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The Landscape of Microinsurance Africa 2015

Preliminary Briefing Note

The World Map of Microinsurance



In cooperation with



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This preliminary briefing note summarises some of the key insights and trends from the 2015 Landscape of Microinsurance in Africa study which will be published in the first quarter of 2016.

This landscape study identified¹ 61.9 million people in the Africa region as covered by at least one microinsurance policy at the end of 2014, versus 44.4 million people identified in 2011. Looking only at institutions who reported both periods, this represents a comparable growth² of 30% over the 3-year time period.

What's new?

- The total microinsurance written premiums in the region amount to almost USD 647 million, up from USD 387 million in 2011³, or a 31% comparable increase, only for institutions who reported for both periods.
- At 26% weighted average, loss ratios were much lower in 2014 than in 2011 (44%).
- Each product line experienced growth, with health, property and agriculture covers growing at a higher rate than the life covers, indicating an evolution in the market.
- Mass market channels accounted for 45% of distribution in terms of lives covered, while MFIs reached just 14% of the market.

Microinsurance in Africa

More than 200 providers from 36 of the 54 countries in the region reported microinsurance activity

USD 647 million in microinsurance premiums

5.4% of total population covered

61.9 million total people insured*

- 46.4 million – Life

- 13.1 million – Accident

- 16.4 million – Credit life

- 8.4 million – Health

- 4.5 million – Property

- 1.1 million – Agriculture**

* Note that the volume of coverage by product type adds up to more than the total covered lives, reflecting that many products are offered as riders and add-ons to a primary microinsurance product. Thus many people are protected against more than one type of risk.

** Agriculture covers include government-subsidised insurance programmes, which were excluded in the 2011 study.

¹ The quantitative information presented in this paper does not represent an absolute number of products, clients or other data. Data was provided voluntarily, and some microinsurance providers declined to participate. As such, this paper reports what the team was able to identify as microinsurance. Although the data for this study is not an absolute measure of microinsurance in Africa, the data set is large enough to represent the "landscape" of microinsurance and provide an accurate picture of the market and its components.

² Not all providers submitted data to both studies. To ensure comparable data, growth rates were calculated only for institutions who reported data in both periods, plus new market entrants. This comparable data set accounts for 90% of the identified lives covered.

³ Written premiums were identified at USD 548 million in the 2012 study (based on 2011 data). To facilitate comparability, premiums have been adjusted to 2014 dollars to account for exchange rate fluctuations. Not all providers provided premium data in both periods.

Growth

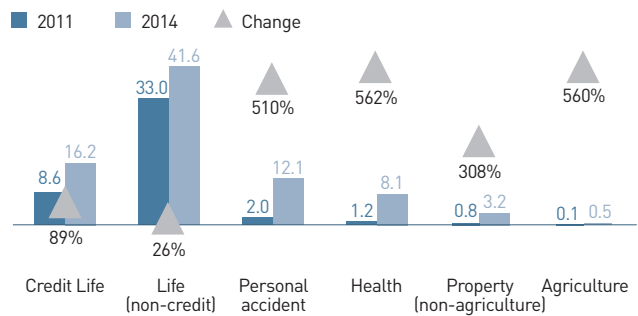
While life covers still dominate the market, the region has experienced some evolution in product complexity: health, property, and agriculture covers experienced proportionately much higher growth than life (Figure 1). The explosion in health covers is primarily due to a handful of programmes offering hospital cash or hospitalisation covers via mobile network operators (MNOs), some reaching more than half a million clients. Product-wise, more than one-third of products launched since 2011 included some health coverage, and another 20% contained some form of property protection.

Several countries experienced significant microinsurance development, including Ghana, Morocco, and Zambia. MNOs played a big role in this development; for example, Zambia's growth is mainly due to the success of one MNO funeral product whilst more than half of all lives reached in Ghana are through MNOs. Namibia, Tanzania, and Zimbabwe, however, saw declines in outreach. These three country cases showcase the power of intermediaries as the decrease in coverage or even discontinuation of the product were all due to changes in the distribution arrangement.

Distribution

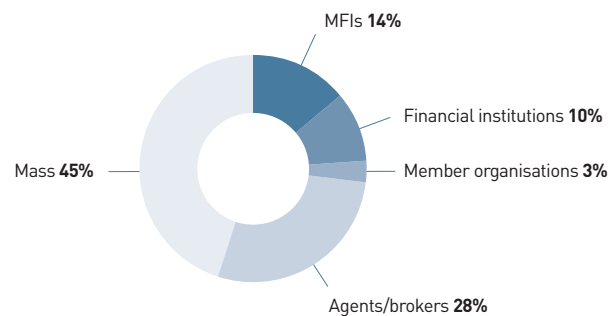
Mass market channels such as MNOs, retailers, and funeral parlours accounted for 45% of the distribution of microinsurance products in the region (Figure 2). In terms of distribution costs, there was little evidence of the excessive fees seen in Latin America. Median commissions across channels were just 10%, with a weighted average of 17%, though in a few cases commissions of 50% or higher were reported.

