

Customer Acquisition in Underserved Markets

EFInA

April 6, 2022

Outline of the discussion

Low adoption amidst huge potential

Barriers to insurance

Potential channels to distribute insurance

Building insurance products using the human-centered design

Recommendations

There is low adoption of insurance products/services despite huge potential for reaching the underserved

While overall financial inclusion continues to grow incrementally, It will take rapid action on all parts, to even begin to come close to achieving the insurance targets.

* The NFIS target is: *Increase adult population covered by a regulated insurance policy to 40% by 2020*

		Status as at							
	Focus Areas	Target by 2020	2010	2012	2014	2016	2018	2020	Variance to 2020 Target
% of Total Adult Population	Payments	70%	22%	20%	24%	38%	40%	45%	-25%
	Savings	60%	24%	25%	32%	36%	24%	32%	-28%
	Credit	40%	2%	2%	3%	3%	2%	3%	-37%
	Insurance	40%	1%	3%	1%	2%	2%	2%	-38%
	Pension	40%	5%	2%	5%	7%	8%	7%	-33%
	Formally served	70%	36.3%	43.0%	48.6%	48.6%	48.6%	50.5%	-19.5%
	Financial Exclusion	20%	46.3%	39.7%	39.5%	41.6%	36.8%	35.9%	-15.9%

DEFINITION OF INDICATORS

Payments: % of adult population that has a transaction account with a regulated financial institution and/or has made an electronic payment through a regulated financial institution in the last 12 months

Savings: % of adult population that has a savings-related product at a regulated financial institution and/or has saved through a regulated financial institution in the last 12 months

Credit: % of adult population that has had a credit product through a regulated financial institution in the last 12 months

Insurance: % of adult population that is covered by a regulated insurance policy

Pension: % of adult population that is contributing to a regulated pension scheme or receiving a pension through a regulated pension scheme

About 2 million Nigerians have insurance

Population dynamics



2.1 m adults (18+ years) have insurance



619k m adults (18+ years) have microinsurance



72% insured adults are males

Socio economic factors



96% own a mobile phone



88% have secondary education and above

Out of the 619k adults who have microinsurance, health, life & accident insurance were the prevalent types of insurance

Sources of income



49% work in the formal sector



24% business owners



11% work in the informal sector



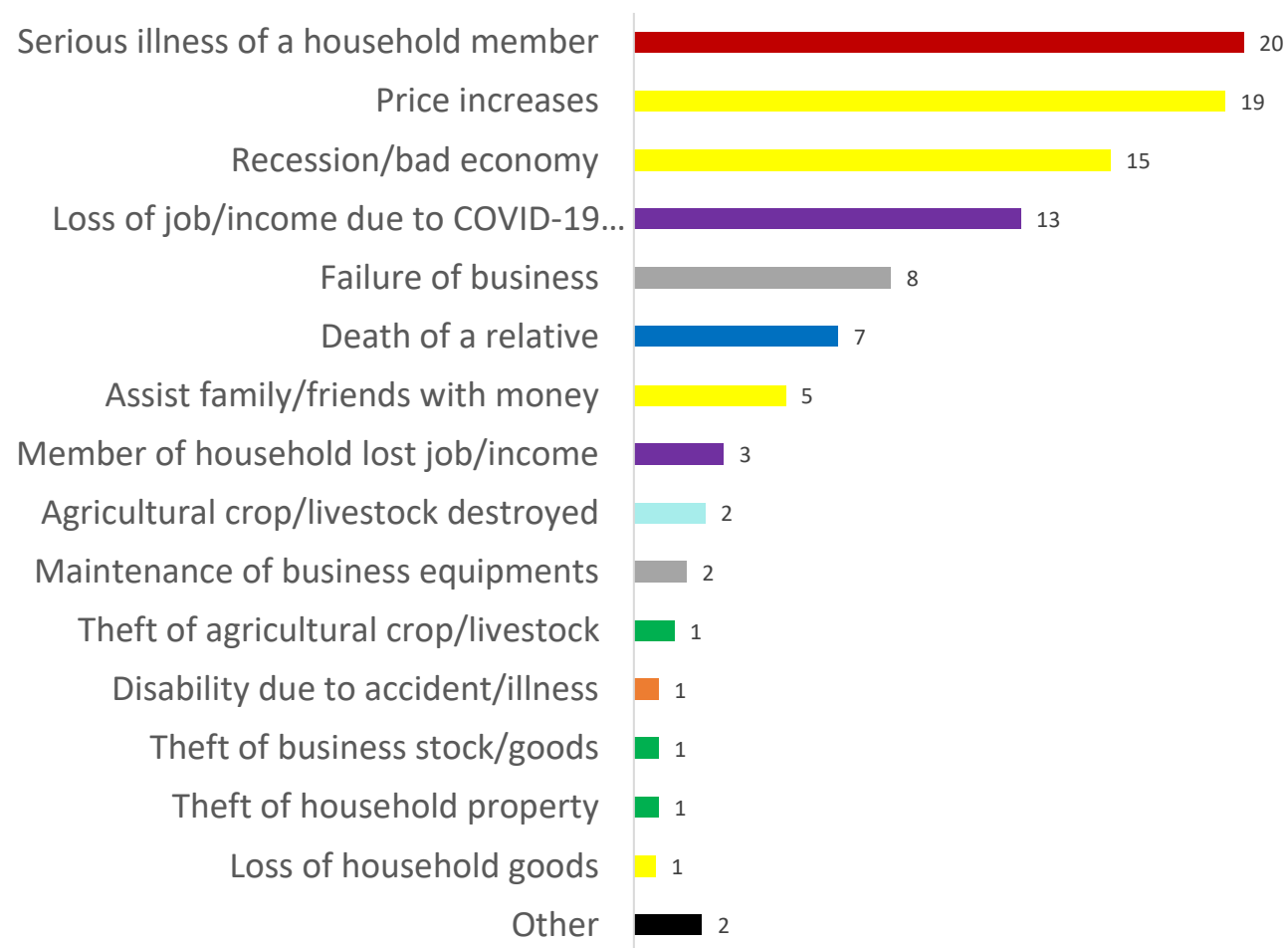
8% are farmers



8% are dependents

About 3 out of 5 adults experienced a financial shock or an event that had a large negative impact on their finances in the past 12 months, mainly driven by medical emergencies, inflation and impact of the COVID-19 pandemic

