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IMPACT INSURANCE

International Labour Organization

Microinsurance distribution: Insights for insurers

Briefing Note

Delivering insurance to the poor is a formidable task. Insurers must reach people who do not come into contact with their usual sales channels, at low cost and in large numbers. To be successful, they must answer three critical questions: How can I make most of the distribution channel? What can I do for the distribution channel? Is the channel right for my target market?

Based on the Facility's experience with more than 60 partners distributing microinsurance, this brief gives eight tips for insurers on selecting and managing a distribution partner.

1. THINK BEYOND ENROLMENT

Distribution channels can do more than just sell products – many are well placed to provide support across the insurance value chain. See how channels compare in their ability to carry out a range of functions.

	Promotion	Enrolment	Premium collection	Education	Providing value-added services	Claims reporting	Claims assessment	Claims payment
Financial institutions	●	●	●	●		●		●
Cooperatives	●	●		●	●	●	●	
Retailers	●	●	●			●		●
Mobile network operators	●	●	●		●	●		●
Employers	●	●	●	●		●	●	●
Direct sales	●	●	●	●	●	●		●

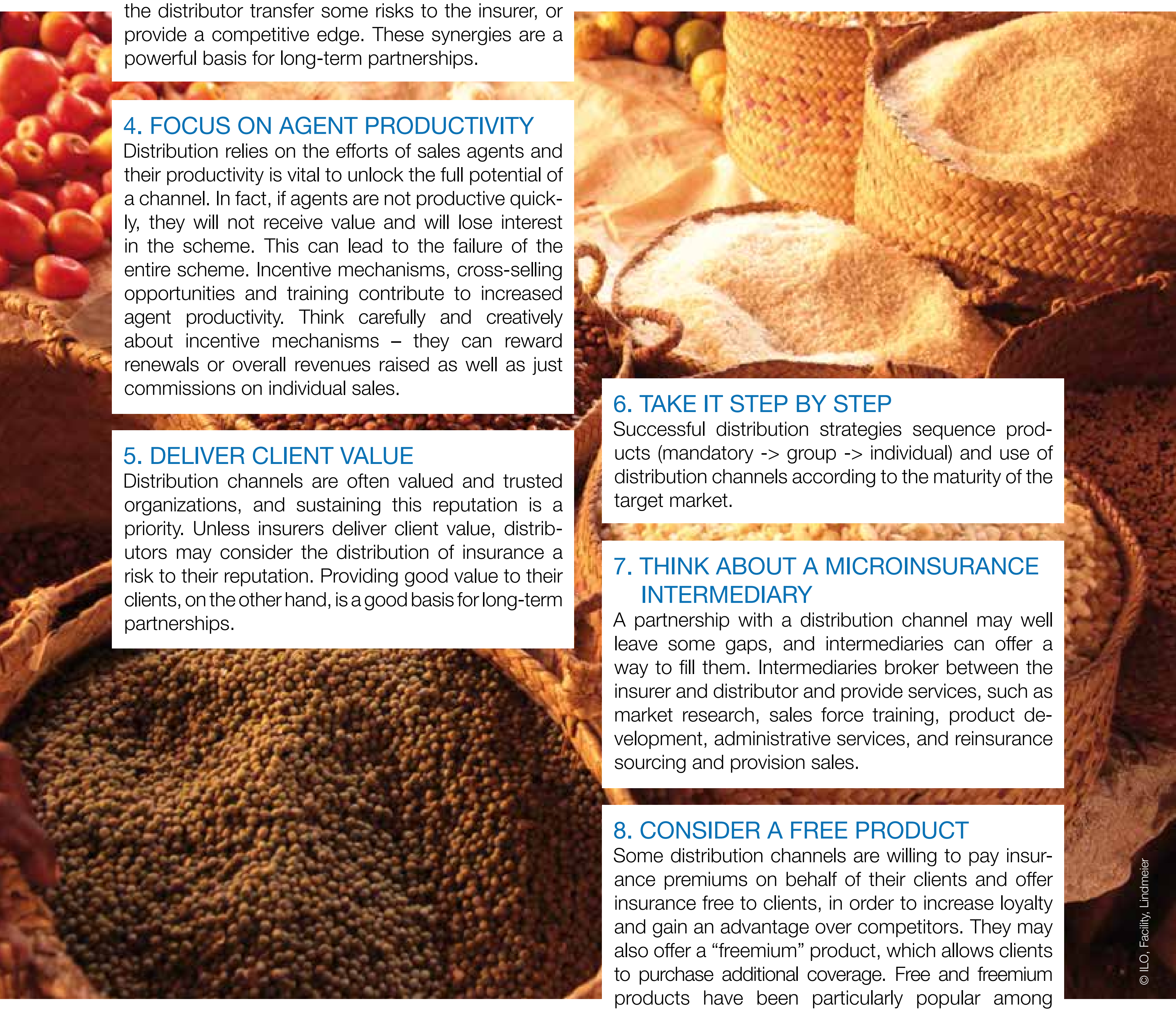
2. MIX AND MATCH

Distribution channels can be combined in creative ways to leverage their strengths, infrastructure and expertise. Financial institutions, for example, offer an existing client base and payment platform, yet their employees often do not prioritize insurance. In some cases insurers have responded by installing their own sales agents in the branches of financial institutions. Increasingly, hybrid models are emerging, like banking correspondents, which merge elements of retail and financial institutions.

This brief is authored Alice Merry, Pranav Prashad and Tobias Hoffarth, all part of the ILO's Impact Insurance Facility (previously known as the Microinsurance Innovation Facility). Microinsurance Paper no. 33 is available at http://ilo.org/impactinsurance

3. SOLVE THE DISTRIBUTOR’S PROBLEMS

Commissions are often not enough. The most successful insurers recognize that their products need to solve an important problem for the distributor so that the distributor has its own incentive to ensure the product’s success. Insurance can be a reward to make existing clients more loyal or active, can help the distributor transfer some risks to the insurer, or provide a competitive edge. These synergies are a powerful basis for long-term partnerships.



