



▶ **Parallel session 8 - Improving the value and viability of inclusive insurance**

International Conference on Inclusive Insurance 2024

Kathmandu, Nepal

Date: 23 / October / 2024

International Conference on Inclusive Insurance 2024 – Kathmandu, Nepal

23 October 2024 – Day 3:
14:00 – 15:30

Parallel session 8
Improving the value and viability of inclusive insurance

Hosted by ILO



SPEAKER

Melinda Grace "Aira" Labao
Vice President/ Officer-in-Charge, CARD Pioneer Microinsurance Inc., The Philippines



SPEAKER

Deanne Bezuidenhout
Head ESG, Hollard, South Africa



SPEAKER

Shubasish Barua
Head of Impact Business and Sr. Executive VP, Green Delta Insurance, Bangladesh



SPEAKER

Ashok Shah
Group CEO, APApollo Group, Kenya



FACILITATOR

Lisa Morgan
Technical Specialist, ILO, Switzerland

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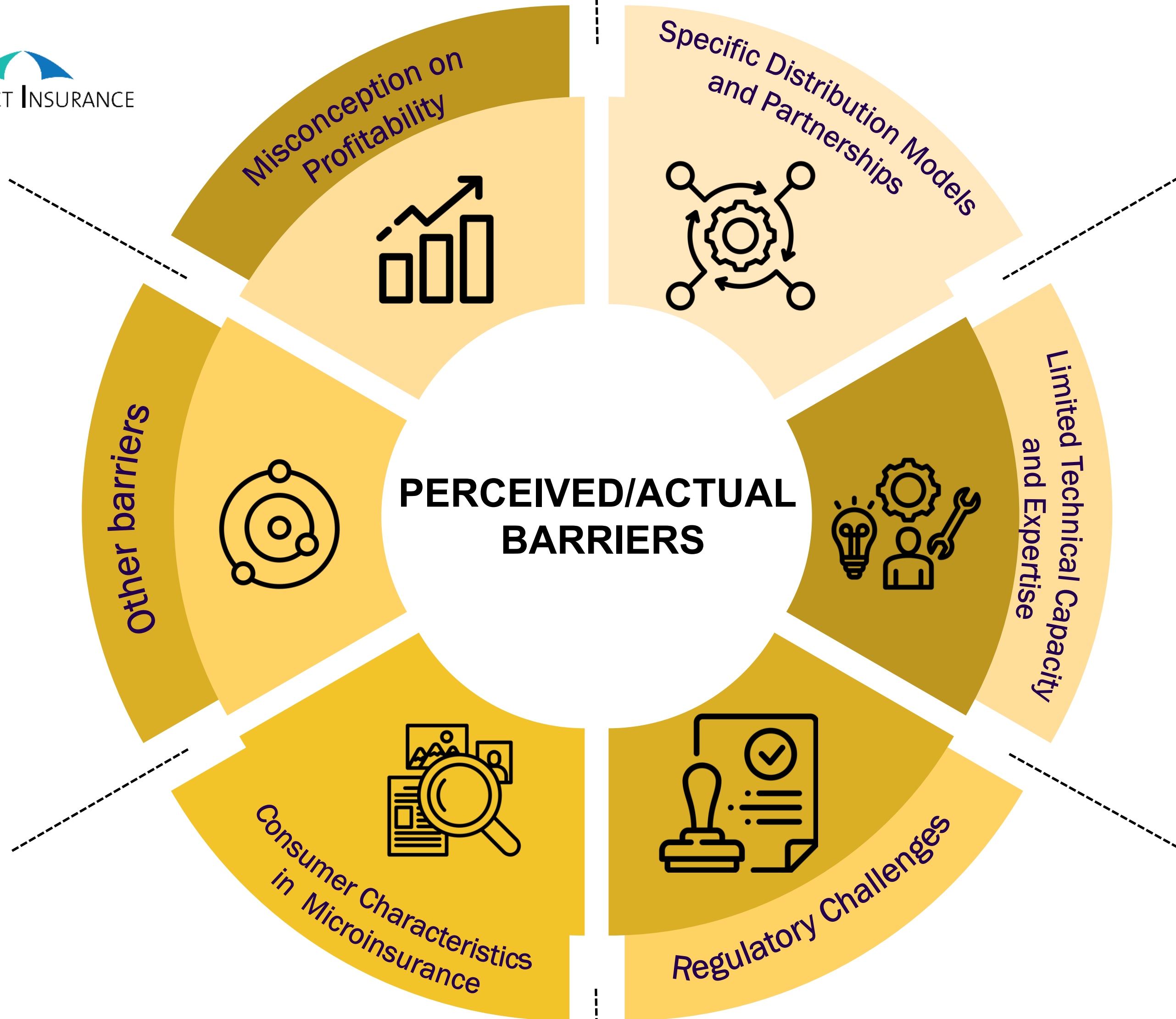




International Labour Organization



Based on research conducted by the Microinsurance Network for & with input from the ILO through interviews with 40 insurers **NOT** active in the inclusive insurance/microinsurance space



Emerging Solutions – see next slide

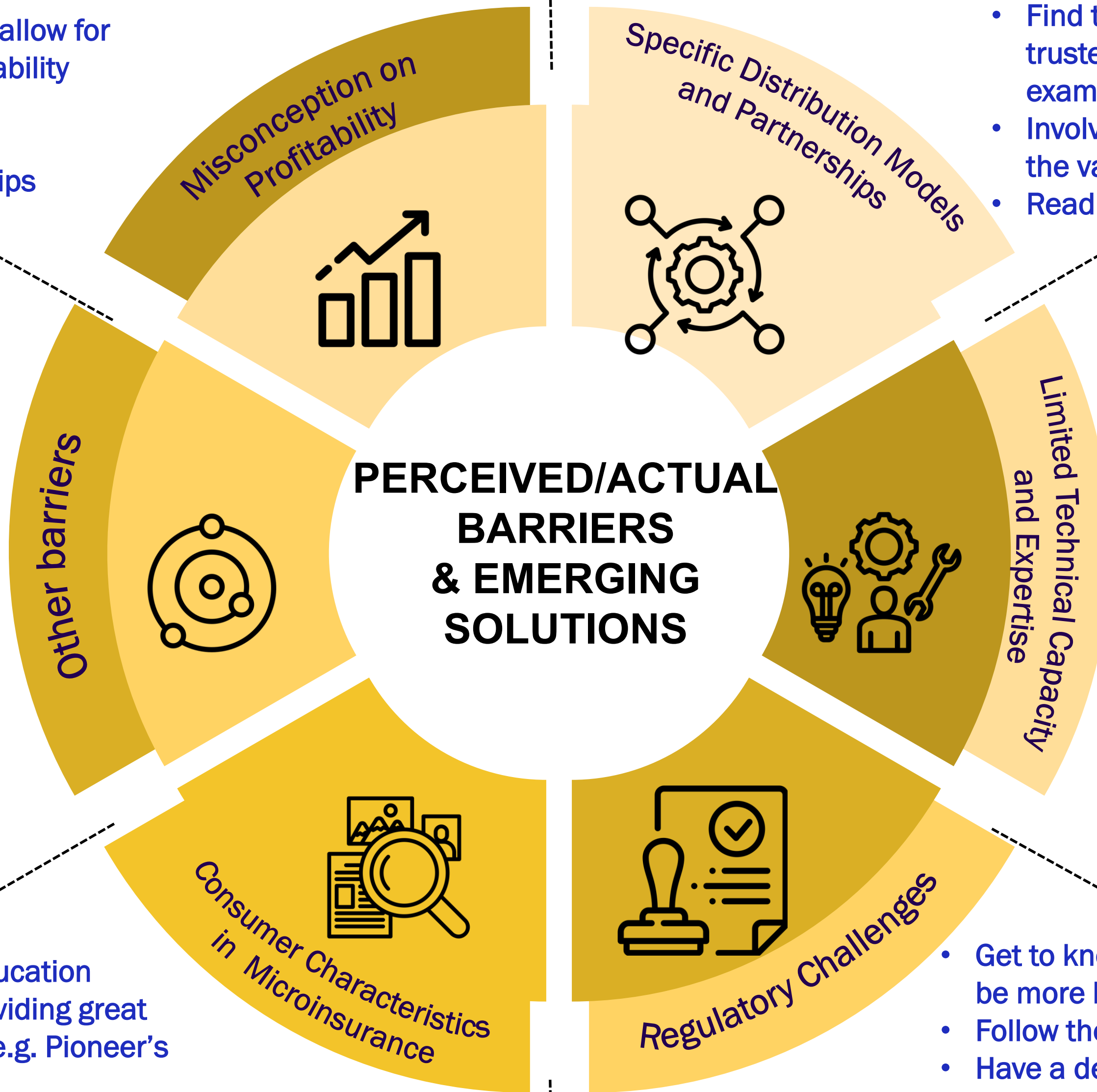
- Build a strong business case & allow for iterations & more time to profitability
- Strong senior support is key
- Start simple – lower costs
- Strategic distribution partnerships



- Clear, simple & appropriate communication
- Never skip the market research stage – talk to end clients



- Invest in financial/consumer education
- Build trust by paying claims, providing great service & sharing testimonials (e.g. Pioneer's customer journeys)
- High-tech, high-touch (APA & Britam)

