access to insurance initiative

IAIS
INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS

Report of the 21st A2ii – IAIS Consultation Call

Measuring insurance development: beyond the insurance penetration rate

23 March 2017

The A2ii Consultation Calls are organised in partnership with the IAIS to provide supervisors with a platform to exchange experiences and lessons learnt in expanding access to insurance.

The 21st Consultation Call, held on 23 March 2017, addressed the topic of measuring insurance development with tools beyond the traditional insurance penetration rate. The topic was selected from a survey issued to supervisors on Consultation Call topics. Four calls were held: two in English, one in French and one in Spanish.

Technical experts Michael J. McCord (President of the MicroInsurance Centre) and Andrea Camargo (Director of Regulation and Consumer Protection of the Microinsurance Catastrophe Risk Organisation, MiCRO) explored how to measure the value in inclusive insurance beyond the conventional insurance penetration rate. Country experts Michael Kofi Andoh (National Insurance Commission Ghana) and Khai Sheng Tang (Central Bank of Malaysia) shared their jurisdiction's experience with the topic.

Insurance penetration rate – What does it tell us? What does it not?

The most conventional tool used to gauge the development of a country's insurance market is the insurance penetration rate. The penetration rate is defined as a country's total insurance premiums as a percentage of its gross domestic product (GDP) and indicates how much the insurance sector contributes to the national economy. As such, the penetration rate provides a good numerical basis for international comparison across jurisdictions and regions. Yet while it serves as a broad, high-level indicator of an insurance market's development, the penetration rate does not reveal detailed information about the actual dynamics of the local insurance market. It does not indicate how many people actually have insurance coverage, nor does it signify the quality of coverage and whether it provides value to clients. For supervisors who have enhancing access to insurance as part of their mandate and/or want to get a better picture of client value, the insurance penetration rate is unlikely to be sufficiently meaningful as only limited information can be drawn from it. Understanding the market is critical to developing evidence-based policies and for assessing regulatory outcomes, which is consistent with the implementation of a risk-based supervisory approach. Sound data and measurement is crucial to understanding the value of insurance products offered in the market, and so supervisors must explore other potential tools that could be useful to move beyond a basic understanding of their market and hone in on what is happening in specific countries.

The definitions of commonplace indicators for measuring insurance are laid out in Box 1. Data on microinsurance penetration and density is calculated using the same denominators as for traditional insurance, but utilising solely microinsurance data for clients and premiums in the numerator.

1 Definitions

Insurance penetration rate: total insurance premiums as a percentage of gross domestic product (GDP)

Insurance density: premiums per capita (in USD)

Microinsurance penetration rate: microinsurance premiums as a percentage of GDP

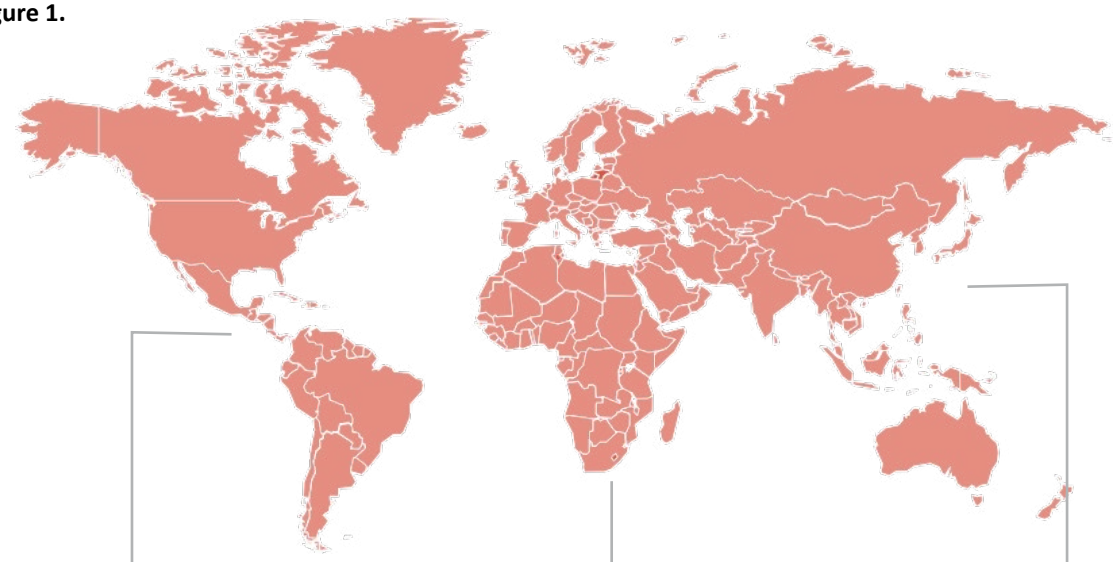
Microinsurance density: microinsurance premiums per capita (in USD)

