# Insuring the uninsured

Exploring potential in the Nigerian insurance market using data from the EFInA Access to Finance in Nigeria 2010 survey

Christine Hougaard & Mia de Vos, Cenfri
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What's the story?

Huge potential market: almost 85 m adults
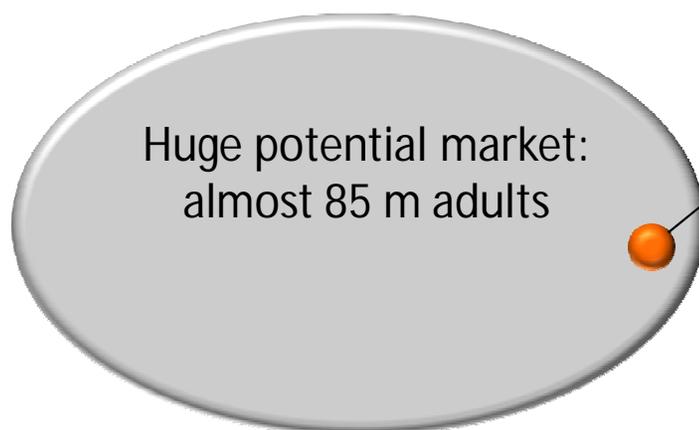
Tiny current market: only about 800,000 have insurance

HOW DO WE CHANGE THIS?

The dataset can help us to understand:

- Why do most people not have insurance?
- What is the profile of the market?
- How can they be reached?
- What segments can we define?

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Structure of the presentation

1. Context
2. Current usage
3. Unlocking the uninsured market
   A. Challenges
   B. Potential market
   C. Touch points
   D. Segments

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Before we start...

- What is microinsurance?
    - Insurance accessed by the low-income market → but we took a broader view
- Methodology
    - EFInA A2F survey 2010: nationally representative, sample designed by NBS, 22,569 adults, weighted up to total population
    - Basic data analysis to tap all that the survey has to say on insurance
- Limitations
    - Small insured sample size
    - 33% did not disclose their income
    - Difficult to compare 2008 and 2010 results

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1. Context

Population profile

Economic context

Insurance market context

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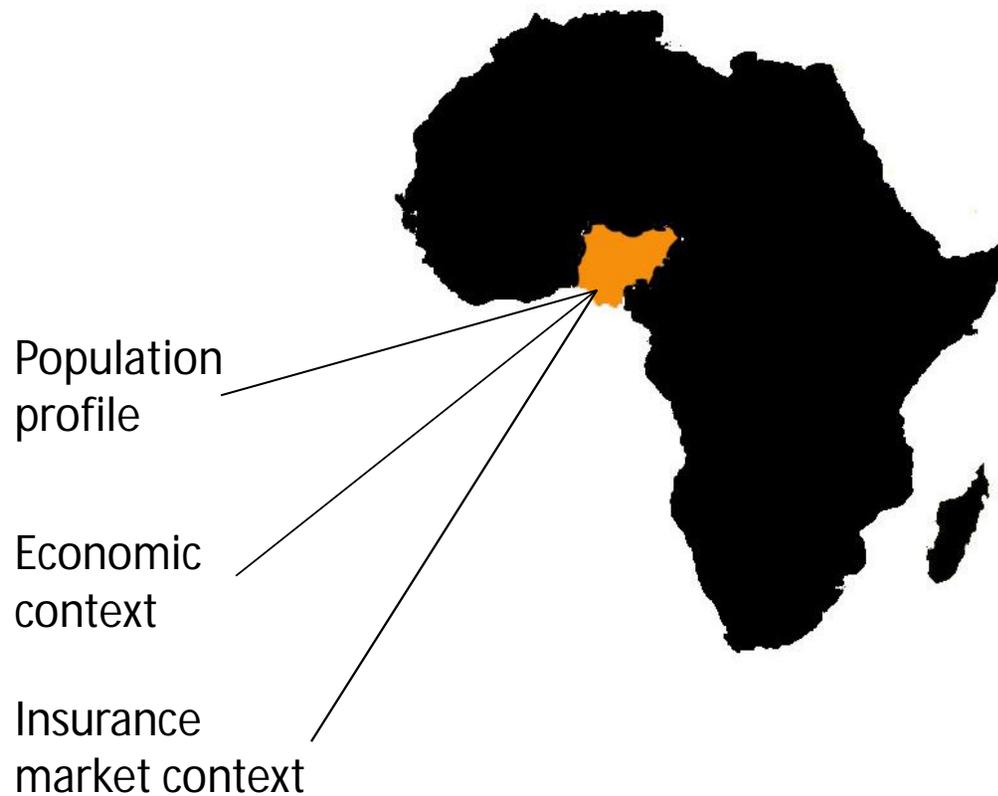
150m people, of which 84.7m adults

☐ 69.5% rural, 51.2% male, more than half below 34 years

34%: <N6,000

- 21.5% : N6,000 - N20,000
- single biggest income band N6,001-N13,000

very small higher end

Personal monthly income in Naira

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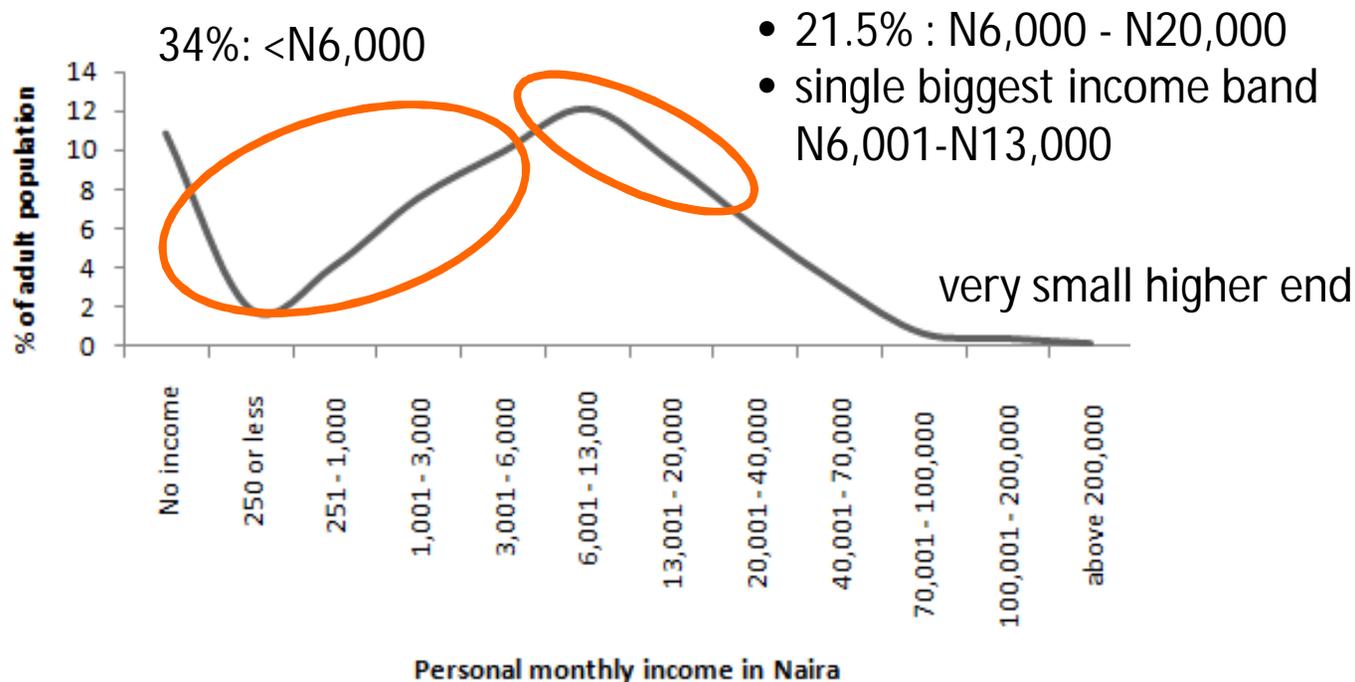
44th largest economy, 5% plus growth, but…

- 70% < $1/day
- 7 out of 10 remain unbanked
- Thriving informal economy (up to 75% of econ activity), only 13% full-time employed

Self-employed 45.0%
Student 16.1%
Employed full-time 13.3%
Housewife 12.2%
Unemployed 8.3%
Employed part-time 2.7%
Pensioner/Retired 2.4%

