



Insights on Mobile Network Operators as a distribution channel for microinsurance in Asia

www.worldmapofmicroinsurance.org

Study carried out by

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The quantitative information presented in this paper does not represent an absolute number of products, clients or other data. Rather, this paper reports what the team was able to identify as microinsurance.

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About the Microinsurance Network:

The Microinsurance Network is a platform of over 300 microinsurance experts, from over 40 countries, dedicated to promoting access to valuable microinsurance to low-income populations.

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Abbreviations

ATL	Above-the-line. Communications that use media that are broadcast and published to mass audiences
ARPU	Average Revenue per User, which is a measurement of the level of usage per subscriber and equals Minutes of Usage (MOU) x Average Revenue per Minute (ARPM)
BTL	Below-the-line
CGAP	Consultative Group to Assist the Poor
COCA	Cost of Client Acquisition
GSM	Global System for Mobile Communications
MI	Microinsurance
MNO	Mobile Network Operators
MMI	Mobile Microinsurance
MOU	Minutes of Usage
KPIs	Key Performance Indicators
PA	Personal Accident
LKR	Sri Lankan Rupee
TSP	Technology Service Provider
VAS	Value Added Services

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BASIX Consulting

Study Research Team

Forewords

Millions of people have managed to work themselves out of extreme poverty in the past decades. The potential market for insurance tailored to the needs of low-income customers continues to grow, together with the income of millions of people without access to insurance. Since 2006, when the first results from the groundbreaking study “The Landscape of Microinsurance in the World’s 100 Poorest Countries” were published, microinsurance has seen a growing interest not only from the insurance industry but also from insurance regulators and governments. Especially in the area of climate change, risk management tools for the poor based on insurance principles play an important role today.

Mobile Network Operators (MNOs) represent a rapidly growing distribution channel for insurance. 2.6 billion SIM cards are in use in the Asian region today according to recent data. This latest study on mobile insurance in Asia, carried out by the Microinsurance Network and Munich Re Foundation, estimate that today MNOs offer microinsurance products through mobile phones to over 40 million people. And experts are convinced that mobile phone-based insurance will continue to grow over the next five years. This development will be driven by costs, cheaper mobile technology and simplified products combined with increased awareness, population growth and urbanisation. It will lower the protection gap by enabling the provision of low-cost, simple-to-use products which can be distributed in a cost-effective manner to customers who are not targeted by more traditional distribution channels.

Since 2012, annual regional landscape studies initiated by the Munich Re Foundation have provided the data underpinning the World Map of Microinsurance (WMM). The mission of the WMM project is to collect impartial data on the industry in order to reveal market potential, monitor growth, identify trends and promote innovation. This new Landscape Study provides important new information on opportunities for and challenges faced by microinsurance in the region. We are very proud to be an active partner of the WMM project and we would like to thank all other sponsors and partners of this study, especially the Microinsurance Network and the research team behind the study.

Dirk Reinhard,
Vice Chairman
Munich Re Foundation

Before you, is the latest microinsurance landscape report supported by the Munich Re Foundation (MRF) and the Microinsurance Network. Landscape studies have become a recognised support service to the members of the Network and other stakeholders. In fact, the landscape studies and the World Map of Microinsurance are two of the more appreciated knowledge sharing instruments of the Network used by both members and non-members. They are often an entry point for many who want to start or expand a microinsurance portfolio. Both knowledge sharing instruments provide reliable and usable data, which is needed to support the development of the microinsurance sector. After all, access to data generates market knowledge, facilitates market development, furthers best practices and leads to better products and services.

Each year since 2012, the Network and MRF have issued a new version of a landscape study, each time covering another continent. In 2015 for instance, the two organisations contracted the MicroInsurance Centre to map the microinsurance landscape for Africa, with co-funding by the MRF, Making Finance Work for Africa, and BMZ/GIZ. This year, the landscape study is different from the previous ones, as it is a study reduced in scope which covers the microinsurance activities of Mobile Network Operators (MNOs) in Asia. The 2017 microinsurance landscape study, however, will cover again an entire continent: Latin America and the Caribbean.

The study covering MNO microinsurance operations in Asia, indicates that more than 40 million people have one or more mobile microinsurance product as of mid-2016. MNOs play an increasingly important role as a distribution channel for microinsurance services: A development that has only just started and which has a huge potential to help realise an all-inclusive microinsurance coverage.

