

## Factsheet microinsurance business model

# Pakistan: Making Life and Health Insurance Accessible for Middle to Low-End Retailers (SME Segment)

### The challenge for SME Segment

SMEs in Pakistan constitute nearly 90% of all the enterprises in Pakistan; employ 78% of the non-agricultural labour force; and their share in the annual GDP more than 30%<sup>1</sup>. Looking into these numbers one can foresee that this segment holds a great potential that can help financial institutions to work in the right direction of financial inclusion for the masses.

The SME retailers in Pakistan owning Mom & Pop stores, Corner shops and Small scope retail stores (*Kiryana* stores) are generally classified as financially vulnerable segment of the market given the fact that their income is highly. They constitute a part of Pakistan's middle-to-low income population that does not have access to life and health insurance coverage. Whenever a health situation arises, whether it is a minor illness or a major one, this segment is compelled to either borrow from friends and family or dig into their hard-earned savings – all of this leads to financial distress. Additionally for the masses in the country, a death of their loved one would have severe financial consequences on the family. And if it happens to be the household head passing away, the financial burden could last for a few generations. Hence, there exists a platform of MicroInsurance (MI) products for both life & health – to tap this industry within Pakistan. Such innovative and low ticket products can help this market cater to their health needs with access to affordable quality healthcare services as well as providing surviving family members with funds to be used for a variety of reasons including paying off the outstanding loans, mortgages on a family home, education, funeral arrangements and more.

### Enabling policies and regulations

One of the key recent developments in Pakistan is the “National Financial Inclusion Strategy” (NFIS). The objective of the strategy is to build momentum and push forward reforms to achieve

universal financial inclusion in an integrated and sustained manner. The Government's vision for financial inclusion in Pakistan is: “Individuals and firms can access and use a range of quality payments, savings, credit and **insurance** services which meet their needs with dignity and fairness” Research also shows that countries that have invested in devising and implementing a national financial inclusion strategy have been more successful and effective in reaching set targets. On average, there is a 10% increase in the percentage of adults with an account at a formal financial institution for countries that launched an NFIS after 2007, whereas the increase is only 5% for those countries that have not launched an NFIS<sup>2</sup>.

### EFU Life's model to access retailers

EFU Life has partnered with **Planet N** – a group holding company operating with a vision for financial inclusion of Pakistan through technology. Planet N has more than 20 business platforms that are determined to achieve this goal. In the first phase EFU Life has collaborated with two of their business units one of them being “**Order Call**” whereas the other core payment technology partner is “**Tez Financial Service**”, **Order Call** - is a universal system for an FMCG retailer for order booking & processing where a retailer is enabled to track their order in real time. It is set to change the conventional approach of procuring through multiple distributors and suppliers by bringing the manufacturing players under one umbrella, where a retailer will have an access to all these players and can order anything at any point in time. Order Call started its services in July 2017 and has already on boarded over 3,000 retailers. Whereas, **Tez Financial Services** - is a technologically derived financial solution provider. A customer can not only make or receive payments here, but they are also enabled to borrow short term credit loans for their short term needs. It has enabled people with little or no credit history to access such formal financial services. It uses

<sup>1</sup> Source: Small & Medium Enterprises in Pakistan: Definition & Critical Issues – Pakistan Business Review, April 2017.  
<http://journals.iobmresearch.com/index.php/PBR/article/view/1245/229>

<sup>2</sup> Source: World Bank (2015)  
<http://www.worldbank.org/en/news/feature/2015/08/05/peru-launches-national-financial-inclusion-strategy-to-expand-financial-inclusion>

