



ACTUARIAL SOCIETY 2015 CONVENTION

Micro and Index Insurance in Kenya

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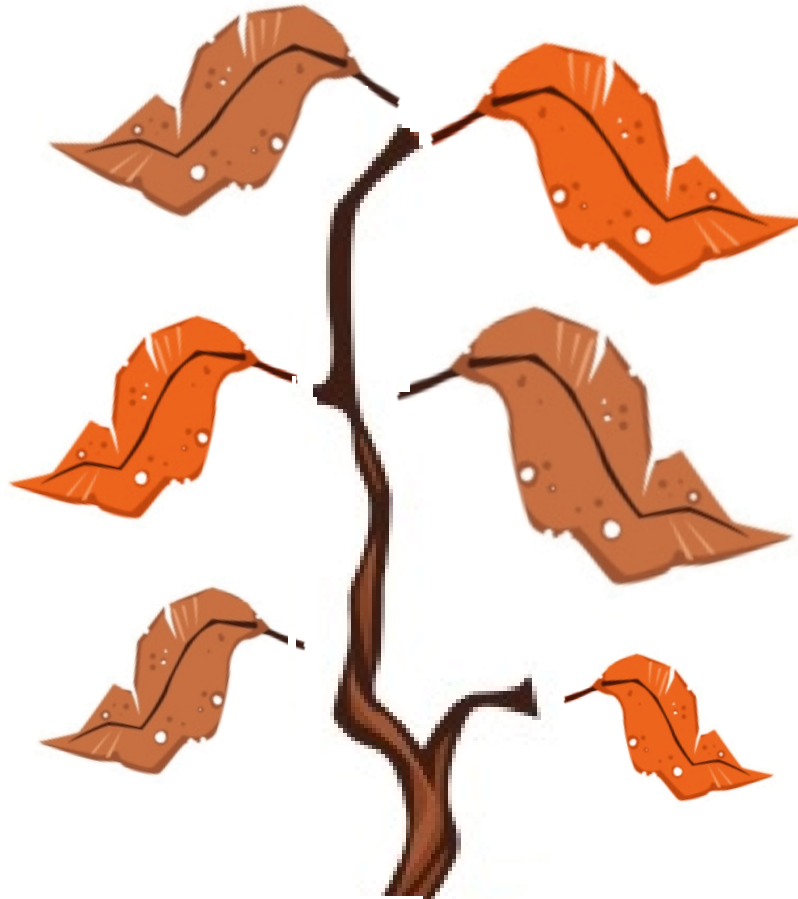


Challenges currently faced

Claim process too complicated, takes too long and too often rejected

Difficult reaching low-income section. Need individual agents and paper documents