Microinsurance coverage ratio: percentage of the total population covered by microinsurance

Regional Data

Examining regional figures on microinsurance (Figure 1), values are universally quite low – microinsurance penetration rates and density level are well below 1 percent in all regions except Latin America. Microinsurance coverage ratios, regionally aggregated, are also in the single digits though several individual countries (for example Ghana and the Philippines) report coverage ratios near 30%. Nevertheless, these figures seem to go contrary to observations that microinsurance is indeed present and having an important impact on many lives in these regions. How can we rectify the disparity between the seemingly dismal traditional indicators and the alternative realities we are observing on the ground? How can we understand the actual value embedded in these markets? And how can we measure wider financial inclusion as the result of policy interventions?

Figure 1.



Latin America and the Caribbean (2013)
Penetration rate: 3.2%
Density: $300
MI penetration rate: 0.01%
MI density: $1.39
MI coverage ratio: 7.9%

Africa (2014)
Penetration rate: 2.8%
Density: $61
MI penetration rate: 0.03%
MI density: $0.66
MI coverage ratio: 5.4%

Asia and Oceania (2012)
Penetration rate: 5.7%
Density: $322
MI penetration rate: 0.01%
MI density: $0.21
MI coverage ratio: 4.3%

Value in inclusive insurance

What value is in inclusive insurance products and how to articulate it are important questions that must be asked when determining measurement methodologies and what data needs to be collected. Three general components of value, and what they provide consumers, are important for the inclusive insurance market:

→ **Expected value**

- *Incentives:* identify the incentives that someone might have if they are covered; what is it that they will benefit from and how can they leverage the fact that they have insurance?
- *Peace of mind:* knowledge that if something happens they will be covered; clients don't have to worry about the financial implications of not being protected
- *Ability to invest more:* having insurance enables people to invest more in their business because they do not have to keep as much out as a reserve
- *Limits reliance on family and friends:* family and friends are usually the first place that people turn to when they are in need of assistance; however, this can create additional social and familial responsibilities for the borrower

→ **Financial value**

- *Cost savings:* people are able to save money when they have insurance
- *Cash flow smoothing:* cash flow variability is one of the most significant issues for low-income people; cash flow smoothing is an important impact of insurance and an important indicator of value
- *Reduced financial burden:* when individuals have insurance, they don't have to get into more debt to address sudden shocks
- *Actual protection value:* good products will make a meaningful contribution to help cover the costs of managing the risks they are intended to cover
- *Creates access to new types of loans:* e.g. new loans in agriculture
- *Claims paid when promised:* this builds trust and is fundamental to the rest of the financial value
- *'Fair' value of aggregate premiums paid as claims:* a fair claims ratio is crucial for financial value to consumers; people (at least in aggregate) should be getting a fair amount back from what they pay in their premiums

→ **Service value**

- *Access to health services:* people who are insured get better and often faster access to health services; this leads to an overall lower cost of health
- *Continued or new access to credit:* having insurance allows people to borrow when they need to in the midst of a crisis as the lender perceives the insurance as a form of collateral; this helps to free up potential credit when needed

These three components of value outlined above are all important to consider when looking at low-income segments of the population. To move beyond the penetration rate to something that better captures value, it is thus necessary to think about these areas and about how supervisors can confirm that they are actually being addressed.

