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What can first world countries learn from emerging markets' microinsurance experience?

Nicole Kriek

Christelle Oosthuizen

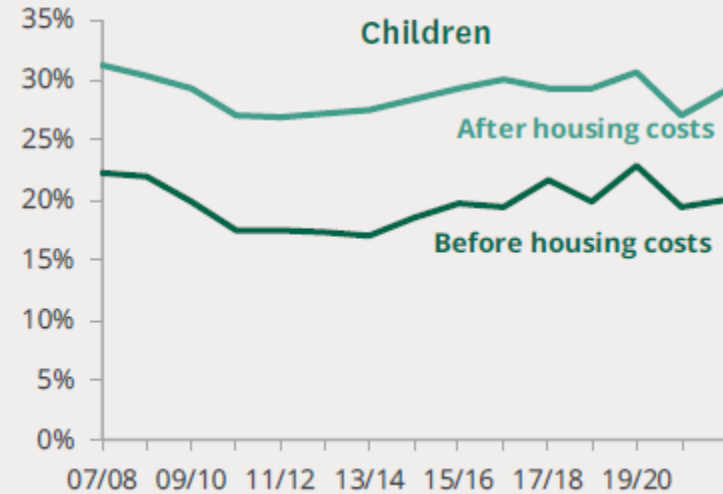
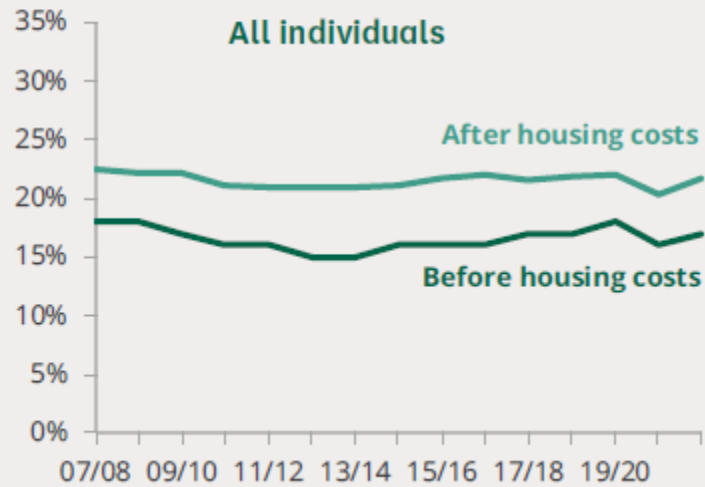
UK Poverty

Relative low income in the UK in 2021/22

11.0 million people (17%) were in relative poverty before housing costs and 14.4 million after housing costs (22%). This includes 2.9 million children (20%) before housing costs and 4.2 million after housing costs (29%).

The % people in relative low income in 2021/22 was at a similar level to before the pandemic

Relative child poverty was slightly lower than pre-pandemic levels

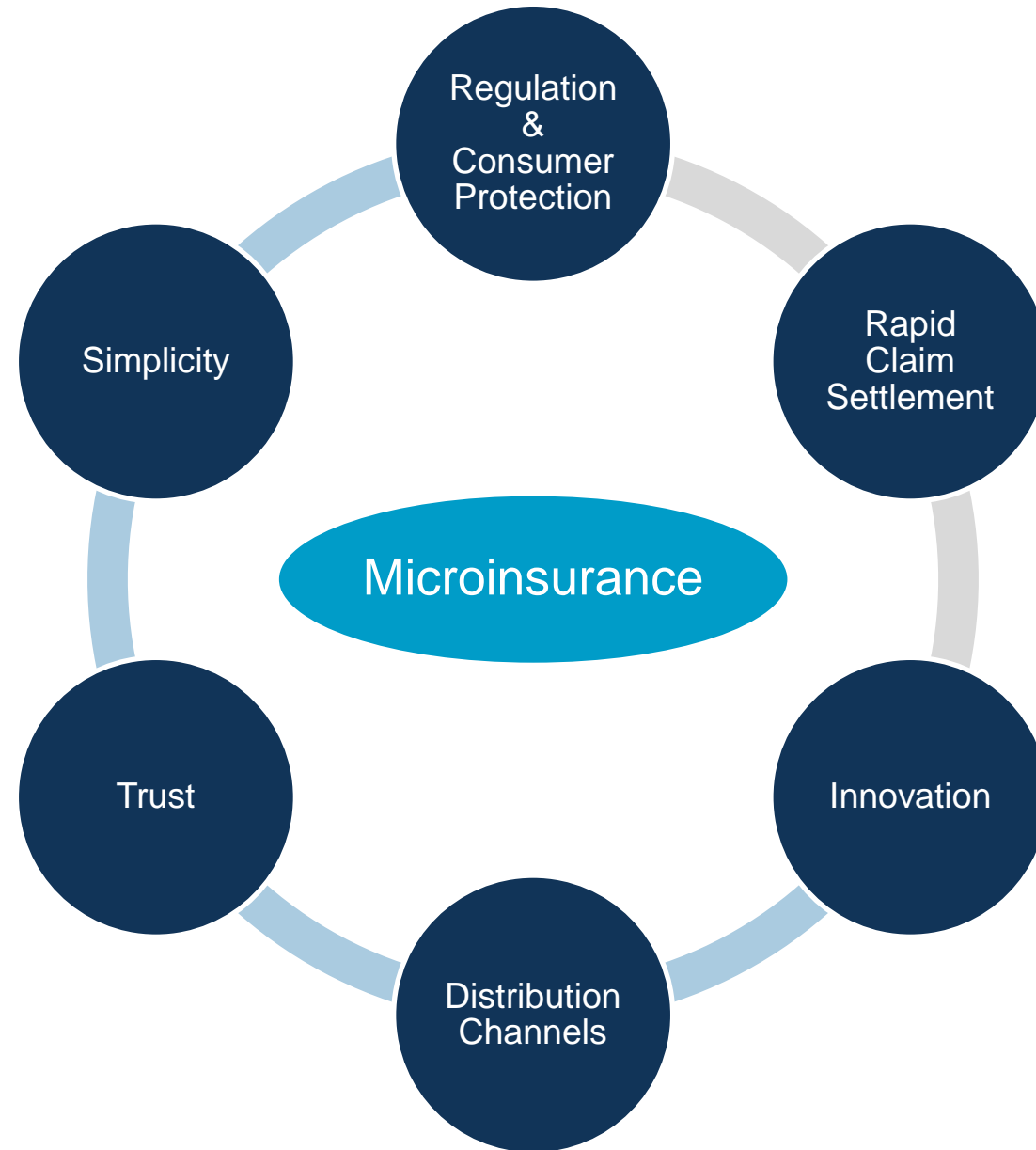


Introduction

- Define microinsurance, and explain the **need** for microinsurance
- Overview of the insurance poverty premium
- Case studies of microinsurance successes and failures in emerging markets



Introduction





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Microinsurance

Microinsurance

“Insurance that is accessed by low-income populations, provided by a variety of different entities, but run in accordance with generally accepted insurance practices.”

