



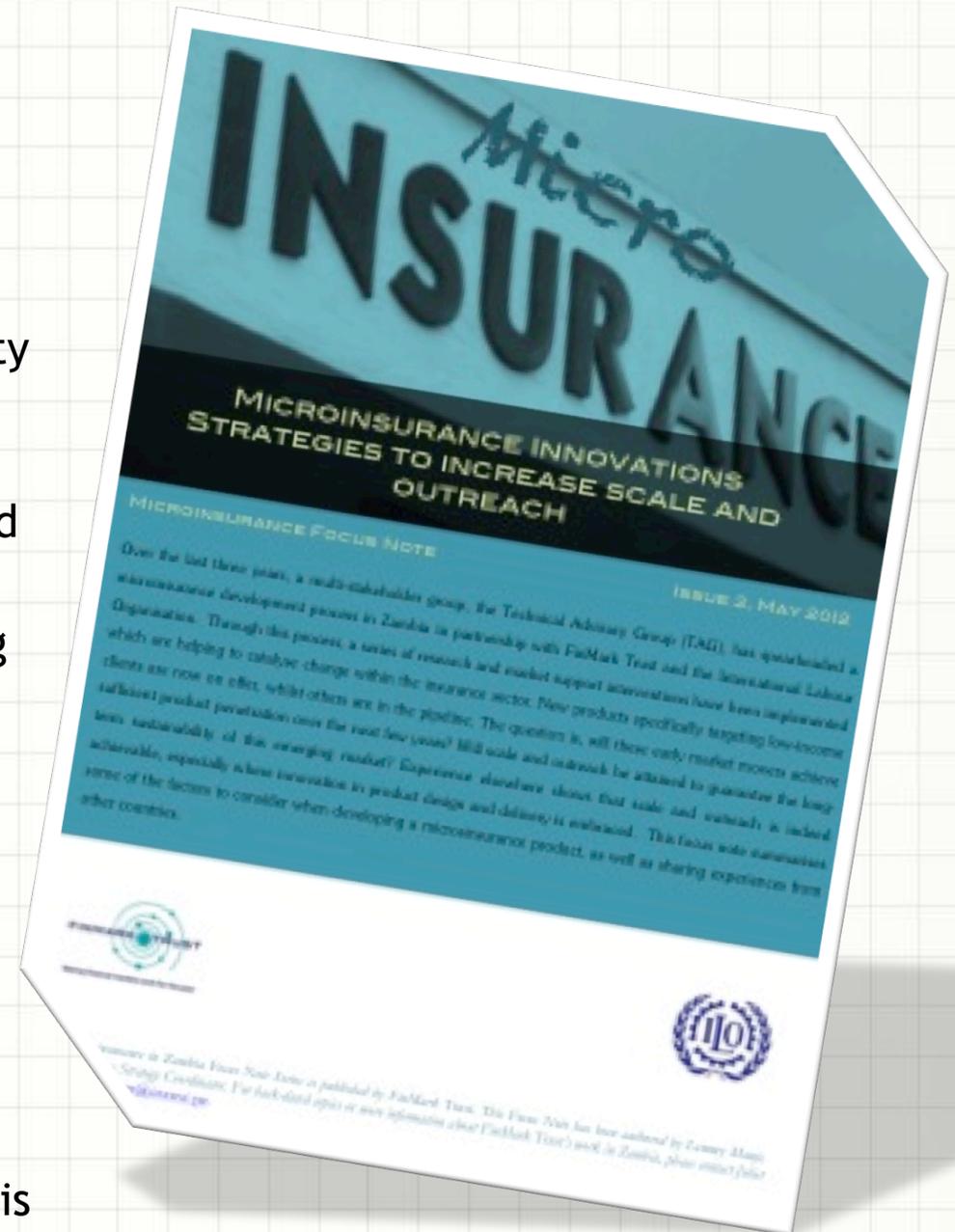
# **VIABILITY OF MICROINSURANCE**

## **STRATEGIES TO INCREASE SCALE AND OUTREACH**

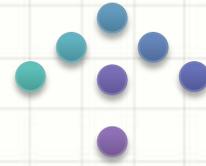
Lemmy Manje  
Breakfast Meeting  
May 17, 2012

