

# Microinsurance at Allianz Group

2013 Full Year Report

Allianz SE

public

Allianz 

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## What has happened since the last report (Oct 2013)

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- Allianz microinsurance website revamped → [visit](#)

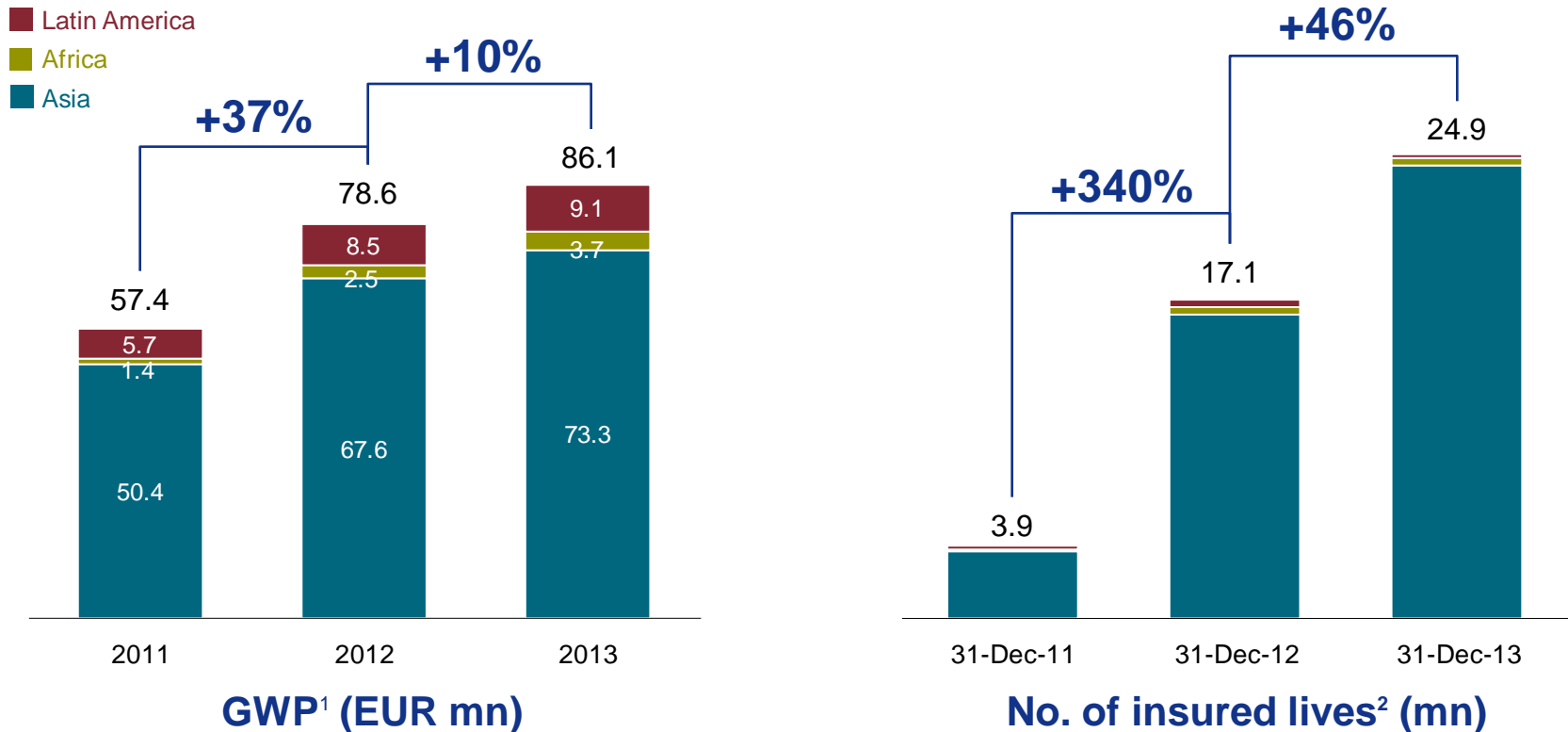
### Products

- 1 product added, 2 products updated → [product pool](#)



Abibatou Meriko, Senegal, shares her claim experience  
- and so does her Allianz claim handler  
→ [read interviews](#)

# 2013 full-year results: Growth continues to reach 24.9mn lives insured



▶ Strong Term Life and Credit Life sales in India and Indonesia push number of insured. Net of currency depreciation, YoY GWP growth would have been 26% instead of 10%.

1) GWP = Gross Written Premium  
2) Insured assets, e.g. cattle, homes and motorcycles are not included in the count of insured lives

# 2013 growth mostly driven by organic growth of partnerships in India and Indonesia; other markets face more challenges

Region	2012	2013 growth	Key growth driver
<b>India</b> in mn €	14.6 55.2	+6.9 +7.3 62.5	21.5 ▪ Organic growth of existing <a href="#">GTL</a> <sup>1</sup> distribution partners
<b>Rest of Asia</b> €	12.4 -1.6 10.8	+1.1 2.8	▪ Number of insured pushed by organic growth of existing Indonesian <a href="#">credit life</a> distribution partners ▪ Premium shrinking due to competitor entry in Malaysia
<b>Africa</b> €	0.42 - 0.07 = 0.35 2.5 + 1.2 = 3.7		▪ Exit of large partner in Egypt (-240k insured) is only partly cushioned by growth in other African markets (+170k) ▪ Premium driven by sales of <a href="#">voluntary funeral products</a>
<b>Latin America</b> €	0.42 - 0.16 = 0.26 8.5 + 0.6 = 9.1		▪ New distribution deal on <a href="#">life+maternity product</a> over-compensates exit of another large partner, yet only for premiums, not on number of insured

▶ **Outlook 2014:** New regulations in India and consequent product revamping will likely lead to a decrease in GWP, while no. of insured lives will be less affected.

