

Microinsurance at Allianz Group

2012 Full Year Report

Allianz4Good
Allianz SE

public

Allianz 

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- 1** What has happened since the last report (Q4 2012)
 - 2** What is Microinsurance
 - 3** Why we do it
 - 4** Where we do it
 - 5** How much and how good
 - 6** How we do it
 - 7** Special Interview: Microinsurance in Indonesia
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What has happened since the last report (Q4 2012)

News

- 2012 results: insured lives grew to 17.1mn, premium to €78.6mn → [page 18](#)
- KPMG has provided data assurance for key 2012 indicators → [page 18](#)
- Case study on Allianz Indonesia's microinsurance success → [page 26 \(Interview\)](#)
- Reporting on product quality indicators added → [page 20](#)

New Products

- New mobile accident insurance, Indonesia → [product pool](#)

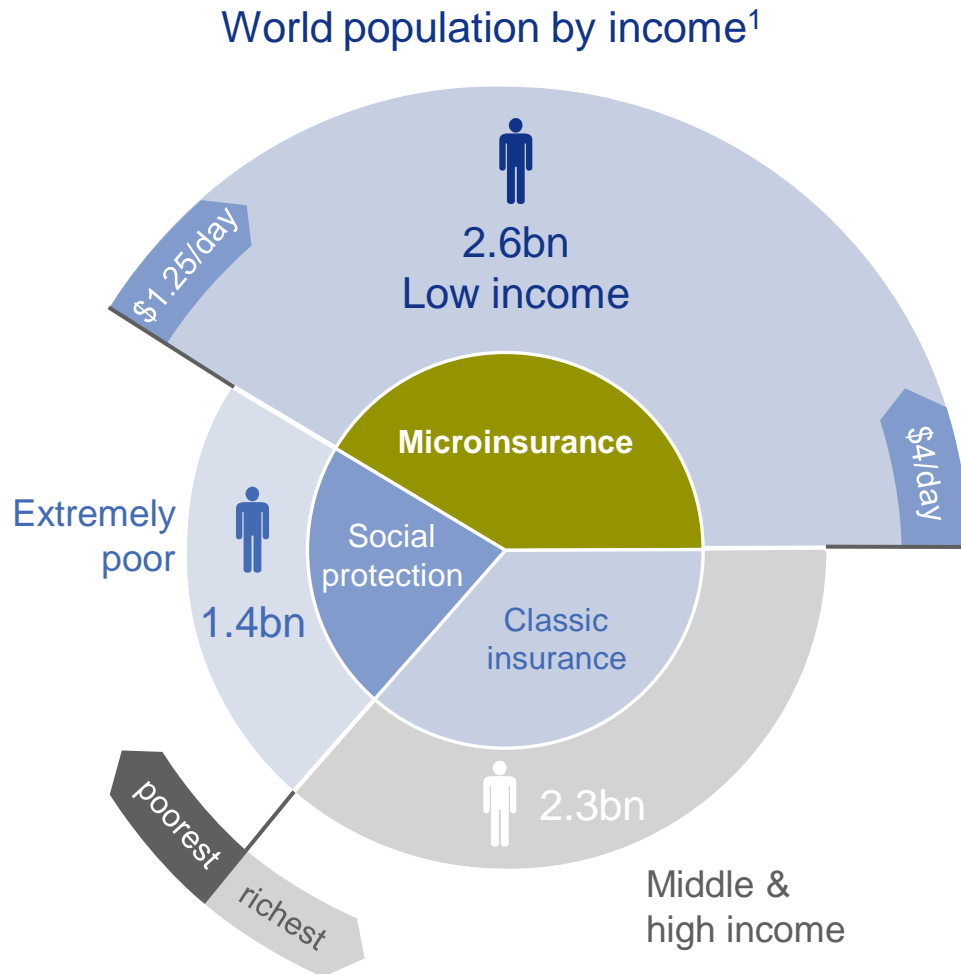


Allianz Indonesia launches a case study on how they reached over 1 million people with microinsurance
→ [read interview & case study](#)

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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.²

Market size:

- 2.6bn people
- USD 40bn potential premiums per year³

1) UN MDG Report (2011), Nokia Siemens: Internet for the next billion (2008). Income measured at Purchasing Power Parity (PPP) per capita per day.

2) The Allianz Group microinsurance definition may differ from local regulatory definitions.

3) SwissRe Sigma (2010)

