

Institute
and Faculty
of Actuaries

Microinsurance – Global Players and Key Trends

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11 May 2016



Microinsurance- Global players & key trends

12th May 2016 Institute and Faculty of Actuaries,
Staple Inn Hall

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Acknowledgements





1. WHAT IS MICROINSURANCE

1. What is Microinsurance



✓ Developed specifically for **low-income** people



✓ Risk carrier: managed based on **insurance principles** – govt cannot be sole risk carrier



✓ Affordability – **modest premium** levels



Example - Policy Document



MI

Traditional








2. KEY STAKEHOLDERS

Key Stakeholders

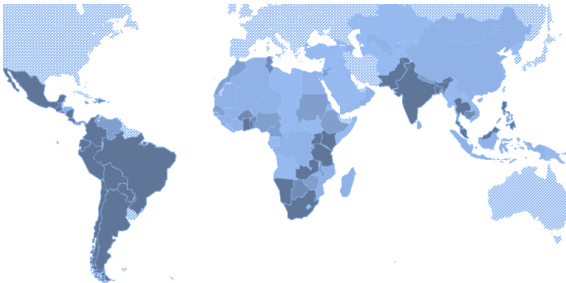


-  • Donors/Development Agencies
-  • Brokers
-  • Reinsurers/Insurers
-  • Technical Assistance Agencies (incl consultants)
-  • Implementors and Distributors
-   • Networks & Research bodies
-  • Regulators
-  • ...and Clients

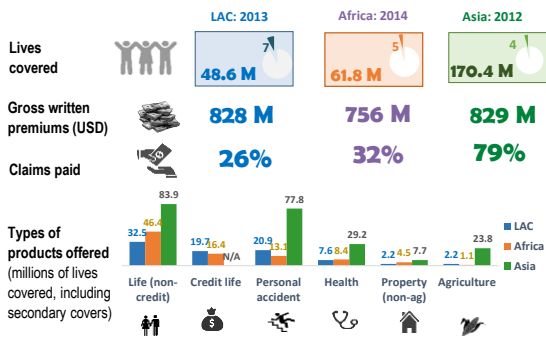


3. GLOBAL PICTURE

Global Picture



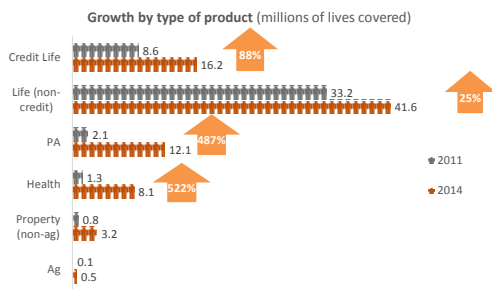
Key figures by region





4. AFRICAN LANDSCAPE STUDY - Key Findings

Africa Landscape-Key findings *Growth – Lives covered*



Africa Landscape-Key findings *Growth – Lives covered*

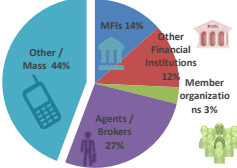


	2005	2008	2011	2014	Comparable growth (2011 – 2014)
Coverage ratio (proportion of total population covered by one or more microinsurance products)	0.40%	1.80%	4.40%	5.40%	N/A
Total identified lives insured	3.5 million	14.7 million	44.4 million	61.8 million	29%
Life	0.1	9.2	33.9	46.4	25%
Accident	1.6	N/A	2	13.1	487%
Credit life	1.9	7	8.8	16.4	88%
Health	1.5	1.9	2.4	8.4	522%
Property	0.3	0.3	0.8	4.5	308%
Agriculture	0	0.1	0.2	1.1	564%

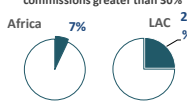
Africa Landscape-Key findings Distribution



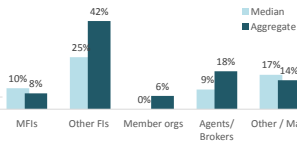
Lives covered by distribution channel



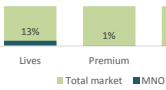
Proportion of products with commissions greater than 30%



Commissions by distribution channel



Market significance: MNOs as a proportion of total MI market

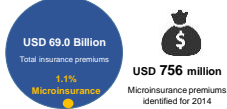


4. AFRICAN LANDSCAPE STUDY - Business Case Metrics

Premiums



Africa GWP: total industry and microinsurance

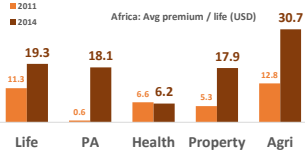


Lives covered

Africa: 2014



Avg. premium / life (USD)

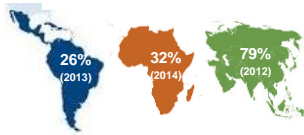


➔ Premiums are so low, can there really be a business case?

