

# Emerging Consumers

formerly Microinsurance

2015 Full Year Report

Allianz SE

public

Allianz 



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## What has happened since the last report (Oct 2015)

### News

- 2015 premiums and no. of insured grow 19% and 54% YoY respectively → [page 4](#)
- Lebara and Allianz launch partnership to insure migrant communities → [press release](#)
- Indonesian mobile operator Indosat and Allianz start cooperation → [short news \(English\)](#)  
→ [press release \(Indonesian\)](#)
- Microinsurance definition revamped and rebranded „Emerging Consumers“ → [page 6](#)

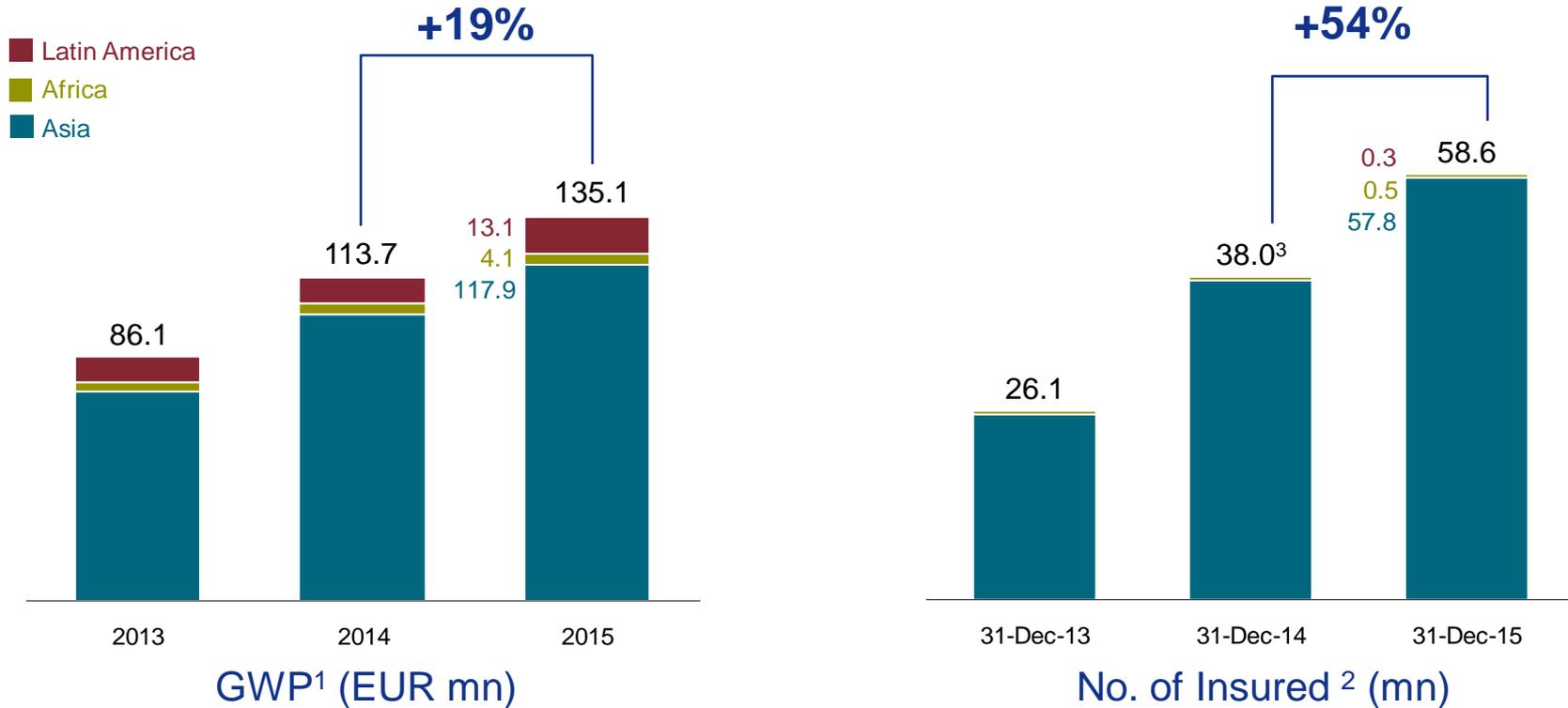
### Products

- 2 products launched, 4 products updated, 1 product phased out → [product pool](#)



Allianz Microinsurance becomes Emerging Consumers  
“→ [read interview](#)”

# 2015 full year results: Unabated growth in premiums and number of insured



- Strong premium growth in Asia (India) & Latin America (Colombia)<sup>4</sup>
- Number of insured lives is again pushed by Group Term Life in India<sup>4</sup>

1) GWP = Gross Written Premium  
 2) Insured assets, e.g. cattle, homes and motorcycles, are not included in the count of insured lives.  
 3) 2014 number of insured have been restated downwards from previous reports due to correction of double counting of insured in India. Premium volumes not affected.  
 4) All figures are still reported based on the 2012 - 2015 [Allianz microinsurance definition](#). From 2016 on, we will report based on the updated [Emerging Consumers definition](#).

