

## Towards new typologies for micro-insurance intermediation

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FinMark Trust

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- Facilitating and catalysing the next generation of development around access to financial services.
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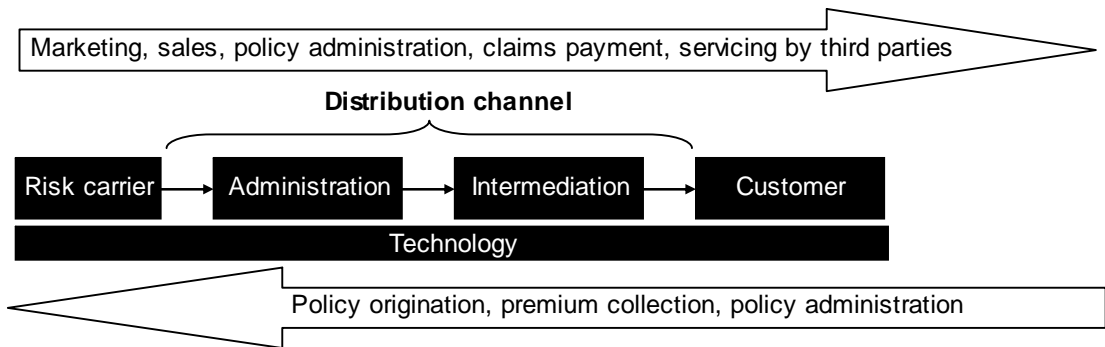
- Objectives
- Insurance value chain
- Emerging typology

## Overview of presentation



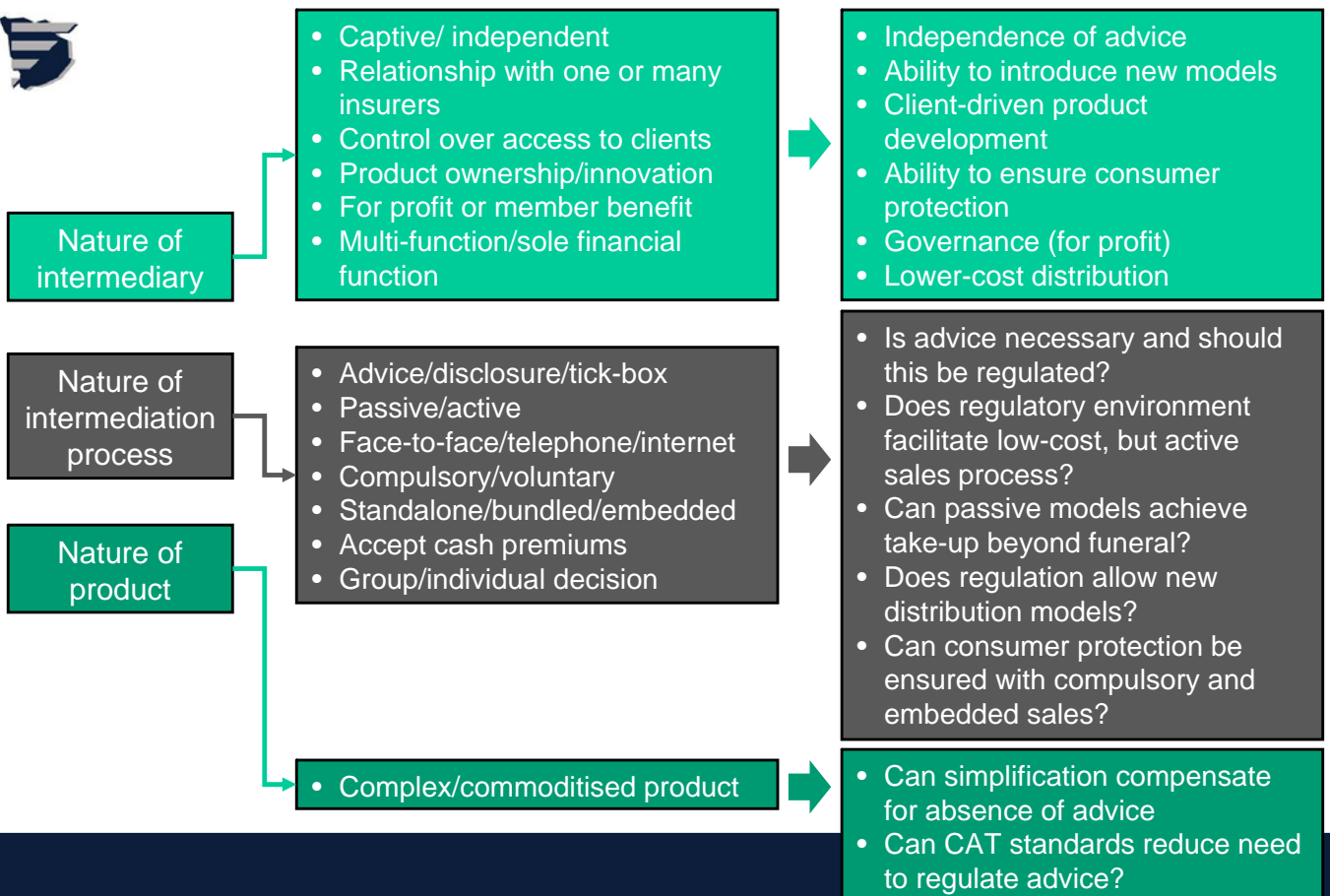
- Develop the framework/language that could be used to provide a
  - deeper understanding of different models as well as
  - an understanding of their shared and distinguishing features
- From whose perspective?
- Will serve as guide to both regulators and market players in developing a healthy market
  - Regulators (consumer protection)
  - Market players (achieving take-up and developing long-term business interest)
- Synergy: Inclusion

