

Case Study: Channel Solution

Migrant Workers' Personal Accident & Health Micro-Insurance in China

Prepared by PICC Property and Casualty Company Limited



做人民满意的保险公司

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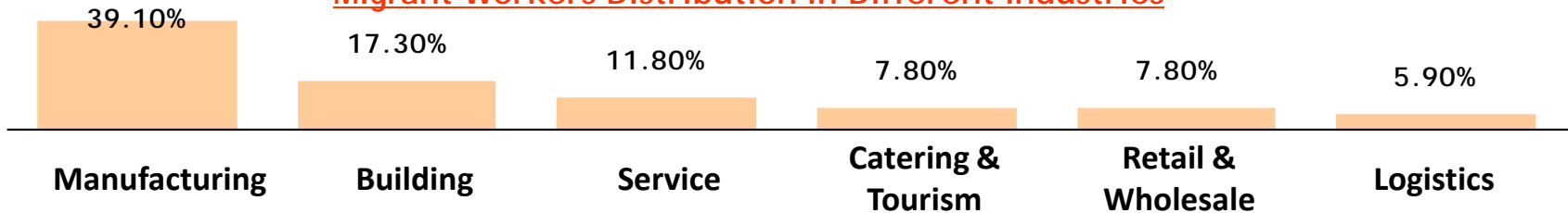
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- II. Development of Micro-Insurance in Rural China
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 - a) Insurance Products
 - b) Distribution Channels
 - c) Consumer Education

1. Basic Information about Migrant Workers in China

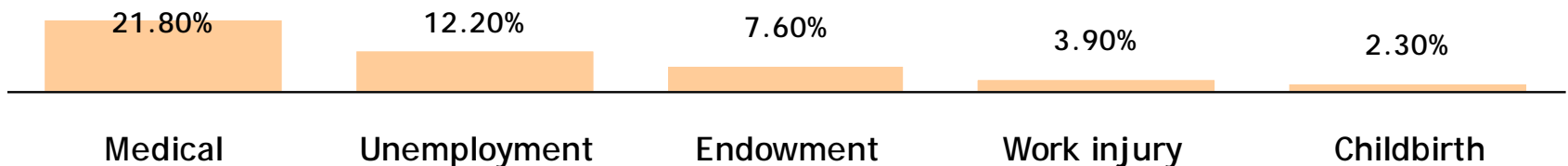
- Size of Group: Over 200 million
- Career Focus: Physical labor related

Migrant Workers Distribution in Different Industries



- Typical socially vulnerable groups: low income
 - Monthly Income : RMB 1417(USD208)
- Low insuring rate of Chinese migrant workers

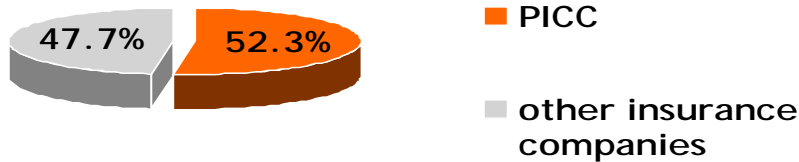
Employer Insuring Rate for Migrant Workers in 2009



2. Development of Micro-Insurance in Rural China

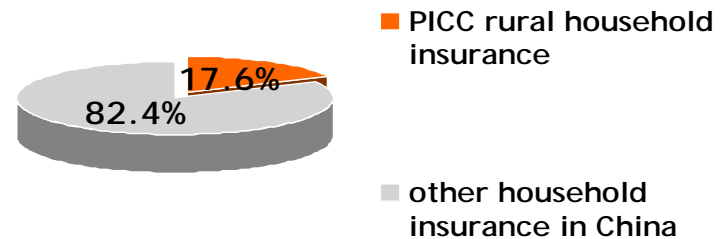
- Agriculture Insurance

Agriculture Insurance(China, 2009)



