

# IAA/UK MI Working group Actuarial Pricing Module

Microinsurance member interest group,  
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Protection against different perils

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# 1. Pricing for Microinsurance

# THE PRICING CYCLE



- Market Research

**Product Design**

**Calculate Risk Premium**

- Gather Data
- Set Assumptions
- Calculate
- Validate

- Define objectives
- Identify data to be monitored
- Define reporting format
- Ensure data quality
- Adjust product and processes

**Monitor Product Experience**

**Calculate Gross Premium**

- Gather Data
- Set Assumptions
- Calculate
- Validate



# Considerations for Pricing MI



- ▶ Similarities with traditional insurance:
  - Basic insurance principles still apply
  - Purpose of pricing is the same
    - To determine a premium that is a fair price for the insurance coverage promised
- ▶ Limited experience data available
  - Lack of comparable products in market to use as benchmarks
  - Need for capacity and systems to collect quality data

# Considerations for Pricing MI



## ▶ Processes

- Processes have a huge impact on pricing assumptions, especially enrollment mechanism and claim control
- ▶ Limited willingness and capacity to pay
- ▶ Long term approach needed for sustainability
  - Takes time to reach scale
- ▶ The market is not familiar with insurance and very sensitive to pricing fluctuations

# MI Product Dev't Process



## 2. Background to Module

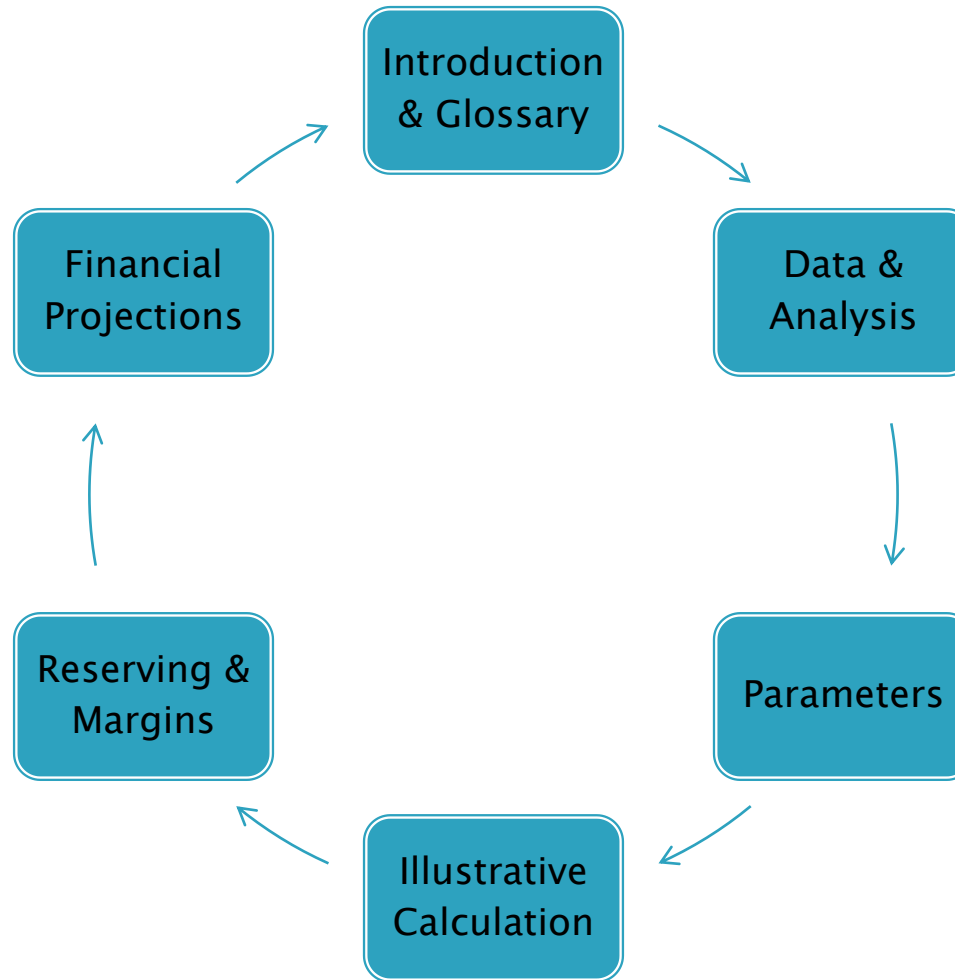


- ▶ Actuarial WG; IAA, UK Institute and MIN group
- ▶ Pricing Education Module
  - ▶ To educate/train MI practitioners in actuarial techniques
  - ▶ Launching Part B – “How to” guide in spreadsheet form
  - ▶ Is for education and guidance, not a one size fits all solution
  - ▶ Publicly available
  - ▶ This is the beta version – open for comment, it will change.





# 2. Module – Overview





# 3. The module

Lets look at the Module

# 4. Summary MI Pricing Issues



1. Pricing is an inexact process; remember what is inexact and monitor this...
2. Run a Pilot; test product; people & process
3. Care with under or over pricing esp in new market
4. Remember the context...
  - Target market; their risks, behaviours, finances etc
  - Operations; how the product will be sold, enrolments, claims paid, field staff behaviour...
  - Other stakeholders; eg HCP's for health ins
5. Start simple and build from there...takes time to build up to scale; MI is high volume low margin business

## 5. Q&A



Any questions...??



# Contact Details

## Module Website Address:

[http://www.stats.ox.ac.uk/research/insurance/actuarial\\_toolkit](http://www.stats.ox.ac.uk/research/insurance/actuarial_toolkit)

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