The Microinsurance Network wants to thank the Munich Re Foundation for their continued support in making this study possible and the research team of Basix for carrying out the study. The Network wants to continue developing these unique regional studies not only on demand from its members, but also from and with support of the international (micro)insurance community.

Henk van Oosterhout
Interim Executive Director
Microinsurance Network

Executive summary

This report provides an insight on Mobile Network Operators (MNOs) as a distribution channel for microinsurance in Asia. The study shows that there are an estimated 2.6 billion SIM cards activated through various carriers in the Asian region. Two Technical Service Providers (TSPs), BIMA and MicroEnsure, and eight MNOs which carry out distribution of Mobile Microinsurance (MMI) were identified in the region. The total number of lives covered, through these MNOs, stood at a total of 40.3 million by mid-2016, based on available data received through the survey. For example, in India, 53% of the subscribers to the MNO Telenor have a mobile insurance cover, whereas in Bangladesh this figure stands at 15% through Grameenphone.

TSP policies across Asia offer coverage for life, personal accident (PA) and health (hospital cash). Product innovation remains a challenge with most of the products having similar features. The main features of these MMI products are that they are voluntary, include loyalty aspects, and are in most of the cases paid through airtime.

In Asia, both TSPs and their partner MNOs appear to drive microinsurance development and not only provide a delivery channel. They are more and more assuming an active role in branding, marketing, designing products, and front-end relationship with customers.

Introduction

The objective of this study is to provide insights into Mobile Network Operators (MNOs) as a distribution channel for microinsurance products and services across Asia.

Microinsurance is a means of protecting low income households against specific risks in exchange for a regular payment of premiums, whose amount is proportional to the likelihood and cost of the relevant risk.

Microinsurance is rapidly increasing its penetration to support low-income households but distributors and intermediaries face a number of challenges while delivering these products. The poorest 80% of the world's population represent a big growth opportunity for insurance companies, but selling to this group requires developments that include new parametric triggers and new ways of using technology and mobile phones.¹

Approach and methodology

This study is based on both primary and secondary research. The secondary research has been conducted through available literature, reports and papers. The instruments used to collect primary data were a questionnaire, e-mails and interviews through skype and telephone.

Two Technical Service Providers (TSPs) actively involved in microinsurance (MI) in Asia were approached: MicroEnsure and BIMA. However, both providers were not able to share their financial data due to confidentiality restrictions. The qualitative interactions and limited quantitative data provided by MicroEnsure and BIMA are outlined in this report. Data on 2016 outreach was given by MicroEnsure. All other numbers relate to 2013-2015 data.

MNOs involved in mobile insurance programmes were also reached but unable to answer interview questions related to

financial data due to confidentiality reasons. It was however observed that the product and knowledge process is essentially designed and mastered by the TSPs.

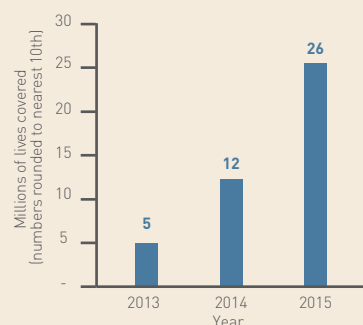
Whilst efforts were made to collect data on all MNO-distributed microinsurance

products in Asia, the data collected only covers a number of countries. For the remainder of Asian countries no data could be found, which however does not necessarily mean that there are no such products in these countries. This fact has to be considered as a limitation of the study.

MNOs delivering microinsurance products in Asia

There are an estimated 2.6 billion SIM cards activated through various carriers in the Asian region. A total of eight MNOs which carry out distribution of Mobile Microinsurance (MMI) were identified in the region. The total number of lives covered by the two TSPs through MNOs, with data collected from 2013 till 2015 (for BIMA) and mid-2016 (for MicroEnsure), stands at 40.3 million. The total number of lives covered by the two TSPs in 2013 was 5.21 million, reaching 12.25 million in 2014, and 25.70 million in 2015 (see Figure 1). The information shared by both TSPs did not cover the details concerning the product type, nor did it provide financial data on total premiums, commissions or administration rates.

