



Role of actuaries in Microinsurance

The actuarial profession's perspective

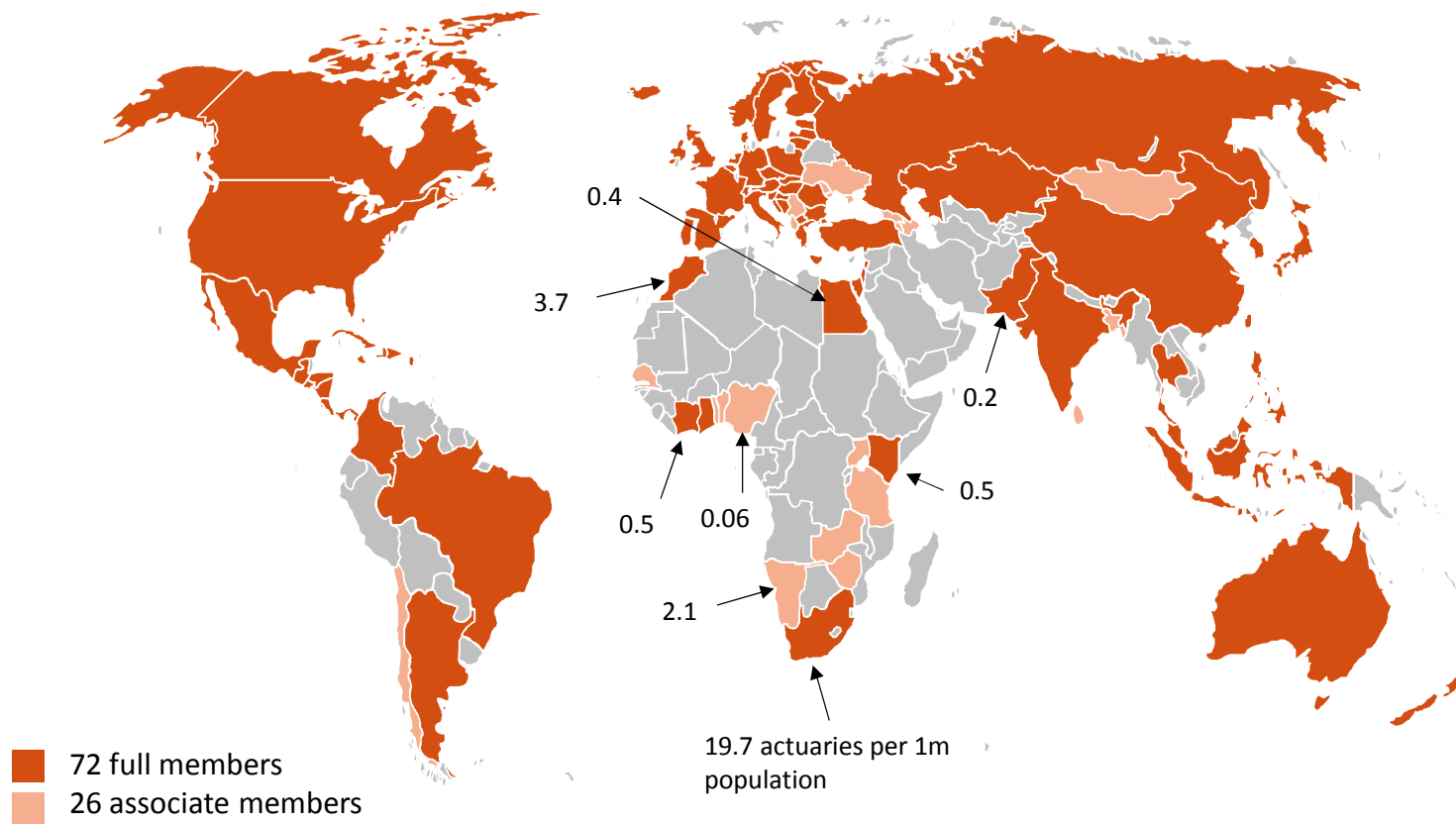
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What, actuaries in microinsurance?

