



► Social Finance Brief

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Pacífico Seguros

Insurance for MSMEs: protected business

Overview

- **Description:** Insurance specially designed to cover theft and fire, as well as earthquakes and civil liability against third parties, identified as the main risks faced by small and medium-sized companies in Peru.
- **Products offered:** Coverage 24 hours a day throughout the year against theft, fire, water damage and catastrophic events.
- **Distribution channel:** Insurance can be purchased through microfinance institutions when one is taking out an enterprise loan.

Population needs

Pacífico Seguros is an insurance company with a long history of developing products that meet the needs of the population. This commitment, together with strategic alliances with microfinance institutions, public service providers, cooperatives and other actors, has allowed the company and its products, to improve the well-being of millions of people and small businesses. It has established itself as the largest microinsurer in Peru, controlling around 26.5% of the market according to the [2018 Sustainability Report](#). One of its allies is *MiBanco*, a microfinance institution that recognizes insurance as an opportunity to improve the lives of marginalized and unprotected people.

Breaking paradigms of the industry

Traditionally, the insurance industry has focused on developing products for clients that are familiar with insurance and have large payment capacities, such as large companies. However, over the years, insurers have learned that there are other segments that need

protection because of the large number of risks they face on a day-to-day basis. This was a way in which *Pacífico Seguros* wanted to break paradigms in the industry as it believed that microentrepreneurs and emerging consumers need to be protected with products that meet their needs.

Against all prognosis

Pacífico Seguros identified small enterprises as a great market opportunity to design and offer products. But in the process of developing the insurance, it faced difficulties in tailoring a product to meet their needs. Some of these challenges included high exposure to risk, informality, developing pricing models without historical bases, and redesigning the damage inspection process. The company's strategy is to turn these difficulties into opportunities to differentiate its products in the market.

The company had to align its internal strategy to include microinsurance. It had to convince and work together with the different areas of the company and innovate the way it created inclusive products. Although Peru has become a pioneer in the development of regulations, at the time the

regulatory framework did not offer the flexibility that was required for inclusive coverage.

Generated value for the insured

Within *Pacífico Seguros*' microinsurance portfolio, there is "Protected Business", an innovative offer for microentrepreneurs and small businesses, protecting assets from catastrophes such as theft, fire and natural disasters, and covering insurable material such as content, merchandise, equipment and tools. The policy is purchased through the acquisition of a loan from *MiBanco*. In the event of a loss, the indemnity corresponds to 100% of the value of the loan amount, which is paid both to a financial institution (pending balance of the loan), and to the insured (amount of the loan already repaid). This strategy aimed to reduce the risk of the lender, but also to give the customer the opportunity to reactivate their business. Another innovative element of the coverage is that the insurance product remains valid, even if the client repays the loan, which greatly benefits customers, since they are not subject to having a loan to benefit from the insurance.

In addition, *Pacífico Seguros* aims to support clients through the agent throughout the life cycle of the insurance, focusing on the well-being of micro-entrepreneurs, which represents an added value. *Pacífico Seguros* identified that microentrepreneurs value products that offer timely support when a loss is incurred (especially if the event affects business operation and continuity) as well as products that are affordable. To respond to this need, *Pacífico* focused on designing low-cost products that responded quickly to loss notifications.

Changing the focus of innovation

Pacífico Seguros focused on both innovating products as well as marketing processes. In partnership with *MiBanco*, the portfolio was redeveloped from scratch, starting with the initial product design. Through the loans offered to small entrepreneurs, the aim was to provide multi-risk insurance covering the main needs of these segments. The following needs stood out: protection against natural disasters, protection of work supplies (such as machinery), simple and easy to acquire insurance and few requirements to acquire insurance. The value proposition was initially developed for life and accident products, and later on other products were added. In this way, the first

asset risk product designed especially for MSMEs in microinsurance format was born.

With a view to health

In addition to the MSME market, *Pacífico* wanted to design health microinsurance and carried out research to identify needs among microentrepreneurs. The Latin American region has a reactive rather than preventive attitude to health risks; many low-income families do not distinguish between cash from the business and household cash. For the microentrepreneur there is a single cash flow and every time they need money, they take it from the business, affecting the family economy. *Pacífico* wanted to design a product far from the traditional concept, because in health insurance, the insurer covers the person until they heal or die, which is a broad and expensive coverage. Given these circumstances, *Pacífico* developed a hospital cash product, whereby the insured receives a payment for each day that they are hospitalized to have a quick economic aid during his/her hospitalization, where the money can be used for those necessary expenses related to the illness.

Success factors

After a long journey of developing microinsurance, *Pacífico Seguros* learned that an advisor-client relationship is built on awareness, allowing them to be successful in the sales process, establishing a relationship of trust and providing the client with the peace of mind. In addition, population segments need awareness and education to establish a clear understanding and expectations of the product. Likewise, the strategic alliances allowed *Pacífico* to take the policy to the masses and reach a significant volume of clients. In addition, there was a great transfer of knowledge, because *Pacífico Seguros* was an expert in insurance and *MiBanco* was an expert in knowing its clients. This made insurance an added benefit when one accesses loans from *MiBanco*, increasing customer loyalty, transferring the risk of default, and becoming an additional income stream for the channel.

This customer loyalty, as well as the transfer of risk of default and income flow is worked through workshops where people know and learn about the risks to which they are exposed, where they are provided with brochures, videos, and prevention strategies. Finally, in terms of innovation, *Pacífico* understands the need and implementation of digital tools that facilitate the

marketing of products as well as the use of tools for communication with customers.



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The [Impact Insurance Facility](#) contributes to the agenda of Social Finance by collaborating with the insurance industry, governments and partners to realize the potential of insurance for social and economic development.

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