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Delivering on the Promise of Microinsurance: Putting Clients First





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9 July 2013



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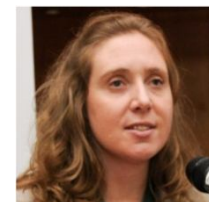
Presenter:
Lourdes del Carpio Gómez de la Torre
Director Rural Insurance
La Positiva Seguros y Reaseguros, Peru



Presenter:
Thembisa Mapukata
Executive Head, Foundation Market
Old Mutual, South Africa



Moderator:
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Team Leader
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Presenter:
Janice Angove
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University of the Witwatersrand,
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Agenda

- Introduction to the financial experience and the factors underlying the profitability of the various microinsurance products
- Learning from the experiences in developing quality product offerings in a viable way
 - What product types and designs provide the best value for the poor?
 - How does client orientation contribute to the insurer's bottom line?



Introduction to insurers



	Product	Market	Distribution	Organizational Structure
 <i>South Africa</i>	Group funeral (2003) V Individual funeral and savings (2011)	Burial society and funeral parlour members	Salaried agents of insurer	Separate unit
 <i>Kenya</i>	Credit Life (2001) M Health (2007) V Savings (2010)	Members of cooperatives, MFIs	Cooperatives and MFIs	Planning to set up separate subsidiary
 <i>India</i>	Subsidized Health (2005) V and agriculture (2003) M	Artisans, low income population, farmers	In-house sales team	Product line business units
 <i>Peru</i>	Life (2008) V Personal accident (2009) M	Rural population	Water boards, MFIs	Separate unit



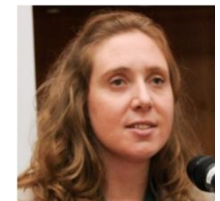
Business viability analysis framework



Profitability

Sustainability and value creation for shareholders

Scale	Claims costs	Distribution and administration costs	Overarching factors
Defining and accessing the market	Pricing for the risk	Working with groups	Structure of the insurer and market context
Valued benefits and affordability	Managing anti-selection and claims fraud	Leveraging off existing infrastructure	Risk management
Incentivising distribution channels	Reinsurance as risk management tool	Simplicity	Monitoring and feedback

