Pathway to a successful inclusive insurance offer

Introduction to inclusive insurance workshop
Icebreaker

Go around the room and find someone who:

- Is new to the inclusive insurance space
- Is attending the Conference for the first time
- Has visited Ghana before the Conference
- Has already conducted focus group discussions to design an insurance product

Introduce yourself to them and note down their names!
Understanding inclusive insurance
What is inclusive insurance?

It is insurance…

- It applies the principles of risk pooling
- It aims for financial viability
- It must manage adverse selection, moral hazard, claims fraud, claims volatility and co-variant risks

But it additionally

- Serves underserved and excluded segments
- Contributes to social and economic development
- Uses new business models and partnerships
Inclusive insurance is designed to…

Benefit currently under-served market segments, such as:

- Low-income households
- Entrepreneurs
- Women
- Smallholder farmers
- Micro, small and medium enterprises (MSMEs)

Help to achieve public policy objectives, such as:

- Financial and social inclusion
- Climate change adaptation
- Food security
- Universal health coverage
The context

No longer business as usual

- Risks are worsening
  - Climate change
  - Aging populations
  - Cyber threats
  - Etc.

- Technology developments create new ways of doing business

- Regulations are adapting

- Trust in the financial sector is declining

- Protection gap represents a market opportunity
Insurance contribution to inclusive growth

- Household resilience
  - Risk transfer
  - Productive risk taking
  - Peace of mind
  - Access to critical services
  - Resilience, welfare

- Business resilience
  - Risk transfer
  - Risk management
  - Credit market development
  - Business growth, investment

- Capital market development
  - Mobilising capital
  - Pooling capital
  - Allocating capital
  - Building institutions
  - LT investment, incl. infrastructure

Source: Adapted from Chamberlain et al. (2017)
The productive-protective nexus

Productive
- Reducing uncertainty
- Monetizing risks
- Unlocking productive inputs (e.g. credit)

Protective
- Safety net when risk occurs
- Avoiding burdensome coping strategies
- Reducing out of pocket expenses

And prevention too!
The business case for inclusive insurance

- Doing good for society through the provision of inclusive insurance to untapped markets
- Society recognizes the value of insurance
- Trust in the insurance industry improves
- More insurance policies sold, higher profits
- Demand for insurance increases
- Increased retention
- Scale
Pathway to a successful inclusive insurance offer

Understanding inclusive insurance

Understanding demand factors

Understanding customers

Success factor 1: Valuable products

Success factor 2: Partnerships

Success factor 3: Customer journey

Viable inclusive insurance business model
Success factor 1: Design a valuable product
Understanding customers and demand

By actively trying to understand customers and what affects demand, insurance providers can design more valuable products and work on the barriers that prevent clients from purchasing insurance.

- Which can positively affect demand and also improve the overall experience of the customer.
Factors influencing demand for insurance

- Understanding of insurance
- Wealth and liquidity constraints
- Trust
- Value proposition
- Access to other risk coping mechanisms
- Behavioral factors
- Personal characteristics
## Potential market segments for inclusive insurance

<table>
<thead>
<tr>
<th>Women</th>
<th>Smallholder farmers</th>
<th>MSMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Their improved socioeconomic status and greater need for protection make women a big opportunity for insurance providers</td>
<td>Farmers face a multitude of risks that are not just about farming</td>
<td>Exposed to a wide range of risks, but underinsured</td>
</tr>
<tr>
<td>However, women’s needs and preferences differ by income, location, employment, family status and lifecycle events, requiring insurance providers to tailor products based around life events and target specific groups such as women entrepreneurs</td>
<td>Besides natural risks, credit risk, market risk and health risks are also relevant</td>
<td>Business type and size and the industry within which the MSME operates should be considered when designing insurance products</td>
</tr>
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The importance of co-designing products with customers

Listening to customers when designing an insurance solution helps insurers to design products that clients really need and can benefit from

- It is a cycle of cultivating deep empathy with the people you are designing or redesigning with and for and eventually launching an innovative new insurance solution
- It is not about quickly adapting and making current products cheaper: it is about carefully listening to the needs of your segment and designing a product for them

By following a customer-centric approach, insurance providers can develop truly valuable products

- As customer needs are carefully considered in the product development phase
## How to design products that offer client value?

