



**Micro-Insurance & Credit
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**Overcoming Micro Insurance
Challenges.**

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OUTLINE

- Introduction
- Target Market
- Challenges presented by MI
- Conclusion
- Thank You



Introduction

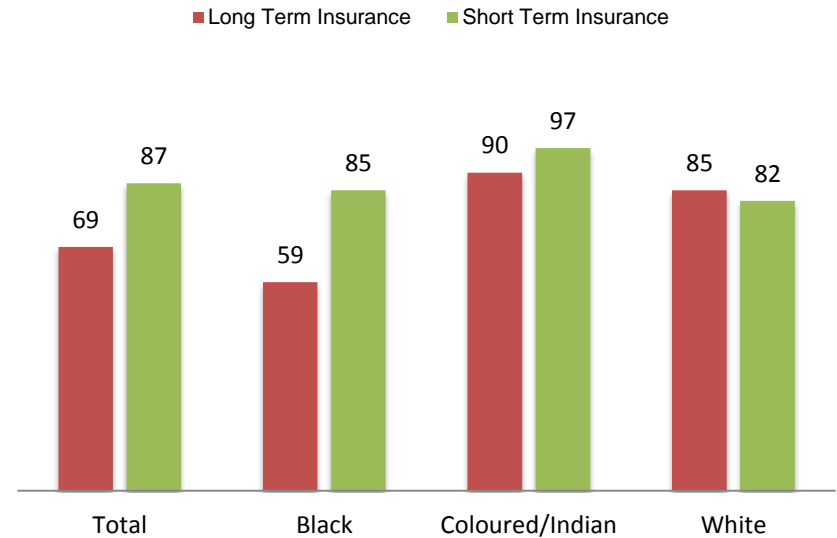
- The term Microinsurance (MI) was first published around 1999.
- At that stage, MI was introduced as insurance for the poor. Since then, the definition has evolved and it continues to evolve, judging by the number of publications and research taking place continuously world wide.
- Biener & Eling (2001) defined MI as a financial arrangement intended to protect low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved.
- It should be noted from the definition that the word “poor” does not future. This is to emphasis that MI is not for the poor, there is a specific and defined market for MI.
- Corporate Social Investment as a driver of MI



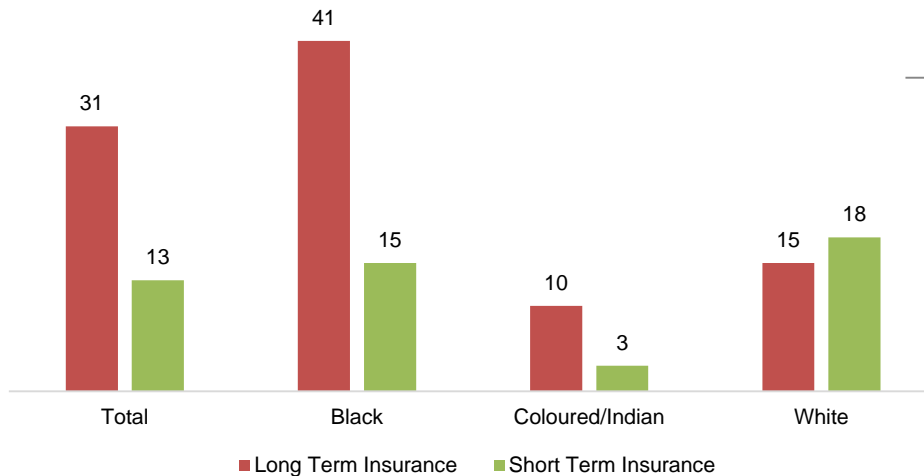
Target Market



Breakdown by Age



Participants without Long Term or Short Term insurance



Participants with Long Term and Short Term Insurance

40.7% of the low income population have insurance cover, the bulk being funeral.