Phases of data collection and key indicators

Data collection is crucial for supervisors to better understand the inclusive insurance market and to ensure that any changes in regulation are evidence-based, proportionate and robustly monitored – all key requirements of Risk-Based Supervision. Having outlined the three core dimensions of value in inclusive insurance, it is necessary to establish indicators that will enable supervisors to adequately capture and articulate these values.

As much as data collection is crucial, it is only one step in being able to develop evidence-based policymaking and proportional approaches. Supervisors also need to understand the numbers they have collected and what they mean when analysed. Supervisors must also know what to do when the results appear inappropriate. These three steps – obtaining the right data, understanding what the data is telling, and knowing what to do in response – are the foundations of effective risk-based supervision and evidence-based decision-making.

Client value and market development

Data should be collected for two categories, client value and market development, and sequentially in phases based on the identified ease of implementation. Client value is a necessary precursor to effective market development as when clients are treated properly and receive the three dimensions of value in their products, then market development occurs more effectively. Collecting data in a step-wise manner enables supervisors to acquire the basic information needed to make educated decisions that become the foundation for sound risk-based supervisory approaches.

Phase 1 Indicators

Client Value	Market development
Claims ratio	Combined ratio
Promptness of claims	Coverage ratio
	MI premiums/total premiums

The first phase is the easiest to implement. On the **client value side**, key indicators include the claims ratio and promptness of claims. The *claims ratio* refers to claims incurred as a percentage of premium income earned during the period and serves as a good indicator of product value for clients, as it indicates how valuable the programme is by measuring the average proportion of premium that is returned to the insured in the form of benefits. *Promptness of claims* – the time it takes to report and process a set of claims – is another fundamental indicator of client value as it reflects service quality for consumers. Moreover, insurance is a business of trust and so if claims are not paid as promised then the entire market of risk is under threat of collapse. When analysing promptness of claims, many jurisdictions have strict temporal requirements for payment. Regulators should be cautious about prescribing certain payment periods as this could preclude insurers from entering the market, and should consider rather examining how long it takes insurers to pay the claims. An open promptness of claims indicator would provide more information on client value and allows supervisors to determine a threshold after more experience has been gathered.

On the **market development side,** a key indicator is the *combined ratio* and its dynamism over time. The combined ratio analyses the cost of certain products within a particular segment and should fall over time as the

market matures and inclusive insurance products are provided more efficiently. The *coverage ratio* is calculated as the number of active insured as a share of the target population. The coverage ratio typically indicates product awareness and client satisfaction and is a good indicator of market development as it reveals how many individuals are covered by insurance. *Microinsurance premiums to total premiums* is another important indicator that shows how much microinsurance is expanding relative to an insurers total business. For a more robust analysis, this indicator should be disaggregated, for example into life and non-life products, or in general for the short- and long-term, depending on the jurisdiction.

Phase 2 Indicators

Client Value	Market development
Premium/sum insured	Growth ratio: people
Retention ratio (voluntary only)	Growth ratio: premiums
Commission ratio	Cost per covered unit
Premiums per covered unit	

On the **client value side**, *premiums to the sum insured* is a strong indicator of value as it examines how much clients are paying compared to how much is insured. The *retention ratio* is another key indicator that examines what proportion of clients renew their products to those that could potentially renew. Typically, a higher retention ratio means a higher rate of satisfaction and more product value for clients. The retention ratio should only be calculated for voluntary products. The *commission ratio* should also be examined to determine how much intermediaries are charging for access to products. Intermediaries and alternative distribution channels are taking on a more prominent role in the insurance value chain, particularly in the context of mobile insurance. Knowing how much distributors are retaining as opposed to how much clients are getting is important to ensure client value is preserved. Finally, *premiums per covered unit* examines premiums over the coverage unit, e.g. per person or per hectare of land. It is useful for supervisors to understand such trends and to examine how premiums are moving over time.

