1.5/month offers:**
 - \$10,000 house cover (fire, lightning, explosion)
 - \$25/month towards electricity bill for 4 months if involuntary unemployed
 - \$25/month on electricity bill for 1 yr if PA death or disability
 - Monthly draw: 4 prizes of \$1,500
 - Option to double cover by doubling premium

What about the good old agent?



- SINAFA door-to-door Brazil
- Sanlam Sky South Africa
- Clientele Life South Africa – network marketing

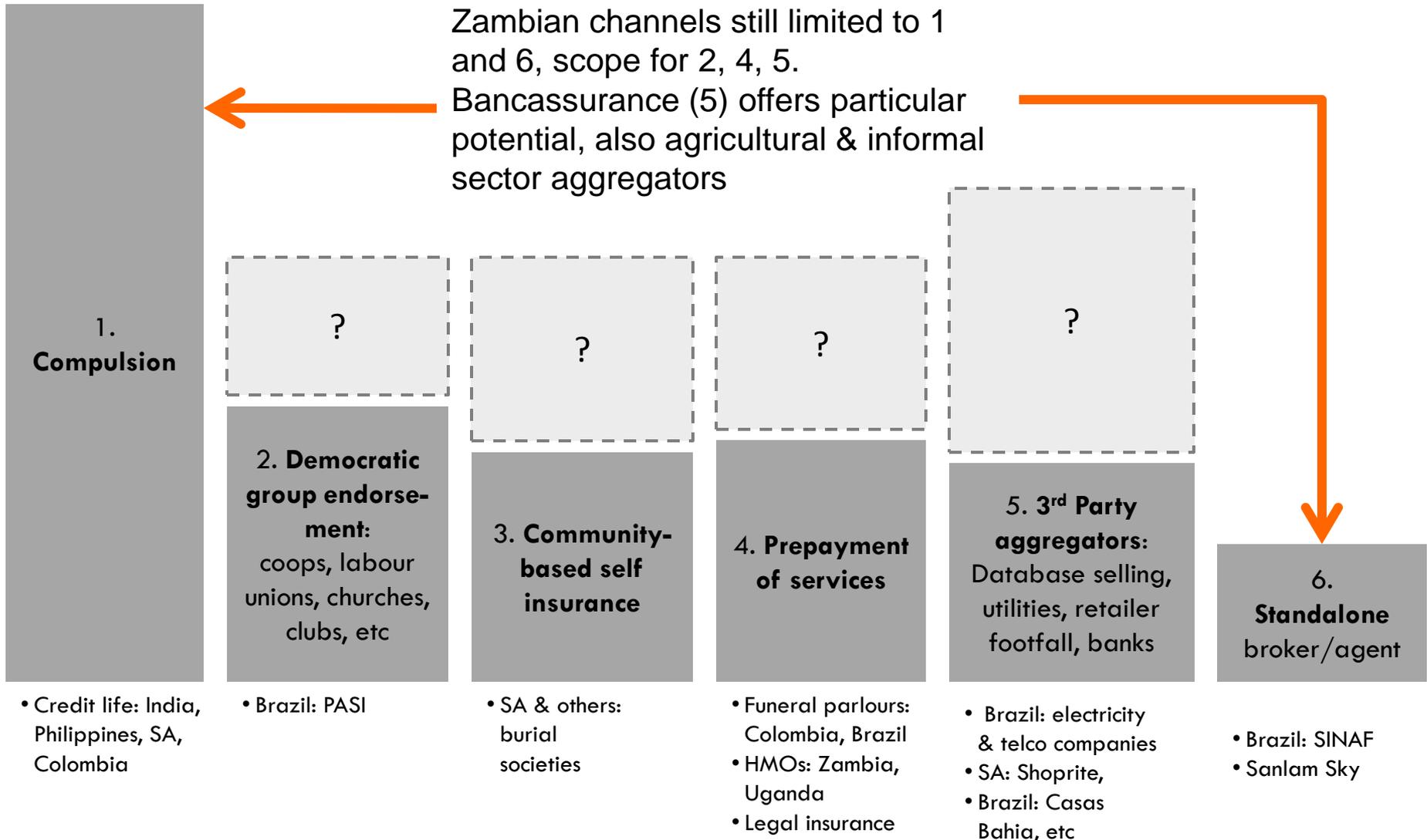


Session 3: cross-cutting issues, trends and lessons for Zambia

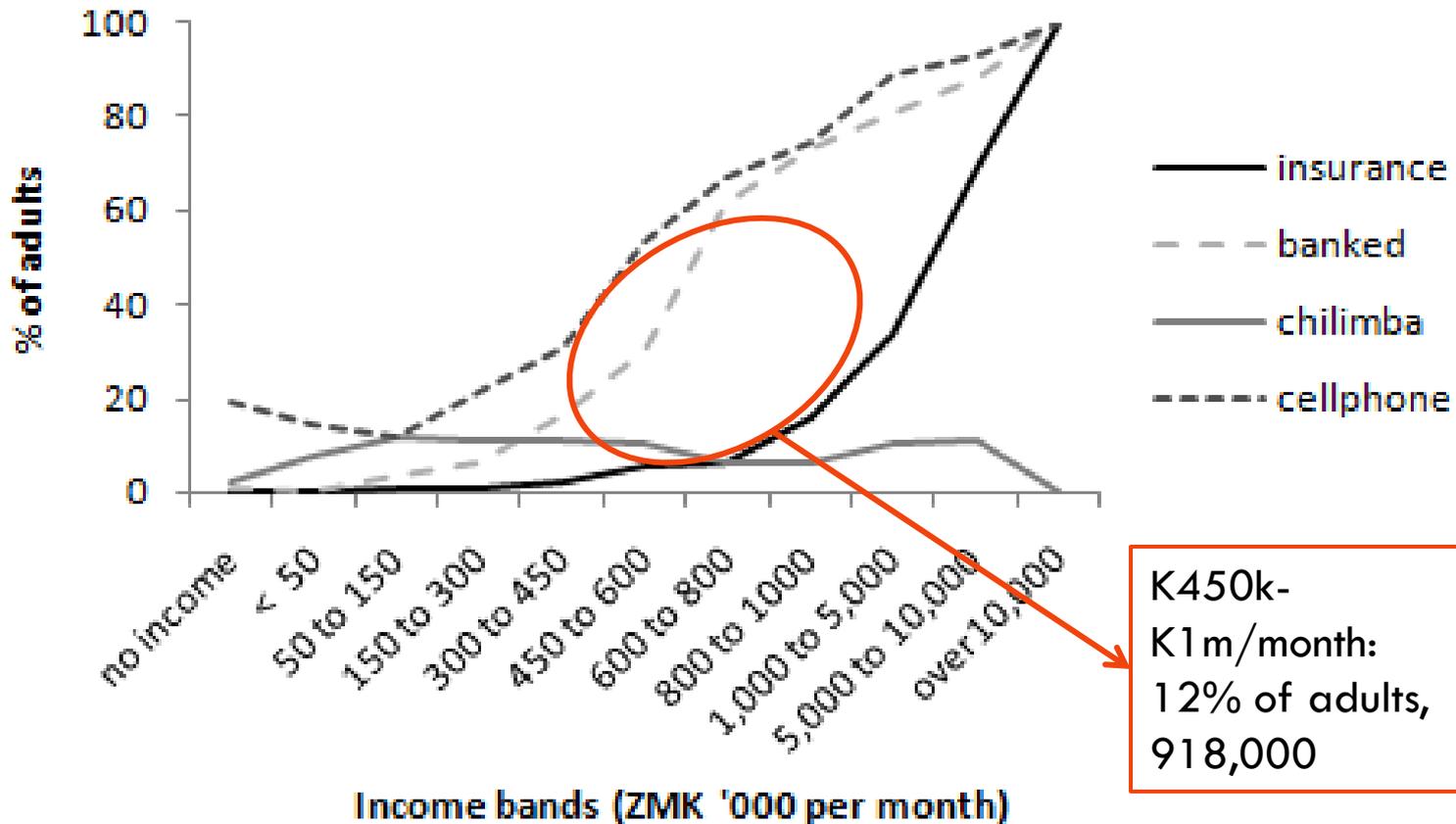
