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**Project Basics**

**About the project**

The Hollard Insurance Group (Hollard) established in 1980, is the largest independent, privately owned insurance group in South Africa and provides both life and short-term (non-life) insurance. Hollard has a long history of working in the low-income market and views the market as a core element of its strategy in South Africa and internationally.

Key to Hollard’s sustained growth has been its partnership philosophy, which permeates all of Hollard’s day-to-day activities. It focuses on recognizing like-minded partners, understanding respective strengths, and driving long-term value through optimized structures to ensure mutual success.

In 2008 Hollard sought funding from the Microinsurance Innovation Facility. The agreed project had two strands.

The first and major strand was to explore how to **deliver voluntary short-term insurance** (e.g. household structure and contents) to the low-income market in South Africa and the region. The South African microinsurance market is one of the more developed in Africa. However, the majority of microinsurance on offer is limited to funeral insurance. Though still in a nascent stage, property and agriculture products have experienced important innovations. These products covered 0.8 and 0.2 million properties, respectively, in 2011. There is a need to provide low-income people in South Africa with microinsurance for a wider range of risks.

The project aimed to assess whether short-term (non-life) insurance is a viable proposition in this market, focusing on asset-based insurance such as household structure and contents cover.

Reaching this market required considerable investments in the following areas:

- Redevelopment of the claims processes: Experimenting with the use of low-cost runners to reduce the cost of claims assessment through technology.

- Consumer education: Consumer education was needed to promote an understanding of the benefits of insurance. This also allowed interaction with the distribution channel. The majority of potential consumers have not had access to short-term insurance, so it is important to educate and inform them before marketing products.

- Market insights: It is important to gather all experiences and use them to inform next steps. Formal and informal data needs to be collected and analysed on an on-going basis.

- Management of call centres selling the product: Experiences gathered from selling Jet Home Protect (JHP) through a number of call centres show that selling this product is different from selling other insurance products.

The second strand was to establish and evaluate a **consumer education programme**.

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Project Summary

*Project Name:* Mzansi Short Term Voluntary Insurance  
*Project Start Date:* August 2008  
*Duration:* 3 years  
*Country:* South Africa  
*Product:* JET Home Protect – cover for the loss or damage to the house structure, fittings and contents caused by fire, lighting, explosion, storm, wind, hail, snow, natural flood and burglary. This includes everything from boundary wall to your carpets and TV.

**Key achievements:**
- Successfully launched a property insurance product to the low-income segment, which does not usually have access to property insurance in South Africa  
- Sales volumes steadily averaging 1,000 sales a month  
- Experimented with original marketing campaigns  
- Implemented and evaluated a consumer education campaign
## Project Updates

### Key Indicators

<table>
<thead>
<tr>
<th></th>
<th>March 2012</th>
<th>March 2013</th>
<th>March 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average monthly sales</td>
<td>1054</td>
<td>848</td>
<td>1121</td>
</tr>
<tr>
<td>Total sales for the year</td>
<td>12656</td>
<td>10184</td>
<td>13454</td>
</tr>
<tr>
<td>Active policies</td>
<td>10300</td>
<td>13313</td>
<td>13695</td>
</tr>
<tr>
<td>Sales-to-leads ratio</td>
<td>4%</td>
<td>10%</td>
<td>19%</td>
</tr>
<tr>
<td>Number of claims</td>
<td>163</td>
<td>42</td>
<td>289</td>
</tr>
<tr>
<td>Value of claims</td>
<td>R 328 734</td>
<td>R 226 276</td>
<td>R 1 927 359</td>
</tr>
</tbody>
</table>

### JET product

#### Distribution

Hollard developed a property product, covering both building and contents. To deliver this new kind of insurance to clients also required innovative sales thinking.

When the product was designed it was intended to be distributed through a range of retail and other channels, and it begun to work with Take-It-Eezi and ABSA Microenterprise Finance (Absa MEF). Numerous challenges were experienced during the launch with Take-It-Eezi and the partnership did not proceed. A small pilot was conducted with Absa MEF to test the customer value proposition of the product with small and micro enterprises (SMMEs) that were loan clients of the microenterprise finance programme managed by ABSA MEF. Post-sales feedback indicated that the product matched clients’ needs (with respondents naming fire, storm, and theft as their top concerns). However, the size of the database of SMMEs was small and reorganization within the bank meant that this project could not continue beyond testing the value proposition.

