



MicroEnsure: Delivering Microinsurance through Innovative Channels

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Agenda

- Introduction and Overview of Microinsurance in Africa
- MicroEnsure Experience
- Microinsurance: Demand and Supply
- Mobile: The Changing Landscape
- Other Distribution Channels and Products
- Conclusion: Realizing the Potential of Microinsurance

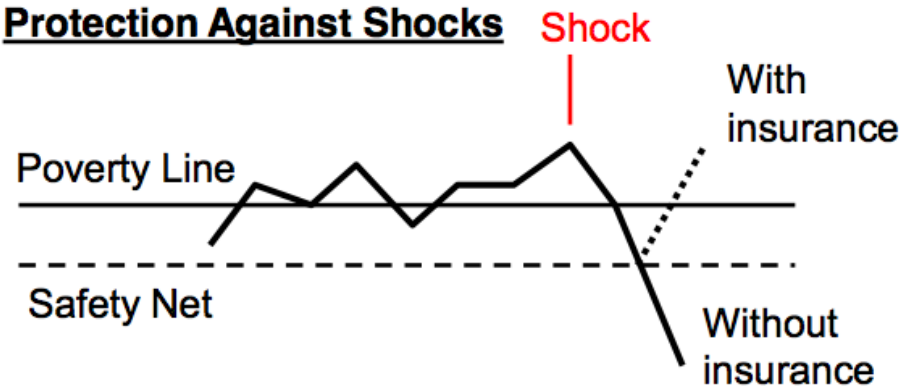
Microinsurance: Introduction

What is Microinsurance?

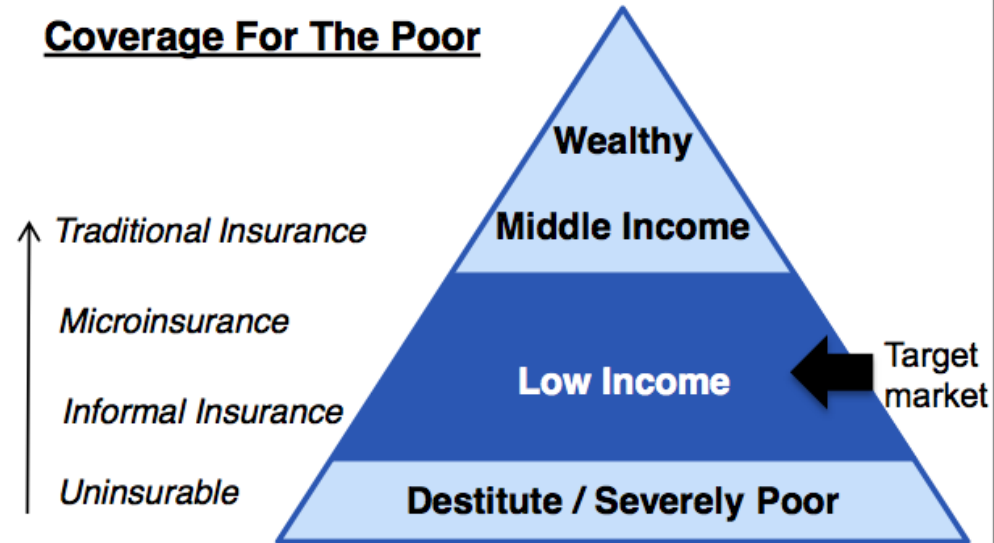
- Microinsurance is an **instrument to protect financially excluded people** against risk
- The **risks insured against are common** – namely accident, illness, death in the family, and natural disasters
- Insurance premiums are **tailored to the needs, income and level of risk** of the individuals
- The primary need for microinsurance is to **protect against shocks** that can result in a family being left destitute
- Microinsurance **provides protection for the middle poor** – it is not targeted towards the severely poor (ie. < US\$1/day)

Source: Leapfrog Investments

Protection Against Shocks



Coverage For The Poor



Microinsurance: Introduction

Traditional Insurance

- Complex policy
- Limited eligibility, many exclusions
- Regular premium payments, monthly, quarterly, annually
- Priced based on age/specific risks
- Small and large sums insured
- Sold to middle class clients
- Clients are largely familiar with insurance

Microinsurance

- Simple, easy to understand policy
- Few if any exclusions
- Implicit, frequent, or irregular premium payments
- Community or group pricing
- Only small sums insured
- Sold to everyone, esp. informal clients
- Clients are largely unfamiliar with insurance

Simple, Understandable, Accessible, Valuable, Efficient

Microinsurance: Growth in Africa

Growth in Africa
2010-2012: 200%

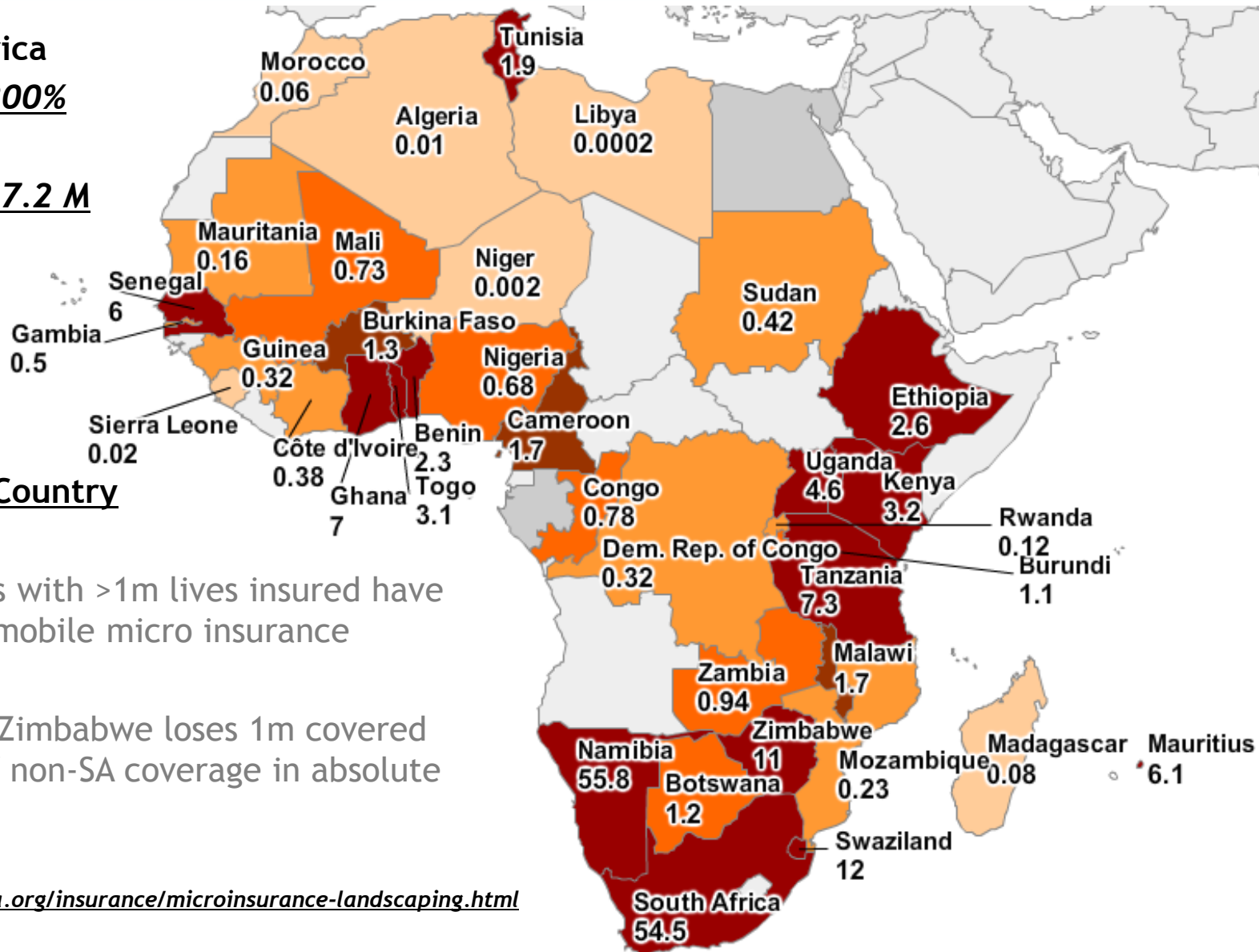
Outside SA: 17.2 M
lives covered

Coverage by Country

8 of 9 markets with >1m lives insured have done so with mobile micro insurance

Post-EcoLife: Zimbabwe loses 1m covered lives, or 6% of non-SA coverage in absolute terms

Source: www.mfw4a.org/insurance/microinsurance-landscaping.html



Introduction to MicroEnsure

MicroEnsure is the world's largest insurance intermediary focused exclusively on serving the low-income market.