Cross-cutting themes

- Essential to **get distribution right**
- **Limited success:** Increasing number of (recent) experiments but few successes yet
- **Passive sales** strategies can work in special cases BUT **active sales** works better
- **Mostly life and PA** (with some experiments on housing insurance)
- **Value to the clients** needs to be improved
- **Technology** is important efficiency factor but not the driver of take-up (and not cheap – call centres, mobile payments, etc)
- **Innovation is not always cheap** - long value chains add to cost
- **Insurers not always in the driving seat** – channel often lead
- **Payment networks:** Emergence of non-bank cash friendly payment system networks is likely to be major driver of MI development
- Sales drivers:
 - ▣ **Simple products, tangible benefits (bundling) and demand for service**
 - ▣ **Some countries: benefits in life**
 - ▣ **Active sales:** Channels that can facilitate active sales achieve most take-up

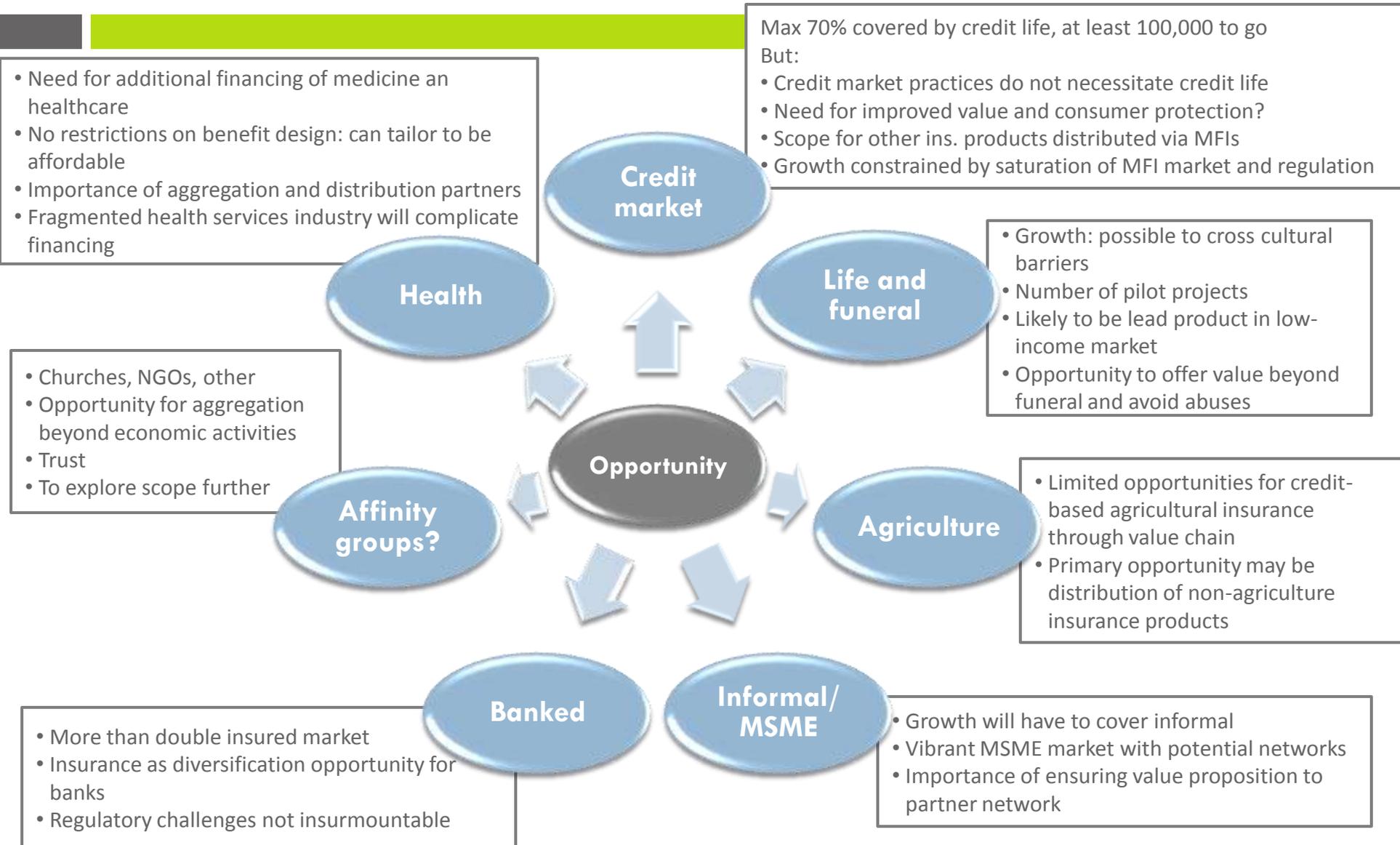
Implications for distribution: MI belongs to the delivery channel



The market is there



The opportunities are there



Is Zambia ready for MI?

