TAMADERA - Savings and protection for a prosperous future -- Allianz Life Indonesia

Country of Operation: Indonesia
Region: Asia and the Pacific
Sub Topics: Financial institutions, Savings-linked, Life, Transaction processing

Organizational Overview

Allianz Life Indonesia was established in 1996. The company offers life, health and pension fund solutions. In 2009, gross written premium stood at US$ 360 million. The company currently insures over 1 million people and has over 600 employees. Allianz Life Indonesia started microinsurance activity in 2006. It has sold over 750,000 microinsurance policies, mostly credit life, personal accident, and - in collaboration with its sister company Allianz General Indonesia - business interruption. By the end of 2009, microinsurance customers represented over 20% of the company's total number of insured clients.

Activities Overview

TAMADERA is a life insurance endowment product of Allianz Life Indonesia. Customers pay premiums of IDR 10,000 (US$ 1) per week for 50 weeks per year. Two weeks per year are premium holidays. Over the standard policy term of five years, customers thus accumulate IDR 2.5mn (US$ 250) in premiums. When the policy matures after five years, this IDR 2.5mn premium will be returned to customers in full without interest or deductions, as long as no claim has occurred in the meantime. Customers are free to use the maturity benefit for any purpose although the recommendation of Allianz and its distribution partner is to use it for children’s education. This is why the product is positioned as a micro-education insurance. The product name TAMADERA also alludes to this. It is an abbreviation for menciptaMAsa DEpand sejahteRA, ‘building a prosperous future’.

During the five-year policy term, customers are life insured for death due to all causes except suicide and insurance related crime. They are also covered for five critical illnesses: cancer, heart attack, stroke, kidney failure and major burns. Definitions and exclusions for these illnesses follow standard reinsurance definitions. Life insurance cover starts right after the first premium payment. Critical illness cover starts after 90 days. The claim payout for death and critical illness is IDR 2.5mn (US$ 250), i.e. exactly the same amount as the aspired maturity benefit. After a claim, coverage stops. Paid premiums are not returned.

TAMADERA is a voluntary product. Only active loan customers of the distribution partner, the local MFI VisionFund Indonesia, and their spouses are eligible to join the program. The age limits are 18 to 50 at the time of enrolment. Customers have the option to surrender their policy from the second year onwards whereby all paid premiums minus a 15 per cent surrender fee are returned. Policies lapse automatically after two consecutive non-payments of premiums. A reinstatement is not possible. Lapsed policies can be surrendered from the second year onwards, also against a 15 per cent surrender fee, or they can be held on until maturity for full premium return.

Product rationale & business model

Demand research by Allianz consistently showed that low-income people in Indonesia regard health and education costs as their two most pressing risks. After having gained positive experience with enhanced microcredit life products, Allianz was willing to take the next step and develop a product to address these two pressing needs. At the same time, the product needed to be simple and easy to explain.

A similar product was successfully launched by BajajAllianz Life in India in April 2008, selling over 3mn policies and generating over US$ 100mn in premiums. This success further bolstered confidence in the business potential of TAMADERA.

Strategically, TAMADERA was expected to generate significantly larger premium volumes than the much cheaper credit-life products already on offer by Allianz Indonesia. With this increased premium contribution, microinsurance would have gained importance vis-à-vis other business lines of the company. This in turn was expected to give the local microinsurance team the ability to mobilize more resources and benefit from more leeway to experiment and innovate, especially in the direction of more comprehensive health insurance.

A second strategy was to use TAMADERA as a base product to which riders could be added later as customers gained confidence in the product. Riders were expected to be the real profit drivers behind the model, because TAMADERA itself was extremely sharply calculated, allowing for virtually no profit on the side of Allianz and offering very low commissions, in the low single digit range, for the distribution
partner. The reason for this lies in the low interest rates in Indonesia at the time of product development of around six to seven per cent. In order to return 100 per cent of paid in premiums to customers after five years, these interest rates needed to finance the entire administration costs of Allianz, partner commissions and the cost of insurance.

In order to keep transaction costs as low as possible, Allianz created a web-based administration system (SisTam, short for Sistem TAMADERA) as an in-house development. SisTam allows the distribution partner to do data entry, claims registration, MIS reporting and collection management online and autonomously. The system also features a simple automatic underwriting engine based on the health and age information provided by the applicants. Essentially, SisTam limited Allianz’s administrative tasks to: (1) approving claim payments directly in SisTam based on document scans uploaded by the partner, and (2) reconciling automatically generated bulk invoices with actual bulk premium transfers by the partner.