Microinsurance at Work: 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

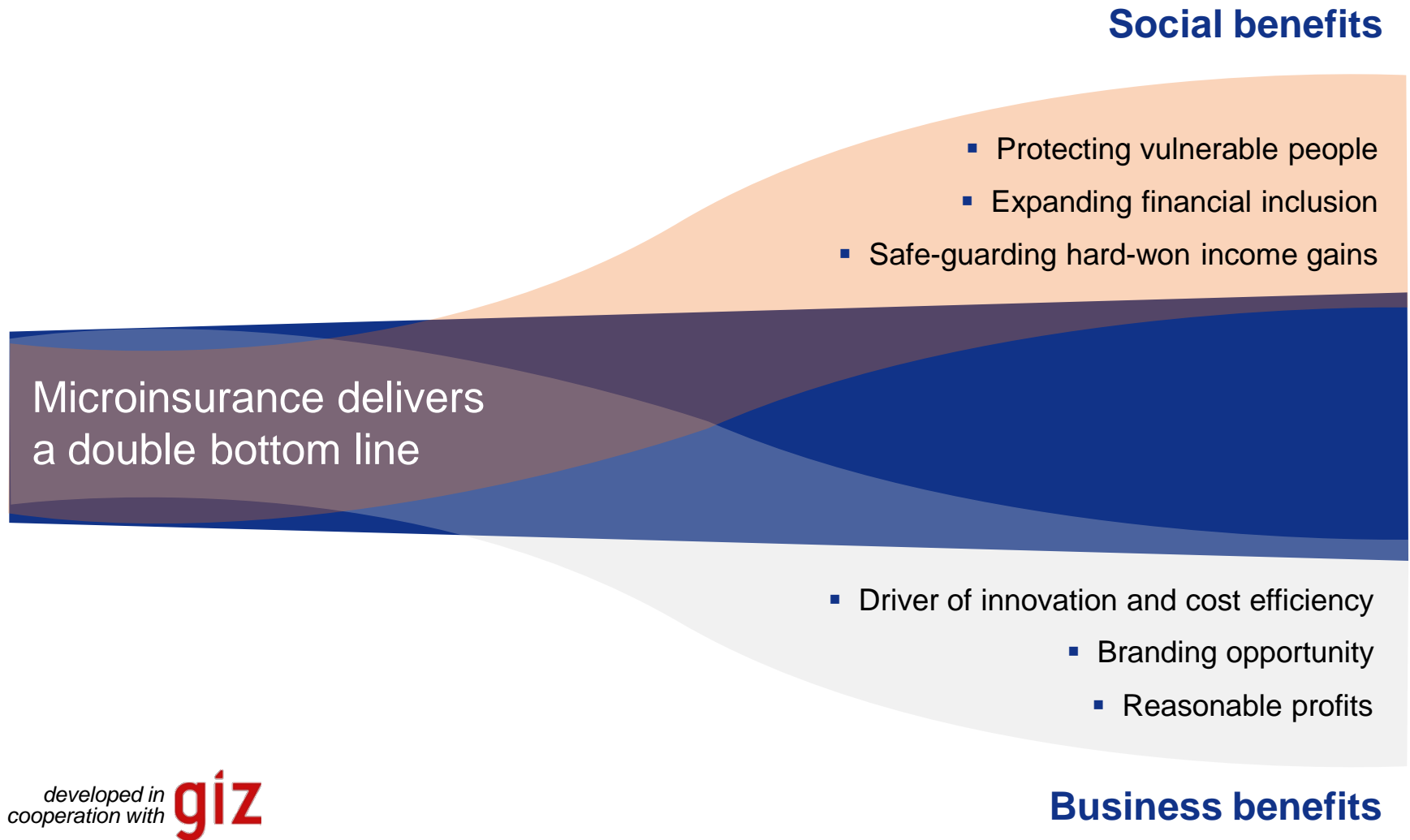


- As a result, Zakiyah increases her income from US\$2 to US\$6/day.
- She can compensate for her mother's lost income and take care of a family of six.

3

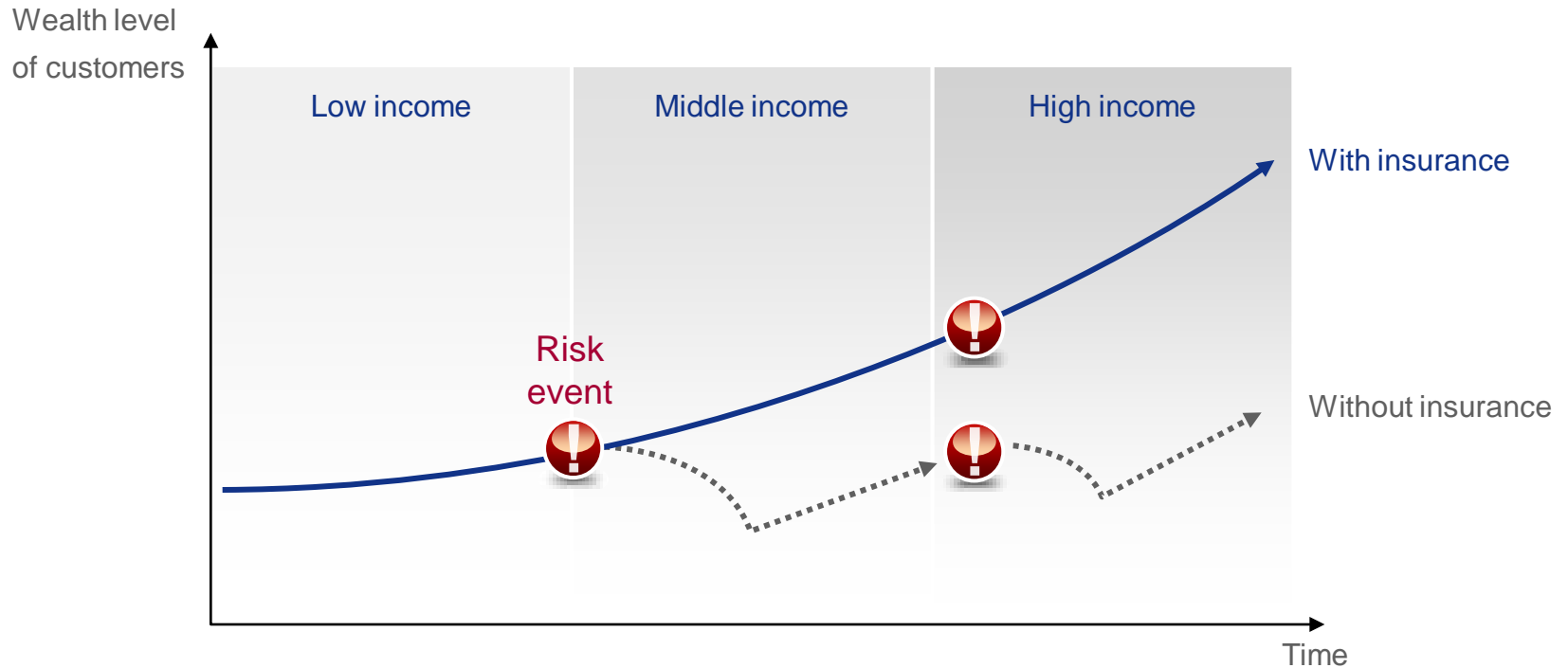
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Why we do it



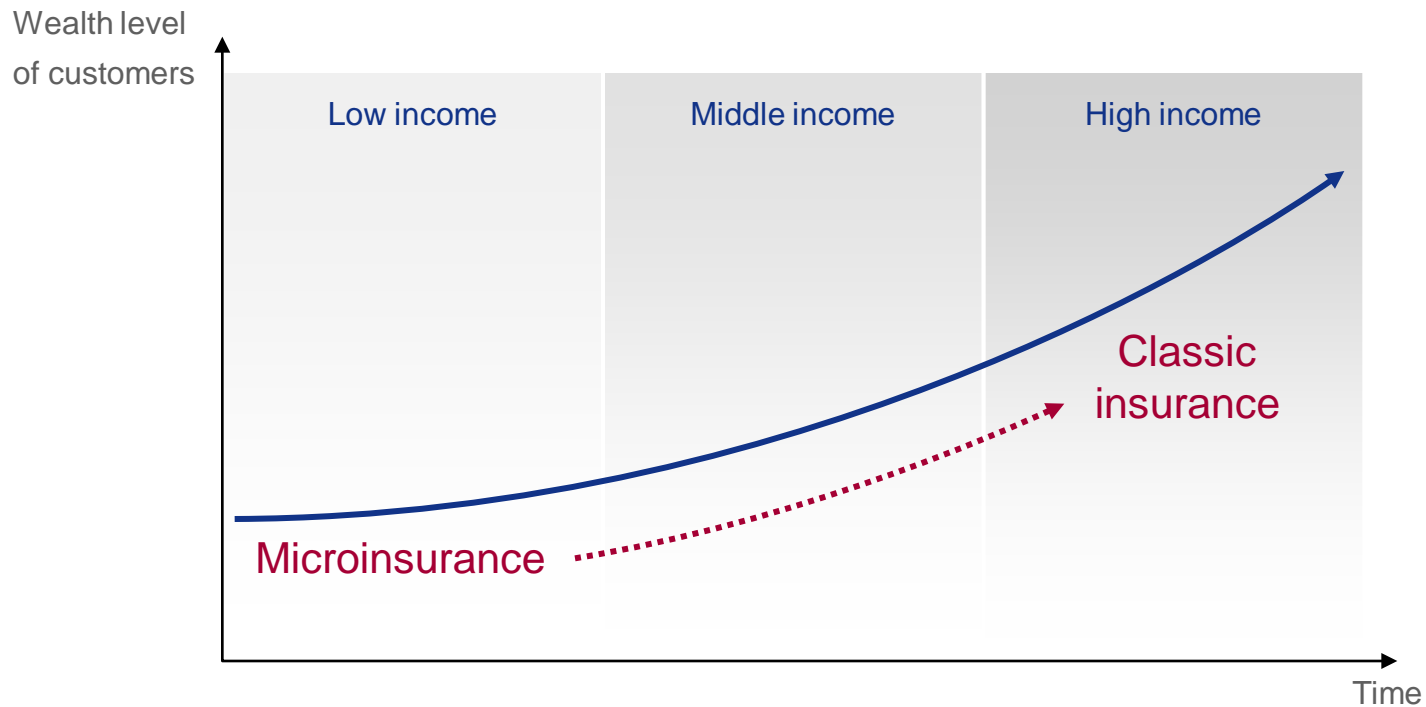
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Social Benefit: We protect socio-economic progress