<table>
<thead>
<tr>
<th>Affordability</th>
<th>Accessible</th>
<th>Appropriate</th>
<th>Responsive</th>
<th>Simple</th>
</tr>
</thead>
<tbody>
<tr>
<td>Can be financed with available cash flows</td>
<td>Available in locations and through processes that are convenient and low-stress</td>
<td>Respond to priority needs with relevant benefits and few exclusions</td>
<td>Provide a timely and reliable response to shocks and helpful answers to client queries</td>
<td>Easy to understand and use</td>
</tr>
</tbody>
</table>
Value-added services (VAS)

VAS are tangible, non-insurance benefits provided alongside an insurance product.

- May or may not be directly related to the risk insured.

Can be used to keep customers engaged, happy and aware that the value offered by the insurer provider goes beyond just a claim’s pay-out.
Can you provide some examples of VAS?
Types of VAS

Tips and advice
- Health management tips
- Property management tips
- Lifestyle management

Assistance
- Home monitoring and assistance
- Roadside assistance
- Enabling healthcare access

Addressing customers needs
- Health check-ups
- Discounts on medications
- Concierge services
How does your inclusive insurance product meet clients’ needs? Is it AAARS?
Client value and business viability

But client value is not sustainable without business viability

- If a product is not viable, it may be discontinued and clients will no longer benefit from the value it provided.
- Providers need to balance client value and business viability: the magic balance.
What is business viability?

Viable business model = Revenues + Intangible benefits + Indirect benefits

Revenues
- Premiums
- Fees
- Investment income
- Subsidies

Intangible benefits + Indirect benefits

Control claims costs
Manage expenses

E = S
- Claims paid
- Commissions
- Sales expense
- Administrative expenses
- Cost of capital
- Taxes

Scale
Secrets to achieve scale

1. Design and deliver AAARS products
2. Think big from the beginning, but start simple
3. Leverage existing infrastructure, groups and relationships
4. Use mandatory as a building block for voluntary
5. Align your scale strategy with the state of market development
6. Sustain scale
Secrets to control claims costs

1. Start simple
2. Price for the risk
3. Manage moral hazard and claims fraud
4. Use reinsurance to manage claims volatility and co-volatile risk
5. Encourage risk mitigating behavior through product design
Secrets to manage expenses

1. Leverage existing infrastructure, relationships, groups
2. Outsource functions that others can do more cost-effectively
3. Invest in technology for efficiency at scale
4. Start simple
5. Monitor costs and cost-effectiveness
Key takeaways

By getting to know the real needs of customers and following a co-creation approach, insurance providers can develop truly customer-centric products

- It is a cycle of cultivating deep empathy with the people you are designing for

Being customer-centric improves value to clients and to the company itself

Providers need to balance client value and business viability: the magic balance
Success factor 2: Establish partnerships
Providing inclusive insurance requires…

Market research
- Client needs assessment
- Competitor analysis

Product design
- Conceptualization
- Data collection
- Technical pricing
- Prototyping and piloting
- Underwriting and reinsurances

Marketing and education
- Product promotion
- Building client understanding
- Technology

Enrolment and premium collection
- Collecting client data and documents
- Collecting premium
- Issuing policy
- Technology

Policy servicing and value-added services
- Ensuring customers can have the support they need at all times
- Providing clients with access to health services, agriculture, weather, business and risk reduction tips, among others
- Technology

Monitoring and evaluation
- Measuring financial and social performance

Almost no insurance provider has the capacity to do it all alone.
Partnerships are key if you really want to be customer-centric!
What are the type of partners an insurance provider may need to make inclusive insurance a reality?
Types of partnerships to explore

Service partners
Help insurance providers make the insurance product (and its value-added services) a reality. Examples: technology providers, consulting firms, insurers, reinsurers, third party loss adjusters, training associations, data providers, market research firms, among others.