The rationale for adding a 100 per cent capital guarantee and a critical illness component (both absent in the Indian sister product) was to offer customers absolute clarity on what to expect from the product and also to offer a living benefit. In Indonesia, talking about death touches on taboos and superstitions, which makes the life insurance cover not an attractive selling point. Critical illness coverage was meant to address this. The five illnesses included in the coverage were chosen because they were well known and easily understood by low-income customers. The choice was not based on actual prevalence evaluations.

In order to test the rider strategy, a hospital cash rider was designed and priced. It was not launched due to premium rates of over 10 per cent of sum insured and the resulting low customer value.

In essence, under the given conditions TAMADERA was created with high customer value in mind. As a consequence, the product brought few returns for Allianz and the distribution partner, which proved to be a key obstacle to its business success.

**Distribution partner**

Although several MFIs had been contacted as potential distribution partners, only one MFI, VisionFund Indonesia, finally committed to start the programme. At product launch in November 2010, VisionFund operated seven branches in urban Jakarta and Surabaya and served around 5,000 customers, over 95 per cent of them women.

The main drivers for VisionFund’s decision to go ahead with TAMADERA were:

- good prior experience with a compulsory Allianz credit life product (which was continued unchanged),
- visible demand from their low-income borrowers for additional protection and savings services, though VisionFund itself was legally prohibited from mobilizing savings and running insurance schemes,
- general belief in the good social impact of the programme.

It was clear to VisionFund management from the beginning that TAMADERA would not be a profitable undertaking for them. Still, social motivations led to full management buy-in. From the moment of buy-in, VisionFund management showed a high commitment to TAMADERA and communication was very close and open. VisionFund and Allianz agreed on a target of 2,000 customers to be reached by December 2011.

Actual distribution of the product was assigned to VisionFund’s loan officers as an additional task to their routine microcredit activities. TAMADERA information was to be added as a component to VisionFund’s customer education program. The moment of loan disbursement was identified as the best moment for enrolment, because customers would have sufficient cash on hand. Premium collection was aligned with the weekly credit collection meetings of the loan officers with their microcredit groups. The task of data entry into SisTam was assigned to the administrative staff of VisionFund branches.

A very limited incentive system, based on sales and persistency targets, was set up by VisionFund within the means of its small commission. At maximum incentive levels (achieved if 80 per cent of a loan officer’s customers were enrolled with TAMADERA) a loan officer would have been able to increase his monthly salary by about 20 per cent.
Grant support

Allianz Indonesia was going to develop TAMADERA even without grant support because it firmly believed in the business and social potential of the product. The two donor grants that Allianz received for TAMADERA were meant to support non-core activities that Allianz would not have carried out by itself: (1) impact evaluation, (2) trial of handheld electronic data capturing devices, and (3) trial with specialized TAMDERA sales officers in an area were VisionFund had not yet opened a branch but was planning to do so at a later stage. The aim of the latter was to test if TAMADERA could be distributed without any connection to microcredit infrastructure.

Beneficiaries

Initially, the beneficiaries of the project will be the microloan customers of the distribution partner MMS in Jakarta and Surabaya. The majority of MMS customers are women engaged in small business, of which sixty-one percent live below the poverty line of US$ 2 per day. Focus groups with MMS and other MFIs have shown that low-income women in Indonesia are particularly concerned with education costs and health related costs. By the end of the initial pilot project, Allianz and MMS plan to insure 8,712 people. If TAMADERA proves successful, additional distribution partners are scheduled to join and increase the number of insured clients to 56,600 by project end.

Latest Updates

As of May 2010 – June 2010

Towards the end of the product development process, the complete TAMADERA product concept is presented to several focus groups of VisionFund customers. This is to test the acceptability and affordability of the actual product. All product features are explained except for the premium amount, which is not mentioned. Of the interviewed customers 85 per cent are interested in the product and show an average willingness to pay of IDR 13,000 (US$ 1.30) per week. This is well above the actual premium of IDR 10,000 (US$ 1) per week. After discounting for the fact that willingness to pay as expressed in focus groups is usually higher than willingness to pay during an actual sales pitch, the project team assumes that eventually 50 per cent of VisionFund customers will sign up for TAMADERA.

