



ASSOCIATION ACTUARIELLE INTERNATIONALE
INTERNATIONAL ACTUARIAL ASSOCIATION



Institute of Actuaries of India



13th Global Conference of Actuaries 2011

Emerging Risks... Daring Solutions

LATIN-AMERICAN MICRO INSURANCE

Luis Huerta
CEO Eka Seguros
IAA Past President
Mexico

February 20 – 22, 2011

INNOVATIONS IN THE DESIGN OF MICROINSURANCE PRODUCTS

13th Global Conference of Actuaries 2011

February 20 – 22, 2011



CUSTOMER NEEDS

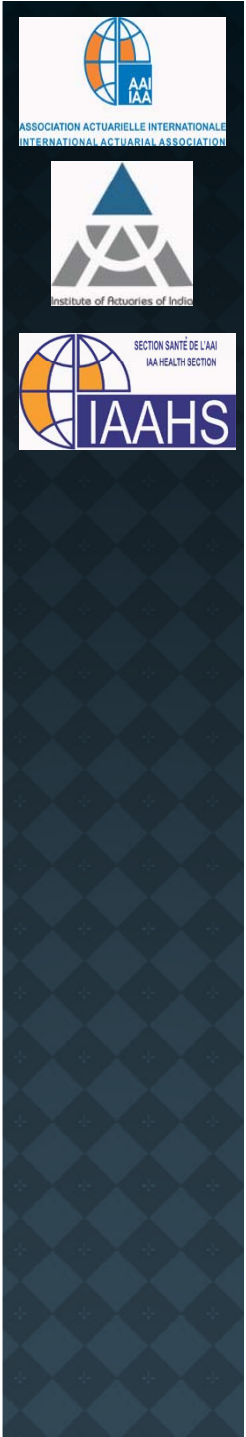
Relevant results of several qualitative and quantitative market research:

- Risk exposure in the BOP population is higher due to their living conditions.
- The BOP population has been neglected by the insurance sector due to its high operating and distribution cost.
- The death of the family's income provider has a profound economic effect and might even destabilize the family's budget immediately.



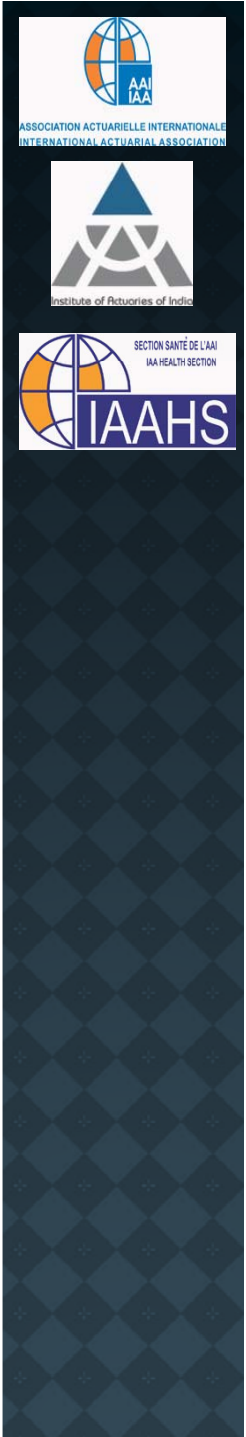
CUSTOMER NEEDS

- Lack of awareness and scarce information regarding insurance products result in an unclear concept.
- Mistrust.
- Women are responsible for family and household.
- Shared decision-making. Women seldom make their own decisions.



CUSTOMER NEEDS

- Social and productive activities focus on children and family.
- Hence, children are the ones that give meaning to the present and constitute a guarantee for the future.
- They have a short-term vision. They are unaware of the long-term since they live one day at a time.
- Security is ascribed to the male gender.
- Social recognition is extremely important.



CUSTOMER NEEDS

- Both, men and women, provide family income.
- They are familiarized with microfinance institutions.
- Women become interested when they receive a simple, clear and concise explanation of what life insurance entails and the benefits they may derive from it.
- On the subject of insurance, they are interested in medical insurance, savings and life products such as funeral expenses.