- African footprint: Ghana, Tanzania, Kenya, Rwanda, Zambia, Malawi
- New market creation: 200,000 served in Africa 2011 to 2,500,000 today
 - : 80% of customer base never before insured
- Track record of innovation:
 - Weather index, micro health, mobile insurance
 - Named one of Africa's 20 Most Innovative Companies in 2011 by *Financial Technology Africa Magazine*
 - Winner of 2009, 2011 FT/IFC Sustainable Finance Awards



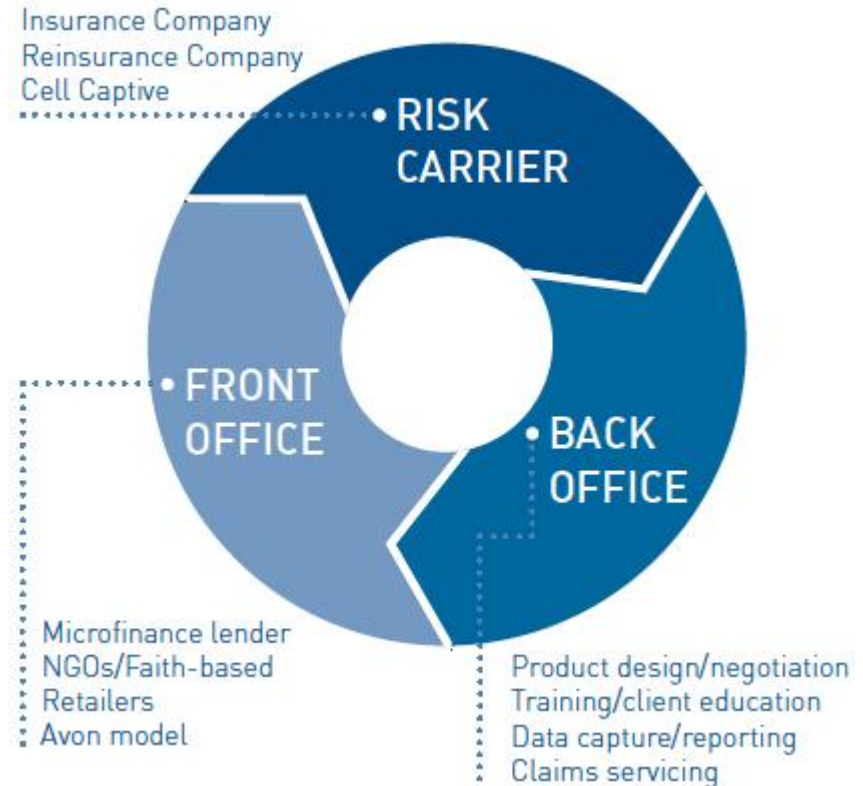
MicroEnsure Business Model

- Designing Insurance Solutions

- What **risks** do the poor face?
- How can they be protected from those risks in a **sustainable** way?
- What are the best delivery channels to serve the **largest** number of people?

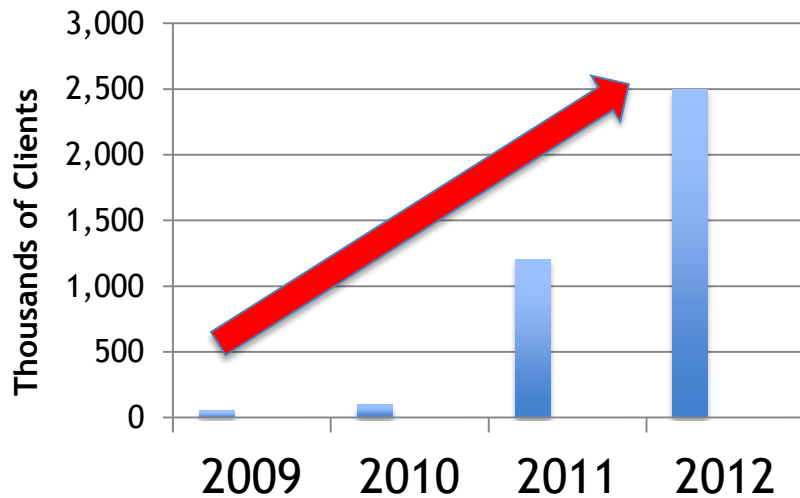
- Back Office Services

- Designing suitable **products** / **processes**
- Making the **business case** to insurers & distribution channels
- Reducing Operating Expense to make insurance **affordable** for the poor
- Full policy administration
- **Training** and client **education**
- Customer service & **claims** administration

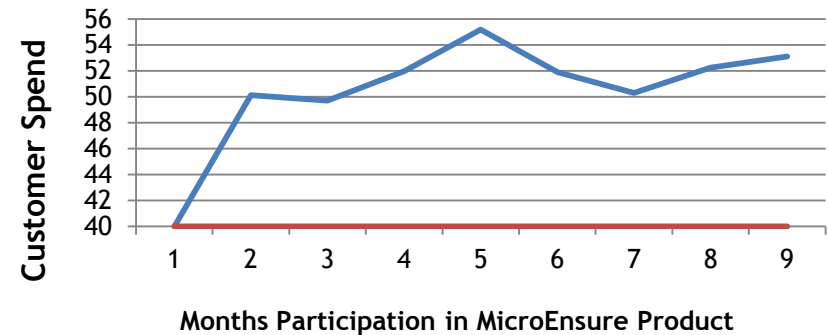


MicroEnsure: *Audentes Fortuna Iuvat*

New Approaches...