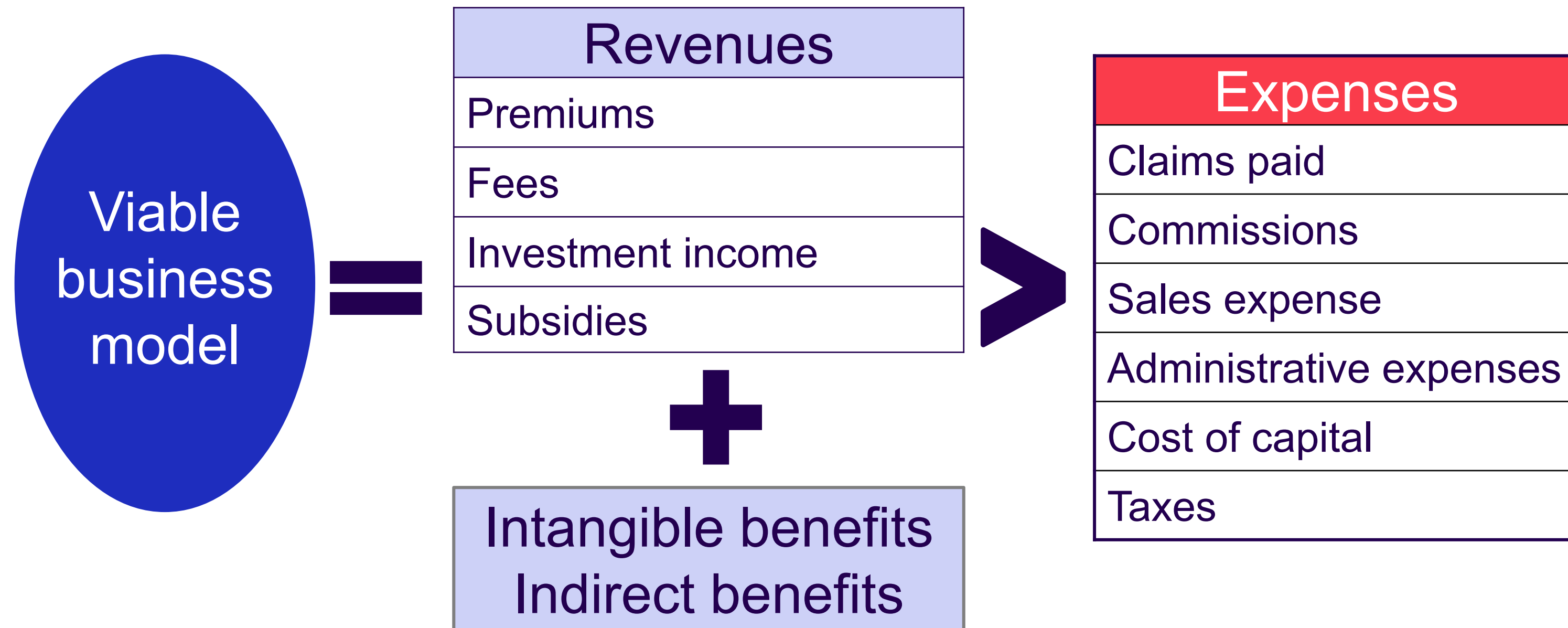


- Find the right partnerships with trusted brands (e.g. Hollard's examples) – align incentives
- Involve distribution partners all along the value chain
- Read the ILO literature on the topic

- Have a dedicated microinsurance/inclusive insurance team/unit
- Attend the ILO's Impact Insurance Academy & other available training on inclusive insurance
- Join the Microinsurance Network, specific Best Practice Groups, share & learn

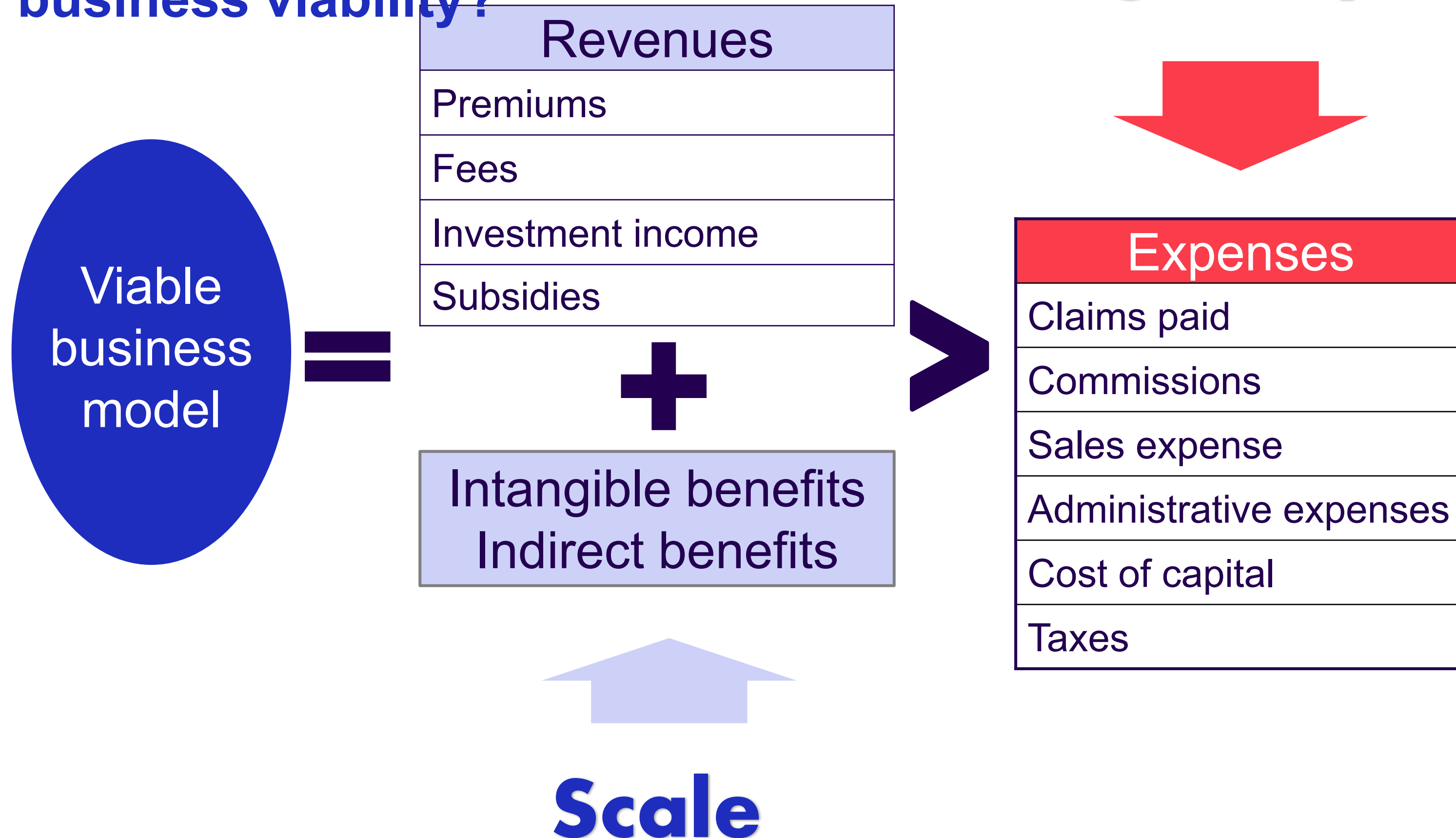
- Get to know your regulators – they may be more helpful than you think!
- Follow the work of the a2ii
- Have a dedicated person who keeps up to date with the latest regulations

What is business viability?

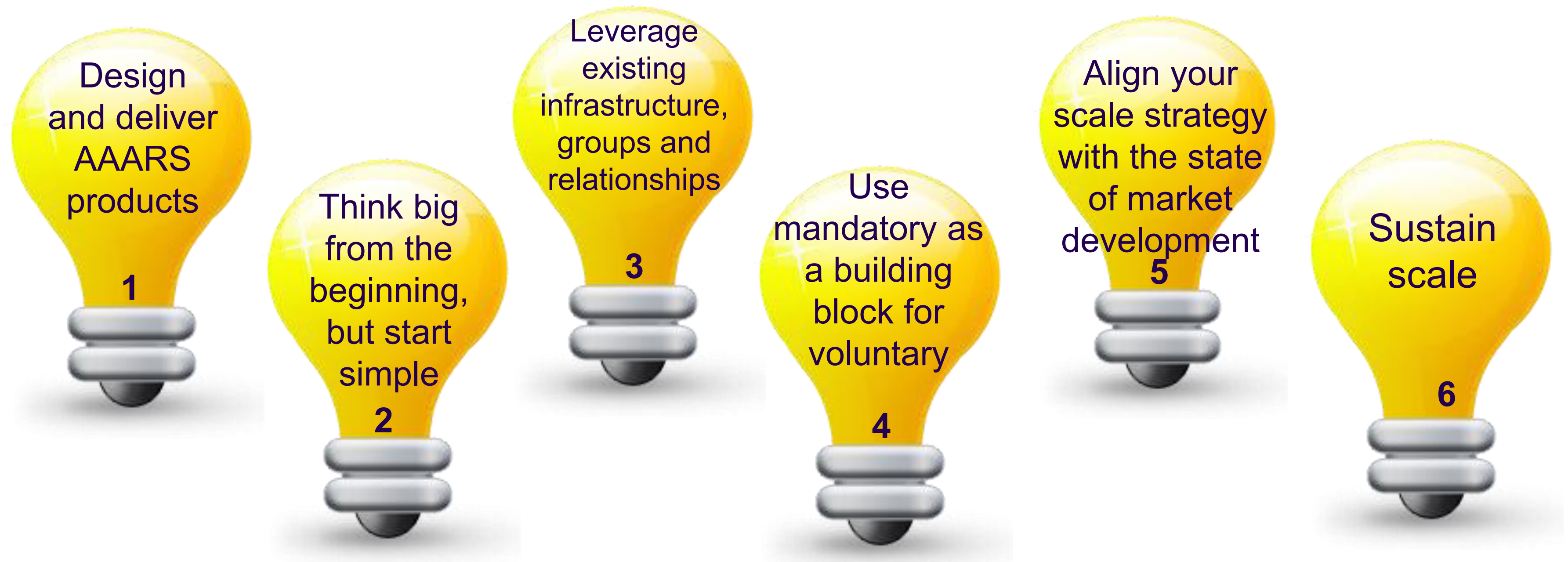


Control claims costs Manage expenses

What is business viability?



