Protection against different perils
1. Pricing for Microinsurance
THE PRICING CYCLE

- Market Research
- Gather Data
- Set Assumptions
- Calculate
- Validate

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

Monitor Product Experience
- Calculate Risk Premium
- Gather Data
- Set Assumptions
- Calculate
- Validate

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

1. Institutional Assessment
2. Market Research
3. Partnership (If applicable)
4. Product Design
5. Business Planning
6. Pricing
7. Pilot Testing
8. Roll Out
9. Continuous Review

Adapted from McCord, 2011, Microinsurance product development for MFIs
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

- Introduction & Glossary
- Financial Projections
- Data & Analysis
- Reserving & Margins
- Parameters
- Illustrative Calculation
3. The module

Let's look at the Module
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

Contacts for Life Module:
- Eamon Kelly: “kellyejm@gmail.com”
- Dermot Grenham: “dermot.grenham@gad.gov.uk”
- Nigel Bowman: “bowmanconsulting@webafrica.org.za”