The landscape of microinsurance in Africa
About the Munich Re Foundation
Background

Start: 7 April 2005

Capital: € 50 million

**Purpose of the Foundation:**
Munich Re concerns itself with the great challenges facing the world today – population growth, globalisation, diminishing resources, environmental pollution, climate change.

... 

The foundation’s role is to concentrate specifically on the interaction between population development and the medium of water as elixir of life, resource, and risk factor.
What is the International Microinsurance Conference?

In collaboration with the Microinsurance Network, Munich Re Foundation organized the first annual International Microinsurance Conference in 2005.

At these conferences, representatives from regulatory, supervisory, policy and insurance industry experts as well as development aid organisations and NGOs discuss the opportunities and challenges involved in extending insurance to low-income households.

The diversity of the 400 and more participants from over 50 countries each year is a factor that makes the International Microinsurance Conference stand out from other such events.
The Landscape of Microinsurance in... / The World Map of Microinsurance

www.worldmapofmicroinsurance.org
www.microinsurancelandscape.org
The World Map of Microinsurance (WMM)...

... will host data and analysis from significant landscape studies, which will be displayed visually on an interactive world map.

... will incorporate interactive data tools, such as customizable graphs and tables to compare data.

... will contain country and regional profiles
www.microinsurancenetwork.org/world-map-microinsurance
www.worldmapofmicroinsurance.org

Co-published by MiN and the Munich Re Foundation
The Landscape of Microinsurance in Africa
Definition of microinsurance

- A product is generally defined as “microinsurance” if it is modest in premium and coverage and meets the following four criteria:

- **Target population:** The product targets the low-income segment of the population, those who have so far been excluded from mainstream insurance offerings.

- **Business line:** Microinsurance can be found in all business lines, including life, accident and disability, health, property, and agriculture (crop and livestock).

- **Sales:** Microinsurance may be supplied by various stakeholders and through a variety of channel types.

- **Affordability:** The premium amount is commensurate with the income level of the low-income sector.

Source: Munich Re Foundation / GIZ: The Landscape of Microinsurance in Africa 2012
Microinsurance in Africa - Summary

More than 200 providers from 36 of the 54 countries in the region reported microinsurance activity

USD 647 million in microinsurance premiums

5.4% of total population covered

61.9 million total people insured*

- 46.4 million – Life
- 13.1 million – Accident
- 16.4 million – Credit life
- 8.4 million – Health
- 4.5 million – Property
- 1.1 million – Agriculture**

* Note that the volume of coverage by product type adds up to more than the total covered lines, reflecting that many products are offered as riders and add-ons to a primary microinsurance product. Thus many people are protected against more than one type of risk.

** Agriculture covers include governments-subsidised insurance programmes, which were excluded in the 2011 study.

Source: Munich Re Foundation / MIN: The Landscape of Microinsurance in Africa 2015, p.3
Growth
Growth by type of product

Figure 1: Growth by type of product (millions of lives covered)

Source: Munich Re Foundation / MIN: The Landscape of Microinsurance in Africa 2015, p.4

Munich Re Foundation
6.4.2016
Distribution
Lives covered by distribution channel

Figure 2: Lives covered by distribution channel

- MFIs 14%
- Financial institutions 10%
- Member organisations 3%
- Agents/brokers 28%

Mass 45%

Data is for products that indicated distribution channel, which account for 56 million people, or more than 90% of the identified lives covered.

Source: Munich Re Foundation / MIN: The Landscape of Microinsurance in Africa 2015, p.4
Microinsurance in Africa – Preliminary results
Percentage of population covered by microinsurance

Source: Munich Re Foundation / MIN: The Landscape of Microinsurance in Africa 2015, p.5
Premiums and Claims
Loss ratios by primary product type

Source: Munich Re Foundation / MIN: The Landscape of Microinsurance in Africa 2015, p.6
Microinsurance in Africa – Preliminary results

Key Performance Indicators

- Premiums: USD 647 million
- Median commission rate: 10% (17% weighted average)
- Median loss ratio: 25% (26% weighted average)

Source: Munich Re Foundation / MIN: The Landscape of Microinsurance in Africa 2015, p.5
Microinsurance in Africa – Preliminary results

Key Indicators

5.4% of the region’s population were identified as being covered by microinsurance (vs 4.4% in 2011)

Though life products still dominate the region in terms of coverage, the largest growth was seen in health and agriculture covers.

96 new products launched vs. 45 products discontinued or altered for the mass market

Mass market channels accounted for 45% of the distribution of microinsurance products in the region.