FIGURE 1
MICROINSURANCE OUTREACH THROUGH MOBILE NETWORK OPERATORS (MNOs) IN ASIA (based on 2015 data from BIMA and MicroEnsure)



DIVERSITY AND INNOVATION IN MOBILE MICROINSURANCE WITH DIALOG AXIATA IN SRI LANKA

Dialog Axiata, the largest telecommunications provider in Sri Lanka, partnered with BIMA in 2013 and has since sold over 1.46 million mobile insurance policies. The first product launched was Dialog Accident Cover, designed as a simple personal accident policy with limited exclusions and an easy-to-understand pricing structure (i.e. customers pay LKR 1 per day for LKR 1 million worth of cover). The product gained immediate traction due to its simplified design and due to the customer training given by BIMA sales agents at the enrolment stage. The product's success is highlighted by sheer access numbers: 95% of Dialog Accident Cover customers had never used insurance before. With BIMA's sales approach and the success of the accident cover, Dialog introduced a second product. Dialog Hospital Cover was launched in May 2014, offering customers a payout in the event of hospitalisation resulting from accident or injury. Uptake of the second product with existing customers has been impressive, and approximately 75% have chosen to purchase both products. BIMA has also driven innovation within the product set: Dialog Hospital Cover customers can now upgrade to more complex products, with different pricing tiers, and the ability to insure additional family members. Almost one in five customers on this extended plan are now insuring spouses and up to three children.

Source: <http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2016/08/Mobile-Insurance-Savings-Credit-Report-2015.pdf>

¹ MicroEnsure, 2016. *Reaching the 80%: interview with MicroEnsure CEO, Richard Leftley*. (<http://microensure.com/reaching-the-80-interview-with-microensure-ceo-richard-leftley/>).

Products offered

Our study has revealed that TSP policies across Asia offer coverage for life, personal accident (PA) and health (hospital cash). Product innovation remains a challenge with most of the products having similar features. The main features of these mobile microinsurance (MMI) products are that they are voluntary, include loyalty aspects, and are paid through airtime. Airtime² has become an increasingly popular payment mechanism in countries with a regulatory environment that allows it. Unlike mobile money, airtime can be used by anyone who has a mobile phone and thus removes the need to have a separate payment mechanism for insurance. Using airtime for payments can be complex, however, because airtime units need to be converted into a monetary currency (one unit of airtime does not equal one unit of premium). It requires either bringing in third-party technology providers to support the scheme (for example, BIMA or MicroEnsure) or making upfront investments in information systems that support communication between MNOs and insurers to calculate premiums from airtime. Table 1 provides a comparison between the characteristics of MMI payments through mobile money and through airtime. Table 2 outlines price details of the BIMA product.

TABLE 1
PRODUCT COMPARISON IN PAYMENT MECHANISMS FOR TELENOR PAKISTAN'S MMI PRODUCTS³

Component	EasyPaisha Khushhaal- Insurance linked to mobile- money	Talkshawk Mohafiz- Insurance linked to GSM airtime
Minimum requirements for cover	PKR 2,000 (USD 19) average monthly balance in Khushaal account	PKR 200 (USD 1.90) monthly spend on Telenor Network
Minimum cover	PKR 100,000 (USD 950)	PKR 20,000 (USD 190)
Maximum cover	1 million PKR (USD 9,500) and PKR 5,000 (USD 47) per month for 5 years	PKR 10,000 (USD 950)
Primary sales channel	Outbound call centre	Outbound call centre, self-enrolment, service centre locations
Current addressable base	400,000 mobile wallet users	32 million GSM subscribers
Goal of service	Recruit mobile wallet users	Reduce churn and increase ARPU in GSM base

TABLE 2
BIMA PRODUCT DETAILS

Details	Cambodia	Papua New Guinea	Pakistan	Sri Lanka	Bangladesh
Product type	Paid	Paid	Paid	Paid	Free Life
End user price	Life: USD 1.6	Life: PGK 3.6, PGK 7.2	PA: PKR 30, 60, 150, 300 (different slabs)	PA: LKR 30, 60, 150	Free product
	Hospital: USD 1.6	Hospital: PGK 10.8		Hospital: 99	

MNOs as drivers of microinsurance development⁴

Whereas most early MMI experiments were driven by insurers seeking new channels to expand their customer base, the recent wave of developments appears to be largely driven by MNOs seeking to build customer loyalty and reduce churn in increasingly cut-throat markets. In total, MNOs now appear to be taking the lead almost as often as insurers, with around a third of deployments led by MNOs and insurers, respectively, and the remainder driven by banks, third

parties, governments, donors, or consortia. As MNOs assume a more active role in branding, marketing, shaping products and the front-end relationship with customers, it is clear that they are becoming more than simply a channel.

