

TIM Brasil's Seguro Proteção Premiada



Micro-Insurance Service

EXECUTIVE SUMMARY

Customer Name: TIM Brasil
Industry: Telecommunications
Location: Brazil
Number of Employees: ~12,000
Number of Customers: 72 million

BUSINESS CHALLENGES

- Differentiate through innovative service offers in highly competitive market
- Stay relevant and grow revenue from mobile content and value-added services

NETWORK SOLUTION

- Micro-insurance to pre-paid customers
- Seguro Proteção Premiada, a personal accident insurance policy that provides three services to the insured, including
 - Funeral Assistance for Personal Accident
 - Assistance for Victims of Crime, and
 - Sweepstakes
- Service costs 1.5 reais (US\$0.63) monthly and charges are simply deducted from customers' mobile phone credit every 30 days

BUSINESS RESULTS

- By the end of 2012, 11,242 customers were reported for the service

Overview

TIM Brasil launched the Seguro Proteção Premiada micro-insurance service to provide personal accident insurance cover to low-income customers in the country. TIM seeks to tap into the US\$3 billion micro-insurance market and to use it to lower churn. The challenge is to adequately use such services to differentiate itself in Brazil's highly competitive market.

Service Innovation

TIM Brasil, in partnership with Generali and Willis, launched the Seguro Proteção Premiada micro-insurance service in April 2012 to provide personal accident insurance coverage to low-income customers in the country. The service was specially designed for TIM's prepaid customers of Infinity Pré and Liberty Controle plans, who are able to join the service via SMS.

Seguro Proteção Premiada is a personal accident insurance policy that provides three services to the insured. The components of the insurance offer are aligned to serve specific market demands:

- Funeral Assistance for Personal Accident: This service reimburses funeral payments (up to about US\$420) for the insured in case of death in a personal accident.
- Assistance for Victims of Crime: This component covers customers for murder; inducement, incitement or assistance with suicide; bodily injury; illegal constraint; kidnapping and false imprisonment; and theft. These are all typified in Articles 121, 122, 129, 146, 148, 155, 156 and 157 of the Brazilian Penal Code. Such customers will be provided transport or inter-hospital medical evacuation by taxi and other assistance such as the transmission of urgent messages and aid for blocking cards, checks, and mobile phones.

- Sweepstakes: Insured customers receive a five-digit “lucky” number, which entitles them to compete in weekly sweepstakes in which they can win about US\$210.

The launch follows the government’s finalization of the regulatory framework guiding micro-insurance services for low-income earners. The government body in charge of private insurance, Superintendence of Private Insurance (SUSEP), formerly published its guidelines in June 2012. The framework called for the creation and development of simple and low-cost insurance products. It also created clear guidelines on how to acquire and apply micro-insurance plans.

Accordingly, TIM has made signing-up as simple as possible. It emphasizes how easy it is to sign up for the service in three steps.

1. Customers send an SMS from their TIM phone to the number 4004 with the word “SEGURO.”
2. Customers validate that they want to be insured.
3. Customers receive SMS containing their insurance ticket number and the lucky number to participate in weekly draws.

For a service that attracts stringent regulatory oversight, cancellation is also straightforward for customers. To cancel their insurance, customers send an SMS to 4004 with the word “SAIR” and their social security number.

“The service is targeted at those who seldom use financial services such as insurance either because of limited access or high costs.”

— Carlos Roseiro, Director of Mobile Financial Services, TIM Brasil

Opportunities

TIM sees this service as an opportunity to generate incremental value added service (VAS) revenues and, more importantly, to enhance the value of its Infinity and Liberty prepaid plans.

Superintendence of Private Insurance (SUSEP) estimates that micro-insurance currently reaches about 23-33 million customers and is worth about \$3 billion, but expects innovations such as Seguro Proteção Premiada to drive uptake to over 100 million customers in the mid-term. Therefore, the opportunity is to adopt go-to-market strategies that enable providers to reach customers to address a growing market need. Accordingly, TIM’s role is to provide a market channel and an addressable customer base for micro-insurance products in the Brazilian market. Prior to TIM’s involvement, the micro-insurance market’s reliance on other distribution channels posed challenges, because these channels were not pervasive enough to reach low-income customers cheaply. By offering a more pervasive channel, TIM continues its history of being seen as an innovative player in the market and to tap into the developing market for micro-insurance.

Offering micro-insurance via mobile phones will improve on the existing seven market channels used to sell such services in Brazil.



Source: [Ovum \(based on “Micro-insurance in Brazil: Towards a strategy for market development”, The Centre for Financial Regulation and Inclusion \[2010\]\)](#)

Challenges

TIM faces intense competition in the Brazilian market, where it is the only one of the four top players without a retail fixed telecoms business. This competition is becoming a big challenge as rivals look to integrated offers to gain advantage in the market. In response, TIM actively promotes VAS services and is aggressively pushing smartphones in the market as it seeks to differentiate itself. Seguro Proteção Premiada is an example of TIM's zeal to promote innovative mobile solutions in the market.

“The product is a true innovation in the distribution of insurance products in Brazil and allows us to reach a segment of the population that until now have never had access to insurance services.”

— Luigi Barcarolo, Director of Marketing and New Channels, Generali Brazil

For TIM, while the opportunity for incremental VAS revenue exists, the main benefit of Seguro Proteção Premiada is in helping to improve customer loyalty and lower churn. But TIM faces the challenge of convincing Brazilians to sign up for funeral and life insurance, given the general reluctance of many people to dwell on and plan ahead for such events.

Strategic Partnerships

Seguro Proteção Premiada is primarily a Generali product, which has been designed in partnership with Willis, the insurance broker, and TIM, the channel provider. The partnership has become feasible following SUSEP's push to nurture insurance products that are affordable and reachable to low-income users.

The partnership is in line with a growing global trend for mobile-delivered micro-insurance and is a symbiotic relationship between mobile operators and insurance companies. For TIM, the service is a way to increase customer loyalty and reduce churn while insurance companies see it as an opportunity to reach un-served segments of the market.

The service differentiates TIM's offerings in the market and helps it to continue its legacy of offering innovative VAS services in the market. The involvement of TIM, instead of the three other leading Brazilian players, attests to the operator's zeal for innovative services in the market.

Monetization

The service costs 1.5 reais (US\$0.63) monthly, and the charges are simply deducted from the customers' mobile phone credit every 30 days.

“This is the first insurance policy sold via text message (SMS) in the Brazilian market and aims to reach users, Class C and D, for example, that are not yet served by the distribution channels of more traditional insurance.”

— Luiz Fabregat, Director, Willis

Success Metrics

Preliminary metrics from Generali show that 11,242 customers were covered by the micro-insurance product in 2012. Such is the growth of the micro-insurance market in Brazil that in July 2013, the country's parliament called for a 1% additional tax on all micro-insurers. The broker Willis noted that the pilot of the TIM project was so successful that product deployment commenced quicker than planned.

Reviewing a similar micro-insurance product in Ghana, the Consultative Group to Assist the Poor (CGAP), which is housed in the World Bank, reports that churn is lower and the average revenue per user (ARPU) higher for mobile phone users who sign up for micro-insurance services.

For More Information

To find out more about TIM Brasil's Seguro Proteção Premiada service, go to <http://www.tim.com.br/sp/para-voce/servicos-tim/seguros/seguero-protecao-premiada>.



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