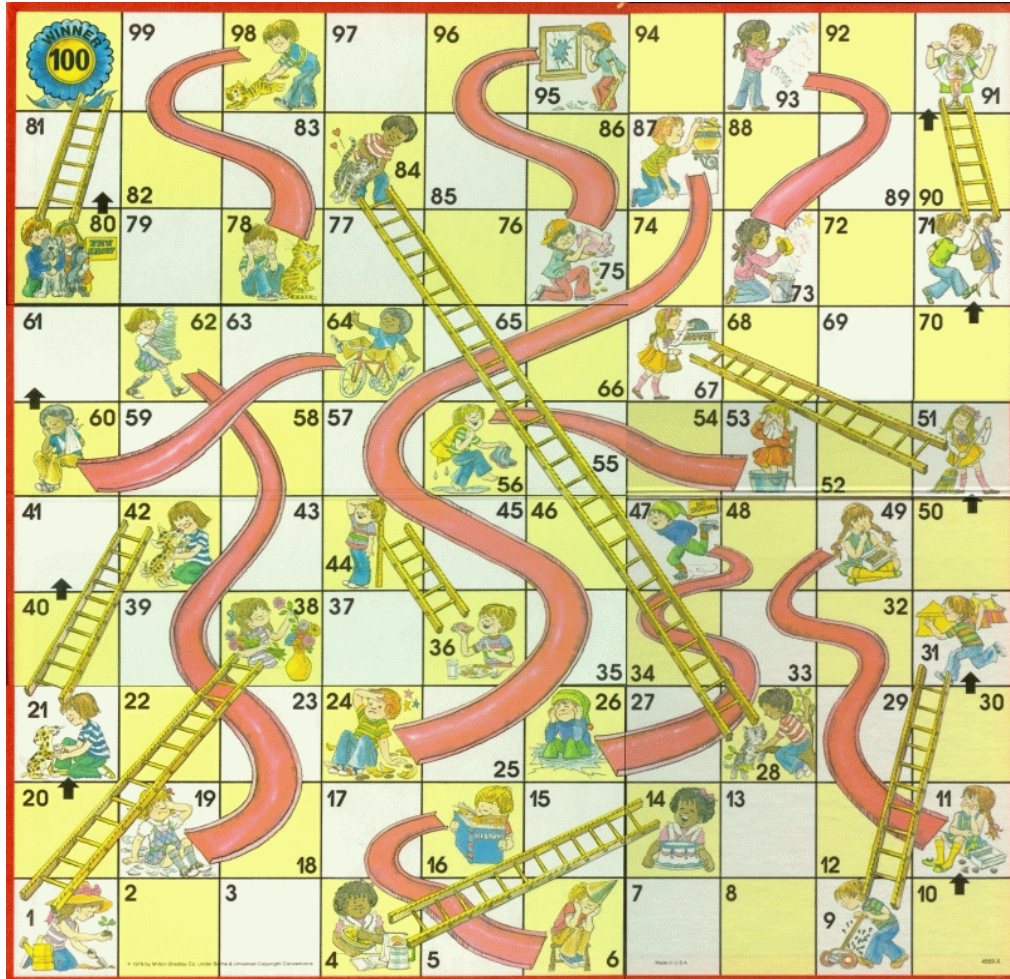


... Surprising Results



Branch	Balance As At June 2011 Ending	Balance As At Nov 2011 Ending
Branch 1	91,425.15	275,049.02
Branch 2	70,828.30	220,464.94
Branch 3	97,777.79	316,362.36
Branch 4	137,147.82	373,018.51
Branch 5	123,744.50	346,276.53
Branch 6	146,014.68	495,100.86
Branch 7	84,782.97	279,022.36
Total :	GH €751,721.21	GH€ 2,305,294.58

Demand for Insurance?



Realities of Life for the Poor

- Illness
- Family death
- Accident
- Natural disaster
- Lack of food security
- Unstable incomes
- Exploitation
- Marginalization

*Unaware of insurance, yes -
Unaware of risk, no...*

Demand for Insurance?

Middle/Upper Income Clients:

Use savings

Raise money from community

Work an extra (temporary) job

Use insurance via employer

Take on low-interest debt

Mass Market Clients:

Move from city back to village

Remove children from school

Change to lower-paid and/or degrading work

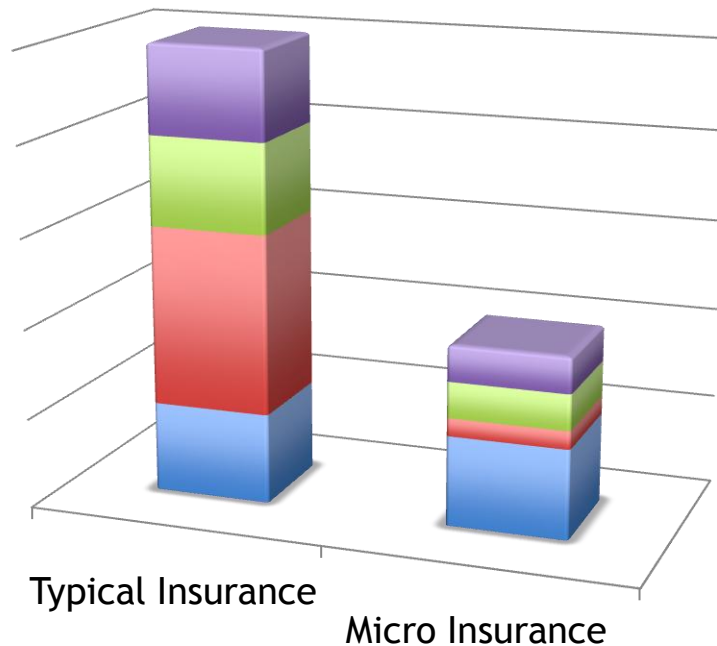
Sell household goods or assets

Take on high-interest debt

What can look like a failure to plan for risk is actually the culmination of planning...

Supply-Side Considerations

- Profit
- Brokerage
- OpEx
- Losses



The cost of delivery and operations puts many micro insurance products outside mass market reach.

Core Problem:

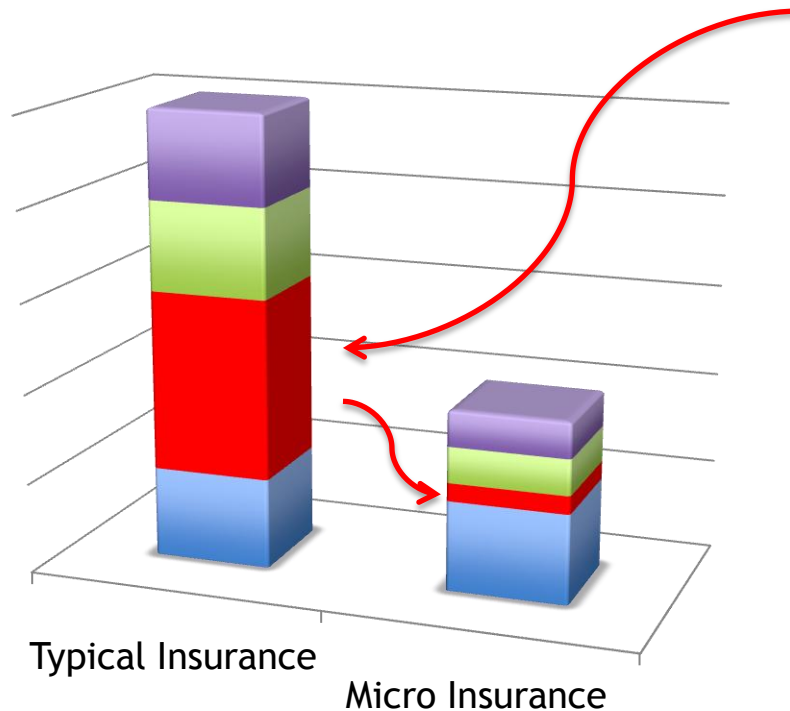
How do you offer insurance to people that **face more risk** and **can't afford to pay** the same premium?

Solution:

Reduce Complexity
Reduce Expenses
Reach Scale Quickly

Supply-Side Considerations

- Profit
- Brokerage
- OpEx
- Losses



Reducing OpEx:


- Pricing
- Product Design
- Training
- Marketing
- Policy Administration
- Loss Adjustment
- Underwriting
- Reinsurance
- Policy Reporting
- Claims Processing
- No Excess “Costs”

Revenue per policy is lower, but microinsurance **creates markets** for current and future growth opportunities.

Mobile: The Changing Landscape

Tigo Family Care Insurance
Special promotion
Xtra-Life

Get DOUBLE insurance for only **5Gp/day** or GH¢1 per month with Xtra-Life



Use more Tigo. Get more Insurance.

5Gp per day introductory offer for a limited time – only for subscribers that sign up before 10th January 2012.

tigo

Cotisation : **700F/mois**
Capital garanti : **jusqu'à 1 million**

Allianz Obsèques
Souscrivez aujourd'hui pour préparer demain.

Payez vos primes avec MTN Mobile Money





First for Zimbabwe, the **ECOLIFE** package



Ecolife
Great Benefits. Better Value.

MicroEnsure
Golden Life
Avance Co. Ltd

Terms and conditions apply.



mi life
mobile insurance

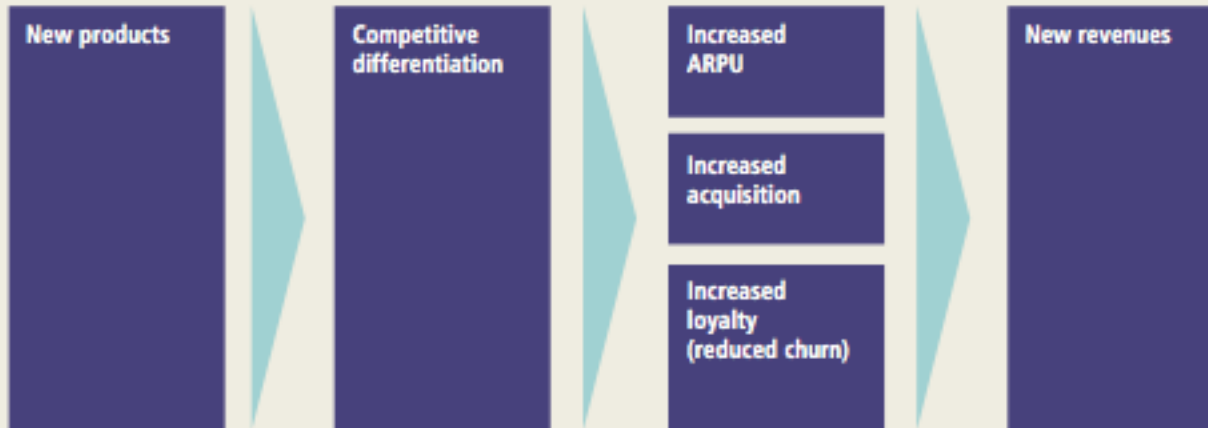
Life Insurance for Everyone



MICROENSURE
Golden Life
Avance Co. Ltd
MTN

Mobile Insurance Overview - Africa

Mobile operators



Insurers



Source: GSMA

MTN:

Cote d'Ivoire
Ghana
Zambia

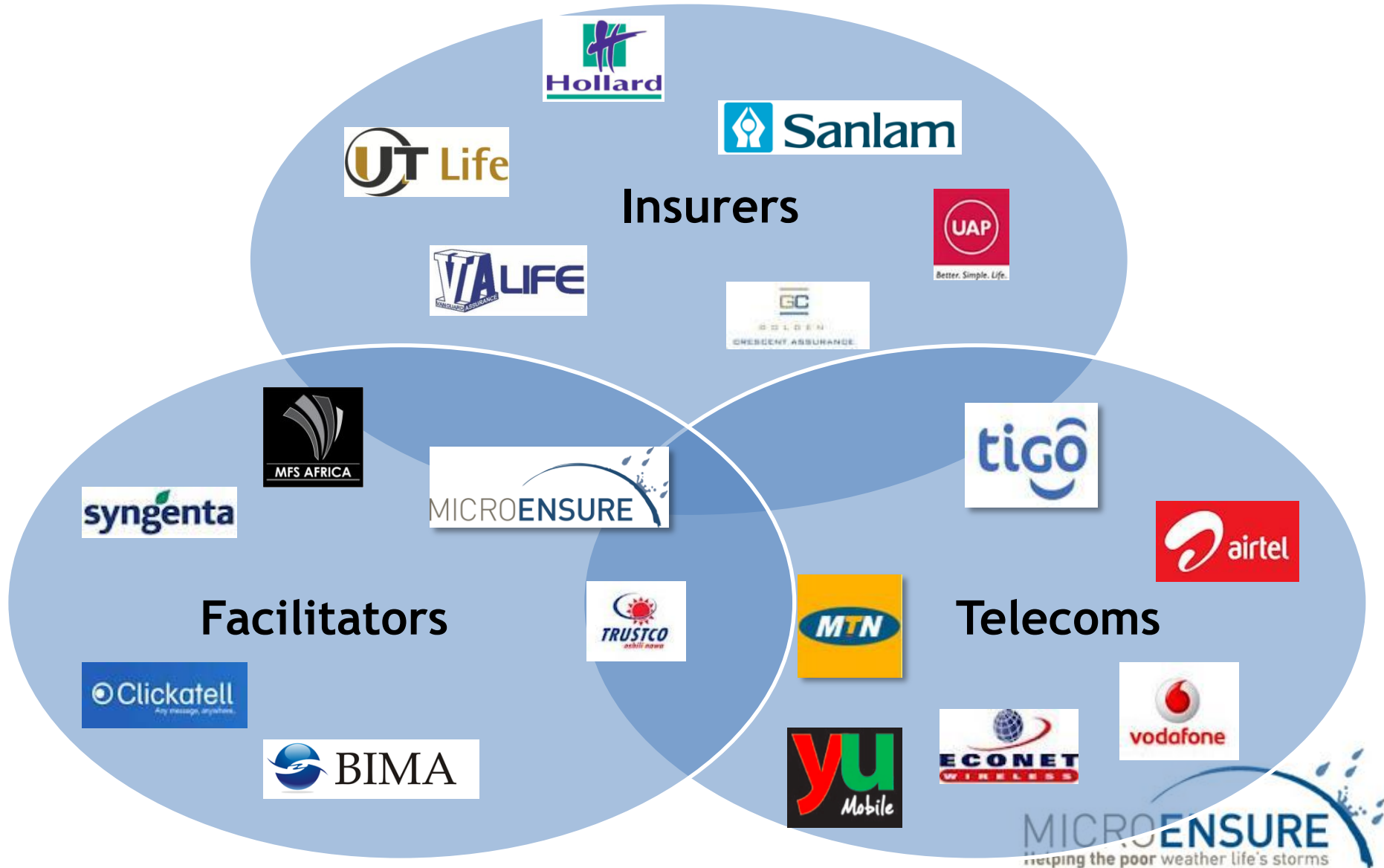
Tigo:

Ghana
Tanzania
Senegal

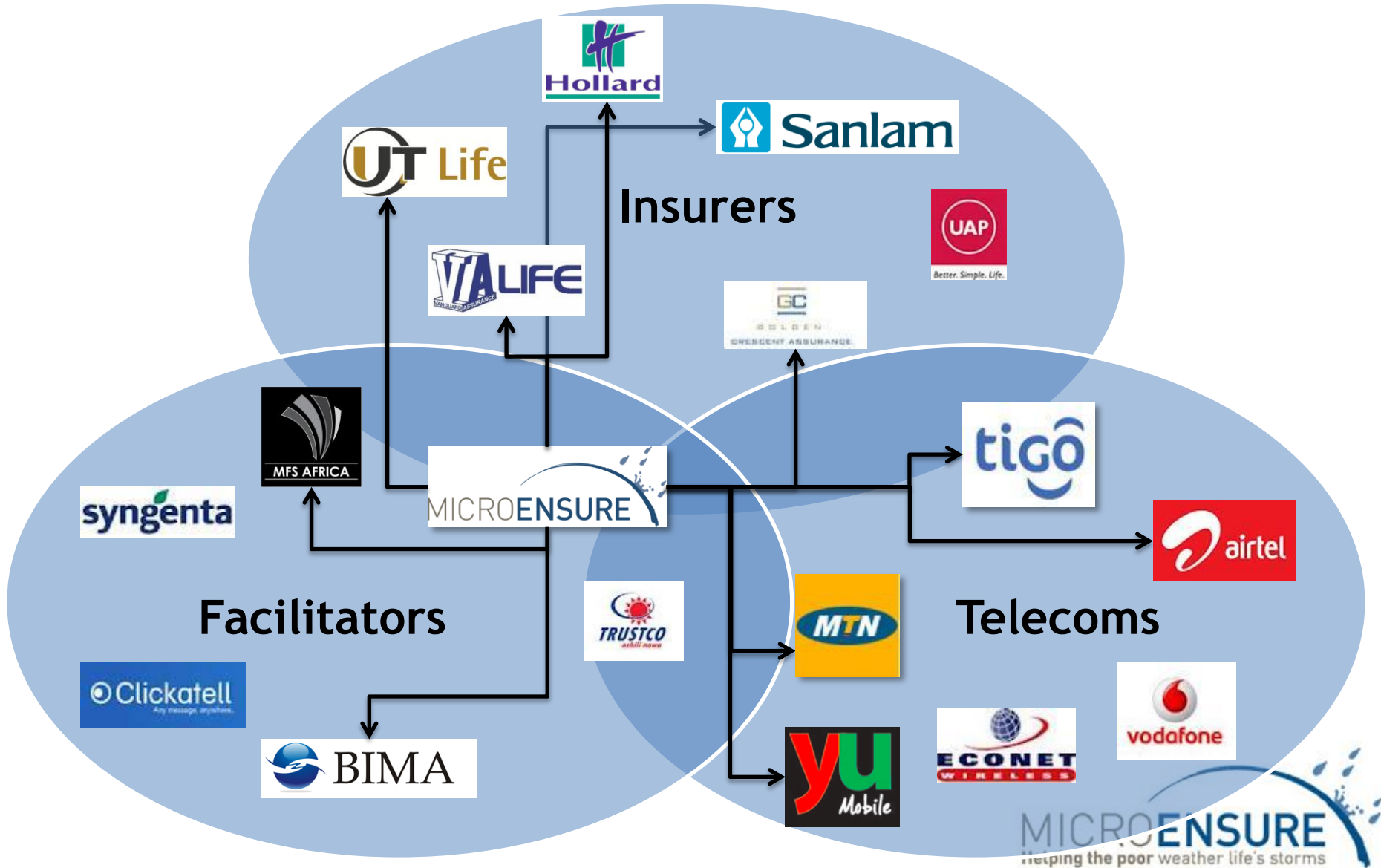
Vodafone:

South Africa
Tanzania

Mobile Insurance Overview - Africa



Mobile Insurance Overview - Africa



MicroEnsure Experience - Mobile

Use at least this much Tigo airtime in a month...

