

# Insuring the BOP: Not as an afterthought

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September 21, 2018.

Villa Rosa Kempinski, Nairobi

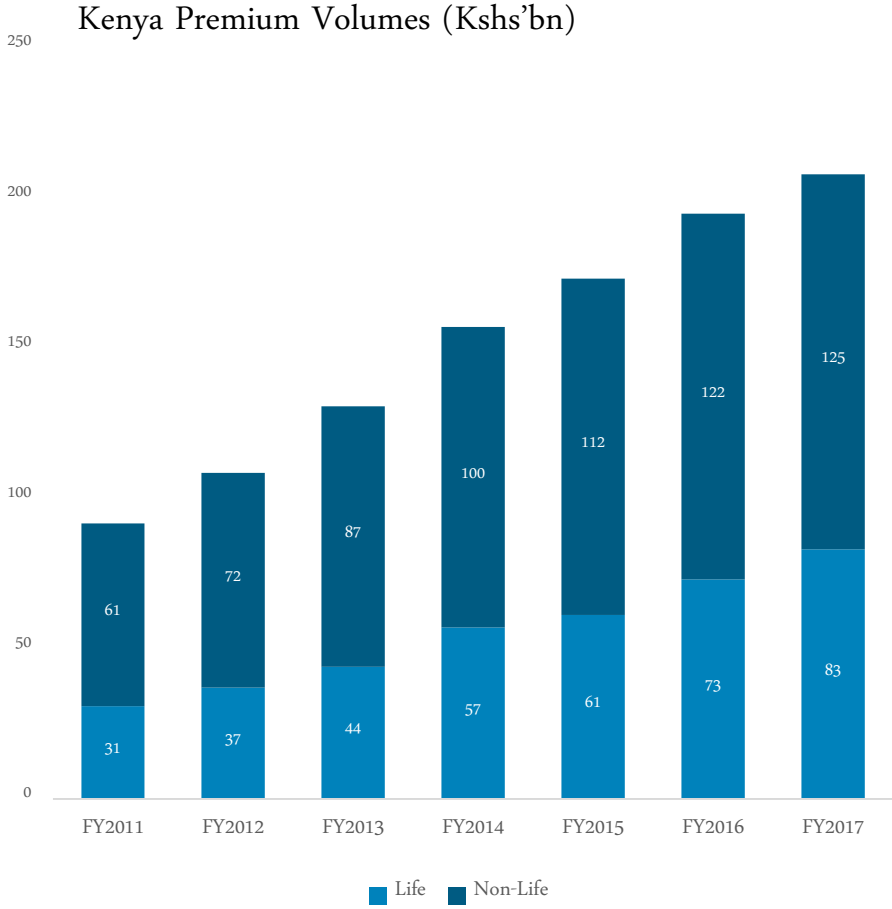
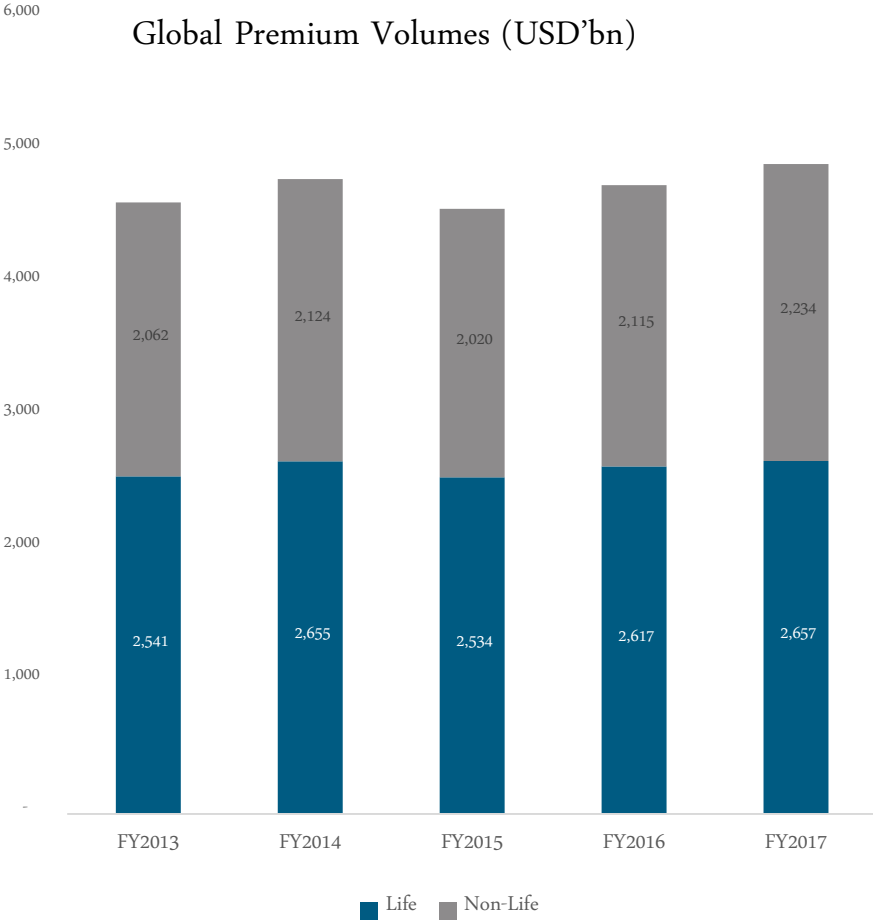


