The holy grail of microinsurance: Voluntary take-up

Presentation at BRS Microfinance Lunch Break

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In SSA, people face insurable risks: Most don’t use insurance.

Sources: FinScope Zambia, 2015
Even in South Africa, informal provision dominates

- Through my church
- Through a funeral home
- With a bank
- With an insurance company
- From my employer/union
- From a funeral parlour
- Through an undertaker
- From a sports team

% of adults

Sources: FinScope South Africa, 2016
What drives voluntary take-up?
The insurance decision

**Take it:**
Perceived value > Opportunity cost

**Risk it:**
Perceived value < Opportunity cost

- Active outbound sales
- Tangible: derived demand, “in-life” benefits and over-discounting
- Relevant risk management
- Trust: Brand + claim
- Trade-off against other critical expenditure
- Not just premium but all transaction cost to access and use
- Behavioural hurdles

Value and opportunity cost

Likelihood of buying insurance

Increased trust

Higher discount rate
Most insurance markets are stuck in group and bundled insurance.

- Stage 1: Nascent
  - Nigeria: 0.09%
  - Ethiopia: 0.04%
- Stage 2: Group and bundled
  - Zambia: 0.35%
  - Tanzania: 0.11%
  - Rwanda: 0.08%
- Stage 3: Early retail
  - Zambia: 0.35%
  - Ghana: 0.49%
  - Uganda: 0.10%
- Stage 4: Diversified retail
  - South Africa: 10.9%
  - Mauritius: 4.1%
  - Zimbabwe: 2.20%
  - Uganda: 0.10%
  - Tanzania: 0.11%
  - Zambia: 0.35%
  - Ghana: 0.49%
  - Kenya: 1.06%

Sources: Funding the frontier, 2016
What business models are overcoming this for voluntary insurance sales?
BIMA doctor is enabling voluntary low-cost healthcare in Ghana

- 24/7 access to voice, video, chat consultations with qualified doctors following international protocols
- Digital consultation summary and prescription via SMS
- Preventative health tips
- Hospital cash insurance
- Discounts at BIMA’s network of hospitals, clinics, pharmacies
Zhong-an online is leveraging the digital ecosystem in China to drive voluntary sales

Online shopping is no longer tangled to buy what I love.

Shopping fast / Pay order return experience upgrade

Learn more
AXA is selling insurance directly through Jumia in Africa.
Hollard is selling voluntary insurance using brick and mortar in South Africa

- Largest football club in Africa
- Launched 13 stores
- Merchandise, mobile and insurance
- Offers funeral, life, legal, hospital and cellphone*
Key messages

• Tech has ability to solve voluntary take-up
• Left by itself, these solutions are unlikely to address the markets and consumer segments we are interested in
• Development case in Stage 2 but business case limited for traditional high-cost players: Need to enable entry of those who can
• Need to solve value delivery in Stage 2 for development impact and building Stage 3
• Business case stronger in Stage 3 but will require longer-term strategy and collaboration across industry and regulator to resolve challenges
• Need to continue exploring voluntary models as path to Stage 3