▶ Without (micro)insurance, socio-economic progress is always at risk

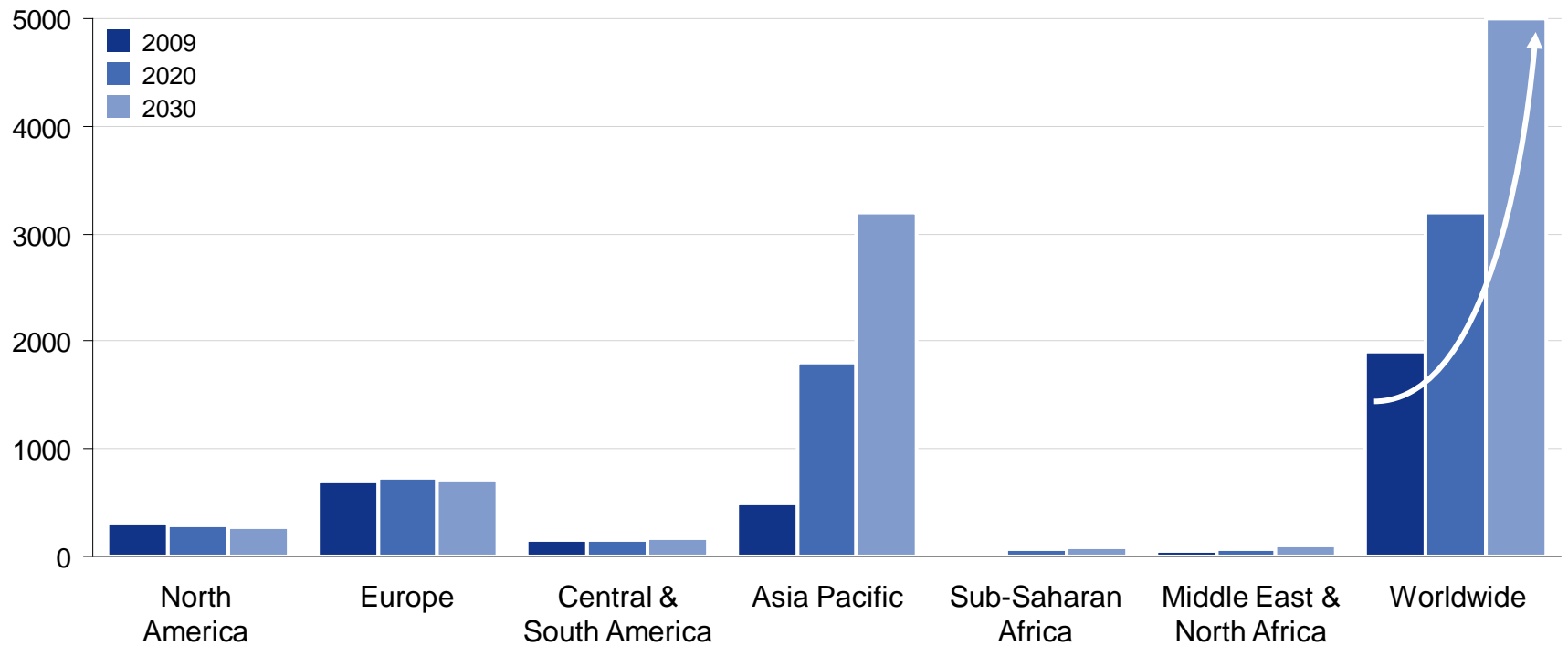
Business Benefit: Growing with our customers



Now: Short term profitability and increased customer base
Future: Benefit from customer loyalty and increased purchasing power

Winning low-income customers today can secure the market share of tomorrow

Numbers (millions) of Global Middle Class¹



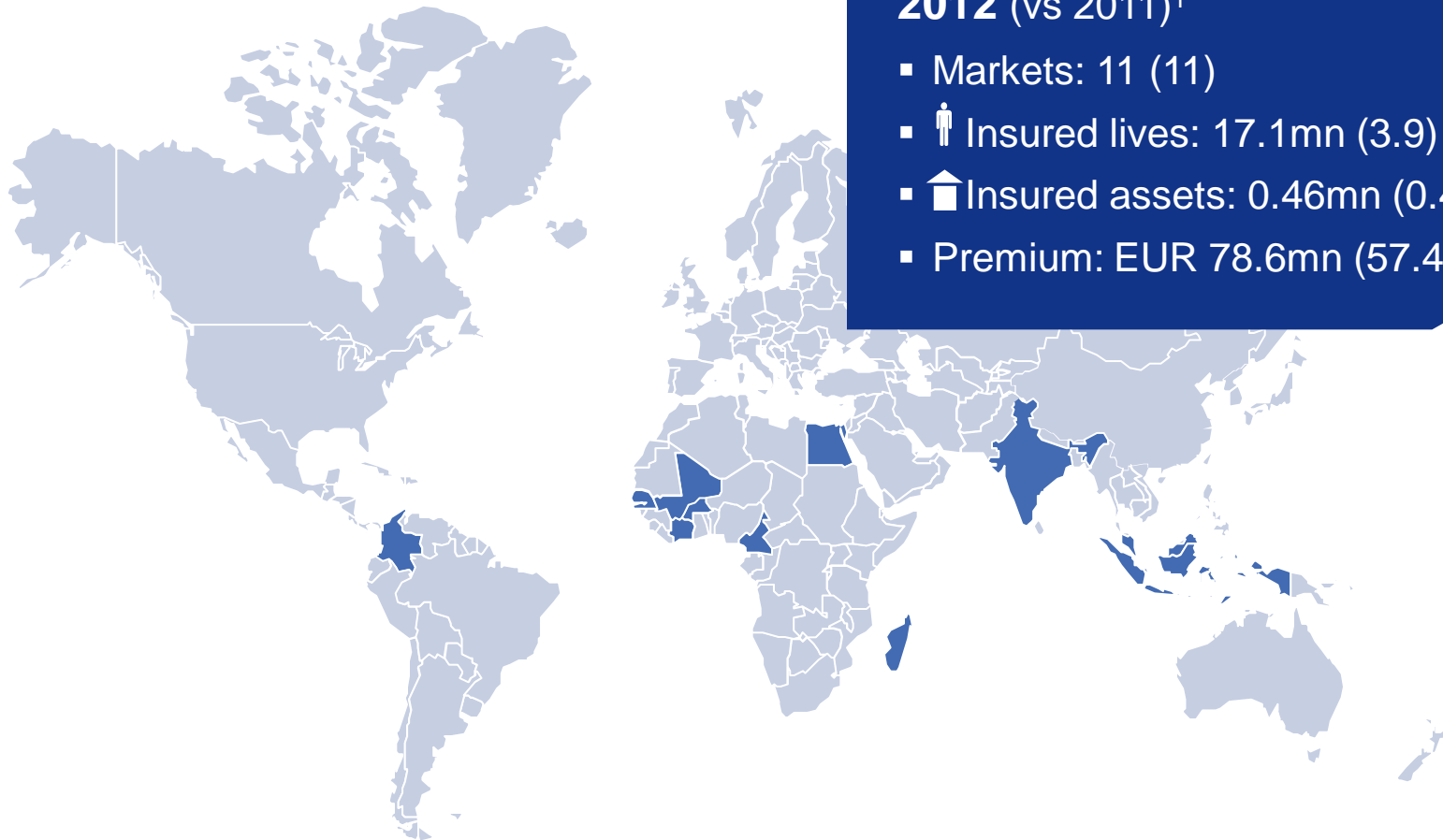
▶ The middle class in the relevant microinsurance markets is growing over-proportionally, largely driven by rising incomes of low-income people