However, Hollard was successful in leveraging its existing relationship with the retail chain Jet Stores, and arranged with them to sell the product as part of its offering of financial services.

Hollard offered the product “JET Home Protect” through Jet Stores\(^2\). The product covers clients for loss or damage to the house structure, fittings, and contents caused by fire, lighting, explosion, storm, wind, hail, snow, natural flood, and burglary. This includes everything from boundary walls to carpets and a television.

The product is sold through two main approaches:

1. The main method is an outbound call centre, where call centre staff contact Jet account holders and attempts to sell the product directly over the telephone.
2. Marketing material also directs potential customers towards buying the product directly in store or contacting an inbound call centre.

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\(^2\) Jet is a clothing retailer in Southern Africa, it is part of the EDCON group discount division.
However, sales are largely made through the outbound sales channel. Additional sales are made in store and very few sales through the inbound channel. Total sales in the last financial year are averaging over a thousand sales per month with a conversion rate of nineteen percent (19%).

**Marketing**

Through the grant funding a marketing initiative was developed aimed at driving inbound sales. This included an in-store poster, a mobile billboard and fold up leaflets. Hollard faced many challenges, in particular with in-store marketing. For example, its banners and posters had to be removed from shops when Jet Stores changed its in-store strategy, moving towards a more limited focus on its core product line, clothing. Overall, the pilot marketing campaign for inbound sales was considered unsuccessful. The pilot campaign was also not adequately targeted at Jet account holders, meaning that it was largely not reaching the right audience who could actually purchase the product. Lastly, the pilot was run over the December period which is a festive season and therefore not ideal timing.

Below are examples of visual marketing material used by Jet.

<table>
<thead>
<tr>
<th>In-store poster</th>
<th>Mobile Billboard</th>
<th>Fold-up leaflet</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1" alt="In-store poster" /></td>
<td><img src="image2" alt="Mobile Billboard" /></td>
<td><img src="image3" alt="Fold-up leaflet" /></td>
</tr>
</tbody>
</table>

The second phase of the marketing initiative had a more educational approach it included a combination of radio drama series, in store activations and word-of-mouth session using influencers.

Hollard believed that radio would be a very effective promotional tool because of its wide audience and because it is a trusted source of information within the low-income population. It therefore organised live broadcasts developed a short drama series of pre-recorded episodes to be aired within targeted community radio stations, KZN and Gauteng Community Stations in KZN (Inanda, Izwi Lomzansi, Vibe) Gauteng (Jozl FM, Thetha FM). These were coupled with live sessions, aired promotions and a spin-the-wheel competition running before and after the drama episodes. The radio broadcasts preceded the activation promotions in stores.

**In store activations**

The objective of the campaign was to create awareness for the Jet Home Protect product and to encourage members of the public to sign up for the insurance. Store staff was trained and adverts on relevant community radio stations ran before the activations took place. Each activation ran for a
minimum of 5 hours, and a total of 8 activations were performed. Entertainment created a captive audience who was willing to listen to some details about the product. This provided an opportunity to explain the benefits properly and to generate interest.

“Influencers”

Hollard experimented with promoting the product through a word-of-mouth campaign with the organization HaveYouHeard. It identified influential people in certain areas and provided them with training and information about the product, the benefits of insurance, and the concepts of risk and insurance. These influential people were termed “influencers” and they passed on information about the product to their communities. The influencers hosted relaxed and informal social gatherings, and JET/Hollard sponsored tea for the events. During this time the influencers educated the attendees about the benefits of the product. Sales agents were also present at the events so that people could sign up there and there.

A total of 455 influencers were trained and 88 per cent of them confirmed that they were willing to recommend the product. All of the influences showed enthusiasm when the presentation started, they participated and were interested in learning more about Jet Home Protect. The influencers were also excited when they received their gift hampers as they were not expecting them. They put the caps and shirts on straight away and were excited to have their photo taken. They were enthused about the affordability and benefits of Jet Home Protect, and were interested in signing up.

