Welcome! We will begin shortly

BECOME A MEMBER

- Gain access to peers and influence best practices
- Share your expertise and get insights from experts
- Receive invitations to exclusive events
- Stay informed on the latest microinsurance news
- Shape our agenda and participate in decision-making

HOW TO JOIN

Contact: info@microinsurancenetwork.org

Or apply online at: www.microinsurancenetwork.org/member

Connect. Participate. Influence
Expert Forum: Microinsurance in Africa

Module 2: The Business Case for Microinsurance in Africa

Bert Opdebeeck
Microinsurance Programme Coordinator
Belgian Raiffeisen Foundation

Facilitator – Performance Discussion Group
Microinsurance Network
MICROINSURANCE NETWORK
The global platform for insurance in emerging markets

> 80 INSTITUTIONS
300 EXPERTS
> 30 COUNTRIES

- Highlight the role of insurance for development
- Advocate for fair and proportionate regulation
- Promote the microinsurance business case
- Engage the insurance industry

Connect. Participate. Influence
Expert Forums

✓ New initiative of the Microinsurance Network
✓ Interactive discussion between microinsurance experts on key emerging topics
✓ We want to hear from you!

✓ Be sure to register for the final Expert Forum Series Module on distribution:
  • 14th April, 13:00 GMT
Q: Do you track the performance of your microinsurance products separately from other insurance business?

66% of Landscape respondents report tracking performance indicators for microinsurance.

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Expert Forum: Microinsurance in Africa

Module 2: The Business Case

You will also be hearing from:

Michael J. McCord
President
MicroInsurance Centre

Chairman of the Board
Microinsurance Network
PREMIUMS
Microinsurance premiums identified for 2014:

- USD 69.0 Billion in total insurance premiums
- USD 756 million in microinsurance premiums

Average premium per life (USD):
- Property: 17.9 USD (2014), 5.3 USD (2011)
- PA: 0.6 USD (2014), 6.2 USD (2011)
- Agri: 12.8 USD (2014), 30.7 USD (2011)

Question: Premiums are so low, can there really be a business case?
CLAIMS
Q: What is your target claims ratio for your microinsurance products?

Reported claims ratios – Africa landscape:

<table>
<thead>
<tr>
<th>Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-10%</td>
<td>33%</td>
</tr>
<tr>
<td>11-20%</td>
<td>12%</td>
</tr>
<tr>
<td>21-30%</td>
<td>12%</td>
</tr>
<tr>
<td>31-40%</td>
<td>7%</td>
</tr>
<tr>
<td>41-50%</td>
<td>5%</td>
</tr>
<tr>
<td>51-60%</td>
<td>8%</td>
</tr>
<tr>
<td>61-70%</td>
<td>4%</td>
</tr>
<tr>
<td>&gt;70%</td>
<td>19%</td>
</tr>
</tbody>
</table>

44% of products had claim ratios <20% based on claims data reported for over 200 products.
Aggregate claims ratios by region

(total claims / total premiums for the region)

---|---|---
23% | 32% | 26%
22% | 32% | 26%
36% | 44% | 40%
44% | 24% | 20%
33% | 16% | 15%
24% | 15% | 103%
40% | 52% | 52%
20% | 69% | 69%
16% | 24% | 24%
15% | 53% | 53%
22% | 25% | 25%
33% | 24% | 24%
20% | 15% | 15%
16% | 24% | 24%
15% | 53% | 53%
32% | 25% | 25%
26% | 26% | 26%

Aggregate claims ratios by product type

(total claims / total premiums for the region)

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Why low claims?

- Too new – low traction, learning curve?
- High rejections?
- Benefit amount is too low?
- Tech is complex for claimants?

### Products with Claims Ratios…

<table>
<thead>
<tr>
<th></th>
<th>“Low”</th>
<th>All Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Launched in last 2 years</td>
<td>38%</td>
<td>18%</td>
</tr>
<tr>
<td>Average Rejection Ratio</td>
<td>21%</td>
<td>6%</td>
</tr>
<tr>
<td>Average Value of Life Claim Payout (USD)</td>
<td>540</td>
<td>1,097</td>
</tr>
<tr>
<td>Use Mobile Phones in Claim Process</td>
<td>35%</td>
<td>26%</td>
</tr>
</tbody>
</table>
ADMIN EXPENSES
Q: Do you account separately for microinsurance product expenses?

~25% of Landscape respondents report separate expense accounting for microinsurance products
Q: What is your target admin expense ratio (excluding commissions) for your microinsurance products?