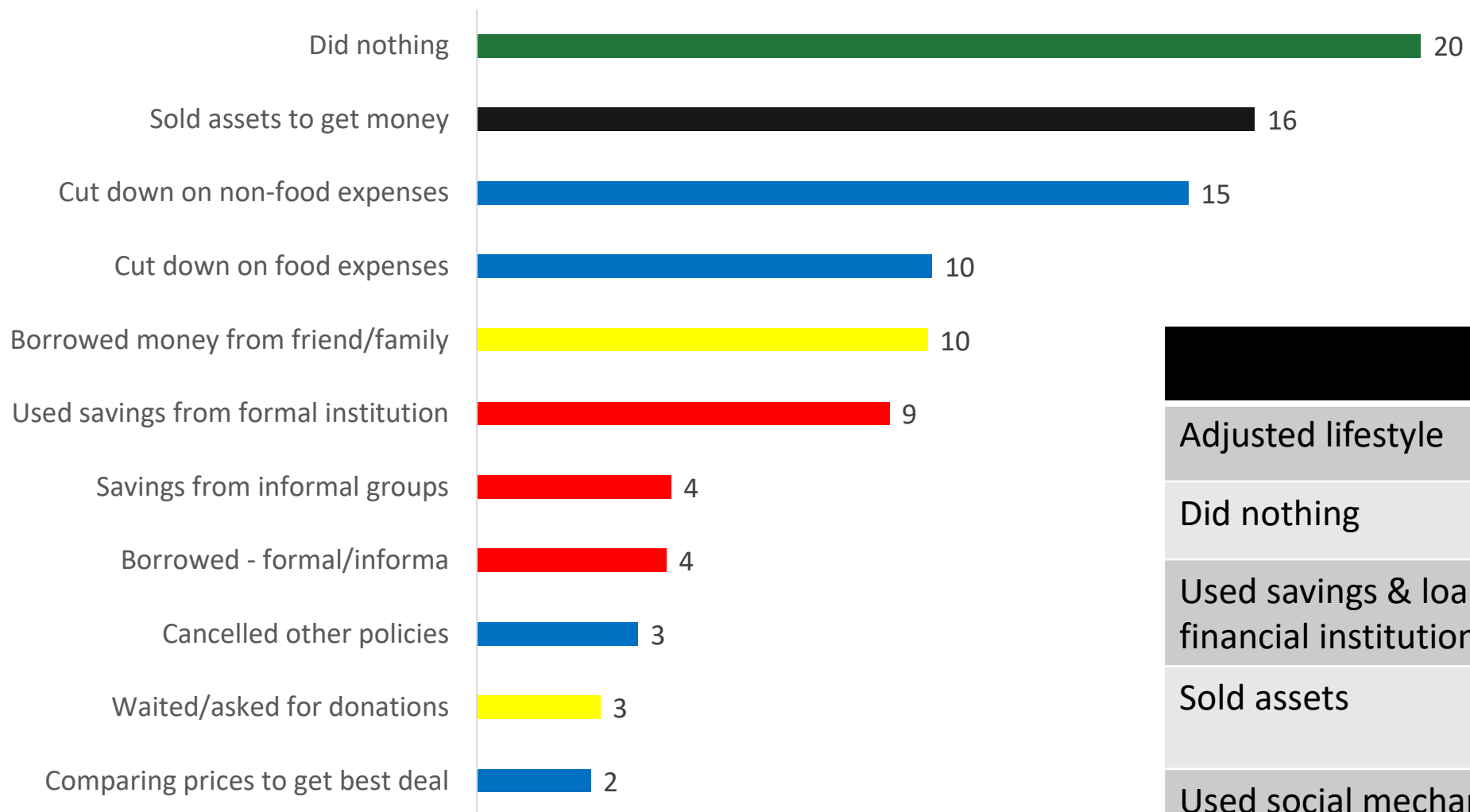
Risks experienced (% of adults with shock)



Appropriate Insurance Covers	Net
Cannot be covered by insurance	41%
Health insurance	20%
Employment Insurance	16%
Business	10%
Life Insurance	7%
Third party & theft insurance	3%
Others	2%
Agriculture	2%
Accident insurance	1%

Nigerians were more likely to do nothing, sell assets, or cut down on expenses than to use savings to cope with these crises

Coping mechanism (%)



	Net
Adjusted lifestyle	30%
Did nothing	20%
Used savings & loans from financial institutions	17%
Sold assets	16%
Used social mechanisms	13%

18m adults without microinsurance are interested in microinsurance when the service was described to them. These adults are mobile phone owners, educated and rural dwellers

Population dynamics



68% are rural dwellers



54% are males



57% are aged 18-35 yrs

Socio economic factors



86% own a mobile phone



63% have secondary education and above



54% have Bank Verification Number

Sources of income



43% business owners



10% work in the formal sector



8% work in the informal sector



23% are farmers



17% are dependents

Lets chat

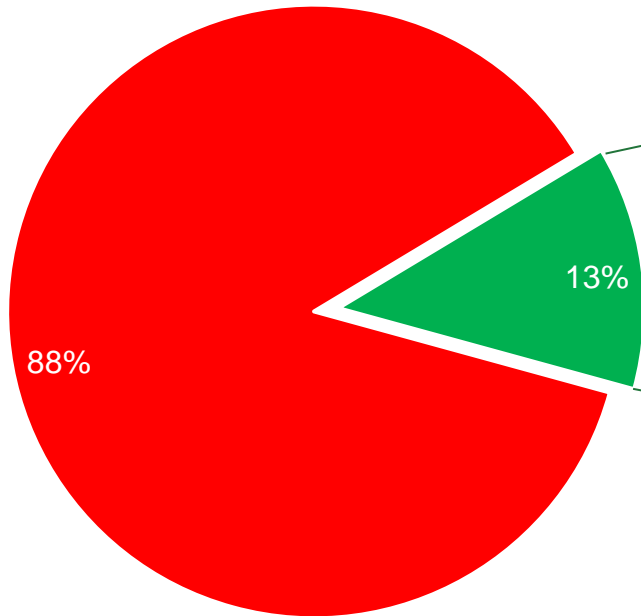


- What is your experience with insurance adoption in Africa?
- Why do you think insurance adoption is this low in Nigeria compared with other countries?
- When most Nigerians without insurance are introduced to the idea of insurance, they become interested in the product, what do you think insurance providers should do to capture this sub-set of individuals?
- Do you have any experience with insurance companies targeting business owners and people who do not work in the formal sector?

