

# Microinsurance Roadmap

For a Nigerian Insurer

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# Agenda

- § Background
- § State of Microinsurance in Africa
- § Regulatory Framework: Nigeria
- § Landscape Study
- § Business Plan
- § Challenges
- § Q&A

## Background

- § A Nigerian Insurer engaged the MicroInsurance Centre at Milliman (MIC@M) to assist with writing a business plan to establish a microinsurance program by:
  - § Evaluating the customer's value;
  - § Assisting with market research and
  - § Developing suitable coverages

**Vision**

**To build lasting risk-management relationships through the provision of simplified, community-focused risk solutions for the low-income segment ultimately improving the quality of their lives.**

**Expected Outcomes**

Customer Base of 2,000,000 by 2022

Innovative solutions and products that cater to the needs of the target population.



# Regulatory Framework: Nigeria

## § Regulatory Agency

- § NAICOM: National Insurance Commission

## § Objectives of the Microinsurance Guidelines are to:

- § Provide minimum standards for the conduct of Microinsurance business in Nigeria;
- § **Ensure consumer protection;**
- § Establish general features of Microinsurance;
- § Establish duties and responsibilities of Microinsurance operators and insurance intermediaries and
- § Establish conditions for entry and exit from the Microinsurance market.



# Regulatory Framework: Nigeria

## Microinsurance Company and Distribution Guidelines

- § A Microinsurer should be a “Stand Alone” entity
- § Capital requirement varies: \$10M-400M
- § Primary distributions may include:
  - § Non governmental Agency
  - § Faith Based Organization
  - § Postal Agents
  - § Retail Shops

# Regulatory Framework: Nigeria

## Product Guidelines

§ Coverage less than N2,000,000 (\$ 5,000) with limited exclusion.