As of October 2010
Allianz staff carries out classroom training of all VisionFund staff. Allianz also sponsors scanners for all seven VisionFund branches. With the scanners, VisionFund branch staff can scan claim documents and upload them to the web-based administration system SisTam for fast and paperless claims processing by Allianz. Original claim documents are to be stored and inspected at random - on site at the branches.

As of November 2010

TAMADERA is launched and SisTam goes live. Allianz Indonesia staff assists in the first sales events to train VisionFund loan officers on the job. Of an observed sample of 233 VisionFund customers, 76 (33 per cent) decide to enrol right away, an encouraging result for a voluntary micro-endowment product. Average time to explain the product is clocked at 10 minutes, followed by a Question & Answer session of another 10 minutes. Customers demonstrate a quick and deep understanding of the product, as can be gauged from the quality of their questions. After Q&A, enrolment of committed customers is done in groups under guidance of a loan officer. This step takes another 10 to 15 minutes to complete. In total, a group selling session to average 20 VisionFund customers with expected six immediate enrolments can be concluded in less than 40 minutes. This is in line with the original assumptions of the TAMADERA business plan.

In parallel, a baseline study for an impact survey is carried out by SMERU, an independent Indonesian development research institute. The baseline study is published in March 2011 on SMERU’s website.

As of December 2010

After Allianz staff stops accompanying VisionFund loan officers for TAMADERA enrolments, the number of new enrolments drops dramatically and stops completely in late December 2010.

As of January 2011 - February 2011

Allianz carries out an intensive evaluation to find out why enrolments are not forthcoming as expected. All seven VisionFund branches are visited by Allianz staff that interview loan officers, administrative staff and existing TAMADERA customers. In addition, reinforcement trainings for loan officers and administrative staff are held on site. This goes along with an intensive dialogue with VisionFund management. The few visited TAMADERA customers show good product satisfaction and a sound product knowledge. They can usually answer four out of five product related questions correctly.

VisionFund management and Allianz agree that the following factors hinder further product take-up:

1. **Lack of ownership and focus**: Processes and targets at VisionFund are still very much focused on loan operations, especially as VisionFund struggles with a recent decrease in their loan portfolio quality. Despite intense management appeals, in day-to-day field activities there is little focus on TAMADERA.

2. **Low incentives**: The incentive scheme for TAMADERA is not attractive enough. Besides, TAMADERA performance indicators are not part of the annual performance appraisal for VisionFund. Loan officers and administrative staff therefore perceive TAMADERA as an additional burden to their daily job and do not see any benefits for themselves.

3. **Low self-confidence of field staff**: Some loan officers do not feel confident to discuss insurance matters with their customers. Selling loans, which are in high demand, is much easier and faster than convincing customers to join TAMADERA for which demand is lower and needs to be created first through repeated explanations.

4. **Timing and resources**: TAMADERA has not been integrated yet into the standard loan training curriculum for customers. Loan officers are therefore still unsure when to best explain TAMADERA and when to push for enrolments. Small hindrances can have a big impact here: even if customers are willing to enrol, some loan officers don’t carry the necessary number of enrolment forms and pens with them. Moreover, the majority of loan officers report that their workload of loans is already high. This leaves little time for TAMADERA follow-ups, i.e. if customers are principally interested to enrol but want to consult with their husbands first, or if customers have forgotten to bring the premium and promise to pay during next week’s credit group meeting.

A further issue is collection management. Due to lack of focus, the weekly collection sheets and collection input masks generated by SisTam are not used by the loan officers and branch administrative staff. This leads to confusion on when which customer has paid how much premium. Numerous enrolments are not entered into SisTam while the loan officers actually already start collecting the premiums.

Allianz and VisionFund management are aware that deviations from best practice cash flow procedures lead to a high risk of lapses and to considerable enrolments are not entered into SisTam while the loan officers actually already start collecting the premiums.

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2. **Low incentives**: The incentive scheme for TAMADERA is not attractive enough. Besides, TAMADERA performance indicators are not part of the annual performance appraisal for VisionFund. Loan officers and administrative staff therefore perceive TAMADERA as an additional burden to their daily job and do not see any benefits for themselves.

3. **Low self-confidence of field staff**: Some loan officers do not feel confident to discuss insurance matters with their customers. Selling loans, which are in high demand, is much easier and faster than convincing customers to join TAMADERA for which demand is lower and needs to be created first through repeated explanations.