1) GTL = Group Term Life

# Feature Story: The people behind the files

Interviews with a microinsurance beneficiary in Senegal and the Allianz employee who handled her claim

- In 2013, Ms. Mah Meriko takes out a microcredit of USD 105 from [FIDES Microfinance Senegal](#), a microinsurance distribution partner of Allianz Senegal.<sup>1</sup>
- Her loan comes automatically bundled with a micro credit life insurance from Allianz.<sup>2</sup>
- Shortly after taking out the loan, Ms. Mah Meriko dies of illness, leaving her family with an unpaid loan balance of USD 95.



## The Beneficiary

- Name: Abibatou Meriko (Mah Meriko's younger sister)
- Claim benefits received: US\$95 loan forgiveness and US\$10 in cash (i.e. the already paid loan instalments)
- Interview Date: 8 Feb 2014

### What did you do with the money from the insurance?

I gave it to my other sister who took charge of organizing the funeral.

### A payout of US\$10 is not much, even in Senegal. Did you still find the insurance useful?

Yes, receiving the insurance money was a nice gesture. Before, I didn't believe that insurance really works. The most helpful thing was that the insurance paid back the USD 95 balance of my sister's loan.

### Did you wait a long time for the claim payment?

It was reasonable. Around 15 days. The process was not so complicated because the staff of FIDES Microfinance Senegal helped with everything.



## The Claim Handler

- Name: Geneviève Cabou
- Position: Head of New Business and Claims Services
- Company: Allianz Life Senegal
- Team size: 3 (incl. herself)
- Interview Date: 11 Feb 2014

### How do you see a claim like Abibatou's?

The money may seem small but it still means a lot to these customers. Abibatou's late sister had just managed to repay one instalment of her loan, so the debt forgiveness really helped this family.

### How fast do you process such micro claims?

On average, we need between one and two months. It should be faster but we are still a small team. Luckily, next week two trainees will join to help us.

### What is your one advice for microinsurance claim managers?

You have to see the people behind the files. It was enlightening for me when I visited the area where Abibatou lives for the first time some weeks ago.

1) The assistance of FIDES in facilitating the interview with Abibatou Meriko is much appreciated.

2) In the case of FIDES, Allianz repays 100% of the initial loan in case of death or total permanent disability of borrower or spouse. [See here for general product information.](#)

# Background

## News

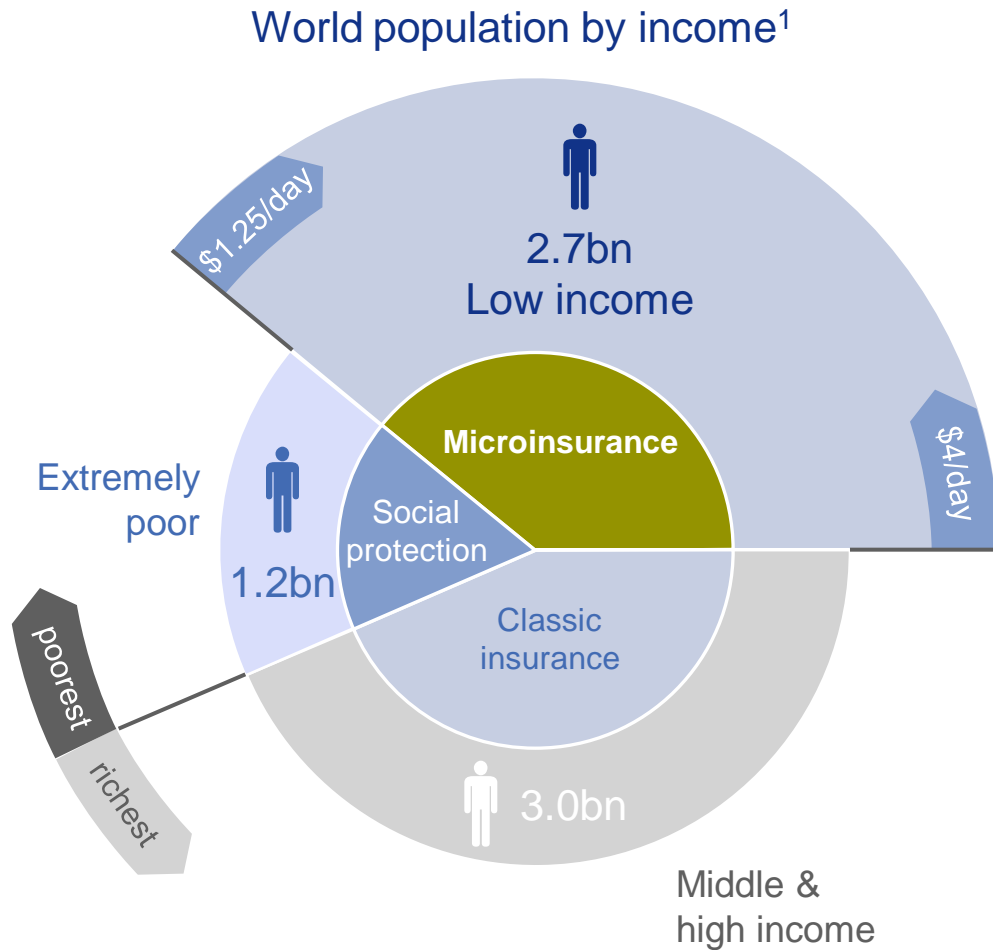
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# What is Microinsurance?