- 3.8% is short term insurance
- 3.0% is medical



Challenges faced by the Market

- Regulation and Supervision
- Consumer Education
- Data
- Customer Value Propositions
- Distribution Models
- Claims and Procurement
- Technology
- Premium Collection Models
- Personnel
- Demand for Product
- Profitability of Market



Regulation and Supervision

- The MI regulatory framework has been on the table since 2008, it was revised in 2011 and set for promulgation in 2016.
- There is a need for certainty in the market and strategic focus.
- Demarcation between Social Security programs and Market Lead Programs.

National Treasury's Objectives

National Treasury intends for the microinsurance policy framework to achieve the following objectives:

- extend access to a variety of good-value formal insurance products appropriate to the needs of low-income households;
- facilitate the provision of formalised insurance by currently informal providers;
- lower barriers to entry to encourage broader participation in the market and promote competition amongst providers;
- enhance consumer protection and consumer education in this market.

PWC: Microinsurance Regulatory Intelligence - 2011



Consumer Education



Data

- Pricing Methodology.
- Determinants of product development and consumer monitoring.
- Determinants of profitability.
- True reflection of market size.

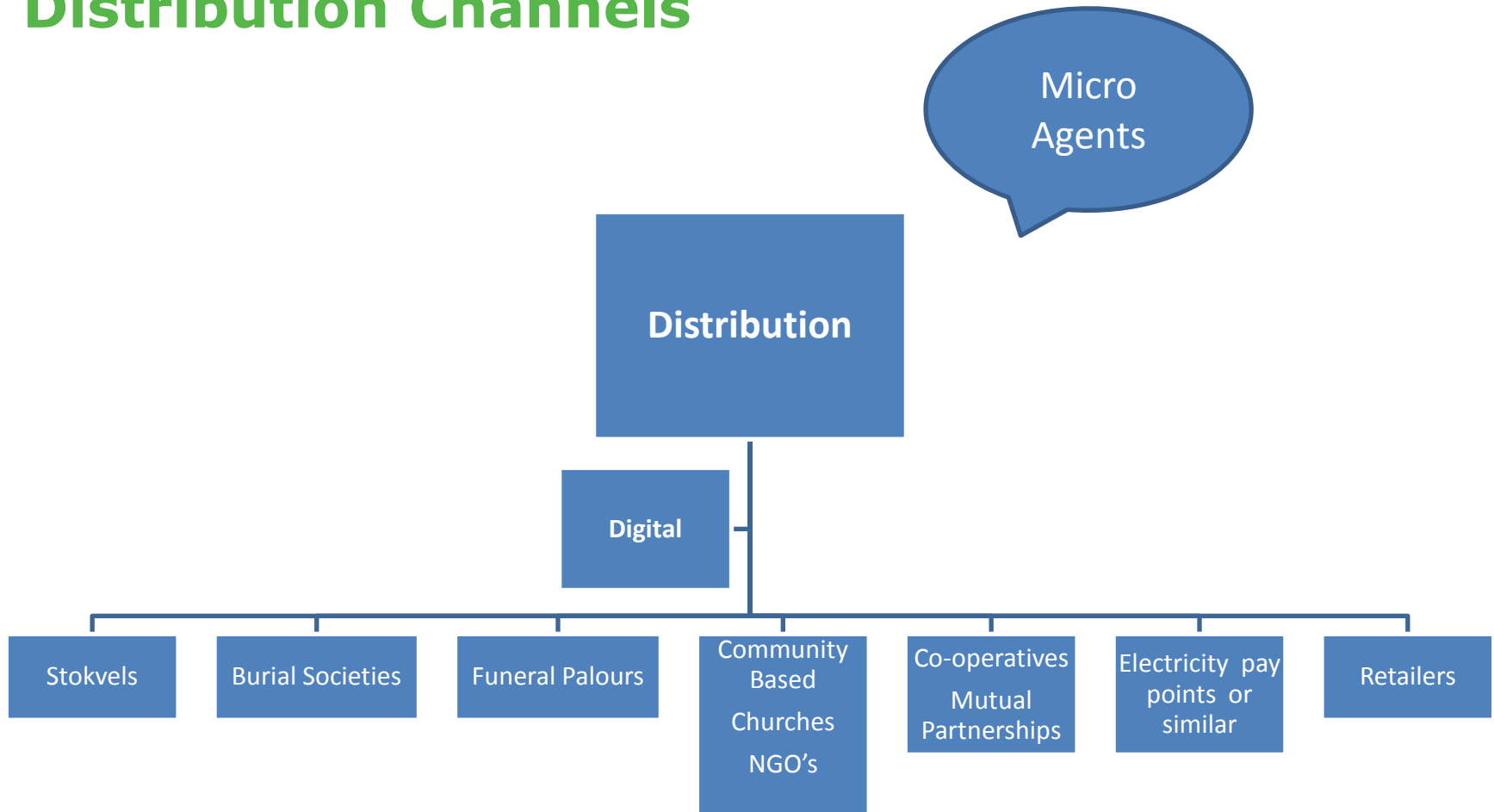


Customer Value Proposition

- Products that truly reflect the needs of the consumer.
- Risk mitigation tool.
- Compelling Proposition that will increase demand for MI products.
- Customer journey maps.



Distribution Channels



Claims Procurement

“ They stole my TV...I just bought another one... it was painful [to save money] but I tried to do it.”

“ A long time ago my watch was stolen I have never thought of [insuring] that and it was expensive and I just stopped wearing expensive stuff.”

“ Insurance doesn't work. It simply doesn't work. It works for some people.”

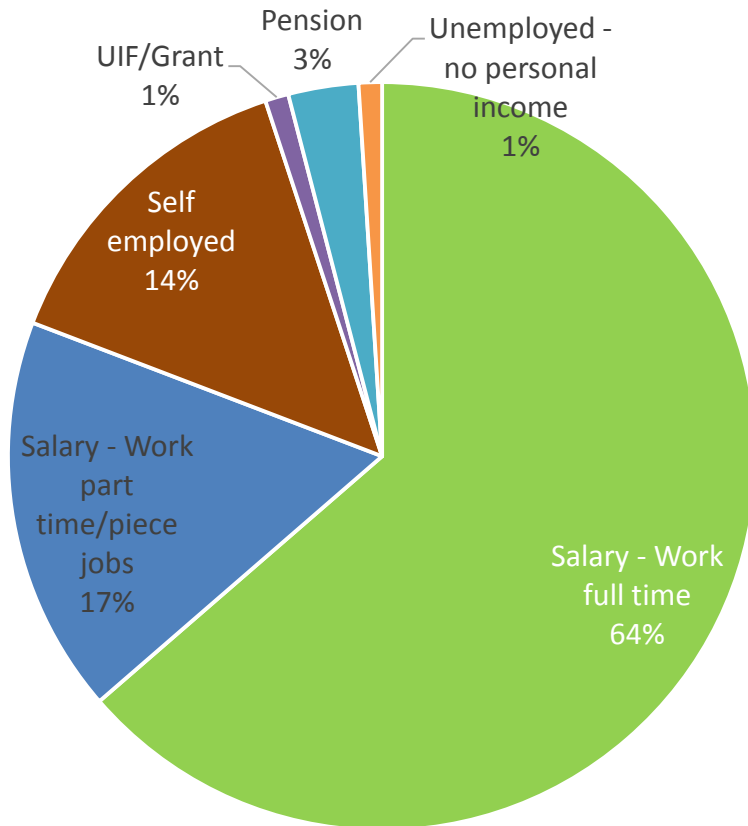
“ I had one [insurance cover] also for my cellphone. And when my cellphone was stolen and the [claiming] process was too long. I eventually just gave up.”

“some people will tell you that when you have to claim there is a lot of red tape clauses in the contractAnd sometimes the grammar would be different on the book and you would end up saying let me just go.”



