

Notes from the distribution frontier

Going where no insurer (or regulator) has gone before



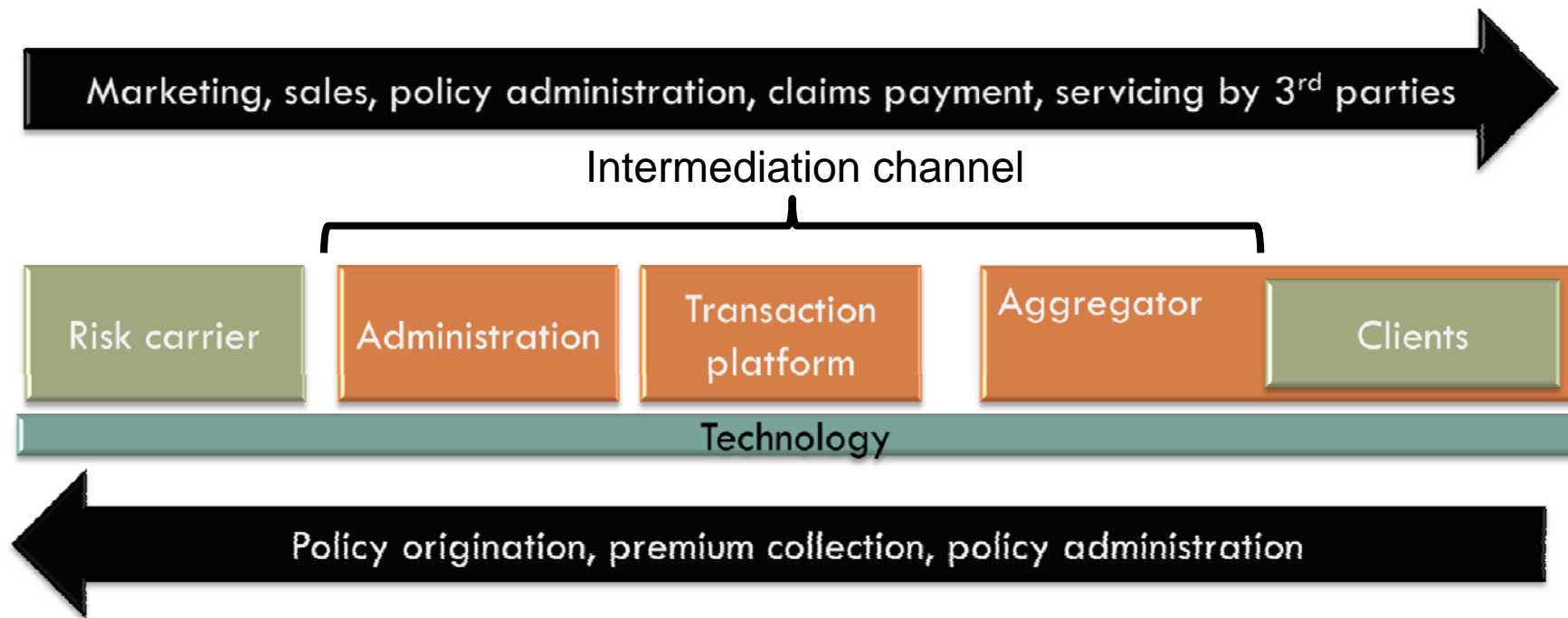


“Microinsurance belongs to the distribution channel”

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 (SA):** Poster/pamphlet marketing, personal accident. Premiums from \$1 pm.
- **Safari Bima (Kenya Orient Insurance):** Poster/pamphlet marketing. SMS registration. Added agent distribution. Limited take-up correlated with marketing efforts.
- **AKSIttext (Philam Life) (Philippines):** accidental death. Poster/pamphlet marketing. Scratch cards discontinued due to cost. Limited take-up.

Bill payment networks:

- **Wiredloop (Cover2Go- SA):** 1200 POS, Wiredloop viewed as administrative rather than intermediary). Premiums from \$2pm.
- **Take-it-Easy (Hollard - SA):** 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. (\$2 pm)
- **Shoprite money market counter (SA):** Multiple products and providers (independently branded). Passive sales. Funeral and personal accident. (from \$2 pa)
- **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).



La Póliza de Accidentes
Personales

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



Some notes from the frontier

- **Limited success:** Increasing number of experiments but few successes yet
- **Passive sales** strategies can work 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
- **Products limited mostly to 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
- **Is the agency model reviving itself?**

Implications for regulation

- **Regulation vs reality:** Regulation does not comfortably facilitate partnerships with alternative distribution channels
- **Avoidance:** Structure designed 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.



Thank you!

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