



International  
Labour  
Organization



IMPACT INSURANCE

# ▶ 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...

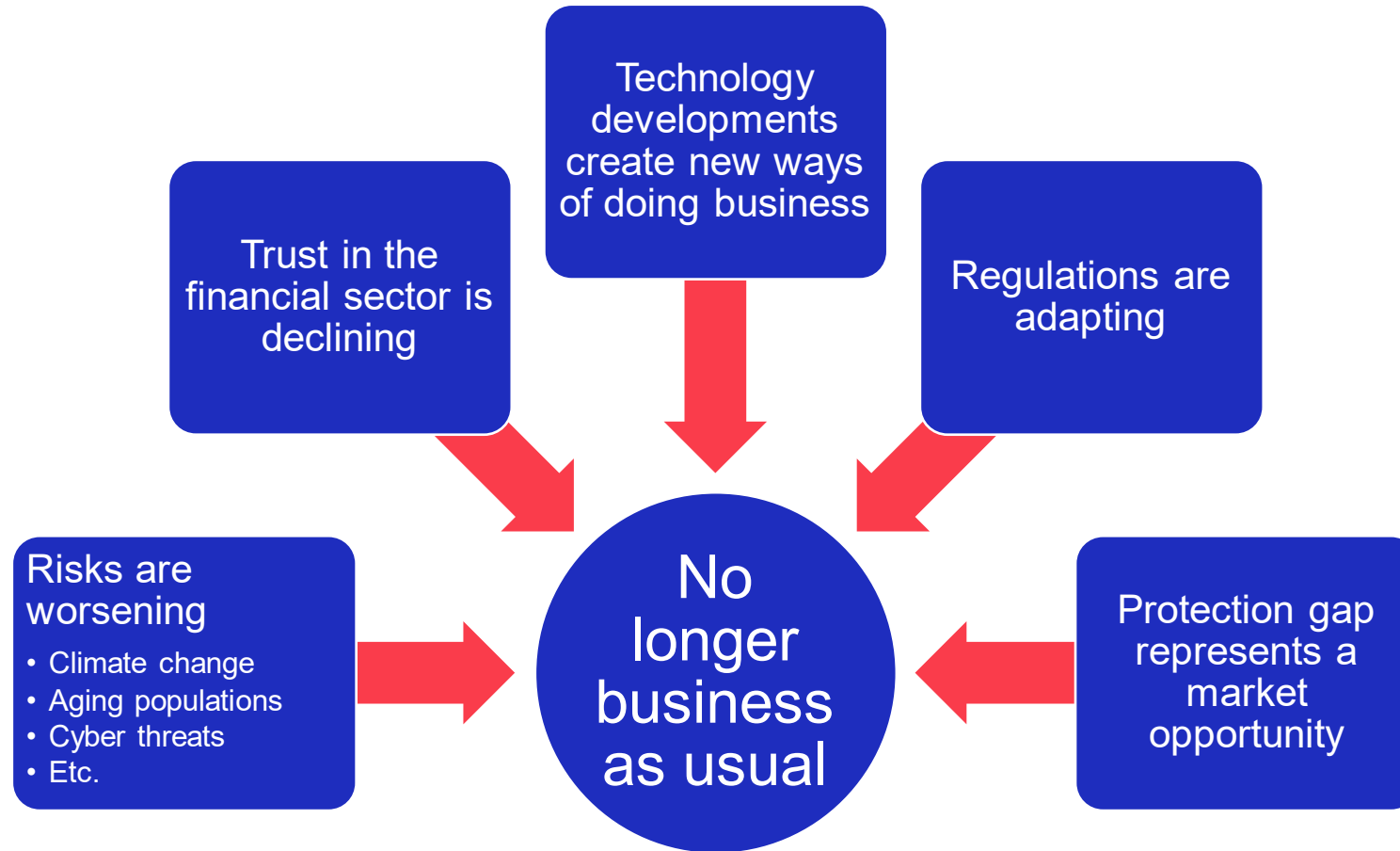
Benefit currently under-served market segments, such as:

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

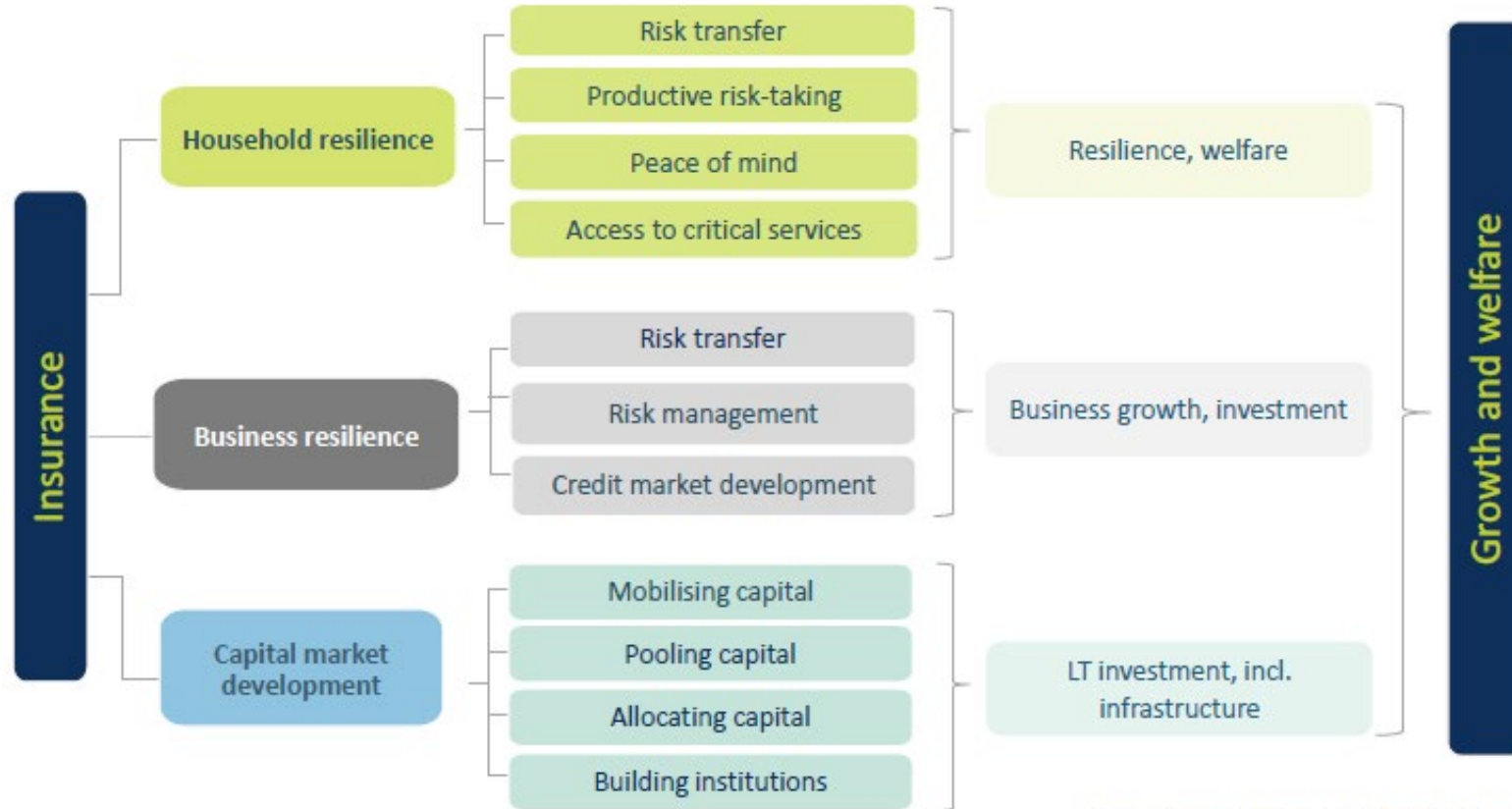
Help to achieve public policy objectives, such as:

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

## The context

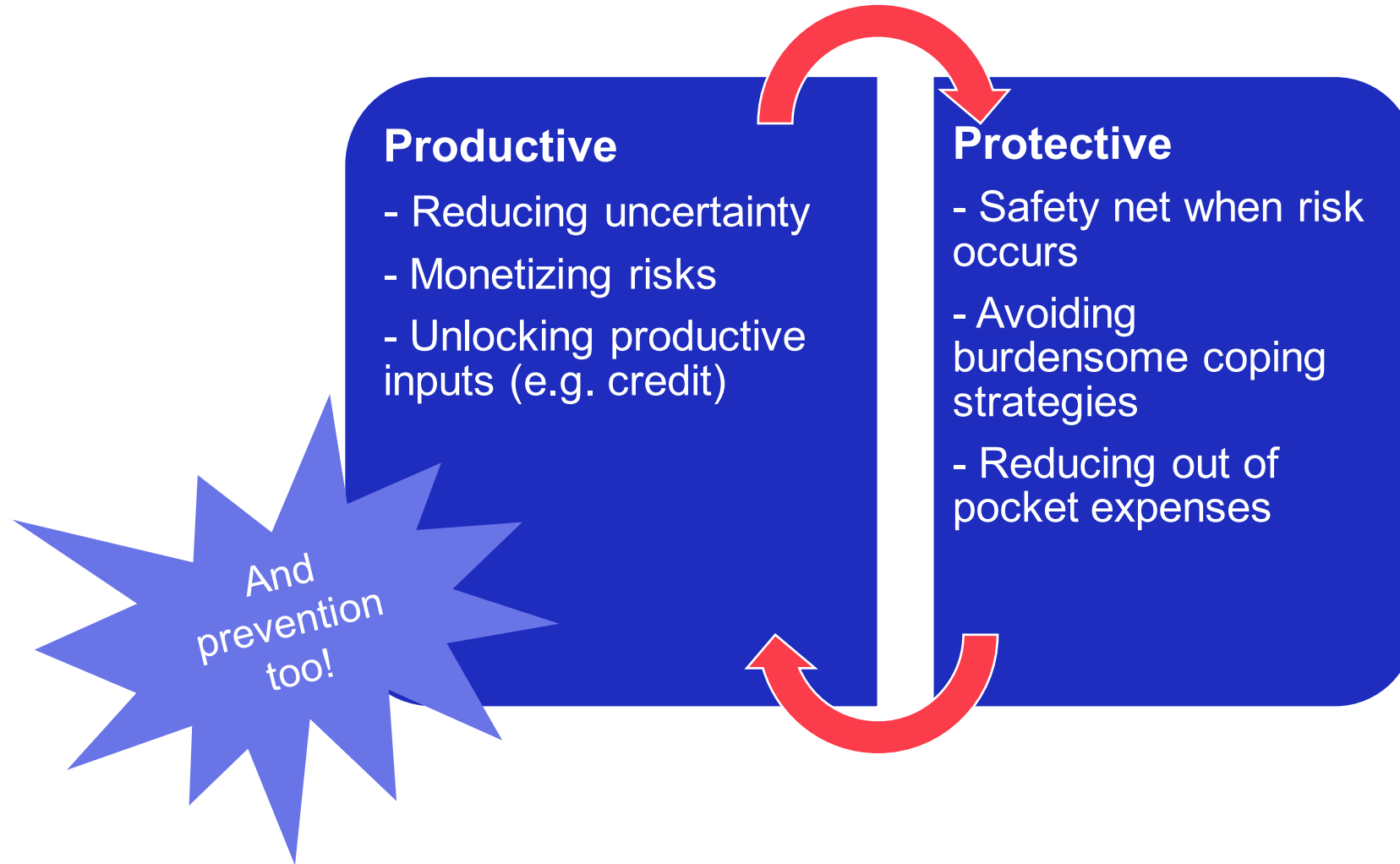


## Insurance contribution to inclusive growth



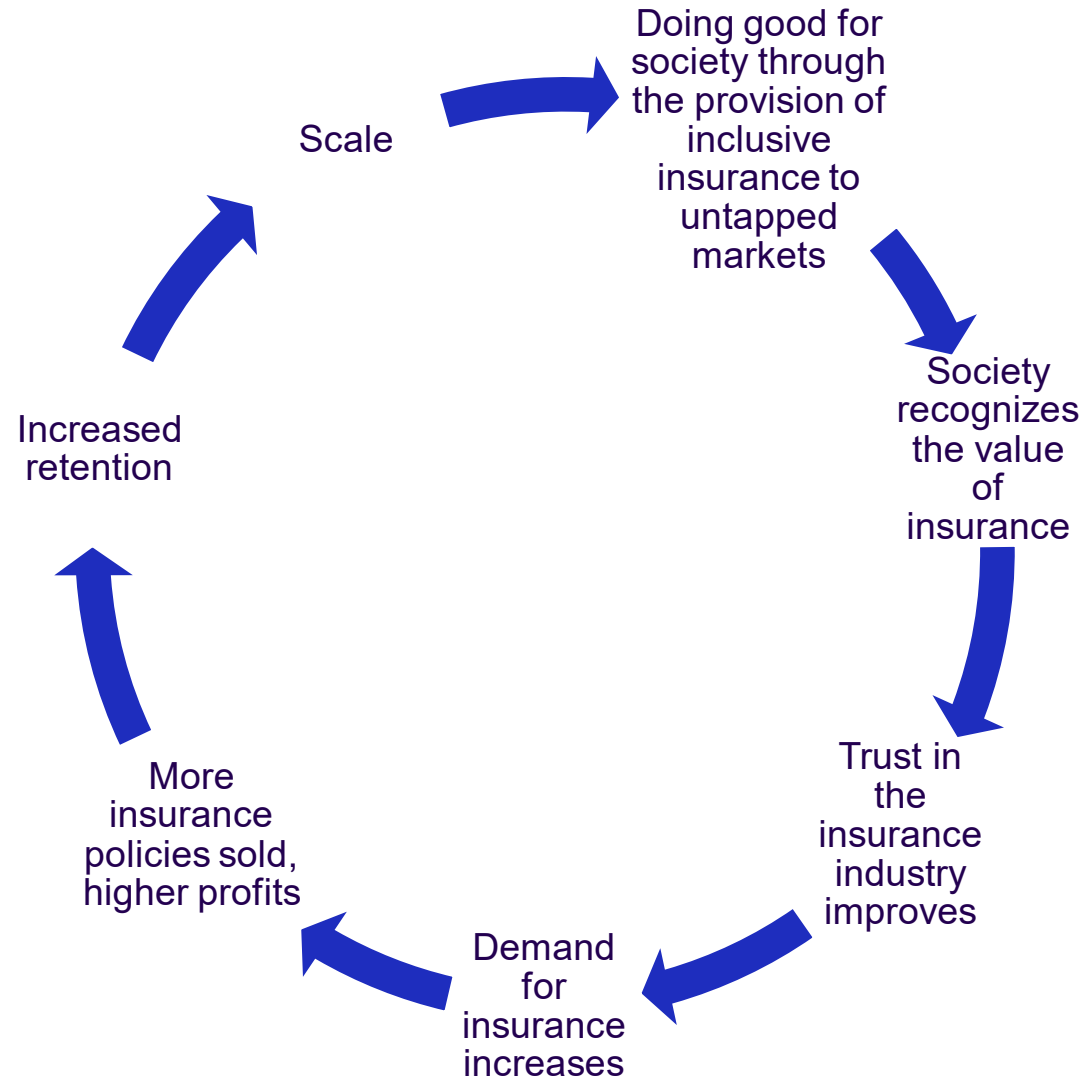
Source: Adapted from Chamberlain et al. (2017)

