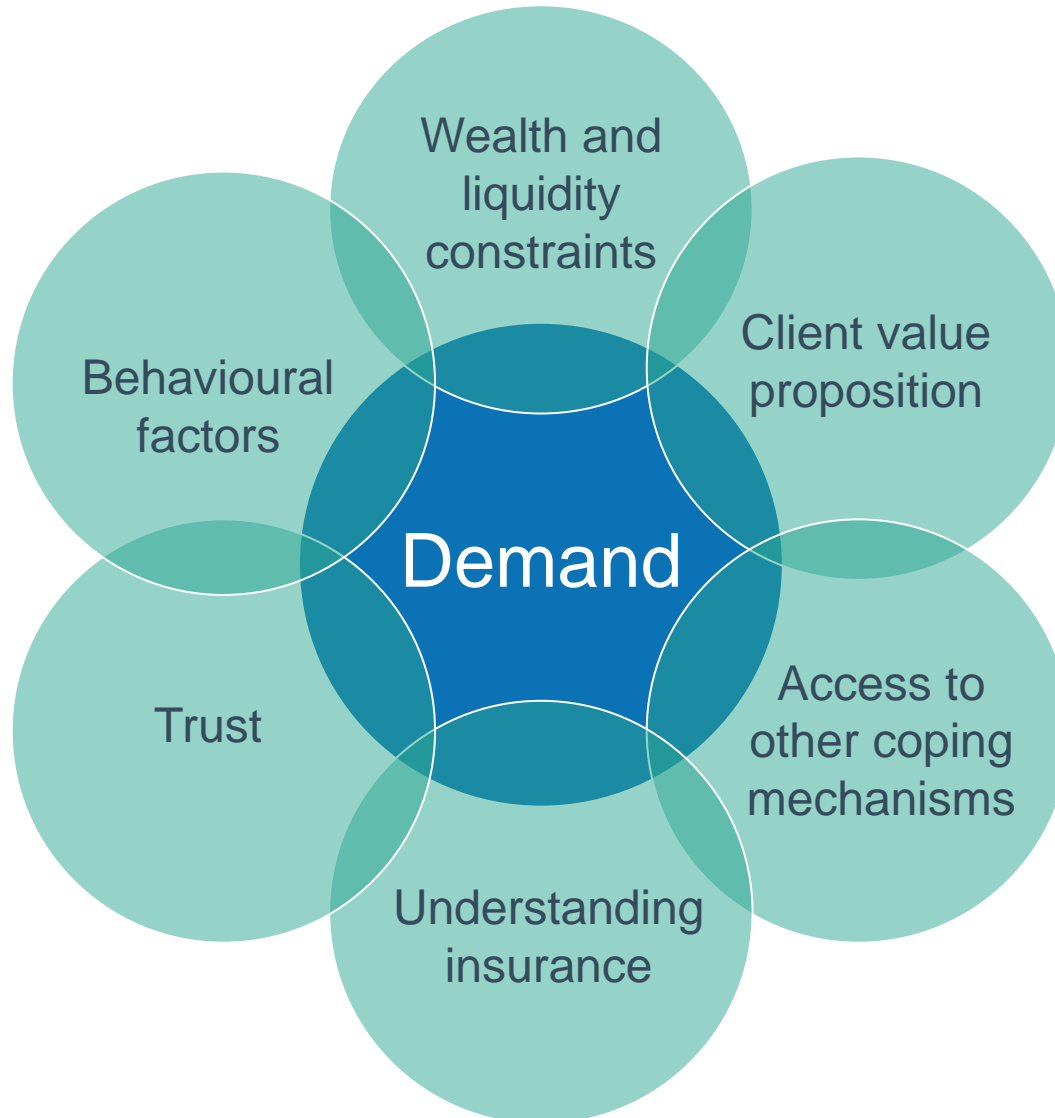


The business case of microinsurance



Miguel Solana

There is a strong need to understand the demand for insurance



Viabile
business
model

=

Revenues
Premiums
Fees
Investment income
Subsidies

+

Intangible benefits
Indirect benefits

- Building a client base for the future
- Stronger brand / reputation
- Increased staff retention / motivation
- Microinsurance innovations applied to mainstream operations can lower costs or increase revenue in other markets

Viabile business model

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Revenues
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>

