



Learning Journey

People’s Insurance Company of China (PICC)

Migrant Worker’s Personal Accident Health Insurance

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Project Basics

About the project

The People's Insurance Company of China (PICC)

PICC was established in 1949 by the Chinese government as a nationwide wholly state-owned insurance company. Today, PICC remains a 61% state-owned enterprise.

Innovation grant

In March 2009 the Microinsurance Innovation Facility awarded an innovation grant to PICC to support the introduction of a migrant worker personal accident and health product and to learn about how to:

- Establish a more effective distribution channel
- Introduce a 'locally insured, non-locally compensated' system to improve portability of the policy
- Raise migrant workers' awareness about and knowledge of insurance
- Collaborate with local government entities to promote change in the current social insurance system

Target market

The product targeted migrant workers, which in China refers to farmers who have left the countryside to find jobs in the cities. This is a special group whose members are considered rural residents in the household registration system and own farmland according to the land contract system, but now do non-agricultural work and live on wages.

For the most part, migrant workers lack any basic government-provided social safety net and receive few or no social security funds. Those who receive pensions or medical benefits find it very difficult to transfer the benefits to their home because cross-province transfer of social security is not yet available in China. Migrant workers, who are among the poorest in the population, therefore have to rely on their own accumulated funds rather than social security.

Favorable policy environment in China

The overall policy environment in China was favorable for the development of insurance for migrant workers. The government's spending on agricultural and rural support had increased substantially in the preceding years, meaning that local governments were more likely to provide support to migrant workers, including subsidies for commercial insurance.

Project Summary

Project Name: Migrant workers' personal accident health insurance
Project Start Date: February 2009
Duration: 3 years
Country: China
Product: Life – personal accident

Project Updates

Key indicators

The grant ran for 26 months. At June 2010 the following performance indicators were valid:

Indicator	June 2010
Total policies	5971
Total insured	545,638
Total premium	\$983,518
Total claims	30
Total active provinces	7

What happened?

At the beginning of the project, PICC carried out market research using primary and secondary research methods. On the basis of this market research PICC developed a migrant worker personal accident and health product and decided to launch the product in two provinces, with an expansion to twelve provinces planned within three years.

There is significant variation in the socio-economic situation, culture, migrant worker characteristics and government support for migrant worker insurance between each province. This diversity posed an interesting challenge in deriving cross-province trends and lessons.

Each province was allowed considerable flexibility to select distribution channels (including government channels), customize the commission structure, and design and implement its own marketing and consumer education strategy. In addition each province had flexibility in attaching various clauses to the base product to make it relevant for the local migrant worker population.

By November 2010 a total of seven provinces were engaged in the distribution of the migrant worker insurance product. Each province engaged different distribution channels, but as a predominantly state-owned enterprise, PICC engaged the local government administration in the promotion and sale of the product, as well as local full-time PICC agents and various part-time agents.

The first year of activity included significant work at PICC's headquarters to develop appropriate tracking mechanisms to judge each distribution channel. The project team routinely updated a "Channel Scoreboard" to compare sales and consumer outreach across provinces and dominant channels. Challenges were encountered in the use of this tool, since the decentralized nature of the project made it difficult to obtain uniform and accurate data across provinces.

As the migrant worker population is transient, an insurance provider needs to accommodate policies purchased in one location and claims made in another. PICC streamlined the application process to make it easier to and quicker to access the policy. It also put in place a non-local claims processing and payment system that allowed policyholders to file claims and receive reimbursement wherever they were working, rather than solely at their home province.

After examination of various options, a national telephone hotline solution proved most feasible for handling non-local claims. An internet-based solution was ruled out due to access limitations for the migrant worker population, and a mobile phone-based solution was ruled out due to exorbitant fees. The national telephone hotline system allowed policyholders to call one number from anywhere in the country to initiate their claim. This system was introduced in mid-2010, and by the beginning of 2011 was in place in four provinces: Sichuan, Chongqing, Hubei and Guangdong.

A customer satisfaction survey was carried out in the fourth quarter of 2010 to establish a baseline in consumer attitude and perceived product value to measure future project impact and client value. The impact and client value of the project were then evaluated in April 2011. It was found that PICC succeeded in issuing a significant number of policies for migrant workers to cover accidental death and disabilities, and, to a limited extent, hospitalization costs. More information about the value for clients was desired, however, particularly for those enrolled under very large group policies. The grant ended in 2011.

Project Lessons

On client value

Claims data are an important indicator of client value. The number of claims made under PICC's product was very low: two years after the project began there had only been a total of 249 claims from over a million clients. Lower than expected claims can be a useful proxy for low client value, whether resulting from low understanding of the product or from a failure to meet client needs. In this case, the data acted as a warning for PICC that greater emphasis might be needed on its client education efforts.

Research on client needs and ability to pay should inform product design and pricing. Where products are subsidized by the government, levels of subsidies can impact the pricing and features of the products, and therefore their value for clients. This was particularly evident in the case of PICC's product, which spanned multiple provinces, where varying subsidy amounts in different regions affected the level of cover offered.