There are both demand side and supply-side barriers to providing insurance in Nigeria

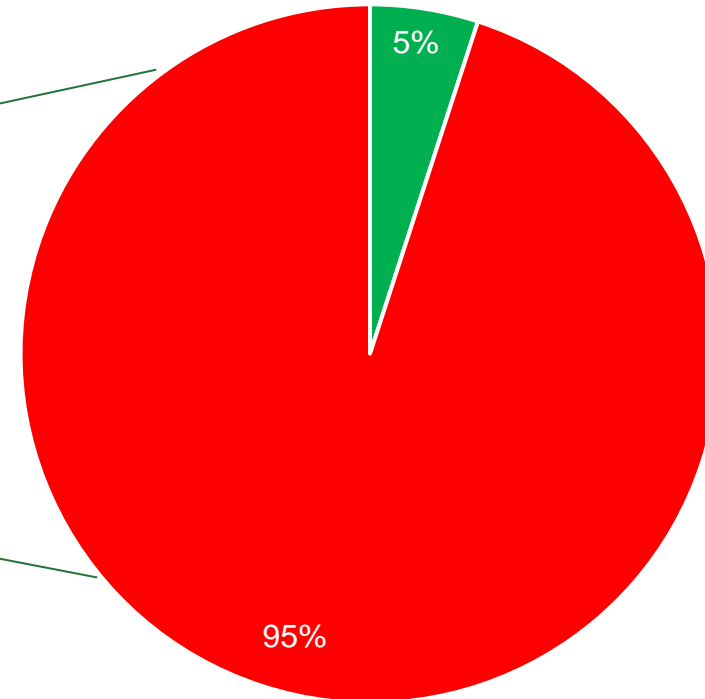
Lack of awareness remains a barrier to uptake and usage of microinsurance. However, fundamental barriers exist beyond awareness

Aware of microinsurance



■ Yes ■ No

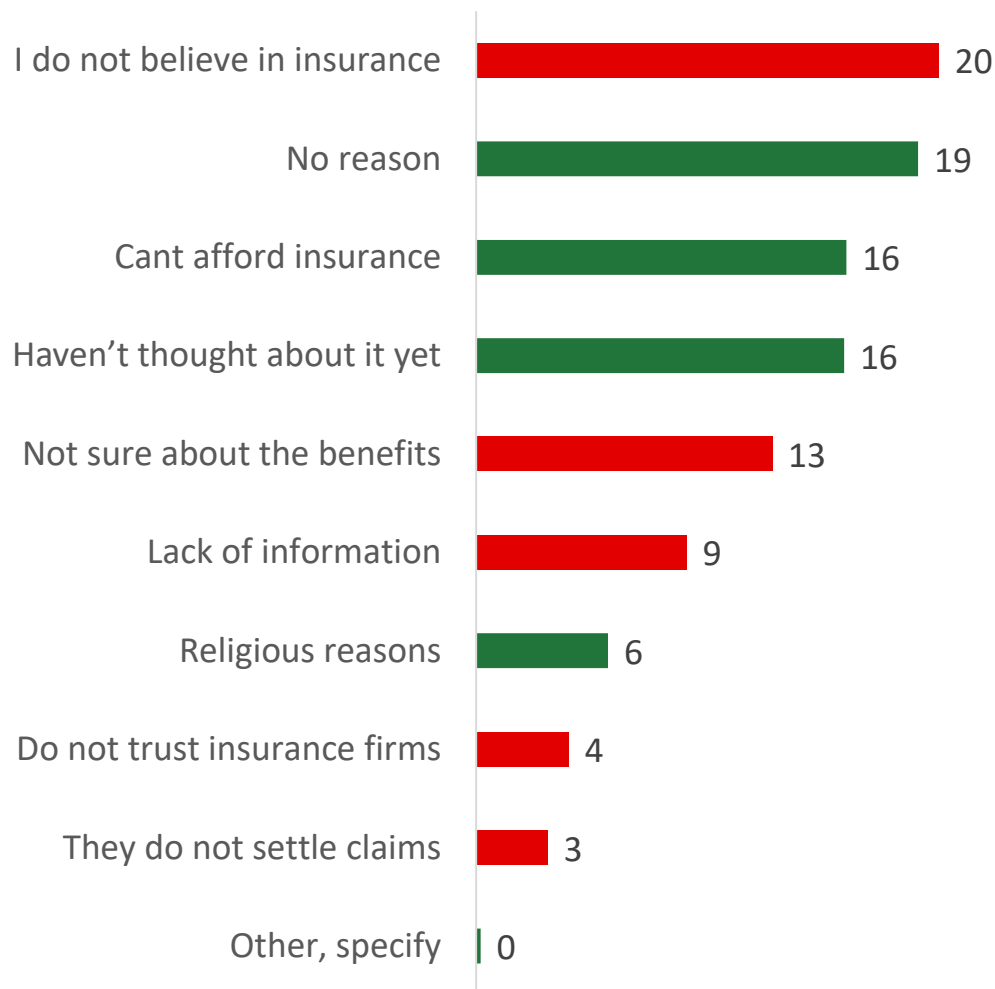
Among the aware adults, how many have insurance