...get this much life insurance for you and a family member - for free!

Gh¢5

Gh¢200

Gh¢10

Gh¢400

Gh¢15

Gh¢600

Gh¢25

Gh¢800

Gh¢40

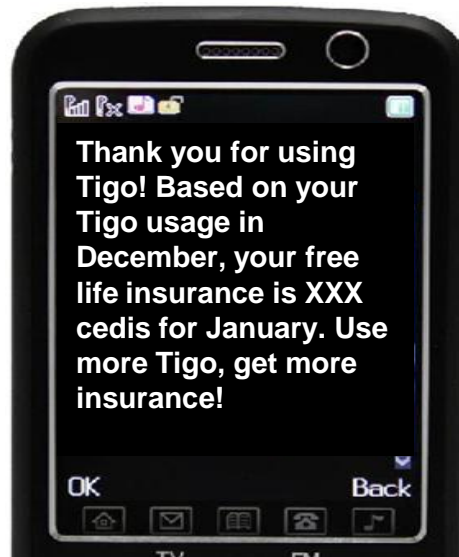
Gh¢1000

Tigo Family Care Insurance

means that if you or your registered family member were to pass away, your family will receive an amount of money based on your Tigo airtime usage during the previous month.

Cover is renewable monthly, it does not accumulate.

Tigo Family Care Insurance: Ghana, Tanzania, Senegal



Life insurance sold to Tigo subscribers

Free to subscribers on an opt-in basis

Covers subscriber and one family member

Cover based on monthly airtime usage

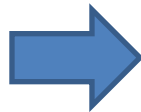
Reached 1 million lives within 14 months



MicroEnsure Experience - Mobile



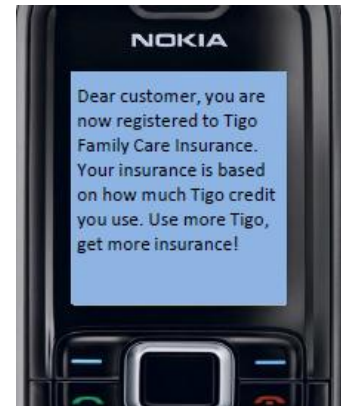
Tigo Agent meets clients in Tigo store or in market



Agent explains insurance using single-page policy



Agent registers customer on phone



Registration confirmed



Tigo sends monthly SMS messages to inform client of insurance earned



Customer calls single point of contact for questions/claims

MicroEnsure Experience - Mobile

How does Tigo Family Care Insurance work?

- 1 Sign up for Tigo Family Care Insurance – it's free! Tigo will give free insurance for you and one family member that you register. Insured must be in good health and between 18-69 years of age.
- 2 Show this brochure to your family so they know you have Tigo Family Care Insurance.
- 3 You will receive an SMS each month to inform you how much insurance cover you have earned based on your Tigo usage the previous month.
- 4 The insurance cover you earn lasts for one month and is renewed every month depending on your Tigo airtime usage. Use more Tigo get more Insurance!

If an insured person passes away



SMS "CLAIM" to 027 2000 007.

A friendly MicroEnsure agent will call to help you.



Product Features

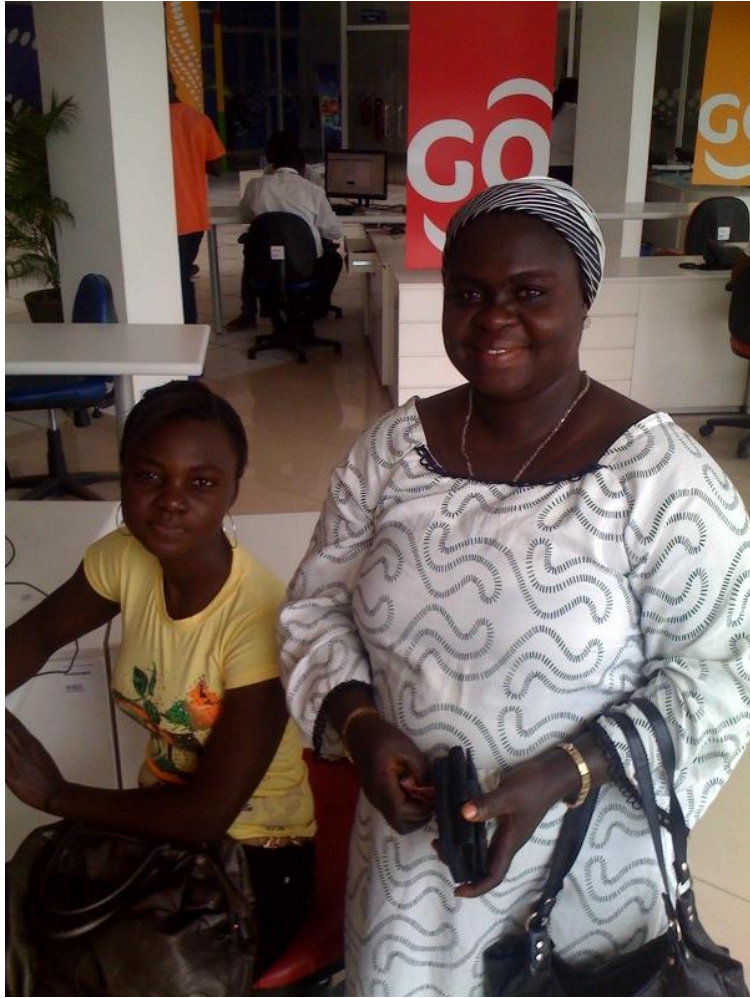
- No enrolment form or claim form
- No waiting period or medical examination
- No proof of relationship requirement, no ID numbers at enrolment (depending on market)
- No exclusions for HIV/AIDS, pre-existing conditions
- Easy, customer-centric claims process (700+ claims paid)
- Loss ratios stable due to large volumes, low sums assured
- Clients see value for money through claims marketing

Stage 2: Xtra Life

- Current subscribers can double their free insurance by paying 1 Ghana cedi (US\$0.50) per month from airtime
- 200,000 now covered on paid products; uptake much higher after prior sensitization through “free” insurance
- Sales via SMS and USSD menu lowers cost



MicroEnsure Experience - Mobile



First Client - “Adwoa”


Does not speak English, does not read, never before insured: not a typical insurance client

Very attentive during enrolment; awareness of risk much higher than middle-income client

Named her husband to her policy, asked her daughter to come to office to make sure she completely understood the insurance product

Demonstrated great appreciation for product, increased spend with Tigo by 300%

MicroEnsure Experience - Mobile

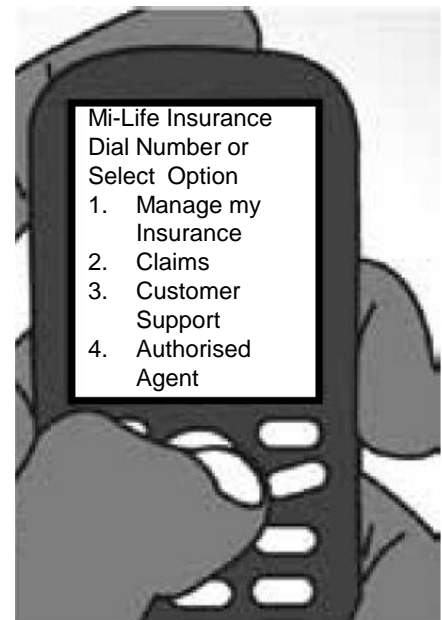


mi life
mobile insurance

Sign up today for Mi-Life insurance through **MTN Mobile Money** - it's easy!