## The productive-protective nexus

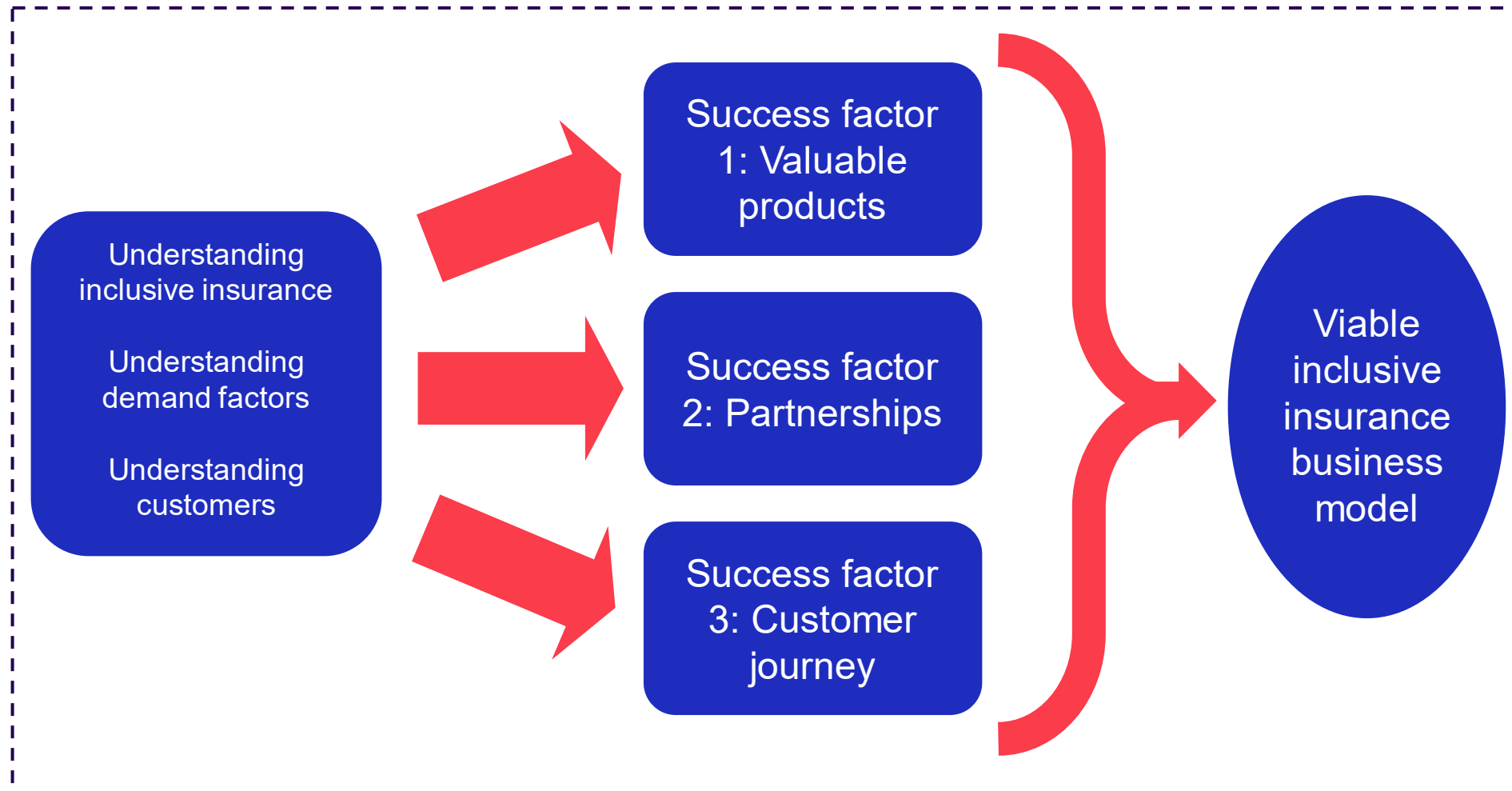




## The business case for inclusive insurance



## ▶ Pathway to a successful inclusive insurance offer





# ▶ **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

### Women

Their improved socioeconomic status and greater need for protection make women a big opportunity for insurance providers

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

### Smallholder farmers

Farmers face a multitude of risks that are not just about farming

Besides natural risks, credit risk, market risk and health risks are also relevant

