

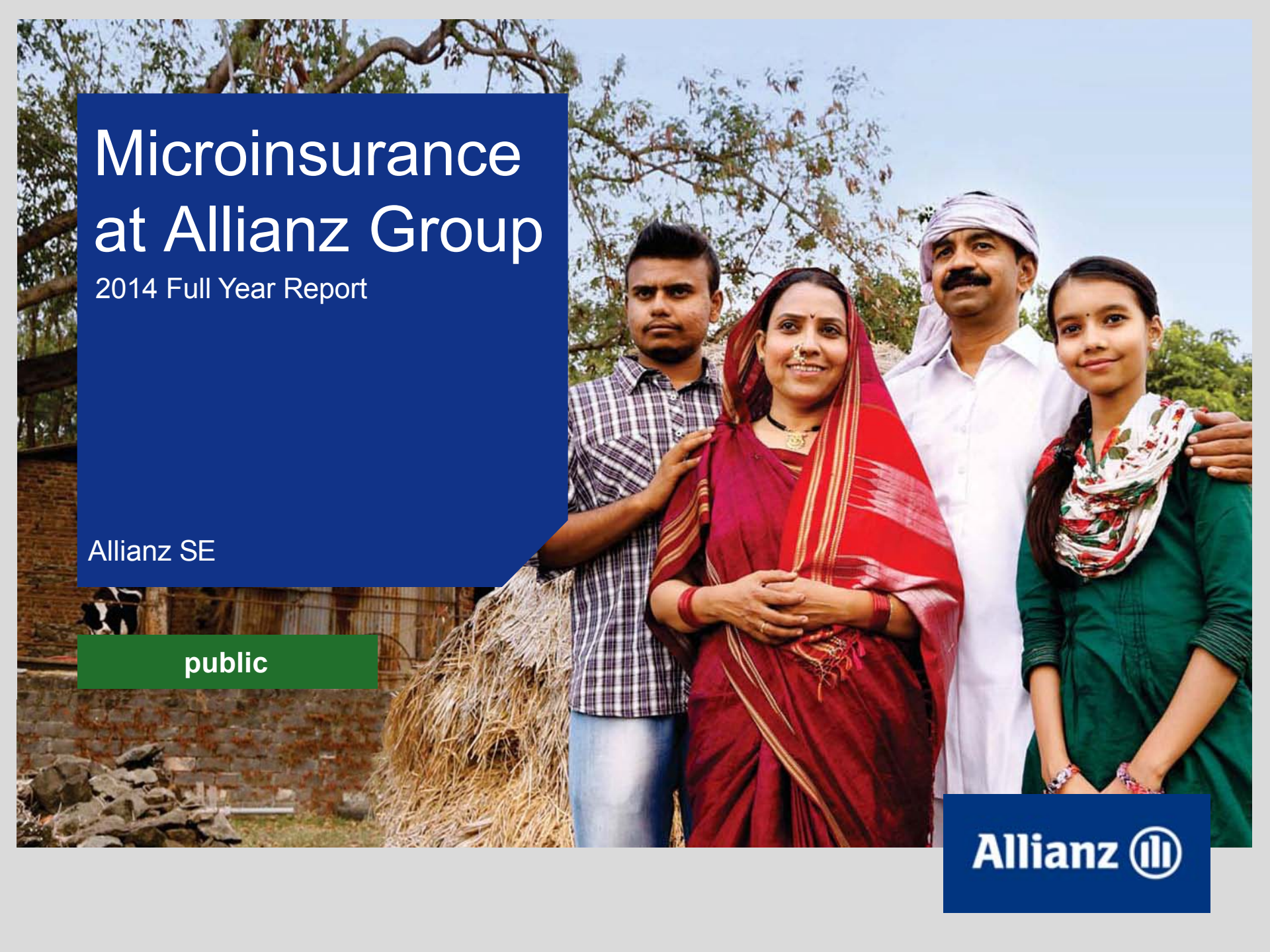
# Microinsurance at Allianz Group

2014 Full Year Report

Allianz SE

public

Allianz 



# Content

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# What has happened since the last report (May 2014)

## News

- First time over €100 million: 2014 microinsurance premiums [→ page 4](#)
- Indonesia concludes successful customer conversion pilot [→ page 6](#)
- Microinsurance Life Stories exhibition attracts over 10,000 visitors [→ page 7](#)
- Protecting the poor. Really? - Two MILK<sup>1</sup> reports offer surprising results [→ full story](#)
- Allianz and GIZ extend public-private-partnership until 2017 [→ page 17](#)

## Products

- 2 new products: enhanced Mobile Life in Africa + Crop-Index in India [→ product pool](#)

