

Insurance Innovation for emerging clients



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Growth of microinsurance

- The market has grown from 78 million in 2007 to 283 million lives in 2014*
- Potential market estimated at 3–4 billion policies generating between US\$ 30-50 billion in annual premium revenue^
- Total demand is growing in excess of 10% a year^
- 33 of the world's largest 50 insurance companies are invested in this business (up from 7 in 2005)±
- Over 130 insurers across the world have exceeded 500,000 microinsurance clients with many of these in excess of 1 million^α

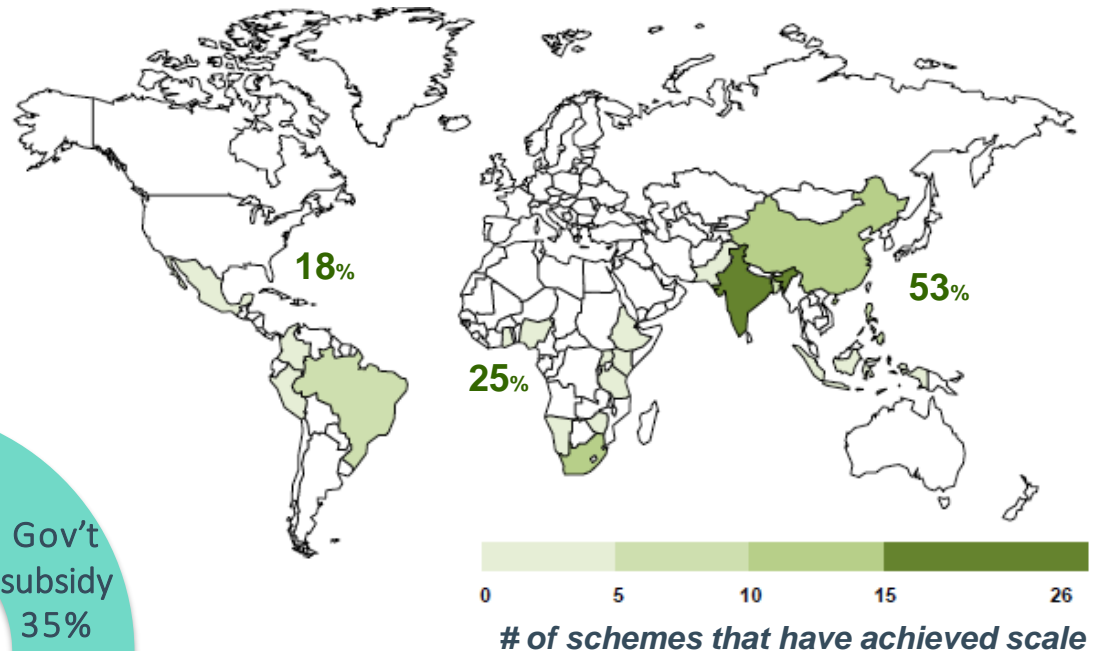
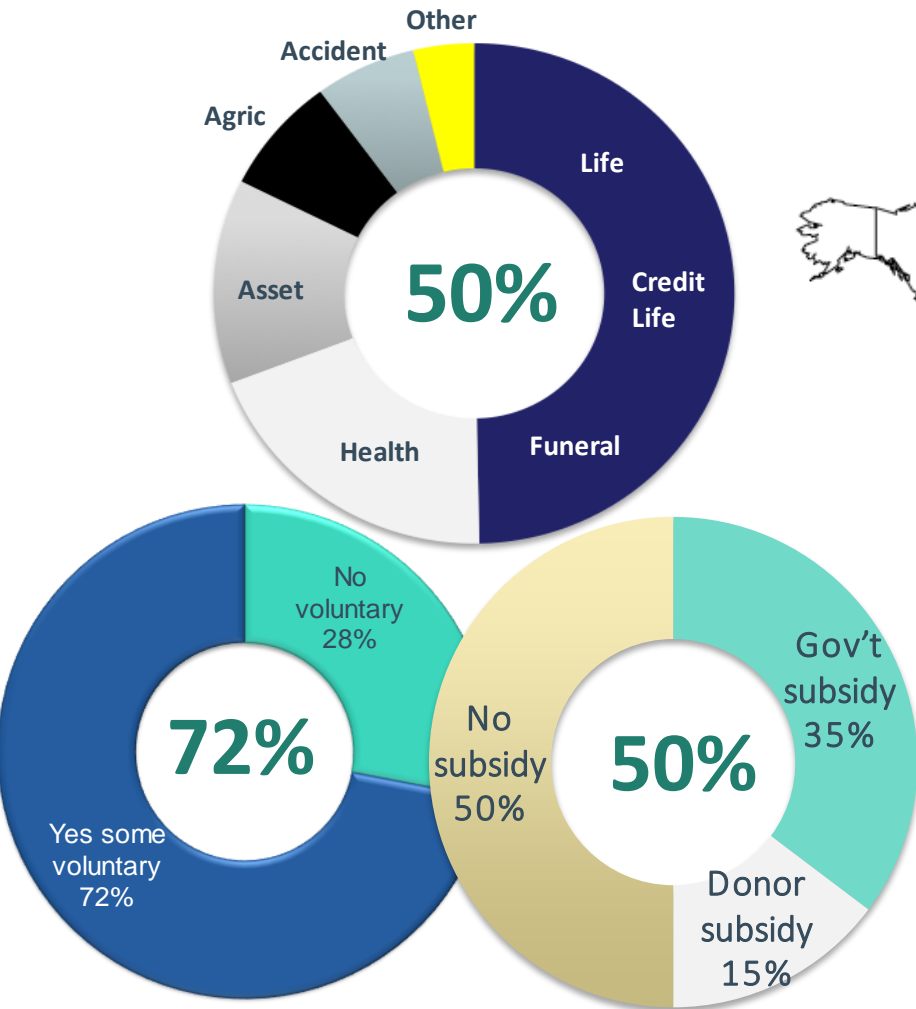
* *The Landscape of Microinsurance – Africa (2015), Latin America and the Caribbean (2014), Asia and Oceania (2013). Microinsurance Network*