Figure 1: Growth by type of product (millions of lives covered)



Note: Figure represents comparable data only (companies reporting for both 2011 and 2014 studies, plus new market entrants.)

Figure 2: Lives covered by distribution channel



Data is for products that indicated distribution channel, which account for 56 million people, or more than 90% of the identified lives covered.

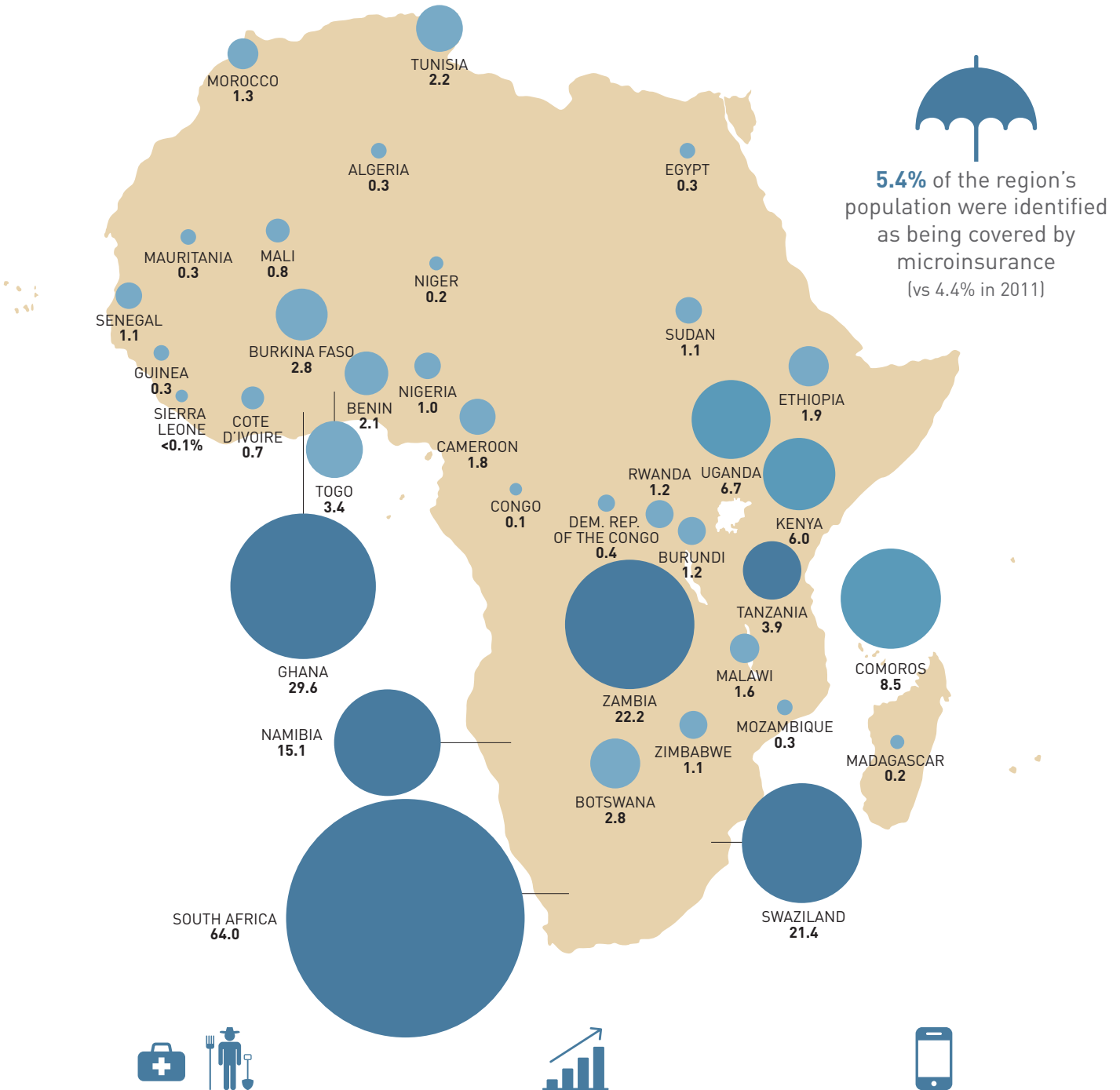
Microinsurance in Africa

Preliminary results

Percentage of population covered by microinsurance

Key Performance Indicators

- Premiums: USD 647 million
- Median commission rate: 10% (17% weighted average)
- Median loss ratio: 25% (26% weighted average)



