The role of technological innovation in scaling up access to insurance and its regulatory challenges: a focus on m-insurance

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Agenda

The take off of m-insurance

A cautionary tale

Managing the risk whilst enabling innovation

Conclusion

m-insurance, insurance sold through and with mobile network operators, offers a strong value proposition for expanding micro-insurance

Massive scale and brand benefits
- In Kenya there are 6,000 insurance vs over 60,000 M-Pesa agents
- Telenor Pakistan- MicroEnsure were signing up ~6,000 clients a day

Lower distribution costs
- Embedded distribution through menu on SIM / cell phone or embedded models as insurers leverage MNO footprint

Lower cost of collections
- Collection addressed through mobile money, airtime, voucher models or MNO pays - embedded models.

Improved persistency (reduced churn) & risk management
- Communication, 'big data' and GIS tracking supports risk management.

Sharing of policy administration to reduce cost
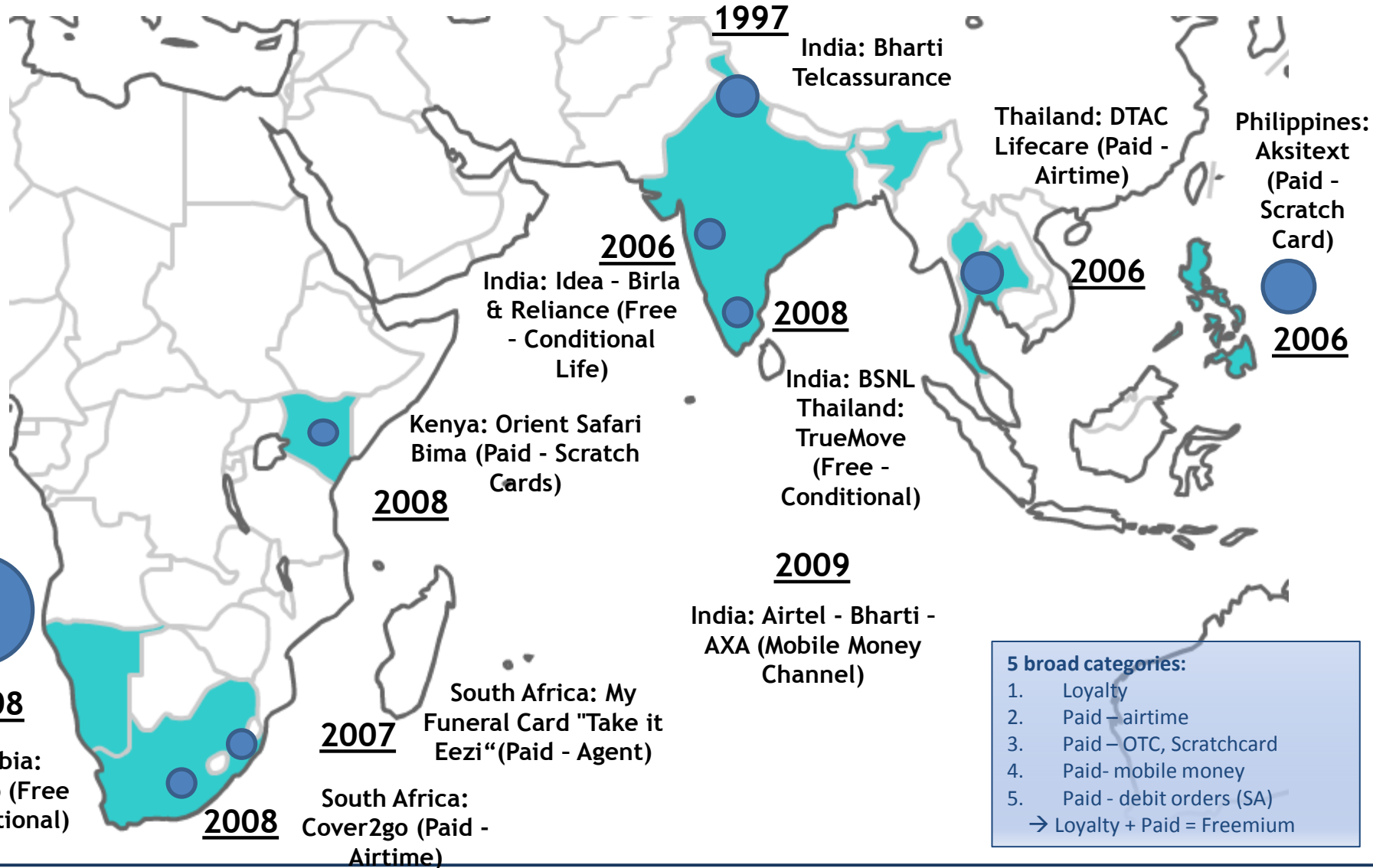- Shared admin and mobile platforms offer potentially cheaper method of serving clients
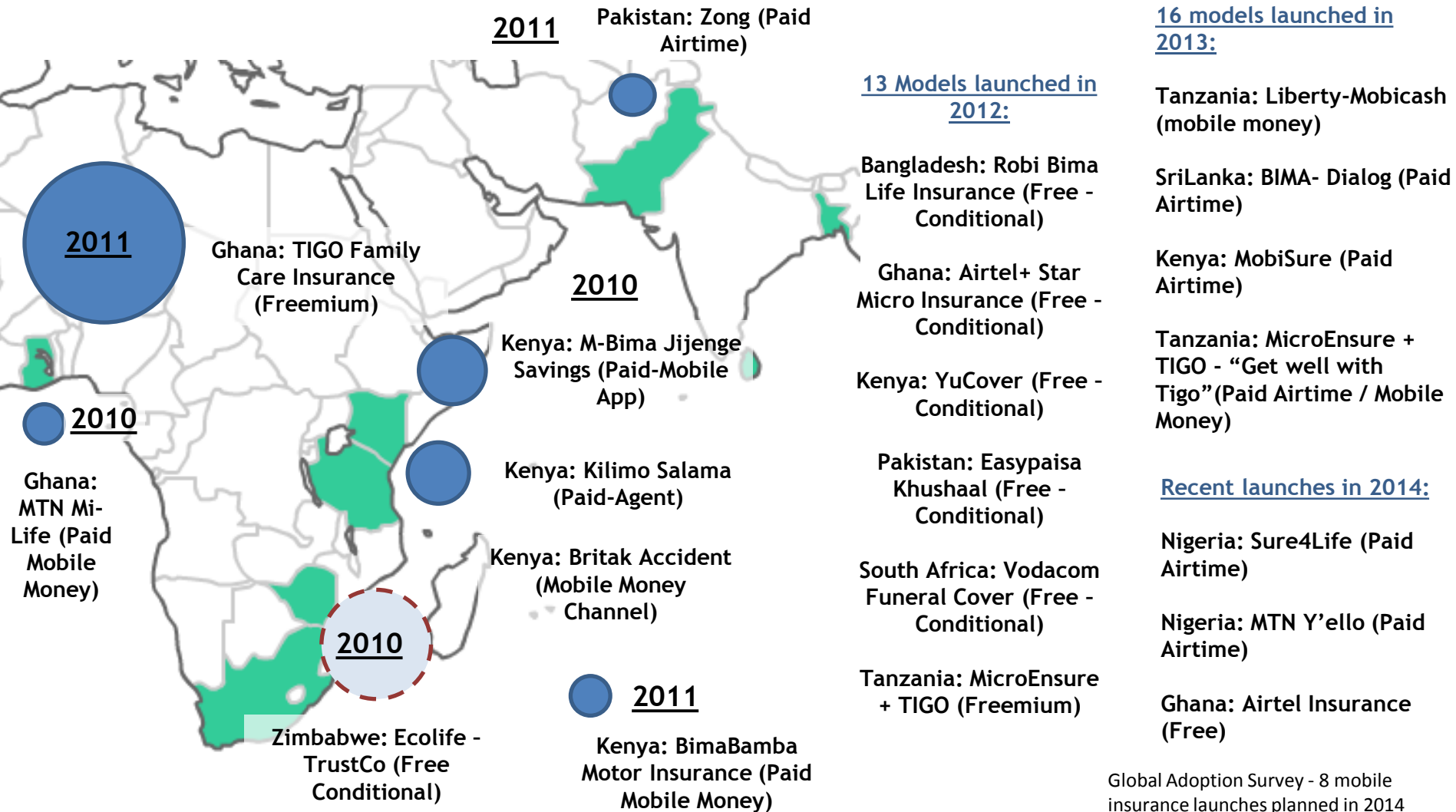
Empowering consumers
- enabling clients to manage their insurance cost effectively through upgrading and downgrading levels of cover.

