

# Using Mobile/ Agent Channel for Insurance/Pension



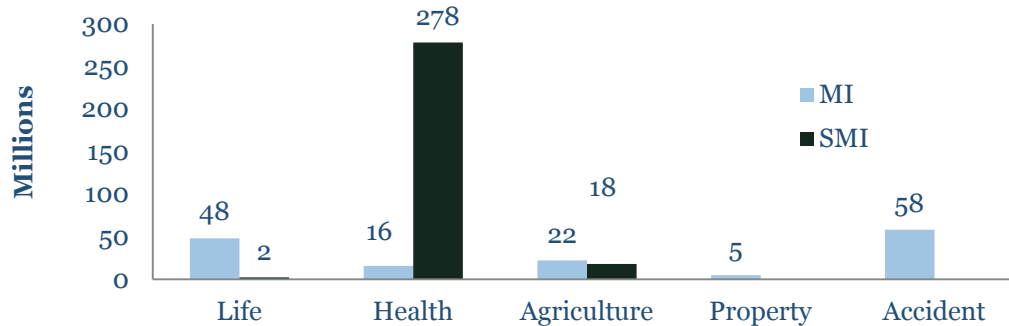
Premasis Mukherjee  
Practice Group Leader, Microinsurance, *MicroSave*

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# Why Microinsurance Needs BC Channel

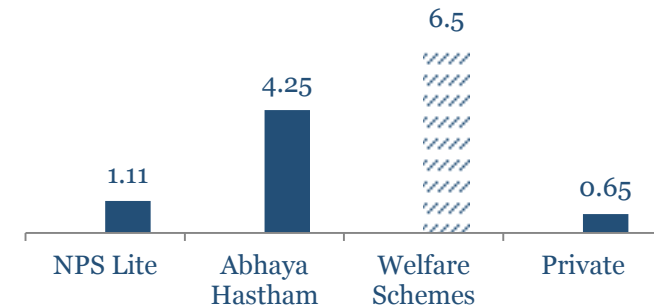
**Microinsurance covers only 9% of target population in India**

**Microinsurance (MI) and Social Microinsurance (SMI) coverage in India (2012)**



**Micro pension market size: 350-393million**

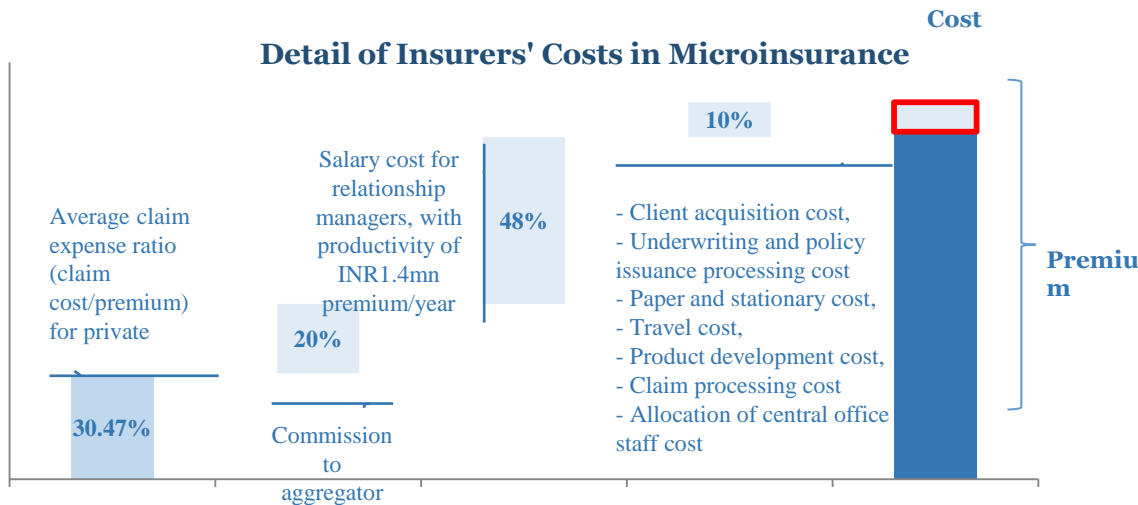
**Outreach of Unorganised Sector Pension in India**



**Cost of Microinsurance delivery overwhelms revenue**

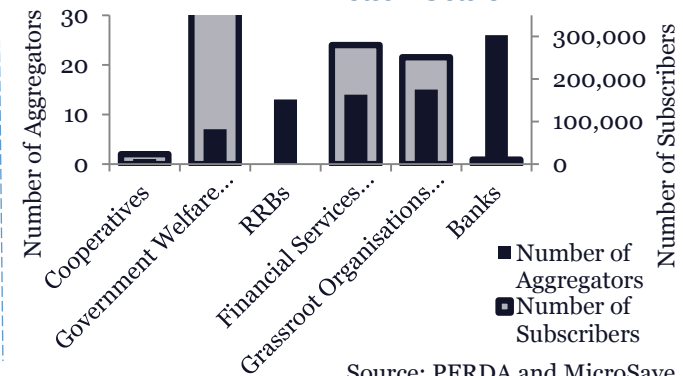
**Sub-optimal Distribution**

**Detail of Insurers' Costs in Microinsurance**



Source: MicroSave Analysis

**Anticipated Aggregators Unable to Reach Scale**



Source: PFRDA and MicroSave

# Apparent Value in the Eco-system

## Insurance/Pension Industry

- Insurer are used to deliver product through agency relationship
- Need of alternative channel to deliver micro products
- Need conduit to collect premium at high frequency
- Reduce technology cost of delivery
- Lower client acquisition cost
- Opportunity to get >230,000 customer touch points



## FI/BC Industry

- Account opening ceases to impact BC income
- Viability issues in BC in single product suite
- Low transaction volume (approx.9) for CSP with 2 years vintage
- 32-47% CSP attrition, a majority of which is for low income
- potential increase in CSP income (as high as 37%) if insurance is offered