## Microinsurance offers protection

against the risks in life, specifically for low-income people in developing countries and emerging markets, with customized products and processes.<sup>2</sup>

### Market size:

- 2.7bn people
- USD 40bn potential premium per year<sup>3</sup>

1) 2010 data, based on World Bank [PovcalNet](#) (2014), World Bank [World Population Dataset](#) (2014); Income measured at Purchasing Power Parity (PPP) per capita per day.

2) The Allianz Group microinsurance definition may differ from local regulatory definitions. See our more detailed [Allianz operational microinsurance definition](#).

3) SwissRe Sigma (2010)



# What is Microinsurance: A Customer Story from Indonesia

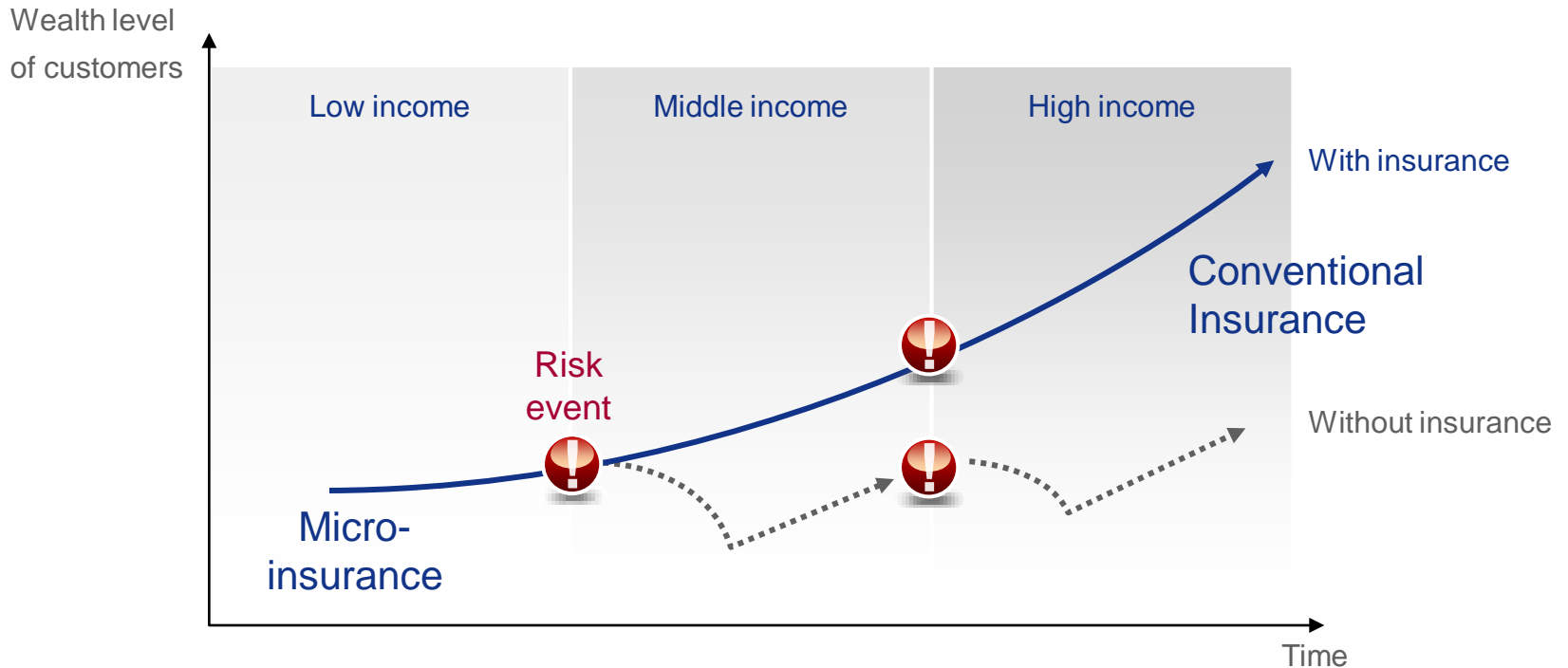


- In 2007, Ms. Siti Muhibah takes out a 10-month microcredit of US\$100 from a microfinance institution in Jakarta to grow her cookies shop
- Her loan comes with an Allianz micro life insurance that costs US\$1.20 for 10 months
- On Oct 4, 2007 Siti dies of diabetes complications
- Her daughter Zakiyah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



