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# Carrier Management

*Critical Information for P/C Carrier Executives*

## Building Value

Blue Marble  
Microinsurance

**CEO**

**Joan Lamm-Tennant**



# Building a New Business Model at Blue Marble Microinsurance

**Executive Summary:** Recognizing the barriers to success in microinsurance, eight insurance entities came together with a unique business model to share the cost of innovation and mutualize talent from within and beyond the industry. Here CEO Joan Lamm-Tennant describes the mission and the model of Blue Marble Microinsurance.

**By Joan Lamm-Tennant**

As with many modern businesses, Blue Marble Microinsurance Inc. began with a question—the same question entrepreneurs and innovators ask themselves every day: What can we do differently that will eliminate inefficiencies and redirect resources to a more value-accretive cause?

The underlying mission of Blue Marble is tied to the recognition that insurance is important to economic development around the world. Without prefinancing losses, societies are vulnerable. Following disasters, people who show potential for emerging into the middle class frequently fall back to the bottom of the economic pyramid.

With the knowledge that fortifying the economic progression of the poor would add untold benefits to the global economy, to our industry and, of course, to the poor themselves, we asked another simple question: What needs to change in the insurance and reinsurance industry to make it relevant to the poor?

To examine this question further, Blue Marble's founders needed to be open-

minded about doing things differently and having a willingness to learn while leading. Only by researching the facts could Blue Marble articulate the problem that the founders set out to solve and establish a mission backed by a business model.

The problem was clearly identified in research literature. For example, Swiss Re reported that in the last 10 years, cumulative total damage to global property as a result of natural disasters was \$1.8 trillion—only 30 percent of which was insured, resulting in a protection gap of \$1.3 trillion. This gap is even wider when general property risk such as fire, water damage and burglary are considered. And the gap is likely to continue to grow as a result of trends such as global warming and urbanization. While this research covers a scope broader than microinsurance, we have identified the significance of the protection gap and its ever increasing trend.

Other research has underscored how uninsured losses eventually become the responsibility of governments and society at large, resulting in a drag on the economic growth of nations. In emerging nations, 80-100 percent of disaster losses are uninsured, according to Swiss Re.

Haiti, the poorest country in the Western Hemisphere, is an example that warrants examination. The United Nations World Food Programme reports that 75 percent of Haitians live on less than \$2 a day. In January of 2010, the dire situation was worsened by a magnitude 7.0 earthquake. According to the Inter-American

Development Bank, about 230,000 people died and nearly 1.5 million Haitians were displaced. Economic losses were estimated at about \$8 billion—approximately 120 percent of GDP—with insurance penetration at around 0.3 percent of GDP.

In another example—the recent earthquake disaster in Nepal—we estimate the damages at 35-50 percent of GDP, with little to no aid delivered as of yet. The effect of the protection gap on developing nations and the consequence on the poor is crippling.

The poor, with no safety nets other than informal systems of caring for each other, are disproportionately impacted by catastrophes. The safety nets break down in a village or community following a disaster, thrusting complete communities to the bottom of the economic pyramid for years to follow. In Nepal, communities rich with heritage and dependent on tourism are now struggling to survive with a safety net under stress. Without mechanisms for prefinancing risk, smallholder farmers, shop owners and artisans who lack savings fall deeper into poverty.

With an understanding of the problem Blue Marble planned to address, a business case for the consortium was established. The problem was viewed as significant and the solution relevant to the global economy, our industry and the poor.

## **A Role for the Insurance Industry**

The potential solutions include charity





## Executive Viewpoint: CEO Perspective

beyond the industry. By stepping forward and collaborating among the eight, we developed a public-private outreach partnership with a shared goal.

Blue Marble was established as a legal entity owned by the eight but with a long-term focus. A dedicated management team was retained to give focus to the problem at hand and was backed by a governance model involving senior leaders from the consortium members.

The talent model was unique: The eight consortium companies represent 250,000 employees operating in 170 countries. A virtual business unit was established giving Blue Marble access to talent from the consortium members on a secondment basis. The win-win is that Blue Marble has access to both strategic and technical talent on an as-needed basis. For example, if a Spanish-speaking actuary with knowledge of agriculture risk in Peru is needed, we can identify them and gain access to their expertise for a limited time. Likewise, Blue Marble facilitates reverse benefits in terms of employee engagement and an appreciation for the relevancy of our day-to-day work.

### Why the Name Blue Marble?

Employees of all participating companies were informed about the microinsurance consortium initiative, and their ideas for names were solicited. The communication heads for each company coordinated the outreach and then narrowed the submissions. The board ultimately selected “Blue Marble.”

The name was nominated by Denise Addis, executive assistant from Guy Carpenter. Addis wrote: “Blue Marble is a nickname for our planet...Technology and social media have made the world an even smaller place and the planet itself has become a community more than ever before. I think this venture will expand that community.”

The Blue Marble name captures our holistic view of our world. Underscoring our mission to extend insurance protection to a broader portion of the population and to advance the role of insurance in society in a socially responsible and sustainable way, it reminds us that we all share the planet. It is up to us to connect with citizens around the world to make life better for us all. [CM](#)

### About Joan Lamm-Tennant

Joan Lamm-Tennant is the CEO of Blue Marble Microinsurance Inc., a corporate entity formed by six leading insurance and reinsurance groups, along with Marsh & McLennan Cos. and Guy Carpenter, to create markets delivering risk protection to the underserved in developing countries.