Specialised microinsurance TSPs are playing an increasingly important role in the market, with at least a dozen products being facilitated by companies like MicroEnsure and BIMA, which offer

both MNOs and insurers services in MMI product development, distribution, and administration. Bridging the often substantial gap between MNOs and insurers, these companies are carving out a niche as highly specialised service providers with an understanding of both the insurance industry (which MNOs lack) and the low-income customers that make up the target market (which insurers also lack).

² Prashad P., Saunders and D., Dalal, A., 2013. Mobile Phone and Microinsurance, Discussion Paper No. 26. Microinsurance Innovation Facility.

³ Phil Levin, 2014. Promising starts in mobile microinsurance: Tigo Senegal and Telenor Pakistan. GSMA, *Mobile Money for the Unbanked*.

⁴ This section is derived from: Tellez-Merchan, C. and Zetterli, P., 2014. *The Emerging Global Landscape of Mobile Microinsurance*, CGAP.

Both BIMA and MicroEnsure are rapidly accumulating a highly specialised mix of skills that none of the traditional actors involved typically possess, including on MMI product design, customer relations, financial education, and training of MNO agents to explain insurance. Through the development of tailor-made software platforms, this comparative advantage is being deepened into a one-stop solution for mobile microinsurance that should prove compelling to MNOs and insurers alike. In India, 53% of the MNO subscribers to Telenor have mobile insurance. In Bangladesh, 15% of the subscribers to Grameenphone have mobile insurance.

About MicroEnsure

MicroEnsure concentrates on developing innovative products and services aimed at low- and middle-income individuals, covering a range of risks related to health, assets, accidents and political violence. MicroEnsure then finds routes to market the products at scale, backed up by operational processes and technical platforms to ensure quality of service.

MicroEnsure is operating in three countries in Asia, namely Bangladesh, India and Pakistan, offering insurance through Grameenphone in Bangladesh and through Telenor in India and Pakistan.

MicroEnsure provides a solution toolkit for MNOs to offer insurance to their customers. MicroEnsure designs the insurance product in collaboration with the MNO and underwriter, agrees and gets approval of the product with the insurance regulator, designs the enrollment platforms, and integrates these with MNO IT infrastructure. MicroEnsure then works within a Business Process Outsourcing model to undertake policy administration and assist customers through the claims process prior to approval of claims from the underwriter. MicroEnsure also assists in training of MNO resources and provides awareness and education to the MNO customers

through web-based and USSD platforms and continues to ensure regular communications via SMS to insured customers. MicroEnsure has inbound call centre teams that provide second level support for the MNO customers to address any questions regarding the insurance product and assist in the claims process.

TABLE 3
COUNTRIES WHERE MICROENSURE OPERATES AND THE MNOS WITH WHICH IT PARTNERS TO DELIVER MMI PRODUCTS

Bangladesh	Grameenphone
India	Telenor
Pakistan	Telenor

Table 3 shows MicroEnsure's countries of operation and partner MNOs.

About BIMA

BIMA works in partnership with leading mobile operators, banks and MFIs to help insurers bring their products to scale. BIMA also offers a range of insurance and health products directly to the consumer under the BIMA brand.

BIMA is operating in seven countries in Asia viz., Bangladesh, Cambodia, Pakistan, Sri Lanka, Papua New Guinea (PNG), Philippines and Indonesia, offering products

TABLE 4
COUNTRIES WHERE BIMA OPERATES AND THE MNOS WITH WHICH IT PARTNERS TO DELIVER MMI PRODUCTS

Country	Operator
Bangladesh	ROBI AXIATA LIMITED
Cambodia	Smart
Fiji	Digicel
Indonesia	No MNO used, but reaching clients through a special mobile application
Pakistan	Warid
Papua New Guinea	Digicel
Philippines	No MNO used, but reaching clients through a special mobile/scratch model application
Sri Lanka	Dialog

TESTIMONY OF A CUSTOMER OF BIMA IN PAPUA NEW GUINEA

Armstrong Amasae was a father of two living in Henganofi in the Eastern Highlands of Papua New Guinea. He purchased Family Life insurance by paying for his coverage through his Digicel airtime credit. For a daily cost of less than an SMS, Armstrong was able to insure his life and protect the future of his family.