^ *Succeeding at microinsurance through differentiation, innovation and partnership, Accenture*

± *Microinsurance Network (2013)*

α *Thom et al (2014), Facility paper #30*

Substantial scale can be reached



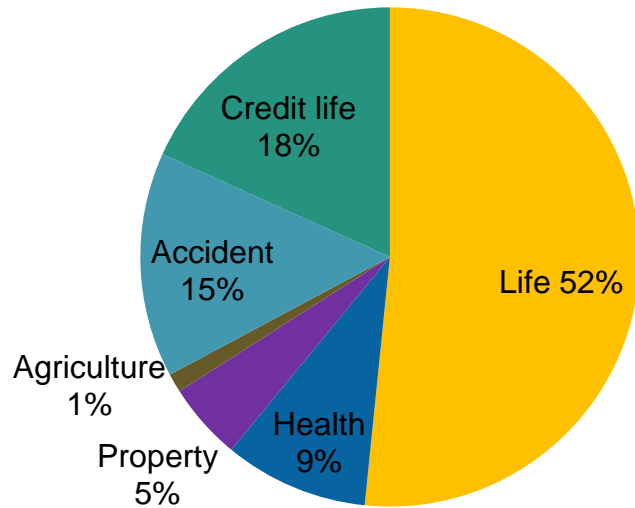
- Scale = >1m policies/ lives covered in Asia, Latin America
- Scale = >500k policies/lives covered in Africa

