Expanding Insurance Opportunities in Developing Economies

Andrea E. Keenan
Vice President – Research & Ratings Criteria

August 5, 2013
A.M. Best - Oldwick, NJ
Agenda

- Risks in Emerging Markets: Country Risk & A.M Best
- Opportunities in Emerging Markets
- Challenges to Insurance Market Development
- Possible Solutions from Microinsurance
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The risk that country-specific factors could adversely affect an insurer’s ability to pay its financial obligations

### Country Risk

#### Economic Risk
- Macroconomy
- Prospects
- Government Finance

#### Political Risk
- Business Environment
- Government Stability
- Social Stability
- Legal System

#### Financial System Risk
- Banking System
- Reporting Standards & Regulation
- Sovereign Debt
- Government & Legislation
- Supervisory Authority
- Insurer Accountability

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**Risk Levels**

- **CRT-1**
  Lowest Risk
- **CRT-3**
  Moderate Risk
- **CRT-5**
  Highest Risk
A.M. Best Country Risk Analysis

Map showing the world with different countries shaded in green, yellow, red, orange, and brown to indicate varying levels of country risk.
Agenda

• Risks in Emerging Markets: Country Risk & A.M Best
• Opportunities in Emerging Markets
• Challenges to Insurance Market Development
• Possible Solutions from Microinsurance
IMF Global Growth Projections

World
Advanced economies
Emerging & developing economies

* Forecasts

ARIA - 2013 Annual Meeting
August 5, 2013
Increasing Relevance

Emerging Market Share of World GDP

* forecast

ARIA - 2013 Annual Meeting
August 5, 2013
Insurance Penetration by GDP per Capita

Relationship between penetration and GDP Per Capita

August 5, 2013 ARIA - 2013 Annual Meeting
Insurance as a % of GDP for the 15 Largest Economies

Average of Developed Countries = 8.5%
Average of Developing Countries = 2.7%
Projected Premium Growth by Country Risk Tier

- Developed* markets denote AM Best CRT-1 and CRT-2 designated countries
- Emerging** markets denote AM Best CRT-3, CRT-4 and CRT-5 designated countries

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Changing Market Share

Developed*
- 2012: 84.9%
- 2018: 81.5%

Emerging**
- 2012: 15.1%
- 2018: 18.6%

* Developed markets denotes AM Best CRT-1 and CRT-2 designated countries
** Emerging markets denote AM Best CRT-3, CRT-4 and CRT-5 designated countries
Agenda

- Risks in Emerging Markets: Country Risk & A.M Best Opportunities in Emerging Markets
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Country Risk And Insurance Penetration for 2012

Relationship Between Country Risk and Insurance Penetration

Country Risk Score

Insurance Penetration

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Premiums in Emerging Markets

- CRT-3: 2012 - 500 Thousands, 2018 - 800 Thousands
- CRT-4: 2012 - 100 Thousands, 2018 - 200 Thousands
- CRT-5: 2012 - 50 Thousands, 2018 - 100 Thousands

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Growth in Premiums in Emerging Markets

Projected Growth from 2012-2018 in Emerging Markets by Country Risk Tier

- CRT-3: 59.7%
- CRT-4: 61.4%
- CRT-5: 26.8%

Developed Market Projected Growth Rate = 23%
Corruption Perception Index

Higher Degree of Perceived Corruption

Average within the Country Risk Tier
World Bank Ease of Doing Business

More challenging business environment

Average within the Country Risk Tier

Ease of Doing Business Rank
(Out of 185 Countries)

CRT-1  CRT-2  CRT-3  CRT-4  CRT-5

19.4    32.1    56.3    85.6    117.7

More challenging business environment

August 5, 2013
The Gap Widens Between Risk and Cover

Risk Exposure still exceeds coverage

Urbanization, Industrialization

Coverage Growth

Insurance Industry Maturation

Economic Growth

Premiums Growth exceeds GDP growth
Agenda

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Finding Structural Solutions

• The future of the insurance industry relies upon structural change within the country, and innovation within the industry