Claims Ratios



Aggregate claims ratios by region
(total claims / total premiums for the region)



Aggregate claims ratios by product type
(total claims / total premiums for the region)



Claims Ratios



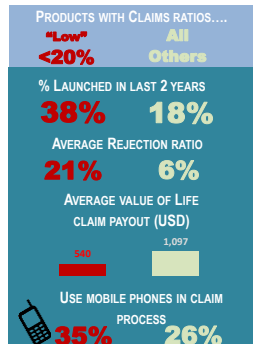
Why low claims ratio's?

Too new – low traction, learning curve?

High rejections?

Benefit amount is too low?

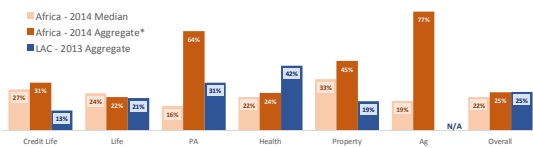
Tech is complex for claimants?



Admin Expense Ratios



Administrative expense ratios by product type



*Total reported admin expense / total reported premiums

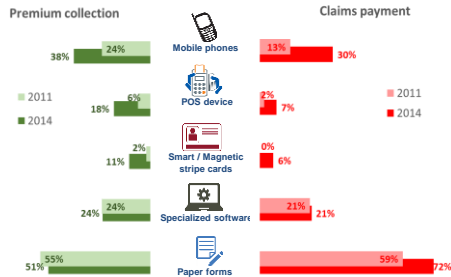
~25%

of Landscape respondents report separate expense accounting for microinsurance products

Use of Technology



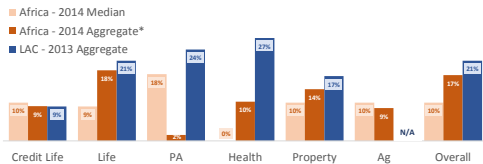
Use of technology for payments - % of responding providers



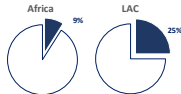
Commission Rates



Commissions by product type



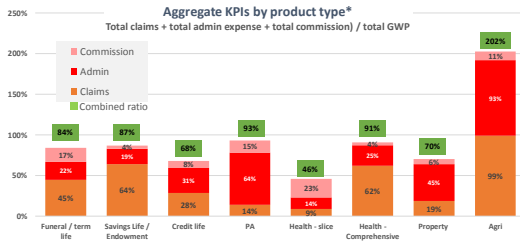
Proportion of products with commissions greater than 30%



Combined Ratios



Aggregate KPIs by product type*



*Limited to subset of data for which claims, admin expenses, and commissions were all reported. These 135 products account for USD 238 million in gross written premium, or one-third of the total identified gross written premiums.

Combined Ratios-Reasons..?



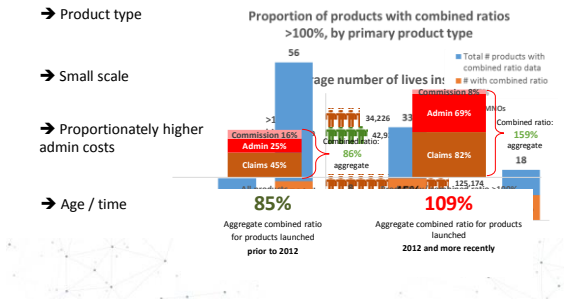
1/3 have combined ratios > 100%.... Why??

→ Product type

→ Small scale

→ Proportionately higher admin costs

→ Age / time



5. Summary Points



- Business Case is fairly well established for basic Life and Health cover...less so for comprehensive Health or Agri
- Some significant differences in products and profitability by country
- Is a diverse and changing market with different players, but....
- Mass Market distribution is changing the landscape, with some players rapidly reaching significant scale
- Actuaries can play a key role in adding technical skills, insurance expertise and 'disinterested' professionalism... BUT must take time to understand context and avoid over-complicating things..

Contacts



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