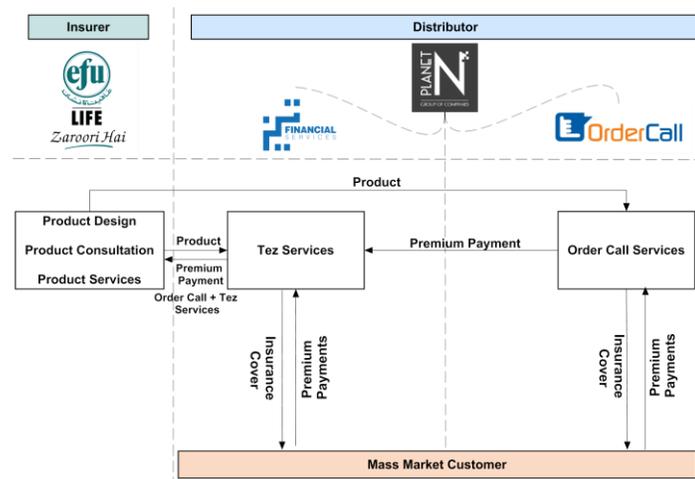


*This factsheet is jointly produced and published by the Securities and Exchange Commission of Pakistan, EFU Life and the German Development Cooperation - Regulatory Framework Promotion of Pro-poor Insurance Markets in Asia (GIZ-RFPI Asia) for the MEFIN Network, a collegial body of insurance policy makers 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)*

information technology to validate user identities and provide them with credit facilities where the credit amount is instantly disbursed to their mobile accounts.

Both the above defined business platforms of **Planet N** work hand in hand to reach maximum number of customers that comes under the ambit of core Microfinance customers' category. Whereas EFU Life based on their expertise with insurance products, is determined to provide insurance solutions to their customers (Figure 1).

**Figure 1 : Model to Access Retailers**



### Asaan Tahaffuz (Easy Protection) – Insurance Coverage for Retailers

The collaboration between EFU Life & Order Call provides the small and medium segment retailers a flexible Hospital Cash Assistance and Term Life plan that ensures that an individual as well as his family lives a healthy and peaceful life. This unique plan not only provides financial coverage against an unfortunate event of death of the policy holder, in fact it also ensures that the life assured and/or his family is financially protected in case of severe health issue that may lead to hospitalization. The target market for this product fits well with the micro and mass market segments and includes Mom & Pop stores, Corner shops and Small scope retail stores (*Kiryana* stores) The plan proposes six different packages to meet the different needs of the individuals.



**Table 1**

Product details	Asaan Tahaffuz
Type of cover	Hospital Cash & Term Life
Term, age limit	Quarterly, 18 to 65 years
Coverage and Premium	Coverage for Term Life ranges from USD 1000 to 5000. For Hospital Cash, the coverage is USD 10 to 50 expense reimbursement per night of hospital confinement. A family version is also available covering the spouse and 4 children. The premium ranges from USD 2.4 to 15 per quarter depending on the level of coverage opted for.
Benefits	<ul style="list-style-type: none"> <li>Life Cover (Individual Only), Hospital Cash (Individual &amp; Family), C- Section (Spouse only) &amp; GA Surgery (Family only)</li> </ul>
Key Exclusion	<ul style="list-style-type: none"> <li>Pre-existing Conditions</li> <li>Intentional self-inflicted injury, participation in any criminal act or violation of law.</li> <li>War, invasion, act of foreign enemy, hostilities (whether war be declared or not), armed or unarmed truce, civil war, mutiny, rebellion, revolution, insurrection by military or usurped power, riot or civil commotion, an illegal organization or an industrial dispute.</li> <li>Pregnancy, miscarriage, childbirth or any-malignant disease occurring in or in connection with the female reproductive organs.</li> </ul>

The above Plans will be sold to all the existing and new retailers.

### Enrolment Process

The enrolment process for this customized product for retailers is simple. Since the core services are bundled with insurance protection, Order Call services along with the benefits of complimentary insurance coverage are pitched to a retailer. A subscription form is filled for Order Call and the retailer with his family gets assured instantly.

### Expansion Plan

Order Call plans to expand its services nationwide across Pakistan with a target to have over 25,000 retailers on board. This provides an exciting opportunity to penetrate into this target market on a larger scale. At the same time, our plan is to convert a segment of these retailers into insurance distributors and opinion leaders, thus creating a mass level network with the aim of social upliftment for the masses.

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