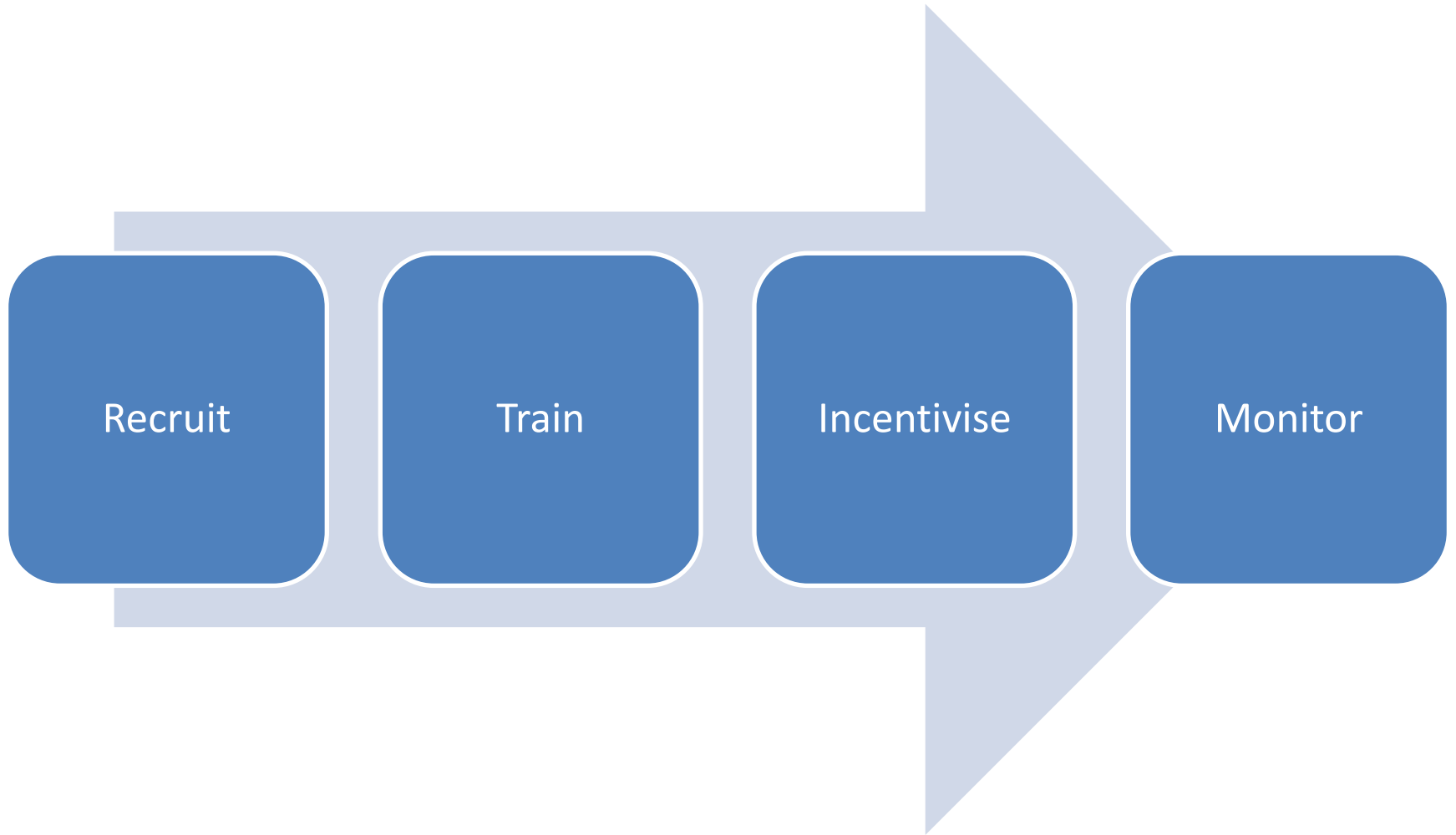
Premium Collection Models

Never have enough money to do the things I want

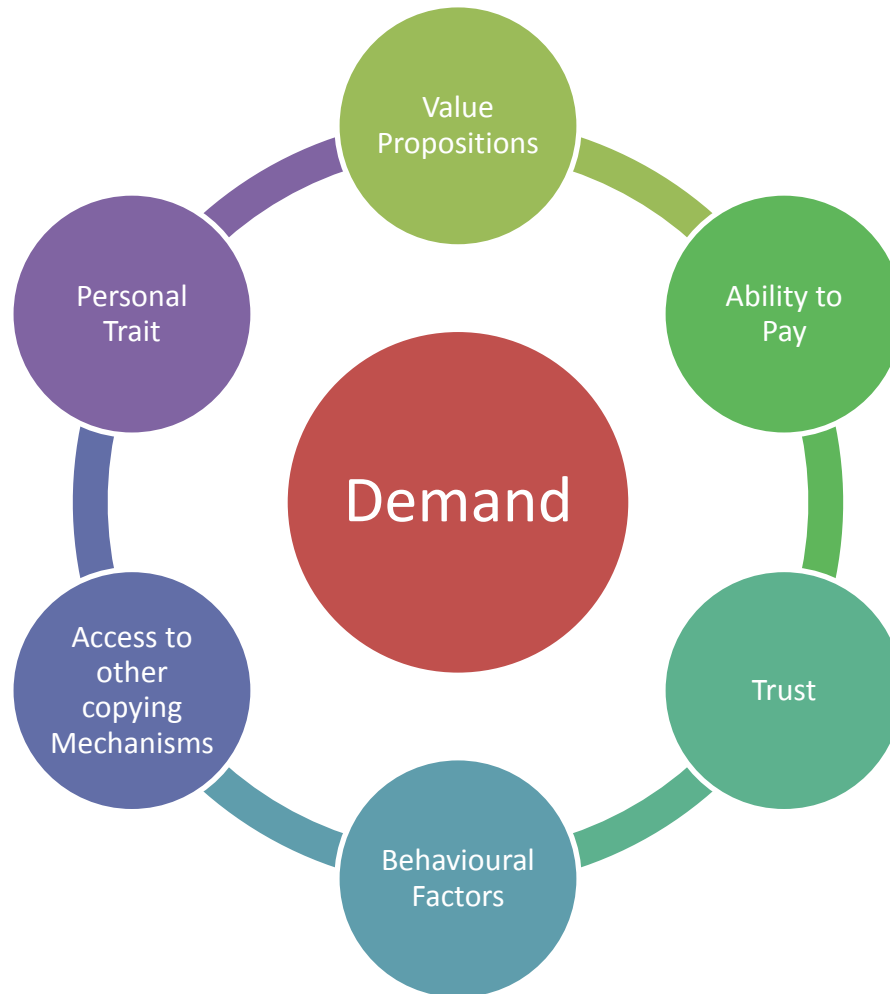


Ave Monthly Income:		
Personal	=	R 4 697
Household	=	R 5 517

Personnel



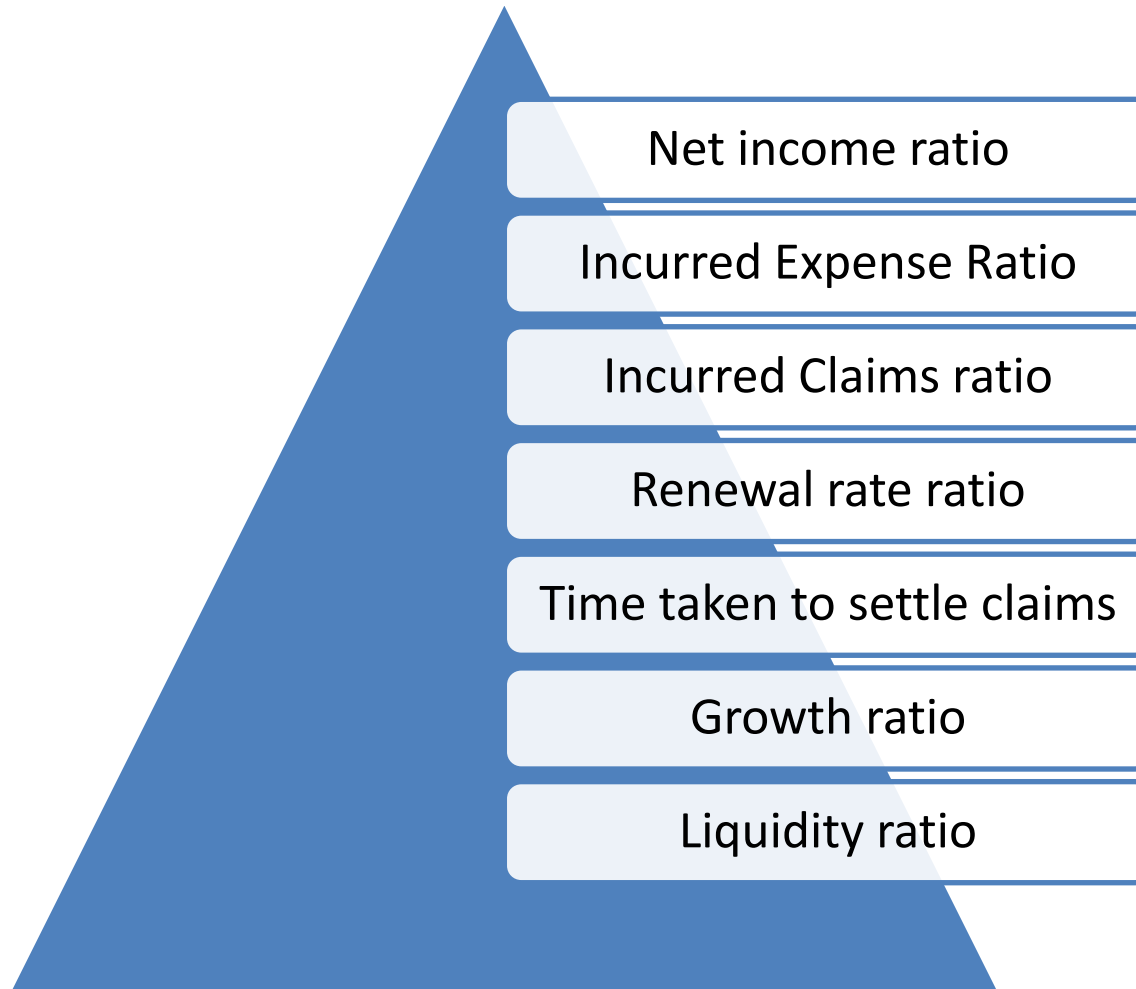
Demand for Micro Insurance



