

Developing Microinsurance in Africa

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What is Microinsurance?

- An insurance product accessible to low income people either by price or delivery channel (Products and services not catered for by conventional insurers)
- not a specific product or product line. Microinsurance is the provision of cover to a specific market segment, i.e. low income persons. (simple, all risks covers)



Microinsurance is about:

- Education and innovation
- A new product delivery for low income groups with premium payments matching the customers' cash flows
- Working with markets that are largely unfamiliar with insurance
- Small sum insured, group pricing, easy to understand policy documents, broadly inclusive insurance products, with few if any exclusions
- Sustainable protection of the working poor
- Distribution channel may manage entire customer relationships including claims administration.



Microinsurance

- A way of extending social protection to the excluded populations
- A new market for the insurance industry
- A better risk management tool for MFIs and Coops serving the low income population



Key questions

- To what extent can insurance products help low-income families to manage risk? Covers almost all life and business risks faced by low income persons and micro businesses
- What insurance products are appropriate and how do you provide them?
- How do you develop an insurance culture among the poor?



1. What purpose does it serve?

Microinsurance serves as loan **collateral** for the working poor and low income businesses, encouraging more secure credit, entrepreneurship and innovation, thereby lifting them out of poverty.

Microinsurance serves as a great **savings** instrument for low income persons.

In the absence of microinsurance, death, illness and property losses can cause severe hardships to poor households and micro businesses.



3. The African Microinsurance landscape

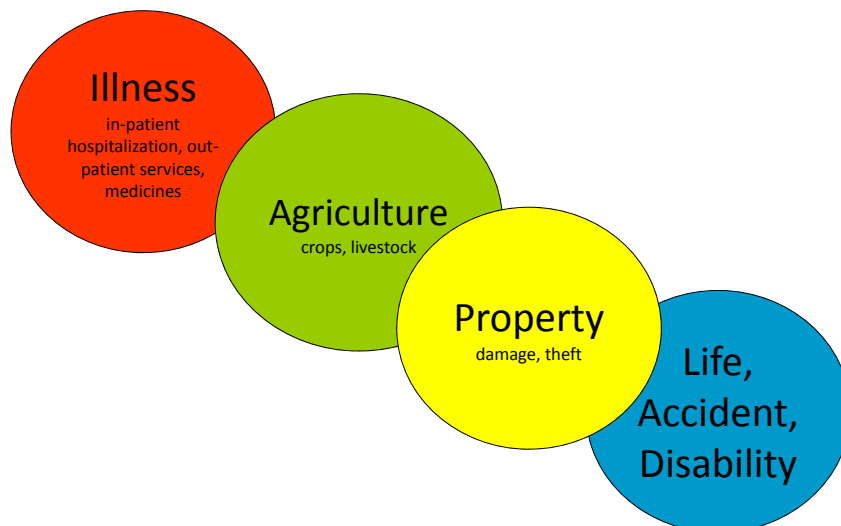
This section of the presentation is based on research done by the ILO Microinsurance Innovation Facility in Geneva.

For a copy of the study, please go to:

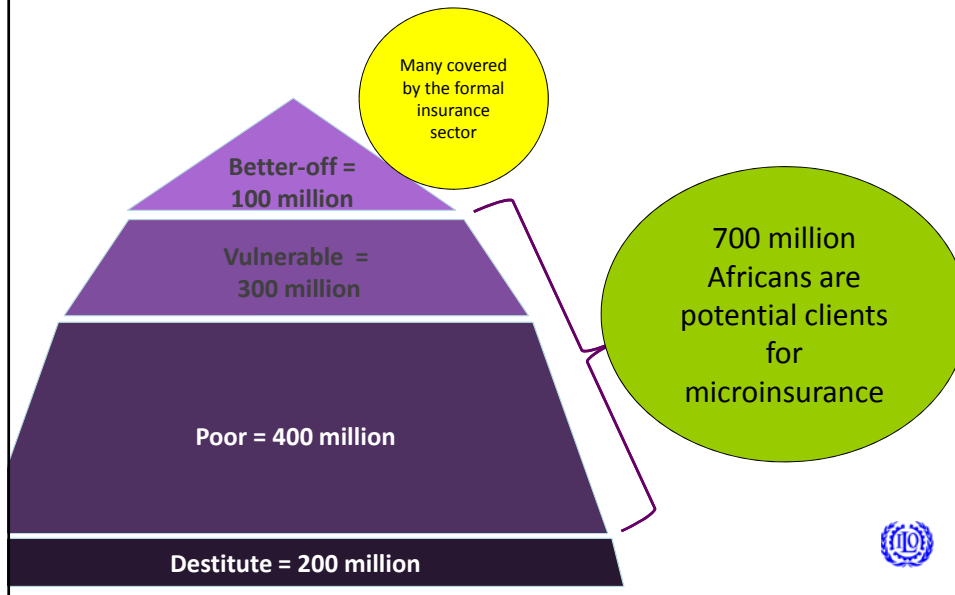
<http://www.ilo.org/public/english/employment/mifacility/publ/brnotes.htm>



Risks faced by the poor



Africa's market for Microinsurance



Outreach

- Vast un- or under-served market provides huge growth potential
- 14.7 million people covered by microinsurance
- This figure represents only 2.6% of the population living under USD 2 per day
- USD 257 million in premiums received in 2008
- 56% of outreach in South Africa alone
- Life in South and East Africa; Health in West Africa
- 30% growth per year



African Microinsurance in Figures

- 700 million low income Africans are potential clients for Microinsurance
- Presently Insured:
 - 15 million have life insurance
 - 1.9 million have health insurance
 - 0.39 million have agricultural insurance
 - 90% of MI products distributed by non-insurance chains



Microinsurance potentials, selected countries

	Ethiopia	Nigeria
Total Population	82 million	151 million
Labour force	37 million	54 million
# below the poverty level (\$2.50/day)	32 million	45 million
Members of MFIs, MFBs (1)	2.5 million	3.3 million
Membership in Coops (2)	5.3 million	22 million
Total (1) + (2)	7.8 million	25.5 million
Currently served by Microinsurance providers	<0.7 million	<0.5 million
Currently served by conventional insurance companies	<0.4 million	3.2 million
Microinsurance market potentials (labour force)	38 million	50 million



Challenges for insurance companies

- Understanding the market and its real needs
- Educating the market and earning its trust
- Designing simple products and adopting a long-term view
- Leveraging existing relationships with banks, MFIs, coops, labour unions and social organisations
- Designing appropriate reinsurance for CAT events
- Doing well by doing good!



Microinsurance action plan for Africa

- Building regulatory capacity
- Assisting insurers in developing appropriate business plans
- Supporting the development of appropriate IT strategy
- Promoting education and awareness of all parties
- Providing technical assistance in product development, distribution channels and consumer education
- Training MFIs, Coops and Labour Unions to better understand, plan and negotiate relevant microinsurance for their members
- Motivating governments to enact supportive financial inclusion strategy for microinsurance.



Microinsurance development opportunities



- Housed at the ILO and funded by the Gates Foundation
- Providing grants for microinsurance innovations
- Supporting technical assistance and research



Recommended reading



- Based on 25 case studies of 40 microinsurance providers
- Available online at www.microinsurancecompendium.org



Thank you!

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