Most of the influencers had never heard of Jet Home Protect before but they know the Jet brand very well and trust it, and they were excited to hear that Jet had come out with something new and
beneficial that suited their target market. Most of the influencers in the community believed that insurance was usually only for the privileged or those who live in the suburb.

Many influencers reported that they wanted to have the insurance, especially for their home contents as crime is high in their areas, even when they do have security. Several of the influencers’ homes had recently been broken into.

**Product Value**

Results of the focus group discussions that were done during the product development stage correlate quite well with the feedback and responses Hollard gathered during its various marketing campaigns – low levels of awareness of insurance and insurance products like property insurance but a strong interest in the product and its importance in assisting individuals to protect their assets.

**Technology for claims assessment**

The claims process for property insurance is significantly more expensive than for funeral insurance, as shown in the table below. Property insurance requires higher levels of management. The need for an assessor and the possibility of multiple claims are significant cost drivers.

<table>
<thead>
<tr>
<th>Claims process for funeral vs. property insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Funeral insurance</strong></td>
</tr>
<tr>
<td>Cash benefit or in-kind funeral services</td>
</tr>
<tr>
<td>Documentation required: ID of deceased and death certificate</td>
</tr>
<tr>
<td>No individual underwriting on sale</td>
</tr>
<tr>
<td>Claim not verified beyond death certificate</td>
</tr>
<tr>
<td>Single claim per life insured</td>
</tr>
<tr>
<td>End to end process can be finalized over the phone</td>
</tr>
</tbody>
</table>

Hollard wanted to see if pre-assessment of insured properties could reduce the cost of claims assessment. It therefore contracted Cocoon Network to conduct pre-assessment of policyholders household and content. Cocoon Network organized for runners to carry out pre-assessment. These were casual employers who would visit each insured home to establish the type of structure, conditions, and contents. The runners were equipped with innovative mobile and mapping technology to capture the details and location of each insured property. The technology was a product of the Google Earth Mapping and Mobile Solutions project.

The project has assessed 350 properties over a limited period. At the time that represented about 10 per cent of the properties that were insured. Hollard expected to assess a higher proportion of the portfolio but a lack of quality data, owners being unavailable, and difficulty in reaching the properties led to assessment of only a small proportion of properties.
Although the technology was useful and data collected was detailed and complemented by photos, the assessments were very expensive. Hollard concluded that the pre-assessment approach would only be feasible if it was carried out jointly with more insurance companies to provide the assessor with economies of scale and therefore reduce costs.

Hollard is currently using a traditional approach for claim assessment, waiting for the portfolio to grow before investing further in more innovative approaches.

**Hollard’s overall work on consumer education and promotion**

**Picture-based materials and workshops for consumer education**

This project enabled the establishment of a consumer financial education programme at Hollard. The initial grant was allocated towards developing picture-based learning material, although the scope of the project grew. The picture-based material was piloted and became the backbone of the Hollard consumer education programme. The material provides a basis for a facilitator to use appropriate language and pitch the lesson at required levels for a group of learners. Hollard gave the training to 35,000 people at the end 2012.

To complement the material Hollard worked with a service provider who uses a peer –trainer model. Local community-based facilitators are trained up to deliver training in their locality. This approach has derived cost efficiencies, enabling Hollard to deliver training at a low cost per head than conventional training models. In addition to the interactive training sessions, it gives learners a booklet to take home and share with friends and relatives.

Hollard also carried out interactive activities theatre activities. This performance-based approach focused on promoting financial wellness in good economic times and bad. The team takes the audience through the basics of building financial stability with a humorous approach. The message is: All you have to do to be financially stable is to comply with the PIG concept (plan, invest, generate).

Hollard found that picture-based learning material and interactive activities were highly effective for the low income market. They accommodate the diversity in languages that are spoken in South Africa and allow facilitators to customise sessions according to the learners in the room.

At the end of 2012, Hollard carried out an impact study. This confirmed that workshops mainly influence individual perceptions and knowledge levels. However, in the short term interventions such as the consumer education workshops are most likely to be more likely to change knowledge level than actual uptake of financial products. Hollard believes that this is because uptake of new products is a long-term effort which may not be realised after just a few months. In addition there may be other factors constraining uptake such as income. Read the [full evaluation](#) here.