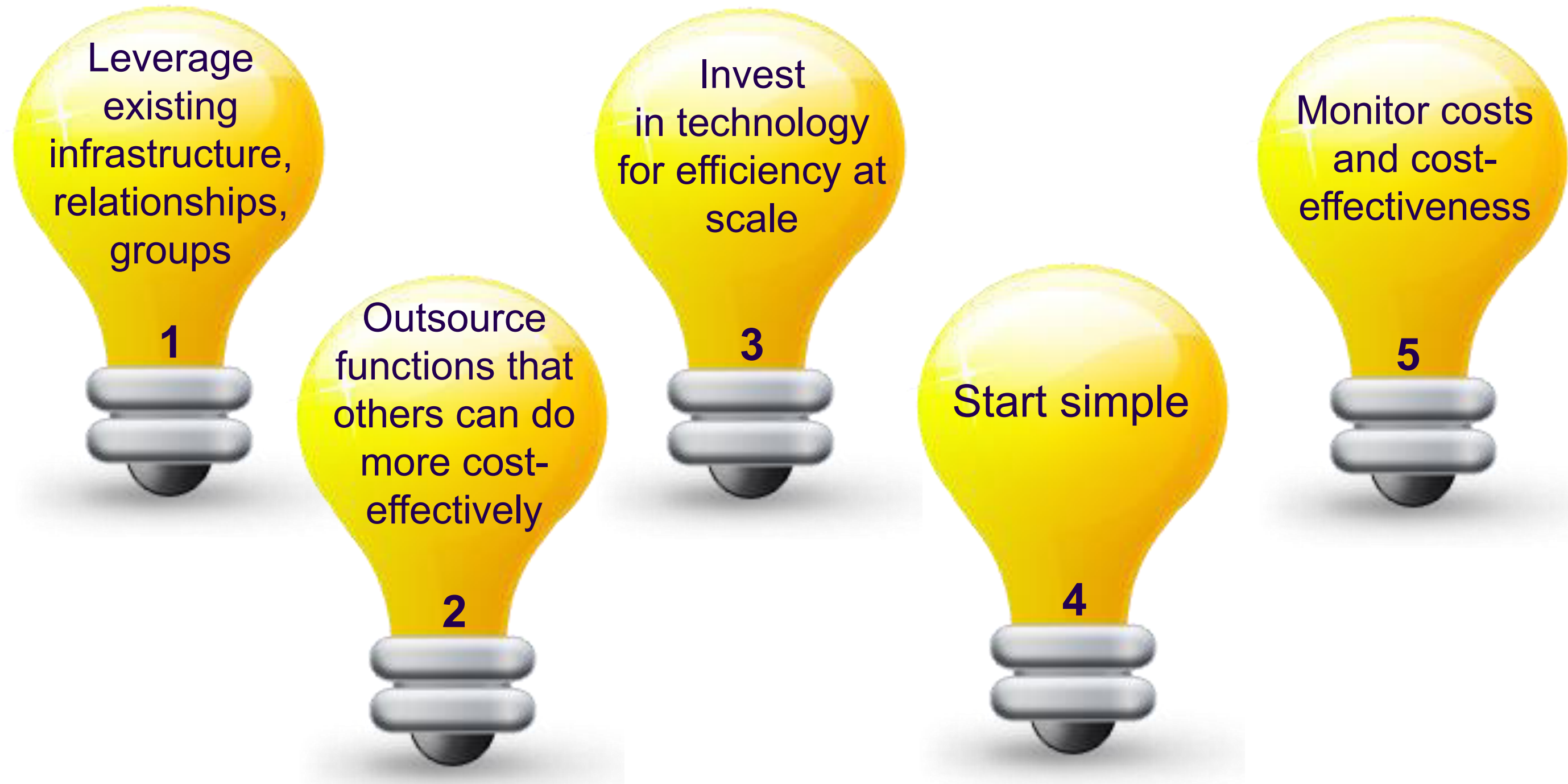
Secrets to achieve scale



Secrets to control claims costs



Secrets to manage expenses



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CARNIVAL BREEZE

Inclusive Insurance Landscape

174 Million Opportunities

\$1.8 Billion

In 2022



Premium

6%

During 2023-27



CAGR

\$8

Per person on insurance



Per Capita
Expenditure

68%

In 2021



Claim
Settlement

0.5%



Insurance
Penetration

0.9%



Lives Covered under
Inclusive Insurance

Agriculture Landscape

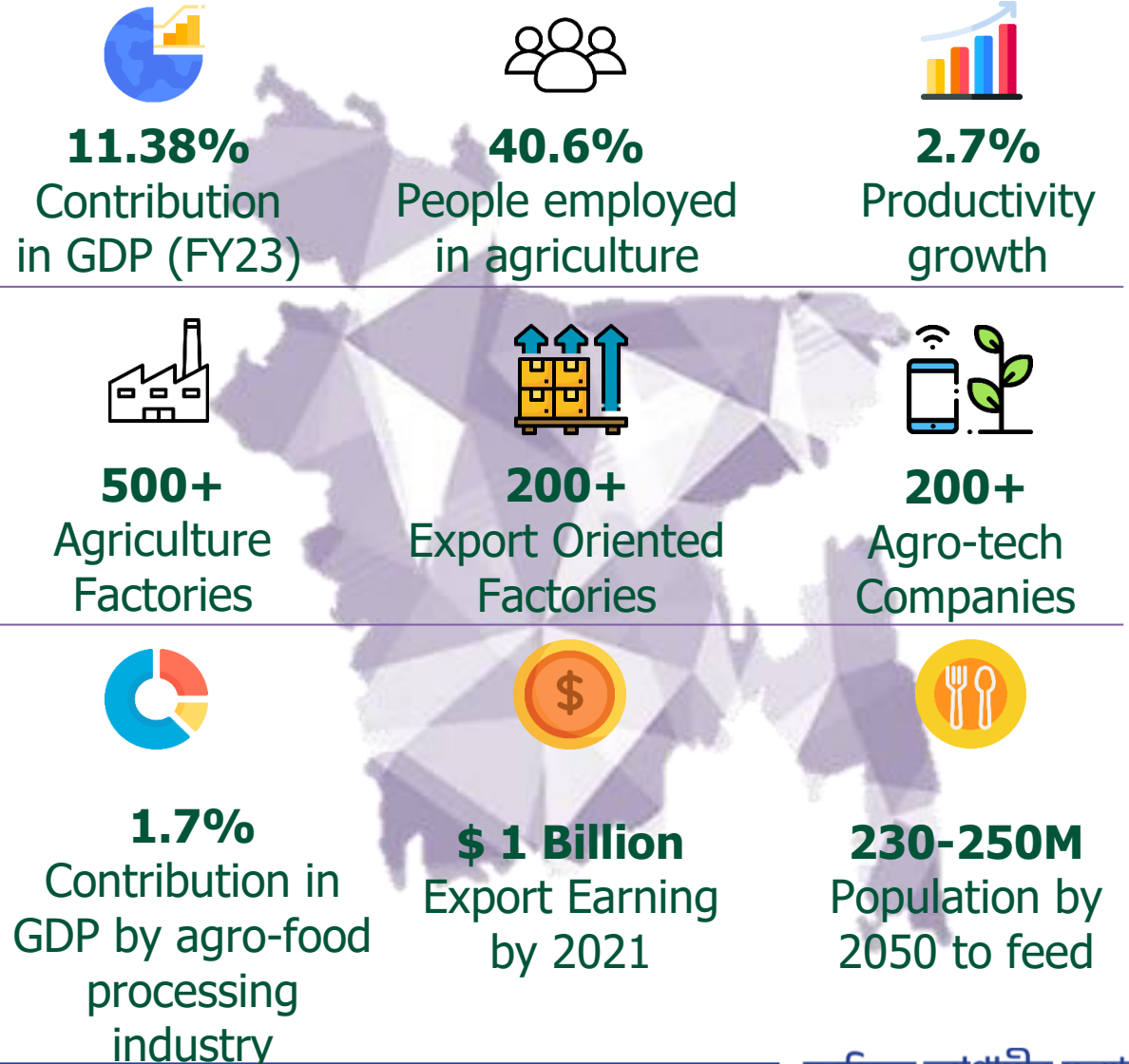


\$549 Million

\$74 Million

 Market for
Crop Insurance

 Market for
Livestock Insurance



Healthcare Landscape



- Per capita healthcare spending **\$57.9**
- Budget for healthcare **5.2%**
- 1 physician for every **1,581 individuals**

\$86.5 Million

 Market for Healthcare Insurance

73%

Out of Pocket Expenditure

9 Million

Life Insurance Policies

10% have health coverage

11.2%

CAGR

2024-29

Drive towards Inclusive Insurance

1

LOW INSURANCE PENETRATION

Despite **5.2%** economic growth, Bangladesh exhibits **0.5%** of insurance adoption, reflecting untapped market potential & necessity for financial & inclusive insurance

