

## Parallel session 1

# Opportunities and barriers for microinsurance in Peru

By Maria Victoria Sáenz

*Four financial services experts reviewed the prospects for microinsurance in Peru as they detailed their own institutions' forays into this new business segment.*

Peru is a diverse country with 32 million inhabitants and one of the highest economic growth rates in the region. It has a per capita income of US\$ 6,123, a low illiteracy rate and a financial inclusion index of 30%. But insurance penetration in Peru is low (1.7%), even in relation to that of the region (3.2%). However, the microinsurance market is dynamic, with an average annual growth of 11.7%<sup>8</sup> in premiums over the last 10 years. It now has 62 microinsurance products registered, 4.9 million insured persons and US\$ 19.7 million in premiums.

**An important breakthrough for Peru's microinsurance regulation – first issued in 2008 and updated in 2016 – is the provision of varied distribution channels.** Today the inclusive insurance market is served through 16 banks, 27 financial institutions, 11 microfinance institutions, 3 public utilities institutions and 7 retail store networks.

In the session, three regulated MFIs – Mibanco, Caja Sullana and Caja Arequipa – and a public service entity, Enel, presented their experiences.

**Enel**, an energy multinational, has 1.3 million clients in Peru and is recognised as a leader in community service and responsibility.

**Enel MásSeguros**  
'Insurance at your fingertips'

**Number of people insured**  
400,000

**Insured risks**  
Funeral, dental, cancer, life, family

**Premium range**  
S4.90 (US\$ 1.52) to  
S25.90 (US\$ 8.03) per month

In 1999 Enel began to offer its customers products insuring the main risks: personal accidents, burial, funeral expenses, home protection, cancer diagnosis, dental and medical emergencies.

For the purposes of the offer, Enel formed an alliance with an insurer to develop products with affordable prices, easy payments and coverage associated with its core business. Sales were made face to face and by telephone. For Enel, having more than 200,000 insurance clients with 5+ years of renewals represents a parallel business that supports its main line of business, as well as loyalty and social inclusion.

The **Municipal Savings and Loans Banks (CMAC)** were created with GIZ assistance 35 years ago to democratise credit, and deepen and decentralise Peru's financial system.

Both **Caja Arequipa** and **Caja Sullana**<sup>9</sup> have a long-standing history of innovation and financial stability. Their combined assets are US\$ 2.3 billion, with deposits of US\$ 1.8 billion. The income from their microinsurance operations is significant, around 4.5% of the overall income in the case of Sullana.

**Microinsurance activities also build customer loyalty in the competitive microfinance market.** MFI clients, despite making progress, remain vulnerable to setbacks, particularly in the field of health. **The culture of prevention is still not prevalent and the "bad reputation" of insurance is significant.** The decision to purchase insurance does not come easy, given the precarious finances of families.

For this reason, both CMACs have strategies to include insurance in a way that boosts well-being and opportunities for low-income people, as well as achieving the institutions' financial inclusion goals.



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48 — Luis Ato, Product Manager, Caja Sullana, Peru.

49 — Augusto Paz-Lopez, Manager of Asset and Insurance Products, Mibanco, Peru.

50 — Victor Delgado, Head of Business to Consumer e-Solutions, Enel, Peru.

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Peru was the second country in the world and the first in Latin America to have specific microinsurance regulation.

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Caja Arequipa is larger. This analysis was based on the 2016 closing financial statements of both CMACs as reported by the SBS. The exchange rate was also taken from the official SBS site.

**Microseguro de Vida, Caja Arequipa**

**Number of people insured**  
156,095

**Insured risks**  
Death, burial, abandonment

**Premium**  
S2.50 (US\$ 0.77) per month

**Caja Arequipa** designed products adapted to the customer’s life cycle: special savings accounts for children and teenagers; cheque accounts and credit for working capital and fixed assets for young people; and for middle-aged people: mortgages, property and car loans, life, car, credit life and health and cancer insurance.

With this strategy, Caja Arequipa in 2016 had a 12% share of the micro-insurance market in terms of insured persons, and a 20% share of premiums. It is planning to package the different insurance products and sell them massively (see Figure 8).

**Seguros Caja Sullana**

**Number of people insured**  
222,369

**Insured risks**  
Loans, funeral, personal accidents, cancer, card theft, agro harvest

**Premium range**  
S1 (US\$ 0.31) to S6 (US\$ 1.86) per month

**Caja Sullana** started selling insurance linked to its core business “credit,” to build loyalty; today it is a substantial part of its business. It cross-sells a portfolio of linked insurance products (multiperil microenterprise or household, all risks, car, agriculture and credit life insurance) and some optional products (cancer, personal accidents, credit card protection, funeral and the mandatory automobile insurance). As Sullana bundles the offerings, prices stay affordable with different ways of paying and debiting savings accounts.

