

# Closing the Protection Gap for Emerging Customers

## Mainstreaming Financial Inclusion: Best Practices

With rising incomes and an emerging middle class across the globe, the business case for providing insurance to underserved, vulnerable or low-income customers is clear—estimates place the size of the emerging market at around 3.8 billion—and it's growing. Furthermore, niche segments within this group—women, smallholder farmers and gig economy workers, to name a few—present an opportunity to provide custom insurance solutions.

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### Strategies to Meet Customer Needs

Emerging consumers already recognize the value of protecting themselves against risk, as many rely on informal tools and social networks to manage unexpected adverse events and external shocks, such as illness, death of a family member, livestock loss and poor harvests. Inclusive insurance providers are helping to close the protection gap using three main strategies:

#### Distribution Partnerships

Insurers partner with aggregators—including financial institutions, mobile network operators and community organizations—to identify and reach new customers at greater scale and lower cost. These aggregators have well-established customer bases, outreach networks, and trusting client relationships that insurers can piggy-back to expand their market share.

#### Emerging Technology and Data

New technologies, data sources and analytics tools are changing how insurance providers assess risk, while driving down the costs of backend operations and product distribution.

- ▶ **Mobile and Digital Platforms:** Beyond product distribution, mobile and digital platforms have been crucial for premium and claims payments, product enrollment, customer service, policy management and much more.
- ▶ **IDs and Mobile Phones:** Improved national ID systems and increased mobile phone penetration in many countries have made it possible to enroll customers more easily—even instantly.
- ▶ **Satellites and Drones:** Using data collected from satellites and aerial drones, insurers can assess and verify loss from weather-related events or natural disasters and trigger automatic payouts for policyholders who have index insurance. These quick payments help build trust and deliver value to customers.

## Reimagined Product Design

To effectively serve this new market, insurers are redesigning their product offerings to be more customer-centric and cost-effective.

- ▶ **Keep It Simple:** Products that are easy to understand, enroll in and claim against reduce operating costs and engender trust among customers.
- ▶ **Less Is More:** Micro-terms and micropayments provide greater flexibility for customers. Customers can pay-as-they-go or pay in smaller, more affordable amounts to match their desired level of coverage, term length and premium cost.
- ▶ **Balance Tech and Touch:** Face-to-face interaction gives new customers a chance to familiarize themselves with the product, understand the benefits and potentially renew their coverage.

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## Inclusive Insurance Product Breakthroughs

### Credit Life Insurance

AllLife, the first insurance company to provide whole life insurance to people living with HIV/AIDS in South Africa, uses incentives to help customers maintain coverage, stay healthy and qualify for credit. To maintain whole life or term disability coverage, customers commit to taking scheduled blood tests to measure immune system health and starting antiretroviral therapy if their CD4+ cell count falls below a certain threshold. Adherence to the model may contribute to improved health—AllLife reports that its average policyholder increases their CD4+ cell count by 15 percent within 6 months of signing up for insurance. AllLife customers can also use their policy to qualify for home and business loans.

### Health Insurance

To help Ghanaian customers access affordable health services close to home, BIMA's m-Health product leverages technology to provide hospital cash, as well as unlimited, low-cost tele-doctor consultations. BIMA organizes community health camps and free screenings for chronic health conditions to attract new customers, and works with banks, savings and credit cooperatives, transportation authorities and church groups to distribute the product.

### Index Insurance

ACRE Africa provides smallholder farmers in East Africa index insurance to protect against drought and excessive rain. Farmers who purchase seeds from participating vendors can activate their coverage via SMS using a code provided in the seed packaging. ACRE Africa receives the farmer's code, date and geolocation, matches this information to the closest weather station, and sends the farmer a confirmation message with a policy number and coverage details. If the weather station reports extreme weather within a given period, the farmer automatically receives a payout to their M-Pesa account.

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**Mainstreaming Financial Inclusion: Best Practices** is an initiative of the Center for Financial Inclusion at Accion, in partnership with the Institute of International Finance and the International Finance Corporation, with support from MetLife Foundation, to facilitate learning and action on how mainstream financial institutions around the world can reach underserved populations with quality financial services. Learn more: <http://bit.ly/MainstreamingFI>

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