



Learning Journey

La Positiva Seguros y Reaseguros S.A.

Designing and marketing microinsurance products for farmers and their families
through rural water associations

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Project Basics

About the project

La Positiva is one of the few insurance companies that offer agricultural insurance in Peru. In the past few years various farmer protection projects have been carried out in Peru in the form of government programmes, academic pilot programmes, and commercial agricultural insurance (traditional and indexed). Through its involvement in these activities, La Positiva came into contact with the National Board of Users of Irrigation Districts of Peru (JNUDRP), an organization that represents the water boards of irrigation districts throughout the country. It is entrusted with the national administration and management of irrigation for the agricultural sector.

The JNUDRP represents 112 affiliated rural water boards, strategically distributed throughout Peru. There are 66 boards in the coastal region, 35 in the inter-Andean valleys of the mountain region (Sierra), and 11 in the Peruvian jungle. Together they manage 1,452,000 hectares of arable land under irrigation, 66 per cent of which is in the coastal region, 24 per cent in the mountains and 9 per cent in the jungle.

In collaboration with the JNUDRP, La Positiva analyses the risks farmers face and the cover they need, generates awareness among distributors and consumers about the importance of insurance, and makes use of the irrigation service network to distribute its products by adding premium payments to water bills.

This project stands out because of the commercial association between an insurer and a field-based organization that is in close contact with farmers, is familiar with their needs, and defends their rights.

Project Summary

<i>Project Name:</i>	Designing and marketing microinsurance products for farmers and their Families through rural water associations
<i>Project Start Date:</i>	August 2008
<i>Duration:</i>	5 years
<i>Country:</i>	Peru
<i>Product:</i>	Life

Project Updates

What is happening?

January 2009

Three agricultural engineers and one administrative assistant were engaged. A contract was signed with the Institute of Peruvian Studies (IEP) for the design and implementation of the baseline. The objectives of the baseline were to:

- Gather information about potential microinsurance customers (farmers registered with the irrigation boards)
- Collect information about the results that potential customers would expect from being able to access insurance
- Propose a monitoring and follow-up plan to capture changes in the situation of potential customers and their microinsurance needs

The agricultural engineers were trained on the following subjects: microinsurance (life insurance, property insurance, health insurance), enrolment, collection of premiums, and claims processing.

Software design and the choice of information technology were not finalized, since more information was needed on the software used by each board and the frequency and mode of payment of the water tariff. La Positiva bought 46 computers and, through a transfer of use agreement, gave them to the JNUDRP. The JNUDRP in turn designated the regional water boards and local water councils who were to receive the computers.

Surveys were carried out among a sample of 1,200 farmers in the three regions of Peru (the coast, the sierra and the jungle) and among 32 water boards and councils.

July 2009

La Positiva found that water boards were using a variety of mechanisms to collect tariffs; some boards did not have software, and those that did used different programmes. In addition, the frequency of billing varied, ranging from daily to annually.

La Positiva began offering the pilot phase of offering the product. Enrolment, premium payment, and claims reporting were carried out manually, using Excel templates that were designed by staff from the technology and information service of La Positiva's Affinity and Microinsurance unit.

The project's team of engineers was trained to use the Excel template for registration and collection, to fill out simplified policies, and to transfer information to La Positiva's database. They were also entrusted with the training of sales agents for each board.

These processes were carried out manually because the sales period did not coincide with the water tariff payment schedule during the pilot phase. Furthermore, in other cases there was no time to adapt the board's software for processing premium payments.

The water boards selected for the pilot phase were: Medio and Bajo Piura, Rímac, Irchim, and Ica (in the coastal region); Chili Regulado and Mantaro (in the sierra region); and Bagua (in the jungle region). Selection was based on geographical location, number of users, and the water tariff payment system. Although they were selected, the boards in Mantaro, Ica, and Bagua did not participate.

La Positiva proposed a life microinsurance product, *Agropositiva Vida*, to the water boards and suggestions were taken from directors and farmers. The most useful suggestions concerned extending the maximum age of participation of 70 years old, including medical care, and refunding a proportion of the premium after a defined period of contribution. The life insurance arm of the company, La Positiva Vida, finalized the product designs and registered two products with the *Superintendencia de Banca y Seguros* (SBS). One product was adapted for farmers of the sierra and jungle regions, and the other for farmers in the coastal region. Each product had different insured amounts, but both were life insurance products covering the whole household (the policy-holder, the spouse or companion, and the children).

