

Advancing financial inclusion through access to insurance: the role of postal networks

Briefing Note

With 1.5 billion people worldwide getting access to financial services through a post office, postal networks are powerful tools to advance financial inclusion.

Posts possess or can develop characteristics such as client understanding, product diversification, national outreach, rural advantage, and trust with clients that have the potential to transform postal networks into well-suited providers of insurance. Insurance is a relatively easy way for posts to diversify their sources of revenue.

Nevertheless, even among posts that already offer financial products and services, in developing countries, only 34 per cent are offering insurance. For insurance companies, effectively engaging with a post can provide a good distribution channel for delivering products to an untapped source of customers with a relatively modest investment.

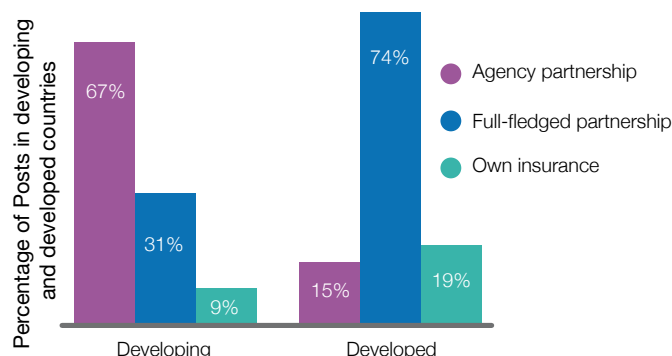
Through the experience of six posts in developing countries – Kazakhstan, Burkina Faso, Kenya, Morocco, Zambia and India – this study presents three types of business models for postal insurance:

- Agency partnership – The post collects premiums, disburses claims/benefit payouts and issues policies on behalf of one or more insurance companies (Kazakhstan, Burkina Faso, Kenya).
- Full-fledged partnership – The post offers insurance products in partnership with an insurance company and assumes more responsibility in all stages of the operation, including potentially product development (Morocco, Zambia).
- Own insurance – The post carries the risk and offers its own insurance products (India).

It is important to look at posts' characteristics that could pose a potential challenge for the provision of insurance. Posts should consider these issues carefully and, if necessary, put in place measures to address them:

- Lack of expertise in active selling;
- Inadequate IT infrastructure: only 46 per cent of post offices worldwide are online.
- Lack of financial expertise;
- Unavailability of liquidity in all or part of the postal network.

Business models used in developing and developed countries



Source: UPU postal financial inclusion questionnaire, 2015

Out of the six post case studies presented, the partnership between Wafa Insurance and Poste Maroc in Morocco was particularly successful, reaching 549,000 policies in force by 2013. India Post had almost 30 million policies by 2015.

With Poste Maroc (later named Al Barid Bank), the endeavour to offer insurance through the post began with a learning (pilot) phase involving three insurance companies. This phase lasted four years and allowed Poste Maroc and the insurance companies to deepen their knowledge of their clients' needs. Finally, a recommendation was made for an exclusive partnership with Wafa Insurance. This phase and the next phase involved ongoing feedback and joint development of insurance products between the two parties. This feedback loop also enabled both parties to assist one another with their relative weaknesses. The learning phase and then later, the feedback loop and cooperation phase were generally missing in the other country examples. Poste Maroc's long-term commitment and active involvement in the financial services it provided were key to the success of the partnership. This commitment to financial services was also demonstrated in its establishment of a postal bank – Al Barid Bank. The establishment of the bank directly benefitted the insurance programme, as Poste Maroc put in place a series of measures aimed at strengthening its capacity in financial services.



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India Post began offering insurance products to its employees in 1884. Based on this experience, it later scaled up by offering the product to employees of other public and semi-public institutions, reaching 6.4 million Postal Life Insurance (PLI) policies by 2015. Building on its experience developed from the PLI, in 1995 India Post introduced another scheme – the Rural Postal Life Insurance (RPLI) – which has grown to 23.5 million policies as of 2015. The success of RPLI can also be attributed to the relative scarcity of insurance services in rural areas as well as their efforts to strengthen the sales force and create innovative channels for customer interaction. This includes mobile portals, call centres, and 809 processing centres to handle requests and claims.

The potential of post offices should not be overlooked by insurers, especially as postal networks are increasingly interested in offering financial services. With the volume of mail dropping, the profitability of posts has been adversely affected and financial services are seen as a feasible alternative to diversify sources of income and leverage existing physical and human capital.

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 World Bank Group, USAID, AFD, FSDA, Africa Re and AusAID. See more at: <http://ilo.org/impactinsurance>