



# The Landscape of Microinsurance in Latin America and the Caribbean 2017

Preliminary Briefing Note

## The World Map of Microinsurance



Co-funders



THE GOVERNMENT  
OF THE GRAND DUCHY OF LUXEMBOURG

## Legend of Icons



Published by:

Microinsurance Network

**[www.microinsurancenet.org](http://www.microinsurancenet.org)**

Munich Re Foundation

**[www.munichre-foundation.org](http://www.munichre-foundation.org)**

Layout:

Jaywalk Design

Authors:

This study was carried out by A2F Consulting

**<http://www.a2f-c.com/>**



The authors greatly appreciate the institutions, aggregators and others who provided their data and comments.

We would like to thank the Access to Insurance Initiative for the data they made available for this study.



The publication is protected by the law of the 18<sup>th</sup> April 2001 of the Grand-Duchy of Luxembourg concerning copyright databases and related laws. It is strictly prohibited to reproduce an article from this publication, in whole or in part, without the written consent of the publisher.

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.

Disclaimer: The views, opinions and theories of all outputs of the World Map of Microinsurance (WMM) programme as contained herein are solely the views, opinions and theories of the authors, and do not necessarily reflect the views, opinions and theories of the Microinsurance Network, its members and/or its affiliated institutions as well as sponsors and their related entities. In addition, the country and territory names, borders, and/or scaled sizes depicted in this paper, the WMM map images, and the online, interactive map are for illustrative purposes and do not imply the expression of any opinion on the part of the Microinsurance Network, its members and/or its affiliated institutions as well as sponsors and their related entities, concerning the legal status of any country or territory or concerning the delimitation of frontiers or boundaries. The Microinsurance Network makes no representation as to the accuracy, completeness, or reliability of any information, views, opinions, and theories as may be contained herein. The Microinsurance Network hereby disclaims any liability with this regards.

ISBN **978-2-9199453-2-0**

© **2017** by Microinsurance Network. All rights reserved.

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.<sup>1</sup> The total value of gross written premiums is **USD 420 million**<sup>2</sup>, based on data from the regulators and other secondary sources.

## Key numbers

Table 1. Key microinsurance numbers

**USD 420 million** in microinsurance premiums

**8.2%** of LAC population have microinsurance

**52.1 million** people insured

**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.<sup>3</sup>
- 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.<sup>4</sup>

<sup>1</sup> Number of lives covered are based upon a combination of data collected from reporting companies, regulators and BSLatAm statistics.

<sup>2</sup> It is worth noting that data reported to the regulators is systematically lower than data that is self-reported by companies.

<sup>3</sup> Based upon comparable data for 3.7% of companies reporting data in 2017.

<sup>4</sup> 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.<sup>5</sup> 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, AIG 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

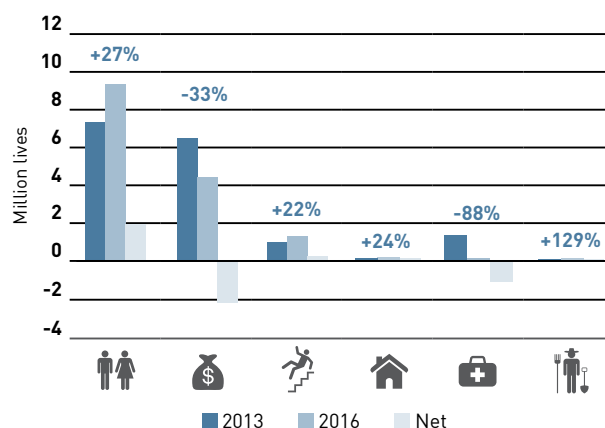
Financial institutions remain the most important distribution channels for microinsurance. Most people covered are reached through financial institutions such as banks, credit unions and microfinance institutions, followed by less traditional channels such as retailers, utilities and call centres. Agents 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.<sup>6</sup>

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.

<sup>5</sup>Data on new products collected via survey questionnaire and secondary research.

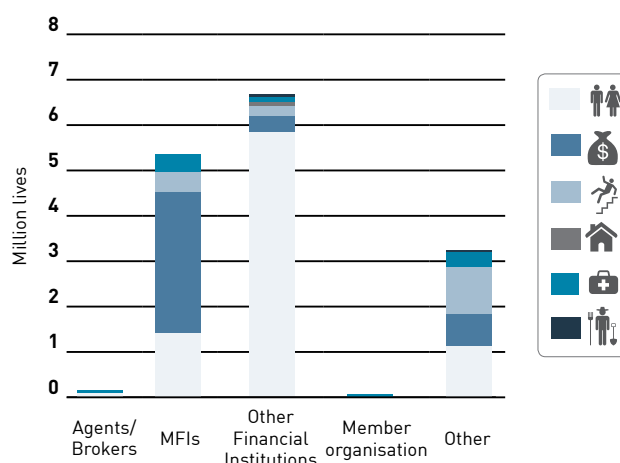
<sup>6</sup>Superintendencia de Seguros de la Nación (2015), Ministerio de Economía y Finanzas Públicas, Argentina.