CUSTOMER NEEDS



13th Global Conference of Actuaries 2011

February 20 – 22, 2011



ASSOCIATION ACTUARIELLE INTERNATIONALE
INTERNATIONAL ACTUARIAL ASSOCIATION



Institute of Actuaries of India



SECTION SANTÉ DE L'AAI
IAA HEALTH SECTION
IAAHS

PRODUCTS



PRODUCTS

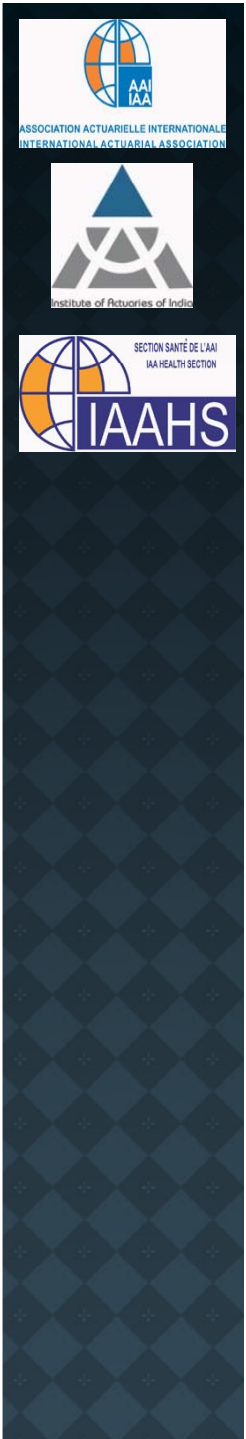
Property

- Home
- Business
- Land



Personal

- Head of the family
- Spouse
- Children
- Other dependents



PRODUCTS

Property

- Fire
- Theft
- Earthquake
- Hydrometeorological

RISK

Personal

- Life
- Health
- Disability
- Old Age



PRODUCTS

L & H PRODUCTS

LIFE

- Head of the family
- Spouse and children
- Debtor insurance
- Education insurance
- Funeral expenses
- Immigrant repatriation



PRODUCTS

L & H PRODUCTS

Health

- Indemnity
- Credit
- Dread diseases
- Medical assistance



PRODUCTS

L & H PRODUCTS

Disability

- Short term
- Long term



PRODUCTS

L & H PRODUCTS

Old Age

- Pension
- Health



REGULATORY AND SUPERVISORY CHALLENGES

13th Global Conference of Actuaries 2011

February 20 – 22, 2011



REGULATORY AND SUPERVISORY CHALLENGES

- Microinsurance definition
- Distribution
- Contract
- Money laundering
- Migrants
- Claims payment
- Regulatory costs
- Statistical information



REGULATORY AND SUPERVISORY CHALLENGES

Micro insurance definition

- Face amount
- Premium



REGULATORY AND SUPERVISORY CHALLENGES

Distribution

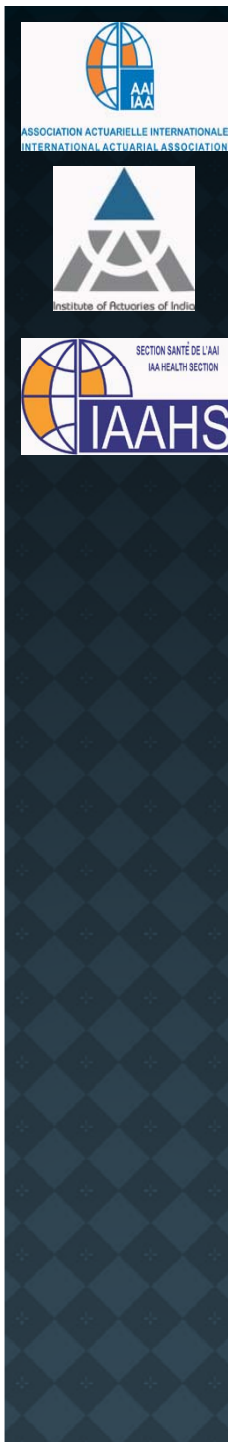
- Licensed agents
- Other non-regulated channels
- Insurer responsibility



