

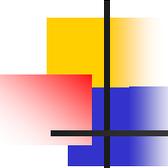
# Group insurance versus individual

---

Denis Garand, FCIA, FSA

[Denis@garandnet.net](mailto:Denis@garandnet.net)

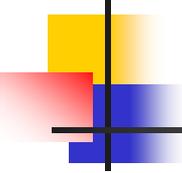
Microinsurance Conference 2007, MUMBAI  
November 15, 2007



## Group insurance

---

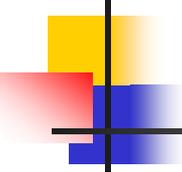
- Advantages
  - Lower policy administration cost
  - Lower underwriting expense
  - Tagging on to an other brand
  - May have easy premium collection methods
  - May have easier claims payment mechanisms
  - Premium is substantially lower then individual insurance for similar coverage
  - Package major risks, reducing cost
  - Faster to reach more people



# Group insurance

---

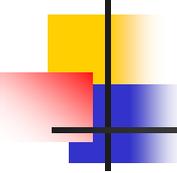
- Disadvantage
  - No individual choice
  - Mandatory, possibility not desired
  - Cannot reach population that does not belong to the group
  - Higher claim cost due to lack of underwriting



# Individual insurance

---

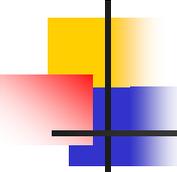
- Advantages
  - Meets the real need of the insured
  - Priced to the correct risk class
  - Expected claims lower



# Individual insurance

---

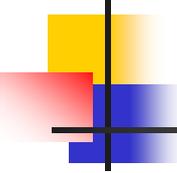
- Disadvantage
  - No one may be targeting your population segment
  - Higher risk person, may be denied coverage or pay higher premium
  - Expense component higher
  - Does not build community solidarity, more difficult to deliver health educations and health promotions strategies



# Group Insurance risk

---

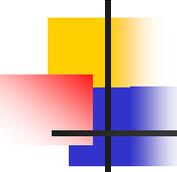
- Potential assessment spiral
  - For health, life and disability expected claims cost increases with age.
  - Most Microinsurance is community rated
  - However the expense difference in most cases still makes group insurance cheaper.



## Expense levels

---

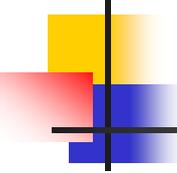
- Percentage expenses level is deceiving
- Expense per insured a more relevant comparison



## Expense example

---

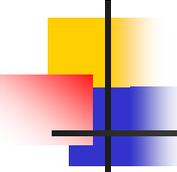
- Case study 7 individual Endowment
  - Premium \$11.40
  - Expenses \$ 4.68
- Case study 15, creditor life, both spouses, hut protection
  - Premium \$ 1.64
  - Expenses \$ 0.09



## Reaching target population

---

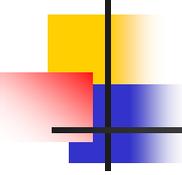
- Yeshasvini over 1.8 million
  - Admin cost <5% plus government distribution or less than \$0.20 per insured
- AIG east Africa 1.0 million
  - Total expense 41%
- Health insurance sold via Village organization in Pakistan
  - Direct distribution expense 3% of premium



## Group methods

---

- Some groups such as VimoSEWA enroll many on individual basis, however they use group methods
  - Single price/product, limited underwriting
  - Simple certificate of coverage
  - Reach many in village at the same time



# Conclusion

---

- Group methodologies are, in most cases, superior in improving value to target populations, via much more efficient administrative methodologies and the ability to reach many people quickly. With technology advantages the lines between group and individual may start converging.