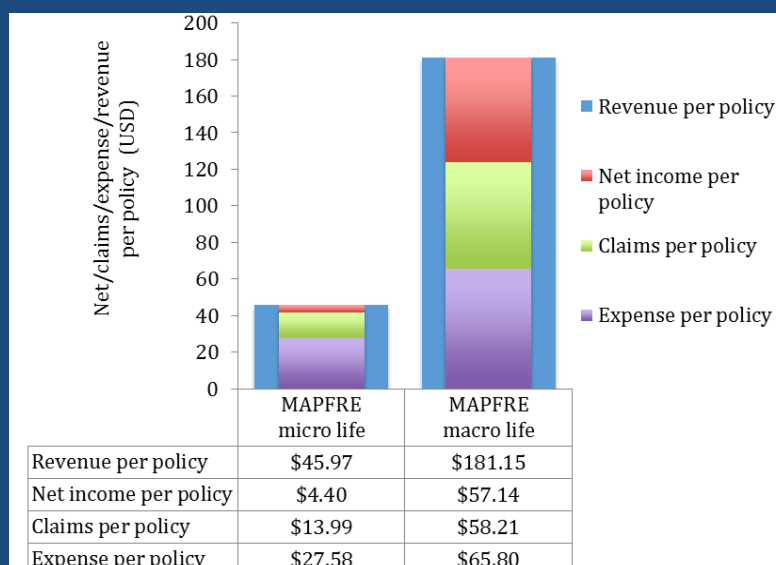


MAPFRE 2011 micro vs. macro life



MAPFRE has been active in the Colombian insurance market for twenty years and in the life microinsurance segment since 2001. In 2009, MAPFRE Colombia became a top performer in the microinsurance products market, reaching more than 1.5 million insured clients.

**What did we find?**

⇒ Life microinsurance expenses, including distribution, administrative, and claims costs per policy, while higher as a proportion of the premium than for traditional policies, are still balanced in a way that supports profitability.

⇒ MAPFRE's success can be tied to its innovative, market-leading distribution strategy. It was the first insurer to employ the utility distribution channel, and its relationship with large electrical energy distributor CODENSA has been a driver of its microinsurance success.

⇒ The utility channel, while more effective, is significantly more expensive to MAPFRE than the MFI channel.

⇒ MAPFRE enjoyed the advantage of having the singular ability to offer funeral cover these past several years, having been exempt from the restriction barring funeral services as insurance benefits. Now that advantage is gone, and with other insurers now also teaming up with public utilities, MAPFRE must shore up its competitive positioning to maintain its significant market share.

# CONDENSED MILK #21

## Colombian Life Microinsurance: An emerging success story

### Exploring the business case for life microinsurance in Colombia

The MILK project is currently studying four Colombian commercial carriers - MAPFRE, Royal Sun Alliance (RSA), Suramericana (SURA) and Solidaria - active in life microinsurance in Colombia. The team looked at financial results for products with group life, personal accident, health, and funeral covers over the period 2008 – 2012. The brief provides preliminary analysis of the sector with an in depth look at the case of MAPFRE.

**What did we learn?**

⇒ The Colombian life microinsurance market leveled off in 2012 after years of robust growth (16% compounded annual growth rate from 2008 to 2011). It appears that this leveling off reflects increasingly crowded and competitive distribution channels and a decline in funeral cover sales.

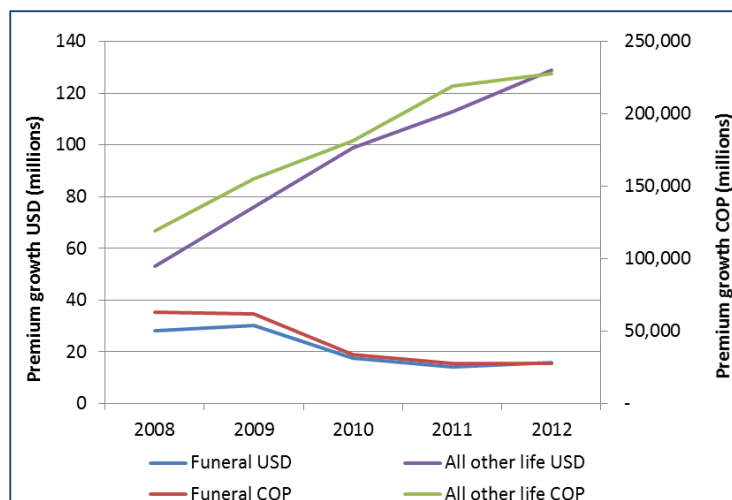
⇒ The success of life microinsurance in Colombia can in large part be linked to the broad engagement of the commercial insurance sector and innovative distribution strategies which employ utility companies and other alternative channels that themselves are highly engaged, incentivized and compensated to sell insurance and bill premiums.