1) Source: OECD Development Centre, Working Paper No. 285 (Homi Kharas): *The emerging middle class in developing countries, 2010*

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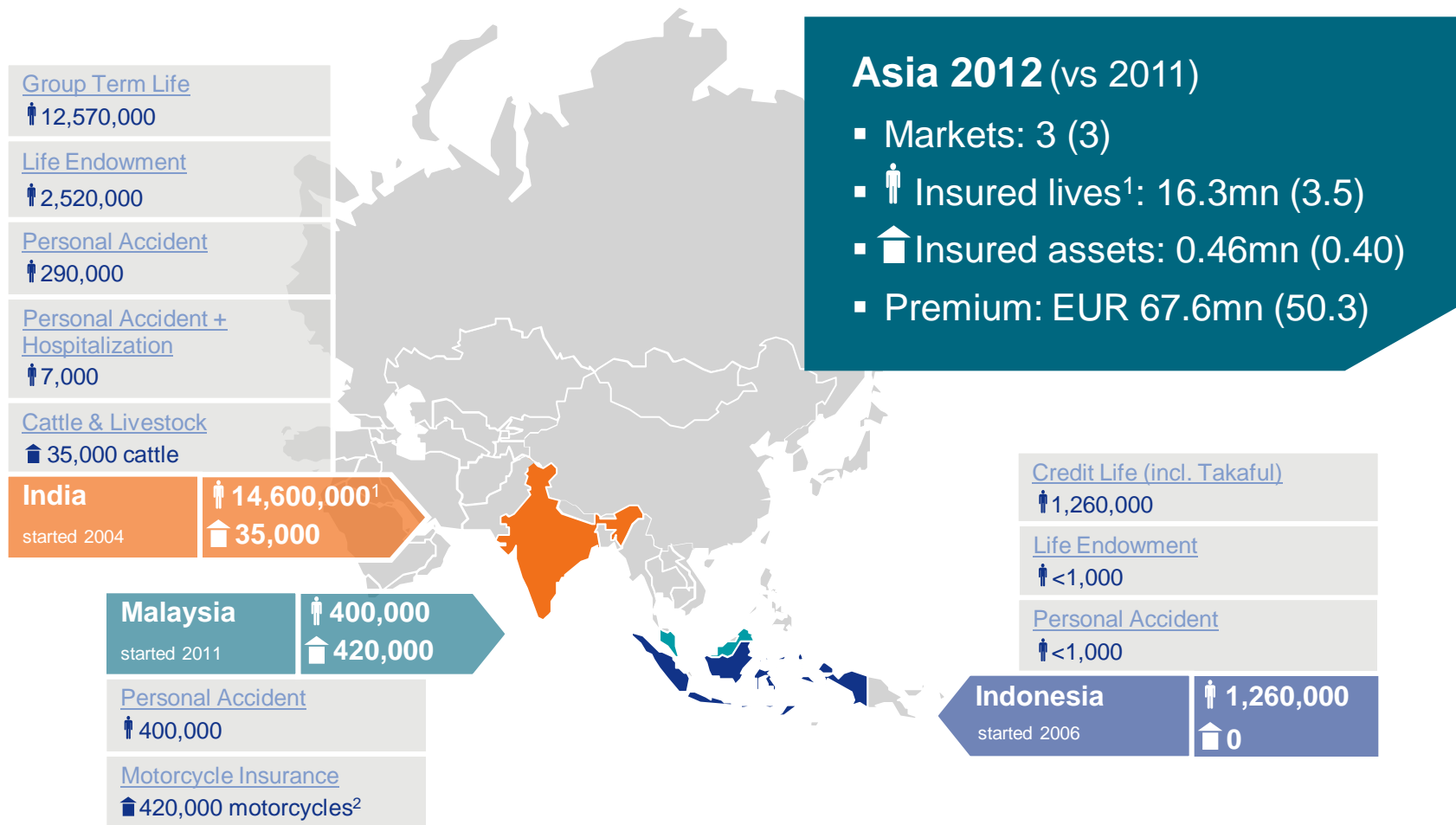
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Where we do it



1) Number of markets, insured lives and assets are per 31 December. Premium figures are full year 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