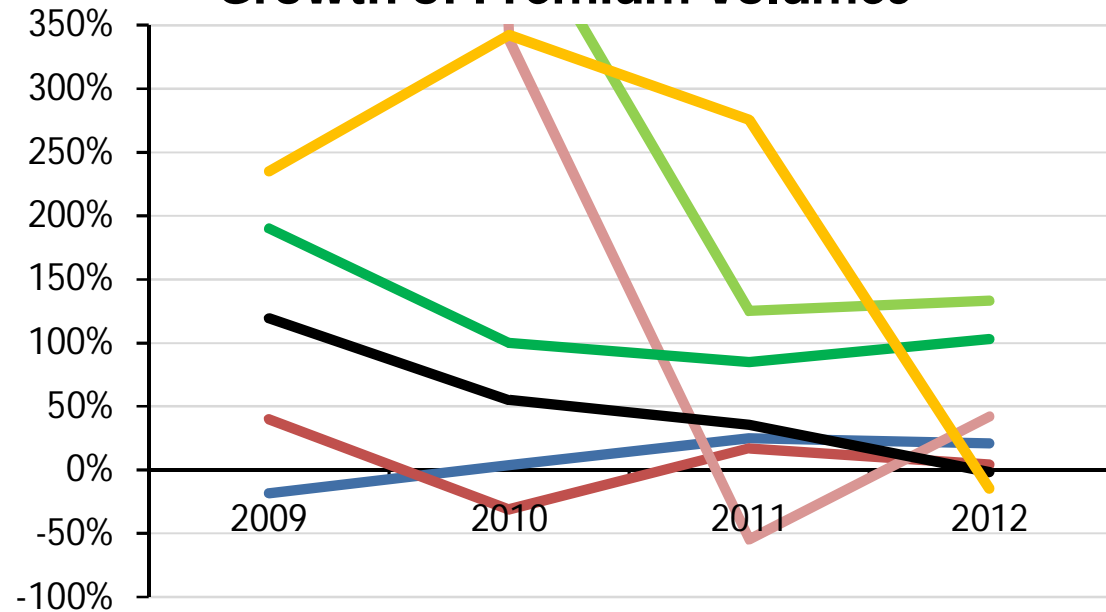


Scale

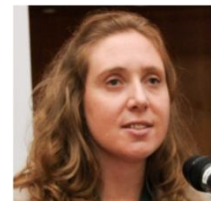


	Policies
M	CIC (Credit Life) 210 000
V	OM (Funeral) 100 000+
V	ICICI Lombard (Health-W&A) 2 200 000
V	ICICI Lombard (Health-RSBY) 5 500 000
M	ICICI Lombard (Weather) 3 000 000
M	La Positiva (PA) 40 000
V	La Postiva (Life) 2 000

Growth of Premium Volumes



- Health microinsurance business accounts for over 27% of the health insurance premiums written by ICICI Lombard (US\$261 million) and credit life accounts for 12% of group life premiums at CIC (US\$24 million).
- Policy volumes are low compared to potential market size.

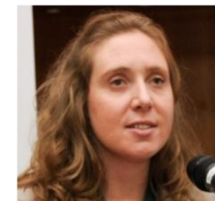
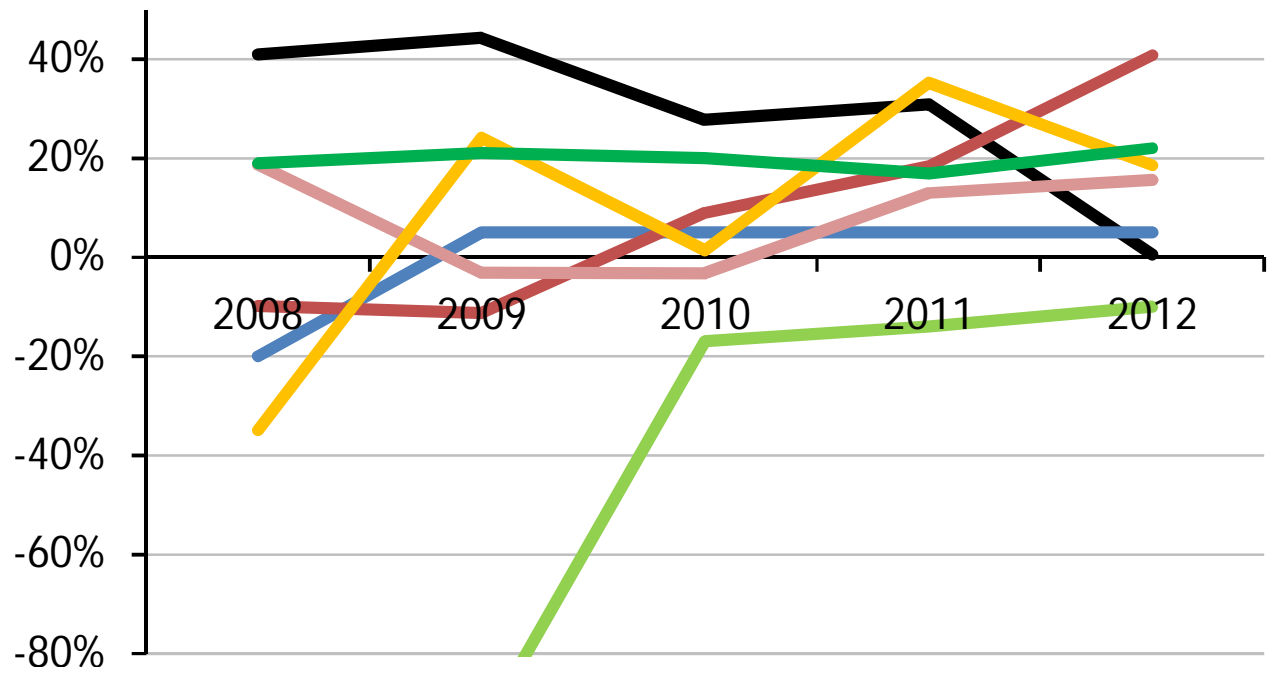


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Gross (of Reinsurance) Profit Ratios





ICICI Lombard: Reducing claims cost (1)

