

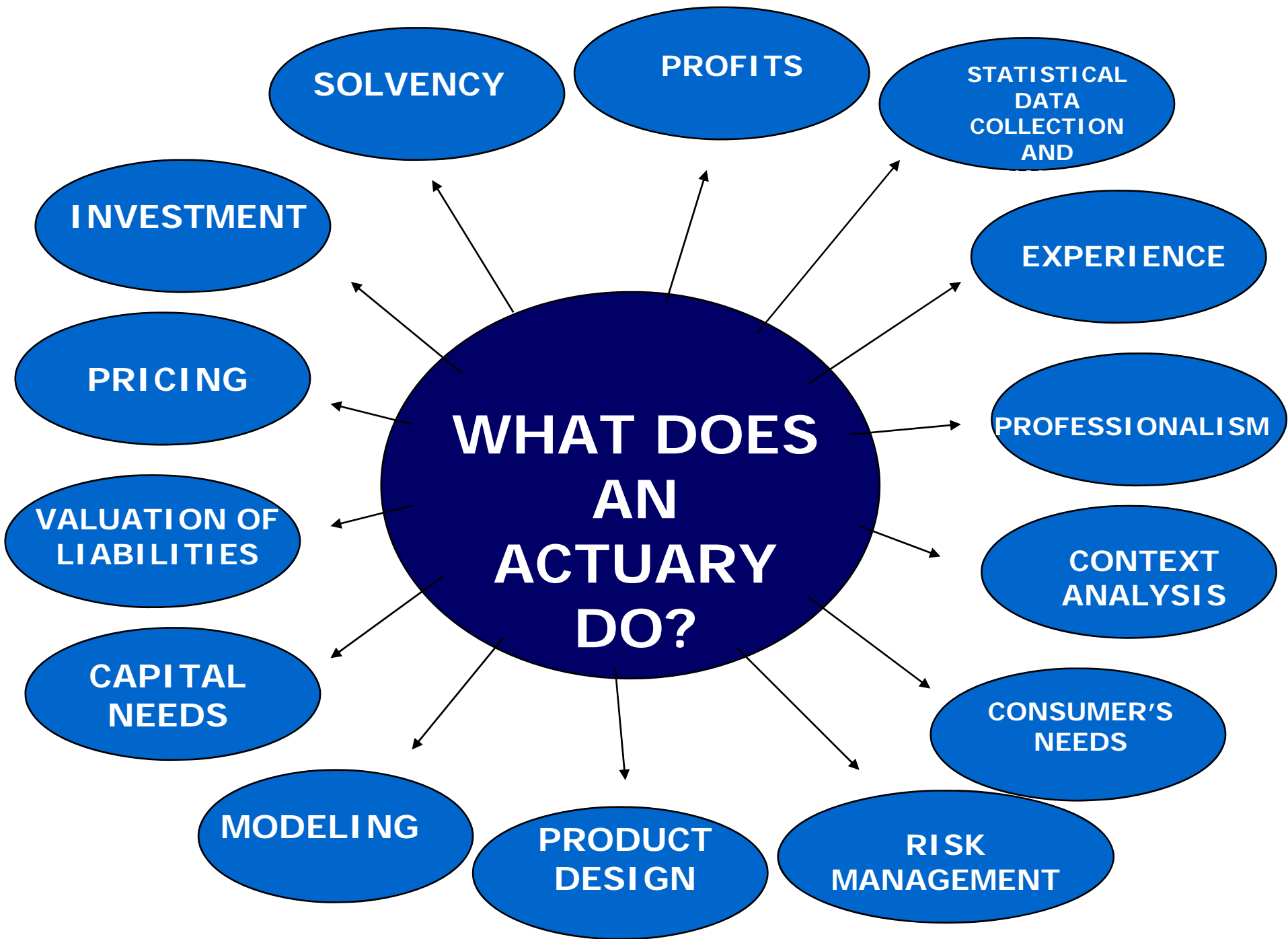
MAY 2009

IAA MICROINSURANCE SEMINAR

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**WHAT VALUE CAN ACTUARIES
BRING TO THIS MARKET?**



CONTEXT ANALYSIS

✓ Professional

✓ Regulatory

✓ Tax

✓ Political

✓ Legal

✓ Social Security

✓ Economic Situation

✓ Demographic Structure

✓ Employment /unemployment
/self-employment



✓ Social Factors

✓ Industrialization

✓ Standards and practices

✓ Technological development

✓ Product sophistication

✓ Presence of financial
institutions

✓ Distribution channels

✓ Competitors

CONSUMER'S NEEDS

- ✓ **Financial life cycle:**
 - Income, expenses and savings
- ✓ **Socio-demographic context**
- ✓ **Risk and volatility in the cycle:**
 - Death, disability, crisis, catastrophes, etc.
- ✓ **Products**
 - Life insurance
 - Health insurance
 - P+C insurance
 - Savings

STATISTICAL DATA COLLECTION AND ANALYSIS

Present situation

- New market
- No reliable statistics

What needs to be done?

