



# AVCA Member Profile: LeapFrog Investments



**LeapFrog Investments (LeapFrog) is a leading investor in emerging markets financial services, investing in insurance and related financial companies who reach over 48 million people across Africa and Asia. The firm, which has a dual purpose of achieving top-tier financial returns and positive social impact, seeks opportunities across sub-Saharan Africa and in emerging Asia.**

**Fund I closed in 2010 with US\$135mn in commitments. Fund II closed in August 2014 with US\$400mn. LeapFrog looks for deal sizes of between US\$10mn and US\$50mn, and is comfortable with both majority and significant minority stakes.**

AVCA talks with Doug Lacey, a Founding Partner at LeapFrog after an impressive career running African insurance businesses.

## **Q: How is LeapFrog different from other private equity firms?**

A: One big difference is that none of our 6 founding partners came from private equity backgrounds, the majority ran financial institutions previously. Andy Kuper, LeapFrog's Chief Executive Officer and Co-Founder, was at Ashoka, the global organisation that supports social entrepreneurs. Jim Roth, LeapFrog Co-Founder and leading expert in insurance, has substantial experience working in microfinance and insurance for low income consumers. Andy and Jim saw a lot of opportunities for direct investment in microcredit, but no vehicles for investing in insurance for underserved people. They found a gap in the market.

The unusual background of our Founding Partners also meant a different set of objectives from the start. We have a twin objective at LeapFrog: profit with purpose. We also have a mantra: if it meets our social targets but doesn't meet our financial targets or vice versa, we won't make the investment.

## **Q: Did you see a social purpose in insurance for low-income consumers, as well as a commercial opportunity?**

A: We found no clear evidence that microfinance was alleviating poverty to the extent we had envisaged. People would take loans to pay for education or to set up shops, but when there was a shock in the family, such as the death or disabling of a breadwinner, people were not in a position to repay them. So they would go straight below the poverty line again. But when you put in insurance safety nets you can prevent people from dropping back below the poverty line.

## **General Partner Profile**

**Name of General Partner**  
LeapFrog Investments

**Funds**  
Financial Inclusion Fund I  
Financial Inclusion Fund II

**Regional Focus**  
Sub-Saharan Africa, South and South East Asia



## Q: How do you measure social as well as financial targets?

A: We have developed a template that measures both, called FIIRM: Financial, Impact, Innovation and Risk Management. We have to believe that the product benefits consumers. We also look at claim pay-out ratios, customer complaints, and renewal rates. Customers have to believe that if they make an honest claim, it will be treated fairly. We also consider the breakdown of staff by gender, and whether there are any people with a disability on the payroll.

Another of our objectives is to have a significant component of our companies' customer base to be emerging consumers. Roughly speaking, this includes households with an income of under US\$10 a day, though it varies from country to country depending on local purchasing power. They are the bulk of the population in emerging markets, but existing financial services providers do not focus on them. Because of this, the penetration of insurance is extremely low in much of the developing world. We're interested in the full gamut of insurance, including life, health, property and casualty.

## Q: What kind of limited partners do you have and what is their motivation?

A: We have three types. The first is strategic insurers, such as global insurers and reinsurers. They have invested for financial returns and to get strategic learnings around how you to assess and transact investment opportunities in Africa, where much of Fund II will be allocated. The second is institutional investors, who are primarily interested in PE-style returns, and the third is Development Finance Institutions, such as the European Investment Bank.

## Q: What is next for LeapFrog?

A: The key focus for us over the next while is to continue building value in our remaining 6 Fund I portfolio companies as we look towards exit - with just under 4 years of the fund life remaining - this is a significant focus for us. To date we have exited 2 investments to global strategics, achieving well in excess of our financial and social targets. Fund II, which is almost 2 years old, has invested US\$180mn across 6 portfolio companies with first investments in Thailand and Indonesia. There is still around US\$150mn of this fund left to invest, and with a strong pipeline, we are targeting the next 18 months to allocate the remaining funds. As for the future, LeapFrog is an ambitious organisation so I suggest that you watch this space!

## Contact AVCA

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## Success Story

**Company:** Express Life, Ghana

**Sector:** Insurance Services

**Entry Date:** June 2012

**Number of Clients (2012):** 60,000  
people reached via 12,000 policy holders

**Exit Date:** March 2014

**Number of Clients (2014):** 890,000  
people reached via 425,000 policy holders

### How LeapFrog Helped the Business:

- Increased the number of people reached from 60,000 at time of investment to 890,000 at exit
- Launched and streamlined the product offering by removing complicated products
- Enabled significant expansion of scale in terms of employees, branches and monthly sales
- Re-launched product offering with a simple set of two high demand products: simple life cover and an education endowment product (life and savings)
- Established a new distribution partnership via a mobile insurance partnership with BIMA, another LeapFrog portfolio company
- Achieved synergies with BIMA through the provision of two new relevant and affordable products: BIMA Life Insurance and Hospital Cash Plan. The Hospital Cash Plan product had grown to over 21,000 policies at time of exit