- Can the insurance industry deliver value to the low-income market?
 - ▣ Low premiums will not accommodate inefficiencies
 - ▣ Low claims ratios suggest poor value to client
 - ▣ Limited retail and distribution experience
 - ▣ Limited evidence of reinvestment to build industry and portfolio
- Informal economy as growth base
 - ▣ Will networks provide bridge into this sector?
- Limited retailer infrastructure
- **MI will become mainstream business in Zambia**
 - ▣ **Once the corporate market is saturated, there is no choice but to expand into “MI”.**
 - ▣ **Players need to get efficiency right, position themselves**

Thank you!



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Discussion





Appendix: Further case studies



Hollard (South Africa)

- **About the underwriter:** Operates as both a long- and short-term (general) insurance provider. The low-income market is one of Hollard's key market segments.
- **About the client aggregator:** Hollard makes use of both formal and less formal retail distribution networks to service the low-income market. Hollard's formal distribution networks include the Edcon Group, Pep clothing stores and the less formal, rural and urban vendor network, Take it Eezi.
 - **Edcon:** Edgars and Jet (220 stores). A registered financial services provider, distributes insurance products from more than one insurer.
 - **Pep Stores:** 1,159 clothing retail stores, targeting low-income market. JV with Hollard for insurance distribution.
 - **Take-it-Eezi,** a branded initiative of Sharedphone. Innovative SIM based POS terminals, >18,000 formal and informal vendors sell cellular airtime, pre-paid electricity and insurance.
- In addition: **affinity** distribution, e.g. Hollard Kaizer Chiefs

Hollard Jet

- Insurance linked to a Jet store account. Advertised in-store through posters, booklets and pamphlets. Products:
 - Credit life
 - Cell phone insurance
 - Accidental death and disability insurance
 - Funeral insurance
 - Household content insurance.
- Insurance activation occurs in-store at the financial services desk, often when account is opened for the first time. Premiums are added monthly to policyholders' Jet accounts.
- **Policy take-up** has been very successful since its launch in June 2001.

	Cash premiums	Standalone	Opt-in	No verbal disclosure at point of sale	Use of client aggregators	Product only distributed through passive channel	Voluntary
Model descriptors	x	x	√	√	√	√	√

Metropolitan Cover2go (South Africa)

- **About the underwriter:** Division of Metropolitan Holdings established in 2006 as an innovation hub. Writes life insurance targeted to the low-income segment.
- **About the client aggregator:** Cover2go makes use of several non-agent based distribution channels. These include cell phone, retail (Shoprite) and vendor (Wiredloop) based distribution.
 - ▣ **Shoprite** actively targets the low-income market through 309 stores nationwide. Shoprite is a financial service provider and does not exclusively sell Cover2go insurance products.
 - ▣ **Wiredloop** is a vendor-based prepaid electricity and cellular airtime point of sales service provider. 1,200 registered agents (including Spaza shops) predominantly in Gauteng, Western and Eastern Cape provinces in South Africa.

