Figures, tables & boxes

List of figures

Figure 1  World map of inclusive insurance regulation in 2019 from the Access to Insurance Initiative (A2ii)  16-17
Figure 2  People covered in all regions by product line  19
Figure 3  Premiums collected (USD millions) by all regions by product line  19
Figure 4  The proportion of products in all three regions which make use of each distribution channel type  21
Figure 5  Median claims ratios in all regions by product line  25
Figure 6  People covered by product line in Africa  33
Figure 7  Premiums collected (USD millions) by product line in Africa  33
Figure 8  The proportion of products which make use of each distribution channel type in Africa  34
Figure 9  Median claims ratios in Africa by product line  37
Figure 10  People covered in Asia by product line  43
Figure 11  Premiums collected (USD millions) by product line in Asia  43
Figure 12  The proportion of products which make use of each distribution channel type in Asia  44
Figure 13  Median claims ratios in Asia by product line  47
Figure 14  People covered by product line in Latin America and the Caribbean  53
Figure 15  Premiums collected (USD millions) by product line in Latin America and the Caribbean  53
Figure 16  The proportion of products which make use of each distribution channel type in Latin America and the Caribbean  54
Figure 17  Median claims ratios in Latin America and the Caribbean by product line  55

List of tables

Table 1  Focus countries for this year’s Landscape study  11
Table 2  Estimated proportion of the population and market captured in the countries studied in each region  14
Table 3  The median percentage of female clients in each region  24
Table 4  Data on claims in each region  25
Table C1  Number and proportion of products reported by product line  52
Table C2  Number and proportion of products for which usable data was provided for each indicator  58

List of boxes

Box 1  Country profiles  8
Box 2  Working definition of microinsurance  10
Box 3  People covered  18
Box 4  Developing index insurance in West Africa  31
Box 5  The Indian microinsurance market  40
Box 6  The potential for microinsurance growth in Jamaica  50

Acknowledgements

The Microinsurance Network asbl would like to thank the sponsors of this study, namely the Luxembourg Ministry of European and Foreign Affairs, the Luxembourg Ministry of Finance, the French Development Agency, AXA Emerging Customers and the Insurance Federation of Egypt for the financial support and their other contributions that have made this study possible.

A special thank you goes to all the insurers and aggregators who dedicated their time and efforts to providing the data essential to this study.

We recognise the dedicated contributions of our country researchers, particularly under the challenges created by having to carry out the primary research between March and July 2020, with most countries in some degree of lockdown due to the global pandemic: Aisha Bashir (Nigeria); Pierre Borzom (Morocco); Joseph Chikonde (Zambia); Guillaume Dugu (Rwanda); Ana Hernandez (Argentina), Bolvia, Chile, Colombia, Mexico, Peru; Nguyen Hong Huong (Vietnam); James Irungu Kimani (Kenya); Prashansh Jain (Philippines); Saheem Khizar (Pakistan); Thanuja Krishnaratna (Sri Lanka); Kingsley Kwabahston (Ghana); Jemima Maclear (Cambia and South Africa); Atanu Majumdar (India); Reinhard Marcellino (Indonesia); Prechuya Mathema (Nepal); Justina Moonga (Tanzania); David Murenwa (Zimbabwe); Pornpida Poontirakul (Thailand); Katharine Pulvermacher (Jamaica); Sisli Rahman (Bangladesh); Alex Sea (Cote d’Ivoire); Yasmine Badr (Egypt); Ibrahima Sy (Senegal); Bento Zanzini (Brazil).

We further thank the experts interviewed for providing their perspectives on the development of microinsurance markets, including Hannah Grant (Access to Insurance Initiative); Dominik Wehgartner (Allianz); Quentin Gisserot and Laura Rosado (AXA); Mathilda Strom (BIMA); Jeremy Gray and Christine Hougaard (Cenfri); Pedro Henrique Fernandes Pinheiro (Chasei); Thomas Wiechers and Kelvin Masingham (Financial Sector Deepening Africa); Gregor Sahler (GIZ); Mark Robertson and Deanne Van Doesburgh (Hollard); Pranav Prashad (ILD’s Impact Insurance Facility); Roshaneh Zafar (Kashf Foundation); Alejandra Diaz Aguadelo (MICRO); Richard Leftley (Micro Insurance Company); Queenie Chow and Mariah Mateo Sarpong (Microinsurance Centre at Milliman); Syed Moshin Ahmed (Pakistan Microfinance Network); Lorenzo Chan (Pioneer); Gilles Renouli (Women’s World Banking); Craig Thorburn (World Bank).

Finally, we thank the members of the Microinsurance Network Landscape Best Practice Group for their contributions and feedback throughout this study: A2ii; ADA; AM Best; AXA Emerging Customers; BRS; Cenfri; CNseg; Denis Garand & Associates; Fasecolda; Fundacion PROFII; GIZ on behalf of BMZ; Guardian Life; IFAD; ILO’s Impact Insurance Facility; InsuResilience Global Partnership; MICRO; Microinsurance Centre at Milliman; Microinsurance Master; Milliman; Munich Re Foundation; The Center for Insurance and Risk Management (also known as The Katie School of Insurance and Risk Management) at Illinois State University; The Center for the Economic Analysis of Risk (CEAR) at Georgia State University; Women’s World Banking.

Within this group, particular appreciation goes to our reviewers: Marieme Ba; Hui Lin Chiew; Denis Garand; Quentin Guisserot; Harish Mateo Sarpong; Michael J. McCord; Steve Mitchell; Bert Odebeeck; Teresa Pelanda; Dirk Reinhard; Gregor Sahler; Kay Tuschen.
Agent
Insurance that covers an event that is unforeseen, unexpected, and unintended.

Actuary
A technical expert in insurance and applied mathematics, who applies theories of probability, economics, and finance to the business of insurance and is responsible for the calculation of premium reserves, and other valuations.

Agent
An insurance company representative who solicits, negotiates or effects insurance contracts, and provides service to the policyholder for the insurer, usually for a commission on the premium payments.

Broker
An intermediary between insurers and distribution channels, a broker’s functions can range from those of an agent, to designing products and pre-processing claims. Unlike an agent, the broker is licensed in some countries to deal with several insurers and is permitted to take on all or a portion of the administration.

Cell captive
An insurance or reinsurance captive which is sponsored and operated by one entity, usually an insurance company, but can be used by another entity.

Claim
Following a loss due to occurrence of an insured event, a claim is a request for compensation by an insured party or beneficiary.

Claim turnaround time
Average days from the submission of an insurance claim to payment of that claim.

Claims ratio
The claims ratio is calculated as claims paid as a percentage of the written premium.

Claims value
The total amount of money paid out by the insurer for accepted claims submitted by the insured.

Coverage
The scope of protection provided under a contract of insurance, and any of several risks covered by a policy.

Credit life insurance
Credit life insurance coverage designed to extinguish the outstanding indebtedness of a borrower that dies while indebted.

Crop insurance
An insurance product which insures farmers against the loss of their crop due to natural events such as drought, flooding, hail, etc.

Digital platform
A virtual space that allows for direct interactions between consumers and providers of goods and services. Such platforms include ride hailing platforms, delivery platforms, e-commerce and freelancer platforms, among others.

Distribution channel
A person or company that aids the insurer in distributing the product. Also referred to as an intermediary.

Expense ratio
The expense ratio is calculated as administrative costs as a percentage of the written premium.

Funeral insurance
Funeral insurance is an insurance product designed to cover the costs of the insured’s funeral on their death.

Freemium
A pricing strategy by which a product or service is provided free and customers are given the option to purchase additional features or services (or to extend their cover, in the case of insurance).

Group insurance
Group insurance is a policy offered to people belonging to a certain group, such as employees of a company or members of an organization. Usually, the coverage ceases once the insured is no longer a member of the group.

Health insurance
Coverage that provides benefits as a result of sickness or injury. Policies may include insurance for losses from accidents, medical expenses, disability, or accidental death and dismemberment.

Hospital cash insurance
Health insurance that provides a stipulated daily, weekly, or monthly payment to an insured person during hospital confinement, without regard to the actual confinement expense.

Individual insurance
A policy purchased directly by the insured person, as distinct from group insurance.

Insurtech
The use of technology innovations in the insurance industry.

Legal insurance
An insurance product designed to cover legal advice and legal expenses under certain circumstances.

Life insurance
Coverage providing for payment of a specified amount on the insured’s death, either to the deceased’s estate or to a designated beneficiary.

Livestock insurance
An insurance product designed to provide coverage for livestock losses as a result of the death of livestock.

Mandatory insurance
Insurance that one is required to purchase, either because of government mandate (for example, third-party liability auto insurance) or as a condition for accessing another service (for example, credit life insurance that is required when one takes a loan). Mandatory cover can control adverse selection and significantly reduce administrative costs.

Microinsurance
Microinsurance products have modest premium levels based on the risks insured. They are developed specifically to serve the low-income population. The insurer is the risk carrier, and the product must be working towards profitability, or at least sustainability, and managed on the basis of insurance principles. For the purposes of this study, the term microinsurance covers all products that fit within this definition, and may therefore include products that are not considered as microinsurance by a national insurance supervisor; because such definitions vary from one country to another.

People covered
The number of people covered includes the policyholder as well as others insured under the policy. For example, a life or health insurance policy may cover family members. In the case of livestock and crop insurance, people covered refers to the number of farmers or livestock owners who have taken out the insurance.

Policy
The specific contractual agreement underlying the terms between the insurer and the insured.

Premium
One or more payments required to activate insurance coverage and keep it in force.

Premiums collected
The total amount of money collected from the policyholders by the insurer.

Property insurance
Insurance providing financial protection against the loss of, or damage to, real and personal property caused by such perils as fire, theft, windstorm, hail, vandalism, etc.

Regulation of insurance
Government-defined requirements for an insurer, such as minimum capital requirements and necessary expertise; also provides consumer protection through insurer oversight, including pricing policies, form design and appropriate sales practices.

Travel insurance
An insurance product designed to cover the costs and losses associated with unexpected events while travelling, such as medical expenses, trip cancellation or lost luggage.

Turn-around time
The number of days between an insured incident occurring and the pay-out being received by the beneficiary.

Value-added services
Additional services or benefits which customers receive when buying a product.

Voluntary cover
Allows consumers to choose the amount, term and type of insurance that they want; in contrast to mandatory insurance.

Accident insurance
Insurance that covers an event that is unforeseen, unexpected, and unintended.

Actuary
A technical expert in insurance and applied mathematics, who applies theories of probability, economics, and finance to the business of insurance and is responsible for the calculation of premium reserves, and other valuations.

Agent
An insurance company representative who solicits, negotiates or effects insurance contracts, and provides service to the policyholder for the insurer, usually for a commission on the premium payments.

Broker
An intermediary between insurers and distribution channels, a broker’s functions can range from those of an agent, to designing products and pre-processing claims. Unlike an agent, the broker is licensed in some countries to deal with several insurers and is permitted to take on all or a portion of the administration.

Cell captive
An insurance or reinsurance captive which is sponsored and operated by one entity, usually an insurance company, but can be used by another entity.

Claim
Following a loss due to occurrence of an insured event, a claim is a request for compensation by an insured party or beneficiary.

Claim turnaround time
Average days from the submission of an insurance claim to payment of that claim.

Claims ratio
The claims ratio is calculated as claims paid as a percentage of the written premium.

Claims value
The total amount of money paid out by the insurer for accepted claims submitted by the insured.

Coverage
The scope of protection provided under a contract of insurance, and any of several risks covered by a policy.

