Selling insurance through agent networks

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Introduction

Distribution is one of the biggest obstacles in getting quality insurance services to underserved markets, such as low-income households, small enterprises and rural communities due to challenges related to reaching these markets in a cost-efficient manner. While distribution using digital channels offers new opportunities, a more high-touch model is often needed upfront to educate households about insurance and to build trust. Agent networks, such as those used in banking and microfinance, can help address some of these challenges faced in insurance.

Agent networks have proved a successful sales structure in banking and microfinance. Financial institutions establish a network of agents, made up of third-party non-banking institutions who carry out simple transactions on the behalf of a bank or microfinance institution (MFI). These networks complement the financial institution's existing branches or digital channels. In many cases, agents are small neighbourhood shops or services (such as corner stores or hairdressers), that provide a local presence for banks or MFIs that is convenient for customers.

While existing experience of agent networks comes primarily from banks and digital finance providers, some insurers are also experimenting with agent networks. In most cases, insurers do not establish their own networks. Rather, they leverage existing networks set up by partners. These agent networks are distinct from the traditional brokers and agents used by the insurance industry as these networks are not "owned" by the insurer. Box 1 outlines the various types of agent networks that insurance providers can consider.

This brief presents ten lessons from banks, MFIs and existing experiences of insurers in establishing or leveraging existing agent networks, laying out the different ways these networks can operate, and outlining emerging lessons from their experiences.

▶ Box 1: What types of agent networks can an insurance provider consider?

A variety of networks can be used do distribute financial services. These variations include:

- **Proprietary versus non-proprietary (third party)**: In a proprietary agent network the financial institution recruits, equips, manages, and brands itself. A non-proprietary (third party) agent network is owned, equipped, managed, and branded by an external partner, such as a Mobile Network Operator or other payment network.
- **Exclusive versus non-exclusive**: An exclusive agent serves only one Digital Financial Service (DFS) provider. An agent who serves more than one DFS providers is non-exclusive.
- **Dedicated versus non-dedicated**: Dedicated agents only conduct DFS business for one or multiple providers. More common though is that agents also run other kinds of businesses, known as nondedicated agents.
- **Static versus roving (mobile)**: Roving or mobile agents spend at least part of their time moving through villages, towns or market areas. It is a "doorstep service" that serves customers where they live and work rather than making them find the nearest static agent outlet. The service is especially applicable to the collection of daily savings from market traders.

Adapted from: Christian Rodriguez, Julia Conrad, Gisela Davico and Susie Lonie, "A new banking model for Africa: Lessons on digitization from four years of operations" (IFC and the Mastercard Foundation)

Insurers can learn a great deal from the significant experiences of banks and MFIs in establishing agent networks. This paper outlines some of these lessons, as well as the specific learnings of insurance companies that have experimented with similar approaches in recent years. Table 1 provides details about the insurance providers that are highlighted in this brief.

▶ Table 1: Insurance providers highlighted in this brief

Country	Provider	Agent network model
Kenya	APA Insurance	Hires agents on a seasonal basis to sell agriculture and livestock insurance products.
Brazil	Bradesco Seguros	Sells insurance through the banking correspondent network of its sister bank Bradesco.
Kenya	Equity Insurance Agency	Leverages the existing network of 35,000 banking agents of its sister bank, Equity Bank. These businesses include shops, salons and supermarkets.
India	HDFC Ergo	Sells its products through Common Service Centres, which are low-cost distribution centres established to deliver e-governance services to the rural population.
Ethiopia	Kifiya Financial Technology	Distributes an agriculture insurance product through a network of multiple farmers' unions and cooperatives.
Colombia	Seguros SURA	Launched an agent network in 2019 to sell its general and life insurance products. The network consists of more than 50 small businesses and 1,000 individuals.

1. Leverage existing agent networks

Most insurers have been successful in agent network sales by leveraging an existing network, such as those already established by banks, MFIs, mobile money providers or government programmes to provide transactions to their customers. By forming a partnership with these providers, insurers can get access to their agent network.

For example, Indian insurance company HDFC Ergo offers motor, personal accident, health, fire, and cattle insurance through Common Service Centre (CSC) agents, which are low-cost distribution centres established to provide e-governance services in rural areas. Insurers can enter into an agreement with CSCs to distribute their products through the centres. HDFC Ergo uses 60 per cent of its own staff and 40 per cent outsources staff (such as CSC members) to sell its products.