## 2015 full year results: Assessment

- Growth in premiums and no. of insured was primarily driven by the continuing expansion of [Group Term Life](#) (GTL) business with microfinance institutions in India. This portfolio alone grew 124% (GWP) and 65% (Insured) YoY.
- Excluding Indian GTL and a phasing out [Indian endowment product](#), the global portfolio still showed healthy growth of 7% (GWP) and 15% (Insured) YoY.
- Colombia in particular contributed to this growth with a 42% increase in local GWP thanks to a new distribution partnership for [home insurance](#).
- Our Indian crop insurance business stayed flat. A much smaller summer season participation compared to 2014 was barely offset by a first ever winter season participation. This indicates that such government promoted business may expose our global portfolio to more volatility in the future, especially as business with subsidies over 50% will start to get counted from 2016 on.<sup>1</sup>
- Our fledgling voluntary upselling activities in India and Indonesia are yet too small in scale to leave a recognizable mark on global performance figures.

▶ Allianz is committed to increase the insurance coverage per person through value-adding voluntary products

1) In our 2012 – 2015 [Microinsurance definition](#), only business with up to 50% public premium subsidies is counted towards Microinsurance business figures. In our revamped 2016+ [Emerging Consumers definition](#), this limitation will be abolished and all business regardless of subsidy levels will be counted.

# From Microinsurance to Emerging Consumers

**Martin Hintz coordinates the Emerging Consumers business of Allianz. This business focuses on low-income families in developing countries. Recently, he accompanied the rebranding of these activities from Microinsurance to Emerging Consumers.**

**Question: What are the reasons for the rebrand to “Emerging Consumers”?**

**Martin Hintz:** By its very name, “Microinsurance” focuses on a specific product: insurance. We want to focus on people and their needs. With “Emerging Consumers” we do that. It puts people in the center. It gives us more flexibility on how we address their needs. Our range of services is already expanding into assistance or mobile savings. We are no longer talking insurance only.

Sure, we are still referring to the bottom 60 percent of the income pyramid in developing countries. That has not changed. What has changed is the perspective how we look at this business. It is more people-centered and provides more solutions and flexibility.

**Question: Are your customers really emerging?**

Yes. Broadly speaking, more and more people are escaping poverty and graduate towards the middle class. From 1990 to 2010, the number of people living in extreme poverty has dropped by 700 million people to 1.2 billion people and is projected to drop further, while the middle class is expected to swell to 5.1 billion by 2030.

However, people living better lives does not mean they automatically become our customers. That is hard work. Our upselling activities in Indonesia and India clearly tell us that people are interested in buying their second or third policy from us. So I am upbeat that many emerging consumers will become our loyal customer. We still need to get better at that conversion though.

**Question: What do you expect for the future?**

The Emerging Consumers space is getting increasingly dynamic, innovation cycles shorter. I expect that we will have to adapt our framework more frequently. For 2015, we still report by our old definition of 2012. For 2016, we will use the updated one. For 2017, let’s see...



Martin Hintz at Allianz SE head office, Munich

→ New Emerging Consumers reporting standard

effective from 2016 onwards

→ Previous Microinsurance reporting standard

applied for 2012 to 2015 business

# Content

## News

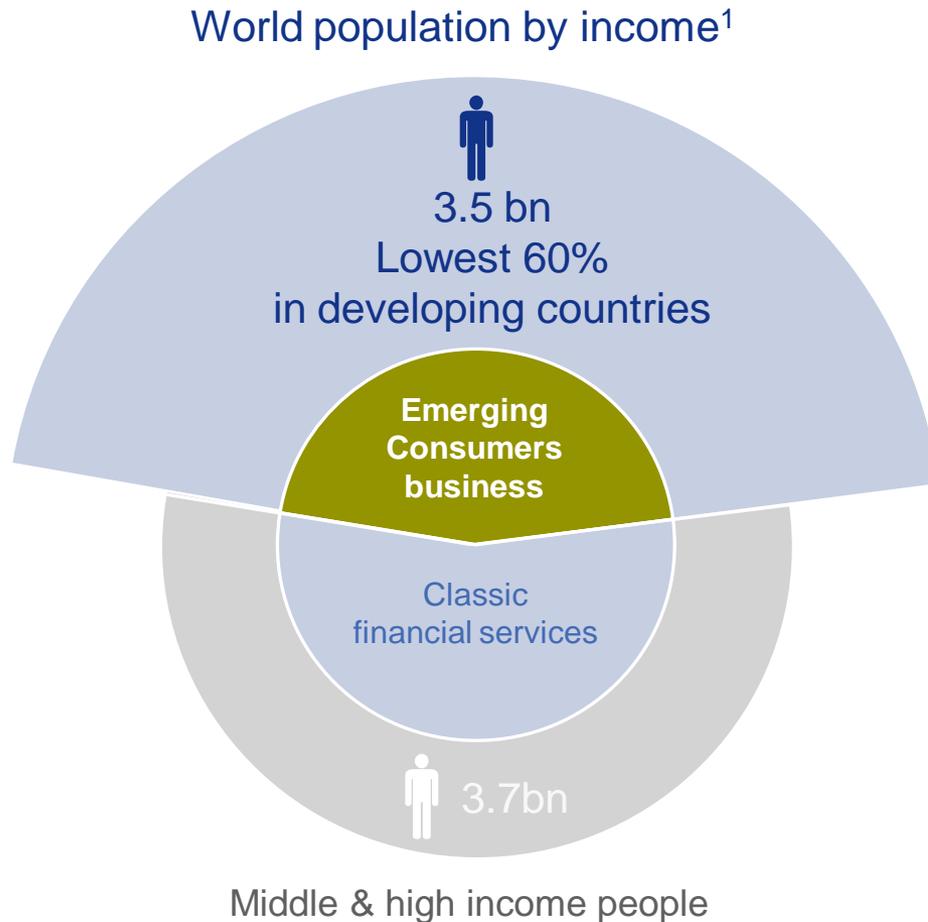
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# What is Emerging Consumers business?



