



# 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!”

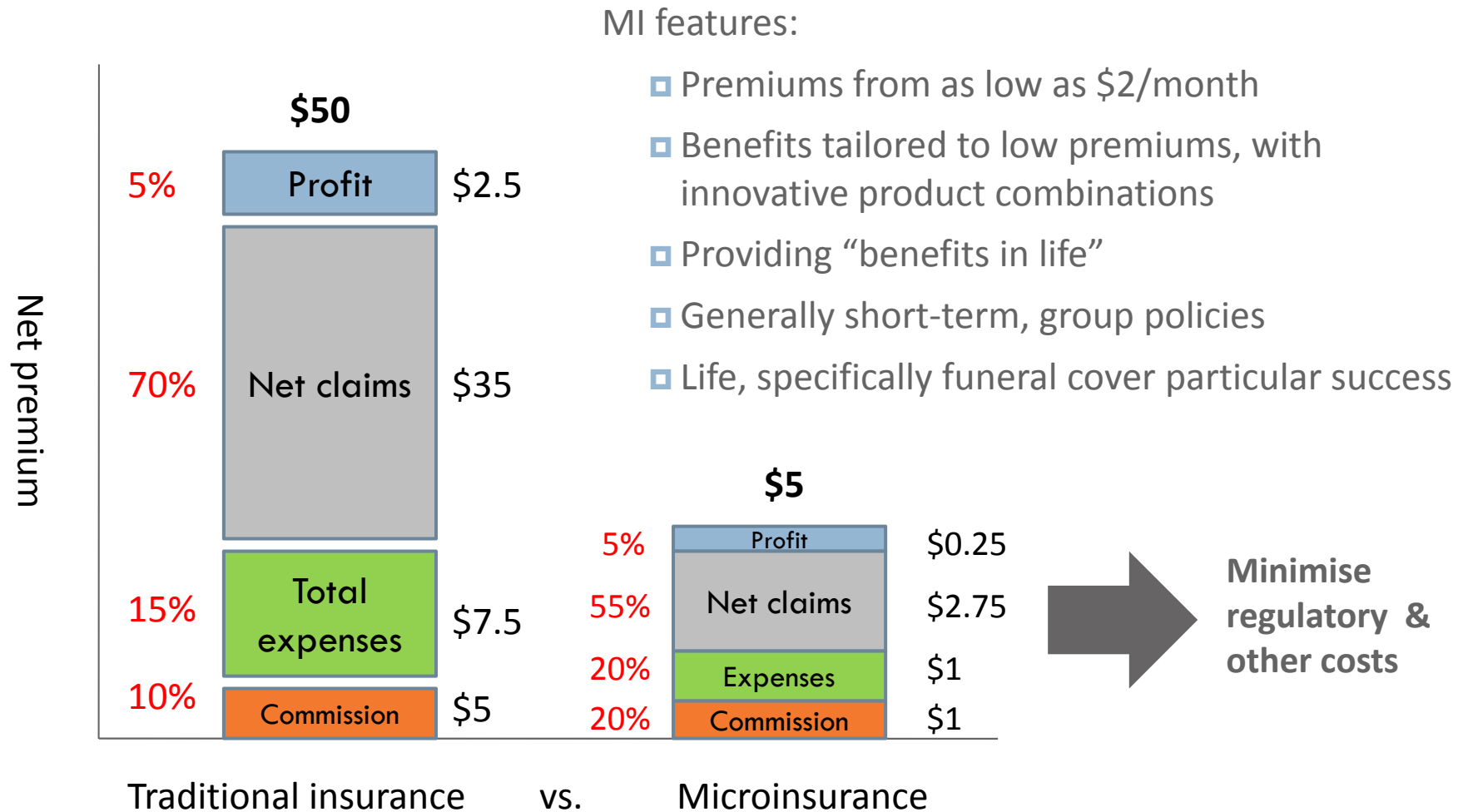
