microinsurance - innovation in action for the insurance sector

Presentation by Israel Muchena
Technical Director – Hollard Mozambique

On behalf of Jeremy Leach
Divisional Director & Head: Microinsurance

Presentation to the EFInA Innovation Forum: Micro-insurance, Lagos, 22 Sept. 2011
FOCUS OF PRESENTATION

• The opportunities for the insurance sector to develop micro-insurance products for the low-income mass market

• The key challenges

• Microinsurance product and channel innovations

• The experience of Hollard in developing and launching microinsurance products in Africa.
The largest **privately-held** insurance group in the region, with annual premiums of $2 billion & net profit of $130 million.

We operate as a **single business** with both Short-term & Life licenses, infrastructure and capabilities.

We generate >$170 million from the RSA low-income market.

The leading independent **bancassurance** ($130 million) and **brandassurance** company ($400 million) in South Africa.

Hollard has a presence in 10 countries.

We and our partners have the **leading share of the SA funeral insurance market** with ~17% share (FinScope 2007).
In South Africa 45% of the population have some form of insurance:

- Funeral cover has grown at more than 10% per annum since 2003 – whilst formal cover growth has exceeded 20% annually. FinScope

- However, “despite … proactive effort by industry… short-term insurance has not managed to penetrate the low-income market beyond 1.5% of LSM 1-5 adults” CENFRI, 2010

- And, less than one in ten of small business owners are insured against the specific risks they face. FinScope Small Business Survey 2010

Outside of SA, only 5% of Ghanaians have insurance, 6% of Kenyans and Zambians and only 2% of the Nigerian and Pakistani population have insurance. FinScope
AFRICA IN PERSPECTIVE

People often underestimate quite how large Africa is, so we figured we’d put it in perspective by transposing as many of the world’s largest countries into Africa.
KEY CHALLENGES

- Contentious foundational concepts:

  - Business of dare or risk (*riscare*) and hazard (from Arabic word *al zahr* which also means dice)

  - *Utmost goodfaith / issues of low trust*

- Alignment of interest?

- “Rewarding the bad client”

- Low levels of understanding and service to lower segments

- High dependence on forced consumption
Starting from low base:

**Ideal financial provider overall**
- Banks (52%)
- Micro-lenders (2%)
- Mashonisas / cash loan shops (2%)
- Furniture/food/clothing retailers (1%)
- Insurance companies (3%)
OUR APPROACH

- Value for money - we always aim to lower acquisition costs
- Genuine need, correctly targeted
- Low Premium: It is essential that premiums be available in units that are as small as possible.
- Simple: All policy and sales documentation should be in simple language and product benefits should be designed to be explainable in simple terms.
OUR APPROACH

➢ Upgradeable: The insurance needs of the individual change and increase as that person progresses.

➢ Embedded, where possible: The relatively low awareness of insurance needs can be overcome by attaching a meaningful insurance products to other products that are better understood by the consumer.
# EMERGING BUSINESS MODELS

<table>
<thead>
<tr>
<th>Micro-insurance value chain</th>
<th>Insurer</th>
<th>Affinity/Retail/Mobile Partners</th>
<th>Retail/Mobile outlets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product design and origination</td>
<td>✔️</td>
<td>✗</td>
<td>✗</td>
</tr>
<tr>
<td>Back office</td>
<td>✔️</td>
<td>✔️</td>
<td>✗</td>
</tr>
<tr>
<td>Risk management</td>
<td>✔️</td>
<td>✗</td>
<td>✗</td>
</tr>
<tr>
<td>Distribution</td>
<td>✗</td>
<td>✔️</td>
<td>✔️</td>
</tr>
</tbody>
</table>

- ✔️ Well-suited to deliver value
- ✗ Ill-suited to deliver value
<table>
<thead>
<tr>
<th>Sector Based</th>
<th>Retailer based</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bill Payments / Airtime</td>
<td>SPAR, Pick n Pay, makro, Jet, Eezi</td>
</tr>
<tr>
<td>Cell Phone</td>
<td>Cell C, MTN, Samwu, Absa, Standard Bank</td>
</tr>
<tr>
<td>Consumer Group</td>
<td>Katz Financial Services, Amway</td>
</tr>
<tr>
<td>House / Utility</td>
<td>Absa, Standard Bank, The Best, DStv, Nando's, Oppikoppi, Naknek, Miki</td>
</tr>
</tbody>
</table>
Affordable Housing Insurance

In the low-income market we have an estimated 9-million households, which includes more than 1-million families on the government’s housing waiting list.” CEO of FNB Housing Finance, Marius Marais
Preliminary Market Research

Definitely NEEDED

“...I will need to get a two plate stove again”

“...will need to get an extra job....”