**Emerging Consumers business**

addresses the financial needs of the bottom 60% of families in developing countries, e.g. with insurance, assistance and related financial services.<sup>2</sup>

1) World Bank [World Population Dataset](#) (2015)

2) You can compare our 2012 – 2015 [Microinsurance definition](#) with our revamped 2016+ [Emerging Consumers definition](#) online.

## A Customer Story from Indonesia



- In 2007, Ms. Siti Muhibah takes out a 10-month microcredit of US\$100 from a microfinance institution in Jakarta to grow her cookies shop
- Her loan comes with an Allianz micro life insurance that costs US\$1.20 for 10 months
- On Oct 4, 2007 Siti dies of diabetes complications
- Her daughter Zakiyah (photo) receives US\$200 from Allianz
- On top, Allianz pays off the rest of the loan

Claim  
payout  
US\$200

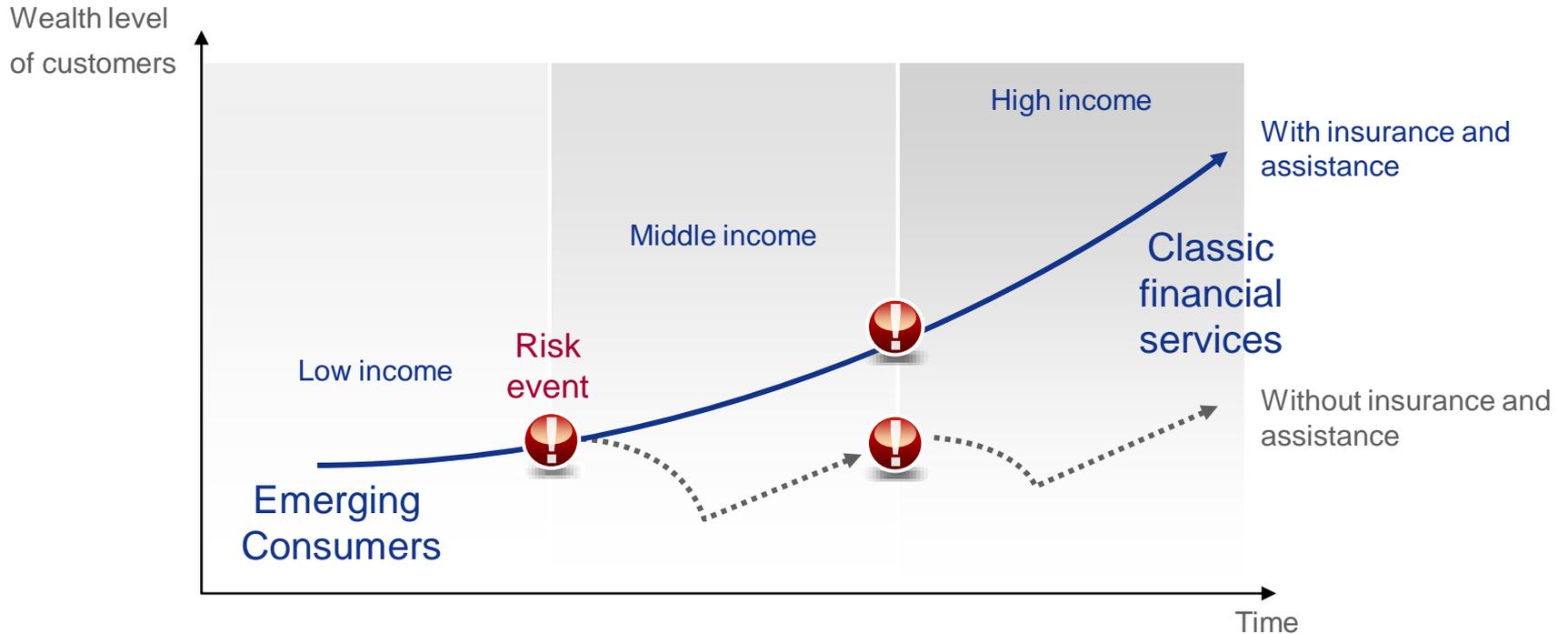
US\$50 for funeral

US\$15 as savings

US\$135  
as investment for her  
textile trading business

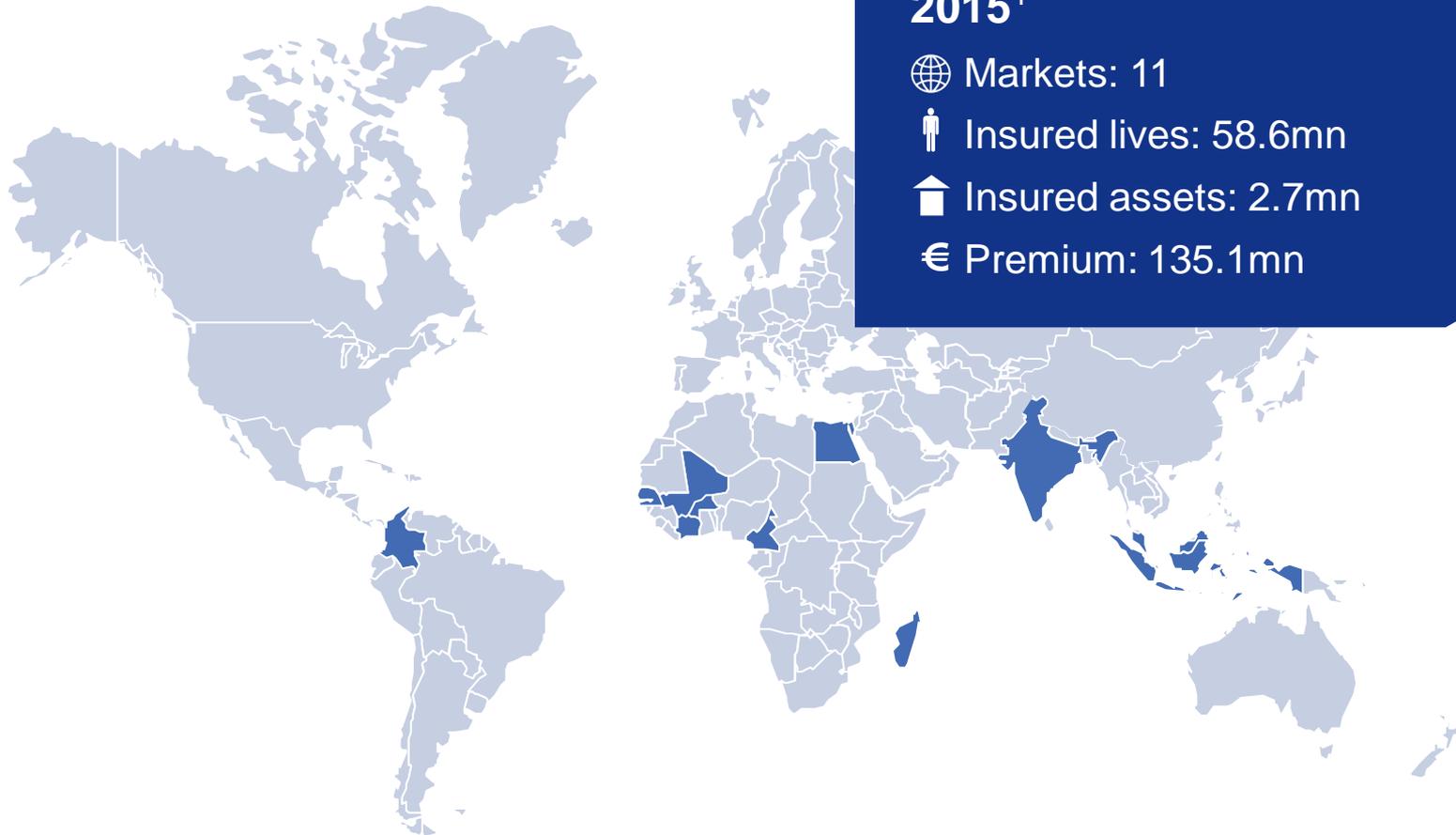
- As a result, Zakiyah increases her income from US\$2 to US\$6/day.
- She can compensate for her mother's lost income and take care of a family of six.