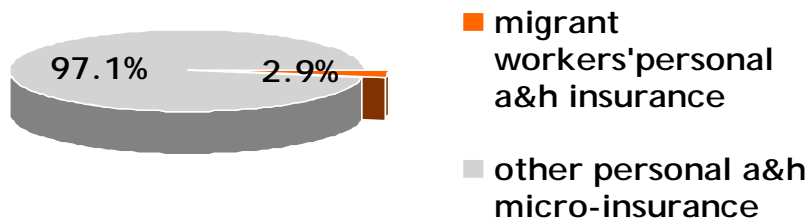
- Government-led Household Insurance for Farmers

Household Insurance (China,2009)



Rural Personal Accident&Health Micro-insurance

Personal Accident&Health Micro-Insurance in PICC



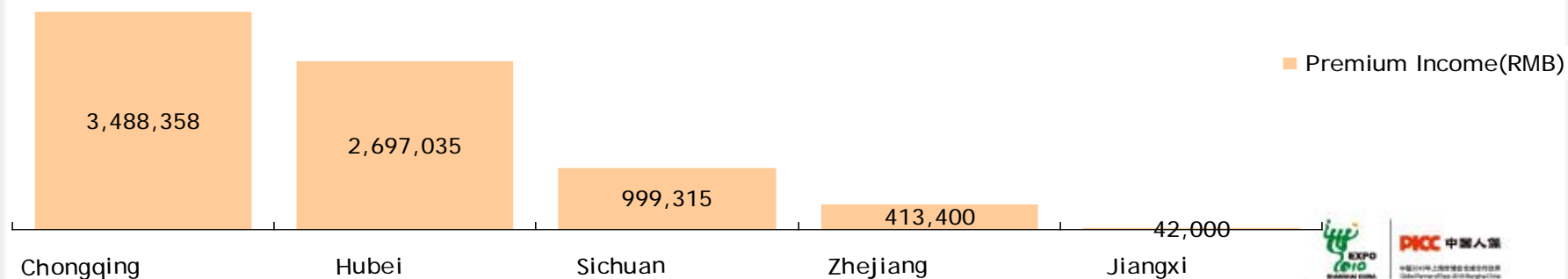
- “Five Small Vehicles” Insurance

Insurance for lorries, tractors, diesel-powered three-wheelers, small trucks and motorcycles, which are widely used in rural areas.

3.2 Product List: Diversified products based on differences in the market

Insured Amount Insurance Benefit	Chongqing	Hubei*	Sichuan	Zhejiang	Jiangxi
Accidental death Accidental disablement benefit	RMB22500 (USD3309) RMB50000 (USD7353) RMB45000 (USD6618)	RMB35000 (USD5147)	RMB20000 (USD3077)	RMB10000 (USD1471)	RMB6000 (USD882)
Accidental out-patient medical benefit	RMB4500 (USD662)	RMB5000 (USD735)	-	-	-
Accidental hospitalization medical benefit			-	-	-
Accidental hospitalization allowance benefit	-	-	RMB20(USD3)/day or RMB2000(USD294)/year	-	-
Unit Premium	RMB25/RMB50 (USD3.7/USD7.4)	RMB5 (USD0.7)	RMB25(USD3.7)	RMB6 (USD0.9)	RMB20 (USD2.9)