International Association of Insurance Supervisors (IAIS)



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Definition

Microinsurance vs Inclusive Insurance



Poverty premium

“The poverty premium is the extra costs people on low incomes and in poverty pay for essential products and services”



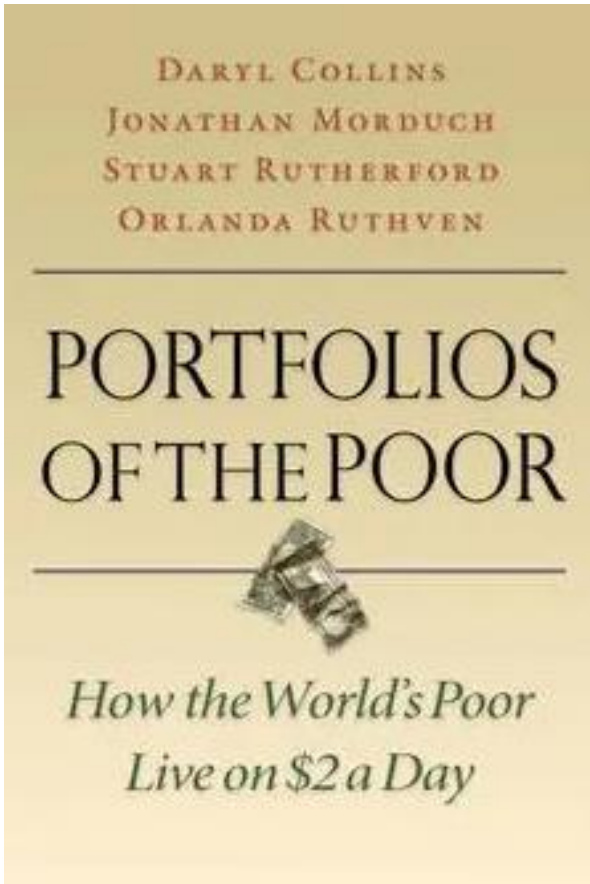
Poverty premium



Poverty premium



Need for microinsurance



Need for insurance

- Informal networks and family ties
- Irregular incomes
- Need differs between regions
- Limited savings
- Variable incomes
- Fit for purpose and value for money



Need for microinsurance

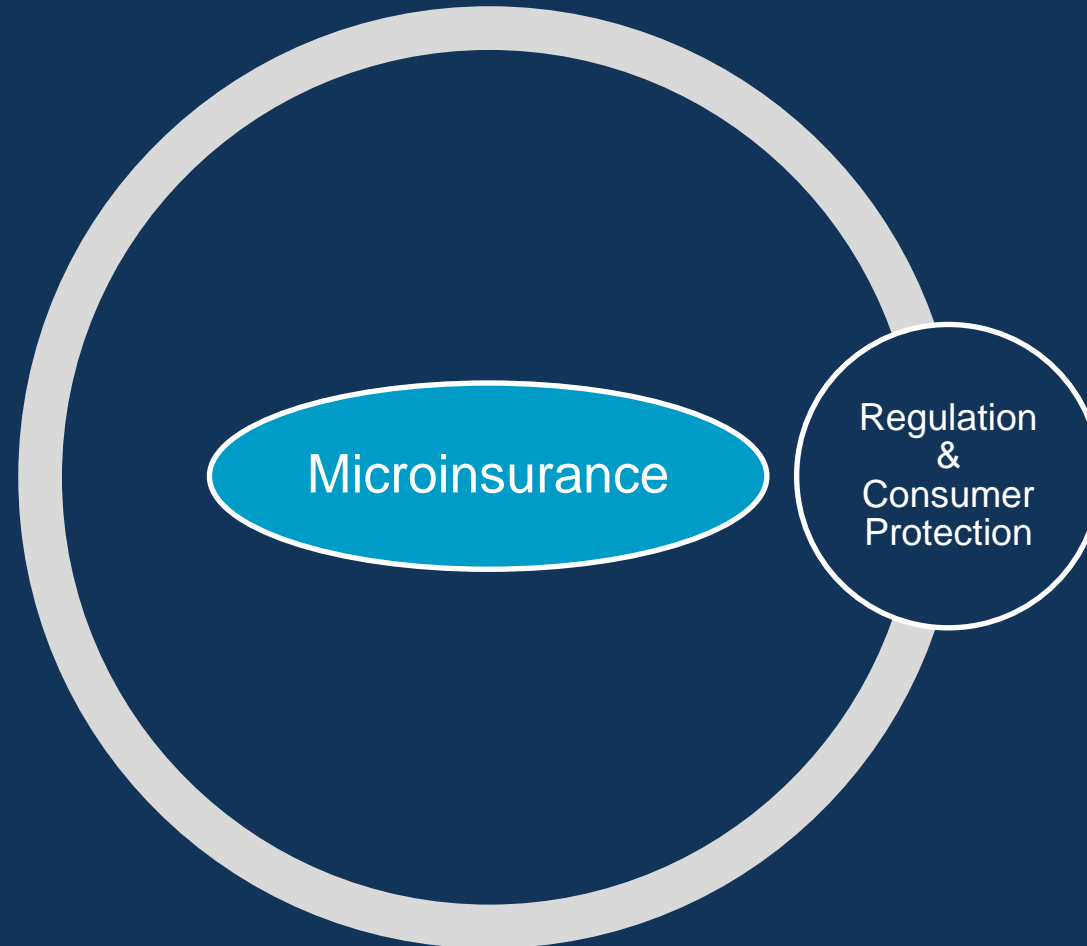
“Microinsurance should not just be a scaled down version of regular insurance but the product and processes should be completely reengineered to meet the characteristics and preferences of the low income market.”

Microinsurance Innovation Facility





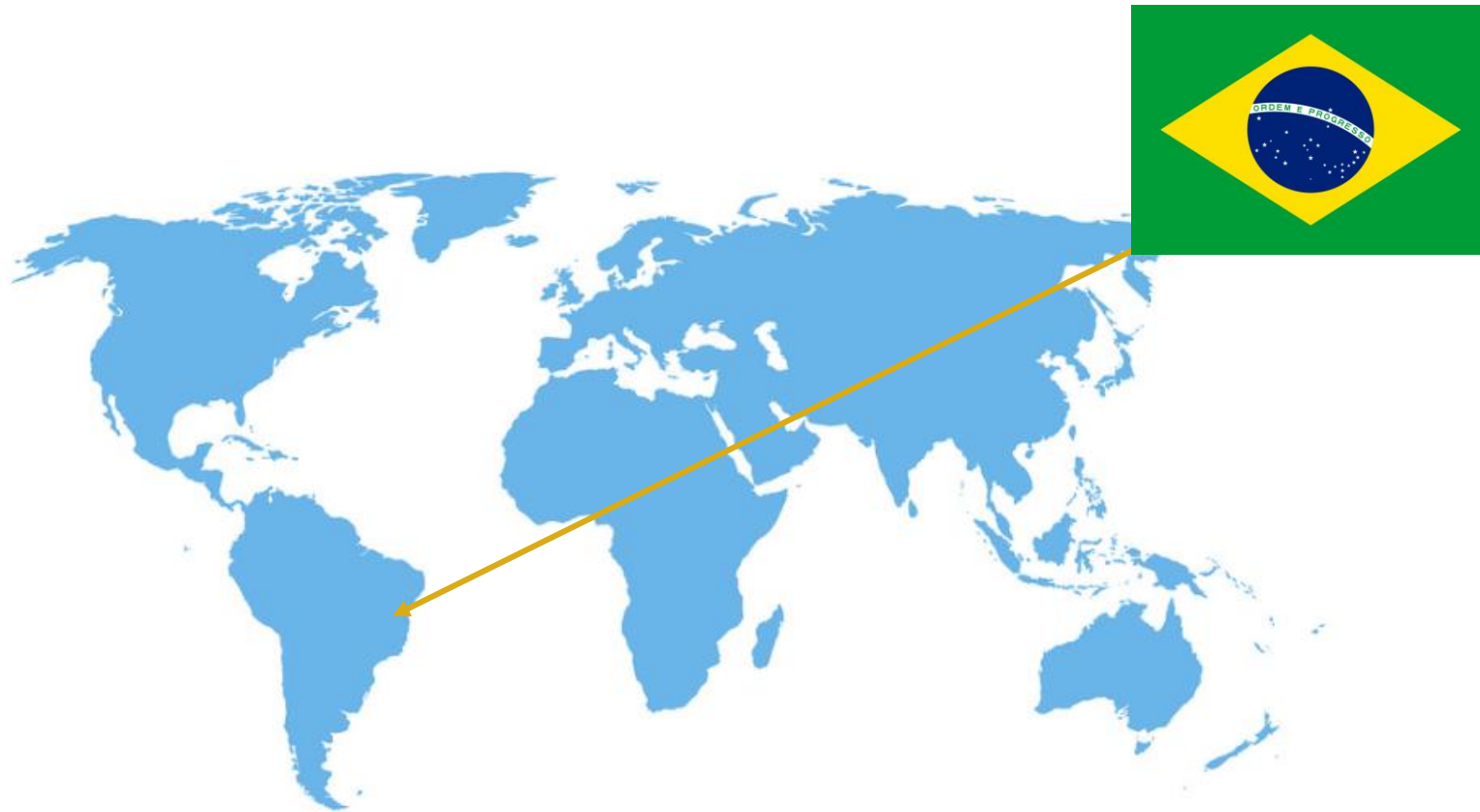
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“Without consumer protection mechanisms insurance becomes just another risk that poor individuals have to manage.”