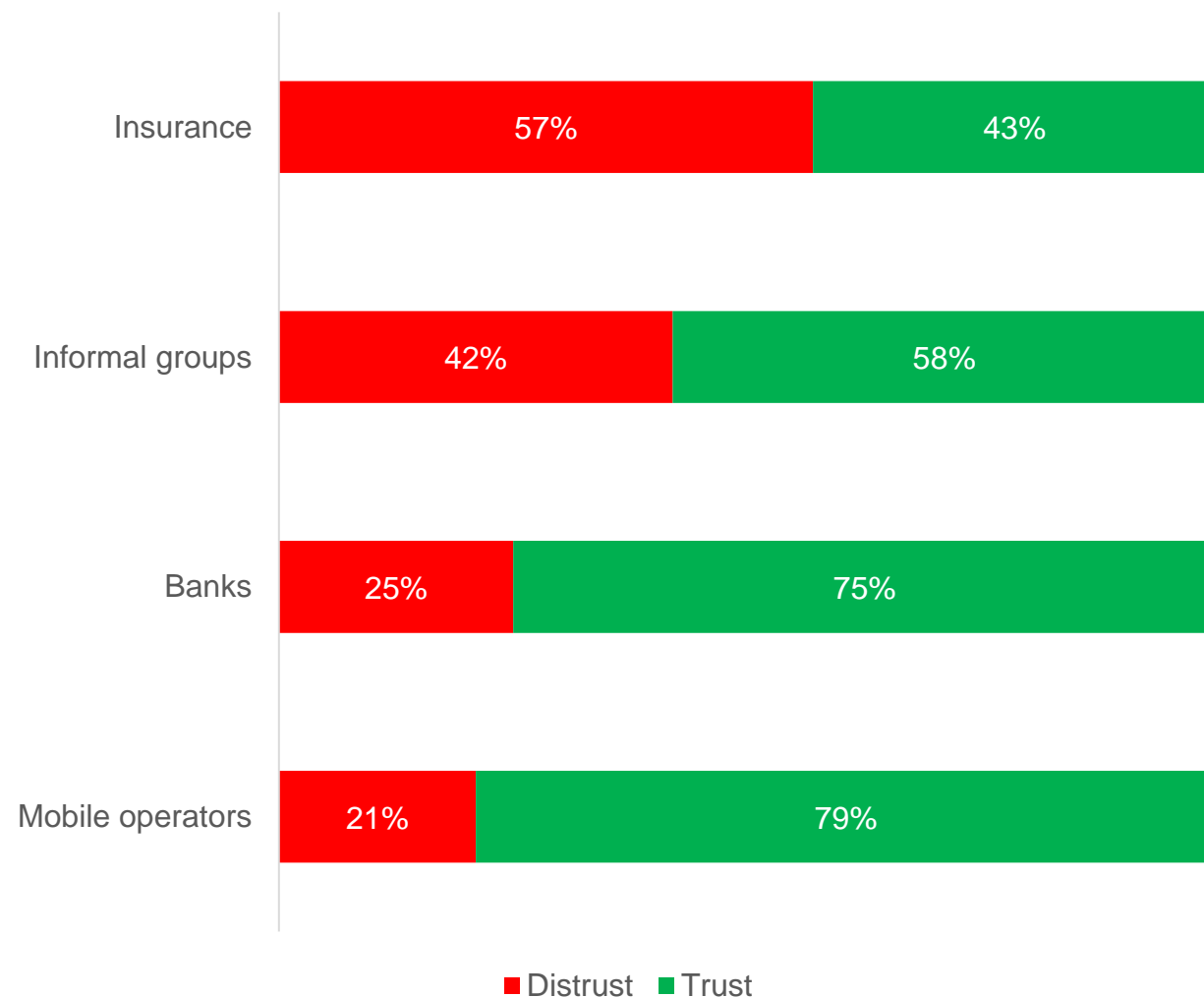
■ Yes ■ No

Lack of appropriate information on insurance and low levels of trust in insurance institutions are major barriers to insurance uptake and usage

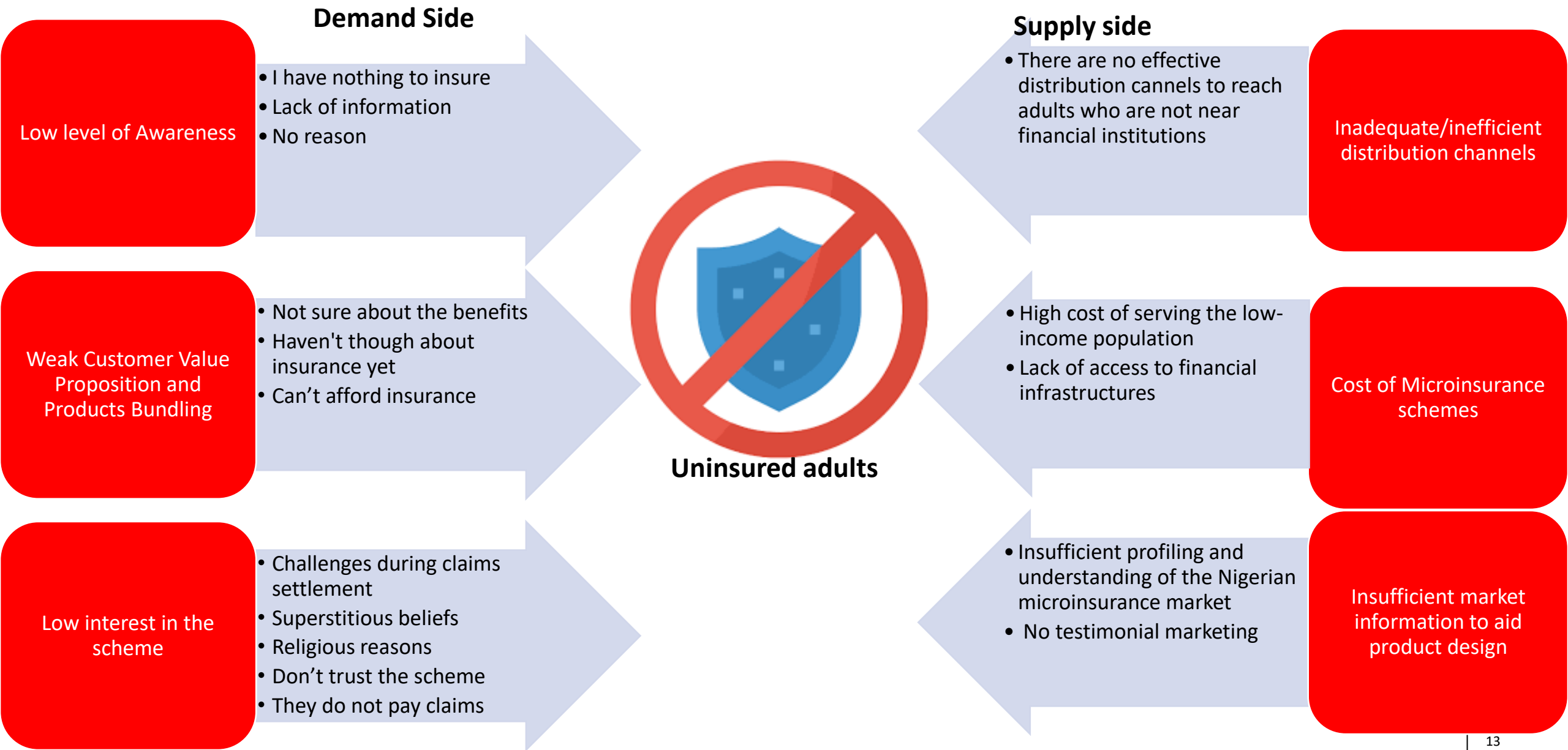
Reasons for not being insured (%)



