

# 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](mailto:info@microinsurancenetwork.org)

**Or apply online at:**

[www.microinsurancenetwork.org/member](http://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**



- ✓ **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:**
  - **14<sup>th</sup> 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**

# 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*



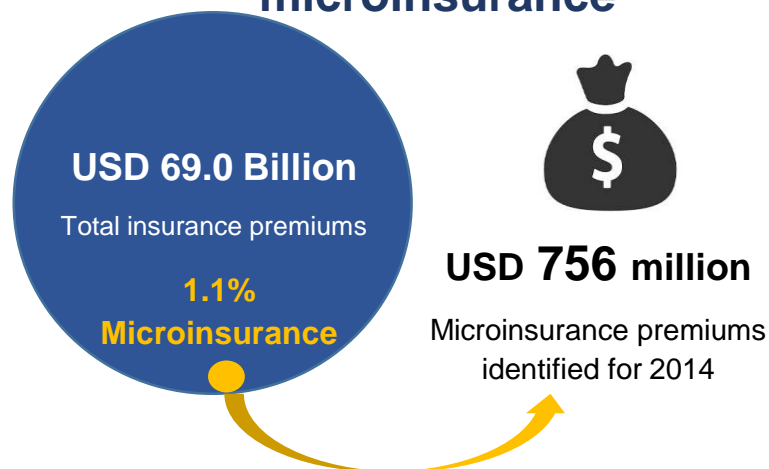
# PREMIUMS



micro  
insurance  
network

# Premiums

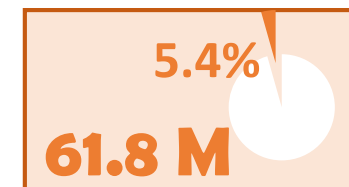
## Africa GWP: total industry and microinsurance



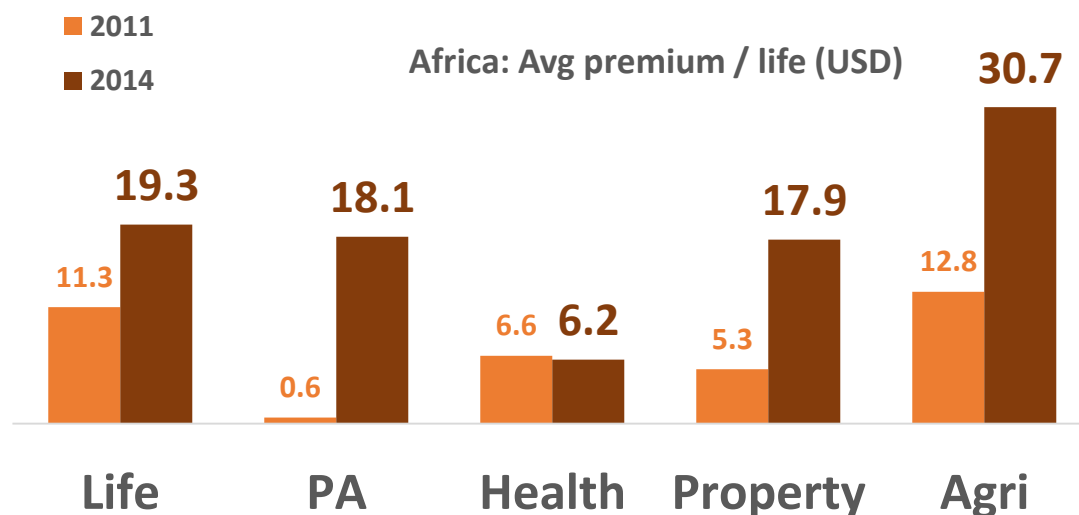
## Lives covered



## Africa: 2014



## Avg. premium / life (USD)



➔ Premiums are so low, can there really be a business case?



