

# Microinsurance Conference 2006

Making insurance work for Africa

Microinsurance – a viable  
proposition for innovators

A short presentation by Jeremy Rowse

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## Background

- Traditionally high insurance penetration in South Africa
- Predominantly at the top end of the market
- Company profits investment driven
- Recognition in the early 80's of the emerging market
- Recognition in the 90's of the potential in the rest of Africa

# Past Experience

Who:

- African Life
- Metropolitan Life
- Colonial Mutual (later became part of Old Mutual)
- Anchor Life

# Past Experience

Why:

- Historical disadvantage created strategic advantage
- Strategic reality: for all, for few or forgotten
- Recognition of importance of sales growth for profitability

# Past Experience

How:

- Sales growth provided scale provided lower unit costs
- Product innovation
  - wider family cover
  - limited underwriting
  - waiting periods and stepped cover
  - value-add benefits

# Past Experience

How:

- Process innovation
  - premium collection by salary deduction
  - on-line, real-time claims approval
  - immediate claims payment
  - electronic transfer of claim proceeds
  - targeting of sales sources

# Past Experience

How:

- Group cover
- Exporting the formula outside RSA

# Past Experience

Result:

For the lower but regularly paid (LSM 5 – 8) market

- improved sales
- lower costs and improved profits for underwriters
- better benefits
- better value proposition
- substantial penetration in RSA

# Future Expectations

## Who:

- relatively small companies
- with a relatively small cost base
- with a robust appetite for risk
- with little or no historical baggage
- who thrive on innovation
  
- with a role for the State

# Future Expectations

## Why:

- the high penetration levels of the 'LSM 6 and above' market in RSA
- the opportunities and lack of penetration of the LSM 1 – 5 market in RSA
- the opportunities outside of RSA
- technology facilitation
- the prospect of pioneer's profits!

# Future Expectations

How:

- Process innovation
  - new distribution through retailers, spazzas, affinity groups, cell-phone operators, virtual bankers (like Wizzit), looking for complementary, annuity income
  - new premium collection through these same distributors
  - cell-phone and call centre product administration

# Future Expectations

How:

- Product innovation
  - the unlapsable policy
  - ‘Greenshield stamps’ with cover a multiple of stamps bought (premiums paid)
  - single customer relationships
  - pricing product to customer risk requirement
  - value-add benefits: buses, food, event arrangement
  - incorporation of loss of income (illness) benefits

# Future Expectations

But:

- changes to commission structures
- changes to regulation
- customer education

can impact strongly on success or otherwise

## Conclusion

- The need is latent
- The need can be profitably met through
  - alternative distribution
  - alternative premium collection
  - process innovation
  - product innovation
  - regulatory support

*and the good news is that the process started two decades ago!*

# Making insurance work for Africa

Thank You

