

Case Study: Express Life Insurance Company Ltd. (Ghana)

Express Life's Story

Express Life was founded in 2009 by Obed Danquah, a Ghanaian entrepreneur committed to providing financial services to the underserved segments of Ghana's population, including low-income households and Ghanaians living outside of major cities. Mr. Danquah created Express Life to complement his savings and loans business focused on micro-, small- and medium-sized enterprises, and a remittance service aimed at unbanked Ghanaians.

Express Life began operations in a highly underpenetrated market: in 2011, the Ghanaian insurance market still covered only 2% of the population. However, the market had grown rapidly from 2004 to 2011, with life insurance premiums expanding approximately 40% per year. Express Life, too, posted rapid growth from its founding until the end of 2011. However, in 2011, Ghana's national insurance regulator announced more stringent capital requirements for domestic risk carriers, even while the business was not achieving bottom line growth to match its top line performance, leading Express Life to search for additional funding and expertise.



One of Express Life's customers, Felicia, at the firm's Accra branch.

LeapFrog became acquainted with Express Life and found that Mr. Danquah's emphasis on financial inclusion meshed well with its own commitment to serve emerging consumers in Africa. An investment in Express Life would not only allow the company to meet the enhanced minimum capital requirements, but also add value through support at the board and operations levels, and ultimately help Express Life to reach more underserved Ghanaians. In particular, both parties saw opportunities to reinforce Express Life's managerial team and expand the company's scale by capitalizing on its favorable reputation in responding to claims. Satisfied with the compatibility of LeapFrog's goals with his own aim of reaching underserved consumers, Mr. Danquah ceded significant control of Express Life in May 2012.

The Role Played by Private Equity

As majority shareholder, LeapFrog sought to improve Express Life's financial performance while also expanding its reach among Ghana's underserved communities. Doug Lacey, a LeapFrog Partner based in Johannesburg, leveraged his previous experience co-building and serving on the board of Ghana's largest private insurance company to attract seasoned insurance executives to crucial positions within Express Life, including CEO and the Heads of Distribution, Customer Service and IT. To align these and other key managers' incentives with LeapFrog's goals, the investment team inaugurated an employee stock ownership plan.

In the first year, Express Life overhauled its product offerings, which previously were complex hybrids of savings and risk products not ideally suited to its target demographic. The company introduced new products that were simpler for first-time insurance buyers to understand, and provided higher payouts to customers for the same amount of premium. By reducing the premium-to-payout ratio and increasing value for the customer, Express Life was able to provide additional protection to customers and attract clients for whom the value proposition of insurance was previously unclear. Today, all of Express Life's new premium income is derived from the products it developed in conjunction with LeapFrog's team. ▶

The Company



Essentials

Company: Express Life Insurance Company Ltd.

Country: Ghana

Sector: Financial services

Business focus: Insurance and savings for emerging consumers

Size: 306 employees (July 2013)

GP: LeapFrog Investments (leapfroginvest.com), a profit-with-purpose investment fund focused on financial services businesses in Africa and Asia, with an emphasis on insurance and related financial tools

Date of investment: May 2012

Investment: US\$5.5 million

Impact Highlights

With LeapFrog's support, Express Life increased value to the customer and shareholder by creating new partnerships, products and processes that offered higher payouts for the same amount of premium, while improving the top and bottom lines

Express Life expanded its customer base through new, targeted insurance products that better serve the needs of low-income Ghanaians

Express Life expanded access to its products through a partnership with Bima, another LeapFrog portfolio company that specializes in insurance distribution via mobile phones with operations in seven countries, including Ghana

LeapFrog bolstered Express Life's top management by leveraging industry contacts within Ghana to fill key posts, such as CEO, with experienced insurance executives

Within a year of the investment, Express Life increased staff five-fold, while opening five new branches and two new sales offices

In service of social impact goals, Express Life has introduced a hospital cash product, distributed via mobile phone, to protect vulnerable households from catastrophic costs arising from sudden illness

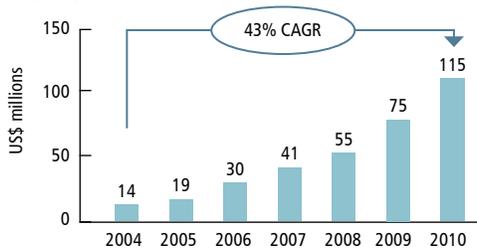
The Company View

“There has been a lot of excitement and confidence among the staff here since the partnership with LeapFrog began. People see a bright future for themselves and the company, and they can feel the impact that LeapFrog’s partnership is having. We believe in our five-year plan and we have a common vision: to lead the insurance industry in Ghana in terms of service delivery and an emphasis on the emerging consumer.”