## About this Presentation

- based on the Microinsurance Focus Note issue 3
- provides an overview on the viability of microinsurance
- ...and snapshot of strategies and experiences for increasing scale and outreach
- complement emerging and growing microinsurance business e.g.
  - Bantubonse - Professional Life
  - Life after life- African Life
  - Madison Life- product in the pipeline
  - Blue -product in the pipeline
  - ZSIC -product in the pipeline
- the focus in the microinsurance development process for this year is supporting efforts aimed at market penetration



# Presentation Outline



Concluding remarks:  
Opportunities for Zambia



Microinsurance innovations on  
scale and outreach



Characteristics of  
microinsurance business



What is microinsurance?

# What is microinsurance?



- First what it is not:
  - Savings, credit, risk prevention...
  - Small insurance companies
  - Just another product offered by microfinance institutions
  - Just for microfinance clients
  - Just another a 'developmental' product or service

# What is microinsurance?

- Then what it is:
- ...“the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved”
- involves a risk-pooling element just like any other insurance policies
- cover a variety of different risks (i.e. illness, death, property loss, combination)
- delivered through a variety of different channels...conventional and non-conventional
- design, pricing and delivery are all aimed at operating a profitable business.

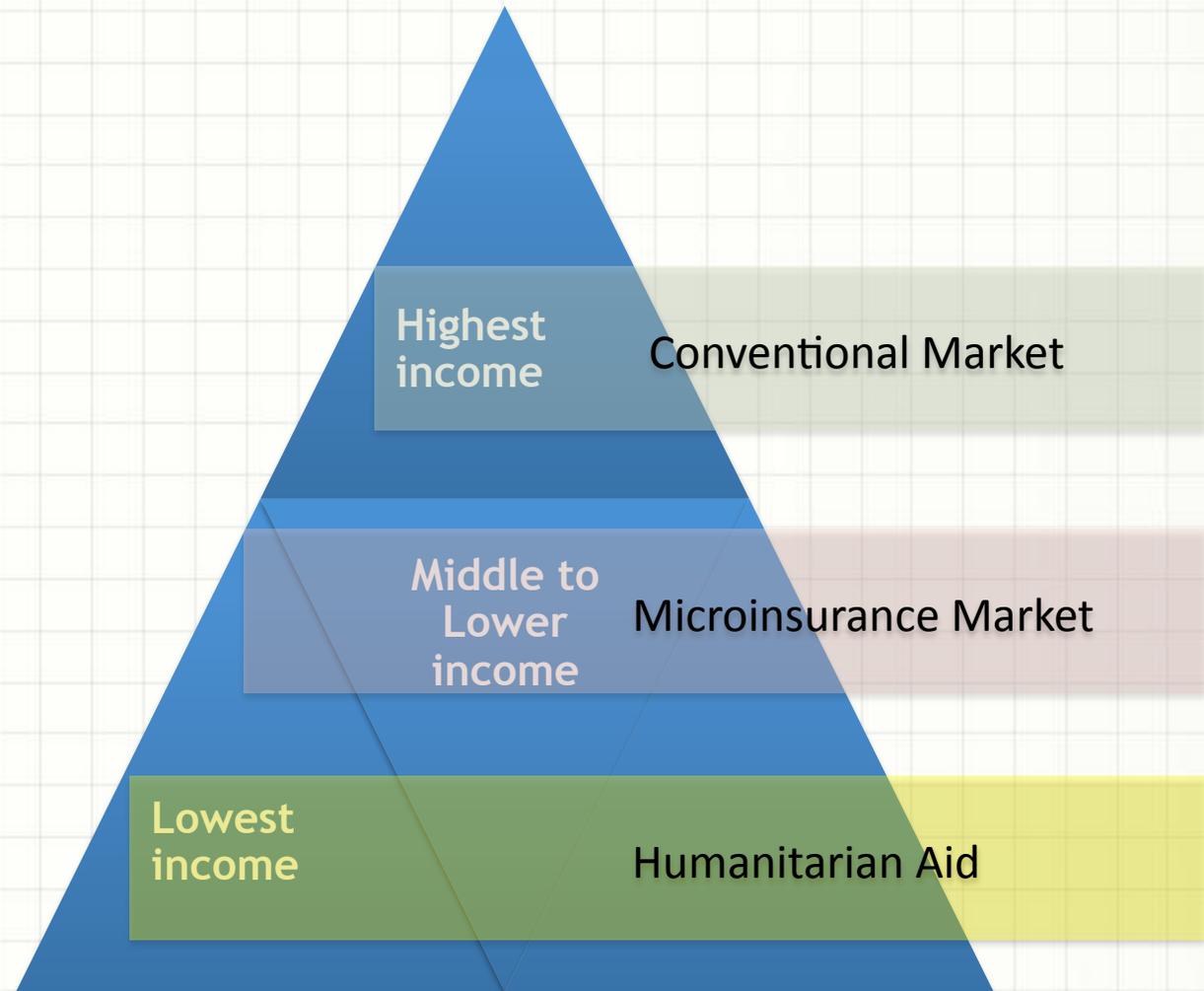


# Typical characteristics of microinsurance businesss



# Typical characteristics of microinsurance

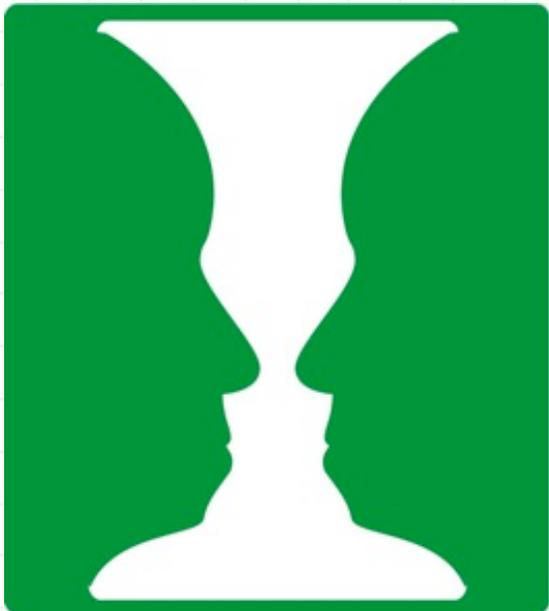
- Low-cost transactions
- Simple risk coverage
- Low-income clients
- Community involvement



Microinsurance's place in the income pyramid : Source A.M BEST Co.

# Two faces of microinsurance

- Commercial orientation
- Development agenda
- The goal of development assistance is to develop sustainable business models
- Not all successful microinsurance schemes have benefited from development assistance



# Microinsurance product irony



*Products in greatest demand are least available*

# Microinsurance Product Evolution

## Phase I:

- Mandatory; Credit linked (MFIs)
- Simple products: Life, funeral
- Easy to administer

## Phase II:

- Greater product sophistication; voluntary
- New distribution channels
- Increasing benefits, choice, outreach

## Phase III:

- Use of technology
- More complex products: health, agriculture, composite
- Multiple partners (e.g. hospitals, mobile phone provider, public-private partnerships)



