



# ► Social Finance Brief

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## Seguros Bolivar

### Tranquilidad Pymes – Insurance for MSMEs in Colombia

#### Key points

- Seguros Bolivar is a Colombian insurance company with more than 80 years of experience. It is not only present in the insurance industry, but has also ventured into the health, pension and construction markets. Seguros Bolívar has a broad portfolio of insurance products focused on both personal and business risks.
- In 2018, Seguros Bolivar launched "Tranquilidad Pymes", a flexible insurance product tailored to the specific needs of businesses in Colombia. This is a multi-risk product that provides coverage against damage, loss of profit, theft, damage to third parties.
- Seguros Bolivar has developed a communication and product design strategy that includes customer satisfaction indicators, improving the customer experience and gaining the trust of policyholders.

## Identifying the business opportunity

In Colombia, as in other countries in the region, micro, small and medium enterprises (MSMEs) have become an important driving force in the economy. According to studies by the National Administrative Department of Statistics, by 2019 they generated 35 per cent of the GDP and represented more than 90 per cent of the country's productive sector, employing approximately 80 per cent of workers. Currently it is estimated that there are around 2.5 million MSMEs in the country. Even so, according to the Colombian Association of Small and Medium Enterprises, half of MSMEs go bankrupt in the second year, and only one fifth make it to the third year. Seguros Bolivar attributed this to two factors: the highly vulnerable

income stream of MSMEs and low financial education and technical knowledge of businesses. Seguros Bolivar felt that these factors were not yet considered and addressed by the insurance sector, giving the company a business opportunity to create "Tranquilidad Pymes", an insurance product responding to the needs of MSMEs.

It is important to mention that, while developing the product, Seguros Bolivar used information from MSMEs. However, the impact and benefits of the product also made it attractive to individual consumers. In fact, individuals currently make up around half of the product's portfolio of policyholders, including handicraft stores and neighborhood stores such as beauty salons and bakeries.

## Designing a product that suits everyone

In the process of developing, designing and implementing the product, Seguros Bolivar had to think of a product different from traditional coverage and consider the number of potential clients that they could reach in a mass market. In addition, their challenge was to create a simple and fast insurance product that would be easily understood by customers and that would be flexible enough for purchase by any kind of business, regardless of its economic activity. Seguros Bolivar did market research in those regions of Colombia where MSMEs were mainly concentrated, gathering information on risk variables for modelling algorithms and geolocation maps. This allowed the company to create a pre-subscribed insurance with dynamic pricing, depending on the location and economic activity of the MSME.

The research also showed that the main barriers for MSMEs to buy insurance are the complexity of the underwriting process, the lack of flexibility of the product and the excess of documentation requested from the client. This is why the company involved different businesses while developing the product, resulting in:

1. A shorter contract, with simple language and relatable in the client's context, making it easier to understand for all the actors.
2. A coverage in which the insured assets do not depreciate over time, but the amount insured is the original value or purchase price. A strategy that, in addition to not requiring a face-to-face evaluation of the loss, has been especially valued in the case of businesses that replace their goods in the used goods market.
3. A product that is easy to understand since it has a single deductible for all coverages.
4. An insurance with coverage for loss of profit equivalent to 5 per cent of the sum insured. This figure allows businesses to have insurance backing to cover indirect expenses that usually traditional insurance does not allow.

Additionally, the company could now digitize the sales process, reducing it to a single step. Using digital tools and reducing product costs, allowed the company to incorporate a quick consultation system and develop product packages that reduced the operational burden of sales agents and intermediaries. This in turn improved the sales experience, since it allowed the advisor to focus

more on understanding the customer's needs and provide better support.

## Product development

One of the features that makes Tranquilidad Pymes different from other insurance products in the market is the "extra easy indemnity", a hotline for clients to make a claim and obtain a response in 20 minutes. This service was developed especially for low-cost claims, for which the technical language and the request for documentation had to be removed. This service was in response to the high exposure of MSMEs and the need of recovering quickly when faced with money losses and indirect impacts that can affect business continuity. According to the company, thanks to this hotline, 70 percent of claims are resolved, generating great value for MSMEs.

## Product features

Seguros Bolivar has also included labour, tax, accounting and water damage assistance in the insurance product. This has made the product not only more tangible, but it also strengthens the technical capacities of MSMEs and preparing them for the coming years of operation. It has had a positive impact on the perception of insurance, debunking the belief that insurance is an expense and not an investment and making clients appreciate the support and allyship of the insurance company. In addition, Seguros Bolivar partners with service providers that cater to MSMEs, such as monthly packages for cleaning and disinfection.

## Adaptations for COVID-19

One of the lessons learned from the pandemic is that MSMEs value those products that cover against emerging risks. Since the insurance included IT support, during the pandemic Seguros Bolivar was able to continue assisting MSMEs during the pandemic, especially those that had to migrate their business operations online. It also gave Seguros Bolivar the opportunity to raise awareness among MSMEs about their exposure to cybersecurity risks and it promoted training in good prevention practices. These two elements generated an added value in the product, differentiating it from others in the market. Tranquilidad Pymes also included damage to off-premise equipment and movement of goods without collateral requirements. This made sense during the pandemic,

especially for businesses that had to move their operations and goods to their homes.

## Communication strategy

It is important to mention that the company has implemented a cross-cutting communication strategy for all products offered, including customer satisfaction indicators to design new products and develop strategies to improve the customer experience. Thanks to data analysis, Seguros Bolivar learned that when the client has had a disagreement with an insurance policy, it is not only important to acknowledge the error to the insured, but also identify strategies to compensate the client's disagreement. In the case of MSMEs, clients value any help with their operating or administrative expenses. Currently, the company is offering to cover the cost of for example cleaning services to regain the insured's trust.

### ► **Testimonial Margarita Arellano, founder of Multiservicio Fasoancho (Cali, Colombia)**

► "A few months ago, there was an act of vandalism against some customers who were on the premises, where they were attacked with firearms, and their belongings were stolen. Thanks to the Seguros Bolivar policy Tranquilidad Pymes, the customers were compensated and were able to recover part of what they had lost. In this way, the clients were very grateful to the company and to Seguros Bolivar. The experience with Seguros Bolivar has been very good and efficient. I recommend people who do not yet have their businesses protected to do so with confidence with Seguros Bolivar."



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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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