Employment status

0   10   20   30   40   50

% of the population

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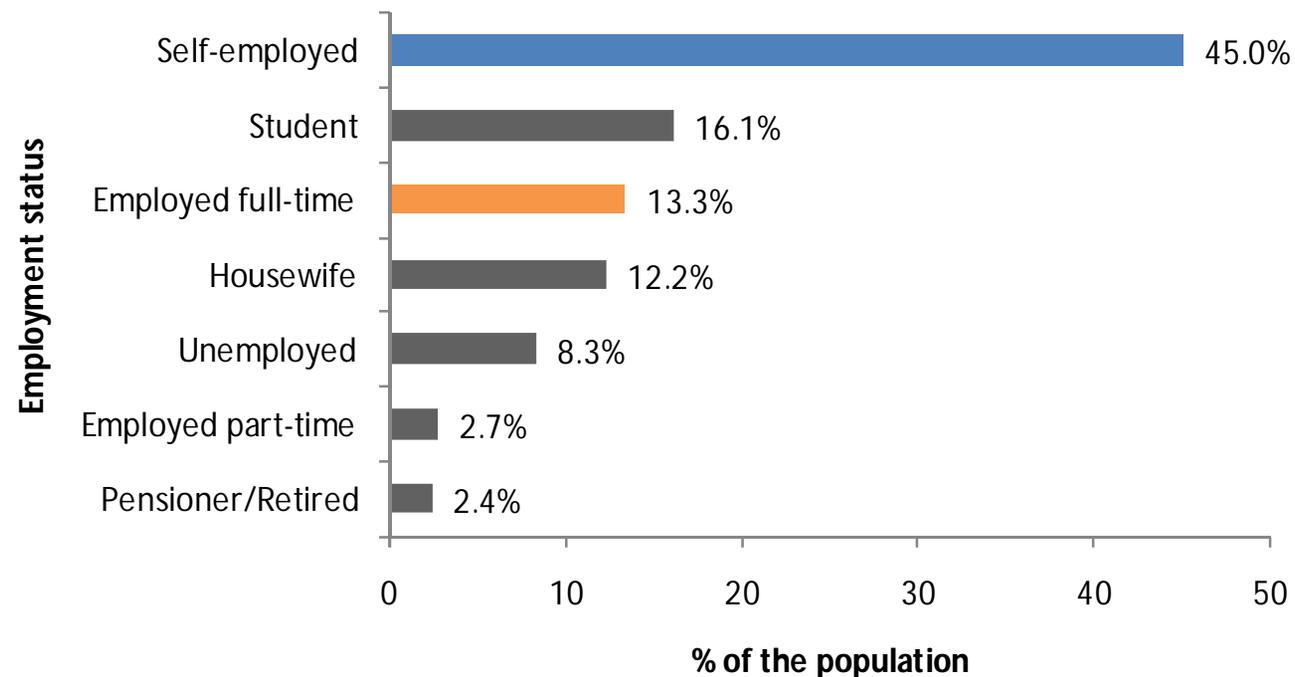
Current market focused on non-life, corporate business

- NAICOM consolidation process, 2005-2007
- 22 non-life (84% of premiums, mostly motor), 20 composite, 7 life
- Small sector:
  - 0.7% of GDP vs. 3.3% Africa average, 7% world average
- Corporate focus, retail expansion challenged by premium collection
- A number of mandatory products:
  - Enforcement challenge
  - High incidence of fake compulsory insurance

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2. Current usage

Insured
0.96 %

816,860 individuals

83,894,431 individuals

Uninsured
99.04 %

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Usage tree

Life Related
188 987 adults
23.1% of the insured

Long Term
271 479 adults
33.2% of the insured

Savings Related
60 601 adults
7.4% of the insured

Other
21 891 adults
2.7% of the insured

Total Insured
816 860 individuals

Asset Related
554 596 adults
67.9% of the insured

Short Term
651 322 adults
79.7 % of the insured

Other
96 726 adults
11.8% of the insured

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Usage broken down

% of those with short-term insurance:

Category	%
Car/Vehicle/Motorbikes	58.8%
Building	7.2%
Medical	7.1%
Credit Life/Loan Protection	3.1%
Household contents insurance	1.9%
Travel	1.6%
Group accident provided by employer	0.0%
Livestock	0.0%

% of those insured

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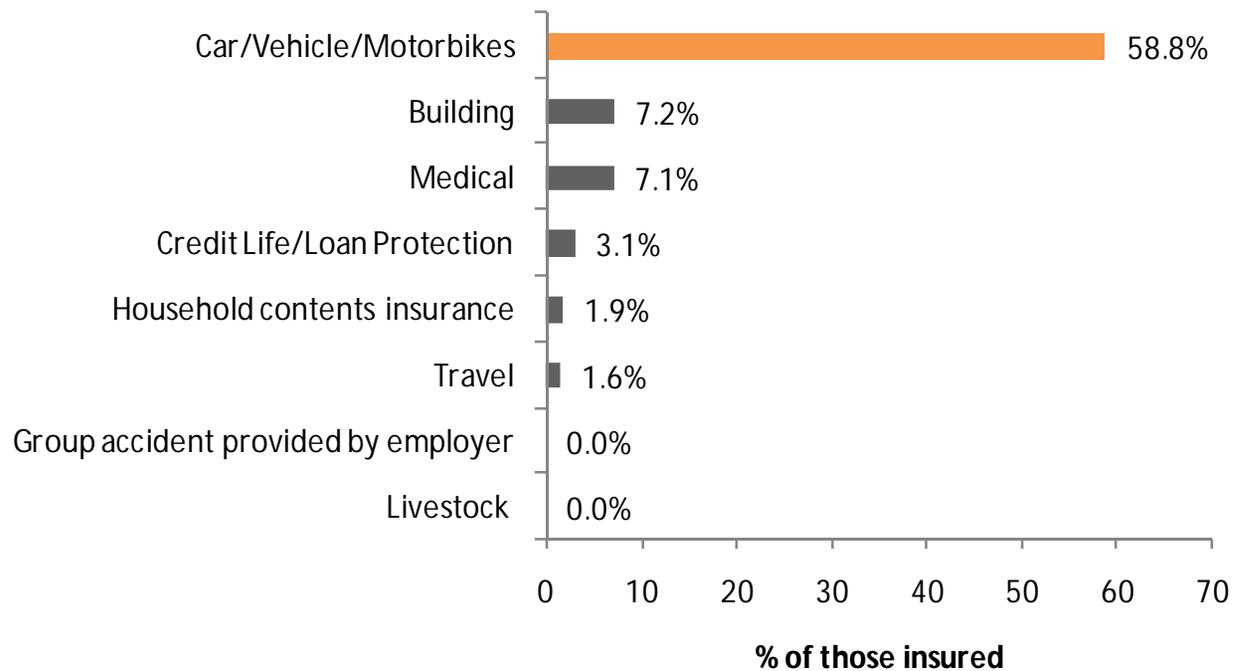
Usage broken down

% of those with long-term insurance:

	%
Life assurance	21.6%
Education plan for children	5.2%
Others	2.7%
Endowment/Investment saving plan	1.8%
Personal accident disability insurance	1.5%
Annuities	0.5%
Mortgage protection	0.0%

**% of those insured**

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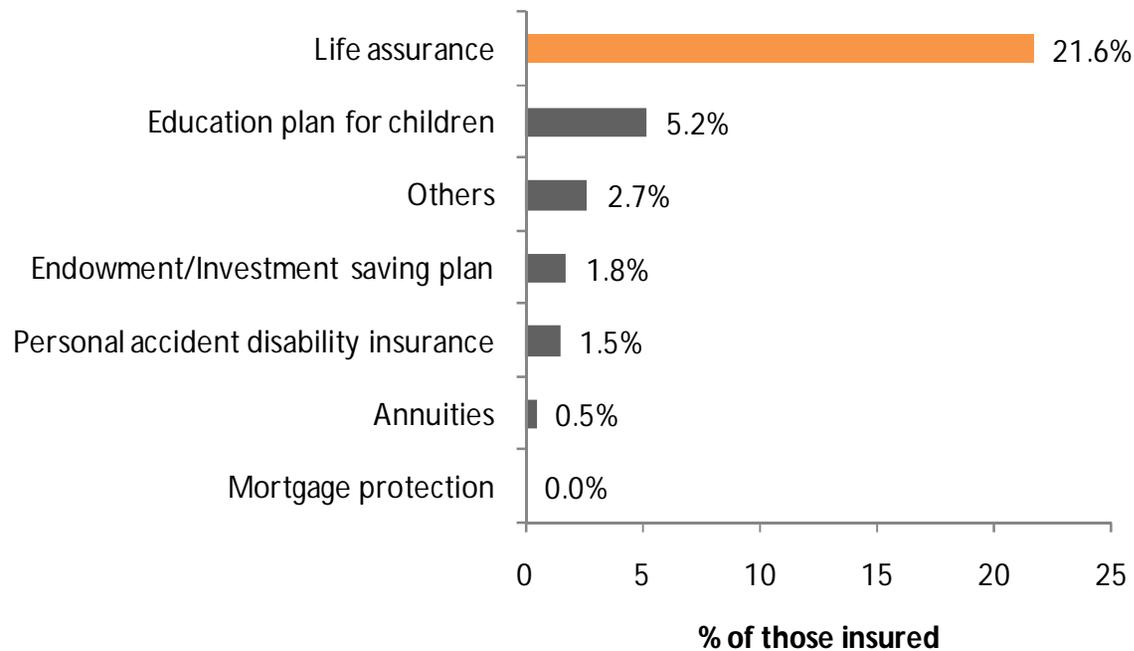
Who are the insured?