Peace of mind	For a small payment every month, you can know that if something happens to you or your next of kin, your family will have money in time of need.
Convenience	Just keep your MTN Mobile Money wallet topped up, and your monthly premium will be deducted automatically each month.
Flexibility	You can change your policy anytime - just visit the *165# menu on your phone to check your status or make changes.
Reliability	Claims are easy to file, and the payment will come within two weeks.
Trust	Supported by MTN - underwritten by UT Life in partnership with MicroEnsure, MFS Africa and Hollard International

Mi-Life Insurance: MTN Ghana



- Life insurance sold via Mobile Money
- Buy, manage and claim via phone
- Monthly premium/life: US\$0.35 - \$1.75
- Life insurance benefit: US\$350 - \$1,500
- Recurring deduction of premium via Mobile Money



MicroEnsure Experience - Back Office



1. Customer registers via mobile phone and approves payment transaction

2. Registration data is captured to MFS Box and confirmed to the customer



MFS Box

3. MFS box initiates a mobile money payment transaction from the customers mobile money wallet



Fundamo

5. Payment transaction is confirmed to the customer



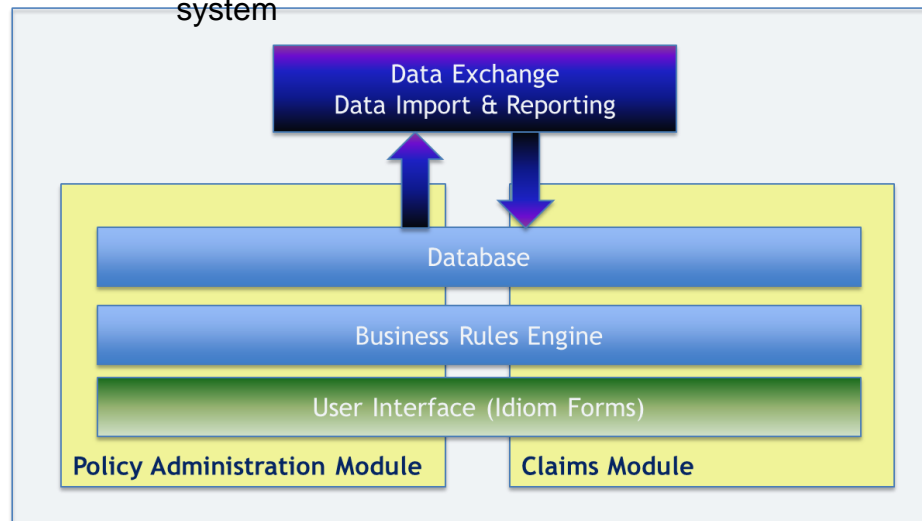
4. MTN Mobile Money system transacts payment and returns confirmation



6. Registration and payment data is sent to MicroEnsure system



7. MicroEnsure system validates data and confirms back to MFS box



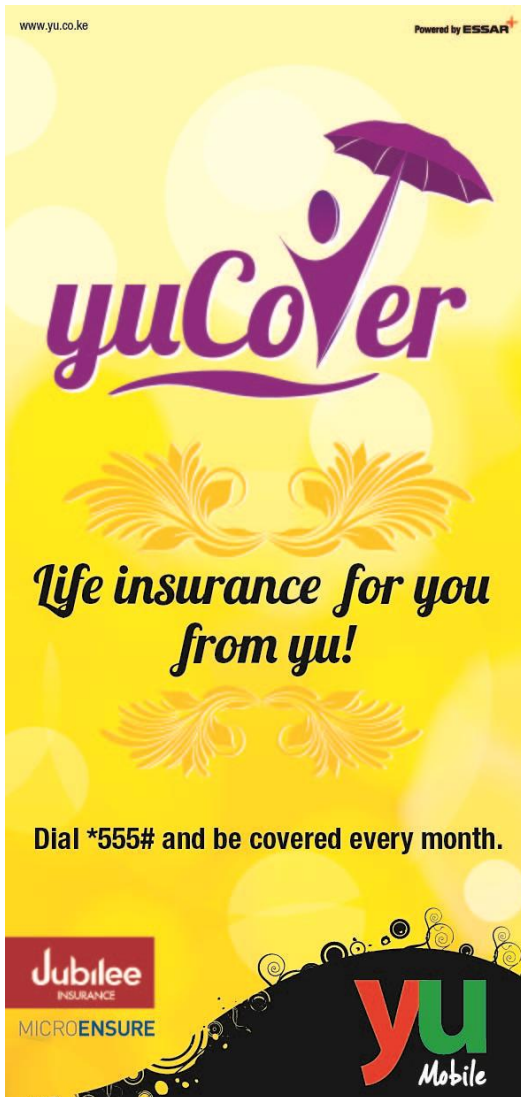
MicroEnsure System

Active Policies - Mobile Customers					
Policy ID	Sign Up Date	Period Start Date	Period End Date	Mobile Number	
Product: MTN M-Insurance (MTN-CR-V-3)					
5	0511020700002	20110206	20110606	20110705	23344123455
6	0511020800002	20110207	20110607	20110706	23344123456
7	0511020900003	20110207	20110607	20110705	23344123457
8	0511020400001	20110209	20110609	20110708	23344123458
9	0511021000001	20110209	20110609	20110708	23344123459
10	0511021100004	20110210	20110608	20110609	23344123460
11	0511021100012	20110210	20110610	20110709	23344123461
12	0511021100010	20110210	20110608	20110609	23344123462
13	0511021100001	20110210	20110610	20110609	23344123463
14	0511021100007	20110210	20110608	20110707	23344123464
15	0511021100008	20110210	20110602	20110701	23344123465
16	0511021100011	20110210	20110608	20110707	23344123466
17	0511021100006	20110210	20110608	20110707	23344123467
18	0511021100009	20110210	20110608	20110707	23344123468

8. MicroEnsure system produces insurance and management reports



MicroEnsure: New Mobile Insurance Model



yuMobile - Kenya

Partners: yuMobile, Jubilee Insurance

Reach: 15,000 in first 3 weeks

Product: Life and Accident Insurance

Marketing: SMS, posters, billboard, radio

Enrolment: Paperless, client-driven USSD
No agents utilised

Premium: Phase 1: Loyalty-based
Phase 2: Airtime

M&E: MicroEnsure Call Centre

Lessons for Non-Mobile Channels

Insurance: Marketers' Secret Weapon

- “Free” is a powerful tool: clients may not want to pay premium but they will pay someone else in order to be protected
- Once clients see that insurance works, they will pay for more of it
- Learn how FMCG's create demand

Many Practical Applications

- Banks: increase deposits, sell loans
- Retailers: increase footfall, basket value
- Latin America: Lottery, Utilities



EduSave Account

Save **GH¢ 50** or more –
enjoy **free school fees insurance**



- For every GH¢ 50 saved, earn a **free year of school fees insurance** (up to 8 years) to ensure your child's educational future.