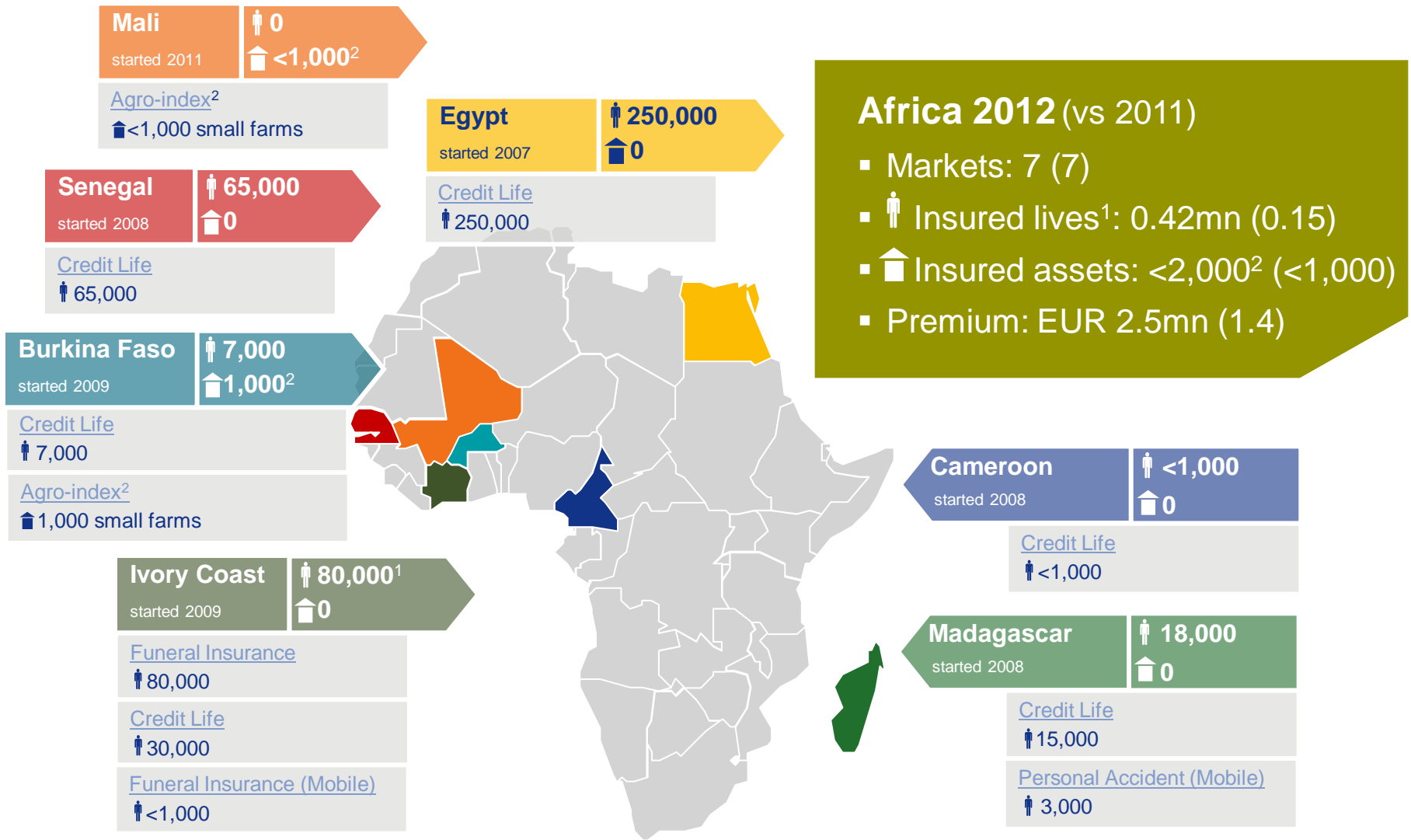


Click product names for more details.

1) 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).

2) 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



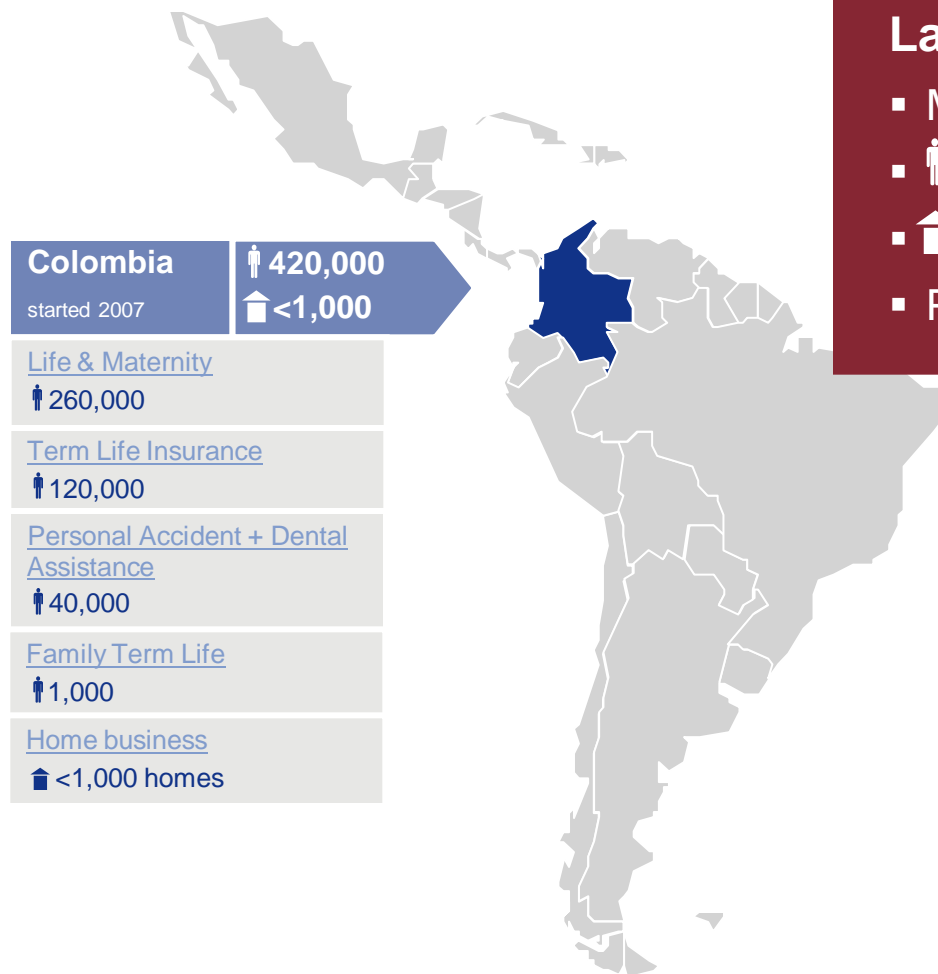
Africa 2012 (vs 2011)

- Markets: 7 (7)
- Insured lives¹: 0.42mn (0.15)
- Insured assets: <2,000² (<1,000)
- Premium: EUR 2.5mn (1.4)

Click product names for more details

1) 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).
 2) Number of agro-index policies sold in 2012. All policies have expired upon harvest time, i.e. prior to 31-Dec-2012.

