

Beyond sales: Extracts from Brazil and Colombia

Basis for discussion

A global survey of passive microinsurance distribution channels. Cenfri (2009).

Case studies on the use of alternative models for the distribution of microinsurance in Colombia. FEDESAROLLO (2010)

AON Affinity Brokers: Utility and database microinsurance distribution in Brazil. Cenfri (2011)

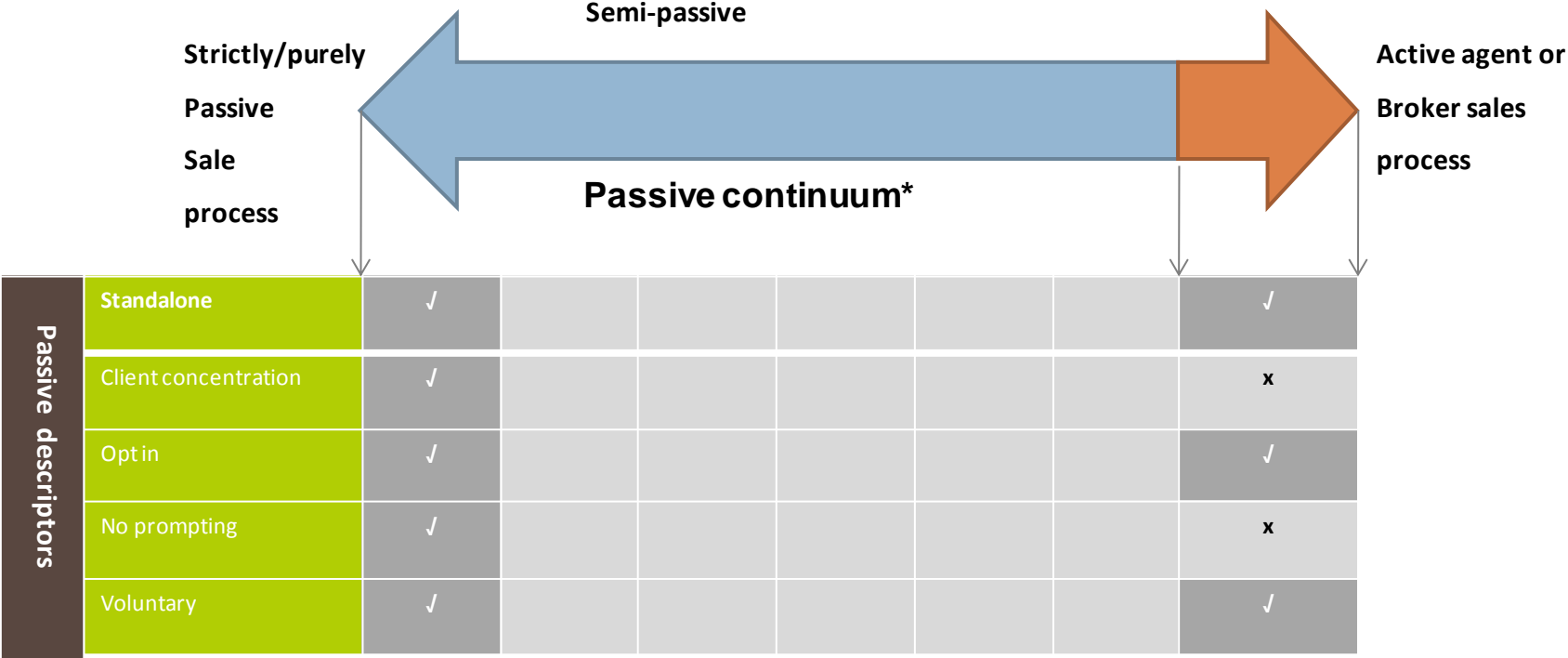
Mapfre Seguros: Retailer microinsurance distribution in Brazil. Cenfri (2011)

Beyond Sales: New Frontiers in Microinsurance Distribution. Cenfri (2011)

The search for Passive (2009)



From active to passive... ALTERNATIVE







So what is **alternative** distribution?

- Characteristics:
 - ▣ Scale through concentration
 - ▣ Presence of infrastructure footprint (physical or technological)
 - ▣ Transaction platform
 - ▣ Standalone voluntary products
 - ▣ Trusted brand
- What it is not:
 - ▣ MFI-based distribution with a specific focus on credit risks





Meet the models

- ✓ **Cash-based retailers (Colombia)**
- ✓ **Credit-based retailers (Brazil)**
- ✓ **Utility and telecommunications companies (Colombia & Brazil)**
- ✗ **Third-party bill payments provider (only SA)**





Para falar distribuição: Examples from Brazil

Underwriter	Distribution partner(s)	Channel classification	Product and distribution description	Take-up	Policy servicing & claims management
		Credit-based retailer	<p>Product: Life, unemployment and personal accident insurance</p> <p>Launch date: August 2004.</p> <p>Sales process: Insurance is offered and explained to customers by Casas Bahia sales staff during the appliance sales process.</p> <p>Additional policy benefits: Includes lottery ticket and pharmaceutical discounts.</p>	Significant take-up	<p>Joint policy servicing and administration: Casas Bahia provides on-the-ground after sales support through their sales agents and assists Mapfre in back-office policy administration. Claims handled by Casas Bahia.</p>
		Utility and Telecommunications companies	<p>Product: Theft of mobile phones¹ -</p> <p>Launched date: 2006</p> <p>Sales process: Offered through the retail outlets of telecommunications company, Vivo. The insurance product is presented to Vivo customers during the purchase of a cell phone.</p>	Significant take-up; 300,000 policies sold to-date (2010)	<p>Joint policy servicing and administration. Claims handled by Mapfre.</p>