• Emerging markets are an excellent testing ground for new ideas

• “People tend to innovate far more when it is tough to make money.” – Mike McGavick, CEO, XL Group
Microinsurance a Natural Fit

Out of Target Market Range for Microinsurance
Within Target Market Range

Africa
- $3,952
- $1,432
- $936
- $627
- $369

Southeast Asia
- $6,346
- $2,671
- $1,968
- $1,370
- $852

Latin America
- $18,366
- $6,832
- $4,356
- $2,749
- $1,382

Sources: World Bank, International Monetary Fund, A.M. Best Co.
Sustainable Through Innovation

- Insurer/Intermediary Cost
  - Pricing the Risk
    - Standardized Policies and Underwriting for Groups of Policyholders
  - Selling the Policies
    - Distribution Through Partnerships
  - Processing the Claims
    - Indexed or Pre-Determined Payouts With No Adjustment Costs
  - Regulatory Compliance
    - Proportional Regulation or Quotas

- Cost Mitigation Technique

- Client Value
  - Simple Product, No Terms to Negotiate
  - Exact Need is Addressed and Within Own Community
  - Quick and Predictable Benefit Realized
  - Protection to Insured
Conclusions

- Emerging markets will continue to become a larger share of the world economy
- Higher rates of economic growth will lead to faster growth in insurance premiums in emerging economies
- The most rapid growth in insurance premiums will occur in countries whose infrastructure and government policies support a stable and developing market
- Support from the public sector and innovations from the private sector are evident in the area of microinsurance
Thank You
Microinsurance at Swiss Re
Expanding the Access to Insurance

American Risk and Insurance Association. 2013 Annual Meeting
Washington, DC. August 5th 2013
Introduction to Swiss Re

Sovereign Risk and Microinsurance Solutions
Swiss Re is a leading and highly diversified global re/insurance company

- **150 years of experience** in providing wholesale re/insurance and risk management solutions.

- **We deliver both traditional and innovative offerings** in Property & Casualty and Life & Health that meet our clients' needs.

- **A pioneer in insurance-based capital market solutions**, we combine financial strength and unparalleled expertise for the benefit of our clients.

- **Our financial strength** is currently rated:
  Standard & Poor’s: AA-/stable; Moody’s A1/positive;
  A.M. Best: A+/stable
Massive gap between economic and insured losses

**Natural catastrophe losses 1982-2012, in USD billion (2012 prices)**

*2012 Loss numbers are a preliminary estimate*

Note: Insured losses: property and business interruption, excluding liability and life insurance losses

Source: Swiss Re sigma

Note: Loss amounts indexed to 2009

Source: Swiss Re, sigma No 2/2010
Closing the Gap: Including ex-ante instruments into the overall risk financing strategy

Including ex-ante instruments in the overall risk financing mix helps a government to lower its financial exposure to catastrophic risks, natural and man-made.
We work with partners beyond the insurance industry

<table>
<thead>
<tr>
<th>Partnership Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property and casualty insurance companies</td>
</tr>
<tr>
<td>Life insurance companies</td>
</tr>
<tr>
<td>Captives</td>
</tr>
<tr>
<td>Governments and non-governmental organisations</td>
</tr>
<tr>
<td>Fortune Global 500 companies</td>
</tr>
<tr>
<td>Financial institutions</td>
</tr>
<tr>
<td>Institutional investors</td>
</tr>
</tbody>
</table>
Swiss Re –
A leading partner for the public sector

- First dedicated public sector team in the reinsurance industry
- Over 40 closed transactions since 2006
- Manage insurance, reinsurance and capital markets and all perils (disasters, weather, longevity, etc)
- Global footprint
- Pioneer in emerging and industrialized markets
Risk transfer tools increasingly important to the public sector

- Natural catastrophes
- Weather / Agriculture
- Health / Pensions
- Credit / Infrastructure

