



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

Access to Insurance Initiative

A global programme for sound regulatory and supervisory frameworks

IAIS-A2ii Consultation Call: 23 March 2017

**"Measuring insurance development:
beyond the insurance penetration rate"**





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Presenters

Technical expert



Michael McCord
MicroInsurance Centre

Country example presenter



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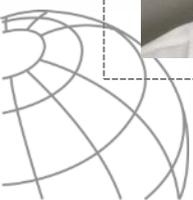


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1. Insurance penetration – what does it tell us?
2. Value in inclusive insurance
3. Phases of collecting data
4. Benefits and caveats for the regulator
5. Requirements
6. Insurance targets in national financial inclusion strategies
7. Country example: Ghana
8. Summary of key points





1. Insurance penetration – what does it tell us?

LAC (2013)

Penetration: 3.2%

Density: USD 300

MI penetration: 0.01%

MI density: USD 1.39

MI coverage ratio: 7.9%

Africa (2014)

Penetration: 2.8%

Density: USD 61

MI penetration: 0.03%

MI density: USD 0.66

MI coverage ratio: 5.4%

Asia and Oceania (2012)

Penetration: 5.7%

Density: USD 322

MI penetration: 0.01%

MI density: USD 0.21

MI coverage ratio: 4.3%

Penetration = total insurance premiums as % of GDP

Density = premiums per capita in USD

MI penetration = microinsurance premiums as % of GDP

MI density = microinsurance premiums per capita in USD

MI coverage ratio = % of total population covered by microinsurance

Sources: Swiss Re Sigma No 4/2015, No 3/2014, No 2/2013. Landscape of Microinsurance in LAC (2013); Landscape of Microinsurance in Africa (2014); Landscape of Microinsurance in Asia and Oceania (2013); World Bank Development Indicators; World Map of Microinsurance



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*Commissioner Funa stressed that **the importance of microinsurance is not the amount of premiums generated.** “Wider financial inclusion and maximum social protection is critical in a developing and vulnerable country such as the Philippines.”*

With the implementation of frameworks that would facilitate and promote the development of **a broader range of microinsurance products** and the increase in the participation of the private sector, the Insurance Commission is optimistic that the **microinsurance penetration rate will increase to 48.7% by 2022.**



2. What is **value** in inclusive insurance and how do we measure it as regulators?

What is value for policyholders?

Expected value

- a. Incentives
- b. Peace of mind
- c. Ability to invest more
- d. Limit reliance on friends & family

Service value

- a. Access to health services
- b. Continued / new access to credit

Financial value

- a. Cost savings
- b. Cash flow smoothing
- c. Reduced financial burden
- d. Actual protection value
- e. Can create access to new loan types (ag, for example)
- f. Claims paid when promised
- g. “Fair” value of aggregate premiums paid as claims





3. Phases of collecting data

Client Value



Market Development

Phase 1

- Claims Ratio
- Promptness of claims (not days)

Phase 2

- Premium / sum insured
- Retention ratio (vol. only)
- Commission ratio
- Premiums per covered unit

Phase 3

- Sum insured / cost of risk
- Premium / client income
- Product variety indicator
- Level of market competition

Indicators

- Combined ratio
- Coverage ratio
- MI premiums / total premiums (L&N-L)

- Growth ratio: people (L&N-L)
- Growth ratio: premiums (L&N-L)
- Cost per covered unit

CLEAR SEGMENT DEFINITION



4. Benefits and Caveats for the Regulator

Benefits

- Allows for evidence-based decision making
- Learn about the dynamics of the inclusive market
- Measure success of regulatory implementations
- Set client value expectations and benchmarks
- Helps in monitoring consumer protection
- Facilitates a risk-based, proportionate supervisory approach

Caveats

- Some products do not fit neatly into this approach, and need more appropriate indicators (for example index insurance)
- Entails capacity building (of insurers & supervisory staff) and resources
- Takes time to get the system producing good data, **so start**
- **Why no benchmarks?**





5. Requirements

- Require separation of data based on clear and implementable definition
- Collection of relevant, accurate and timely data
- Efficient and continuous monitoring
 - obtain the data
 - understand what the data means (when intervention is needed), and
 - know what to do if intervention is needed
- Communications with insurers
- Consideration of regulatory cost burden to insurers
 - Ask “what data do we have already?”



