

**WEST AFRICAN INSURANCE COMPANIES ASSOCIATION
2015 EDUCATION CONFERENCE**

TOPIC:

**“AFRICA RISING; THE INDIGENISATION OF
INSURANCE IN WEST AFRICA, REACHING THE
UNREACHED”**

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INTRODUCTION

The global insurance industry is dominated by wealthy developed nations, In fact; the G7 alone accounts for almost 65% of the world premium, owing to rule of law, credit economy, integration of the entire population in socio-economic provisions, amongst other reason. Insurance in West Africa however, is still underdeveloped because majority of her population still struggle to meet their basic day to day means.

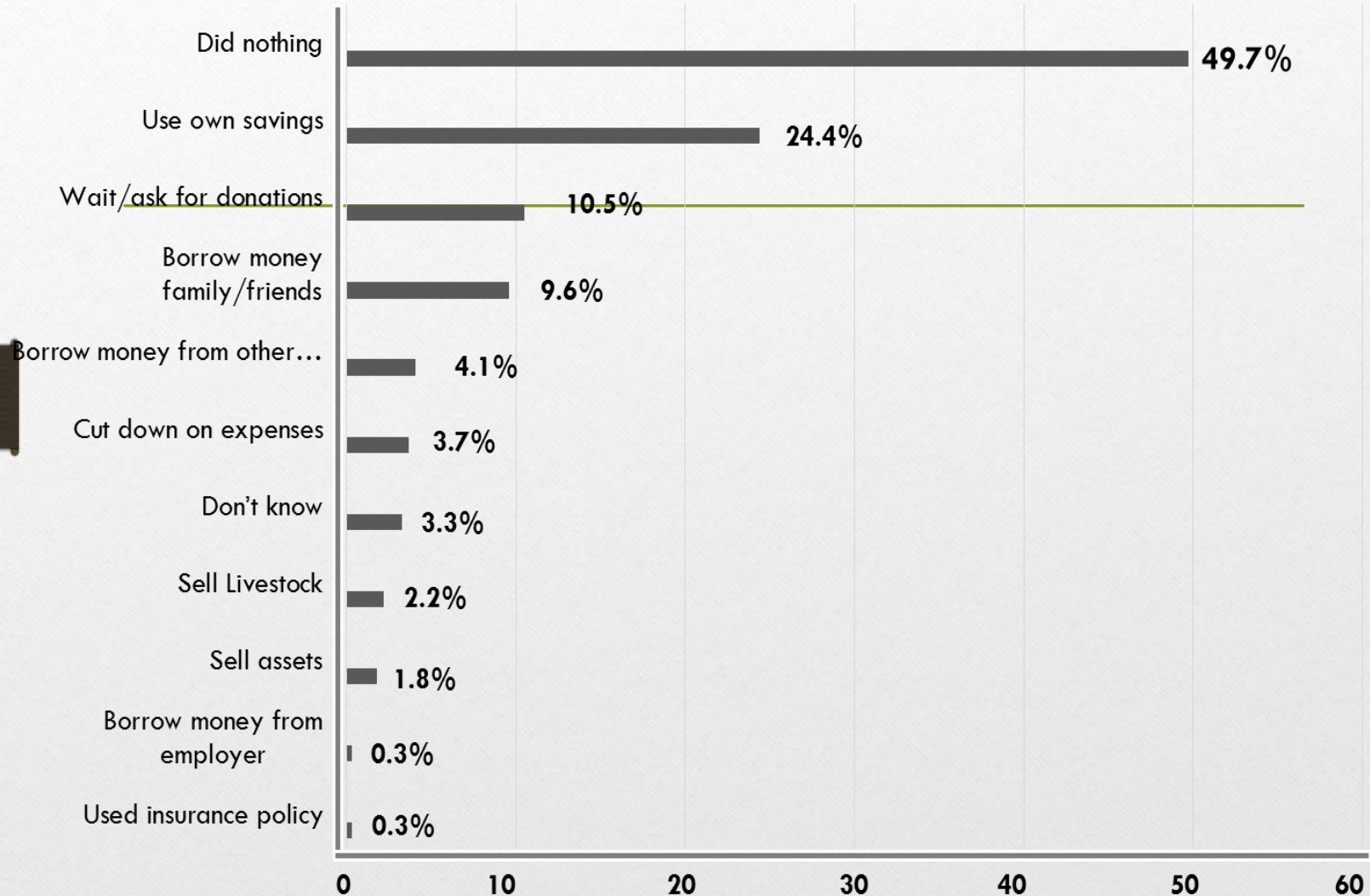
INTRODUCTION cont'd

Thus, they don't have access to formal insurance that protects them against risks such as the death of a breadwinner, severe illness or loss of property. these shocks are particularly damaging for poor households that are more vulnerable and less able to absorb the financial consequence of such events.