2006

- Cat-Mex (Mexico Earthquake) First sovereign cat bond

2007

- GlobeCat (Guatemala & El Salvador Earthquake) First charity cat bond

2008

- ParktonRe (North Carolina Hurricane) First US transaction

2009

- Agroasemex Vegetation Cover (Satellite drought insurance)
- Berkshire County (Longevity Swap) First public sector longevity risk transfer

2010

- MultiCat (Mexico Earthquake and Hurricane) New global cat bond platform
- Alabama (Alabama Hurricane) First US parametric transaction
- MultiCat (Mexico Earthquake and Hurricane) First multi-country parametric facility

2011

- Beijing Municipal (Crop Insurance) First Asian transaction
- Tamil Nadu (Health Insurance) Microinsurance health solution
- Micro (Haiti Catastrophes) Microinsurance Facility
- UBF Seguros (Brazilian Agriculture cover)
- Vietnam (Agricultural Yield Index Cover)

- CCRIF (Caribbean Earthquake and Hurricane) First multi-country parametric facility
- Malawi Weather Derivative (Parametric Drought Insurance)
- MiCRO (Haiti Catastrophes) Microinsurance Facility
- Asian Development Bank (Bank Trade Financing)
Microinsurance at Swiss Re
Introduction
SR working definition of microinsurance

"Microinsurance is the protection of low-income people who do not yet have equal access to insurance solutions"

Target market

- 4 billion people at the Bottom of the Pyramid
- Potential USD 40 billion premium market
- Only 2-3% (~ USD 0.8-1.2 bn) of market currently tapped
- Conceptual overlap with emerging consumer / mass market / "seguro popular"

Characteristics of the insurance solution

- Low-premium & high-volume business
- Alternative / innovative distribution channels to reach the Bottom of the Pyramid (BoP)
- Very simple and easy to understand products
- Simplified underwriting with few exclusions and limited data availability
- Efficient administration and claims management through technology and innovation

The Bottom of the Pyramid (BoP) is defined as the 4 billion people living under USD 4/day. *

- The potential target of commercially viable microinsurance is estimated in 2.6 billion people (which fall in the range of USD 1.25/day-USD 4/day) and a USD 33 billion market. Some 1.4 billion people live on less than USD 1.25/day and require support from governments and developmental agencies to access microinsurance schemes.
- The potential total market of 4 billion policies is valued at up to USD 40 billion.

* Source: Sigma No 6/2010
Microinsurance Market Growth


Source (Mapa): Wikipedia

* Source: ILO Microinsurance Compendium 2012
Core Characteristics of Microinsurance

A. Microinsurance is based on insurance principles
B. It extends the reach of insurance to the remotest sections of society
C. Premiums and coverage are kept at a low level to make products affordable
D. Products require customisation to meet the demand of low-income clients
E. Microinsurance is structured simply to make products easy to understand
## The Range of Microinsurance Solutions

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Life</strong></td>
<td>Most popular and successful microinsurance product. Strong push from MFIs and product simplicity have been the main growth drivers</td>
</tr>
<tr>
<td></td>
<td><em>Initiatives</em>: remittance linked, guaranteed returns, innovative distribution including tie-ups with retailers, utility providers, post offices and religious institutions</td>
</tr>
<tr>
<td><strong>Health</strong></td>
<td>Offers highest value proposition and is often the most demanded protection. Can be used to channel government subsidies to meet social goals</td>
</tr>
<tr>
<td></td>
<td><em>Initiatives</em>: HIV/AIDS protection, cashless systems, government programs (RSBY)</td>
</tr>
<tr>
<td><strong>Agriculture/index and livestock</strong></td>
<td>Index covers help overcome the challenges of traditional agriculture insurance e.g. high admin/loss assessment costs, adverse selection and fraudulent claims</td>
</tr>
<tr>
<td></td>
<td><em>Initiatives</em>: innovative products and pilot programs in India, Kenya, Mexico, Malawi; use of technology to reduce fraudulent claims in livestock microinsurance</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td>Under developed market due to low demand, complexity and high risk of fraud/moral hazard</td>
</tr>
<tr>
<td></td>
<td><em>Initiatives</em>: cooperative movements to reduce disaster losses</td>
</tr>
<tr>
<td><strong>NatCat</strong></td>
<td>High demand in Latin America in general, and from entities serving most vulnerable, low-income populations in particular</td>
</tr>
<tr>
<td></td>
<td><em>Initiatives</em>: the platform MiCRO, industry-first to combine basis risk and parametric protections. Successfully launched in Haiti in 2011, now expanding its operations to other countries</td>
</tr>
</tbody>
</table>
Benefits from the development of microinsurance markets