Level of trust in the following financial Institutions



There are various demand side and supply side challenges hindering uptake of microinsurance products and services in Nigeria



Lets chat



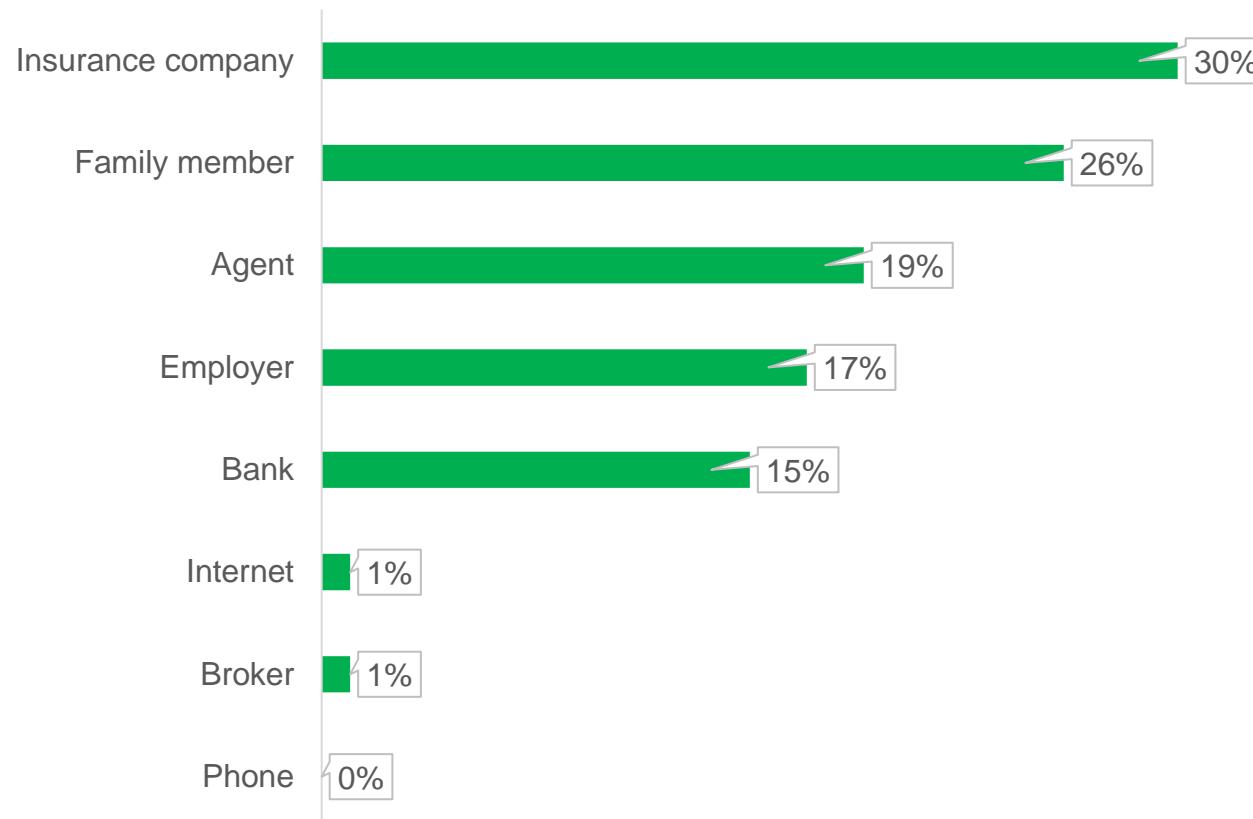
- Do you have any experience with how insurance companies are addressing these challenges?
- Has there been any progress so far in some of the solutions?
- What should newer/existing insurance companies look out for while circumventing these challenges?