January 2010

The decision was made to include the premium in the irrigation water tariff, making it easier to keep clients. Officials at the JNUDRP suggested that the only way to guarantee that the majority of farmers subscribe to the *Agropositiva Vida* was to make use of the decision-making mechanisms of the boards and allow the Assembly of Directors to decide whether to include the premium payment in the bill for irrigation water.

La Positiva decided to take up the JNUDRP's suggestion when it came to scaling-up the project after the pilot phase. La Positiva therefore decided to include the premium in the water tariff in the boards whose directors had given their approval.

It was decided to redesign the product, extending the maximum age of participation to 80 years (as requested by many farmers attending training sessions). The technical group of La Positiva Vida Seguros carried out a data analysis of data and determined that it was feasible to extend the age limit without raising premiums. During the scale-up phase, 298 policies were sold, representing 1,192 people, on the basis of four insured people per policy.

July 2010

La Positiva decided to evaluate the assumptions made when creating the project. In particular, it wanted to look into the assumptions that enrolment on mass was viable through the water boards, and that including premium payments in water bills was possible. As part of this, it analyzed the proximity of water boards to the farmers, the marketing capacity of the water boards, and the delinquency experienced in each region.

It therefore began a study to support the development of a comprehensive marketing strategy to be validated in a real sales setting. In this way, La Positiva aimed to produce a marketing strategy that has been validated, adapted, and can be replicated.

Focal groups and in-depth group interviews were planned with farmers, irrigation managers, directors of the regional water boards and the national board, national government employees, who regulate water management and are therefore familiar with the channel, and other specialists.

As a result, it planned to obtain information needed to adjust the product, create an incentive plan for the channel, adjust the operational model, and draw up a promotion and marketing strategy.

The study will also make it possible to reformulate the objectives, benchmarks, and activities of the project, as well as establish a new expenditure flow.

January 2011

A new strategy was set up to implement (a) a new sales plan (b) a tool for the sales plan and (c) monitoring and follow up tool for the implementation.

A new project leader was appointed in December 2010 to work on the manuals for enrolment, channel rating, training of the channel, and reporting according to the new strategy. A new product was introduced to simplify the sales process.

New agreements were signed with the water boards and La Positiva began training the personnel of the water boards and councils. It was important to figure out the best training methodology. In this case the tool used had mixed results; the trainings in the northern department of Piura were more successful than those in Trujillo.

The new incentive plan was introduced and readjusted with further experience. In particular, the incentives for the presidents of the national and regional water boards were removed given their lack of involvement in the project.

July 2011

During this period, La Positiva continued to define its new strategy, including the new product design. It also defined implementation more clearly. Although implementation had already begun, it now articulated the phases of implementation and created a formal action plan for the restructuring.

During the first half of 2011, La Positiva focused on developing the sales channel. A total of 24 water boards and 64 water councils were approached, resulting in 128 affiliated points of sales. By July only 26 of these were active with operating policies.

La Positiva expanded its activities from the coastal regions of Peru into both the highlands and the jungle regions. In these regions other organizations beyond the water boards were approached, such as government institutions (agricultural agencies that collect agricultural information and provide technical assistance to farmers). At the same time brokers, non -financial institutions, and agroindustrial enterprises were approached in order to broaden the distribution base.

Levels of sales remained stable throughout the first part of the year. This was due to the lack of a communication strategy.

July 2013

After some major changes in the implementation team and internal restructuring the project was resumed under a newly-created unit. The old agricultural insurance team was turned into the Rural Insurance Unit, which is intended to be a more commercial unit, able to interact better with other

departments to offer a wider set of products. The team strengthened its communication capacity with a new specialized member.

Under the new unit a new sales force structure was introduced, including regional supervisors to work closer with the water boards and councils. The team is working with new supervisors in the following regions:

- Puno
- Ica
- Piura
- Lambayeque
- Ayacucho

New products are being offered through these channels:

- Cancer indemnization
- Hospital cash
- Third party liability for cars (compulsory product for cars)

La Positiva was also considering a health microinsurance product.

The old structure required central processing in Lima for both marketing materials and processes like enrolment and claims. In order to improve the service to the final clients and for better integration with the rest of the regional offices of La Positiva around Peru, La Positiva planned a transition into decentralized services. It believed that decentralized processes would increase the speed of services for the water boards and councils, improving the client experience.

A sales follow-up service was implemented. Through this, the regional supervisors and the agents working at the water councils can monitor the status of all the active policies. They can use the clients' contact information to remind clients to renew their policies. This system for registering sales was developed by the Rural Insurance Unit and is seen internally as a more complete and friendly version that can provide better follow ups, so it may also be adopted by the general affinity business lines.