Credit life insurance
Credit life insurance coverage designed to extinguish the outstanding indebtedness of a borrower that dies while indebted.

Crop insurance
An insurance product which insures farmers against the loss of their crop due to natural events such as drought, flooding, hail, etc.

Digital platform
A virtual space that allows for direct interactions between consumers and providers of goods and services. Such platforms include ride hailing platforms, delivery platforms, e-commerce and freelancer platforms, among others.

Distribution channel
A person or company that aids the insurer in distributing the product. Also referred to as an intermediary.

Expense ratio
The expense ratio is calculated as administrative costs as a percentage of the written premium.

Funeral insurance
Funeral insurance is an insurance product designed to cover the costs of the insured’s funeral on their death.

Freemium
A pricing strategy by which a product or service is provided free and customers are given the option to purchase additional features or services (or to extend their cover, in the case of insurance).

Group insurance
Group insurance is a policy offered to people belonging to a certain group, such as employees of a company or members of an organization. Usually, the coverage ceases once the insured is no longer a member of the group.

Health insurance
Coverage that provides benefits as a result of sickness or injury. Policies may include insurance for losses from accidents, medical expenses, disability, or accidental death and dismemberment.

Hospital cash insurance
Health insurance that provides a stipulated daily, weekly, or monthly payment to an insured person during hospital confinement, without regard to the actual confinement expense.

Individual insurance
A policy purchased directly by the insured person, as distinct from group insurance.

Insurtech
The use of technology innovations in the insurance industry.

Legal insurance
An insurance product designed to cover legal advice and legal expenses under certain circumstances.

Life insurance
Coverage providing for payment of a specified amount on the insured’s death, either to the deceased’s estate or to a designated beneficiary.

Livestock insurance
An insurance product designed to provide coverage for livestock losses as a result of the death of livestock.

Mandatory insurance
Insurance that one is required to purchase, either because of government mandate (for example, third-party liability auto insurance) or as a condition for accessing another service (for example, credit life insurance that is required when one takes a loan). Mandatory cover can control adverse selection and significantly reduce administrative costs.

Microinsurance
Microinsurance products have modest premium levels based on the risks insured. They are developed specifically to serve the low-income population. The insurer is the risk carrier, and the product must be working towards profitability, or at least sustainability, and managed on the basis of insurance principles. For the purposes of this study, the term microinsurance covers all products that fit within this definition, and may therefore include products that are not considered as microinsurance by a national insurance supervisor; because such definitions vary from one country to another.

People covered
The number of people covered includes the policyholder as well as others insured under the policy. For example, a life or health insurance policy may cover family members. In the case of livestock and crop insurance, people covered refers to the number of farmers or livestock owners who have taken out the insurance.

Policy
The specific contractual agreement underlying the terms between the insurer and the insured.

Premium
One or more payments required to activate insurance coverage and keep it in force.

Premiums collected
The total amount of money collected from the policyholders by the insurer.

Property insurance
Insurance providing financial protection against the loss of, or damage to, real and personal property caused by such perils as fire, theft, windstorm, hail, vandalism, etc.

Regulation of insurance
Government-defined requirements for an insurer, such as minimum capital requirements and necessary expertise; also provides consumer protection through insurer oversight, including pricing policies, form design and appropriate sales practices.

Travel insurance
An insurance product designed to cover the costs and losses associated with unexpected events while travelling, such as medical expenses, trip cancellation or lost luggage.

Turn-around time
The number of days between an insured incident occurring and the pay-out being received by the beneficiary.

Value-added services
Additional services or benefits which customers receive when buying a product.

Voluntary cover
Allows consumers to choose the amount, term and type of insurance that they want; in contrast to mandatory insurance.

Abbreviations
a2II
Access to Insurance Initiative
ATI
Association of Tanzanian Insurers
BOAD
Banque Ouest Africaine de Développement (West African Development Bank)
CNAAS
Compagnie Nationale d’Assurance Agricole du Sénégal
CIIF
Global Index Insurance Facility
MFI
Microfinance Institution
MNO
Mobile network operator
MBA
Mutual benefit association
PMF
Prime Minister’s Crop Insurance Scheme
SME
Small or medium-sized enterprise
WMM
World Map of Microinsurance

Glossary
Abbreviations
a2II
Access to Insurance Initiative
ATI
Association of Tanzanian Insurers
BOAD
Banque Ouest Africaine de Développement (West African Development Bank)
CNAAS
Compagnie Nationale d’Assurance Agricole du Sénégal
CIIF
Global Index Insurance Facility
MFI
Microfinance Institution
MNO
Mobile network operator
MBA
Mutual benefit association
PMF
Prime Minister’s Crop Insurance Scheme
SME
Small or medium-sized enterprise
WMM
World Map of Microinsurance
A total of 194 insurance providers in 27 countries in Africa, Asia and Latin America and the Caribbean participated in this study.1 Whereas previous landscape studies have attempted to cover all countries in a region, we have now adopted a methodology which focuses on selected countries across three regions.

Across these 27 countries, 194 insurers covered between 41 and 102 million people through microinsurance products in 2019, representing between 3% and 7% of the low- and middle-income population of those countries. A total of USD 1,060 million was collected in microinsurance premiums, representing about 5% of the estimated potential market for microinsurance in the countries concerned.2

These numbers do not include data from India, which was severely affected by the lockdown and was not able to provide data in time for this report. Including publicly available data from India, as well as publicly available data from Allianz in countries where it was not provided locally, between 162 and 253 million people were covered across 28 countries. This figure represents between 6% and 10% of the low-and middle-income population in these countries.

Across all three regions, life and credit life products continue to dominate microinsurance markets, with personal accident and funeral products also playing an important role. In Africa and Asia, low-cost health products, particularly hospital cash products, have consolidated over recent years to become another key microinsurance offering.

Additionally, in all three regions, insurers are strengthening their links with health services, including bundling their products with telehealth services. Crop and livestock insurance have experienced mixed results. Where there is government support and subsidies, schemes have grown dramatically, but without such support they have struggled to achieve scale.

Agents, brokers, financial institutions and microfinance institutions (MFIs) remain very important in microinsurance distribution. The high use of agents (whether the insurer’s own sales force or linked to a distribution partner) in over half of products stresses the continued need for human contact in order to sell microinsurance and educate customers. Increasingly, insurers that attempted highly digital approaches are reintroducing elements of human touch and creating hybrid models.

The Landscape of Microinsurance in Africa 2018 explored the rise and fall of MNO-linked freemium models in Africa. In many cases, MNOs have dropped insurance, but some partnerships have continued and shifted to paid products. These paid products require a more active sales approach, which often includes call centres and agents. They have not reached the same scale seen in freemium models but may well provide a more sustainable customer base.

At the same time, mobile money and digital platforms, including ride-hailing and delivery platforms, have surged globally. Successful cases of leveraging such platforms for microinsurance are emerging.

Despite positive developments in microinsurance markets in all regions, there are important concerns around the value provided to customers. Claims ratios across the three regions are relatively low, at a median rate of 23%. Most worryingly, a third of products in all regions, and half of products in Latin America and the Caribbean, have claims ratios in single digits.

Finally, although this study is based on data from 2019, it is clear that the trends explored in this report will be impacted by the COVID-19 pandemic. Although the full effects are not yet known, early indications suggest that the pandemic is accelerating digitisation and increasing customer awareness of risk, while also leaving some customers with unmet expectations and many insurers and distributors hard hit by the crisis.
The Landscape of Microinsurance 2020 presents information on microinsurance markets in three regions: Africa, Asia and Latin America and the Caribbean. Whereas landscape studies before 2018 attempted to cover all countries in a region, we have now adopted a methodology which focuses on selected countries across three regions, with annual follow-up to support market development.

In each region, focus countries were chosen (table 1), and efforts were made to collect primary data on the microinsurance products available in each country. In addition, wider information on the market context was collected and included in the country profiles, available from the Microinsurance Network.

In some cases, despite the team’s best efforts, it proved impossible to obtain responses from a representative number of insurers. The Chilean insurance sector indicated that microinsurance does not exist in the country. India was severely affected by the lockdown and it is hoped that the 2019 data will become available in the near future.

In South Africa, only limited data had been provided at the time of preparing this report, a situation that one hopes will change with the support of the South African Financial Sector Conduct Authority. Work carried out by the Association of Tanzanian Insurers (ATI) will likely be incorporated into the data available on the World Map of Microinsurance at a later stage.

Between all the countries outlined below, 194 insurers provided self-reported data on the performance of their microinsurance products as at 31 December 2019. Insurers were given questionnaires and asked to provide data for each microinsurance product they offer. Collaborators based in each country or region engaged with insurers to encourage and support their participation.

Extensive efforts were made to secure responses, but it is certain that the data in this study does not capture the microinsurance markets in these countries in their entirety. Therefore, the study should be understood principally as analysis of the data communicated by the insurers who participated from the countries selected in each region. Further information and the inclusion of additional insurance providers and countries could alter the picture presented for each region.

The data collected is limited to products provided by formal insurance providers—insurance companies and other providers governed by the insurance regulator. In some countries, further microinsurance may be provided semi-formally or informally by other providers like funeral parlours. These products are not included in this study due to the additional difficulties involved in collecting data from these organisations.

In addition, in order to validate the trends observed in the data and provide context and further information, interviews were carried out with experts from 18 organisations across Africa, Asia and Latin America and the Caribbean. This qualitative information allows us to share a broader picture of developments and emerging trends in microinsurance markets in each region.

**BOX 2**

Working definition of microinsurance

Microinsurance products have modest premiums based on the risks insured. They are developed specifically to serve the low-income population. The insurer is the risk carrier, and the product must be working towards profitability, or at least sustainability, and managed on the basis of insurance principles.

---

**Table 1**

FOCUS COUNTRIES FOR THIS YEAR’S LANDSCAPE STUDY

<table>
<thead>
<tr>
<th>AFRICA</th>
<th>ASIA</th>
<th>LATIN AMERICA &amp; THE CARIBBEAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Côte d’Ivoire</td>
<td>Bangladesh</td>
<td>Argentina</td>
</tr>
<tr>
<td>Egypt</td>
<td>Cambodia</td>
<td>Bolivia</td>
</tr>
<tr>
<td>Ghana</td>
<td>India*</td>
<td>Brazil</td>
</tr>
<tr>
<td>Kenya</td>
<td>Indonesia</td>
<td>Chile*</td>
</tr>
<tr>
<td>Morocco</td>
<td>Nepal</td>
<td>Colombia</td>
</tr>
<tr>
<td>Nigeria</td>
<td>Pakistan</td>
<td>Jamaica*</td>
</tr>
<tr>
<td>Rwanda</td>
<td>Philippines</td>
<td>Mexico</td>
</tr>
<tr>
<td>Senegal*</td>
<td>Sri Lanka</td>
<td>Peru</td>
</tr>
<tr>
<td>South Africa***</td>
<td>Thailand*</td>
<td></td>
</tr>
<tr>
<td>Tanzania***</td>
<td>Vietnam</td>
<td></td>
</tr>
<tr>
<td>Zambia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zimbabwe</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes to Table 1: * Countries for which no data was submitted; ** Countries for which data is still expected, but will be provided too late for inclusion in this report; *** Countries for which very limited data was submitted and included in the analysis presented in this paper, and for which further data is expected.
3. Global View

3.1 Market size and evolution

Across the 194 insurance providers who participated in the study, between 41 and 102 million people were recorded as covered by a microinsurance product. This figure is calculated based on insurance providers’ reporting on the number of people covered by each of their products.