Farmers within specific crop value chains face similar risks

### MSMEs

Exposed to a wide range of risks, but underinsured

Business type and size and the industry within which the MSME operates should be considered when designing insurance products

## ▶ 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?

Affordable

Can be financed with available cash flows

Accessible

Available in locations and through processes that are convenient and low-stress

Appropriate

Respond to priority needs with relevant benefits and few exclusions

Responsive

Provide a timely and reliable response to shocks and helpful answers to client queries

Simple

Easy to understand and use



## ▶ 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?



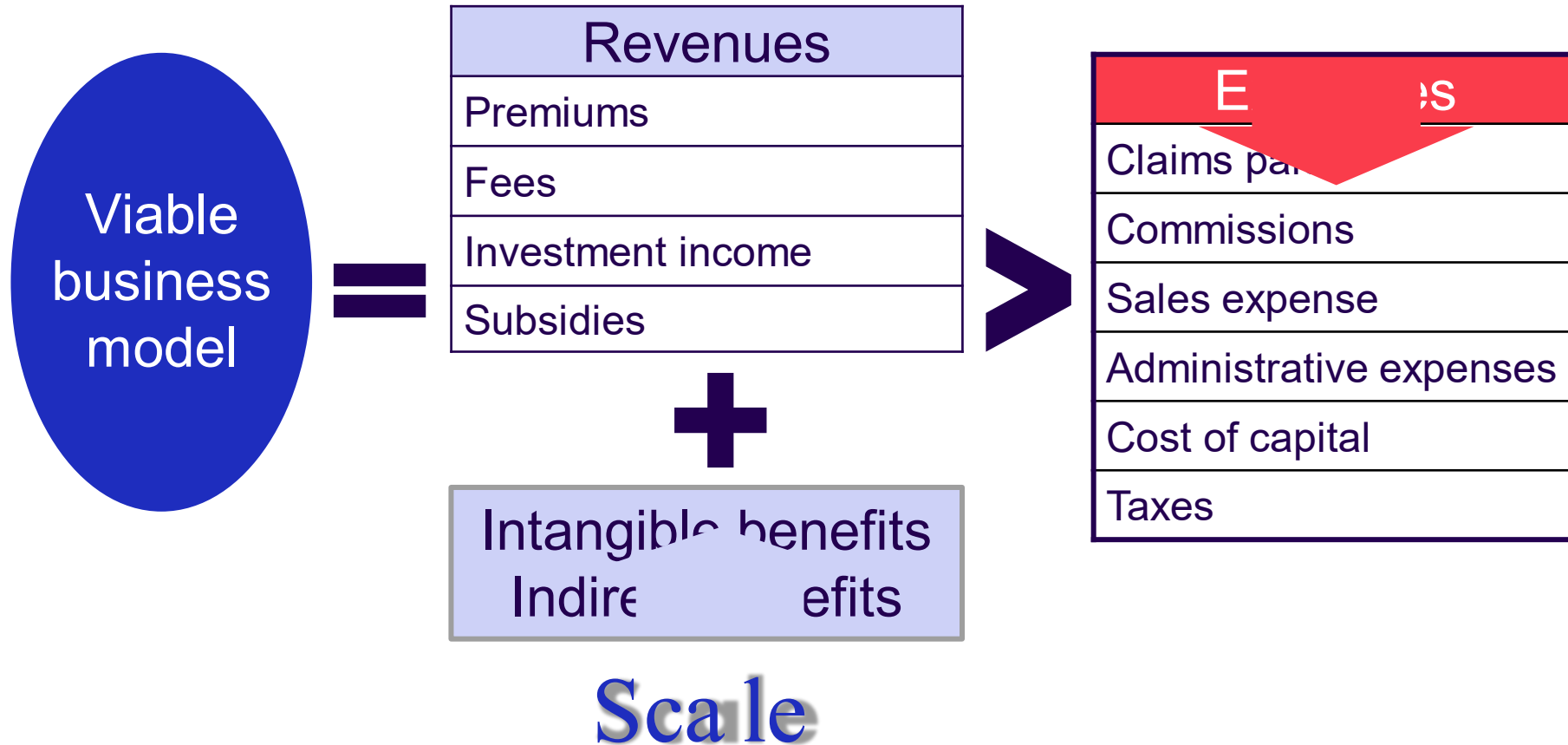
## ▶ Client value and business viability