# CLAIMS

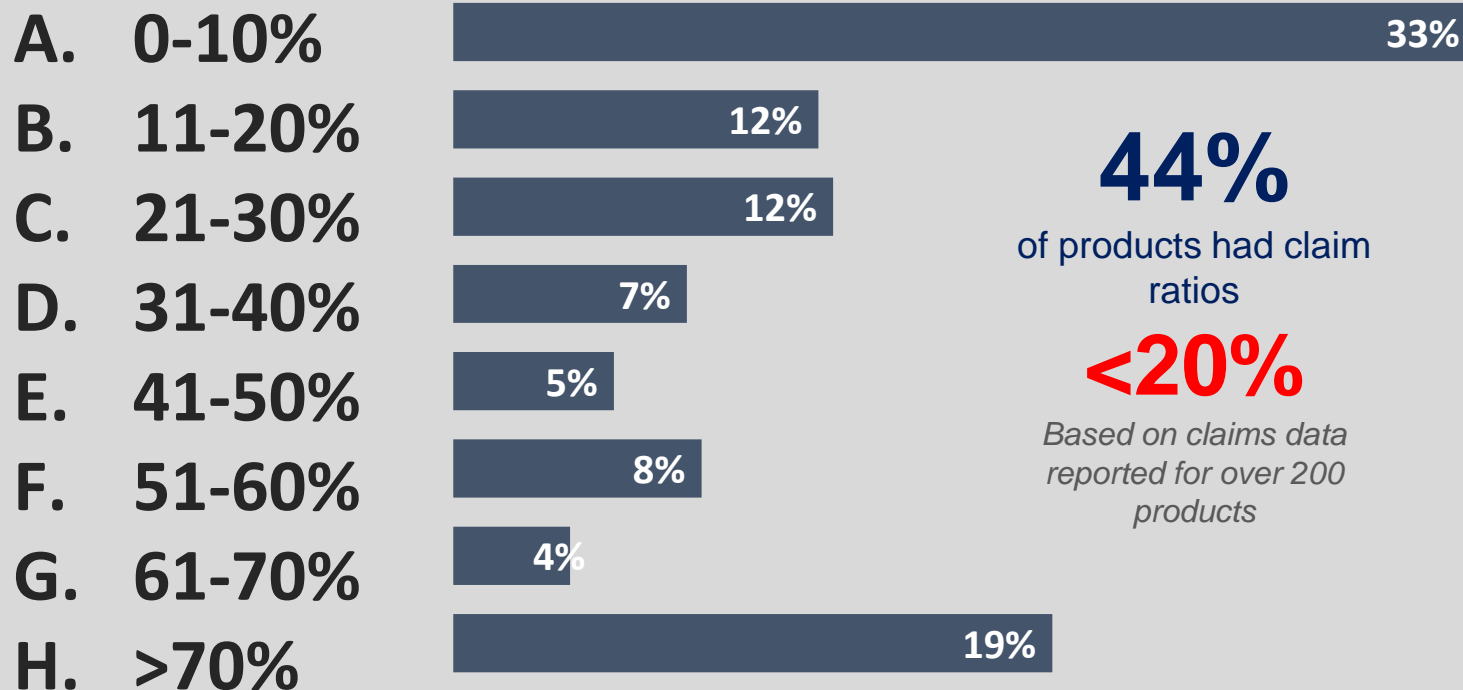


micro  
insurance  
network



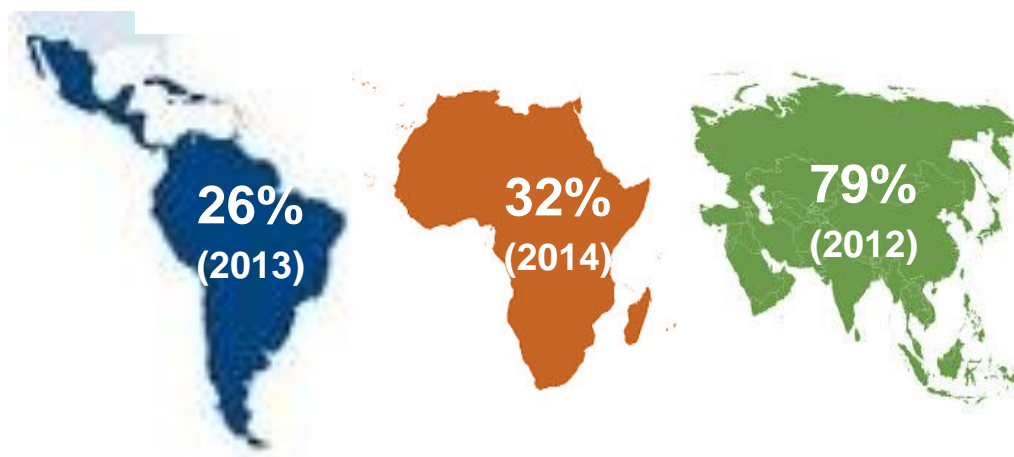
**Q: What is your target claims ratio for your microinsurance products?**