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Santa Marta, Rio de Janeiro



Source: Franks Travelbox



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Brazil



Excerpt from “Familia Estou Seguro”



Estou Seguro Success

Involvement of community leaders and trusted community institutions led to:

- Messages that were appropriate
- Channels that were accessible
- Lessons taught were understood and trusted by the community
- Individuals become familiar with insurance terms as well as the purpose of insurance



South Africa



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Definitions

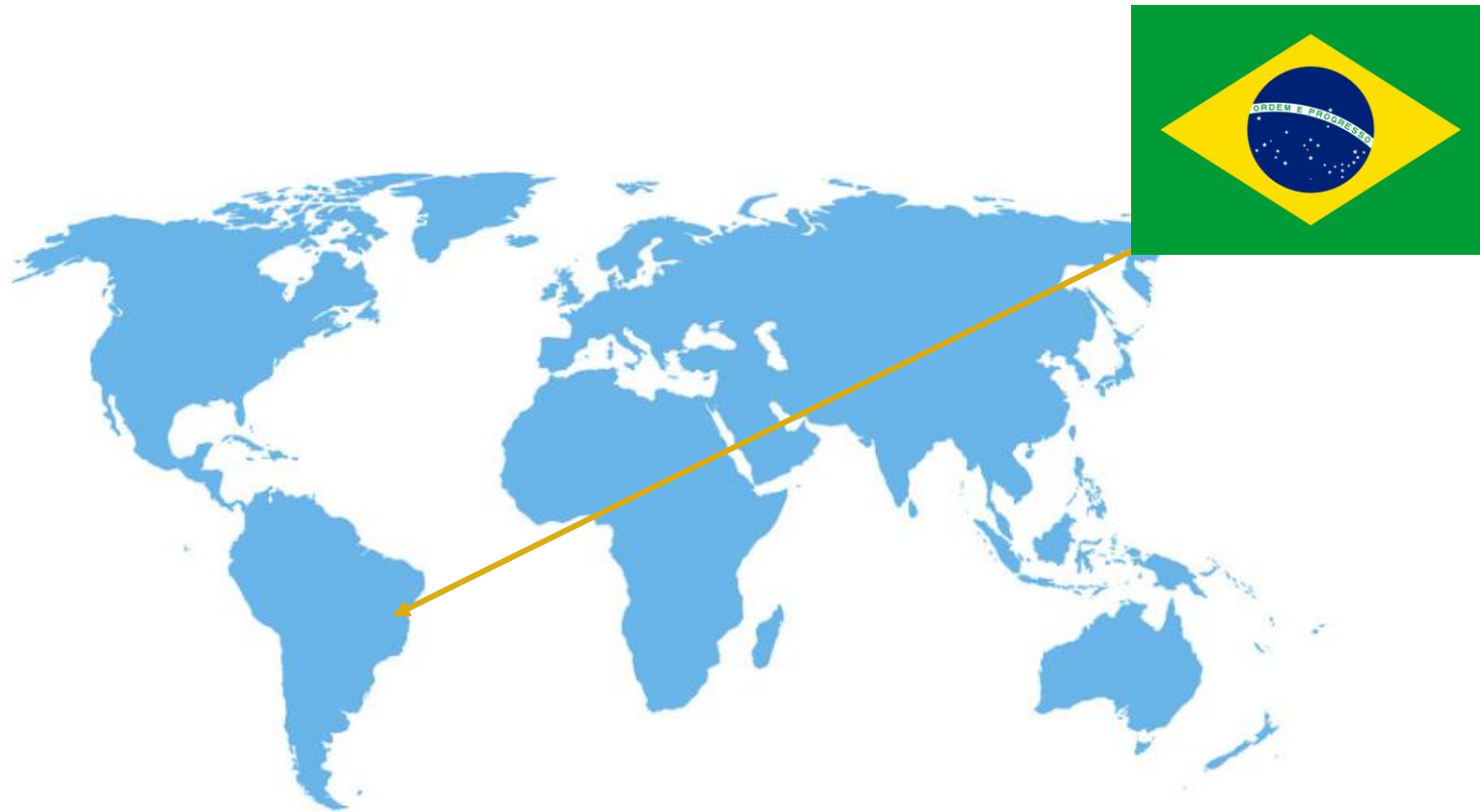
South African Microinsurance Definition

- “**microinsurance business**” means insurance business—
- (a) conducted in respect of any of the following classes and sub-classes of insurance business set out in Schedule 2—
 - (i) life insurance business, classes 1, 3, 4 or 9; and
 - (ii) non-life insurance business, in the sub-class personal lines in—
 - (aa) classes 1, 2, 3, 9, 11, 14 or 17; and
 - (bb) class 10, but only to the extent that the insurance obligations directly relate to the classes referred to in item (aa); and
 - (b) in the case of life insurance business and class 14 referred to in paragraph (a)(ii)(aa), in respect of which the aggregate value of the insurance obligations relating to each life insured under an insurance policy does not exceed the maximum amounts prescribed; and
 - (c) in the case of non-life insurance business other than class 14 referred to in paragraph (a)(ii)(aa), in respect of which the aggregate value of the insurance obligations under an insurance policy does not exceed the maximum amounts prescribed; and
 - (d) in respect of which the aggregate value of the insurance obligations under all insurance policies issued by the same insurer to the same policyholder does not exceed the maximum amounts prescribed under paragraphs (b) and (c);

Source: South African Insurance Act (18 of 2017)