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In addition to these steps, VisionFund management banks on the rapid improvement of their loan portfolio quality to allow for more focus on TAMADERA.
As of March 2011
The mark of 100 inforce TAMADERA customers is passed for the first time. However, only one week later, over 60 customers lapse due to a clerical error at VisionFund branch level related to confusion over collection and cash flow management. VisionFund requests Allianz to overhaul the collection and cash flow system. However, an inquiry into collection and cash flow management at VisionFund head office, where several staff are enrolled, reveals that when focus and ownership is high, all processes work seamlessly. Allianz re-trains administrative staff at the only remaining active branch to prevent similar errors in the future.

As of May 2011
With SisTam, Allianz Indonesia has allowed external parties for the first time to directly interact with its data systems. As this innovation proves successful, Allianz adopts some functionalities of SisTam for its conventional group health business. Corporate group health customers can now register their staff movements with Allianz online. This is a case where innovation in microinsurance has spilled over into conventional business. This vindicates some of the considerable resources that Allianz has spent in developing SisTam.

As of June 2011
TAMADERA inforce numbers at VisionFund have risen back to 100 but have then stabilized at that low level. Allianz discusses with VisionFund management whether to stop the program and refund all premiums. However, VisionFund management decides to continue the programme at its single focus branch, hoping that the TAMADERA field coordinators, once contracted, will greatly improve business.

As of August 2011
TAMADERA collection and cash flow management processes have stabilized at VisionFund. The programme therefore continues on a low-profile stand-by mode. Meanwhile, Allianz uses TAMADERA internationally as a prime example of a simple microinsurance product that offers high customer value. When people in developed markets ask, ?What do microinsurance products look like??, TAMADERA is the usual answer to this question.

As of October 2011
As suggested by Allianz, VisionFund integrates Tamadera sales performance indicators (key performance indicators, KPI) in the annual performance contracts of the loan officers. However, since the introduction of the new KPI Tamadera sales have not increased.

As of November 2011
Eventually, VisionFund manages to hire a TAMADERA field coordinator. Allianz provides her with intensive on-the-job training. She focuses exclusively on the single remaining VisionFund focus branch, and a second ?daughter? branch, that has recently spun-off from there. However, the impact on enrolment numbers is minimal and vanishes completely after six weeks. The field coordinator was not successful as anticipated mainly due to two reasons:

- The position is not well integrated in the overall administrative reporting structure at VisionFund and supervision by the VisionFund management with regard to the performance and sales numbers of the field coordinator was not exercised as expected.
- The field coordinator did not exercise her overseeing function of all Tamadera distribution activities to the full extend and not all shortcomings were reported back to the VisionFund management and Allianz.

As of March - May 2012
Insurance benefits provided under Tamadera are financed by interest gained on the deposits of Tamadera saving customers. The actuarial calculation assumed net interest rates of 6 per cent per annum; however, the interest rates came down to 4-5 per cent, which jeopardizes the financial viability of the product. New Allianz microinsurance products will be based on more conservative assumptions with regard to expected returns from investments.

As of November 2013
Allianz starts a small ?customer conversion? project with four small microfinance institutions. The goal of the project was to prove that it is possible to sell additional voluntary insurance products on top of mandatory credit life insurance, to the tune of a 5 percent conversion rate target.

At the time, Allianz had already built a sizeable customer base of 2.7 million customers through its 76 microfinance distribution partners. The question was how to better capitalize on a sizeable customer base and multiple microfinance distribution partners, while providing more value-adding protection to customers at the same time.

As of February 2014
Allianz and its pilot partners start offering three types of simple voluntary insurance products to the partner?s loan customers, all of whom already had mandatory credit life coverage from Allianz. Allianz Indonesia describes their chosen sales method as a tick-box approach, which should facilitate the addition of voluntary products to a loan and minimize the additional workload for the distribution partners and their staff.

As of December 2014
Although fully integrated tick-box approach could not be implemented for regulatory reasons, two of the four pilot partners still managed to achieve conversion rates of 15.7 percent and 25.3 percent. The key reasons for the difference in performance between the pilots was that ? contrary to the other two partners - the two successful ones shared a very similar vision with Allianz. I.e. they enhanced their value proposition for the customers, while earning commissions remained a secondary factor.

