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A new frontier - Microinsurance: LeapFrog Investments

International Trade Forum - Issue 2/2010



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With an increasing demand for market-based solutions to poverty, innovative businesses like LeapFrog Investments have identified the opportunity to develop business models targeting low-income customers that are profitable, scalable and offer competitive returns for the major financial investors they are attracting.

Launched in 2008 by former United States President Bill Clinton, LeapFrog Investments is the world's first and largest microinsurance fund, investing in businesses that provide affordable insurance to low-income and vulnerable people in Africa and Asia.

With a focus on countries such as India, the Philippines, South Africa, Ghana and Kenya, LeapFrog targets strong returns for its investors by accessing the largely untapped microinsurance market, which a recent study by the insurance giant Lloyd's estimated to be 1.5 billion people in emerging markets.

There are currently 4 billion people classified as low-income with a total combined annual purchasing power of US\$ 5 trillion, according to the International Finance Corporation (IFC). With only 135 million current microinsurance beneficiaries in the world, LeapFrog recognizes an enormous opportunity in a market that is only 9% saturated.

Through its portfolio companies, the fund aims to reach 25 million low-income and vulnerable people with essential financial services, alleviating poverty while generating robust returns for its investors.

'We can think big. We don't believe that this market requires a trade-off between profit and purpose. We believe each can harness and amplify the other, making for both commercially viable and high impact companies,' said LeapFrog Investments President and Founder, Andrew Kuper.

LeapFrog's profit-with-purpose approach has attracted leading investors including J.P. Morgan, the European Investment Bank, the IFC, KfW, Triodos Bank, ACCION International and the Omidyar Network, the philanthropic investment firm of Pierre Omidyar, founder of eBay.

'This profit-with-purpose fund is widely recognized as having opened up a new frontier in microfinance and alternative investment,' said former President Clinton at the Clinton Global Initiative in 2009.

The fund has a diversified investment strategy focused on high-growth emerging markets. LeapFrog considers three kinds of investments with a focus on quality, affordable and relevant products:

- Investments in growth-stage microinsurance businesses that are poised to scale in client numbers, impact and profit.
 - Distribution-driven investments where LeapFrog works with a large distributor - such as a microfinance institution, retail chain, mobile phone network, church group or non-profit - to capitalize a company that swiftly reaches a substantial and fast-growing client base.
 - Insurer-driven investments where LeapFrog co-invests with or invests in an insurer, bringing capital and expertise that reduce risk, increase speed to market and improve both profitability and impact.
- 'We bring a crucial level of capital, world-class expertise and resources to mass-market insurance businesses - support which is necessary to effectively scale these remarkable businesses,' said Mr Kuper.

He went on: 'Our success is driven by the fact that we are meeting the escalating demand for microinsurance at the right time. We are able to support these businesses across all parts of the value chain, from sourcing opportunities through investment and growth stages to effective exit.'

By design, LeapFrog's success in achieving strong financial returns for investors is driven by its ability to guide scalable businesses that deliver high-quality, affordable products to millions of people who are currently underserved by insurance companies. The key, said Mr Kuper, is 'to keep margins reasonable but volumes high, and then ensure that products are affordable, desirable and taken up in large numbers by low-income customers'.

For more information visit www.LeapFroginvest.com.

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In South Africa, LeapFrog has invested US\$ 6.7 million in AllLife - an innovative insurer that exclusively serves people living with HIV and diabetes. AllLife's client base grew by 250% last year and aims to reach 250,000 beneficiaries in the coming decade. 'AllLife has developed a distinctive and profitable business model, reaching customers that other insurers were unable to access,' said LeapFrog Founder, Andrew Kuper.

Article written by Kris McIntyre