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Definitions

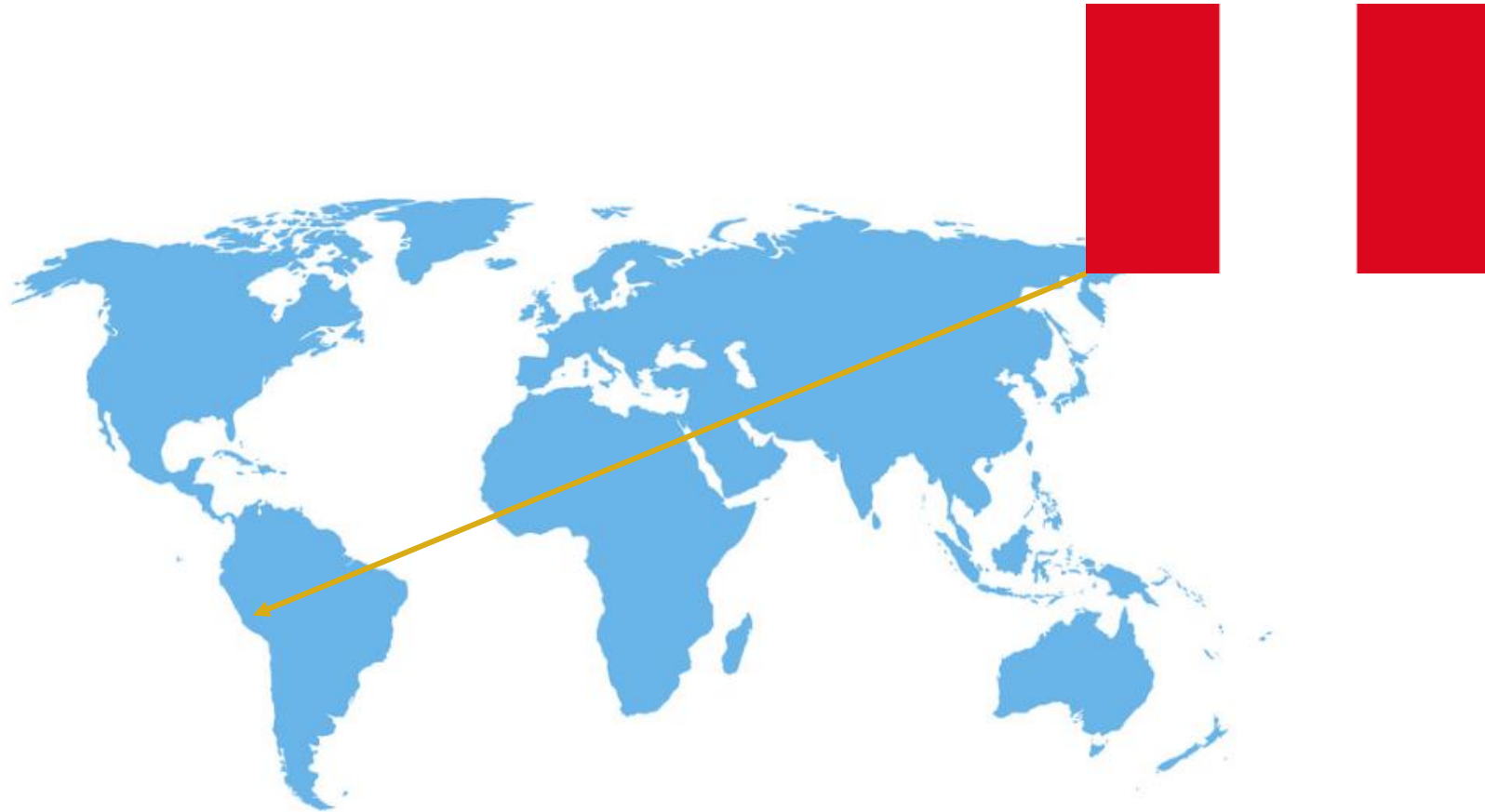
Brazilian Microinsurance Definition

Microinsurance is the insurance protection provided by licensed entities within the country against specific risks, which aims fundamentally to preserve socioeconomic, personal, and family situation of the low-income population by means of premium payments which are proportional to the probability and cost of risks involved, in accordance with the legislation and globally accepted principles.

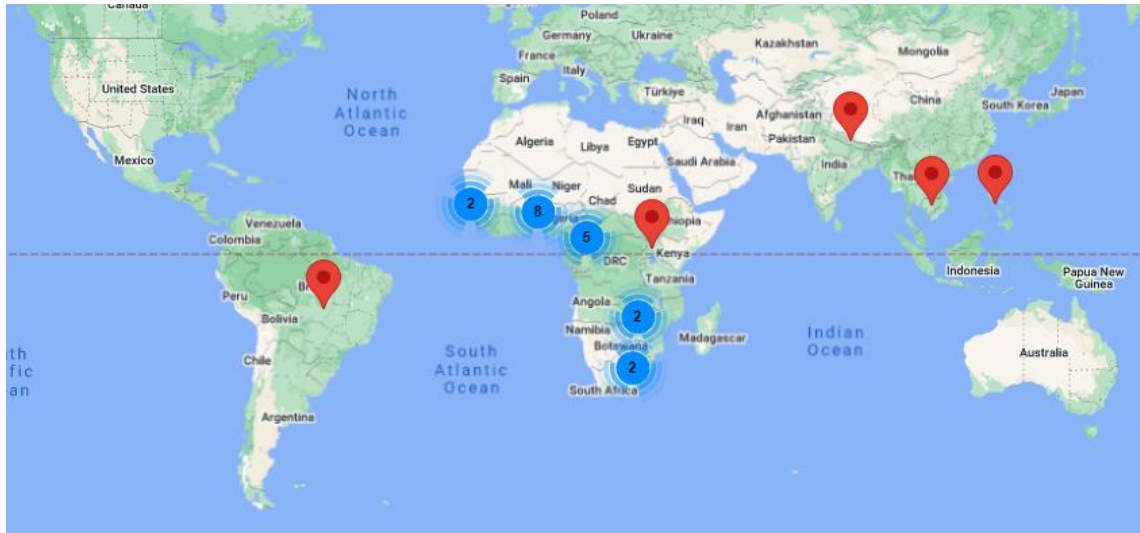
Source: https://issuu.com/idb_publications/docs/technicalnotes_en_73198



