

Casualty Microinsurance Pricing

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Casualty Microinsurance Pricing Tool

Project

- Create Pricing Model

Coverage

- Fire

Research

- Microinsurance Center

Comparison to Traditional Insurance

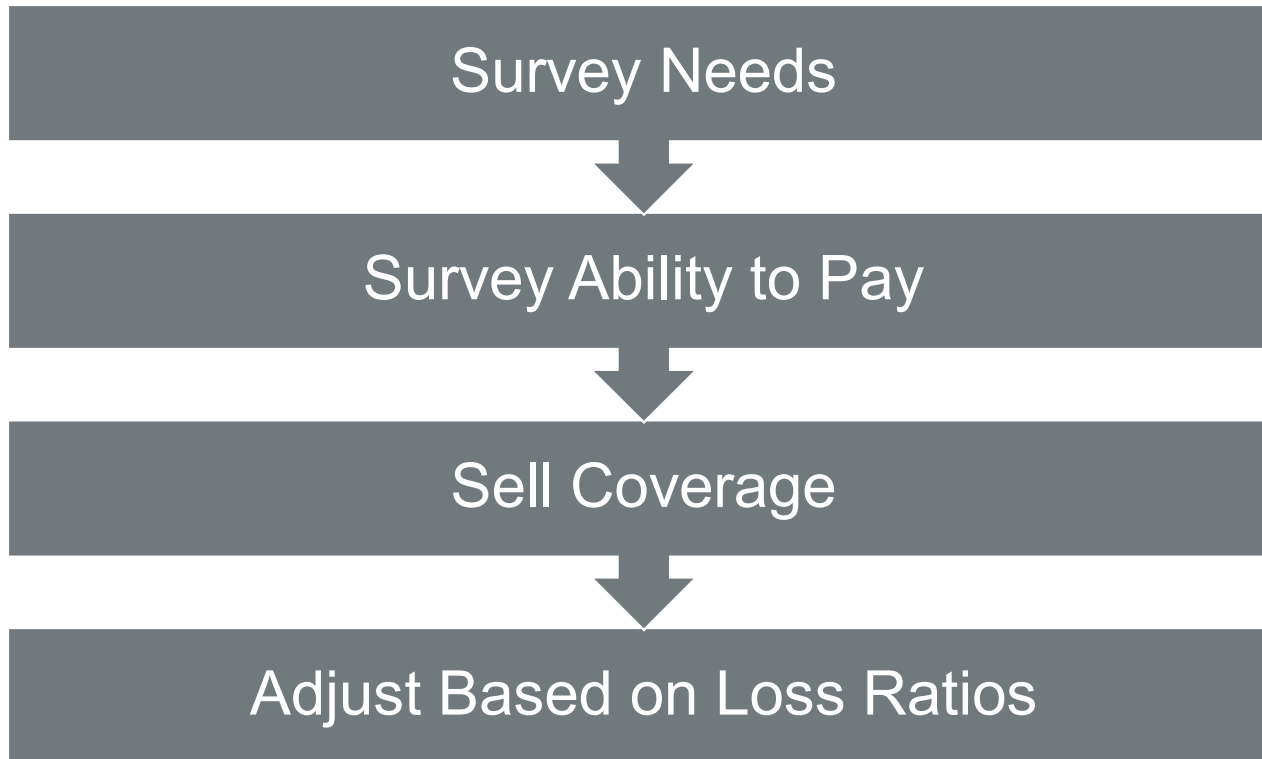
Traditional	Microinsurance
Compensate for loss and/or replace what was lost	Prevent extreme poverty/Allow chance to rebuild
Payment related to actual loss capped at limit	Loss payment does not have to tie to the loss amount
Experienced buyers	Mix of experienced and first time buyers
Should be profitable	Should be profitable

First Time Buyers

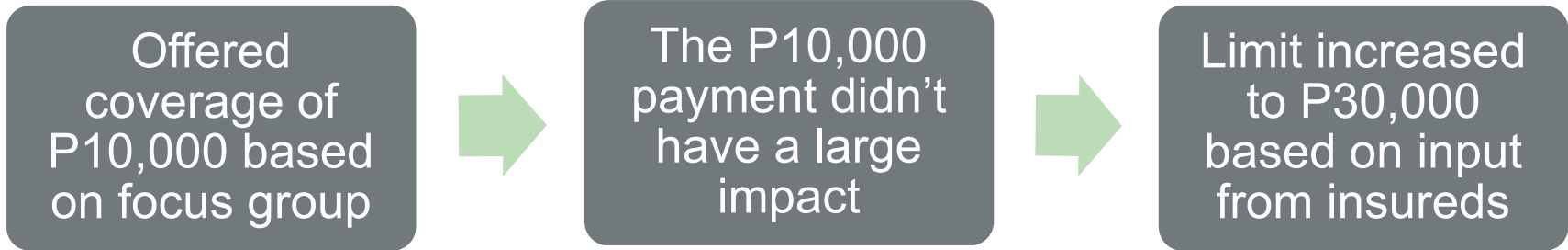
- Never purchased insurance before
- Policy should be easy to understand
- Readily apparent what situations will result in payment and what the payment will be



What is being done now to price microinsurance?



Coverage Example



Current PAID Plan Products (as of 3/2014)		
Premium	P450 (\$10.00)	P100 (\$2.22)
Coverage		
Property – Flood, Earthquake, Typhoon	P10,000 (\$222)	P2,500 (\$56)
Property – Fire	P30,000 (\$667)	P5,000 (\$111)



Data Collected

Loss Data

- 1 year of data
- 253 fire claims
- 3,250 typhoon claims

Exposures

- Not Traditional

Collecting Data

Loss Dates

Loss Values

Type of Loss

Underwriting
Characteristics

Details on
Severity of
Loss

Other Obstacles



What LDFs should you use?

- Build your own
- Find a similar industry source

What software should you use?

- Excel
- Cloud based
- Affordable and readily available

Building a pricing model

Build to the user
(not an actuary)

Easy to
Understand

Software that is
affordable and
readily available

Where can you use actuarial pricing in microinsurance?

Refine
premium
of existing
policies

Use to
price
optional
additional
coverage

Use in
areas with
expanding
middle
class



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