- "Rich, middle-aged, urban men"
    - 26.8% 35-44, 22.7% 45-54
    - 80.6% male
    - 65.3% urban
    - 88.4% banked
    - 96.5% mobile phone
    - 42.8% full time employed, 34.4% self-employed
    - >70% tertiary education
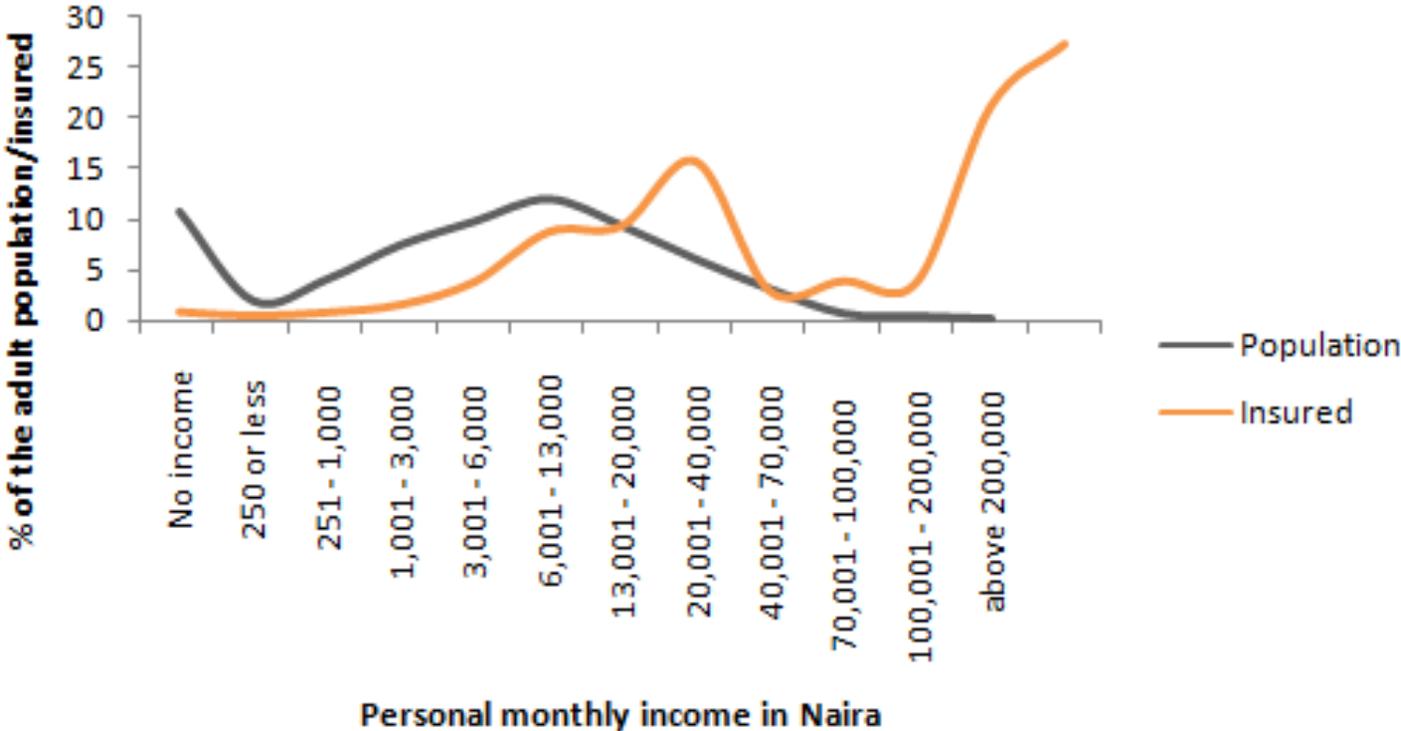
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Who are the insured?

3. Unlocking the uninsured market

A. Challenges
B. Potential market
C. Touch points
D. Segments

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A. Challenges - what drives low usage?

Reasons for not having insurance

Horizontal bar chart titled "Reasons for not having insurance" with x-axis "% of those uninsured" ranging 0 to 40:
- I do not know the benefits of having one: 36% (Usage barriers)
- I do not believe in insurance: 31.6% (Usage barriers)
- I do not know where to go and get one from: 10.6% (Usage barriers)
- They are cheats they do not settle claims: 5.1% (Usage barriers)
- Cannot afford to pay for insurance: 34.3% (Access barrier)

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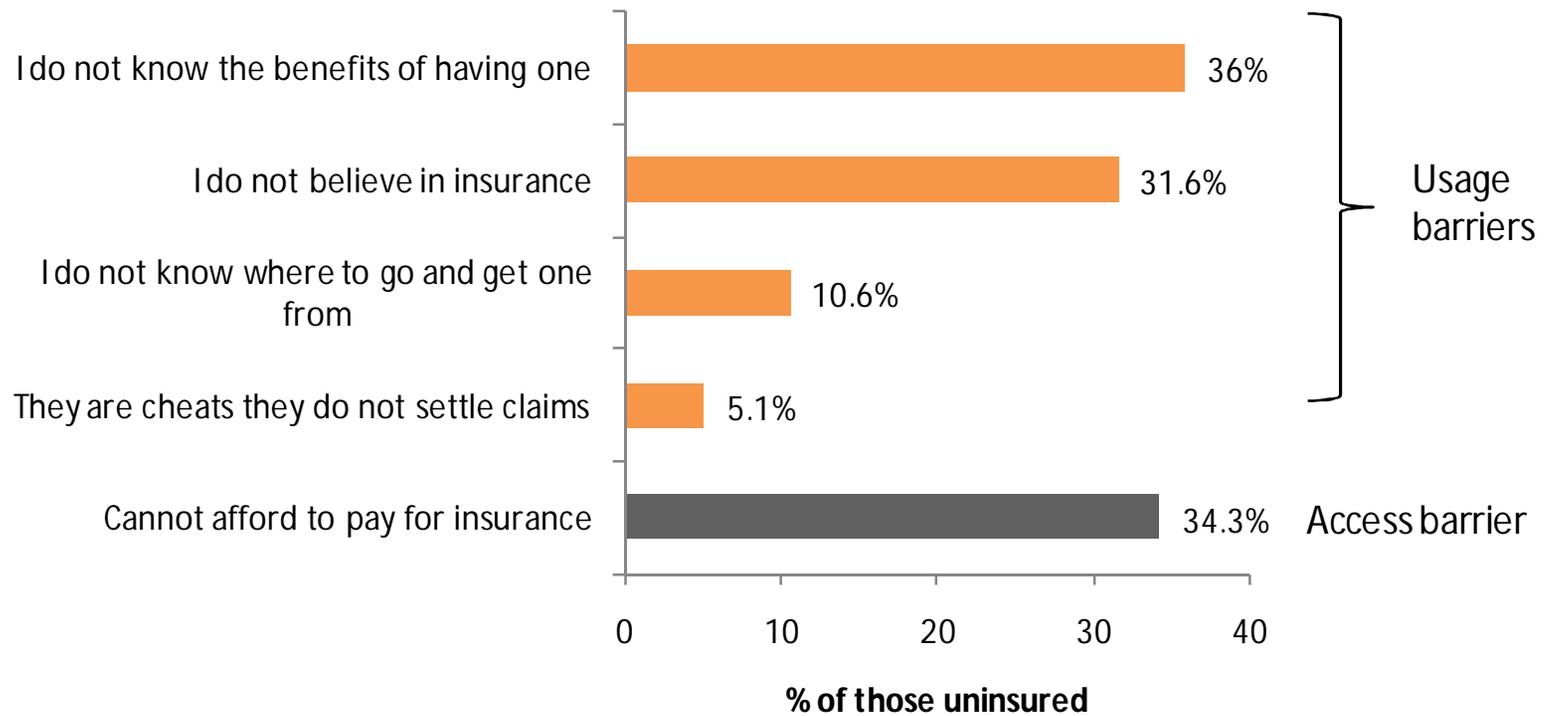
# A. Challenges - what drives low usage?