Mokobi Aryee, CEO,
Express Life

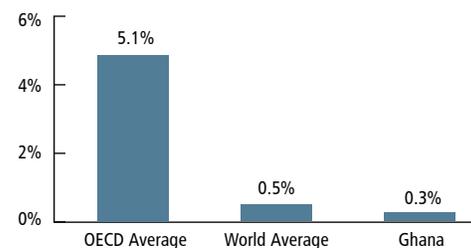


Life Insurance in Ghana: Gross Written Premium



Source: LeapFrog Investments.

Life Insurance Penetration (2009)*



* Total gross life insurance premium volume as a percentage of GDP.
Source: OECD, Federal Reserve Bank of St. Louis, World Bank.

“Express Life and LeapFrog are natural partners, since it is an entrepreneurial business built to reach Ghana’s emerging consumers, who are an important yet truly underserved market. Alongside best-in-class governance, LeapFrog’s investment and operational improvement team has been able to contribute expert support on strategies, brokering of distribution, and process efficiencies that effectively reach that market, as well as distinctive expertise in product distribution and pricing for the emerging consumer.”

Doug Lacey, Partner, LeapFrog Investments

▶ On a strategic level, Express Life rapidly scaled up its workforce, attracting new hires by raising salaries, which had previously lagged the industry average. Express Life’s geographic footprint grew in kind, with five new branches and two new sales offices opening within a year of the investment. To reach more unbanked Ghanaians, Express Life partnered with Bima, a LeapFrog portfolio company that distributes insurance through mobile networks across several

emerging markets in Africa and Asia. Express Life’s partnership with LeapFrog also cleared the way to regulatory approval for Express Life’s new insurance products, which had been frozen pending the company’s ability to meet higher capital requirements. Monthly sales also climbed rapidly, posting a five-fold increase in just over a year.

Beyond the Bottom Line

As it expanded its customer base and product offerings, Express Life pursued social impact objectives alongside traditional business goals, achieving valuable synergies between the two. For example, Express Life’s new employee stock ownership plan ensured that part of managers’ compensation would depend on achieving social targets, such as the proportion of the company’s policyholders that meet LeapFrog’s definition of underserved or low-income consumers, which includes people living on less than US\$10 per day, and those who often have not previously had access to financial services.

The partnership has also helped Express Life to surmount a major hurdle in expanding access to insurance among Ghana’s underserved consumers: the prohibitive cost of available policies in relation to benefits. By reducing the premium-to-payout ratio of their products, Express Life has been able to attract many more low-income Ghanaians. As a result, approximately 60% of Express Life’s policyholders today meet Leap-

Frog’s benchmarks for underserved consumers, and the firm has set a goal of delivering affordable insurance to 500,000 Ghanaians throughout its investment in Express Life.

Express Life has also expanded its product offerings to include policies that target a common cause of extreme poverty in Ghana: catastrophic expenses arising from the illness or death of a family member. The company has introduced insurance products designed to cover the costs of the funeral rite upon the death of a family member and, in collaboration with LeapFrog portfolio company Bima, a hospital coverage product to be sold for less than US\$1 per month. The coverage provides a daily benefit of up to 10 Ghanaian cedis (GHS; approximately US\$5) per day for customers admitted to the hospital for a maximum of 30 days, totalling GHS300 (approximately US\$150). In a country where the World Health Organization estimates the average expenditure on health per capita is only US\$85 per year, Express Life’s hospital coverage can provide a vital safety net for Ghanaians hit by unexpected health shocks.