**Experimenting with mobile-based consumer education**

Hollard realised that there is value in investing in demand stimulation with a broader target audience, educating and informing target customers about the benefits of the product offering without aggressively pushing for a sale. The belief is that target customers will assimilate the information and spend some time considering it before they are ready to make a purchase decision.
During the project Hollard also tested the effectiveness of mobile-based consumer education. The workshop format is costly, at an average of 175 South African Rand (ZAR) per person. Exploring mobile based consumer financial education would address the longer term sustainability of Hollard’s consumer education programme. The results of the first pilot were disappointing as most clients reported that they did not value the SMS messages they had received. Some did not recall even receiving the messages. Hollard concluded from the pilot was that mobile messaging would be more effective for its policyholders and should form part of its regular client communication. An additional project targeted at policyholders was undertaken in 2012/2013.
Project Lessons

This section brings together the lessons learnt across both strands of the project.

On demand for property insurance

Perceived risk does not correspond to actual risk, and this has implications for product design. Consumers often overestimate frequent risks (and underestimate infrequent risks) because they are more familiar with the impact frequent risks have on loss of assets or income. Homeowners in South Africa may be more familiar with loss of assets to theft than to fire, even though fire has the potential to be more costly. A balance needs to be struck between designing the product around the perceived risk (improving take-up) and designing the product around the actual claims experience (improving client value).

Appropriate product design will not translate to sales without suitable access to the product. This project illustrates many of the difficulties of providing a new insurance product to low-income people. Throughout the project Hollard has gained a better understanding of its clients and has adjusted its product and marketing to better meet their needs and expectations. Nonetheless, Hollard continues to struggle to make the product sufficiently accessible to clients. This demonstrates that, even where there is demand for a product and it is well-designed and promoted, it will not reach significant scale without suitable access for the client via appropriate distribution channels.

There seems to be significant demand for property insurance. The current sales performances of JHP are satisfactory; there is sufficient interest and demand for the product amongst the limited number of people it is offered to. The limitation of the outbound sales channel and the requirement to have a Jet account limit access to the product. There have also been only limited marketing and educational initiatives undertaken. With adequate educational and marketing campaigns and appropriate face-to-face sales distribution, Hollard believes that sales volumes would increase.

On distribution through retail channels

Distribution is much more likely to be successful where sales of the insurance product are aligned with the distribution channel’s core business or aims. Partners’ motivation will have a direct bearing on the amount of upfront and on-going involvement and support offered by the partner. As expected, a partner with insurance experience is more likely to commit to a higher level of involvement and longer-term engagement. A partner that offers only distribution capability might only be looking for commercial gains or driven by a need to increase client value but less interested in being involved and supporting the partner throughout the process. The partner should sign off on the business case and both parties need to be aligned on objectives.

A partner’s core business will always remain its priority. Shift in core business demands and pressures will draw the partner’s attention and available resources. Where the distribution partner does not have a strong motivation to be involved in the insurance product, the insurer will simply find itself at the mercy of these shifts.

More client engagement is required at the sales stage to ensure that clients understand what they have bought. Low levels of awareness of property insurance products raises the challenge of packaging the product and including adequate and appropriate information in a compact manner. The policy
On developing appropriate consumer education

A full evaluation of Hollard’s consumer education workshops can be found here.

Education and marketing campaigns must be targeted and focused on potential clients. Hollard wanted to reach property owners and individuals with sufficient disposable income through their education campaigns, as they were the likely clients of the product. However, most of the workshop attendees were not homeowners and their household income levels were so low that they were not in a position to buy the product. Secondly, the target market for Jet Home product is very specific (Jet account holders and property owners), so the impact of a generic marketing campaign is limited.

Mobile-based consumer education promises significant cost savings, but needs to be carefully targeted. During the project Hollard also tested the effectiveness of mobile-based consumer education. The workshop format is costly, at an average of 175 South African Rand (ZAR) per person. Exploring mobile based consumer financial education would address the longer term sustainability of Hollard’s consumer education programme. However, the results of the first pilot were disappointing as most clients reported that they did not value the SMS messages they had received. Some did not recall even receiving the messages. Hollard concluded from the pilot was that mobile messaging would be more effective for its policyholders and should form part of its regular client communication. Alternatively, mobile based consumer education should be used to complement other consumer education initiatives as it is not effective as a standalone initiative.