4

BELOW POVERTY LINE

18.7% of the population living below poverty line necessitating affordable, accessible insurance schemes to enhance financial security & resilience

CLIMATE ACTION

Bangladesh requires **\$12.5 billion (3%** of GDP) for Climate Action

2

HEALTH OUT OF POCKET EXPENDITURE

73% personal funds for healthcare expenses highlights the critical need for scalable health insurance initiatives

5

3

BOOMING AGRO INDUSTRY

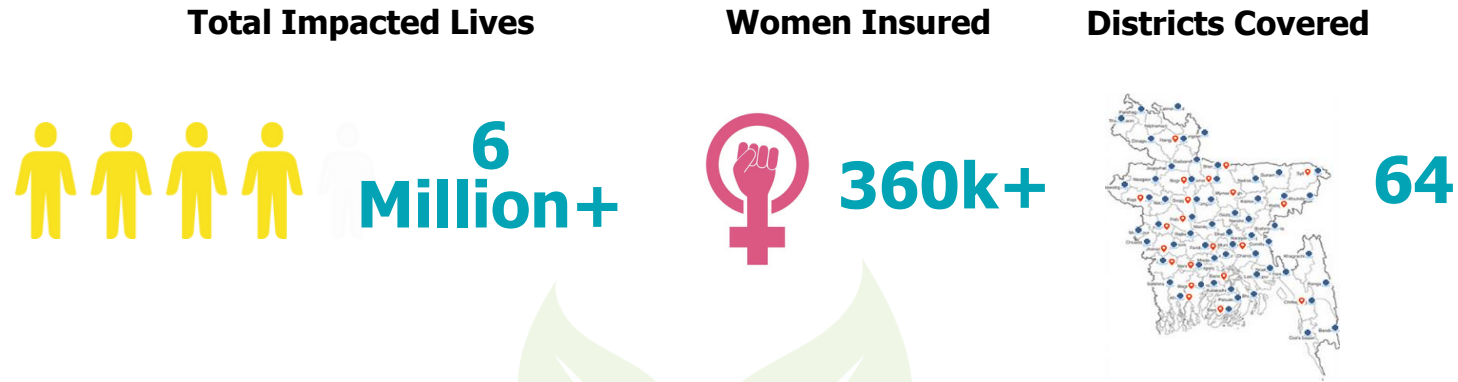
11.38% contribution in GDP underscores the need for tailored insurance products to safeguard farmers' livelihoods & productivity

6

DEMOGRAPHIC DIVIDEND

With a **45.9 million** youthful and expanding population, Bangladesh is positioned to leverage this advantage through innovative insurance products

Our Footprint



Our Beneficiaries



Opportunities or Challenges



Raising Insurance
Awareness

01



Strengthening Distribution
Partnerships

06

02

Untapped Market
Potential



07

Developing Independent
Distribution Networks



Microcredit Regulatory
Authority vs Insurance Act
2010

03



Data Accessibility &
Credibility

08

04

Inclusive Insurance
Regulatory Development



09

Incentivizing Insurance
Adoption



Corporate Agent
Regulation in Non-Life
Sector

05



Optimizing Operational
Efficiency

10

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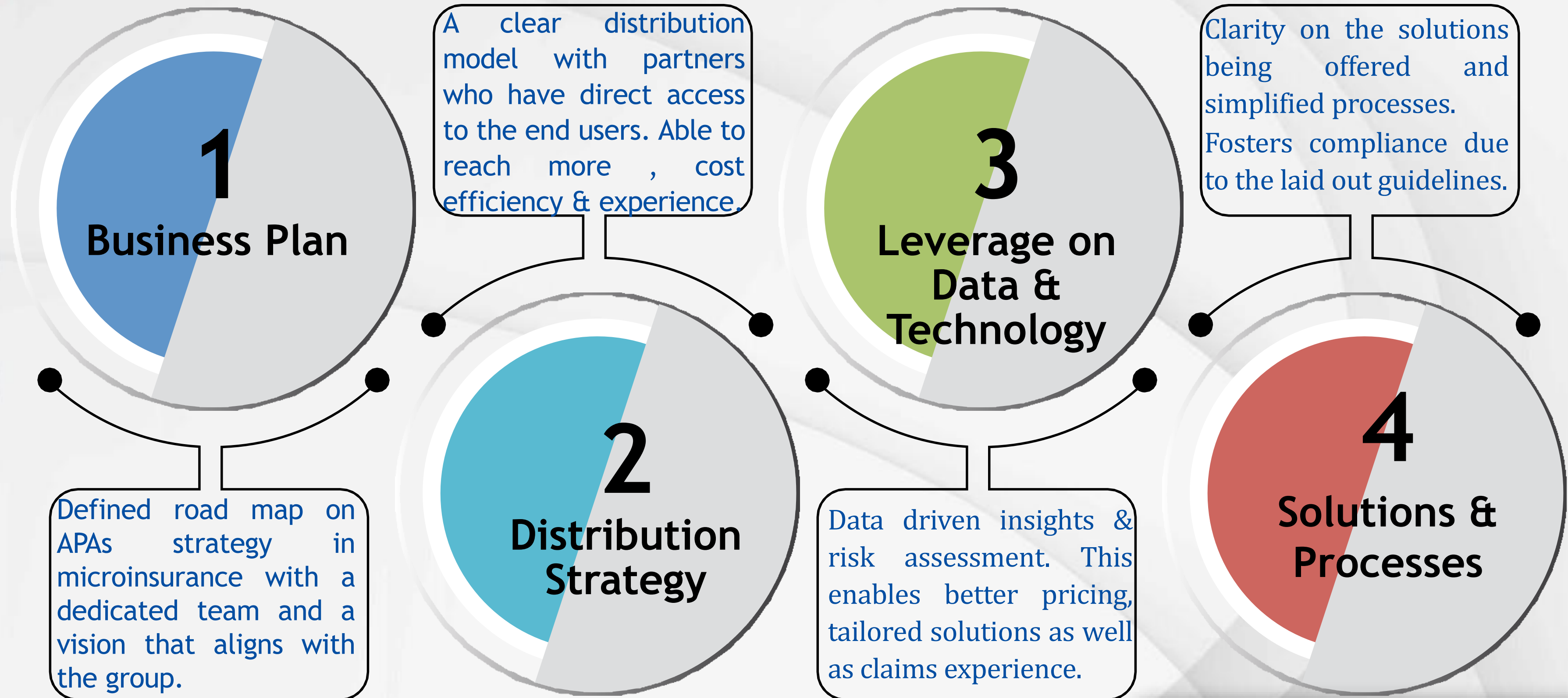


FACILITATOR

Lisa Morgan

Technical Specialist, ILO, Switzerland

APAs' Journey/Experience



Microinsurance License in Kenya

The microinsurance license requirements in Kenya, set by the Insurance Regulatory Authority (IRA), are designed to ensure that **products specifically serve low-income individuals and communities.**

To qualify, insurance products must meet criteria related to **affordability, simplified policy terms, and accessibility.**

Providers must submit detailed documentation including;

- Product descriptions
- Pricing models
- Distribution strategies

The aim is to demonstrate a clear focus on financial inclusion, with products tailored to mitigate risks commonly faced by low-income households and informal sector workers.

Regulation Requirements;

- ❖ Registered companies must have the word **'Microinsurance'** in the **registered name**
- ❖ Set up a separate subsidiary board with **capital requirement of Kshs. 50M (USD 387,000)**

Policy Requirements & Specifications;

- ❖ Contract **term -12 months** ; renewable
- ❖ Daily premiums/contributions shall **not** exceed **Kshs.40 {USD 0.31}**
- ❖ Sum insured shall **not** be more than **Kshs. 500,000 {USD 3,870}** with no liability cover
- ❖ Claims settled within **10 days**

Products & Pricing;

- ❖ Allow **bundled** solutions (Life/ General/ Health)
- ❖ Changes in **pricing** need **approval**

Agents & Distributors Requirements

- ❖ Complete a **training programme (25hrs)** approved by the Authority. (refresher 15hrs every 3 years)
- ❖ Commissions or fees payable shall **not exceed 15%**

What is client value?

Client value = The relative utility or worth that customers derive from a product or service

