60 million clients & counting: scale in Africa

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Multiple challenges to scale for insurance in Africa

- **Microfinance Companies** tend to be small, especially compared to Asia
- **Regulators**: in some countries the focus is on pushing sales through agents rather than digital channels which is hampering rapid scale up
- **Low GDP**: compared to other regions African consumers have even less disposable income with many factors competing for their cash
- **Mobile wallets**: outside Kenya usage is minimal beyond cash-in / cash-out transactions; few people maintain a balance on the wallet minimising their usefulness for premium payment
- **Airtime deduction**: most insurance products paid for this way but regulators trying to clam down, tax's make it expensive and other VAS services compete for available airtime reducing collection success rates
- **Conservative insurers**: reluctant to offer competitive prices or simplify terms and conditions resulting in complex customer journeys
- **Distribution is key**: insurers tend to be fixated by product & pricing rather than realising that the KSF is how to sell and service at a low cost

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Why is distribution overlooked?

- A products retail price is made up of:

  1. **Risk rate** – simply the chance of the event happening multiplied by the required pay-out when it does happen
  2. **Distribution** – the cost of selling and servicing the client
  3. **Loadings** for reserves, IBNR & profit

- All too often the insurer is left in charge of the product design and they tend to focus on maximising the risk rate and loadings with whatever is left from the target retail price being made available for distribution

- There is a sense that anything more than 5% or 10% or 20% spent on distribution is a sign of poor customer value without asking what this percentage equates to in monetary value

- You can have the best product in the world but if you scrimp on distribution then it will fail. An analysis of failed products in MicroEnsure shows this to be true!

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What kinds of distribution can we use?

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- **Individual agents**: the economics are really hard to make this profitable
- **Digital**: very cheap but no one wakes up wanting to buy insurance – where is the push coming from?
- **B2B**: can sell via partners like telcos and banks who typically need
  - To be trusted / Used frequently
  - Easy to access
  - Have their own way of collecting payments

  But beware – these B2B partners extract their pound of flesh and control market access
- **B2B2C**: a twist on B2B where you use the partner but take on ownership of driving sales typically via a call centre which gives you greater control (and greater cost)

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Payments can make or break distribution

- You can have a distribution channel that is easy to use and trusted by the emerging consumer but if it lacks a way for premiums to be seamlessly collected then it will probably fail
- Payments can be in cash, airtime, mobile money, loyalty, payroll deduction etc
- Airtime is ubiquitous but can be expensive as the telco will charge you a lot and taxes can be sizable
- Very few people actively use mobile money although penetration is rising rapidly; most do not maintain a balance overnight

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Where is distribution headed?

- Most people start by embedding insurance into a microfinance loan
- Very few went on to upsell voluntary products via the MFIs although some evidence that this can be done via embedding agents or call centres
- Real scale came about in partnership with the mobile networks
  - Free Insurance in return for airtime loyalty
  - Paid for upsells mostly sold via agents / call centres and using airtime for payments
  - Increasing traction using call centres selling to mobile wallet customers
- Kiosk based approach
- Other retail outlets such as Pawn Shops in the Philippines
- When will the super-platforms come into play? Will this be the next wave of growth for the industry?

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