

Insurance products for low-income markets

MI product design & distribution – global perspectives & trends

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Why an innovation seminar?



- What is innovation?

...the creation and implementation of new processes, products, services and methods of delivery, which result in significant improvements in outcomes, efficiency, effectiveness or quality*.

Technically, 'innovation' is defined merely as 'introducing something new'; there are no qualifiers of how ground-breaking or world-shattering that something needs to be—only that it needs to be better than what was there before.**

- Why do we need innovation for MI?

* innovationunit.wordpress.com/2009/08/19/171/

** www.businessweek.com/innovate/content/jan2006/id20060131_916627.htm

Business as usual that's not business as usual



Insurance

accessible to

the low-income market

Insurance with a different bottom line

- Cost minimisation, scale, rethinking of distribution

Design implications



- Product innovation
 - **Affordability**
 - How low can you go?
 - **Suitable features** for target market, e.g.:
 - Benefits tailored to low premiums, with innovative product combinations
 - Generally renewable policies with group pricing rather than individual/medical underwriting
 - Limited exclusions, focus on simplicity
 - **Typical types :**
 - Term life (especially funeral), credit life
 - Personal accident death/disability
 - Hospital/dread disease cash
 - Simple asset, e.g. extended warranties, cell phone, fire trigger
 - Indemnity health & asset more tricky, as is agriculture unless weather index

Distribution implications



- Distribution innovation:
 - **Physical accessibility**
 - Where can I buy the policy? Where can I pay premiums and submit claims? Is it convenient to me?
 - **Efficient premium collection and claims handling** to minimise cost
 - Alternative **distribution channels**, role of aggregators

Emerging international best practice



1) Organizational development

- Dedicated MI resources – “MI is my whole job”
- Special targets, incentives – recognise that MI is different, may take time
- Solutions to overcome institutional inertia

2) Partnerships and distribution

- Looking beyond just agents and brokers
- Designing mutually beneficial partnerships with alternative distribution channels
- Actively managing the relationship

3) Business model

- Patience, a long horizon for expecting results
- Realistic projections regarding uptake and renewals
- Realising that corporate overhead costs may be different

Emerging international best practice (2)



4) Product design

- Dedicated product design – not just normal insurance with a smaller sum assured
- Market research to know target market's needs and preferences
- Strive for simplicity, limit complications and exclusions
- Premiums that are in line with income realities of target market
- Making the intangible tangible

5) Consumer education and sales

- Mandatory products explained
- Marketing incorporates education
- Proper training and incentives for sales staff
- Giving renewals the same priority as new sales

6) Claims

- Public relations backup for rejected claims
- Prompt claims payment

Case study presentations



- Life
- Health
- Agriculture

Technical session: health & life

Microinsurance product cycle