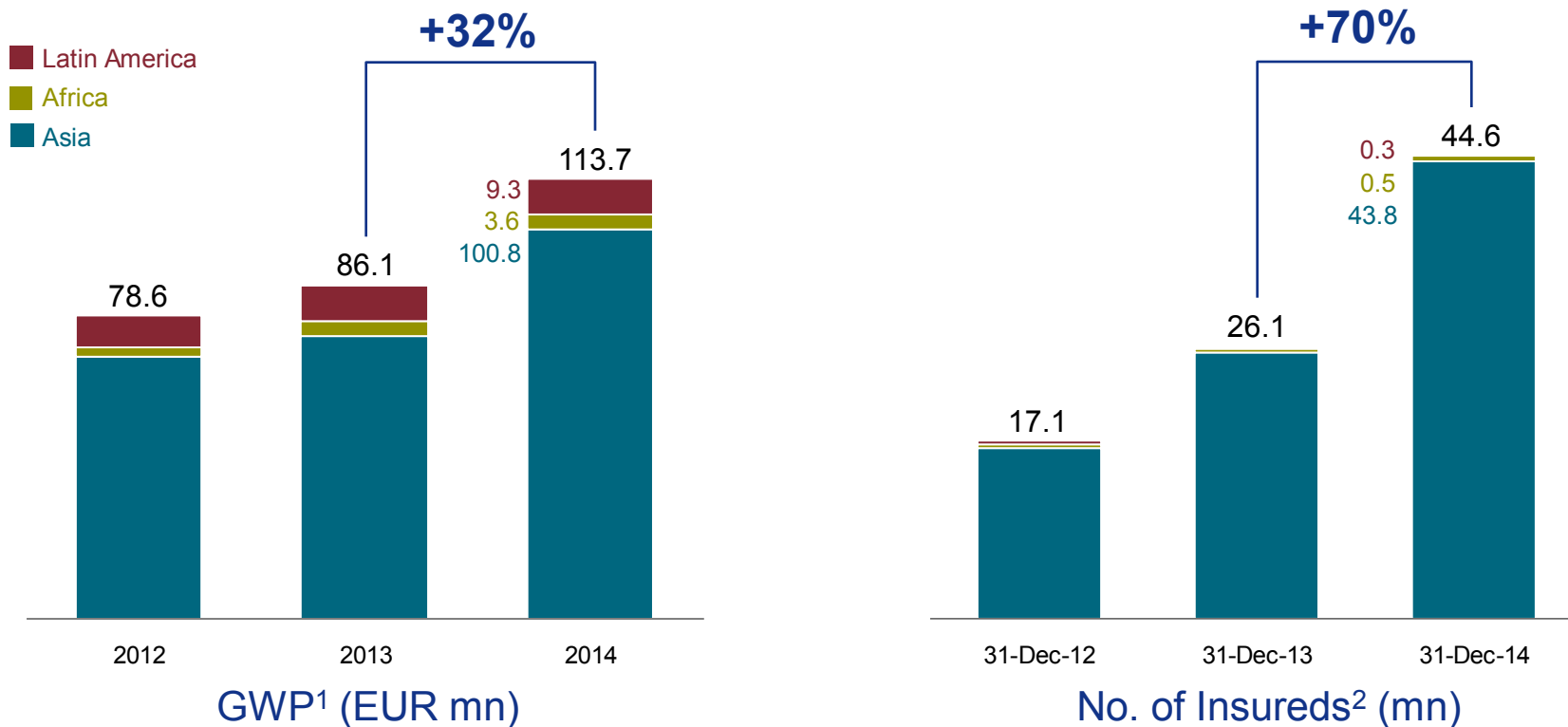


Nobel Peace Prize laureate Muhammad Yunus is one of the visitors to our [Microinsurance Life Stories exhibition](#).

1) MILK = Microinsurance Learning and Knowledge, a research and dissemination project run by the [Microinsurance Centre](#).

# 2014 full year results:

## For the first time premiums exceed €100 million



- BajajAllianz India's entry into a gov't crop insurance program boosts GWP
- Growth in no. of insured continues unabated due to GTL<sup>3</sup> expansion (IN/ID)

1) GWP = Gross Written Premium  
 2) Insured assets, e.g. cattle, homes and motorcycles, are not included in the count of insured lives. Number of insured lives for Africa are partly based on proxy assumptions.  
 3) GTL = Group Term Life (includes Credit Life)

## 2014 full year results: Assessment

- With over €20mn contribution, BajajAllianz General India drove premium growth through its first time participation in a government-subsidized crop-index insurance scheme<sup>1</sup>
- On top, growth in term life/credit life offset the gradual decline in premiums of an [Indian micro-endowment](#) on phase out since 2013 for regulatory changes
- Term life/credit life was also the key driver for the steep 70% increase of number of insured lives to 44.6 million people
- Addressing the ongoing challenge that most customers still only hold one single insurance product, i.e. term life/credit life, Allianz Indonesia has carried out a successful customer conversion pilot (→ [page 6](#))
- The task is now to scale up customer conversion across products and markets

▶ Allianz is committed to increase the insurance coverage per person through value-adding voluntary products that are in line with our microinsurance values ([p.16](#)) and operational quality standards ([p.22](#))

1) In line with our Allianz Group microinsurance definition, only premiums with up to 50% premium subsidies are counted as microinsurance. In some Indian regions, subsidies exceed 50% of premium. This business, being closer to social protection, is excluded from our microinsurance reporting figures.

## “They keep asking for more”

Yoga Prasetyo<sup>1</sup> talks about the results of a customer conversion pilot in Indonesia

In your [last interview](#) two years ago, you said you would introduce more voluntary microinsurance products. Why is that important and where do you stand now?

**Yoga Prasetyo:** Voluntary products are much better than mandatory products to build knowledge on insurance and awareness about the Allianz brand. What we have done so far is mostly credit life insurance which is mandatory. Now, with voluntary offers, people start thinking: Do I need this product? What is the benefit? Can I trust that company called Allianz? Last year we started offering voluntary products through four distribution partners, two micro-banks and two cooperatives. Although it was only a limited pilot, a good five percent of the existing credit life customers took out the additional voluntary offer. That is a very encouraging result.

Your customer conversion pilot looks like a success. What are the 3 key take-aways?

**YP:** First, it is absolutely key to have a shared vision with our distribution partners that is built upon mutual trust. Second, offering voluntary products should not create much additional workload for these partners, otherwise they won't make an effort. And third, our recent MILK claim assessment has shown, that customers can be even better protected with voluntary products such as spouse cover. So also regarding social value, such „upselling“ makes a lot of sense. Customers are aware of this, too. In our pilot, they kept asking for more insurance coverage.

What's your next plans?

**YP:** To satisfy customer demand, we will expand our range of voluntary products, and we will offer them through more distribution partners. At the same time, we also work on a more convenient premium payment mechanism, for example through mobile phones. So people can continue to conveniently pay their premium without continuous intensive assistance from Allianz and our distribution partners.

You have just published a [Case Study](#) on your pilot. What can readers expect from it?

