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# Microinsurance and the rise of mobile insurance

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The views expressed in this presentation are those of the presenter.

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## What is microinsurance?

Insurance that is accessed by the low-income population, provided by a variety of different entities, but run in accordance with generally accepted insurance practices....and funded by premiums

International Association of Insurance Supervisors, 2007

...tailored to their needs, income, and level of risk

International Labor Organisation Impact Insurance Facility, 2008



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## Conventional versus micro insurance

	Conventional insurance	Microinsurance
<b>Clients</b>	<ul style="list-style-type: none"> <li>Regular income</li> <li>Reasonable insurance culture</li> <li>Have bank accounts</li> <li>Relatively low risk environment</li> </ul>	<ul style="list-style-type: none"> <li>Low irregular income</li> <li>Weak or no insurance culture</li> <li>May not have bank accounts</li> <li>Higher risk exposure/vulnerability</li> <li>May not be government safety net</li> </ul>
<b>Distribution Channel</b>	<ul style="list-style-type: none"> <li>Licensed intermediaries</li> <li>Direct sales</li> </ul>	<ul style="list-style-type: none"> <li>Wide variety of intermediaries</li> </ul>
<b>Premiums</b>	<ul style="list-style-type: none"> <li>Often good data</li> <li>Individual risk pricing</li> <li>Monthly to yearly payments</li> </ul>	<ul style="list-style-type: none"> <li>Little or no historical data</li> <li>Group or no underwriting</li> <li>Frequent and irregular payments</li> </ul>
<b>Claims process</b>	<ul style="list-style-type: none"> <li>Complicated processes</li> <li>Extensive verification documentation</li> </ul>	<ul style="list-style-type: none"> <li>Simple and fast processes</li> <li>Simple fraud control</li> </ul>

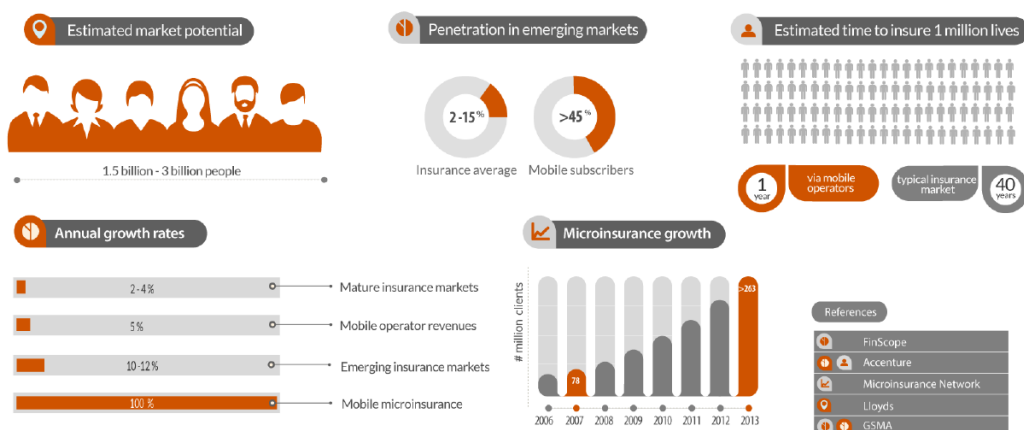


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## Market potential



Source: Inclusivity Solutions, 2015

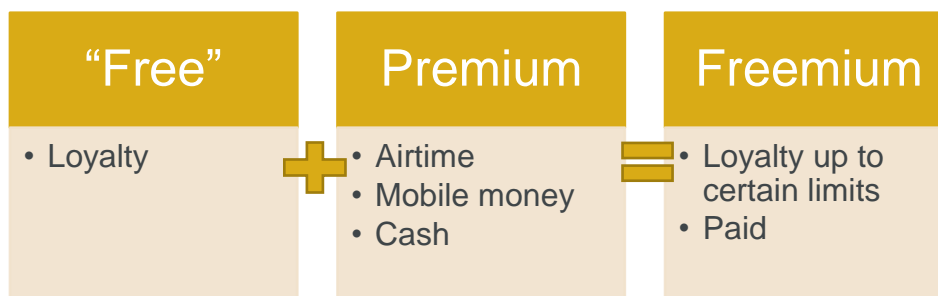


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## Premium payment models



If loyalty model then MNO pays insurance premium  
If premium model then client pays.