There are other potential channels to distribute insurance in Nigeria beyond the traditional channels

Distribution of insurance is concentrated in financial institutions as well as agents and brokers

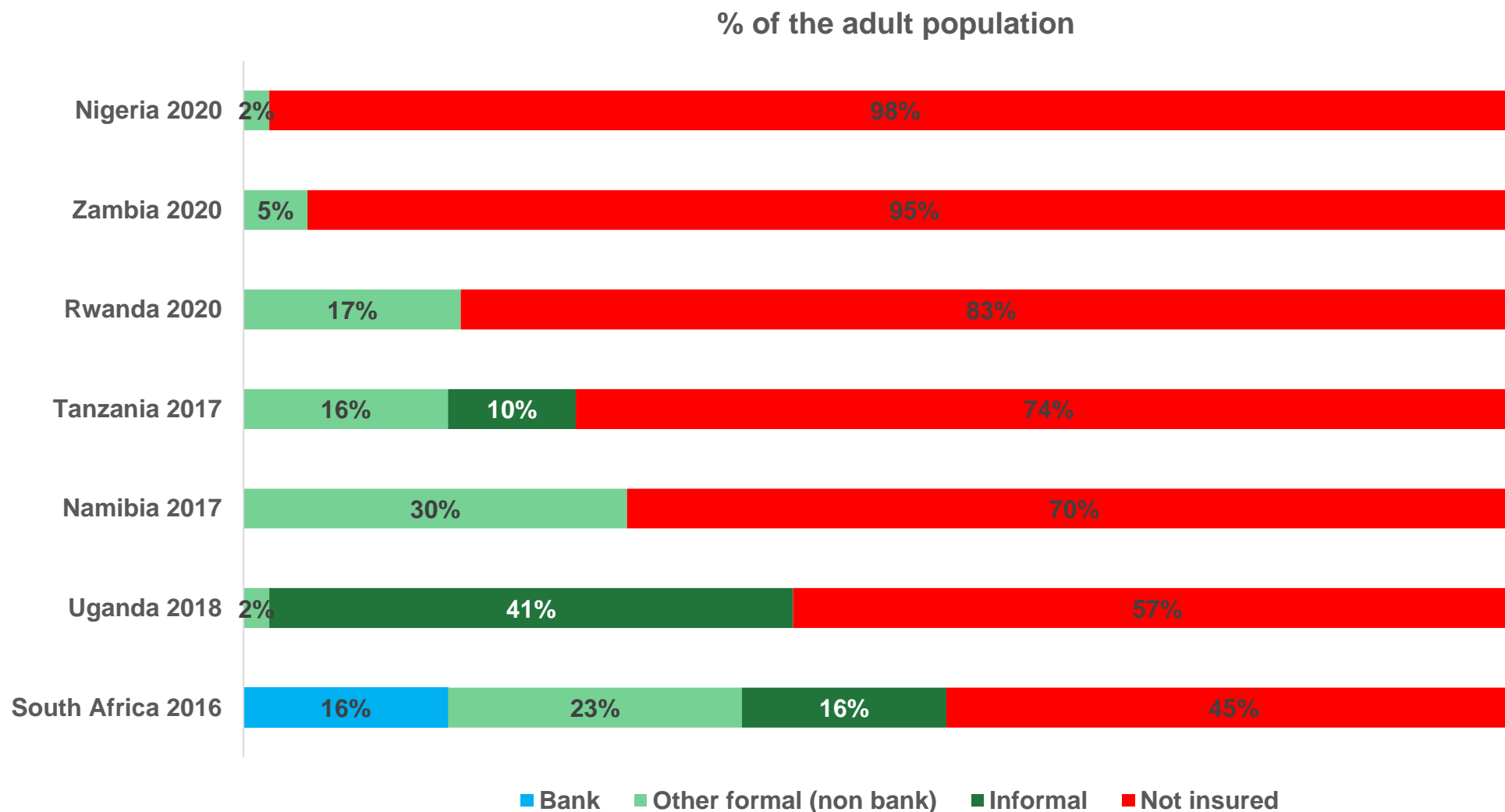
- Nigeria lacks wide variety of distribution channels seen in other countries that offer microinsurance
- Mobile network operators are a key distribution channel that is missing in Nigeria

Sources of microinsurance



- Partnership across the various key players in the distribution of insurance
- Build interconnected sets of services to secure customer stickiness and offer real synergies
- The COVID-19 crisis means that digital-first for customers and intermediaries is no longer a choice but a necessity

Lessons across the African continent shows that Nigeria could leverage on non-traditional insurance providers – banks, informal providers – to reach the uninsured adults



Of the 18 million adults interested in micro insurance, 54% are banked and one-third completely trust MNOs

North West (3.3 million)

62% have phones 80% rural 54% Male	65% are between 18 and 35 years	29% have secondary education & above
33% (28%) receive salary from own biz (farming)	24% are banked	16% (39%) completely trust insurance (MNO)

North East (2.3 million)