Malaysia, through the Maya Declaration, has committed to the following goals and targets:

- Expand the range of products and services, including flexible microfinancing, long-term contractual microsavings and the development of a microinsurance and microtakaful framework (COMPLETED)

- % of adults with deposit accounts
- % of adults with financing accounts
- % of adults with life insurance / takaful policies



National Financial Inclusion plans and insurance targets

Objetivo 4 – Seguros: “Fomentar el acceso y uso de productos y servicios de seguros para todos los segmentos de la población de manera confiable, eficiente y adecuada a sus necesidades.”

Peru

Gráfico 11 Líneas de Acción de la ENIF



TABLE A1. NUMERICAL FINANCIAL INCLUSION TARGETS IN NIGERIA

	Status at 2010	Target for 2020
Payments	Usage: 21.6% of adults	Usage: 70% of adults
Savings	Usage: 22.4% of adults	Usage: 60% of adults
Credit	Usage: 1.8% of adults	Usage: 40% of adults
Insurance	Usage: 1% of adults	Usage: 40% of adults
Pensions	Usage: 5% of adults	Usage: 40% of adults

India: National Mission on FI (1/6 pillars)

e. Micro-Insurance: To provide micro- insurance to all willing and eligible persons by 14th August, 2018, and then on an ongoing basis.

Dimensión	Área temática	Indicadores del impacto	Escenario Base (2017)	Meta (2021)	Fuente
Peru	Seguros	% de adultos que tiene al menos un producto de seguro (excluyendo seguro social de salud y EPS)	A la espera de resultados	Por determinar	Encuesta Nacional de Demanda Potencial de Servicios Financieros y Nivel de la Cultura Financiera en el Perú 2015 (SBS)



7. Country example: Ghana

Insurance Penetration is only part of the story

Traditional (including MI)

- Penetration 2014 (% insurance premium to GDP) = **1.08%**
- Density 2014 (ratio premium to total population) = **15.72**

Microinsurance

- Penetration 2014 (% microinsurance premium to GDP) = **0.01%**
- Density 2014 (ratio microinsurance premium to total population) = **0.17**



What does this tell us?





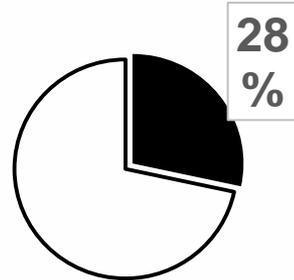
Ghana: Market size (2014)



27
products



7.5 M
lives insured



2014 total population:
26.5 M (est.)

Growth,
2013-2014



440% MNOs

140% overall

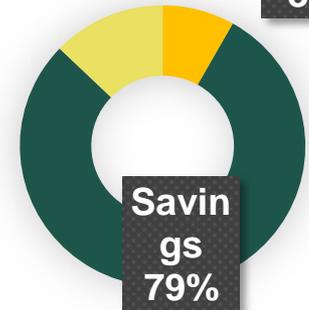
36% non-MNO

4.5 MM USD
(21.2 MM USD incl savings)
gross written MI premium (=0.01% of GDP)

MI represents
1.1%
of total written
premium in
Ghana

Breakdown of premium

All other products
13%



Growth,
2013-2014



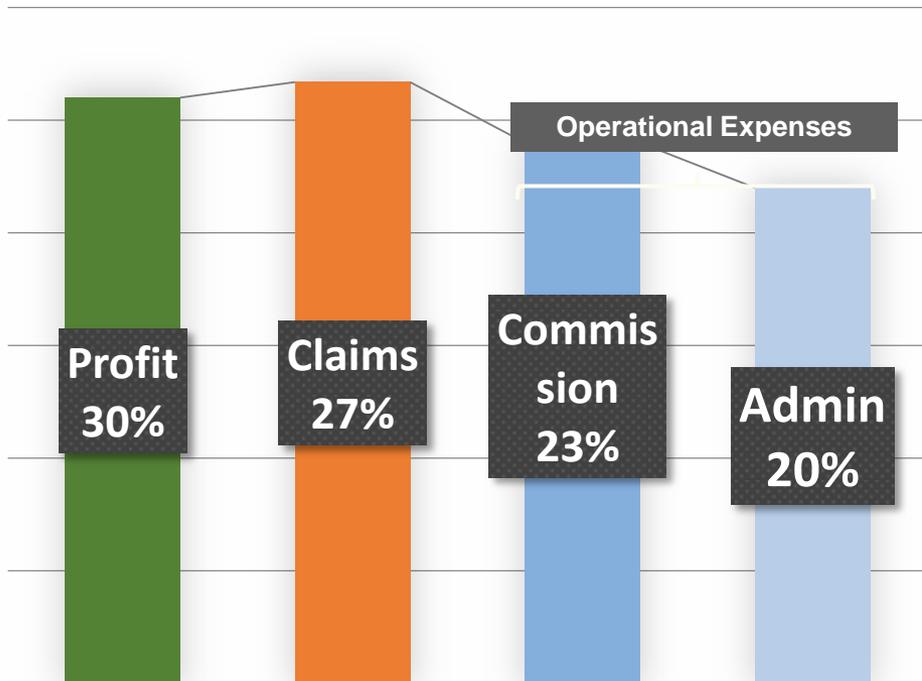
73% savings excluded

32% with savings



Ghana: Key ratios (weighted averages, 2014)