REGULATORY AND SUPERVISORY CHALLENGES

Contract

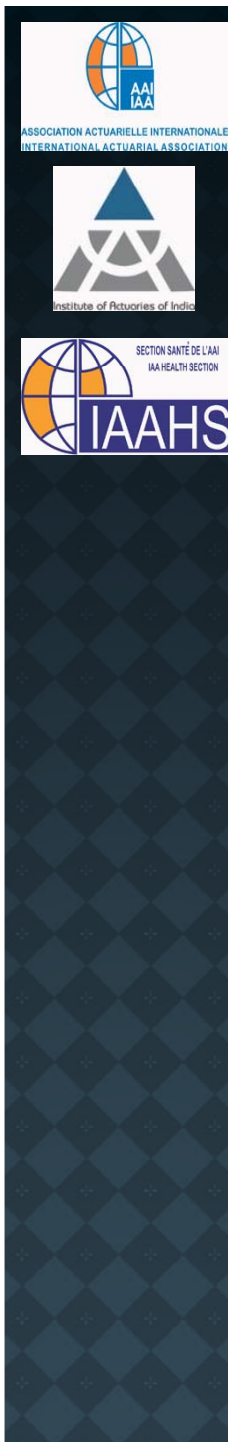
- Few clauses
- Simple wording



REGULATORY AND SUPERVISORY CHALLENGES

Money laundering

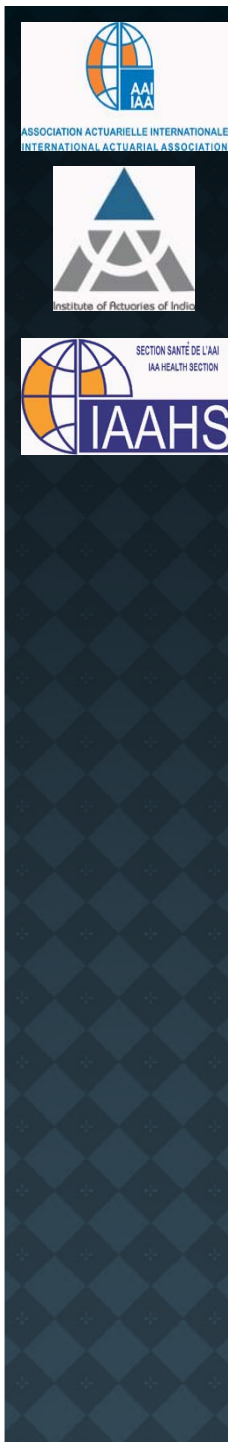
- Customer identification
- Beneficiary identification



REGULATORY AND SUPERVISORY CHALLENGES

Migrants

- Trans border operations



REGULATORY AND SUPERVISORY CHALLENGES

Claims payment

- Cash
- Few documentation



REGULATORY AND SUPERVISORY CHALLENGES

Regulatory costs

- Supervisor
- Governance
- Auditors



REGULATORY AND SUPERVISORY CHALLENGES

Statistical information

- New schemes



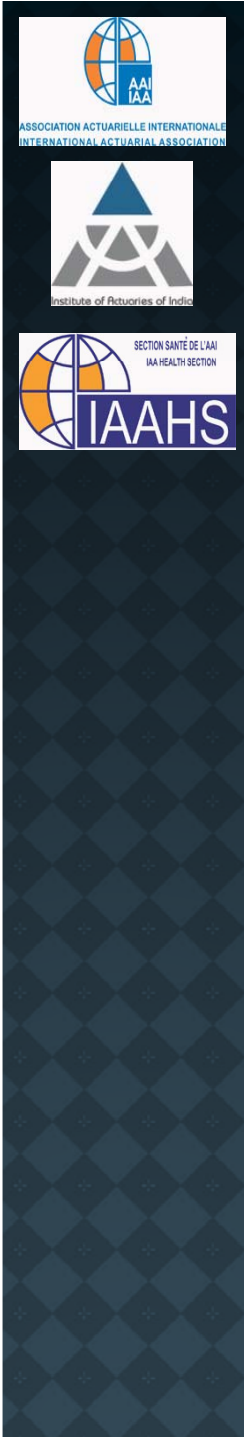
MARKET STIMULATION THROUGH GOVERNMENT INVOLVEMENT



INCENTIVE vs MANDATORY

Governments should NOT:

- Force insurance companies
- Cost free insurance



INCENTIVE vs MANDATORY

Governments and Regulators should:

- Give access to public programs
- Facilitate their channels
- Offer tax incentives
- Provide public basic education
- Implement open orientation programs
- Ad Hoc regulation