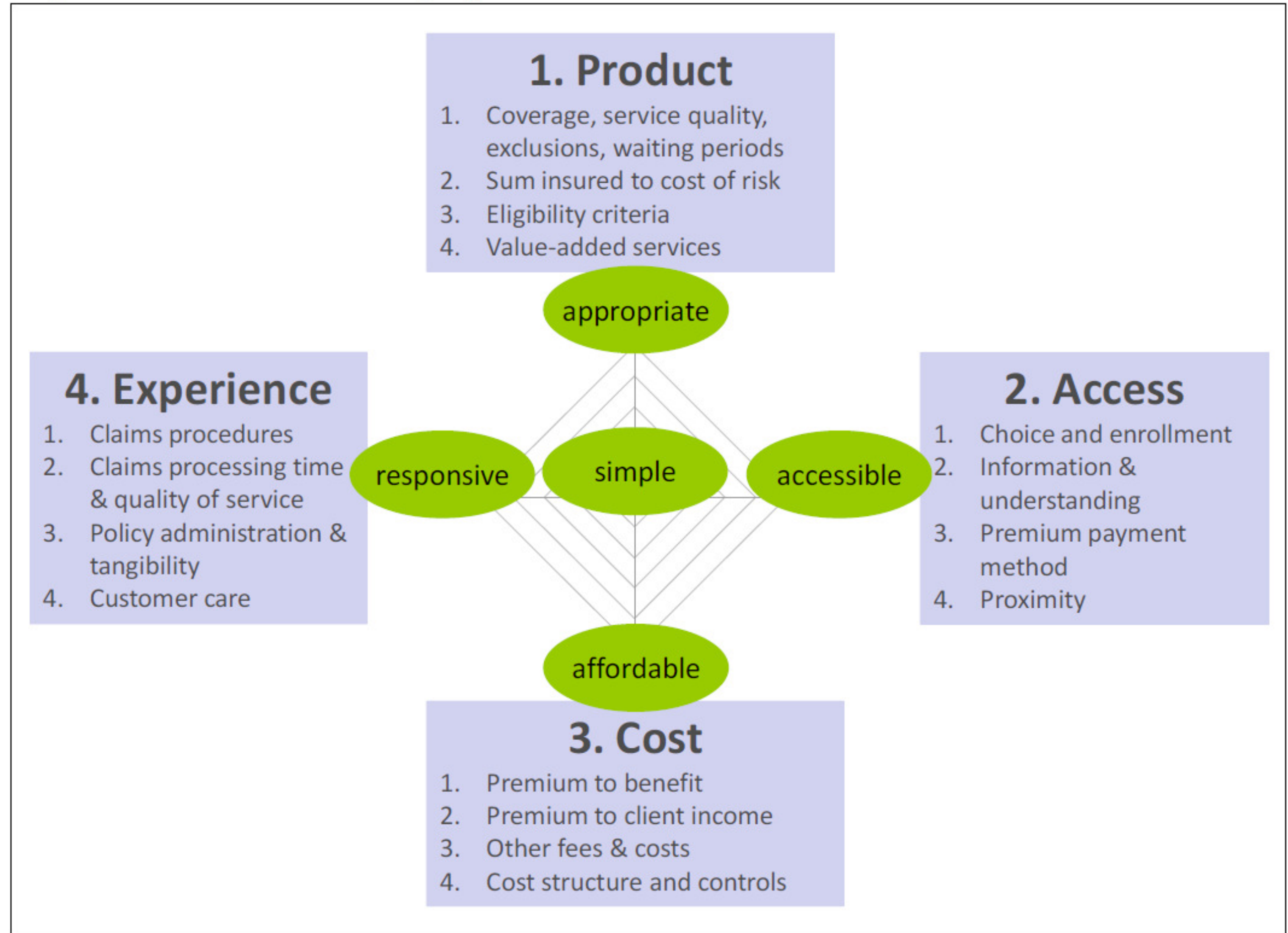
- Product benefits are considered in relation to costs
- They are also considered in relation to customers' priority needs and goals
- Product costs and benefits are compared with other available options

Why focus on client value?

- **To reach scale:**
 - **Grow new sales**
 - **Increase customer loyalty and improve customer retention**
- **To strengthen social impact**

How to measure client value: e.g. ILO PACE tool

Figure 2: PACE added value analysis framework



How to achieve client value:

Inclusive insurance products/solutions can only deliver value to clients if they are AAARS:

Appropriate

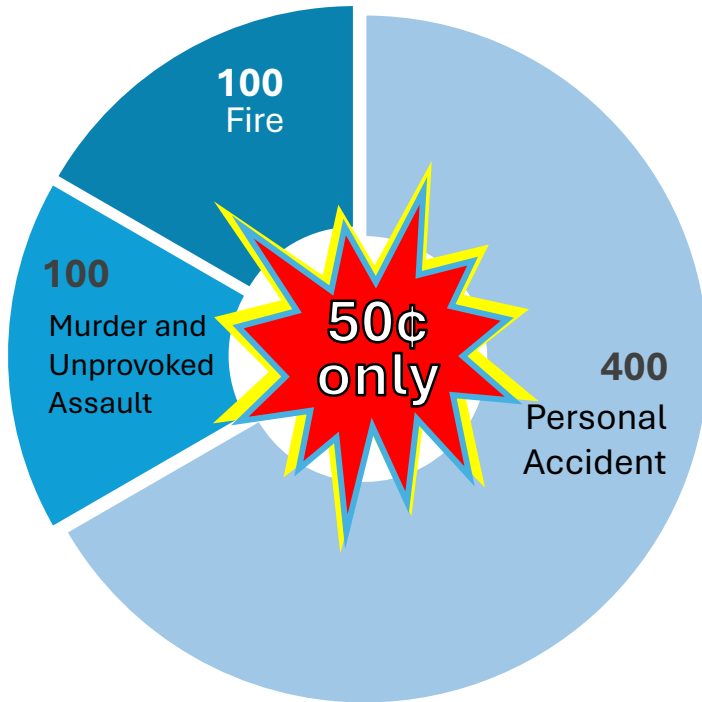
Accessible

Affordable

Responsive to shocks

Simple

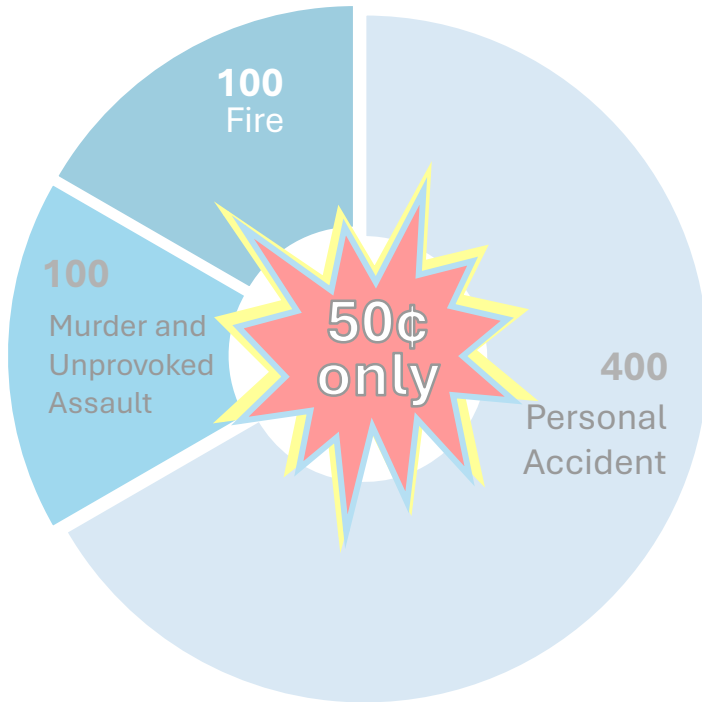
2015



*Max of 5 units per individual per 4 months

*1 USD = PHP50

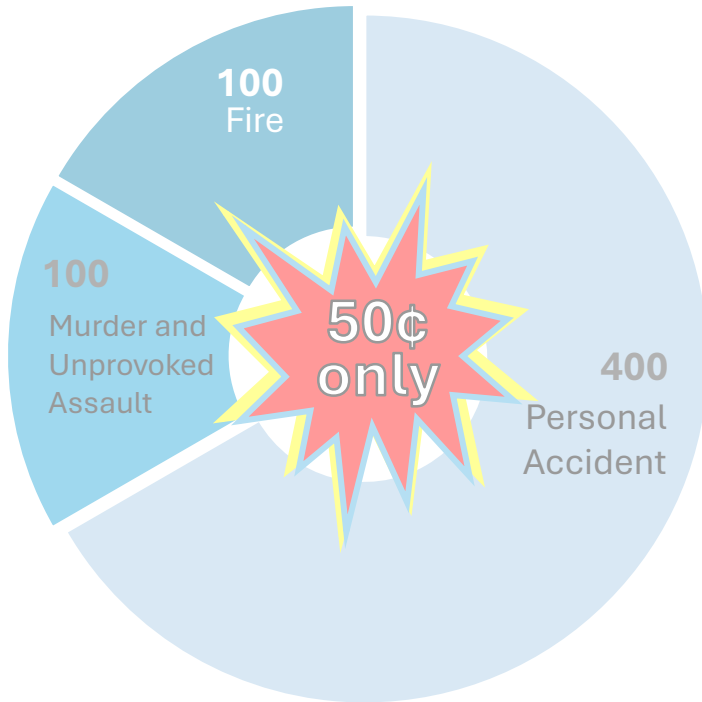
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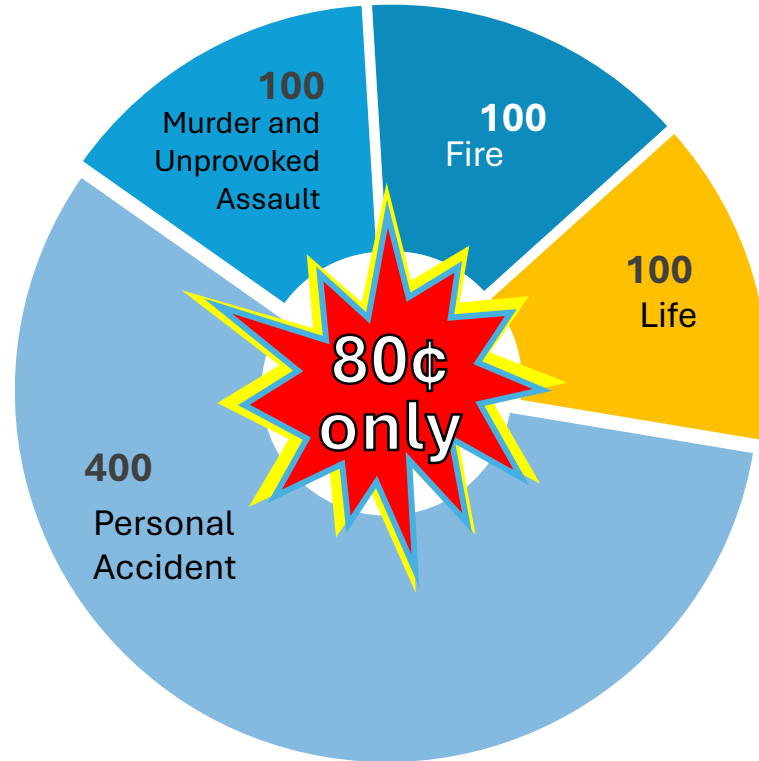
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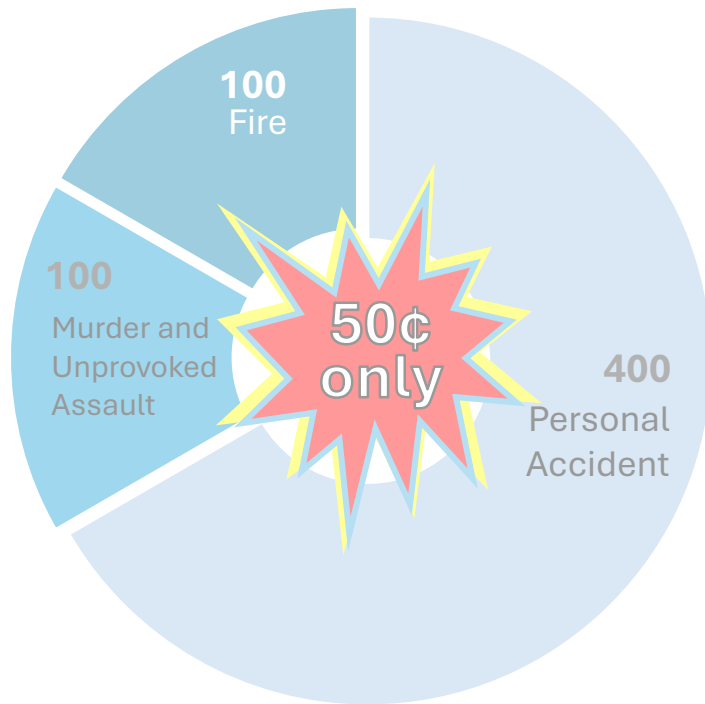
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2016



