Increasing access to insurance

Presentation to 16th Annual IAIS Conference

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The microinsurance bottom line

Traditional insurance vs. Microinsurance

<table>
<thead>
<tr>
<th></th>
<th>Net premium</th>
<th>Profit</th>
<th>Net claims</th>
<th>Total expenses</th>
<th>Commission</th>
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</thead>
<tbody>
<tr>
<td>Traditional</td>
<td></td>
<td>$2.5</td>
<td>$35</td>
<td>$7.5</td>
<td>$5</td>
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<tr>
<td>Microinsurance</td>
<td></td>
<td>$5</td>
<td>$2.75</td>
<td>$1</td>
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</tbody>
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MI features:
- Premiums from as low as $2/month
- Benefits tailored to low premiums, with innovative product combinations
- Providing “benefits in life”
- Generally short-term, group policies
- Life, specifically funeral cover particular success

Minimise regulatory & other costs
MI belongs to the delivery channel

1. Compulsion

2. Democratic group endorsement: coops, labour unions, churches, clubs, etc

3. Community-based self insurance

4. Prepayment of services

5. Database selling: utilities, etc

6. Retail footfall: non-ins. sales force

7. Standalone broker/agent

- Credit life: India, Philippines, SA, Colombia
- Brazil: PASI
- SA & others: burial societies
- Funeral parlours: Colombia, Brazil
- HMOs: Zambia, Uganda
- Brazil: electricity & telco companies
- SA: Shoprite, Brazil: Casas Bahia, etc
- Brazil: SINAF
Role of government in MI development

1. Ensure stability and integrity of the market
2. Ensure fair treatment of consumers
3. Promote financial inclusion
4. Reduce regulatory costs & barriers
5. Support payment system development
6. Subsidise insurance provision
Beware of regulatory drift

- **Regulatory burden**
  - Minimum entry barrier defined based on risk

- **Time**

- **Household income**
  - Scope for formal sector defined by increasingly complex regulation
  - Potential MI space
  - Informal market

- **High Income**
  - High

- **Low income**
  - Low

- **High**
  - Low

- **Low**
  - Low
Supervisors’ challenges

- Changing supervisory mandate and implications
  - Moving from stability only to also include market conduct and consumer protection
  - Moving from supervision focused on large institutions to supervision focusing on small transactions

- Enforcement and capacity challenges
  - Formalising the informal
  - Start by simplifying the product
  - Coordination with other government agencies
  - Selective delegation of oversight
Thank you!

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