

EFInA Innovation Forum

Microinsurance: Opportunities, Challenges and Innovation in Product
Design for the Mass Market

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EFInA Overview

- Enhancing Financial Innovation & Access (EFInA), is a financial sector development organization that promotes financial inclusion in Nigeria
- EFInA is funded by the UK Government Department for International Development (DFID) and The Bill & Melinda Gates Foundation
- Our vision is to be the leader in facilitating the emergence of an all-inclusive and growth-promoting financial system
- EFInA's holistic approach to expanding access to finance is based on three pillars:
 - Research: The provision of credible market information on the Nigerian financial sector
 - **Innovation:** Through our Innovation Fund, we catalyze the development of innovative inclusive financial services for the unbanked and under-banked population in Nigeria
 - Advocacy: We advocate for the development and implementation of policies that create an enabling environment for financial inclusion



- Many Nigerian, for numerous reasons are unbanked and lack access to formal financial services
- Billions of Naira circulates through the informal sector and this has a negative impact on the country's economic growth and development
- Financial inclusion is the provision of a broad range of high quality financial products (such as savings, credit, insurance, payments and pensions) which are relevant, appropriate and affordable, to serve the needs of the entire adult population and especially the low income segment
- Access to a range of affordable, safe and reliable financial services provide the necessary lubricant for economic growth and contribute to wealth creation and reduction in poverty
- Financial Inclusion is therefore key to tackling the 'poverty trap' in Nigeria



EFInA Access to Financial Services in Nigeria 2010 Survey

Key Findings



Key Objectives

The broad objective of the EFInA Access to Financial Services Survey is to generate relevant and reliable data on the demand for and usage of a range of financial products (both formal and informal) by the adult population in Nigeria. Specifically, the survey among other things, aims to:

- Provide credible data that can support evidence based financial inclusion policies and highlight opportunities for policy reform
- Establish credible benchmarks and indicators of financial penetration in Nigeria
- Document usage of financial products across both formal and informal sectors
- Provide a comparison of access to financial services in Nigeria from 2008 to 2010.
- Provide insights into regulatory and market obstacles to growth and innovation in the financial sector
- ➤ Identify the financial needs of the adult population and thereby give service providers the opportunity to develop innovative products to serve them
- ➤ Analyse the market potential of the low income segment



Coverage and Methodology

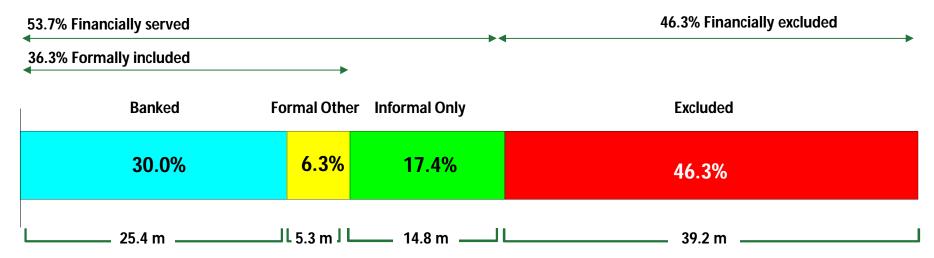
- Target sample size = 24,000; Total Achieved = 22,569 (Response rate = 94%)
- 36 States plus FCT Abuja
- Nationally representative based sample of Nigerian adults (18+)
- Sample design, household listing and weighting conducted by the National Bureau of Statistics
- Research was conducted by Research & Marketing Services (RMS)
- Fieldwork duration: July to August 2010
- The questionnaire was translated into Hausa, Yoruba, Igbo and Pidgin English
- Framework is based on the FinScope Methodology
- Sampling of questionnaires was based on proportional representation (i.e. population size) per State:

No of questionnaires	Population per State
400	Population < 3 m
600	Population ≥ 3 m but < 4 m
800	Population ≥ 4 m but < 5 m
1,000	Population ≥ 5 m but < 7 m
1,200	Population ≥ 7 m



Financial Access Strand

- 30.7 million adults are formally included
- 39.2 million adults are financially excluded



DEFINITION OF FINANCIAL ACCESS

- Banked: all adults who have access to or use a deposit money bank, in addition to having/using a traditional banking product, including ATM card, credit card, savings account, current account, fixed deposit account, mortgage, overdraft, loan from a bank, or Islamic banking product
- Formal Other: all adults who have access to or use other formal institutions and financial products not supplied by deposit money banks, including Insurance companies, microfinance banks, pension schemes or shares. It also includes remittances (through formal channels)
- Informal Only: all adults who do not have any banked or formal other products, but have access to or use only informal services and products. This includes savings clubs/pools, esusu, ajo, or moneylenders; as well as remittances (through informal channels such as via a transport service or recharge card)
- Financially Excluded: adults not in the banked, formal other or informal only categories, even though the person may be using or have access to any of the following: loan/gift from friends or family and loan from employers, as well as remittances via a friend/family member

