Access to Insurance Initiative
A global programme for sound regulatory and supervisory frameworks

6th Consultation Call: 25 September 2014
“Successful Business Models in Microinsurance”

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Moderated by Ulrich Hess, A2ii
The Initiative

The Initiative is a partnership between:

[Logos of participating organizations]

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[Logo of GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH)]
IAIS Application Paper on Regulation and Supervision of Inclusive Insurance Markets 2012

Synthesis Note 1: Evolving Microinsurance Business Models and their Regulatory Implications
1. Introduction
2. Common microinsurance business models
3. Stages of market development
4. Example from South Africa: Hollard (Freedom Buthelezi)
5. Distribution stages and client value
1. Introduction

True or False?

| Statement                                                                 | Answer |
|                                                                         |        |
| Insurers are in the business of paying claims                           |        |
| Microinsurance is about corporate social responsibility                 |        |
| Microinsurance helps low-income households to manage risks              |        |
| Microinsurance is only provided by small insurance companies            |        |
| Microinsurance should be subsidized                                    |        |
| Microinsurance belongs to the distribution channel                      |        |
## True or False?

<table>
<thead>
<tr>
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2. Common microinsurance business models

- **Bundled** with a loan or other service
- **Loyalty benefit** or auto-enrolment
- **Passive sales** off the shelf
- Cross selling by a **proxy sales force**
- Individual and group sales by **insurance agent** (including call centres)
3. Stages of market development

**EMERGING**
- **PRODUCT:** credit life
- **DISTRIBUTION:** MFIs

**DIVERSIFYING**
- **PRODUCT:** multiple risks, voluntary, bundled with other services, aligned with social protection
- **DISTRIBUTION:** MFIs and banks, cooperatives, associations, unions, retailers, kiosks, agents, pawn brokers

**COMPETITIVE**
- **PRODUCT:** funeral, hospital cash, PA, simple savings, value-added services, some cross-selling
- **DISTRIBUTION:** MFIs, cooperatives, associations, unions
4. Example from South Africa

Hollard.
5. Distribution stages and client value

**Stage 1: Compelled groups**
- Compulsion
- Cost reduction through subsidy and potential saving on product design/sales cost
- Low awareness (auto-enrolment)
- Product does not meet needs of consumer

**Stage 2: Voluntary groups**
- Partnership
- Client database
- Convenience
- Reduction in distribution cost
- Cost to remunerate partner
- Product designed for partner, not consumer

**Stage 3: Individual Sales**
- Agency
- Tailored product meet consumer needs
- Information to make informed choice
- High sales and distribution cost impacts affordability