## Reported claims ratios – Africa landscape:



## Aggregate claims ratios by region

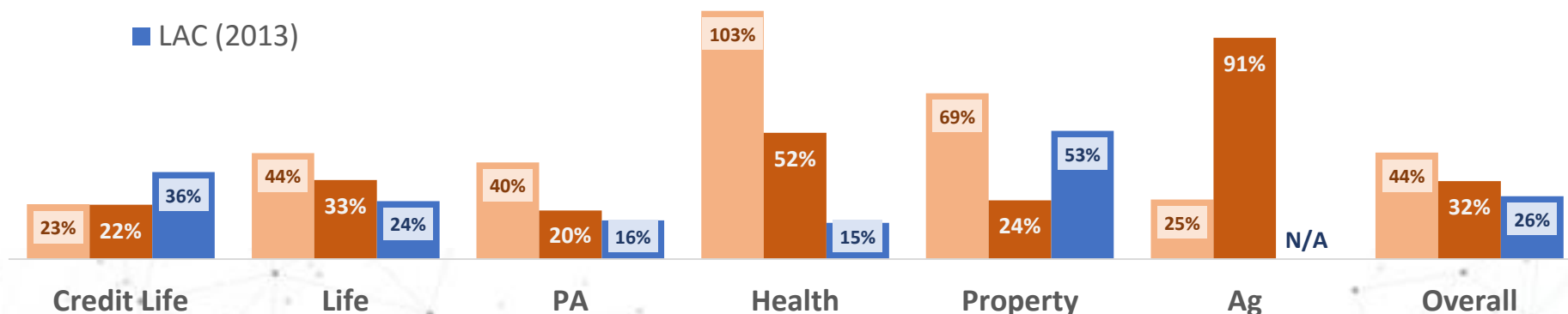
(total claims / total premiums for the region)



## Aggregate claims ratios by product type

(total claims / total premiums for the region)

- Africa (2011)
- Africa (2014)
- LAC (2013)



## 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....

**“Low”**  
**<20%**

**All**  
**Others**

% LAUNCHED IN LAST 2 YEARS

**38%**

**18%**

AVERAGE REJECTION RATIO

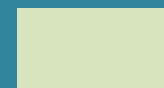
**21%**

**6%**

AVERAGE VALUE OF LIFE  
CLAIM PAYOUT (USD)