# 2017 Global Premiums rose to US\$4.89 Trillion

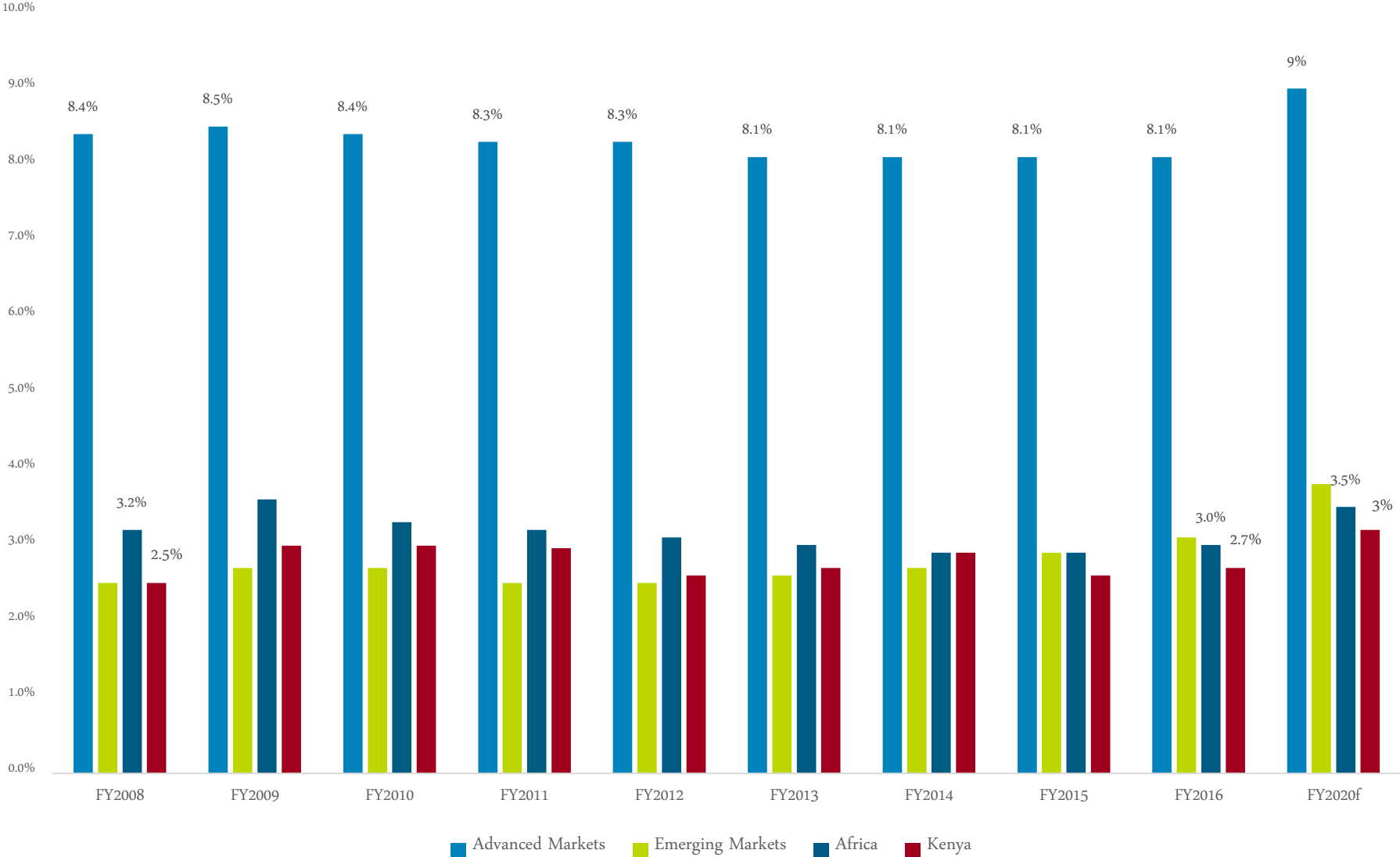


Source: Swiss Re World Insurance 2018

# Life versus Non-life premiums

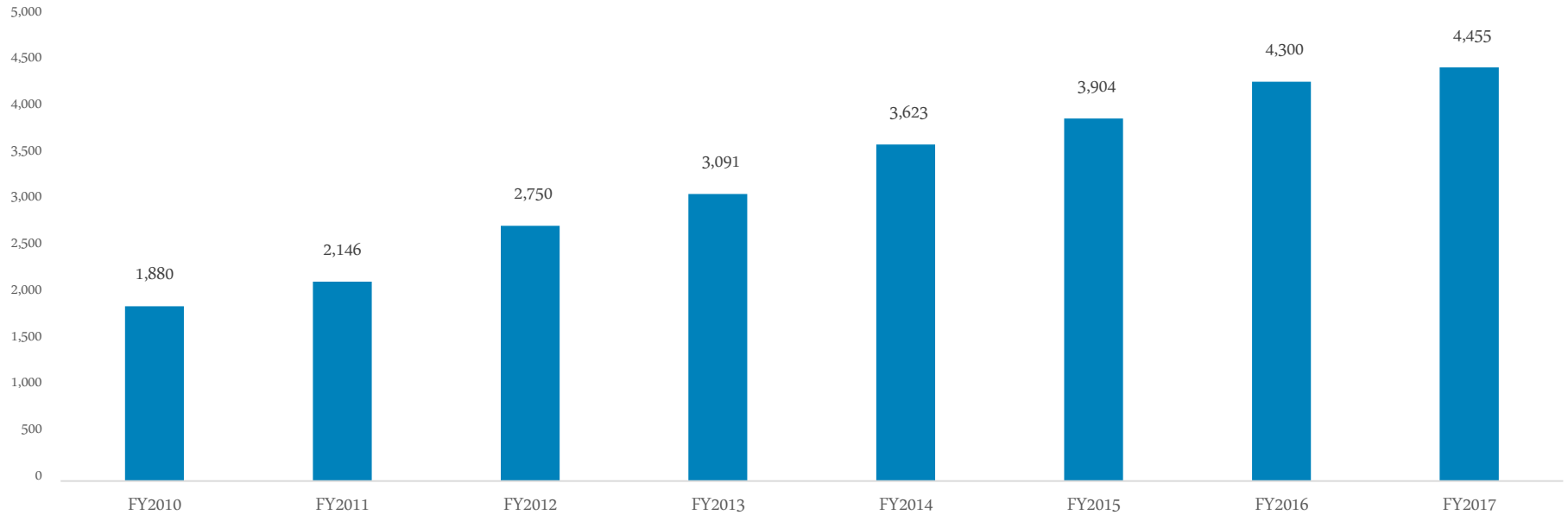


# Insurance penetration still remains low in Africa (and Kenya)



Source: Ecobank Research

## Is there a cost element to it?

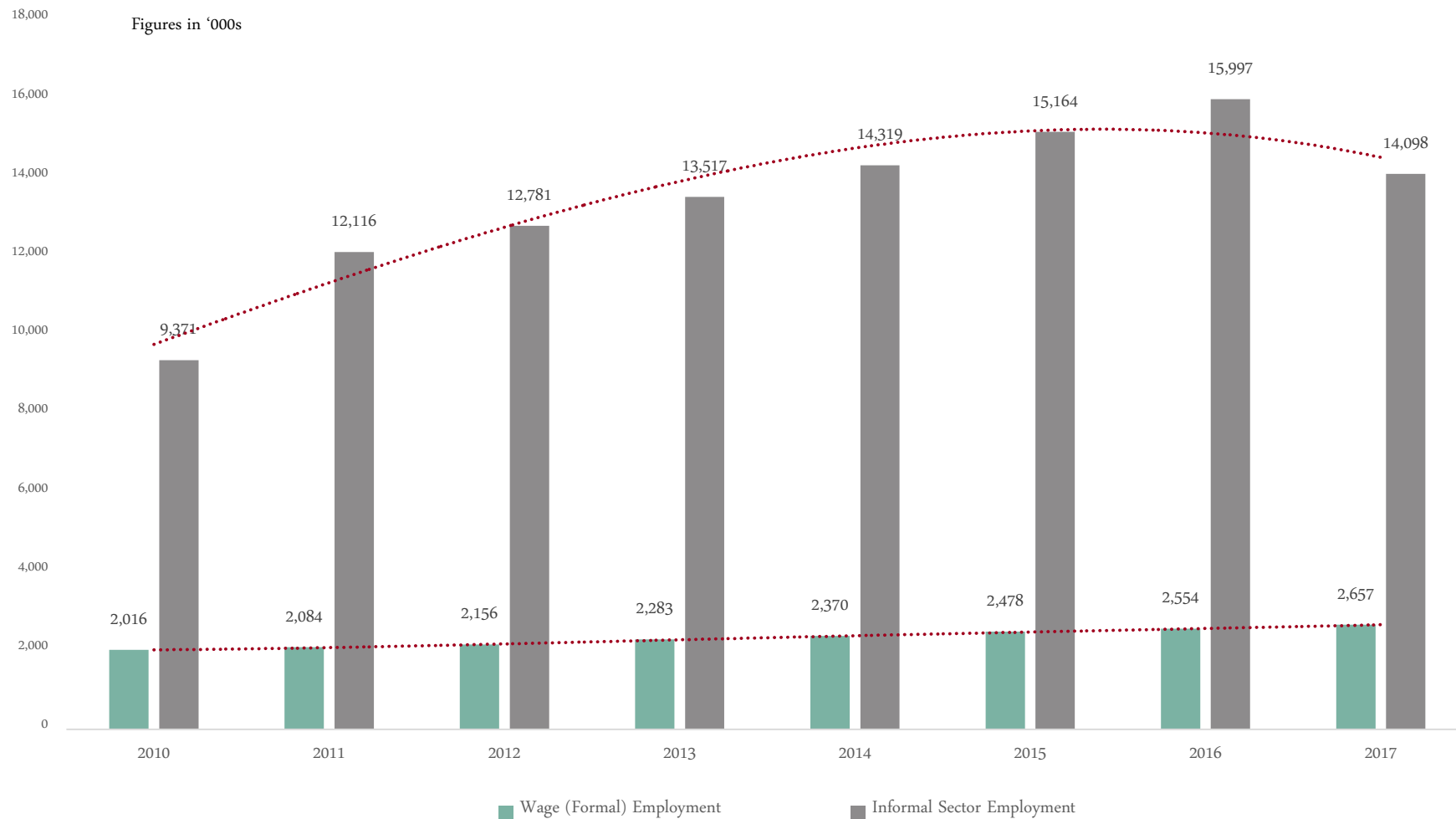


The insurance industry contributes to the economy through savings mobilisation and investments in government securities, deposits, capital markets and the real estate. Consequently, it becomes a matter of concern when penetration is low. As shown in the previous chart, insurance penetration in Kenya (and Africa as a whole) is generally low. At the close of 2017, penetration, defined as the ratio of premium written to the gross domestic product (GDP), stood at 2.7%, comparing unfavorably to the global rate of 8%. However, the low penetration probably has correlation to the costs.

Indeed, insurance density, which represents the ratio of premiums written to the total population of a country, and which generally gives an indication of how much each of the people in a country spends on insurance in terms of premium, rose to Kshs.4,455 in 2017. This is a general reference to **insurance spend** in the country. **They are relatively elevated.**

