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# CELEBRATING PROFESSIONALISM IN AFRICA

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## ALL AFRICA

*'Insurance accessibility in emerging markets'*

by **Richard Leftley**

*Chief Executive Officer, MicroEnsure Holdings*

*'Celebrating professionalism in Africa' is a pioneering series of case studies, published by the Chartered Insurance Institute, to showcase professional practice and innovation in insurance*

# INSURANCE ACCESSIBILITY IN EMERGING MARKETS



by **Richard Leftley**

*Chief Executive Officer, MicroEnsure Holdings*

**I**nsurance is sometimes portrayed as being a bit boring, but can you name a developed economy that does not have a well-developed insurance market? It's an essential component of any functioning and developed economy, because it allows risk to be shared across society rather than being shouldered by the individual.

## THE CHALLENGE IN DEVELOPING MARKETS

Ironically, those who have relatively little face significantly higher levels of risk than the rich – they live in poorly constructed houses in areas more exposed to natural disasters, their lack of nutrition and lack of access to clean water makes them more susceptible to outbreaks of disease, and in a world of changing climate they are increasingly exposed to severe weather-related risks too. Without insurance, the poor will slip further into poverty as they are forced to use meagre savings to pay for unexpected events to which they are uniquely vulnerable. If we fail to address this lack of access to insurance, then gains garnered through other forms of development work will be lost when disaster strikes.

Throughout emerging markets, insurance penetration is limited to between 1% and 5% of the population – leaving 95% to 99%, or an estimated four billion people, without a safety net and susceptible to being forced back into poverty following an unforeseen event. Traditional insurance companies have been active in these markets for many decades, yet they have failed to reach beyond the very richest individuals and the large corporations; the typical person on the street has no access to the benefits of insurance.

## MICROINSURANCE: THE ESSENTIALS

My experience is that these people can be reached through combining a specialist focus on microinsurance with partners who have scale. Sixty million people in Africa and Asia have been newly served in recent years – and these are people who otherwise would have had no insurance cover. The key lessons learned have been:



**To design simplified insurance products** that can be explained in a single text message.



**To strip out all the exclusions and conditions**, making the products easy to understand and use.



**To make the customer journey frictionless through a digital approach;** buying insurance should be as easy as buying a ringtone, and getting a claim paid should not require you to leave home and you should get paid within 72 hours.

Partnership requires organisations that can distribute products, such as microfinance companies, banks, mobile networks, e-commerce companies and logistics firms – companies that are already used and trusted by the population concerned. Strong partners can also be insurers who have traditionally been reluctant to cover the low- and middle-income sectors in certain countries until they are persuaded that a viable market exists.





### LOOKING AHEAD

No-one wakes up wanting to buy insurance and if you are economically disadvantaged you have many other uses for your limited family budget, so microinsurance, is a product that needs to be sold. A key success factor for microinsurance is to embrace this distribution challenge head on. My experience is that the best way to educate users about the benefits of insurance is to encourage them to use the product and see members of their community get claims paid quickly and easily.

An innovative approach is to find a commercially sustainable way for large companies such as telcos to give away insurance for a limited time free of

charge. In many instances, telcos have an issue with customer loyalty as low-income people have multiple SIM cards and spread their airtime top-up across multiple networks. By offering insurance in return for loyalty, the consumer was able to address the risks they woke up worrying about and the telco saw an increase in its average revenue per user. Once people have free insurance and experience how the product works, it's possible to establish outbound call centres that offer additional coverage where the need exists.

The result is a new market that insurers were not previously interested in serving, and low-income families no longer at risk of being wiped out financially by the slightest setback. ▲



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