Learning Journey

Protecta Compañía de Seguros
Seguro Mi Familia Municipal

Contents

Project Basics ........................................................................................................... 1
About the project ........................................................................................................ 1

Project Updates ......................................................................................................... 2
Key Indicators ............................................................................................................. 2
What is happening? ...................................................................................................... 2

Project Lessons ......................................................................................................... 4
On the microinsurance product .................................................................................. 4
On the distribution channel ....................................................................................... 4
On financial education and commercialization ......................................................... 5
On technology and operational processes .................................................................. 5
On the administration and management of the project ............................................... 6

Next Actions ............................................................................................................. 6
Project Basics

About the project

Protecta, launched in February 2008, is one of the first insurance companies in Peru to enter the insurance market with the objective of serving microentrepreneurs and low-income families. The ACP Group, the main shareholder of Protecta, is also the main shareholder of Mibanco, the leading bank in Peru in the specialised microfinance field. The main Protecta product lines include: life insurance, accident and life annuities.

The Project 'Seguro Mi Familia Municipal Protecta' intends to implement a model that will enable the low-income population to respond to one of their most sensitive risks, by providing access to life insurance offered through the municipalities in the metropolitan area of Lima.

This model will temporarily substitute the income lost by families at the time of death of the head of the household, so as to provide for the immediate needs of the family. The model is based on an analysis of lifestyle characteristics and health prevention, among other factors, of the low-income population. The insurance is negotiated collectively with the municipalities and is offered to citizens when they make timely payments of their municipal services (taxes), according to the definition applied by each municipality.

The products will be distributed through the municipalities, institutions that are interested in improving the quality of life of the population of their community.

The model also provides the municipalities with an operational management scheme (processes and technical support), to enable them to offer insurance in a sustainable manner in the long term. This is important, as the municipalities are institutions that are not familiar with the terms of insurance or associated processes.

Additionally, the model includes the introduction of the 'Protecta Card', which enables low-income residents to access discounts and preferential rates at affiliated establishments, primarily in the health field.

Finally, the model hopes to develop an insurance culture in both the structures of municipal government and the population.

<table>
<thead>
<tr>
<th>Project Summary</th>
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<tbody>
<tr>
<td><strong>Project Name:</strong> Seguro Mi Familia Municipal</td>
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<tr>
<td><strong>Project Start Date:</strong> July 2009</td>
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<td><strong>Duration:</strong> 3 years</td>
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<td><strong>Country:</strong> Peru</td>
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<td><strong>Product:</strong> Life</td>
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Learning Journey: October 2011
Project Updates

Key Indicators

The following performance indicators were part of the report delivered in June 2010.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Result</th>
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<tbody>
<tr>
<td>Net benefit ratio (net benefit / premiums collected)</td>
<td>40.0%</td>
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<tr>
<td>Incurred expenses ratio (expenses incurred / premiums collected)</td>
<td>18.6%</td>
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<tr>
<td>Incurred claims ratio (claims incurred / premiums collected)</td>
<td>4.9% (*)</td>
</tr>
<tr>
<td>Renewal ratio (no. of effective renewals / no. of potential renewals)</td>
<td>Not available</td>
</tr>
<tr>
<td>Promptness of claims settlements</td>
<td>9 days</td>
</tr>
<tr>
<td>Claims rejection ratio (no. of rejected claims / total no. of claims received)</td>
<td>0</td>
</tr>
<tr>
<td>Growth ratio (no. of insured n less no. of insured n-1 / no. of insured n-1)</td>
<td>222.8%</td>
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<tr>
<td>Coverage ratio (no. of insured / total target population)</td>
<td>50.7%</td>
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<tr>
<td>Solvency ratio (assets permitted / liabilities)</td>
<td>1.7 times</td>
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<tr>
<td>Liquidity ratio (available cash and equivalents / short-term liabilities)</td>
<td>3.35 times</td>
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(*)Note – These indicators refer to the period January – June 2010, the period that corresponds with the implementation of the project. For the month of December 2010 (close of the year 2010), a loss ratio of 30% has been estimated.