- Generate databases
- Build mortality tables

RISK MANAGEMENT

✓ Identification

✓ Valuation

✓ Strategies

✓ Monitoring

✓ Control

Risk management administration:

- Underwriting
- Market
- Liquidity
- Loss rate deviations
- Credit
- Operational
- Valuation
- Reserves
- Strategy
- Legal
- Catastrophe risks
- Fraud
- Economic crisis

To



-Retain
-Reduce

-Avoid
-Transfer

-Reinsurance

PRODUCT DESIGN

✓ **Type of need:** Who is the customer and why is it necessary?

✓ **Can the need be satisfied?** Financial viability, time and legal requirements

✓ **Product design**

- Product definition
- Customer service
- Pricing
- Distribution
- Management

- Product underwriting
- Reinsurance
- Capital requirement
- Legislation

MODELING

✓ **Model types:** Deterministic, stochastic, combined and scenario-based

✓ **Model examples:** Demographic, cash flow, discount, embedded value, model Office, economic models, etc.

✓ **Assumption**

✓ **Monitoring**

✓ **Sensitivity**

CAPITAL REQUIREMENT

✓ **Capital ratio**

- Working capital
- Fluctuations (solvency)
- Rating agencies

✓ **Other perspectives**

- Management
- Supervisors
- Rating agencies
- Shareholders

VALUATION OF LIABILITIES

- ✓ **Measurement models**
- ✓ **Information**
- ✓ **Assumptions**

PRICING

Dividing by 100 is not enough

- **Demographic bases**
- **Lapse rates**
- **Administration costs**
- **Acquisition costs**
- **Adverse selection**
- **Fraud**
- **Premium seasonality**
- **Profit**

INVESTMENT

- ✓ Risk
- ✓ Objectives
- ✓ Risk diversification
- ✓ Protection
- ✓ Monitoring

SOLVENCY

- **Capital**
- **Risk management**
- **Legal requirements**

PROFIT

✓ **Statutory**

✓ **Distributable**

✓ **Profit sources**

EXPERIENCE

✓Monitoring

- Actual vs Assumptions
- Historical development
- Information for shareholders
- Information for Management
- Information for regulators

✓Response

- Pricing
- Underwriting
- Capital

PROFESSIONALISM

- ✓ **Ethics**
- ✓ **Actuarial standards**
- ✓ **Training**

ACTUARIES IN MICROINSURANCE



WHAT VALUE CAN OTHER
INSURANCE PROFESSIONALS
BRING?



COMMUNICATION

- **Clear and simple language**
- **Use of the community's language or dialect**
- **Media**
- **Simplified documents**
- **Use of icons, symbols, images**

DISTRIBUTION

- **Generate partnerships:**
 - Private sector
 - Government
 - Social sector

- **Distribution channels**
 - MFI
 - Own sales force
 - BOP distribution chains
 - Beauty products
 - Food
 - Soft drinks
 - Dietary supplements
 - Clothing
 - Shoes, etc.

DISTRIBUTION

- **Points of sale**
 - Drugstores
 - Convenience stores
 - Super Markets
 - Etc

- **Religious associations**

- **Unions / Associations**
 - Taxi drivers
 - Migrants
 - Etc

MARKET RESEARCH

- Needs
- Risks
- How they deal with them
- Traditions
- Who do they trust?
- Consumer profile
- Family structure



How?

- Qualitative studies (focus groups)
- Quantitative studies (market research)

- **Remote operation**
- **Simplified system**
- **On-line operation**
- **Simple tools**
 - **PDA**
 - **Cell Phones**

CUSTOMER SERVICE

- **Simplified underwriting**
- **Guaranteed issuance**
- **Immediate issuance**
- **Collection linked to other services**
- **Immediate claim payments**
- **Minimum documentation required**

REGULATIONS

- **Specific regulatory framework**
- **Short policies**
- **Uncertified distribution channels**
- **Simplified customer ID**

FINANCIAL EDUCATION

- **Contingency planning**
- **Distribution channel and end customer**
- **Familiarization with financial instruments**



THANK YOU