- General acceptance that actuarial skills can add value
- Question is rather “to what extent?”
 - What functions should be performed by people with actuarial skills?
 - What actuarial skills are required?
- What the IAA is doing
 - Joint project with IAIS: proportional actuarial services in inclusive insurance
 - Significant interest and support from IAA leadership
 - Profession is conscious not to create unnecessary barriers
 - Very limited supply of actuarial skills
 - Relatively high cost



State of the actuarial profession



Source: International Actuarial Association



Joint IAIS-IAA project

IAA Paper

Proportionate actuarial approaches to inclusive insurance markets

Product risks

Provider risks



Business and actuarial focus to address customer needs



IAIS Paper

Proportionate prudential approaches to inclusive insurance markets

Supervisory capability

Maturity of consumer market

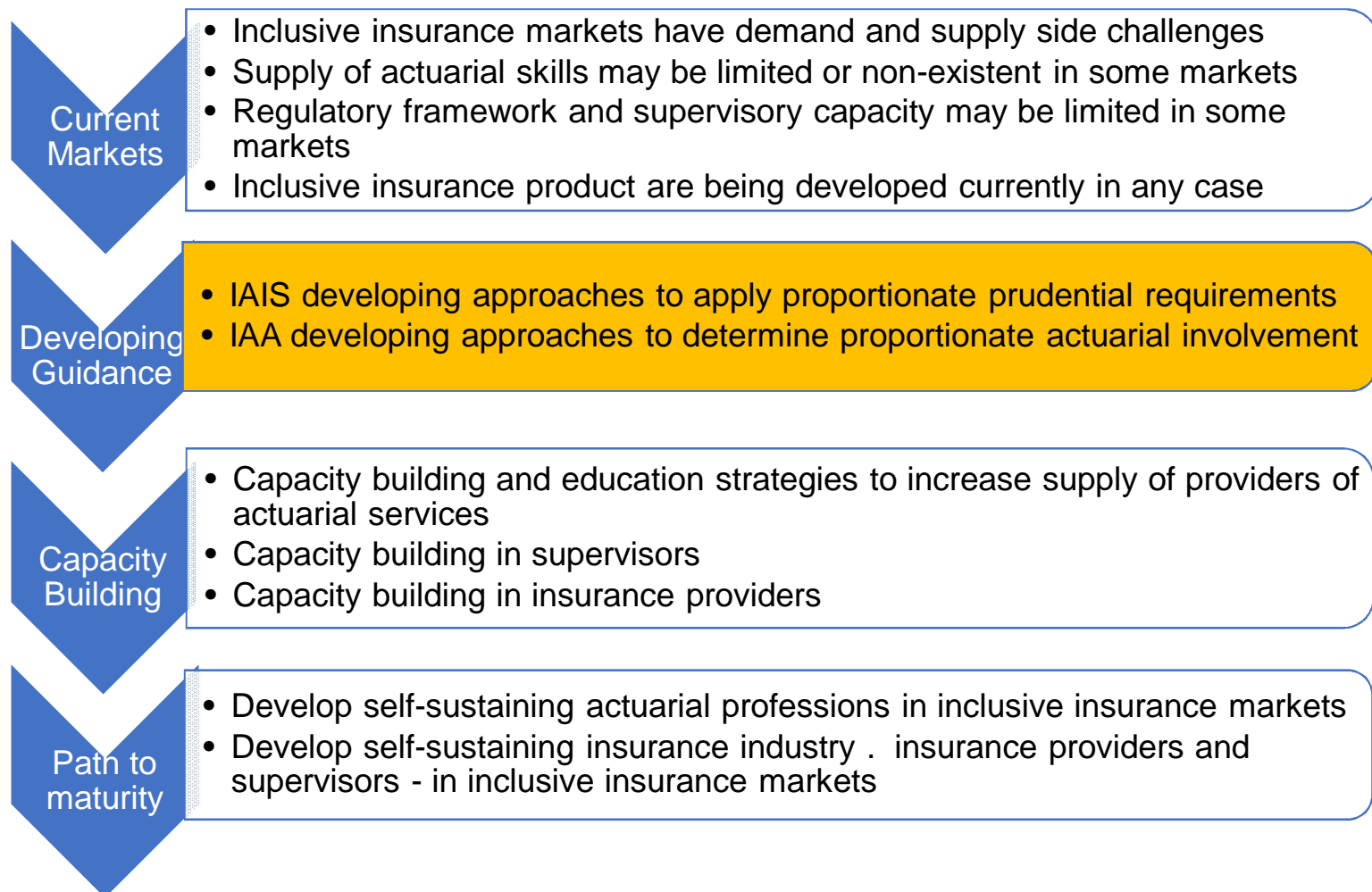
Level of actuarial capability



Supervisory and market focus to address customer needs