Equity Insurance Agency (EIA) in Kenya uses bancassurance staff, banking agents and digital channels to distribute its insurance products. It leverages the existing network of 35,000 banking agents of its sister bank, Equity Bank, to sell the National Health Insurance Fund's cover. Agents are business owners who perform interactions on behalf of Equity Bank and its subsidiaries, including banking transactions, sim cards, utility payment collection, and now insurance. These businesses include a range of small enterprises, including retailers, salons and supermarkets. Around 90 per cent of these businesses decide to hire dedicated staff for such third-party sales related to financial services as they make up an important part of their business. Through these agents and roaming sub-agents, EIA is registering 1,000 to 2,000 clients per month for the National Health Insurance Fund.

Equity has found that adding insurance transactions to the portfolio of its banking agents has helped secure the business case for the network by allowing them to cross sell and reach new customers. This cross-selling works both ways. Most customers who want to sign up to the National Health Insurance Fund are not Equity Bank account holders. This means that agents can cross-sell banking products to them and gain additional ongoing customers.

In general, an important point to keep in mind when contracting out networking services to a partner institution, the insurer should verify that the networking agents' conditions of work meet the minimum requirements set out in national law and international labour standards, particularly concerning the fundamental principles and rights at work.

2. Leverage existing sales staff to establish agent networks

Where an insurer does decide to establish its own agent network, rather than leveraging one that has already been established by another organization, its existing sales force can be a good starting point to create that network.

Seguros SURA, one of the largest insurance companies in Colombia and part of the regional group Suramericana SA, launched an agent network in 2019 to sell general and life insurance. The network consists of more than 50 small businesses and 1,000 individuals, and sales through these agents represents around 3 per cent of SURA's total premiums. SURA uses its own sales force to sign up individual agents to its network and has found that this is a successful tactic for bringing agents onboard. This is followed up by SURA's commercial team, which finalises the arrangements with the agent. SURA has found that it is important for the sales force to maintain contact and support for agents. This direct support and communication help agents to identify more closely with the company and its products.

3. Use digital tools to move beyond static agents

Traditionally, agents are based in one location, such as a neighbourhood shop. That has allowed for easier support and monitoring of agents. However, digital tools are creating opportunities for roving agents to be included in agent networks. These might be attached to static agents, such as an additional roving agent employed by a neighbourhood shop to provide services in the surrounding area. One consideration for roving agents is that it may be difficult to build trust if prospective policyholders do not know where to find agents. Hence, providing information on how to reach these agents in case current or prospective policyholders have questions is especially important.

Digital tools and mobile technology allow for communication, support and monitoring of these agents without the time and costs associated with roving agents having to frequently visit headquarters or offices to log their progress and receive updates. This provides an opportunity to cover a broader territory and reach distant places more cost-effectively.

Some insurers are experimenting with networks of roving agents. For example, in 2018, HDFC Ergo introduced a mobile app to monitor its agents. Agents mark their daily attendance on the app and enter every sales visit with GPS co-ordinates and photographs. Based on this information, the regional manager generates reports to track and monitor agents. This monitoring mechanism has proven very effective, since GPS location data provides reliable information on agents' sales visits. Furthermore, it has reduced costs for HDFC Ergo and time for agents. Agents no longer need to visit the office regularly, making it more feasible for them to work in more remote areas. Fewer staff are needed to monitor activities, flattening the sales structure, reducing costs, and allowing the company to maintain a presence in more remote areas.

4. Choose quality over quantity

One resounding lesson from MFIs' experiences in establishing agent networks is to start small[1]. Many of the MFIs establishing agent networks fell into the trap of wanting a large agent network as quickly as possible. This proved to be a mistake, and MFIs were more successful when they focused on gradually expanding active agents. In fact, large numbers of inactive agents were found to be a financial drain as well as a reputational risk, since inexperienced agents providing very few transactions for the MFI were more likely to provide poor service to MFI customers.

In many cases, insurers are not building their own networks from scratch, and a partnership might provide them with access to a large existing agent network. However, it is not necessary for insurers to instantly convert all members of that network to insurance sales.

Rather, insurers should gradually recruit members of that existing agent network, and make sure they are properly trained before moving on to the next batch of recruits. Bradesco Seguros in Brazil, for example, found that selling insurance through the agent network of its sister bank required close management of the proportion of the network which sells insurance. The company therefore gradually scaled up insurance sales through the network, rather than attempting to convert all agents to insurance sales.

Insurers should be careful to analyse which agents within a network are most likely to be successful in insurance and focus their energies on developing those agents. APA Insurance is a leader in agriculture and livestock insurance in Kenya, as well as offering a range of other general insurance products. For agriculture and livestock insurance, APA needs to work with agents on a seasonal basis. It uses the following criteria in selecting agents:

- Hiring agents who have worked with farmer groups before
- Aligning the insurance sales with other services that the agents may already be providing. For instance, some agents provide services for other development/NGO partners. In this case the insurance product is a complementary service that they can provide.
- Using referrals from village heads or other local opinion leaders

When selecting agents, it is important to look at how insurance can complement the core business of the agents, as evidenced from the experience of Cebuana Lhuillier in the Philippines (see Box 2).