On the **market development side**, supervisors should examine growth ratios and the cost per covered unit. In terms of *growth ratios*, it is useful to look at growth in terms of people – for financial inclusion – and in terms of premiums. It is important to examine how fast and in which direction growth is occurring, if at all. A positive growth ratio typically indicates market success, product value and appeal. *Cost per covered unit* assesses the cost side of the 'premiums per covered unit' indicator for client value. As efficiency is a critical factor in inclusive insurance, tracking the cost per covered unit is important to determine whether we are observing a decrease in costs over time and hence more effective market development.

Phase 3 Indicators

Client Value	Market development
Sum insured/cost of risk	
Premium/client income	
Product variety indicator	
Level of market competition	

The third phase of data collection examines data that is more complicated to acquire. Firstly, the *sum insured over the cost of risk* helps insurers and supervisors determine value by examining the proportion of the assured sum within the cost of a certain risk. There is limited value to clients if their insurance only covers 5% of the cost of the risk, for example. *Premium to client income* is another useful client value indicator that calculates what portion of what customers earn is being paid in premiums. Another important component of client value is *product variety*. Simply offering millions of credit life or funeral policies does not indicate good value for clients. Finally, *the level of market competition* is an important indicator that is positively correlated to client value. A highly-contested insurance market tends to result in more competitive pricing, improved service and often better coverage.

The above phases segment the key indicators for measuring value and market development into stages of data collection, based on ease of acquisition and the dynamics of the market. However, it should be made clear that these indicators are not exhaustive or universal. Different jurisdictions may have other objectives that should be considered when determining the indicators to be used. Ultimately, the indicators for each phase depend on the needs of the market, its level of development and the concerns of the specific supervisory authority in a jurisdiction.

Clear segment definition

From the beginning, data collection must be underpinned by a clear definition of the market segment under examination. Whether it be “microinsurance”, “mass insurance” or “inclusive insurance”, none of the implementation steps are relevant unless there is an explicit definition that allows insurers to provide the data required with certainty.

Benefits and caveats of collecting data for the regulator

Data collection yields many benefits for insurance regulators. However, there are also caveats that must be taken into consideration when implementing data collection regimes.

Benefits

→ **Allows for evidence-based decision-making**

- Too often policy and regulatory decisions are based on broad indicators such as the penetration rate, or are not based on any kind of evidence at all. Collecting market data allows for more informed evidence-based policymaking.

→ Data evidence enables regulators to better **understand the dynamics of their inclusive insurance market**

→ **Measure success of regulatory implementations**

- Understanding market dynamics allows regulators to both track and implement appropriate regulatory changes.

→ **Sets client value expectations and benchmarks**

→ **Helps in monitoring consumer protection**

- The most critical job for insurance regulators and supervisors is to protect consumers. Understanding levels of value help regulators meaningfully assess some of the issues arising from consumer protection.

→ **Facilitates a risk-based, proportionate supervisory approach**

- Data collection underpins the ability to have a proportionate supervisory approach. It allows for a much more granular level of understanding of the dynamics of the inclusive insurance market and thus enables evidence-based policymaking.

Caveats

→ **Some products do not fit neatly into this approach and need more appropriate indicators**

- It is important to recognise that there is no universal indicator of client value and market development. Different jurisdictions may have different sets of indicators tailored to their country context. Moreover, some products, such as index insurance, may require unique indicators due to their distinctive nature.

→ **Entails capacity building of insurer and supervisory staff**

- Effectively implementing systems of data collection that deepen understanding of inclusive insurance requires the adequate training of insurance company and supervisory staff. It is crucial that these individuals understand not only what data to collect, but what it means and what needs to be done with it beyond rudimentary calculations to ensure expected, financial and service value for consumers.