Peru

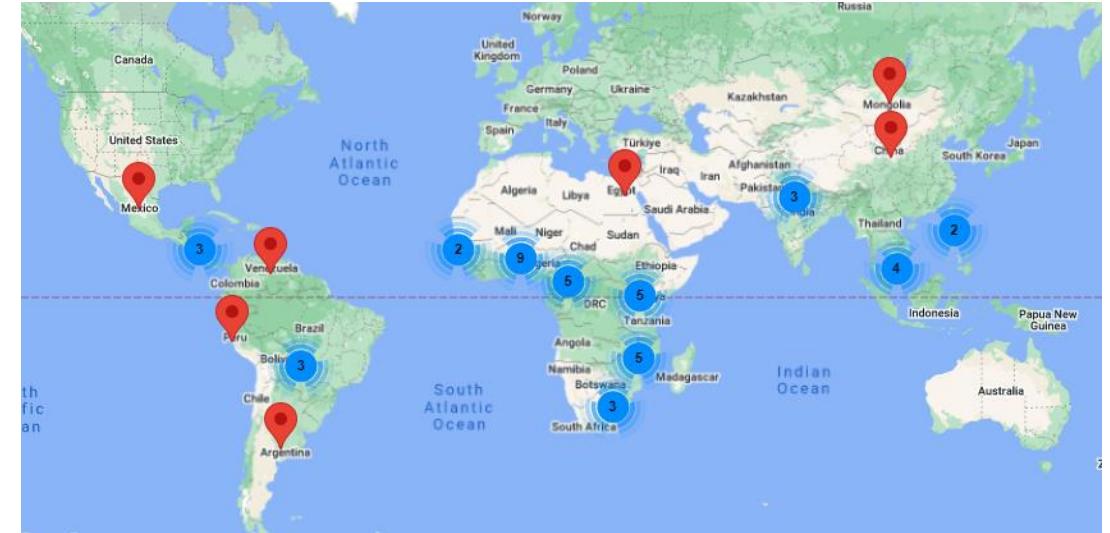


Countries with implemented dedicated licenses microinsurance



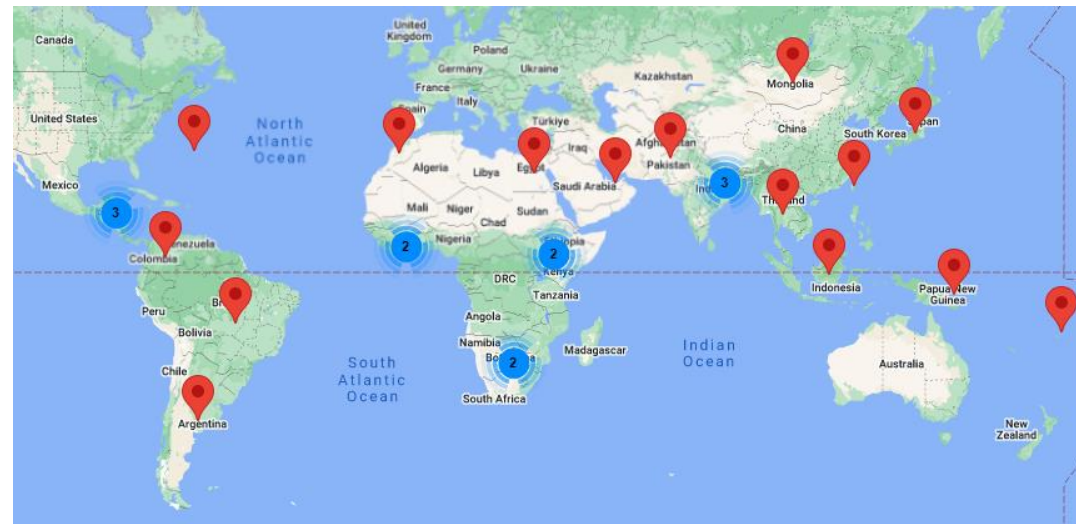
Source: <https://a2ii.org/en/map>

Countries with implemented inclusive insurance regulation



Source: <https://a2ii.org/en/map>

Countries with supportive regulation



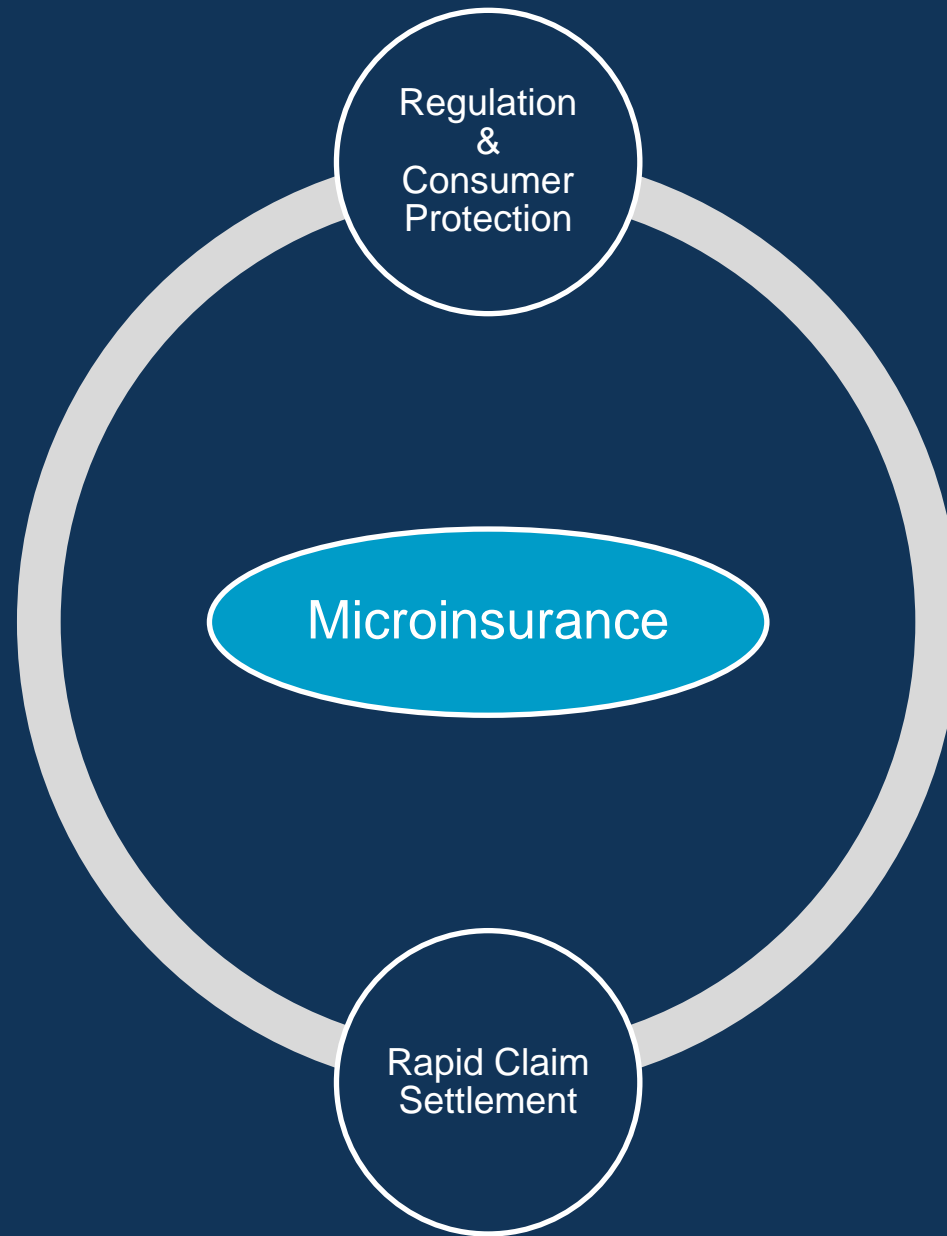
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Philippines



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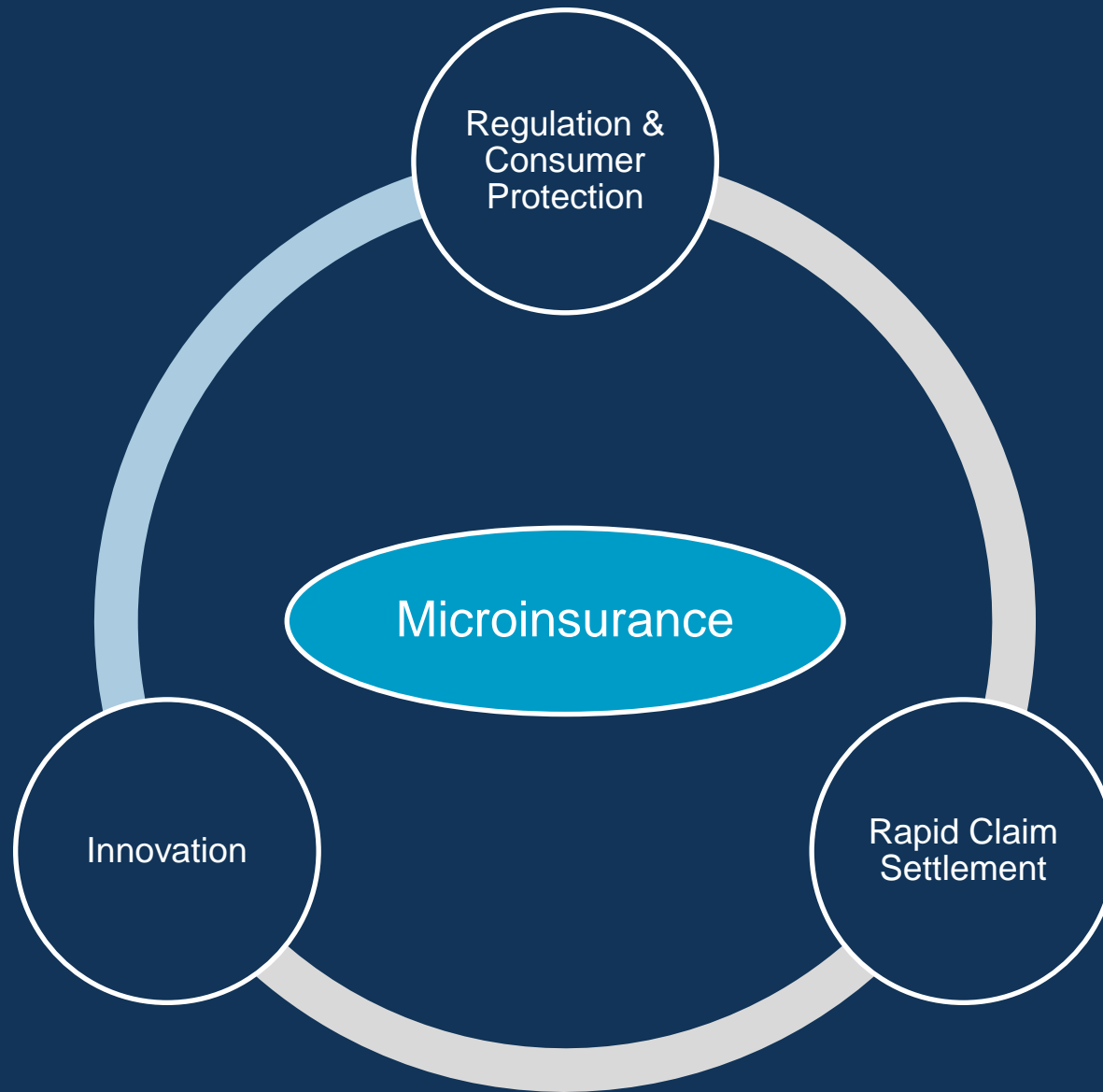
Philippines

- Typhoon Haiyan
- High Insurance Penetration
- Insurers and network of Intermediaries
- Rapid Claims Payment
- Positive Experience