**540**

1,097



USE MOBILE PHONES IN CLAIM  
PROCESS



**35%**

**26%**

# ADMIN EXPENSES




**Q: Do you account separately for microinsurance product expenses?**

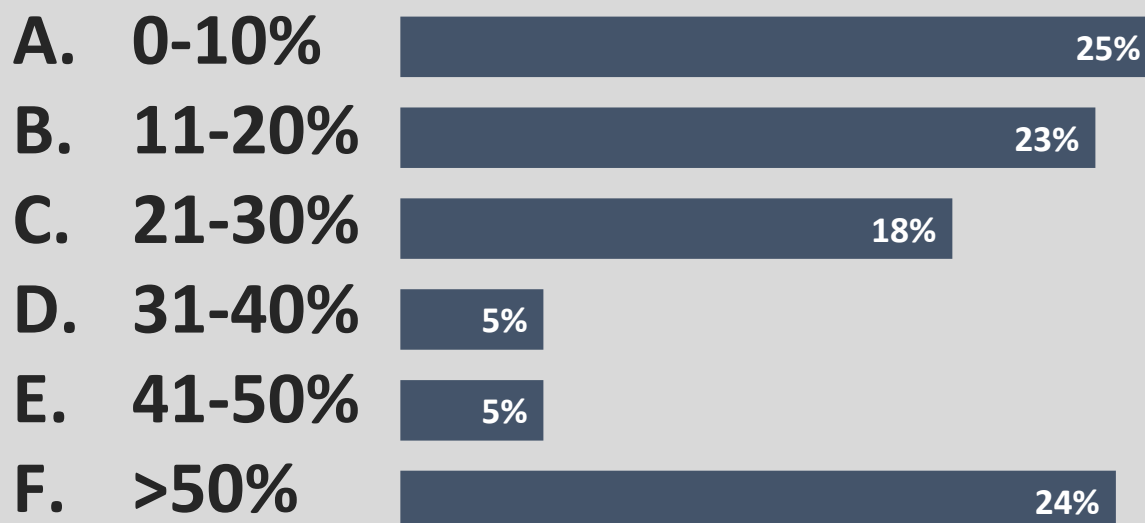


**~25%**

**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:



**24%**

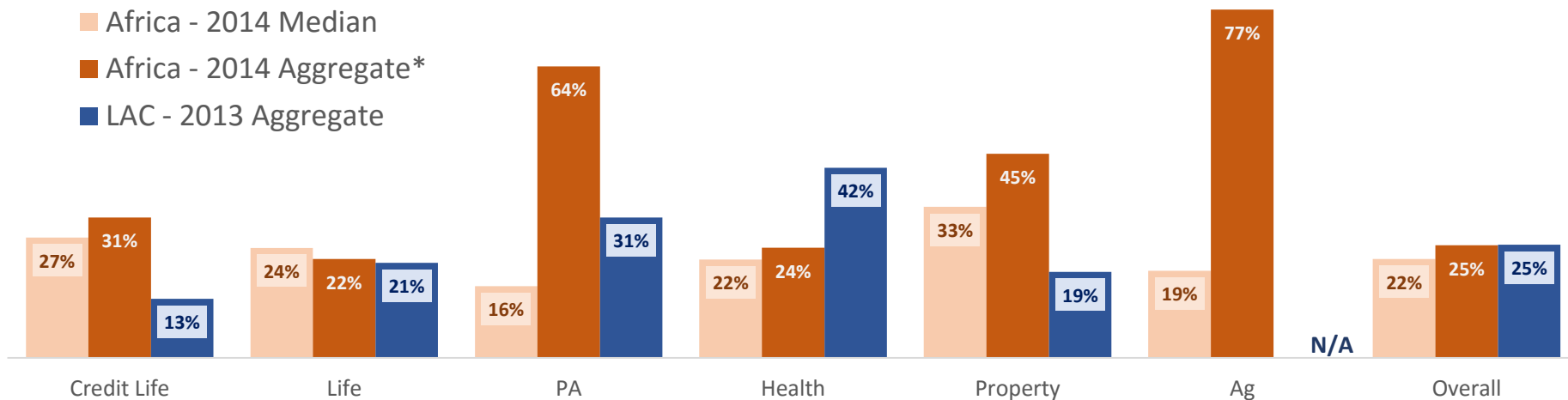
of products had admin  
expense ratios

**>50%**

*Based on expense data  
reported for 147 products*

## Administrative expense ratios by product type

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