**YP:** With the case study, we want to share our experience about our efforts to escape from the “credit life trap”. Credit life is a perfect product to enter the microinsurance market, but you should not stop at that point. Hopefully, some readers will be encouraged to promote similar efforts. And it is written in a diary-like way. So hopefully it will also be an entertaining read.



Yoga P rasetyo (center) discusses with customers

### Product details

→ [Indonesia Credit Life with voluntary riders](#)

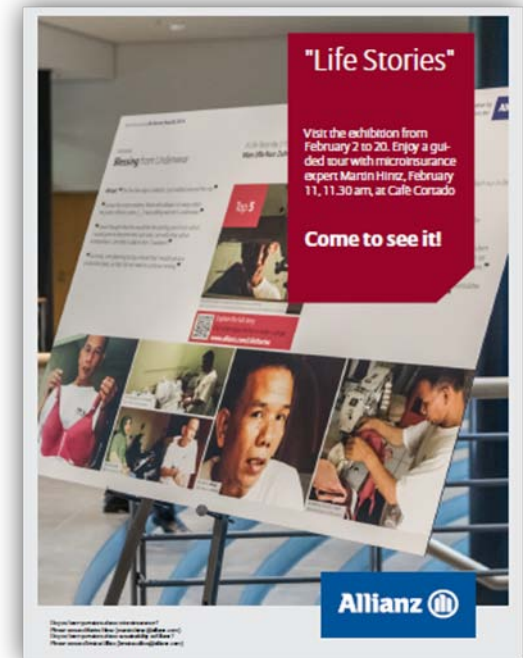
→ [“Customer Conversion” case study](#)

→ [MILK claim assessment](#)

1) Yoga Prasetyo is Head of Emerging Consumers at Allianz Life Indonesia. Contact: [yoga.prasetyo@allianz.co.id](mailto:yoga.prasetyo@allianz.co.id)

## “Life Stories” exhibition attracts over 10,000 visitors

- 8 journalist teams went out to create intimate biographic portraits of Allianz microinsurance customers
- Now an exhibition of the best 5 portraits travels the globe to several Allianz and non-Allianz locations
- 10,000 customers have already visited
- You can visit too, by stopping by our [online version](#)
- Congratulations to the jury-awarded best Life Story: [“Everything is possible in growing a small business”](#) by Ratna Wahyuningsih and Lukmanul Daulay



Customers (left) and authors (right) celebrate winning the “Life Story” awards, Jakarta



Guided Tour

## Book them!

The “Life Stories” are public. You can book them for any event or occasion.

Contact:  
[martin.hintz@allianz.com](mailto:martin.hintz@allianz.com)

# Background

## News

- 1** What has happened since the last report (Oct 2014)
- 2** Full year results 2014
- 3** Feature story: Allianz “Life Stories” Award