Michal Matul, Aparna Dalal, Ombeline De Bock, Wouter Gelade, 2011



Profitability



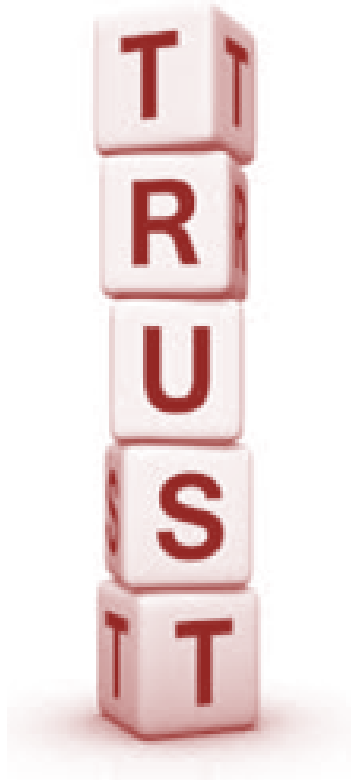
Learning to Live in a Network of Relationships

It is reasonable to expect that 4 billion people in search of an improved quality of life will create one of the most vibrant growth markets we have ever seen. All of us can learn. The flow of ideas, knowledge, and **innovation** will become a two-way street.

Prahalad, C.K, 2005



Conclusion



Is trustworthy



Helps me to save



Been around for a long time



Help me learn how to manage my money



The Road Ahead