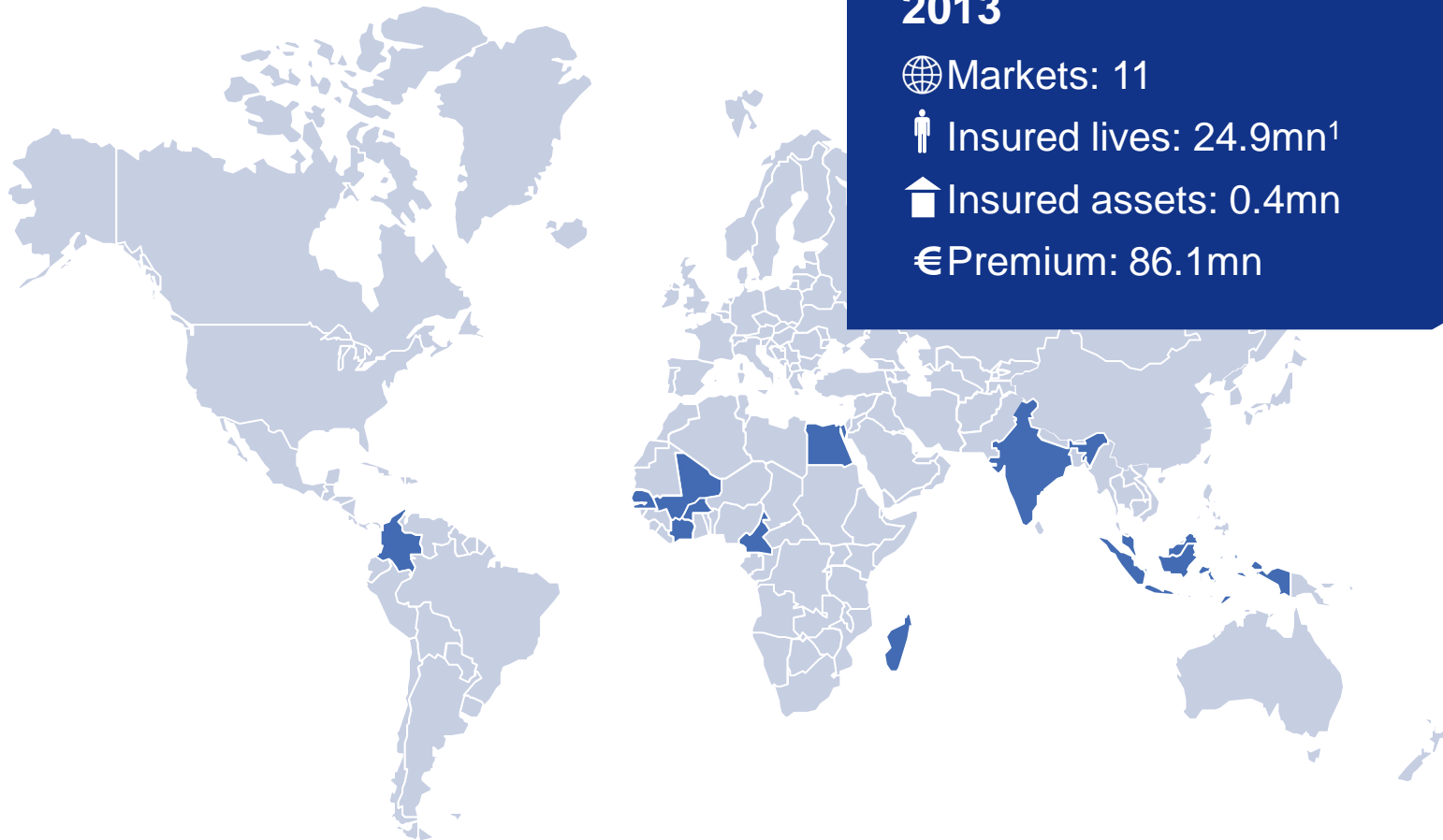
- As a result, Zakiyah increases her income from US\$2 to US\$6/day.
- She can compensate for her mother's lost income and take care of a family of six.

# Why we do it: Micro delivers a double bottom line of social and business benefits



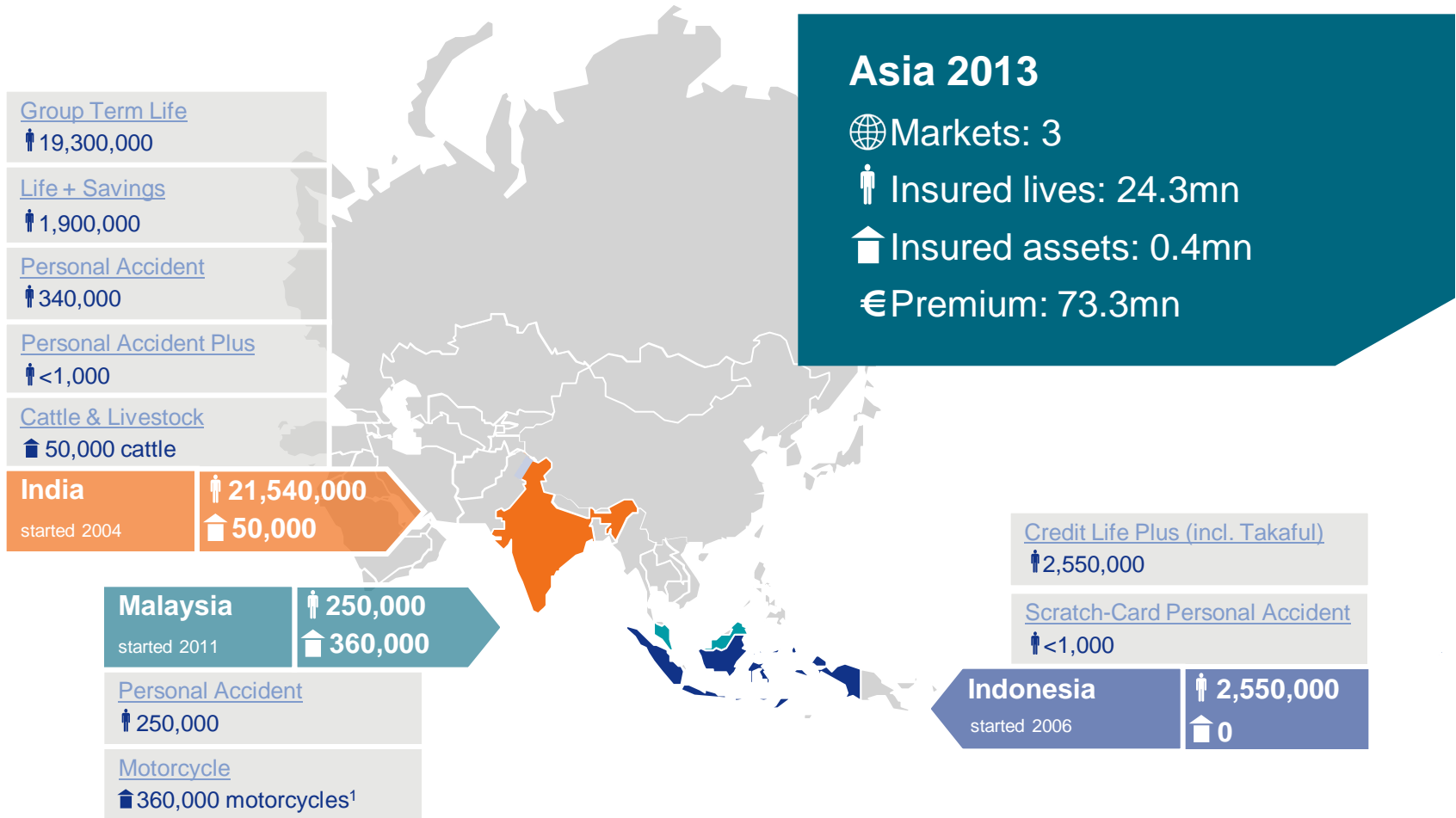
► **Social Benefit:** Microinsurance protects socio-economic progress  
**Business Benefit:** Allianz can grow with customers from micro to conventional business