→ **It takes time to get the system producing good data**

- One should not expect to acquire quality data immediately. It often takes time to establish a sound data collection system. It is thus important to commence implementation as soon as possible and to iteratively correct any shortcomings along the way.

→ **No specific benchmarks**

- Benchmarks are context-specific. They are highly dependent on the specific products in a jurisdiction, the existing culture and regulations, the evolution of the local market and the level of maturity of microinsurance.

Requirements for implementation

→ **Separation of data based on a clear and implementable definition**

→ **Collection of relevant, accurate and timely data**

→ **Efficient and continuous monitoring,** resting on three components:

- 1) Obtaining the data
- 2) Understanding what the data means (when intervention is needed), and
- 3) Knowing what to do if intervention is needed

→ **Communication with insurers** to clarify what needs to be done, what is required and to understand the regulatory cost burden to insurers

→ **Consideration of regulatory cost burden to insurers**

- To minimise the cost burden of data collection on insurers, it is important that supervisors reflect on what data they already possess, how to acquire any outstanding data and what the minimum requirements are for insurers. Balancing the need to acquire data with careful considerations for burden minimisation enables supervisors to manage their data system more efficiently and effectively.

Insurance targets in national financial inclusion strategies: evidence-based policymaking

Numerous jurisdictions have adopted national financial inclusion strategies along with corresponding targets. For example, Malaysia collects and analyses data on the take-up rate; Nigeria looks beyond just 'access' and refers to specific usage indicators, setting the target of 40% usage for all adults by 2020; and India has set the extremely specific target of providing microinsurance to all willing and eligible persons by 14 August 2018. Regardless of the precise components, for these strategies to be effective it is critical that they are informed by robust and timely data.

2 Summary of key points

→ **Need to look deeper than the penetration rate (it tells us very little and nothing about value)**

- It is essential to understand the different segments of the inclusive insurance market.

→ **Measure both market development and client value.** Client value is fundamentally the seed for market development.

→ **Indicators and benchmarks require a clear definition and segregated data**

- Clear indicators based on clearly defined and segregated data helps drive the activities of insurers.

→ **Use realistic targets in financial inclusion strategies and refer to policy and regulation based on evidence**

- Evidence-based decision-making is needed for effective risk-based supervision. Developing information on the market is only possible if data is gathered and segmented.

Case Studies: Ghana and Malaysia

GHANA

Insurance penetration and density rates in Ghana: only part of the story

Examining microinsurance penetration and density measures from 2014, it would appear that in Ghana the microinsurance market is extremely underdeveloped, if not non-existent. With a microinsurance penetration rate of 0.01% and a density of $0.17 USD per capita, the landscape of inclusive insurance seems quite dismal. Yet, at the same time, there is much observed microinsurance activity on the ground and significant benefits are being achieved.

Honing in on inclusive insurance and value in Ghana

Microinsurance market size and composition

In stark contrast to the picture painted above, there are currently 27 microinsurance products in Ghana, spanning a vast variety of risks and covering 7.5 million lives, or 28% of the population. The majority of these individuals are low-income earners in the informal sector who work under precarious conditions and who would otherwise not have access to insurance. These policies can help clients smooth their cash flows and protect them from risks they face in their daily lives.

The value that can be derived from such policies is greatly significant and is not reflected in the penetration rate or density figures. The below figures provide details of value that go far beyond the penetration rate.

Snapshot of the microinsurance market in Ghana (2014)

27 products	Growth (2013-14):	440% MNO
7.5 million lives insured (28% population)		36% non-MNO
Gross written MI premium: 0.01% of GDP		140% overall
$21.2m (savings included)	Growth (2013-14):	73% (savings included)
$4.5m total premiums (savings excluded)		32% (savings excluded)
Microinsurance 1.1% of total premiums		