Given that one client may have more than one insurance product, the total number of people covered is presented as a range. The lower number is based on the total number of people covered by the largest product line and the higher number is based on the total people covered by all products.

This range represents between 3 and 7% of the low- and middle-income population of the countries studied, excluding Zimbabwe and Jamaica where recent, reliable information on the size of the low- and middle-income population was not available. The corresponding figures for each region are given in Table 2.

These numbers do not include data from India, which was severely affected by the lockdown and was not able to provide data in time for this report. Including publicly available data from India, as well as publicly available data from Allianz in countries where it was not provided locally, between 162 and 253 million people were covered across 28 countries worldwide. This figure represents between 6% and 10% of the low- and middle-income population in these countries (excluding Zimbabwe and Jamaica).

A total of USD 1,060 million was collected in microinsurance premiums across the 27 countries in which insurers participated in the study. The potential value of the microinsurance market in these countries is estimated at USD 20,500 million (again, excluding Zimbabwe and Jamaica), based on the entire low- and middle-income population being covered by one insurance product. In these countries, current microinsurance premiums represent about 5% of that potential market.

These figures vary across the three regions studied, with the largest proportion of the estimated market value captured in Latin America and the Caribbean (Table 2).

---

3 Figures for low- and middle-income populations are calculated based on population data from the United Nations World Population Prospects 2019 and percentages of the population classified as low- and middle-income by Pew Research Centre.


6 This value is based on the median premium per person covered calculated for each region in this study (USD 14 in Africa, USD 8.80 in Asia, and USD 18.92 in Latin America).
Regulation

Regulation has seen significant developments across all three regions in recent years (Figure 1). Although regulation challenges persist, most experts interviewed felt that regulation had become less of a constraint in most countries, with regulators often seen as widely supportive of microinsurance. In some countries, regulators have taken on an explicit insurance market development mandate and actively encourage innovation. This mandate represents an important shift in their approach, enabling them to be more proactive and develop new tools to reach out to insurers and insurtechs and promote innovation.

Various frameworks and tools have emerged over time. These include regulatory sandboxes, which were originally developed to foster digital innovation but are increasingly being used for financial inclusion as well, such as the regulatory sandbox in Malaysia which requires a focus on inclusion as a criterion for market entrants. Another tool is innovation hubs, in which the supervisor provides practical support to innovative insurance providers. In Kenya, for example, the regulator provides legal support, office space and other supporting functions through its innovation hub. In addition, proactive engagement and guidance on regulation has proved equally important.

Specific microinsurance licences were a tool often adopted by countries early on in their efforts to regulate microinsurance. In many countries, regulators then moved towards a line of business approach. However, many countries are now returning to specific microinsurance licences and they are available in countries including Kenya, Ethiopia and South Africa. The aim is usually to support new entrants as well as formalise previously informal providers, such as funeral parlours in South Africa. Cell captives represent another option to ease formalisation and entrance into the microinsurance market and are currently permitted in South Africa and being explored in other countries including Ghana.

Increased innovation among existing players, as well as increased numbers of new entrants and insurtech players, are seen in markets where supervisors demonstrate that they are open to engage with and support innovators. At the same time, an explicit market development mandate can present challenges where trade-offs arise with other aspects of a supervisor’s mandate, such as ensuring consumer protection.

Despite important progress, some common regulatory constraints persist across markets. These include:

- The time taken to approve a new product
- Constraints in introducing seamless digital processes, for example, where electronic signatures are not accepted and a physical (“wet”) signature is required
- Restrictions on the use of certain distribution channels
- Inappropriate distribution channel requirements, such as agent training requirements that are not appropriate for microinsurance
- Limitations on bundling financial and non-financial products
- Lack of accessibility and openness of supervisors in some countries

Furthermore, with financial technology developing rapidly, new constraints and challenges are developing and there is a need for regulators to constantly reassess their approaches.

Index insurance is currently commanding particular attention. Although it has been around for some time, regulators are paying closer attention to how best protect customers of index products and are including definitions in insurance regulation. Some countries have seen the development of legal opinions on whether index insurance should even be considered as insurance. The conclusion has generally been to keep index insurance defined as insurance and under the insurance supervisor. Finally, insurance regulation is undergoing a broad shift towards risk-based supervision and solvency, meaning that certain requirements, such as capital requirements, are set based on the level of risk posed by the business. In practice, this generally allows for lower capital requirements for microinsurance business since the level of risk is lower. The International Association of Insurance Supervisors (IAIS) provides for this through the principle of proportionality.8

Players in the microinsurance market

Microinsurance has moved up the agenda among insurance companies globally and there are now enough success stories to convince the vast majority that microinsurance can be successful, at least for certain product types and distribution arrangements. Nonetheless, many insurers face internal capacity constraints and restricted investment available for innovation due to limited incomes. As a result, despite some stand-out innovations, many insurers are offering the same kinds of products in many countries more quickly.

Interviews conducted for this study suggest that the insurers that are innovating are those with the financial flexibility to experiment. In many cases, this has proved very difficult for national insurers. International insurers have the required financial capacity but can be held back by the need to secure regional or head-office approval, as well as to work with systems and rules usually designed with industrialised countries in mind. They are also more likely to pull out of countries more quickly. In some cases, and particularly in Africa, it is regional insurers that have the necessary financial capacity, flexibility and close contact with markets to be successful in innovating and securing new partnerships. Given their presence in several countries, they also have the capacity to replicate successful innovations across groups of similar markets, bringing a greater return on their investment in innovation.

Non-insurance actors are also taking a larger role in driving the market. A large number of insurtech companies have entered the microinsurance market in the last five years. Centr’s insurtech tracker2 has identified 481 insurtech initiatives launched by 292 insurtechs in emerging markets across Africa, Asia and Latin America since 2000. Half of these initiatives were launched between 2015 and 2019. Meanwhile, some MFIs have developed designated insurance departments or even created their own brokers. And some technology service companies and distributors are looking to become insurers.

Table 2: Estimated proportion of the population and market captured in the countries studied in each region

<table>
<thead>
<tr>
<th>REGION</th>
<th>Minimum proportion of the low- and middle-income population covered by respondents</th>
<th>Maximum proportion of the low- and middle-income population covered by respondents</th>
<th>Proportion of the estimated microinsurance market value captured by respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>2%</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>Asia</td>
<td>4%</td>
<td>7%</td>
<td>3%</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>2%</td>
<td>5%</td>
<td>9%</td>
</tr>
<tr>
<td>All regions</td>
<td>3%</td>
<td>7%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Centn (2019) Insurtech tracker: The rise of insurtechs in emerging markets

International Association of Insurance Supervisors (IAIS), ICPs and CoreFrame adopted in November 2019

14 THE LANDSCAPE OF MICROINSURANCE 2020

THE LANDSCAPE OF MICROINSURANCE 2020 15
FIGURE 1
WORLD MAP OF INCLUSIVE INSURANCE REGULATION IN 2019 FROM THE ACCESS TO INSURANCE INITIATIVE (A2ii)9

25 IMPLEMENTED
AFRICA
CIMA*
Egypt
Ethiopia
Ghana
Mozambique
Nigeria
Rwanda
South Africa
Tanzania
Zimbabwe

LATIN AMERICA AND THE CARIBBEAN
Argentina
Brazil
Mexico
Nicaragua
Peru
Venezuela

ASIA
Cambodia
China
Chinese Taipei
India
Indonesia
Nepal
Pakistan
Philippines
Thailand

23 UNDER DEVELOPMENT
AFRICA
Kenya
Malawi
Lesotho
Namibia
Swaziland
Tunisia
Uganda
Zambia

LATIN AMERICA
Belize
Bolivia
Colombia
Costa Rica
El Salvador
Guatemala
Honduras
Jamaica
Paraguay

ASIA
Bangladesh
Mongolia
Nepal
Sri Lanka
Vietnam

PACIFIC
Fiji
Papua New Guinea

*Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Congo,
Ecuador, Equatorial Guinea, Gabon, Guinea-Bissau, Ivory Coast, Mali, Niger, Senegal, Togo.

While the A2ii uses reasonable efforts to include accurate and up-to-date information in this map, it makes no warranties as to the completeness of content, errors or omissions.
In mapping the inclusive insurance developments worldwide, the A2ii welcomes insurance supervisors’ inputs.
3.2 Products

Globally, life and credit life products continue to dominate the market. Personal accident and funeral products also play an important role, while low-cost, non-comprehensive health products, particularly hospital cash products, have consolidated over recent years as another key microinsurance offering (Figures 2 and 3).¹⁰

Worldwide, insurers are strengthening their links with health services, either through their own offerings or by partnering with companies offering health services. Hospital cash products began to build in importance in Africa but have since spread to Asia and to a lesser extent Latin America and the Caribbean. Other products are bundled with non-insurance health services, including telehealth services.

Little progress has been made in the last five years in offering medical reimbursement insurance and more comprehensive health insurance products. Nonetheless, there are some signs that technology could make such products more feasible in the future, especially where digital solutions can contribute to reducing administration costs, which have been a major challenge in the past.

Some promising new approaches are emerging. For example, M-Tiba, a digital health platform, was launched in Kenya in 2016 by PharmAccess, Safaricom and online health payment service, CarePay. The platform facilitates payments and exchange of data between patients, healthcare providers and healthcare payers (including governments, insurers, donors and solidarity payers). In less than four years, the platform has connected over 4 million Kenyans and 1,400 healthcare clinics.¹¹ Innovations of this kind have the potential to facilitate new and ambitious health microinsurance programmes.

Crop and livestock insurance have grown dramatically in some countries where there is government support and subsidies. However, schemes without government support have largely not achieved scale. Partly as a result, there has been a shift from individual micro agriculture products to meso or macro coverage, which is seen by many insurers as more feasible.

BOX 3

People covered

Insurers were asked to provide the number of people covered by each of their products. This includes the policyholder as well as others insured under the policy. For example, a life or health insurance policy may cover family members. In the case of livestock and crop insurance, people covered refers to the number of farmers or livestock owners who have taken out the insurance.

¹⁰ Note that insurers could select more than one product line per product where a product bundles multiple cover options. As a result, people covered and premiums collected for one product can appear under more than one product line.

¹¹ Lisa Morgan (2020). Case Brief: M-TIBA digital health platform

Information on the sample sizes for all data points are provided in Appendix C.
Climate and natural disaster insurance

There is increasing recognition that climate and natural disaster risks do not only affect agriculture, but have an impact on a wide range of people and economic activity. As a result, index and natural disaster insurance is increasingly being used to protect livelihoods outside of agriculture. These efforts are in their early stages in most countries but are growing in importance. The InsuResilience Global Partnership, for example, has set an ambition for 150 million people to be covered against climate-related disasters through microinsurance by 2025.

At the same time, it is important to recognize that climate change is not only bringing about new catastrophic weather risks. Rather, gradual changes in climate are having an impact on all risks that people face—from threats to food security to increased health risks. As a result, all classes of microinsurance business are relevant to climate and have a role to play in improving resilience.

Insurance for small and medium-sized enterprises (SMEs)

To date, microinsurance has largely focused on households, micro-businesses and smallholder farmers. There has recently been a shift in focus, particularly among donors, towards the need for insurance for SMEs. While SME insurance remains rare, more companies are beginning to pilot such products.

Small-ticket and short-duration products

An emerging trend in insurance, linked to the changing use of technology and digital platforms explored later in this study, is a shift towards small-ticket and short-duration products, such as accident insurance purchased with a transit ticket to cover the risk during that journey only. Many of these products are for higher-income consumers, but where they are designed for low-income and emerging customers, they represent a promising development in microinsurance.

