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# Mitigating the Risk of Mobile Insurance Products

## The Ghana Case Study

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# M-Insurance Landscape in Ghana

**2.7 million policyholders for m-insurance products (June 2015),  
5m GHS premium (2014), 60% of all MI policyholders (2014);**

## **Three types of players:**

- Three MNOs (Tigo, Airtel, MTN) currently active in the market
- The active insurers in the market are Prudential, Enterprise Life and UT Life
- Technical service providers, such as BIMA and MicroEnsure also operate in the market, also IT platforms such as MFS Africa

## **6 products currently on the Market**

**3 regulatory authorities, National Insurance Commission, National  
Communication Authority and Bank of Ghana**



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# M-Insurance Actors Landscape in Ghana



**Tigo Family Care  
Insurance Policy**  
Life insurance for you and your family





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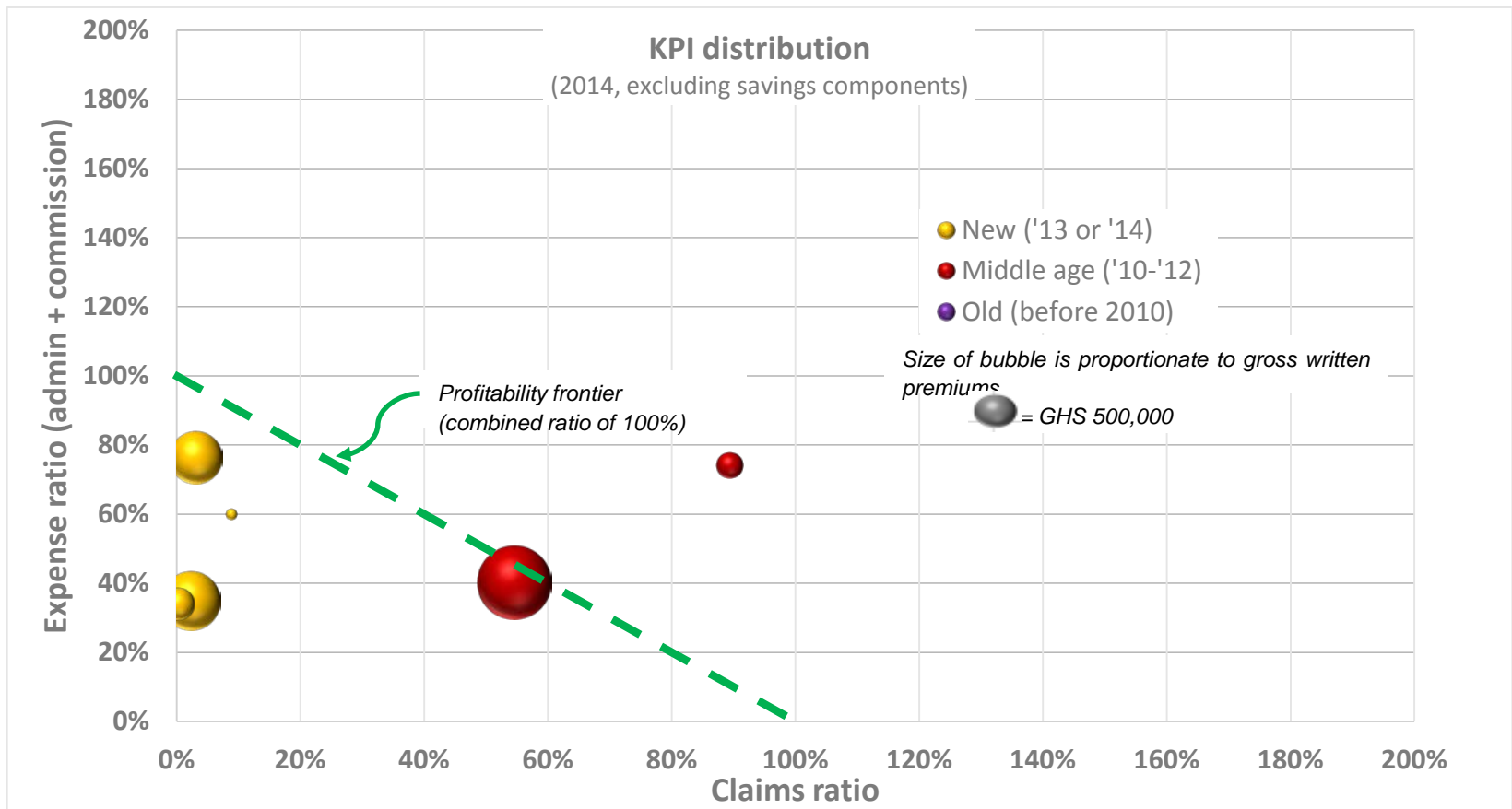
## Summary of Current M-Insurance Products as at 09.2016