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4. FOCUS ON AGENT PRODUCTIVITY

Distribution relies on the efforts of sales agents and their productivity is vital to unlock the full potential of a channel. In fact, if agents are not productive quickly, they will not receive value and will lose interest in the scheme. This can lead to the failure of the entire scheme. Incentive mechanisms, cross-selling opportunities and training contribute to increased agent productivity. Think carefully and creatively about incentive mechanisms – they can reward renewals or overall revenues raised as well as just commissions on individual sales.

5. DELIVER CLIENT VALUE

Distribution channels are often valued and trusted organizations, and sustaining this reputation is a priority. Unless insurers deliver client value, distributors may consider the distribution of insurance a risk to their reputation. Providing good value to their clients, on the other hand, is a good basis for long-term partnerships.

6. TAKE IT STEP BY STEP

Successful distribution strategies sequence products (mandatory -> group -> individual) and use of distribution channels according to the maturity of the target market.

7. THINK ABOUT A MICROINSURANCE INTERMEDIARY

A partnership with a distribution channel may well leave some gaps, and intermediaries can offer a way to fill them. Intermediaries broker between the insurer and distributor and provide services, such as market research, sales force training, product development, administrative services, and reinsurance sourcing and provision sales.

8. CONSIDER A FREE PRODUCT

Some distribution channels are willing to pay insurance premiums on behalf of their clients and offer insurance free to clients, in order to increase loyalty and gain an advantage over competitors. They may also offer a “freemium” product, which allows clients to purchase additional coverage. Free and freemium products have been particularly popular among mobile network operators. They allow clients a first experience of insurance and, if this is a positive experience, can be a powerful way to kick start an insurance culture.

Housed at the International Labour Organization, the Impact Insurance Facility enables the insurance industry, governments, and their partners to realise the potential of insurance for social and economic development. The Facility was launched in 2008 with generous support from the Bill & Melinda Gates Foundation, and has received subsequent funding from several donors, including the Z Zurich Foundation, Munich Re Foundation, the IFC, USAID and AusAID. See more at: http://ilo.org/impactinsurance