Source: Munich Re Foundation / MIN: The Landscape of Microinsurance in Africa 2015, p.5
Kenya country profile
### Kenya: Key Figures

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identified lives/properties covered by MI 2014 (millions)</td>
<td>2.72</td>
</tr>
<tr>
<td>MI coverage ratio 2014 (% of 2014 pop. covered by MI)</td>
<td>5.98%</td>
</tr>
<tr>
<td>Comparable growth in lives covered by MI from 2011 - 2014</td>
<td>112%</td>
</tr>
<tr>
<td>Total population (2014, millions)</td>
<td>45.5</td>
</tr>
<tr>
<td>Low-income population (% at national poverty line)</td>
<td>No data</td>
</tr>
<tr>
<td>Number of MI providers reporting to landscape study 2014</td>
<td>15</td>
</tr>
<tr>
<td>Total identified MI written premium 2014 (USD millions)</td>
<td>28.5</td>
</tr>
<tr>
<td>Total insurance industry written premium 2014 (USD millions)</td>
<td>1,860</td>
</tr>
<tr>
<td>Total identified MI written premium 2014/Total insurance industry written premium 2014</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

Kenya
Lives covered by distribution channel in Kenya

- MFIs: 5%
- Other/Mass: 24%
- Agents/Brokers: 9%
- Member orgs: 5%
- Other Financial Institutions: 57%

Kenya
Coverage ratios and growth

2014 Microinsurance coverage ratios for East Africa

<table>
<thead>
<tr>
<th>Country</th>
<th>% of population covered by MI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comoros</td>
<td>8.47%</td>
</tr>
<tr>
<td>Uganda</td>
<td>6.71%</td>
</tr>
<tr>
<td>Kenya</td>
<td>5.98%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>3.92%</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>1.89%</td>
</tr>
<tr>
<td>Rwanda</td>
<td>1.20%</td>
</tr>
<tr>
<td>Burundi</td>
<td>1.20%</td>
</tr>
<tr>
<td>Sudan</td>
<td>1.15%</td>
</tr>
</tbody>
</table>

Comparable growth in lives covered by MI from 2011 - 2014 in East Africa

<table>
<thead>
<tr>
<th>Country</th>
<th>% growth in lives covered by MI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sudan</td>
<td>64,221%</td>
</tr>
<tr>
<td>Rwanda</td>
<td>1,967%</td>
</tr>
<tr>
<td>Comoros</td>
<td>228%</td>
</tr>
<tr>
<td>Kenya</td>
<td>112%</td>
</tr>
<tr>
<td>Uganda</td>
<td>70%</td>
</tr>
<tr>
<td>Burundi</td>
<td>44%</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>-11%</td>
</tr>
<tr>
<td>Tanzania</td>
<td>-39%</td>
</tr>
</tbody>
</table>

Kenya
Key findings

- **Products:** Microinsurance providers in Kenya have tapped into the market across all product lines. Though outreach remains limited for some covers such as agriculture and personal accident, the total lives covered for each type of coverage did increase since 2011.

- **Comparable growth and MI coverage ratio:** At 5.98% of the population covered by microinsurance, Kenya has the third highest MI coverage ratio in the East African region. In terms of comparable growth, lives covered increased by 112%. When analyzing by product cover, the greatest growth exhibited was in agriculture.

- **Distribution:** Over half of lives covered by MI are reached via ‘other financial institutions’ with the majority of this outreach being attributed to a single product sold through a bank. Mass and other channels are becoming increasingly important, as they reached nearly one fourth of lives covered in 2014.

- **Regulations:** Microinsurance regulations were recently drafted in 2015 and are available on the IRA’s website.

Kenya – where to find the data?
http://worldmapofmicroinsurance.org/#country/KEN

<table>
<thead>
<tr>
<th>Category</th>
<th>Coverage Ratio</th>
<th>2014 Insurance</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total microinsurance coverage</td>
<td>5.98%</td>
<td>2,722,480</td>
<td>2014</td>
</tr>
<tr>
<td>Credit life coverage ratio</td>
<td>3.73%</td>
<td>1,698,691</td>
<td>2014</td>
</tr>
<tr>
<td>Life coverage ratio (excluding credit life)</td>
<td>2.41%</td>
<td>1,098,243</td>
<td>2014</td>
</tr>
<tr>
<td>Health coverage ratio</td>
<td>1.73%</td>
<td>785,714</td>
<td>2014</td>
</tr>
<tr>
<td>Life and accident coverage ratio (excluding credit life)</td>
<td>1.18%</td>
<td>478,442</td>
<td>2011</td>
</tr>
<tr>
<td>Accident coverage ratio</td>
<td>0.89%</td>
<td>407,606</td>
<td>2014</td>
</tr>
<tr>
<td>Property coverage ratio</td>
<td>0.64%</td>
<td>289,670</td>
<td>2014</td>
</tr>
<tr>
<td>Agriculture coverage ratio</td>
<td>0.38%</td>
<td>173,830</td>
<td>2014</td>
</tr>
</tbody>
</table>

Lessons learnt?
Some myths...

“MI policyholders can’t afford to pay premiums”

Many pay far more for informal risk management

“MI is just conventional insurance sold with small premium amounts per risk”

Downscaling reflects a lack of understanding the market

Source: Craig Thorburn, CGAP/Worldbank
Key challenges

1. Low premium and high transaction costs per client
2. Low and irregular income: volume is a key
3. Lack of insurance knowledge
4. Lack of infrastructure
5. Insurance illiteracy
6. Ensure client value
7. Lack of data
8. Regulation
The Munich Re Foundation and IASL are pleased to announce the...

12th International Microinsurance Conference

15–17 November 2016
Colombo, Sri Lanka

www.microinsuranceconference.org/2016

Munich Re Foundation
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Thank you
Dirk Reinhard
Vice Chairman – Munich Re Foundation
dreinhard@munichre-foundation.org