But client value is not sustainable without business viability

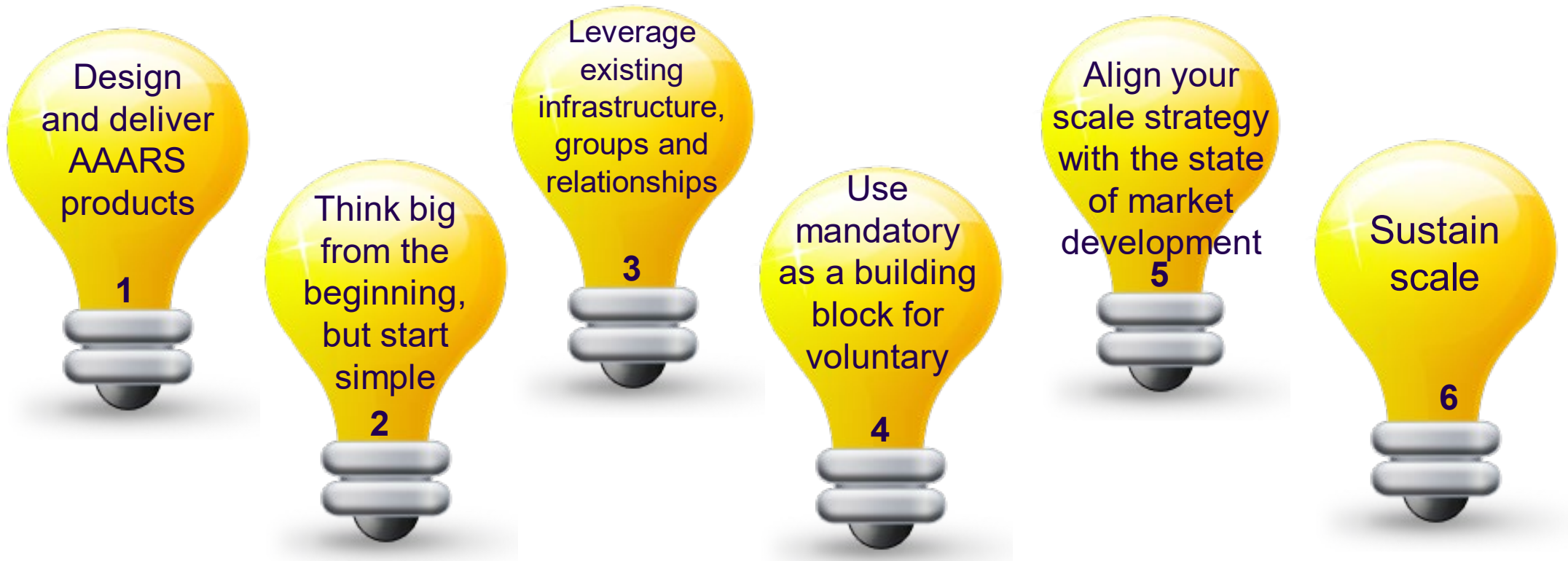
- ▶ If a product is not viable, it may be discontinued and clients will no longer benefit from the value it provided
- ▶ Providers need to balance client value and business viability: the magic balance

## What is business viability?

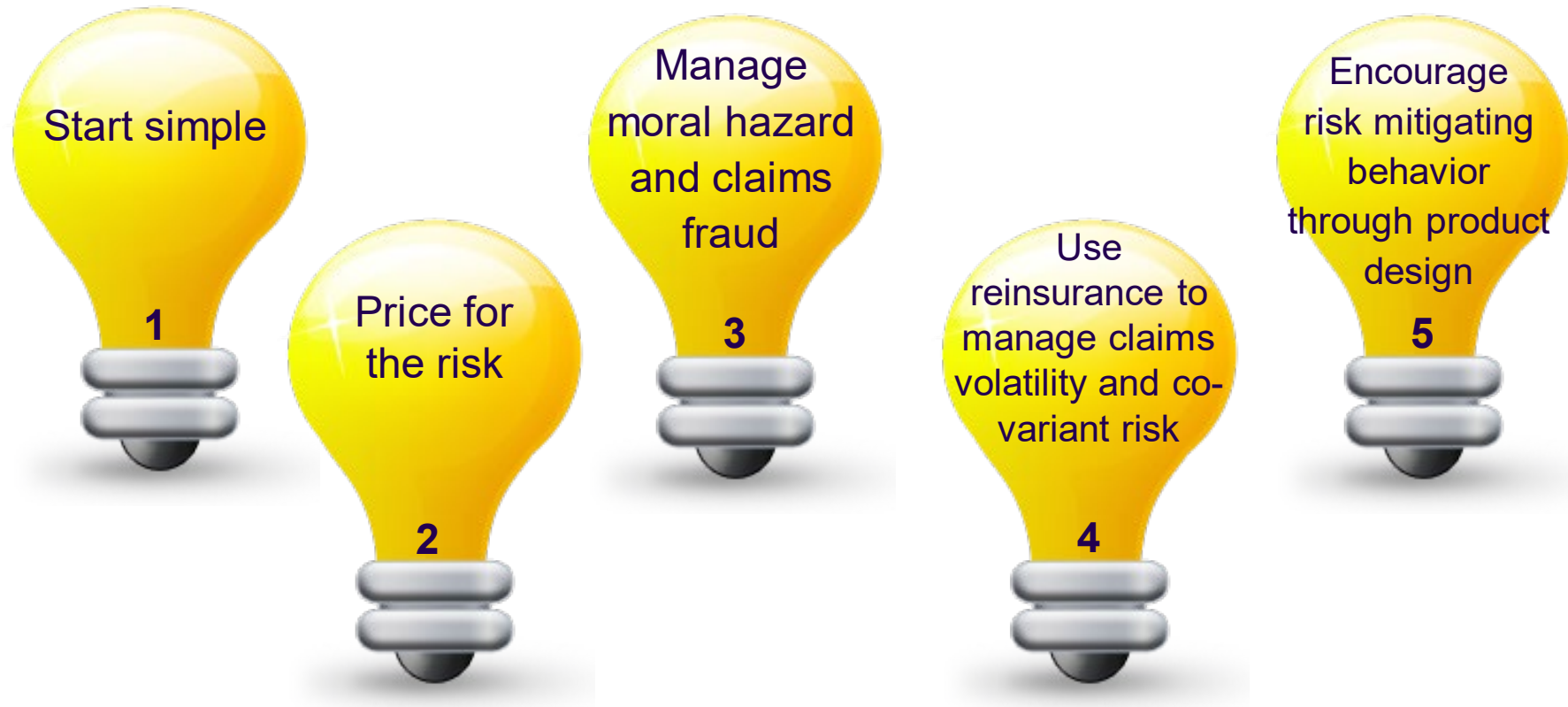
**Control claims costs**  
**Manage expenses**