Number of initiatives: # 95 schemes

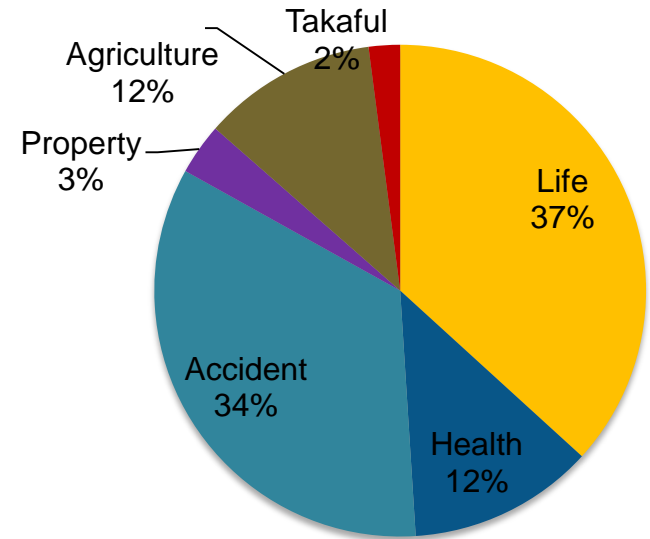
Markets are different

The stage of development matters

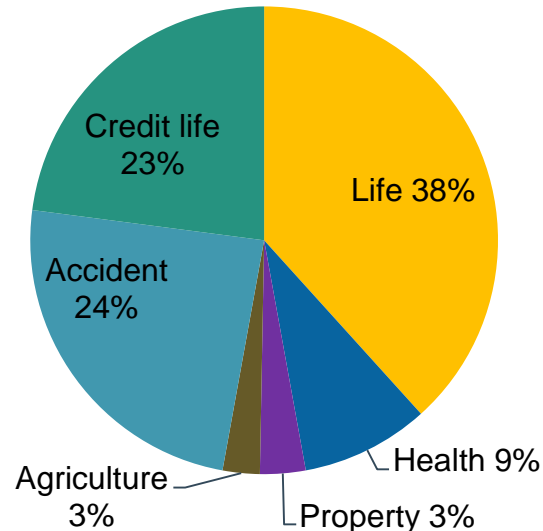
Africa 2015



Asia 2013



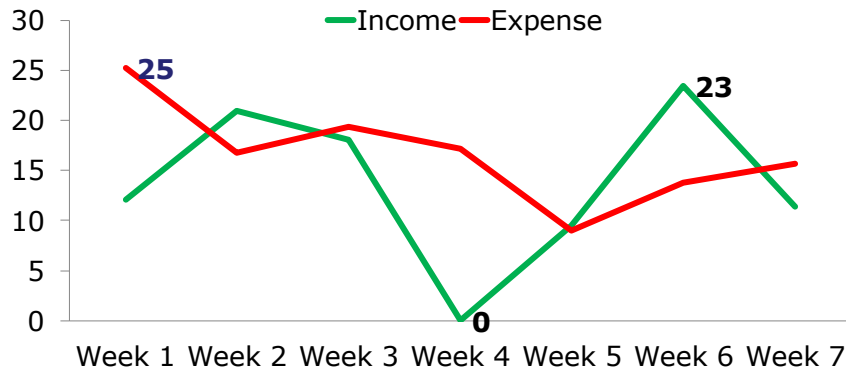
LAC 2014



Source:
Landscaping
studies,
Microinsurance
Network

Emerging consumers lead complex financial lives

Income and Expenditure (US\$)



- Cash flows: frequent, chaotic
- Many competing priorities to satisfy with scarce budget
- Financial decisions: small, daily
- Use many financial services
- Requires discipline: more like managing a diet

