

Parallel session 15

Keeping the “micro” in “mass” insurance

By Shilpi Nanda

Landscape studies in emerging markets are beginning to show a shift towards “mass” markets. It is important not to lose focus on the lower-income “micro” segments that are underserved. This session started with a definition of the mass and micro markets, followed by a look at one insurer’s strategies regarding mass and another’s regarding micro.

Defining “mass” and “micro” insurance

There is already a set of regulations in Peru that defines the two types of insurance:

Mass insurance

These are *standardised products* constructed in simple language which are easy to understand and do not require special conditions. A simple acceptance by the insured is considered sufficient. They could be sold via a wide range of entities or “mass marketers.”

Microinsurance

These are products *accessible to the low-income population* through proportionate premium payments in accordance with the risks covered by the policy and are *designed to respond to the protection needs of low-income people*. They can take the form of individual or group insurance, and be sold via intermediaries serving low-income people and microentrepreneurs, with monthly premium not exceeding 2% of the national minimum wage.

The definition of mass insurance is channel-focused, whereas that of microinsurance is market-focused. There is a certain “intentionality” in the design of micro products which sets it apart from the mass products – which only need to be simple and accessible.

The session considered whether the distinction between mass and micro insurance matters (see Figure 41).



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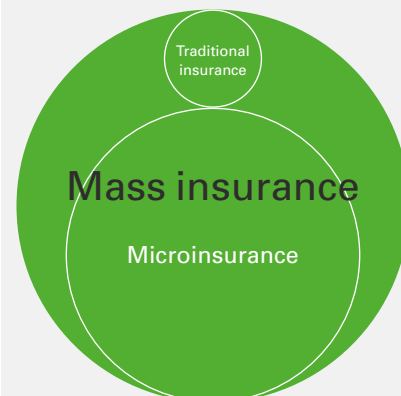
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100 — Left to right: Mathilda Ström, Deputy CEO, BIMA, United Kingdom; Lorenzo Chan, CEO, Pioneer Life, Philippines; Michael J. McCord, Managing Director, Microinsurance Centre at Milliman, United States.

101 — Michael Weilant, Principal and Consulting Actuary, Milliman, United States.

102 — A full room as a result of a strong interest in the topic.

Figure 41
Segmentation: what is the issue?



- Segmentation matters
- Value is not universal
- Needs are not consistent
- Building an insurance culture
- Everyone could benefit
- Mass AND micro

Source: Weilant, Michael. Presentation “Keeping the ‘micro’ in ‘mass’ insurance.” 13th International Microinsurance Conference 2017.

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Keeping the “micro” in “mass” insurance

Segmentation matters

A single mass market product may well be beyond the means or needs of segments targeted by micro on the basis of income, urban or rural location, or gender. **Value is not universal.** It may not be financial only. For some, it may lie in other factors such as faster claims settlement and flexible coverage.

Building an insurance culture

Both mass and micro products create higher levels of insurance awareness, insurance penetration, leading, eventually, to competition in pricing that benefits everyone. Emerging markets initially lack traditional industry data and oversight – challenges are met gradually over time as mass and micro insurers gain experience and are noticed by regulators, as well as by industry associations.

Targeting an unignorable sector

Pioneer Life Inc. believes that to become the “insurer of choice” in an emerging market, it should not ignore the insurance needs of the lower-income segment (C2 and D, in Figure 42).

The C socio-economic segment, which constitutes part of the mass market, accounts for 28% of the country’s population. In Pioneer Life, 55% of the total premium comes from this segment. On the other hand, while 57% of the population belongs to the D segment, its contribution to the insurer’s premium is merely 13%. In terms of the number of lives insured, however, the micro segment accounts for 59% of Pioneer Life’s portfolio.

The differences between Pioneer’s offerings for the micro and mass segments range from product design and distribution channels to price points and payment schemes. Its mass products are offered at shopping malls, travel agencies and retail distributors, whereas the micro seg-

ment is served via MFIs, rural banks and pawnshops, which tend to be frequented and trusted by the lower-income segment. While Pioneer has adapted only one of its micro products to the mass segment, it has adapted several mass offerings to the micro market to make them more accessible and useful.

An example of this is the Sagip Plan, a personal accident cover with burial and calamity aid for individuals and families. With premiums up to US\$ 40 per year, the product was quite pricey but equally desirable for the micro market. Pioneer partnered with a large MFI to structure loans to pay for the insurance premium. The loan is repaid in weekly instalments, which makes it affordable for the customer. The outcome is a win-win-win: the partner sells a loan product, the insurer earns a premium and the customer can afford a desirable product.