Unfortunately, Armstrong passed away in November 2014. Following his death, Family Life paid his brother and registered beneficiary, Aki Tevefa 12,000 kina (USD 4,500). This money was a vital source of income for Armstrong's family at this difficult time. Thanks to the payout, his family was able to lay Armstrong to rest in his hometown.

BIMA's Family Life Insurance is offered in partnership with Digicel. Premiums start from USD 1.30 and payouts go up to USD 4,500.

through MNOs including Robi Axiata Limited in Bangladesh, Smart in Cambodia, Warid in Pakistan, Dialog in Sri Lanka, and Digicel in PNG. In the Philippines and Indonesia, BIMA did not find a suitable MNO to distribute the microinsurance products and directly reached out to the customers through a special application in mobile and scratch card model.

BIMA has the following Key Performance Indicators (KPIs): ARPU, churn, acquisition, revenue, CSR and uses a plug and play, fully managed solution. BIMA recognises that insurance falls outside of mobile operators' core capabilities. That is where BIMA comes in to manage everything from product design to distribution and sales. It provides the technological platform to run the service all the way through to claims administration. Table 4 shows BIMA's countries of operation and partner MNOs. More details can be found in Appendices 1 and 2.

Mobile insurance models in Asia

Microinsurance is a fast growing arena with great potential to help low-income households reduce their vulnerability to risks. However, most of the insurers face a number of challenges when delivering microinsurance products, such as high transaction costs, poor infrastructure, and lack of awareness and demand from clients.

The cost of underwriting, selling, and administering claims does not decrease in proportion to the value of the policy (premium received and sum insured). Insurers find it challenging to provide viable products for the low-income market using traditional channels and processes.

The mobile phone provides a way of addressing these challenges. Insurers partner with MNOs to use their technology platforms and agent networks to provide insurance to the vast pool of mobile phone subscribers, the majority of whom do not have insurance.⁵

The products that are currently being offered can be differentiated as follows:

- Loyalty products
- Freemiums
- Paid Products

Loyalty products⁶

Performance in mobile telecom markets is monitored through the dynamics of a few parameters. Average revenue per user (ARPU) and churn rate are commonly used in almost all mobile-insurance related discussions. ARPU, however, is the product of minutes of usage (MOU) and average revenue per minute (ARPM). While ARPM is a function of competitive pricing, MOU is a direct indicator of airtime usage. Hence, ARPU is not as much a parameter of client loyalty, as it is an indicator of revenue. Tracking churn rate, on the other hand, makes sense only if cost of client acquisition (COCA) overwhelms the product of ARPM and age on network (AON).

Airtime-linked mobile insurance aims to alter one or more of these parameters in favour of the MNO. Monthly recharge of pre-paid balance, for example, is often selected as a qualifying criterion in order to increase ARPU. Trends of these parameters, however, change along the evolution of the mobile telecom market. In growing competitive markets, ARPM reduces due to price pressure, while MOU growth slows down due to saturation and use of multiple SIMs by subscribers. AON (and hence client loyalty),

on the other hand, reduces in a growing market due to aggressive marketing of competing MNOs. By the time the market stabilises, MNOs expect to witness an increase in AON due to stickiness created through multiple services and loyalty incentives. MNOs' strategy often is a function of market evolution. In a rapidly growing market, MNOs can become too focused on aggressive client acquisition even at the cost of ignoring obvious benefits of retention. This can increase the COCA and rotational churn, while reducing the ARPU. However, in maturing markets MNOs tend to prioritise client loyalty since acquiring new clients becomes costlier.

Freemiums

Over the past decade "freemium"—a combination of "free" and "premium"—has become the dominant business model among internet start-ups and smartphone application developers: Users get basic features at no cost and can access richer functionality for a subscription fee.⁷

Richard Leftley, CEO of MicroEnsure, has seen the near-term MNO loyalty benefit provided by mobile microinsurance. However, he does not believe that the economics of pure loyalty-based programs can be sustained long term. He reasons that, as customers become more familiar with insurance and competitive offerings enter the market, loyalty benefits will gradually diminish. A microinsurance program must evolve alongside these market changes and ultimately justify itself through direct revenue contribution⁸.

⁵ Prashad P., Saunders and D., Dalal, A., 2013. Mobile Phone and Microinsurance, *Discussion Paper No. 26*. Microinsurance Innovation Facility.