However, it is expected that for the following 12 months (year 2011), the loss ratio will be on average 40%, given the greater exposure.

What is happening?

May 2010

Protecta started approaching different municipalities in Lima in order to start the distribution of a life insurance product linked to the payment of municipal services (taxes). In the first stage, the main elements of an operational management model were implemented to enable communication with the municipalities. Also defined were the operational procedures for the management of the insurance product, with a special emphasis on those that involve active participation from the municipalities, such as the issuance of insurance certificates, attendance to claims, and attendance to client queries.

The baseline study was carried out by the Institute of Peruvian Studies (Instituto de Estudios Peruanos – IEP), which is the partner organisation for the learning aspects of the project. The information collection mechanisms were established in order to measure project indicators and monitor performance.

Protecta also defined the adjustments to their systems, in order to support the business of Mi Familia Municipal Protecta. Activities were carried out to enable the registration and issuance of certificates in an appropriate manner.
The training plan for the municipality staff was defined. The contents of the plan, and the elements required for the training of municipality staff, were defined.

Owing to the complexity and intensity of implementing an education campaign to build a culture of insurance, it was decided to initially execute the campaign only in the district of Comas, as this district was part of IEP’s research study.

Additionally, in order to explain the nature of the cooperation between the Microinsurance Innovation Facility and Protecta, a launch event was held in October 2009 in Lima with the media, and with the support of staff from the sub-regional office for Andean Countries of the ILO.

**August 2011**

Protecta closed the education campaign for 2010 with five municipalities which comprised 33,420 active policies, covering 128,900 to individuals.

The education campaign was disrupted due to the political activity of the municipal elections in October and suffered from significant interference in communication. In January, the presidential political campaign began which took two rounds of elections and ended on June 10. It did not make sense to implement a media campaign during the political campaigns as the campaign was likely to get a poor reception from the audience.

Operational processes were identified for collaboration with municipalities. Just as operational support was established in municipalities, Protecta implemented a system to send and validate information, established a certification system emisión, which consisted of (a) general information about insurance, (b) subscription, clarifications and updating of data (c) changes in insurance certificate and (d) claims and health services claims. Protecta identified the need for a person present in the municipalities for operational support and a module was placed in the municipalities.

The commercial management started the renewal agreements with the municipalities for the collection period of 2011-2012. In November 2010, negotiations were stalled due to the departure of the existing local governments.

In January 2011, Protecta began exploring potential collaboration with the new municipal governments. The main problems encountered were: staff changes, lack of an approved budget, the lack of program management of municipal governments, etc. As a result, the negotiations with the municipalities were disrupted.

New municipalities were identified for collaboration and the project was presented to the new municipal administrations. The speed of decision within municipalities has been limited as of this date, and Protecta has continued to negotiate with local governments.

The education campaign has reprogrammed the local radio in the Municipality of Comas with a new radio campaign. The campaign is intended to be much more interactive with the community through various interactions with live programs. The new campaign aims to be large and flexible in the messages it transmits.
Project Lessons

On the microinsurance product

The non-financial component of the product, such as the Protecta Card, which offers additional and tangible benefits, allows for better access to the target population and is an attraction for the municipalities. The Protecta Benefits Plan allows for taxpayers that have the insurance plan to access discounts and preferential tariffs in affiliated centres by simply presenting the Protecta Card. This benefit extends to the spouse or cohabitants of the cardholder, including children under the age of 18. This benefits plan offers discounts and preferential tariffs in General health, Dental health, Eye health, and Entertainment and Services. The affiliated centres are located in both the capital (Lima) and in the provinces. This non-financial component helps to make the insurance more tangible, through offering services beyond protection against death.

On the distribution channel

The ability of the distribution channel (in this case the municipality) to manage insurance projects depends on the level of operational management in each municipality, and determines the need for additional resources at the start of operations. It has been a challenge to issue insurance certificates without being able to count on a support system from the agent, as had initially been defined. This has meant that additional support mechanisms need to be in place to provide operational support for activities carried out by the municipalities, and other complementary actions carried out by Protecta.