“......start all over again”

But MISTRUST of insurance Industry

“It sounds good if they will keep their promises”

Concerned that claims processes will be complicated

High content values relative to the household structure

No need for liability cover

Don’t use Mzansi – “demeaning”, “makes me feel poor” “annoys me”
Jet Home Protect

Distribution:
call center, store, magazine etc

Collections:
Store account

Claims:
low cost runners – looking for industry support

Jet Home Protect

for 99° per month

Here when you need us

Apply today! Just dial 0860 555 538
or sms HOME to 42933 and we’ll call you.
Mobile Money "Financially connecting the world through mobile" GSMA

Deployments (July 2011)
**TRANSACTIONS**

**Objective**: (a) Collect premiums (e-cash or real cash, airtime), (b) pay claims

**Challenges**: regulatory (vs e-cash), frictional costs from Telcos

**Examples**: Cover2Go.

**New Opportunities**: MTN Mobile Money, airtime (Cover2Go), M-Pesa models

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**CROSS – SELLING**

**Objectives**: Product upgrades/downgrades, new products

**Challenges**: Disclosure, NTU rates

**Examples**: “Please call me”, SMS advertisements

**New opportunities**: mobi sites

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**CUSTOMER CONTACT**

**Objective**: Balances, statements, payment reminders

**Challenges**: Cost of SMS (although coming down),

**Examples**: PEP

**New opportunities**: Zingback, Viral

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**Where to focus?**
# MNO driven models

<table>
<thead>
<tr>
<th>Loyalty – Embedded</th>
<th>Mobile Money</th>
<th>Airtime deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tigo Mobile, Ghana / Tanzania &amp; Trustco Namibia</td>
<td>MTN – Hollard Ghana &amp; Group roll out in process</td>
<td>Zong – Adamlee Life, Pakistan</td>
</tr>
</tbody>
</table>

[Image of Tigo Mobile Care Insurance]

[Image of MTN Mobile Money]

[Image of Zong Insurance]

*Protect the ones you love through your MTN Mobile Money wallet*
The low-income market is no longer a donor-driven backwater – it is now a key political, business and social priority.

Whilst there are challenges, there are also considerable opportunities to grow the existing insurance market.

New models and new thinking will be required – pockets and consumers will be hurt.

Rules will be needed to ensure insurers act in the interest of the consumer, whilst allowing Insurers to find creative solutions.
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Chiejina E.O. (Ed.) Issues in mergers and acquisition for the insurance industry. Nigerian Insurers’ Association


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Jeremy Leach
Divisional Director & Head: Micro-Insurance, Hollard Insurance Group
jeremyl@hollard.co.za

Thabo Gumbi
Assistant Principal: Micro-Insurance Hollard Insurance Group
thabog@hollard.co.za

Israel Muchena
Technical Director – Hollard Mozambique
Senior Adviser – Hollard International
israelm@hollard.co.mz
Appendix
Ironically, whilst SA was seen as one of the leaders with MTN Banking, WIZZIT, and Vodafone’s M-PESA, only the big banks are having substantial success with mobile banking.

MTN has committed to the largest deployment of Mobile Money globally and is seeing successes (and challenges) in a range of its countries from Uganda, to Rwanda, to Ghana etc.

Hollard has partnered with MTN Mobile Money to roll out the first voluntary mobile money insurance programme accessible through the cell phone with collections through mobile money – a holistic solution.
Tigo says it is targeting the … four million subscribers on its network with the product.” Ghana Business News

What will this Life Insurance cover?
It covers any kind of death as long as the death is not caused by war, riot, criminal activity, drugs or alcohol.

How is this insurance for free?
Tigo is rewarding loyal customers for using its network. There are no hidden fees or deduction of airtime to earn Life Insurance coverage.

Can I trust this insurance?
Yes. Insurance is being provided by MicroEnsure, one of the world’s leading microinsurance organizations, in partnership with Vanguard Life Assurance. Claims will be paid within 72 hours upon receipt of documents verifying the death of an insured person.

“I spent 6 cedis with Tigo last month, and just received a notification saying I have 200 cedis of insurance. That would really help my family if something happens to me.”

If I use Tigo more next month, instead of switching my SIM card, could earn 600 or even 800 cedis of insurance. That would really help my family if something happens to me.”
Zong Mobile Pakistan

In ZONG Insurance, you do not require any documentation or the need to visit an insurance company for an insurance policy. Buying an insurance policy cannot get any simpler than this.

- Targeting Pre paid and Post paid ZONG subscribers
- Debited daily through airtime balance
- The aim is to provide the customers with affordable and accessible insurance solutions
- No paper work required, instant coverage through mobile phone
- No waiting period, hence immediate coverage as soon as premium deducted
- Life insurance policy sold through mobile phone for the first time in Pakistan