Insuring the Poor and Vulnerable

Helping the poor weather life’s storms

Richard Leftley - CEO, MicroEnsure

The poor do not buy insurance – why?

<table>
<thead>
<tr>
<th>Region</th>
<th>Premiums (in USDmn) 2009</th>
<th>Premiums (in % of GDP) 2009</th>
<th>Premiums per capita (in USD) 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>$1,239,586</td>
<td>7.9</td>
<td>$3,635</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>$110,910</td>
<td>2.8</td>
<td>$192</td>
</tr>
<tr>
<td>Europe</td>
<td>$1,610,620</td>
<td>7.6</td>
<td>$1,862</td>
</tr>
<tr>
<td>Asia</td>
<td>$989,451</td>
<td>6.1</td>
<td>$243</td>
</tr>
<tr>
<td>Africa</td>
<td>$49,287</td>
<td>3.3</td>
<td>$49</td>
</tr>
<tr>
<td>World</td>
<td>$4,066,095</td>
<td>7.0</td>
<td>$595</td>
</tr>
<tr>
<td>Industrialised Countries</td>
<td>$3,532,716</td>
<td>8.6</td>
<td>$3,405</td>
</tr>
<tr>
<td>Emerging Markets</td>
<td>$533,379</td>
<td>2.9</td>
<td>$92</td>
</tr>
</tbody>
</table>

Source: Swiss Re Sigma No22010
Microinsurance landscape

- Market estimated to be 3bn people by Swiss Re
- Less than 3% have access to any insurance products
- Most dominant form of micro insurance is credit life sold to borrowers of MFI’s
- Limited benefit to the poor person; it protects the lender
- Strong demand for a “safety net” from the poor
- Increasing interest in the market from insurers
- Issue is how to cost effectively provide access, education and claims servicing whilst generating profit across the value chain.

Framework for Microinsurance

- Needs to be a legal entity able to carry the risk in line with regulations
- Needs to be trusted (brand)
- Accessible ‘Point of Sale’
- Low cost way to collect and pay funds to the poor

- Design products / processes
- Train sales staff and clients
- Collect, store and report data
- Administerate Claims
Microinsurance challenges

- **Risk carrier**: relatively easy to find willing risk carrier for life and property, weather index and health are harder.

- **Back office**: key driver to cost but more importantly a key driver to level of service and hence “success”

- **Front office**: we have to “white label” with companies that have existing client bases. Why will they partner with us?

---

**The economics of the current model for UIIC, TPA and MicroEnsure**

Typical insurer economics for a MicroEnsure health insurance policy in India (USD)

<table>
<thead>
<tr>
<th>USD/policy</th>
<th>10.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>MicroEnsure:</td>
<td>1</td>
</tr>
<tr>
<td>Distribution Partner:</td>
<td>1</td>
</tr>
<tr>
<td>Marketing other acquisition costs</td>
<td>4</td>
</tr>
<tr>
<td>Admin fee to TPA</td>
<td></td>
</tr>
<tr>
<td>Other overhead costs</td>
<td></td>
</tr>
<tr>
<td>Margin to insurer</td>
<td></td>
</tr>
<tr>
<td>1 Based on target claim ratio of 60%. Actual claim ratios vary from 25% to 300%</td>
<td></td>
</tr>
<tr>
<td>Source: Interviews</td>
<td></td>
</tr>
</tbody>
</table>

**Notes**:
- MicroEnsure’s revenues are supposed to cover cost of developing products, supporting distribution and administration.
- Based on target claim ratio of 60%; however, claim ratio varies depending on state/partner and stage of product maturity.
- MicroEnsure’s reduces insurers’ distribution costs (from 23% to 24%) and increases their control over cost.
- Currently often not sufficient to cover costs of servicing policies.
- Margin to insurer negative if claim ratio too high.

Economics of other players in the value chain are tight, in particular for TPAs and (depending on claims) for insurers.
MicroEnsure works with a range of “front office” partners

- Strong brand, accessible points of sale and ability to transact cash are all key attributes for a “front office”

- Started by partnering with microfinance lenders
  - 67 MFI’s together serving 12m active borrowers
  - To date, less than 1m insured with MicroEnsure
  - Economics: loan = $10, insurance = $0.20

- Now working with mobile network operators, doubled the Ghana life insurance market this year. Why? Economics!

MicroEnsure growth
Thank you for your attention

For more information please visit:

www.microensure.com

email: info@microensure.com