Though **life** products still dominate the region in terms of coverage, the largest **growth** was seen in **health and agriculture** covers

96 new products launched vs. **45 products discontinued** or altered for the mass market

Mass market channels accounted for **45%** of the distribution of microinsurance products in the region

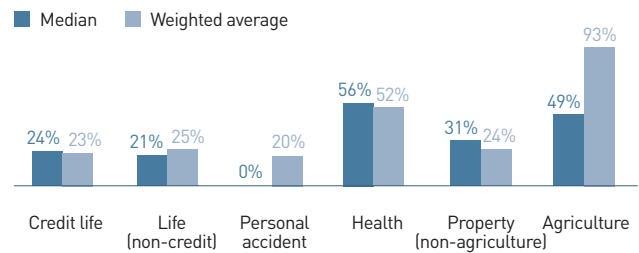
There were 18 countries in which no microinsurance was reported: Angola, Cape Verde, Central African Republic, Chad, Djibouti, Equatorial Guinea, Eritrea, Gabon, the Gambia, Guinea-Bissau, Lesotho, Liberia, Libya, Mauritius, Sao Tome and Principe, Seychelles, Somalia, and South Sudan.

Premiums and claims

The total microinsurance market in the Africa region amounted to almost USD 647 million in premiums in 2014. Looking at comparable data only, premiums show growth of 31% since 2011. The related growth in insureds matched this at 32%⁴, indicating that products have generally kept similar price levels. However, the increased use of MNOs has resulted in a subset of products that offer very low premiums for limited coverage, with 20 insurers providing data for mobile network distributed products. These programmes accounted for 13% of the identified lives covered in the region, but just 1% of the total written premiums. In many cases, the average premium per person per year was less than USD 1.

Loss ratios throughout the region and across product lines are relatively low, with a median of 25% (26% premium-weighted average).⁵ Compared with an average loss ratio in 2011 of 44%, this shows a downward trend in claims. The loss ratios are driven by the life products, which are more prevalent. Health and agriculture products experienced higher, yet in most cases sustainable, loss ratios, at 56% and 49% median respectively (Figure 3).

Figure 3: Loss ratios by primary product type



About the World Map of Microinsurance

The Landscape Study of Microinsurance in Africa 2015 is part of the World Map of Microinsurance Programme of the Microinsurance Network, co-published with the Munich Re Foundation. The study was undertaken by the Microinsurance Centre with support by the partnership "Making Finance Work for Africa (MFW4A)". The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) contributed financially to the study.

The World Map of Microinsurance brings together all previous, current and forthcoming landscape studies through an interactive map and resources. For more information, please visit: worldmapofmicroinsurance.org

For the purposes of this study, products should meet the following criteria to be considered as microinsurance:

- Developed with the intention of serving low-income people (i.e. not just insurance that is also purchased by low-income people).
- Government must not be the sole risk carrier (thus not social security programmes – social security will be analysed as a separate contextual factor); the programme has to be managed on the basis of insurance principles.

- Modest premium levels/affordability: Premium values based on per capita GDP 2013: Life and accident = up to 2%, health = up to 4%, property/agriculture = up to 1%.

This 2014 study, which builds on the regional studies from 2008 and 2011, also requested information about subsidies, commissions and administrative expenses. For the first time, a separate, shorter questionnaire was designed for those offering mass insurance as well as those that have chosen not to offer microinsurance. Detailed information about donor and investor interventions in microinsurance, as well as regulatory efforts and social security was also gathered and the results will be published in the final report of the study in the first quarter of 2016.

Data was self-reported by the insurers via a primarily quantitative questionnaire. In order to secure responses, individual companies were assured of data confidentiality, and thus only aggregate information is provided in the report. Insurers submitted data on a voluntary basis, and some refused to provide any information. Some provided data based on their own or their regulator's definition of microinsurance. Therefore, please note that we consider the information presented from this study to be microinsurance information that was identified, and is not absolute.

⁴ Calculated only with lives covered for which premiums were reported in both time periods plus new market entrants.

⁵ Claims data was reported for 80% of products, representing just over 90% of the identified premiums and 2/3 of lives covered.