The Landscape of Microinsurance in Latin America and the Caribbean 2017
Preliminary Briefing Note

The World Map of Microinsurance
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The quantitative information presented in this paper does not represent an absolute number of products, clients or other
data. Rather, 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 Latin America and the Caribbean, the data set is large enough to represent
the "landscape" of microinsurance and provide an accurate picture of the market and its components.

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This preliminary briefing note summarises some of the key insights and trends from the 2017 Landscape of Microinsurance in Latin America and the Caribbean study which will be published in the first quarter of 2018. Like the 2014 study, it comprises data from both primary sources and secondary research on the 21 largest markets in the region.

The data collected through this study indicates that, as of December 2016, about 8.2% of the Latin American population had at least one microinsurance policy. An estimated total of 52.1 million people are now insured. The total value of gross written premiums is USD 420 million, based on data from the regulators and other secondary sources.

### Key numbers

<table>
<thead>
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<th>USD 420 million in microinsurance premiums</th>
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<td>8.2% of LAC population have microinsurance</td>
</tr>
<tr>
<td>52.1 million people insured</td>
</tr>
</tbody>
</table>

Regulators reported significant increases in premiums between 2013 and 2016:

- Up 1,799% in Brazil
- Up 284% in Nicaragua
- Up 95% in Peru

In Mexico, premiums increased by 36% per year on average between 2007 and 2017

### What’s new?

- **Gross written premiums** were worth USD 420 million at the end of 2016.

- Governments are recognising the importance and potential of microinsurance and have started improving their regulatory frameworks for microinsurance. Studies on needs and the potential demand for microinsurance are underway in several countries.

- Strong growth in agricultural insurance continues; the number of clients has increased from 35,000 in 2014 to 80,000, based on comparable data.

- In general, commissions have declined since 2014, with the average commission falling from 20% to 12%. Only 17% of products attract commissions over 30%, down from one-quarter in 2014.

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1 Number of lives covered are based upon a combination of data collected from reporting companies, regulators and BSLatAm statistics.
2 It is worth noting that data reported to the regulators is systematically lower than data that is self-reported by companies.
3 Based upon comparable data for 3.7% of companies reporting data in 2017.
4 Based on analysis of products representing 37% of the total products reported in 2017 versus total market reporting in 2014.
Growth

Since 2014, several new products have been introduced. Most of these are life insurance products, but higher growth seen in the supply of property, personal accident (PA) and agricultural insurance products is changing the overall composition of the market. Index-based agricultural microinsurance, in particular, has become more popular in recent years. On a like-for-like basis, the number of people covered by agricultural insurance has increased by 129%, from 35,000 to 80,000. Another significant trend has been the introduction of microinsurance through mobile platforms. Almost a quarter of new insurance product offerings are based on partnerships between mobile service providers, banks, microfinance institutions, and/or reinsurers.

Several new initiatives in the region have fostered the introduction of new microinsurance products and are attracting new market entrants. These initiatives have been driven primarily by international entities, associations and companies such as the Inter-American Development Bank (IDB) in Belize and the Swiss Cooperation in Bolivia, and in the case of Chile BBVA, Ali and Fondo Esperanza. However, governments increasingly recognise the importance and potential of microinsurance and have started improving their regulatory frameworks with respect to microinsurance. For instance, Peru’s Superintendence of Banking, Insurance and AFP (SBS) updated its regulations to incentivise insurance companies to design microinsurance products. Argentina and El Salvador have both made microinsurance a priority in their financial inclusion strategies and have begun studies on needs and potential demand for microinsurance among low-income households.

Distribution channels

Financial institutions remain the most important distribution channels for microinsurance. Most people covered are reached through financial institutions such as banks, credit unions and microfinance institutions, followed by less traditional channels such as retailers, utilities and call centres. Agents and brokers distribute just 1% of all products. 68% of people covered by a life insurance are served by banks and credit unions, whereas Microfinance Institutions (MFIs) are mostly offering credit life products. An increase in alternative distribution channels could encourage greater participation among insurance companies throughout the region. This is seen as a key way to reach a larger proportion of the population.

The median and average commission rates are low. The median commission rate is 12%, whereas the average is 15%. For 26% of the products, no commissions were paid, whereas 17% paid commissions above 30%. Commissions between 10% and 30% were charged on most products, with other financial institutions and microfinance institutions charging the highest rates. Commission charged by other channels varies widely, but this finding may be influenced by the small sample size.