Where we do it: Latin America



Latin America 2012 (vs 2011)

- Markets: 1 (1)
- Insured lives¹: 0.42mn (0.15)
- Insured assets: <1,000 (0)
- Premium: EUR 8.5mn (5.7)

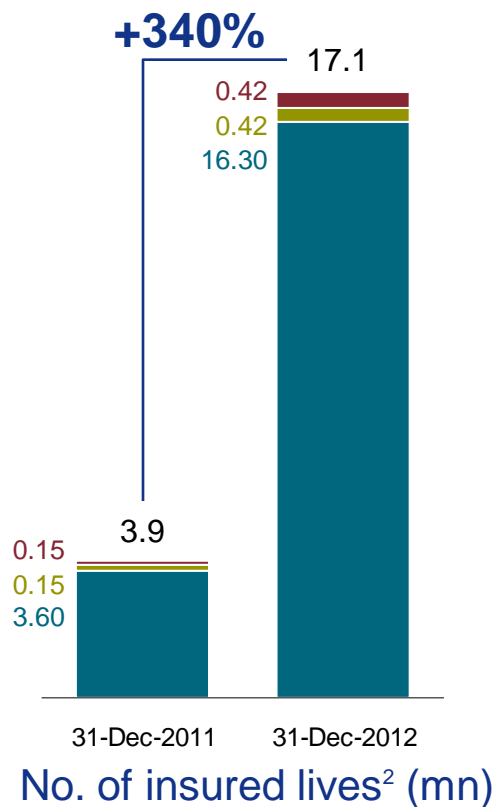
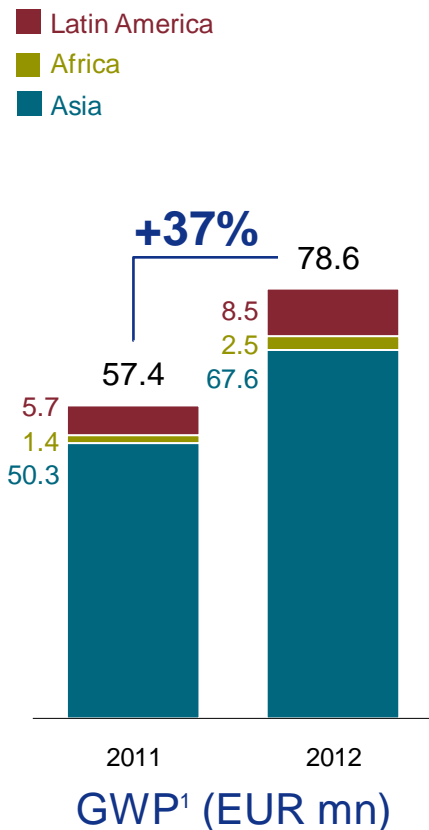
Click product names for more details

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2012 results: Strong growth across all regions



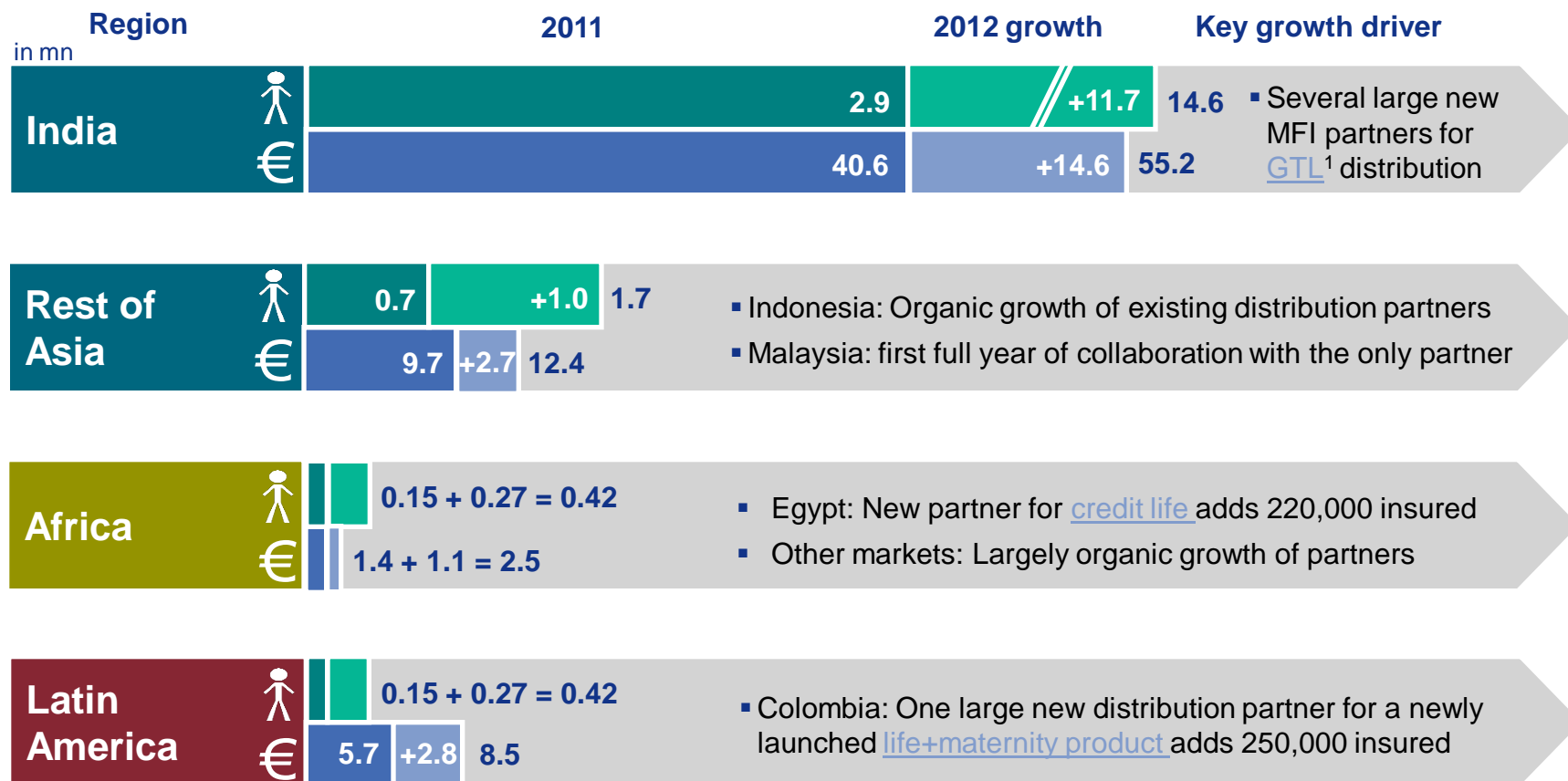
- The number of insured lives grew nine times faster than GWP¹ because the majority of newly insured took out group term life policies, which have particularly low premiums
- For the first time, GWP and number of insured have been externally assured (by KPMG)

- [KPMG assurance statement](#)
- [Allianz explanatory notes](#)

1) GWP = Gross Written Premium

2) Insured assets, e.g. cattle, motorcycles etc. are not included in the count of insured lives

2012 growth mostly driven by new distribution partnerships for established products



1) GTL = Group Term Life

Global product quality assessed for the first time, with room for improvement

- Allianz has assessed its microinsurance portfolio against the seven product quality criteria of the [Allianz microinsurance assessment tool](#)¹
- The global portfolio as per Dec-2012 performs as below:



- Generally, products perform best on “simplicity” and “low transaction costs”
 - Large potential for improvement exists in developing voluntary products together with customers that better address people’s key risks, provide additional benefits and give more customer education
- Allianz is working on this by driving customer-focused product innovation and launching new customer education programs

1) All microinsurance products (n=20 products) are included in the analysis, whether they cover lives or assets. The assessments per product (as per [Allianz product pool](#)) are self assessments 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.

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How we do it: Our 4 microinsurance values

Passion

We love what we do...

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

Quality

We know what we do...

- Value for the customer
- Service oriented
- Quality staff
- Quality partners
- Standardization
- Legal compliance
- Financial sustainability

Fairness

We are fair in what we do...