# Why we do it: Double bottom line of social and business benefits



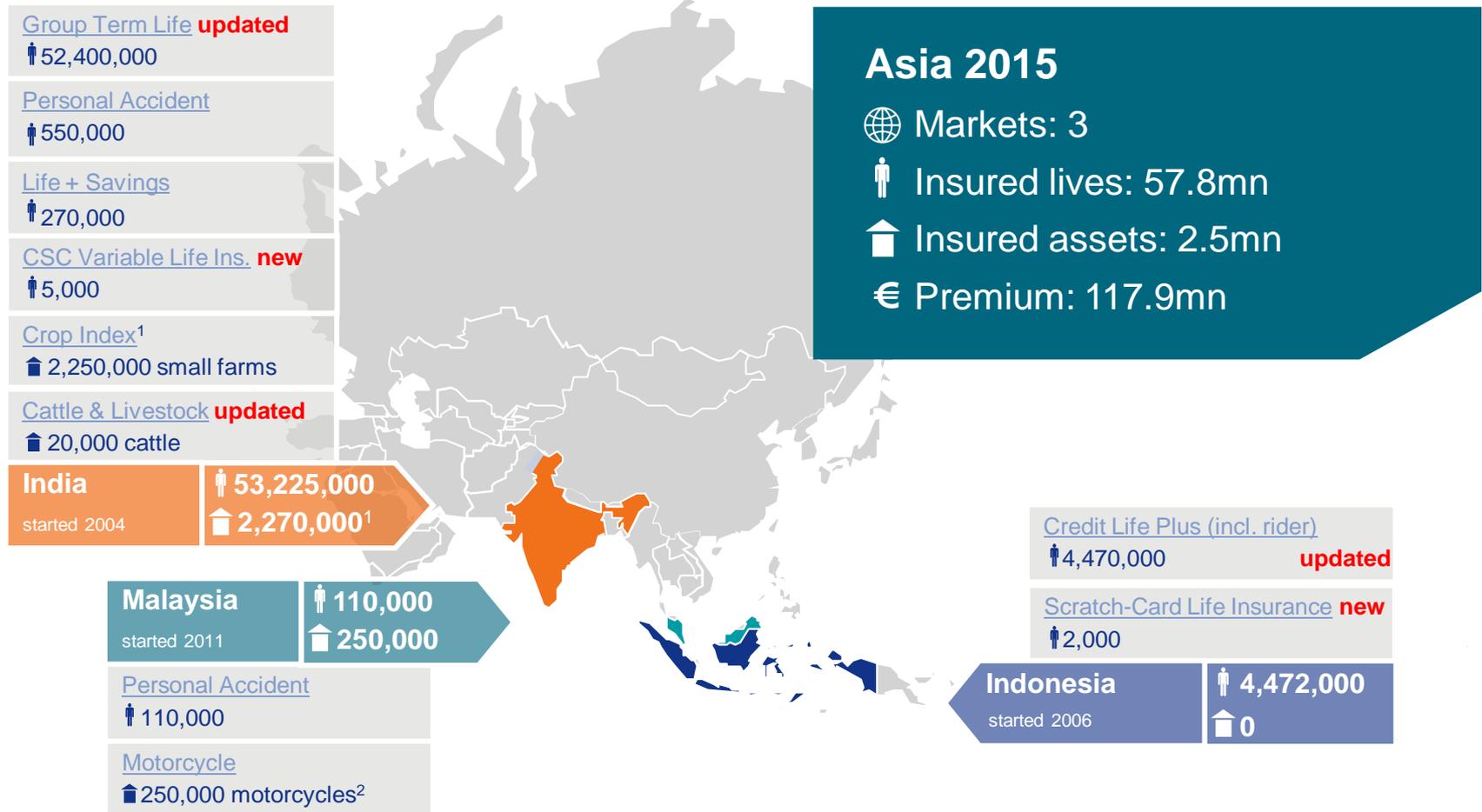
► **Social Benefit:** Microinsurance protects socio-economic progress  
**Business Benefit:** Allianz can grow with customers from micro to conventional business

# Where we do it



1) Number of markets, insured lives and assets are per 31 December, except for crop insurance products which are counted by policies sold (because most have short duration and expire after harvest time). Premium figures are Jan-Dec figures. Double counting, e.g. if a person has two different Allianz life insurance products, is avoided where possible but cannot be entirely ruled out. Products launched after June 2013 and still with less than 1,000 insured are not reported. The [Allianz microinsurance definition](#) used for 2012 to 2015 performance reporting may differ from local regulatory definitions.

# Where we do it: Asia



Click product names for more details.

1) For crop index, number of policies sold in 2015. Most policies have expired upon harvest time, i.e. prior to 31 Dec 2015.  
 2) The stated figures refer to third-party liability cover which is a statutory requirement for motorcycles in Malaysia. Contracts may include additional motorcycle cover which is a voluntary add-on, as is the complementary Personal Accident cover which comes as a separate product.

# Where we do it: Africa

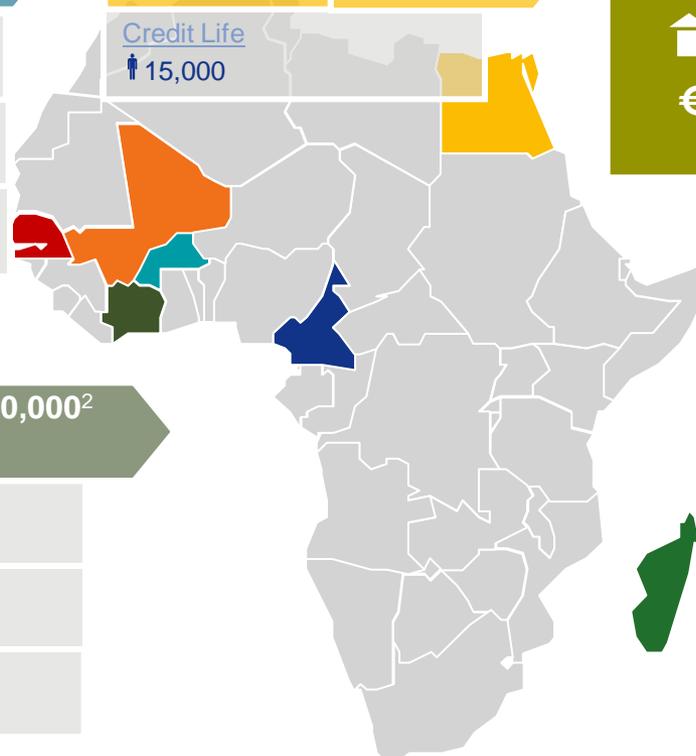
**Senegal** | **200,000**  
 started 2008 | **0**  
[Credit Life](#)  
**200,000**