+

Intangible benefits
Indirect benefits

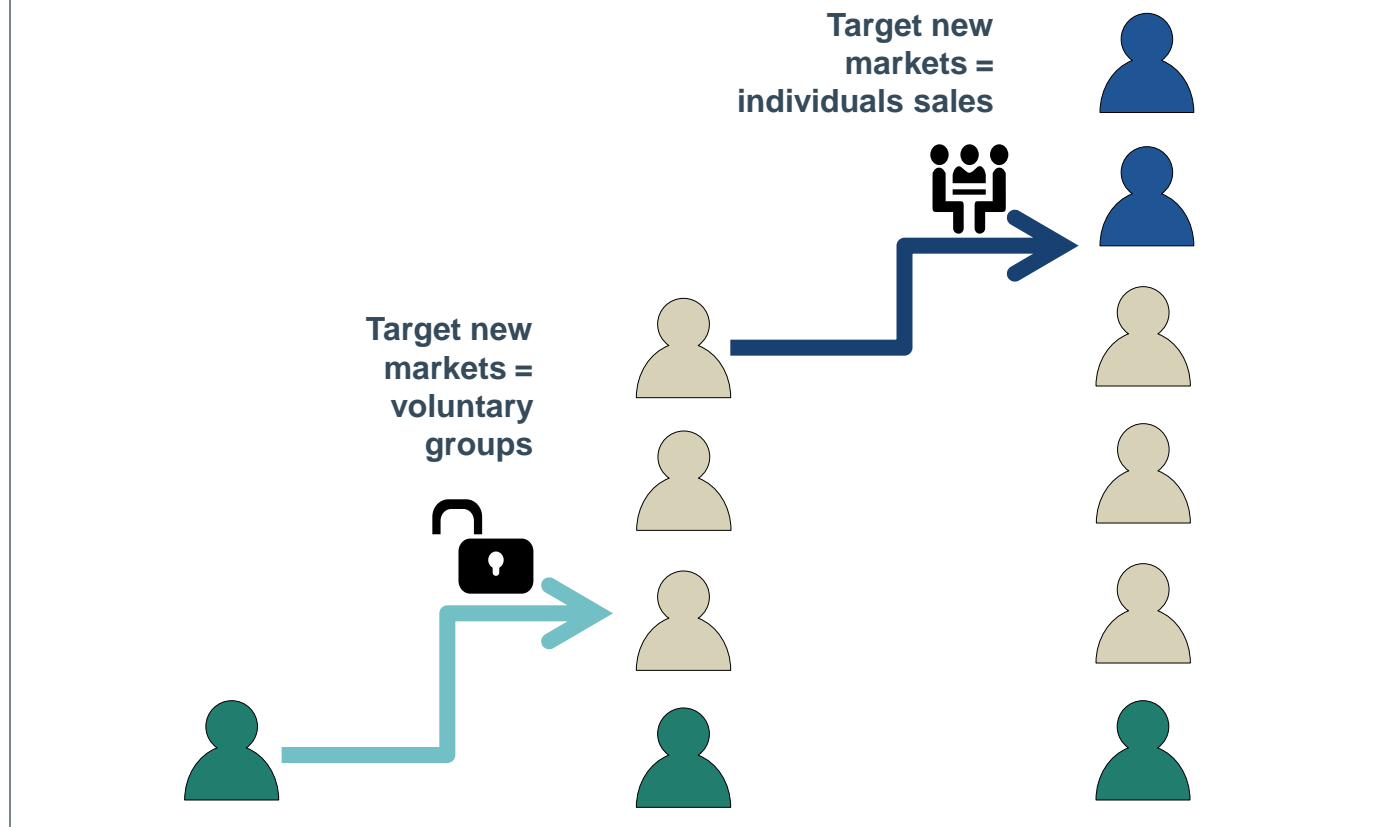
SCALE

Control claims costs
Manage expenses

Expenses
Benefits
Commissions
Sales expense
Administrative expenses
Cost of capital
Taxes

Drivers of scale by market development stage

- Agents
- Product & process design
- Brand
- Partnerships
- Access to voluntary groups
- Compulsory



Stage 1: Compelled groups

Stage 2: Voluntary groups

Stage 3: Individual Sales

IFFCO-Tokio: front-end technology



Leverage technology not only for scale but value as well

- RFID chips reduce claims ratio to 35% from 150 to 300%, resulting in a combined ratio of 118%
- Lower transaction costs for farmers
- Faster claims processing (8-30 days)
- Acceptance by farmers and banks

Challenges

Organizational development

- Only part of someone's job
- Standard targets, incentives
- No solutions to overcome institutional inertia

Partnerships and distribution

- Relying on agents and brokers
- Not designing mutually beneficial partnerships with alternative distribution channels
- Not managing the relationship

Business model

- Expecting fast results, impatience
- Optimistic projections regarding uptake and renewals
- Standard corporate overhead costs

