



International Actuarial Association
Association Actuarielle Internationale



The Value of Inclusive Insurance

More than claims ratios

Britta Hay
Denis Garand
Nigel Bowman

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Is there more to value than claims ratios?



What is the lowest claims ratio that still provides value?

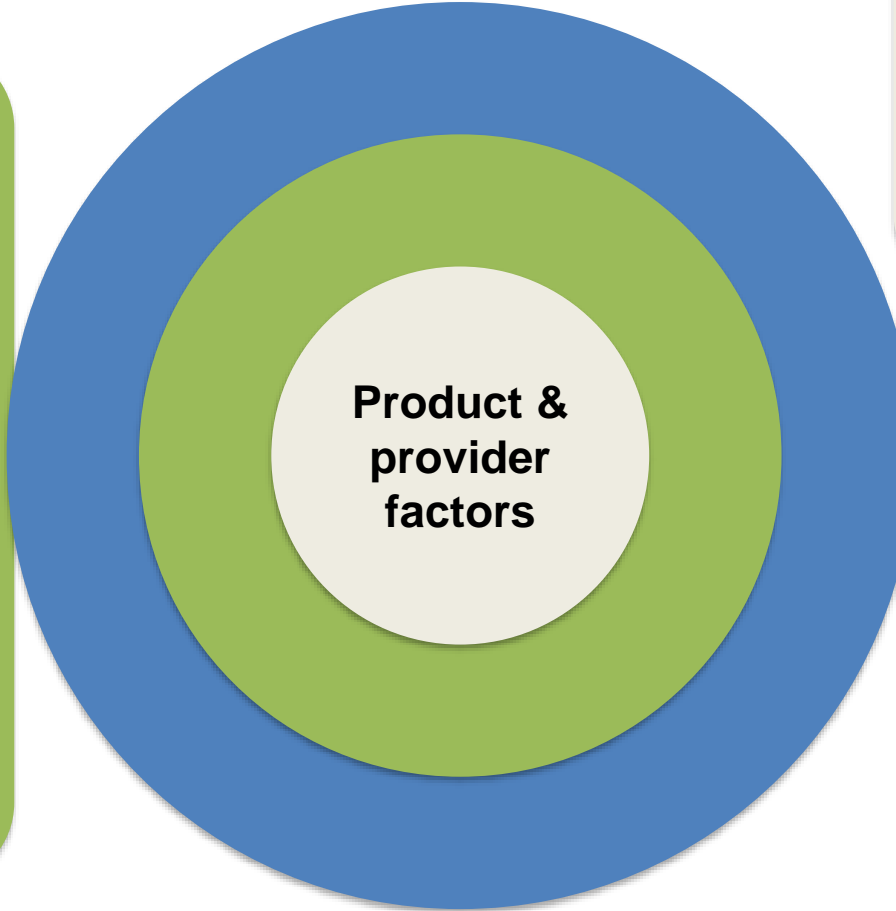
Agenda

1. Drivers of inclusive insurance value
2. An approach to holistically assess value
3. Two case studies






Drivers of value

**Immediate,
customer focussed
factors**



**Product &
provider
factors**

Product & provider factors

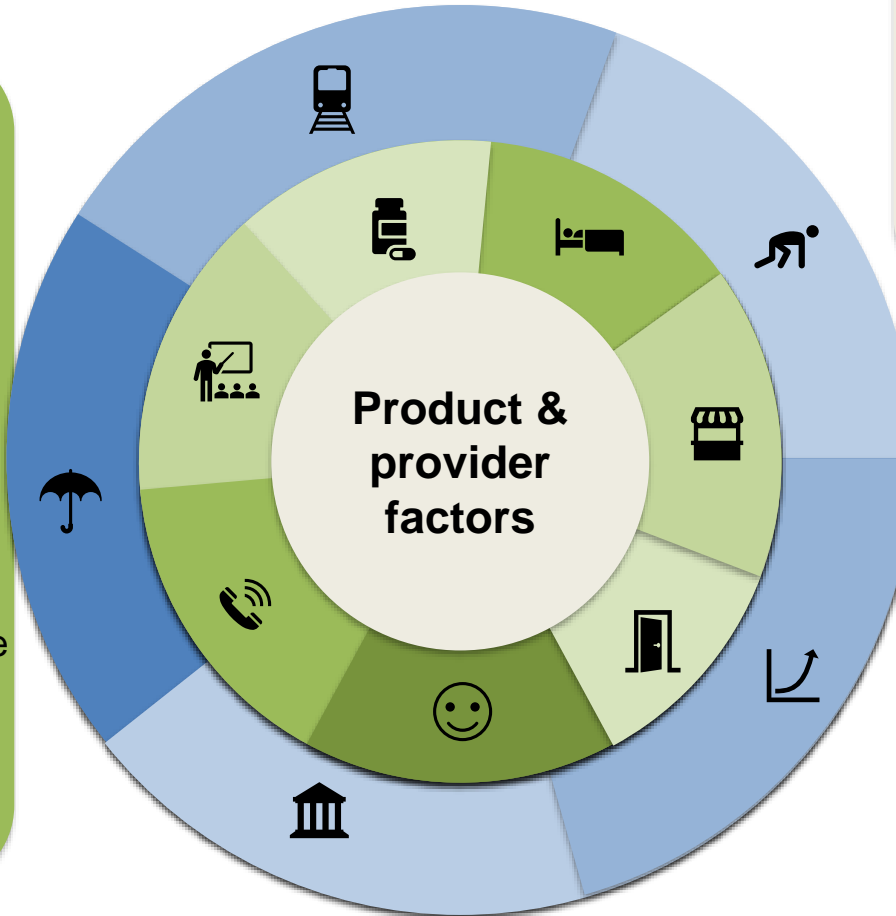
-  Appropriate cover
-  Cost of cover
-  Sustainability

**Enabling, long-term
factors**




