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MAKING FINANCIAL MARKETS WORK FOR THE POOR

FORD FOUNDATION

Strengthen democratic values, reduce poverty and injustice, promote international cooperation and advance human achievement

G:ENESIS

- Retailer distribution of microinsurance in South Africa
- Case study
  Microinsurance Conference 2006
  22 November 2006

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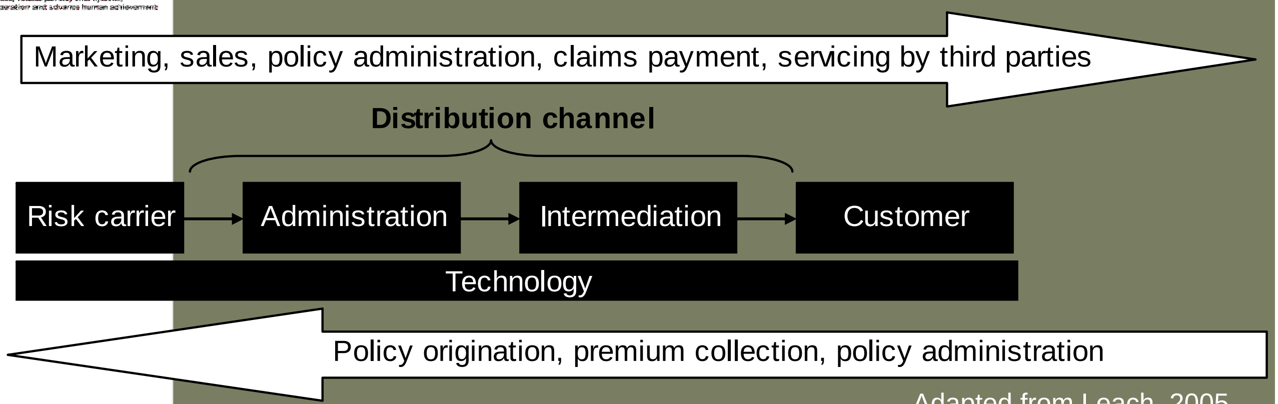
Introduction to retailer intermediation

The insurance value chain



Adapted from Leach, 2005

- Intermediation involves large number of activities (sales, premium collection, claims payment, etc.)
- Focus on role of retailer as intermediary (but also play role as administrator and risk carrier)
- Commercial models
- Large franchised retailers (clothing, groceries and furniture)

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Introduction to retailer intermediation
Retailer appeal

- 6,500 stores - Low cost distribution utilising existing infrastructure
- Strong brand presence and trust
- Of store card holders
  - 97% no general insurance
  - 80% no life insurance
- BUT
  - Only 5% noted retailers as preferred channel for financial products
  - 55%/66% not consider buying general/life insurance at all

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Introduction to retailer intermediation
3 models

- Standalone: Shoprite/HTG, Pep/Hollard
- Account-based: Jet/Hollard
- Bundled/embedded: Ellerines Group

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Nature of products and processes

Key issues

- Voluntary vs compulsory: Success limited to compulsory and funeral insurance
- Bundled, embedded or standalone: consumer protection
- Passive vs active sales: Who is making the market?
- Advice, disclosure and tick-box selling: Can commoditisation and disclosure compensate for lack of advice?
- Value proposition? Deal with claims payment

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