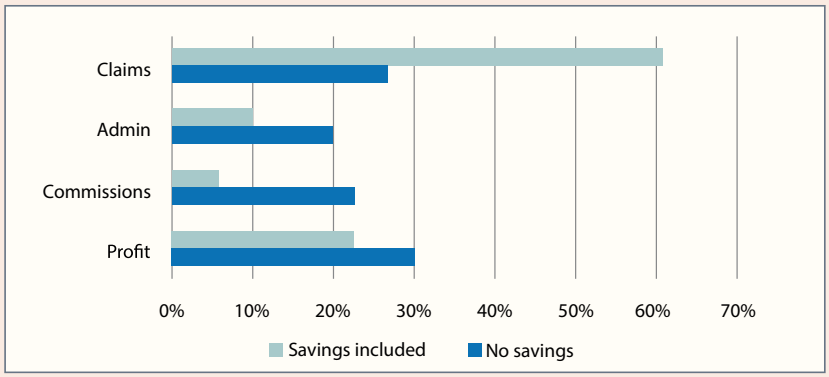
Examining more nuanced market data reveals two specific characteristics of the Ghanaian microinsurance market that require additional assessment: 1) a significant link between savings and insurance and 2) strong mobile network operator (MNO) activity in the microinsurance sector. These observations require a further disaggregation of data to better understand where value lies.

Key ratios: savings vs. no-savings

An important disaggregation of key ratios is the differentiation between savings and non-savings products. In Ghana, savings are treated as overall premiums and thus aggregate figures typically include savings; non-savings values, on the other hand, infer pure risk products. Dissecting both indicators, one sees extremely high claims rates on the savings side. This is because these figures also include withdrawals, which in turn reduce operational expenses (commissions and admin costs) and raise profit. Removing savings from the equation, one has a much clearer understanding of the pure risk and premiums at hand: operational expenses rise drastically to 43% while claims drop significantly to 27% (from 61% with savings). Separating

savings and non-savings products allows for a more meaningful analysis of the realities in the market. Disaggregating these figures has allowed the National Insurance Commission (NIC) to identify value issues that were previously eclipsed in the aggregate data.

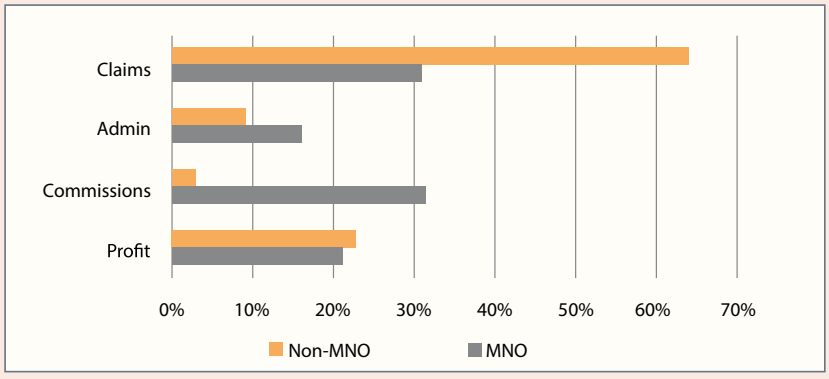
Key ratios by savings vs no-savings



Mobile insurance products and value

Another important disaggregation is in the mobile insurance business. The rapid growth of microinsurance in Ghana has been largely impacted by the prevalence of mobile microinsurance products. As such, the NIC has granulated between product line (i.e. mobile versus non-mobile microinsurance products) in order to understand which products are weighing the figures and where real value issues lie.

Key ratios by MNO type



While profit ratios are roughly the same for MNOs and non-MNOs, there is a huge disparity in commissions values, with MNOs retaining 32% commission and non-MNOs only 4%. Claims, on the other hand, are only 31% for MNOs and 64% for non-MNOs. These figures reveal an important shift within the components of MNO premiums from claims to paying high commissions to the MNO distributors. Disaggregating in this way has exposed important consumer protection and client value questions and enabled the NIC to try and adjust their policies to promote value for consumers. All in all, collecting the right kind of data with the right level of detail and disaggregation has helped the Ghanaian supervisor to perform sound value analyses and better identify value and market development issues within their jurisdiction.