Drivers of value

Immediate, customer focussed factors

-  Risk reduction
-  Advice & education
-  Value added services
-  Customer experience
-  Accessible & affordable
-  Entrepreneurship
-  Peace of mind



Product & provider factors

-  Appropriate cover
-  Cost of cover
-  Sustainability

Enabling, long-term factors

-  Market readiness
-  Infrastructure
-  Supervisor
-  Government
-  Development agencies



A Holistic View of Value

Group drivers
and assess level
of value



Aggregate value
assessment for
each pair

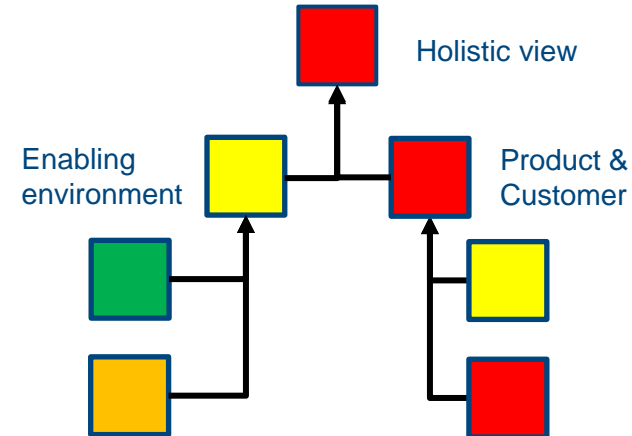
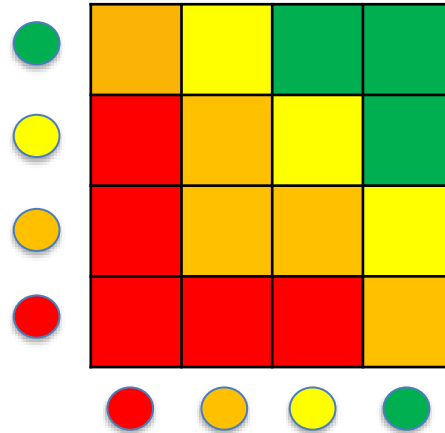


Continue
aggregating to
get to an overall
assessment

Rate level of value for each
aspect being assessed.

