



Group Social Opportunities / Microinsurance

Microinsurance at Allianz

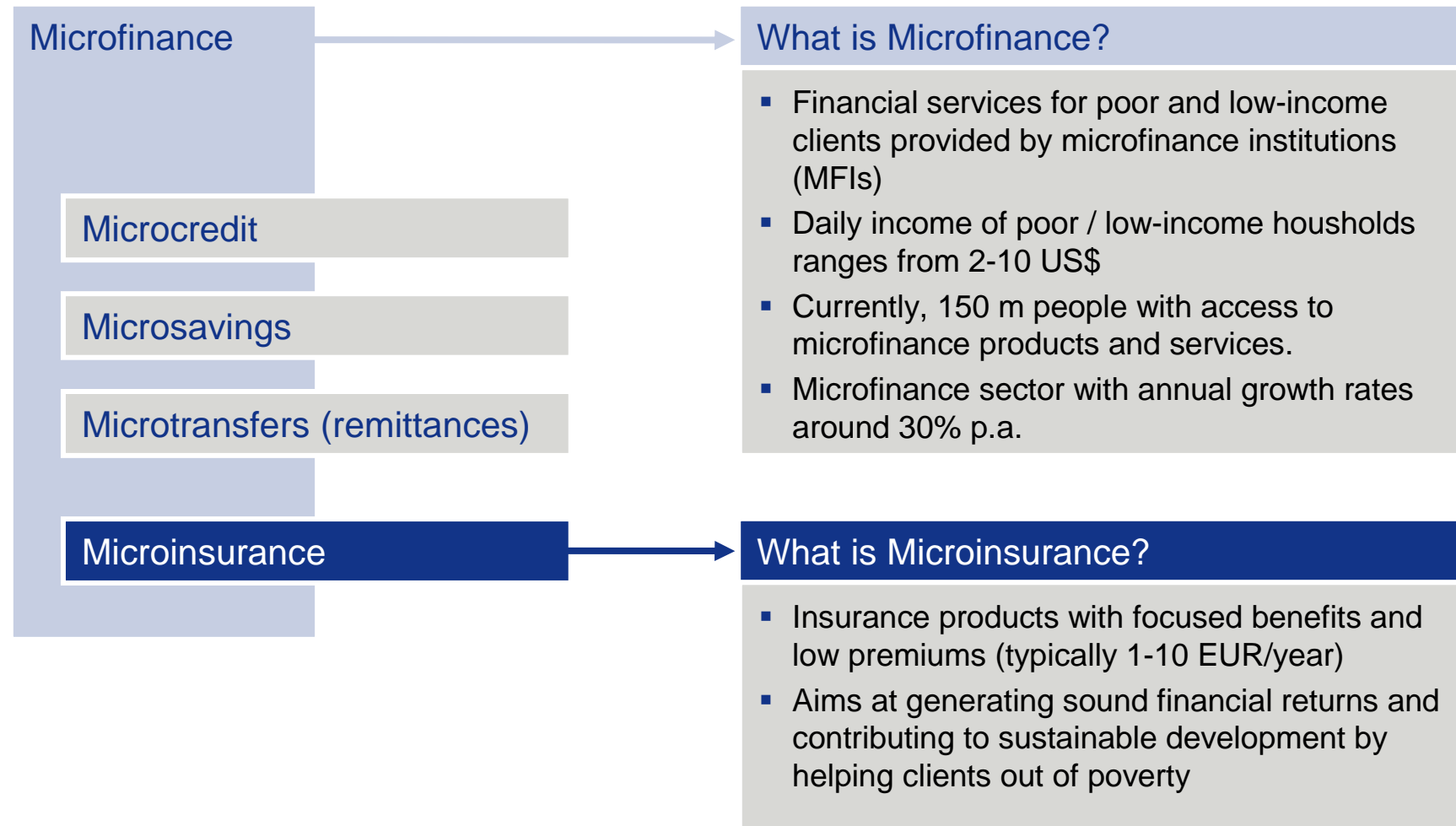
Munich, May 19, 2009

INSURANCE | ASSET MANAGEMENT | BANKING

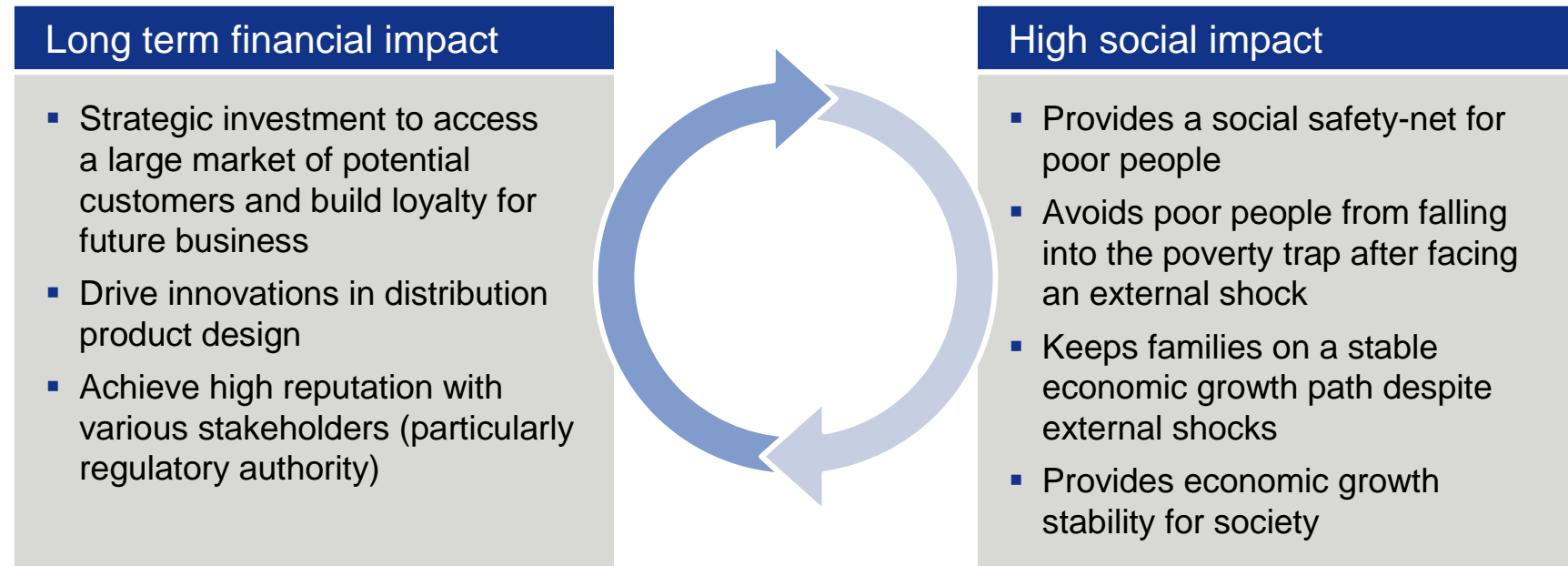


Pictures courtesy of ASA

Microinsurance is a strongly microfinance product



