A core characteristic of life microinsurance is simple product design. Yet MILK’s analysis of four products in the Philippines reveals unexpected complexity. Seemingly simple products have coverage that is, in fact, quite complex, and a seemingly straightforward comparison is surprisingly ambiguous.

MILK analyzed popular, comparable plans offered by four insurers. Median coverage was US$ 3,873 and median premium charged was US$ 7.59 per year. Coverage and premiums charged varied by programme, with each offering different combinations of life, accidental death and total disability cover. When viewed as a total package of benefits, rates (premium per US$ 1,000 sum insured) were reasonably similar, ranging from US$ 1.92/1,000 to US$ 2.16/1,000, suggesting comparable value.

But, when weighted by coverage type (to reflect the fact that the actuarial value of life insurance is greater than that of accidental death coverage, for example), rates varied significantly between the offerings (from as much as US$ 9.43/1,000 to as little as US$ 3.27/1,000). Giving actuarial weight to the coverage combinations completely changed which product offered the best financial value to the customer.

It has been suggested that low-income Filipinos are beginning to shop for life insurance coverage based on price. If this is true, then growing competition in the future may lead to better products and more rational prices. This transformation would be best supported through transparent and unbundled pricing. The assumption is that competition at the consumer level (rather than at the distributor level where it is now), would bring prices down. It will be interesting to see how this emerging competition plays out, especially given that comparison of price and coverage at present is far from simple.

For more information see MILK Brief #14: The Business Case for Life Microinsurance in the Philippines; Initial Findings [1].

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