- **Flexible withdrawals**

- **Long term** savings benefits to ensure your child's future

- Earn **interest** in addition to your free insurance

- **No deductions** from your savings account

***The more you save, the more
FREE insurance you earn!***

EDUSAVE INSURANCE HOTLINE: 0244 341 251

MicroEnsure Ghana: Selling Deposits

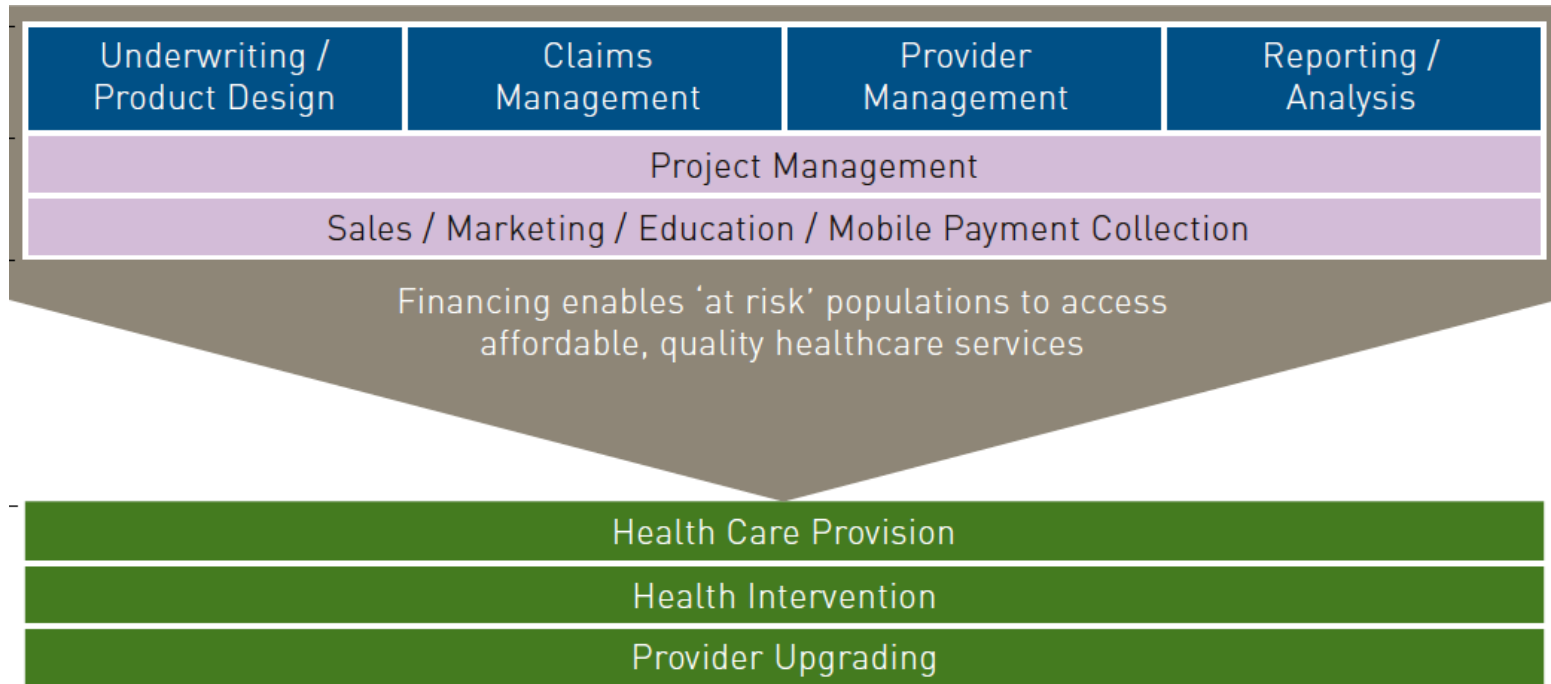
A New Model for Bancassurance?

June-October 2011: Womens' World Banking Ghana

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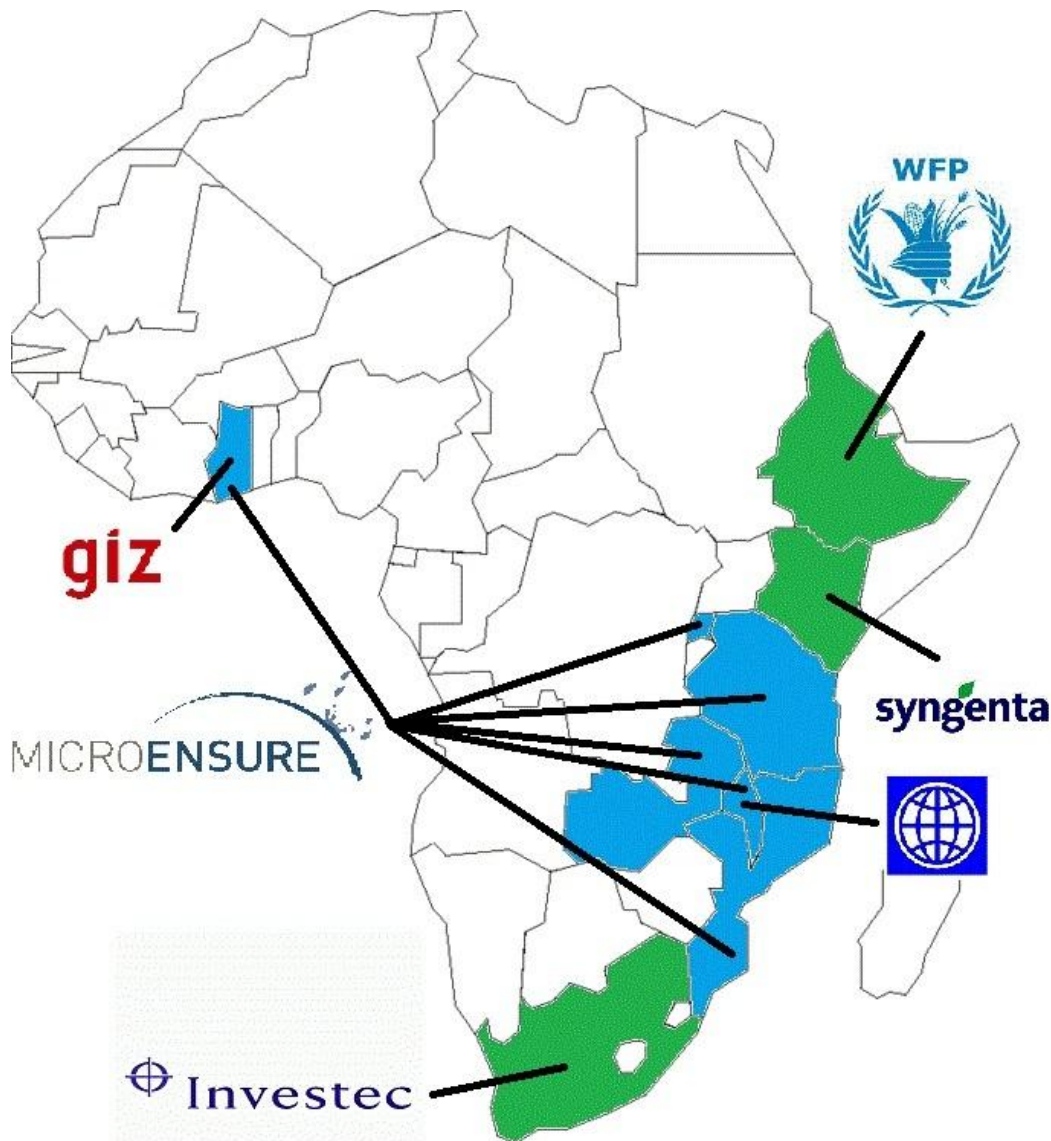
- 200% growth in low-level depositor accounts
- 19% growth in total deposits (USD 1 million)
- Bank profits net of costs: USD \$300,000

MicroEnsure Experience - Health Insurance



- **African Experience: A Perfect Storm**
 - Costs too High, Infrastructure Insufficient, Service Quality Low
- **MicroEnsure Tanzania: 10,000 low-income people insured on Mt Kilimanjaro**
- **Key Problem/Opportunity: Quality of Healthcare Providers**
 - The Provider is the Product
 - Health Insurance Activates Health Care

MicroEnsure Experience - Crop Insurance



Landscape of Weather Index Insurance in Africa

- MicroEnsure Role:

Training, value chain creation & management, pricing, product design, insurance and re-insurance arrangements, policy and claims administration

- No permanent subsidies required in MicroEnsure projects

Conclusion:

Realizing the Potential of Microinsurance

Realizing the Potential of Microinsurance

1. Dismiss common microinsurance myths:

“Insurance must be sold, not bought.”