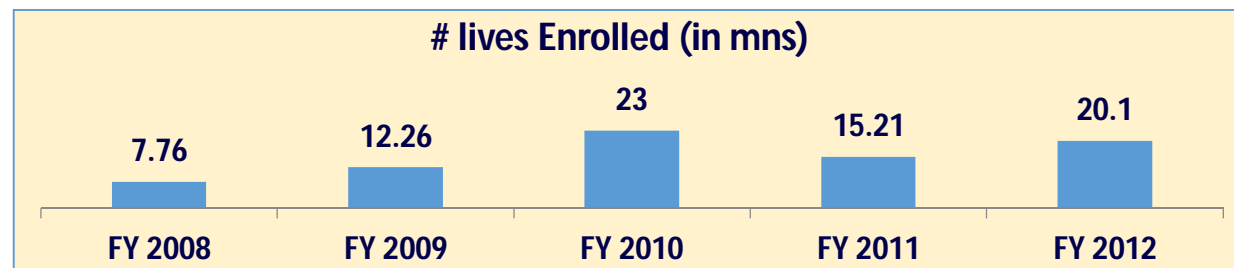


Scale on technology platform
(smart card based)

Fraud controls
(fraud triggers and internal surveillance team)

Quality empanelment
(grading hospitals)

Efficient claims management process
(in-house TPA)



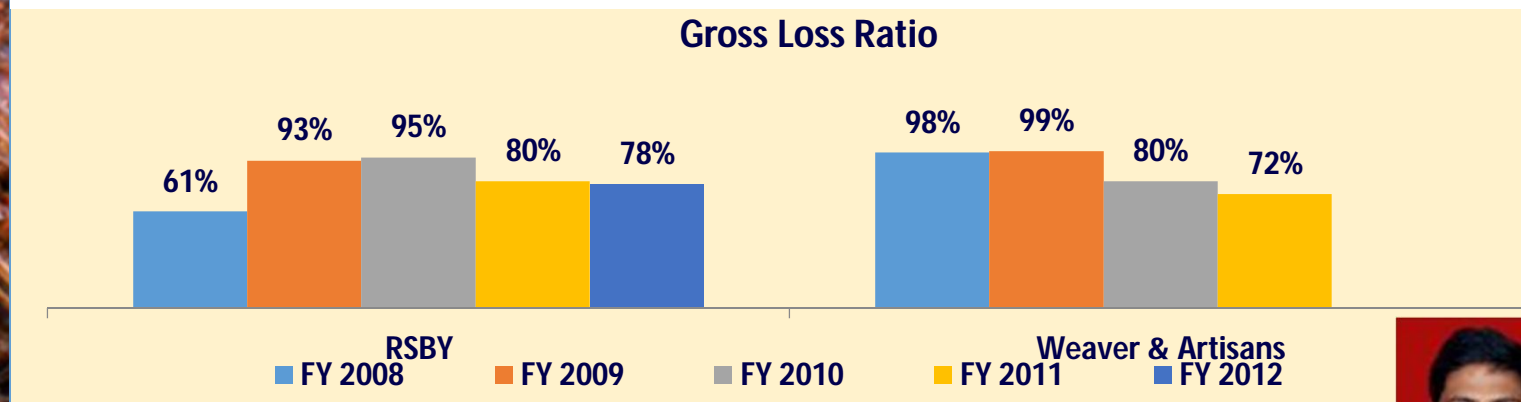
ICICI Lombard: Reducing claims cost (2)



- In-house claim settlement for operational efficiency
- Large empanelled network to ensure more and more claims shift to cashless mode (Hospitals: 2100 and out-patient network: 900)
- Maker Checker for all process
- Outputs:
 - Better control mechanism for out-patient claims
 - Reduction in claims turn around time to 25 days from 65 days
 - Cost of claim processing reduced from \$1.3 per claim to \$1
 - Reduced fraudulent claims

Build Efficient Claims Process

Effect



La Positiva: Reducing administrative costs



Low sales costs: Sales supervisors hired locally. Staff of distribution partner leveraged for selling insurance.
Before: Sales supervisors hired at the headquarters