⁶ This section is derived from: Premasis Mukherjee, 2015. Loyalty-based Mobile Insurance: Is Design Aligned to Business Objectives? *MicroSave Briefing Note 160*.

⁷ Absolutdata, 2014. *Freemium to Premium*. Absolutdata blog post. (<http://www.absolutdata.com/freemium-to-premium/>).

⁸ *Mobile Insurance and Risk framework in Ghana*. Published by the National Insurance Commission of Ghana and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, GIZ Office, Ghana. December 2015.

“Free” pricing models might provide an initial step to more inclusive insurance markets in poor countries, which otherwise tend to have extremely low levels of insurance penetration, particularly at lower levels of household income. Some providers anticipate that the experience with “free” plans will foster an appreciation for insurance among the previously uninsured that will result in a willingness to pay for higher coverage or more options. This assumption is at the core of the “freemium” business model, which is seen by providers as a way to create insurance markets in segments where none previously existed⁹.

MMI which might contribute noticeably to more inclusive insurance market providers, often start with ‘freemium’ products. Once those customers have a positive experience of insurance and they see that claims are paid easily and quickly, they are willing to buy more cover, starting with policies that cost less than USD 1 per month.¹⁰

Insurers and MNOs can offer paid-for insurance products that provide additional coverage or top-ups to the free product. Clients will only demand more insurance if they have experienced or witnessed the benefits. If the free products are to lay the foundation for other products, then the claims experience is critical, as this is when the promise of insurance becomes tangible. In the freemium model, premium payments are made through the subscriber’s airtime balance. As documented in multiple studies, “freemium” insurance – where subscribers receive insurance for free in return for meeting minimum spending requirements for the partner telecom – has established itself as the fastest-growing model in mobile insurance.¹¹

In September 2015, Telenor India launched “Suraksha”, India’s first mass market free insurance product in partnership with MicroEnsure and Shriram Life.

In just 10 weeks since launch, Telenor Suraksha gained more than 10 million subscribers and is opening up new avenues for access to insurance to the masses.

New subscribers get the product for free for the first two months. After the initial two months their personal offers are calculated on an individual’s basis, meaning the benefit is tangible to them, there are no grouped tiers as per ‘standard’ insurance products.

Telenor Suraksha gives protection up to 100x the value of recharge made;
Offers two months of free cover to all new customers;
Customers do not pay premiums and no documentation is required;
Maximum cover of LKR 50,000 per connection for a month.

Paid products

Paid products¹² are where the subscribers pay for the insurance themselves, either via mobile money or via payment, endorsed by airtime. The customers pay for the product on a monthly basis for monthly coverage. The payment may be made automatically as long as there are sufficient funds available in airtime or mobile wallet. However, the client has to make a conscious decision about the purchase of an insurance product and register for coverage via mobile phone.

In markets where customers have an understanding of insurance and an acceptance of paying for additional benefits, insurers and MNOs can introduce voluntary products. These products are

offered as additional services that customers can pay for along with their mobile services. Customers do not have to meet minimum criteria to be eligible for these products. Voluntary products are more challenging for insurers and MNOs to administer because there is no guarantee of scale to make the scheme viable. Unlike loyalty-based schemes or free cover, which are paid for, at least in part, by the MNO, voluntary products are paid for by individual clients.¹³

It has been observed that loyalty products, freemiums and paid products are provided in sequence respectively as the market matures.

Challenges in offering MMI products

Specialised intermediaries such as MicroEnsure and BIMA are pursuing new segments and better efficiency through technology to deliver their products. Nevertheless, it has been found that

there are four typical barriers to demand: Cost, trust, access, and understanding. MicroEnsure’s focus is on overcoming all four barriers in the products they offer. For example, their freemium product

⁹ Tellez-Merchan, C. and Zetterli, P., 2014. *The Emerging Global Landscape of Mobile Microinsurance*, CGAP.

¹⁰ Peter Gross, 2016. *Microinsurance: A perspective*. MicroEnsure blog post (<http://microensure.com/blogposts/microinsurance-a-perspective/>).

¹¹ Richard Leftley and Peter Gross, 2015. *Mobile insurance: comparing low-touch and high-touch distribution channels*. MicroEnsure blog post (<http://microensure.com/blogposts/mobile-insurance-comparing-low-touch-and-high-touch-distribution-channels/>).