Development of inclusive insurance markets



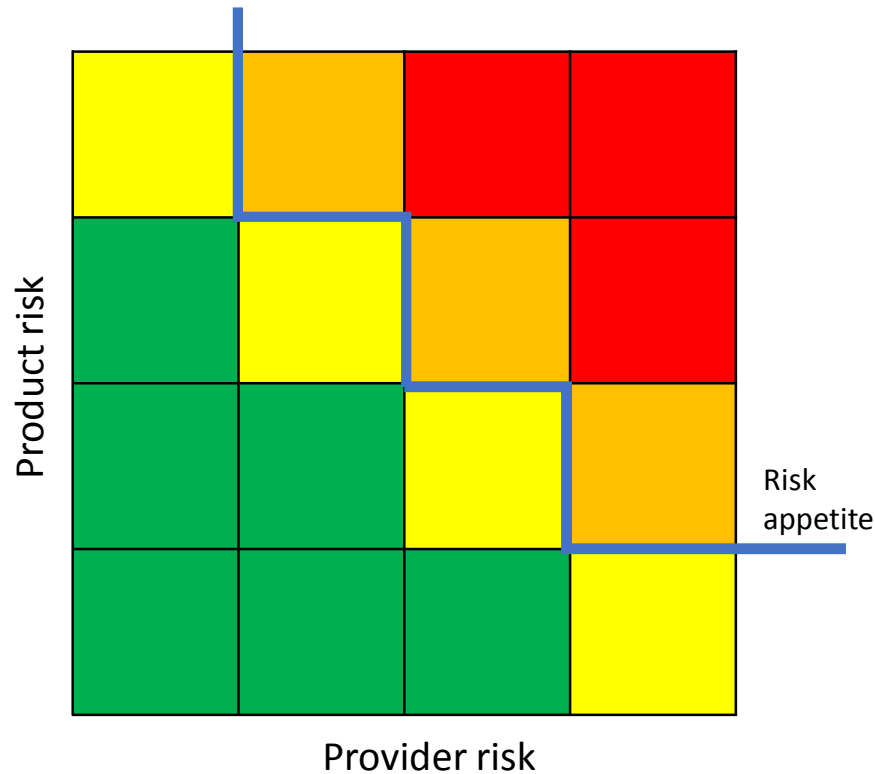
IAA Paper - purpose and audience

- What the purpose of the paper?
 - It is a tool for users to determine, in an inclusive insurance market:
 1. when actuarial services or advice are needed?
 2. what actuarial skills are needed to perform those actuarial services or give that actuarial advice?
- Target audience
 - Persons with actuarial skills, providers of actuarial services and the actuarial profession;
 - insurance providers, both formal and informal;
 - insurance and financial services supervisors and policymakers; and
 - the wider insurance and financial services industry, for example, distribution channels, services providers and non-government organisations.



IAA paper – conceptual approach

Extent of actuarial involvement depends on two dimensions:



Greater risk implies greater actuarial involvement

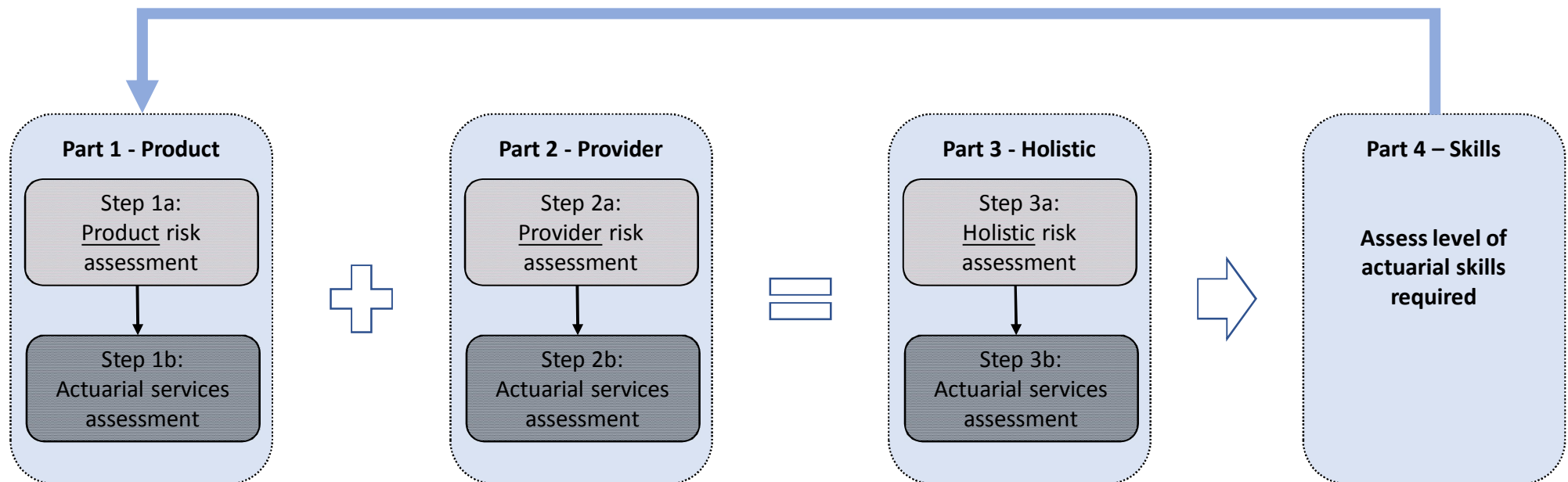
BUT: need to consider underlying causes of risk