Among the three offered products (fire, personal accident and hospital cash), personal accident by far proved to be the most popular choice of customers. This is most likely thanks to the simplicity of the product, carrying a high sum insured with a relatively small premium of just $2 per year.
A very small pilot-in-pilot on telemarketing, where a very small sample of tick-box customers were approached via phone for further upselling, pointed at the immense potential that telemarketing can have in reaching the largely untapped low-income market.

The pilot indicates that customer conversion can work, if conditions are right and partners are aligned. The upcoming challenges are scaling up the approach with larger partners and arranging for efficient renewals.

As of June 2017

Allianz Indonesia has continued to serve the low income markets (now called emerging customers) and increased the number of products offered. Upselling? to customers to enable them to get better coverage has also been tried and is part of their attempt to move beyond simple credit-life products to create more value for the customers in their portfolio of over 2.5 million insured with over 70 partners.

Allianz Indonesia is also looking at using mobile phone platforms for distribution. It has recently launched a new product Sekochi with a large MNO in the country, Indosat Ooredoo - and is entering into a strategic partnership with a bank, BTPN, for promoting insurance products to its customers (both individuals and micro & small businesses).

In October 2016, Allianz Indonesia launched a new term life insurance called Sekoci, or ?Lifeboat? in Indonesian. Sekoci is the insurance product in Indonesia that comes with a phonenumbe. It is a standalone-voluntary product that is distributed by field officers of Allianz?s microfinance institution partners. With only USD 1.5 per month, customers get insurance benefits and telecommunication benefits and the same time Sekoci provides a death benefit of USD 300 that it will become USD 1,200 if the death is due to accident. Sekoci is ?installed? on a specially configured SIM card that is provided by the mobile operator that Allianz Indonesia partners with. The SIM has an electronic wallet attached to it out of which premiums are paid. At each premium payment, half of the premium gets automatically credited to customers as airtime, i.e. as an immediate tangible benefit. Naturally, customers need to top-up their electronic wallet regularly to keep the insurance cover and SIM card alive. The uniqueness of this bundling is the utilization of in-built e-money to enable regular premium payment. Hence, one of common obstacles in selling microinsurance i.e. access to a low cost payment platform is finally addressed.

Together with the product, an edu-marketing video titled ?Sekoci Ibu Ali (Ms. Ali?s Lifeboat )? was also launched as unseparated component of the selling. Sekoci was launched on 26 October 2016 in cooperation with Abdi Kerta Raharja, a cooperative which provides lending services in a modified Grameen scheme to its more than 15,000 members.

Lessons

On sustainability of voluntary micro-endowments

The distribution partner must have capacity and willingness to make changes to accommodate the insurance products. Management endorsement and verbal support is not enough. Management must be willing to ?walk the last mile?, i.e. to integrate the product into their vision, performance indicators, target letters and promotion criteria. This can be achieved by focusing more on the distributors? requirements in terms of administration, prizing, and client base. In future, Allianz will focus first on identifying capable distribution channels with adequate administrative systems in place and then develop the microinsurance product according to the clients? needs, in close consultation with the partner.

Tangible and meaningful monetary and non-monetary incentives for sales staff must be in place. The insurer cannot bank alone on the intrinsic motivation of the distribution partner field staff ?to do good?. Unfortunately, the product design of TAMADERA with its high focus on customer value and its high interest rate sensitivity did not allow for meaningful monetary incentives. Thus, the incentive scheme for TAMADERA was not attractive enough. Besides, TAMADERA performance indicators were not part of the annual performance appraisal for VisionFund loan officers and administrative staff. Staff perceived TAMADERA as an additional burden to their daily job without seeing any benefits for themselves.

TAMADERA must be properly integrated into the standard loan enrolment procedure. Loan officers were unsure when to best explain TAMADERA and when to push for enrolments. Small hindrances can have a big impact: even if customers were willing to enrol, some loan officers did not carry the necessary number of enrolment forms and pens. Moreover, the majority of loan officers reported that their loan workload was already high. This left little time for TAMADERA, especially to diligently carry out necessary follow-ups, i.e. if customers were interested to enrol but wanted to consult with their husbands first, or if customers forgot to bring the premium and promised to pay during next week?s group meeting.

The field coordinator position must be integrated into the administration system. The position Field Coordinator was not successful, as anticipated, because the position holder was not well integrated into the overall administrative reporting structure at VisionFund. Supervision by the VisionFund management with regard to the performance and sales numbers of the field coordinator was not exercised as expected. At the same time, the field coordinator did not exercise her overseeing function of all TAMADERA distribution activities to the full extent, and all shortcomings were not reported back to the VisionFund management and Allianz.