☐ 64% of Nigerian adults have never heard of or do not understand what "insurance" is

% of adult population

Legend:
- Heard of and understand
- Never heard of/heard of but don't understand

Categories (top to bottom):
Internet Banking, Mobile phone banking, Microfinance, Insurance, Savings account, Investment, Interest, Banks

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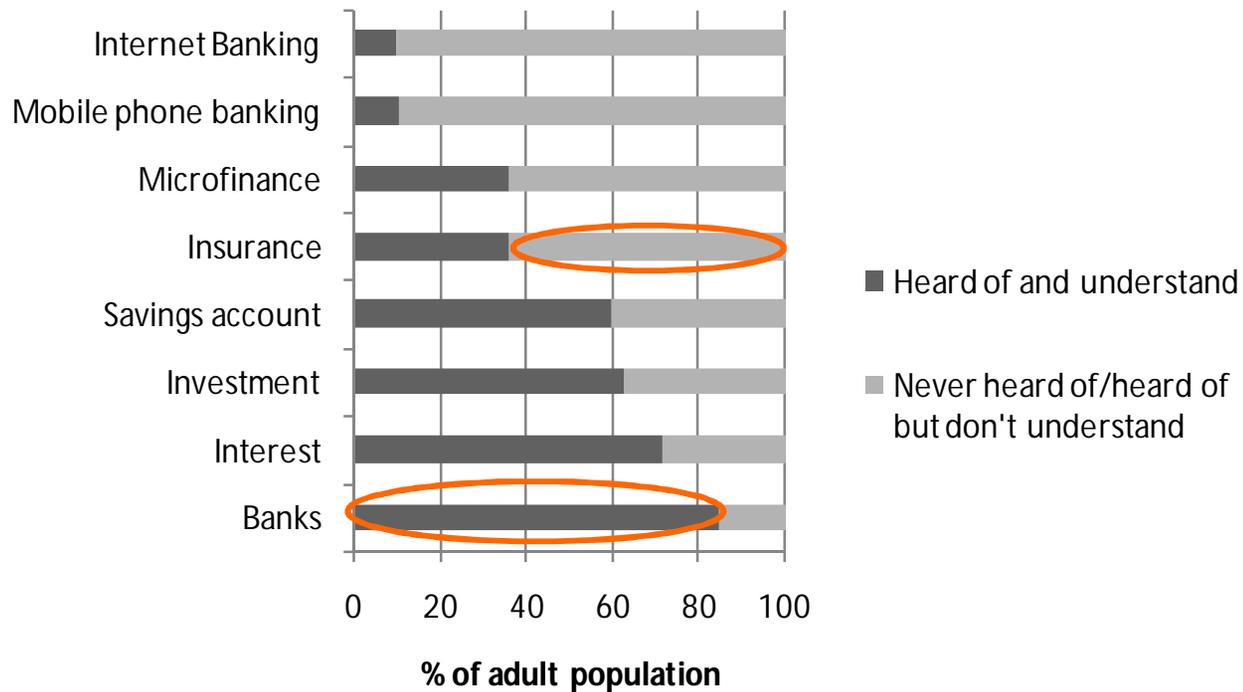
B. Potential market

□ Saving for insurable needs:
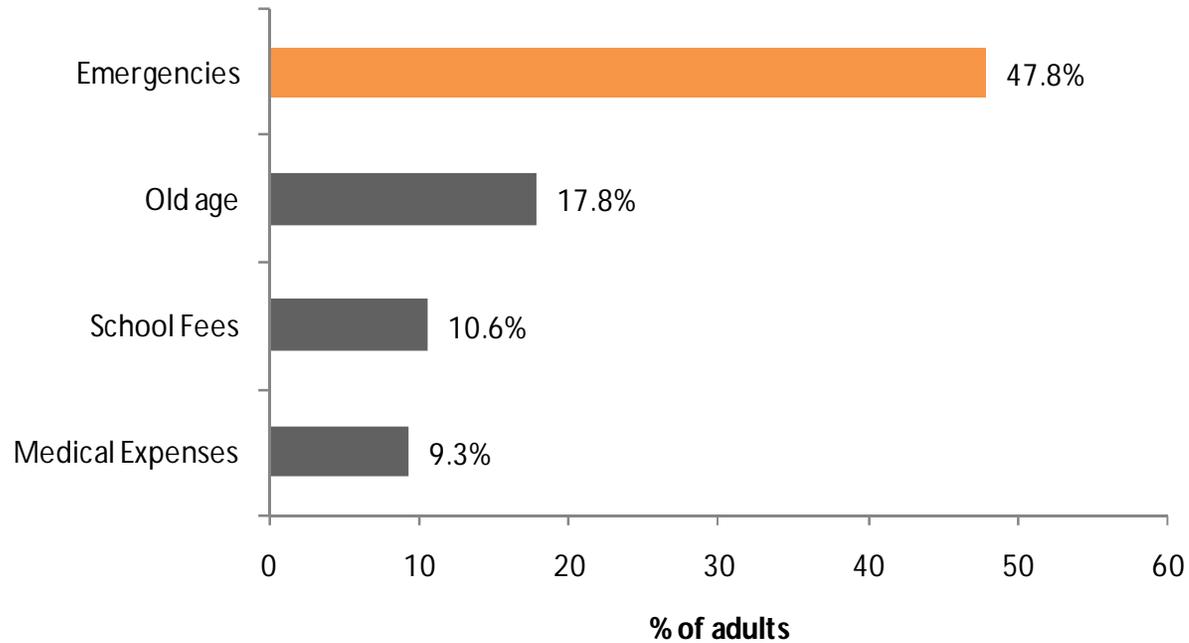
B. Potential market

☐ Own insurable assets:

Insurable assets	% of the adult population
Colour TV	59.2%
Music Set	58.80%
DVD Player	39.6%
Video	26.1%
Fridge/freezer	20.7%
Car	9.1%
Black & White TV	5.1%
Cable Satellite	4.7%
Satellite Dish	4.0%
Air Conditioner	2.8%
Many Cars	0.95%
Washing Machine	0.23%

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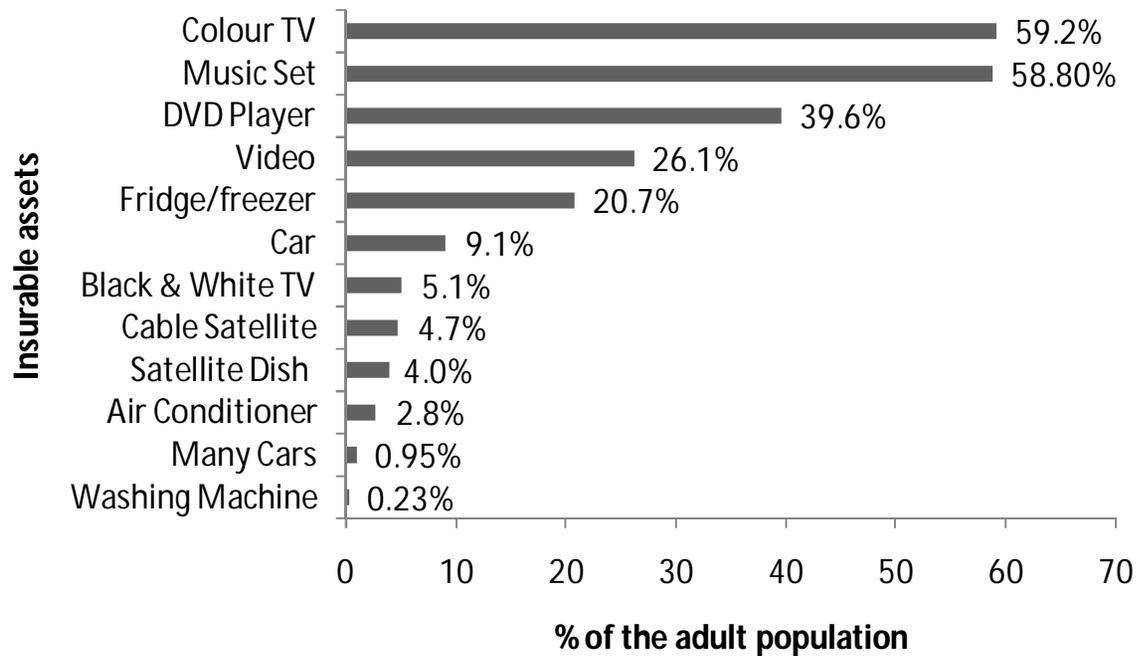
B. Potential market

Exposed to insurable events:

Event	% of adults
Death of a relative in the household	50.1%
Serious illness of a household member	21.2%
Theft of household property	18.7%
Failure of business	18.6%
Theft of agricultural crop/livestock	9.8%
Vehicle/car accident	9.3%
Member of household lost job	9.2%
Agricultural crop/livestock destroyed by fire	8.3%
Fire in the household	5.8%