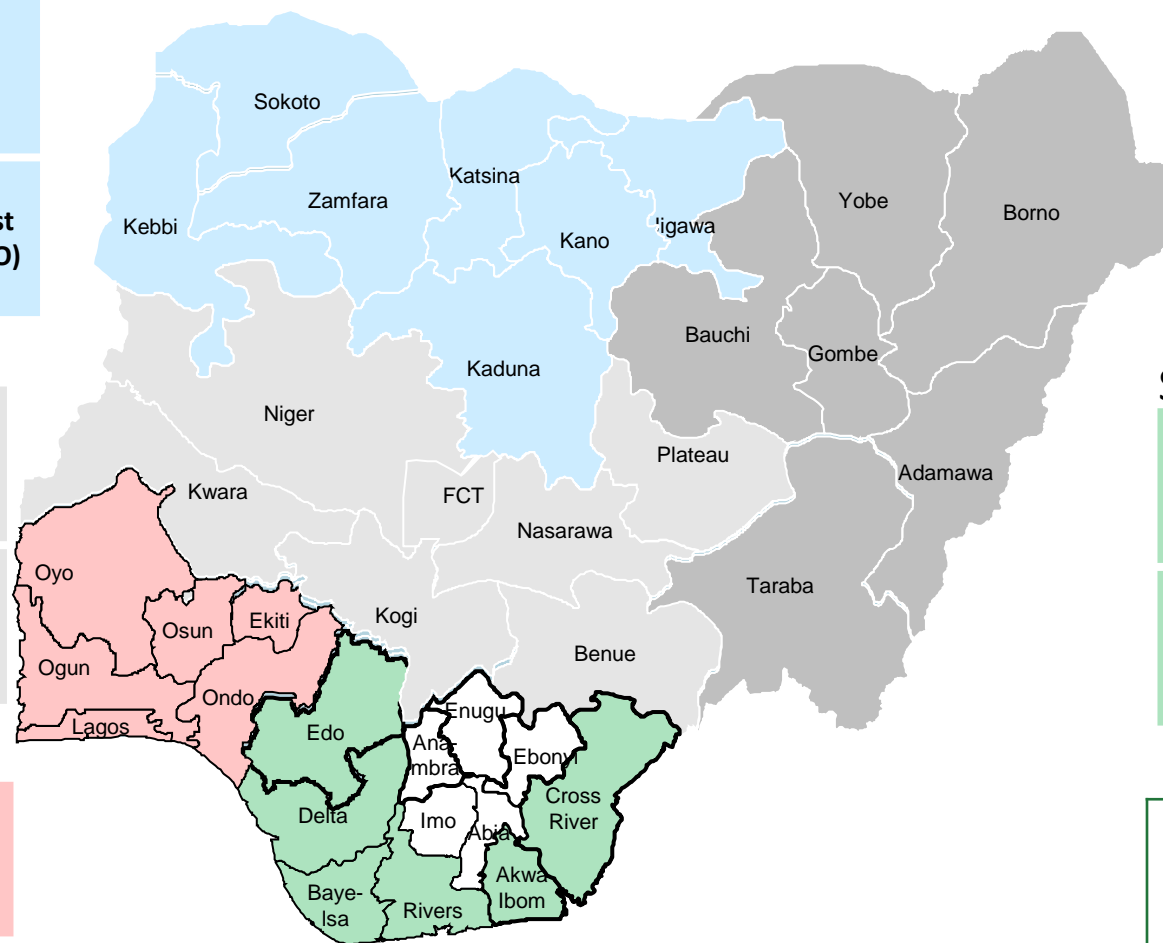
89% have phones 76% rural 68% Male	60% are between 18 and 35 years	67% have secondary education & above
43% (24%) receive salary from own biz (farming)	57% are banked	14% (33%) completely trust insurance (MNO)

North Central (3.4 million)

93% have phones 75% rural 63% Male	60% are between 18 and 35 years	65% have secondary education & above
38% (34%) receive salary from own biz (farming)	57% are banked	13% (33%) completely trust insurance (MNO)

South-West (3.1 million)

93% have phones 72 urban 56% Female	49% are between 18 and 35 years	71% have secondary education & above
54% (15%) receive salary from own biz (farming)	65% are banked	20% (31%) completely trust insurance (MNO)



South-South (3.7 million)

89% have phones 77% rural 51% Male	55% are between 18 and 35 years	76% have secondary education & above
47% (16%) receive salary from own biz (farming)	63% are banked	11% (27%) completely trust insurance (MNO)

South-East (2.0 million)

93% have phones 72% rural 56% Female	49% are between 18 and 35 years	75% have secondary education & above
46% (20%) receive salary from own biz (farming)	62% are banked	12% (36%) completely trust insurance (MNO)

Distribution Channels are Critical for Widespread Microinsurance

- In most countries with massive outreach of Microinsurance, **insurers note that the most important component of the Microinsurance value chain is the distributor**
 - In Ghana, the use of mobile network operators (MNOs) both as Microinsurance servicers and purchasers of Microinsurance for their subscribers has resulted in dramatic growth of Microinsurance covered lives. Additionally, the massive growth possibly enhanced the understanding, appreciation and trust of insurance among the low-income populations which in turn potentially made it easier to sell Microinsurance through other channels.
- **Mobile money has not taken off in Nigeria** the same way it has in many other countries
- However, **mobile phone ownership is growing** – currently at 81% of Nigerian adults – highlighting opportunities for distribution models driven by telcos
- **Use of agent networks for financial services has also accelerated recently** – for example, 19% of Nigerian adults used bank agents in 2020

Lets chat



- Do you see any potential in some of these alternate channels highlighted to drive insurance uptake in a market such as Nigeria?
- What do you think are some of the challenges inherent in these alternative channels?
- What can be done to improve the existing distribution channels or create newer channels?

To build insurance products for the underserved we must put the customer at the center of the product

Leveraging the Human Account framework to build insurance products

- According to the Dalberg, Human Account Framework <https://www.thehumanaccount.com/Nigeria>, the Nigerian adult can be categorised into 6 personas based on their financial needs and financial health
 - Traditional believers who requires simple products offered through social networks with features that equip them with financial planning skills
 - Digital youth who requires digital financial products & services that support their business development and protect their privacy
 - Dependent individualist who wants digital financial tools to support flexible savings and loan management
 - Resilient savers require simple, technology oriented financial solutions and these solutions should be able to capture financial behaviour exhibited in social channels
 - Confident optimist require formal financial solutions that are customised to suit their long-terms goals and aspirations
 - Questioning cultivators require financial solutions that leverage their social networks with flexible options