**Mali** | **0**  
 started 2011 | **8,000<sup>1</sup>**  
[Crop Index](#)  
**8,000 small farms<sup>1</sup>**

**Burkina Faso** | **115,000**  
 started 2009 | **5,000<sup>1</sup>**  
[Credit Life](#)  
**45,000**  
[Savings Life](#)  
**70,000**  
[Crop Index](#)  
**5,000 small farms<sup>1</sup>**

**Egypt** | **15,000**  
 started 2007 | **0**  
[Credit Life](#)  
**15,000**

**Africa 2015**  
 🌐 Markets: 7  
 👤 Insured lives: 0.51mn  
 🏠 Insured assets: 13,000  
 € Premium: 4.1mn



**Ivory Coast** | **110,000<sup>2</sup>**  
 started 2009 | **0**  
[Funeral Insurance](#)  
**110,000**  
[Credit Life](#)  
**30,000**  
[Mobile Funeral](#)  
**<1,000**

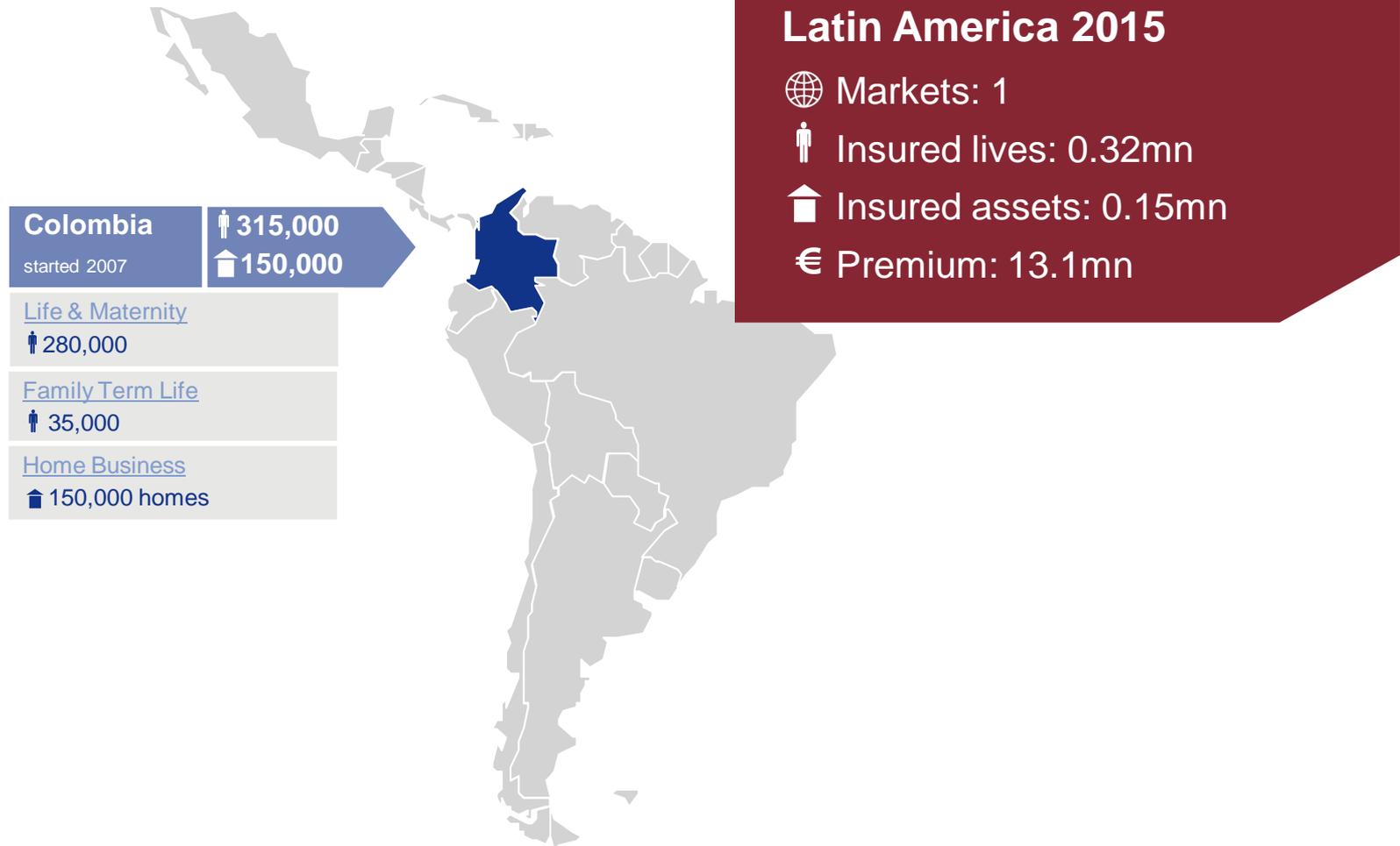
**Cameroon** | **1,000**  
 started 2008 | **0**  
[Credit Life](#)  
**1,000**

**Madagascar** | **65,000**  
 started 2008 | **0**  
[Credit Life](#)  
**35,000**  
[Mobile Term Life](#)  
**30,000**

Click product names for more details

1) For crop index, number of policies sold in 2015.  
 2) No. of insured lives per product may add up to more than the stated total number of lives per country because double counting is factored out, i.e. persons with two or more Allianz life insurance products (although some double counting cannot be entirely ruled out).