3.3 Distribution

Financial institutions and microfinance institutions continue to be important channels for distributing microinsurance in all regions (Figure 4). Agents also remain dominant, although it should be noted that this category can cover a wide variety of arrangements, from dedicated insurance sales agents hired directly by the insurer to the agents of an insurer’s distribution partner. Brokers also continue to play a key role in microinsurance distribution.

In the past, insurance providers could select several distribution channels for each product, and channels were frequently combined. In particular, agents and brokers were often used alongside other channel types, particularly microfinance institutions and other financial institutions.

The high use of agents, in over half the products, stresses the continued need for human contact in order to sell microinsurance and educate customers. Increasingly, insurers that attempted highly digital approaches are reintroducing elements of human touch. Some are introducing hybrid approaches, such as call centre-based sales for prospects identified through digital channels. Others are going back to investing in building up their own agent sales forces, an approach that was previously tried by many insurers a decade ago and abandoned. In fact, such an approach is now facilitated by advances in digital tools and mobile payments.
Nonetheless, increased focus on insurtech solutions may risk leaving more vulnerable customers behind. While smartphone penetration is accelerating, there is still an important part of the population which only has access to feature phones and could be left behind as insurers move to internet-based services. GSMA has estimated that only 26% of the population of Sub-Saharan Africa uses mobile internet. In Asia and the Pacific-the figure is 48% and in Latin America it is 52%. Women are less likely to have access to mobile services. GSMA estimated that women are 8% less likely to own a mobile phone and 20% less likely than men to use mobile internet across low- and middle-income countries.

Mobile network operators (MNOs)

The Landscape of Microinsurance in Africa 2018 explored the rise and fall of MNO-linked freemium models in Africa. The results of this study show that MNOs are now only used to distribute 3% of products recorded and Figure 4). In many cases, MNOs have simply dropped insurance, but some partnerships have evolved. Whereas previously the MNO acted as the main distributor for free and freemium products, the MNO is now taking the role of facilitating transactions for paid products. These paid products require a more active sales approach, which often includes call centres and agents, and have not reached the same scale seen in freemium models. Nonetheless, they are able to sell products at slightly higher values and may well provide a more sustainable customer base.

Although MNOs are no longer seen as the silver bullet for micro-insurance distribution, MNO-linked sales have continued in smaller numbers and spread to other parts of the world, particularly Asia.

Increased mobile money use

Mobile money use has surged in many countries in Africa, Asia and Latin America as well as the Caribbean. By 2019, there were over a billion mobile money accounts worldwide and the total value of mobile money in circulation had doubled in the previous two years. In addition, customers are increasingly keeping money in their mobile wallets and using it through mobile transactions, rather than simply cashing it out. In 2019, for the first time, digital transactions represented the majority (57%) of mobile money transaction value compared to converting back to cash.

Developments in mobile money vary enormously between countries, as well as between income groups and rural and urban populations within countries. Nonetheless, in the countries in which it is gaining traction among a large part of the population, mobile money is seen as an important enabler for microinsurance.

Previous, payments for insurance made through mobile phones had to be made using airtime, which limited the amounts that could feasibly be paid for insurance, as well as making insurers dependent on MNOs. Mobile money, on the other hand, allows for sales to be made directly to customers without dependency on MNOs and for higher value payments. Importantly, recurring payments are now allowed through mobile money wallets in many countries.

Although insurance can be sold directly through mobile wallets, it is likely that the need for active sales through human interaction will continue, with mobile money providing an important channel for both premium and claims payments. These models are still in their infancy, but opportunities will likely grow as mobile money becomes even more widespread. As they do so, there is an increasing need for regulators across different industries to work together to make sure that it is possible for insurers to leverage mobile money for microinsurance.

The emergence of digital platforms

Digital platforms were noted as an important opportunity in Africa in the last Landscape Study, and they are becoming well established in Asia and growing in Africa and Latin America and the Caribbean. Digital platforms are virtual spaces that allow for direct interactions between consumers and providers of goods and services. They include ride-hailing platforms, delivery platforms, e-commerce and freelancer platforms, among others.

Financial services form an important part of many of these platforms’ long-term business models. The digital platform is used to aggregate users, with the longer-term objective of providing additional services, and particularly financial services, to them. Payment services are often the first financial service introduced, but insurance is often set in motion soon after. This is partly because insurance is seen as a way to directly address some of the challenges faced by these platforms. For example, e-commerce platforms bring together sellers and buyers and must address the risk that a buyer will purchase an item and then not receive it. Insurance is seen as a way to address this kind of trust deficit within such platforms.

In some cases, insurance is added in a bundled, mandatory way to existing services on digital platforms, such as accident coverage bundled with ride-hailing services. However, significant awareness efforts will be necessary if these bundled products are to offer value to consumers and build trust in insurance and interest in further insurance purchases.

Selling voluntary insurance products through digital platforms is more challenging. Adding insurance to digital platforms in and of itself will not necessarily lead to uptake. Insurers will need to find ways to align with the interests of the platform so that the platform actively promotes the insurance product, or to combine digital platforms with active sales models. The extensive customer data collected through these platforms provides attractive opportunities for insurers to carry out targeted marketing and sales of tailored insurance solutions or bundled products.

Insurance innovations linked to digital platforms remain in their early stages but will likely expand as these platforms, and the mobile payments which support them, continue to grow.
3.4 Gender

For the first time, this year’s Landscape of Microinsurance has collected data on the gender of microinsurance customers. Insurance providers were able to provide this information for 45% of the products in the study.

Insurers largely depended on distribution partners to collect and share this information. It is possible that those insurers who do know the gender of their customers may also be those that serve higher proportions of women. MFIs, for example, have historically focused on women clients, and insurers that work with them would generally be able to provide a gender breakdown for that business. Mobile channels, on the other hand, do not routinely collect information on gender, but we know that women have more limited access to mobile phones and mobile internet than men in most developing countries.

Nonetheless, although the figures may not be precise, the differences observed between regions (Table 3) were felt to be broadly accurate by those interviewed for this study. Asia has the highest percentage of female clients, followed by Latin America and the Caribbean and then Africa. These figures likely reflect both broader levels of economic and financial inclusion in each region, as well as the distribution channels which are most commonly used by insurers in each region.

In order for microinsurance providers to better serve women, collecting and monitoring gender-disaggregated data is a vital first step. The She for Shield report from AXA, Accenture and the IFC19 emphasises the importance of doing so across the insurance value chain, including sales, renewal rates, premium spend, turnover ratios, claims ratios, client satisfaction and acquisition cost. This allows insurers to understand the value of women as clients within their existing portfolios, the opportunity for growth among women, and to begin to develop targeted value propositions for women.

3.5 Claims

Claims ratios across the three regions are relatively low, at a median rate of 23%. The average claims ratio is particularly low in Latin America and the Caribbean, at just 10%, and highest in Africa at 28% (Table 4).

Claims rejection rates, on the other hand, are generally low (at an average of 3.1%), with the highest rate recorded for Latin America and the Caribbean (7.0%) (table 4). The median claims turnaround reported across the three regions is seven days. However, interviews conducted for this study suggest that these turnaround times may be underestimated, particularly in Africa where the average reported claims turnaround time is just four days.

Table 3

<table>
<thead>
<tr>
<th>Region</th>
<th>Median percentage of female clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>40%</td>
</tr>
<tr>
<td>Asia</td>
<td>60%</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>52%</td>
</tr>
<tr>
<td>All regions</td>
<td>50%</td>
</tr>
</tbody>
</table>

Table 4

<table>
<thead>
<tr>
<th>Region</th>
<th>Median claims ratio</th>
<th>Median claims rejection rates</th>
<th>Median claims turnaround time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>28%</td>
<td>7.0%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Asia</td>
<td>25%</td>
<td>4.8%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>10%</td>
<td>2.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td>All regions</td>
<td>23%</td>
<td>3.1%</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

These are impacted by the high expense ratios of many insurers, particularly in Africa, and by high commissions for distribution partners, particularly in Latin America and the Caribbean. These costs bring up the price of insurance products while squeezing the amount available to pay claims.

Although many products do offer good value to clients, a significant proportion of products have claims ratios in single digits (33% across all regions) and in Latin America and the Caribbean over half of the products recorded had claims ratios in single digits. Low claims ratios are not concentrated in catastrophic products, where ratios might be expected to differ widely from year to year, including years of low claims, but among personal covers like health, life, personal accident, funeral and property, none of which have average claims ratios above 23% (Figure 5). These may well be bundled products where little effort is made to secure customer awareness and offer customer-friendly claims processes. It is vital to address these issues in order to avoid undermining trust in microinsurance.

In order for microinsurance providers to better serve women, collecting and monitoring gender-disaggregated data is a vital first step. The She for Shield report from AXA, Accenture and the IFC19 emphasises the importance of doing so across the insurance value chain, including sales, renewal rates, premium spend, turnover ratios, claims ratios, client satisfaction and acquisition cost. This allows insurers to understand the value of women as clients within their existing portfolios, the opportunity for growth among women, and to begin to develop targeted value propositions for women.

19 AXA, Accenture, IFC (2015). She for Shield: Insure women to better protect all.

Insurance providers were asked to provide the claims turnaround time as the total number of days between a claim incident occurring and the pay-out being received by the beneficiary.
3.6 The impact of COVID-19

This study is based on data from 2019, but it is clear that the trends observed in this data and in the interviews with experts will be impacted by the COVID-19 pandemic. Although the full impact is not yet known, the experts interviewed for this study gave early insights into how the pandemic is affecting microinsurance markets.

1 Increased awareness of a range of risks COVID-19 is increasing customers’ awareness not only of health risks but also of risks related to their ability to work. This could represent an opportunity for the industry. Some insurers have developed COVID-specific products, which could prove an entry point to insurance if they offer good value.

2 Reductions in new sales and renewals With restrictions on agent mobility, difficulties interacting with clients and reduced client incomes, some insurers are starting to see lower enrolments, particularly of new clients for voluntary products. Distribution through microfinance institutions has also been adversely affected as loan volumes have declined.

3 Uncertain impact on claims Many insurers reported that claims initially reduced, even for health products, as countries locked down and customers struggled to access health services and to file claims. It is unclear if these will later increase as people access health services again, perhaps with increased needs.

4 An increased focus on the need for business interruption insurance The crisis has highlighted the vulnerability of small businesses to events that interrupt their ability to do business. There is a great deal of interest among insurers in how they can respond to such risks in the future.

5 Accelerating digitalisation Digitalisation has increased in almost every aspect of life during this crisis, driving up the digital literacy and level of digital comfort of many people. Increases in the use of telehealth services and of digital payments are particularly relevant for insurers. Regulators have also fast-tracked certain regulations allowing business to be conducted digitally, including allowing the use of e-signatures. Insurers themselves have had to adjust, adapting their communication with both agents and customers, onboarding processes, policy administration and claims processes, and many of these changes will likely stick beyond the pandemic.

6 Perceptions of insurers not supporting customers through the crisis A survey conducted by Cenfri, FSD Africa and the Organisation of Eastern and Southern Africa Insurers (OESAI) has found that life and hospitalisation products have largely covered COVID-related claims, but that general insurance in Africa has largely excluded these claims. Whether justified or not, this will almost certainly erode trust in insurance where customers have not been able to depend on insurance during a time of crisis. Furthermore, it may become more difficult to cover pandemics in the future as reinsurers either explicitly exclude pandemics or increase prices for pandemic coverage.