MALAYSIA

In line with Malaysia's Economic Transformation Programme to enhance the population's financial security and social safety net, it is envisaged that most, if not all, of Malaysia's population is insured. In the past, Malaysia's central bank, Bank Negara, has surveyed two key penetration measures reflecting this mandate: total life premiums to GDP and the life insurance take-up rate, the latter measured by calculating the number of life policies to the total population. Purely utilising these two penetration measures, it would appear that Malaysia has a steadily growing insurance market. Malaysia's penetration rate for life products had increased to 3.1% (2014) from 2.3% (2005), and over the past five years the life insurance take-up rate has stood at about 55% of the population.

Digging deeper: Insurance demand field study and spatial mapping

To better understand the domestic landscape of insurance, Bank Negara performed a comprehensive study of life insurance in Malaysia since 2011. They collected data from the industry detailing a variety of variables, from clients' unique identification number to their age, gender and state of residence. Based on this data, the Bank found that there was some degree of policy duplication in the market – that is, a single policyholder owning one or more policies. Utilising this disaggregated data, Bank Negara was able to eliminate multiple policy ownership from the penetration statistics and glean a more accurate picture of reality on the ground. The findings from the study indicated that insurance penetration values were not as high as initially calculated. In fact, they found that, excluding duplications, only 35% of the adult population had at least one life insurance policy.

The statistical analysis was supplemented with a mapping exercise of insurance branches to understand the supply side of access to insurance coverage. The Bank used insurance branches as a proxy of access to agents as agents generally depend on such branches for administrative, compliance and training support. The findings from the mapping revealed significant spatial disparities, with the reach of agents being largely limited to urban areas where branches are primarily located. The dichotomies found from the disaggregated analyses has prompted Bank Negara to re-evaluate their existing penetration measures to ensure that they are truly reflective of the realities and dynamics of the local market.

Response and next steps

Drawing from their preliminary analysis, Bank Negara was able to enhance their understanding of domestic penetration issues and adapt their policy strategy accordingly – simplifying product designs and ensuring that products are more affordable and accessible to the under-served segment. Moreover, the Bank has been working with the industry to develop the Starter Pack Initiative, a programme designed to provide basic term cover at low premium levels with minimal underwriting. The Initiative is expected to be launched in the second quarter of 2017. Moving forward, Bank Negara will continue looking beyond the international penetration rate to develop more meaningful penetration measures and gain deeper insights into their specific markets, thereby supporting their own evidence-based policymaking.

Supplementary Documentation
Bank Negara's Financial Stability and Payment Systems Report was recently released and contains further details on the evolution of life insurance and family takaful distribution channels and also explores the reforms and transformations needed to achieve the vision of greater access to inclusion.

Questions and Discussion

How regularly should data be collected?

Data should be collected at minimum annually, though it is better to do so on a semi-annual basis, as is the case in Ghana. Collecting and examining indicators on a semi-annual basis helps supervisors stay informed on the status of the market and to track progress effectively. Consultations with the industry are crucial in order to determine the frequency of collection, what type of data to gather and how to define it. It is important to engage the industry to establish clarity on what insurers are able to provide and put the data collection process into context.

In calculating the penetration rate, how can supervisors separate microinsurance products from traditional insurance products?

Distinguishing between microinsurance and traditional insurance products first requires the establishment of a clear definition of 'microinsurance'. In Ghana, for example, the regulatory framework clearly outlines a microinsurance definition and indicators that the supervisory authority uses to assess whether a product classifies as 'microinsurance' or not. Before a product gets submitted to the National Insurance Commission (NIC) for assessment and approval, it is clearly identified as either a 'microinsurance' or conventional insurance product. Thus, when gathering data on microinsurance, the NIC knows exactly which products in the market are microinsurance and can segment the process accordingly.

Figures indicate a low insurance penetration rate across all regions. What would be an acceptable threshold or range for this value? Moreover, as the insurance penetration rate is calculated as insurance premiums over GDP, can growth in other sectors of the economy adversely affect the penetration rate, making it quite low?

