As competition increases, insurers in Kenya, South Africa, the Philippines and India are experiencing slower growth as per a new study on the profitability of six microinsurance schemes. In response, insurers have tried to foster customer loyalty, differentiate products, improve servicing, and reduce costs rather than only compete on price by reducing premiums.

In Kenya, high profit margins in the credit life market have led to fierce price competition, with a number of insurers offering very low premiums. Rather than matching rates of competitors, CIC has concentrated on enhancing its credit life products with optional benefits like funeral insurance and fire and burglary cover for the asset that is pledged as collateral for the loan.

In South Africa, to keep premiums competitive, Old Mutual has had to maintain premiums at a level that does not fully support the costs of the full-time salaried sales agents that sell and service its funeral insurance. This has kept profitability below 10 per cent for the past few years. Old Mutual expects the situation to improve when business volumes reach a commercially viable level. It is improving agent training and refining processes to enable agents to provide faster sales quotations, and improving servicing by making it easier for funeral groups to directly update their membership information.

The study shows the dynamic nature of the microinsurance industry. In the last three years all six insurers have introduced new products or improved existing products in order to stay competitive and improve profitability. For results of these initiatives, see Microinsurance Paper 32 ? Business case for microinsurance part II: follow-up study on the profitability of microinsurance.