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Taking care of the details

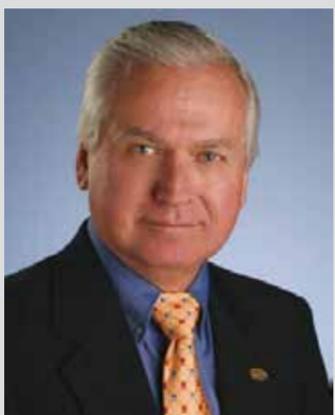
Managers are sometimes characterised as being either big-picture, 30,000 ft people or avid consumers of detail, keen to thrash around in the weeds. Successful managers can take both stances and, most importantly, have a good grasp of when to switch.

In today's business environment, getting a truthful view at any level requires data – lots of it. If you are to understand customer behaviour, you need to track every interaction with the organisation. You also need to know as much as possible about the environment, the organisation's capabilities, its costs and so on. You need lots of detail to build the big picture. And you need a coherent vision to make sense of the detail.

As our guest writer explains, one trend in insurance is towards innovative products that address disparate market needs. Offering microinsurance or small-ticket coverage requires systems and processes with flexible, configurable concepts for products and their attributes. Such supporting facilities also need to integrate gracefully with existing enterprise systems.

A standards-based business information model is a key asset for managing these new lines of business. It will not only help avoid the construction of an instant-legacy generation of fragmented systems. It will also provide the canvas and frame for the big picture every successful organisation needs to paint – and pay attention to. ■

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Insurers can win big by going small

Small-ticket insurance, including microinsurance, demands insurers develop a deeper understanding of their customers' attitudes and actions



Thomas Meyer, insurance industry lead, Europe, Africa and Latin America
Accenture

In Europe, where growth in the overall property/casualty sector has been essentially non-existent, small-ticket insurance premiums grew vigorously to between \$13bn and \$15.4bn last year and are projected to continue growing at a compound annual growth rate of 6.2% through 2017.

Small-ticket insurance encompasses all types of insurance where the premium and the insured amount are significantly smaller than for conventional insurance.

In mature markets, the most popular small-ticket items are extended warranties on household items, laptops and mobile phones, as well as travel insurance. New niches, including coverage for sports injuries, cancellation of concert tickets and medical expenses, continue to proliferate.

The growth of microinsurance

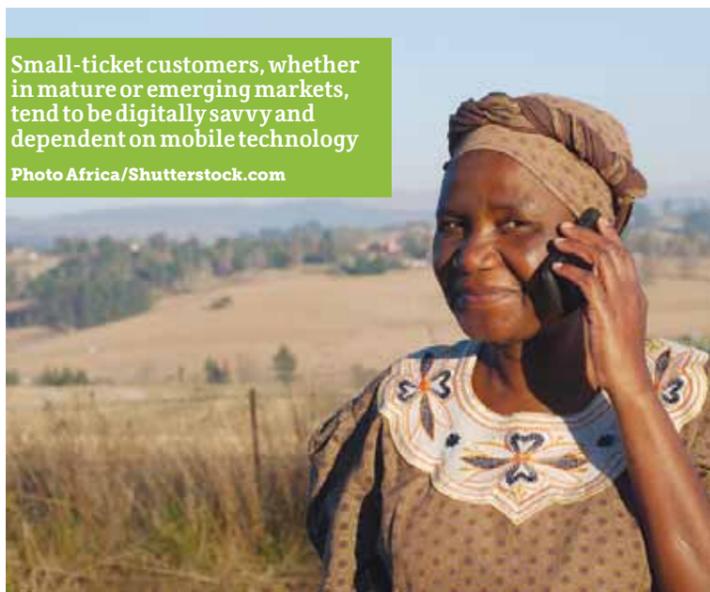
In emerging markets, microinsurance is the most important kind of small-ticket insurance, targeting customers at the base of the economic pyramid: those who earn between \$2 and \$8 a day. The premiums may be as low as 50¢ a month and coverage includes credit life insurance, funeral policies, crop insurance, term life, personal accident and even health insurance.

Customers are under financial pressure, often unfamiliar with the concept of insurance and frequently located in remote areas that are poorly served by traditional communications. Those customers are evolving and microinsurance organisations are now also targeting consumers with \$200 monthly income and above.

Like the small-ticket market in

Small-ticket customers, whether in mature or emerging markets, tend to be digitally savvy and dependent on mobile technology

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developed countries, microinsurance in emerging markets has tremendous growth potential. The expansion of the middle classes in Asia, Africa, Latin America and eastern Europe has drawn many millions of consumers into the \$2-to-\$8-a-day band. The World Bank estimates 2.3 billion consumers worldwide now fit this profile.

Planning successful products

Small-ticket insurance in mature markets and microinsurance in emerging markets are very different in terms of product design, the sales process and the types of partner ecosystems insurers require. The mechanisms for creating, distributing and administering these products, however, are similar enough that some insurers are looking at integrating small-ticket and microinsurance operations.

One of the main factors is the rise of mobile communications. Small-ticket customers, whether in mature or emerging markets, tend to be digitally savvy and dependent on mobile technology. The growth of mobile money is another important element. With 82 live services and 82 million customers, mobile money is a major

enabler of microinsurance for the unbanked in emerging markets and a convenient payment mechanism for mature market customers. In both mature and emerging markets, new software is making it easier for carriers to achieve the levels of automation and efficiency needed for making small-ticket insurance viable.

Identifying market opportunities

Improvements in analytics are also helping insurers identify prospects for small-ticket insurance. When insurers combine sophisticated analytics with advances in distribution, they can offer products to customers at exactly the moment when the customer is most concerned about a specific risk – at the airport about to board a plane, at the scuba resort planning a series of dives, or at the agricultural co-operative purchasing seed for the next season.

Our analysis has identified five shared elements for selling small-ticket insurance, whether in mature or emerging markets:

- Simplicity – affluent customers do not want to spend a lot of time reviewing the features of a product that costs \$10, while poor and often illiterate customers cannot

be expected to grapple with a complicated product;

- Good data collection, analytics and predictive modelling to understand potential customers and the risks they represent;
- Mobility – mobile phones provide access to customers, but can also make it possible to see where they are and enable them to pay for their new insurance policy. Experience in microinsurance clearly shows you do not need an insurance company to sell insurance business.
- Straightforward and efficient processing of applications, payments and claims; and
- Partnerships – to launch microinsurance products in foreign countries and for co-branding or white-labelling small-ticket products in developed markets.

Small-ticket is too big to ignore

Small-ticket insurance is likely to grow rapidly over the next few years into a very big opportunity. The sheer size of the emerging customer base in developing markets is too large to be ignored. Insurers that take a comprehensive approach – using innovative technologies to explore this opportunity in both developed and emerging markets – may benefit from major new expansion opportunities and revenue sources.

What is more, carriers that succeed at small-ticket insurance are likely to improve their overall performance. Small-ticket insurance, including microinsurance, demands insurers develop a deeper understanding of their customers' attitudes and actions. That is good for insurers, and also good for their customers, whether that customer is buying coverage for a run down the ski slopes in the Swiss Alps or for a just-planted maize crop in Kenya. Common strategies and technologies can help insurers serve both markets effectively and profitably. ■