% of adults

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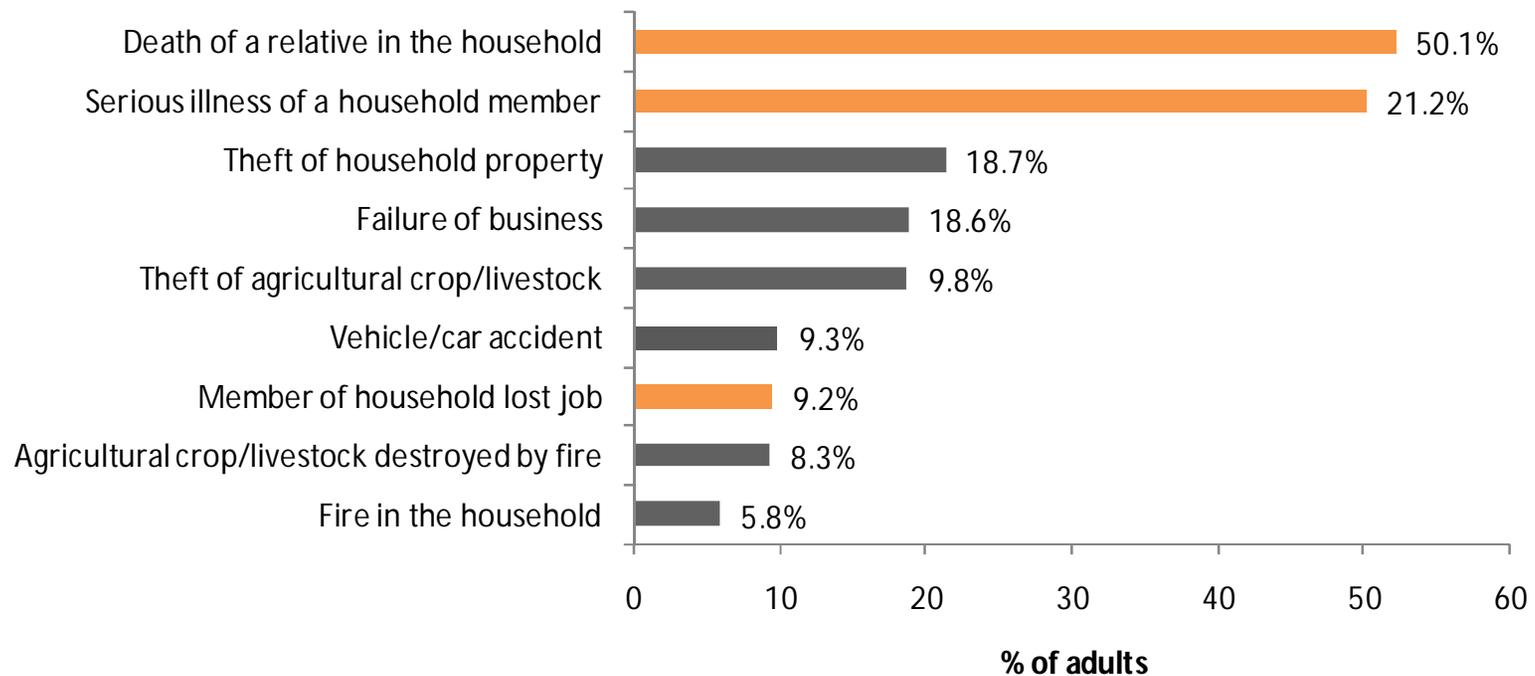
B. Potential market

- Use sub-optimal coping mechanisms, for example in the event of death of HH member:

Coping mechanism	Percentage
Did nothing	49.7%
Use own savings	24.4%
Wait/ask for donations	10.5%
Borrow money family/friend	9.6%
Borrow money from other sources	4.1%
Cut down on expenses	3.7%
Don't know	3.3%
Sell livestock	2.2%
Sell assets	1.8%
Borrow money from employer	0.3%
Used insurance policy	0.3%

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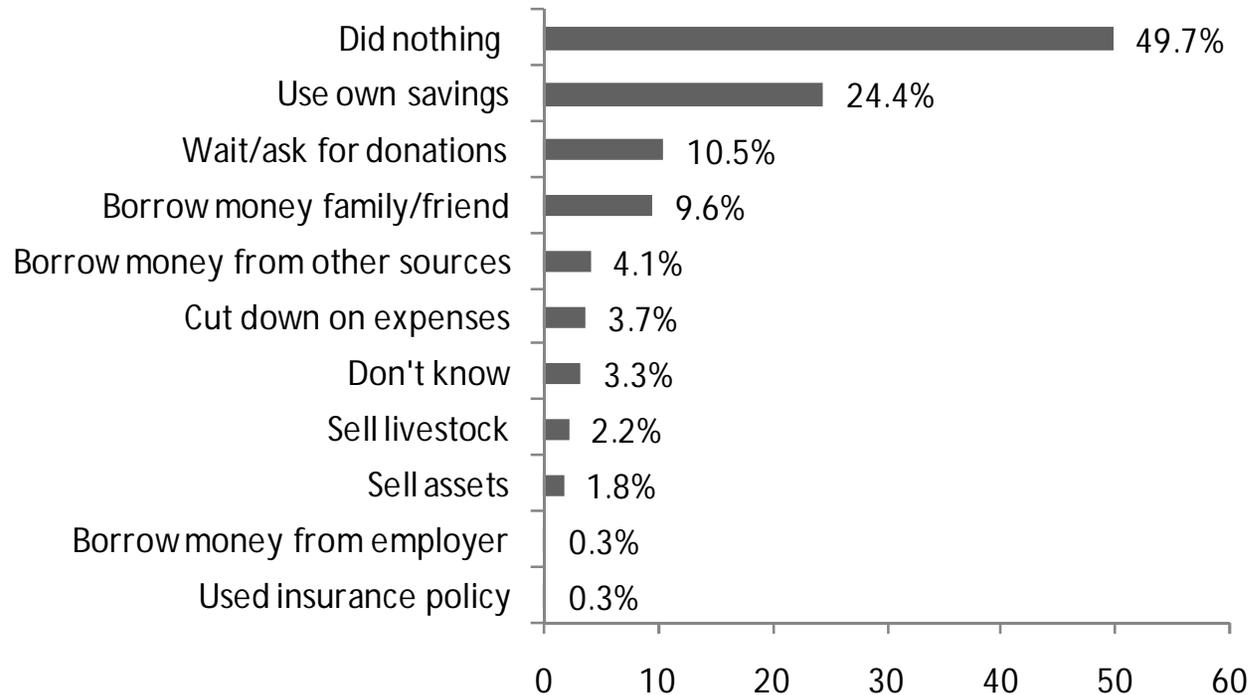
C. Touch points – how to reach them

☐ Many people are already 'connected' in some way

Category	Percentage
Mobile Phone	58.1%
Banked	30.0%
Belong to informal society/savings club/cooperatives	15.2%
Live near a post office	13.8%
Electricity Bill	12.4%
Belong to a village association	7.9%

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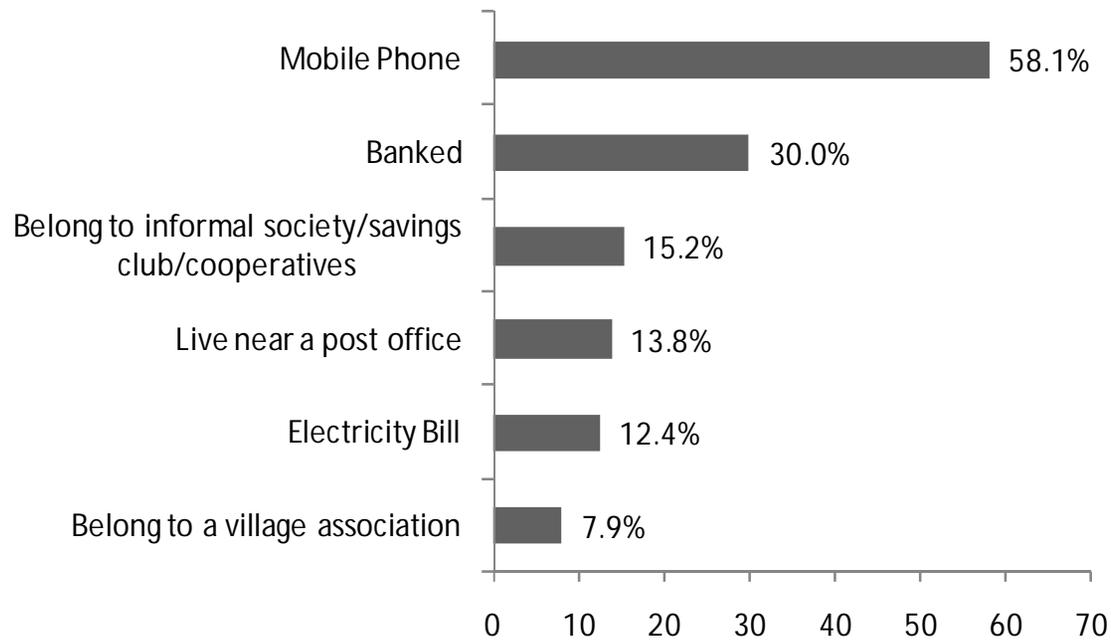
C. Touch points – how to reach them