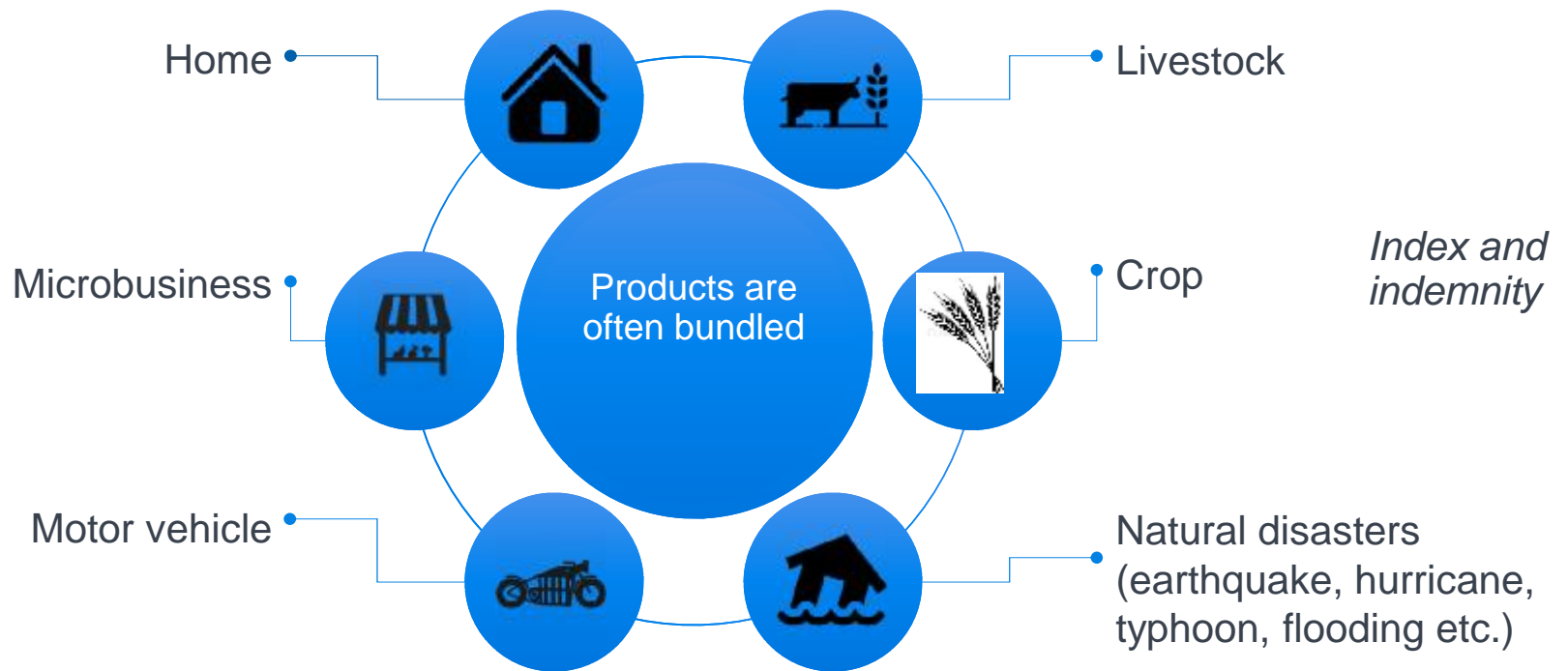
§ **SUAVE**

- § **S**imple – Terms and conditions must be simple
- § **U**nderstood – Easily understood
- § **A**ccessible – Must be accessible to the target market
- § **V**aluable – Matches need, fair price and coverage
- § **E**fficient – Delivery channel must be efficient for both the insurers and the policyholders