Cenfri motto



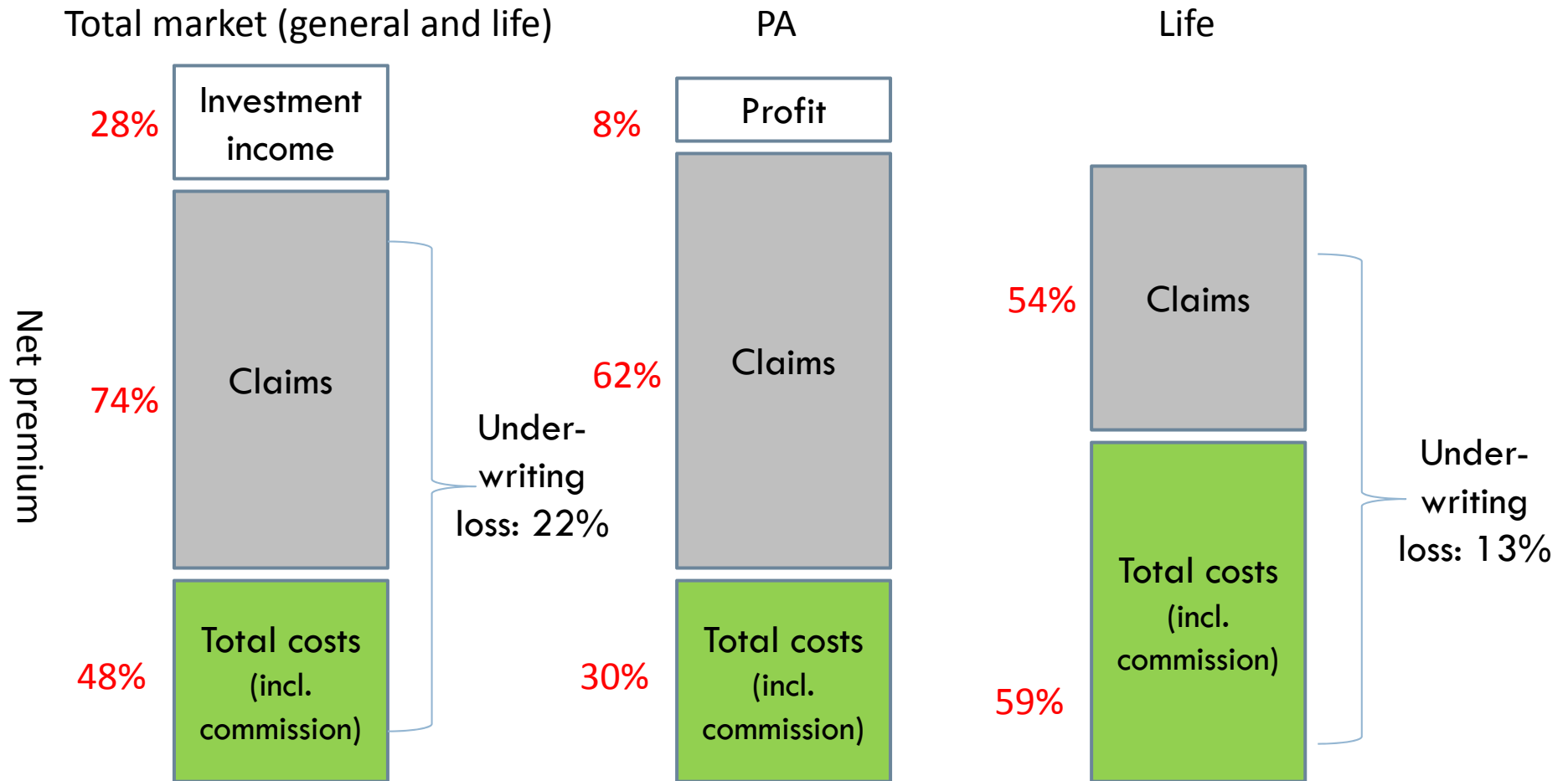
“Microinsurance is not microbusiness!”