High Capital and regulatory requirements

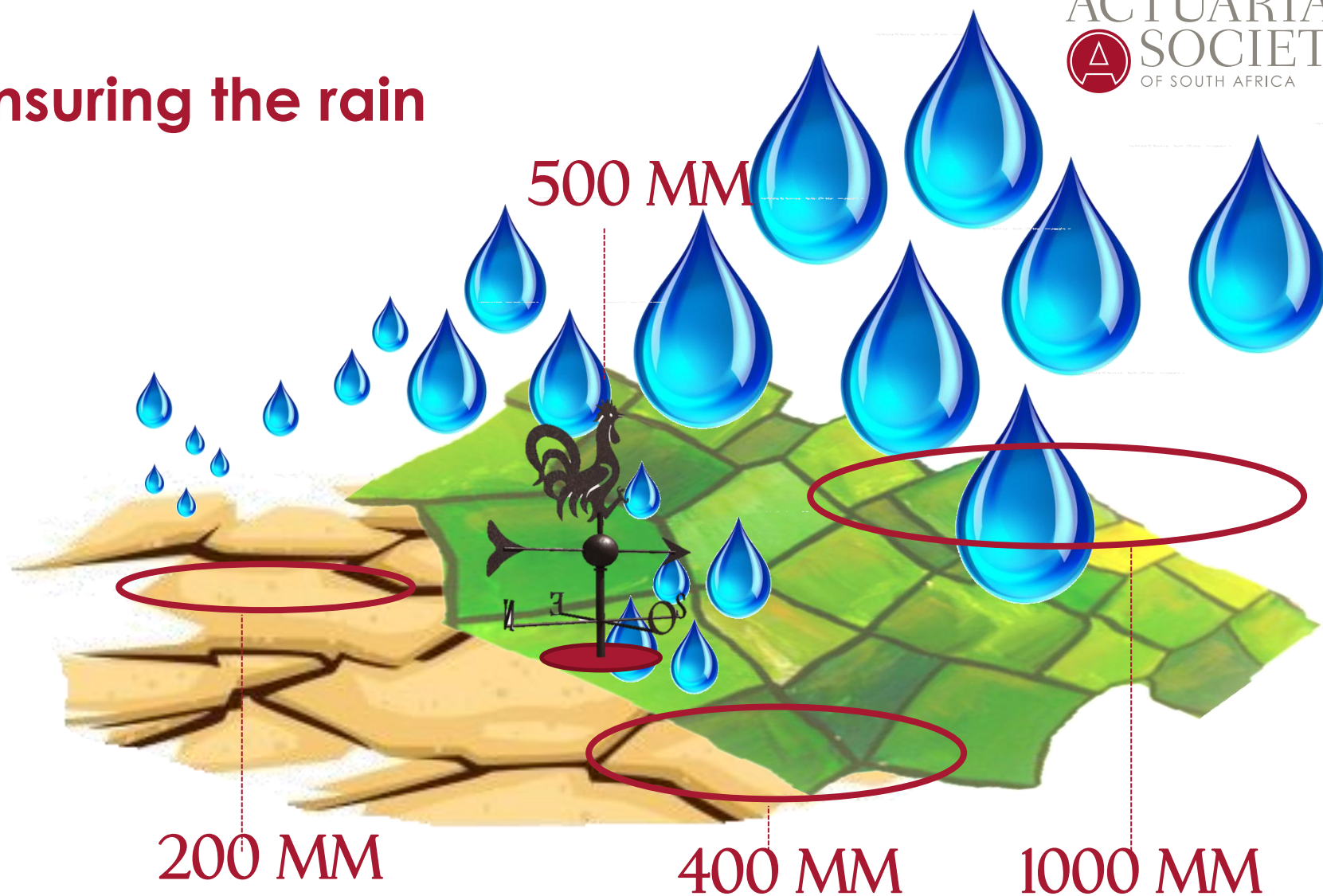


Product design not meeting low income needs – Price, Process and Risks

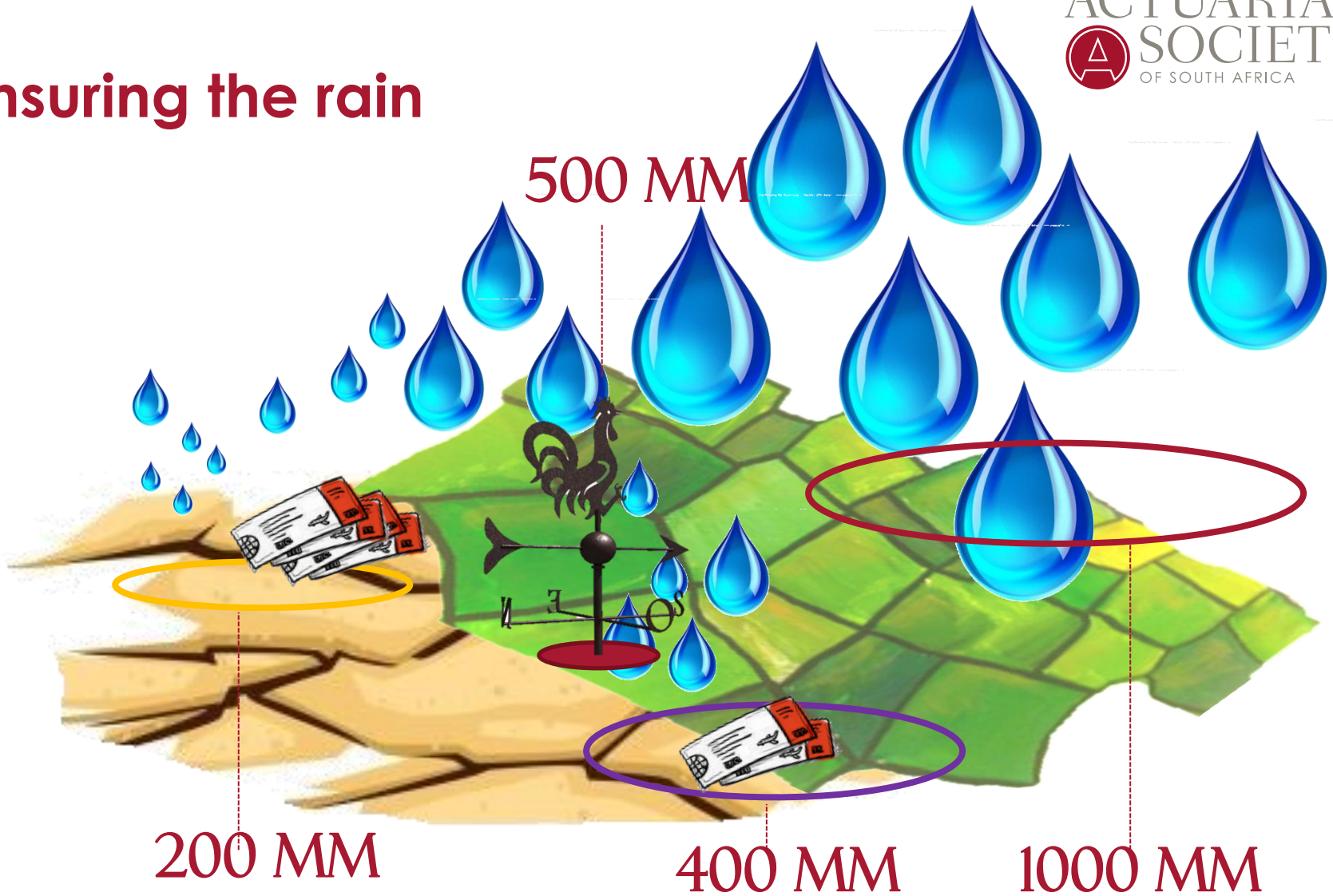
Mobile payment/claims not supported

Insurers focus on high-end income market

Insuring the rain



Insuring the rain



Key Issues to be addressed

Insurable interest not clear

- Insurers only allowed to sell insurance if policyholder has insurable interest
- Should allow for wider economic interest + mitigation costs / consequential loss



High Basis risk

- Difference between measured and actual loss
- Need to avoid fallback payments or ground-truthing
- Design must also attempt to minimize the risk

Indemnity not possible

- Payout measured by index-level, not actual loss
- No time to verify loss
- Should not be marketed as offering indemnity

Key Draft Micro Insurance Regulations

Microinsurance Agent

- Only sell approved MI products
- No CoP required
- Electronic sales permitted

Microinsurance Company

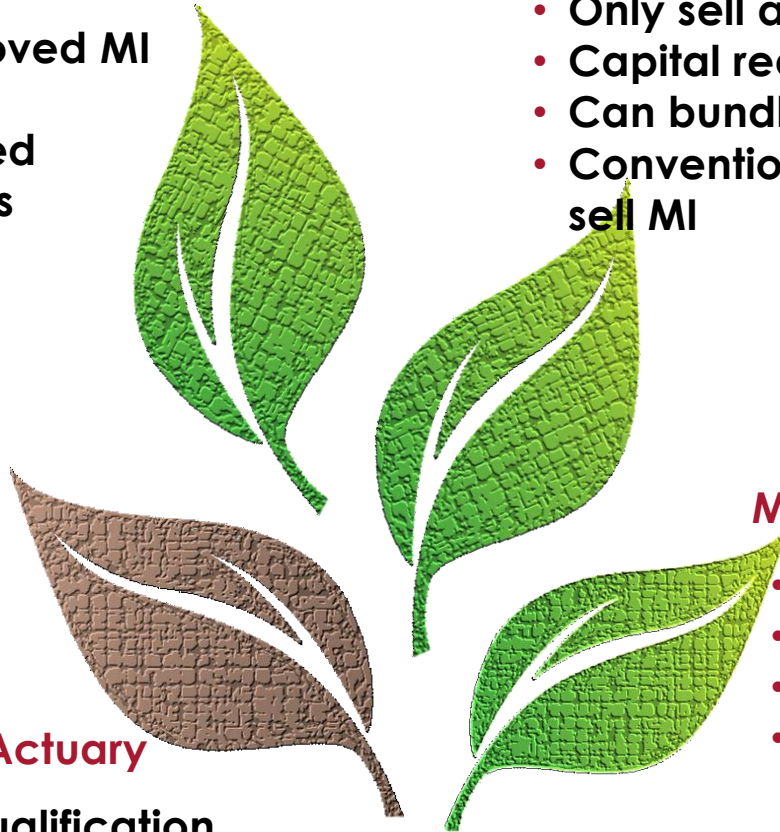
- Only sell approved MI-products
- Capital requirement of KES 50mil
- Can bundle GI and Life type MI-products
- Conventional insurance company can sell MI

Microinsurance product criteria

- Fixed sum assured
- 12 Month Max contract term
- Waiting periods & exclusions
- File and Use premiums

Microinsurance Actuary

- Associate - Qualification
- Certified Actuarial Analyst



Key Draft Index based Regulations

Determining Insurable Interest

- Insurable interest determined at inception, not if event causes a loss at claim
- Covers all adverse impacts

Design Features

- Automatic Pay-out
- Explicitly exclude Investment products
- Data must be verified and assessable to 3rd parties

Managing Basis Risk

- Permit over and under payments
- No minimum correlation – design should aim to minimize
- Require one fall back for faulty index

Require Fixed Sum cover

- Set maximum Sum-Assured
- Fixed payment for change in index-value
- Not require loss-assessment

How will this help...



Improved client experience via better application, payment and claim processes and speeds

Reduced overheads and transaction costs enables smaller premiums and higher claims ratios

Reduced regulatory requirements and greater design freedom encourages product innovation

Increased Regulatory and Legal Certainty encourages greater market participation

Thank you – Adriaan Rowan

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