Partnerships	Type of product	Risks insured	Year Started	Estimated Policyholders (06.2015)	Estimated Policyholders (06.2016)
Partnership A	Paid	Funeral (subscriber and next of kin)	2011	8,000	8,000
Partnership B	Paid	Funeral (subscriber and next of kin)	2010	550,000	890,037
	Paid	Hospital-cash	2013	700,000	806,926
	Loyalty	Funeral	2010	70,000	-
Partnership C	Loyalty	Life, Accident, Disability, Hospital-cash	2014	1,400,000	-
	Paid	Life, Accident, Disability, Hospital-cash	2015	94,000	29,319



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# Profitability of M- Insurance Products as at 04.2015





## Roles and Responsibilities

- Role of MNO's
  - “face” of the m-insurance policy for customers (products are MNO branded)
  - Marketing of the product (ATL, BTL, 360° ...), communication etc.
- Role of Insurer
  - Underwriting the products (mostly technical role); Pricing, reserving (often influenced by TSPs);
  - Very little involvement in marketing, sales, customer contact, discussions with MNOs;
- Role of TSP
  - Owns the operational work e.g. marketing, customer registration, complaints, claims;



## Risk Framework

### Clients Value risk

- Subscribers may not be aware of product (particularly loyalty products)- hence very low claims frequency, very low claims ratios;
- Even when aware, subscribers may not fully understand product coverage and T&Cs;
- Customers perceive poor value if low utilization or very few claims being paid out

### Prudential Insurer Risk

- Risk premium is underpriced (assumes low customer awareness);
- Insurer does not meet liabilities;

### Distribution Channel Risk

- Business case for continuing loyalty-based products is very weak for MNO's( no significant increase in ARPU nor reduction in Churn)
- Premium has to be very low for loyalty product for it to make business sense for the MNO (not justifiable actuarially)- dependent on under-reporting of claims





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## Marketing Risk

- Sales staff not trained sufficiently;
- Customer awareness during transition from loyalty to paid products;
- Marketing literature not clear/misleading;

## Legal Risk

- Recourse to settling disputes not clear;
- Insufficient regulatory oversight;
- Perception of product ownership and Accountability
- Data protection

## System Risk

- Occasional systems problems were reported by some MNOs, such as 'down-time' of the network coverage. This led to customers not being notified that their premium is due.
- Data not maintained properly. Data errors.

## 3<sup>rd</sup> Party Default Risk

- Most insurers are not involved in the technical and operations areas of m-insurance business, the risk is that the TSP and MNO's can easily change an insurer



# Implementation of M- Insurance Assessment Framework

- Product Approval Stage : analyze and assess product before has been launched
  - Claims ratio on pricing
  - Expected expense ratio
  - Breakdown of 100% premium between TSP , Insurer and MNO
  - Expected claims incidence
- After launch stage : product performance
  - Quantitative measure of key performance indicators( e.g. claims ratio, expense ratio etc.)
    - All KPIs being monitored should be compared to industry benchmarks e.g. paid claims ratio should be in the range of 30%-60%
    - observed values outside the range should trigger action by NIC



## Implementation of M- Insurance Assessment Framework

- Qualitative measure of key performance indicators( Marketing strategy, training of sales agents, complaints handling etc.)
- Practitioners agreed with a biannual reporting requirement tied in with Microinsurance reporting.
- Multi regulatory approach : coordination between regulatory authorities
  - Tripartite MOU develop between the three regulators NIC, NCA and BoG
  - Most practitioners preferred NIC to be the lead in driving the process.



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# Market Conduct (M-Insurance) Rules

The Market Conduct Rules yet to be issued to industry covers the following;





## Conclusion

- M-Insurance involves key players from various industry backgrounds regulated by different bodies and it is necessary for these entities to work closely to create an enabling environment.



**Thank you for your attention!**

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