□ Different layers of touch points

Mobile phone 58.1%

28.2%

10.8%

Informal society/ savings club   4.6%

15.2%   4.9%

Banked 30%

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C. Touch points – how to reach them

Mobile phone 58.1%

28.2%

11.3%

6.4%

Post office
13.8%

6.7%

Banked 30%

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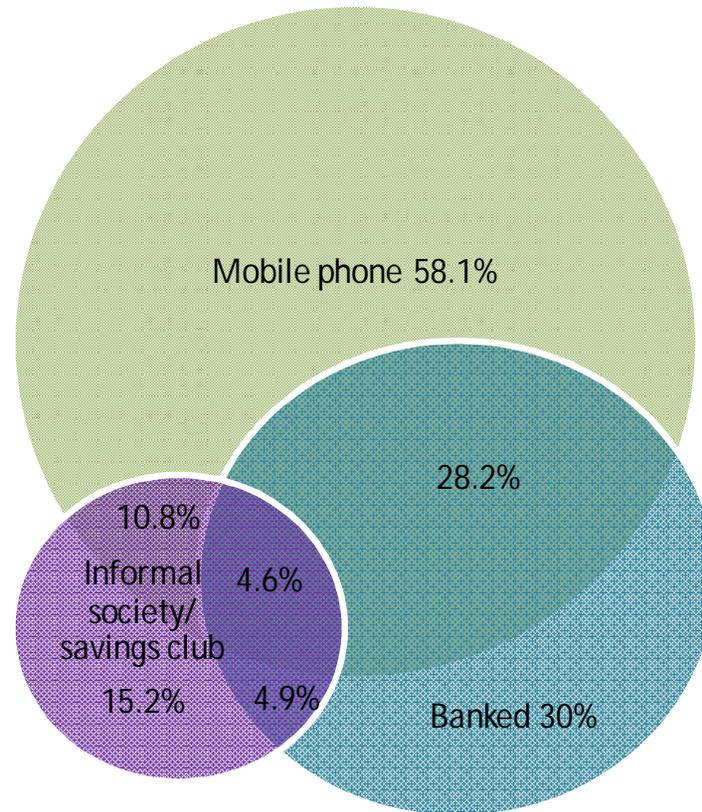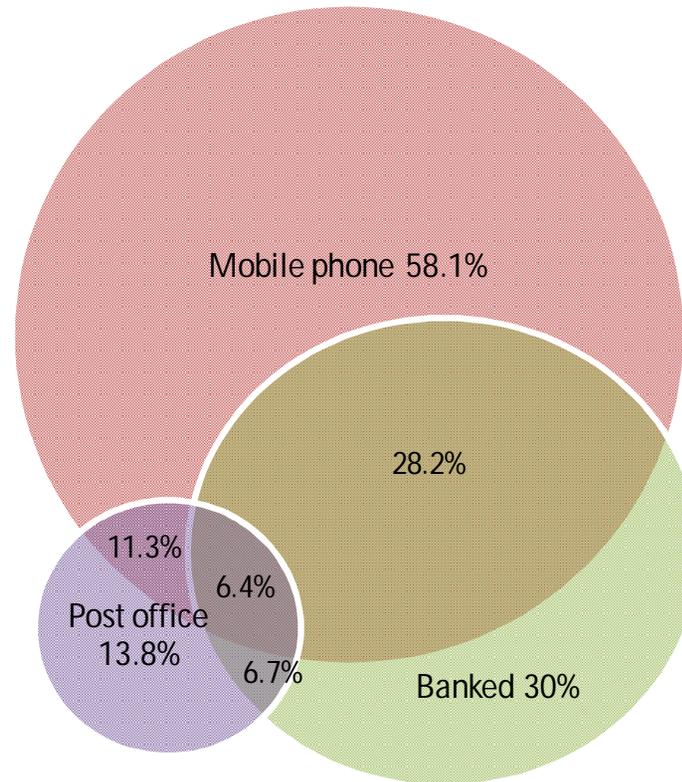
D. Segments

- Marketing considerations:
  - Regularity and consistency of income
  - How to reach
  - How to collect premiums
- Dataset proxies:
 - Main income source
    - Salaries or wages → "**Nine to fives**"
    - Small business income → "**Wheelers & dealers**"
    - Agricultural income → "**Farmers**"
    - Money from friends and family → "**Adult dependents**"
    - Other/irregular
  - Banked status
  - Mobile phone ownership

How easy is it to reach them?

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Nine to fives

8.4m banked (79%)

25-34 main age

67% male

N 13k-20k main inc.

22% own car

55% main inc earner

57% own house

37% 3+ school children

11 m 12%

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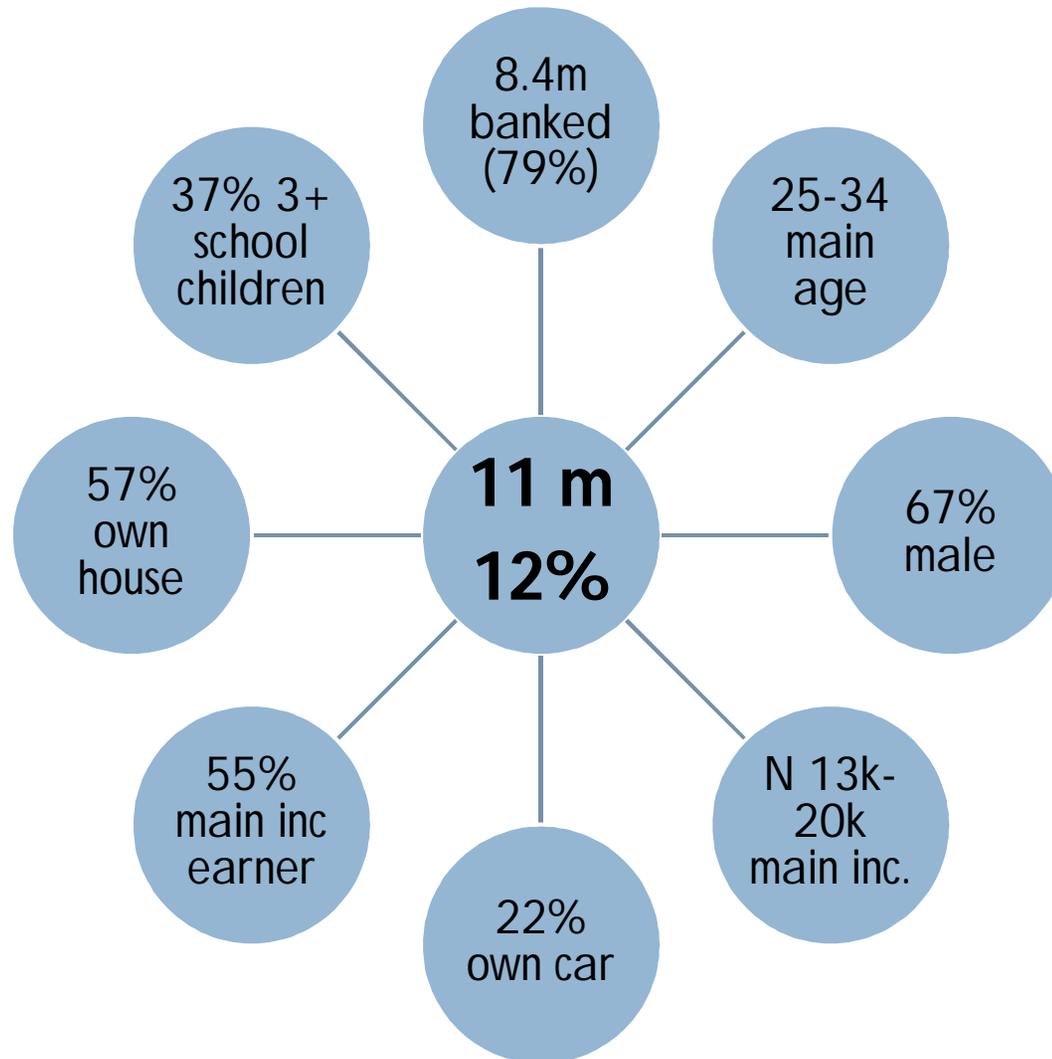
Wheelers & dealers

Farmers

1.9m banked (10%)

25-34 main age

35% 3+ school children

1% luxury hh goods

20m 24%

65% male

56% main inc earner

90% rural

2% own car

N 6k-13k main inc.

