

## Factsheet microinsurance business model

### Indonesia: Allianz's SEKOCI, responding to the 'client value' challenge



#### The challenge

While there are already emerging distribution channels for Microinsurance (MI) such as mobile phone network operators (MNOs) and other utility companies, microfinance institutions (MFIs) remain to be the easier entry point of MI providers.

The captive market of MFIs enabled insurance providers to immediately reach business scale. It incentivized roles delegated to the MFIs such as on client enrolment, education and claims administration.

Asuransi Allianz Life Indonesia, with more than 60 MFI partners, has already mastered the MFI channel business model. Its flagship MI product *Payung Keluarga* credit-life has a strong 5.4 million customer base which generated USD 2.9 million in gross written premium (2016).

Credit-life is believed to serve more the interest of the MFI as a lender, and is challenged to having low value to the client. Allianz therefore wanted to do upselling for voluntary and more relevant microinsurance products, not only to protect the micro borrowers but also their families.

#### Enabling policies and regulations

On October 2013, the Indonesia Financial Service Authority or Otoritas Jasa Keuangan (OJK) jointly with the insurance associations launched the Grand Design for the Development of Indonesia's Microinsurance market. The Grand Design defines microinsurance in terms of its scope, limits and eligible market participants. It encourages innovation in product design and distribution. It elaborates the value chain of microinsurance delivery in the concept of SMES, i.e. microinsurance should be **Sederhana** (Simple), **Mudah** (Easy), **Ekonomis** (Affordable), and **Segera** (Fast).

As an active microinsurance player, Allianz wanted to contribute to microinsurance national development. Allianz, as an early responder to the Grand Design, and some insurance companies, formed a microinsurance working group to develop a standard microinsurance product which AAJI (the association of life insurance companies) and OJK have adopted. However, instead of joining the consortia which will collectively underwrite the standard product, Allianz decided to underwrite its own product in a full copy of specification of the standard product.

The support in increasing insurance awareness from OJK as well as the active discussion in the microinsurance working group proves very beneficial to make the product fly.

#### The microinsurance product: SEKOCI

SEKOCI (Indonesian word for lifeboat) is an enhanced version of SiPeci MI product that Allianz has decided to terminate. SEKOCI is adapted from the standard microinsurance product developed under the OJK pilot project using MFIs as distribution channel.

SEKOCI is a voluntary term-life product launched on Oct 2016 in partnership with Indosat Ooredoo. It is a top up to *Payung Keluarga* credit-life clients who are 17-65 years old. SEKOCI will be sold to the families of borrowers after the pilot experience shows that adverse selection could be managed well.

SEKOCI Features	
Premium	IDR120,000 (USD\$9) for coverage of 1 year – <i>an example in one market. Other premium and benefit configurations are possible.</i>
Premium terms and conditions	The client pays IDR 20,000/month, where the 10,000 is for risk premium and the other 10,000 is automatically converted to airtime value to keep the SIM card active.
Benefits	IDR5,000,000 (US\$384) in case the insured dies of illness, or IDR25,000,000 (US\$1,923) in case of accidental death.



This factsheet is jointly produced and published by the Financial Services Authority of Indonesia (OJK), Allianz Life Indonesia, and the German Development Cooperation - Regulatory Framework Promotion of Pro-poor Insurance Markets in Asia (GIZ-RFPI Asia) for the MEFIN Network, a collegial body of insurance policy makers and regulators in Asia. RFPI Asia is the Secretariat of MEFIN Network. Contact us: +63 2 353 1044-45. [www.mefin.org](http://www.mefin.org)

## Improving client value

Client value is high if microinsurance products and services are providing protection and benefits to the low-income policyholders and their families from large shocks (high cost events) in comparison to other alternatives, and if it is effective in smoothing income or protecting assets of the poor when smaller shocks (low cost events) occur (MILK, Micro Insurance Center). It is widely recognized that microinsurance products can deliver value to low-income households only if they are appropriate, accessible, affordable, responsive and simple (Briefing Note 10, Microinsurance Innovation Facility).

