



International
Labour
Office

CASE BRIEF: **PIONEER MICROINSURANCE**

Aparna Dalal



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PIONEER MICROINSURANCE

Products offered: Burial assistance, Personal Accident, Fire, Disaster risks, Health, Agriculture

Description: Pioneer is one of the biggest commercial insurers in the Philippines. CARD Pioneer – a non-life microinsurer - is a part of the Pioneer Group of Insurance Companies, and is a joint venture with CARD MRI. CARD MRI is the biggest microfinance institution in the country with more than 4 million members.

Distribution partners: Rural banks, cooperatives, microfinance institutions, pawnshops, associations, and other groups serving the low-income market

Policies issued: 18 million in 2016 (compared to 27,000 in 2009)

CONTEXT

When Pioneer Insurance started offering insurance for low-income households in 2007, it had one distribution partner – CARD MRI. Today, after ten years, Pioneer's joint-venture with CARD MRI - CARD Pioneer Microinsurance – works with almost 100 institutional partners, has issued more than 18 million policies in 2016, and generated Php 936 million pesos (USD 19 million) of premiums. Pioneer Microinsurance is currently one of the biggest commercial microinsurance provider in the Philippines.

Pioneer has experienced 60 to 70 per cent year-on-year growth, which is higher than the market growth rate. Two factors have contributed to this growth rate – a focus on understanding customers and a focus on claims.

FOCUS ON UNDERSTANDING CUSTOMERS

Pioneer recognized early on that the low-income market has particular needs and behaviours. To effectively serve this market, Pioneer needed to work out how to engage with and learn from clients. It organized itself to continuously learn from customers - everyone from top management to front-line staff are required to conduct "immersion visits" with clients for three to five days every year. Learnings from these visits are used to reengineer processes and tweak products to deliver greater value to customers and partners.

For instance, during one of the client immersion visits, Pioneer learnt that some of the clients

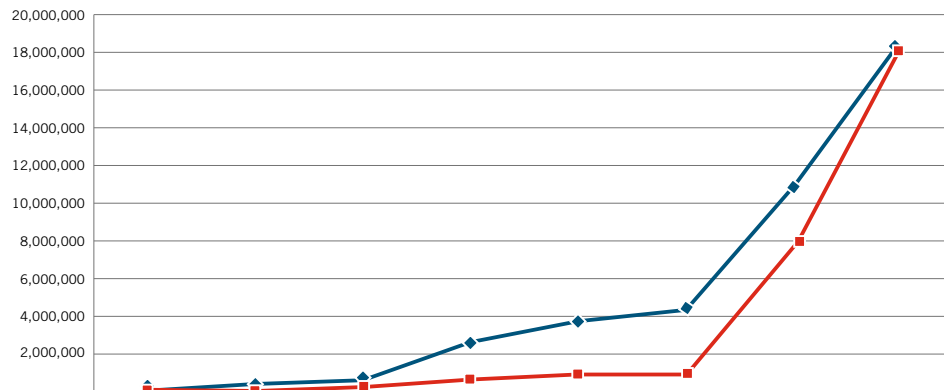
were not happy with the claims turnaround time as it had taken three months for them to receive the claim settlement. Pioneer was surprised by this as it was paying clients to its partner within 5 days. When Pioneer reviewed the entire claims process, including the distribution partners' processes, it found that it took the partner's staff almost three months to forward the complete claims documents. Pioneer worked with the partner to fix the bottlenecks and was able to reduce the turnaround time to 10 days from the event to payment.

In addition to this outward focus, Pioneer also made internal organizational changes. It set up a separate unit that focused solely on this market segment. The unit was given permission to experiment and innovate. It was tied to the larger organization, but had the authority to set its own policies and guidelines. The unit was staffed with people that were willing to experiment. Team members (mostly new graduates) were encouraged to question traditional insurance practices and make adjustments to accommodate the realities of the market segment. Costs were also reduced due to the lower overhead of a team of younger staff, thus enabling Pioneer to reach operational sustainability much more quickly.

FOCUS ON CLAIMS

Pioneer wanted to be known as "the insurer that pays claims". Its goal was to be considered the best insurer in claims turnaround as it felt that this reputation was needed to convince clients and partners to trust and partner with Pioneer. It therefore set an internal standard of five days turnaround time from claims submission to payment. Meeting this standard has benefited both Pioneer and its partners (Videos depicting

Gross premiums written & Enrolments (2009-2016)



	2009	2010	2011	2012	2013	2014	2015	2016
◆ Premiums (in USD)	91,485	566,835	996,143	2,479,656	3,509,636	4,251,710	10,872,108	18,536,440
■ Enrolments	20,166	103,190	265,889	610,650	773,167	947,774	7,801,495	18,071,358

clients' experiences with claims are available here and here).

But what does a focus on claims really require? First, the separate unit dedicated to the micro-segment has its own underwriting and claims settling authority. This allowed it to develop its own guidelines and standards, and to reengineer its operations to respond to the realities of its clients and market.

Accommodations were made for special cases unique to the low-income market. For instance, in order to submit a claim for a death that occurred in hospital, a death certificate was required from the hospital in order to pay the hospital bill. However, as the hospital would not release the certificate until the bill was paid, the client was left in an impossible chicken-and-egg scenario. Pioneer therefore sent a representative to the hospital to verify the claim and then make the payment without the certificate. The lesson was that in microinsurance, Pioneer could not do business from behind a desk. It needed to go out and get close to the lives of its clients. Adjustments also had to be made for various distribution partners, with differing requirements.

Pioneer saw paying claims, even in borderline cases, as an investment in marketing. Pioneer is inclined to make a decision to pay clients with borderline claims because it believes that a happy client is an advertisement. In fact, it does not pay for marketing at all, relying on word-of-mouth to get the message out within communities. Nonetheless, Pioneer has to tread a fine line with paying borderline claims to avoid setting a precedent that invites more borderline claims; and to avoid encouraging fraudulent claims.

MANAGING SCALE – THE MOVE TO CUSTOMER CENTRICITY

Its focus on customers and claims enabled Pioneer to form more partnerships with distribution channels. Partnerships allowed



scale and further opportunities to pay claims and therefore promote its products. Scale has also provided resources for more experiments and innovations. As Pioneer's portfolio grows, so does the pressure to maintain its standards and remain client-centric. It takes a different kind of organization to serve millions of clients to one that serves thousands.

As Pioneer grows, its focus on clients and claims remain. Now, it plans to build the organizational, operational and technological foundations that will allow it to improve services for its current 10 million clients, and develop the capacity to protect millions more in the future.



**Social Finance Programme
Enterprises Department
International Labour Organization**

4, route des Morillons
CH-1211 Geneva 22
Switzerland
Tel.: +41 22 799 6478
Fax: +41 22 799 6896
Email: impactinsurance@ilo.org
Web: www.ilo.org/impactinsurance

Connect with us through social media

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