# Microinsurance innovations; strategies to achieve scale and outreach

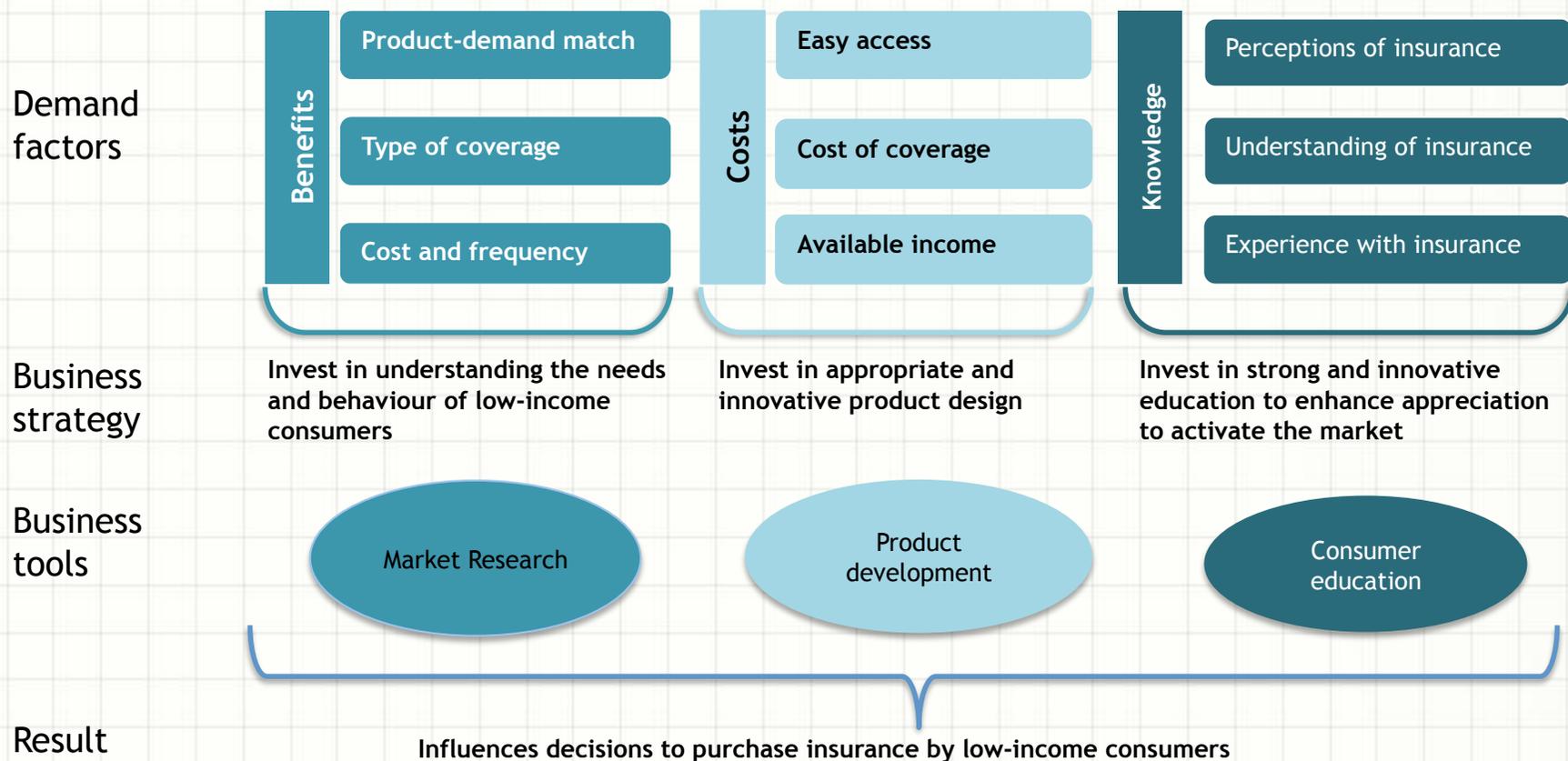


Policy holders of UAP Kilimo Salama  
Weather index insurance, Kenya



# Getting started

- Interactions with the market are essential;
  - Invest in understanding the low-income market, the real needs and demand for microinsurance
  - Insurers are not well known as providers of essential financial services to the low-income consumers
- Innovations in product design inevitable;
  - Intelligent risk assessment, simplicity in cover and benefit design with clear service delivery tools
- Consumer education is a necessary investment;
  - Consumer education can influence buying decisions
  - Collective efforts in consumer education: insurers can work together for a common goal



# Market Engagement Process

## 1. Defining target market

- What is the social and economic situation of the target group?

## 2. Identifying insurable risks

- What risks is the targeted group most concerned about?

## 3. Determining the product features

- What is likely ideal or feasible product benefit design (levels of coverage, costs etc)

## 4. Establishing payment capabilities

- What is the targeted market willing to pay?

## TIPS

- Start with a market research
- Establishing payment capabilities
- Activate the market using innovative educational-sales presentations



# Mandatory or Voluntary?



Key words:

Client Value

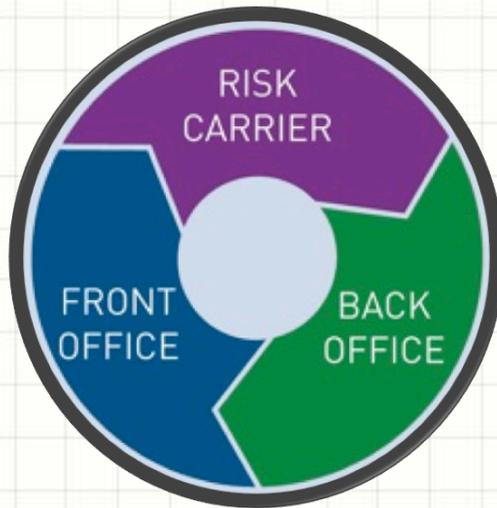
Consumer education

Client Satisfaction

Group influence

- a good strategy for increasing scale and outreach (in Zambia and elsewhere)
  - Cambodia case study : Compulsory credit life product, ‘invisible’ premium
  - CIC -Kenya, Aseguradora Rural (ASR) - Guatemala, Malayan Insurance -Philippines : all achieved high volumes through compulsory credit life products
- need for a balance with client value
- investments in consumer education still very essential
- use of community influence:
  - Old mutual South Africa: community motivated consumers complemented by physical presence through village based retail outlets ‘Greenshops’
  - Community influence strategy can be applied to any groupings (associations, affinity groups, farmer groups etc.)

## Organizational Structures and Incentives



Key words

Focal points

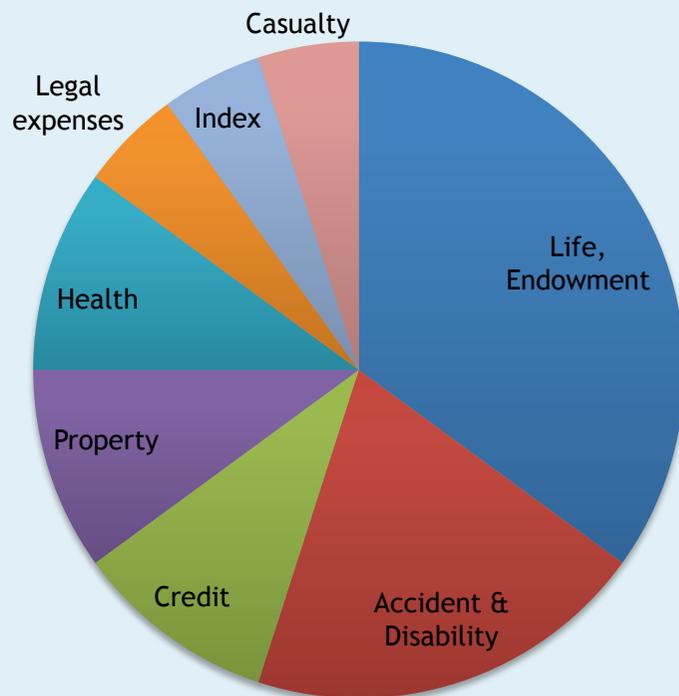
Dedicated teams

Sales incentives

- Microinsurance should not be treated as small side business;
  - requires solid front and back offices
- Dedicated staff are required:
  - CIC, British American- Kenya, Clientele- South Africa have either dedicated departments or staff
- Sales incentives are essential for motivating sales agents or marketing teams:
  - Sales agents need to believe in the products and operational processes
  - Consumer education should not be compromised;
- Sales force strategies include:
  - Integrating recruitment with upfront training
  - Using communities to source and screen agents
  - Selling microinsurance to sales agents
  - Not relying on volume-based financial incentives alone.
  - Using team-based financial incentives
  - Encouraging distribution partners to give financial incentives directly to sales agents
  - Implement systematic monitoring systems

# Product innovations and benefit design

Microinsurance Main Products 2010



Source: Microinsurance Network

## Key words:

- Simplicity - tangible benefits - Access - Cost

- Product innovations can improve outreach
  - In Guinea, the Centre International de Developpement et de Recherche (CIDR), Guinea
  - a school health product that covers health risks of children while at school, and is designed to meet the needs of the schools and parents
  - relatively inexpensive to sell and manage
  - acquisition costs are kept low by selling the group product to schools with approval from the school director and parent representatives
  - The premium is included in the school fees and costs US\$ 0.3/child/year
  - Source: *Microfinance Focus*, October 18, 2011/  
*ILO Microinsurance Facility Emerging Insights*