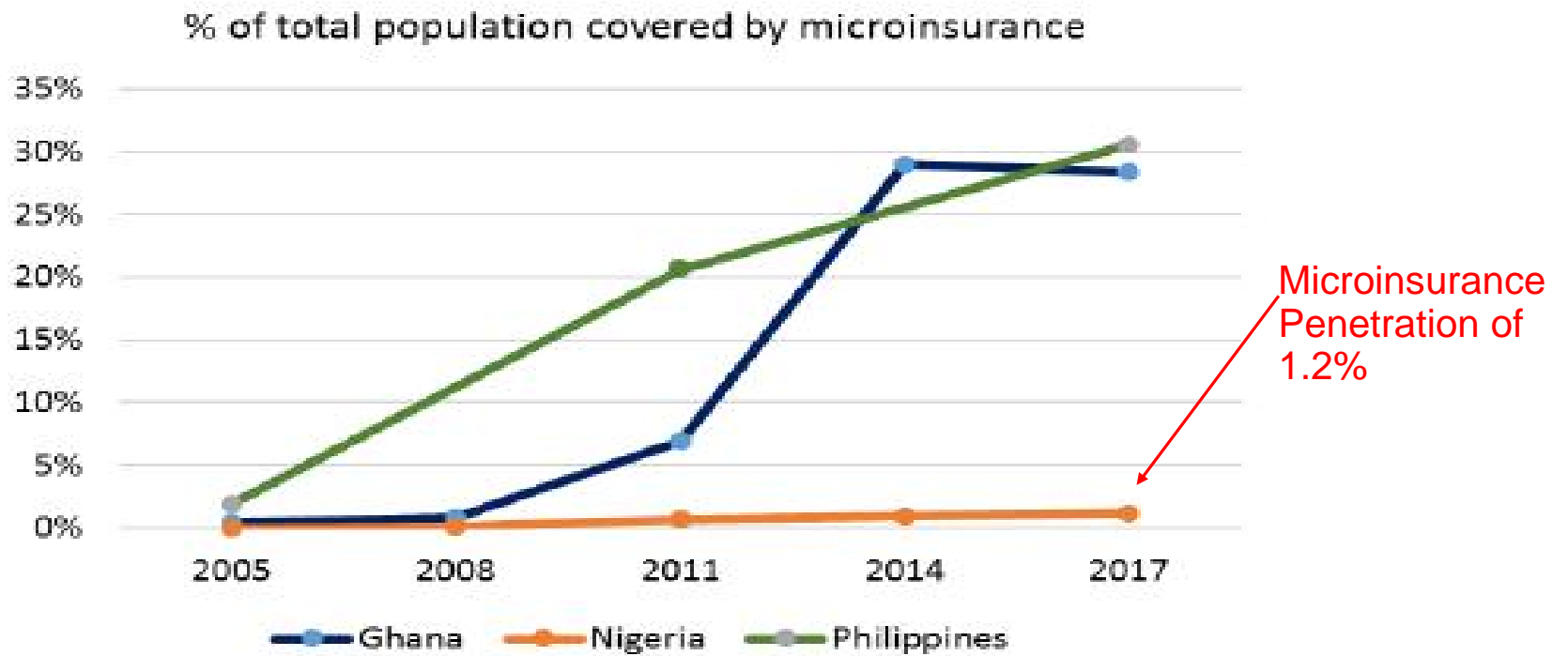




# Types of Microinsurance Coverage



## Nigeria: Landscape Study



Source: Microinsurance assessment and Landscape Study in Nigeria – EFINA 2018

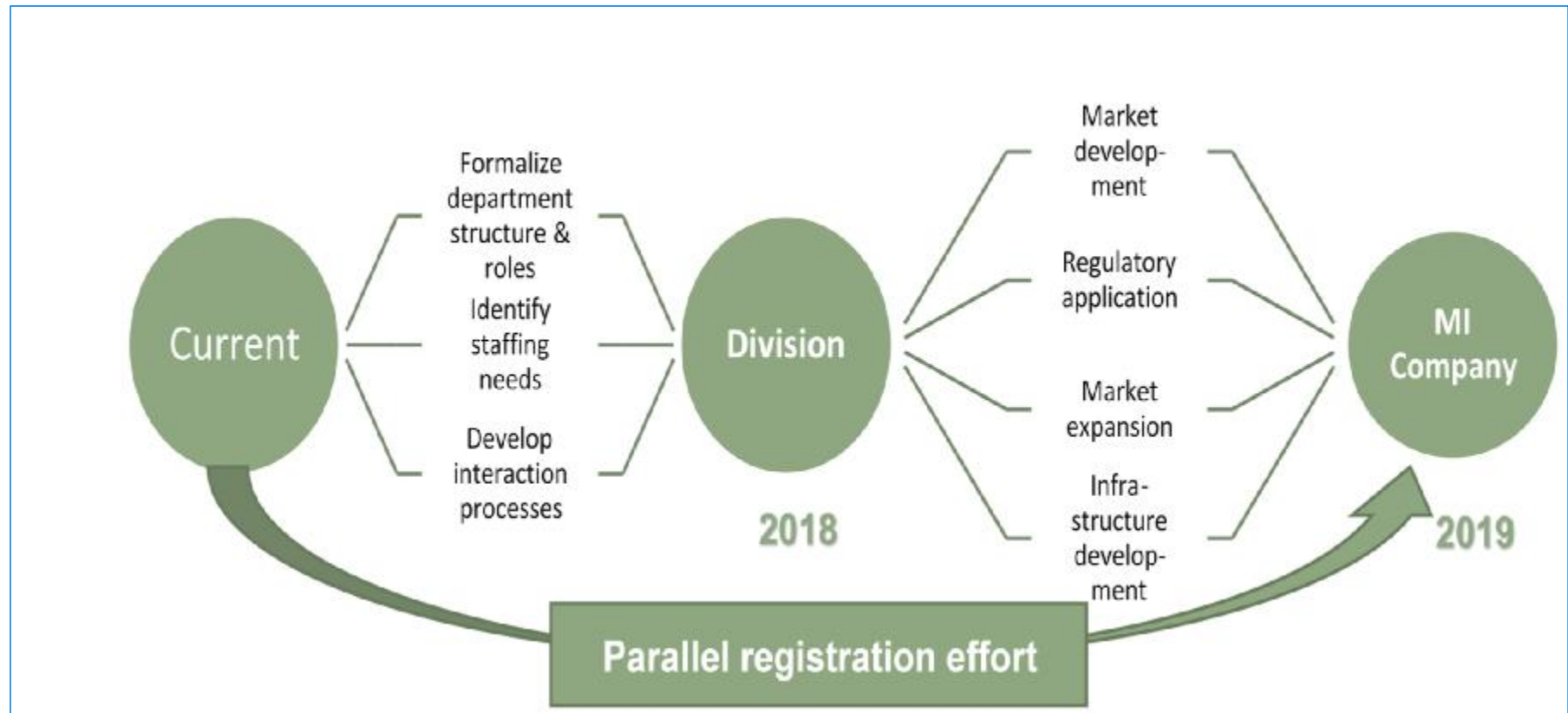
## Nigeria: Landscape Study

### Key Factors in MI Growth

	Nigeria	Ghana	Philippines
<b>% of population covered</b>	1.2%	28.3%	30.5%
<b>Potential for scale</b>	Very high	Fair	High
<b>Traditional insurers in MI</b>	Not allowed	Allowed	Allowed
<b>Use of Mobile Network Operators (MNOs)</b>	Not allowed	Allowed, extensive	Allowed, minimal
<b>Use of Bancassurance</b>	Not allowed	Allowed	Allowed
<b>MI legislation</b>	2018	2010	2006
<b>Primary distribution channels</b>	Microfinance Banks	MNOs	Mutual benefit associations (MBAs)

Source: Microinsurance assessment and Landscape Study in Nigeria – EFINA 2018

## Business Plan: Institutional Evolution



# Microinsurance Process



# Challenges

§ Balance Sheet, Income Statement, and Cash Flow Projection

§ Assumptions

§ Frequency

§ Severity

§ Policy Limit

§ Exposure Growth Rate

§ Expense Ratio

§ Profit Load

§ Payment Pattern

§ Limited data availability

§ Coverage is not yet well defined



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**Q&A**