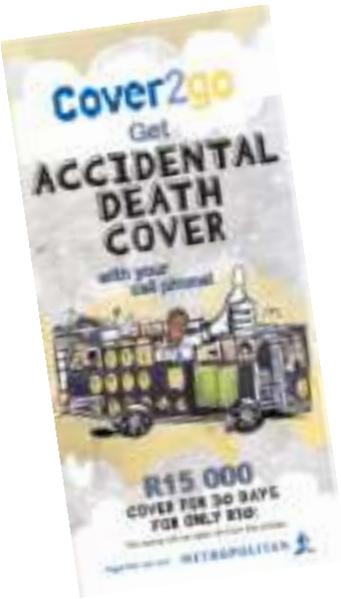
Metropolitan Cover2go Shoprite

- Starter pack containing the policy card, document and relevant product information available in store from counters located near the cashier at R8.99 – does not include cover
- Funeral cover with a built in no-claims savings component:
 - Premiums: R49.99 (~\$6) age 18-49, R74.99 (~\$9) age 50-64 covering policy holder and unlimited amount of children (no spouse)
 - Cover: R10,000 (~\$1200) main member; R2,000 (~\$240) child dependent. R3,500 discount voucher at Doves funeral homes in starter pack.
- Activated in-store at specially dedicated Money Market counter. Individual must phone a call centre to register beneficiaries and dependents.
- Premiums are paid monthly in-store (up to 3 months in advance). SMS reminders
- 6 month waiting period for natural death, but with premiums paid back. No waiting period accidental death.
- Claims paid by insurer into a nominated bank account.
- Moderate take-up, >6,000 active policies since launch in October 2008.



	Cash premiums	Standalone	Opt-in	No verbal disclosure at point of sale	Use of client aggregators	Product only distributed through passive channel	Voluntary
Model descriptors	√	√	√	√	√	√	√

Cover2go cell phone Accidental Death Cover



- Accidental death cover launched at taxi ranks during Easter holidays (high-risk time)
- Cover obtained by sending name and ID number to a premium rated short code. Individual receives confirmation SMS containing the policy number.
- Premium: R10 (\$1.2) per month
- Cover: R15,000 (\$1800) for individuals >18 years
- Premium is subtracted from available airtime (if pre-paid) or added to the post-paid contract holder. Policy duration is 30 days and is non-renewable. Individual will have to buy a new policy every 30 days in order to enjoy continuous cover.
- Claims are paid out in cash into a nominated bank account.
- 3000 policies sold since its pilot & launch in April 2007. Was advertised at taxi ranks through promoters, posters, pamphlets and industrial theatre, but not actively marketed anymore.
- Challenges: no face to face sales, suspicion of technology-only; cell phone distribution costly

	Cash premiums	Standalone	Opt-in	No verbal disclosure at point of sale	Use of client aggregators	Product only distributed through passive channel	Voluntary
Model descriptors	x	√	√	√	x	√	√

Protecta and Arcángel pharmacies (Peru)

- **About the underwriter:** Protecta is a fairly new entrant in the Peruvian insurance industry and started operation in January 2008 and is partly (16.5%) owned by the International Finance Corporation (IFC) . Protecta actively targets the low-income market.
- **About the client aggregator:** Protecta currently makes use of one drugstore retail distribution channel, Arcángel pharmacy group. Arcángel has a presence throughout the country with more than 180 stores.
- **About the product: Mi Familia Arcángel** life microinsurance card can be purchased in any Arcángel pharmacy store. Product is sold by an agent in the store.
- Life cover (natural and accidental death), disability cover and primary medical care benefits at the Arcángel wellbeing centre with additional policy membership benefits that include discounts on medicines, clinics, restaurants, etc.
- Product only launched very recently, take-up >10,000 policies/month expected

	Cash premiums	Standalone	Opt-in	No verbal disclosure at point of sale	Use of client aggregators	Product only distributed through passive channel	Voluntary
Model descriptors	√	√	√	-	√	x	√

Max New York Life India

- **About the underwriter:** Max New York Life Insurance Co Ltd is a joint venture between Max India and New York Life limited incorporated in 2000. It has a client base of more than 2.65 million customers and 11,000 employees. The joint venture collected US\$870 million(2007) in premiums. Max New York sells life insurance products and specifically targets the low-income market.
- **About the client aggregator:** Max New York makes use of various telecom, neighbourhood grocery and appliance stores (formal and informal) in the sale of its insurance policy **Max Vijay**.
- **About the product:** Max Vijay is designed to be a flexible premium, life insurance product with a built-in savings component. Insurance takes the form of a box available in-store. The box contains a policy description and application form. Once the individual has filled in the required application form he/she is presented with an acknowledgement of purchase document. The policyholder will have to be returned to the shop at a later point in order to pick up the official policy document. The product is not explained or actively sold to the individual in-store and is specifically targeted to low-income earners with non-fixed income.