Para falar distribuição: Examples from Brazil (continued)

Underwriter	Distribution partner(s)	Channel classification	Product and distribution description	Take-up	Policy servicing & claims management
 <p>QBE (Brazil)</p>	 <p>Brasil Telecom</p>	Utility and Telecommunications companies	<p>Product: Individual or family hospital indemnity plan.</p> <p>Launch date: 2006</p> <p>Sales process: Sold to fixed-line operator, Brasil Telecom, clients through an out-bound call centre.</p> <p>The Brasil Telecom bill payment system is used to collect insurance premiums.</p>	Significant take-up; 600,000 policies sold to-date (2009)	Policy servicing, administration and claims are predominantly handled by the broker, AON Affinity.
 <p>AES (Brazil)</p>	 <p>AES Eletropaulo</p>	Utility and Telecommunications companies	<p>Product: Bundled insurance offering providing household structure, personal accident and life insurance policies.</p> <p>Launch date: 1999</p> <p>Sales process Offered to AES Eletropaulo clients through a post mail offering.</p> <p>Premiums are collected using AES Eletropaulo's billing system</p>	Significant take-up	Policy servicing, administration and claims are predominantly handled by the broker, AON Affinity.

Hablas distribución: Examples from Colombia

Underwriter	Distribution partner(s)	Channel classification	Product and distribution description	Take-up	Policy servicing & claims management
 MAPFRE (Colombia)	 CODENSA <i>mucho más que energía</i>	Utility and Telecommunications companies	<p>Product: Separate life, personal accident, funeral, home and vehicle insurance, first offering</p> <p>Launched: 2001</p> <p>Sales process: Sold through electricity provider, Codensa. The product is sold through multiple distribution channels(out-bound call centre, face-to-face sales and mail shots)</p> <p>Codensa's bill payment system to collect premiums.</p>	Significant take-up; 300,000 policies sold (2008)	Product administration and servicing is performed by both parties. Claims directed to Codensa call-centre. Mapfre manages operational aspects of claims management.
 Alico CHARTIS (Colombia)	 gasNatural Colombia	Utility and Telecommunications companies	<p>Product: Personal accident, cancer, critical illness, home and small- and medium-sized business cover</p> <p>Launched: 2003</p> <p>Sales process: Sold through gas utility company, Gas Natural using multiple distribution channels(out-bound call centre, face-to-face sales and mail shots)</p> <p>Gas Natural bill payment system used to collect premium to collect premiums.</p>	Significant take-up; 783,224 Chartis policies and 59,892 Alico policies in-force (2009)	Administration is performed by Alico and Chartis. Claims can be submitted either at gasNatural call centre or Alico and Chartis directly.

Hablas distribución: Examples from Colombia (continued)

Underwriter	Distribution partner(s)	Channel classification	Product and distribution description	Take-up	Policy servicing & claims management
<p>COLSEGUROS (Colombia)</p>		<p>Cash-based retailer</p>	<p>Product: Personal accident insurance</p> <p>Launched: 2007</p> <p>Sales process: Sold at international retailer, Carrefour. The product is offered to customers of Carrefour after they have concluded a purchase transaction. The insurance premium is equivalent to the change the client receives from their grocery purchase, with cover provided proportional to the premium</p>	<p>Significant take-up; 2.8 million policies sold (2008)</p>	<p>Premium collection and registration conducted in-store by Carrefour. Policies serviced by ColSeguros. Claims handled by Colseguros.</p>

Alternative channels have different strengths and weaknesses

Channel	Strengths	Weaknesses
Cash-based retailers (e. g supermarkets and clothing retailers)	<ul style="list-style-type: none"> -Low-cost access to existing customer base -Good understanding of client needs -Risk to retail brand forces high value products 	<ul style="list-style-type: none"> -Cash-based premium collection may suffer from high initial lapse rate -Provision of financial services not always institutionalised in culture or processes
Credit-based retailers (e.g. furniture and white goods stores)	<ul style="list-style-type: none"> -High levels of premium persistency -Sales point can double as service and claims desk -Existing client info available to inform product design and distribution process -Provision of financial services institutionalised 	<ul style="list-style-type: none"> -Tied insurance sales often deliver low value to clients -Retailer may view insurance sales as deterring primary function if it doesn't cover primary (credit) risk -Insurance cover period linked to credit repayment period
Utility and telecommunications companies	<ul style="list-style-type: none"> -Existing client information assists in product design and targeted insurance sales -Efficient payment collection vehicle due to presence of account relationship with client 	<ul style="list-style-type: none"> -Low claims rates may signal low value proposition -Extensive involvement by broker/administrator, distribution channel and third-party operators increase management costs
Third-party bill payment providers	<ul style="list-style-type: none"> -Large distribution network with extensive formal and informal out-reach in urban and rural areas -Facilitates use of e-money as premium 	<ul style="list-style-type: none"> -Low take-up due to non-active sales -Premium collection using airtime as currency very expensive -Absence of trusted brand at sales point -Little control over <u>informal</u> third-party bill payment providers

Emerging trends

- Models display varying degrees of passivity in the sales process (push & pull)
- Use of “layered sales” approach in product distribution
- Successful models keep evolving
- Partners’ commitment to client value matters
- Channels that serve slightly higher income groups experience significantly higher take-up
- Innovative use of client information
 - ▣ Using distribution partners’ client databases to tailor products
 - ▣ Focusing sales efforts



Thank you

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