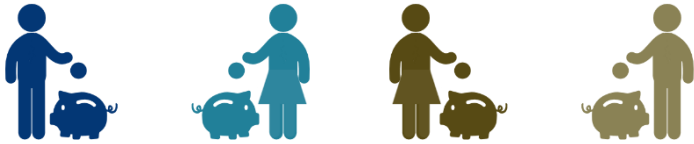
Formal

Informal



Emerging consumers save but rarely leverage it for risk-management

Many save



Median savings

40 days' worth
of their income



**90% of savings are
held in illiquid form**

Savings are only **helpful for smaller shocks**



Tough balancing



**investing in
the future**

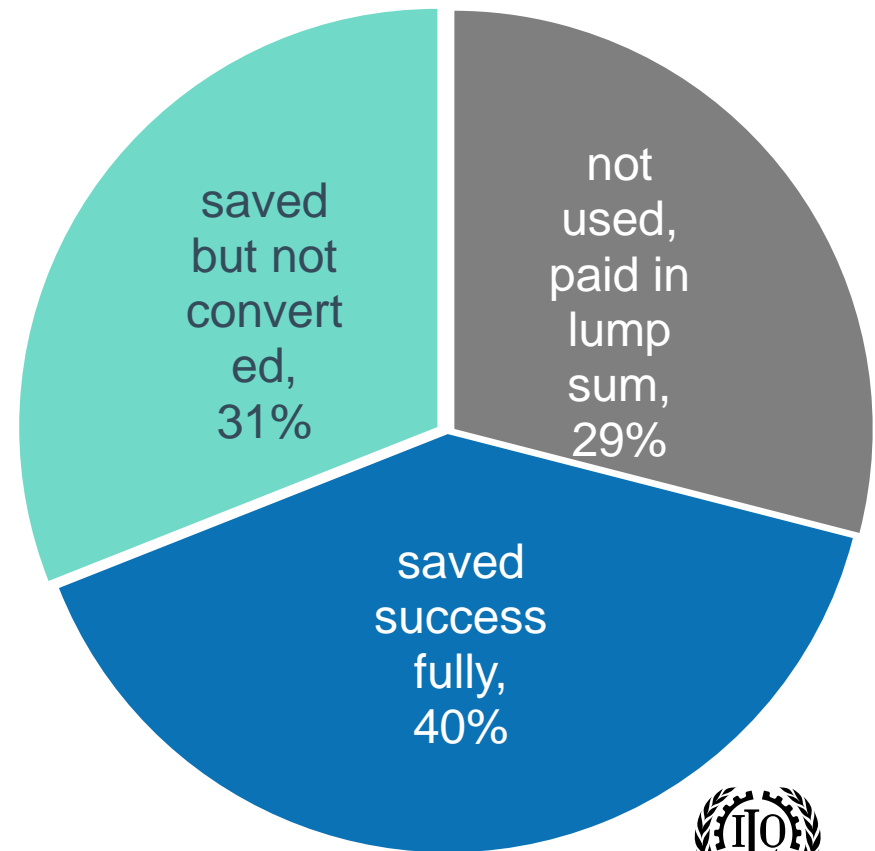


**risk
management**

Solution: bundling insurance with savings



Usage of the savings facility to pay premiums



✦ Linda Jamii, Kenya

- Health IP-OP, hospi-cash, funeral
- Retail distribution
- 8,000 lives
- Facility to save for premiums using M-PESA

Emerging consumers do not buy insurance due to a variety of factors

<i>Determinant</i>	<i>Evidence available</i>	<i>Effect on first sales</i>	<i>Effect on renewals</i>
Trust	😊 😊 😊	High	Medium
Liquidity constraints	😊 😊 😊	High	Medium
Value proposition (and its perception)	😊	Medium-high	High
Behavioural factors	😊	Medium-high	High
Understanding insurance	😊 😊	Low-medium	Medium-high
Access to other coping mechanisms	😊	Medium	Medium

Solution: Consumer education



Our strategy

Raise awareness

Disseminate simple and positive messages on insurance via mass channels to clients and potential clients

Build knowledge

Invest in on-going, sequenced education about products available on the market

Create trust

Generate trust among clients and potential clients through trusted insurance advocates, celebrating claims and positive product experience

