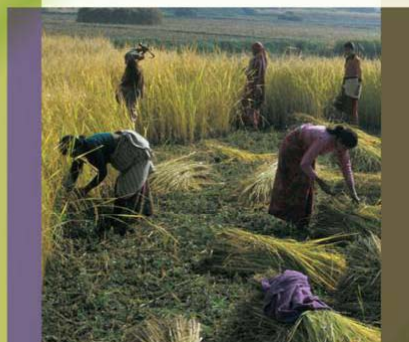


Profitability of microinsurance

*Based on the study prepared by
Quindiem for the Facility*

A member of the

micro
insurance
network



Analysis of five schemes

	Products	Distribution
Co-operative Insurance Company (CIC), Kenya	- Credit life: compulsory - Bima ya Jamii: voluntary bundled hospitalization and life insurance cover	MFIs, SACCOs and other groups
Old Mutual, South Africa	Burial Society Support Plan: group funeral cover	Salaried agents work with groups are responsible for the selling and servicing of policies
ICICI Lombard, India	- Manipal Arogya Suraksha (MAS): group-based health insurance - Index-based weather insurance: crop cover based on rainfall index (bundled with credit)	- Network of health care providers - MFIs and other credit providers
Aseguradora Rural (ASR), Guatemala	- Life cover: death and disability cover - Student cover: life policy with additional health cover	BANRURAL network of bank branches
Malayan Insurance, Philippines	Life cover with additional benefits (e.g. fire assistance)	Pawn shops, rural banks and other credit providers

Scale of the schemes

Insurer	Product	Gross written premiums			Covered lives		
		2009 US\$'000	2008 US\$'000	2007 US\$'000	2009	2008	2007
CIC	Bima ya Jamii	142	137	27	18 872	17 461	3 625
Kenya	Credit life	3 919	2 356	2 196	256 762	170 725	159 047
ICICI Lombard	MAS health insurance	1 323	1,008	539	550 194	511 456	318 334
India	Weather Insurance	20 490	4 637	1 383	259 958	108 819	43 278
Old Mutual South Africa	Group funeral	N/A			400 000 to 450 000	400 000 to 450 000	500 000 to 600 000
ASR	Life cover	4 789	2 603	2 143	123 429	75 004	42 184
Guatemala	Student cover	175	36		20 554	3 984	
Malayan Philippines	Microinsurance business	1 913	1 246	815	5 009 089	4 334 887	4 113 975

Expenses and claims

Insurer	Product	Expense Ratio (%)			Claims Ratio (%)		
		2009	2008	2007	2009	2008	2007
CIC Kenya	Bima ya Jamii	58	41	35	15	7	4
	Credit life	29	26	27	5	8	5
ICICI Lombard India	MAS health insurance	16	20	20	110	109	110
	Weather insurance	20	20	20	77	75	115
Old Mutual South Africa	Group funeral	>40	>40	30 to 40	65 to 75	80 to 90	90 to 100
ASR Guatemala	Life cover	10	14	7	32	38	2
	Student cover	9	13		31	11	
Malayan Philippines	Microinsurance business	35	38	40	18	27	13

- Compulsory credit life products and basic accidental death and disability products are the most profitable (CIC, ASR and Malayan)
- Old Mutual and ICICI Lombard are experiencing challenges with the profitability of the group funeral and MAS health insurance products. Although these insurers have seen a decline in losses following remedial measures, these initiatives were not yet showing profits at the time of the study.
- Failure to reach scale and control adverse selection have lead to high claims ratios.
- Working with partners can help insurers manage the costs of distributing and administering the business.
- Working with partners that have a social motivation can lead to benefits to members beyond the cover provided by the insurance policies.
- ICICI Lombard has benefited from premium subsidies for the index-based weather insurance product. The subsidies make the product affordable for a higher proportion of the market and have contributed to the achievement of scale in these initiatives.