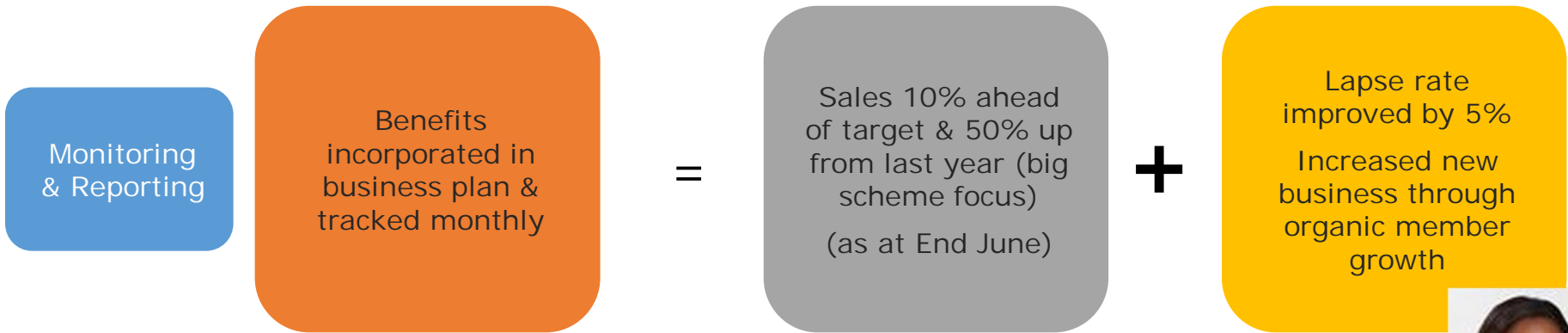
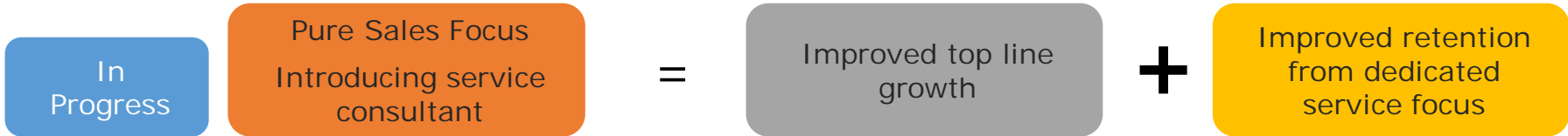
Low promotion costs: Cost of local radio and murals 4% of advertising costs in urban areas. Permanent advertising with in-house marketing staff.
Before: Promotion outsourced. Radio done few months a year.