## Where we do it



1) Number of markets, insured lives and assets are per 31 December. 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. The [Allianz microinsurance definition](#) may differ from local regulatory definitions.

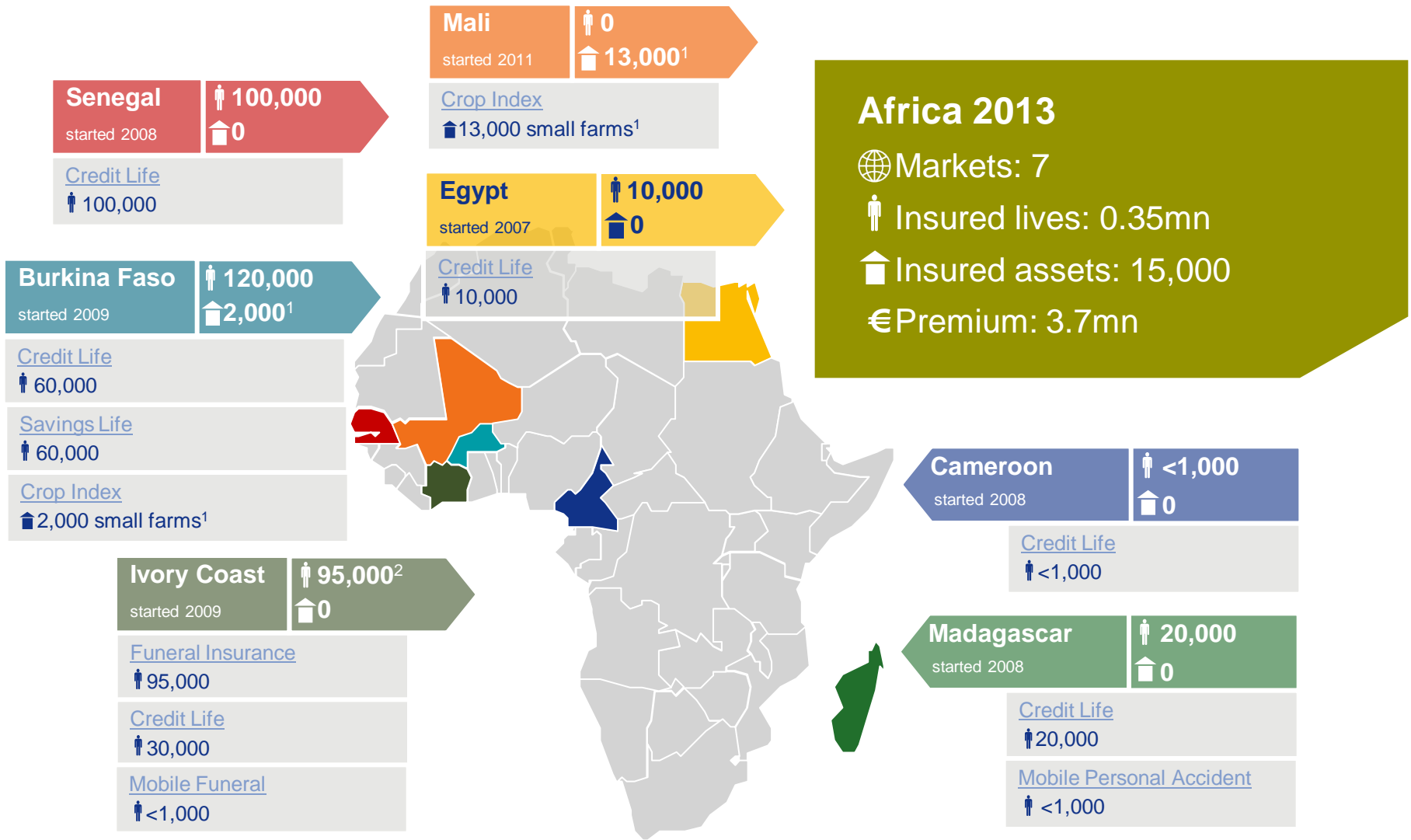
# Where we do it: Asia



Click product names for more details.

1) The stated figures refer to third-party liability cover which is a statutory requirement for motorcycles in Malaysia. Contracts may also include additional motorcycle cover which is a voluntary add-on, as is the complementary Personal Accident cover which comes as a separate product.