**Socio-economic development:**
- Protects sources of income, relieving poverty
- Expands financial inclusion, creating economic opportunities
- Helps mobilize long-term savings
- Promotes development (focus on education, health, quality of life, and micro business skills)
- Replace / supplements social security (channels subsidies)
- Mitigates the impact of natural disasters

**Insurance sector:**
- Creates new markets, dynamic growth
- Reinforces the image and value proposition of the insurance sector, develops of future customer base
- Financial education increases the insurance culture and levels of market penetration
Financial Inclusion requires a multi-stakeholder approach

<table>
<thead>
<tr>
<th>Contribution</th>
<th>Governments</th>
<th>NGOs, IDOs, multilaterals</th>
<th>Re/insurer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education to raise awareness for risks and solutions</td>
<td>✓</td>
<td>✓</td>
<td>(✓)</td>
</tr>
<tr>
<td>Build/improve infrastructure and regulatory framework</td>
<td>✓</td>
<td>(✓)</td>
<td>X</td>
</tr>
<tr>
<td>Distribution channels</td>
<td>✓</td>
<td>✓</td>
<td>(✓)</td>
</tr>
<tr>
<td>Improve product design and efficiencies</td>
<td>X</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Financial support, particularly in start-up phase and pilots</td>
<td>✓</td>
<td>✓</td>
<td>(✓)</td>
</tr>
<tr>
<td>Manage risks</td>
<td>X</td>
<td>X</td>
<td>✓</td>
</tr>
</tbody>
</table>

(✓) denotes part contribution

Source: Swiss Re
Microinsurance at Swiss Re
Case Studies
Case study Haiti: The Microinsurance Catastrophe Risk Organization (MiCRO)

Solution features
- Insured perils: Hurricane, earthquake and rainfall
- Payments are made to microfinance borrowers post-disaster to reduce their loans and provide emergency cash
- Parametric and basis risk policies are distributed through a local Haitian microfinance institution, Fonkoze
- Trigger: Index measured at Fonkoze branches in Haiti
- Basis risk absorbed by new donor funded company, MiCRO
- Inception: March 2011

Involved parties
- Insured: Fonkoze
- Sole Reinsurer: Swiss Re
- Other partners: MercyCorps, CaribRM, Guy Carpenter MicroRisks Solutions

Background information
- Haiti is a nation that is susceptible to catastrophes and is unprepared for the costs of response
- Prior to the setup of MiCRO, Fonkoze's clients bore 100% of natural disaster risk
- MiCRO was named “Company Launch of the Year” at The Review magazine’s annual Worldwide Reinsurance Awards in September 2011.
Case study IFC: Global Index Insurance Facility

Solution features
- Partnership with the International Finance Corporation (IFC), a member of the World Bank Group, to develop affordable new types of index-based insurance solutions
- Main target group consists of farmers and people who live in agrarian communities in developing countries, mainly in Africa
- The purpose of index insurance is to reduce administrative costs and to provide access to finance for those farmers and herders due to banks' increased willingness to lend to insured borrowers

Involved parties
- Under the agreement, Swiss Re will provide technical services to Global Index Insurance Facility projects
- The scheme is supported by a number of donors: The European Union, the Japanese Ministry of Finance and the Dutch Ministry of Foreign Affairs, among others
Case Study Ethiopia: HARITA & The R4 Rural Resilience Project