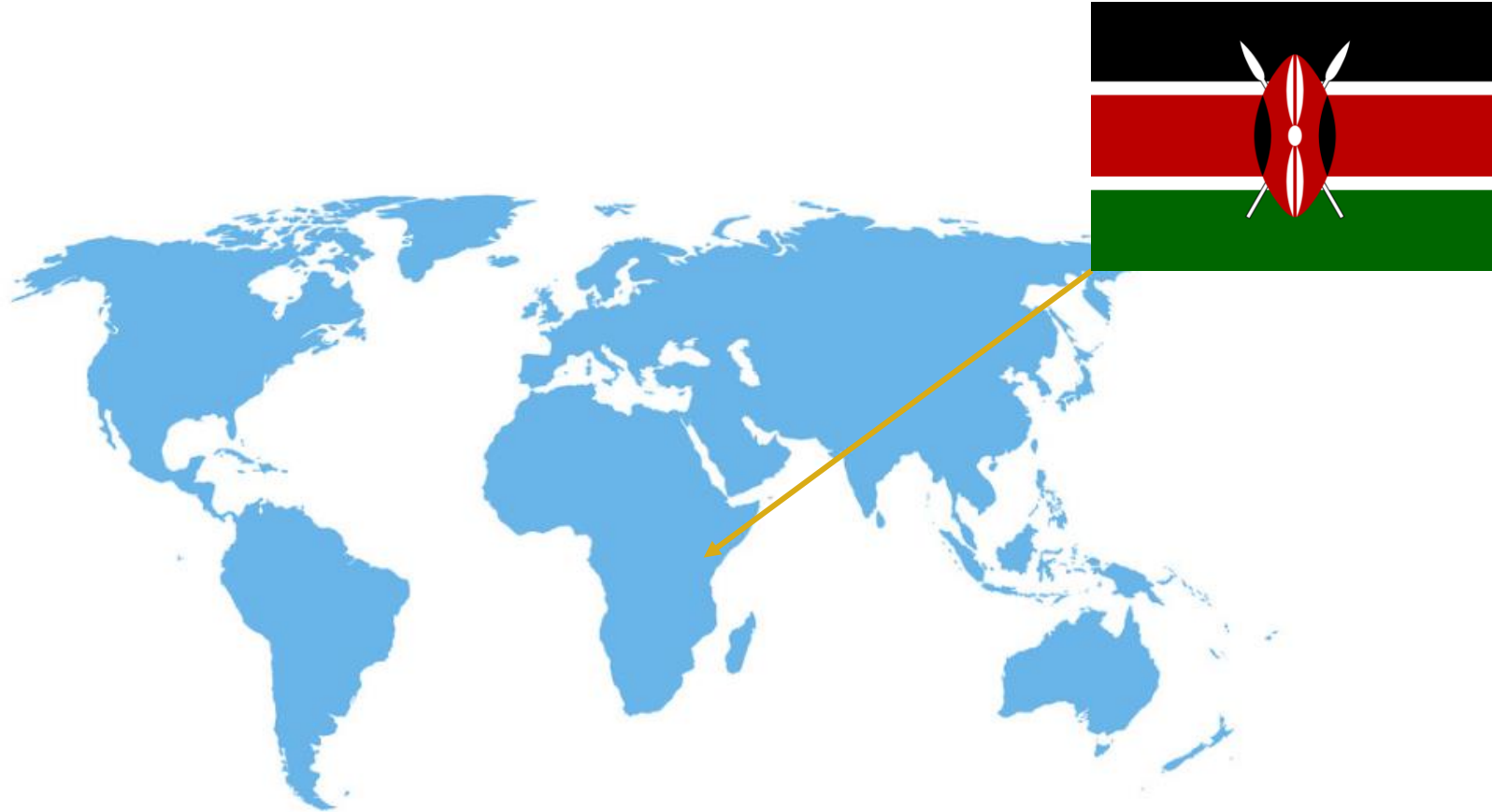




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Kenya



Kenya

syngenta foundation
for sustainable
agriculture



Step 1:



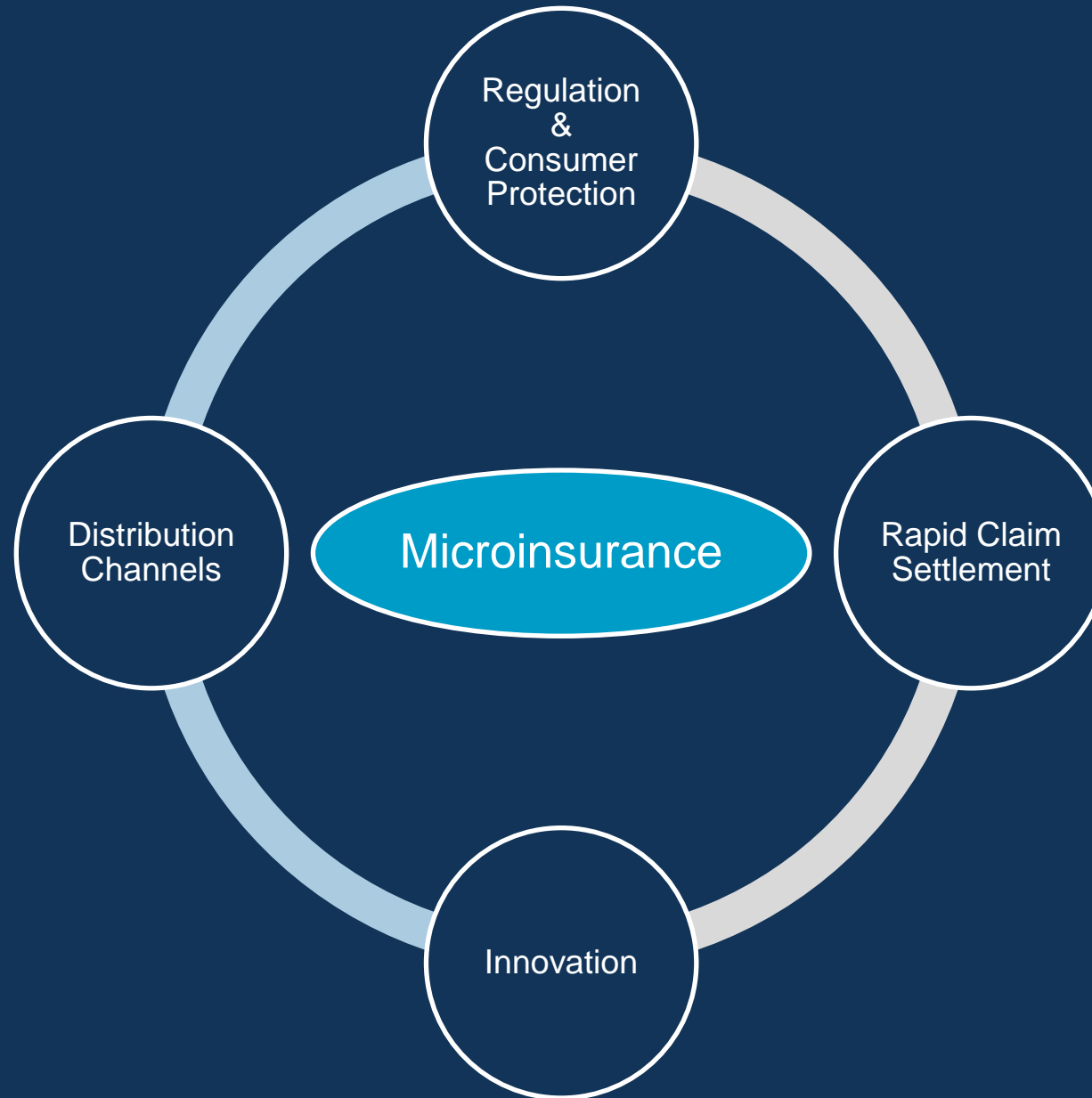
Step 2:



Step 3:



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Microinsurance distribution channel considerations