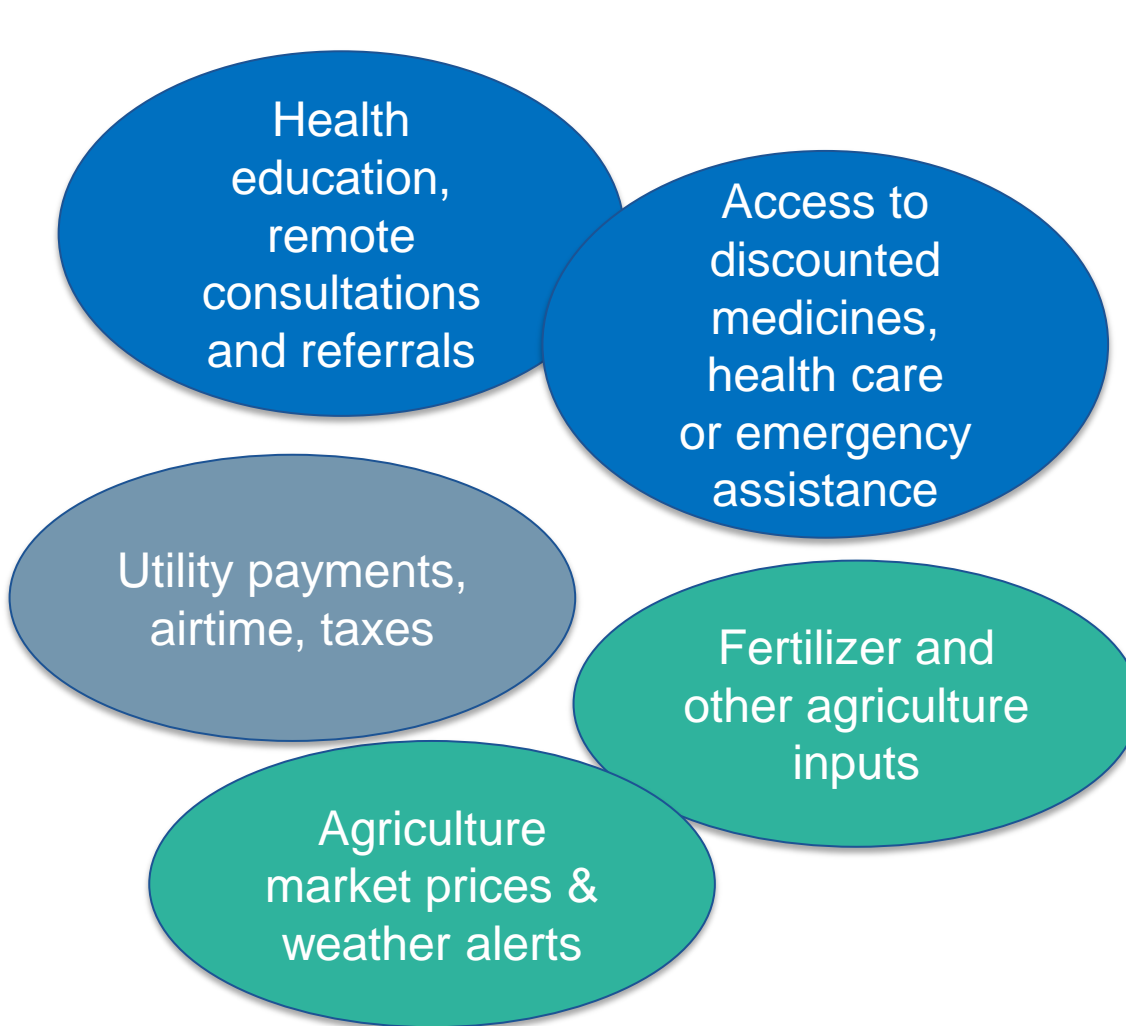
Improve capacity to sell

Constantly build capacity of the front staff on insurance and the low-income market via workshops, e-learning and mobile channels

Invest in financial literacy

Engage with government in long-term national education strategies for the general public on broader financial topics

Solution: Make it tangible and build trust through bundling with essential services/goods