A television promotion was designed to be broadcasted in local TV stations. Further marketing materials were designed to align with both the graphic guidelines of La Positiva and to appeal to the target audience. Radio promotions were also broadcast in local radio stations. Messages were simplified to cater to the target market needs.

Different methodologies for training were tried, and an e-learning module was created and implemented. Incentives were provided to encourage the sales force to complete the content.

February 2014

Overall, the activities have led to increasing sales. Whereas La Positiva provided insurance coverage to just over 100 people in 2010, this figure had increased to over 8,000 in 2013.

Project Lessons

On the microinsurance product

It is important to tailor products to customer needs, but this must be balanced against a risk of over-complexity which may confuse clients. Farmers asked that the maximum age for the programme, currently set at 65 years, be raised. La Positiva accepted the proposal and extended the age to 80 years. They also asked that medical care be included in the plan. La Positiva decided to include an advance benefit covering 50% of costs of terminal illnesses. These modifications involved additional services and a need to communicate the changes to clients. The challenge is to include elements that provide value to the customer while limiting the complexity of the product for both the customer and the channel. These variations led to a situation where the product was too complex and difficult to communicate. The tables below illustrate the complexity of the product.

a) *Agropositiva Vida* adapted for farmers of the sierra and jungle regions covering the whole household

Coverage	Coverage period and amounts insured		
	First year	Second year	Third year
1. For the policyholder			
1.1. Natural death	PEN 2,260.00	PEN 2,900.00	PEN 3,750.00
1.2. Death due to pre-existing illnesses	PEN 750.00	PEN 970.00	
1.3. 50%advance for illnesses	PEN 1,130.00	PEN 1,450.00	PEN 1,875.00
1.4. Accidental death	PEN 4,520.00	PEN 5,800.00	PEN 7,500.00
2. For the spouse or companion			
2.1. Natural death	PEN 1,400.00	PEN 1,770.00	PEN 2,350.00
2.2. Death due to pre-existing illnesses	PEN 460.00	PEN 590.00	
2.3. 50%advance for illnesses	PEN 700.00	PEN 885.00	PEN 1,175.00
2.4. Accidental death	PEN 2,800.00	PEN 3,540.00	PEN 4,700.00
3 For children (maximum 6)			
3.1. Natural death	PEN 690.00	PEN 880.00	PEN 1,400.00
3.2. Death due to pre-existing illnesses	PEN 230.00	PEN 290.00	
3.3. 50%advance for illnesses	PEN 345.00	PEN 440.00	PEN 700.00
3.4. Accidental death	PEN 1,380.00	PEN 1,760.00	PEN 2,800

b) *Agropositiva Vida* adapted for farmers of the coastal region covering the whole household

Coverage	Coverage period and amounts insured		
	First year	Second year	Third year
1. For the policyholder			
1.1. Natural death	PEN 4,520.00	PEN 5,720.00	PEN 7,300.00
1.2. Death due to pre-existing illnesses	PEN 1,500.00	PEN 1,900.00	
1.3. 50%advance for illnesses	PEN 2,260.00	PEN 2,860.00	PEN 3,650.00
1.4. Accidental death	PEN 9,040.00	PEN 11,440.00	PEN 14,600.00
2. For the spouse or companion			
2.1. Natural death	PEN 1,400.00	PEN 1,770.00	PEN 2,350.00
2.2. Death due to pre-existing illnesses	PEN 460.00	PEN 590.00	
2.3. 50%advance for illnesses	PEN 700.00	PEN 885.00	PEN 1,175.00
2.4. Accidental death	PEN 2,800.00	PEN 3,540.00	PEN 4,700.00
3 For children (maximum 6)			
3.1. Natural death	PEN 690.00	PEN 880.00	PEN 1,400.00
3.2. Death due to pre-existing illnesses	PEN 230.00	PEN 290.00	
3.3. 50%advance for illnesses	PEN 345.00	PEN 440.00	PEN 700.00
3.4. Accidental death	PEN 1,380.00	PEN 1,760.00	PEN 2,800.00

The product was a family product with staggered coverage in the first three years. The insured amounts were differentiated depending on whether the claimant was the policyholder, the spouse or a child less than 18 years old, and with different levels of coverage depending on whether the insurance was contracted between the age of 18 and 70 years or between 70 and 80 years. It was hoped that staggering would encourage the insured to continue with the system and would avoid anti-selection.

The staggering has been successful as some of the few policies that were placed under this scheme have been dutifully renewed by the insureds with the objective of staying in the programme as long as possible. La Positiva has continued to offer this cover to these farmers even though this initial product has been phased out.