Factors Impeding Growth of Insurance In West Africa

- Accessibility and availability
- Low purchasing power
- Lack of trust in the insurance providers
- Poor legal and judicial system
- Dearth of human capital and expertise
- Communities often make use of informal forms of insurance rather than using the services of formal Insurers

COPING MECHANISM USED IN THE EVENT OF UNEXPECTED INSURABLE EVENT



Depth of Insurance Markets by Region, 2012

Region	Total Premiums (US\$ billion)	Penetration Rate (%)	Premiums per Capita (US\$)
Advanced Asia	936.0	11.80	4,387.5
North America	1,393.4	8.03	3,996.3
Western Europe	1,462.7	7.72	2,716.3
Oceania	97.1	5.60	2,660.2
South & Central America	168.7	3.00	281.9
Central & Eastern Europe	72.5	2.01	223.4
Middle East	40.9	1.35	124.0
Emerging Asia	369.4	2.96	101.9
Africa	71.9	3.56	66.4
World	4,612.5	6.50	655.7

Source: Swiss Re, NKC Research

The Size of the African Insurance Industry in 2012

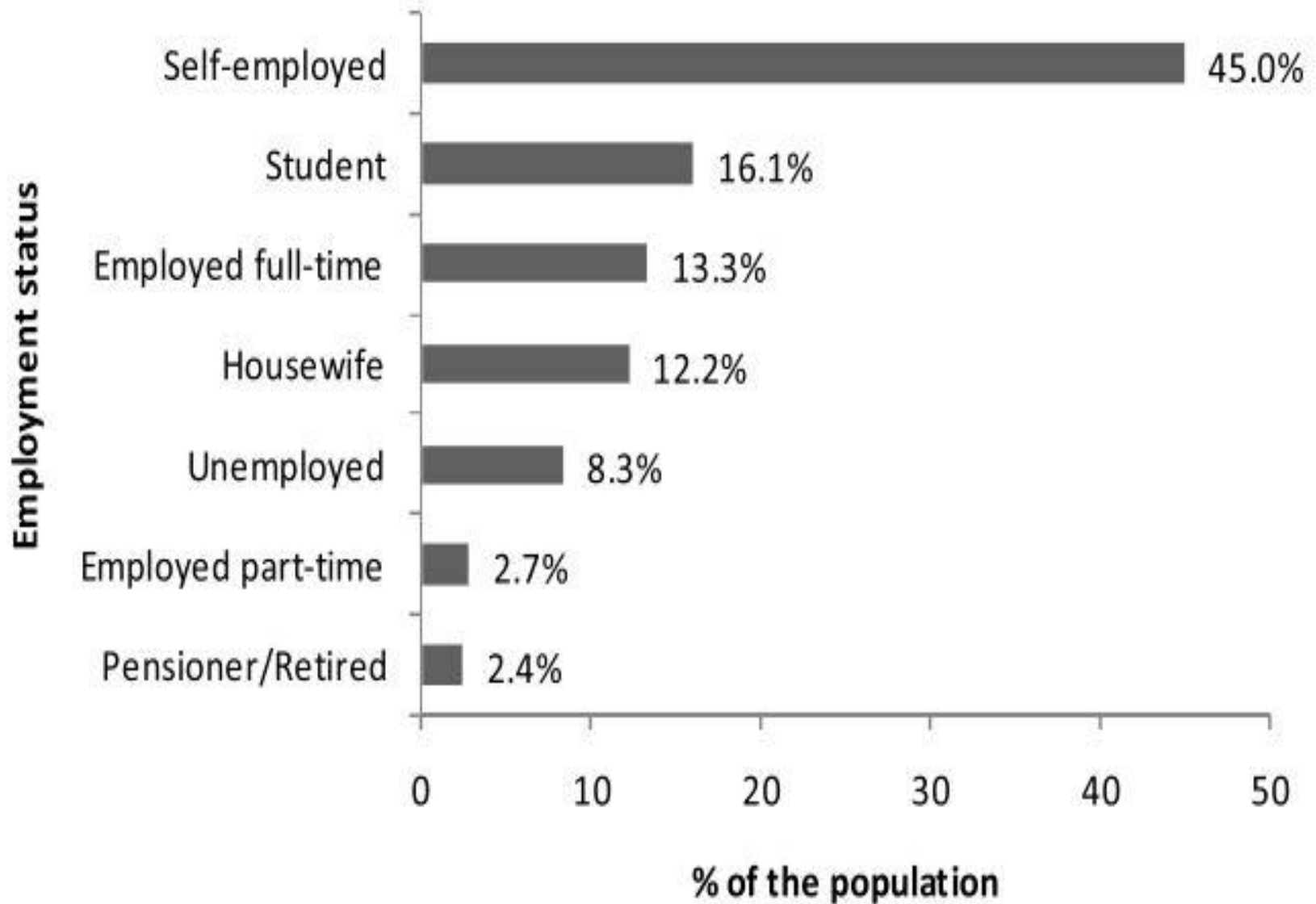
Country	Premiums (US\$ million)	Nominal GDP, (US\$ billion)	Penetration Rate (%)	Population (millions)	Density (Premiums per Capita, US\$)
South Africa	54,871.0	384.3	14.28	52.4	1,047.4
Morocco	2,857.0	96.1	2.97	32.5	87.9
Nigeria	1,828.0	270.2	0.68	168.8	10.8
Egypt	1,818.0	269.0	0.68	80.7	22.5
Kenya	1,290.0	40.7	3.17	43.2	29.9
Algeria	1,250.0	208.2	0.60	38.5	32.5
Angola	1,140.0	114.1	1.00	20.8	54.8
Namibia	980.0	13.1	7.50	2.3	433.7
Tunisia	816.0	45.2	1.81	10.9	75.0
Ghana	791.0	39.6	2.00	25.4	31.2
Mauritius	655.0	11.3	5.78	1.2	528.4
Botswana	459.9	14.5	3.17	2.0	229.5
Tanzania	254.2	28.2	0.90	47.8	5.3
Gabon	238.9	18.4	1.30	1.6	146.3
Senegal	202.5	14.5	1.40	13.7	14.7
Libya	173.6	82.7	0.21	6.2	28.2
Zimbabwe	166.6	9.8	1.70	13.7	12.1
Rwanda	164.0	7.1	2.30	11.5	14.3
Uganda	128.5	19.5	0.66	36.3	3.5
Togo	41.6	3.8	1.09	6.6	6.3
Other	1,765.1	331.7	0.53	465.7	3.8
Total	71,891.0	2,022.0	3.56	1,081.9	66.4