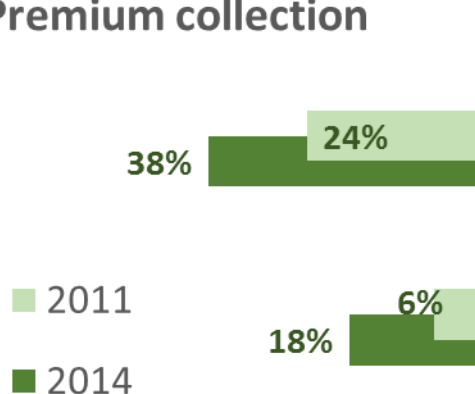


\*Total reported admin expense / total reported premiums



## Use of technology for payments - % of responding providers

### Premium collection



  
Mobile phones



POS device



Smart / Magnetic  
stripe cards

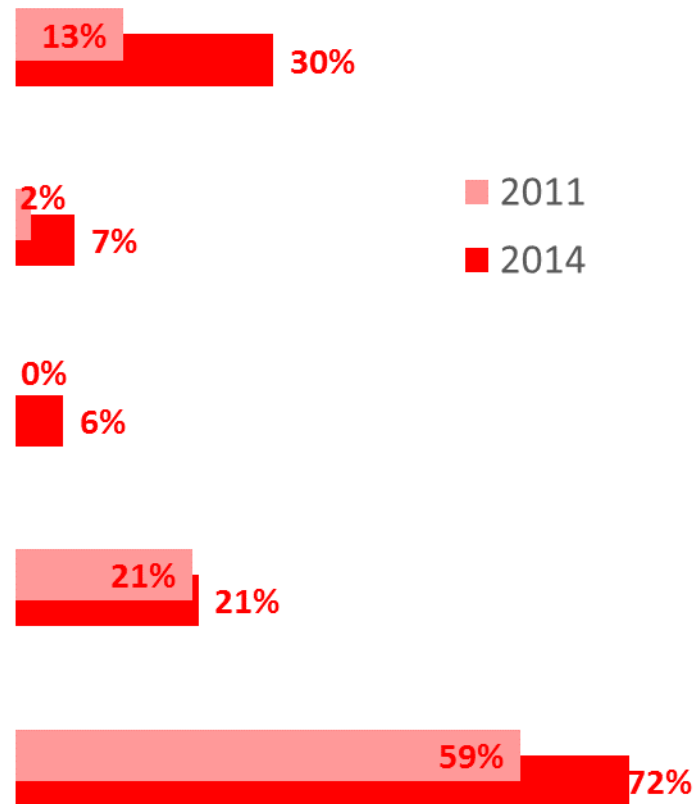


Specialized software



Paper forms

### Claims payment



2011

2014

# COMMISSIONS



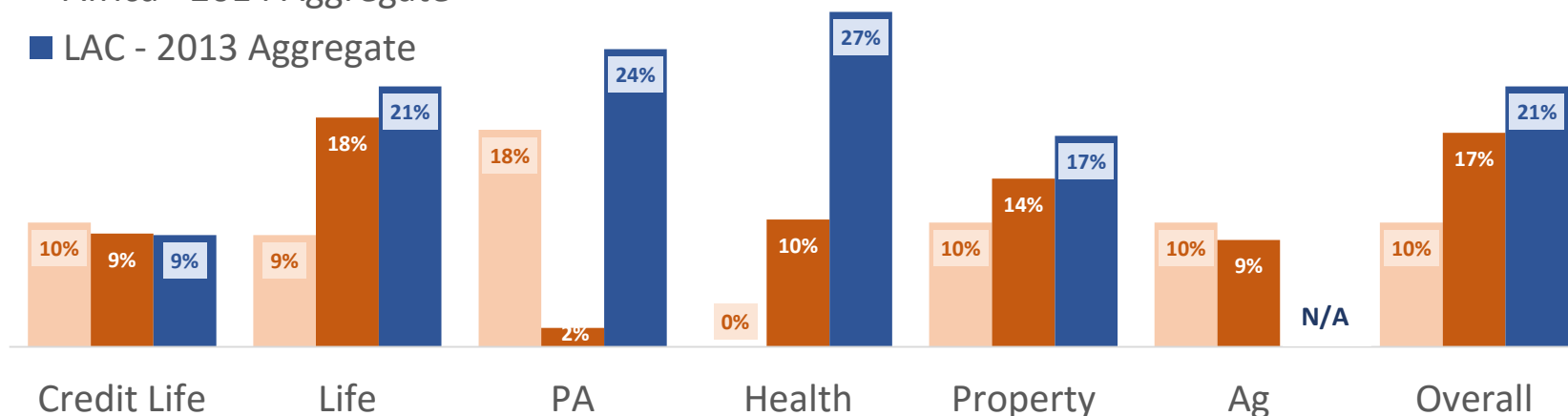
micro  
insurance  
network