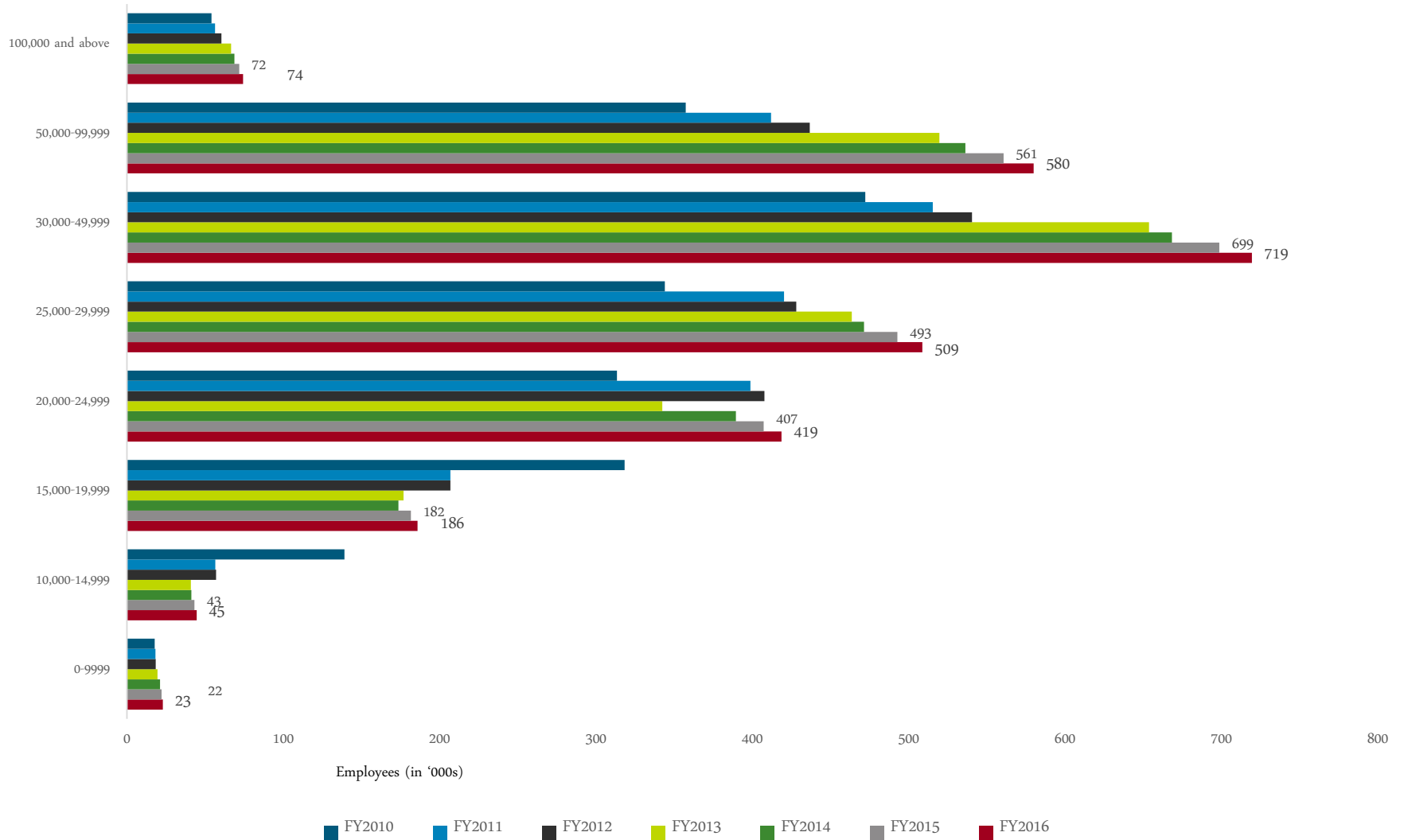
## But Wage Demographics Paint a Grim Picture

# The economy isn't generating jobs as fast as required...



# Wage distribution by monthly income

Monthly Income (Kshs)