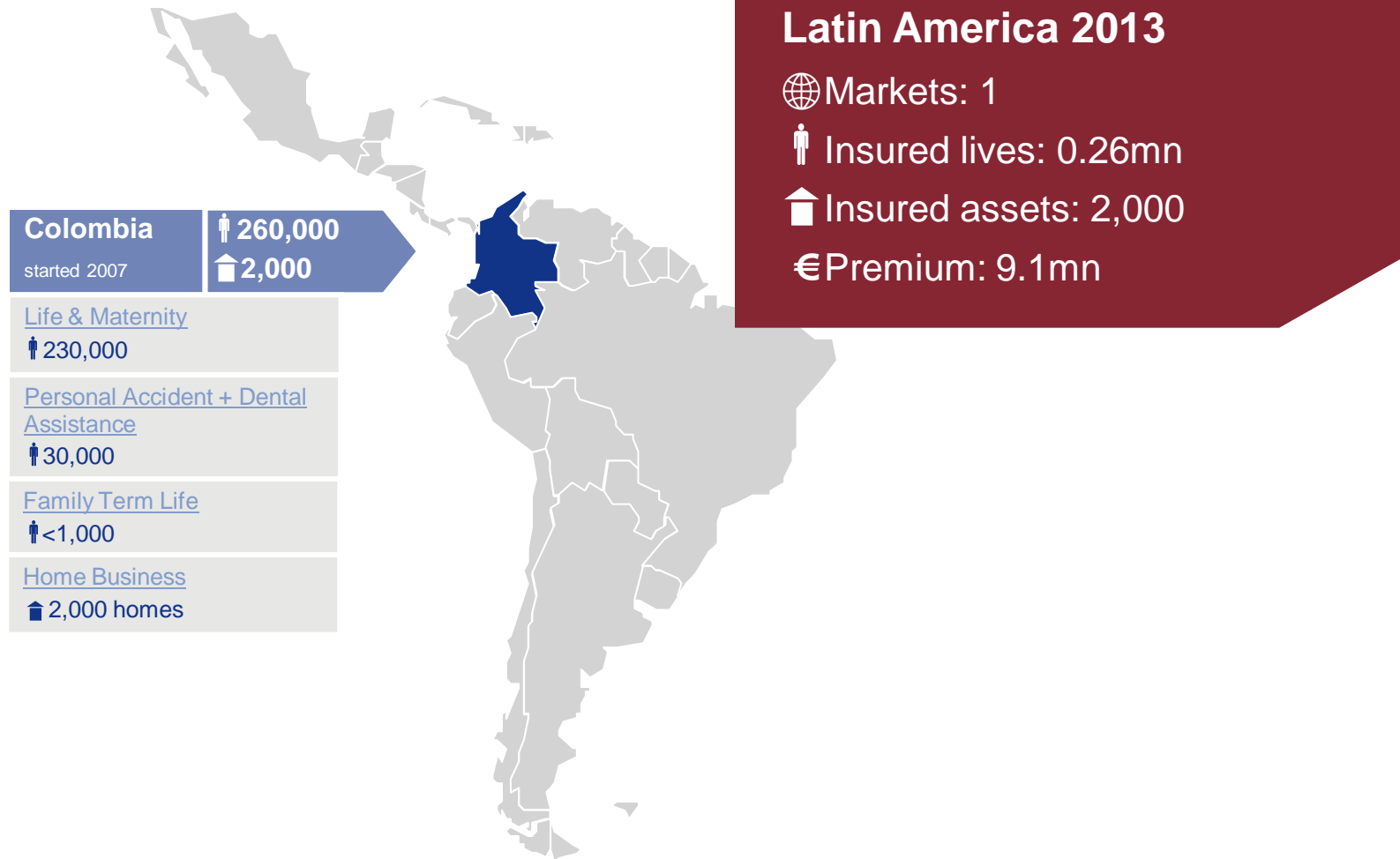
# Where we do it: Africa



Click product names for more details

- 1) Number of crop index policies sold in 2013. All policies have expired upon harvest time, i.e. prior to 31-Dec-2013.
- 2) Numbers 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



Click product names for more details

# How we do it: Our 4 microinsurance 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 work with public partners to achieve more customer value

