Growth dynamics in emerging consumer insurance in Africa

Jeremy Leach
Director
Agenda

Drivers of scale in microinsurance

State of the market in Africa: an investor view

m-insurance sprinting ahead?

Conclusions
A range of microinsurance initiatives have reached scale globally - bancassurance dominates mainly with compulsory or automated products.

Client Interface for Scale

- MNOS and Retailers account for less than 14% but growing fast.
- MFI, groups and banks account for 52%.
- Post Office.
- MNO.
- Funeral Parlour.
- Retailer.
- State.
- Direct Sales.
- Groups.
- MFI.
- Bank.

# of schemes that have achieved scale

- Scale = >1m policies/lives covered in Asia, Latin America.
- Scale = >500k policies/lives covered in Africa.

Number of initiatives: # 95 schemes

Source: Cenfri/BFA
Scale has primarily been reached through compulsion before shifting to voluntary groups and individual sales.

Source: Cenfri/BFA
The success of micro-insurance products will vary by country; each product offers a different level of challenge in scaling up.

Increasing sales effort / challenges

- Credit life, warranty (LatAm), funeral insurance (selected countries)
- Hospital cash, handset insurance, Life, asset insurance, standalone personal accident, legal insurance
- Savings, disaster risk, inpatient/outpatient health insurance, agriculture

Source: BFA, author
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Africa is driving innovation and the next frontier of growth

1bn people in Africa

4.4% (44M) covered by micro-insurance

Of these, 27M in SA (dominated by funeral insurance)

• While micro-insurance in Africa hasn’t seen the scale that Asia has seen – there has been considerable innovation in the African market – especially linked to m-insurance

Source: ILO, CGAP
Africa leads on the number of ‘micro-insurance’ investments and there is a growing number of global deals focused on Technical Service Providers

- Strong deal activity in Africa
- Africa sees a higher number of deals – but with a smaller ticket size

- Investments into Africa and Lat AM – sees investors backing insurers
- Investments in India seems to be typically around distribution and brokerage.
- Technical Service Provider (TSP) investments, focused mainly on micro-insurance, understandably have a wider global focus – MicroEnsure, Bima, MFS Africa

Source: BFA
Overall, micro-insurance deals thus far tend to be bifurcated between early stage and late stage funding with little in between.
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Conclusions
A number of m-insurance sprinters have exploded on the market showing the potential for rapid growth

<table>
<thead>
<tr>
<th>Company</th>
<th>Growth Details</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>EcoLife Zimbabwe</td>
<td>Reached 20% of the adult population in 7 months</td>
<td>Loyalty</td>
</tr>
<tr>
<td>Telenor Easypaisa</td>
<td>Reached 400,000 people in 2 months</td>
<td>Loyalty</td>
</tr>
<tr>
<td>Tigo Bima Ghana</td>
<td>Reached almost 1m lives in 3 years</td>
<td>Freemium</td>
</tr>
<tr>
<td>Leo Namibia</td>
<td>Reached 15% of the adult population</td>
<td>Loyalty</td>
</tr>
<tr>
<td>Airtel Zambia</td>
<td>Reached an estimated 2m at launch</td>
<td>Loyalty</td>
</tr>
<tr>
<td>Robi Bangladesh</td>
<td>Has reportedly hit 4m clients</td>
<td>Loyalty</td>
</tr>
<tr>
<td>MTN and Airtel</td>
<td>Signed up 100,000 clients a month</td>
<td>Voluntary Paid</td>
</tr>
</tbody>
</table>
The m-insurance sprinters share some key success factors

- Strong brand and well-funded marketing campaign
- Launch of free product initially to ‘make the market’ in markets with limited or no experience of insurance; the cost of marketing a paid product is likely higher than providing a loyalty product

  Loyalty program
  Loyalty program “makes the market” in countries with limited experience of insurance.

  Voluntary - Freemium
  In parallel, need to drive voluntary upsell to test willingness to pay and ensure sustainability of the model – benefit outweighs the cost

  Database mining
  Once build the experience, one can target segments and mine the database

- Ease of sign up (paperless, on mobile device)
- Mix of digital registration with support from human interface (agents)
- Payment mechanisms dependent on state of payments in the country → airtime deduction → OTC → mobile money → debit orders
New m-bancassurance models could combine best of high touch and low touch models

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Kenya’s Equity Bank launches paper-thin SIM card tech

FNB plans to launch mobile operator
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Insurance is taking off in Africa

• Scale is being reached in a large number of models:
  – bancassurance offers a strong base of growth
  – scale of m-insurance sprinters needs to be converted to profitability
  – m-bancassurance offers potential to bring both worlds together

• Success will depend on a combination of brand strength, data analytics, wise choices around products and distribution models

• Regulators will need to catch up with these models
Jeremy Leach
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