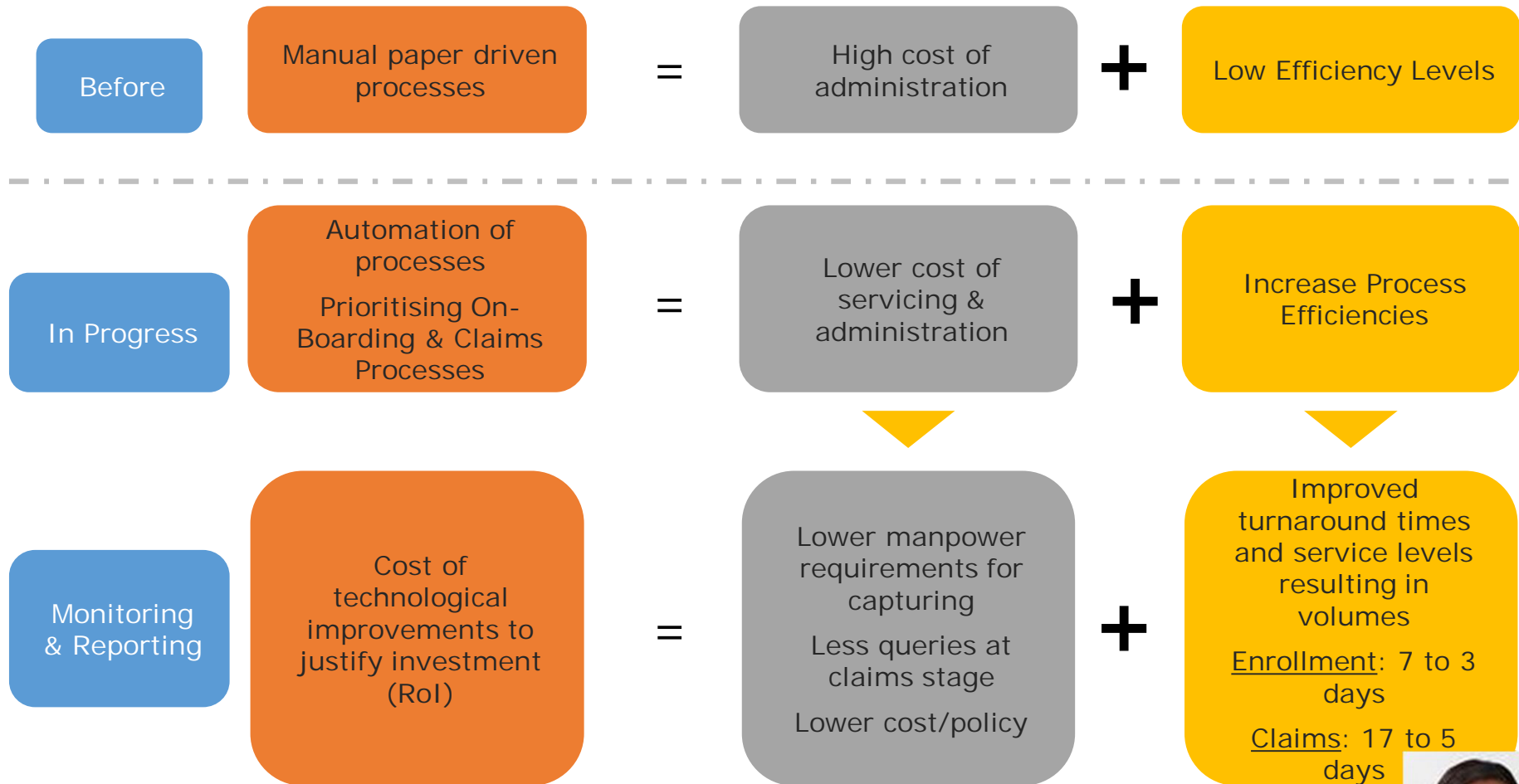
Low capacity building cost: Use of e-learning course for sales force training. Few on site workshops. Printed "sales guide".
Before: Only on site workshops with low attendance.



Old Mutual: Monitoring to identify improvements (1)



Old Mutual: Monitoring to identify improvements (2)



CIC: improving organizational structure



Specialized unit

- 2001: Incubated as department under Life & Health division
- 2007: Cross-divisional unit allowing to sell composite products

Fragmented strategy

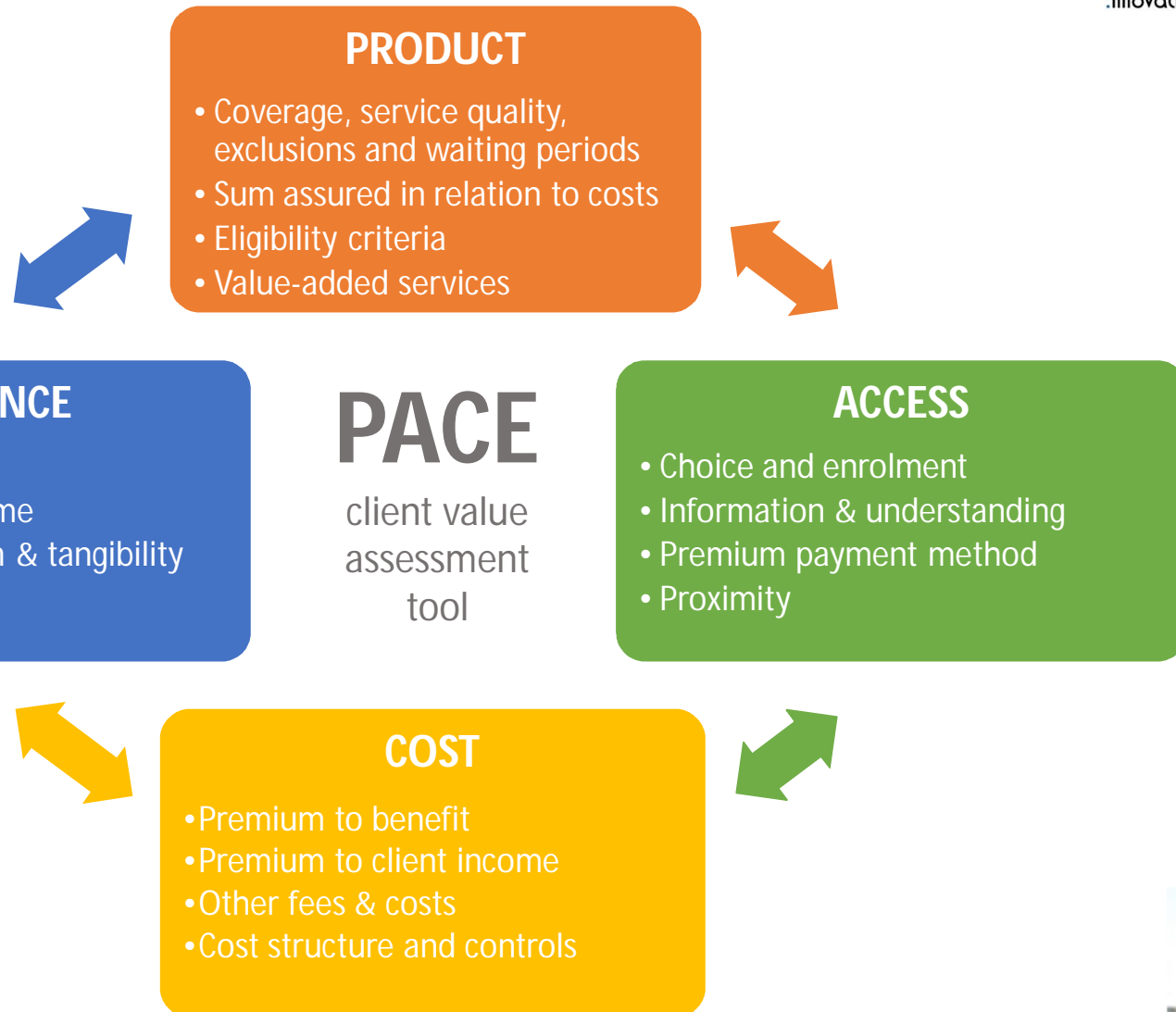
- 2010: demerging Life and General fragments business and increases duplication
- Annual growth rate dropped from 49% in 2010 to 2% in 2012; with increasing costs

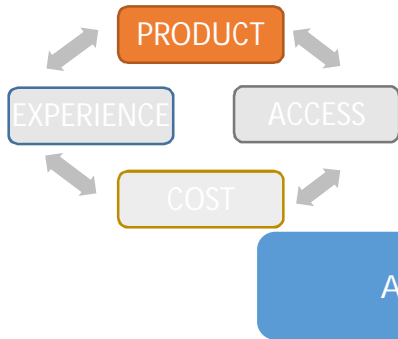
Specialized subsidiary

- Re-launching the process of independent composite microinsurance vehicle to be managed by multi-skilled staff while enjoying shared services
- To be spinned-off as separate subsidiary that will embrace most of the functions with expected expense ratio below 20%.



Putting clients first: many aspects of value





Old Mutual: Extending product benefits



End Members

1
Body Repatriation:
 Transportation of the deceased anywhere within South Africa

Transportation of a body can cost up to 50% of the benefit payout and the delivery would require logistical capability by the parlour or burial society

Old Mutual delivers it at less 1% of the premium through a strategic partner

1
Medical Emergency Services:
 Access to medical emergency services

The target market has limited access to medical service

Free ambulance services and emergency medical personnel are provided under the funeral policy

2
Financial Education: Access to free financial education

Financial literacy levels are very low

Free financial education is provided in response to markets needs and in support of governments developmental targets (at annual cost of 0.2% of net profits)





La Positiva: improving access



Proximity

Water Boards are closer to rural population.
Before, limited to MFIs, NGOs and retail stores.

Inclusive

Anyone can enroll. No need to be member of any organization or have a credit approved.
Before, product was sold only to farmers.

Simple enrolment process

No documents required to issue the policy. The policy is handed out immediately after the premium is paid.

Clear information

Sales force can check product information using the e-learning tool or the printed sales guide.
Before, they had to call the headquarter staff to clarify product characteristics.