Premium Income from Micro-Insurance in Different Areas in the First Half of 2010



3.3 Channel Solution - Channel Scoreboard

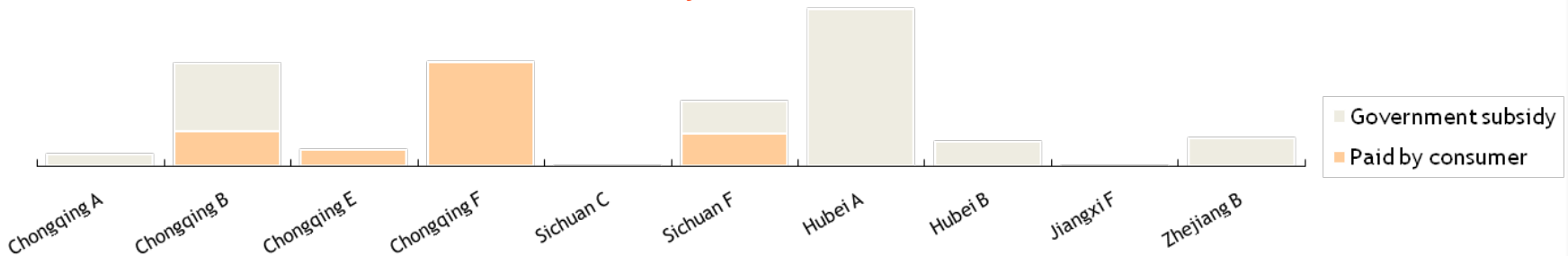
Operational Indicator												
Development Indicator												
Number of targeted customers	Sum Insured	Written Premium	Number of New Insured	Number of Renewal Insured	Number of New Policies	Number of Renewal Policies	Average premium rate(%)					
Operational Indicator												
Profit Indicator												
Sales Expense (Commission excluded)	Commission	Paid Cases	Unpaid Cases	Refusal cases	Canceled Cases	Indemnity Paid						
Management Description												
Cooperation						Continuity						
Exclusive cooperation with PICC	Premiums subsidized by government	Change of cooperation			Change of government support							
Management Description												
Activity												
Training Channel					Consumer Education							
Time	Place	No. of Trainees	Trainee	Content	Name	Pattern	Time	Place	No. of People	Targeted People	Content	Result



3.4 Analysis of Sales Channels - Main Channel

- Based on the analysis of the project in 2009 and the first half of 2010, pilot branches used 6 types of sales channels.

Gross Premium Income by Channel in the First 3 Quarters of 2010



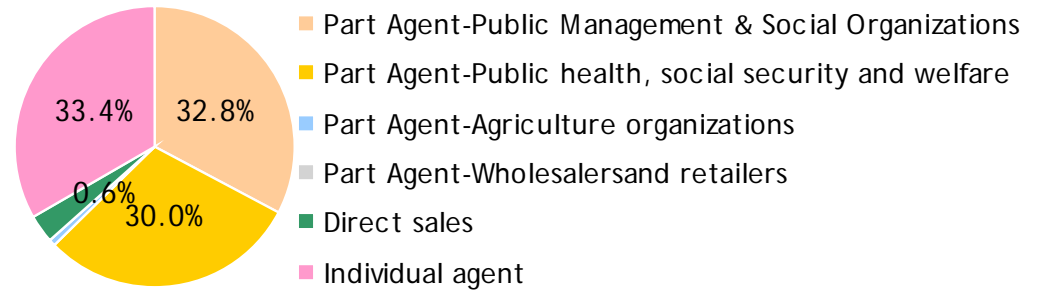
Code	Channel	Zhejiang	Hubei	Sichuan	Chongqing	Guangdong
A	Part-time Agent-Public Management & Social Organizations		Farmers & workers office		Labor Office	County Office
B	Part-time Agent-Public health, social security & welfare	Social Insurance Administration Center			Township Birth-control Office	
C	Part-time Agent-Agriculture Organizations (Farming, Forestry, Animal Husbandry & Fishery)			Agricultural Insurance Promotion Station	Township Agricultural Service Center & Animal Husbandry Station	
D	Part-time Agent-Wholesalers and retailers				Chongqing Commercial Company-Maojing branch	
E	Direct sales				Direct business	
F	Individual agents			Agriculture Insurance Team members	Part-time urban salesman	

3.5 Analysis of Sales Channel – Premium Share

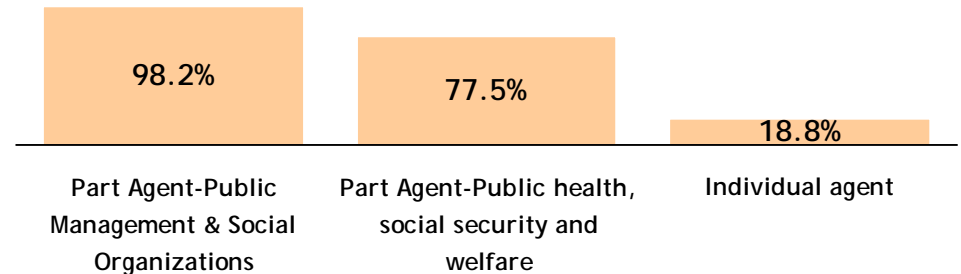
• In 2009, Public Management & Social Organization was the most important channel, accounting for 56.8% of the total. In 2010, three agents have similar shares, with their combined share reaching 96.2% in the first 3 quarters.