No savings



Savings included

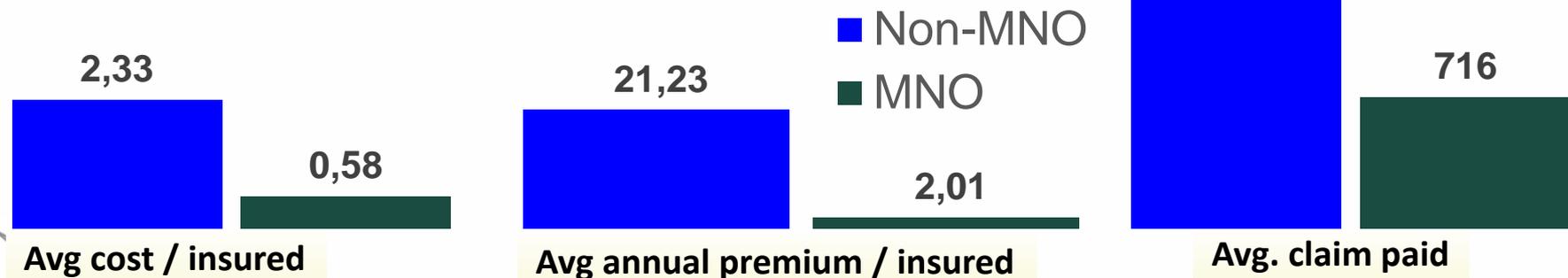
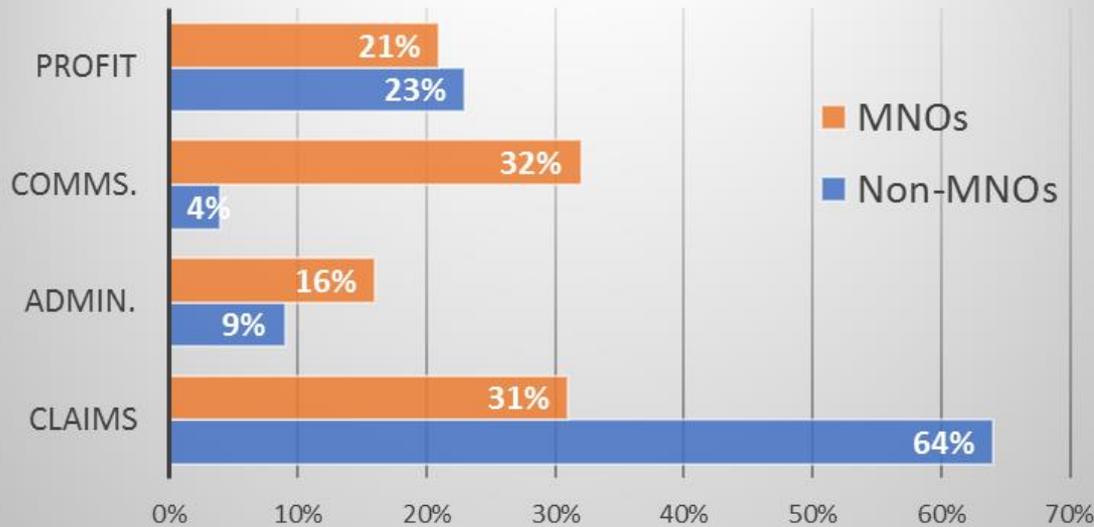