The calculation for the penetration rate (premiums over GDP) fluctuates constantly and thus has limited value for supervisors to understand either market development or the product value. It is important to start thinking more deeply about alternative tools that will enhance supervisors' understanding of the dynamics of their inclusive insurance markets. While the penetration rate enables one to compare figures across regions, it would be better to utilise the other indicators mentioned and find a way of equalising them across different markets. For example, many can be made more comparable by adjusted for currency differences.

What are some steps that regulators should take to support the transition from planning to implementation?

It is important that regulators have a nuanced approach to implementation. Firstly, it is crucial to meet with insurers in order to discuss the objectives in data collection, what data is being sought and what will be done with the data after it has been gathered. Afterwards, a training session for insurer compliance staff should be conducted so that they are clear on what is being sought and exactly how to provide the necessary data. After the first cycle of data submission, a follow-up meeting should be arranged with insurers to report the results of the analysis and to go over any issues, e.g. in how the data was collected or calculated. Finally, it is also crucial to ensure training of supervisory staff so that they understand what the right data is, what the data tells them and how they should react to the analysis results.

As different types of products have different claims ratios, how can one determine what is a low claims ratio and whether the numbers are indicative of client value?

This depends on the type of product that is under examination. Health products, for example, tend to have much higher administrative costs than life products due to the sheer volume of products on the market.

The nuances in such figures require supervisors to look at the different components of the computation. Nevertheless, there are some issues that can be garnered from lower claims ratios. For example, mobile insurance products frequently have single-digit claims ratios. This indicates that clients are likely not aware that they have the product, either because of the way they are paying for it or because of the way it was sold to them. Another operational issue is that beneficiaries of life policies sometimes do not know that they are in fact the beneficiary. Aside from the difference across products, another dimension to consider is time. Typically, in the first year or two of a product's lifecycle claims ratios tend to be low. What is happening is that insurers often do not have the data to effectively price their products, which results in a rather low claims ratio or a rather high profitability or administrative cost. Overall, it is critical to think about value to customers by being able to demonstrate that the figures are reasonable and fair, though there might be different arguments for different products.

? **In Ghana, why is the claims ratio lower and the administrative cost higher for products with no savings?**

Due to the distorting nature of savings, key ratios are provided both inclusive and exclusive of savings. Administrative and commissions costs are substantially diluted with the inclusion of savings because for most companies, admin is significantly composed of fixed costs against a larger denominator, thus reducing the relative costs of the products. Most insurers do not provide commission on savings. With no savings, the commission cost (23%) and admin cost (20%) are within the range of other countries. Claims goes from 27% (no savings) to 58% (with savings) because savings withdrawals and maturities are included. This distorts the "real" claims ratio and makes it harder to identify the real loss due to risk versus (what should be) the reduction in liabilities.

? **Are there any tools beyond the insurance penetration rate that enable one to compare value across jurisdictions?**

Unfortunately, there is no comprehensive tool that gathers information on product value in different countries. For example, the Swiss Re/SIGMA data reports that are widely used do not collect this additional data. However, there are specific studies such as those from the MicroInsurance Centre's MILK project[1] that provide interesting insights on client value for different products worldwide. This data collection, however, does not allow for comparison on a national level; it nevertheless allows for comparison of products in a range of countries. Another tool that provides interesting information is the PACE[2] of the ILO's Impact Insurance Facility that evaluates products, access, cost and experience (information related to indicators we are looking at), as well as the Landscape Studies of Microinsurance in LAC, Africa and Asia conducted over the years by the MicroInsurance Centre for the Microinsurance Network, Inter-American Development Bank, Munich Re Foundation and others.

1 http://www.microinsurancecentre.org/milk-project/milk-overview.html and http://www.ilo.org/public/english/employment/mifacility/knowledge/publ/milkpub.htm
2 http://www.impactinsurance.org/tools/PACE

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