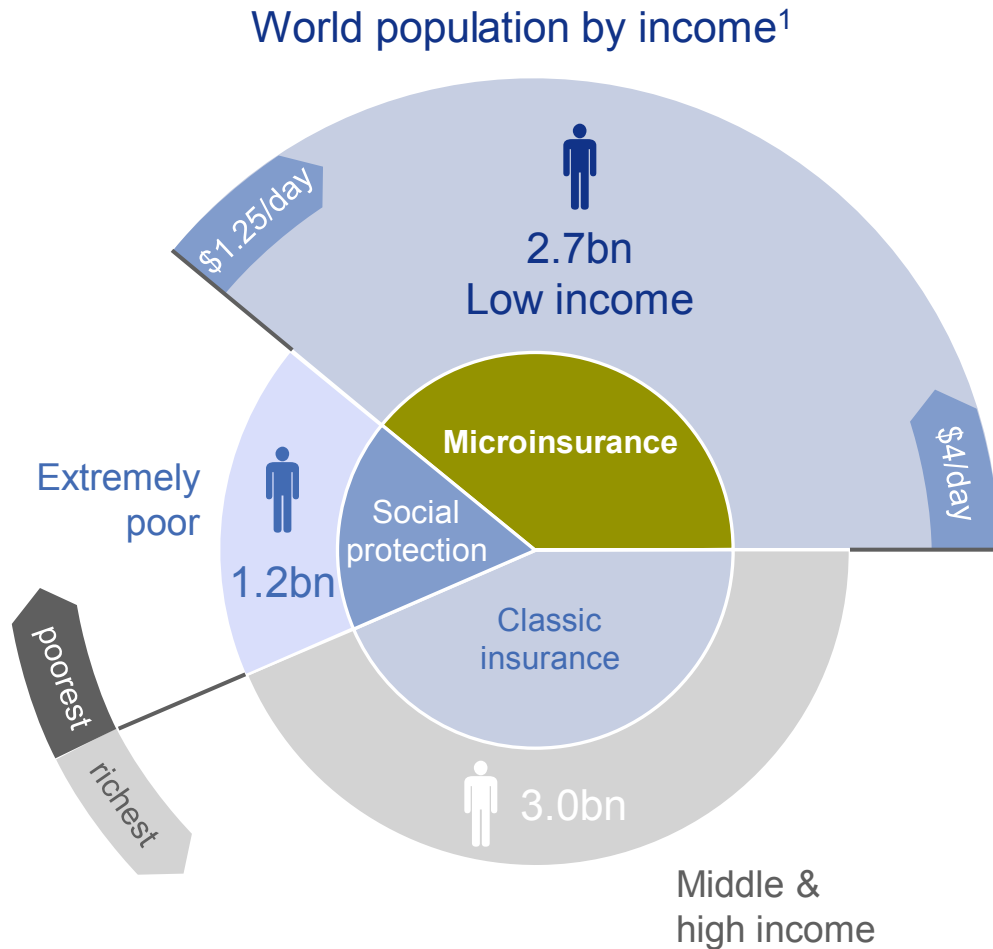
## Background on Microinsurance

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## Appendix



# 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

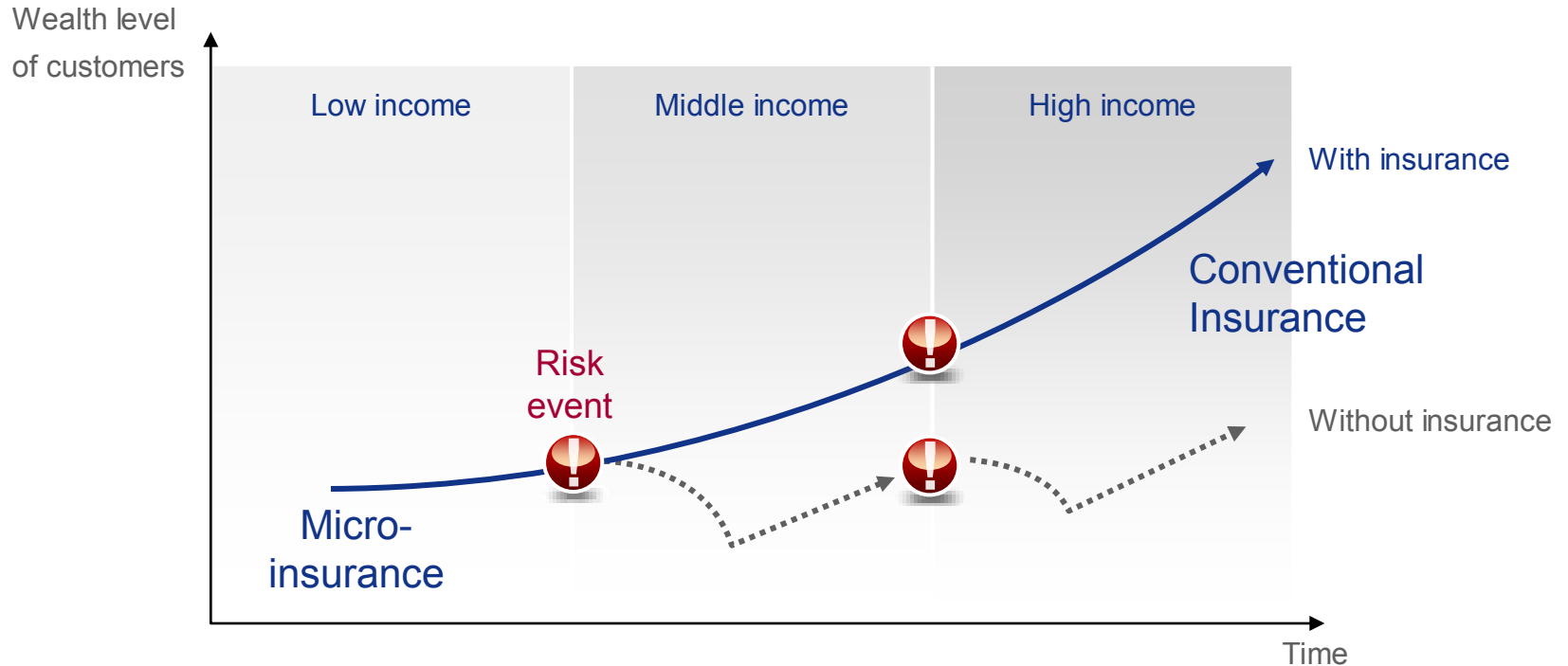


- In 2007, Ms. Siti Muhibah takes out a 10-month microcredit of US\$100 from a microfinance institution in Jakarta to grow her cookies shop
- Her loan comes with an Allianz micro life insurance that costs US\$1.20 for 10 months
- On Oct 4, 2007 Siti dies of diabetes complications
- Her daughter Zakiyah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



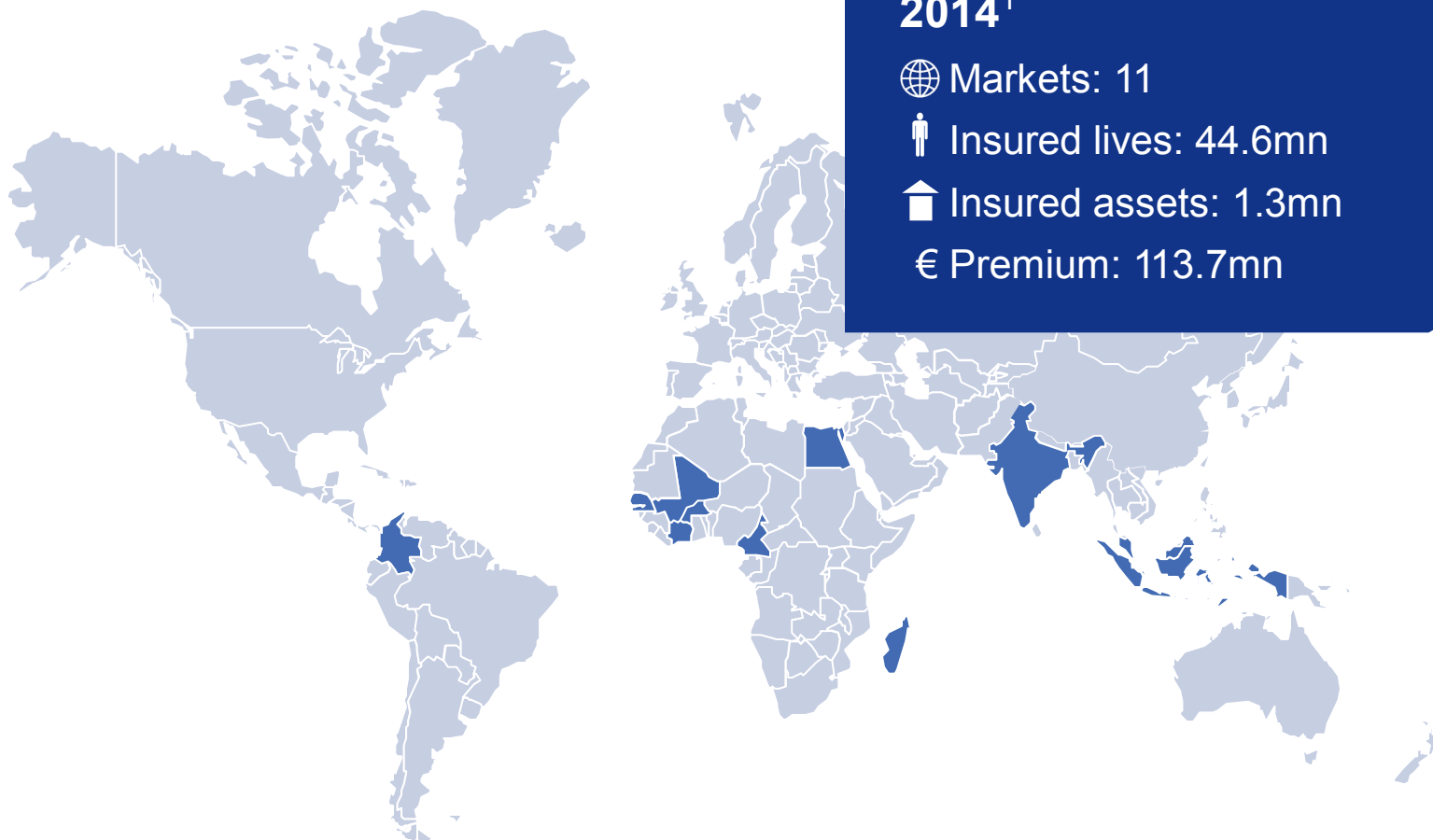
- As a result, Zakiyah increases her income from US\$2 to US\$6/day.
- She can compensate for her mother's lost income and take care of a family of six.