## Use of technology



Key words

Mobile technology

Payment systems

Premium collection

Payouts

Efficiency

- Application of mobile technology on service delivery and payments still in infancy stages in Zambia
  - Lots of good examples in other countries
  - UAP/Syngenta Foundation/Safaricom- Kenya
  - Mobile phone marketing in South Africa
  - MTN/AfricanLife 'Life after life' - Zambia
- Creating win-win partnerships with technology service providers may not be so easy but is certainly possible
  - Technology service providers need flexibility to test out new approaches as well as learn from experiences elsewhere

# Opportunities & New directions in Zambia

## **MTN Life after Life**

*Providing you assurance that your family will receive support when you are no longer there.*

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Bantubonse Life Plan

# Concluding remarks

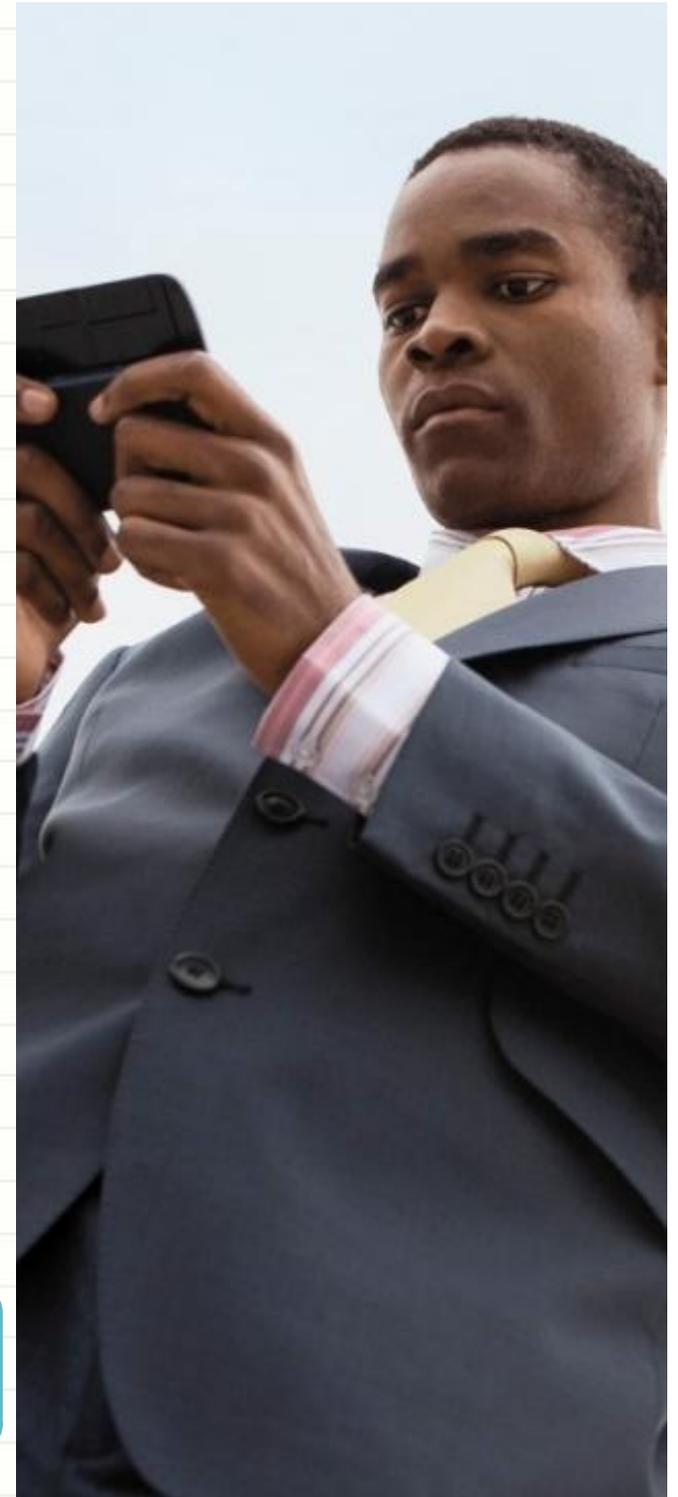
...insurers in Zambia are already embracing innovation in their product design and delivery and hence on the right path

... a number of demand and supply studies conducted unveil the opportunities (from products to distribution channels)

...numbers or profits will only come by testing the waters!

..there is evidence that money can be made in microinsurance business

Support is available for risk takers



# Thank You

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