⇒ As a result of the legal restriction barring funeral services as insurance benefits, funeral coverage premiums declined 94% industry-wide since 2008.

⇒ As of 2012 the life microinsurance sector produced material contributions to the top and bottom lines for the study group companies study products, composing 5% of total insurance premiums and 10% of total profits.

⇒ Microinsurance in Colombia is treated (for the most part) like affinity group mass marketed programs. Brokers are sometimes present in the value chain and typically earn 10% to 15% commission. However, utility companies are the top distribution channel and often sign multi-year contracts for fees in the range of 10% to 35% of anticipated premium volumes, making it an expensive channel.

Micro funeral premium growth vs. all other micro life premium

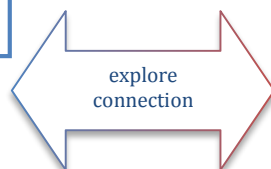




**Microinsurance Learning and Knowledge (MILK) is an initiative of the MicroInsurance Centre that is working to gain insight into two questions:**

Is there a **business case** for microinsurance among insurers and delivery channels?

- Detailed financial case studies of insurers, intermediaries, and distributors
- Leveraging and updating existing case studies
- Alliances with other data collection efforts
- Analysis of large intermediaries
- Industry-wide analysis



Do clients get **value** from microinsurance?

- “Building blocks” drawing together lessons from existing work
- Client Math studies
- Randomized control trial exploring links between demand and value
- Additional original research
- Collaborative efforts with other researchers

## MILK Publications

Available on the MILK website at <http://www.microinsurancecentre.org/milk-project/milk-docs.html>

### MILK Briefs

- MILK Brief #1: What is MILK?
- MILK Brief #2: Client Value Landscape Study
- MILK Brief #3: Business Case Landscape Study
- MILK Brief #4: What We Know About the Financial Value of Microinsurance for Poor Clients: A Snapshot
- MILK Brief #5: Changing Role of Family Networks in Coping with Risk
- MILK Brief #6: Research Design for Measuring the Client Value of Microinsurance
- MILK Brief #7: A Microinsurance Puzzle: How do Demand Factors link to Client Value?
- MILK Brief #8: "Doing the Math" - Cashless Funeral Microinsurance in Colombia
- MILK Brief #9: What is "Client Math"?
- MILK Brief #10: "Doing the Math" - Property Insurance in Ghana
- MILK Brief #11: "Doing the Math" - Health Microinsurance in Maharashtra, India
- MILK Brief #12: "Doing the Math" - Health Microinsurance in Karnataka, India
- MILK Brief #13: "Doing the Math" - Funeral and Life Microinsurance in the Philippines
- MILK Brief #14: The Business Case for Life Microinsurance in the Philippines: Initial Findings
- MILK Brief #15: "Doing the Math" - Catastrophe Insurance in Haiti
- MILK Brief #16: "Doing the Math" - Life Microinsurance in Mexico
- MILK Brief #17: "Doing the Math" – Calamity Microinsurance in the Philippines
- MILK Brief #18: "Doing the Math" – Property Microinsurance in Coastal Colombia
- MILK Brief #19: Multinational Microinsurance-only Intermediaries: Is there a Business Case? The Early Years

- MILK Brief #20: "Doing the Math" – Loan Protection Insurance in Cambodia
- MILK Brief #21: Colombian Life Microinsurance: An Emerging Success Story
- MILK Brief #22: "Doing the Math" – Outpatient Health Insurance in Tanzania
- MILK Brief #23: Getting better at improving client value: the case of Fonkoze's Kore W microinsurance product
- MILK Brief #24: Doing the Math - Health Insurance and Chronic Disease in Nigeria
- MILK Brief #25: Keep Your Insurance Close, and Your Friends and Family Closer
- MILK Brief #26: The Business Case for Health Microinsurance in India: The Long and Winding Road to Scale and Sustainability
- MILK Brief #27: Doing the Math - Funeral Insurance and Speedy Claims in the Philippines

### Literature Reviews

- Is There a Business Case for Microinsurance? A review of recent literature
- Do Clients Get Value from Microinsurance? A systematic review of recent and current research

### Discussion Notes

- MILK Discussion Note #1: Doing the Math: Can Delayed Payment of Claims Erode the Value of Life Microinsurance?
- MILK Discussion Note #2: Are Existing Health Financing Mechanisms Sufficient for Poor Women in Guatemala?
- MILK Discussion Note #3: Counting Lives Covered: Getting it Right

### Randomized Control Trial

- Protecting those Left Behind: An Experimental Study of Life Microinsurance Purchase Decisions of Compartamos Banco's Borrowers in Mexico