Drivers and motivation of microinsurance: creating win-wins with a double bottom line



Microinsurance is a long-term strategy:
educating of future clients at the bottom of the pyramid
about the benefits of insurance

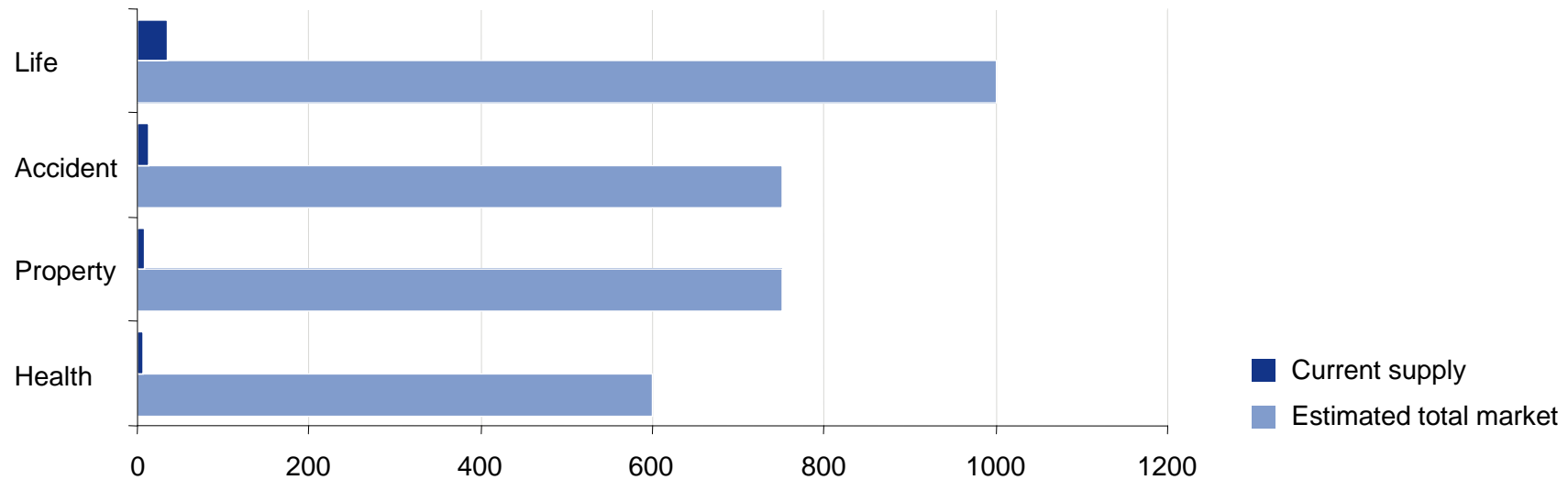
Typical challenges in microinsurance: using different approaches to tap an unknown market