Solution features
- Community-driven climate change adaptation
- Broad international partnership
- Weather index insurance, designed for/by farmers
- Holistic approach to drought risk management, integrating the 4 Rs:
  - Risk transfer (weather insurance)
  - Risk reduction (cash-for-work, government safety net programs)
  - Risk taking (access to credit unlocked by insurance)
  - Risk Reserves (savings)
- Inception Harita Project 2009: teff farmers in Adi Ha, Tigray, Ethiopia
- Replicable and scalable approach. In 2011, WFP joined HARITA project team to expand internationally

Involved parties
- Oxfam America, World Food Program, Rockefeller Foundation, Swiss Re, USAID, Government, Columbia University, REST, Local Insurers, Micro-banks
- Sole Reinsurer: Swiss Re (founding partner)
Case Study Latin America: Life and hospital cash with ParaLife

- ParaLife was founded in 2006 to provide insurance solutions to low-income households in Latin America. The company has subsidiaries in Mexico and Colombia that also serve Ecuador, Peru, Bolivia and Chile.

- ParaLife is leveraging on alternative distribution channels to offer different insurance solutions. One of the major distribution partners is a direct sales company offering retail products to the low-income segment. ParaLife provides life insurance and hospital cash cover to the sales force of this distribution channel.

- ParaLife can leverage on an in-house IT platform that enables cost efficient administration processes as well as quick claims settlement.

- Swiss Re is providing reinsurance support.
Contact Information – Microinsurance

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American Risk and Insurance

Creating A Market for Microinsurance

August 2013

Joan Lamm-Tennant, PhD
Global Chief Economist & Risk Strategist
Guy Carpenter, LLC

Adjunct Professor
Wharton School, University of Pennsylvania
Wisconsin School of Business, University of Wisconsin
“No single company has been able to crack the code [of microinsurance]. I think it is because we have been going about it in the wrong way. For any of us to succeed, all of us must be involved.”

Brian Duperreault at the ‘12 IIS Annual Meeting in Rio de Janeiro

• In microinsurance, distribution, operations, and customer-related research are key areas e.g.
  – Distribution models provide new opportunities, especially in mobile phone, but require refinement and other methods feature high acquisition costs and can potentially harbor mis-selling
  – Claims requires accuracy and efficiency for very small settlement amounts
  – Analytics and analysis on customer behaviors before & after insurance

• Industry collaboration shares the costs and volatility of innovation while multiplying the market benefit. Other sectors use collaborative facilities to address areas where no single company is satisfied acting alone

• The Facility provides an entrepreneurial venue to develop “the new new” which can then be modified, reused, and scaled by partners
  – Creating new options for the emerging consumer segment requires entrepreneurial nimbleness
  – Scaling and replicating require analytics, risk controls, and capital

• Partner firms, as early adopters, gain a learning, reputational, and financial advantage over later entrants
  – Both in-kind and financial contributions toward shared development costs will be valued. The formula for any later stage participants will be subject to discussion and decision of these early adopters
## Overcoming Key Challenges to Microinsurance Sustainability by Achieving Profitability

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Description</th>
<th>Facility Response</th>
</tr>
</thead>
</table>
| **Distribution Arrangements** | Non-traditional local distribution partnerships required to achieve necessary scale  
Distribution partners bring risk of fraud (e.g., false claims, failure to remit premiums) | Facility develops access to distribution platforms not available to individual carriers, e.g., government sponsored platforms, social pension programs  
Facility arranges, manages, and monitors distribution on behalf of all participating carriers |
| **Product Design**          | Current products are not focused on the needs of the underserved  
Difficult to price products in the absence of data | Partner with aid organizations and academia to move beyond traditional credit life into products that add value for the low-income population  
Data aggregation accelerated due to combined approach to market and information sharing |
| **Scale & Efficiency**      | Difficult for individual carriers to reach critical mass  
Small premiums and large target markets require highly scalable and efficient platform | Develop diversified portfolios in which carriers hold positions rather than individual risks  
Pooled approach to market maximizes volume and therefore ability to reach required scale of operations |
| **Consumer Education**      | Lack of quality education on benefits of insurance and risk mitigating behaviors  
Need to overcome barriers of illiteracy, cultural practices, lack of trust, etc. | Engage academic institutions and aid organizations  
Barriers more likely to be overcome with support of multiple industry leaders  
Teaching mutualization of risk will be a core competency of the facility |
| **Regulatory / Reputational Risk** | Inherent risk in providing products to the underserved  
Immature market causes difficulty in curbing economic returns | Create relationships with academic institutions to measure social impact credibly  
Monitor financial returns to ensure that they are appropriate under the circumstances  
Single point of contact to address public policy issues |
Proposed Facility Structure