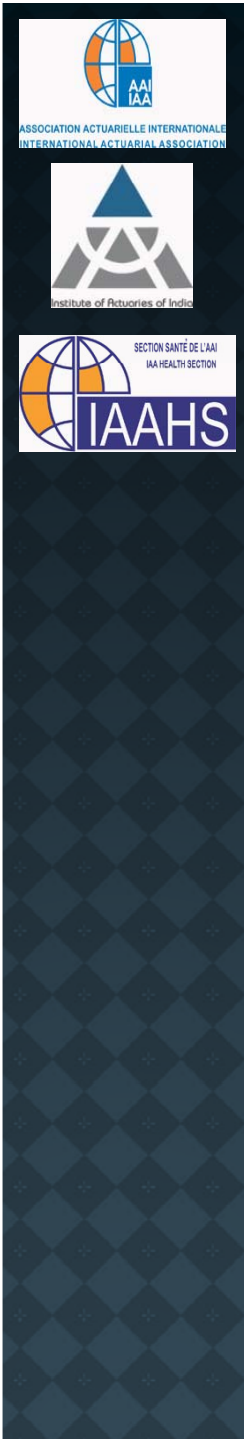
INCENTIVE vs MANDATORY



Felipe Calderón
President of Mexico



CURRENT PROGRAMS



STRATEGIC PARTNERSHIP

It is possible to generate a partnership between the Federal Government and the Private Sector by making use of the MFIs distribution channel

To bring microinsurance products to the BOP, generates a culture of prevention and combats poverty at the same time

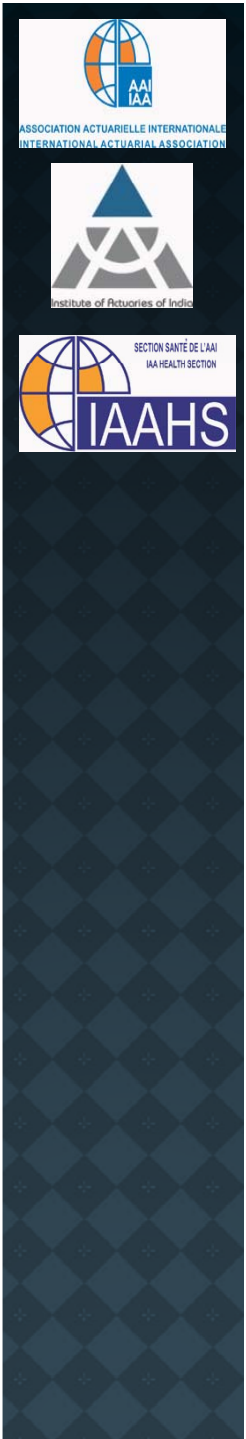
PRONAFIM
MICROFINANCE
INSTITUTIONS

+

AMIS
INSURANCE
COMPANIES

=

MFIs and
MICRO-
CREDITORS
DIRECT BENEFITS
FOR
MICROCREDITORS



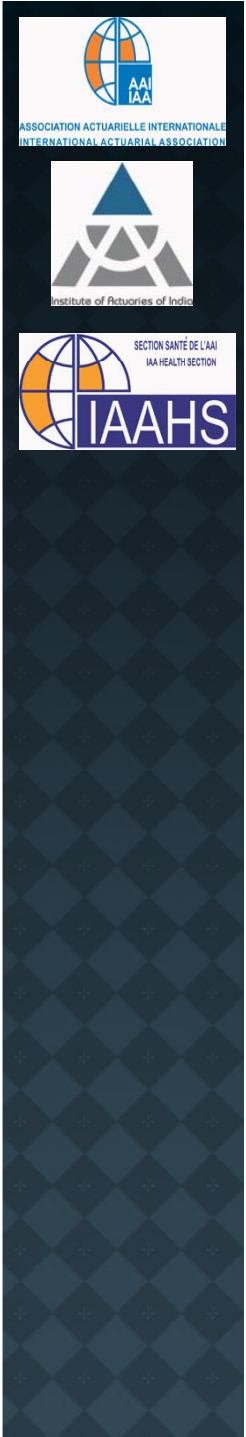
WHAT IS PRONAFIM?

- PRONAFIM= Programa Nacional de Financiamiento al Microempresario
- Created in 1996
- Federal Government Program (Ministry of Economy)
- Mission: To help establish and consolidate the microfinance sector so that the low-income population may improve their living conditions by operating small productive projects.
- PRONAFM provides funding to over 150 MFIs that grant approximately 1,000,000 microcredits



WHAT IS AMIS ?