Protecta has now integrated a better support scheme with greater operational support for municipalities. The company has established a service module within the municipality which tracks all insurance related activities. Some of the activities monitored include: (a) general information about insurance for the taxpayer, (b) subscription, clarification and updating of data (c) changes in insurance certificate and (d) care services and casualty claims. Similarly, follow ups for all insurance activities are conducted by the Insurance Company.

Work with political entities such as municipalities requires special considerations in the project design, especially on commercial issues, owing to the municipalities’ particular patterns of recruitment and their administrative management. Interacting with the municipalities (local governments) has led Protecta to understand and adapt to a new type of distribution channel, where the supplier selection processes are different from the private sector, because of the particularities of these processes. In addition to it being a difficult decision, the government has a multi-channel decision-making process.

The insurance company can offer additional value to its members by generating and managing client information. The information that the insurer collects for insurance management is also important and useful for the municipality. Protecta initially had to validate the information obtained from the municipality in the population register. This information allows the municipality to update its records about the inhabitants of the communities.
The insurance product was not high on the agenda of the municipalities at the time of taking office and it has been a priority for Protecta to restart business with the new governments.

**On financial education and commercialization**

It is necessary to measure the impact of the education and the culture of insurance programme during the pilot so that the implementation, when the project is scaled up, can be carried out with the best possible strategy. Initially Protecta had planned a generalised culture of insurance campaign, in various municipalities where citizens had insurance. While defining the contents and intensity of the campaign it was observed that the work of the insurance education campaign was much more demanding than expected. Hence, it was decided that efforts would be concentrated on only one municipality (Comas), in order to better understand how to define a successful campaign, and how to replicate the adjusted programme in different municipalities. The baseline study conducted by the IEP will allow Protecta to measure the impact of the culture plan in the Municipality of Comas.

Direct education campaigns have an impact on the level of knowledge on the subject in the target population, but the scale achieved is extremely limited. It is necessary to find media that can reach a large number of people. The education campaign “from A to Z” in the Municipality of Comas had positive results. Currently, there are plans to continue the initial campaign “from A to Z” with a radio program that hopes to reach a greater number of people within the municipality.

**On technology and operational processes**

The technology used by the insurer to provide support for microinsurance products, such as Mi Familia Municipal, needed adjustments, as did the municipality systems. The technology that the insurer used to support the Mi Familia Municipal Model needed some adjustments, including the design and implementation of a support system for the municipalities. Currently this support is offered through the company’s existing systems. The objective was to provide a 'made to measure' system, to meet the needs of the municipality.

The computer system used by a distribution channel must be able to be incorporated into the general system of the insurance company. Initially it was considered easy to provide support to municipalities through computer systems. When approached, the municipalities needed a system that would adapt to the main system of the organization. Protecta continued analyzing different computer systems that could integrate the necessary adjustments to operate with municipalities as well as other channels. The investment recognized so far in these systems has been too high to continue with effective operational support from personnel to municipalities. Protecta has decided not to implement different patch systems to prevent the inefficiencies that can arise from having to integrate and operate different systems. Protecta does not want the tower of Babel effect in systems with different built-in data translation.
On the administration and management of the project

An integrated management model allows the organization to have greater control over the implementation of the project, and to proactively respond to the needs of the project. The project management style allows for a full integration of the different areas. Those responsible for each area, together with general management, plan every step of the implementation, so that no one team develops the project. In order that the coordination be as flexible as possible, the organisation has established the operation framework in such a way that the implementation schedule and responsibilities of each area participant can be established faster (the common or recurring activities in each area have been identified). This allows for a more effective coordination for Protecta, and decisions can be adjusted to the realities of the project and the complexities of implementation.

Next Actions

It has been decided to update the product with new components that have been identified to add additional value to consumers, which will be presented for the 2012 campaign effort.

Protecta will work in conjunction with the Instituto de Estudios Peruanos to evaluate the education campaign to be implemented between September 2011 and February 2012.

The business strategy will be implemented in about ten municipalities.

Support to municipalities will be refined in the management of information, which is seen as a long-term value that the collaboration with the insurance company can bring to the alliance. This vision is from the standpoint of the social impact for the municipality.