See also Leach, 2010, M-insurance: the next wave of mobile financial services? Cover Magazine & Tellez C, 2012 emerging practices in mobile microinsurance. GSMA

m-Insurance, started off slowly with 5 key product types…

1997
India: Bharti Telcassurance

Thailand: DTAC Lifecare (Paid - Airtime)

Philippines: Aksitext (Paid - Scratch Card)

2006
India: Idea – Birla & Reliance (Free – Conditional Life)

2008
India: BSNL Thailand: TrueMove (Free – Conditional)

2006

2006

Kenya: Orient Safari Bima (Paid - Scratch Cards)

2008

2009
India: Airtel - Bharti – AXA (Mobile Money Channel)

2008
Namibia: TrustCo (Free – Conditional)

South Africa: My Funeral Card "Take it Eezi"(Paid – Agent)

2007

South Africa: Cover2go (Paid - Airtime)

2008

5 broad categories:
1. Loyalty
2. Paid – airtime
3. Paid – OTC, Scratchcard
4. Paid- mobile money
5. Paid - debit orders (SA)
   → Loyalty + Paid = Freemium

..but is heating up dramatically with 60% of the initiatives launched in Africa

BFA Bankable Frontier Associates

2011 Pakistan: Zong (Paid Airtime)

2011 Ghana: TIGO Family Care Insurance (Freemium)

2010 Kenya: M-Bima Jijenge Savings (Paid-Mobile App)

Kenya: Kilimo Salama (Paid-Agent)

Kenya: Britak Accident (Mobile Money Channel)

2010 Ghana: MTN Mi-Life (Paid Mobile Money)

2010 Zimbabwe: Ecolife – TrustCo (Free Conditional)

2011 Kenya: BimaBamba Motor Insurance (Paid Mobile Money)

13 Models launched in 2012:

Bangladesh: Robi Bima Life Insurance (Free - Conditional)

Ghana: Airtel+ Star Micro Insurance (Free - Conditional)

Kenya: YuCover (Free - Conditional)

Pakistan: Easypaisa Khushaal (Free – Conditional)

South Africa: Vodacom Funeral Cover (Free – Conditional)

Tanzania: MicroEnsure + TIGO (Freemium)

16 models launched in 2013:

Tanzania: Liberty-Mobicash (mobile money)

SriLanka: BIMA- Dialog (Paid Airtime)

Kenya: MobiSure (Paid Airtime)

Tanzania: MicroEnsure + TIGO - "Get well with Tigo"(Paid Airtime / Mobile Money)

Recent launches in 2014:

Nigeria: Sure4Life (Paid Airtime)

Nigeria: MTN Y'ello (Paid Airtime)

Ghana: Airtel Insurance (Free)

Global Adoption Survey - 8 mobile insurance launches planned in 2014
Source: GSMA

A number of m-insurance sprinters have exploded on the market showing the potential for rapid growth