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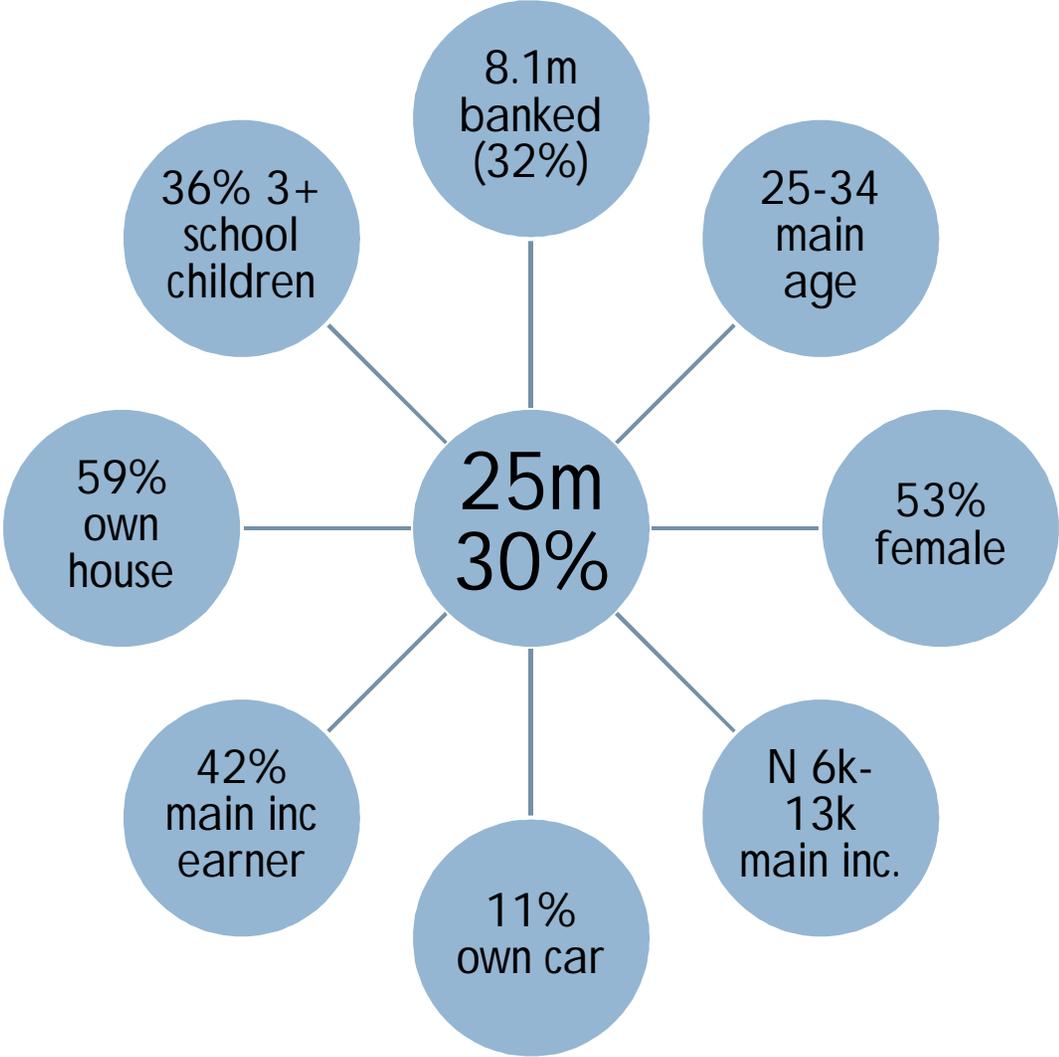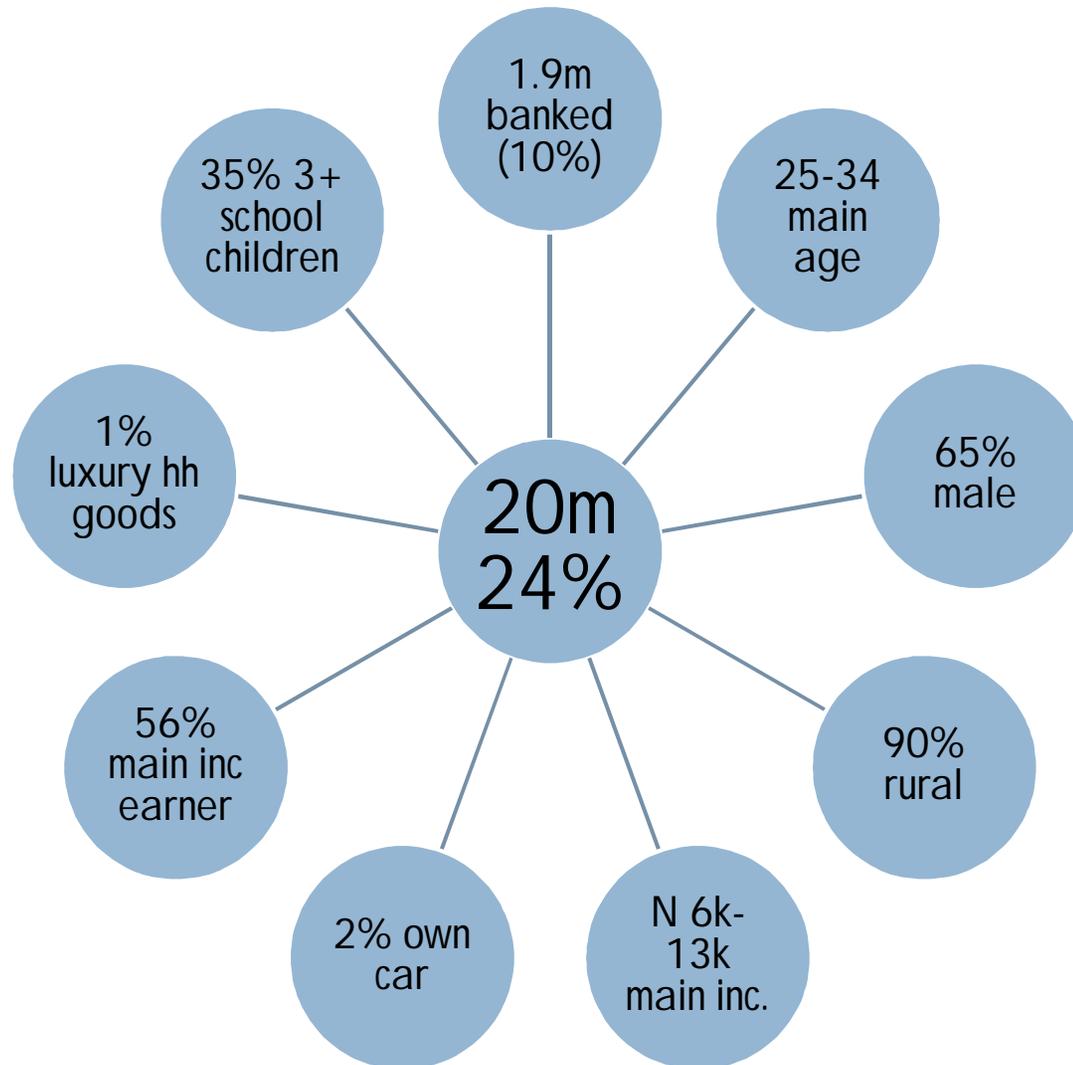
Adult dependents
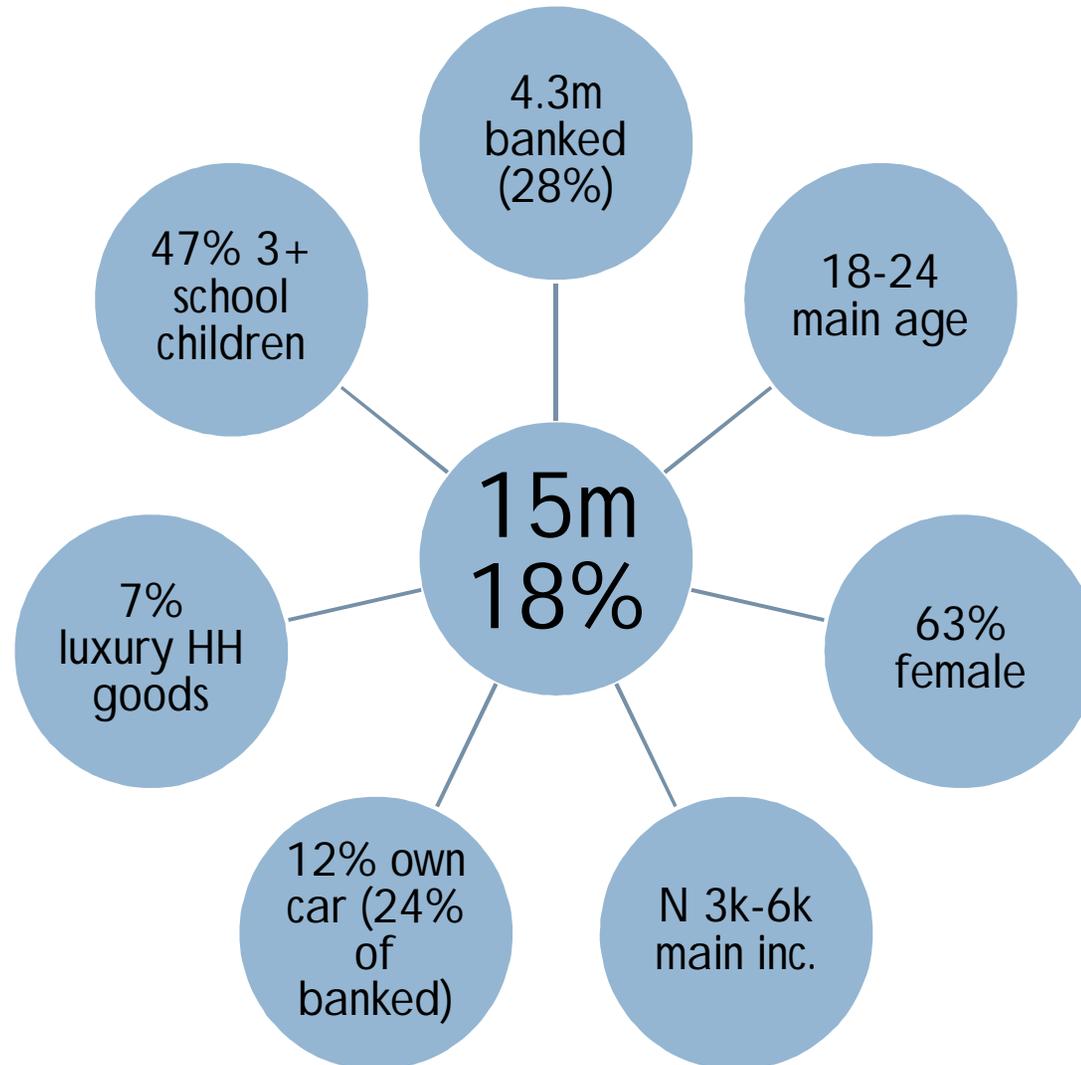
D. Segments