<p>Unfamiliar customer segment</p>	<p>Lack of experience in tapping low-income market with existing products: Local social aggregators provide access to poor people and translate needs into products</p> <p>Products and processes (distribution, administration, claims handling) are not adapted to local context</p> <ul style="list-style-type: none"> ▪ Lacking IT-systems in rural areas demonstrate need for mobile solutions ▪ Harvest seasons to be considered to avoid impact on payment capacities of clients ▪ Monitoring systems to be put into place to overcome corruption issues
<p>Financial and insurance illiteracy</p>	<p>Concept of insurance unknown to 90% of clients</p> <ul style="list-style-type: none"> ▪ Provision of mass awareness campaigns in villages ▪ Training for local women self-help groups ▪ Fingerprint signature rather than writing to overcome illiteracy
<p>Simple and low cost offering</p>	<p>High admin burden for very low unit-cost</p> <ul style="list-style-type: none"> ▪ Selling microinsurance in large numbers as group policy and involve NGO-partner take care of claims handling ▪ Achieve highest automatisisation of process to achieve economies of scale

Microinsurance offers a business opportunity for Allianz to reach low income customers

Current supply and potential market in the 100 poorest countries

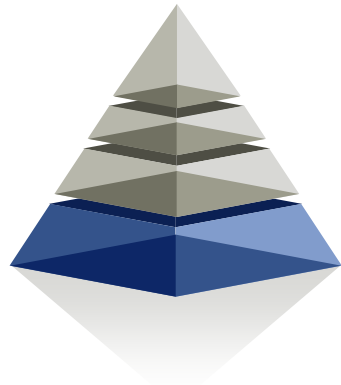
Millions of people, 2007



- Market demand exceeding one billion people
- Only 80 million inhabitants of the world's 100 poorest countries have any type of insurance
- Number of microfinance institutions is rapidly increasing
- Growth opportunity for Allianz, as microinsurance products can be sold in combination with microloans

Source: Kuper, Andrew (LeapFrog Investments): From Microfinance into Microinsurance, Nov. 2008

Microinsurance - a “fortune at the bottom of the pyramid?”



Worldwide dynamics

- Demand: 2.6 billion people,
- Coverage: 3% of the poor insured (about 80 million)
- Players: 246 operating microinsurers

Microfinance dynamics per country / region

India

Highly developed market that increasingly includes microinsurance

- Coverage: 30 million poor insured
- Demand: 250 million people
- Players: All mainstream insurers offer microinsurance; many MFI run spin-offs

Indonesia

Fast-growing but fragmented market that gradually enters microinsurance

- Coverage: 3% of the poor insured
- Demand: 12 million people until 2015
- Players: First mainstream insurers and banks diversify into microinsurance

Africa

Steadily growing microfinance market with first movers going into microinsurance

- Coverage: 3.5 million poor insured
- Demand: Increasing demand (so far no exact data)
- Players: microfinance institutions begin diversifying into insurance

Colombia

Well developed market with many microinsurance players


- Coverage: 2.5 million people are covered currently
- Players: All major insurers offer products, including Zurich and AIG

