

Microinsurance Commitment of Allianz

World Microfinance Forum Geneva,
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Overview prepared by Michael Anthony



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Overview

- 1 Where we do microinsurance?
- 2 How do we bring microinsurance to the poor?

Where we do microinsurance?

Egypt - 11% of population lives on less than USD 2 per day

- Pilot project since February 2008
- Product: Death/Disability microinsurance
- Customers: 30,000
- Distribution: through Planet Finance

India - 80% of population lives on less than USD 2 per day

- Active since 2003
- Products: Risk-Life, accident and health schemes
- **Customers: 1.6 Mio**
- Distribution through 182 NGOs as Care, Activists for social alternatives, SKS

Columbia

- Pilot project since November 2007
- Product: accident microinsurance
- Customers: 639,000
- Distribution through supermarkets

Sub-Saharan Africa - Cameroon, Senegal, Madagascar

Pilot project since Sept 2007

- Product: Death/Disability microinsurance
- Customers: 3,000
- Distribution through PlanetFinance

Indonesia - 52% of population lives on less than USD 2 per day

- Pilot project since Sept 2006
- Product: Credit-Life microinsurance
- Customers: 84,000
- Distribution through several local NGOs

How do we bring microinsurance to the poor?



&



Partner organisations



Product development through focus groups and due diligence of local Non Governmental Organisations (NGOs).

Choose and educate



ASA-GV



Local NGOs and Microfinance
Institutions (MFIs)



Sevalaya.org

...love all serve all

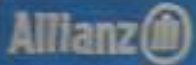
Educate and distribute to clients

Awareness raising campaigns in local communities to explain insurance:

- 1 Explain insurances and risks covered to local coordinator of Self Help Groups (SHGs).
- 2 SHGs discuss with its members the concept of insurance.
- 3 To raise understanding and awareness about microinsurances mass rallies are being held by Care and local NGO.
- 4 During these awareness campaigns a puppet theatre and microinsurance song are shown to explain insurance.



**PELATIHAN PSIKOSOSIAL DAN PENINGKATAN KEMAMPUAN
MENGAJAR BIDANG STUDY MATEMATIKA & SAINS
DI SD NEGERI 81 ALLIANZ TIBANG
BANDA ACEH, 2-11 MARET 2007**



Thank You

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What investment opportunities are likely to develop in this area?

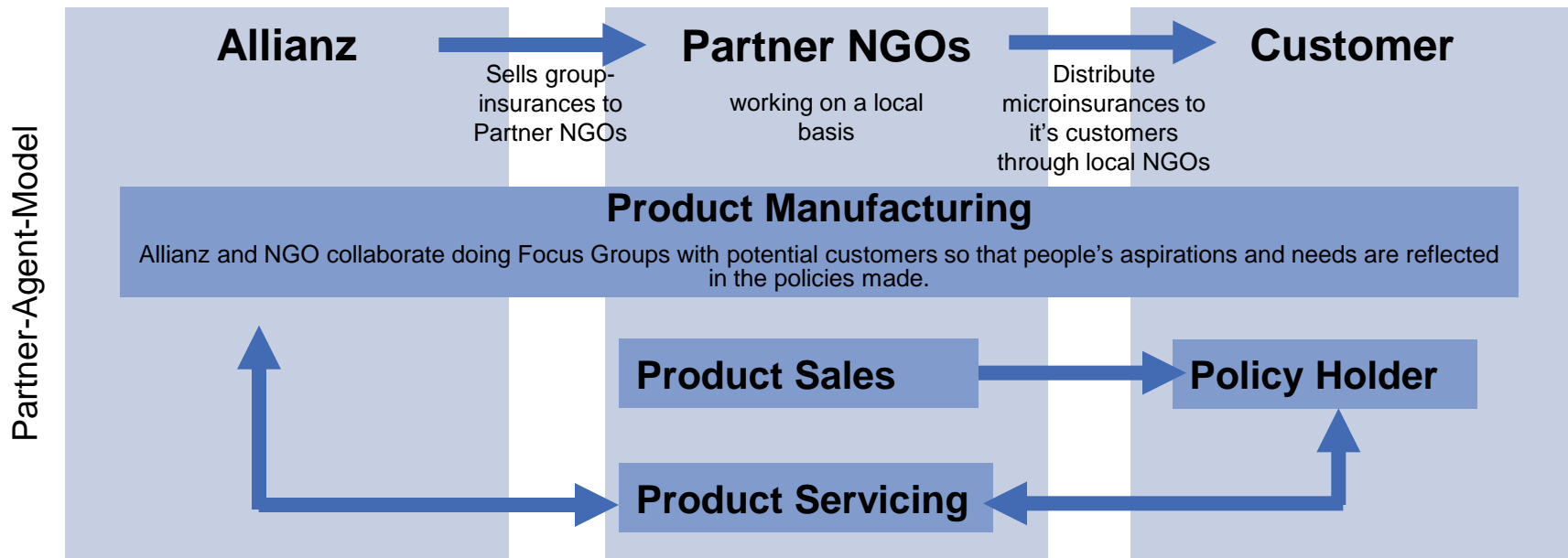
External investments

- Investment in MFIs: as few reliable and big MFIs exist.
- Build up financial literacy through education schemes.