[1] Susie Lonie, *Turning MFI digital strategies into reality* (World Bank, 2017).

▶ Box 2: Selecting and training agents – Cebuana Lhuillier

Cebuana Lhuillier (CLIS) is Philippines' leading and largest microfinance provider specializing in pawning, remittance, microinsurance, and micro savings. CLIS started offering insurance products in 2008 with the insurer Pioneer.

In selecting agents for insurance sales, CLIS has found that it is important to look into the nature of the other business conducted by an agent. Many of CLIS' agents are pawn brokers and do not offer other services. It is particularly difficult to sell insurance through these agents, who generally interact with customers at times of pressing financial need when they are unlikely to make additional purchases. However, agents that also offer remittance receiving services are much more successful at cross selling as they interact with clients when they have money available for additional purchases such as insurance.

Once it had selected agents, CLIS realised that it would need to support them in both their mindset and their knowledge in order for them to take on insurance sales, as providing remittance services is very different from selling insurance. It therefore created a module on positive thinking to help its agents develop the right mindset and additional tools for insurance sales. These included a handbook with tips on handling 30 common objections during insurance sales, such as a lack of money or worries about religious opposition to insurance, providing ready-made responses to build agents' confidence.

CLIS also trained its agents to take on more than just the insurance sales process. In particular, CLIS emphasizes the role that agents play in claims processing. Agents are trained to support customers during the claims process, explaining requirements and collecting documentation. Once a claim decision is made, the agents also pay out claims. While CLIS can arrange for its own agents to take on claim responsibilities, this may be more challenging in an agent network where agents would need to be specifically incentivized to carry out these additional tasks.

5. Consider the business viability of agents

Signing up large numbers of agents reduces the business available for each agent and can make the activity unsustainable and unappealing to all agents, increasing the number of inactive agents. It is therefore important, when deciding how many agents to recruit, to consider the business viability of those agents. They need to be signed up in low enough numbers and sufficiently spaced out to make sure that there is sufficient business for each and to avoid high competition between them, especially in the initial months of establishing the network.

MFIs were far more successful when they implemented a gradual and structured agent recruitment plan, growing the number of agents as customer demand grew. The critical mass of agents found to be necessary to launch a network can be surprisingly low – for example, two MFIs studied successfully launched with just 50 agents[2].

As a rule of thumb, where the agents' compensation is based solely on commissions, the insurer should verify that the rate of compensation is adequate to ensure that the basic needs of each agent and their family are met; and that other working conditions—in particular, the hours required to meet any quotas and safety and health considerations—fully respect national law.

6. Start close to home

Interestingly, MFIs have found that their most successful agent networks were those located near MFI branches. These nearby branches provided a ready support service and a source of liquidity for the agents and made it easier for MFIs to resolve early problems as the network was established. Insurers should consider how a similar dynamic may play out for insurance agents.

Part of the appeal of agent networks for insurers is to reach areas and customers too remote to be served efficiently from their physical offices. Nonetheless, insurers may be better off avoiding the temptation to establish agents in

[2] Susie Lonie, *Turning MFI digital strategies into reality* (World Bank, 2017).

remote areas initially. They may be more successful originally signing up agents that are close to their brick-and-mortar offices. In this way, they can provide better support to their early adopters and refine their processes with them before expanding outwards and establishing agents in more remote locations.

Where the agent network is run by a partner institution, such as a bank, the insurer might want to consider starting by enrolling into insurance sales suitable agents located close to major branches of its partner. In this way, a representative in the partner branch can be trained and appointed to support the agents in the early days of insurance adoption and to quickly report back problems to the insurer.

It is worth bearing in mind and making clear to branch staff that agent networks generally complement branches, rather than making them obsolete. For example, some MFIs have found that building an agent network can even increase transaction frequency in branches, as customers use additional MFI services, carrying out transactions both in branches and through agents[3]. It is important to secure the buy-in of branch staff so that they see the opportunities of an agent network complementing their business rather than viewing it as unwelcome competition. For example, Equity Bank in Kenya adopted the strategy of gradually shifting its transactions for retail customers to its agent network and mobile app, while using branches to focus on small and medium enterprises.

7. Put resources into agent management and support

Once agents are established and selling insurance, a great deal of effort still needs to go into managing and supporting those agents. This work is usually carried out by insurance company representatives. Agents require both supervision and monitoring, and support when they encounter difficulty. Insurance companies have experimented with different ways of providing this support.