## Objectives



Source: Genesis (2007) adapted from Leach (2005)

## Insurance value chain



## Emerging typology

| Model                              | Example  |
|------------------------------------|--|
| Traditional broker/agent           | MIA (Int)  |
| Low-income broker/agent            | ITC/Megatop e-Choupal (India), Hollard/SharedPhone                               |
| Call centre sales                  | 1LifeDirect (SA)   |
| Call centre plus network marketing | Clientele (SA)   |
| Call centre plus agent             | Metropolitan REI (SA)  |
| Tiered broker/agency force         | TATA-AIG CRIGs (India), Zion Church (SA), Lesaka (SA), SANTAM broker/runner (SA) |
| Funeral parlours                   | Various  |
| Bank counter                       | Various  |
| Cash retailer                      | Pep/Hollard (SA)   |
| Cell phone airtime networks        | Discovery/Smartcall(SA)  |
| Electricity bill                   | Mapfre/Codensa (Colombia)  |
| Cell phone payment from airtime    | Metropolitan Cover2Go(SA)  |
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Adapted from Genesis (2007)

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**Retailers: Pep/Hollard (SA)**

- Monthly renewable funeral policies. Non-funeral policies (accident and cell phone insurance) withdrawn.
- Passive, tick-box sales. Utilise Pep stores chain for distribution. Call centre to activate the policy and answer questions
- Accept cash premiums and debit orders.
- Pay-out to bank account or via Mzansi money transfer product
- Renewal reminders via SMS
- 80% renewal

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### Utility bill: Codensa (Colombia)

- Mostly funeral policies
- Passive, tick-box sales. Flier attached to utility bill. Client activate by phoning call centre.
- Premiums in cash with monthly utility bill.
- 90% take-up on Codensa client base

Source: PrimAmerica/Fedesarrollo

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### Airtime distribution networks:

#### Discovery/Smartcall (SA)

- Launched Nov 2006
- Monthly renewable funeral policies
- Utilise airtime distribution network via retailers.
- Activate through SMS with phone call on queries (also SMS reminders)
- Registration pack with basic information
- Passive, tick-box sales. Questions answered by call centre
- Accept cash premiums. Vouchers purchased for premiums.
- Pay-out to bank account or via Mzansi money transfer product to post office

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**Broker with runners: SANTAM (SA)**

- Recent variation on broker model
- Sell new low-income household structure and content insurance
- Brokers employ “runners” who sell the product but not registered to provide advice
- Advice provided by broker or supervisor. Supervisor for every 5 runners.
- Premiums collected by debit order. No option to pay premium in cash.
- Free “Call me” or SMS used for call centre access

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**Agent-based:**

- Active/outbound sales
- Opportunities for group sales
- Client attracted by insurance product (standalone)
- Some advice/verbal disclosure
- All products: Market makers

**OTC:**

- Passive/inbound sales
- Can access large group but individual sales
- Client attracted by other product (bundled: financing/additive)
- Limited verbal disclosure
- Largely funeral: Market takers

**Compulsory**

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### Agent-based:

- Market conduct regulation impacts significantly on market maker
- Tiering to reduce cost of agent model and comply with regulatory constraints on intermediation

### OTC:

### Compulsory

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### Agent-based:

### OTC:

- Innovative cell phone use:
- Reminders to support cash premiums
  - Airtime networks
  - Airtime as payment

### Compulsory

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### Cross-cutting descriptors:

- Product complexity and nature of information provided
- Technology utilised:
  - Cell phone communication: payment reminder, call centre support, etc.
  - Premium collection: cash/debit order/airtime/cell initiated account payment
- Nature of remuneration and incentives

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### Conclusions:

- Typology needs to consider characteristics of client, product, intermediary process and intermediary.
- Success will require aligning the features of these components
- Active/passive/compulsory seems to be a key differentiator
- Active sales required to create new MI markets
- Funeral insurance as market maker
- Incentive to act in consumer's interest and trust are key supporting characteristics but does not distinguish models (mutuality, brand with reputation risk, independence and conduct regulation)
- Risk of inappropriate models (e.g. compulsory sales and lack of disclosure)





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