Sources: Swiss Re, UN Population Division, International Monetary Fund, African Insurance Organization, NKC Research

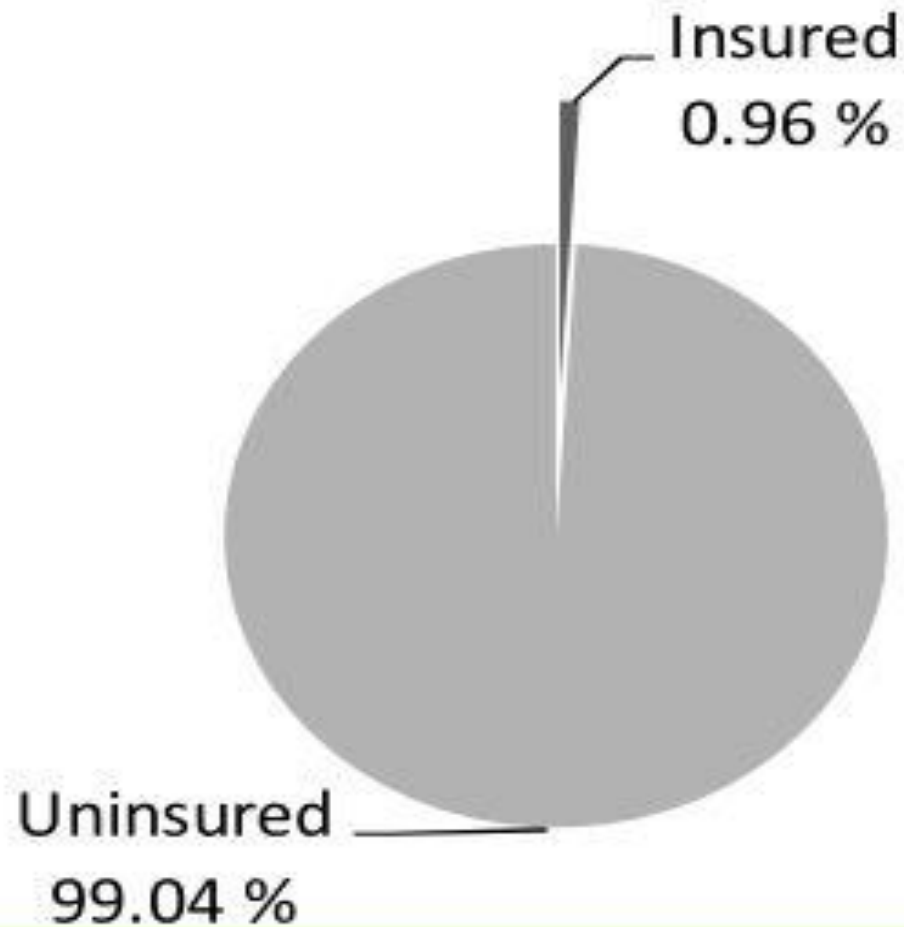
Common features of West African Countries

- The informal sector is the heartbeat of the economy
- Insurance penetration is extremely low
- Insurance offering is currently focused on the higher end of the income bracket (elitist, corporate /formal focused)
- There is need for a new market approach to make insurance available for a wider spectrum of West Africans

EMPLOYMENT STATUS OF NIGERIA



CURRENT INSURANCE USAGE



UNLOCKING THE UNINSURED MARKET

Microinsurance and Retail Insurance are obviously the next frontier for insurance practitioners to explore in order to take its proper position in the WEST AFRICAN REGIONAL economy.

