



## Learning Journey

### Banco do Brasil and MAPFRE Insurance Group

#### Insurance distribution for low-income clients

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## Project Basics

### About the project

MAPFRE Insurance, part of the Bank of Brasil and MAPFRE Insurance Group (BB MAPFRE), looked to develop a life microinsurance product with an accompanying funeral assistance benefit for favelas and rural areas primarily engaged in family farming. The goal of the project then was to pilot two microinsurance products that would protect low-income clients in such a way that would enable them to cope with accidents, funeral costs and, in the case of one of the products, basic food expenses.

Based on market studies and other analyses, BB MAPFRE designed two products: 1) "Mapfre Você Tranquilo" (Mapfre Be Calm), covering natural and accidental death and targeted to low-income families living primarily in the poorest suburbs of large cities, and 2) "Agroamigo" (Agri-friend), a life insurance for small-scale farmers. Additionally, the "Mapfre Você Tranquilo" product provides monthly food baskets on top of the sum insured. Once these products were developed, BB MAPFRE drew up a business plan and trained: sales personnel at the public bank Banco do Nordeste do Brasil (BNB), the sales agents of the non-profit Instituto Nordeste de Cidadania (Northeast Citizenship Institute, in English) (INEC) and individuals from the community itself who would serve as "Mapfre Você Tranquilo" sales agents. BB MAPFRE also carried out financial education activities with clients. Following this, BB MAPFRE's IT system was modified for the products in such a way that would support effective operations and supervision. "Mapfre Você Tranquilo" was distributed through sales agents from the community, and "Agroamigo" was distributed through a consultative sale by INEC.

#### Project summary

<i>Project name:</i>	Insurance distribution for low-income clients
<i>Project start date:</i>	2012
<i>Duration:</i>	2 years
<i>Country:</i>	Brazil
<i>Product:</i>	Life and funeral assistance

## Project Updates

### What is happening?

BB MAPFRE has trained 790 INEC personnel to provide “Agroamigo” sales coverage to all states in Northeast Brazil, and trained ten people trained to sell “Mapfre Você Tranquilo” at a local kiosk.

In the first three months “Agroamigo” was in the market, it sold 8,000 policies. By December 2013, after just over a year, “Agroamigo” had sold 129,595 policies, representing premiums of US\$ 1,215,623.91. “Mapfre Você Tranquilo” had sold 16 policies, representing premiums of US\$ 920.67.

Currently BB MAPFRE is restructuring its “Mapfre Você Tranquilo” sales strategy; analyzing both expansion of the target population as well as the distribution approach.

BB MAPFRE also supports some of the activities of the National Confederation of General Insurance Companies, Life and Capitalization (CNseg) to provide financial education in the communities where it operates, going beyond product promotion and building a financial protection perspective among potential buyers.

#### PRINCIPLE PRODUCT CHARACTERISTICS

##### Coverage

Death by natural causes, accidental causes and funeral

##### *Mapfre Você Tranquilo*

###### *Plan 1*

- US\$ 1,065 – Value of funeral services provided in case of death;
- US\$ 43 – Monthly value of 12 basic food baskets provided.

###### *Plan 2*

- US\$ 1,065 – Value of funeral services provided in case of death;
- US\$ 4,255 – Compensation in case of accidental death;
- US\$ 4,255 – Compensation in case of accidental total and permanent disability;
- US\$ 43 – Monthly value of 12 basic food baskets provided.

*Both plans offer Psychological assistance as part of the funeral cover.*

##### *Agroamigo*

- US\$ 1,277 – Compensation in case of death;
- US\$ 358 – Value of funeral services provided in case of death.

##### Premiums

*Mapfre Você Tranquilo (Plan 1):* US\$ 5.73 monthly

*Mapfre Você Tranquilo (Plan 2):* US\$ 8.38 monthly

*Agroamigo:* US\$ 8.50 annually

**Premium payment method**

Bank account or bank invoice. Billing is monthly for Mapfre Você Tranquilo and annual para Agroamigo.

**Terms length and renewal process**

Mapfre Você Tranquilo can be continuously renewed through monthly premium payments. Agroamigo is a one-year policy; a new policy can be purchased at its conclusion.

**Exclusions**

The exclusions include events resulting from acts or operations of war, terrorist acts, hurricanes, cyclones, earthquakes, tsunamis and volcanic eruptions, among others.

**Additional services*****Agroamigo***

- Four monthly lotteries, each with a value of US\$ 640

**Additional benefits for the client**

0800 assistance (toll-free call) to the BB MAPFRE call center 24 hours a day, 7 days a week.

## Project Lessons

### On identifying the needs of the community

**Efforts should be undertaken to identify the most salient community members to participate in needs assessment activities.** In the process of applying interviews, BB MAPFRE obtained the best information from women. They found that because mothers manage the family finances, they have a clear view of the risks to which their families are exposed when the primary breadwinner is absent. This made clear the importance of including mothers among survey respondents, even when they were not the ones who had taken a loan or were the target customers.

**Working with a partner on the ground allows for quick data gathering, and allows the insurer to focus on the actuarial analysis.** In the Northeast region of Brazil, where BB MAPFRE offers its "Agroamigo" product, the needs of the local population were identified with the assistance of INEC. INEC is an NGO and the distribution channel for the "Agroamigo" product which is targeted at rural farmers. As a result of its work and the data it had previously gathered, INEC had a deep knowledge of how the target population lived and what their greatest needs were. That allowed INEC to provide BB MAPFRE with basic information such as the size of the target population, their capacity to pay and the ideal premium, which complemented the data collected through surveys. With this, BB MAPFRE quickly strengthened its data collection and focused on the actuarial analysis, which represents an institutional strength of the company.