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

Transparency

We show what we do...

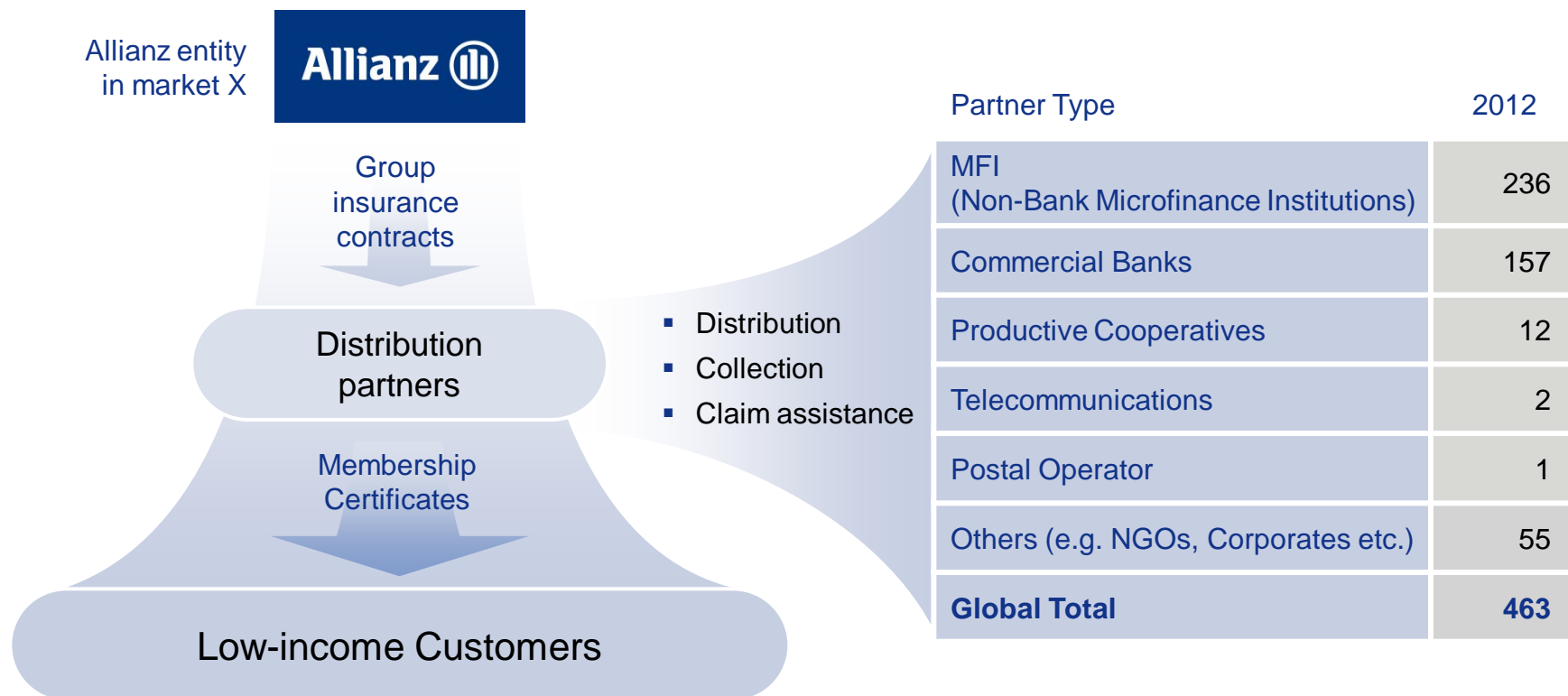
- Clear communication to customers
- Sharing of information with the public
- Accountability for results

... and we live our values!

Implementation Examples

- Customer research before product development
- Fair pricing
- Customer education
- Responsible sales practices
- Standard operating procedures (SOP)
- Customer satisfaction survey
- Grievance mechanisms
- Social performance indicators
- Financial performance indicators
- Knowledge sharing on Allianz knowledge site

How we do it: Distribution



▶ Allianz local entities are the drivers & business owners of microinsurance. Allianz works with experienced partners to reach out to customers.

Working with public partners to achieve more together

Public Private Partnership on Microinsurance (2010 – 2015)



Joint Activities

Key Examples to date

1. Microinsurance Strategy Development	Double Bottom Line strategy	→ p8
2. Business Development	Joint market study Senegal 2011	
3. Standards Setting	Operational microinsurance definition	→ p29
4. Customer Education	Customer Value Initiative, India	
5. Knowledge Management & Dissemination	Claims Stories videos	→ watch

Watch out for this logo:

developed in cooperation with



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Microinsurance in Indonesia: Special Interview

with Yoga Prasetyo, Head of Emerging Consumers, Allianz Life Indonesia

One million microinsurance customers in 2012. Congratulations! How did you do it?

Yoga Prasetyo: The main factor has been the organic growth of our microfinance distribution partners. We also mobilized more of our corporate sales agents, who usually advise companies on employee health plans, to also look for new MFI partners. This brought a good number of new partners and helped to grow the portfolio.

One million insured paid just 865.000 Euro in total premiums in 2012. That is still marginal. So what is the real importance of microinsurance to Allianz Indonesia?

YP: For us, microinsurance is an important tool to tap into the low-income market. Many of today's microinsurance customers will join the middle class over the next 10 to 15 years. They will be able to afford more advanced and higher priced insurance products. Microinsurance is an investment into our long-term branding strategy. Development of microinsurance in Indonesia by the private sector also supports our government's drive for financial inclusion across the country.

Do all insured actually know that they are insured, and insured by Allianz?

YP: It would be great if they all knew! Then our long-term investment into microinsurance as a branding tool would work best. We realize that our major microinsurance product, which is a credit life product, contributes very little to branding. It is an obligatory add-on to the credits of our microfinance partners – and as such often goes unnoticed. We therefore run a volunteering program, where our employees train microinsurance customers in financial literacy. That way, our customers take more note of insurance, the Allianz brand and the importance of financial planning.

Your success relies on a single credit life product called “Payung Keluarga”. Wouldn't low-income people need more protection and more choice?

YP: Yes, definitely! We see a high demand for more protection. And as Allianz, we also need more products, especially voluntary ones. They create more branding and boost our premium income. Credit life is just a start. Only with a suite of client-focused products we can really grow with our customers over the long term. We have just launched a [micro accident insurance](#), and we are in the process of developing various “next level” products, for example critical illnesses cover.

You have published a [case study](#) on your success with “Payung Keluarga”. What can readers take away from it?

YP: A field-level reference on microinsurance, on how to create and market innovative but still simple products. I hope we can publish many more case studies on “next level” products soon.



Yoga Prasetyo during a customer survey

Indonesian product details

- [“Payung Keluarga” Credit Life Plus](#)
- [“Kartu Proteksiku” accident insurance](#)
- [“TAMADERA” education savings \(discontinued\)](#)

→ [“Payung Keluarga” case study](#)

Disclaimer

These assessments are, as always, subject to the disclaimer provided below.