Challenges (continued)

Product design

- Off the shelf with a smaller sum assured
- No market research, don't know target market's needs and preferences
- Complications and exclusions
- Lumpy premiums, due at the wrong time
- Not making the intangible tangible

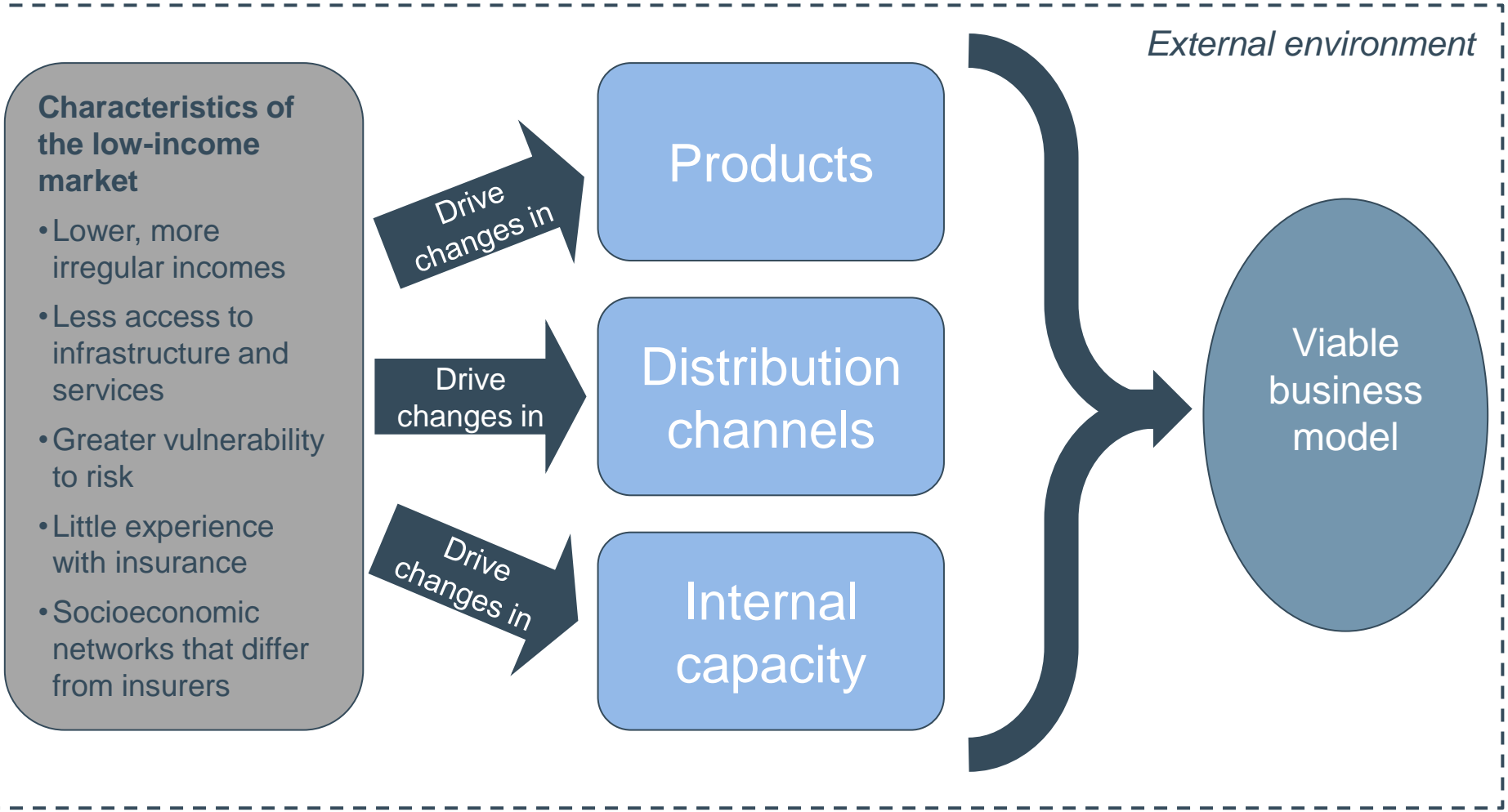
Consumer education and sales

- No information for mandatory products
- Marketing without education
- Insufficient training and incentives for sales staff
- Prioritizing new sales instead of renewals

Claims

- Rejecting claims without public relations backup
- Delays in paying claims

Making Microinsurance Work





International
Labour
Organization

Thank you for your time
and participation!



IMPACT INSURANCE

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