7 Uncertain long-term impact on the microinsurance business case Many insurers and distributors have been hard hit by the crisis and may be less likely to invest in marginal business and long-term strategic initiatives, including microinsurance. On the other hand, while the crisis has strained government budgets, it has also prompted some governments to reach out to the private sector to engage in tackling these kinds of risks. This could lead to opportunities for public-private partnerships.

---

1 Lactis Ghillemont, Kate Reithart-Gott and Jeremy Gray (2020). Never waste a crisis: How sub-Saharan African insurers are being affected by, and are responding to, COVID-19.
4. Africa

4.1 Market size and evolution

In the 11 countries in Africa for which data was obtained (Côte d’Ivoire, Egypt, Ghana, Kenya, Morocco, Nigeria, Rwanda, South Africa, Tanzania, Zambia and Zimbabwe) it is estimated that between 9.1 million and 28.3 million people were covered with microinsurance products by the 101 insurers that responded to the survey in the region.

It should be noted that this figure includes a maximum of only 1.3 million people covered in South Africa, due to difficulties obtaining data from insurers there.

Based on this figure, it is estimated that between 2% and 6% of the low- and middle-income population is covered by a microinsurance product in these countries, excluding Zimbabwe where information on the low- and middle-income population was not available.

If publicly-available data from Allianz\(^{22}\) is included for those countries where it was not provided locally, the total number of lives covered is between 9.1 million and 29.6 million, representing between 2% and 7% of the low- and middle-income population across these countries.

A total of USD 212 million was collected in microinsurance premiums. The potential value of the microinsurance market in the countries included in the study is estimated at USD 5,200 million (again, excluding Zimbabwe), based on the entire low- and middle-income population being covered by one insurance product.\(^{22}\) In these countries, current microinsurance premiums represent about 4% of that potential market.

Players in the microinsurance market

Insurers are increasingly aware that their survival cannot depend only on the top income segments of the population, which represent a small customer base in most countries. Insurers therefore see the long-term importance of developing microinsurance. Nonetheless, national insurers continue to face important market capacity restraints, with underwriting, insurance and actuarial expertise limited in many countries.

At the same time, the insurance sector in many markets is very fragmented, meaning that insurers operate on very thin margins and have little money available to invest in innovation. In many cases this has resulted in a “race to the bottom”, in which insurers survive on mandatory insurance products and investment profits. They compete by lowering prices, often at the expense of customer service. In some markets, regulators are looking at addressing this by, for example, increasing capital requirements to bring about consolidation in the market.

Microinsurance data and country profiles are available upon request from the Microinsurance Network.

---

\(^{22}\) Allianz (2020). Emerging Consumers: 2019 Full Year Report

\(^{23}\) This value is based on the median premium per person covered across all countries in Africa included in this study of USD 14.
Regional insurers, on the other hand, with a presence in several countries in Africa, are experiencing some consolidation and several larger regional players are growing. These players are better able to invest in innovation and to replicate successes across similar markets. As a result, interviews conducted for this study suggest that regional players are pulling ahead as innovators and microinsurance leaders in Africa.

The insurtech sector has grown in the region within the last five years, with a large number of new entrants, particularly in Kenya. Some of these insurtech companies, as well as other non-insurance companies and distributors, are increasingly interested in obtaining insurance or microinsurance licenses so that they can underwrite business without the need to work with traditional insurance companies.

**Regulation**

Many African supervisors, such as in Ghana and Kenya, have taken increasingly supportive stances towards microinsurance, introducing measures such as sandboxes and innovation hubs. And in countries including Kenya, South Africa and Uganda the supervisor now has an explicit mandate to support market development. In many cases, the establishment of new mandates for supervisors complements government agendas to drive financial inclusion. Specific microinsurance licences have also played an important role in the region in encouraging new entrants and in formalising semi-formal or informal providers, like funeral parlours in South Africa. In other countries, regulation is seen as a constraint, and there have been long delays and bottlenecks in adapting regulation to the realities of microinsurance.

**Scale**

The business case for mandatory products – products which are automatically provided to customers of other services – and particularly those distributed through financial institutions, has been well established for some time in the region. The business case for voluntary sales is more challenging. Many insurers struggle to achieve scale with voluntary products and microinsurance incomes are difficult to reconcile with the cost base of traditional insurers. For agriculture and more comprehensive health insurance products, most insurers depend on public-private partnerships to make these products sustainable.

Each microinsurance product in Africa reached an average of 7,700 people, compared to approximately 12,500 in Asia and 39,600 in Latin America and the Caribbean. Each product generated an average of USD 72,300 in premiums, compared to USD 94,000 in Asia and USD 760,300 in Latin America and the Caribbean. The products most likely to reach significant scale were credit life (with an average of 37,400 people covered per product), funeral (at USD 21,90 to personal accident, funeral and health products all at under USD 10.

**Premiums**

The median premium per person covered in Africa is USD 14 a year. There is a considerable range between product lines, with the median premiums per person covered for higher priced stand-alone life products at USD 56.88 and credit life products at USD 21.90 to personal accident, funeral and health products all at under USD 10.

**Box 4**

**Developing index insurance in West Africa**

AXA partnered with the Compagnie Nationale d’Assurance Agricole du Sénégal (CNAAS – the National Agriculture Insurance Company of Senegal) and the West African Development Bank (BOAD) to launch an index insurance product for small-scale farmers in Senegal in 2017. The product protects cotton farmers against damage caused by drought, and pay-outs are based on satellite data backed up by local data from weather stations.

CNAAS acts as the primary insurer, with AXA, Africa Re and Cica Re providing reinsurance. The insurance is bundled with loans and distributed through farmers’ federations, which function on a cooperative basis. The premiums are subsidised at 50% by the Senegalese government, making them affordable for farmers.

With recent droughts in the country, the claims ratios have been high. However, this is seen as important in establishing trust and understanding of the product. As the farmers’ federations benefit from loans being paid despite drought and farmers find that their loans are paid and they are protected, trust in the product and the insurer is built. After three years, individual farmers are even reaching out to the insurer because they have seen others receiving benefits and want to request the coverage for their own loans.

As awareness has developed, the number of farmers’ federations participating, and therefore the number of farmers covered, has grown and the product now reaches almost 30,000 cotton farmers.

In 2019, AXA launched another index insurance product in West Africa with the support of the World Bank Group’s GIIF (Global Index Insurance Facility) and in partnership with Africa Re and Cica Re. Again, early claims pay-outs proved vital to growing the product. The product is also index-based and protects farmers against drought, in this case maize farmers in Côte d’Ivoire.

The maize sector is made up of numerous small farmers’ cooperatives which are not easily aggregated. The project partners carried out sessions promoting the product with cooperatives, but only one agreed to distribute the product in the 2019 pilot. The insurance was bundled with loans provided through the cooperative.

In 2019, the high claims ratio was taken as an opportunity for partners to promote the product through public claim payment ceremonies. This helped demonstrate the protection offered through the insurance product to farmers and other cooperatives, proving important in gaining the interest of other farmers’ cooperatives and securing new partners for 2020.
4.2 Products

Credit life, life, funeral and health products are very dominant in African microinsurance markets (Figures 6 and 7). Bundled products offering more than one type of cover represented 12% of people covered in the region and 2.3% of premiums generated. The types of cover most frequently combined were life, funeral, personal accident and health cover.

The key development in microinsurance products in the region in recent years has been the rise of low-cost health insurance products, particularly hospital cash products. Hospital cash products were originally driven by technology service providers and pan-African insurers but have now also been adopted by more established local insurers. Their predominance in the region is reflected in the fact that health products are one of the lowest cost products seen for the region in this study, with an average cost per person covered of USD 6.47.

At the same time, insurers have moved towards introducing tangible non-insurance benefits to their offerings across various product lines. Health services, and particularly telemedicine services, are a popular option. Some insurers have bought telemedicine companies and others are offering these services through partnerships.

Crop and livestock schemes continue to face significant challenges but have experienced gradual growth in the region. During the data collection for this study, it was only possible to obtain data on crop insurance from three countries in the region and it is likely that the numbers in Figures 6 and 7 underestimate the reach of these products. Additional information on two schemes in West Africa are provided in Box 4.

An interesting emerging trend is sales of risk management bundles, which include non-insurance risk management solutions. For example, Hollard has partnered with Lumkani in South Africa to offer a low-cost fire detection device for informal settlements bundled with house and contents insurance.24 The partnership targets homes that would not normally be considered insurable by mainstream providers. Hollard has found that the product is popular partly because of the tangible device, which means that customers receive something physical and immediate when they sign up.

24 Lumkani Alarm and Fire Cover: lumkani.com
4.3 Distribution

In Africa, agents were identified as a particularly important distribution channel, used as part of the distribution strategy for 69% of products reported (Figure 8). Agents encompass a wide range of individuals, from tied agents employed by the insurance provider to third party agency forces or the agents of distribution partners.

Agents are therefore frequently combined with other distribution channels, but it is also common for insurers to use their regular sales force to sell both traditional and microinsurance products. The region has also witnessed an increase in insurers looking at building their own microinsurance sales forces, an approach that had previously fallen out of favour in the region.

Brokers also play an important role in the region. In many cases these may be specialised microinsurance brokers like MicroEnsure and Bima that take on a much wider role than that of a traditional broker.

The use of financial institutions and microfinance institutions continues to be important in the African market. In particular, bancassurance models have grown in many countries over the last decade, in some cases due to regulations restricting their use being lifted.

The decrease in use of MNOs, on the other hand, is clear, with only 2% of products distributed through this channel. It is worth noting that MNOs typically only work with one insurance product whereas other channels may work with many insurers and products. As a result, fewer products may be distributed at greater scale through MNOs.

Indeed, the freemium MNO model has persisted in a small number of cases in Africa, particularly in Ghana and in cases where the insurer and MNO are very closely tied. One example is also a joint venture between insurer MAI Holdings and the MNO MTN, which has reached millions of customers across three markets with free hospital cash cover for accidents or life cover provided with airtime top-ups and remittance payments.25

As partnerships with MNOs have fallen away, many insurers have taken creative approaches to finding a range of alternative channels, including partners in value chains, such as workers’ and farmers’ associations. Although each partnership brings a smaller number of customers, bringing together several such partners can provide scale.

Diversifying payment channels

Even where traditional channels are employed, digital tools are being used to improve efficiency, communication and access to data. Premium collection is also an important challenge for insurers and emerging possibilities for premium payments are particularly promising. Many insurers have found that it is important to offer customers a range of payment options. These can include direct deposits, mobile money, and the wherewithal to make payments at local retail points.

Mobile money use is growing across Africa. In many countries it remains limited largely to remittance payments, but other functions are beginning to grow in popularity. Increasingly, people are keeping money in their mobile wallets, and automated deductions from mobile wallets have been made legal in many countries. This has the potential to vastly increase the pool of people who could be charged through automated monthly deductions, which was previously largely only possible for salaried employees.

The emergence of digital platforms

The emergence of digital platforms is also an important trend in Africa. Though the use of these platforms for microinsurance is still quite nascent, promising models are emerging in the region, particularly with regard to hybrid models. Hybrid approaches use data from digital platforms to segment the customer base and find promising sales leads. An active sales approach, such as call centres, is then used to sell insurance to those leads.
4.4 Gender

The median percentage of female microinsurance clients in the region is 40%, the lowest of the three regions. Many women clients are insured through MFIs which tend to have a strong contingent of female borrowers.