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**

Product Name / Abbreviation		PA ¹ & Dental	Life + Savings	Credit Life Plus	Life & PA ¹
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
- We currently screen our products with this tool. This may still lead to inclusion or exclusion of products in reporting all through 2012
- Full methodology and product examples [here >>](#)

Innovative Mobile Products in Ivory Coast



Cotisation : 700F/mois
Capital garanti : jusqu'à 1 million

Allianz Obsèques
Souscrivez aujourd'hui pour préparer demain.

Payez vos primes avec MTN Mobile Money

Mobile Funeral Insurance

“Subscribe today to prepare for tomorrow”

Monthly premium: FCFA 700 CFCA (~ EUR 1.00)
Guaranteed payout: up to FCFA 1mn (~ EUR 1,500)
Premium payment through MTN Mobile Money

→ [detailed product information](#)

Mobile Savings Plan

“With us, everyone can save”

No subscription fee
Minimum monthly premium: FCFA 3,000 (~ EUR 4.50)¹
Premium Payment through MTN Mobile Money

→ [detailed product information](#)



Launch date:
1 June 2012



Adhésion : Gratuite
Cotisation minimum : 3 000F/mois

Allianz Epargne
Chez nous, tout le monde peut épargner.

Payez vos primes avec MTN Mobile Money

1) Note that this product is a pure microsavings product, not a microinsurance product because it contains no risk coverage.

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

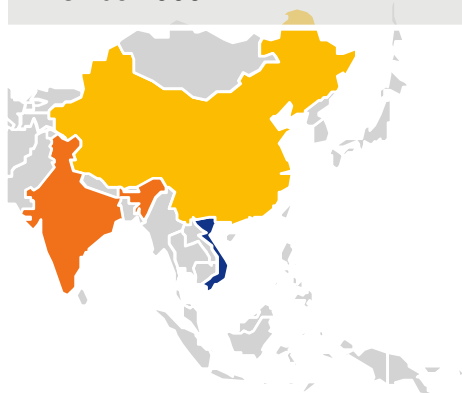
Multiperil Crop & Livestock Insurance

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

Vietnam

Multiperil Crop & Livestock Insurance

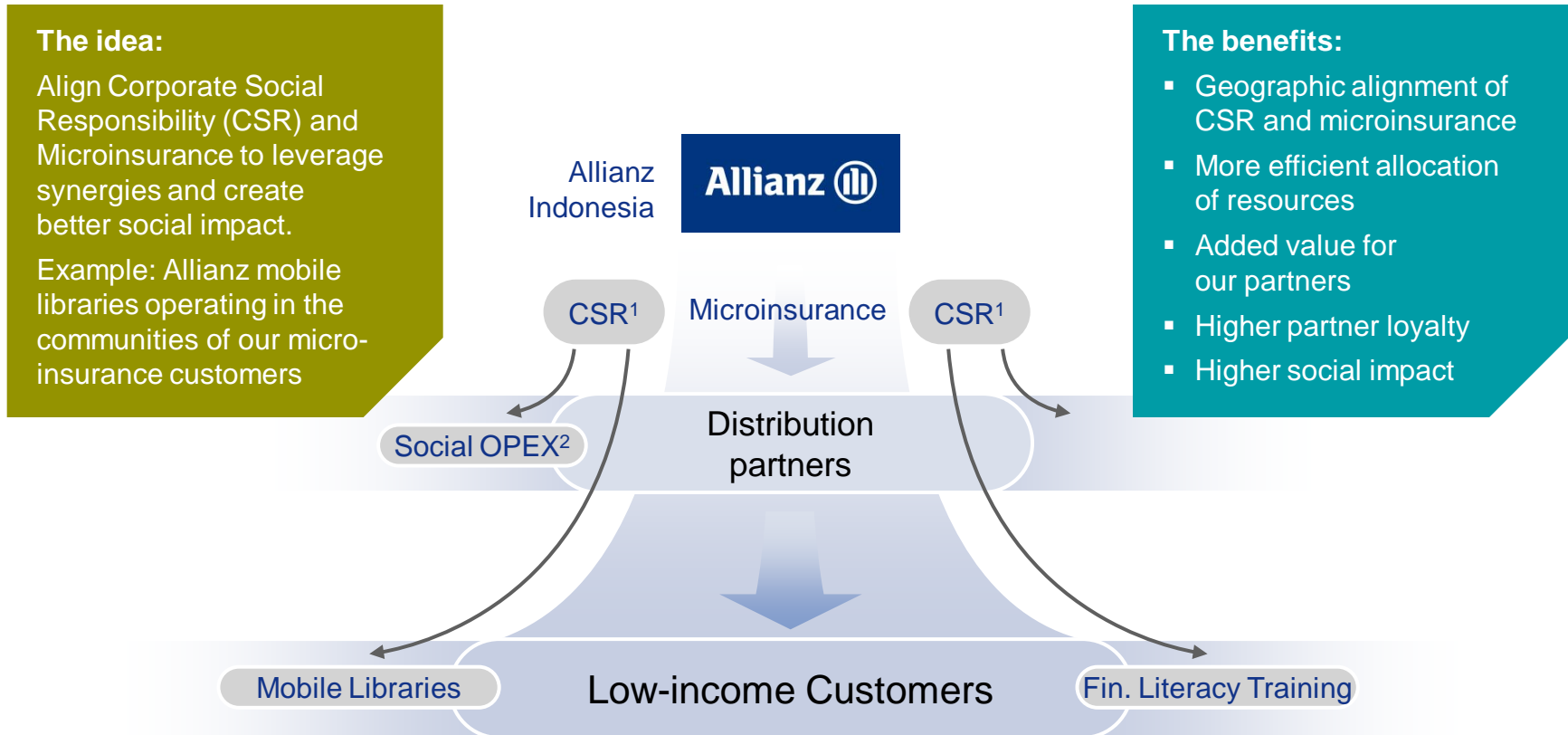
- Pilot program
- In Red River and Mekong deltas
- Allianz provided proportional reinsurance cover in 2012



- Premiums are partially (>50%) or fully subsidized through government funding
- Due to large public subsidies, these schemes do not fall under microinsurance¹
- Like microinsurance, such schemes mostly or exclusively benefit low-income families

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

Case Study Indonesia: Aligning CSR & Microinsurance



▶ When aligned, CSR and microinsurance can reinforce each other for higher social impact

1) Examples of non-profit Corporate Social Responsibility activities of Allianz Indonesia
 2) **S**ocial **O**perational **E**xcellence – An Allianz volunteering program that assists social organizations in improving their internal processes

Resources & Contact

Videos

- [9 microinsurance claim stories videos \(Colombia, India, Indonesia\)](#) (max. 4:10min, July 2012)
- [TAMADERA micro-education, Allianz Indonesia](#) (4:00min, March 2012)
- [“Anitha. Promising Future”, BajajAllianz India](#) (5:40min, April 2009)

Reports & Studies


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

Website

- [Allianz Microinsurance Website](#)

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