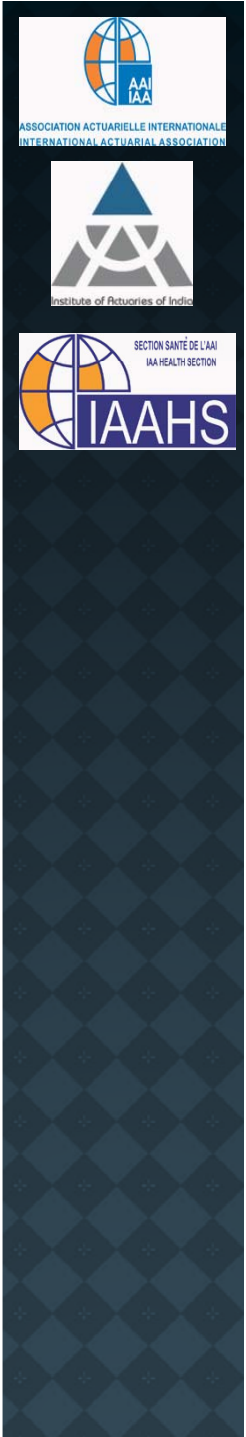
- AMIS= Asociación Mexicana de Instituciones de Seguros
- Founded in 1946
- Association that congregates the Mexican insurance sector
- It includes 100 insurance companies
- It represents 99.5% of the Mexican market premium
- It comprises several Committees



WHAT IS AMIS ?

It has a Microinsurance Committee

- Established in 2007
- Objectives:
 - establishing the bases for microinsurance products
 - negotiating their regulatory framework
 - promoting their sale and
 - generating the necessary partnerships for its development



WHAT ARE THE GOALS OF THE PRONAFIM- AMIS PARTNERSHIP?

- To actively promote contingency planning and financial education among the MFIs and their microcreditors.
- To offer, through MFIs, comprehensive products and services to the BOP that will help them combat their poverty situation.
- To generate additional income for MFIs so that they may grow and offer better quality and services.

THE PURPOSE OF THE PRONAFIM – AMIS PARTNERSHIP

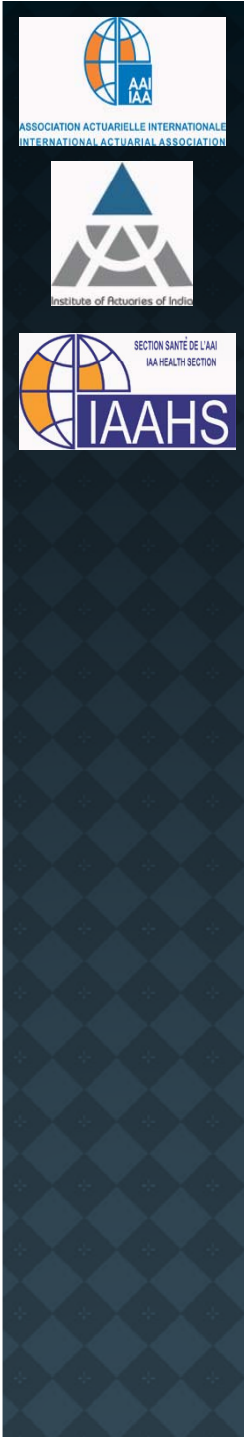
- To offer the benefit of protection (microinsurance) to MFIs and their microcreditors.
- To design microinsurance products according to the needs of MFIs and their microcreditors.
- To sell microinsurance through simple, clear and easy-to-understand methods, as well as to generate financial education.



MARKETING

- Distribution is carried out through the MFIs (financially supported mostly by PRONAFIM)

- Product: Life microinsurance:
 - The loan balance is covered and all family members are also insured, (mother + father + children), 10,000 MXP (650 Euros)
 - It is part of the product (incorporated to the microcredit) and constitutes an added value