La Positiva
Seguros





CIC: Reducing costs for clients



Before

Now

A visit to the nearest CIC Branch Office

Within walking distance at cooperatives, MFIs, retailers and Co-op Bank correspondent banking outlets

Savings product distributed through tied agents

Distribution using existing business outlets saving 21% of costs for equivalent product using tied agent

Costs through financial institutions can add a further 33% to premium

Collecting premiums through mobile money platform (negotiated terms) and through existing distribution structure

Exclusions and disaggregated products

Removing exclusions, extending age limit to 75 and bundling to allow cross-subsidy. Enhancing credit life cover.





ICICI Lombard: Enhancing client experience

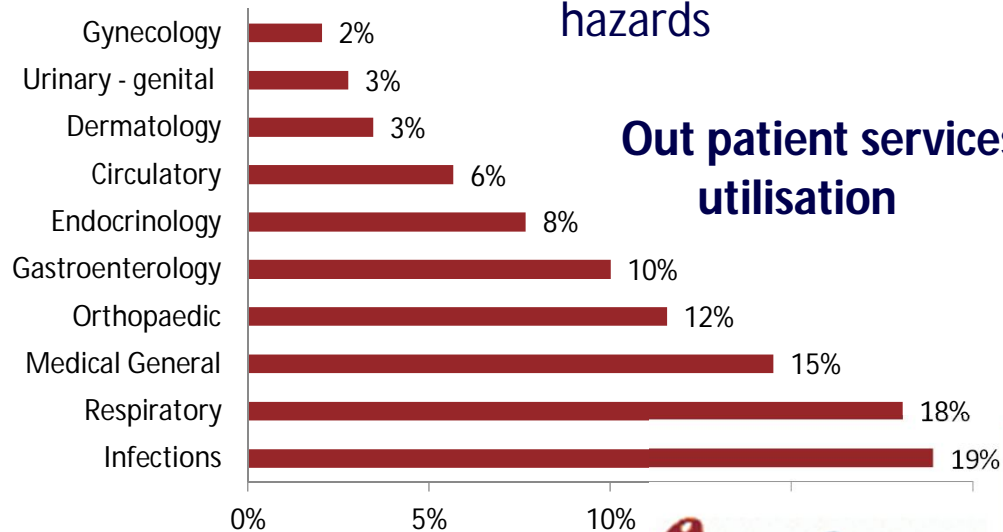
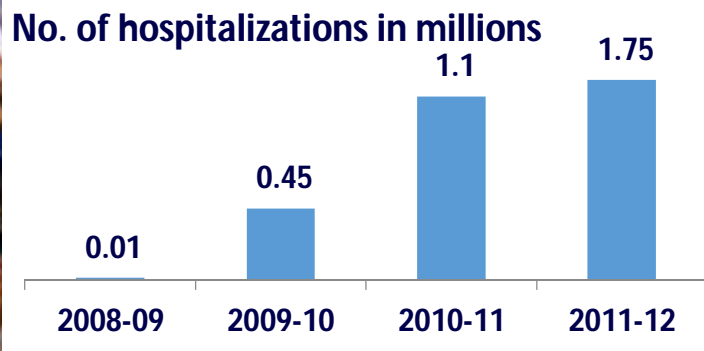


RSBY

- 95% claims settled to hospital within 30 days
- Higher enrollment ratio and average family size year on year (62% enrolment in FY 2013 with 3-member family size)

Weavers/ Artisans

- 90% of claims count are cashless
- Average claim settlement TAT is 25 days
- High sum insured in out patient to cover occupational hazards



Summary: Pathways for client value and business viability



Design

Success factors

**Results
(only if consolidated)**

Simple offerings

Partial/single cover, low premium, mandatory, 'human' distribution

Meeting 'universal' needs, product education, claims, tangibility

Client value better than alternatives for specific risks; positive profitability rates

Many options & steps

Higher-value offerings

Multiple covers, VAS, voluntary options, technology-driven distribution, PPPs and subsidies

Benefit package, market segmentation, promotion, sales, gradual investments with strong cost controls, organizational structure

More complete risk-management solutions for clients; higher scale, higher profits





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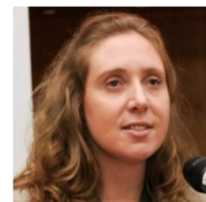
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ONLINE Q&A