**Seguros Mibanco**

**Number of people insured**  
1.2 million

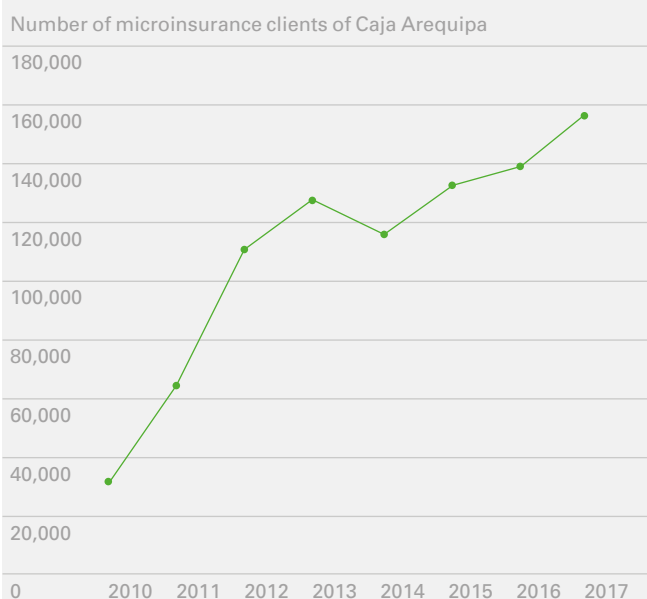
**Insured risks**  
Death, disability, income loss, family, business

**Premium range**  
S3 (US\$ 0.93) to 4% of loan balance per month

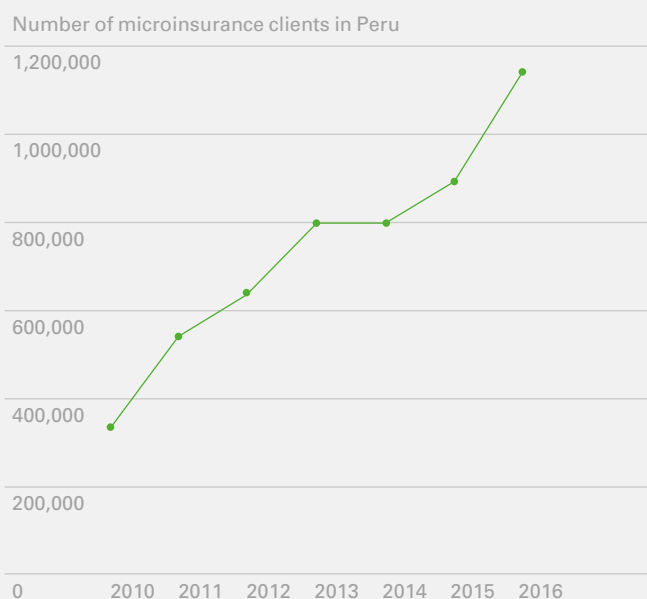
In 1998, after 43 years of successful history as an NGO, Accion Comunitaria del Peru (ACP) created **Mibanco**, a full-fledged bank. Today, after successfully establishing the business and then taking over other MFIs, Mibanco is the largest microfinance institution in Latin America and the Caribbean in terms of loan placements, and it is the undisputed leader in the micro and small-enterprise market, with a 26% share.

Its mission is to achieve financial inclusion with profitability, through a relational model that implies working directly in the field, providing a comprehensive service and adapting

**Figure 8**  
**Number of Caja Arequipa microinsurance clients**



Source: Caja Arequipa



Source: SBS Peru

## Parallel session 1

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to the clients' needs. In the course of meeting those needs, Mibanco has been an important advocate of microinsurance.

With more than 1.2 million clients, it has sold more than 2 million insurance policies. In 2016 Mibanco paid 2,512 claims with an average payment of US\$ 2,183. And in the first 6 months of 2017, it processed 1,536 claims with an average payment of US\$ 2,781.

As a client-minded institution, it sees its clients as having the dual roles of micro-entrepreneurs and family members. So the insurance offering is divided into three types of protection (see Figure 9).

Figure 9  
Three types of protection

**Protected family**

Covers accidental death and total and permanent disability due to accidents

**Protected business**

Protects the business against fire, natural disasters (earthquake, floods, landslides, etc.) vandalism and terrorism

**Financial protection**

Coverage of natural death, accidental and total and permanent disability for accident and disease

Source: Paz-Lopez, Augusto. Presentation "Mibanco." 13th International Microinsurance Conference 2017.

**Lessons learnt****Opportunities**

- Clients know their concerns about health, education and security that can be covered by customised microinsurance.
- Peru's market for microinsurance is growing, as the population segment it is directed at continues to understand the service better and recognise its role in improving their quality of life.
- For financial institutions, microinsurance represents a loyalty tool linked to their core business.
- The impact of benefits in the coverage offered allows providers to establish lasting relationships with the family and the business in the event of a loss.
- A culture of prevention and well-being is generated through microinsurance and financial inclusion.

**Barriers**

- For the low-income sectors, the insurance premium payment has an impact on their family finances; it is an investment they find difficult to take on. So insurance companies need to evaluate their costs and keep them low.
- The lack of a reading habit, coupled with the enormous amount of information in the insurance policies, generates distrust in customers.
- Today, providers do not perform a comprehensive evaluation of the client's needs, although there are isolated efforts focused on offering active and passive products.
- Although insurance is an intangible service, it requires strategies and actions on the part of everyone involved to make it "tangible" and translate to a true understanding of what the client tells us and needs.
- The slow spread of a culture of prevention and protection hinders the further growth of microinsurance.

Source: Gallegos, Luis Alberto. Presentation "Microseguros: Oportunidades y barreras." 13th International Microinsurance Conference 2017.

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51



52