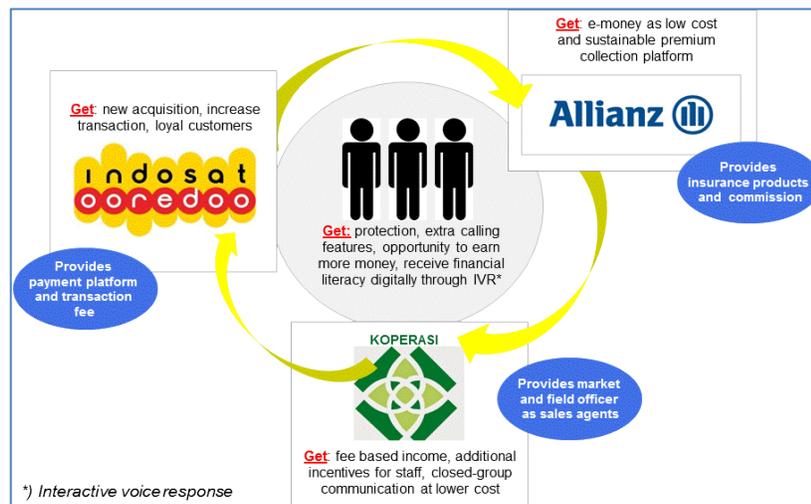
The SEKOCI product feature is borne out of a *Payung Keluarga* credit-life satisfaction survey commissioned by Allianz which asked clients' preferences for insurance coverage. Life, health and accident coverage topped the list of preferences. The product is designed in modular basis, meaning that the basic sum assured, premium and commission could vary depending on the agreement with the MFI as aggregator. Another study revealed that Allianz brand awareness of credit-life clients was only 26%. SEKOCI, being a voluntary product, aims to increase this to at least 50% by sending digital financial literacy messages to the clients through Interactive Voice Response (IVR) technology.

Product access of SEKOCI is enhanced by technology application. Allianz partnered with telecom provider Indosat Ooredoo's Dompetku e-money service. The MFI acts as agent and helps customers activate the SIM card and the SEKOCI policy. This technology application is much better than the scratch card method of SiPeci (its predecessor product).

Activation of policy is difficult in the scratch card method. It also does not allow easy renewal of policy.

In claims procedure (**product experience**), the MFI helps in collecting documents, then endorsed to Allianz for processing. Claims pay-out is deposited to the customer's Dompetku e-money account.

SEKOCI brings value to clients using the e-money as a **low cost and sustainable platform** for premium collection, payment of claims and renewal of policy as well as a continuous customer education using the IVR platform.



## Tripartite business model

SEKOCI's business model benefits from the partnership of three organizations.

An MNO, Indosat Ooredoo, provides a payment platform for premiums and claims via the Dompetku money transfer service. Indosat benefits from new acquisition, increase transaction, retention of and rewarding loyal customers.

An MFI provides access to its members as the market, its field officer as sales agents (and assist in claims processing) receive fee-based income and enables efficient communication to the target market.

Allianz underwrites the product which benefits an e-money system from the MNO as low cost and sustainable premium collection and claims payment platform.

Finally, the clients benefit from added value of the SEKOCI product and administration services. Allianz aims to gain 5,000 new customers during the pilot period. It has sold 700 policies so far.



This factsheet is jointly produced and published by the Financial Services Authority of Indonesia (OJK), Allianz Life Indonesia, and the German Development Cooperation - Regulatory Framework Promotion of Pro-poor Insurance Markets in Asia (GIZ-RFPI Asia) for the MEFIN Network, a collegial body of insurance policy makers and regulators in Asia. RFPI Asia is the Secretariat of MEFIN Network. Contact us: +63 2 353 1044-45. [www.mefin.org](http://www.mefin.org)