# Where we do it: Latin America



# How we do it: Our 4 Emerging Consumers values

## Passion

### We believe in what we do...

- Access to finance for more people
- Willingness to learn and create

## Quality

### We know what we do...

- Quality staff & quality partners
- Value for the customer
- Service oriented

## Fairness

### We are fair in what we do...

- Thinking win-win
- Respectful customer treatment
- Promoting financial literacy

## Transparency

### We show what we do...

- Clear communication to customers
- Sharing of information with the public

## ... and we live our values!

### Implementation examples

1. Customer research before product development
2. Fair pricing
3. Customer education
4. Responsible sales practices
5. Customer satisfaction survey
6. Grievance mechanisms
7. Social performance indicators
8. Financial performance indicators
9. Knowledge sharing on the [Allianz website](#)

## How we do it: We constantly assess the quality of our products

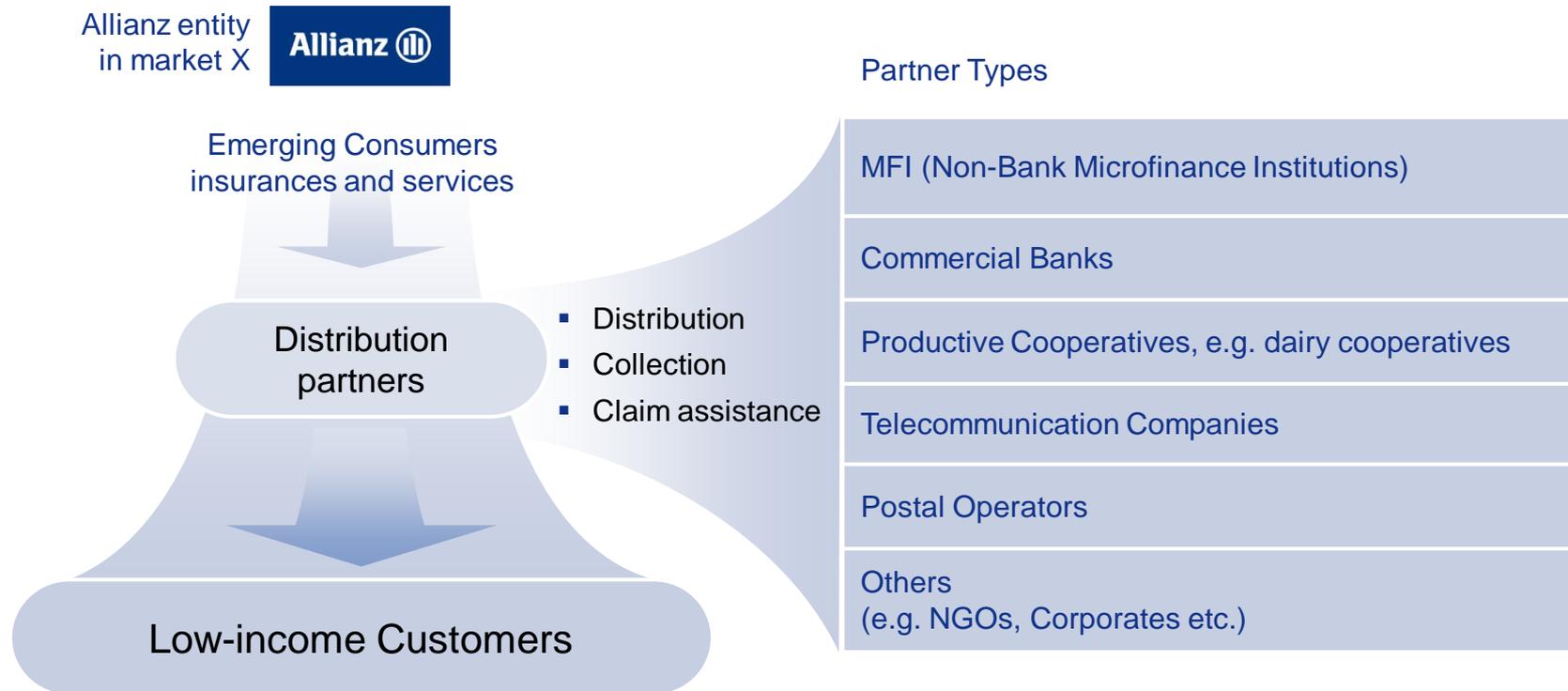
- Allianz self-assesses its microinsurance offerings on 7 quality criteria outlined in the [Allianz microinsurance assessment tool](#)<sup>1</sup>
- The global micro portfolio as per Dec-2015 performs as below:



- Generally, Allianz products perform best on “simplicity” and “low transaction costs”
- In 2015, the overall average has significantly improved from 0.913 to 1.022
- This increase was driven by the launch of voluntary elements (top-up rider) to parts of the large Indian Group Term Life (GTL) portfolio, which has led to an increase in the “voluntary” criterion from 0.2 to 1.0 and thereby pushed the overall average.
- As a word of caution, these new voluntary elements still only benefit a small number of GTL customers. The positive trend is therefore more of a promise than a reality.

