



Enabling policies for microinsurance market development in Africa

Presentation to Access to Insurance Policy Seminar for Regulators and Supervisors

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“Life for Mr Chimanga’s family!”

Cenfri motto



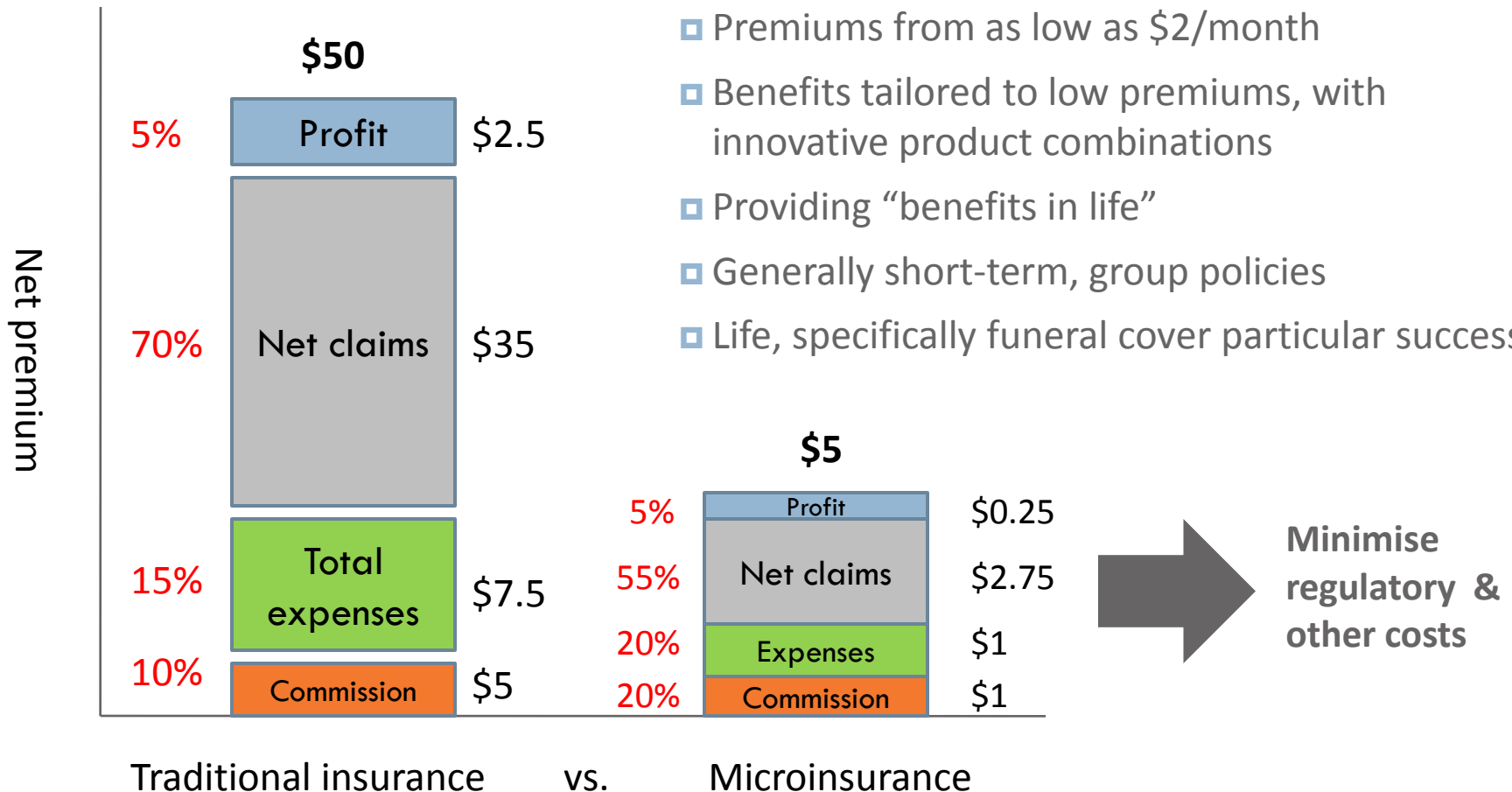
“Microinsurance is not microbusiness!”