Eco life	EcoLife Zimbabwe reached 20% of the adult population in 7 months	Loyalty
easypaisa	Telenor Easypaisa Khurshal Pakistan reached 400,000 people in 2 months	Loyalty
tigo	Tigo Bima Ghana reached almost 1m lives in 3 years	Freemium
leo	Leo Namibia reached 15% of the adult population	Loyalty
airtel	Airtel Zambia reached an estimated 2m at launch	Loyalty
রবি	Robi Bangladesh has reportedly hit 4m clients	Loyalty
MTN airtel	MTN and Airtel in Nigeria sign up 100,000 clients a month	Voluntary Paid

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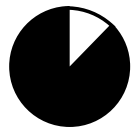Managing the risk whilst enabling innovation

Conclusion

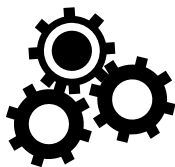# The launch of EcoLife Zimbabwe

Econet Ecolife

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)

Protect the ones you love through your
MTN Mobile Money wallet

And then EcoLife was cancelled due to a fall out between EcoLife and Trustco, a technical service provider

1,6m people / 20% of the adult population were reached by EcoLife Zimbabwe in 7 months → 62% were not notified about its cancellation
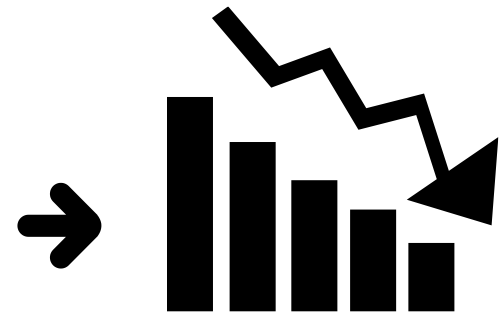
63% **Ruled out use of similar products in future**

42% **Dissatisfied with insurance**

30% **Better ways to protect against future problems than insurance**

→ Ultimately the failure potentially impedes the growth of the insurance market

NEWSDAY

IPEC probes Econet Wireless

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Why should supervisors be concerned around m-insurance?

- **Power imbalance between MNOs and insurance partners** – MNOs typically dwarf insurers which undermines the ability of the insurer to manage the MNO

- **Multiple regulatory jurisdictions adds complexity** – overlapping regulatory oversight can create confusion and regulatory arbitrage

- **MNO brand power** - can create confusion around who is the insurer

- **Premium incidence** – who pays raises questions around the level of risk

Examining risk in m-insurance will highlights areas for further investigation

Impact/significance of risk

Hypothetical ranking

Aggregator risk, sales risk, Policy Awareness risk, Regulatory backlash

Policy Awareness risk, Post sale risk, data risk

Prudential risk, Payment risk, systemic risk

Risk categories for m-insurance – adapted from A2ii

In order to understand the risks of m-insurance we need to assess the risk drivers which leads to a range of indicative recommendations

Examining risk drivers will inform application of the indicative recommendations
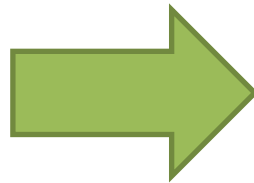
Indicative recommendations around how to manage risk in m-insurance

i.   Define the m-insurance product
ii. Clarify the policyholder
iii. Define the nature of the legal relationship and the responsibilities pertaining to all parties involved
iv. Determine whether premium incidence changes the risk profile
v.   Assess whether there are appropriate levels of disclosure
vi. Clarify consumer recourse options available
vii. If you fail, then fail well - creating a living will

Source: Leach & Ncube, 2014, Regulating m-insurance in Zimbabwe: managing risk while facilitating innovation. Prepared for FinMark Trust.

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What do we need to do differently?

- m-insurance offers significant potential for growing inclusive insurance markets. However there is a need to manage the risk of failure whilst encouraging innovation.

- In supporting these models, supervisors need to ensure that "if one fails, one should fail well". These models should be encouraged to follow rules that protect against the fall out if things go wrong

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