Weighted average maps to
one of 4 levels.

- Excellent
- Good
- Poor
- Terrible





Case Study 1 – EcoLife



- Mobile product following the typical freemium model: Econet subscribers were given “free” life cover based on their monthly spend
- Very rapid adoption: 20% of adult population covered within 7 months
- Dispute between platform / technical services provider and Telco resulted in immediate termination of cover for subscribers
- Limited communication to subscribers: 62% not notified of cover termination
- Significant repercussions for entire insurance market
 - 63% ruled out use of similar product in future
 - 42% dissatisfied with insurance
- Further customer concerns: confusing cover amounts and SMS communications
- Supervisor unable to hold parties accountable: limited financial and legal resources exacerbated by limited understanding of the model



Valuable life cover at no additional cost



Substantial interest – rapid take-up



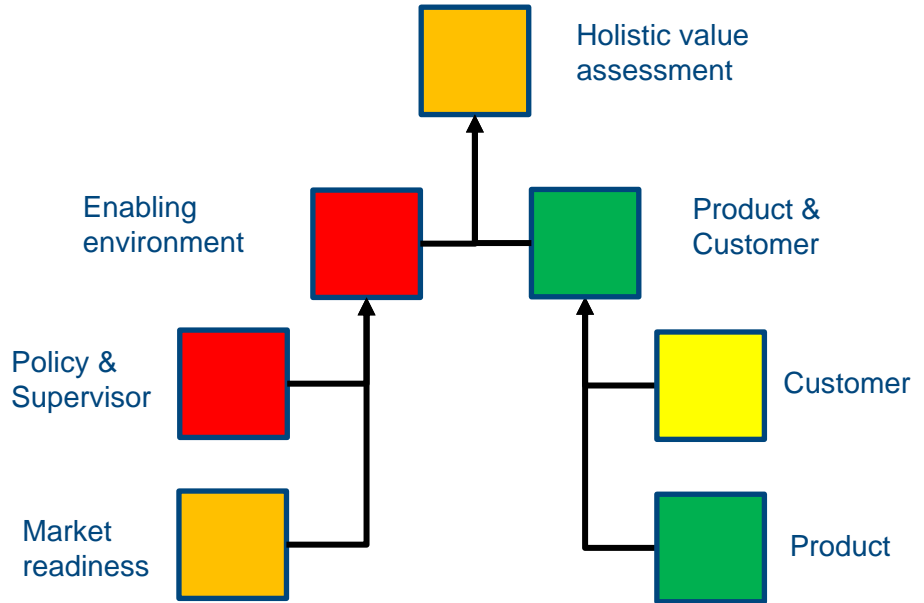
Confusing cover amounts and (excessive) communication



Supervisor challenges: limited resources and understanding of model



Lack of policy and regulation for m-insurance





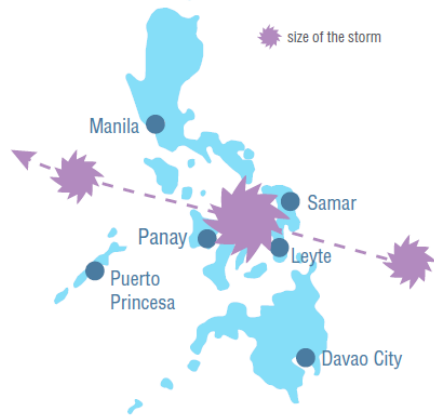
EcoLife lessons



1. Plan to fail well, besides planning for success
2. The main risks must always be identified and mitigated to an acceptable level of residual risk
3. Simple products with the right amount of clear communication always helps – the Goldilocks principle