Direct and indirect distribution partners
Critical partners to achieve success and scale. Directly and indirectly, they will be avenues to reach clients who insurers would not have access to otherwise. Examples: online platforms, mobile network operators, financial institutions, sports/social clubs, among others.

Social advocacy partners
Help raise awareness and education on a broader scale regarding the role insurance can play in supporting the target market. Examples: NGOs, foundations, business associations, government bodies and programmes, among others.

Brand and image boosters
Help position the insurance brand and increase its visibility. These institutions may not offer any type of product or service, but their endorsement is very useful. Examples: regulatory authorities, government bodies, international organizations, celebrities, among others.
Inclusive insurance distribution relies on partnerships

Among all the partnerships required to deliver an insurance product, distribution is one of the most important

- This is the way insurers can reach out to their clients

Distribution team is the first and, in some cases, the only contact point with the customer

- It is not merely about selling, but about the entire customer journey

Contacting, Educating, Promoting, Counselling, Enrolling, Collecting premiums, Assisting in claims settlement, Closing renewals
Challenges in distributing inclusive insurance

- Low margins that make direct sales expensive and require partnering with alternative channels
- Clients in remote or difficult to reach locations
- Clients that are inexperienced with insurance
- Unfamiliar markets to insurers
- Limited payment and transaction platforms
The importance of alternative distribution channels

Agents, brokers and financial institutions (including MFIs) are on the top of the list as the most used distribution channels for inclusive insurance in these three regions.

However, insurers should also invest more in alternative channels to reach greater numbers (scale), lower costs and distribute more diverse products.

Successful alternative channels are:
- In contact with inclusive insurance clients and trusted by them
- Able to carry out financial transactions
- Able to reach clients at scale
How many types of distribution channel can you name?
Range of inclusive insurance distribution channels

- Direct sales
- Brokers
- Financial institutions
- Community-based organization
- Retailers
- MNOs
- Employers
- Utility companies
- Post offices
- Healthcare providers
- Digital platforms/apps
- Aggregators
What factors would you consider when selecting a distribution partner?
## Searching for a distribution channel

Looking for potential partners that could support the insurer in distributing insurance

Keep in mind the following seven criteria:

<table>
<thead>
<tr>
<th>Client education</th>
<th>Product diversity</th>
<th>Scale</th>
<th>Brand and trust</th>
<th>Priority</th>
<th>Cost</th>
<th>Partnership risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Is the channel able to improve clients’ understanding and give advice?</td>
<td>• Is the channel open to offering a wider range of products?</td>
<td>• Does the channel have access to a large number of potential clients? • Does the channel allow for technology integration to serve large volumes?</td>
<td>• Does the channel have a popular brand? Is it trusted within the target market?</td>
<td>• Does inclusive insurance matter to the channel? Is it willing to prioritise it?</td>
<td>• Does the channel offer cost-efficient distribution for the insurer?</td>
<td>• Does the channel offer the possibility of a long-term partnership?</td>
</tr>
</tbody>
</table>
Potential roles distribution channels can play in the value chain

Market research
Product design
Marketing and education
Enrolment and premium collection
Policy servicing and value-added services
Claims reporting, assessment and payment
Monitoring and evaluation

Typical role of a distribution channel

Where the distribution channel can play a role
Partnership panel discussion
Key takeaways

Partnerships are key to provide insurance in a customer-centric way

- Service partners, direct and indirect distribution partners, social advocacy partners and brand and image boosters are the potential type of partners required

Aligning interests is crucial for successful partnerships

- An incentive structure that contemplates all partners must be carefully designed

Among all the partnerships required to deliver an insurance product, distribution is one of the most important

- Distribution team is the first and, in some cases, the only contact point with the customer

When choosing a distribution channel to work with, look at:

- 1) Channel operations and capacities; 2) clients/members of the channel; 3) partnership potential; 4) potential across the insurance value chain
Success factor 3: Consider the entire customer journey
Why should all operations be customer-centric?