Monthly premium payments did not prove beneficial because the farmer does not naturally go to the water board and council every month. It was deemed necessary to make adjustments to the product, providing for a single annual payment at an amount affordable for the majority.

It is harder for the insurance company to set up a competitive incentive scheme for a complex distribution network given the limited room for a creative compensation scheme. Prizes may be a useful addition to commission. La Positiva has found it challenging to create a competitive incentive scheme for such a low-price product. To tackle this challenge, prizes were introduced to provide additional incentives beyond monetary compensation. For example, an “enrollment marathon” was organized over 6 days with prizes such as a sound system (with a value of PEN 120) and toasters (with a value of PEN 40) that were given out when the sales force reached set targets. For mother’s day there was another campaign where the sales force received prizes when they achieved a given sales level.

During this campaign there was also an incentive to sell the product outside of the network of water boards.

Communication about the product should focus on the benefits that the farmer is looking for rather than the features (e.g. price, terms and conditions). The benefits can be portrayed to the client through games. La Positiva has experimented with methodologies to explain the product to clients. One was a presentation of the features of the product, but only 10 per cent of the clients understood the product and clients were too shy to ask further about the product. At the same time La Positiva tried a game at agricultural fairs, which portrayed the financial impact of death and the mitigation provided by insurance through roulette. These events resulted in a high level of interest in joining the programme.

It is easier to open up a distribution channel and to test knowledge about insurance, sales techniques, and processes with just one product initially. More products can be introduced after the initial experience. La Positiva started working with a single life insurance product. This allowed the personnel at the water councils to understand what insurance is about, the related processes, IT systems, and product features. Nonetheless, the incentives that can be obtained from a single product can be very limited, so a wider range of products can be introduced later to increase the benefits for the sales force and maintain their interest.

On the distribution channel

Factors such as the insurability of the channel's participants, the channel's operational processes, and the dynamics of contact with customers, need to be analyzed in depth before making assumptions about the potential of a distribution channel. An analysis of the register of users provided by the rural water boards found that the number of users reported by the JNUDP was not accurate. Not all users were insurable because: 1. some users had several pieces of land and thus were listed several times in the same register; 2. some users were over 80 years old; 3. some users listed were legal entities (businesses, associations, cooperatives, etc.); or 4. the holders of the water account were not the farmers that work the land. Consequently, the enrolment targets were too high. Moreover, in Ica, farmers did not always pay for irrigation water because at times they had access to groundwater.

A channel's capacity to integrate insurance operations varies. Not all channels can be easily adapted to the sale and distribution of microinsurance. The rural water boards do not, at present, view the sale of microinsurance as an opportunity; they are not-for-profit associations focused on the distribution and sale of irrigation water to users. This is the first time they had taken on different activities, so it was necessary to seek their political, social or economic interests in getting involved in microinsurance.

The new strategic partner development plan implemented by La Positiva targeted these issues with the objective of developing the commercial and sales capacities of the channels through: (a) personal introduction to sales topics, (b) group trainings that initially were targeted at sets of local water boards and are now carried out with individual water boards and (c) recurrent trainings that aim to maintain understanding and motivation among the water boards.

The frequency and way in which clients transact with the channel is an important factor to consider when designing the product. Great diversity in the frequency and modes of payment in the boards was noted. For example, in some irrigation commissions in the boards of Moche and of Chao, payments are made annually, meaning the premium accumulates and the user is unable to pay an annual insurance bill. It is necessary to make the frequency of premium payments flexible to meet the needs of the

distribution channel and the customer. The diversity of payment frequency, which is a challenge for the design of the product, can be seen in the table below:

Billing frequency	Coast	Sierra	Jungle	TOTAL
* (91 boards)	%	%	%	%
Annual	59.32	100	100	86.44
Monthly	8.47	0	0	2.82
Per delivery	22.03	0	0	7.34
Bi-weekly	1.69	0	0	0.56
Weekly	3.39	0	0	1.13
Semi-annually	3.39	0	0	1.13
Quarterly	1.69	0	0	0.56
Total	100	100	100	100

In the initial product payments were made monthly. In this case the transport and time costs for the client to make the payment were higher than the premium payments. For the new simplified product, premiums were paid annually, which made it easier to fit the cash flow of clients.

It is important to consider farmers' cash flow when planning sales campaigns. Farmers in the coast of Peru sell their produce at two points during the year, meaning that there are two moments in the year where farmers have a higher available income. This is therefore the right moment to promote the insurance product. There are also some crops like banana and coffee which are harvested throughout the year, resulting in different financial circumstances for those communities.