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



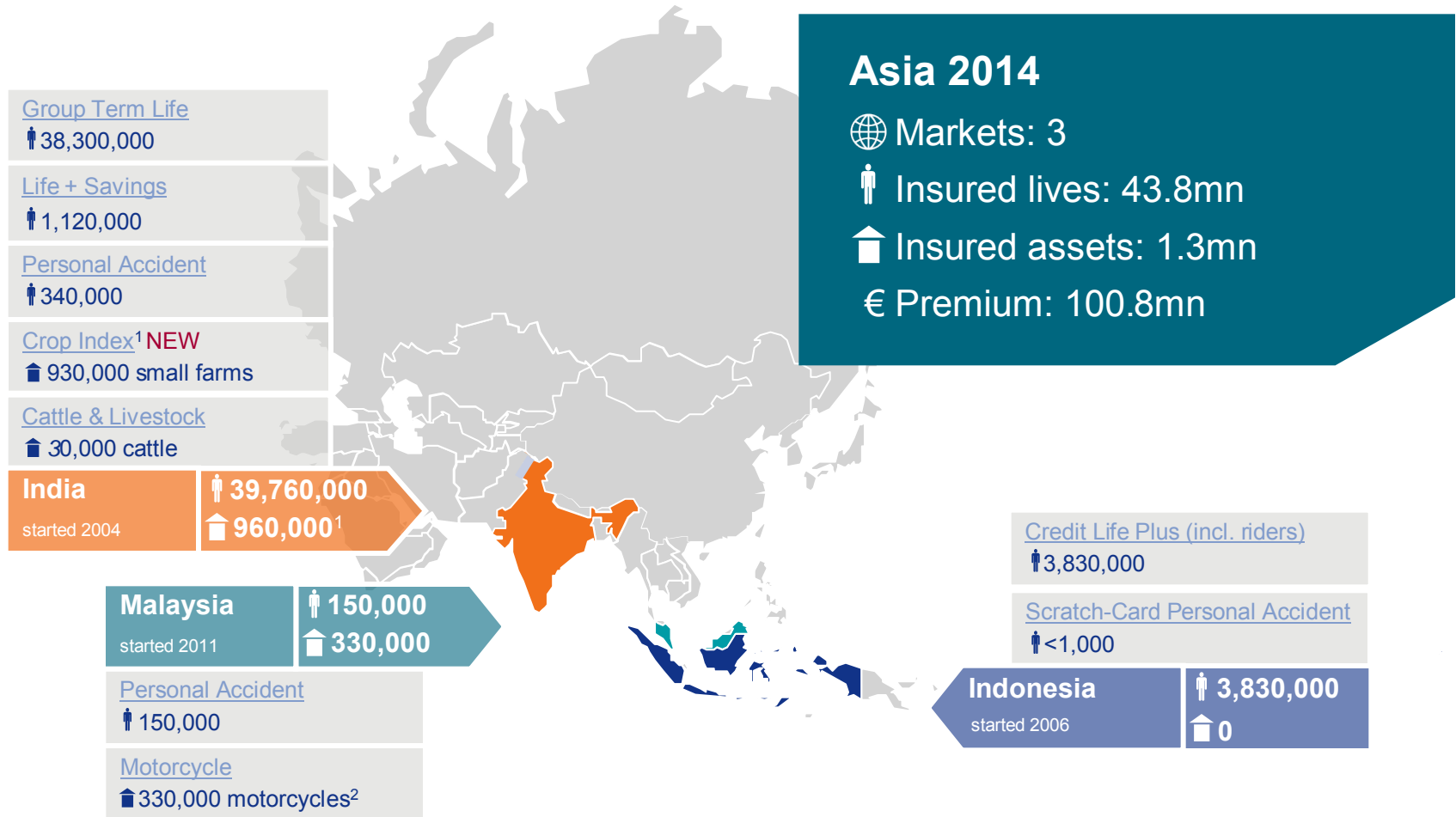
► **Social Benefit:** Microinsurance protects socio-economic progress  
**Business Benefit:** Allianz can grow with customers from micro to conventional business