Brazilian insurance supervisor

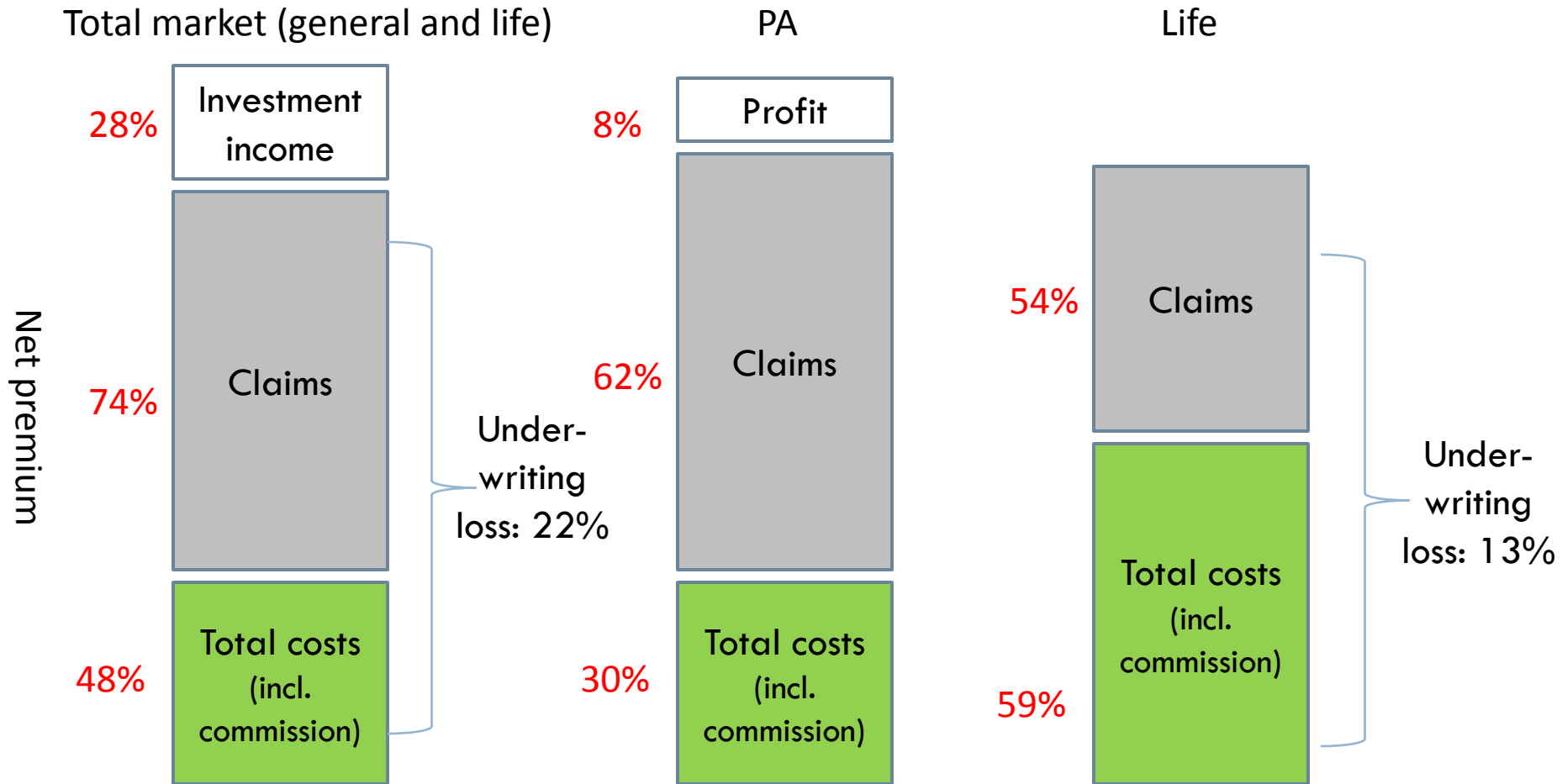
The microinsurance bottom line

MI features:

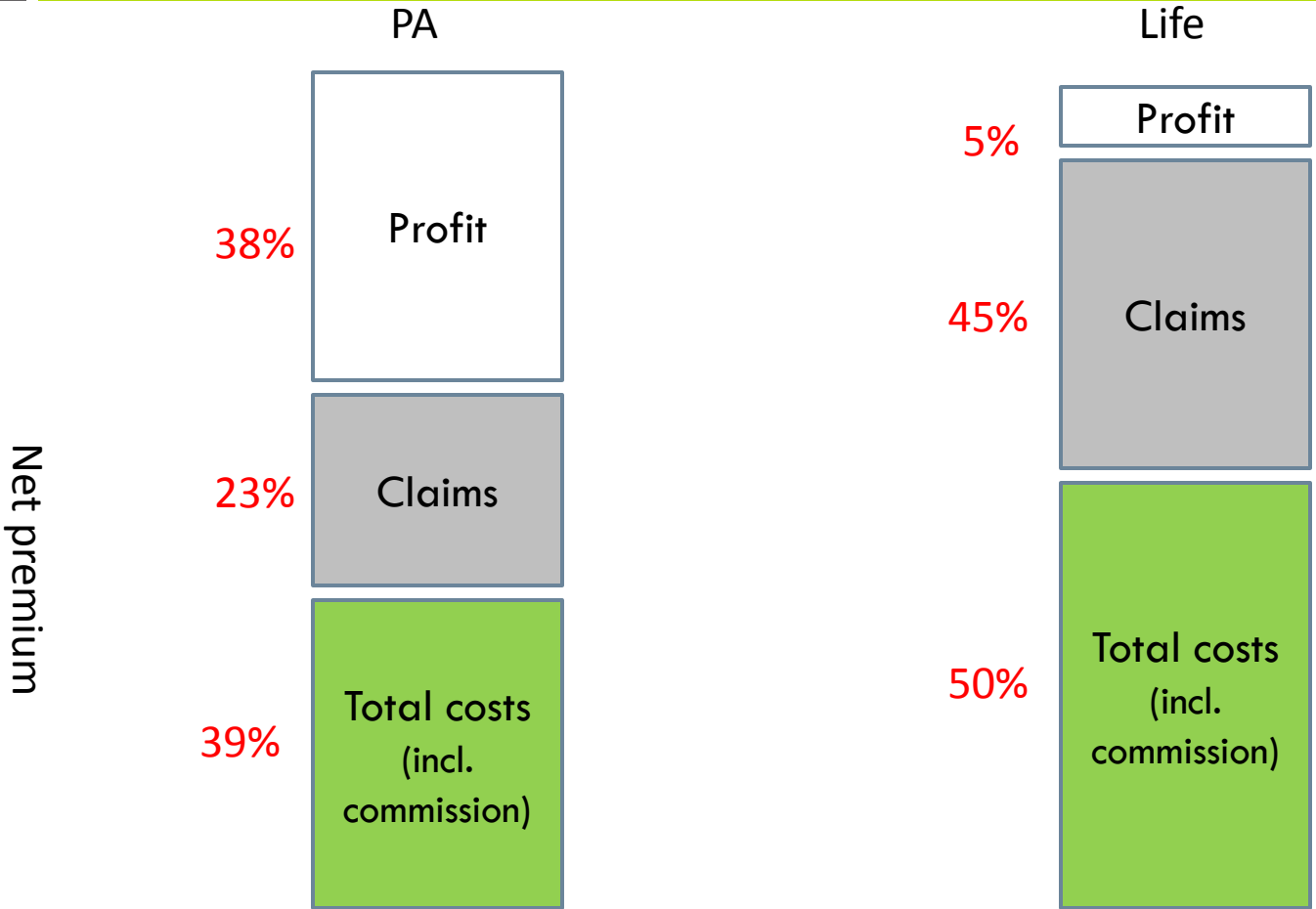
- ▣ Premiums from as low as \$2/month
- ▣ Benefits tailored to low premiums, with innovative product combinations
- ▣ Providing “benefits in life”
- ▣ Generally short-term, group policies
- ▣ Life, specifically funeral cover particular success