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[^5]: Data on new products collected via survey questionnaire and secondary research.
Microinsurance in Latin America and the Caribbean

Preliminary results

Figure 4: Microinsurance coverage ratios

8.2% of the region’s population is covered by microinsurance

Key Performance Indicators:
- Premiums: USD 420 million
- Median commission rate: 12%
- Median loss ratio: 20.6%

MFIs and other Financial Institutions acted as the distribution channels for 77% of the 2016 lives covered identified

The percentage of people covered by microinsurance in each country is the total number of lives covered divided by the total population in the respective countries. Total population is based upon the World Bank Indicators 2016.
Premiums and claims

The total value of gross written microinsurance premiums in 2016 identified by this study amounted to USD 420 million. This includes USD 151.8 million for Brazil, Mexico and Colombia combined, USD 5.7 million in total premiums reported for Peru and USD 837,238 for Nicaragua.

The data presented in this preliminary study appears to be lower than that reported in the 2014 landscape study where gross written premiums reported amounted to USD 830 million. The two studies differ substantially in the data sources they rely upon, with the 2017 study drawing more upon secondary sources including regulator data, and the 2014 study based largely upon data reported by the companies themselves. It is therefore difficult to compare the data.

A more meaningful analysis of growth trends can be made on the basis of the data reported by the regulators as shown in Table 2 below.

<table>
<thead>
<tr>
<th>Country</th>
<th>Description</th>
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<tr>
<td>Nicaragua</td>
<td>284% increase in microinsurance premiums between 2013 and 2016 (from USD 218,093 in December 2013 to USD 837,238 in December 2016). Moreover, the regulators reported 36%, 78% and 84% annual growth in premiums in 2014, 2015 and 2016 respectively, showing that growth has been accelerating.</td>
</tr>
<tr>
<td>Mexico</td>
<td>36% average annual year-on-year percentage increase in microinsurance premiums between 2007 and 2017. The regulatory framework for microinsurance was established in 2007.</td>
</tr>
<tr>
<td>Peru</td>
<td>95% increase in microinsurance premiums between 2013 and 2016 (from USD 2.9 million in December 2013 to USD 5.7 million in December 2016).</td>
</tr>
<tr>
<td>Brazil</td>
<td>1,799% increase in premiums registered in the 2013-2016 period (from USD 3.5 million in December 2013 to USD 65.7 million in December 2016).</td>
</tr>
</tbody>
</table>

These findings support the view of a positive growth trend across the region.

Loss ratios throughout the region remain relatively low. Overall, the average loss ratio is 46.0%, whereas the median is 20.6%. 69% of products had loss ratios below 41%. This years’ study identified a loss ratio range of 0% to 400%, with the majority (76%) falling between 4% and 80%. 

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8Reported by the Superintendencia de Bancos y de Otras Instituciones Financieras, Nicaragua.
10Reported by Superintendencia de Banca y Seguros, Peru.
11Reported by Superintendencia de Seguros Privados (SUSEP), Brazil.
12The loss ratio is the ratio of total losses incurred (paid and reserved) in claims plus adjustment expenses divided by the total premiums earned.
About the World Map of Microinsurance

The Landscape Study of Microinsurance in Latin America and the Caribbean 2017 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 A2F Consulting and co-funded by AXA, FIDES, ADA, GIZ on behalf of BMZ and Seguros SURA.

Methodology

For the purpose of this study, insurance products were required to satisfy 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, but products that are designed for 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 2015: Life and accident = up to 1%, health = up to 4%, property/agriculture = up to 1.5%.

This 2017 study builds on the regional studies of 2007, 2012 and 2014, using the same survey and including questions on subsidies, commissions and administrative expenses. 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 2018.

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. Primary data was also provided by regulators in different Latin American and Caribbean countries. Secondary data was gathered from BSLatAm, Fasecolda, press reports, and articles. Please note that the data presented in this study represents the microinsurance information identified, and should not be considered to represent absolute numbers.
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► **Pre-order your copies of the full study:** *The Landscape of Microinsurance in Latin America and the Caribbean 2017*

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info@microinsurancenetwork.org

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