Reported admin ratios, Africa LS:

- **A. 0-10%**: 25%
- **B. 11-20%**: 23%
- **C. 21-30%**: 18%
- **D. 31-40%**: 5%
- **E. 41-50%**: 5%
- **F. >50%**: 24%

24% of products had admin expense ratios >50% based on expense data reported for 147 products.
Administrative expense ratios by product type

- **Africa - 2014 Median**
- **Africa - 2014 Aggregate**
- **LAC - 2013 Aggregate**

*Total reported admin expense / total reported premiums*

- **Credit Life**: 27% (Median), 31% (Aggregate)
- **Life**: 24% (Median), 22% (Aggregate), 16% (LAC)
- **PA**: 64% (Median), 31% (Aggregate)
- **Health**: 22% (Median), 24% (Aggregate)
- **Property**: 33% (Median), 45% (Aggregate), 19% (LAC)
- **Ag**: 77% (Aggregate), N/A (Median, LAC)
- **Overall**: 22% (Median), 25% (Aggregate), 25% (LAC)
Use of technology for payments - % of responding providers

**Premium collection**
- Mobile phones: 24% (2011), 6% (2014)
- POS device: 22% (2011), 7% (2014)
- Smart / Magnetic stripe cards: 2% (2011), 6% (2014)
- Specialized software: 24% (2011), 24% (2014)
- Paper forms: 55% (2011), 59% (2014)

**Claims payment**
- Mobile phones: 13% (2011), 30% (2014)
- POS device: 2% (2011), 7% (2014)
- Smart / Magnetic stripe cards: 0% (2011), 6% (2014)
- Specialized software: 21% (2011), 21% (2014)
- Paper forms: 59% (2011), 72% (2014)
COMMISSIONS
Commissions by product type

- **Africa - 2014 Median**
- **Africa - 2014 Aggregate**
- **LAC - 2013 Aggregate**

*Total reported commissions / total reported premiums*
COMBINED RATIOS
Q: What is your target combined ratio for your microinsurance products? (claims ratio + admin expense ratio + commission)

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. 0-60%</td>
<td>40%</td>
<td>69% of products had combined ratios ≤100%</td>
</tr>
<tr>
<td>B. 61-70%</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>C. 71-80%</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>D. 81-90%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>E. 91-100%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>F. &gt;100%</td>
<td>31%</td>
<td></td>
</tr>
</tbody>
</table>

Based on KPIs reported for 135 products.
Aggregate KPIs by product type*

Total claims + total admin expense + total commission) / total GWP

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

Product type

Proportion of products with combined ratios >100%, by primary product type

- Credit Life: 15 products, 20% of total, 25% of combined ratio >100%
- Life: 56 products, 25% of total, 13% of combined ratio >100%
- PA: 8 products, 13% of total, 45% of combined ratio >100%
- Health: 33 products, 33% of total, 40% of combined ratio >100%
- Property: 5 products, 40% of total, 50% of combined ratio >100%
- Agri: 18 products, 50% of total, 10% of combined ratio >100%

Proportionately higher admin costs

- All products: Admin 25%, Claims 45%, Commission 16%
- Products w/ combined ratio >100%: Admin 69%, Claims 82%, Commission 8%
- Combined ratio: 86% aggregate
- Combined ratio: 159% aggregate
1/3 have combined ratios > 100%.... Why?? (Cont.)

→ **Small scale**

→ **Age / time**

**Average number of lives insured**

- **>100% combined ratio**
  - Without MNOs: 34,226
  - Overall: 42,925

- **Overall**
  - Without MNOs: 125,174
  - Overall: 152,802

**85%**
Aggregate combined ratio for products launched prior to 2012

**109%**
Aggregate combined ratio for products launched 2012 and more recently
WE WILL BE ADOPTING THE BEST PRACTICES IN OUR INDUSTRY, JUST LIKE EVERYONE ELSE.

IF EVERYONE IS DOING IT, BEST PRACTICES IS THE SAME THING AS MEDIocre.

STOP MAKING MEDIOCRITY SOUND BAD!

SORRY.
Q: What should the sector be aiming for in terms of claims ratios?

Select your answer:

A. 0-10%
B. 11-20%
C. 21-30%
D. 31-40%
E. 41-50%
F. 51-60%
G. 61-70%
H. >70%
Q: Why and how do you set targets or benchmarks for your microinsurance products?
DISCUSSION
Expert Forum: Microinsurance in Africa
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Thank You!

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