

**PROFESSIONAL INSURANCE
UNDERWRITING AND MARKETING:
A MUST FOR THE GROWTH AND
SUSTENANCE OF THE INSURANCE
INDUSTRY IN WEST AFRICA**

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AGENDA

- Some Characteristics of the West Africa Insurance Market
- Marketing and Underwriting
- Formulating Underwriting Policy
- Analysis of Underwriting Process
- Issues on Marketing and Underwriting in the West African Market
- Achieving Sustainable Growth in the Regional Market
- Conclusion

Some Characteristics of the West Africa Insurance Market

- The Insurance sector is seeking public acceptance
- Low penetration
- Low contribution to the nations' and by extension the regional GDP
- Inadequate capacity and poor regional risk sharing culture
- Tariff or near Tariff rates generally applied
- Lack of adequate data for informed decision
- Inadequate specialist underwriters.
- Premium and not profit is the focus for most.

MARKETING AND UNDERWRITING

Marketing

- The process through which goods and services move from concept to the customer. It consists of the following elements:
 - ❖ identification and development of a product or service,
 - ❖ determination of its price,
 - ❖ selection of a distribution channel to reach the customer's place, and
 - ❖ development and implementation of a promotional strategy.

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● **Product Development**

Insurance Products should be based on the needs of the consumers. Such products should go through the following process:

- ❖ Idea generation usually through the research and sales force
- ❖ Evaluation and analysis of generated ideas
- ❖ Products are then developed
- ❖ Products must be subject to periodic review

➤ **Product Pricing**

This is determined by the following

- ❖ Expenses
- ❖ Expected benefit/ claims payout
- ❖ Profit margin

● **Distribution of Products**

Distribution has remained critical in insurance service delivery process. For effective distribution system the following decisions are necessary:

- ❖ Distribution channel
- ❖ Cost of distribution
- ❖ Terms of the distribution

➤ **Products Promotion**

This activity relates to communication of the qualities and benefits of products on sale to the consumers (current and potential).

The message must be right and must flow through the right medium.

UNDERWRITING

Insurance **underwriting** is the process of classification, rating, and selection of risks. It involves the following:

- ❖ Knowledge of individual risk peculiarities.
- ❖ Assessing how the risk & a peril produce potential losses.
- ❖ Estimating magnitude of losses.
- ❖ Estimating insured's systems & capabilities for prevention & minimization of losses.
- ❖ Determining the price, terms & conditions that are applicable.

Formulating Underwriting Policy

- **Underwriting Objectives**
 - Volume driven or
 - Profit driven or
 - Pursuit of sectorial leadership or
 - Development of balance portfolio
- **The Underwriting Structure**
 - Underwriting Capacity (In house/outsourcing)
 - Setting limits of acceptance
 - Procedure for dealing with extra ordinary risks



- **Control**

- Underwriting Audit,
- Regular Review of Risk Management Policy

- **Human Capacity Development**

- Development of manuals
- Training plans (internal and external)