• Share of government subsidy among the total premium income accounts for 61.7%. It contributes to 98.2%, 77.5%, and 18.8% of the premium income in the three aforementioned channels respectively.

Gross Premium Income by Channel In the First 3 Quarters of 2010

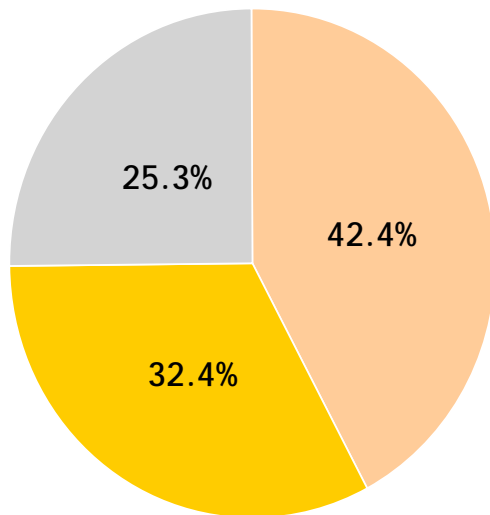


Share of Government Subsidy in the Premium Income of Different Channels



3.6 Analysis of Sales Channels - Marketing Pattern

Gross Premium Income by Marketing Pattern



■ Government-pay-all

-Features: High efficiency, rapid expansion, and high dependence on government policy (once the policy changes, it will be difficult to continue)

■ Government-sponsor & Migrant workers-voluntary

-Features: Transitional phase between government-pay-all and business operation, which utilizes the government's advantages in promotion. But it can also be easily affected by the changes in policy.

■ Business Operation

-Features: Without government's subsidies, it is difficult to expand the business due to lack of motivation. It is expensive to carry out promotions and is hard to manage risks. This pattern is more suitable for group insurance.

3.7 Analysis of Sales Channels - Consumer Education

- Five major patterns to educate consumers:

Media Exposure

Secondary
Training

Case Study

“Free Riding”
Education

Promotion In
Certain Places

Analysis



How different sales channels influence consumer education?

- In order to get better support from the government, PICC held 11 trainings, aimed at improving project understanding among the staff in different channels, in the first 3 quarters of 2010. Almost all the part-time agents from Public Management & Social Organizations and Individual Agents have participated in these trainings.
- PICC also organizes different kinds of consumer education activities independently. To obtain more government support and to enlarge the influence of the event, PICC invites local officers to attend these activities. Five out of seven large-scale events in the first half of 2010 were initiated by PICC, while the rest 2 by Part-time Agents from other organizations .

3.8 Analysis of Sales - Analysis of Government Support

Advantages: Higher Efficiency

- Effectively enhance migrant workers' trust.
- More attention on training.
- Quickly expand project coverage.
- Example: Government of Huangpi District in Hubei pays fully for its 355,000 migrant workers' accident insurance in one policy.

Disadvantages: Lack of Continuity

- Easily affected by unstable policies.
- Lack of control on the project(coverage & premium)
- Lack of thorough & systematic education for consumers
- Example: Finance budget in Beijiao in Shunde City of Guangdong Province has been reduced, so the Management Office is reluctant to keep the project, adversely affecting the its progress.

Future

- Even under the current government support, we will still try to introduce more organizations to this project (e.g. labor training organizations). For more sustainable development, we are trying to gradually change the marketing pattern from "Government-pay-all" to "Business Operation."
- With the support from the government, PICC will develop more thorough and systematic consumer education activities.

谢谢！
Thanks!



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