Source: Leach, Inclusivity Solutions, 2015



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## Loyalty is a common premium payment model

	EcoLife Zimbabwe reached 20% of the adult population in 7 months	Loyalty
	Telenor Talkshawk Pakistan reached 400,000 people in 2 months	Loyalty
	Tigo Bima Ghana reached almost 1m lives in 3 years	Freemium
	Airtel Zambia reached an estimated 2m at launch	Loyalty
	Robi Bangladesh has reportedly hit 4m clients	Loyalty
	MTN Nigeria reportedly reached 1m clients in a year	Voluntary Paid

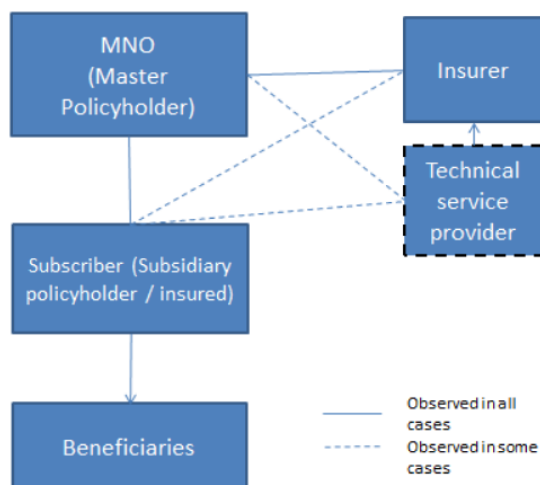
Source: Leach, Inclusivity Solutions, 2015



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## Mobile microinsurance business models



MNO = Mobile Network Operator  
 TSP = Technical Service Provider

If MNO takes strategic role, then MNO is actively involved.

If MNO takes transactional role, then MNO facilitates payment only.

Source: Leach and Ncube, Bankable Frontier Associates, 2014



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## Technical Service Providers in Africa

	BIMA (Milvik)	MicroEnsure	MFS Africa	Trustco Mobile
<b>Established by</b>	Kinnevik, which owns Millicon (Tigo)	Opportunity International	Dare Okoudjou	Trustco Holdings
<b>Other Investors</b>	Leapfrog	Omidyar, International Finance Corporation, Sanlam, Axa, Telenor	Private Investors	N/a
<b>\$ invested</b>	\$7m in 2012 and \$22m in 2014	Est \$7m in 2012 and a further estimated \$10m in 2014	\$2m in 2011 and seeking a further \$10m	Not available
<b># Clients</b>	10m	15m	Not reported. Est. <100,000	Not reported. Est. <100,000
<b>Country deployments</b>	12	13	Est. 5	1 (exited Zimbabwe)

Note: data mostly from 2013

Source: Bankable Frontier Associates, 2015



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## Product Example – Ghana “3 for free”

**covered for life, insured for 5**  
top up with 5 GHC or more in a month and get free insurance.  
How a registered airtel subscriber earns insurance cover:

Monthly Recharge Top Up (GHC)	Life Cover (GHC)	Accidental Death Cover (GHC)	Hospital Cash Cover (GHC)
GHS 5 - 9.99	GHS 250	GHS 250	GHS 25
GHS 10 - 19.99	GHS 500	GHS 500	GHS 50
GHS 20 - 49.99	GHS 1,250	GHS 1,250	GHS 100
GHS 50 and up	GHS 2,500	GHS 2,500	GHS 150

**airtel**

### Phase 1 - January 2014

Monthly recharge	Life cover	Accident	Hospital Cover Cash
GHS 5 - 9.99	GHS 250	GHS 250	GHS 25
GHS 10 - 19.99	GHS 500	GHS 500	GHS 50
GHS 20 - 49.99	GHS 1,250	GHS 1,250	GHS 100
GHS 50 and up	GHS 2,500	GHS 2,500	GHS 150

### Phase 2 - November 2014

**Double Cover** – pay GHS 1 per month to double your 3 for Free Cover: enjoy up to GHS 5,000 in life, accident cover and GHS 300 hospital cash

**Family Cover** – pay GHS 3 per month to double your 3 for Free Cover and give them same coverage to a loved one

Source: Gross, MicroEnsure, 2014

## Product Example – Ghana “3 for free”

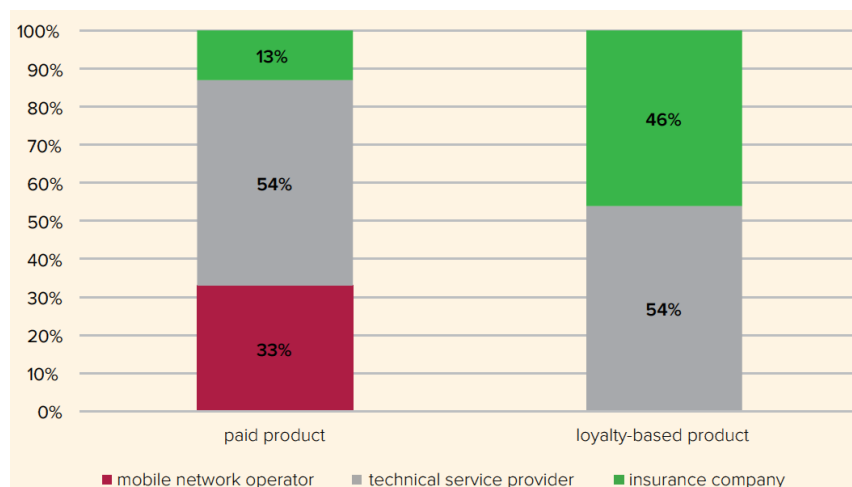
A few insights after 1 year:

- 1,000% increase in claims \*
- 450% increase in policy volumes\*
- 80% Reduction in TSP Expense\*
- Sustained ARPU and churn value
- Multiple risk coverage in more demand than single risk coverage
- Claims payments in 78 minutes

\* As compared to a similar product in Senegal

Source: Gross, MicroEnsure, 2014

## Allocation premium income in Ghana



Source: GIZ, Mobile insurance and risk framework in Ghana, 2015



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## Market example - Zimbabwe



Loyalty scheme product provided to subscribers for "free"



Zimbabwe's largest MNO: 7 m subs.



First Mutual Life – Zimbabwe's largest insurer



Trustco Namibia served as the tried and tested technical service partner

### A promising start...

**7 October 2010** – "free" embedded life insurance product launched to Econet subscribers on an 'opt in' basis

**31 March 2011** – Trustco announces there are 1.6 million clients

▪ (EcoNet claims there were only 1,2m)

### Setting the scene in Zimbabwe:

90% High understanding of mobile for payments  
47% High insurance cover for developing country  
56% EcoLife was second most recognised product  
23% Saw EcoLife as insurer (First Mutual Life at 19%)

Source: Bankable Frontier Associates, Cenfri, FinMark Trust, Ecolife

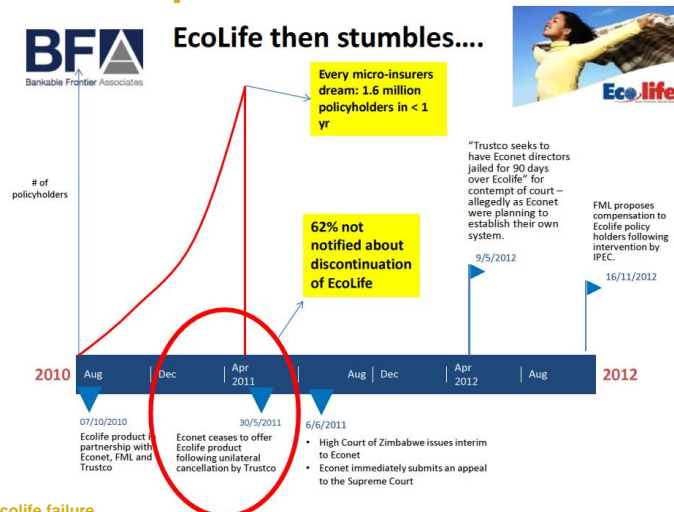


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## Market example - Zimbabwe



### Impact of Ecolife failure

63% ruled out use of similar products in future

42% dissatisfied with insurance

30% see better ways than insurance to protect against future problems

Source: Bankable Frontier Associates



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## Some thoughts

	Lesson	Challenges
<b>Customer</b>	<ul style="list-style-type: none"> <li>Product value and customer service are key to viability</li> <li>Customers expect mobile insurance to work like other mobile products, not like other insurance products</li> </ul>	<ul style="list-style-type: none"> <li>Who pays premium? Does it change risk profile?</li> <li>How is consumer protected?</li> <li>How is insurance product defined?</li> </ul>
<b>MNO</b>	<ul style="list-style-type: none"> <li>Freemium products create value via ARPU and churn; MNO willing to pay to a limit</li> <li>Mobile is about brand, scale, cost, access</li> </ul>	<ul style="list-style-type: none"> <li>Does MNO play a strategic or transactional role?</li> </ul>
<b>TSP</b>	<ul style="list-style-type: none"> <li>TSPs need to add enough value to defend their position or IP</li> </ul>	
<b>Insurer</b>	<ul style="list-style-type: none"> <li>Lack of actuarial capability and lack of pricing data are not inhibitors</li> </ul>	<ul style="list-style-type: none"> <li>Do insurers want to be involved?</li> </ul>
<b>Regulator</b>	<ul style="list-style-type: none"> <li>Mobile involves systemic risk</li> </ul>	<ul style="list-style-type: none"> <li>Are regulations sufficiently developed?</li> <li>What if a party or partnership fails?</li> </ul>
<b>Business models</b>	<ul style="list-style-type: none"> <li>Telecoms are volatile</li> <li>Freemium is hard but better model than free</li> <li>Mobile channel is not quick fix: it can make bad product worse</li> </ul>	<ul style="list-style-type: none"> <li>To lead or to follow?</li> <li>Power balance: MNO &amp; insurer?</li> <li>Whose brand power?</li> </ul>



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Source: Gross, MicroEnsure, 2014; Leach, BFA; various; author

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