Figure 1: Lives covered by primary cover



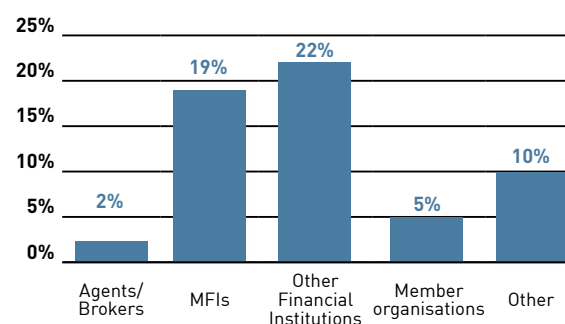
Note: The figure represents comparable data only (companies reporting in both the 2014 and 2017 studies, plus new market entrants). This includes 27 reporting companies.

Figure 2: Lives covered by distribution channel and product type (2016)



Note: The figure represents all companies that provided data on distribution channel and product type.

Figure 3: Average commission by distribution channel

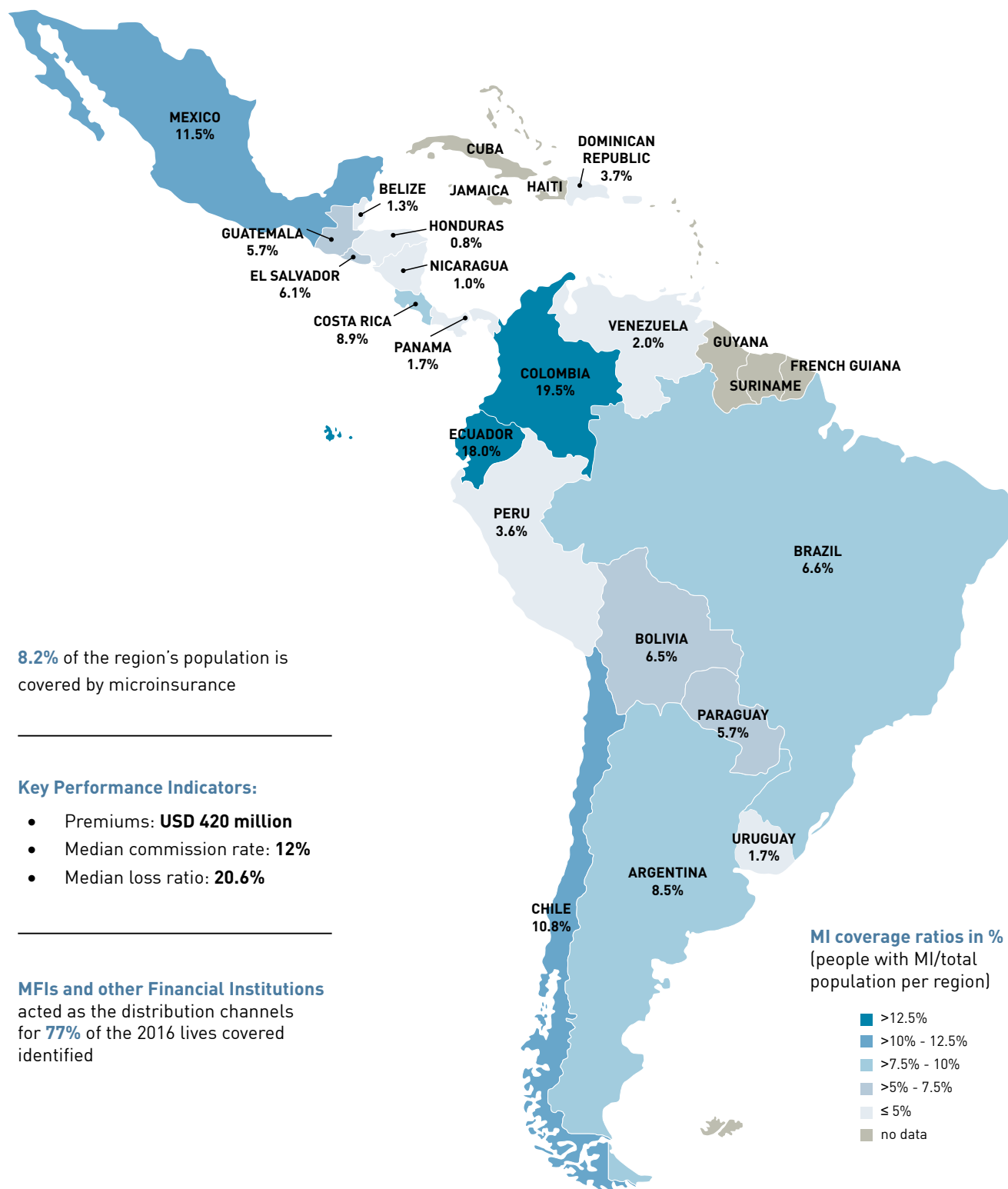


Note: The figure represents all companies that provided data on commission and distribution channel.