Some speak to narrow, technical actuarial skills (e.g. variable experience outcomes, lack of historic data)

Others speak to wider operational skills

IAA Paper – assessment process

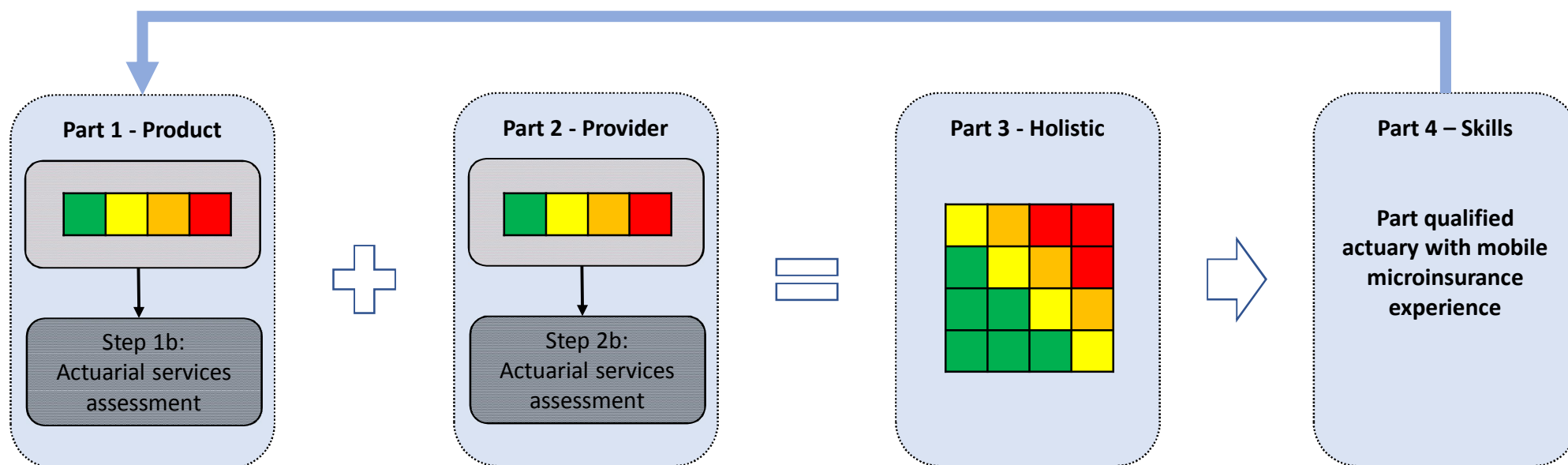
Repeat until holistic assessment is reasonable and acceptable given risk appetite



Part 4 - Business decision
reflects risk and actuarial services assessment and other key factors

IAA Paper – example assessment

Repeat until holistic assessment is reasonable and acceptable given risk appetite



Part 4 - Business decision

Acquire services of a technical services provider with in-house actuarial skills.

IAA Paper - summary

- Tool provides structured method of assessing business risk (product and provider)
 - Make changes to product or operationally to fall within pre-defined risk tolerance
- Provides common language for stakeholders (industry and supervisors)
- Helps determine proportional actuarial involvement
 - When are actuarial skills required
 - What actuarial skills are required (technical vs. experience)

Technical insurance skills,
not necessarily actuarial



Qualified actuary
(fellow)

Some inclusive insurance
market experience



Product, target market and
channel specific experience



What next?

1

Aim to publish
papers and tool
mid-2018

2

Test drive tool with
real life examples

- The use test
- Any volunteers?

3

Time to consider
capacity building





Thank you!

Nigel Bowman

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