Plenary 2

Role of digital platforms in inclusive insurance markets

Hosted by Cenfri

By Kay Tuschen

This plenary hosted by Cenfri looked into the potential and limitations of mobile platforms in providing inclusive insurance. They have carved out a distinct role in the insurance market development curve. How best could this role extend to the smaller markets of inclusive insurance? China provides an example of the power of a partnership model teaming an insurer, a tech firm and an e-commerce giant, while Africa's market reveals huge potential, yet is untapped due to a lack of smartphone usage and platforms at scale.

How platforms can change the market development curve

At the outset, the plenary posed the question: "Why are we talking about platforms?". The answer lies in a close look at the insurance market development curve (see Figure 13) showing the spread of life insurance. Insurance penetration increases with rising income levels.

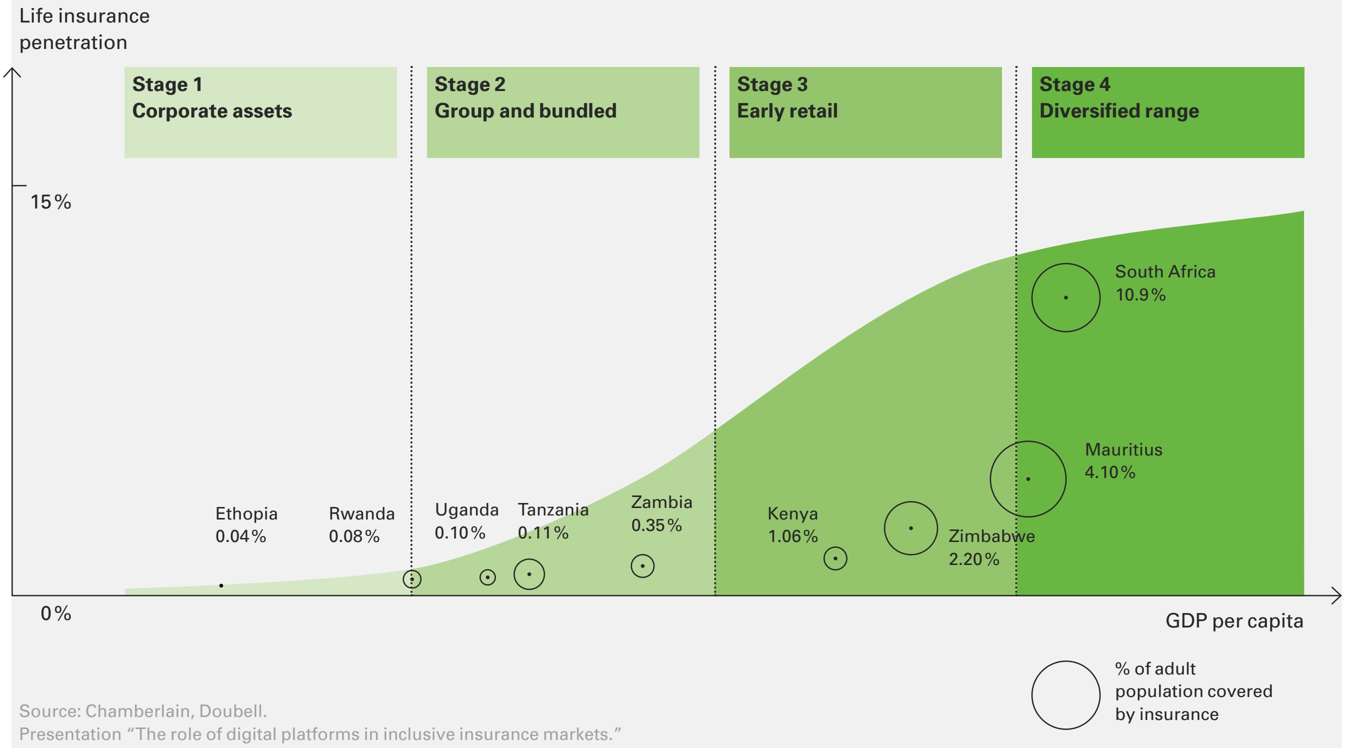
In Stage 1 in very low-income countries, most of the insurance cover originates from corporate assets. In Stage 2, in countries with slightly increasing income levels, more and more cover is sold in bundled products, e.g. credit life insurance. The third stage's insurance market is mainly driven by early retail models, selling simple and cheap policies, while in the fourth and last stage, the market diversifies into a broad variety of more complex policies. The introduction of more mobile platform solutions will increase returns, especially in Stages 2 and 3. Beyond that, it will also shift the border between these stages to the left, meaning that early retail models could be established on lower average income levels. If platforms are successfully applied to inclusive insurance, insurance penetration as well as returns would be expected to be higher at the same GDP per capita. Cenfri believes that platforms need to be discussed not for their own sake but because they bear the potential of increasing insurance penetration in developing countries.