Internal investments

- Product development: e.g. weather index based insurances, health insurance.
- Distribution development: new distribution models and new areas.

How have insurance products of Allianz been adapted to the needs of the poor?



Allianz and its partners (Care and GTZ) have undertaken focus groups to establish peoples' needs rather than using off-the-shelf insurance products that are being downscaled.

With the gathered knowledge of customer needs, for example the need for health products was addressed, Allianz and Care are able to offer an innovative product: the mutual health insurance.

Technical support and distribution through our partner

Train
ing

Collaboration with our dedicated partner NGOs

Studies to determine the **demand** for and **supply** of microinsurances

Multilateral **product development**

Communication material for education and information

Handling of microinsurances

Distribution through local NGOs.



Investing in microinsurance makes sense

- Microinsurance helps the poor, low income people and lower middle class to build up financial stability and a solid livelihood.
- High demand for microinsurances throughout the world.
- Product communication and distribution are best done in collaboration with local partner.
- Mutual product development is the best way to target the customer and create a great demand for microinsurances.
- Allianz created economically viable and cost effective products.
- Belonging to the first movers Allianz can actively shape the microinsurance market.

Indonesia pilot project, new projects enrolling in Africa

Country	Indonesia	Egypt	Sub Saharan Africa*
Product	<ul style="list-style-type: none"> • “Payung Keluarga”: group-credit life product • Sharia conform product 	Death/ disability	Death/ disability Mali & Benin: no life insurance only disability and other risks
Time Frame	Since Sept 2006	Since June 2007	Starting in Senegal Dec 2007, remaining countries to start in 2008
Target Market	Microcredit customers of Microfinance NGOs	Microcredit customers of Microfinance NGOs, obligatory insurance with microcredit.	
Premium	Average of 0,52 Euro/year	Dependent on: loan duration, average age of borrowers, loan amount from 0,42% to 0,5% of initial capital	Senegal: 0,49% of initial capital
Sum Insured	210 Euro	Coverage of 110% of initial capital	Coverage of initial capital
Expected customers	Currently 65.000 (85% women) 2008: 100.000 2009: 175.000 2010: 300.000	Currently: 30.000 (85% women) 2008: 100.000 2009: 250.000 2010: 400.000	
Partner	GTZ	Planet Finance, Planet Guarantee	
Distribution	16 NGOs chosen by Allianz and GTZ	Partner MFIs of Planet Finance	
Development	<ul style="list-style-type: none"> • Flexible savings- and term life package • Micro-education • Weather-index based microinsurance 	<ul style="list-style-type: none"> • crop weather index • retirement and credit insurances as voluntary covers 	

India more complex microinsurance products

Country	India			
Product	<ol style="list-style-type: none"> Group term live policy Three individual insurance products 	Death/ property & risk-life <ul style="list-style-type: none"> Care Care plus 	Health <ul style="list-style-type: none"> Care health cash Care health cash plus 	Community-based Micro Health Insurance program
Time Frame		Start of distribution: Feb 2008		
Target Market	All India	Tamil Nadu (Kanyakumari, Cuddalore, Nagapattinam) and Pondicheri		
Premium	<ol style="list-style-type: none"> from 0,46 € from 2,5 to 24 € 	from 1 € to 1,50 €	from 2,15 € to 3,45 €	from 3,4 € to 6,66 €
Sum Insured	From 150 € up to 860 €	up to 430 €	up to 430 €	Up to 170 € per hospitalization (per day)
Customers	Currently: 1,600,000	Currently: 41.000 (70% women) 2008: 200.000 2009: 300.000		Currently: 1.200
Partner	BajajAllianz	Care		
Distribution	Through 182 selected NGOs and MFIs from BajajAllianz	15 NGOs chosen by Care		
Development	<ul style="list-style-type: none"> life and credit life P&C products 			

Steep learning curve in a new market

Challenges

- Microinsurance is a low-price, high-volume business.
- Success and market sustainability is dependent on keeping the transaction costs down.
- Lack of infrastructure.
- Insurance illiteracy. Difficulty in introducing radically new business model.
- Low and irregular income.
- Political, economic, inflation risks.
- Risk of further economic deterioration in target regions, leading to unexpected losses.

Innovations

- Allianz products have proven to be economically viable and cost-effective.
- New distribution models are being developed and used.
- Low margins push for further economization in product design and distribution.
- Mutual health product in India: provides technical assistance to communities (organized through NGOs in villages) to set up their own mutual health fund.
- Index-based insurances are being explored.