Marketing
- Responsible campaigns can effectively communicate and promote the value of a product, while misleading campaigns can result in wrong sales and damage a product’s reputation

Education
- Customers well-informed through appropriate channels and tools, and at the right times can make good use of their insurance product and are more likely to renew a policy

Policy servicing
- Every contact experience with the insurer should be a positive one to maximize client satisfaction even in the absence of a claim (not every customer will have a pay-out)
Why should all operations be customer-centric?

Claims management

- The moment of truth, when customers finally get a tangible financial benefit from the insurance policy
- A process perceived as slow or unfair poses a reputational risk for all the partners involved in the delivery of a product

Renewals

- The process should be easy and straightforward
- Clients have to be informed before any lapse, expiration or cancellation and given an opportunity to prevent it or to opt-out
Why market mandatory/embedded products to consumers?

To raise awareness of the value of insurance and help build a viable insurance market

To create opportunities for delivering what is promised, thus increasing trust in insurance

To facilitate more productive (but riskier) investments in income generating activities

To help support healthy, long-term relationships between lenders and insured borrowers
Why are claims so important?

Insurance is an intangible product for clients until they receive a pay-out for a loss.

- The claims experience can significantly influence the client’s understanding of and satisfaction with insurance.

A positive claims experience may result in a loyal customer.

- A negative experience, on the other hand, can lead to mistrust and policy termination.

Claims management is therefore an integral part of a provider’s efforts to be more customer-centric, improve client value and achieve business viability.
How and why is the claim process different in inclusive insurance?

Simplicity is vital

- Inclusive insurance targets traditionally excluded customers, who might not have knowledge of or experience with insurance and require simple processes

Transparency is key

- Lack of familiarity of the target market with insurance might create uncertainty and stress, which makes transparency even more important
How and why is the claim process different in inclusive insurance?

The speed at which claims are processed holds great importance

- Low-income households, smallholder farmers and MSMEs, for example, have limited resources to cover expenses and may need to sell assets or use other burdensome coping strategies if pay-outs take too long.
- Fast turnaround times (TAT) are crucial.

Efficiency plays a big role

- Small premiums combined with thin profit margins and distribution challenges mean claims must be processed efficiently to ensure viability.
Guiding principles for customer-centric claims management

- Leverage **social capital** and distribution channels whenever possible.
- Ensure that the claims notification and submission processes are **easily understood** by clients, intermediaries and claims managers.
- Claims documentation requirements should be **reasonable**, sufficient to manage fraud, but not excessive.
- Pay attention to **turnaround time** as a key factor both for client satisfaction and cost-effectiveness.
Guiding principles for customer-centric claims management

- Implement efficient and **streamlined workflow** processes
- Remember that the loss event is a **difficult time** for the **client**
- Collect and maintain **claims data**
- Balance **business and client perspectives**
What recommendations can you give to:
- Ensure enrolment and premium collection are seamless?
- Streamline claims reporting processes?
- Speed up claims TAT?
- Celebrate claims?
- Ensure retention?
Key takeaways

Insurance providers should ensure customers see the value of being insured, beyond a pay-out

- By offering a good customer experience whenever customers try to reach out during the policy term
- By offering value-added services

Value-added services can improve customer retention, customer acquisition, lower claims costs, bring additional revenue and help providers differentiate themselves from their competitors

- But they can also be costly and therefore must be well-thought out
Key takeaways

Properly managing claims is crucial for providers wanting to be more customer-centric, improve client value and achieve business viability

- Insurance is an intangible product for clients until they receive a pay-out for a loss, so the claims experience can significantly influence their understanding of and satisfaction with insurance

Communication with respect to claims payments, including denied claims, can reduce anxiety and help build trust

- Uncertainty surrounding claims payments can result in unnecessary use of interim financing or other coping mechanisms
Pathway to a successful inclusive insurance offer

Understanding inclusive insurance

Understanding demand factors

Understanding customers

Success factor 1: Valuable products

Success factor 2: Partnerships

Success factor 3: Customer journey

Viable inclusive insurance business model