# Microinsurance in Latin America and the Caribbean

## Preliminary results

Figure 4: Microinsurance coverage ratios<sup>7</sup>



<sup>7</sup>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.

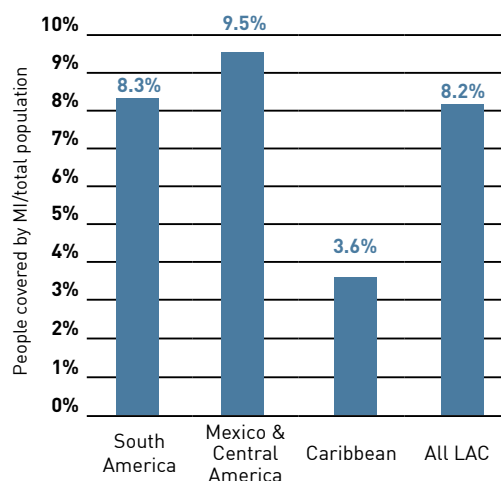
## Premiums and claims

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.

**Figure 5: Coverage ratio by sub-region**



Note: Regional coverage represents the countries with reported data.

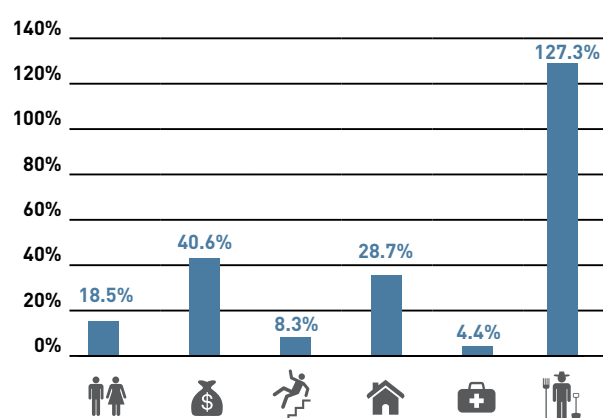
**Table 2. Indicators of growth for Nicaragua, Mexico, Peru and Brazil, based on data reported by the regulators.**

<b>Nicaragua</b>	284% increase in microinsurance premiums between 2013 and 2016 (from USD 218,093 in December 2013 to USD 837,238 in December 2016). <sup>8</sup> Moreover, the regulators reported 36%, 78% and 84% annual growth in premiums in 2014, 2015 and 2016 respectively <sup>9</sup> , showing that growth has been accelerating.
<b>Mexico</b>	36% <sup>10</sup> average annual year-on-year percentage increase in microinsurance premiums between 2007 and 2017. The regulatory framework for microinsurance was established in 2007.
<b>Peru</b>	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). <sup>11</sup>
<b>Brazil</b>	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). <sup>12</sup>

**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 year's study identified a loss ratio range of 0% to 400%, with the majority (76%) falling between 4% and 80%.

**Figure 6: Median loss ratios by primary product cover<sup>13</sup>**



Note: The figure represents all companies that provided data on product type, value of claims and premiums.

<sup>8</sup>Reported by the Superintendencia de Bancos y de Otras Instituciones Financieras, Nicaragua.

<sup>9</sup>A2F Interview with Superintendencia de Bancos y de Otras Instituciones Financieras, Nicaragua (Aug. 25, 2017).

<sup>10</sup>A2ii interview with Comisión Nacional de Seguros y Fianzas, Mexico.

<sup>11</sup>Reported by Superintendencia de Banca y Seguros, Peru.

<sup>12</sup>Reported by Superintendencia de Seguros Privados (SUSEP), Brazil.

<sup>13</sup>The 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.

The World Map of Microinsurance programme institutionalises previous and future landscape studies through an interactive map and can be consulted at <http://worldmapofmicroinsurance.org/>.

### 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.



# We share a vision for a world where people of all income levels are more resilient and less vulnerable to daily and catastrophic risks.

## Join our global multi-stakeholder platform of professionals and organisations committed to making insurance inclusive.

- **Network** with **key stakeholders** in the sector
- **Benefit** from **peer-to-peer learning** and exchange
- **Stay up to date** with sector developments
- Help **promote** the role of **inclusive insurance** in the broader **development agenda**
- And **support** important **research** and **advocacy** work in **inclusive insurance**

► **Pre-order your copies of the full study:** *The Landscape of Microinsurance in Latin America and the Caribbean 2017*

<http://bit.ly/2imPJkr>

► **Sponsor a future Landscape of Microinsurance study**

[www.microinsurancenetwork.org](http://www.microinsurancenetwork.org)  
[info@microinsurancenetwork.org](mailto:info@microinsurancenetwork.org)



## Connect Participate Influence