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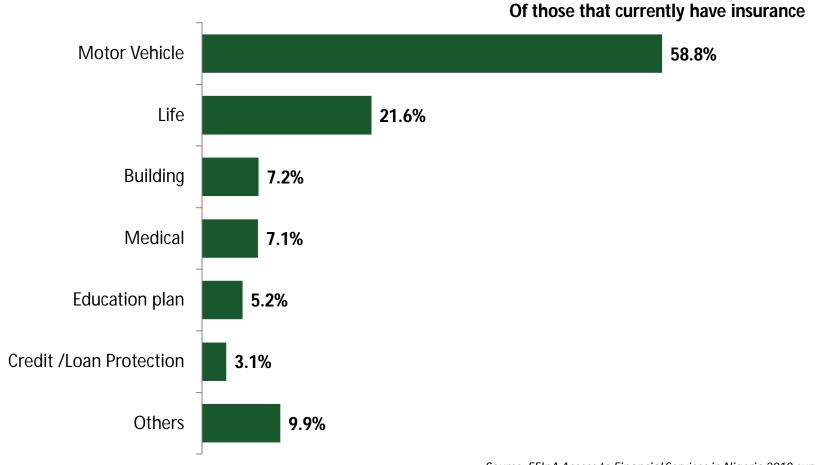


Insurance



Penetration of Insurance Products

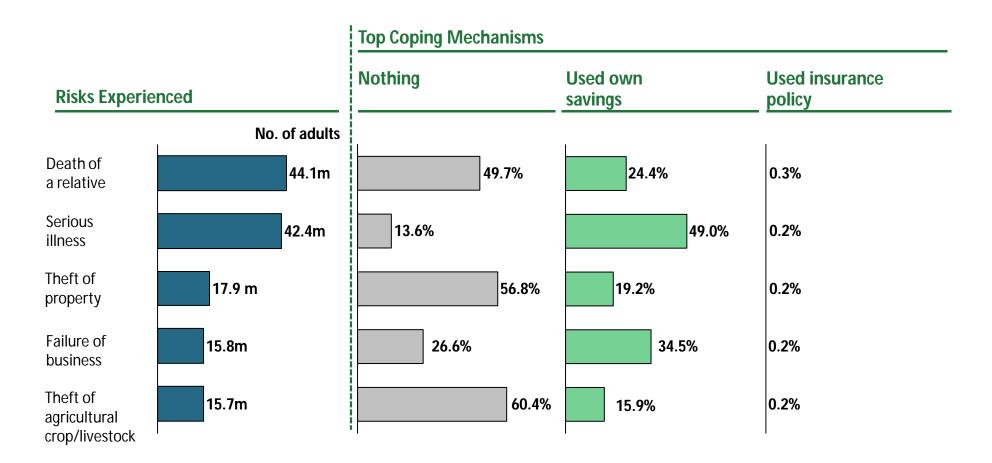
- Only 1% (0.8 million) of the adult population has insurance
- Of those who have insurance, vehicle insurance (which is compulsory) has the highest penetration
 0.5 million adults





Experience of Household Risks and Coping Mechanisms

The top mechanisms for dealing with adverse experiences - are doing nothing and using one's savings

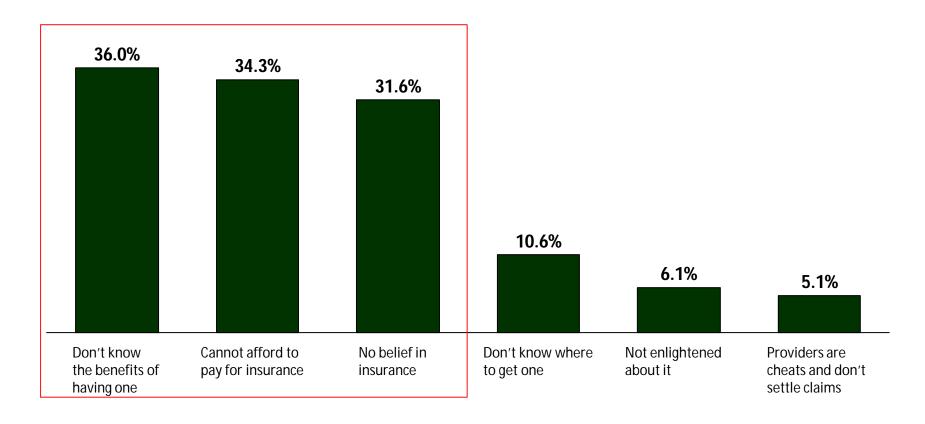




Reasons for Not Having Insurance

Of those who do not have insurance, the reasons cited were:

- Do not know the benefits of having insurance 30.2 million
- Cannot afford it 28.8 million
- Do not believe in insurance 26.5 million





THANK YOU

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