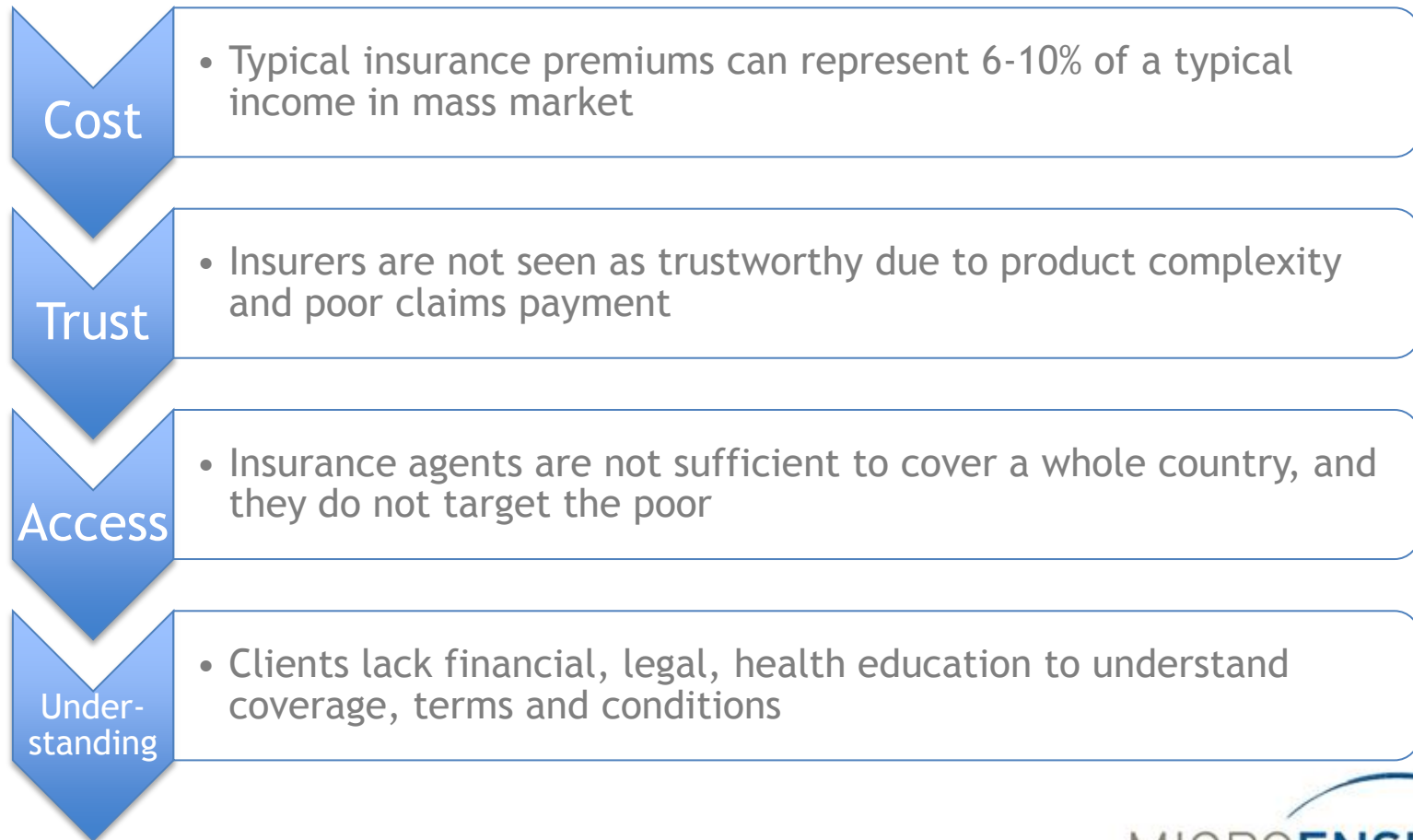
“The poor cannot understand or afford insurance.”

“The poor are irrational and harder to serve.”

“Insurance for the poor must have strict conditions.”

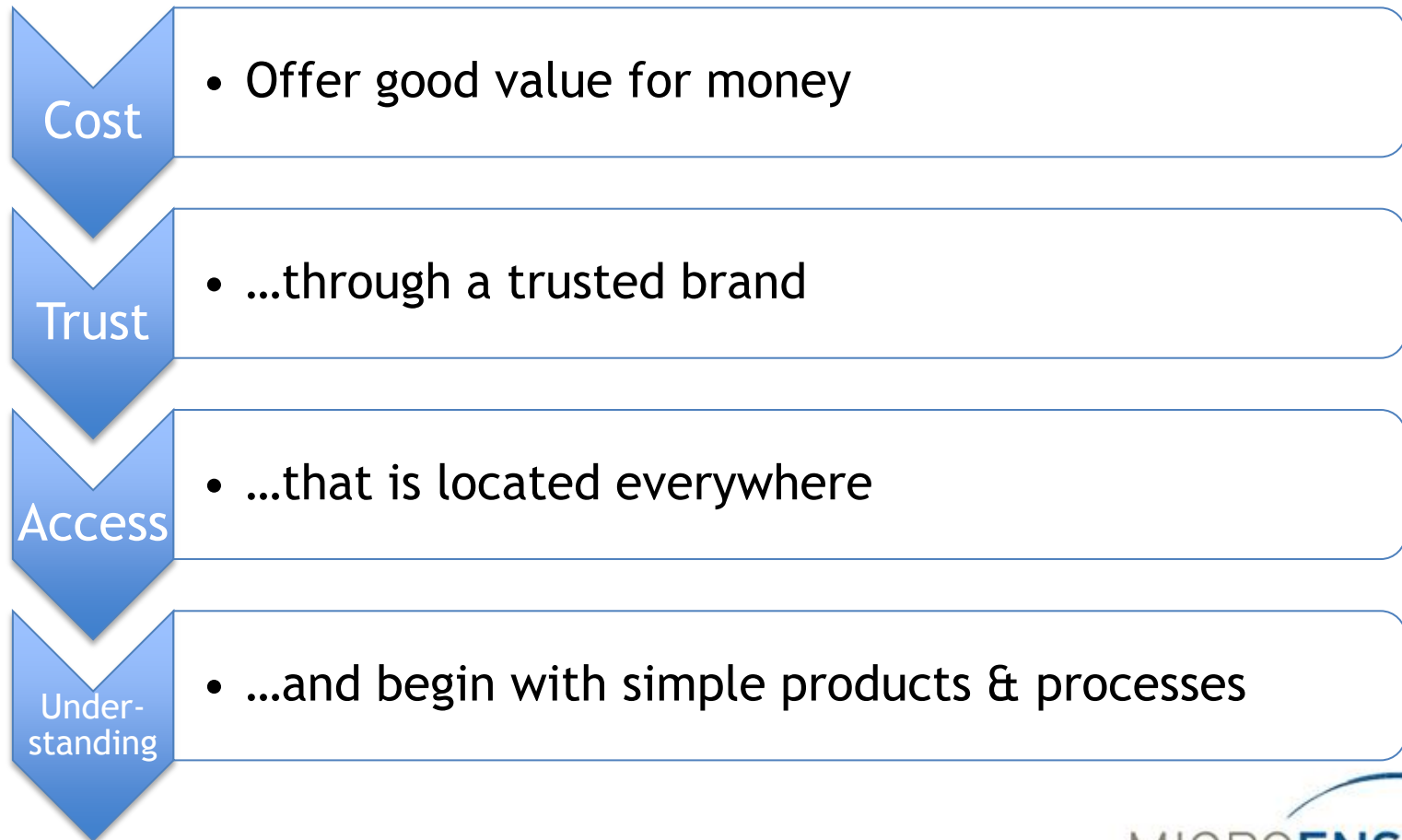
Realizing the Potential of Microinsurance

2. Learn the true barriers to microinsurance uptake:



Realizing the Potential of Microinsurance

3. Overcome the barriers through product, process and distribution:



Realizing the Potential of Microinsurance

Typical Life Insurance Terms & Conditions

- **Waiting Period** of 3-6 months before cover commences
- Medical **Examination** required for underwriting
- Family Medical History shows genetic linkage to **disease**
- **Exclusions** for HIV/AIDS, death by heart/lung disease or other pre-existing medical conditions, mountain climbing, paragliding, mental illness, asthma, diabetes, hypertension
- Cover, surrender value **lapses** if premium paid late
- Cover **terminates** when subscriber reaches a certain age
- **Complex** documents and forms required for claims
- Claims Processors paid by **claims denial rate**

Realizing the Potential of Microinsurance

Typical Life Insurance Policies & Conditions

- **Waiting Period** 12-36 months before cover commences
- **Medical Examinations** required for underwriting
- **Family Medical History** disclosure of genetic disease to **disease**
- **Exclusion** of IV/AIDS by heart disease or other pre-existing medical conditions, mountain climbing, paragliding, mental illness, diabetes, hypertension
- Cover, surrendered value **lapses** if not paid late
- Cover **terminates** when insured reaches a certain age
- **Complex** documentation required for claims
- Claims Processors paid by **high denial rate**

***Scale requires simplicity...
which is justified by scale!***

Realizing the Potential of Microinsurance

4. Enhance a retail Chief Marketing Officer's annual bonus:

Revenue

- Acquire new customers
- Sell more widgets
- Achieve higher per ticket sales
- Up-sell products

Footfall

- Increase transactions per customer
- Increase store visits per month
- Cross-sell new products and services

Loyalty

- Reduce churn
- Consolidate spending
- Build brand
- Enhance trust
- Show social responsibility

- This is not traditional affinity insurance - it's placing insurance at the front of a product as a marketing tool.

Realizing the Potential of Microinsurance

5. Test operational capabilities for scale, or find scalable partners:



Can we serve 5 million customers in each of these stages? If we can't, who can?

Can technology help us to do any of these things faster and cheaper?

Conclusion



Thank You

Peter Gross

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