Better outcomes for clients



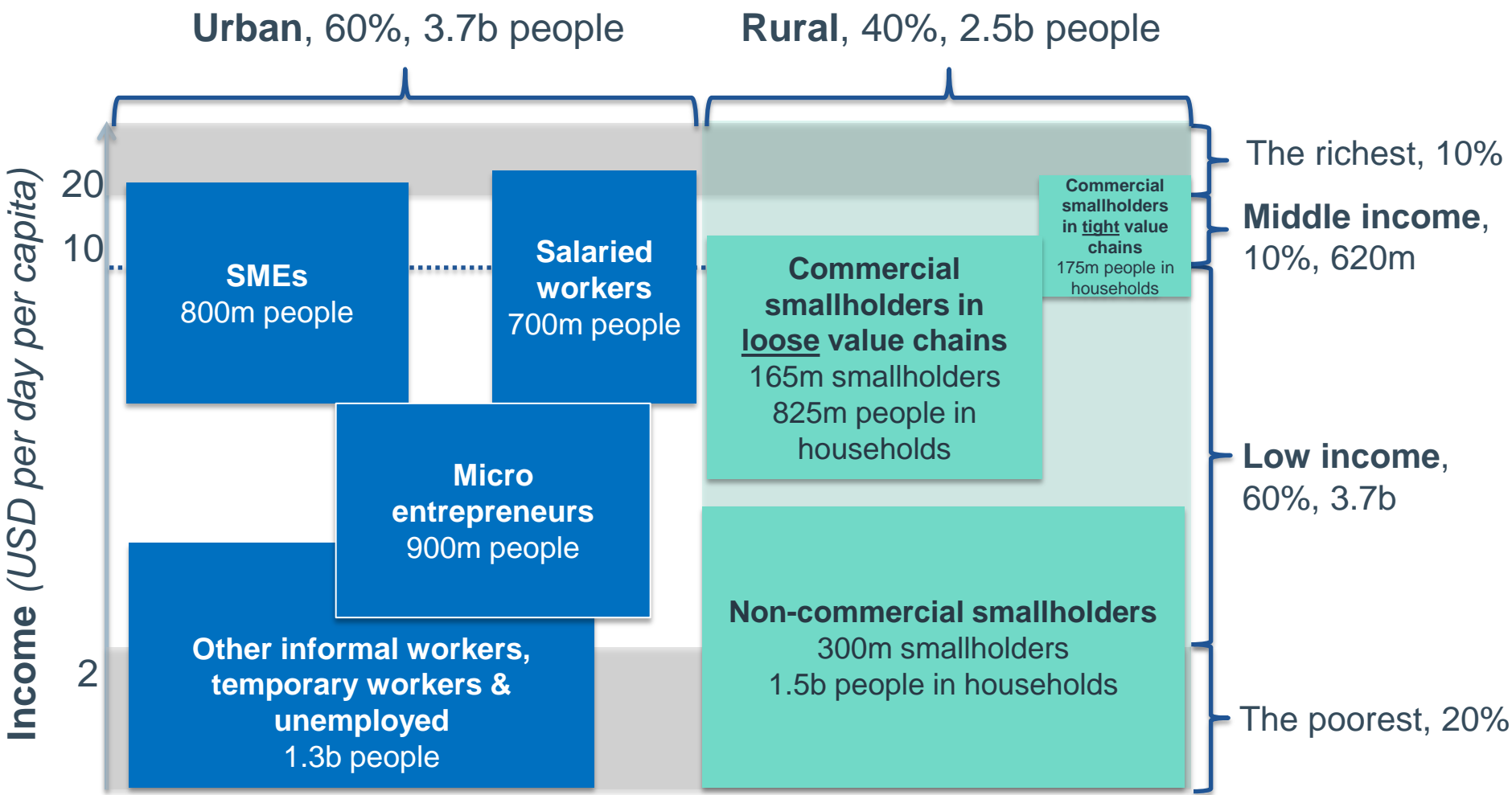
Tangibility & trust



Higher renewals & lower claims for providers

Emerging consumers are not all the same

(only low and middle income countries, 2015-2020, total population 6.2b)



Solution: targeting strategic segments

- 560,000 tea farmers and 700,000 pickers in Kenya collaborating with ~100 factories
- Associated in groups at different levels
- Monthly 'salary' pay-outs and yearly bonus (av. income NGN 1,000,000 per year)
- Britam offers an in-patient health product bundled with life insurance since 2008, opt-in automatic deductions, premium NGN 2,000 per member per year
 - 220,000 lives
 - annual premium revenue NGN 460 mio
 - loss ratio 54%, expense ratio 35%



Key success factors

- **Gradually improve customer value**
 - **Start simple** (single, partial, mandatory), focus on convenience and creating positive customer experience
 - **Include value-added services and bundle with other financial services** to further stimulate demand
 - **Target strategic market segments** to grow with them (renewals, cross-selling, upselling)
- **Take a long term view on profitability and grow the business in line with market development**
 - **Identify right distribution channels** for lasting engagement, focus on aligning incentives, sales force development and partnership management
 - **Adapt value chain approach** to make agriculture and health insurance products viable
 - **Use technology and simplify processes** to maximize efficiency and improve customer journey
 - **Align with national social protection policies**



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