Selling voluntary insurance requires greater focus and different skills than loans or compulsory insurance. Despite intensive management appeals, there was little focus on TAMADERA during day-to-day activities, especially as VisionFund struggled with a recent decrease in their loan portfolio quality. Some loan officers did not feel sufficiently confident to discuss insurance matters with their customers. Selling loans that are in high demand is much easier and faster than convincing customers to join TAMADERA where demand is lower and needs to be created
through repeated explanations. It must be clear to all participants that selling voluntary, longer term insurance plans is an entirely different ball game than distributing compulsory credit-life insurance (which has worked perfectly before between Allianz and VisionFund). Both partners, Allianz and VisionFund took this point too lightly.

**Assumptions of returns from investment must be kept at conservative levels.** Insurance benefits provided under TAMADERA are financed by interest gained on the deposits of TAMADERA saving customers. The actuarial calculation assumed net interest rates of 6 per cent per annum; however, the interest rates fell to 4-5 per cent, which jeopardized the financial viability of the product. New Allianz microinsurance products will be based on more conservative assumptions with regard to expected returns from investments.

**Joint marketing efforts and the strong brand name of Allianz are needed to build trust among potential clients.** The partnership between Allianz and VisionFund was actively promoted in the VisionFund branch offices. Banners with the Allianz logo are now displayed in the branch offices as many costumers had doubts whether the cooperation was real. Clients also reported a lack of trust whether VisionFund as an NGO-related microfinance institute will be able to serve the community in five years as many NGOs come and go, depending on external donor funding priorities.

**On factors influencing persistency**

**Processes can be designed to be simple; but without buy-in from staff, they will not be effective.** Although an exact breakdown is not available, it is assumed that the majority of lapses in TAMADERA were due to problems in collection management and data entry on the side of the distribution partner and not due to unwillingness of customers to pay the premium. Due to lack of focus, the weekly collection sheets and collection input masks generated by SisTam were not used by the loan officers and branch administration staff. This led to confusion on when and what premium each customer had paid. Numerous enrolments were not entered into SisTam even though loan officers had already started collecting the premiums.

**Staff need to be trained on an on-going basis to make sure that they understand and follow processes.** Providing an introductory training to partners was not sufficient. Instead, training to partners needs to be considered as an on-going process where the insurance company supports distributors to overcome implementation challenges over a long period. However, providing training as a kind of technical assistance to distribution partners is not one of the core competencies of the insurance industry. Insurers should either invest in developing these skill sets in-house or collaborate with development partners, who can provide technical assistance and training to new distribution partners.

A strong connection between loan instalment collection and insurance premium collection can have a negative influence on persistency when loan terms end. VisionFund’s average loan term is six months, whereas TAMADERA runs for five years. In case customers do not take another follow-up loan, they may also decide to lapse premium payments instead of attending weekly loan group meetings just to pay a dollar of premium. Too little data on lapses and their underlying reasons was collected to verify this, but the question ‘What happens to TAMADERA if I do not have a loan anymore?? was one of the most frequently asked questions. It was observed that some dropout loan customers asked their active friends to pay premiums on their behalf.

**Encouraging sales staff to enrol has a positive influence on sales and persistency.** By enrolling in the product, sales staff become a live testimony and reminder of the product’s benefits. Initially staff enrolment was not possible, but upon requests from staff this possibility was granted. Allianz and VisionFund hoped that self-enrolled staff would become more experienced and credible TAMADERA ambassadors, as they would have undergone the entire product decision and enrolment process themselves. Approximately 50 per cent of VisionFund staff enrolled, showing the appeal of the product even to salaried low-income workers.

**High account balance decreases the likelihood of lapses and increases persistency.** Although evidence is only anecdotal it seems that the higher the account balance already achieved, the less the likelihood of lapses. With TAMADERA, most lapses tended to occur after only a few premium payments. Once customers developed a certain premium payment routine and became proud to have accumulated a tangible account value, they valued the product more and were less likely to lapse.

**On managing client risk and education financing**

**Life and critical illness claim payments were used by clients to cover child education and medical bills respectively and were a welcome financial relief for beneficiaries.** Since launch, TAMADERA has seen two claims, a life and a critical illness (major burns) claim. In case of the life claim, the beneficiary was a recent widower and father of five children, four of which were still in school. When interviewed he claimed to have spent the entire claim payout of IDR 2.5mn (US$ 250) for education costs of his children, but this was not verified. In case of the critical illness claim, the beneficiary used the money to pay back a loan from her sister that had been taken to pay the medical bill.