¹² *Mobile Insurance and Risk framework in Ghana*. Published by the National Insurance Commission of Ghana and Deutsche Gesellschaft für Internationale Zusammenarbeit.

¹³ Prashad P., Saunders and D., Dalal, A., 2013. *Mobile Phone and Microinsurance, Discussion Paper No. 26*. Microinsurance Innovation Facility.

with MNOs overcomes these barriers as follows:

Cost: The product is free at first, and customers are charged only after they see it really works.

Trust: MicroEnsure works with a known and trusted brand such as a MNO.

Access: MNO access points are everywhere and anyone with a phone can have a policy.

Understanding: At the MNO scale, the policies are made very simple, cutting out the terms and conditions that can confuse first-time insurance customers.

It is clear that these challenges must and can be addressed over time and that MMI models offer considerable promise to reach massive scale, drive benefits for clients, MNOs and insurers, and address the growing calls for an inclusive financial market.

Fees/Commissions

It is noted from this survey, MNOs do not charge fees for loyalty or free products as they benefit from increased loyalty, reduced customer churn and some revenue upside from increased top-up amounts. However, the majority of this is used to pay premiums. In some cases MNOs charge distribution fees for paid products to cover market costs and marketing expenses.

CHALLENGES AROUND IMPLEMENTING MOBILE INSURANCE INITIATIVES

- **Creating a demand for insurance.** An unengaged customer base will not pay premiums, or submit claims which will stop the “word of mouth” marketing potential. Claims remain an insurer’s shop window;
- **Development of meaningful products** that meet customer needs;
- **Tailoring distribution models to effectively target early adopters** such as youth;
- **Selling insurance in a new way.** Insurance is a lot harder to sell than airtime or mobile money as it is typically new to the market, often has a bad reputation, and is more complex. It is important to develop appropriate agent incentives and training to support product distribution.

Source: Jeremy Leach, 2013. M-Insurance: Ensuring Take-off While Doing No Harm. CGAP <http://www.cgap.org/blog/m-insurance-ensuring-take-while-doing-no-harm>

Challenges in microinsurance distribution

Several challenges have been identified in the distribution of microinsurance products to the poor and needy population. These include:

Lack of adequate knowledge and know how on insurance in many organisations translates into the lack of confidence to launch insurance services.

Inadequate database management systems to cope with high volumes of information, analysis and dissemination.

A long stabilisation period, especially since insurance requires time and investments before the actual benefit is obtained. In most of the cases, it leads to loss of confidence in the insurance services before exploiting the benefits due to lack of support and adequate internal capacities.

Difficulty to communicate on issuance of policies, track the receipt of the commission payouts, and track claims intimated and submitted. These difficulties are responsible for lack of quality service delivery to households of rural customers.

The role of TSPs in the product value chain¹⁴

The lack of distribution infrastructure and payment platforms, has been a major barrier to the spread of microinsurance, with a significant amount of time, effort and money required to collect and transfer information and administer products manually. Many insurers are now using

mobile phone infrastructure to make processes across the insurance value chain more efficient and to reduce turnaround times, lower costs, and bridge geographical distances. Enrolment and claims processes previously required forms to be filled in and documents and

¹⁴ Unless otherwise stated, this section draws from “Prashad P. Saunders and D., Dalal, A., 2013. Mobile Phone and Microinsurance, *Discussion Paper No. 26*. Microinsurance Innovation Facility..

photographs to be collected and sent to the insurer's office for processing. These processes can now be done with mobile phones, which can reduce turnaround times drastically. By lowering operational costs and reducing inefficiencies, mobile-phone-based processes make it possible for insurers to carry out low-value, high-volume transactions in a financially viable way. The supply-side efficiency gains make it viable to serve new, low-income customers. Further, insurers can apply these improvements to their traditional product lines to increase overall efficiency and profitability.

MNOs are providing a way to address these issues and are vastly expanding their operations across the countries. Insurance is a powerful product that many emerging market customers are unable to access. Mobile network operators are uniquely placed to address this problem: They have vast reach and offer an existing method of payment in the form of prepaid airtime credit or postpaid billing¹⁵. Besides MNOs and insurance companies themselves, there are a number of niche players emerging as specialists in bridging the gap between insurance companies and mobile network operators. Companies like MicroEnsure and BIMA/MILVIK have been instrumental in building some of the innovative propositions¹⁶. Technical service providers believe that MNOs provide access at scale to the under-served customers and have a brand that is recognised and trusted. MNOs also have the technology infrastructure to transact the flow of cash/cash equivalent through airtime deduction or mobile money services for both premium collection and claims payments.