Total Adult Population = 84.7 million	% of adults			
	Total	Banked	Unbanked and own a mobile phone	Unbanked without a mobile phone
The nine to fives	12.6	9.9	2.0	0.7
The wheelers & dealers	29.7	9.6	11.1	9.0
The farmers	24.0	2.3	.1	14.6
The adult dependents	17.9	5.0	5.7	7.2

Easy to reach:
- 16.5 million people
- Most assets, cars
- Highest, most regular income
- Most male
- Banked and mobiles

Innovative distribution:
- 23.9 million people
- Some regularity of income
- Some banked

Hard to reach:
- 30.9 million people
- Lowest income
- More rural
- Fewest assets and cars
- More female
- No bank accounts, few mobiles

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So what?

- The data indicates a vast unserved market and opportunities for reaching them, but also challenges
  - Suggests a phased approach may be best

But what are the realities on the ground from the industry and regulatory perspective?

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Thank you!

christine@cenfri.org

mia@cenfri.org

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Appendix

Digging deeper

□ The nine to fives

	Total	Banked	Unbanked & own a mobile phone	Unbanked & no mobile phone
Profile				
Group size	10,710,213	8,416,161	1,691,901	602,151
% of group		78.6	15.8	5.6
Major age category	25-34 years	25-34 years	25-34 years	18-24 years
Gender spread	67.4% male	67.2% male	66.9% male	72% male
Geographic distribution	52.33% rural	50.8% urban	56.5% rural	84.6% rural
Major income category (₦)	13,001-20,000	20,000-40,001	13,001-20,000	6,000-13,001
Insurable assets				
Owns at least one car	2,403,445	2,259,616	134,757	9,072
% of group	22.4	26.8	8.0	1.5
House owner	6,121,312	4,676,982	968,247	476,083
% of group	57.2	55.6	57.2	79.1
One or more luxury durables	1,600,941	15,26,710	71,616	2,615
% of group	14.9	18.1	4.2	0.4
Three or more std durables	7,746,676	6,707,578	918,206	120,892
% of group	72.3	79.7	54.3	20.1
Dependence				
Main income earner	55.0%	55.9%	51.0%	53.7%
3 or more schoolchildren	37.2%	37.9%	33.1%	38.0%

Digging deeper

☐ The wheelers & dealers

	Total	Banked	Unbanked & own a mobile phone	Unbanked & no mobile phone
Profile				
Group size	25,153,934	8,152,480	9,416,332	7,585,122
% of group		32.4	37.4	30.2
Major age category	25-34 years	25-34 years	25-34 years	25-34 years
Gender spread	52.9% female	60.1% male	50.6% female	69.9% female
Geographic distribution	60.7% rural	58.27% urban	58.14% rural	84.29% rural
Major income category (₦)	6,001-13000	13,001-20,000	6,001-13,000	3,001-6,000
Insurable assets				
Owns at least one car	2,647,227	1,832,374	665,833	149,020
% of group	10.5	22.5	7.1	2.0
House owner	14,946,213	4,135,108	5,186,876	5,624,229
% of group	59.4	50.7	55.1	74.1
One or more luxury durables	1,364,528	1,066,114	263,126	35,288
% of group	5.4	13.1	2.8	0.5
3 or more std durables	12,240,975	6,332,239	4,674,447	1,234,289
% of group	48.7	77.7	49.6	16.3
Dependence				
Main income earner	42.0%	51.4%	44.1%	29.3%
3 or more school children	36.3	36.6	36.7	35.5

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Digging deeper

□ The farmers

	Total	Banked	Unbanked & own a mobile phone	Unbanked & no mobile phone
Profile				
Group size	20,311,917	1,943,850	6,023,518	12,344,549
% of group		9.6	29.7	60.8
Major age category	25-34 years	25-34 years	25-34 years	25-34 years
Gender spread	64.6% male	79% male	70% male	59.6% male
Geographic distribution	90.2% rural	77.3% rural	86% rural	94.4% rural
Major income category (₦)	6,000-13,001	6,000-13,001	6,000-13,001	6,000-13,001
Insurable assets				
Owns at least one car	395,871	169,613	169,113	57,145
% of group	1.95	8.73	2.81	0.46
House owner	16,357,279	1,477,376	4,638,696	10,241,207
% of group	80.5	76.0	77.0	83.0
One or more luxury durables	181,145	74,380	58,483	48,282
% of group	0.9	3.8	1.0	0.4
3 or more std durables	3,574,468	818,558	1,639,193	1,116,717
% of group	17.6	42.1	27.2	9.0
Dependence				
Main income earner	56.1	60.9	60.0	53.5
3 or more school children	35.4	45.7	37.6	32.7

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Digging deeper

- The adult dependents

	Total	Banked	Unbanked & own a mobile phone	Unbanked & no mobile phone
Profile				
Group size	15,188,456	4,259,474	4,792,984	6,135,998
% of group		28.0	31.6	40.4
Major age category	18-24 years	18-24 years	18-24 years	18-24 years
Gender spread	63% female	50.2% male	57.5% female	76.4% female
Geographic distribution	50.32% rural	50.32% rural	58.5% rural	83.51% rural
Major income category (₦)	3,000-6,001	6000-13001	1,000-3,001	1,000-3,001
Insurable assets				
Owns at least one car	1,751,492	1,034,534	584,986	131,972
% of group	11.5	24.3	12.2	2.2
House owner	10,290,595	2,286,070	2,987,366	5,017,159
% of group	67.8	53.7	62.3	81.8
One or more luxury durables	1,100,348	666,004	351,975	82,369
% of group	7.2	15.6	7.3	1.3
3 or more std durables	7,200,431	3,203,238	2,703,643	1,293,550
% of group	47.4	75.2	56.4	21.1
Dependence				
Main income earner	8.2	8.6	8.8	7.4
3 or more school children	39.4	38.5	44.0	36.6

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