This new shift in strategy will enable the industry to achieve the following:

- Fill an identified service gap
- Deepen insurance penetration
- Contribute to sustainable Regional development
- Increase premium income
- promote the image of the industry as a socially responsible one

Reaching the Unreached – The MUTUAL approach

- We use our Corporate Social Responsibility policy as the key medium to develop our market penetration strategy in micro & retail insurance programme using a mix of the following:
 - Empowerment
 - Partnership
 - Value creation

This is implemented by using the cooperative structures and alliances.

RECIPE FOR A SUCCESSFUL MICROINSURANCE INSURANCE PROGRAM

Microinsurance is characterised by low margin and high volume.

In order to gain scale and achieve success in its implementation, the following strategies can be adopted:

PARTNERSHIP WITH PEOPLE'S ORGANISATIONS

“People’s” organisations also referred to as aggregators provide access to an existing client or membership base. they are a valuable distribution channel for Microinsurance products.

THEY include:

- Cooperative Societies
- Community-based Organisations
- Religious Organisations
- Mobile Network Operators
- Microfinance Institutions
- Trade unions
- Self- help groups
- Sports Club
- Supermarket Chains

JOINT PRODUCT DEVELOPMENT

In Microinsurance, there is no off-the-shelf product and one size does not fit all. Active engagement with partners in product development is necessary to ensure that it will meet their genuine needs and not merely needs as assumed by Microinsurance Providers.

SIMPLICITY

- Documentations, wordings and even products are kept as simple as possible, given the coverage needs.
- Certificates can be issued instead of bulky Policy documents
- Pictorial depictions should be common in prospectus and fliers for easy understanding

GROUP INSURANCES

Insurance by its nature is a collective enterprise; there must be a (large) pool of similar lives, objects, or eventualities being insured so that the “law of large numbers”, “spread of risk”, and avoidance of “anti-selection” can come into play. Individual insurances require considerable marketing and sales efforts as well as extensive underwriting and administration.

This approach will be highly costly and thus unsustainable in micro insurance because of its modest coverage's and low premium amounts characteristics.

The strategy is to target already formed people's organisations e.g. cooperative societies in distributing micro insurance products.

This will ensure radical cost savings, access to, and distribution of, insurance is improved and many risks that would be rejected on an individual basis are usually included within group plans.

MINIMAL MARKETING COSTS - AVOIDANCE OF COMMISSIONS

With groups being targeted and simple group products jointly agreed in an open and trustful relationship, marketing costs are minimized. No commissions need to be paid.

AGGREGATED PREMIUM PAYMENT

Separate payment of premiums by each Insured is extremely costly and difficult to achieve. Thus, a single premium payment and arrangement by a group for all Insured members should be considered.

The premium may be financed from the organisation's revenues, or aggregated by a variety of methods e.g. by automatic withdrawals from member accounts, as a part of membership dues etc.

STREAMLINED ADMINISTRATION

Integrating the administration of the Microinsurance scheme into already existing systems of a people's organisation can be most effective. Membership registers can have a simple notation if a particular insurance product covers the member.

The people's organisation will maintain all records and only send copies of particular information at agreed intervals e.g. quarterly.

SIMPLIFIED CLAIMS PROCEDURE

- Claims processing should be kept very simple and basic.
- Few documentation should be required from the claiming Society.
- In some cases, peoples' organisations can be authorized to process and settle smaller, uncomplicated claims

PROMPT BENEFITS PAYMENTS

This is the most critical period in any Microinsurance scheme. Rapid delivery of benefit payments is vital to Maintaining faith in the insurance scheme, it also helps in bolstering confidence.

OUR RESULTS

- Gross Premium Income:
 - ✓ Average ₦1.2bn premium monthly
- Unit Sales Volume:
 - ✓ In 5 years, Mutual issued over 600,000 (Six Hundred Thousand) individual policies.

OUR RESULTS

CONCLUSION

Microinsurance presents new market opportunities needed to unlock the uninsured market in West Africa. It however, requires an ability to provide Innovative and effective community-oriented insurance solutions. It is also an opportunity to get back in touch with our roots and to relearn the requirements of the broader community including greater efficiency, simpler procedures, fewer exclusions, and rapid claims service. Many of these operational improvements can impact our overall performance in existing markets.

THANK YOU.