Incentives for a distribution channel with different layers of activities need to be adapted to each layer and adjusted over time, in order to motivate staff. The commission scheme provides the JNUDRP 5 per cent for the sale of the microinsurance product. However, the support received from the JNUDRP for marketing actions is limited (ranging from offering space in some of its national assemblies to publishing information about microinsurance on its website). In general, there is little motivation on the part of directors to support the project. In addition, directors cannot make far-reaching decisions without consulting the majority, and this delays decision-making.

The sales agents designated by the directors of water boards are generally the people in charge of collecting the irrigation water tariff. An agreement has been made with board directors so that sales agents receive a commission of between 2 per cent and 6 per cent depending on the board. La Positiva considers this incentive very low, and believe that it could be raised an additional 5 per cent, provided that an agreement can be reached with the JNUDRP to abandon its 5 per cent commission. An incentive plan is also deemed necessary to encourage sales agents to sell microinsurance.

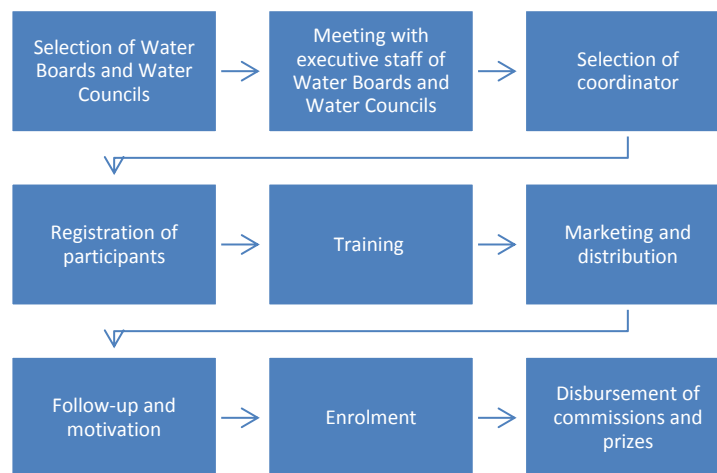
It is necessary to strengthen the channel when marketing does not come naturally to the channel. It is necessary to understand the channel's role as the customer contact and intermediary.

Organizationally, the water boards differ from traditional distribution channels (microfinance bodies, banks, NGOs). The boards are structured to collect payments for irrigation water and do not normally offer services unrelated to that activity, nor do they have well-developed marketing capabilities, especially in relation to the sale of intangibles. Hence it is necessary to incorporate activities in the

project plan to strengthen their role as distribution channels and to develop campaigns to incite them to join and participate in microinsurance marketing activities.

The different roles of the National Board, the water boards and the water councils should be considered while designing the project to implement a more accurate incentive scheme according to the level of activities and effort involved. The role of the National Board of Users of Irrigation Districts differs from that of the regional water boards. Whereas the latter effectively occupy a role as distribution channels, the national board’s role is to promote and facilitate the implementation of the model. These differences have to be clearly defined in the description of the activities, especially in the contract that is signed with each of them. The incentive scheme had to be reformulated to take into account the different roles played by the national board and the water boards, as well as the dedication of the staff assigned to the marketing operation. An incentive plan should be developed based on thresholds of sales achieved, which will help the channel to visualize the return on its efforts with regard to promotion and dissemination (in the case of the national board) and marketing and sales (in the case of the water boards).

Distribution channels without commercial require an active strengthening strategy. This should be refined continuously with the involvement of the insurance company. The initial commercial strategy showed that the boards and councils of water services didn’t have the capacity or the motivation to implement sales of insurance products in their regular activities. A programme to develop the water boards and councils into strategic partners had to be developed, the “Programme of Development of Strategic Partners”. The programme was intended to improve these capacities and maintain a permanent relationship with the water boards, and in particular with the workers that make up the insurance sales teams. The following figure shows the process for the implementation of the programme.



Previous learning in terms on how the boards will be prospected was already applied in this tool.

Channels that don't have further commercial activities with other products present an opportunity for the insurance company to develop. Even though La Positiva has had a difficult time developing the sales and commercial capacities of the water boards and the councils, there has been a higher level of acceptance given the fact that there's no competition with other products or strategies, like there is in the case of MFIs. This has been seen as an opportunity for the insurance company.

Special seasonal campaigns for incentives can be used as a mechanism to boost insurance sales and to activate outlets in the delivery channel. In order to relaunch in some of the regions some campaigns were organized with additional incentives for the sales force. These campaigns are organized around different seasonal moments like mother's day, Christmas, and some national holidays. Instead of having a monetary reward, the prizes were physical. 75 per cent of collaborators at the sales channels considered the prizes as good. The amount of sales of products had to be readjusted as the milestones were too high.