### Public Private Partnership on Microinsurance (2010 – 2015)



#### Joint Activities

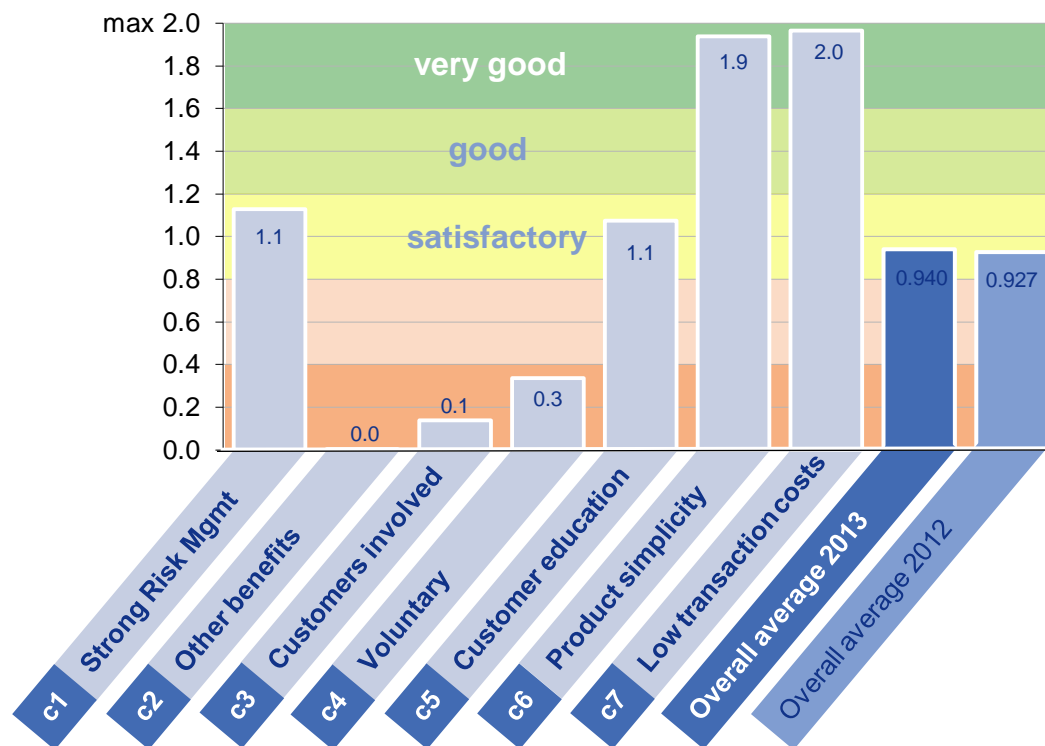
#### Key Examples to date

1. Microinsurance Strategy Development	Double Bottom Line strategy	→ <a href="#">p10</a>
2. Business Development	Joint market study Senegal 2011	
3. Standards Setting	Operational microinsurance definition	→ <a href="#">p21</a>
4. Customer Education	Customer Value Initiative, India	
5. Knowledge Management & Dissemination	Claims Stories videos 2012 Customer Awareness survey 2013	→ <a href="#">watch</a> → <a href="#">watch</a>



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

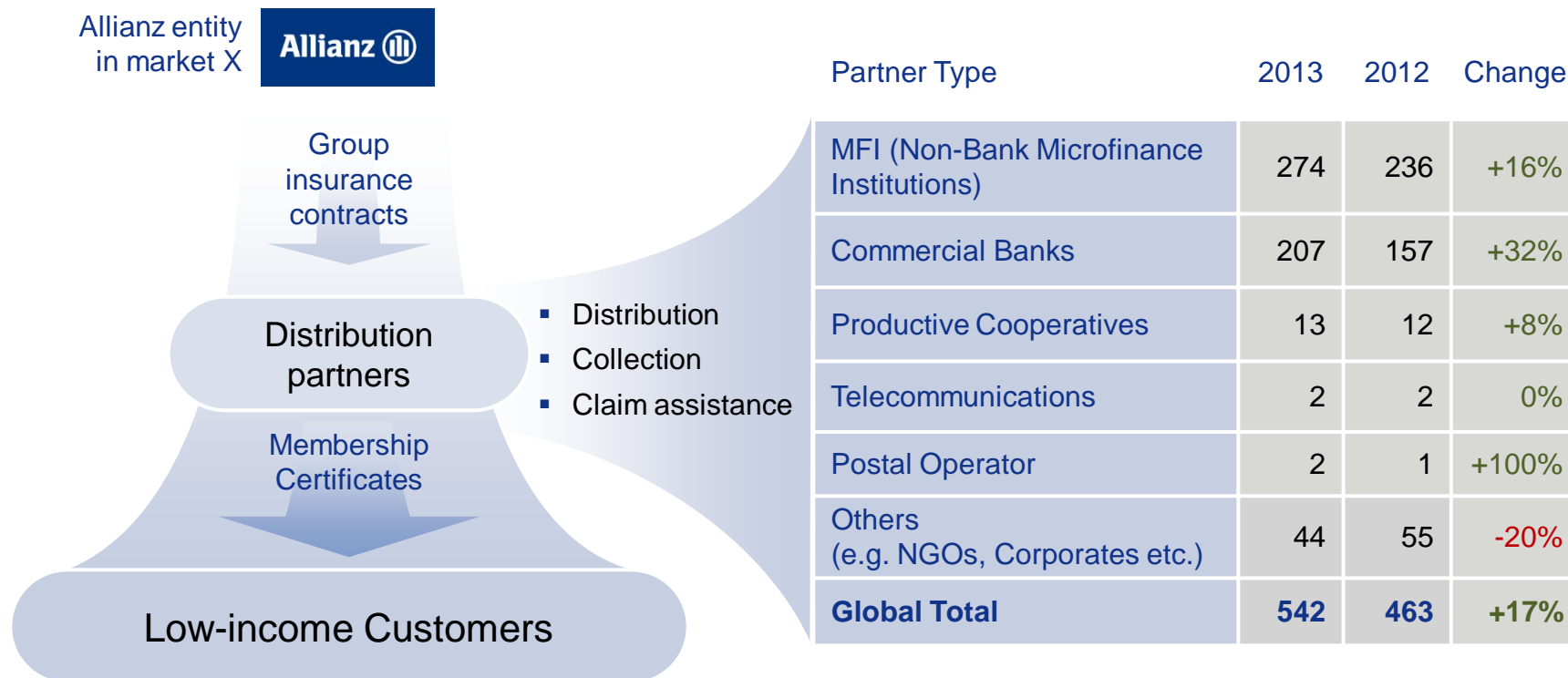
- Allianz assesses its microinsurance products on seven product quality criteria as outlined in the [Allianz microinsurance assessment tool](#)<sup>1</sup>
- The global micro portfolio as per Dec-2013 performs as below:



- Generally, Allianz products perform best on “simplicity” and “low transaction costs”
- The risk management capabilities of our global portfolio has increased in 2013, (1.1 vs 1.0 in 2012) and transactions costs have further improved as well (2.0 vs. 1.9)
- However, the overall average has only slightly increased due to the over-proportional growth of non-voluntary product like credit life that led to a decrease in the “voluntary” criterion from 0.4 to 0.3.
- Going forward, increasing the proportion of voluntary products is a priority.