Case Study 2 – Typhoon Haiyan



In November 2013

Typhoon Haiyan (Yolanda) hit the Philippines

Highest wind speeds ever seen on land with winds of **313 km/h**

Impacted over

16
million
people



Displaced almost

4.1
million
people



Had an unprecedented storm surge that was main **cause of death** for the **6,300** casualties

Estimated

USD 700
million



in damage to agriculture and infrastructure*



Case Study 2 – Typhoon Haiyan

- Philippines had high insurance and microinsurance penetration prior to Typhoon Haiyan (19.9m properties and lives).
- Microinsurance played a significant role in the recovery process
- The Insurance Commission took a rapid and proactive response:
 - Set up an industry Claims Action Centre in the hardest hit city
 - Relaxed documentation requirements for initial payments for death claims
 - Collected a master list of all policyholders in the affected areas
 - Allowed goods to be paid in lieu of cash and satellite imaging to be used to assess claims
- By July 2014, 111 000 claims paid to the value of \$12m
- 27% of claims were paid within 4 ¹/₂ weeks, 60% of reported claims were paid by March 2014
- Interest in insurance increased indicating positive experiences
- Lessons learned by providers: addressed gaps in coverage and increased outreach



Typhoon Haiyan - retrospective value assessment



Appropriate products with wide reach



Rapid, proactive response by stakeholders



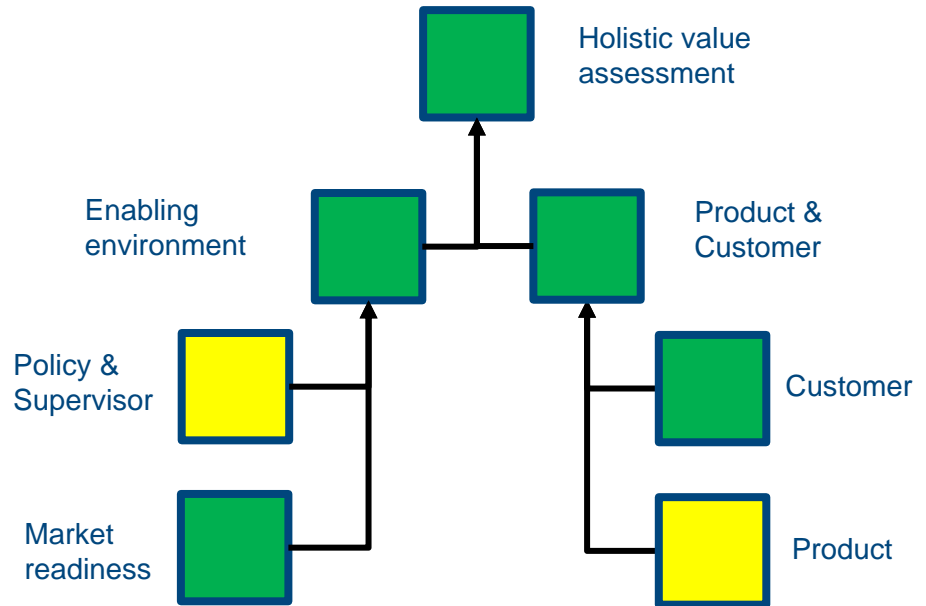
Distribution channels with close links in communities facilitated quick claim payments