# Where we do it



1) Number of markets, insured lives and assets are per 31 December, except for crop-index products which are counted by policies sold throughout the year (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](#) 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 2014. Most policies have expired upon harvest time, i.e. prior to 31 Dec 2014.  
 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** | **100,000** lives | **0** assets  
 started 2008

[Credit Life](#)  
 100,000

**Mali** | **0** lives | **<1,000<sup>1</sup>** assets  
 started 2011

[Crop Index](#)  
 <1,000 small farms

**Burkina Faso** | **280,000** lives | **10,000<sup>1</sup>** assets  
 started 2009

[Mobile Term Life NEW](#)  
 130,000

[Credit Life](#)  
 90,000

[Savings Life](#)  
 60,000

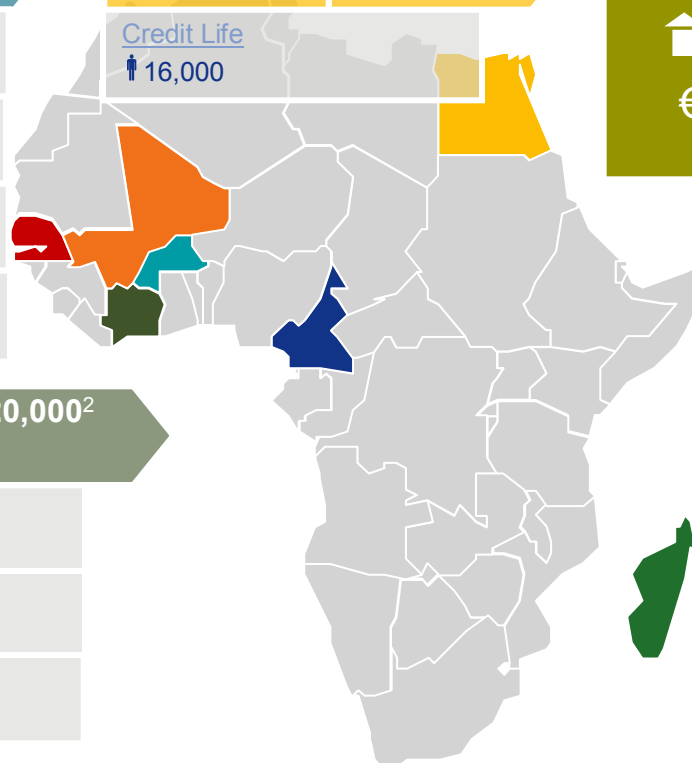
[Crop Index](#)  
 10,000 small farms<sup>1</sup>

**Egypt** | **16,000** lives | **0** assets  
 started 2007

[Credit Life](#)  
 16,000

**Africa 2014**

- Markets: 7
- Insured lives: 0.56mn
- Insured assets: 10,000
- € Premium: 3.6mn



**Cameroon** | **1,000** lives | **0** assets  
 started 2008

[Credit Life](#)  
 1,000

**Ivory Coast** | **120,000<sup>2</sup>** lives | **0** assets  
 started 2009

[Funeral Insurance](#)  
 120,000

[Credit Life](#)  
 40,000

[Mobile Funeral](#)  
 <1,000

**Madagascar** | **52,000** lives | **0** assets  
 started 2008

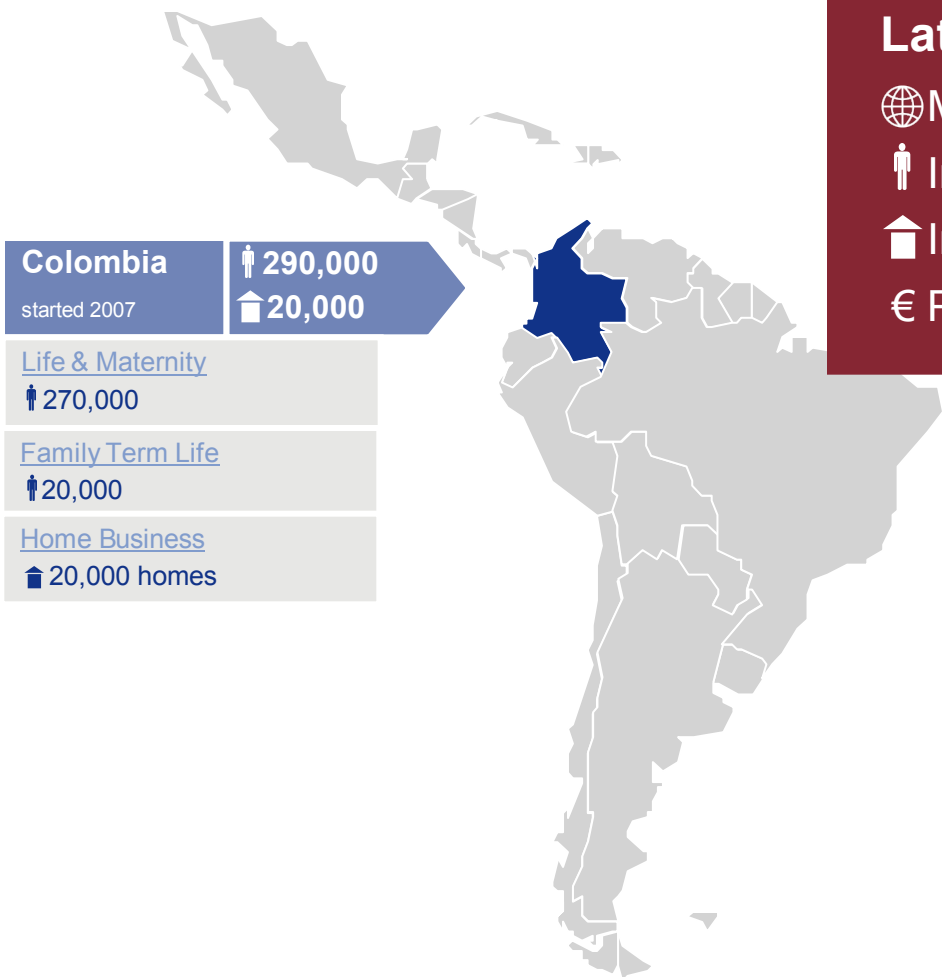
[Credit Life](#)  
 50,000

[Mobile Term Life NEW](#)  
 2,000

Click product names for more details

1) Number of crop index policies sold in 2014. All policies have expired upon harvest time, i.e. prior to 31 Dec 2014.  
 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