**On relating to informal savings mechanisms**

TAMADERA must differentiate itself from informal savings mechanisms, its key competitors, through the critical illness component. ROSCAs, locally called arisan, are very common among VisionFund customers. Demand research and product acceptance testing revealed that
at least 75 per cent of prospective TAMADERA customers were members of one or more arisan, and that on average arisan members paid more than IDR 100,000 (US$ 10) per month into their arisan. This shows that affordability of TAMADERA premium is technically not an issue, but that arisan are also the key competitors of TAMADERA. However, life insurance itself does not make for a strong sales argument. One intention of the critical illness component of TAMADERA was to differentiate the product from arisan.

On the benefits and challenges of technology

A web-based administration system can reduce transaction costs for the insurer. It took more time than anticipated to develop and test SisTam, but it has reduced Allianz? manual administration tasks to paperless claim underwriting and premium payment reconciliation.

In-house systems development can be easier to manage. SisTam was developed in-house by Allianz? own IT team. This avoided potential problems with vendor selection and did not create any directly visible programming costs. This made it easier to extend the development work, which took longer than anticipated, without having to renegotiate contracts or ask for additional management expense approvals.

User Acceptance Testing (UAT) is a complex process that must be given a sufficient amount of time for development. Although the user-interface of SisTam is simple enough to have been showcased to several Allianz companies and external consultants, the underlying programming logic is rather complex. This is why UAT could only be done by a limited number of Allianz microinsurance staff that had the necessary understanding of the product and its processes. UAT was therefore the longest process in all of SisTam development.

Excel based batch entry demands many iterations for creating robust templates that can handle possible data problems. To allow VisionFund branch administrative staff to enter data rapidly and in offline modus, excel templates are used for data collection and data entry for new members. These templates also act as first line of defence for data verification to avoid entering wrong syntax data. Even small things as an apostrophe in Indonesian names like ?Ja?afar? could crash the system in the beginning. It took far more iterations than expected, including after official system launch, before the templates were robust enough to handle all possible data problems. However, once the templates worked well, they allowed for very fast data entry, data upload and correct data processing.

Automatic underwriting increases processing speed but can decrease underwriting quality. One distinct feature of SisTam is its very simple and automatic underwriting engine. If one or more of 18 health questions (Yes/No answers only) are answered with ?Yes?, then SisTam rejects the application. This simple rule was not communicated to loan officers. Loan officers were only told that a certain undisclosed rate of rejections was expected of them in order to motivate them to carry out the health questionnaire filling with prospective customers diligently. However, after high initial rejection ratios, loan officers figured out this rule and rejections based on health issues became very rare. The low business volume did not warrant doing on-site crosschecks or enforcement of sanctions for loan officers where all applications were approved. Automatic underwriting, based on predictable rules, without proper onsite crosschecks did not do a good job in enhancing risk management, it actually decreased underwriting quality.

An enrolment questionnaire with fewer questions might have been more effective. The length of the health questionnaire was prescribed by the reinsurance company with critical illness, rather than life coverage, as the main concern. The project team was able to reduce the number of questions from a much more extensive questionnaire. However, it appears that a shorter questionnaire of three of four focused questions may lead customers to read and fill it more diligently than long questionnaires.

Web-based system is able to handle huge volumes quickly and seamlessly. From Allianz? perspective, SisTam proved to be very effective in automating data processes and ensuring high data quality. SisTam would have easily been able to handle large volumes of up to 100,000 customers. Although these volumes have never materialized, the experience of SisTam has motivated Allianz Indonesia to introduce web-based administration features for its conventional group health business.

SisTam is an example of a microinsurance innovation providing spill-over benefits to commercial insurance business. With SisTam, Allianz Indonesia has allowed external parties for the first time to directly interact with its data systems. As this innovation proved successful, Allianz adopted some functionalities of SisTam for its commercial group health business. Corporate group health customers can now register their staff activities and data with Allianz online. This is a case where innovation in microinsurance has spilled over into commercial business. This vindicates some of the considerable resources that Allianz spent in developing SisTam.

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**Links:**
[2] [https://www.youtube.com/watch?v=4MUQ4BUSxO](https://www.youtube.com/watch?v=4MUQ4BUSxO)