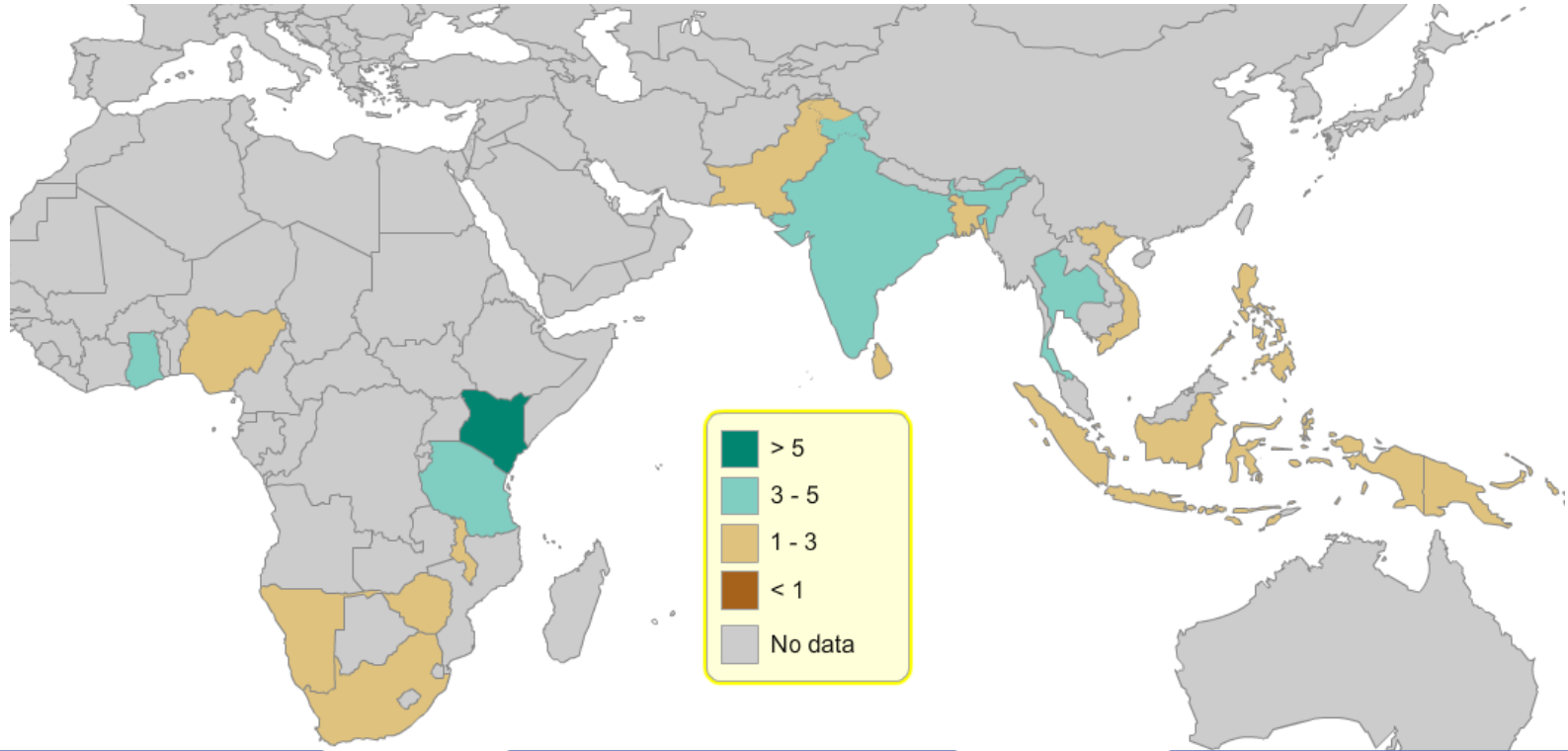
**But**

- Insurance is not service intensive, but acquisition intensive
- Exclusive agents operate at high incentive environment



- Insurance and BC activities have misaligned incentive
- Insurance is not high transaction business

# Landscape of Mobile Insurance in the World



## Insurance Companies



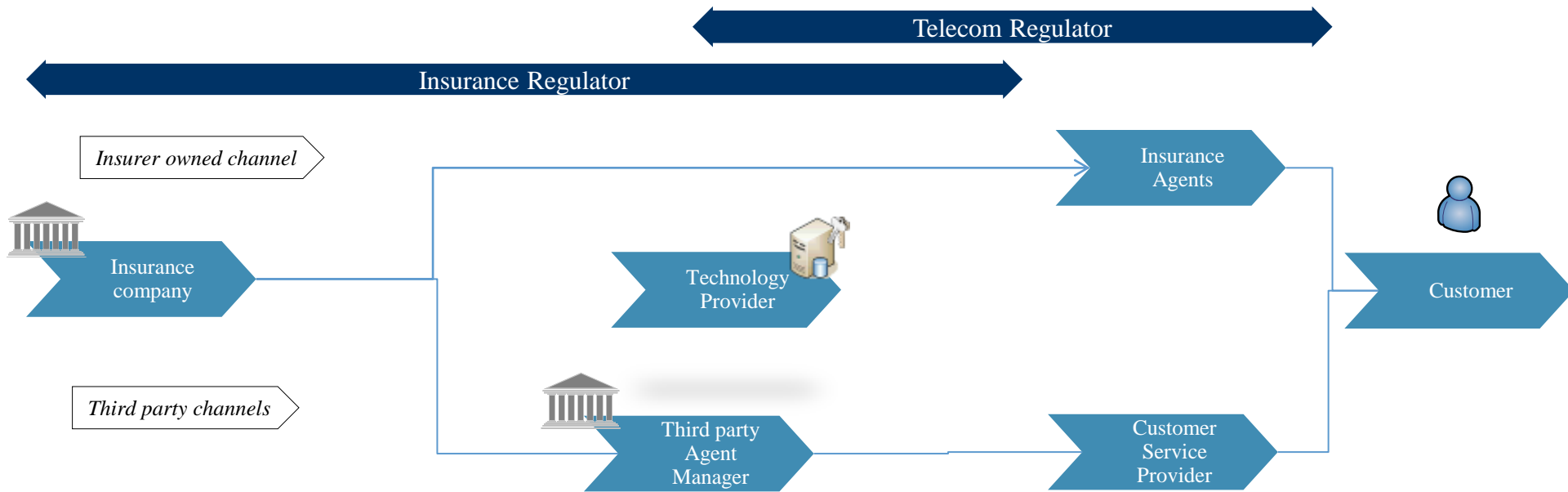
## MNOs



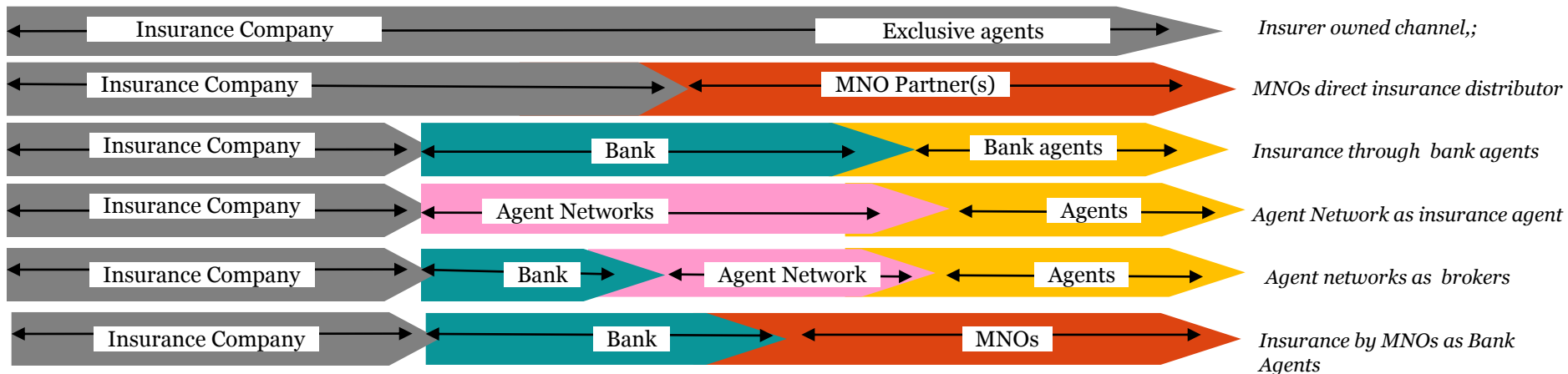
## Other Players



# Distribution Models: The Value Chains in mInsurance



## Possible Options (Regulations Dependent)



# Insurer Owned Channel

Example



Insurance Company

- Technology cost
- Cost in training of agents

-Structured planning on sales and agent management possible



Technology Provider

Insurance Agents

- Hassle free selling

-Low premium products are not attractive for incentive

Clients

- Quick Turn around

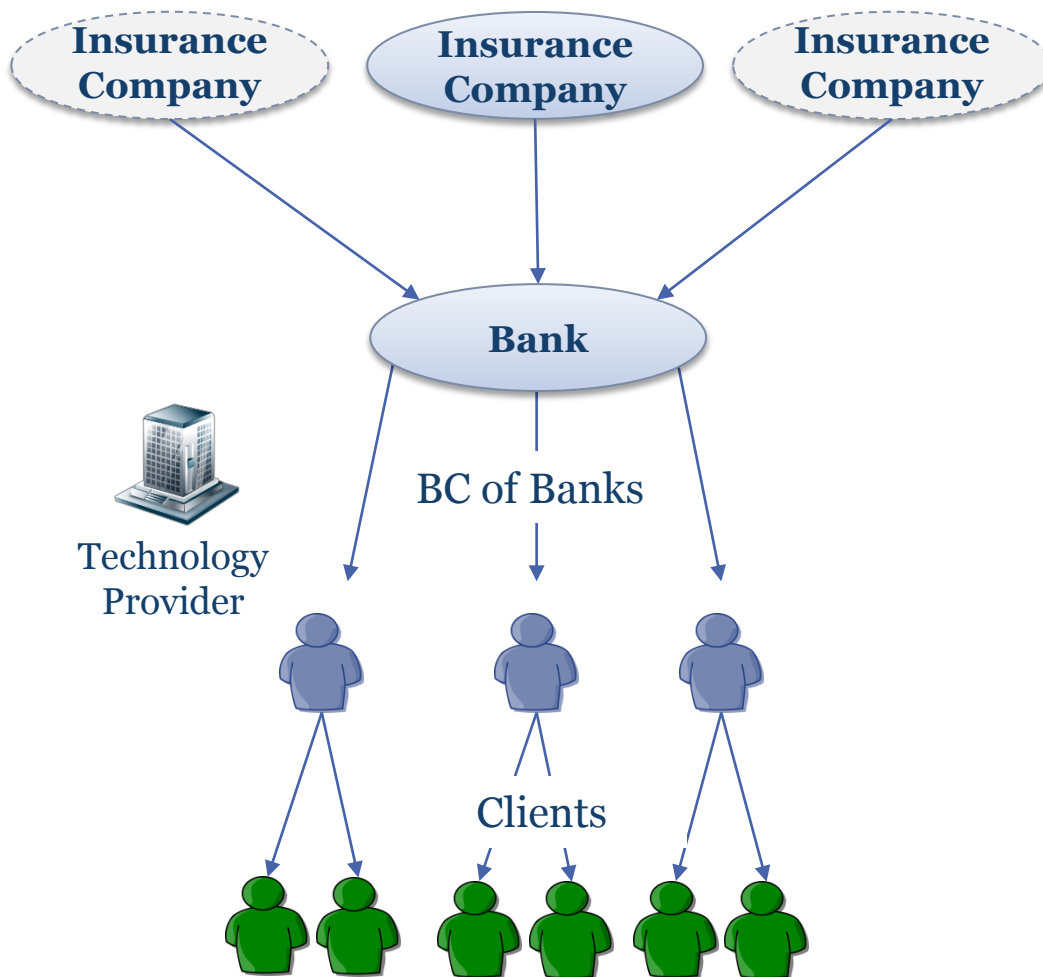
-Poor solicitation  
-Trust /tangibility

# Insurance Through Bank Agents

Example



PSU Banks, India



- Access to bank clients
- No technology cost
- Low cost on training and maintenance of agents

- Non-exclusivity of brand and product
- Quality of sales
- Supervision cost

- Fee income from 3rd party product
- Cross-selling opportunity
- Option of own brand

- Additional training cost of staff/agents on insurance
- Incentive mis-alignment

- Income enhancement (30-40%)

- Effort required in selling is higher than other products

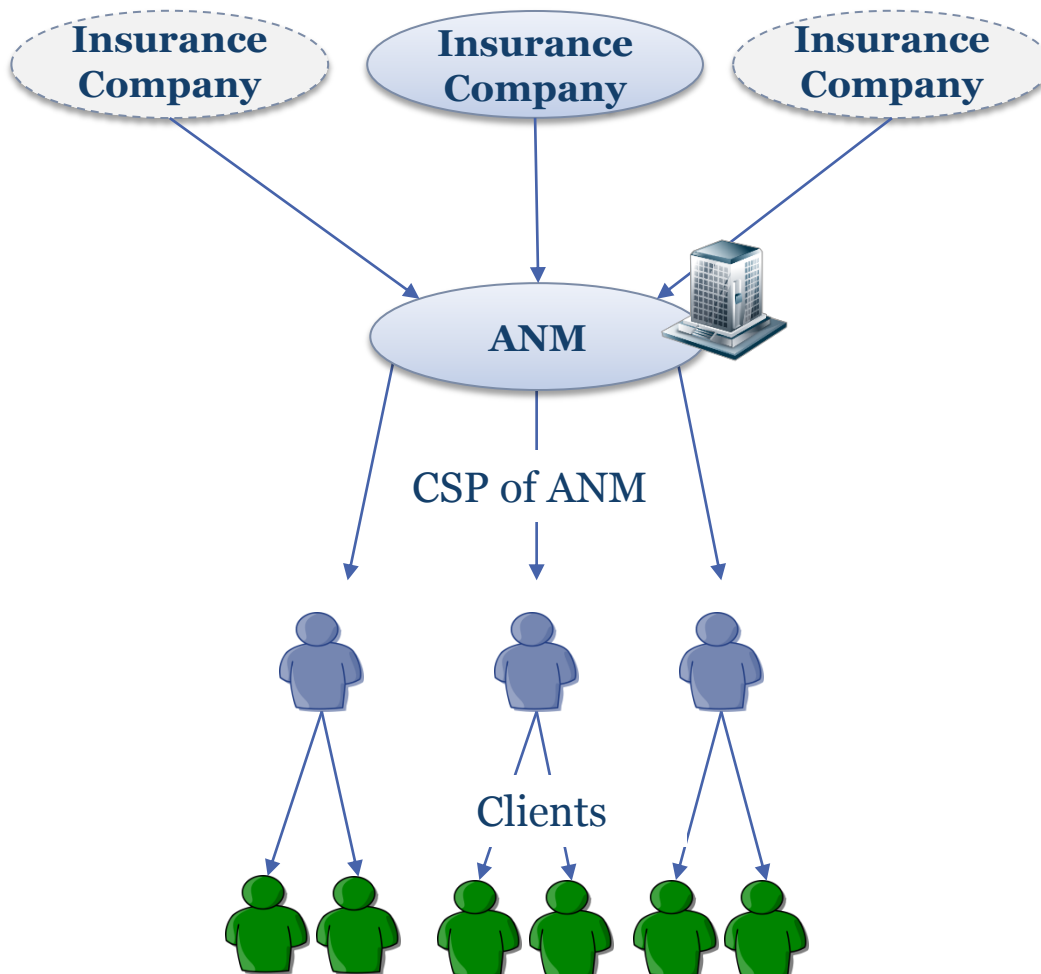
- One stop solution for financial needs
- Option of choice

- Confusion on "product owner"

# Agent Network Manager as Insurance Agent/Broker

Example

Indian ANMs, IRDA Recommendation



- Access to new clients
- No technology cost
- Low cost on training and maintenance of agents

- Non-exclusivity of brand and product
- Quality of sales
- Supervision cost

- Fee income from 3rd party product
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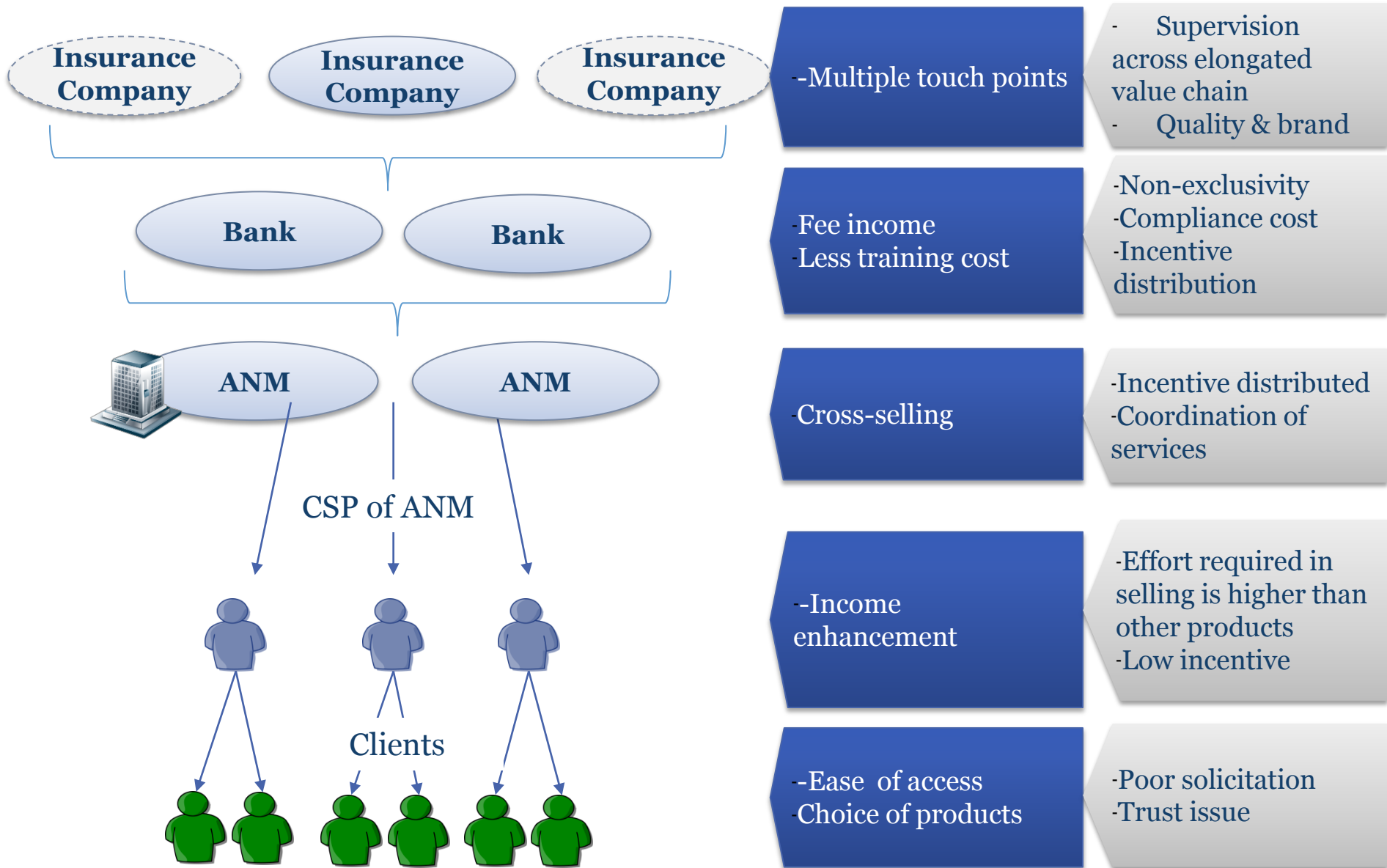
- Effort required in selling is higher than other products

- One stop solution for financial needs

- Confusion on "product owner"



# ANM selling insurance as Bank Channel



# MNO as Insurance Distributor



## Example



- Access to MNO clients
- No technology cost
- Able to collect premium on high frequency
- Group policy possible

-Need to re-design information pathway

- Reduced churn
- Higher usage
- Fee income

-Management decision  
-Product design cost

- hassle free sales/fee income  
*(if at all retailers are used)*

-Efforts in processing claim documents

- Ease of frequent payment

-Tangibility not ensured

# Value Across Business Models Differ

## Value chain in Mobile Insurance

### Stakeholders

Regulator

Insurer

Banks/MNO

Agents

Clients

### Stakeholders' concern

Client protection,  
AML/CFT

Business potential, portfolio quality, brand  
sanctity

Earning potential, extra  
effort

Convenience, trust, needs  
fulfilment

	Example	Value for insurer	Value for Bank	Value for MNO	Value for agent network	Value for agents	Value for clients
<b>Insurer owned channel</b>	Max Vijay						
<b>MNO as direct distributor</b>	Tigo, Hollard	-Group policy arrangement -Hassle free sales -Product bundling -New customer	--	-Low customer churn -Higher usage -Fee income	.....	-Loyal clients -Higher number transactions	-Easy access -Low cost
<b>Bank owned agent/BC channel</b>	PSU banks of India, Equity Bank, Kenya	-Training of agents for selling -Access to new clients -Less focussed	-High fee income	..	.....	- Higher income	- Easy access
<b>ANM as insurance agent/broker</b>	Some pilots in India with FINO, Eko	-Training of agents -New client base -Low brand sanctity -Effort misaligned with other products	--	--	-Effort-incentive misaligned with other products	-High effort sales than other product	-Choice of products --Easy access
<b>Agent network managers as bank channel</b>		-Training cost -Supervising cost for elongated value chain -Non-exclusivity	-Distributed incentive -Low brand sanctity	--	- Incentive distributed over long value chain	-Low incentive -High effort sales	- Poor solicitation
<b>MNOs as payment gateway</b>	M-PESA linked sales of insurance	-Cost of managing multiple small policies -New customers -Low ticket product	-Higher float balance	-Fee income -Higher float balance	.....	- Higher transaction	-Ease of frequent payment

# Trend on MNO led mInsurance :Function of Value

## Value chain in Mobile Insurance

### Stakeholders

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Insurer

Banks/MNO

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Clients

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<b>MNO as direct distributor</b>	Tigo, Hollard	●		●		●	●
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<b>ANM as insurance agent/broker</b>	Some pilots in India with FINO, Eko	●			●	●	●
<b>Agent network managers as bank channel</b>		●	●		●	●	●
<b>MNOs as payment gateway</b>	M-PESA linked sales of insurance	●		●		●	●

# Questions in the Model and Emerging Options



Sales

## Who Sells?

**Agent Enrolment :** *Agents sell insurance to clients*

**Third Party Enrolment:** *Retailer/agent of associated partner enrol*

**Agent-less Enrolment:** *SMS /USSD based enrolment*



Premium Payment

## Who pays?

**Loyalty Products :** *MNO pays premium*

**Freemium products :** *Loyalty + Top-up option*

**Voluntary Products :** *Clients Paying full Premium*

## How is Premium paid?

**Airtime deduction:** *paid from airtime, processed by TPA*

**Wallet based :** *client pays from mobile wallet balance*

**Pre-paid instrument based:** *premium collected on high frequency and paid to insurer at monthly/semi-annual basis*



Claim Processing

## How is Intimated?

**SMS/Call centre intimation:** *Client intimate MNO who intimate insurer of claim*

**Agent intimation:** *Submission of document at MNO agent*

## How is claim settled?

**Wallet settlement:** *claim amount credited to mobile wallet*

**Bank settlement:** *claim amount credited to bank, intimated through SMS/call*

# Loyalty Products: Performance and Design Considerations

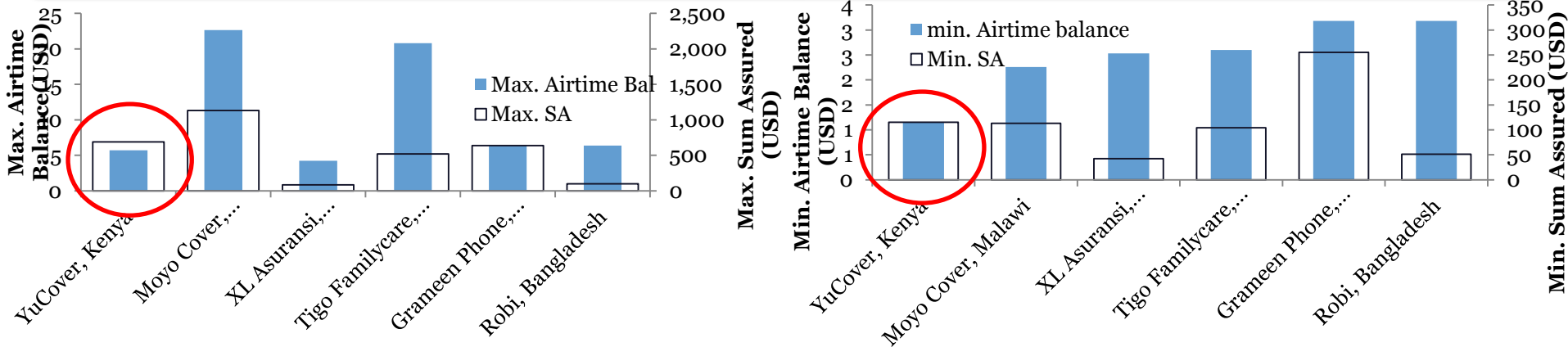
## Design Logic

- Value for MNO:
  - High retention rate,
  - High Average Revenue Per User
- Cost
  - Premium cost
  - Marketing cost
- Design
  - Entry criteria
  - Additional coverage based on usage
  - Criteria:
    - Minimum airtime balance
    - Number of transaction in m-wallet
    - Minimum wallet balance

## Performance

- Tigo Family Care, Ghana
  - 550,000 policies
  - >1mn lives
  - Break-even : 8-10 month
- YuCover, Kenya
  - Break even period: 5 month
  - Outreach: 700,000
  - 10-15% increase in ARPU
  - 20% decrease in churn
  - US\$5 additional revenue/used/yr

## Low Entry Point and High SA Multiplier Proved as Key Success Factor



# Freemium Products : The Next Option

## Why?

- Value for MNO:
  - Loyalty benefit
  - Commission income
- Value for insurer:
  - Enhanced pool
  - Entry of new clients into voluntary insurance
- Value for clients
  - Additional coverage at minimum additional cost
  - Well tested products/provider

## How?

- Design
  - Entry criteria for loyalty insurance
  - Additional free coverage based on usage (like loyalty products)
  - Option to increase coverage by paying from m-wallet
  - Frequency of payment matching to usage pattern
  - Marketing through client reminders

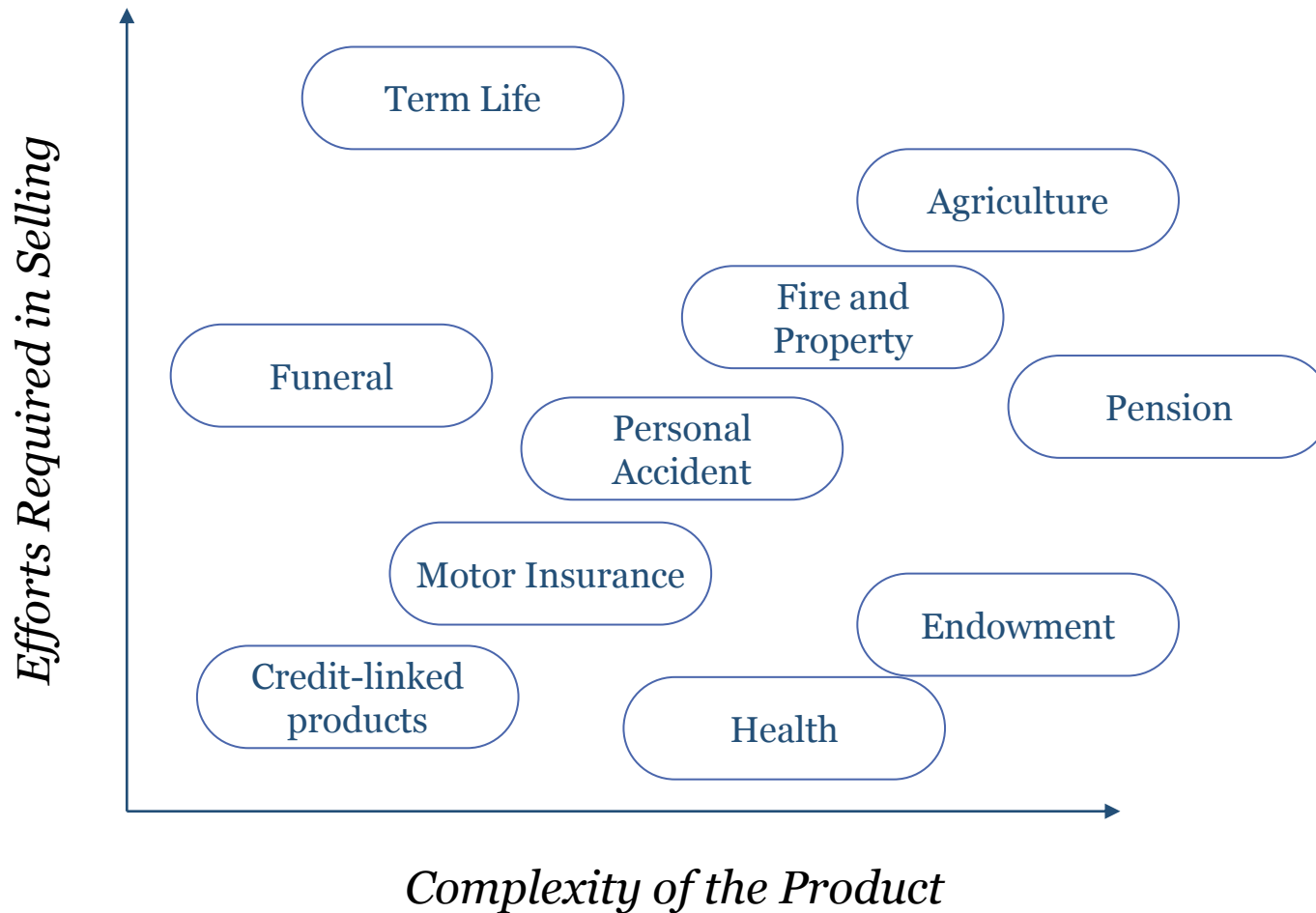
## Who?