## Commissions by product type

■ Africa - 2014 Median

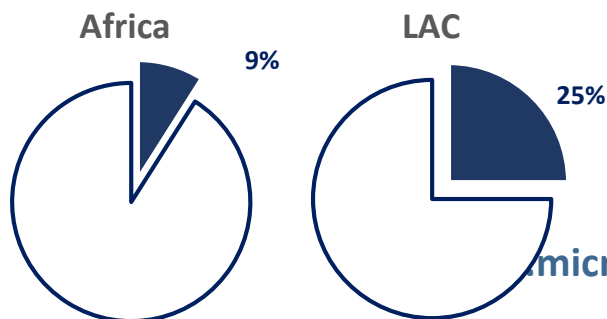
■ Africa - 2014 Aggregate\*

■ LAC - 2013 Aggregate



\*Total reported commissions / total reported premiums

## Proportion of products with commissions greater than 30%



# COMBINED RATIOS

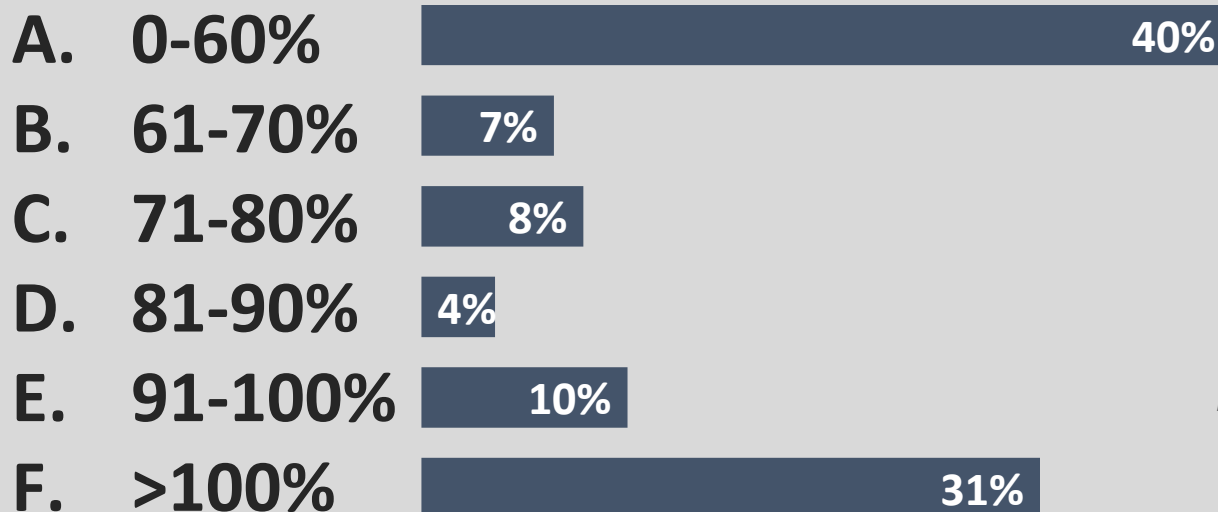


micro  
insurance  
network



**Q: What is your target combined ratio  
for your microinsurance products?**  
(claims ratio + admin expense ratio + commission)