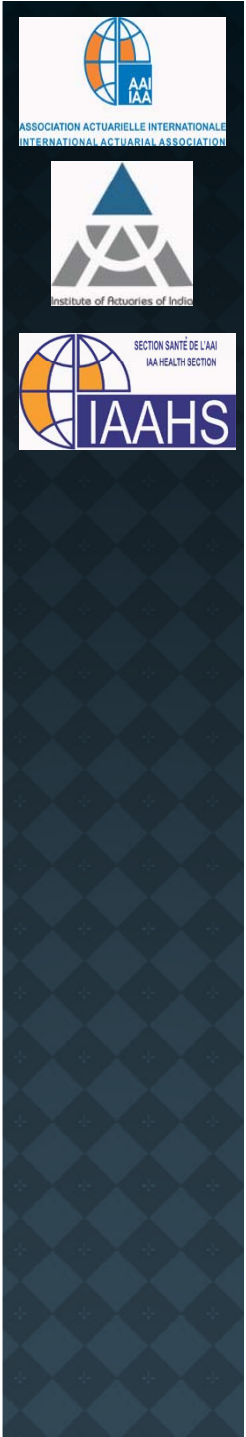


RESULTS

- **Stage 1**
October 2008. The program is launched in one State: Oaxaca. This is one of the poorest states in the country.

- **Stage 2**
March 2009 in Veracruz

- **Up to date:**
 - 17 MFI
 - 44,000 policyholders
 - Over 100 claims paid



WHY IS THIS PARTNERSHIP IMPORTANT?

Because:

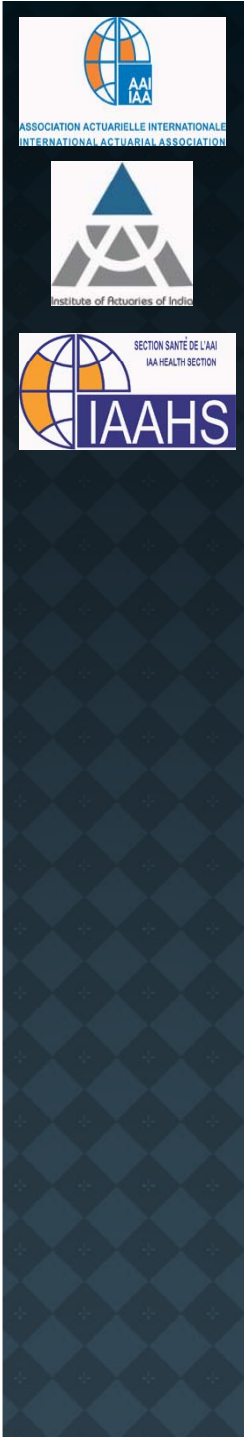
- This is the first time that the public sector (PRONAFIM) and the private sector (AMIS) join forces to offer a benefit to the low-income population.
- It is an innovative program = modern instrument to combat poverty.



BANSEFI

- Development Bank as a state instrument to promote and coordinate the transformation of the semi-formal sector.

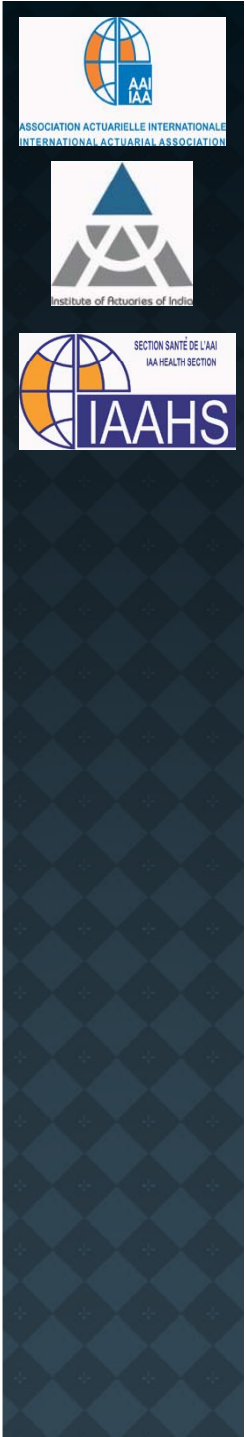
- Objectives:
 - Promote Savings
 - Develop Central Entities
 - L@ Red de la Gente
 - Technological Platform
 - Savings and Credit Institutions Bank
 - Support the Sector
 - Technical Assistance
 - Training



CURRENT PROGRAMS

BANSEFI LIFE INSURANCE PLAN:

- Covers family head
- Face amounts:
15,000 up to 75,000 MXP (1,000 to 5,000 Euros)
- Annual premium:
75 to 360 MXP (5 to 23 Euros)



CURRENT PROGRAMS

BANSEFI INSURANCE RESULTS

- Started 4th Quarter 2008
- 2 insurance companies
- 500 BANSEFI branches
- 500 L@ Red de la Gente branches
- 75,000 policyholders
- Over 150 claims paid



THANK YOU