The lower proportion of female clients partly reflects lower financial inclusion of women as a whole in the region. In 2017, in Sub-Saharan Africa, 37% of women had access to an account with a financial institution or through a mobile money service, compared to 48% of men. This 12 percentage point gap is higher than the 11 percentage point gap for South Asia, four percentage point gap for East Asia and seven percentage point gap for Latin America.26

4.5 Claims

The median claims ratio in the region is 28%. Although low, this is higher than the rates reported for Asia (25%) and Latin America and the Caribbean (10%).

Claims ratios vary between product lines (Figure 9), with higher claims ratios for credit life and life products. Possible explanations include higher competition and higher customer understanding of these products. Given the increased importance of hospital cash products in the market, it is important to address the relatively low claims ratio of health products (14%), which may be due to products being bundled or mandatory, resulting in lower customer awareness.

Out of all products that provided data on claims in the region, 33% had claims ratios in single digits. It is important that these particularly low claims ratios are addressed in order not to undermine the gradual creation of an insurance culture in the region.

Claims ratios in the region are affected by high operational and expense ratios which in turn squeeze claims. At the same time, interviews suggest that some insurance company boards set targets to keep claims below a certain value, but not to maintain them above a certain value. This risks the long-term sustainability of microinsurance as very low claims ratios undermine value and trust in the company as well as the sector. It is important to address both inefficiencies and company approaches to claims in order to improve value.

The median reported claims turnaround time in Africa is four days. However, interviews conducted with experts for this study suggest that this may not be accurate, and that slow claims turnaround times and poor service on claims are a frequent customer complaint. Slower claims turnaround times were reported for livestock products (23 days) and for health products (15 days).

The median claims rejection rate in Africa is 1.7%, the lowest of all regions. Particularly notable is the low claims rejection rate for health at 1.7%, compared to 7.1% in Asia and 29% in Latin America and the Caribbean.

This may reflect the overwhelming predominance of hospital cash schemes in the region which are simpler to administer and may lead to lower claims rejection rates. It could also reflect more straightforward policy wording, or simply that fraud has not yet developed to a significant degree for these products in the region. Similarly low rates were seen for credit life and life products, and higher proportions of claims were rejected for personal accident (7.7%) and property (10.0%) products.

FIGURE 9

MEDIAN CLAIMS RATIOS IN AFRICA BY PRODUCT LINE

<table>
<thead>
<tr>
<th>Product Line</th>
<th>Median Claims Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit life</td>
<td>34%</td>
</tr>
<tr>
<td>Life</td>
<td>24%</td>
</tr>
<tr>
<td>Livestock</td>
<td>18%</td>
</tr>
<tr>
<td>Funeral</td>
<td>16%</td>
</tr>
<tr>
<td>Property</td>
<td>23%</td>
</tr>
<tr>
<td>Other</td>
<td>23%</td>
</tr>
<tr>
<td>Personal accident</td>
<td>14%</td>
</tr>
<tr>
<td>Health</td>
<td>14%</td>
</tr>
</tbody>
</table>
5. Asia

5.1 Market size and evolution

In the eight countries in Asia covered by this study (Bangladesh, Cambodia, Indonesia, Nepal, Pakistan, the Philippines, Sri Lanka and Vietnam) it is estimated that between 25.4 million and 51.8 million people were covered by microinsurance products by the 59 insurers that responded to the survey in the region. Based on this figure, it is estimated that between 4% and 7% of the low- and middle-income population is covered by a microinsurance product in these countries.

India was severely affected by the COVID-19 lockdown during the period in which data was gathered for this report and it was not possible to obtain data in time (see Box 5). It is hoped that the 2019 data will become available at a later stage.

If data provided for India by the country’s insurance regulator, alongside publicly-available data for Allianz here, is taken into account, the total number of people covered in the region is between 147.0 million and 201.1 million across nine countries. This represents between 8% and 11% of the low- and middle-income population of these countries.

A total of USD 174 million was collected in microinsurance premiums across the eight countries studied in the region. The potential value of the microinsurance market in these countries is estimated at USD 6,300 million, based on the entire low- and middle-income population being covered by one insurance product. In these countries, current microinsurance premiums represent about 3% of that potential market.

Whereas some of the countries surveyed have been considered significant microinsurance markets for some time, particularly India and the Philippines, other microinsurance hotspots are emerging in the region, such as Bangladesh, Cambodia and Indonesia. Inspired by the success of microinsurance in longer-standing markets and growing recognition of the cumulative purchasing power of low-income and emerging consumers, insurers and regulators in a growing number of countries in the region are paying greater attention to microinsurance.

Microinsurance data and country profiles are available upon request from the Microinsurance Network.

---


29 This value is based on the median premium per person covered across all countries in Asia included in this study of USD 8.80.
The government plays a particularly important role in promoting and subsidising microinsurance in India. The Prime Minister’s Crop Insurance Scheme (Pradhan Mantri Fasal Bima Yojana – PMFBY), India’s government-subsidised Prime Minister’s Crop Insurance Scheme (Pradhan Mantri Fasal Bima Yojana – PMFBY), India’s government-subsidised crop insurance scheme, alone covered approximately 18.7 million farmers in one season in 2019.

Microinsurance growth outside of government-sponsored schemes has been slower, however, and has focused largely on life insurance products. Insurance stakeholders interviewed by India’s National Insurance Academy stated that more varied products were required by the market, especially products which bundled coverage for several risks. These interviewed made other recommendations, including the need for more convenient payment terms, digitalising of processes, particularly to improve claims payments, and leveraging of a wider range of distribution options, such as community-based organisations.

Players in the microinsurance market

In many countries in the region, microinsurance is seen as an attractive business proposition, with well-established players that have been offering microinsurance for many years, finding the business not only sustainable but profitable. In some of these more established markets like the Philippines, some providers even report that as a result of industry efforts, public perceptions of insurance have shifted with more openness to purchasing insurance products and an improved reputation of the industry compared to when microinsurance efforts in these markets were still very nascent over a decade ago. In less well-developed microinsurance markets, insurers remain wary, but many are being inspired to move into the microinsurance market by success stories elsewhere in the region.

Regulation

Since the last landscape report on Asia in 2013, an increasing number of governments and regulators are taking an active interest in microinsurance and implementing various measures. At the same time, countries with more mature inclusive insurance markets, notably India and the Philippines, have been actively updating and reviewing their approaches. Nepal introduced quotas for insurers to serve low-income and rural customers in 2016, in a model similar to India’s. Some countries, such as Pakistan and Cambodia, have introduced or are considering introducing dedicated microinsurance licences, continuing the approach pioneered in the Philippines.

A notable trend in the region is the continued active role of governments, in countries including Thailand, Nepal, Sri Lanka, India and Vietnam. Government involvement includes collaborating with regulators to implement and adapt agricultural insurance schemes for smallholder farmers, providing subsidies and other incentives, and efforts to integrate insurance with digital identity infrastructure.

Similar to other regions, there is a strong push for digital insurance from governments and regulators interested in promoting inclusion in insurance. Regulators across the region have been introducing regulations to explicitly enable digital models as well as regulatory sandboxes to encourage innovation. Pakistan, for example, has introduced both. Momentum for such measures has increased during the COVID-19 pandemic. India, for example, has recently enabled electronic issuance of policies on an experimental basis.

Scale

Each microinsurance product in Asia reached an average of 12,500 people, compared to approximately 7,700 in Africa and 39,600 in Latin America and the Caribbean. Each product generated an average of USD 94,000 in premiums, compared to USD 72,100 in Africa and USD 760,300 in Latin America and the Caribbean. Funeral products reached the highest scale, at an average of 180,000 people per product, followed by personal accident at 59,000 people covered per product.

Premiums

The median premium paid per person covered in the region is USD 8.80, the lowest of the three regions (Africa and Latin America and the Caribbean had values of USD 14 and USD 18.92 respectively). Credit life products, which have long been important in the market, as well as personal accident products, are offered at low rates, at a median of USD 5.07 and USD 3.67 respectively. Life products that are not credit-linked have a higher cost, at USD 12.12 per person covered. Crop and livestock products are also offered at higher rates, consistent with global trends, however, with limited data on these products, estimating meaningful averages was not possible.
5.2 Products

Life and credit life products dominate the Asian markets surveyed in this study, both in terms of people covered (Figure 10) and premiums collected (Figure 11), with personal accident and health products also playing an important role in the market. This follows the pattern observed in the Landscape of Microinsurance in Asia and Oceania 2013, in which life insurance was also the most common cover, followed by accident and then health insurance.

It should be noted that crop insurance likely represents a far greater proportion of the market than suggested by these results. Data could not be collected from India, where government-supported crop insurance covers farmers at enormous scale, and data on large government crop insurance schemes in other countries of the region was also not captured in this data.

Interviews conducted for this study suggest that bundled products covering more than one risk have been growing in importance in the region in recent years. Such bundled products represent around 8% of people insured and 7% of premiums collected for products recorded in this study in Asia. The most commonly bundled covers are life, funeral, accident and health covers. These bundled products are attractive to clients, as they can address a handful of needs in an affordable way.

However, there is still a pressing need to diversify the supply of microinsurance in Asia in order to cover a wider range of customer needs, such as climate risks and more comprehensive health coverage. Even in more advanced markets like the Philippines, life insurance is still very much clients’ most common experience of microinsurance.

Health insurance

Health microinsurance has developed in Asia in a similar way to Africa. Hospital cash or hospital assistance products are very popular, and the predominance of these low-cost products over more expensive and more comprehensive products is clear in the low cost of health insurance products recorded in this study. The average premium per person covered for health insurance in Asia is just USD 5.39.

These products are attractive because they are relatively straightforward to administer. They do not require an insurer to build a network of hospitals and clinics, and are cheap to offer. In addition, they are more practical where health facilities are limited. For example, Kashf Foundation in Pakistan offers a comprehensive health insurance product in collaboration with insurance providers in parts of the country where private health facilities are more widely available and a much simpler product with set cash pay-outs according to the number of days spent in hospital in areas where private hospitals are not available. Through these two covers, provided on a mandatory basis alongside life insurance to all credit clients, Kashf Foundation has the largest coverage of health microinsurance in Pakistan.

In many cases, innovation in health microinsurance provision is aided by developments in digital technology, and mobile health services have taken off in countries including Indonesia and Bangladesh. Tonic, offered by telecommunications company Telenor in Bangladesh, for example, combines digital health advice, a teledoctor service, healthcare discounts and hospital cash insurance. The product offers free and paid packages, and by 2018 had reached 750,000 paid customers in Bangladesh.

Crop and livestock insurance

Although it was not possible to collect data on large government-supported crop insurance programmes, such schemes have grown enormously in certain countries like India, where the combination of government subsidies and economies of scale have made participation attractive for insurers. In India, the Prime Minister’s Crop Insurance Scheme (PMFBY), alone covered approximately 18.7 million farmers in one season in 2019, and other countries are starting to take similar approaches. A similar scheme in Indonesia, for example, covered close to a million hectares of paddy fields by 2016.

However, in countries where government subsidies are not available, relatively few insurers have been willing to take on the high claims and administrative challenges associated with crop and livestock insurance.

References:

1. Telenor (2016). Tonic is the New Face of Digital Health Services for Telenor
5.3 Distribution

Group sales remain very important in the region, particularly through financial institutions and MFIs (Figure 12). In many countries, MFIs are realising the need to go beyond credit life insurance and are offering additional options such as funeral, accident and health cover. At the same time, there has been some diversification in group sales through other organisations, such as farmers’ associations, cooperative societies etc.