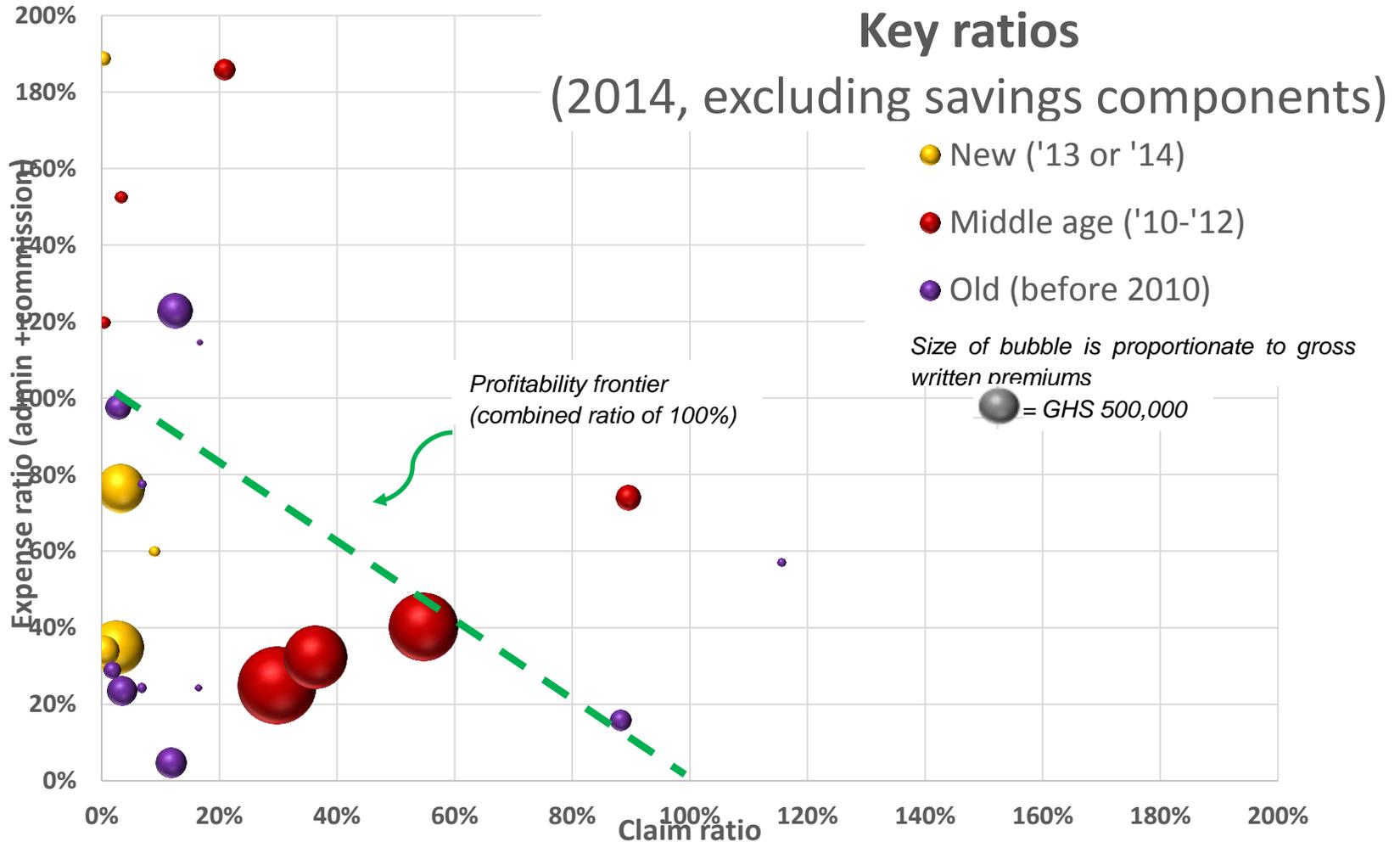
Note: KPIs consist of data for 26 products



Ghana: MNOs and value

Ghana: Key Ratios by MNO Type



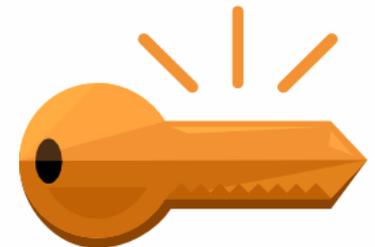


Source: Kofi Andoh. The Landscape of Microinsurance in Ghana: numbers and comments. WAICA Conference. 21 April 2015, Accra



8. Summary of Key Points

- ✓ Need to look deeper than penetration rate
It tells us very little and nothing about value
- ✓ Measure both market development and client value
Using the indicators and others from above
- ✓ Indicators and benchmarks require a clear definition and segregated data
- ✓ Should use realistic targets in FI strategies and refer to policy and regulation based on evidence and relevance of monitoring value in the context of Risk Based Supervision
Only possible if data is gathered





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Thank you!

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**Save the date for the next Consultation
Call on 18 May!**





The Initiative

The Initiative is a partnership between:

