

billion policyholders, a third  
potential market of 3 billion  
even times more than today's  
estimated market size"  
*World's 360° Insight (Nov 2009)*

# MICROINSURANCE - INNOVATION IN ACTION FOR THE INSURANCE SECTOR

Presentation by Israel Muchena  
Technical Director – Hollard Mozambique

On behalf of Jeremy Leach  
Divisional Director & Head: Microinsurance

**Presentation to the EFInA Innovation Forum:  
Micro-insurance, Lagos, 22 Sept. 2011**

# FOCUS OF PRESENTATION

- The opportunities for the insurance sector to develop micro-insurance products for the low-income mass market
- The key challenges
- Microinsurance product and channel innovations
- The experience of Hollard in developing and launching microinsurance products in Africa.

# HOLLARD - BACKGROUND INFO

The largest **privately-held** insurance group in the region, with a premium of \$2 billion & net profit of \$130 million.

We operate as a **single business** with both Short-term & Life licenses, infrastructure and capabilities

We generate **>\$170 million from the RSA low-income market.**

The leading independent **bancassurance** (\$130 million) and **brandassurance** company (\$400 million) in South Africa

Hollard has a presence in 10 countries

We and our partners have the **leading share of the SA funeral insurance market** with ~17% share (*FinScope 2007*)

# TARGET MARKET

In South Africa 45% of the population have some form of insurance:

- Funeral cover has grown at more than 10% per annum since 2003 – whilst formal cover growth has exceeded 20% annually. FinScope
- However, “despite ... proactive effort by industry... short-term insurance has not managed to penetrate the low-income market beyond 1.5% of LSM 1-5 adults” CENFRI, 2010
- And, less than one in ten of small business owners are insured against the specific risks they face. FinScope Small Business Survey 2010

Outside of SA, only 5% of Ghanaians have insurance, 6% of Kenyans and 7% of Zambians and only 2% of the Nigerian and Pakistan population have insurance. FinScope



## AFRICA IN PERSPECTIVE

People often underestimate quite how large Africa is, so we figured we'd put it in perspective by transposing as many of the world's



# KEY CHALLENGES

- Contentious foundational concepts:
  - Business of dare or risk (*riscare*) and hazard (from Arabic word *al zahr* which also means dice)
  - *Utmost goodfaith / issues of low trust*
- Alignment of interest?
- “Rewarding the bad client”
- Low levels of understanding and service to lower segments
- High dependence on forced consumption



Starting from low base:

**Ideal financial provider overall**

- Banks (52%)
- Micro-lenders (2%)
- Mashonisas / cash loan shops (2%)
- Furniture/food/clothing retailers (1%)
- Insurance companies (3%)

Consumer expectation 1: T

attack?





# OUR APPROACH

- Value for money - we always aim to lower acquisition costs
- Genuine need, correctly targeted
- Low Premium: It is essential that premiums be available in units that are as small as possible.
- Simple: All policy and sales documentation should be in simple language and product benefits should be designed to be explainable in simple terms.

# OUR APPROACH

- Upgradeable: The insurance needs of the individual change and increase as that person progresses.
- Embedded, where possible: The relatively low awareness of insurance needs can be overcome by attaching a meaningful insurance products to other products that are better understood by the consumer

# EMERGING BUSINESS MODELS

Micro-insurance value chain	Insurer	Affinity/Retail/ Mobile Partners	Retail/ Mobile outlets
Product design and origination	✓	✗	✗
Back office	✓	✓	✗
Risk management	✓	✗	✗
Distribution	✗	✓	✓

- ✓ Well-suited to deliver value
- ✗ Ill-suited to deliver value

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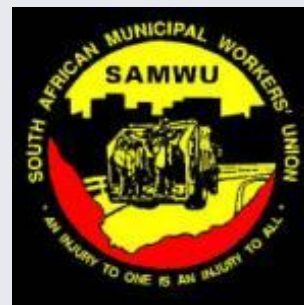
payments / Airtime



none



y Group



ase / Utility



# Affordable Housing Insurance

"In the low-income market we have an estimated 9-million households that includes more than 1-million families on the government's housing waiting list." CEO of FNB Housing Finance, Marius Marais

**Home Protect Insurance**  
**you can trust**  
for only **99<sup>00</sup>** per month

Just one of the amazing benefits of being a Jet account holder

Apply Today! Just dial  
**0860 555 538**  
or sms JHP to 42933  
and we will call you back

 **Hollard**  
Hollard is a registered insurer. Terms and conditions apply. Refer to your policy document.  
Underwritten by Hollard, an authorized financial services provider.

 **Jet** Financial Services

The billboard is set against a clear blue sky. Below the billboard, a brick building with two windows and a small arched entrance is visible. The billboard itself is a large, rectangular structure with a black top section and a white bottom section. The text is prominently displayed in white and orange. The Jet Financial Services logo is in the bottom right corner of the white section. The Hollard logo is in the bottom left corner of the white section. The overall scene is a typical outdoor advertising setup.



# Primary market research

definitely NEEDED

“...I will need to get a two plate stove again”

.....”will need to get an extra job....”

.....start all over again”

but MISTRUST of insurance Industry

It sounds good if they will keep their promises”

*Concerned that claims processes will be complicated*

high content values relative to the household structure

no need for liability cover

don't use Mzansi – “demeaning”, “makes me feel poor” “annoys me”





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center, store,  
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ns: low cost  
ers –  
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stry support



**Jet Home Protect**

**Jet Home  
Protect**

for **99<sup>00</sup>** per month

Here when you need us

Apply today! Just dial **0860 555 538**  
or sms **HOME** to **42933** and we'll call you.



Underwritten by Hollard, a registered insurer and authorized financial services provider.  
Available in South Africa only. Terms and conditions apply.

**Je** Financial  
Services

**Jet Home Protect**

For **99<sup>00</sup>** per month you can get cover



Theft and burglary



Storm



Hail



Fire



Flood

Here when you need us

Apply today! Just dial **0860 555 538**  
or sms **HOME** to **42933** and we'll call you.



Underwritten by Hollard, a registered insurer and authorized financial services provider.  
Available in South Africa only. Terms and conditions apply.



# world through mobile" GSMA

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embedded "free benefits"

**Challenges:** Disclosure,

**Examples:** Take It Eezi / Hollard, Tigo / Trustco  
loyalty model, Fundamo/MTN Mobile Money, ABC  
MNO- Hollard (Pakistan)

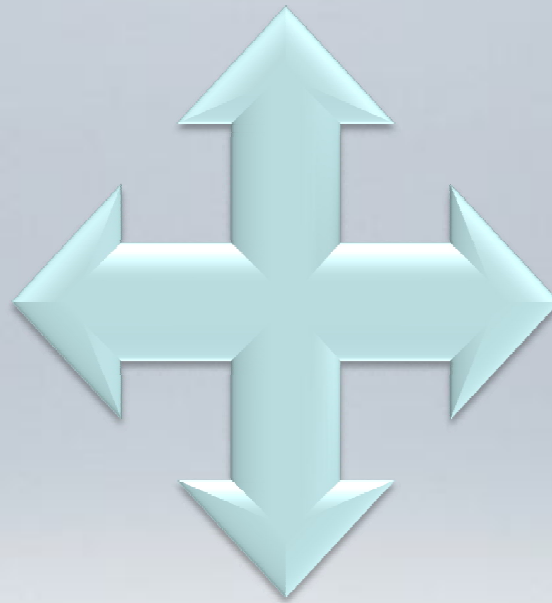
### CROSS – SELLING

**Objectives:** Product  
upgrades/downgrades,  
new products

**Challenges:** Disclosure,  
NTU rates

**Examples:** "Please call  
e", SMS advertisements

**New opportunities:** mobi  
sites



### CUSTOMER CONTACT

**Objective:** Balances,  
statements, payment  
reminders

**Challenges:** Cost of  
SMS (although coming  
down),

**Examples:** PEP

**New opportunities:**  
Zingback, Viral

### TRANSACTIONS

**Objective:** (a) Collect premiums (e-cash or real cash, airtime), (b) pay claim

**Challenges:** regulatory (vs e-cash), frictional costs from Telcos

**Examples:** Cover2Go.

**New Opportunities:** MTN Mobile Money, airtime (Cover2Go), M-Pesa mode

# MNO driven models

## Loyalty – Embedded

Insurance – Tigo Mobile,  
Ghana / Tanzania  
&  
Postco Namibia



## Mobile Money

MTN – Hollard Ghana &  
Group roll out in process

Protect the ones you  
love through your  
MTN **Mobile Money** wallet



## Airtime deduction

Zong – Adamjee  
Pakistan

The image is an advertisement for Zong Insurance. At the top left is the Zong logo with the Urdu text "سب کا دو" below it. To the right is a large umbrella logo with "ZONG" in the center and "INSURANCE" written along the bottom curve. Below the umbrella, the text reads: "Ever heard of Insurance cover at Rs. 2 / day? Now introducing Zong Accidental". At the bottom, there is a yellow box containing three bullet points: "It's hassle - free", "It's paper - free", and "It's almost free".

# Conclusion

The low-income market is no longer a donor-driven backwater – it is now a key political, business and social priority.

Whilst there are challenges, there are also considerable opportunities to grow the existing insurance market

New models and new thinking will be required – pockets and consumers will be hurt

Rules will be needed to ensure insurers act in the interest of the consumer, whilst allowing Insurers to find creative solutions.

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# Appendix

# MTN Mobile Money Ghana

ically, whilst SA was seen as one of leaders with MTN Banking, WIZZIT now Vodafone's M-PESA, only the big banks are having substantial success with mobile banking.

has committed to the largest payment of Mobile Money globally is seeing successes (and challenges) in a range of its countries Uganda, to Rwanda, to Ghana etc. rd has partnered with MTN Mobile Money to roll out the first voluntary mobile money insurance programme possible through the cell phone with transactions through mobile money – a digital solution.

Protect the ones you  
love through your  
MTN **Mobile Money** wallet



Easy, reliable and  
convenient

Peace of mind  
through your phone





# Tigo Mobile Ghana

o says it is targeting the ... four million subscribers on its network  
the product” Ghana Business News

## Tigo

### Care Insurance

ed to you for  
g loyal to Tigo

use the Tigo network,  
ve you free life insurance  
d one family member of  
e.

ou use Tigo, the more  
urance you'll get!

### What will this Life Insurance cover?

It covers any kind of death as long as the death is not caused by war, riot, criminal activity, drugs or alcohol.

### How is this insurance for free?

Tigo is rewarding loyal customers for using its network. There are no hidden fees or deduction of airtime to earn Life Insurance coverage.

### Can I trust this insurance?

**Yes.** Insurance is being provided by MicroEnsure, one of the world's leading microinsurance organizations, in partnership with Vanguard Life Assurance. Claims will be paid within 72 hours upon receipt of documents verifying the death of an insured person.



"I spent 6 cedis with Tigo last month, and just received a saying I have 200 cedis of insurance this month for my sister and me."

If I use Tigo more next month instead of switching my SIM, I could earn 600 or even 800 cedis of insurance. That would really help my family if something happens."

# Zong Mobile Pakistan

With ZONG Insurance, you do not require any documentation or the need to visit an insurance company for an insurance policy..... Buying an insurance policy cannot be any simpler than this”



Ever heard of Insurance coverage  
**at Rs. 2 / day?**  
Now introducing Zong Accidental Insurance

- ✓ It's hassle - free
- ✓ It's paper - free
- ✓ It's almost free

Insurance cover just an SMS away  
SMS 'SUB' to 5433

**Zong Insurance Plan**

Policy Plan	Sum Insured	Daily Premium
Option 1	Rs.100,000	Rs.2+Tax
Option 2	Rs.200,000	Rs.4+Tax
Option 3	Rs.300,000	Rs.5+Tax

- Targeting Pre paid and Post paid ZONG subscribers
- Debited daily through airtime balance
- The aim is to provide the customers with affordable and accessible insurance solutions
- No paper work required, instant coverage through mobile phone
- No waiting period, hence immediate coverage as soon as premium deducted
- Life insurance policy sold through mobile phone for the first time in Pakistan