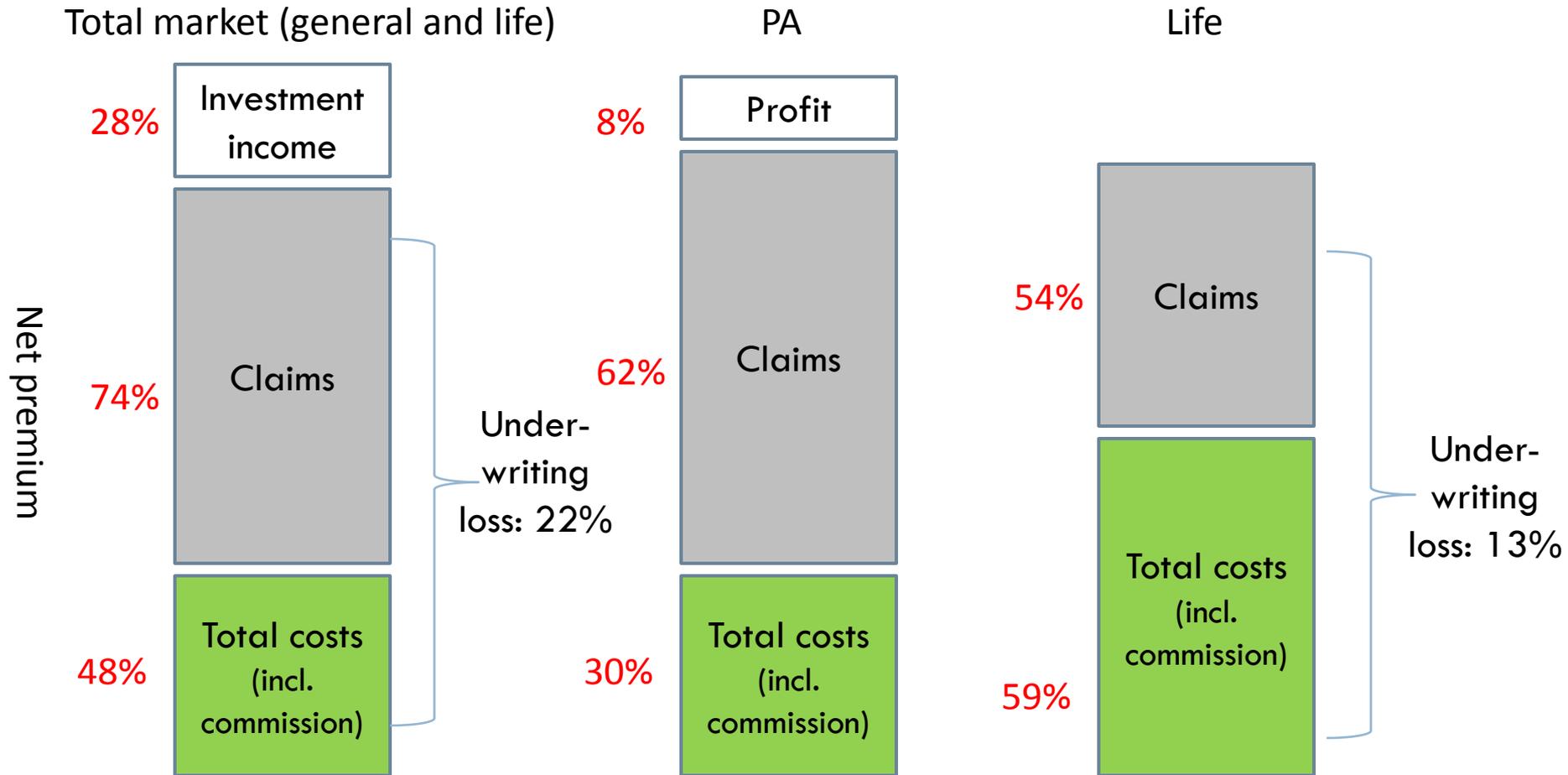
	Cash premiums	Standalone	Opt-in	No verbal disclosure at point of sale	Use of client aggregators	Product only distributed through passive channel	Voluntary
Model descriptors	√	√	√	√	√	x	√

Max New York Life India (cont..)

Policy take-up since product launch in July 2008 has been relatively successful. However, Max New York Life is planning on increasing marketing efforts in order to promote sale of the product through its retail distribution network in the coming months.



MI bottom line: Kenyan example



MI bottom line: Nigerian example