Brazilian insurance supervisor

# The microinsurance bottom line

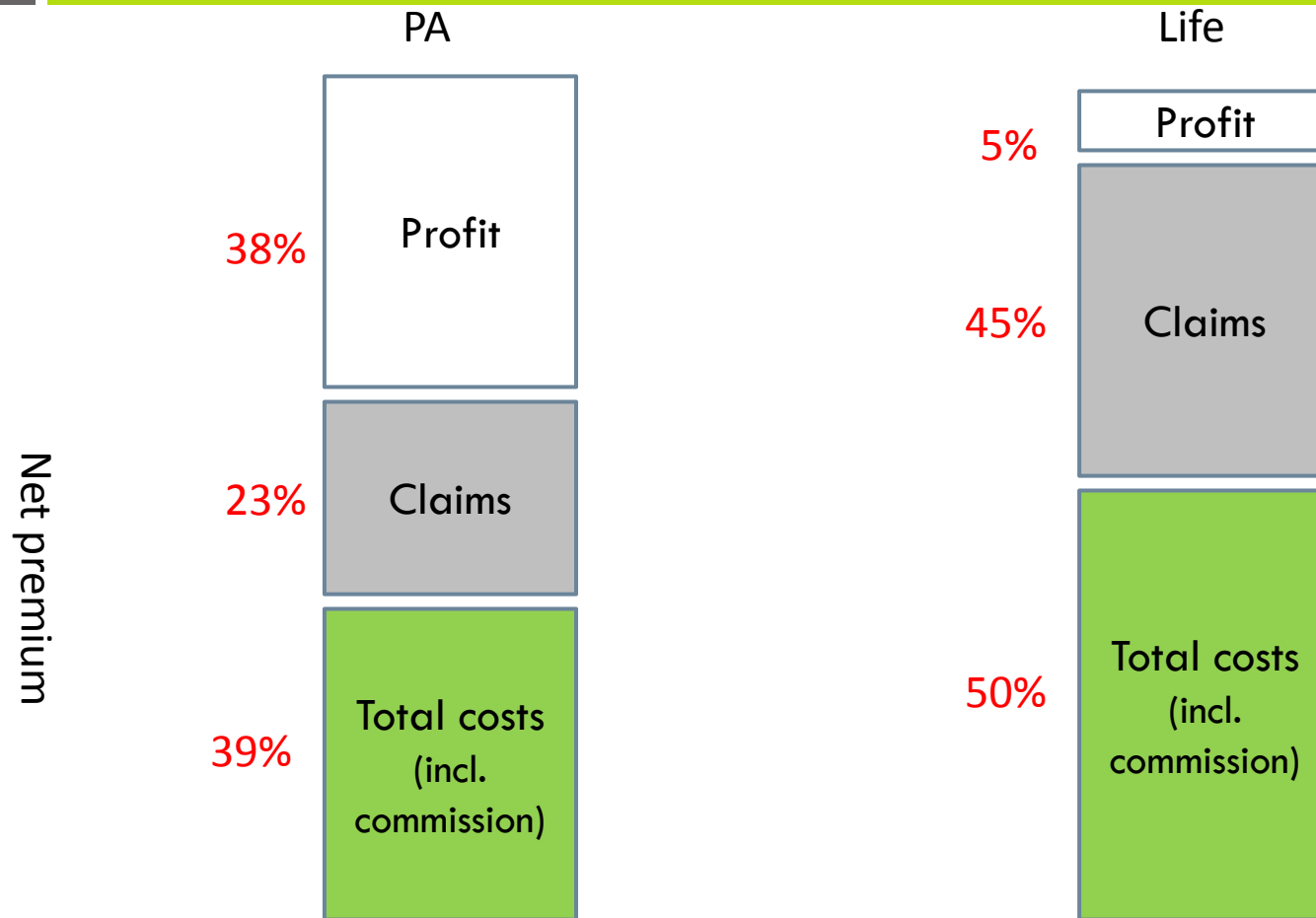


# Kenyan example



Source: Kenya Insurance Regulatory Authority, 2008 Annual Report

# Nigerian example

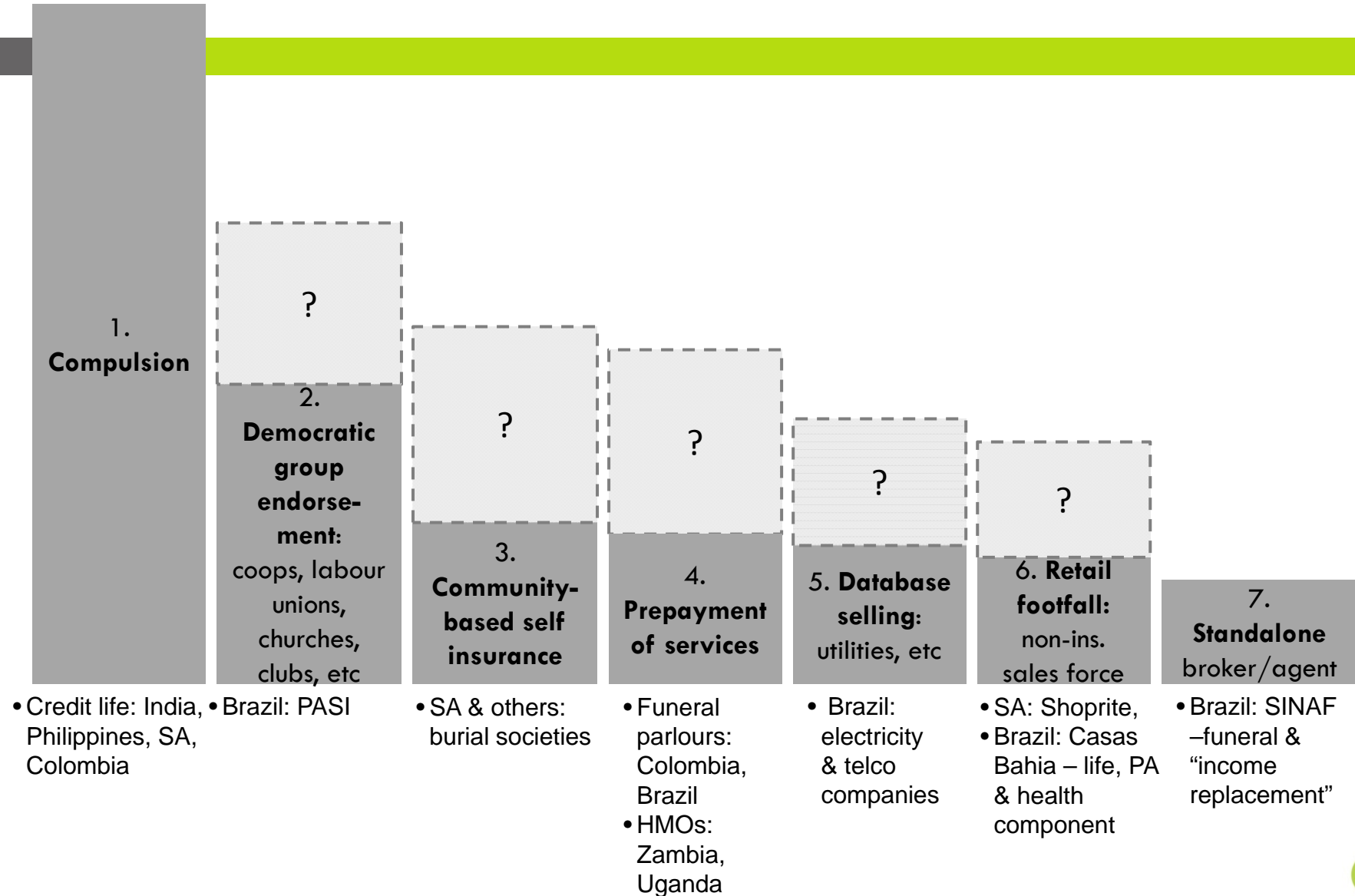


Source: Nigeria Insurance Association, Nigeria Insurance Digest