Mutual benefit associations (MBAs) are also very important in the Philippines. These associations can provide their members with limited but affordable life insurance and have proved very popular in the country. The model is now being adopted in other countries like Indonesia.

Agents cover a broad selection of possible arrangements, from dedicated insurance sales agents hired directly by the insurer to the agents of an insurer’s distribution partner. However, the continued prominence of agents, which are used for over half the products, demonstrates the continued importance of human contact in microinsurance sales and education in the region.

Technology is playing an increasingly important role in facilitating sales, including supporting sales agents. For example, technology can be used to allow digital enrolment by agents even in areas without internet connectivity. However, there has been little success in the region in achieving microinsurance voluntary sales through a fully digital approach without any human contact, since the need to build trust and actively educate consumers remains strong.

The role of digital solutions

Digital platforms are advancing quickly in parts of the region, and insurers are beginning to tap into this opportunity. Interestingly, many of these platforms explicitly aim to become providers of financial services. Grab, for example, is a ridesharing platform popular in Southeast Asia, which quickly began offering money transfers and now offers insurance as well as travel insurance on a per-journey basis. Mobile money use is also becoming increasingly important in the region, and insurers are beginning to leverage mobile money payments for insurance as well as using mobile wallets as a sales channel. MicroEnsure has collaborated with GCash in the Philippines to offer life, personal accident and hospital cash insurance through a hybrid model. Although it is possible for customers to sign up through an entirely digital process, MicroEnsure brings most customers on board through active sales made to leads identified through data provided by GCash.

The shift to digital payments and financial services has been particularly swift in China, where WeChat and Alipay have become payment giants. Players in the country are now moving towards credit and insurance and, with the technology and data they have available, coupled with supportive regulation, they are already achieving impressive results. For example, a mutual health aid plan launched by Ant Financial Services Group and targeting low-income customers reached 50 million users in just a few months in 2019. Such schemes could spread throughout Southeast Asia as Chinese companies start to invest more heavily in digital payments across the region.

---

35 Grab (accessed 15/09/2020). Freedom to insure whenever you need
36 GCash (accessed 15/09/2020). Get Insurance for as low as ₱39 with GCash Insure
5.4 Gender

At 60%, Asia has the highest proportion of female clients reported in any region. Credit life products recorded a particularly high rate, with 85% of clients being women. This is likely due to a historic focus on female clients among many important MFIs in the region, as well as higher levels of financial inclusion of women in general, particularly in East Asia, where the gender gap in account ownership is just four percentage points, compared to nine percentage points across developing countries (and 11 percentage points in South Asia).

5.5 Claims

The median claims ratio in the region was 25%, lower than the rate seen in Africa (28%) but higher than that in Latin America and the Caribbean (10%).

However, ratios varied considerably between product lines (Figure 13), with higher claims ratios for crop and livestock, as seen in other regions. Nonetheless, it should be noted that the figures for crop, livestock, climate and property products are based on relatively small numbers of products for which claims information was received and may not be as reliable.

Relatively higher claims ratios were also observed for credit life products, at an average of 41%, compared to lower rates for health, personal accident, funeral and life products. This may be partly due to the institutional weight of MFIs in negotiating better products and in ensuring that claims are paid in order to repay their loans. Lower claims ratios may be due to limited customer understanding and awareness where mandatory products are bundled with other products or services, or due to product design and processes that limit customers’ ability to claim. In addition, health claims rates can also be low where there is limited access to health facilities, meaning that people will only seek medical services or go to a hospital in the most pressing circumstances.

Out of all products that provided data on claims in the region, 34% had claims ratios in single digits. It is important that these particularly low claims ratios are addressed so that the gradual creation of an insurance culture in the region is not undermined.

Claims turnaround times were an average of 14 days in the region, with the longest turnaround times given for livestock products (38 days on average) and shorter timescales for health, life, credit life and funeral, which all had turnaround times of ten days or less. Claims rejection rates in the region were generally low, with a median rejection rate of 2.4%. Rejection rates were slightly higher for health products compared to other product lines, at 7.1%, which is consistent with findings on health insurance elsewhere.
6. Latin America and the Caribbean

6.1 Market size and evolution

In the seven countries in Latin America and the Caribbean for which data was submitted (Argentina, Bolivia, Brazil, Colombia, Jamaica, Mexico and Peru) it is estimated that between 6.2 and 22.1 million people were covered by microinsurance products by the 34 insurers that responded to the survey in the region.

Based on this figure, it is estimated that between 2% and 5% of the low- and middle-income population is covered by a microinsurance product in these countries, excluding Jamaica where recent, reliable information on the size of the low- and middle-income population was not available.

If publicly-available data from Allianz\(^3\) is included for these countries where it was not provided locally, the total number of lives covered is between 6.3 and 22.5 million, representing the same proportion of the low- and middle-income population covered (between 2% and 5%), again excluding Jamaica.

A total of USD 674 million were collected in microinsurance premiums across the seven countries. The potential value of the microinsurance market in these countries is estimated at USD 7,200 million, based on the entire low- and middle-income population being covered by one insurance product.\(^4\) In these countries, current microinsurance premiums represent about 9% of that potential market (excluding Jamaica), the highest proportion of the three regions.

Microinsurance data and country profiles are available upon request from the Microinsurance Network.

Players in the microinsurance market

There are plenty of commercial success stories in the region. Nonetheless, insurance providers stress that they continue to face challenges, particularly around high commissions for distribution channels and difficulties in moving beyond bundled products to voluntary offerings.

Several new actors have entered Latin America and the Caribbean in recent years with innovative approaches to microinsurance in the region, such as index-based insurance for natural disasters. Many schemes are still in their relatively early stages, but they have been important in demonstrating to local markets that other models are possible. A number of established players are also attempting to introduce greater innovation. Some of the large insurance companies in the region have started innovation labs in recent years and successful pilots are starting to emerge.

Some companies exclusively focused on microinsurance do exist in the region, such as ALM in Brazil, although these are less present than in other regions. Previously, there were efforts in the region to create institutions specifically offering microinsurance to an MFI or a network of MFIs, usually as brokers, with the long-term aim of branching out to serve other clients. Many of these have dwindled, partly due to financial pressures on MFIs as well as increased capacity within the MFIs themselves to manage insurance.

\(^3\) Allianz (2020). Emerging Consumers: 2019 Full Year Report

\(^4\) This value is based on the median premium per person covered across all countries in Latin America and the Caribbean included in this study of USD 18.92.
The roots of microinsurance in Jamaica can be traced back to the mid-1940s, when the Credit Union movement was established in the country. The movement sought to make sure that loans and savings came with insurance so that beneficiaries would receive a payment in the case of a member’s death and so that loans were not passed onto members’ families. The mantra was the “debt should die with the debtor”. A mutual insurance society was originally established to provide this insurance. To this day, credit unions are the most important financial institutions in Jamaica among the low-income population, with over one million members in the country.

Today, Jamaica’s insurance sector has expanded and is now made up of 17 insurance companies. The country does not currently have specific regulations in place for microinsurance. However, consultations on introducing such regulations were led by the Financial Services Commission from 2015 to 2019, with the support of the Insurance Association of Jamaica, and it is expected that the regulation will be introduced in the near future. It is hoped that this will facilitate microinsurance and widen the possible channels through which it can be offered.

Nonetheless, products targeting the low-income population exist, including several products developed by GK Insurance, as well as products from CUNA Mutual which offers insurance for credit unions. Other companies are preparing to introduce microinsurance products once the regulation is introduced. Insurers see potential to leverage the high footprint of microfinance in the country as well as the high density of mobile phones in Jamaica, at 103 mobile subscriptions per 100 people.46

### Box 6

**The potential for microinsurance growth in Jamaica**

Efforts to better regulate and supervise microinsurance have accelerated in Latin America and the Caribbean in the last few years, with many countries introducing specific licences or microinsurance regulations, as well as regulations to open up new distribution channels and facilitate e-commerce. Regulation to permit the use of correspondent channels - local retail outlets which can act as agents for insurance - have been particularly important in the region and have been introduced in many countries including Colombia and Brazil.

Many governments and supervisors are taking active approaches to developing microinsurance markets. These often integrate specific concerns in each country, such as a focus on gender in Argentina, on sustainability in Costa Rica. In Colombia, for example, the regulator has established a regulatory sandbox, and the government programme Banca de las Oportunidades has partnered with the insurance association, Fasecolda, to promote microinsurance development, including systematic training for the industry and making funds available for piloting new products.

Continued regulatory restrictions include limitations on how insurance can be bundled with non-insurance products and limitations around agents. In addition, the line between microinsurance and mass insurance is blurred in the region, and some insurers may choose to register micro products as mass insurance in order to avoid some of the requirements of microinsurance regulation. In some countries, the process to launch a product under the microinsurance regulatory framework is still considered more burdensome than the traditional framework, although it usually offers advantages, particularly in terms of the distribution channels that can be used.

#### Scale

The business case for microinsurance in Latin America is supported by a large customer base of low-income and emerging middle-income consumers and the potential to scale products in large and highly-populated countries. Scale is more challenging in smaller Caribbean countries.

The microinsurance products in Latin America and the Caribbean recorded in this study reached an average of 39,600 people per product, compared to approximately 7,700 people in Africa and 12,500 in Asia. Each product generated an average of USD 760,300 in premiums, compared to USD 72,300 in Africa and USD 94,000 in Asia. Life, personal accident, property and credit life insurance are all reaching significant scale, at an average of over 30,000 people per product. Funeral and health insurance products came just behind, reaching an average of 28,700 and 28,400 people per product respectively. Personal accident products brought in the highest premiums, with an average premium income of USD 2.2 million per product.

#### Premiums

The median premium per person covered is USD 18.92, higher than the comparable figure in Africa (USD 14) and Asia (USD 8.80). This is a result of comparatively higher incomes in the region and a larger emerging middle class, allowing for higher premiums to be charged. Health products had the lowest premium per person covered recorded (USD 10). This suggests that these products are largely made up of low-cost products like hospital cash products or catastrophic cover for specific illnesses like cancer.
6.2 Products

The market in Latin America and the Caribbean is still dominated by traditional microinsurance products, largely life, credit life, personal accident and funeral insurance (Figures 14 and 15). Funeral insurance is particularly popular in some markets. In Colombia, for example, funeral insurance can be sold directly by funeral parlours without partnering with insurers.

Health insurance products, on the other hand, have not experienced the same surge as they have in Africa and Asia. However, some countries, such as Ecuador, have seen growth in low-cost health products.

According to the data collected for this study, bundled products combining cover from more than one product line represented less than 1% of people covered and less than 1% of premiums. This is the lowest proportion of all regions. However, interviews with experts from the region suggest that bundled products are growing. In addition, some insurers may have listed only the principal cover, meaning that the proportion could be underestimated.

Very little crop microinsurance has been recorded in this study, however there are several important schemes in many countries, often linked to MFIs which offer agricultural loans. In addition, some index products are being offered by companies like MiCRO and Blue Marble. In some cases, index insurance covers weather risks for farmers, but products have also been designed for other groups whose livelihoods are impacted by weather events.

Nonetheless, innovation in product design has generally been much more limited in Latin America and the Caribbean in recent years compared to that seen in Africa and Asia. Insurers have been able to reach quite high numbers of clients and premiums through mandatory products offered through straightforward channels, such as bancassurance or bundling with credit cards or retail purchases. Interviews conducted for this study suggest that many of these products are poorly understood and offer low value, and customers may not even know that they are insured. It is therefore hard for insurers to transition to other channels and voluntary sales, since the products they offer are not sufficiently attractive and high-value to be sold through these channels. There are plenty of examples of good-quality and innovative products that have succeeded in turning this around in the region, but many insurers have yet to move beyond this paradigm.