- Equity ownership transferrable, subject to rights of first refusal in favor of current owners and other similar protections.

- **Microinsurance Facility**
  - Owns intellectual capital, generates independent value, employs local management team.

- **Donor Capital** (selected programs)

- **Shareholder Carriers**
  - Shareholder Carriers
  - Marsh & McLennan
  - Shareholder Carriers
  - Shareholder Carriers

- **Insurance Risk Capital**
  - Shareholder carriers and potentially non-equity carriers underwrite microinsurance risks through the facility.

- **Distribution Partners**
  - Facility establishes and manages distribution partnerships.

- **Individuals or groups of individuals (e.g., cooperatives)**

- **Social Impact Monitoring**

- **Start-up capital and expertise (including potential in-kind contributions) in exchange for ownership and board representation.**

- **Create investable “facility” in each target market – a full service operation owned by leading insurers in relevant markets, directed at having significant social impact on local communities.**

- **Combined Insurer efforts mobilize & develop the market.**

- **More likely to overcome barriers with support of multiple industry leaders.**

- **Cost efficiencies through shared platform.**
Entity and mandate

An industry-owned independent entity which provides key services for microinsurance innovation and impact to be replicated in additional markets

- Intention is primarily to develop services which work to support/accelerate core insurance
  - Business services e.g. distribution go-to-market
  - Innovation services e.g. product and proposition development
  - Impact services e.g. measuring and monitoring outcomes of insurance intervention

- Replicable business form is expected to be a Master General Agent (MGA) which primarily provides distribution, proposition development, analytics, and related services
  - Proposals to manage risk range from special purpose vehicles to reinsurance structures

- Independent entity is required to clarify and protect partner interests
  - The freedom retained by each party (carriers and the new entity) to operate independently is an important consideration for anti-trust

- Replication is an inherent goal and shapes the approach

An independent service company structure which is replicable has positive regulatory and risk benefits in addition to supporting initially stated carrier plans.
Progress to date

• Marsh & McLennan Co., along with leading global insurers, expressed desire to work collectively to develop a plan for a replicable microinsurance innovation facility with Brazil as the initial site

• Four carriers involved: Argo, AXA, XL Group, and Zurich
  - On-going discussions with ACE, Hiscox, and MetLife

• Bilateral calls with each carrier revealed early consensus on: entity type and mandate, workstreams formation, and consortium benefits and structure
  - Calls highlighted risks and new questions (e.g. coordination within and between partners, constraints on immediate in-kind resource)
  - Calls helped reveal new benefits (e.g. additional coordination benefits, business model innovation benefit)

• 1st Steering Committee Meeting took place on June 11 in London
• 2nd Steering Committee Meeting took place on July 17 in New York

• Four participants agreed to commit financial resources during the Blueprint phase: Argo, XL, Zurich, and Guy Carpenter (USD 100,000 each); AXA is providing in-kind support for project management activities. In addition, all carriers are providing highly qualified resources for the pilot workstreams
Companies commitment
Argo, AXA, XL, and Zurich confirmed shared intentions at the first Steering Committee in June 11
## Executive Sponsors and Steering Committee