**Latin America 2014**

- 🌐 Markets: 1
- 👤 Insured lives: 0.29mn
- 🏠 Insured assets: 20,000
- € Premium: 9.3mn

# 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 – 2017)



Nov 2014:  
PPP extended  
from 2015  
until 2017

#### Joint Activities<sup>1</sup>

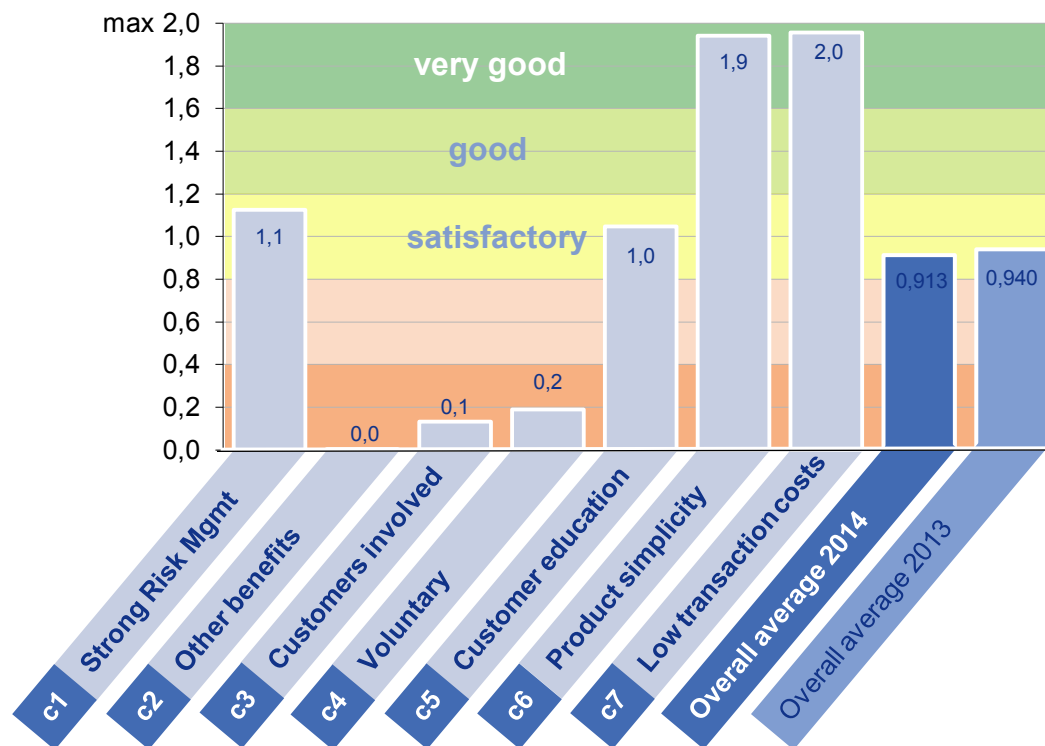
#### Key Examples to date

1. Microinsurance Strategy Development	Combining social and financial benefits	→ <a href="#">p11</a>
2. Business Development	Joint market study Senegal 2011	
3. Standard Setting & Data Improvement	Operational microinsurance definition	→ <a href="#">p22</a>
4. Customer Education	Customer Value Initiative, India	
5. Knowledge Management & Dissemination	Claims Stories videos 2012	→ <a href="#">watch</a>
	Customer Awareness survey 2013	→ <a href="#">watch</a>
	MILK Claim Assessments 2015	→ <a href="#">read</a>

1) Activity 1 is already concluded. Activities 2 – 5 remain in focus for the 2015-2017 period.