## Reported combined ratios, Africa landscape:



**69%**

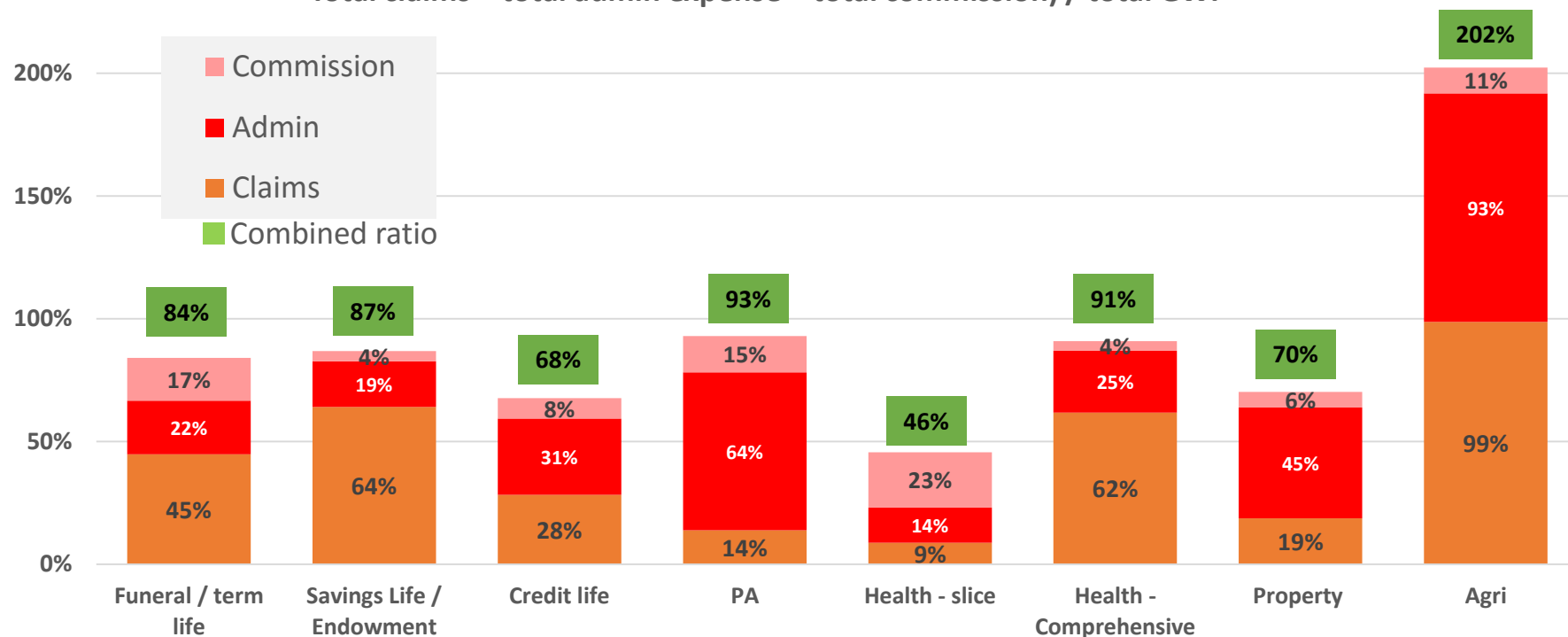
of products had  
combined ratios

**≤100%**

*Based on KPIs reported for  
135 products*

## Aggregate KPIs by product type\*

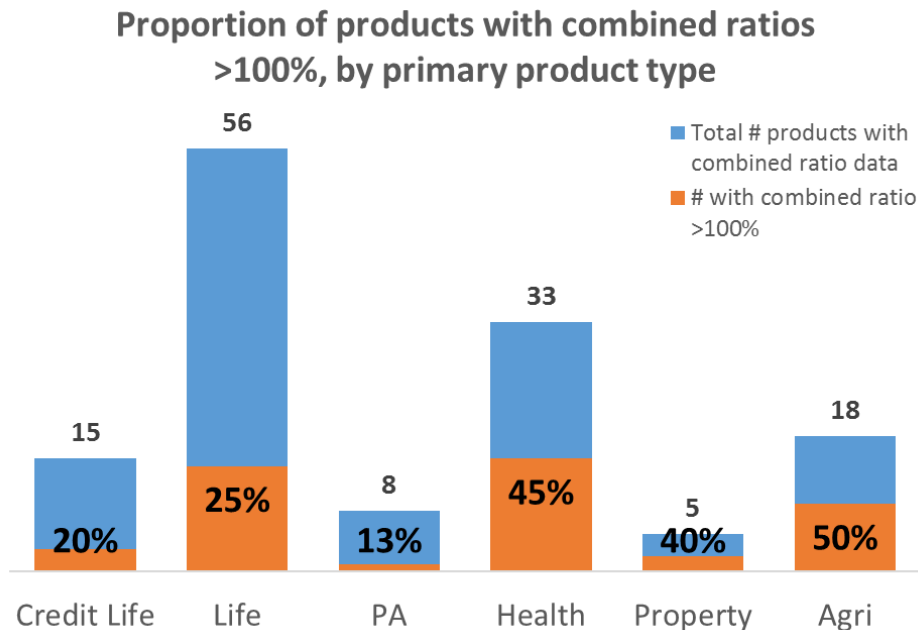
Total claims + total admin expense + total commission) / total GWP