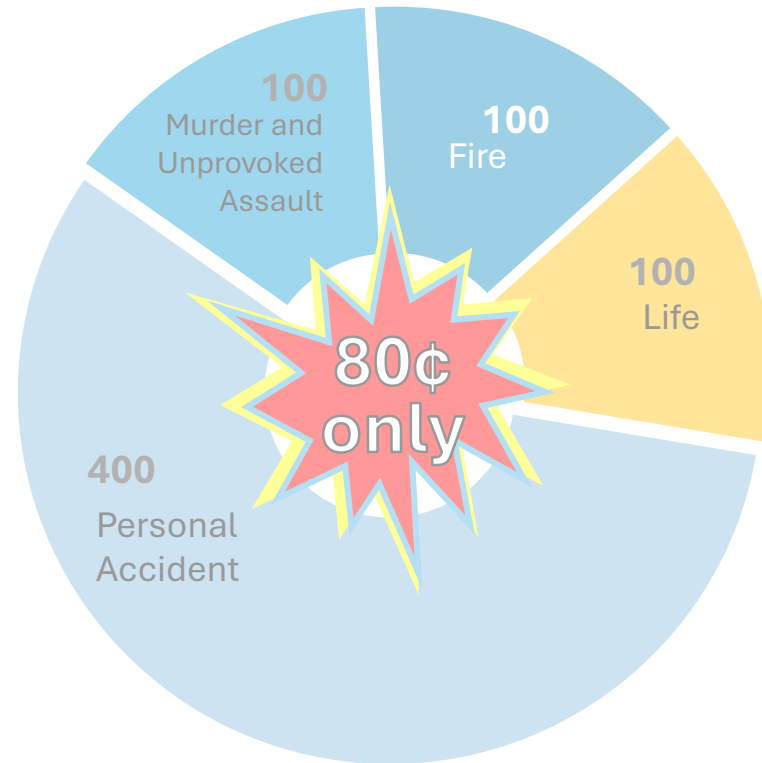
*Life component – other insurance provider

2015



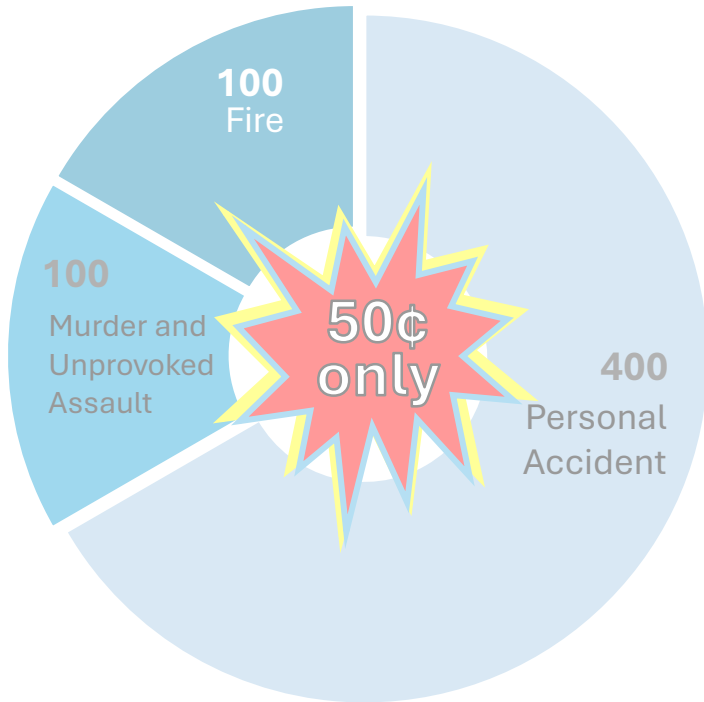
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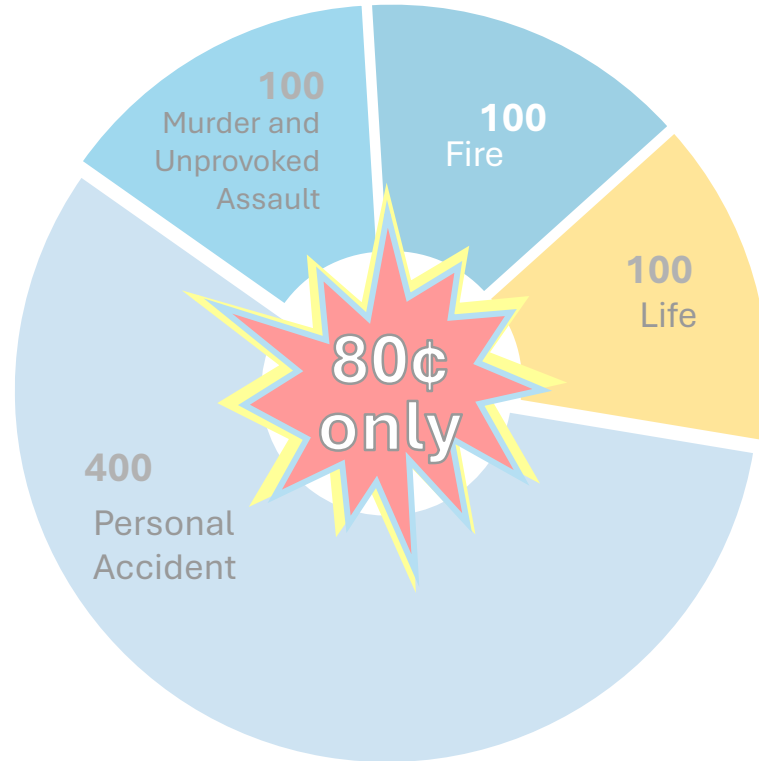
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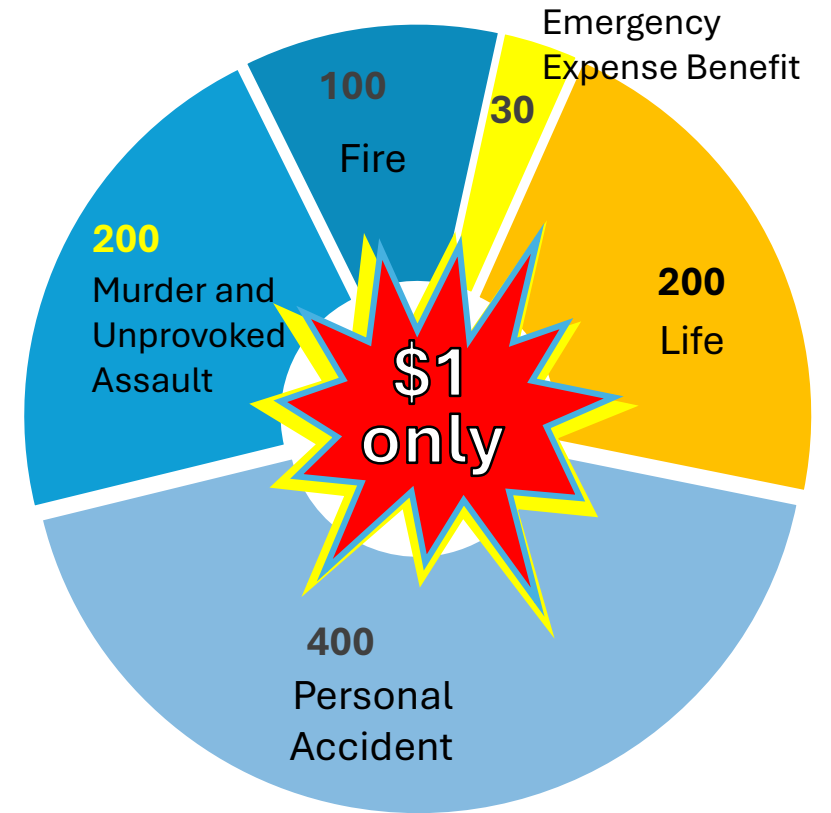
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2016