"Innovation in product design has generally been much more limited in Latin America and the Caribbean in recent years compared to that seen in Africa and Asia."
6.3 Distribution

Financial institutions and microfinance institutions remain very important in the market. In some countries, it is a regulatory requirement for insurers to go through brokers, which is part of the reason behind the high proportion of products which use brokers seen in Figure 16. In most cases these are not specialist microinsurance brokers, and there are doubts about the value they add to microinsurance.

Agents and retailers also play an important role. In particular, the use of varied local retailers, from neighbourhood shops to newspaper stands, as insurance agents, known as correspondents, has picked up in recent years and become very successful in some markets, particularly in Brazil and more recently in Colombia.

In addition, some insurers have been successful working with service companies, such as water and electricity services, particularly in Colombia. Some products, particularly personal accident products, are bundled with retail purchases or credit cards. There are concerns that customers may not know that they are insured through such products. MNOs, on the other hand, never took off as an important channel in the region, unlike in Africa and to some extent Asia. They continue to play only a very small role in the region.

Many of the channels used in the region charge high commissions, but, due to higher incomes in comparison to other regions, insurers can charge higher premiums in Latin America and the Caribbean, making more costly channels possible.

The digital ecosystem in Latin America and the Caribbean is developing rapidly, including digital loans, e-commerce, digital wallets and digital platforms, offering interesting opportunities for insurance. On the whole, insurers have yet to capitalise on this trend for microinsurance but new solutions will likely emerge in coming years.

6.4 Gender

In the region, insurers reported that 52% of customers are women. This reflects both the strong link between microinsurance and microfinance, which has historically focused on women, and improving levels of financial inclusion of women in the region.

Between 2011 and 2017, the gap in financial account ownership between men and women narrowed by two percentage points in Latin America and the Caribbean, with 59% of men and 52% of women having access to an account.43 This is slightly smaller than the 9% gap seen across developing countries. Women also have higher access to mobile and internet in much of Latin America and the Caribbean the gender gap is minimal.44

6.5 Claims

Latin America and the Caribbean has the lowest median claims ratio of the three regions at 10%, compared to 28% in Africa and 25% in Asia. Claims rates are higher for climate products (35%), but health, life, personal accident and property insurance all have average claims ratios in single digits (Figure 17).

Out of all products that provided data on claims in the region, 51% had claims ratios in single digits. It is important that these particularly low claims ratios are addressed in order not to undermine the gradual creation of an insurance culture in the region. Part of the reason for low claims ratios is the high commissions paid to distribution channels. Nonetheless, claims ratios in single digits in non-catastrophic products like health and life cannot be offering reasonable value to customers. The median claims turnaround time for claims in the region was 20 days, the longest time recorded out of the three regions. This was longest for property (35 days) and personal accident (30 days) and shortest for health products (10 days). Latin America and the Caribbean also has the highest claims rejection rate of the three regions at 7%, compared to 1.7% in Africa and 2.4% in Asia.

44 GSMA (2020). The Mobile Gender Gap Report 2020

FIGURE 16
The proportion of products which make use of each distribution channel type in Latin America and the Caribbean

FIGURE 17
Median claims ratios in Latin America and the Caribbean by product line
Appendix A

Landscape of Microinsurance Questionnaire

A PRODUCT PORTFOLIO
1. Which of the following product types did your company make available for the low-income market, including but not limited to microinsurance products for the year 2019?
2. Under the product type(s) given above, what were the name(s) of products you provided for the year 2019?
3. Under the product name(s), what was the main risk covered under this product?
4. If applicable, what was the second risk covered under this product?
5. If applicable, was there any other risk covered under this product?

B PRODUCT CHARACTERISATION
1. Could you please provide a brief description of each product? If available, a product brochure would be appreciated and can be sent as a separate attachment.
2. How many people were covered under this product on 31 December 2019?
3. How many individual policies under this product were active on 31 December 2019?
4. How many policies under this product were group policies on 31 December 2019?
5. What was the total value of premiums collected under this product for the year 2019? Please answer this question in your local currency.
6. What was the total value of claims paid out under this product for the year 2019? Please answer this question in your local currency.
7. How many claims were submitted under this product for the year 2019?
8. How many claims were accepted under this product for the year 2019?
9. From the day the incident took place, what is the average number of days it took to settle claims made by the insured for the year 2019?

C PRODUCT DISTRIBUTION
1. What was your company’s role in the supply chain under this product for the year 2019?
2. Did you make use of any intermediaries (distribution channels) in providing this product to your clients for the year 2019?

D ADDITIONAL QUESTIONS
1. To help us avoid double counting, if you made use of any partners in the distribution of this product for the year 2019, please provide the names of each partner used.
2. Of the policies that were active in 2019, what percentage were taken out by female clients?

Appendix B

Insurers per country and response rates

In each country, all licenced insurers were identified. Out of these, targeted insurers known to be active in microinsurance (as defined by the study) were selected based on feedback from Microinsurance Network members and country researchers.

<table>
<thead>
<tr>
<th>Country</th>
<th># of insurers identified</th>
<th># of targeted insurers</th>
<th># of completed questionnaires</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AFRICA</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Côte d’Ivoire</td>
<td>8</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Egypt</td>
<td>20</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Ghana</td>
<td>25</td>
<td>16</td>
<td>18</td>
</tr>
<tr>
<td>Kenya</td>
<td>57</td>
<td>19</td>
<td>10</td>
</tr>
<tr>
<td>Morocco</td>
<td>13</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Nigeria</td>
<td>48</td>
<td>23</td>
<td>9</td>
</tr>
<tr>
<td>Rwanda</td>
<td>14</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Senegal</td>
<td>13</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>South Africa</td>
<td>59</td>
<td>18</td>
<td>1</td>
</tr>
<tr>
<td>Tanzania</td>
<td>16</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Zambia</td>
<td>27</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>29</td>
<td>7</td>
<td>40</td>
</tr>
<tr>
<td><strong>ASIA</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bangladesh</td>
<td>64</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>Cambodia</td>
<td>26</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>India</td>
<td>63</td>
<td>15</td>
<td>0</td>
</tr>
<tr>
<td>Indonesia</td>
<td>143</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Nepal</td>
<td>39</td>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td>Pakistan</td>
<td>48</td>
<td>23</td>
<td>3</td>
</tr>
<tr>
<td>Philippines</td>
<td>104</td>
<td>49</td>
<td>14</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>27</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>Thailand</td>
<td>78</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Vietnam</td>
<td>49</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td><strong>LATIN AMERICA &amp; THE CARIBBEAN</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Argentina</td>
<td>175</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Bolivia</td>
<td>19</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>Brazil</td>
<td>28</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>Chile</td>
<td>69</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Colombia</td>
<td>44</td>
<td>22</td>
<td>6</td>
</tr>
<tr>
<td>Jamaica</td>
<td>36</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Mexico</td>
<td>113</td>
<td>12</td>
<td>5</td>
</tr>
<tr>
<td>Peru</td>
<td>20</td>
<td>10</td>
<td>4</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1,474</td>
<td>299</td>
<td>199</td>
</tr>
</tbody>
</table>
Appendix C

Response rates for each indicator and region

TABLE C1
NUMBER AND PROPORTION OF PRODUCTS* REPORTED BY PRODUCT LINE

<table>
<thead>
<tr>
<th>LINE OF BUSINESS</th>
<th>Global</th>
<th>Africa</th>
<th>Asia</th>
<th>Latin America and the Caribbean</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NUMBER OF PRODUCTS</td>
<td>PROPORTION OF PRODUCTS</td>
<td>NUMBER OF PRODUCTS</td>
<td>PROPORTION OF PRODUCTS</td>
</tr>
<tr>
<td>Life</td>
<td>768</td>
<td>29%</td>
<td>463</td>
<td>18%</td>
</tr>
<tr>
<td>Credit-life</td>
<td>72</td>
<td>12%</td>
<td>31</td>
<td>12%</td>
</tr>
<tr>
<td>Funeral</td>
<td>79</td>
<td>13%</td>
<td>53</td>
<td>20%</td>
</tr>
<tr>
<td>Personal Accident</td>
<td>85</td>
<td>14%</td>
<td>17</td>
<td>6%</td>
</tr>
<tr>
<td>Health</td>
<td>67</td>
<td>11%</td>
<td>29</td>
<td>11%</td>
</tr>
<tr>
<td>Crop</td>
<td>31</td>
<td>5%</td>
<td>22</td>
<td>9%</td>
</tr>
<tr>
<td>Livestock</td>
<td>17</td>
<td>3%</td>
<td>8</td>
<td>3%</td>
</tr>
<tr>
<td>Climate &amp; natural disaster</td>
<td>13</td>
<td>2%</td>
<td>2</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>60</td>
<td>10%</td>
<td>41</td>
<td>16%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>589</strong></td>
<td><strong>262</strong></td>
<td><strong>178</strong></td>
<td><strong>149</strong></td>
</tr>
</tbody>
</table>

TABLE C2
NUMBER AND PROPORTION OF PRODUCTS FOR WHICH USABLE DATA WAS PROVIDED FOR EACH INDICATOR

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>Global</th>
<th>Africa</th>
<th>Asia</th>
<th>Latin America and the Caribbean</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NUMBER OF PRODUCTS</td>
<td>PROPORTION OF PRODUCTS</td>
<td>NUMBER OF PRODUCTS</td>
<td>PROPORTION OF PRODUCTS</td>
</tr>
<tr>
<td>Number of people covered</td>
<td>469</td>
<td>60%</td>
<td>197</td>
<td>75%</td>
</tr>
<tr>
<td>Premiums collected</td>
<td>520</td>
<td>88%</td>
<td>234</td>
<td>89%</td>
</tr>
<tr>
<td>Premium per person covered</td>
<td>384</td>
<td>65%</td>
<td>145</td>
<td>55%</td>
</tr>
<tr>
<td>Distribution channel type used</td>
<td>551</td>
<td>94%</td>
<td>247</td>
<td>94%</td>
</tr>
<tr>
<td>Percentage of female clients</td>
<td>263</td>
<td>45%</td>
<td>84</td>
<td>32%</td>
</tr>
<tr>
<td>Claims ratio</td>
<td>462</td>
<td>78%</td>
<td>208</td>
<td>79%</td>
</tr>
<tr>
<td>Claims rejection rate</td>
<td>367</td>
<td>62%</td>
<td>137</td>
<td>52%</td>
</tr>
<tr>
<td>Claims turnaround time</td>
<td>473</td>
<td>80%</td>
<td>219</td>
<td>84%</td>
</tr>
</tbody>
</table>

* Some products are bundled and contain more than one product type. The proportions of products listed do not therefore add up to 100%.
About the Microinsurance Network

The Microinsurance Network is the global multi-stakeholder platform for professionals and organisations that are committed to making insurance inclusive. Membership-based, we bring together diverse stakeholders from across the value chain who share our vision of a world where people of all income levels are more resilient and less vulnerable to daily and catastrophic risks. We encourage peer-to-peer exchange and learning, facilitate the generation of knowledge and research, and act as advocates, promoting the role that effective risk management tools, including insurance, play in supporting the broader development agenda.

Find out more

Visit us at
www.microinsurancenetwork.org

Read our publications
www.microinsurancenetwork.org/resources

Contact us
info@microinsurancenetwork.org

Twitter
twitter.com/NetworkFlash

LinkedIn
linkedin.com/company/microinsurance-network