

Interview with Rolf Hüppi, President and CEO of ParaLife,
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"The Growth Graph is Increasing"

Asserts **Rolf Hüppi**, prior head of "Zürich" insurance, who now sells micro-insurance to developing countries, as if he were a young entrepreneur.

The insurance sector serves only 20% of the world population says Rolf Hüppi, 66, who is President and CEO for ParaLife Holding. Hüppi, who has held his current position for the past year, says his clients earn from 2 to 50 dollars per month.

INTERVIEW:
MATHIAS MORGENTHALER

"BUND": *Mr. Hüppi, it isn't easy to make an appointment with you. How often are you in Switzerland?*

ROLF HÜPPI: I come to Switzerland once a month; however, I do travel a lot to Latin America or to the United States. My main activity is the management and development of specialists in micro-insurance for ParaLife. In addition, I work with private sector companies; I am an international consultant for an advisory committee in Washington, and I am participating in a project in China. In brief, my activities extend all over the world.

¿Why is it that the powerful prior head of Zürich insurance now sells micro-insurance to the poorest people in developing countries?

I worked in traditional insurance companies for the past 40 years, and based on this experience, I realized that we serve only 20% of the world population. Today, what is important is to meet the needs of the remaining 80% of the population, which is made up of people in developing countries, who, due to their limited resources, do not have access to classic insurance or the banking system.

At the very beginning of your career, you worked a long time in India. Did this experience play a role in the direction that your new professional activities took 40 years later?

Yes, this was a factor. Zürich insurance had given me, at that time, when I was 20 years old, the possibility of going to India as the assistant to local branch manager. One year later, I replaced my boss and I stayed four and a half years as branch manager. At that time I became aware that a large part of the population was in the "claws" of the informal economy.

Specifically, what do you mean?

When a poor family has to borrow money for a burial, then, they have to find, in any way possible, someone who can finance the funeral. Of course, they find someone who charges very high interest rates. In the beginning, the interest rate is 2 or 3 percent per day; this represents 1000 percent per year. Approximately half of the economic activity in the developing countries is carried out in this informal market.

20% of our clients sign their contracts with their fingerprint.

What is the model that you are using?

We develop products that are directed to the needs of those persons who earn between 2 and 50 dollars per month, or to those who have very small businesses. These people must have financial security, but in conditions which permit them to make payments and, thus, in the event of an emergency, they do not have to end up with threatening debts or debts that are impossible to pay.

Do the people who barely have enough money to live buy insurance?

Yes, at the end of our first year of business, we handle close to 80,000 policies. The growth graph is increasing. By the end of 2009 we are going to have more than one million signed insurance contracts. Half of our current contracts have an annual premium of approximately 10 Dollars. These 10 Dollars must cover: the sales department, administration and the insurance payment. This requires that all these areas must be extremely efficient.

What type of insurance do you offer?

Most are, specifically, life insurance. I can illustrate this with our most recent product, which has been on the market since December 1. This insurance covers the cost of the children's education, in the event of the death of the person who is the head of the family. This means that the family, or a school or a foundation during a specific period receives a sum of money, which makes it possible for the children to continue their education.

How much does the insurance pay?

The specific payment corresponds to the yield chosen, and it varies from 30 to 50 Dollars, which will be paid from 40 to 80 months.

How do you find your clients in Mexico and Colombia? A lot of people in those countries do not have, supposedly, any idea of what insurance is.

Our experience shows that even the poorest people in these countries also are interested in the protection of insurance, when they receive an explanation of the products that the insurance company offers. In reality, the difficulty lies in reaching these people. We use sales channels that already are in existence for these social levels. These are, for example, companies with micro-loans, both personal and business loans, but we also use the supermarkets.

So, people go to the supermarket and arrive home with bread, milk and life insurance?

Yes, in the supermarkets we sell a product called “Pan en tu mesa” (“Bread on your Table”). This is an excellent life insurance. In the event of the death of the head of the family, it makes it possible for the family, for a period of 3 to 24 months, to cover their food needs, at no cost, in this supermarket up to a certain amount. Close to 20 percent of our clients sign the contracts, by the way, with their fingerprint, because they don’t know how to write.

Who is financing ParaLife?

Among our shareholders are the World Bank, the Inter-American Development Bank, the Andean Development Bank CAF, three additional Investment Funds and three private sector investors.

Is it a capital-intensive activity?

ParaLife is formed by a holding company and a company for administration, licenses and reinsurance. Reinsurance is the part that clearly is capital intensive in our group. A large part of our 20 employees are located in operative companies that currently exist in Mexico and Colombia.

A lot of people say that you are carrying out this new activity as a social commitment from a privileged Administrator, that you want to pay back some of what you have received. Is this true?

My main objective was to offer new solutions in this market, a new market segment. In the totality of this activity, there is a very strong social component. We are the only company that offers products for the people with disabilities. Furthermore, in each country we maintain a foundation, whose objective is to promote social and economic integration for the people with disabilities.

It has been mentioned briefly that your shareholders expect a 15 percent return on their capital. Then, anyway, we are dealing with a profit.

We are a company that is oriented toward obtaining profits, with the exception of the foundations. All shareholders have been willing to relinquish part of their profits to the foundations.

What markets will you focus on in the future?

The next market will be Brazil, then Argentina. In small countries, we want to cooperate through franchise contracts with local companies. In the intermediate term, we have projects to organize coverage in China and India.



Rolf Huppi: "Only each individual knows exactly how much he has worked."