1) All microinsurance products in 2013 (n=18 products) are included in the analysis, whether they cover lives or assets. The assessments per product 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.

# How we do it: Distribution



▶ Allianz' local entities are the drivers & business owners of microinsurance. They work with over 500 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 operational Microinsurance definition

developed in  
cooperation with

**giz**

On behalf of

BMZ



Federal Ministry  
for Economic Cooperation  
and Development

Product Name / Abbreviation		PA <sup>1</sup> & Dental	Life + Savings	Credit Life Plus	Life & PA <sup>1</sup>
Company		Allianz Coleseguros	Bajaj Allianz	Allianz Life	Allianz
Country		Colombia	India	Indonesia	Malaysia
A	Insurance principles applied	✓	✓	✓	✓
B	Developing country or emerging market	✓	✓	✓	✓
C	Great majority of insured people or assets from low-income segment	✓	✓	✓	✓
D	No government subsidies of more than 50%	✓	✓	✓	✗

4 x ✓ = micro

1	Significant contribution to risk management of end customers	+	+	+	
2	End-customer receives other tangible benefits (e.g. discounts, lottery etc.)	++	-	-	
3	End-customers involved in product development	-	-	+	
4	Voluntary opt-in (++) , voluntary opt-out (+) or mandatory (-)	++	++	-	
5	Customer education and feedback mechanisms in place	++	++	-	
6	Simple product specifications (e.g. pre-underwritten, few exclusions)	++	++	++	
7	Strong measures to ensure low transaction costs	++	++	++	
Quality ranking (average of c1 – c7)		1.6	1.3	0.9	not micro

2.0 = best, 0.0 = lowest

Can we call it micro?  
Good micro?

- This operational definition helps us to decide which products are micro and have to be included in our microinsurance business figures (criteria A – D)
- It also shows how good a product fulfills the Allianz microinsurance values: Passion, Quality, Fairness & Transparency (criteria 1 – 7)
- This definition was first launched on 30-March-2012. It may be further adapted as needed
- Full methodology and product examples [here >>](#)

# 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

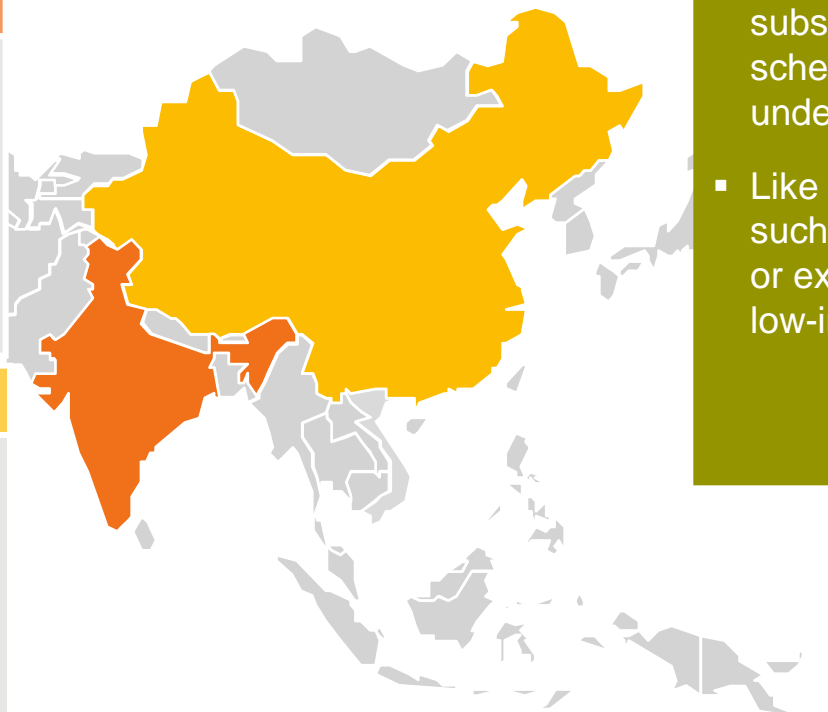
### Multiperil Crop Insurance

- Program of local insurance companies
- Covers 25mn farmers against crop losses
- AllianzRE provides proportional and non-proportional reinsurance cover since 2009

## China

### Multiperil Crop & Livestock Insurance

- Several programs of local insurance companies
- Covers over 100mn farmers
- AllianzRE provides proportional and non-proportional reinsurance cover since 2009



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

1) See [operational microinsurance definition](#) of Allianz Group

## Resources & Contact

### Videos

- [9 Allianz microinsurance customer interviews \(by GfK\)](#) (max 3:00min, August 2013)
- [Documentary: Allianz Adult Financial Literacy program \(Indonesia\)](#) (5:10min, May 2013)
- [9 random microinsurance claim stories \(Colombia, India, Indonesia\)](#) (max. 4:10min, July 2012)
- [“Anitha. Promising Future”, BajajAllianz India](#) (5:40min, April 2009)

### Reports & Studies


- [Case Study: How Allianz Indonesia microinsurance reached over 1 million people](#) Allianz (2013)
- [Case Study: TAMADERA learning journey, Indonesia](#) ILO (2012)
- [Assessment of the social impact of Allianz microinsurance in Indonesia](#) Hintz (2010)

### Website

- [Allianz Microinsurance Website](#)

### Contact

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