Positive experience by customers led to increasing demand



Lack of reinsurance, unclear policy wording and concentration of risks



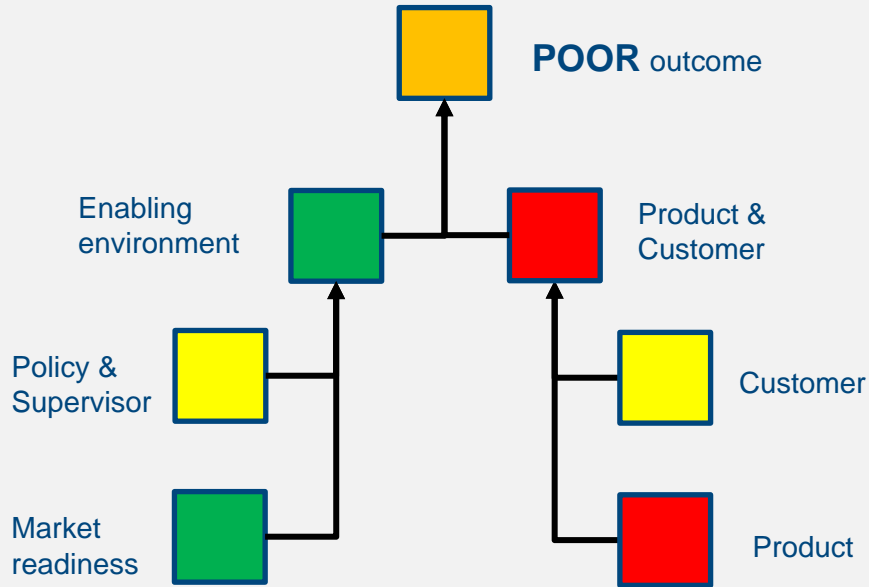


Typhoon Haiyan lessons

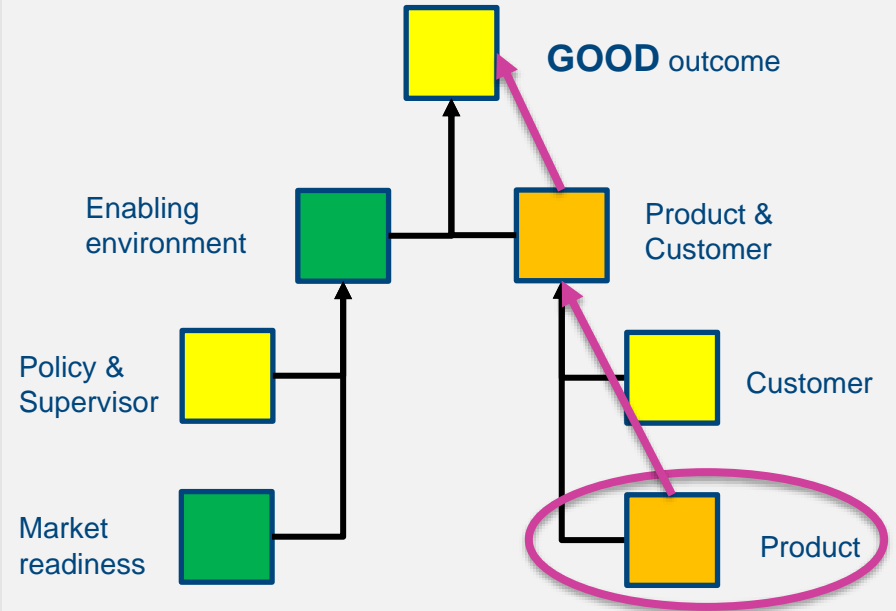
1. A flexible, principles-based approach beats rigidly sticking to rules.
2. Intermediaries can add significant value beyond onboarding customers.
3. The lack of catastrophe reinsurance is a huge risk for insurers, and potentially devastating for customer value.

Value assessment process use case

Initial assessment



Follow-up assessment





What are your main lessons?

“this has only been made possible by the insurers. They are the ones who really built this city”
Henry Ford



Thank you

Britta Hay brittahay@outlook.com
Denis Garand denis@garandnet.net
Nigel Bowman bowmanconsulting@webafrica.org.za



International Actuarial Association
Association Actuarielle Internationale
1203-99 Metcalfe, Ottawa ON K1P 6L7 Canada
Tel: +1-613-236-0886 Fax: +1-613-236-1386
Email: secretariat@actuaries.org
www.actuaries.org