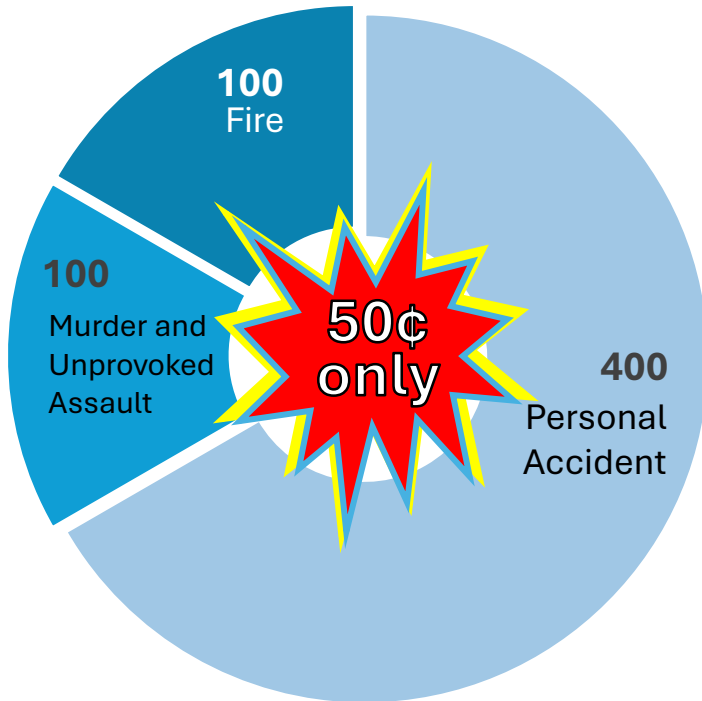
*Life component – other insurance provider

2019 to present



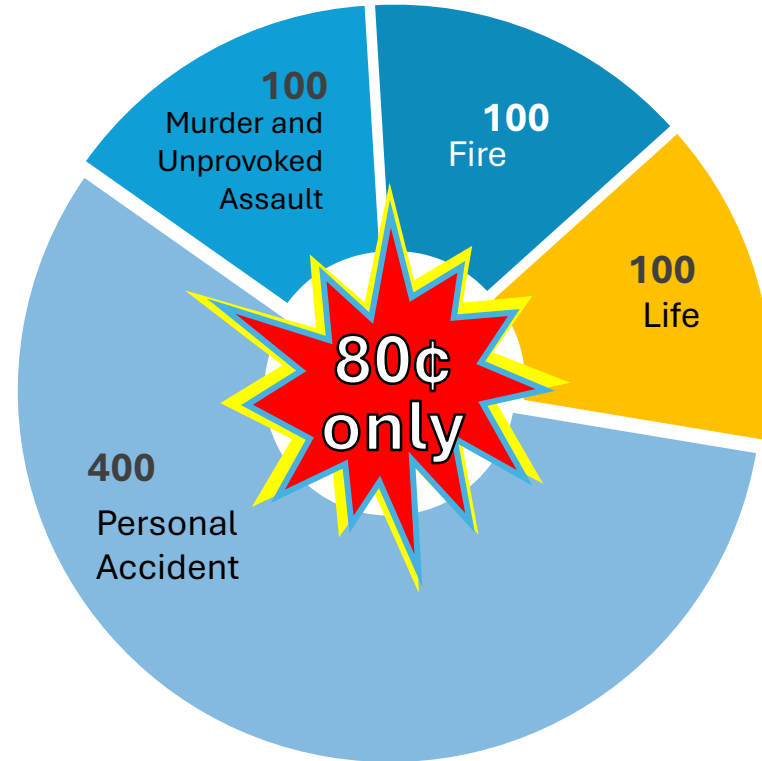
*Pioneer is the provider for both Life and Non-Life.

2015



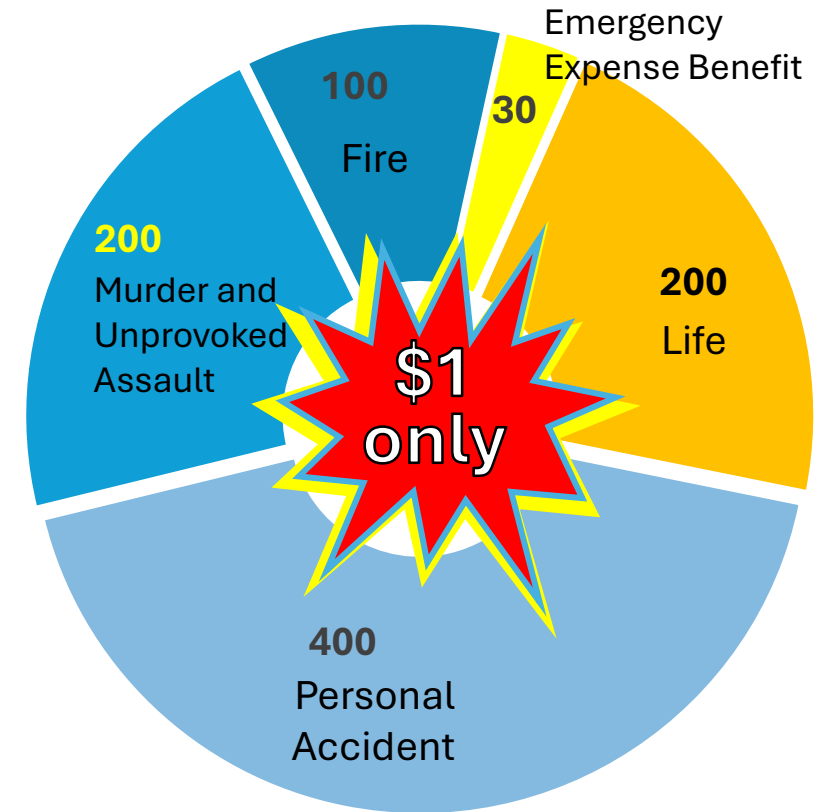
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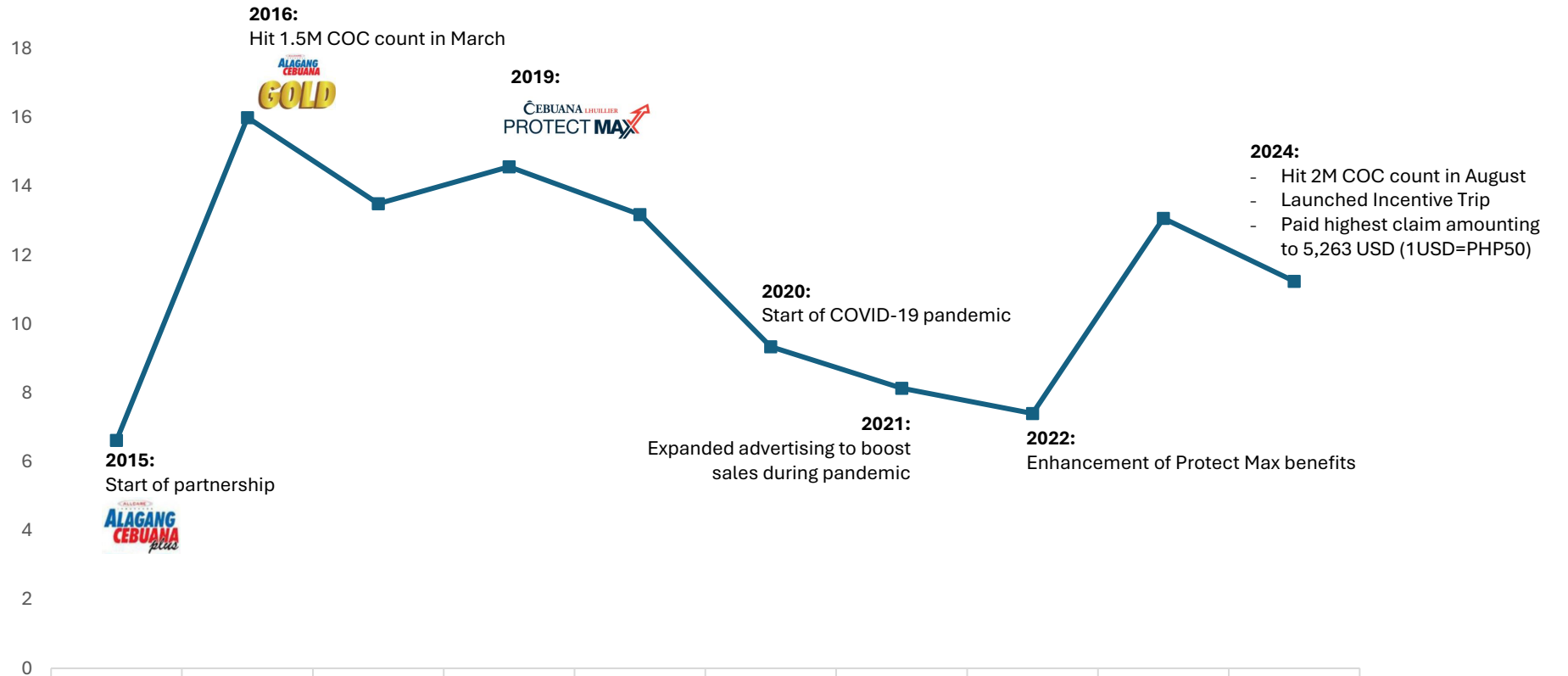
2019 to present