# 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

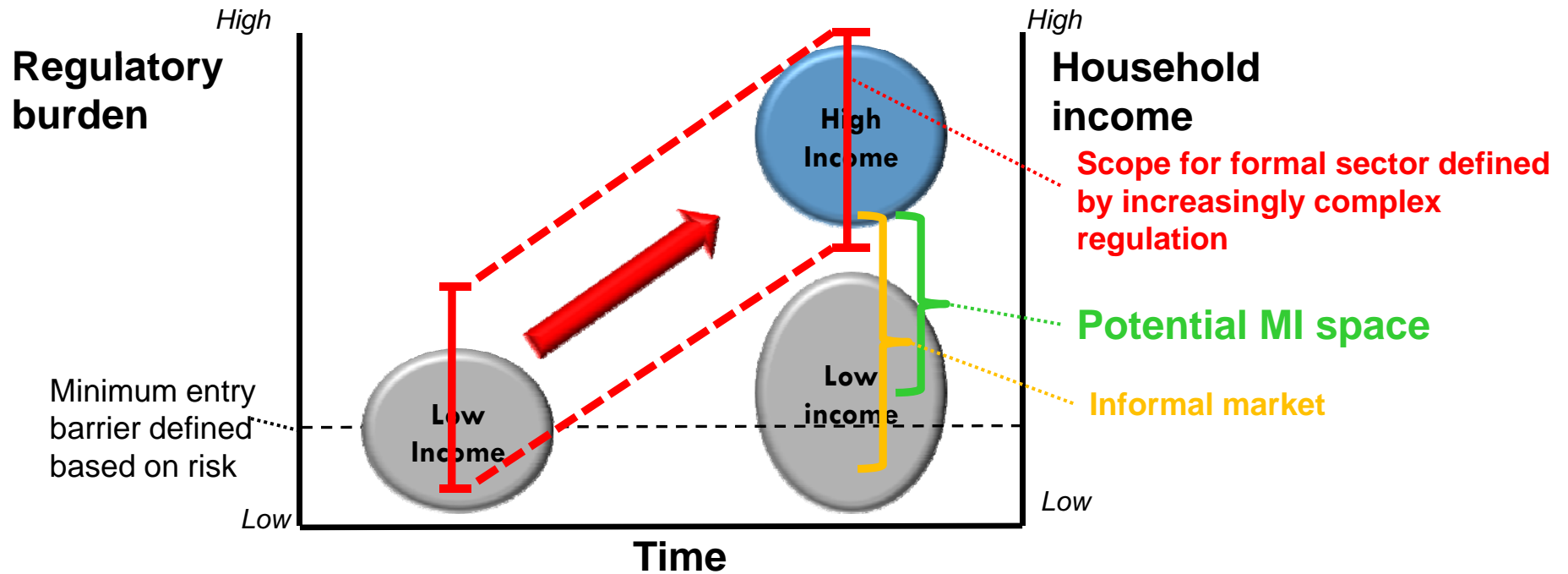


# Enabling policies

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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

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- 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