Mobile microinsurance has been defined as "any type of microinsurance product which leverages the mobile channel, regardless of the existence of a mobile money platform, to improve a part of the insurance value chain which can include product design, pricing, marketing and sales, policy administration and claims payment."¹⁷

Clients' understanding on concept and products of mobile microinsurance

Amongst MicroEnsure's customers, 85% or more are new to insurance and are unfamiliar with how traditional insurance works. However, they are the best-educated consumers in the world when it comes to understanding risk. Because risk is so fundamental to their day-to-day lives, they protect themselves through a variety of informal "insurance policies," such as by loaning money to a relative or friend and waiting to call it in, keeping assets they can sell if a risk materialises, maintaining social capital, and so on. Intermediaries (MicroEnsure)

try to communicate to the customers in a language they understand, and in some cases, do not need to explain insurance at all. In some cases, the message is, "What if you were to have an accident? If you top up with ABC each month, then ABC will protect your family if the worst occurs." Customers understand the quid-pro-quo, and intermediaries ensure that the policies themselves are extremely simple so as not to confuse their customers with exclusions, terms and conditions that are irrelevant for them.

Impact of the regulations¹⁸

We found from the responses of the survey and conducted interviews with the TSPs, that most of the existing insurance regulations were developed decades ago, during the dominance of the traditional partner-agent distribution model. During this period, regulators were concerned about miss-selling, fraud, and intermediaries which were all powerful and overpaid. As a result, regulations were developed in order to ensure the insurance industry wasn't sunk due to unscrupulous actors. As microinsurance has grown over the past several years, regulatory frameworks are now being revamped for microinsurance in dozens of developing countries. Commission caps, once viewed as key to limit the power of brokers and agents, are less relevant for a market with a USD 1 monthly premium, where transaction costs can be high but much lower than traditional insurance products. Similarly, since most MNO insurance offerings are non-advice products (in other words, the agent doesn't guide the customer to a specific

product out of a range of offers), there is less need to regulate agents to reduce miss-selling. Finally, while some insurance legislation assumes the presence of paper documentation, regulators have realised that, just as mobile money has allowed transactions to be conducted via digital signatures, insurance should be permitted to do the same. The result for MicroEnsure has been an openness from regulators to consider mobile insurance through fresh eyes, without the restriction of guidelines that were designed for another distribution model. According to MicroEnsure, out of more than 15 models launched, regulators caused a serious challenge to their business only once or twice. In most cases, regulators have appeared very happy to reconsider or waive restrictions which would have inhibited the product from being launched otherwise. In many markets, the capital requirements for a microinsurance business are far lower than for a traditional business, enabling smaller companies to serve the market.

¹⁵ BIMA. *Mobile-delivered Microinsurance from BIMA*. (<http://bima.live.gpmd.net/assets/BIMA-mobile-operators.pdf>).

¹⁶ Tellez, C. *Emerging Practices in Mobile Microinsurance*. GSMA.

¹⁷ Jeremy Leach, 2013. *M-Insurance: Ensuring Take-off While Doing No Harm*. CGAP.

¹⁸ Based on survey response.

Appendix

Appendix 1: MNOs and TSPs of microinsurance in Asia

MOBILE NETWORK OPERATORS (MNOs) AND TECHNICAL SERVICE PROVIDERS (TSPs) OF MICROINSURANCE IN ASIA



Appendix 2: Organisations and people contacted

ORGANISATIONS AND PEOPLE INTERVIEWED FOR THE SURVEY

Name	Designation	Organisation
Steve Knight	Communications Manager	MicroEnsure
Richard Leftley	CEO	MicroEnsure
Harish Karakoti	South Asia Regional Manager	BIMA
Mathilda Strom	Deputy CEO	BIMA
Simon Schwall	Project Manager – Pacific	BIMA
Jonathan Vance	Country Manager - Papua New Guinea	BIMA
Max Bergman	Country Manager – Sri Lanka	BIMA

ORGANISATIONS APPROACHED FOR SURVEY THROUGH E-MAIL

Robi Axiata Limited
Smart
Warid
Dialog
Grameenphone
Telenor