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Cebuana Lhuillier - Pioneer Microinsurance Enrollments

(2015 - AUG. 2024)



■ Total enrollments (in millions)

■ Total enrollments (in millions)

Technology Integration



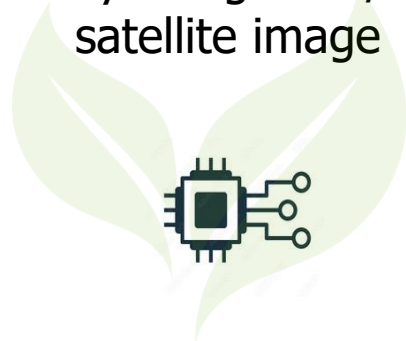
Satellite-based crop health and vegetation monitoring



Provides OBD calls as VAS service (weather forecast and crop advisory)



Land identification by using UAV / satellite image



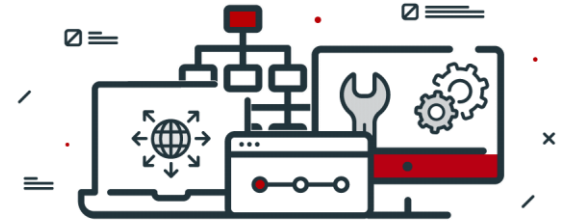
Plant protection through a mobile application



Web and Portal base system used for cattle insurance management (LIMS)



SSK Registration App
Biometric Fingerprint



Digital enrollment process for micro product



Drone for crop surveillance

GEO tagging using longitudinal and latitudinal data



IoT devices for data accuracy



Technology Integration



Modis Satellite data for **flood monitoring** and **product designing**



Crop protection solution services from **Farmneed**



Interpolated data portal (Skymet); it's an amalgamation of **Bangladesh Meteorological Department (BMD)** data. It gives every **10 kilometers of weather data** in Bangladesh.



Use **fusion data** which will be an amalgamation of **Modis** and **Sentinel** because Modis Satellite has good **historical data** and Sentinel has good quality **data for recent years**



Fully relaying Satellite Like "Chirps 5" which gives good quality data (rainfall) for 5/5 resolution

Hollard and Lumkani

<https://www.youtube.com/watch?v=gfQ8pbIJj9Y>

Increasing Client Value - Viability

Partnership Alignment is key

Special requests from partners/aggregators with large volumes e.g. reduce premium whilst maintaining the same benefits, waver of application forms or capacity building to clients in various locations

Tangible Benefits

Insurance being an intangible product, customers want to feel the experience of purchasing something. E.g. reflector jackets for every boda boda (motorcycle) rider who buys a Personal Accident cover

Risk Pooling

Having a consortium enhances sustainability and reduces cost. Agriculture insurance e.g. Area Yield Index Insurance Program in Kenya has a pool of 7 local underwriters

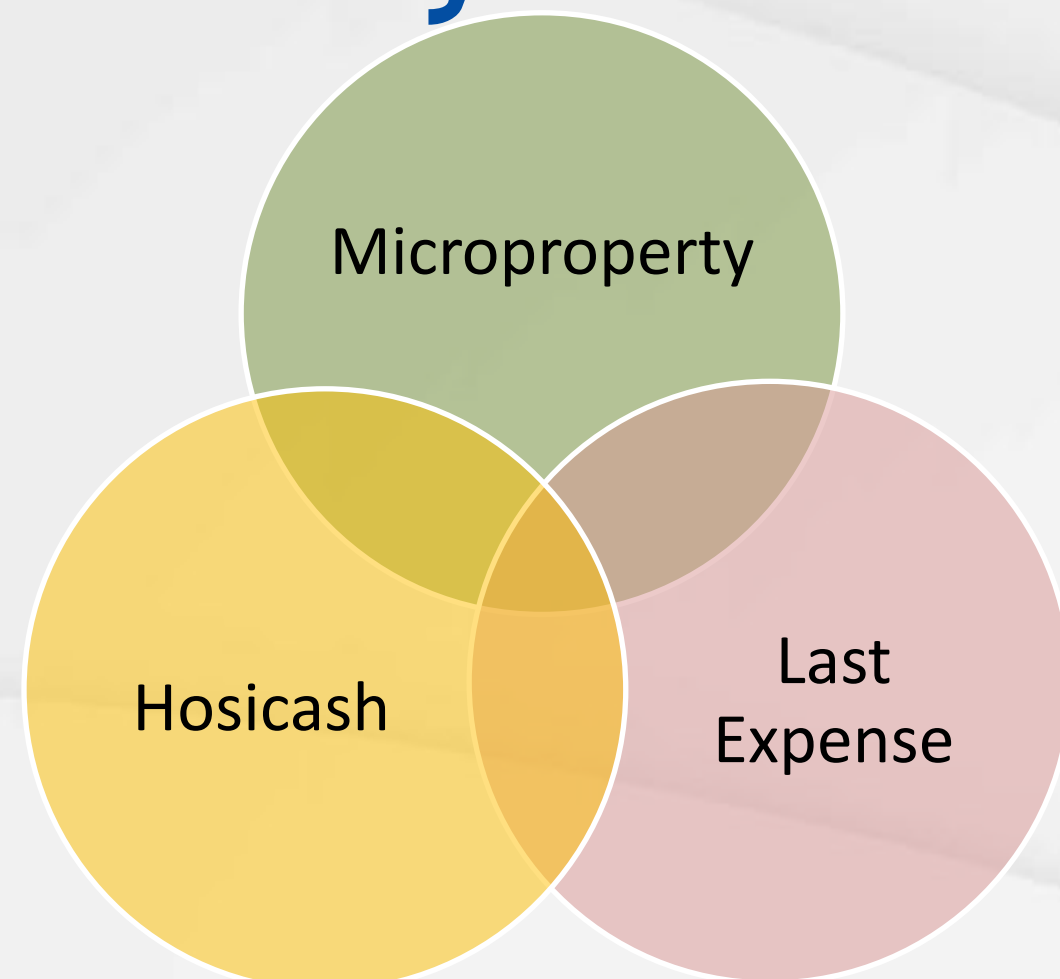
High Tech and High touch

Technology investment can be costly however, leveraging on partners who have established platforms improves efficiency & reduces costs but the inclusive insurance client requires human touch. A proper mix is very essential e.g. microhealth

Social Impact

Claims payouts especially agriculture has greatly improved trust, brand visibility, & increased penetration. Despite the costs of such events being high, the impact to the low income communities is greater.

Case Study- Increasing Client Value



Designed a bundled microproperty cover for a partner who distributes gas to the low income earners in the rural and slum areas in Kenya.

The cover is accessible monthly and renewable monthly as well.

Coverage is on;

- Fire & floods
- Income replacement in the event of admission
- Funeral expenses

Appropriate

- Offers wide range of benefits
- Information on the benefits/limits is clear

Accessible

- Partner has various distribution depots
- Insurance service is bundled

Affordable

- Cover is offered monthly hence premiums are affordable
- Does not require sign up costs

Responsive

- Solution address the need of the consumer
- Turnaround times for claims settlement is good

Simple

- Solution is easily understood
- Enrollment is through consumption of another service (gas)
- Flat sum payment hence limited documents at the point of claim

Emerging insights – enhancing client value – some key takeaways

Focus on non-agricultural inclusive insurance analyzed with ILO's PACE tool

Product

Products are appropriate when:

- Based on ongoing research (DO NOT SKIP)
 - Use human-centered design used
- Covers are bundled
- Value-added services – for most products, some exceptions
- Keep it simple!

Access

Products are accessible when:

- A valued, trusted brand is also a distribution partner
- Purchasing is part of an existing value chain – as few extra steps as possible
- Well-trained salesforce uses appropriate technology
- Premium payments are easy & flexible

Cost

Affordability is assisted by:

- Keeping operations lean & use technology wisely
- Passing as much of the cost on to those who are more efficient in the value chain
- Still: see earlier lightbulbs on managing expenses & claims costs

Experience

Customer experience enhanced by:

- Enough (but not too much) clear, simple & timely communication (use analytics)
- Improved technology, high-tech, high-touch
- Having & paying claims! (reasonable loss ratios & short ToTs)

Emerging insights – enhancing client value – some key takeaways

Focus on agricultural inclusive insurance analyzed with ILO's 3D tool

Design – must be appropriate, affordable & simple

- Need a reliable index
 - Weigh up pros and cons of parametric vs area yield for crop
- Subsidies help to reach scale, start & educate the inexperienced
- Must work in a low-tech environment – mobile connectivity can be challenge
- Consider PPPs – bundle with inputs
- Cattle insurance:
 - consider disability in addition to death, & vet fees
 - More creative VASs (e.g. cattle maintenance tips)

Distribution

Must support access. Distribution partners are critical and must:

- TRAIN THEIR FIELD STAFF WELL, so they can properly educate farmers
- Not have too many layers (beware broken telephone...) information can be lost if complex hierarchy & those with best knowledge are not talking directly to farmers
- Farmer associations, MFIs & cooperatives are still playing a major roll
- Market both the protective & productive aspects of insurance

Delivery

Must be responsive. Awareness, awareness, awareness – insurance education is lacking

- Cattle: vets must be available (VAS)
- Make a big deal about payouts – help with client education. Word-of-mouth strong.
- Payout needs to be adequate for intended purpose
- Short ToTs – difficult with area yield
- Very, very clear oral & written communication, oral in the right language is key
- Transparency for trust



Thank you!

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