UNDERWRITING PROCESS

Institutions

Activities

Intermediaries

Field Underwriting

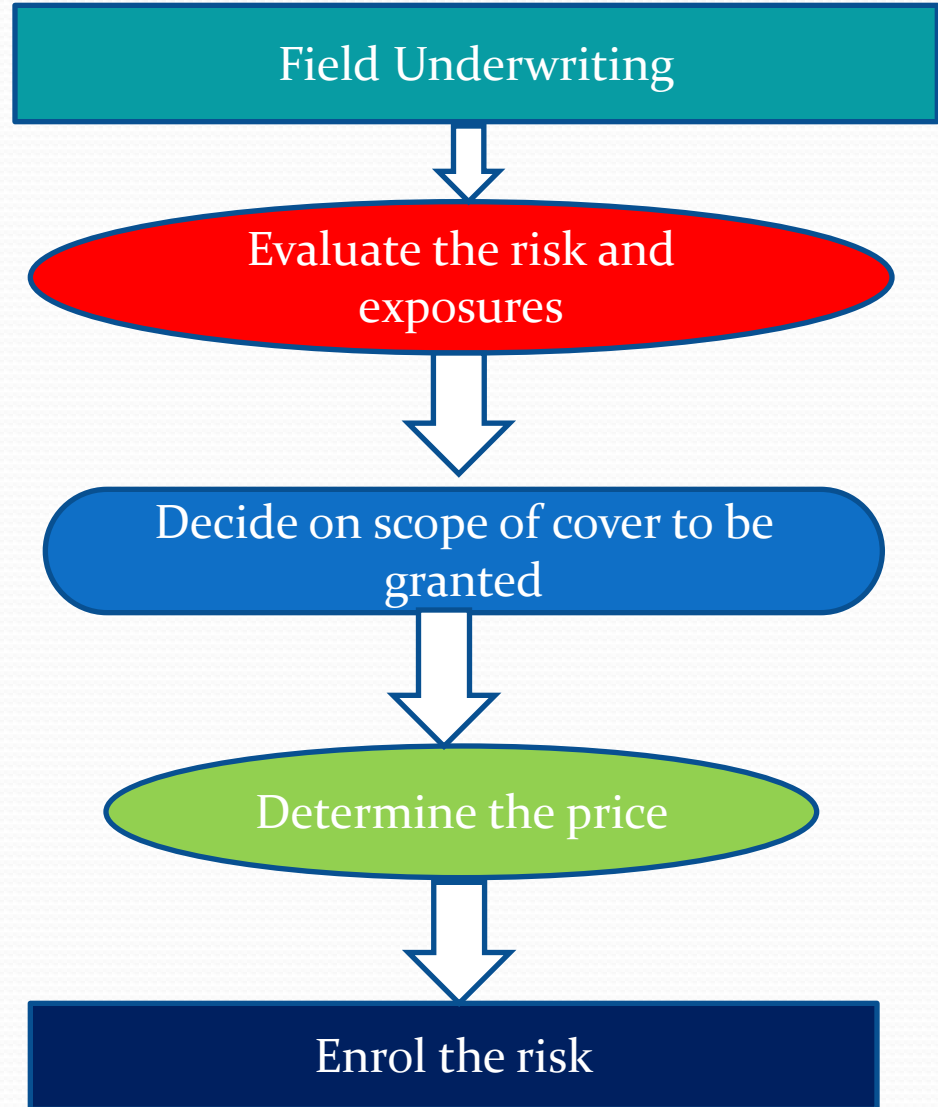
Evaluate the risk and exposures

Decide on scope of cover to be granted

Determine the price

Underwriters

Enrol the risk



FIELD UNDERWRITING

- The underwriting process actually begins with the intermediary who sells the policy.
- It is considered to be the most important part of the selection process
- The intermediary typically meets with the applicant and gathers the information needed to complete the application.
- The meeting also offers the opportunity to make observations that could affect the decision of the principal underwriter
- Records information reported which forms the basis for risk assessment

- Intermediary must display accuracy, thoroughness and honesty
- The ethical conduct of the intermediary with regard to the underwriting process must be, in all instances, above reproach.
- The after sales service must be well managed by the intermediary

EVALUATION OF THE RISK

- The following are to be given consideration by insurers while evaluating risks
 - objectivity,
 - clearly related to the likely cost of providing cover,
 - easy to administer,
 - consistent with applicable laws, and
 - designed to protect the long-term viability of the insurance program.

SCOPE OF COVER

- The function of the underwriter is to protect the company's book of business from risks that they feel will make a loss
- Determine the corporate risk appetite
- Issue insurance policies at a premium that is commensurate with the exposure presented by a risk.

PRICE DETERMINATION

- The customer's perception of value is an important determinant of the price charged.
- The price of insurance products for normal risks are usually standardised based on the following:
 - Expected payout
 - Expenses incurred
 - Profit margin

ACCEPTANCE OF RISK


- Notification of the decision and delivery of relevant documents must be within a reasonable time
- Conditions for acceptance of risk must not be ambiguous to warrant misunderstanding
- Documents evidencing the contractual relationship must state the rights and obligations of the policyholder

Issues on Marketing and Underwriting in the Regional Markets

- Poor state of the regional economies
- Lack of financial literacy
- Poor infrastructural facilities hinder effective marketing of insurance products
- Declining underwriting skills in the industry
- Inadequate risk assessment and profiling
- Poor product development process
- Lack of provision for review of products to determine its stage in the life cycle
- Absence of underwriting technology transfer
- Overemphasis is on volume of business against the management of the acquired portfolio

Achieving Sustainable Growth in the Regional Markets

- There must be increase in human capital development in every area of the industry's operations especially marketing and underwriting
- The industry must increase in visibility to influence policies that directly impacts on its activities
- Our emphasis should be shifted from volume of business to quality of service delivery
- Capacity utilisation must be pursued, a ratio of 3:1 net worth to premium is considered adequate

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- Cooperation among the value chain in the industry must be strengthened
 - The industry should encourage constant interaction among the relevant units of each company
 - Insurance is a business of integrity and this must be displayed at every point of the service delivery
 - There must be increase deployment of ICT in marketing and underwriting activities
 - Subscribe to the reports of Credit Bureaux and deploy same for financial underwriting
 - Respect for data is a must for growth and development of the market

CONCLUSION

- The business of insurance has evolved over the years, the dynamics in the regional economies has therefore made it imperative that key operational areas of insurance business be constantly reviewed for sustainable growth and relevance in the economies' financial system.



THANK YOU ALL

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