- Faraja Insurance (Vodacom-M-Pesa, Tanzania)
  - Free funeral insurance of SA USD121 if #transaction >10/month
  - Additional funeral cover + accident cover for sale
    - E.g. USD3 gives
      - Funeral benefit: USD605.8
      - Accident cover : USD1,817.41
- Tigo Xtra Life, Tanzania
  - Double the cover by paying USD0.68 p.m. from airtime/m-wallet
  - Daily deduction of small amounts
- Tigo Hospital Cash Plan, Ghana
  - Hospital insurance (term 30 days) available for USD0.47 deducted on daily basis
  - Renewed if airtime usage continued

## So What?

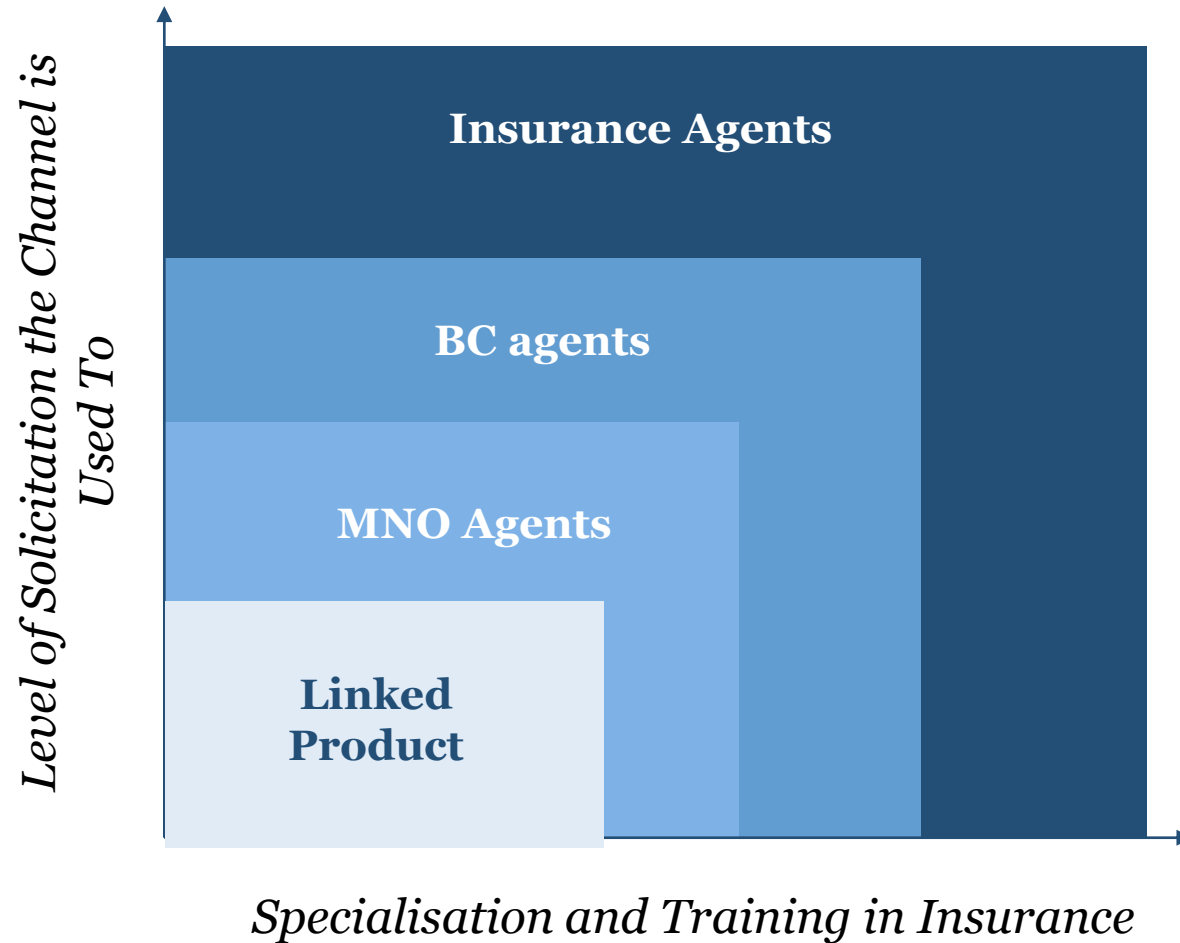
- Faraja Insurance (Vodacom-M-Pesa, Tanzania)
  - >50% of free insurance providers opted for top-up options
- Tigo Xtra Life, Tanzania
  - >55% of free insurance clients became paid-for clients
- Challenges in
  - Criteria for new area
  - Simplicity of communication
  - Embedding new benefits
  - Paying process