## Secrets to achieve scale

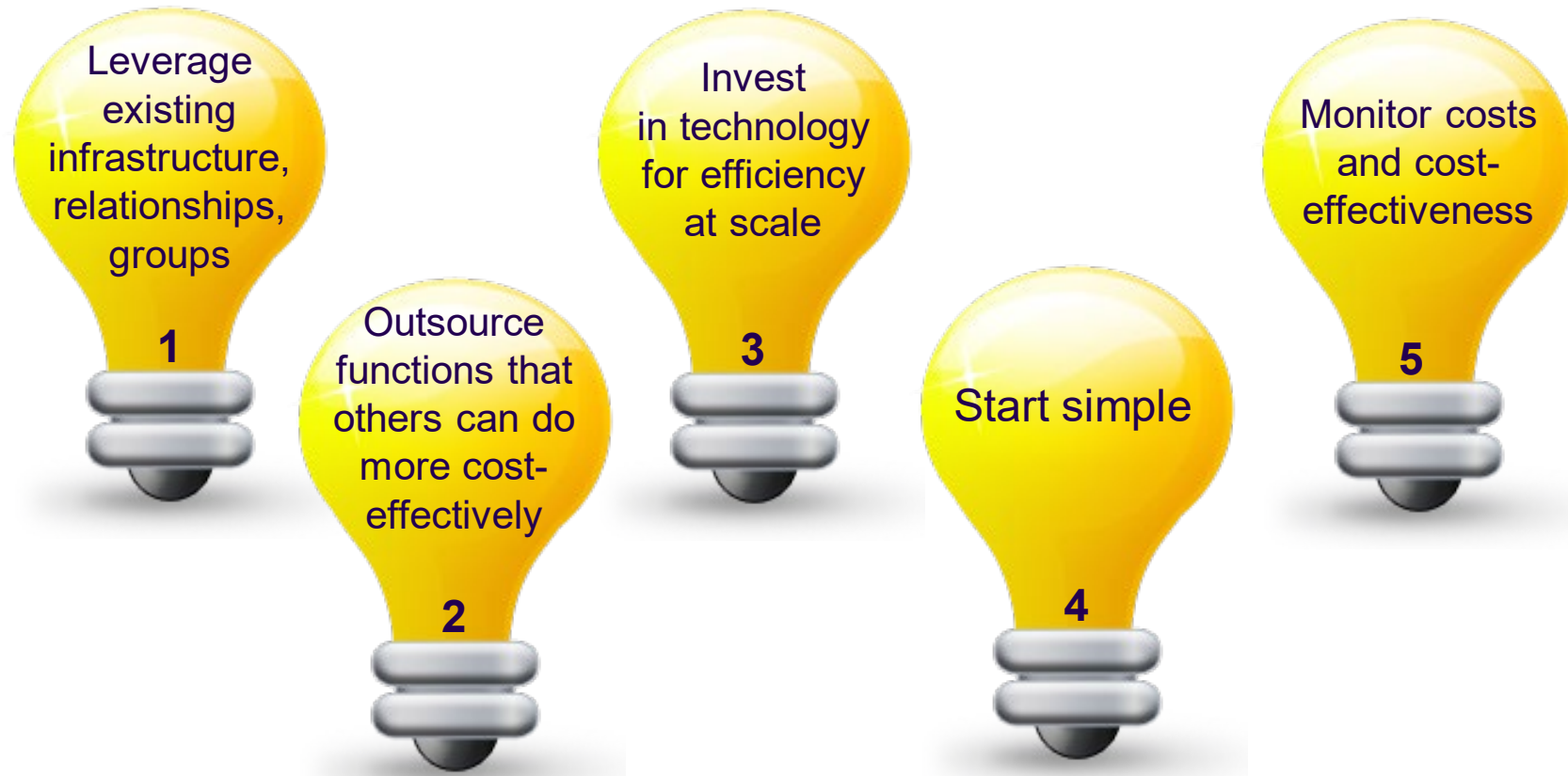


## Secrets to control claims costs





## Secrets to manage expenses



## ▶ 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...





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

## ▶ 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

Counselling

Collecting  
premiums

Closing  
renewals

Educating

Enrolling

Assisting in claims  
settlement

Promoting

## 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:

Client education	Product diversity	Scale	Brand and trust	Priority	Cost	Partnership risk
<ul style="list-style-type: none"><li>• Is the channel able to improve clients' understanding and give advice?</li></ul>	<ul style="list-style-type: none"><li>• Is the channel open to offering a wider range of products?</li></ul>	<ul style="list-style-type: none"><li>• Does the channel have access to a large number of potential clients?