Confirm nominees from participating companies

### Executive sponsors

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
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<tbody>
<tr>
<td>Brian Duperreault</td>
<td>Former President &amp; Chief Executive Office, MMCo</td>
</tr>
<tr>
<td>Dan Glaser</td>
<td>President &amp; Chief Executive Officer, MMCo</td>
</tr>
<tr>
<td>Alex Moczsarski</td>
<td>President &amp; Chief Executive Officer, Guy Carpenter</td>
</tr>
<tr>
<td>Michael McGavick</td>
<td>Chief Executive Officer, XL Group</td>
</tr>
<tr>
<td>Martin Senn</td>
<td>Chief Executive Officer, Zurich</td>
</tr>
<tr>
<td>Mark E. Watson</td>
<td>President &amp; Chief Executive Officer, Argo Group</td>
</tr>
<tr>
<td>Xavier de Bellefon</td>
<td>CEO of AXA Mexico, AXA</td>
</tr>
</tbody>
</table>

Other

| Executive sponsor(s) of other insurer(s) |

### Steering Committee members

<table>
<thead>
<tr>
<th>Name</th>
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<tbody>
<tr>
<td>Joan Lamm-Tennant</td>
<td>Chief Economist and Risk Strategist, Guy Carpenter</td>
</tr>
<tr>
<td>Nick McKee</td>
<td>Head of Corporate Development, MMC</td>
</tr>
<tr>
<td>Seriana Maag</td>
<td>Chief Executive, XL North America</td>
</tr>
<tr>
<td>Peter Rebrin &amp; Nick Wright</td>
<td>General Insurance Head of Partnership &amp; Global Life Head of Marketing, Zurich</td>
</tr>
<tr>
<td>Nigel Mortimer (Barbara Bufkin)</td>
<td>Head of Emerging Markets, Argo Group</td>
</tr>
<tr>
<td>Magali Darras</td>
<td>Microinsurance and Health Project Manager, AXA MedLA</td>
</tr>
</tbody>
</table>

Other

| Representative(s) of other insurer(s) |


Motivations and Expectations

Force rank of motivations and expected core skill requirements show broad alignment for a social or impact business

• Financial motivations of the majority of carriers assume commercial for-profit activity
  – positive return on investment expected with variation on degree / timing
  – minimum return is risk adjusted breakeven

• Innovation motives of the majority are to create replicable intellectual property that can be available to the participating carriers (and perhaps, more broadly, to industry)
  – Products and process frequently mentioned together as top innovation priorities
  – Business model innovation also frequently mentioned

• Employees are an important stakeholder for all carriers. Training, development, and stretch assignments were mentioned in numerous interviews
  – Interactions with global clients also recognized as important
  – Benefit in presenting the insurance industry well to regulators was also noted

• Social impact as a priority had the widest variability from respondents
  – Some respondents emphasized the business requirement appearing to want to avoid the project being cast as purely philanthropic whereas at least one made impact the main objective

Across all carriers, enthusiasm for the project is strongly apparent. Workstream efforts will further improve alignment and definition.
Intended phasing toward formalization
Business agreements precede legal agreements which define each phase

Blueprint Phase
1 – NDA and shared development contract for Blueprint Phase.
2 – Term sheet between partners outlining specific ongoing intent and rules of engagement.

Design Phase
1 – Partner-owned holding based on terms.
2 - Brazil term sheet.
3 – Brazil amendment to holding describing local entity.

Build Phase
1 – Local entity formation.

At regular intervals, participants will need to formalize specific agreements and commitments of increasing specificity.
We are piloting three workstreams during August/September 2013. Pilots provide specific required answers on consensus and risk items as well as key evidence on workstream methodology effort and effectiveness.

- Workstream topics are designed to measure the effectiveness of the workstream method for various types of questions:
  1. Partnership (opportunities, threats, and performance indicators for consortium)
  2. Tactical Options (opportunities and threats for implementation tactics for the initial market e.g. greenfield or acquisition)
  3. Partnership legal considerations (framing the key questions for external counsel)

- Results and learnings will be assessed by the Steering Committee based on
  - Ease with which right candidates are identified and assigned
  - Degree of support required by workstreams
  - Measure of effort required within workstreams
  - Quality of answers received

Collaborative industry partnership toward microinsurance is itself a unique model. Initial workstreams focus on structure and help to establish the working method.