Personas	Traditional believers	Digital youth	Dependent individualist	Resilient savers	Confident optimist	Questioning cultivators
Demographics	Mostly lower income Religious women Limited education Rely on farming Run small business (self employed)	Mostly young urban middle to high income Highly educated single men Self-employed or formally employed Wealthiest segment amongst Nigerians Most own smartphones Completed at least secondary education	Low to middle socioeconomic status Poorly educated Young married women Confident in their own abilities Distrust social financial networks and banks.	Mostly married Young to middle-aged men Formally employed Most identify as head of household Have completed at least secondary school. Rely on farming in addition to doing other work.	Mostly formally or self employed Middle to high income, young urban, well – educated women Have financial decision making power Own businesses or are formally employed More technologically savvy	Mostly middle aged lowest income segment married Primary household decision making power Below average education Low technology use
Type of product	Bundle insurance services features to include financial planning tools, debt management and automatic loan payments products	Support small business development by offering income smoothing strategies that account for high-income volatility	Support financial planning by providing easy-to-use tools for business accounting and management to support their small businesses and farming	Develop credit scoring techniques that account for a greater variety of financial management behaviours	Offer customized credit options that draw upon their healthy reserves, dependability, and trust in banks	Offer variety of flexible savings options without deposit minimums and fixed time frames to accommodate for their lack of goal-oriented savings strategies
Characteristics of the product	Simple, non-technical financial language, take into account the user's financial anxieties about the future	Use messaging language that emphasizes customer privacy and conveys trust and reliability	Use digital messaging that reinforces their confidence and feeling of control, but takes into account their low self-esteem	Explain financial service features using plain simple messaging language	Develop marketing messages that speak to their long-term hopes and beliefs	Use messaging language that primes their strong sense of control and efficacy
Distribution channel for the product	Build financial connections and access to emergency support, especially through community groups	Leverage mobile convenience to promote financial planning & debt management and automatic	Promote flexible savings that accommodate their strong need for liquidity by eliminating withdrawal fees, account minimums, or fixed holding periods	Leverage their proficiency with technology to provide easy access, control, and privacy of their accounts	Engage them as early adopters and influencers of mobile wallets through P2P payment features	Leverage their financial dependence on social channels to develop group-based insurance products that integrate social components

Lets chat



- Have you encountered insurance companies who have built their products with the customer at the center?
- What do you think is the potential/benefit of using this approach?
- What are some of the challenges of using this approach?

Closing remarks



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Thank you for
listening



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Cross country comparison across other microinsurance markets highlights opportunities to drive uptake

- The uptake of microinsurance in Nigeria is dwarfed by uptake of microinsurance in Ghana and the Philippines
- Gains from the removal of restriction on traditional insurers are yet to be realized
- The ability to sell microinsurance through a wide array of channels – particularly MNOs, has been instrumental to microinsurance growth in Ghana. Regulatory alignment CBN/NCC/NAICOM, currently hampering progress

	Nigeria	Ghana	Philippines
% of population covered	0.3% of adult population	28.3%	30.5%
Potential for scale	Very high	Fair	High
Traditional insurers in MI	Allowed	Allowed	Allowed
Use of MNOs*	Not allowed	Allowed, extensive	Allowed, minimal
Use of Bancassurance	Allowed, limited to 2 banks only	Allowed	Allowed
MI legislation	2018	2010	2006
Primary distribution channels	Insurance companies	MNO	Mutual benefit associations (MBAs)
Prominent products	Health, Life, PA	Life, PA, Health	Life, PA, Health
Coordination of regulations	Low	High	High
Govt. Fin. Inclusion Policy	Yes	Yes	Yes

EFInA's Access to Financial Services in Nigeria Survey – An Overview



The Access to Financial Services in Nigeria Survey A2F

Lack of credible data prior to the A2F Survey

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- There was no credible or reliable data on the status of financial inclusion or on access to formal financial services.

Credible data available & used to inform decisions post 2008

- A2F is a nationally representative survey of Nigerian adults (18+) across all 36 States and FCT Abuja
- It is designed to assess all Nigerians' access to and use of financial services, describe landscape of access as well as to identify opportunities to promote financial inclusion in the country.
- It provides credible data that can highlight opportunities for policy reform and market opportunities for financial service providers.

7 surveys conducted with over 20k sample size each

- So far, EFInA has conducted 7 A2F surveys – (2008, 2010, 2012, 2014, 2016, 2018 and 2020).
- The first national survey of this scope, the A2F 2008 sampled 21,110 adults and provided insights into how consumers manage their financial lives.
- The 2020 survey sampled 27,703 adults and a booster sample of 1,417 15-17-year-olds. In 2020 the survey was expanded to include new focus areas such as financial health, Covid-19 impact, customer trust in financial institutions, and digital financial services.

The A2F remains the primary source of financial inclusion data

- This survey is universally recognised by financial sector stakeholders in Nigeria.
- The survey has established itself as a leading source of information on national trends in financial inclusion for industry and policymakers. This helps guide stakeholders in developing strategies, regulators in policymaking, and generally enable them to make informed decisions.
- Since the beginning of the A2F surveys in 2008, the exclusion rate has shrunk from 53% in 2008 to 36% in 2020.

Links to past A2F reports and resources

All reports and datasets of the A2F survey (2008 -2020) are available to the public via the A2F microsite: <https://a2f.ng/>

A2F 2020 Key Findings Report: <https://efina.org.ng/publication/access-to-financial-services-in-nigeria-survey-2020/>

Deep dive analysis from the A2F 2020 survey:

- ⤴ **Pension and financial inclusion** - <https://efina.org.ng/publication/access-to-financial-services-2020-insights-on-pension-and-financial-inclusion/>
- ⤴ **State of Women's Financial Inclusion 2020** - <https://efina.org.ng/wp-content/uploads/2022/02/State-of-Womens-Financial-Inclusion-2020.pdf>
- ⤴ **Insurance and Financial Inclusion** - <https://efina.org.ng/wp-content/uploads/2022/02/Insurance-and-financial-inclusion-.pdf>
- ⤴ **Opportunities for Promoting Financial Uptake through DFS** - <https://efina.org.ng/wp-content/uploads/2022/02/Opportunities-for-promoting-financial-uptake-through-DFS.pdf>

Examples of external uses of the data:

- ⤴ **Identity snapshot: Inclusion for all:** <https://africappractice.com/wp-content/uploads/2021/09/Inclusion-for-All-Snapshot.pdf>
- **Digital Financial Services in Nigeria: State of the Market Report:** https://sustainabledfs.lbs.edu.ng/wp-content/uploads/2021/12/State_of_Market_Report_2021.pdf
- ⤴ **National Financial Inclusion Strategy Revised October 2018:** <https://www.cbn.gov.ng/out/2019/ccd/national%20financial%20inclusion%20strategy.pdf>

These Key Findings are just the tip of the iceberg. The A2F dataset can be used for in-depth analysis of a variety of topics.

Reports and datasets are available to the public

- Access to Financial Services in Nigeria Survey website: www.a2f.ng
- EFInA website: www.efina.org.ng

Want specific insights? Let us know

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