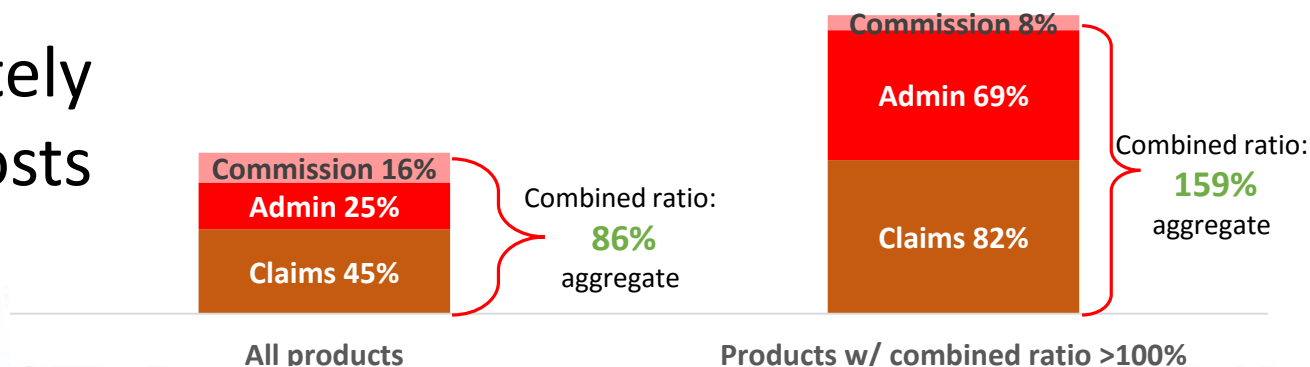
\*Limited to subset of data for which claims, admin expenses, and commissions were all reported. These 135 products account for USD 238 million in gross written premium, or one-third of the total identified gross written premiums.

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

➔ Product type

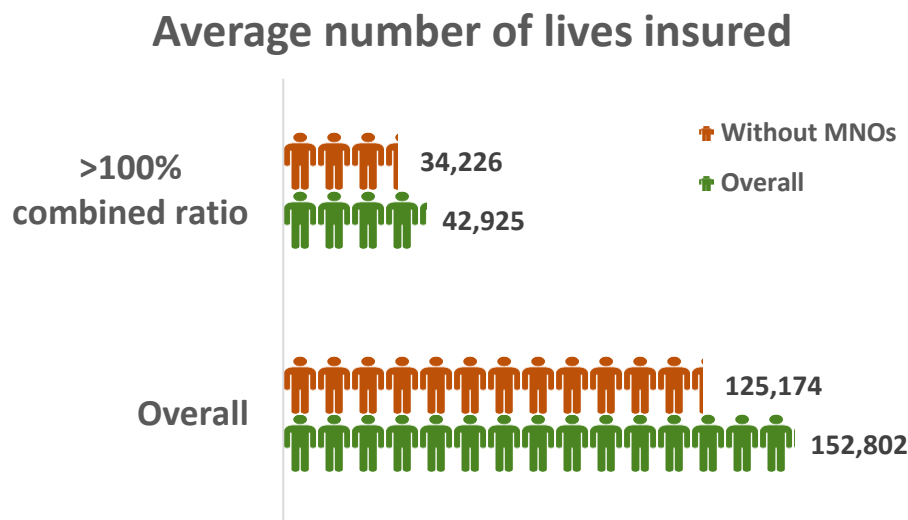


➔ Proportionately higher admin costs



## 1/3 have combined ratios > 100%.... Why?? (Cont.)

➔ Small scale



➔ Age / time

**85%**

Aggregate combined ratio  
for products launched  
prior to 2012

**109%**

Aggregate combined ratio for  
products launched  
2012 and more recently



# BENCHMARKING



micro  
insurance  
network

WE WILL BE ADOPTING  
THE BEST PRACTICES  
IN OUR INDUSTRY,  
JUST LIKE EVERYONE  
ELSE.



www.dilbert.com  
scottadams@aol.com

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



4-3-08 © 2008 Scott Adams, Inc./Dist. by UFS, Inc.

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

Module 2: The Business Case for Microinsurance in Africa

# Thank You!

### Microinsurance Network

39 Rue Glesener  
1631 Luxembourg  
Tel: +352 262978

[info@microinsurancenetwork.org](mailto:info@microinsurancenetwork.org)

[www.microinsurancenetwork.org](http://www.microinsurancenetwork.org)

### Making Finance Work for Africa

Immeuble CCIA, Rue Jean Paul II  
Abidjan, Côte d'Ivoire  
Tel: +255 20263567

[secretariat@mfw4a.org](mailto:secretariat@mfw4a.org)

[www.mfw4a.org](http://www.mfw4a.org)