Kenyan example



Nigerian example

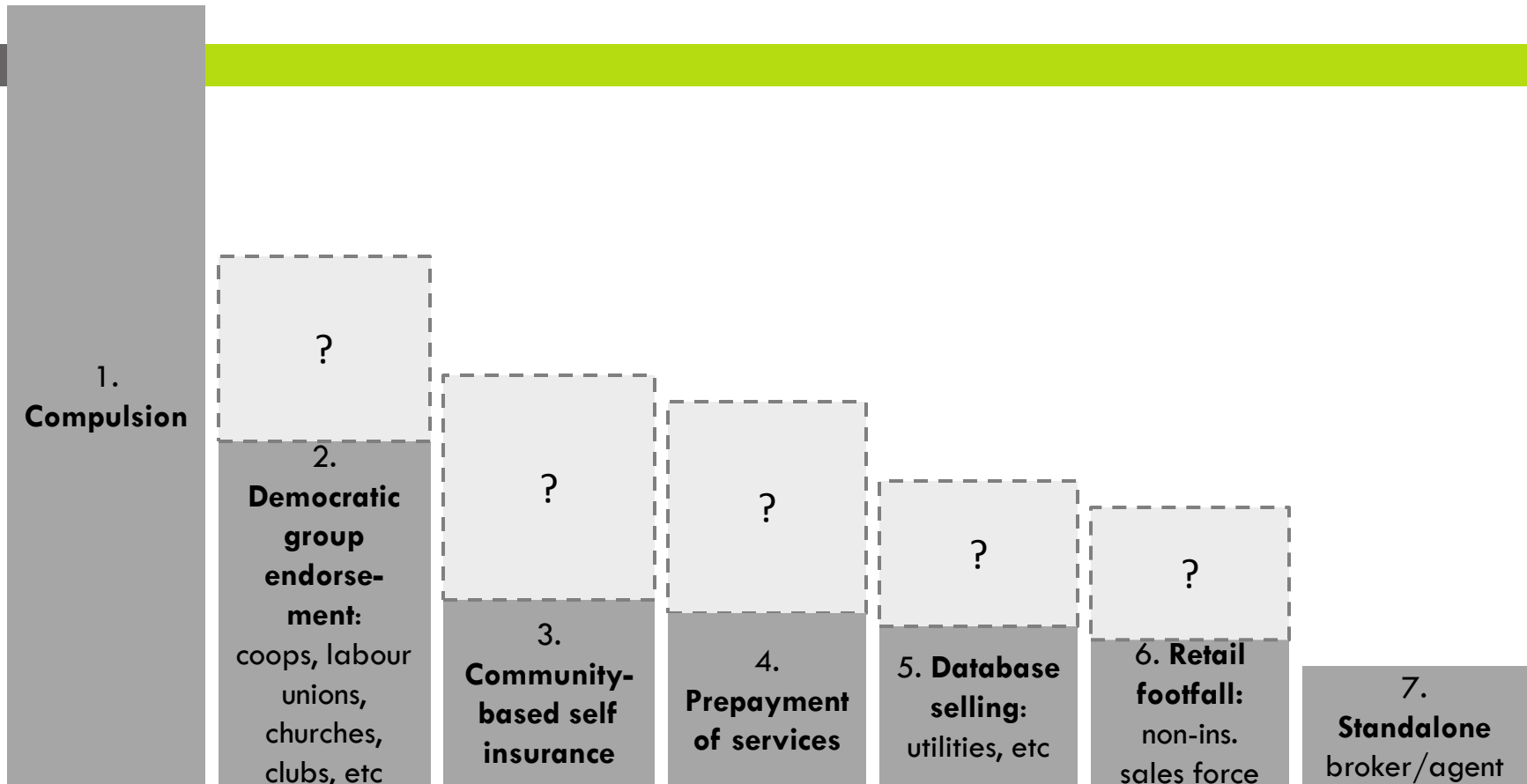


Source: Nigeria Insurance Association, Nigeria Insurance Digest

Efficiency determines frontier

- **Africa: Admin and commission costs of between 50-60% is not uncommon**
 - ▣ Despite limited exposure to retail and life market (group business, compulsory/bundled sales, large commercial contracts)
 - ▣ Insufficient investment in management systems and business infrastructure
- **Claims ratios of between 10-40% in product categories relevant to low-income market**
 - ▣ Poor value to client
 - ▣ Limited competition - only for traditional commercial and group business
- **Limited investment in portfolio capacity**
 - ▣ Dividend payments signalling short-term profit focus
 - ▣ Large part of premiums ceded to reinsurance without investment in domestic capacity
- **Limited domestic investment opportunities disincentivises growth**
 - ▣ Absence of liquid stock exchange
 - ▣ Local asset requirements
- **Much of industry not yet seeing the market opportunity and investing in it**