1) All microinsurance products in 2015 (n=18 products) are included in the analysis, whether they cover lives or assets. The assessments are self assessments as per [Allianz product pool](#) and have been weighted by the number of insured per product. This means that good quality products with few insured have less weight than products with lower ranking but many insured. The revamped [Emerging Consumers assessment tool](#) will only be applied from 2016 onwards.

# How we do it: Distribution



▶ Allianz' local entities are the drive and own the Emerging Consumers business. They work with over 650 experienced partners to reach out to customers.

# Disclaimer

These assessments are subject to the following disclaimer:

## Cautionary Note Regarding Forward-Looking Statements

The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words "may", "will", "should", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz Group's core business and core markets, (ii) performance of financial markets, including emerging markets, and including market volatility, liquidity and credit events (iii) the frequency and severity of insured loss events, including from natural catastrophes and including the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency

levels, (vi) the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the Euro/U.S. Dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures, and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

### **No duty to update.**

The company assumes no obligation to update any information contained herein.

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# Our engagement in Public Sector Insurance Schemes

## Asia

### RIICE - Remote sensing-based Information and Insurance for Crops in Emerging economies

- Project to insure 5mn small-holding rice farmers in several Asian countries
- Started 2012 in cooperation with multiple partners → [learn more](#)

## India

### Multiperil Crop Insurance

- Program of local insurers
- Covers 30mn farmers against crop losses
- AllianzRE provides proportional and non-proportional reinsurance cover since 2009

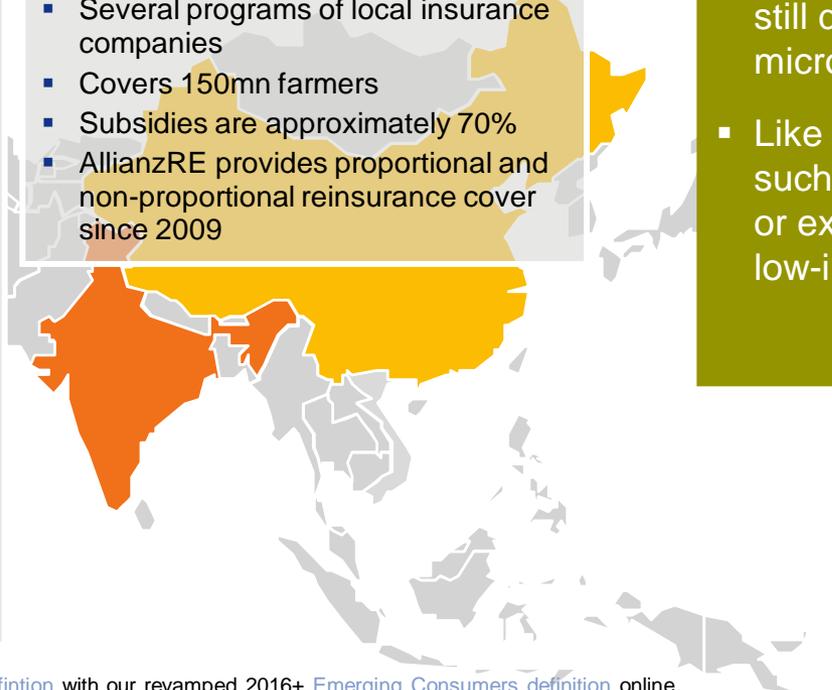
### Weather-Based Crop Insurance Scheme (WBCIS)

- Premium is subsidized up to 75%
- Seasonal contracts are awarded to local insurers on a bidding basis
- BajajAllianz General participates since 2014
- In 2015, BajajAllianz covered a total of 3.3mn farmers, thereof 1.0mn with subsidies >50%, i.e. not counted as microinsurance (compare [p.5](#) & [p.12](#))

## China

### Multiperil Crop & Livestock Insurance

- Several programs of local insurance companies
- Covers 150mn farmers
- Subsidies are approximately 70%
- AllianzRE provides proportional and non-proportional reinsurance cover since 2009



- Premiums are partially (>50%) or fully subsidized through government funding
- Due to these large public subsidies, for 2015 these schemes still do not fall under microinsurance<sup>1</sup>
- Like microinsurance, such schemes mostly or exclusively benefit low-income families

1) You can compare our 2012 – 2015 [Microinsurance definition](#) with our revamped 2016+ [Emerging Consumers definition](#) online.

## Resources & Contact

### Recent videos

- 2014: [Indonesia: Playing the insurance game](#)
- 2013: [9 customer awareness interviews \(by GfK\)](#)
- 2013: [Documentary: Allianz Adult Financial Literacy program \(Indonesia\)](#)

→ For more videos, visit our [YouTube channel](#)

### Reports & Studies

- MILK Claim Assessments by Microinsurance Centre: [Crop-index Burkina](#) (2015) & [Credit Life Indonesia](#) (2015)
- [Case Study: Escaping the Credit Life trap](#) (Allianz 2015)
- [Case Study: How Allianz Indonesia microinsurance reached over 1 million people](#) (Allianz 2013)
- [Micro-education endowment learning journey](#) (ILO 2012)
- [Assessment of the social impact of Allianz microinsurance in Indonesia](#) (Hintz 2010)

### Website

- [Allianz Emerging Consumers website](#)

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