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

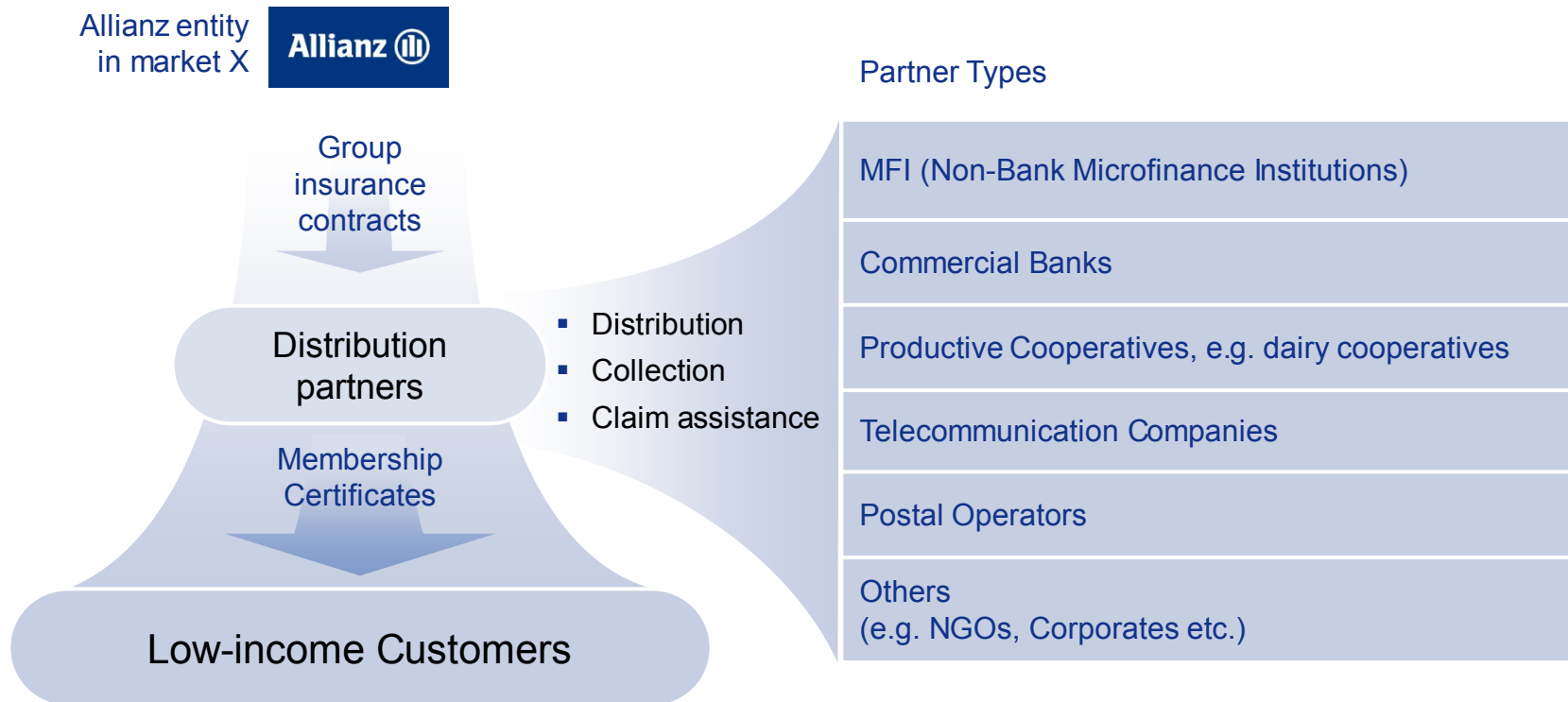
- Allianz assesses its microinsurance products on seven product quality criteria as outlined in the [Allianz microinsurance assessment tool](#)<sup>1</sup>
- The global micro portfolio as per Dec-2014 performs as below:



- Generally, Allianz products perform best on “simplicity” and “low transaction costs”
- The overall average has decreased from 0.940 to 0.913
- This drop is due to the over-proportional growth of non-voluntary products like credit life and Indian crop-index which has led to a decrease in the “voluntary” criterion from 0.3 to 0.2 and the customer “education criterion” from 1.1 to 1.0
- However, the number of products with particularly low ranking (<1.0) has been reduced from 7 to 5 (→ [product pool](#))
- Moreover, 1 new voluntary products was launched in 2014, and voluntary riders were introduced in Indonesia.

1) All microinsurance products in 2014 (n=17 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 550 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.

# Appendix

## News

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## Appendix

## Our operational Microinsurance definition

developed in  
cooperation with



On behalf of

BMZ



Federal Ministry  
for Economic Cooperation  
and Development

Product Name / Abbreviation		Mobile Term Life	Life + Savings	Personal Accident	Mobile Savings
Company		Allianz Africa	Bajaj Allianz	Bajaj Allianz	Allianz Africa
Country		Burkina Faso	India	India	Ivory Coast
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)		1.4	1.3	0.6	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 insurers
- Covers 25mn farmers against crop losses
- AllianzRE provides proportional and non-proportional reinsurance cover since 2009

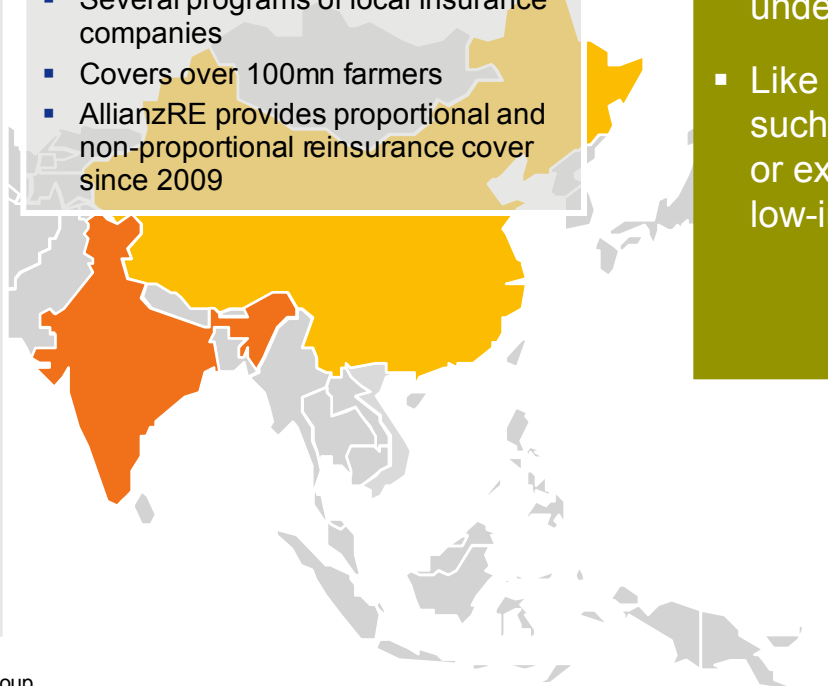
### Weather-Based Crop Insurance Scheme (WBCIS)

- Premium is subsidized up to 75%
- Seasonal contracts are awarded to local insurers on a bidding basis
- BajajAllianz General participates since 2014
- In 2014, BajajAllianz covered a total of 2mn farmers, thereof 1.1mn with subsidies >50%, i.e. not counted as microinsurance (compare [p.5](#) & [p.13](#))

## 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

### 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 Microinsurance Website](#)

### Contact

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