

MARKETING: PROMOTING INSURANCE TO THE POOR

Many people, rich or poor, are reluctant to buy insurance because they do not want to think about loss, illness or death. Indeed, regardless of the economic status of the target market, the old adage “insurance is sold, not bought” holds true. Still, the low-income market may be particularly disinclined to purchase insurance for several reasons:

- The poor often **lack familiarity** with insurance and do not understand how it works
- Until one actually receives a claim payout, **insurance benefits are intangible**; it is difficult to persuade someone to part with their limited resources to buy peace of mind
- If the poor do not have to claim, they may believe that they **wasted their precious income**
- Often the poor have a **short-term perspective**, only making financial plans a few weeks or months into the future
- If the low-income market is familiar with insurance, they may **not trust** insurance providers

Active persuasion is needed to promote insurance of real value to this lukewarm market. Yet, **aggressive sales practices will undermine efforts** to create an insurance culture among the poor. Consequently, the promotion of microinsurance requires social marketing techniques along with financial education to change the attitude of the target market toward insurance.

Messages that resonate

To overcome these challenges, microinsurance providers use a combination of four main messages to promote their products. As with mainstream insurance, the first message is *protection*, which reflects the core benefit of insurance. Often, microinsurers stress this message through **testimonials** of other low-income people who have benefited from having protection, as well as from people who could not cope because they lacked insurance.

Another popular message is *solidarity*, which promotes the idea of people helping each other. This message builds on informal self-help mechanisms that are more familiar to this market than insurance. The solidarity message is particularly important to **explain the risk-pooling aspect**, i.e. if they do not experience the insured event, they may not receive money back

because it is being used to pay for the claims of other community members.

The “*positive spin*” message tries to steer away from the association of insurance with unpleasant events. Instead of portraying the risks leading to insurance benefits, optimistic approaches concentrate on the security provided by insurance. For example, the promotion of health insurance portrays people staying healthy, rather than on illnesses and medical treatments. For this market, it is also important to illustrate that **insurance is affordable** by comparing the premium cost to an unnecessary expense, like a bottle of beer.

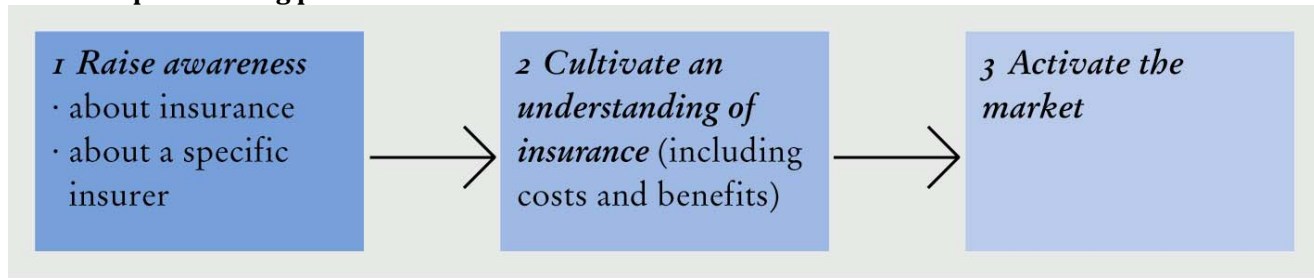
The fourth key message is *trust*, which is so critical when selling insurance to any client, but especially the poor. To convey this message, some insurance companies partner with organizations that the poor do trust, and leverage that existing relationship. Another approach to building trust is through **branding**, as the poor are surprisingly brand conscious. However, at the end of the day, the only way microinsurers can really communicate this message is if they keep their promises and pay claims.

Turning promotions into sales

To market insurance to the poor, microinsurance providers use a three-phase process to turn promotions into sales, which includes: 1) raising awareness, 2) helping potential clients understand the products, and 3) activating the market.

Raising awareness has two elements: a) awareness about insurance in general and b) awareness about a specific insurance provider. Indeed, poor people’s limited overall understanding of insurance is one of the biggest challenges in selling policies to the low-income market. Of particular importance is helping the poor to appreciate the **advantages and disadvantages of savings, credit and insurance** in relationship to each other; e.g., under what circumstances is one preferable to the others? There is some question, however, whether the provision of a public good – such as general awareness raising and financial education – is the responsibility of individual insurers, or whether the government or an insurance association might be better positioned to undertake such activities.

Three-step marketing process



To raise awareness about specific insurance providers, organizations tend to employ three techniques:

- 1) **Branding:** the symbolic embodiment of a company's identity through things like logos and taglines
- 2) **Public relations:** promoting a prominent and positive societal image of a company by sponsoring community events, soliciting media coverage, and so on
- 3) **Prevention campaigns:** promoting a positive image of the company while helping to reduce claims and provide "benefits" to insureds who do not claim

Awareness raising assumes different forms depending on the institutional model for providing insurance. For example, in the community-based model, people are not just purchasing products, but are being asked to participate in the design and management of an insurance scheme, so that requires some additional explanation. In contrast, commercial insurers are particularly vulnerable to negative public relations if they are earning excessive returns from the poor, like for example more than 10% in profit.

Once there is a general awareness about insurance, there needs to be an effort to increase understanding of the specific products. Insurance education to understand product features must be customized to different target audiences, taking into account local culture and taboos. Communication methods such as street theatre, informational videos and pictorial presentations are commonly used. In addition, it may be handy to give people brochures to ensure that they can retain the information, although they have to be in the local language with many graphics to communicate to a semi-literate market. It is also useful to consider different potential communicators. For example, cooperative insurers often use their affinity groups to educate people about their products.

The International Labour Organization (ILO) and the Munich Re Foundation recently published **Protecting the Poor: A Micro-insurance Compendium** on behalf of the CGAP Working Group for Microinsurance. This authoritative book analyzes the experiences of more than 40 microinsurance providers and is based on the **Good and Bad Case Study Project** led by the Operation Subgroup and funded by DFID, GTZ, the ILO and SIDA. The translations into French and Spanish are financed by ADA.

The content of this note is based on Chapter 3.2 in Churchill (ed.) 2006. *Protecting the Poor: A Microinsurance Compendium* (Geneva: ILO) – ISBN 978-92-2-119254-1

For more information, visit www.microinsurancefocus.org or contact insurance@microfinance.lu / © 2007 CGAP Working Group on Microinsurance

CGAP Working Groups may include all types of donors and investors, practitioners, consultants and academics that are interested in researching, sharing information, and disseminating lessons learned in specific areas of access to finance. Working Groups' activities are carried out largely independently from CGAP. CGAP is not responsible for the work products of the Working Groups, nor are the views expressed in CGAP Working Group publications and activities those of CGAP, unless explicitly stated.