

Innovative products for the emerging consumer 6th Consultative Forum, 11-12 May, Marrakech, Morocco

Increased product diversity is emerging in insurance markets in the African region. Although life, credit life and accident covers continue to dominate, together accounting for 76% of gross written premiums, the more complex health, property and agriculture covers have been experiencing proportionately higher growth. Bundled products offering more than one type of coverage accounted for 45% of all products in 2014. Between 2011 and 2014, 100 new products were introduced, mostly in Ghana, Kenya, Zambia and Nigeria. Up to 40% of these new products offer some form of health coverage, and 22% offer some form of property coverage. Mobile Network Operators (MNOs) have been playing an increasingly important role as a distribution channel for microinsurance products, accounting for 13% of total lives covered in the region in 2014¹.

Products are better adapted to client needs and provide more value to the end consumer. Microinsurance products are becoming more flexible, better adapted to individual needs and preferences and easier to enrol in. For example, monthly premium payments and reimbursing the client a certain percentage at specific periods of the policy term make the products more attractive for populations with irregular or low income. For example, OUTsurance in South Africa offers a cash back bonus of all premiums after 15 claim-free years, thus rewarding the customers for staying healthy and safe throughout this period. It is also important to consider cultural perceptions in designing a microinsurance product. For example, some communities may be more open to discussing a "life plan" rather than "funeral insurance".

Products have evolved to provide more tangible benefits to clients through non-indemnity service offerings. The Dial-a-Doctor scheme in Ghana, implemented by BIMA, offers medical advice via mobile phone to consumers. Another hospital plan in Ghana provides covers for up to 30 nights of hospitalisation. A health microinsurance cover offered by CIC Group in Kenya provides a comprehensive package that covers death, funeral expenses and a weekly income for two years in case of total disability. This scheme also partners with the National Hospital Insurance Fund cover and offers a family package for inpatient services in private and government hospitals.

"Mobile penetration, which covers 67% of Africa, is a tool to reach microinsurance customers more cost-effectively."

Douglas Lacey, *LeapFrog Investments*

"As a regulator, we must ensure that microinsurance providers can offer sustainable, accessible and affordable products."

Tulu Belay, *National Bank of Ethiopia*

"It is crucial to prepare surveys to monitor product development and enhance data collection quantitatively and qualitatively."

Lydia Bawa, *National Insurance Commission, Ghana*

"For a health microinsurance product to take off through mobile money, there is always a lag period and low claims ratio due to lack of market education."

Stephen Cartwright, *MicroEnsure*

"Simple products, clear communication in local language and using existing platforms for product delivery are key to enhancing client value."

Lemmy Manje, *Consultant, Zambia*

¹ See [The Landscape of Microinsurance in Africa 2015](#) (2016) published by the Microinsurance Network and Munich Re Foundation.

Client aggregators are increasingly engaged in delivering microinsurance products. Taking advantage of established platforms for microinsurance delivery enhances access, is economically efficient and adds value for the end consumer. Some pharmaceutical companies, for example, offer health microinsurance products. In other cases, MNOs, retailers or rural banks partner with insurers to offer microinsurance products to their large client bases. Payment and logistics surrounding enrolment, product delivery and claims processing are simplified by the aggregator with the support of advances in financial technology, or fintech, which make such models more cost-efficient.

Data is crucial for both insurers and regulators to monitor evolution in product development and client value. Frequent customer surveys and business performance data collection from the industry are crucial to study how the product evolves and monitor if clients understand and are satisfied with the product. Subject to data protection and privacy considerations, data can be captured through existing platforms such as mobile accounts. In addition, supervisors need qualitative as well as quantitative data for sound and tailored microinsurance product conception.

Financial consumer education is important to boost awareness and stimulate demand. If product offerings are not paired with financial consumer education efforts, then it is unlikely that consumers will know how to derive value from products or be motivated to voluntarily purchase them. All stakeholders need to play a role in consumer education. Financial consumer education works best if public and private stakeholders work together, preferably underpinned by a national strategy and joint funding sources. It was noted that, in South Africa, efforts are partly funded by a compulsory levy on industry profits. In Kenya, the supervisory authority established a training department to educate people on insurance. In most cases, the enrolment process is developed in such a way as to educate the consumer as well.

Governments can play an important role in supporting the growth of inclusive financial and insurance services. Some countries such as Togo have established inclusive finance funds that support microfinance institutions, which in turn provide credit-linked microinsurance products to the low-income population. These products range from funeral, personal accident and fire to health covers. In other cases, particularly in the area of agricultural insurance, governments are subsidising products and driving pilot programmes.

Public authorities need to be made aware of the importance of the economic role of the insurance sector. Insurance market development plays an important role in stimulating economic growth in a country and helping governments meet their broader development goals, such as in food security and climate change adaptation. However, this role is not always recognised, and such misalignment may in some cases impede microinsurance development. Awareness should be enhanced at the level of public authorities and not only at the level of the consumers.

Key Takeaways on product development

For supervisors and policymakers

- Develop training programmes and awareness-raising tools to sensitise policymakers to the relevance and impact of insurance
- Collect regular data on product usage and consumer satisfaction surveys, directly or from the industry, to monitor client value
- Partner with private entities to fund insurance awareness measures and campaigns such as road shows and talk shows as a long-term process
- Inform governments about the importance of insurance to broader policy agendas such as economic development, climate change adaptation and universal health coverage
- Encourage innovation by taking a proportionate approach to supervision and regulation and allowing some flexibility
- Exchange best practices and effective approaches amongst peers from different regions

For the industry

- Build consumer awareness by using convincing and strong role models as testimonials to promote the product
- Ensure the enrolment process is simple and also educates the client
- Establish proactive engagement with the clients, e.g. via regular calls
- Establish clear communication in ways that are understandable by the consumer and relatable to the cultural background
- Make sure documentation is easily accessible and understandable for the consumer e.g. provide documentation in the local language
- Develop simple tailored products that add value and provide additional tangible service offerings for the client

- Bundle various insurance covers to make them more affordable and accessible
- Leverage available distribution channels to deliver microinsurance such as rural banks, pharmaceuticals and MNOs
- Collect data regularly to understand consumer needs and inform product development