Campaign on the day of the mother and the father 2012

Prizes	Required amount of sales
Towels	10
Bed sheets	15
Pots	25
Food basket	40
Radio	60
Mobile phone with camera	70
Blender	80
Microwave	150

Validity: 01.04.2012 to 30.06.2012. Participation of all registered team members.

On financial education and marketing

The timing and choice of education and training methodologies should take into account people's economic cycles as well as their capacity. The process for the sale of microinsurance began with awareness-building workshops, which explored how farmers could identify and deal with risks, and presented how microinsurance functioned. Lastly, the workshops explained the features of *Agropositiva Vida*. It was hoped that farmers would buy insurance at the end of the workshop. Some reasons farmers did not acquire *Agropositiva Vida* were that the training sessions did not coincide with the period of farmers' greatest income or farmers did not have cash or their identity card with them.

The design of financial education activities (such as length and location of training) can have an effect on the success of these activities. Different activities were organized, such as training workshops and informational talks using audiovisual material (micro radio program, video reports, leaflets, and flipcharts), that were intended for board directors, sales agents, and farmers. In general, attendance at the talks about micro life insurance was minimal and the reasons for this may be: 1. the duration of initial training sessions was very long (four hours, but later reduced to one to two hours); 2. Other information talk organized at the same time may have distracted farmers' attention and 3. there was no clarity about the level of comprehension of microinsurance on the part of farmers. It was also not possible to measure the impact of the radio campaign.

Steps were taken to improve the format of the meetings with farmers. For example, in Ica the talks were organized in a decentralized fashion, that is, not at the board premises, but in places closer to the farmer; in one case this was the home of a director, at another occasion, in a public square. In both cases, the attendance was better than at previous events and attending high proportion of those who attended enrolled.

Commission	Venue of the talk	Date	Attending	Affiliated
La Banda	Home of the commission president	8-Dec-09	27	22
La Venta	Office of the producers association	14-Dec-09	17	15
Ocucaje	Home of a farmer	15-Dec-09	6	3
Callango	School	18-Dec-09	18	15
Sacta	Home of a president	20-Dec-09	5	0
Quilloay	"Plazuela El Olivo"	19-Jan-10	12	5
Quilloay	"Plazuela El Carmen"	19-Jan-10	10	6
Quilloay	"Pozo El Monzón"	20-Jan-10	1	0
Quilloay	Home of farmer-Longar	21-Jan-10	6	2
Quilloay	"Plazuela de Reyes"	22-Jan-10	6	2
Quilloay	"Plaza Subtanjalla"	23-Jan-10	0	0
Quilloay	Commission office - San Juan Bautista	24-Jan-10	4	2

General financial education is the responsibility of various players in both the private sector (e.g. insurers' organizations) and the public sector (e.g. insurance regulators) with the common objective of generating an insurance culture. First, La Positiva contacted the Superintendencia de Banca y Seguros (SBS) [Bank and Securities Supervisory Authority], which had a convention with the Ministry of Agriculture to conduct a financial education campaign. It was proposed to launch the pilot project in areas where La Positiva had been offering microinsurance. However, the SBS indicated that it was not possible to form an alliance with private businesses to create an insurance culture due to a conflict of interests. When the state programme AGRORURAL learned about La Positiva's activities, it proposed to work together to generate an insurance culture and sell microinsurance in rural areas in the sierra region of Peru. AGRORURAL has been active in financial education to promote inclusion of rural residents in the financial system.

Local leaders, such as mayors and regional authorities, could disseminate microinsurance. In general, intangible products are scarce or non-existent in rural areas, making it absolutely necessary to be very familiar with customers in order to approach them with a suitable marketing strategy. What characterizes farmers is that they put importance on what local leaders say. Local leaders could serve as spokespersons for microinsurance, but still need to be identified.

The amount of time required, on the part of both the channel and customers, is often underestimated when planning an education, dissemination, and sales campaign. Neither the channel nor customers have the time and resources to attend training events that are not linked to their own tasks. It is thus important to make maximum use of their time by integrating dissemination, training, and sales into the same event. It remains evident that the tools for organizing integrated events and communicating messages will need to be clearly formulated in the business strategy. This strategy will contain all the instruments, methodologies, and messages that will be used to carry out dissemination, training, and sales.

The strategy should be viable once subsidies run out. La Positiva will negotiate with the national board to introduce the subject of risk management in the training agenda that the national board maintains with all its affiliated regional water boards.

In the rural environment one of the most effective media is the community broadcasters, *emisoras (perifoneo)*, which are the most listened to mean of communication at the lowest price, even more than local radio. Initially La Positiva signed agreements with local radio stations that involved a higher price in a communication means that didn't reach the intended levels. Through the contact with the water councils, they suggested the use of local *emisoras* (community based radio in the communities). La Positiva gave a budget to each water council to carry out its own dissemination campaign. This has brought a higher level of involvement, commitment, and accountability from the field staff.

Initially the team saw TV as an expensive option for promotion. Through experience with a catastrophic insurance product with the government, they saw that local broadcasters aren't expensive at all. Initially they used the centralized marketing service of the insurance company, but now the team engages its own marketing strategy and deals directly with local TV stations and service providers. They have used the focus groups as a way to figure out which are the radio stations and the TV stations the target audience prefers.

Focus groups can be a useful tool to design promotional campaigns, particularly defining the barriers, messages, messengers, and media. The team at La Positiva carried out focus groups with rural clients that had bought the product and with farmers who hadn't bought the product. As a result, it discovered that despite the fact that clients had heard the radio promotion; the message was not the correct one. The clients expressed the need for more direct messages describing the risk of dying more explicitly.

The Rural Insurance Unit also created its own materials with more targeted messages and images that correspond to gaps in the central marketing of the organization.

Promotion should be integrated into the commercial activities of the distribution channel. A full set of promotional materials can help to empower and activate distribution channels. The team at La Positiva created a branding kit for the sales points as part of the communication and media strategy. This set of materials allows them to have visibility and information about insurance at the water councils.

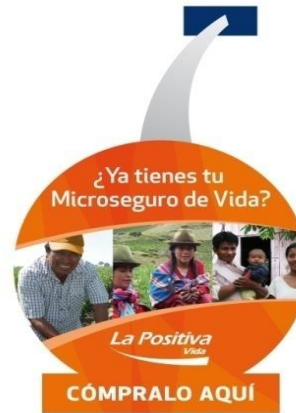


Materials targeted to the final customers:

- Brochures
- Attention drawing materials
- Billboards
- Posters
- Games

Materials to communicate with partner organizations:

- Semi-annual magazine
- Newsletters
- E-Learning module



Surveys are being prepared to measure the impact of the elements of the campaign.

E-learning is an effective way to train the sales force at distribution channels, though incentives need to be aligned for it to be successful. During the trainings information about La Positiva, the product, and sales techniques are presented. The training conveys the idea that the incentive programme can provide tangible benefits for sales. A range of techniques were tried out by La Positiva:

- Physical trainings with around 40 participants. This method had a higher cost as trainers had to travel to the place of the training. This methodology suffered from a low attendance as well as delays of people travelling to the training.
- Webcam trainings, in which participants would gather at the offices of a water board. The idea was to have face-to-face interaction, get feedback from the sales force, and answer questions. There were many problems with connectivity due to the low bandwidth in rural areas.
- E-learning modules included games and evaluations after each lesson, in a highly dynamic and audiovisual system that is easy to understand. La Positiva is waiting for a final evaluation of the results. An incentive system has been introduced to encourage people to complete the e-learning module.

E-learning has proved the most effective mechanism for training. The most important thing after the design of the modules was to set the right incentives for people to complete the training.

Promotional strategies of other industries in rural environments, such as fertilizer companies, provided useful inspiration for insurance promotion. Wall paintings in rural communities have been an effective way to bring awareness to clients. Wall paintings have proved to be an extremely cheap and effective way to attract clients. In the region of Puno several clients have approached La Positiva asking for further information about the product after they saw the paintings. The greatest challenge for these walls is maintenance. Photos are used to control this kind of marketing materials.

La Positiva followed the strategy that fertilizer companies use in rural areas.



Promotions based around the payment of claims are an effective way to show the tangibility of a life insurance product. Special banners have been created in the communities where a claim has been paid. In this case the claim is used as a way to bring awareness about the product, its benefits, and the human aspect of the payment. This advertising is intended to increase trust that the insurance company sticks to its promises. These banners are displayed for around 6 months.

On technology and operational processes

The design of the insurer's IT system must be suitable for the technology and related process already used by the distribution channel. La Positiva experienced problems finalizing the software design and choice of information technology, as it was necessary to gather information about the software being used, along with the frequency and mode of water tariff payment, for each of the regional boards. La Positiva found that there was a wide variety of software and mechanisms used for managing water tariff payments, as well as different frequencies of payment.

The rural insurance IT platform is an interphase to communicate with the field operators at the water councils. It is able to provide reports about clients and their contact details as well as the status of their policies. The system also allows them to enroll clients and process claims.

Since implementation renewal rates have improved, with an average renewal rate of 31 per cent.

Date	Sales 2010	Renewals 2012	%
January 2011	10	2	20%
February 2011	24	11	46%
March 2011	31	4	13%
April 2011	33	4	12%
May 2011	30	13	43%
June 2011	13	9	69%
July 2011	37	10	27%
August 2011	44	15	33%
September 2011	80	9	11%
October 2011	32	9	28%
November 2011	55	28	51%
December 2011	22	14	64%
	411	128	31%

The affinity group at La Positiva now sees this system as an important improvement in its operations and relationship with its clients.

On the administration and management of the project

Defining appropriate selection criteria for the pilot areas will make it possible to obtain the results needed to adjust the product for an effective implementation. The selection criteria for the boards in which the pilot project was carried out were: geographical location, number of users, water tariff, and payment system. Workshops with the Mantaro and Ica boards were suspended because of the low number of insurance policies sold. The workshop with the Bagua board was stopped due to the social violence resulting from adoption of the so-called “Law of the Jungle” by the Peruvian government. Choosing such a large number of boards made it difficult to implement the communication plan effectively and efficiently. In hindsight, La Positiva believes that it would have been better to have initially chosen one or two boards at most to test the product and processes, rather than eight.

Implementing pilot projects is a delicate process of adjustment and product fine-tuning, and it is important to obtain a level of success before scaling activities. The repetition of activities during the pilot should allow sufficient development of the product and processes that the scale-up phase can be implemented. The initial phases, which were initially referred to as the pilot and scaling-up phases, were therefore integrated into a single, more extensive pilot phase. This decision was made because the initial pilot phase was too short and there was no evaluation of activities or strategy. The new extended pilot phase allowed La Positiva to evaluate which activities and processes worked and which did not with the support of a consultancy firm.

It was decided to select pilot boards based on the number of users, the amount they pay, and the average frequency of transactions between the user and the water board. The first filter was used to segment the water boards. Users of the sierra and jungle boards pay each year relatively low amounts for water—on average PES 25 per year—and they have the highest delinquency rates. Approaching them with a monthly payment proposal would not be viable, and the premium amount cannot be higher than that normally paid to the water board. Users of the coastal boards pay on average around PES 120 per year. In over half of these boards, the payments are made annually.

The northern coast boards have the highest number of users. For the field study phase, one board from the northern coast was selected, one from the central coast and one from the southern coast. On the basis of the analysis of the results and cross-matching with the strategy proposed for implementation, one of them was selected for applying and validating the new promotional instruments, methodologies, and materials.

The more structured approach to project implementation has created a high degree of awareness within the organization on the development of channels for the rural sector. The interaction of different divisions of the insurance company in this project has created substantial learning that can be used for different business lines within the organization. An overall rural strategy has been one result of these activities. It's been extremely important to engage the senior management of the organization with a medium and long-term vision. This has gained support for the experimental actions of the personnel involved in this project, while also creating the internal capacities that will allow the organization to better serve clients in the rural context.

There is a need for the support of external people who can help the insurance company to rethink some of the components of the project. The internal team of La Positiva had been working intensely on the implementation of the project; they were taking all the actions of the initial strategy without reaching the desired results. A process of reflection was therefore needed. Through the support of external consultants in different fields, plus a restructuring of the team, the project was restructured with a different strategy.

Follow up and close monitoring in the field by the insurance company is key, as the channels may not take sufficient care in implementation. Insurance companies have little experience in developing channels and the high degree of monitoring of everyday activities needed. La Positiva thought that once the channel was set up it could leave the administration of the insurance programme fully in the hands of the water boards and councils. However, it found that it needed to be closely involved in the administration of the programme. The leaders of the boards and the councils were not very involved, which meant that the insurance company needs to take a key role in leading all the activities of the field staff and maintaining the motivation, commitment, control, and monitoring of the activities.

The councils were experiencing a range of problems, like low level of motivation (commissions were sometimes being paid late), different payment methods used by clients, missing marketing materials in some outlets, and inconsistent levels of training for personnel.

Next Actions

During the last few years, La Positiva has established a distribution channel which involves three levels – the National Water Board, the regional water boards and the local water councils. La Positiva will continue to improve the interaction between these three levels to tap into the full potential of water boards as a distribution channel for rural clients. In addition to this, La Positiva will expand its product offerings to provide its clients with other services.