# Voluntary Insurance Products are Dissimilar in Nature

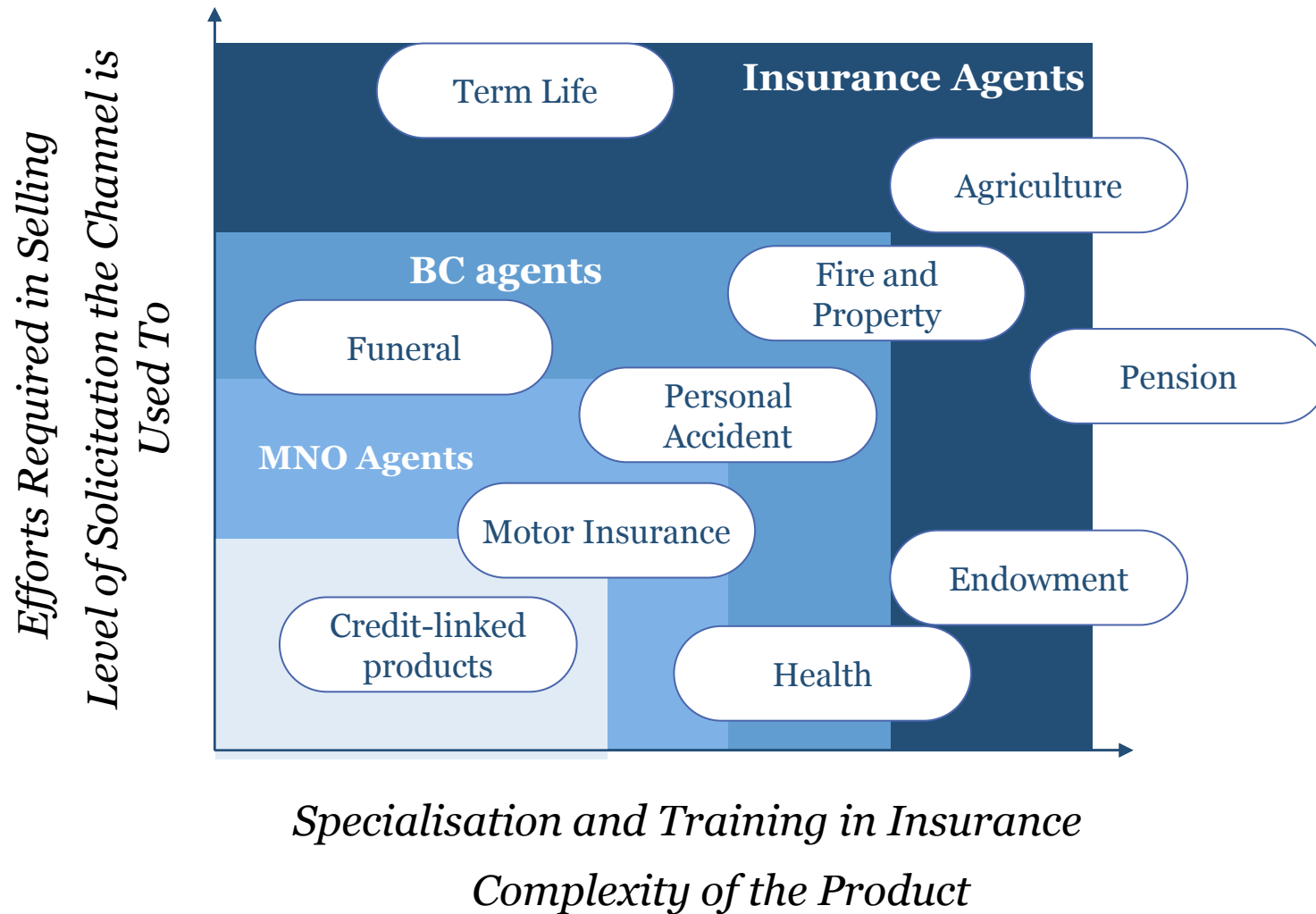




# And So are The Channels that Promote Them



# Channel-wise Product Mapping Might help



# Questions before an MNO for Insurance Implementation

## Design Level:

*Which profile of customers should be targeted and what level of benefit will comprise of a suitable product?*

- **Customer Level**
  - Entry criteria
  - Entry levels



- **Benefit Level**
  - Type of benefit
  - Quantum of benefit



## Finance Level :

*Whether the investment in insurance is justified ?*

**Cost:**  
Premium  
Marketing

**Benefit:**  
Reduced churn  
Additional balance/  
transaction: ARPU



## Process Level:

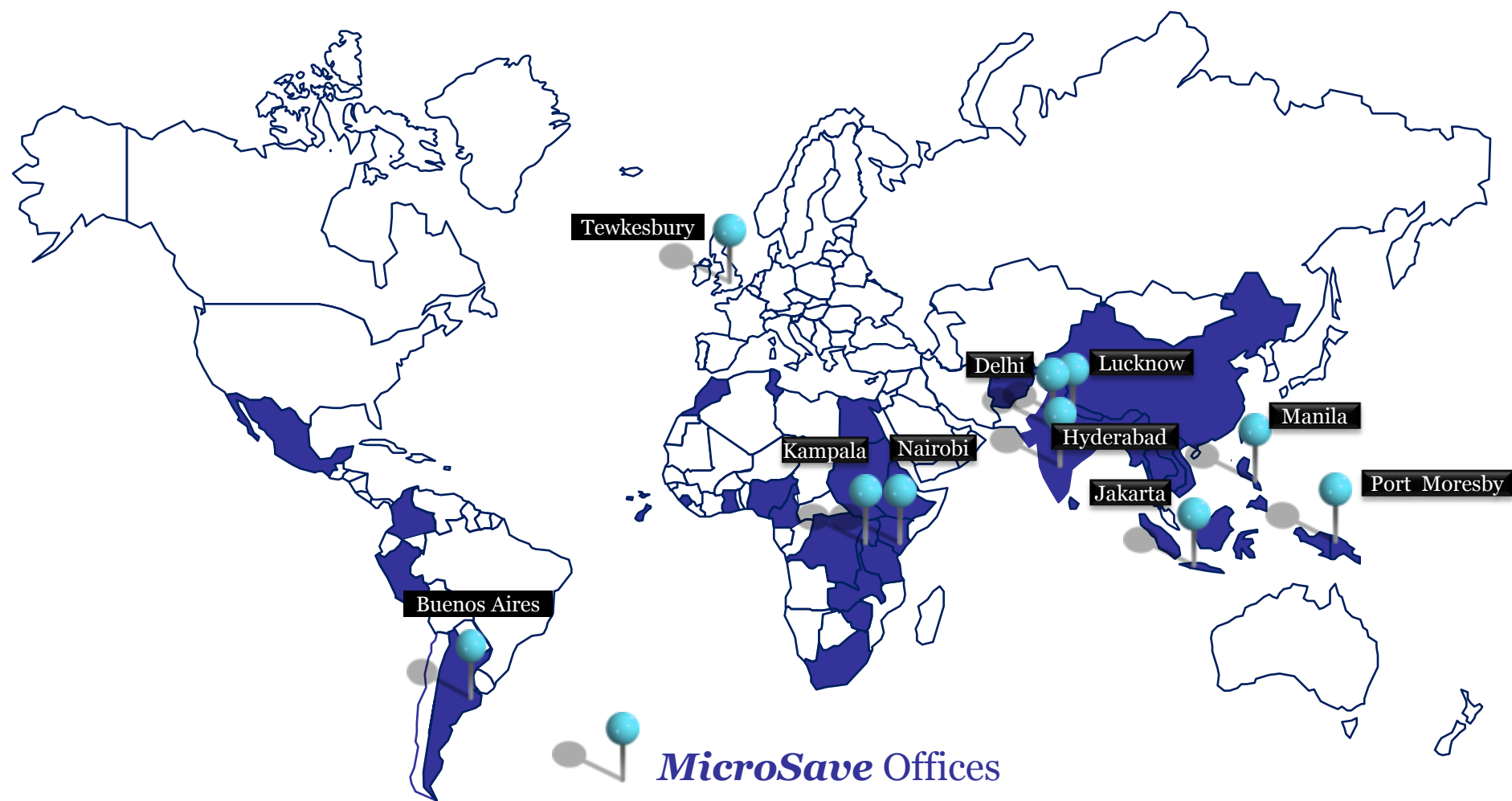
*What kind of processes should create an efficient process of delivery?*

- **Coordination**
  - Amongst agents and MNO
  - Amongst MNO and insurer
- **Design of processes**
  - Sales and enrolment
  - Premium payment
  - Claim settlement
- **Incentive across value chain**
- **Marketing and promotion plan**

## Implementation Level:

*How should the product/s be implemented in market?*

- Design of product with insurer
- Third party involvement and rationalisation
- Design of pilot
- Assessment of pilots
- Launch of product
- Training of stakeholders
- Marketing of product



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