Thorough research on client capacity to pay would have given PICC a clearer understanding of what would be an acceptable premium, taking into account both the available subsidy and ability to pay. As a result PICC might have been able to better leverage subsidies to improve client value.

On the selection of sales channels and the implications

The performance of sales channels should not be evaluated solely on the basis of scale. Government sales channels offer pros and cons which should be considered carefully. Government offices have easy access to census and migrant worker registration data, allowing them to cover large groups through a few policies. At least 70% of sales were attributed to government sales channels; this helped PICC achieve scale without significant investment in human resources and infrastructure.

Despite the efficiency of the government channels, in many cases migrants were enrolled in the product without their knowledge. Group policies require particular attention to client education and information to ensure that clients understand that they are insured. It is important that this is reflected in the incentive structure for the sales channels. Incentives can be based on factors such as customer satisfaction, renewal or claims ratios, rather than simply volume. PICC found that incentives based on scale encouraged bulk sales but did not promote client information and education.

Government sales channels should use special care to distinguish a voluntary insurance product from government benefits. There was some concern that local government subsidies and bulk sales by government employees might have led clients to believe that the product was part of a compulsory government social welfare program, rather than a voluntary commercial product. When government employees sell products it should be anticipated that they might think about and explain the product in terms of government protection. Insurers must therefore focus their sales and consumer education efforts to counter the possibility of this misconception.

On adapting sales, claims and client education for migrants

Sales methods for migrant workers must reflect that migrants may return to their home provinces only for a short time and infrequently. While PICC streamlined the application process to make it easier and quicker to access the policy, the fact remained that migrants could only buy the policy in their home village, to which they usually returned only once a year. PICC found that it was most often the migrants' families who bought the policies on migrants' behalf, so the migrant was sometimes not aware that she or he was covered. It is important to balance the relative ease of sales through families with the need to be sure the client is aware of his or her coverage.

Insurance for migrant workers must consider very carefully how to provide timely claims services and information for clients who are transient during the period between a claim event occurring and the claim being fully processed. Claims turn-around was delayed because claimants did not know about the insurance until they came back to their home province, and therefore had to spend extra time collecting supporting materials. In some instances migrants reported the case in their home province and then left for work again, making it difficult for the branch to settle the payment.

Client education efforts for migrant workers must consider the location(s) of the client. Client education for migrant workers presents a unique challenge: it must take place both at the home province and at the migrant's destination, to ensure that both migrants and their families (who are often the ones actually buying the insurance) understand the product.

PICC conducted training activities in the home provinces, so it is likely that they were more effective in reaching the family members than the migrants themselves. As a result PICC found that even if other processes, such as sales and claims, were adapted for migrants, they could be more successful with greater client awareness. For example, although claims processes were adapted to allow migrants to submit claims at their destination province, claims remained very low, probably due to poor client understanding.

On regional variations

When implementing a cross-province client education program, it is important to balance the need for consistency and flexibility. While PICC found that flexibility across provinces allowed each province to adapt the client education material to the local context, a lack of consistency across provinces created challenges in measuring impact and ensuring a basic level of understanding in all regions.

From the beginning of the project, monitoring and evaluation methods should be designed to compare performance across regions. Judging the efficiency and impact of various channels was problematic, given the significant variations between provinces, the decentralized structure of the project and the difficulty in obtaining consistent information from all provinces. Establishing an approach to monitor and evaluate regional differences might have helped PICC to more accurately identify trends and potential improvements within provinces and overall.

On project management

A pilot stage may be valuable for projects which aim to achieve significant scale rapidly. PICC's project aimed to scale a new product rapidly, and challenges arose as it did so. The project may have benefitted from a stronger pre-launch phase. For example, rigorous pilot testing and gathering client input on a prototype product could have supported earlier and more efficient product and process improvement, and helped to answer key questions, such as how to optimize distribution channels.

The project management structure should facilitate communication between corporate and field staff. Occasional in person meetings between corporate and field staff at the head office did not allow feedback from the field to be systematically incorporated into product development. It is important that opportunities for feedback and interaction between headquarters and field staff are factored into project management from the start.

Next Actions

The grant ended in May 2011 to allow PICC to evaluate next steps. At that time possible next steps under consideration included:

- Examine the gap in the existing employer funded accidental coverage, and explore the feasibility of adding a new product, such as health, or increasing the benefits on existing policies
- Investigate increased use of non-governmental distribution channels
- Seek additional client feedback through customer satisfaction surveys, calls received through the hotline, focus group discussions at the province level and so on
- Conduct educational and training programs at the migrants' destination cities as well as the home province
- Conduct an information campaign for those already enrolled through group enrolment
- Review the incentive structure for sales channels, so that commissions are not based solely on sales volume, but also on other aspects such as customer satisfaction, renewal ratio and claims ratio
- Further refine the claims process to respond to continuing difficulties in quickly processing claims
- Set up structures to incorporate experience of field staff into central product development