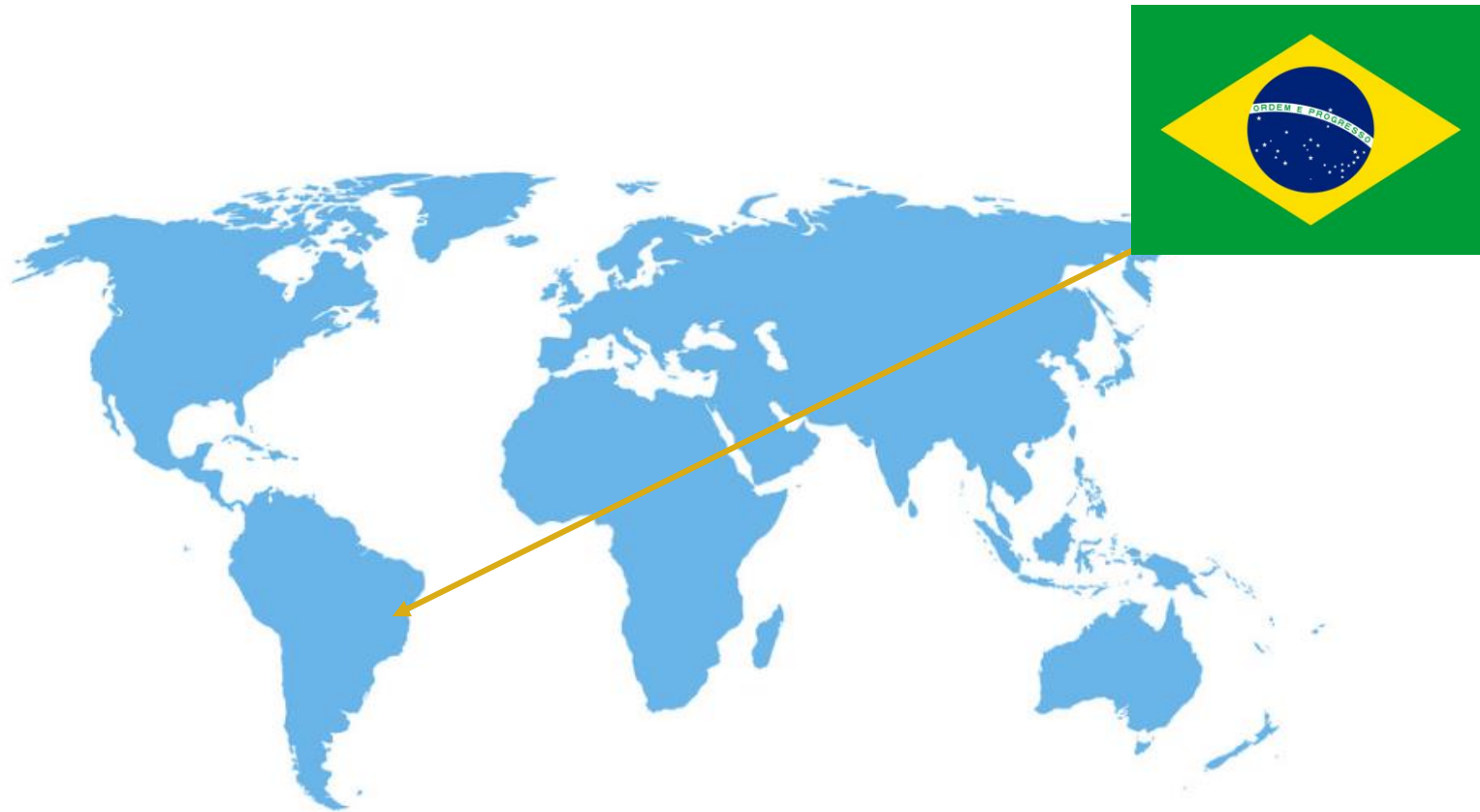
3 Fundamental elements of microinsurance distribution:

1. Complexity of Channel selection

- Low partnership risk
- Low-cost distribution
- Willingness to prioritise microinsurance
- Trust of a channel
- Ability to scale
- Channel communication
- Offer product diversity



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Microinsurance distribution channel considerations

