Enhancing access to microinsurance among remittance recipients -- Seguros Futuro

About the Project

Project Name: Enhancing access to microinsurance among remittance recipients -- Seguros Futuro
Type of Facility Project: Microinsurance innovation grantee
Country of Operation: El Salvador
Region: Latin America and the Caribbean
Sub Topics: Financial institutions, Sales, Promotion, Product development, Partnerships, Consumer education, Improving value, Demand, Value-added services, Life
Type of Risk Carrier: Regulated insurance company
Type of Distribution Channel: Credit union, cooperative or other member-based financial institution

Organizational Overview

Seguros Futuro is the first and only cooperative insurance company in El Salvador - a member of the Federation of Savings and Credit Cooperatives (Fedecaces). The company was developed based on the strategic transformation of Fedecaces’ life insurance department into a Cooperative for Insurance Services that started operating in 1996. The insurer's mission is to offer family and asset protection through accessible products, including microinsurance, and to promote the social development of its members. The company is authorized by the Insurance Companies law and supervised by the Superintendencia del Sistema Financiero (the financial system regulatory body - SSF) and the Salvadorian Institute of Cooperative Promotion (INSAFOCOOP). Seguros Futuro receives technical assistance from the Cooperative Society for International Development (SOCODEVI) and is a member of several international associations including: the Americas Association of Cooperative/Mutual Insurance Societies (AAC/MIS), the International Cooperative and Mutual Insurance Federation (ICMIF), and the Latin American Group of Reinsurers (LARG).

Project Description

The project had the following three objectives: Foster a risk management culture in families receiving remittances, principally through education about the use of savings and insurance; Introduce an economically accessible microinsurance product that responds to the needs of remittance recipients in the event of the death of the migrant worker; Provide savings and loan cooperatives with adequate instruments and processes for them to sell and service microinsurance for their members...

Beneficiaries

Seguros Futuro members are generally from the lower middle to low-income sectors in both urban and rural areas of El Salvador. The project beneficiaries are individuals who receive remittances that they withdraw from cooperatives or the service points of Seguros Futuro. On average, beneficiaries receive less than USD 300 per month in remittances from family members who have emigrated, mainly to the United States or Canada. At the end of the three year period, between 10,000 and 15,000 people will benefit from insurance coverage and more than 15,000 additional people will receive education in risk management.

Learning Agenda

- To what extent do migrant workers and remittance recipients value the life insurance that is offered?
- Is microinsurance a sustainable and adequate risk management tool for reducing vulnerability in the long term, throughout different stages in the economic cycle?
- Will technology allow for a significant improvement in access (sales) and persistency (renewal) of microinsurance? Is technology a fundamental factor for increasing the effectiveness and efficiency in the service that the insurance company offers to its clients?
- How effective is consumer education compared with traditional marketing approaches?
- How can the insurer develop an effective supply process for microinsurance through cooperatives that offer financial services?

Project Status

Key Performance Indicators
As of December 2013 a total of 27,627 policies were active throughout the whole range of products that were offered either to migrant families or through remittance payments.

<table>
<thead>
<tr>
<th>Product</th>
<th>Active Policies</th>
<th>Renewal Rate</th>
<th>Claims Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Body repatriation and remittance protection</td>
<td>1,877</td>
<td>60%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Family protection</td>
<td>5,500</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>Life</td>
<td>7,745</td>
<td>90%</td>
<td>35%</td>
</tr>
<tr>
<td>LifeCoop</td>
<td>3,450</td>
<td>90%</td>
<td>30%</td>
</tr>
<tr>
<td>Family without borders</td>
<td>132</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Remittance protection</td>
<td>8,925</td>
<td>0%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Project Updates

As of April 2010 In December 2009 Seguros Futuro began the project to strengthen commercialization of its ?Repatriation and Remittance Insurance.? It began the pilot program with five cooperatives in the country?s four major regions. These were chosen for their high volume of remittance transactions. Seguros Futuro charged its field sales agents to make special efforts to sell remittance insurance, and placed several agents at cooperatives on a part-time basis. &nbs... READ MORE [2]

Project Lessons

On the creation of a culture of prevention and provision The availability of cash makes it easier for remittance receivers to acquire insurance. Surveys suggest that savings habits significantly influence the purchase of microinsurance. The longer clients had been saving, the more likely they were to purchase microinsurance. This appears to reveal a greater consciousness of the need to provision for emergencies among these clients. We also observed that rece... READ MORE [2]

On the effectiveness of information and education Interactive and engaging approaches are necessary to impart financial education. Members of Seguros Futuro staff deliver 90-minute financial education workshops for 10-20 clients in cooperatives and FEDECACES offices. Key themes include identifying common risks and financial goals, saving and prioritizing spending, and the use of insurance for protection. Most cooperative clients at first tend ... READ MORE [2]

On operational arrangements Cross selling strategies are a challenge in cooperatives and on days with high client traffic. Most clients visit the cooperative to conduct a fixed number of transactions quickly. When lines are short, tellers are able to mention the remittance insurance, raising the clients? interest, and then direct them to a sales agent to explain further. Most clients, however, collect their remittances on Saturdays and Mond... READ MORE [2]

Project page contributor/s: Miguel Solana (the Facility)
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