Bradesco Seguros learned from the experiences of its sister bank Bradesco in establishing its network of banking correspondents for basic banking services. Bradesco has seen how agents could not be expected to function well without ongoing support from the bank. It therefore established the role of “multiplier”. Multipliers are local people employed by the bank who monitor and support a number of banking correspondents. These individuals can keep the outlets active and functioning effectively by providing on-going support and training, setting incentives, providing sales materials and enrolment forms, and carrying out promotion activities and troubleshooting.

These multipliers proved a vital success factor, and Bradesco Seguros believed that its interaction with outlets would be even more important for a complex financial product like insurance. This assumption turned out to be justified. Their support has been critical to persuade banking correspondents to include insurance in their menu of services. The multipliers have also proved vital in building trust with customers. Besides the support multipliers provide directly to agents, they also interact with communities and have a key role in explaining the insurance product, processes and services, and encouraging sales. This has also taken some of the burden of educating customers on insurance and explaining product details away from the agents.

8. Consider separate customer education and awareness efforts

Most people arrive at a local corner shop, pharmacy or salon already knowing what they want to buy. These agents are busy and used to making quick sales to customers who know exactly what they need. The same mentality applies easily to the transactions carried out on behalf of banks or MFIs – customers come in ready to pay a bill or to withdraw cash. In contrast, insurance is an altogether different transaction, requiring active sales and promoting a little-known product.

Insurance sales must therefore be made as simple as possible in order for a product to be explained and sold in the short time available in most outlets. However, insurers may feel that customers need additional support to understand and trust insurance, and in some cases, this can be provided separately to the agent network.

For example, some insurers have used additional individuals to support the agents in customer education and awareness building. Kifiya, a digital financial services provider in Ethiopia, distributed an agriculture insurance product through cooperatives and with the support of Village Insurance Promoters (VIPs). VIPs are staff of the

[3] Susie Lonie, *Turning MFI digital strategies into reality* (World Bank, 2017).

Ministry of Agriculture who work at the village level and promote the insurance product as part of their duties. They provide information to farmers and answer their questions but are not responsible for sales. Sales are handled by agents of farmers' unions and cooperatives, as well as MFIs who use biometric devices for farmer registration. The double point of contact provided by both VIPs and by agents, allowing for separate but connected education and sales, has proved powerful in increasing farmers' understanding of the product.

9. Start with a simple product relevant to agents' existing customers

Finally, to help agents make sales it is important that the simple insurance products must be aligned with the agents' business and the concerns of their existing customers. In many cases it is advisable to begin by offering only one insurance product through the agent network. Bradesco Seguros began by offering a personal accident policy combined with funeral assistance. This was chosen based on the needs identified through market research, which suggested that people in urban Brazil are particularly aware of the need for personal accident protection because of the violence on the streets. Bradesco Seguros also realised that it would be more effective to start with a clear, simple product. Once the banking correspondents and clients become more familiar with insurance, it could introduce additional products.

SURA has similarly experimented with designing the right products to distribute through its agent network. It has found that in the emerging customers market segment it serves through its agent network in Colombia, attractive products included accident insurance, hospitalization insurance, and income protection.

10. Be creative with incentives numbering

A common challenge for insurers leveraging agent networks is that they often cannot offer incentives to compete with those provided by other services offered by the same agents, such as banking or mobile services. Insurers therefore must be creative in offering incentives to agents. Insurers have found the following approaches successful:

- HDFC Ergo cannot pay agents higher commission than what is stipulated by Indian insurance regulation, however its commissions are particularly attractive to CSCs because they are instant. As soon as a sale is made, the CSC receives a credit in its account. HDFC Ergo also offers value-added services to agents such as technology support.
- Equity Insurance Agency offers complementary services that are valued by agents. These include certifications on budget management and entrepreneurship, particularly for women business owners, offered through Equity Group Foundation. These are highly valued by agents who have not had the opportunity to access much formal education. Agents also sit on the interview panel for Wings to Fly (a scholarship programme for students from poor communities). This makes agents influential people in their communities.
- APA uses a flexible incentive structure. It devotes a budget of US$200 per agent per sales season. Usually this is divided into a US$50 fixed retainer and US$150 dependent on sales. The variable amount can be paid in a flexible way depending on the preferences of the agent. For example, one coordinator might promise to reach 4,000 farmers (without any guarantee to sign them up), whereas another might agree to US$0.50 for each farmer enrolled in the insurance programme.

Conclusion

The ten strategies presented in this brief provide ideas on how to start and manage agent networks. As digital financial services proliferate, agents will gain more experience servicing customers with financial products and customers will gain confidence in transacting with agents. Insurers should act now to leverage this alternate distribution channel that could alleviate access and usage challenges faced by the low-income and emerging customers.

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