Prior to taking her role at Blue Marble, Lamm-Tennant was the Global Chief Economist and Risk Strategist of Guy Carpenter & Co. LLC.

Before she joined Guy Carpenter in 2007, she was the founding President of General Reinsurance Capital Consultants.

Lamm-Tennant spent 18 years as a professor, lecturing and publishing extensively on investments, portfolio

theory and risk management. She remains on the faculty of the Wharton School, University of Pennsylvania and holds the Laurence and Susan Hirsch Chair in International Business.

Lamm-Tennant serves on the boards of Hamilton Insurance Group, Element Financial Corp. and the International Insurance Society.

She was the recipient of the 2013 APIW Insurance Woman of the Year and the 2012 International Insurance Society Kenneth Black Award for service and commitment to the advancement of the global industry. [CM](#)



## Joan Lamm-Tennant

Joan Lamm-Tennant spoke to *Carrier Management* about Blue Marble Microinsurance during a videotaped interview at the IICF Women in Insurance Global Conference in June. Excerpts of the interview are presented below.

### What is microinsurance?

*Lamm-Tennant:* Microinsurance is risk protection for the poor—artisans, small-scale farmers, shop owners. We address their specific risk protection needs and enable them to have stable consumption, which allows them to invest, improve productivity and grow through the economic pyramid.

### What are the greatest benefits for carriers that take part in the microinsurance consortium?

*Lamm-Tennant:* It’s an opportunity to have an impact, to be relevant, to work in public-private partnerships and solve the protection gap. By solving the protection gap and being a part of the financial inclusion initiatives, we in fact enable a massive emerging middle class...

Today, we have seven billion people in the world. The middle class is only 1.8 billion. We could double that in the next 15 years.

The opportunity is also significant in terms of solving our own problems within the insurance industry. It’s an opportunity to be forced to innovate because being successful in these markets is not about lifting and shifting products that are on our shelves. It’s about being more efficient, being more focused on the value proposition within our products, and it’s about new distribution channels.

Because we’re forced to innovate, we’ll have the opportunity to reverse innovate.

# Answers Questions About Microinsurance

Last of all, we have a talent challenge within the insurance industry. The millennials are not necessarily interested in investing their brilliance, their talent, in our causes. So this is a way in which we join them in their cause for relevancy.



## **Exactly how does the collaboration work? How do carriers share the costs, premiums and claims? Whose paper are policies written on?**

*Lamm-Tennant:* We're a service entity. Our objective is to prepare a complete turnkey, cost-efficient package for the carriers so that they can enter the market...

What are the component parts of that package? It could be everything from policy design to distribution mechanisms to social impact metrics. In essence, by delivering this package to the carriers, they then will have to add risk capital, using this enabler to enter the market. Their goal is to create the market.

Yes, one of them will lead, and that's a part of our governance structure. Collectively, among the eight carriers, we have licenses in many markets. A lead, perhaps, would be somebody who is already present with a license...Within and among the eight of us, to fill the demand, our goal is to engage local carriers and other partners. [What] we're trying to do is make it cost efficient, by sharing the development cost, so that they can enter with risk capital at a profitable level.

## **In what areas do you expect microinsurance carrier participants to innovate and reverse innovate?**

*Lamm-Tennant:* Success will not occur by simply reducing a few zeros off the line and saying, "Here, we've made this a smaller product. So won't you buy it?"...There has to be a clear value statement...

The second part is our distribution mechanisms have to be efficient. I'm not suggesting abandonment of the agency distribution system, [but the question is] how do we enable that system to be very efficient with technology.

The third is how we measure success...If

Risk protection, in and of itself, will not enable economic progression. Incentives embedded in the risk protection are the key drivers. Policies should be designed to encourage growth and expansion.

we truly want to be relevant, let's put some broad measures of social impact in our products and not carve it off into a CSR initiative.

Those are three platforms that are going to be critical to our success and create an opportunity for the carriers to then rethink similar issues in their traditional business.

## **How are microinsurance products distributed?**

*Lamm-Tennant:* We've seen some success in some markets with the distribution through utility companies, mobile phone operators, even seed manufacturers. [But] the embedded distribution costs are quite high...Some of these products distributed on those platforms could have a claims ratio of 10 or 20 and a distribution cost of 50 or 60. So we can't just roll ourselves into those platforms.

We have to think about how to utilize those platforms yet still do it in an efficient way and not impose such distribution costs. Having said that, we are an arm's throw away. It is within our reach that the poor will move from mobile phones to smartphones...

## **How will you measure the success of the venture?**

*Lamm-Tennant:* Success to us is having demonstrated evidence that those who are benefitting from our products are benefitting in a sense that they are moving up the economic pyramid—that we're seeing behavioral change. We're seeing them put risk aside and invest in their businesses, grow their land, sustain their consumption if it's a food sustainability motive that we're looking at. **CM**

*The complete interview is available on the Carrier Management channel at [www.insurancejournal.tv](http://www.insurancejournal.tv).*