3 Fundamental elements of microinsurance distribution:

1. Complexity of Channel selection

2. Interaction of sales model

- Passive Sales Model
- Active Sales Model

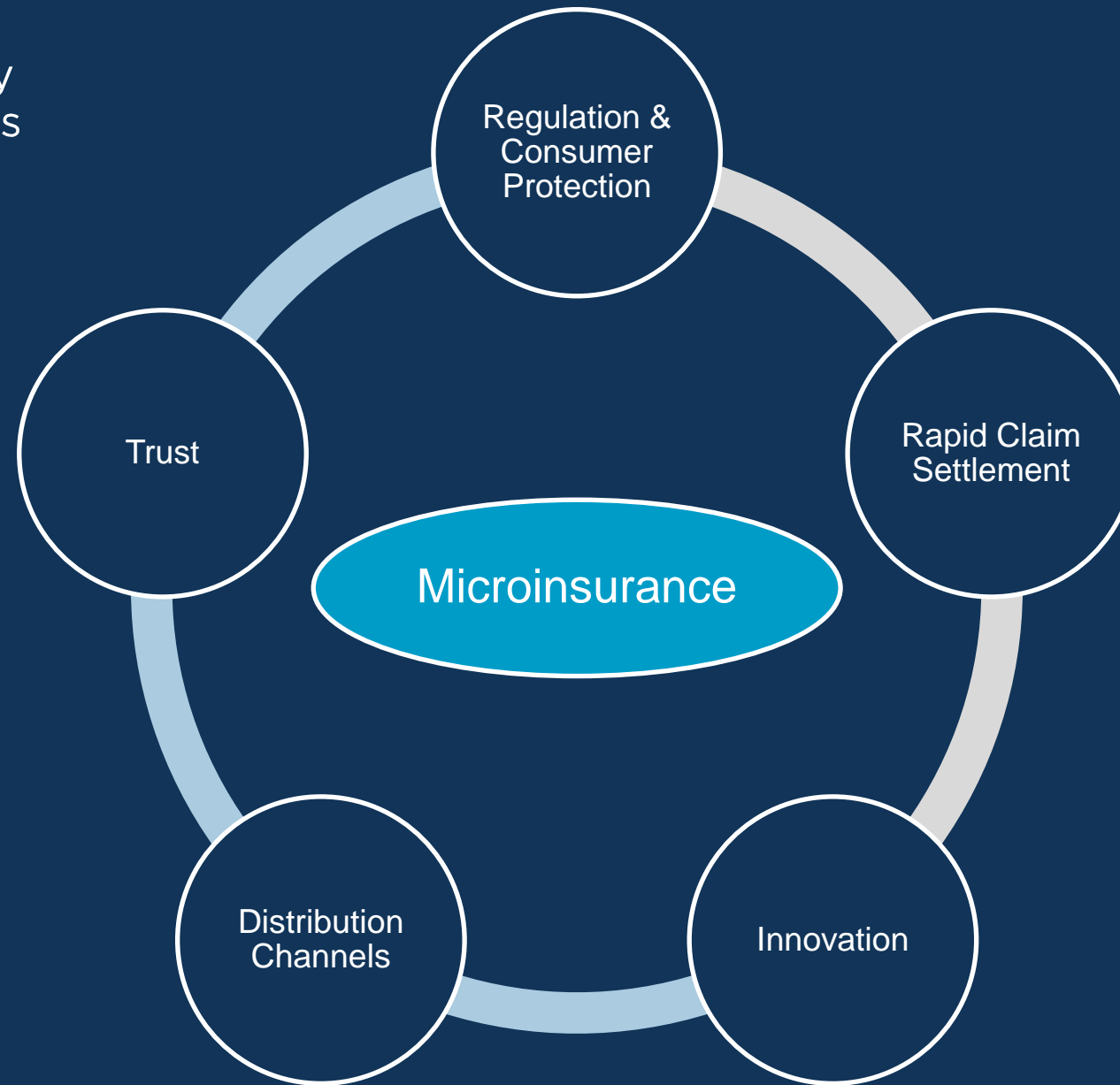


Microinsurance distribution channel considerations

3 Fundamental elements of microinsurance distribution:

1. Complexity of Channel selection
2. Interaction of sales model
3. Informal risk management





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Philippines



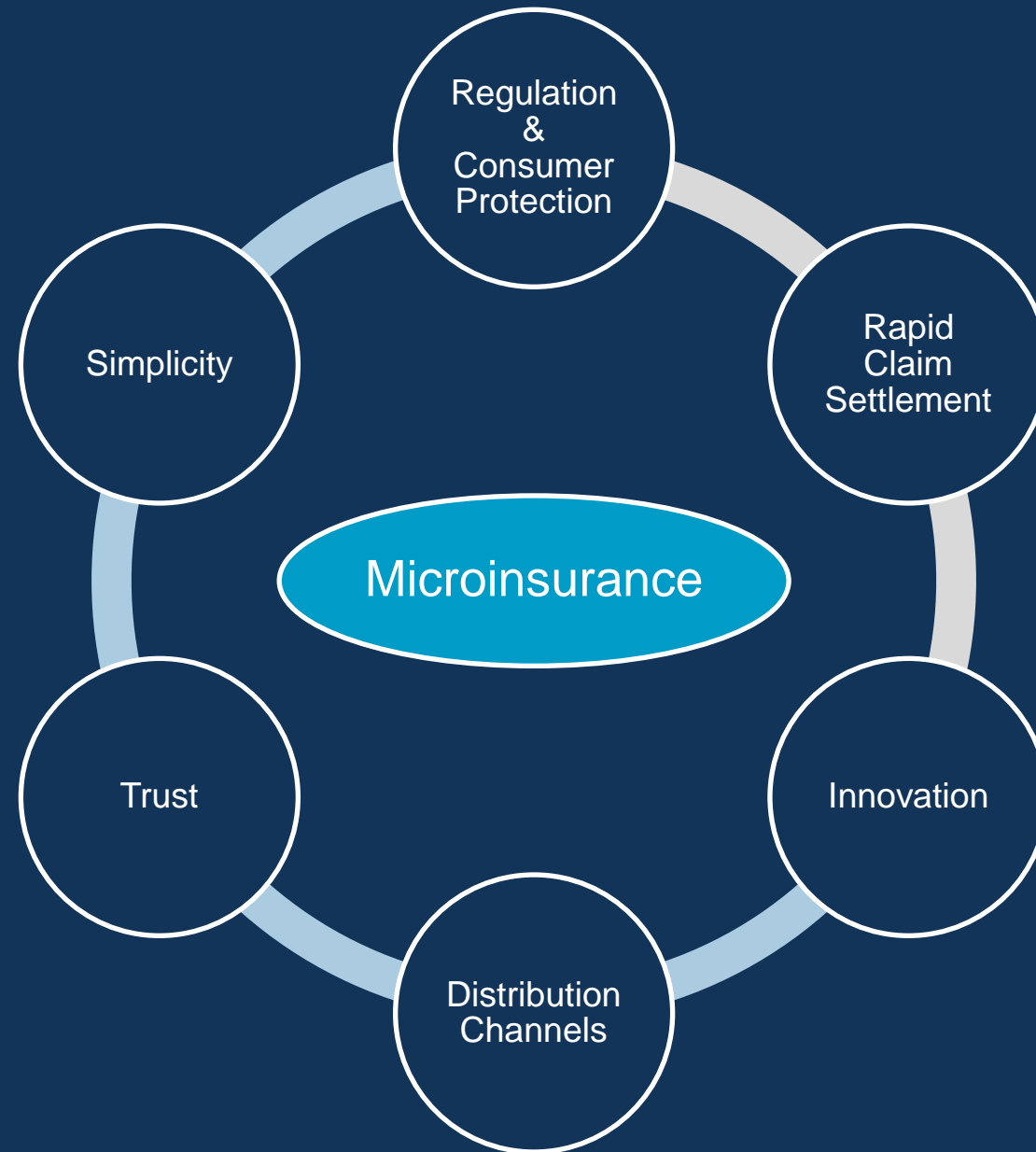
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South Africa



South Africa



SHOPRITE



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About the product



Step 1

Buy Insurance Starter Pack

Step 2

Activate Accidental Cover Component

Step 3

Activate Funeral Cover Component

12-month term and 6-month waiting period

Top-up every 6 months



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Take-up

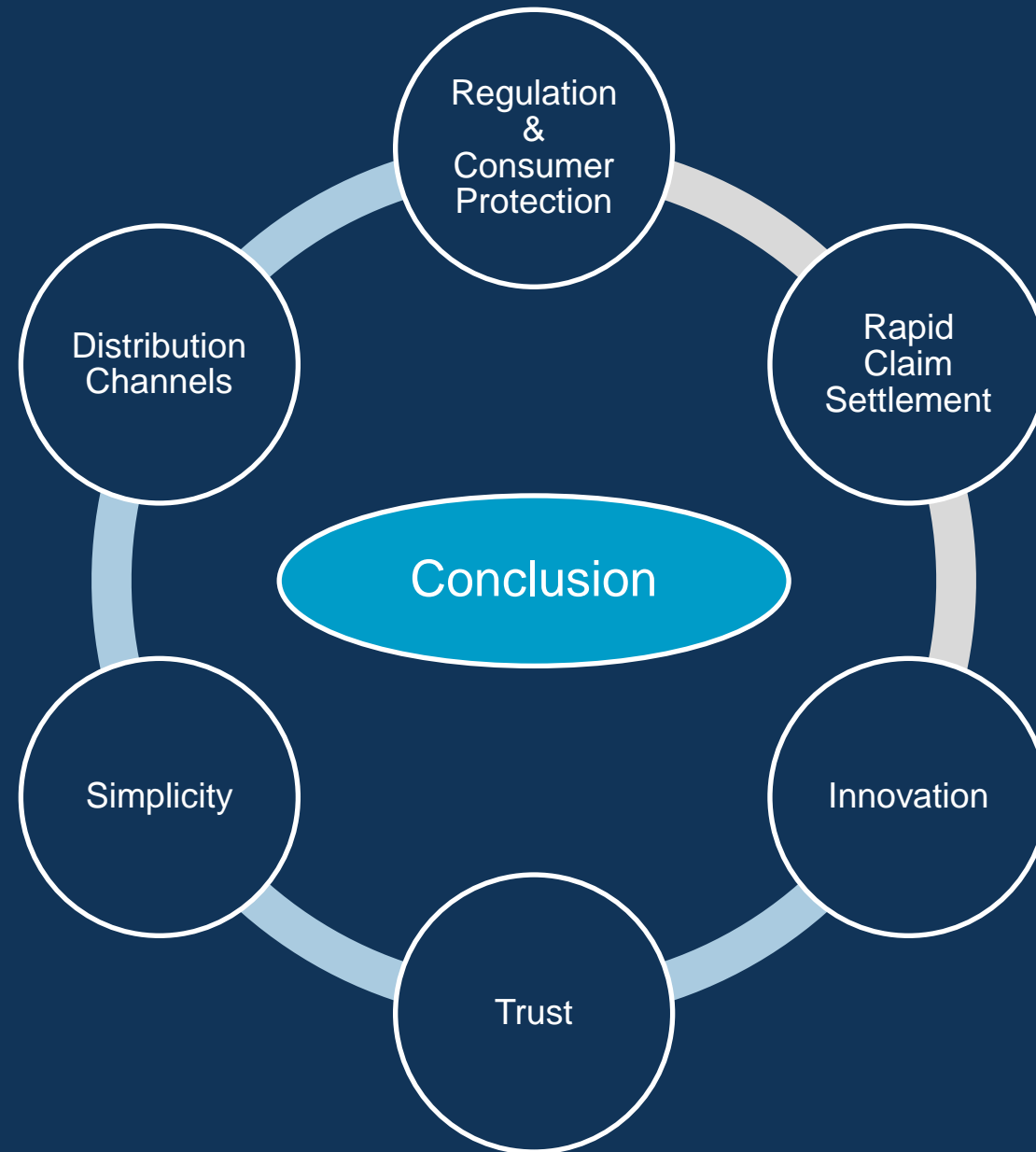
Value-add	Low take-up
Flexible payment periods	Complicated Product Design
Entire Family	Period of cover unclear
Premiums twice a year	Amount of cover unclear
Provide good value	Target markets not aligned

Simplify

Complicated products – more expensive

- more time and resources
- more documentation and training





Questions

Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenters.



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