</li><li>• Does the channel allow for technology integration to serve large volumes?</li></ul>	<ul style="list-style-type: none"><li>• Does the channel have a popular brand? Is it trusted within the target market?</li></ul>	<ul style="list-style-type: none"><li>• Does inclusive insurance matter to the channel? Is it willing to prioritise it?</li></ul>	<ul style="list-style-type: none"><li>• Does the channel offer cost-efficient distribution for the insurer?</li></ul>	<ul style="list-style-type: none"><li>• Does the channel offer the possibility of a long-term partnership?</li></ul>

## Potential roles distribution channels can play in the value chain



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

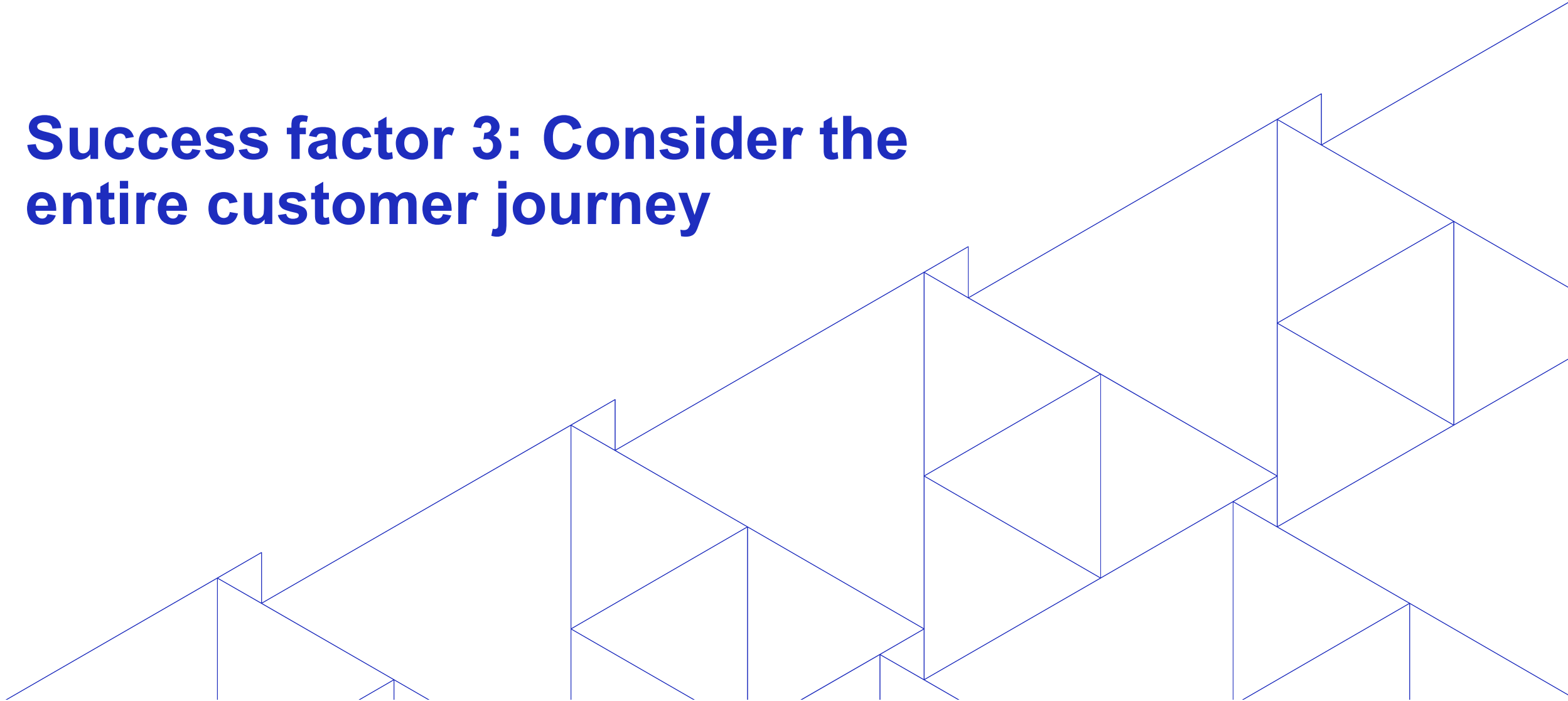
When choosing a distribution channel to work with, look at:

- ▶ 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