**Insurance makes it possible to offer a dignified service during a trying time for families.** In various interviews BB MAPFRE undertook with the low-income population, they repeatedly detected the concept of "dignity" as one of the critical values the population placed on a life insurance product. In large part, the residents of the favelas feel excluded from society. Due to the lack of access to financial products and the limited resources of families and neighbors, people are often forced to turn to other members of the community to raise the money for a funeral or must bury the dead in vacant lots around the community. This then became a clear need, and opportunity, for the insurance product to address.

**By designing microinsurance to meet new opportunities created by government welfare programs, microinsurance can leverage these government investments.** Through the government's Bolsa Familia program, which improves income distribution to low-income families, many of BB MAPFRE's target families receive payments of 160 reais (U.S. \$ 71) per month. BB MAPFRE recognized that families obtained greater financial stability through this support, and with the addition of their own income and savings were able to start small businesses or make investments such as the purchase of a car. In turn these investments are often new sources of revenue; Bolsa Familia beneficiaries can save the additional income and/or use it to protect against shocks to income. By protecting the families against the particular shock of a breadwinner's death, BB MAPFRE insurance coverage stood to strengthen Bolsa Familia beneficiaries' ability to cope while simultaneously providing them peace of mind. BB MAPFRE expects that it may even encourage policyholders to make greater investments in higher-risk, higher return activities. From this perspective, the financial protection provided by BB MAPFRE's insurance product serves a social purpose, protecting advances enabled by social programs.

## On product design

**Better services and “dignity” can be provided through insurance products.** Responding to needs identified by the surveys, BB MAPFRE prioritized the concept of "dignity" in their marketing materials to emphasize how the insurance payout allows clients to have a dignified burial, in some cases including a consultation with the prospective client to ensure that she or he fully understands the benefits and trusts BB MAPFRE.

BB MAPFRE also included value-added services as part of the product benefits; they were able to contract service providers to provide high quality services at low prices. Benefits include assistance with documentation and selecting a casket, provision of religious objects in accordance with the family's beliefs and, for some policies, payment for the gravestone and gravesite for three years as well as exhuming the body for cremation at the end of this period, as is customary in Brazil. In this way BB MAPFRE helps families navigate the funeral process during periods of high stress. In some cases, the product also includes psychological assistance from the moment it is purchased.

**The use of a beneficiary registry reduces the documentation necessary for claims adjustment, humanizing the service.** In 2012, Brazil enacted microinsurance legislation that regulated policy purchasing and claims management processes. Based on this legislation, BB MAPFRE sought to design a simple claims management process such that it was fast and did not require families to submit multiple documents. Now, when a policy is purchased, the name of all beneficiaries is requested from the policyholder and included in a database created for the purpose. When an incident occurs, the only documents required are the death certificate and the official IDs of the beneficiaries; medical or other exams are not required. BB MAPFRE sees this as a way to humanize care, transmit confidence that they will be present in times of need and eliminate the mistrust that has tended to be present.

It should be noted that changes in future legislation are expected to simplify- and enable further flexibility around- documentation of the incident.

## On consumer education

**The low-income population's limited awareness and understanding of financial services must be addressed when offering such services.** Through interviews with the target population, BB MAPFRE identified a profound lack of awareness of the risks that people face when using financial services and products. One woman, for example, requested loans for her neighbors in her own name, not understanding that if they failed to repay the loans she would be responsible. This challenge is further compounded when discussing insurance and its intangible benefits that may be seen as "promises". This experience, and many others, showed the BB MAPFRE team the importance of providing a consultation as part of the sale.

**A very clear sales consultation combined with a general financial education campaign allows consumers to understand the various forms of protection available for purchase.** The support material used by BB MAPFRE sales agents, which consists of informational folders on each product with product and policy details, is used to supplement the information provided through general financial education

activities. The effectiveness of this strategy was seen both through the number of sales as well as clients' satisfaction with the products as observed by INEC staff.

## On product distribution

**The involvement of community residents as sales agents facilitates trust building.** From the start, BB MAPFRE sought to build a relationship of trust with its customers. Struck by the feeling of solidarity among community residents they observed through the surveys for "Mapfre Você Tranquilo", BB Mapfre realized that this could help increase product uptake. To do this, BB MAPFRE developed a strategy in the "Complexo do Alemão" favela in Rio de Janeiro, where they trained community residents to serve as "Mapfre Você Tranquilo" sales agents and disseminate a culture of financial protection. These residents provide a consultative sale and are the ones to whom their neighbors turn when in need, facilitating the development of a trusting relationship with BB MAPFRE's customers. While this strategy is currently being re-conceptualized due to a low number of sales, BB MAPFRE continues to recognize the value of involving the community.

**A distribution network serves as a platform that can be exploited with good product design, clear and specific processes, network training, a comprehensive implementation strategy, leveraging of the insurer's mass market experience and an integrated IT system.** BB MAPFRE is composed of Banco do Brasil and MAPFRE Seguros, and has more than 20,000 points of sale throughout Brazil; reaching an additional 6,000 points of sale with the national postal service. It is partially in thanks to this large distribution network that BB MAPFRE was able to sell 129,595 policies in Year 1 of the products.

This growth is also due to the extensive preparation undertaken before launching the product. As they do with their mass products, prior to launch BB MAPFRE conducted a market study and defined the target population, developed premium projections, validated the Group's initial assumptions regarding demand and optimal product design and finally developed the system to manage enrollment, policy issuance, premium payments, claims and product results monitoring.

## NEXT ACTIONS

BB MAPFRE is exploring the possibility of working with non-governmental associations, banking and non-banking correspondents as well as developing technologies that simplify remote sales within the regulatory framework of the Superintendence of Private Insurance. With the implementation of these technologies, the Group seeks to expand its distribution network and provide a simple and quick consultative sale in a way that decreases costs.