A role model for partnership

In 2013, Zhong An was founded as the world's first online-only insurance platform – and it has experienced tremendous growth since. Three Chinese companies – insurer Ping An, internet company Tencent and e-commerce giant Alibaba – joined forces to build a new player in the online insurance market. By 2017, they counted more than 430 million policyholders, holding a total of 5 billion policies. The company calls itself a technology enterprise, with more than half the employees being engineers.

A four-step approach is at the core of Zhong An's success. Firstly, the platform needs to generate traffic – which can be achieved through attractive offers as well as interesting content. Secondly, data from this traffic has to be used to create new, customer-pleasing products, which can be put to scale in a third step. Fourthly and lastly, the scale gained, in combination with an efficient platform, is used to monetise the success of the platform.

Figure 13
Insurance market development curve



Source: Chamberlain, Doubell.
Presentation "The role of digital platforms in inclusive insurance markets."
14th International Microinsurance Conference 2018

Africa's market: have mobile platforms arrived?

Cenfri has found 284 online platforms active in Africa, four out of five developed in the region, with 49 offering financial services and 24 insurance. The main difference between Chinese mobile platform Zhong An and the African market is that the latter has many more but smaller platforms in different countries. The market is very segmented with lots of niche products solving specific problems (see Figure 14).

In such a market, the way people use their smartphones is one of the key obstacles to overcome. There is huge untapped potential. Smartphone usage is rising, but only every fifth smartphone owner is an active platform user. An issue often faced is that people own old smartphone models with an outdated operating system, and their phone's memory is either full or too small in general for modern platform applications.

As in other markets, people in Africa do not simply wake up with the desire to buy insurance cover. Even those who are using platforms and airtime payment models would rather spend their money on ringtones than on insurance if the product design is not attractive enough or the product is not presented to the customer properly. Insurance providers have failed to incentivise their consumers to buy paid insurance models after offering free cover to open the market. Nevertheless, they have succeeded with free insurance campaigns providing insurance cover for millions of people.

The well-developed mobile payment sector in East Africa represents big potential for platform solutions. Moreover, new solutions like Facebook Marketplace, that is gaining global power, and the introduction of WhatsApp payment in India, are interesting and promising developments. Both these platforms already have the traffic and thus the market power to reach billions of consumers.

Lessons learnt

- Mobile platforms explore a large untapped potential of new customers.
- Partnership models between players from e-commerce, insurance and mobile communication are a promising development.
- The development of more mobile platform-driven, inclusive insurance solutions imposes significant challenges on regulators to provide an enabling environment.

34 — Left to right Richard Leftley, CEO, MicroEnsure, United Kingdom; Amolo Ng'weno, East Africa Regional Director for Bankable Frontier Associates, Kenya, Adrien Lebegue, Business Development Director, Zhong An, China

35 — Doubell Chamberlain, Managing Director, Cenfri, South Africa

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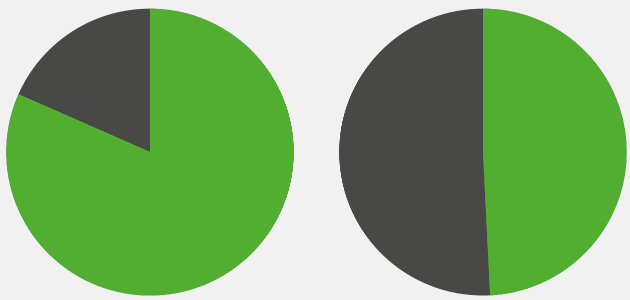
Figure 14
Mobile platform applications in Africa

Services identified in total: 284

Financial services platforms: 49



- Locally owned
- Internationally owned

- Offering insurance
- Other financial services

In six countries:
- Ghana
- Kenya
- Nigeria
- South Africa
- Tanzania
- Zambia

In six categories:
- Shopping
- Freelancing
- E-hailing
- Logistics/courier
- Rentals
- Other

Source: Chamberlain, Doubell.
Presentation "The role of digital platforms in inclusive insurance markets."
Graph: Tuschen, Kay.
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