Overview of Allianz microinsurance footprint

	Products	Customers	GWP	Partners
India	<ul style="list-style-type: none"> Risk-Life, accident and health schemes 	<ul style="list-style-type: none"> 1,6 mn 	<ul style="list-style-type: none"> EUR 8 mn 	<p>+ 180 further partners</p>
Indonesia	<ul style="list-style-type: none"> Credit-Life microinsurance 	<ul style="list-style-type: none"> 230.000 	<ul style="list-style-type: none"> EUR 200.000 	<p>+ several partners</p>
Egypt	<ul style="list-style-type: none"> Death/Disability microinsurance 	<ul style="list-style-type: none"> 26.000 	<ul style="list-style-type: none"> EUR 50.000 	
Senegal, Cameroon	<ul style="list-style-type: none"> Death/Disability microinsurance 	<ul style="list-style-type: none"> 15.000 	<ul style="list-style-type: none"> EUR 35.000 	
Colombia	<ul style="list-style-type: none"> Credit Life microinsurance 	<ul style="list-style-type: none"> 40.000 	<ul style="list-style-type: none"> unknown 	

Microinsurance business model: partnerships with social aggregators to reach the client

	 Allianz & care	 care & local NGOs	Policyholder
Activity	Product development	Marketing & sales	Purchase of policy
Example	<ul style="list-style-type: none"> After 2004-tsunami development of insurance package (life, accident, property, hospital cash) for Southern India 	<ul style="list-style-type: none"> Mass awareness campaigns in villages, e.g., insurance theatre play 	<p>A typical client</p> <ul style="list-style-type: none"> ...lives on 2-5 dollar a day ...generates income from informal economy (riksha-driving, fishing, agriculture, shop-keeping, handiwork, etc.) ...is predominantly female

Allianz	 care & local NGOs	Policyholder
Claims ...	Claims documentation	Damage / Risk
<p>... Verification and payments issuance</p> <ul style="list-style-type: none"> Sample checks by Allianz Payment issued in mass celebration events 	<ul style="list-style-type: none"> Assessment of damage level (house destroyed, half destroyed, not severely affected) by NGOs 	<ul style="list-style-type: none"> 2008 cyclone Nisha hits Southern India About 16.000 insured houses affected

Social impact of microinsurance: examples

	Situation	Allianz reaction	Social Impact
Property microinsurance (India)	<ul style="list-style-type: none"> After 2004-tsunami Allianz introduced microinsurance schemes in India In 2008 cyclone Nisha hit Southern India, leaving 204 persons dead and over 100.000 displaced Over 16.000 insured houses in over 40 villages affected 	<ul style="list-style-type: none"> Through CARE and local NGOs, Allianz establishes contact to affected villages and assessment of damage starts within three days of cyclone, despite ongoing inundation 	<ul style="list-style-type: none"> Quick assessment of damages (completed within two weeks) Quick settlement of claims (completed within three months) Payment issuance to about 16.500 claimants <ul style="list-style-type: none"> - Rs. 5.000 (about EUR 77) for fully damaged house; Rs. 2.500 for partially damages house
Credit-life microinsurance (Indonesia)	<ul style="list-style-type: none"> Small shop selling sweets in poor neighborhood of Jakarta Owner took up loan of EUR 100 to buy refrigerator to store ice for soft drinks (quickly turned into best-seller of shop, increasing income to up to 3-4 EUR/day) Owner died unexpectedly and left family to handle shop, children of owner and unpaid loan on their own, straining the family's already scarce resources 	<ul style="list-style-type: none"> Shop-owner had taken out Allianz microinsurance when she took up loan Allianz paid remaining loan to MFI (credit-part of insurance) Allianz paid twice the loan amount to family (life-part of insurance) 	<ul style="list-style-type: none"> Family freed of financial burden of unpaid loan, which would have forced them to sell shop and thrown them back into poverty Financial means to cover expenses of funeral and use remaining money for savings, investment into shop and education of children

Allianz's microinsurance roadmap

Strategic goals

- Grow operations in
 - Cameroon
 - Colombia
 - Egypt
 - India
 - Indonesia
- Establish micro-insurance business in new markets, such as
 - Senegal
 - Mali

Measures / Activities

Scaling-up: Achieve scale in simple microinsurance products

- Credit-life insurance
- Savings-linked life insurance

Innovation: Drive innovation in microinsurance through pilot schemes to enhance

- Distribution of products through mobile phones
- Product attractiveness and social impact through mutual schemes in health and crop-insurance

Social Impact

- Measure the social impact of microinsurance
- Apply reasonable sales practices