Figure 42
Philippine socio-economic classes

| Class | Profession | Cars owned | TVs owned | Other appliances | Minimum monthly income | Household help | Percentage of population |
|--------|------------------|------------------------------|------------------------------|--------------------------|--|-----------------------------|--------------------------|
| A B | | | At least two TVs | 8 and up facilities | US\$ 3,155 and up US\$ 2,125 and up | | 1% |
| C1 | White collar | May or may not own a car | At least one TV | 8 and up facilities | US\$ 1,052 to 2,104 | Can have household help | 28% |
| C2 | Blue collar | May or may not own a car | | 5 to 7 facilities | US\$ 420 to 1,051 | | |
| D | | | May or may not have a TV | 4 facilities at most | US\$ 210 to 419 | | 57% |
| E | | | | 4 facilities at most | Less than US\$ 210 | | 14% |

Source: Chan, Lorenzo. Presentation “Mass and Microinsurance: The Pioneer Experience.” 13th International Microinsurance Conference 2017.

Reaching mass not possible without micro

BIMA, a leading provider of insurance and health services in Africa, Asia and Latin America, believes the mass and micro segments both face the same risks and are crucial from an insurance perspective: it is not possible to target the mass segment without understanding and serving the lower-income micro segment.

About 22% of BIMA’s policyholders survive on less than US\$ 1.25 a day, and 54% are from the income segment of under US\$ 2.50 a day (see Figure 43).

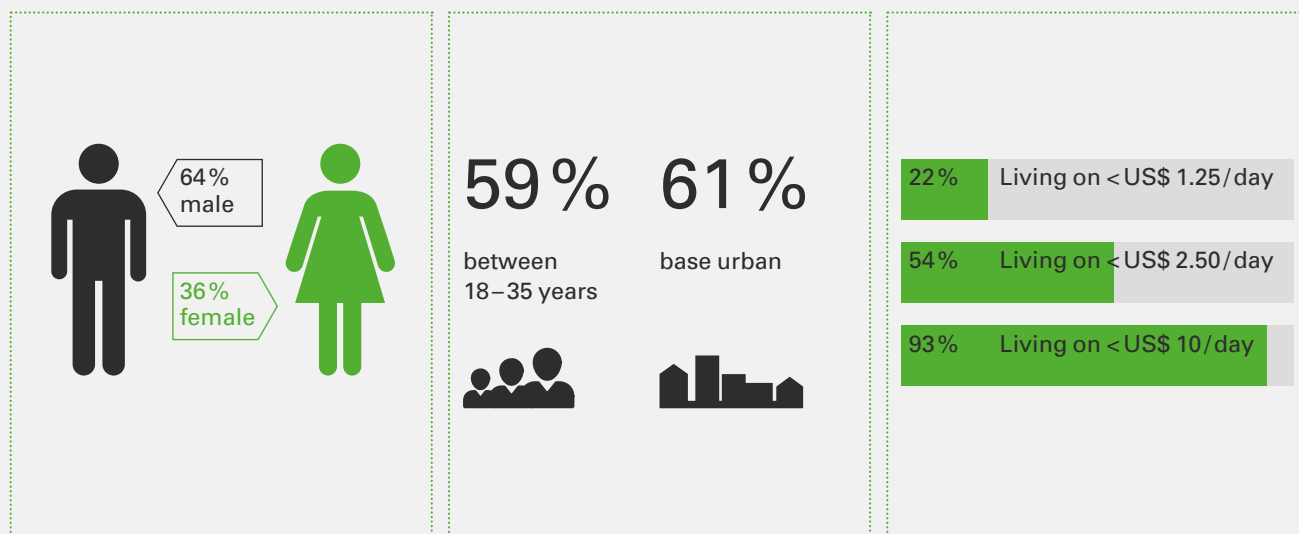
To access this market and reach scale, BIMA started with partnerships – mainly with MNOs who had reach and a good brand in the emerging markets and leveraged data and technology to build the entire insurance value chain. To make partnerships work, BIMA added three more Ps to its marketing model: people in a dedicated agent force, a tech platform, and high-value products.

Acquiring customers across the socio-economic segments means a diversified portfolio and greater sustainability for BIMA. The products are simple, affordable and often offered at multiple price points to suit the different income segments.

Lessons learnt

- Making a distinction between mass and micro is necessary to more effectively address the needs of the micro market.
- There is a win-win-win opportunity for insurers partnering with MFIs or MNOs to make desirable products affordable for the low-income market. A distinguishing feature of a microinsurer is the intentionality to serve low-income people appropriately with products that fit their needs.
- When designing products for the mass market, an insurer is unlikely to achieve scale without a system of digital registration and acceptance, digital processing of micro-payments and electronic claims tracking.
- Serving the micro as well as mass segments calls for flexibility to adapt products designed for one to suit the specific needs of the other.

Figure 43
BIMA customer profile



Source: Ström, Mathilda. Presentation “Serving the underserved: The BIMA way.” 13th International Microinsurance Conference 2017.