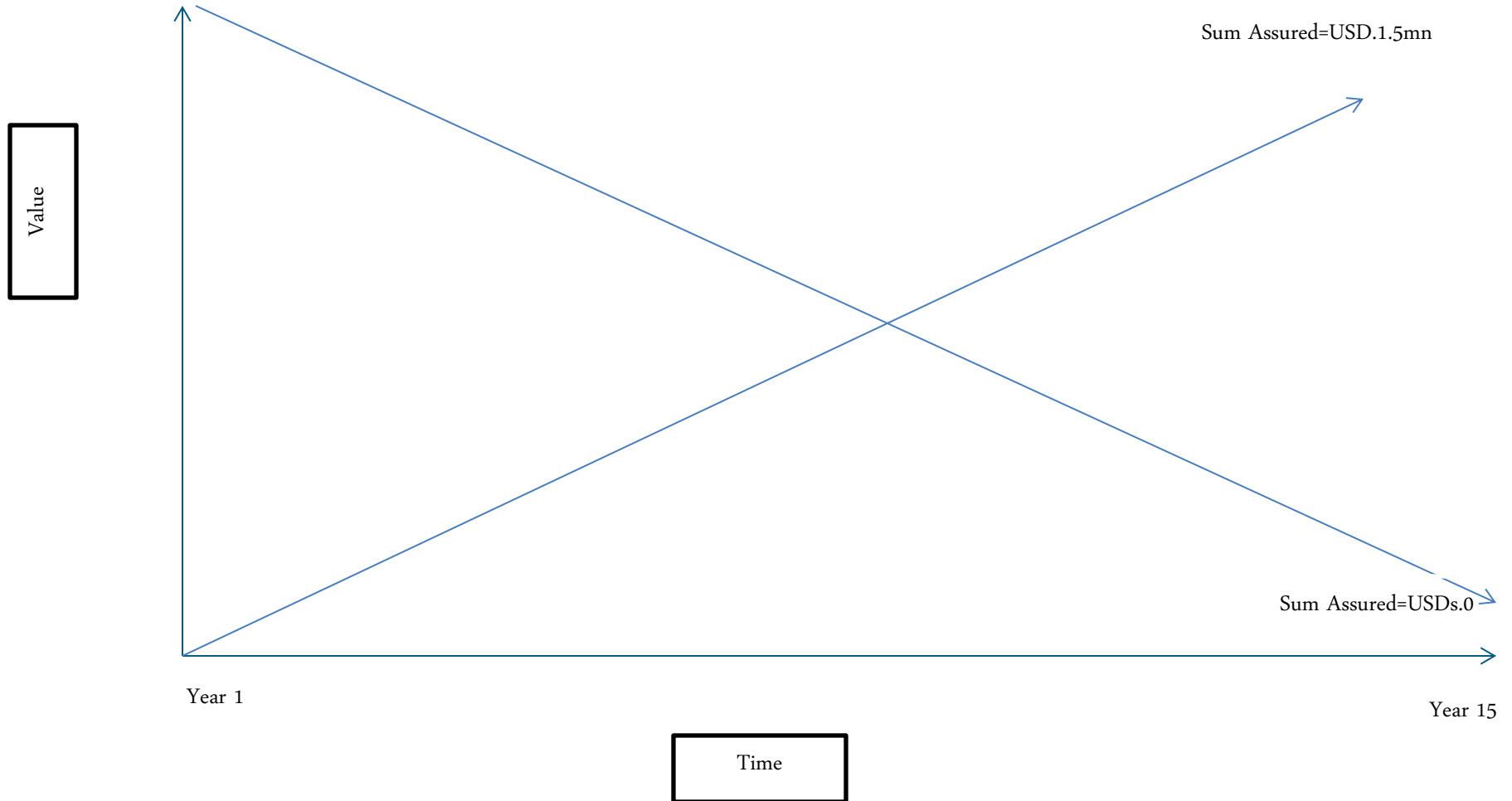
## Let's look at the formal employment...

- Data from the Kenya National Bureau of Statistics (KNBS) showed that in 2017, there were 2.6 million wage employees in the formal sector. Out of this number, only 3% (or around 78,000 persons) had earnings above Sh100,000. That's not a typo. **This is a very stark statistics.**
- But despite the pool gradually thinning, insurance firms have continued to emphasize on it.
- Over time, this fixation has rendered price as the primary competitive point, hence incubating such malpractices as underpricing.
- The economy doesn't look like it's about to start churning out more collared jobs either. So the truth is that the informal market is the next growth story for insurance sector. This is the Bottom of the Pyramid (BOP).
- In as far as premium growth is concerned, the next growth story lies in Karatina, Gikomba or Kibuye market traders (and similar segments)-and not salaried employees.
- This now means that product development needs to take a bottom-up approach as opposed to the current scenario where insurance firms design products in the boardroom by imagining client needs (I mean I have personally experienced this phenomenon). **I will demonstrate in the last slide.**
- Additionally, insurance firms must adapt to their clients' cash flow cycles.
- Finally, An insurance firm cannot distribute such products through the traditional agency channel, which comes with its own in-built costs.
- The mobile phone now becomes an important tool in this distribution re-engineering

## Product side issues

- Bundling: How can we bundle insurance products with, for instance, banking sector products-such as Savings Accounts guaranteed with a life cover.
  - Research: Are you conducting robust market research before launching or merely developing products in the boardroom? And if you've undertaken research, did you ask the right questions?
  - Segmentation: do you understand your customer needs and cashflow cycles? Does the customer have to adjust their lifestyles to accommodate you or should it be the reverse?
  - Pricing: does your pricing take into account the particular segment that the product is targeting?
  - Awareness: Is the intended market aware of the product? Do you have a well-equipped sales force to avoid mis-sellings?
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# My Story....





Thank you

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