MI belongs to the delivery channel



• Credit life: India, Philippines, SA, Colombia

• Brazil: PASI

• SA & others: burial societies

• Funeral parlours: Colombia, Brazil
• HMOs: Zambia, Uganda

• Brazil: electricity & telco companies

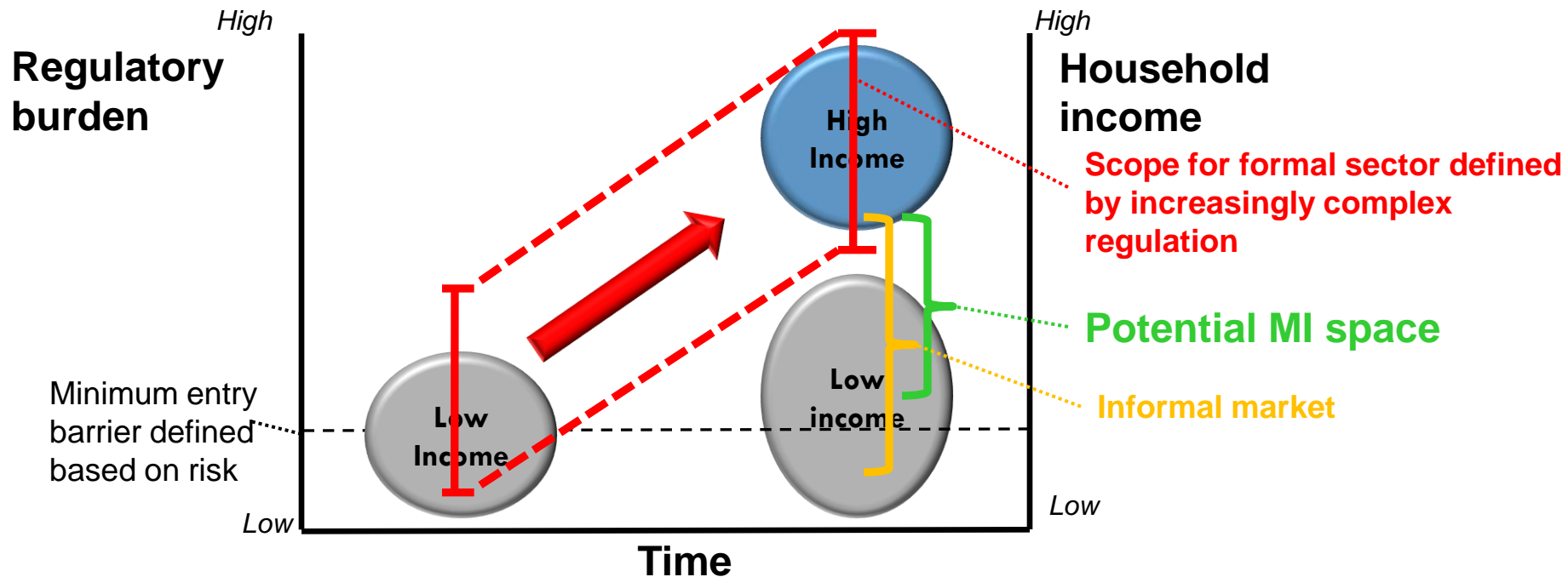
• SA: Shoprite,
• Brazil: Casas Bahia – life, PA & health component

• Brazil: SINAF –funeral & “income replacement”

Enabling policies

1. Ensure stability and integrity of the market
2. Encourage innovation and competition
3. Ensure fair treatment of consumers
4. Promote financial inclusion
5. Reduce regulatory costs & barriers
6. Support payment system development
7. Subsidise insurance provision
8. Develop the capital market

Beware of regulatory drift





Thank you!

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Payment system issues

“How to collect premiums cost effectively in a cash-based society with limited formal banking infrastructure”

- Existing payment infrastructure often limited
- Promise of mobile
- Non-bank banking correspondents
- Engage with other regulators

Critical regulatory costs

- High capital requirements
- Complex product requirements
- Actuarial and reporting requirements
- Per transaction sales costs
- Restrictive intermediation requirements (costly closed shops)

Potential solution: A dedicated microinsurance product category