THE ROLE OF MOBILE TECHNOLOGY IN MICROINSURANCE OFFERINGS IN KENYA

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Kenya’s Insurance Landscape

- The total insurance penetration rate in Kenya accounts for 3% of the GDP. Life insurance accounts for 1% penetration.
- By comparison, the penetration rate by banks stands at 60% penetration rate with 9.5 million accounts and growing. This has been driven by innovation.
- Of the 16 million insurable Kenyans, 12 million are in the microinsurance sector.
- Prevalent distribution channel for life insurance is through the conventional tied and non-tied agency system.
- In 2008, there were 3,355 registered insurance agents. It is clear that the tied agency model will not enable the industry penetrate the massive low income market.
- The industry has turned to technology to solve this problem.
KENYA’S POTENTIAL MICROINSURANCE MARKET

- Out of a total population of 40m, there are 21m adults of whom 12m are unemployed.
- 7m Kenyans are employed in the informal sector.
- 24m people living below $2 a day.
- In excess of 12 million Kenyans earn between $2 and $10 per day and form a strategic and core market segment for Microinsurance.

(Source: Cenfri, Kenya Microinsurance Landscape, 2010)

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• In the last decade, Kenya has undergone a transformation in Information Communication Technology (ICT) and Mobile Money
• The mobile phone has included the middle and bottom of the pyramid into the financial system
• ICT has been the main driver of Kenya’s economic growth over the past decade. Since 2000, the sector has out-performed all other sectors, growing on average at 20% annually
• Of all the ways mobile phone-based technology has been used in Kenya, the most innovative has been mobile money transfer.
• Mobile money is used to transfer an estimated US$ 7 Billion annually (20% of GDP).
MOBILE PENETRATION IN KENYA

1999
Less than 1 in 1,000 had a mobile phone

2007
Over 8 million mobile phone users
Launch of Mobile Money.
52,000 Mobile Money Users

2012
Over 24 million mobile phone users
18 million Mobile Money Users
Deepening Financial Access in Kenya
An Opportunity for Kenya Insurers

- The pyramid below illustrates the opportunity created by the Mobile Money Transfer upon which insurers can use as route to the Microinsurance Market in the middle and the bottom of the Pyramid.
- The mobile phone has included the middle and bottom of the pyramid into the financial system.

2006
- No Access to finance
- Mobile Phones Only
- Banks

2010
- No Access to finance
- Mobile Phone only
- Mobile Money Only
- Banks

Adults WITH access to finance
Adults WITHOUT access to finance
M-BIMA ON WEB AND WAP ACCESS

- Marketing
- Distribution
- Insurance Administration
- Customer Service & Support

20/= Per day

CIC INSURANCE GROUP LTD
We keep our word
Case Study: M-Bima

M-Bima Platform:

- **CIC Insurance** has developed the M-Bima Platform
- The platform was developed by CIC based on information from clients that they would like to pay their premiums in a mode that fits their lifestyle.
- It is a payment platform that allows clients to interact with the insurance company from their phones and at their **convenience**. The uses include:
  - Distribution of insurance products (clients can sign up for a policy)
  - Collect money for savings (Payment of premiums via M-Pesa)
  - Communication and updates to existing clients
  - Review of client statements
- The platform is available on mobile phone as well as on the internet on [www.m-bima.co.ke](http://www.m-bima.co.ke)
JIJENGE SAVINGS PLAN
POWERED BY M-BIMA

Jijenge is the first product that is riding on the M-Bima platform. Product Features:

• Saving product with life & disability benefits.
• Low premium payments suitable to the policyholder’s irregular cash flows
• 12 year savings plan with options of Exit Benefits from the end of 3rd year
• Optional Family Life cover that pays a shared benefit of Sum Assured per year for death of a member of a nuclear family
• Premium payments free of transaction charges to the clients
• Weekly premium arrear reminders sent and clients have online access to Policy Account status
MARKETING

- Marketing seeks to facilitate adoption of the M-Bima platform
- Building an M-Bima brand with language that resonates with the target market has become important due to increased competition
Wall branding is a major marketing tool for CIC’s M-Bima platform as shown below.
DISTRIBUTION

• Access to insurance is the greatest barrier to penetration of insurance in Kenya.

• Insurance companies have been able to develop products, but route to market has remained a challenge.

• The M-Bima platform is one of the evolutionary solutions to the challenges involved in penetrating the mass

• The platform aims to make insurance available to the low income market who do not have direct access to the insurance companies or their intermediaries.

• M-Bima is available at outlets around the country including mobile money agents, retail shops, barber shops etc.

• The product is also available from direct registration on the mobile phone or the internet
M-Bima leverages on Mobile Money Technology for:

- Distribution of the Insurance products
- Premium collection
- Agents Commission payments
- Claims Process (Reporting, tracking & payment)
- Customer Service and Policy Administration
- Commission processing
CUSTOMER SERVICE & SUPPORT

- Among areas where mobile technology is being used to provide customer service and support include:
  - Bulk SMS for premium payment reminders and disbursement of statements
  - Twitter and other social application to respond to customer queries
  - USSD for registration, claims reporting & endorsements
  - Mobile money for premium payment and client benefit payments
CUSTOMER SERVICE & SUPPORT (Cont’d…)

- This technology has opened the door to interactive communication between the client and insurance company without human intervention with the following benefits:
  - Access to service request via a phone menu
  - Benefits paid using the phone
  - Statements and client originated queries
  - Company originated feedback, promotions & customer education

- Bulk SMS messaging has also proved a powerful tool for sending standard messages such as:
  - Payment reminders
  - Client Statements
  - Notifications
The Insurance Industry Opportunities

According to recent world bank report on Africa Region Poverty Reduction and Economic Management Unit:

• The mobile revolution has transformed the lives of Kenyans through:
  – Communications
  – Basic financial access

• Currently, 93% of Kenyans are mobile phone users and 73 percent are mobile money customers.

• Additionally, 23% use mobile money at least once a day
The need to apply technology in insurance penetration

- Limited access to affordable insurance, lack of awareness and negative attitudes towards insurance prevents Kenyans from planning for life's events.
- With limited access to savings and insurance, majority of Kenyans are unprepared for any future financial needs. This contributes to the vicious cycle of poverty and chronic dependency that has become prevalent in Kenya today.
- Use of Mobile Technology in Insurance Administration creates an opportunity for access to affordable insurance and savings plans.
- Although the insurance industry in Kenya has been rather slow in leveraging on mobile and web technology as an insurance distribution mechanism, the landscape is changing.
ISSUES AND CHALLENGES

Technological Challenges
• Integration of mobile system with existing underwriting systems
• Network and Data outages
• In certain rural areas, there are people who do not know how to use internet services on their phones
• Portability issues: Inability to use mobile money services across networks

Other Challenges
• High initial expenses due to the expensive distribution model
• Poor product knowledge and skepticism about the Insurance Market.
• Risk of miss-selling by the distributors
• The marketing approach can expose a brand to reputational risk
• Operational risks as a result of exposure born out of the nature of the operations of the product
CONCLUSION

• The mobile technology is no doubt the most creative innovation in the world, providing any-where any-time convenience, just-in-time payments, personal security and the ability to enhance the increasingly time pressured business environment

• The opportunity provided by the mobile phone is revolutionary. The secret lies in crafting the right strategic partnership with the mobile networks

• Marketing through technology brings your business up to speed with today’s fast-paced, technology-centered consumer market.