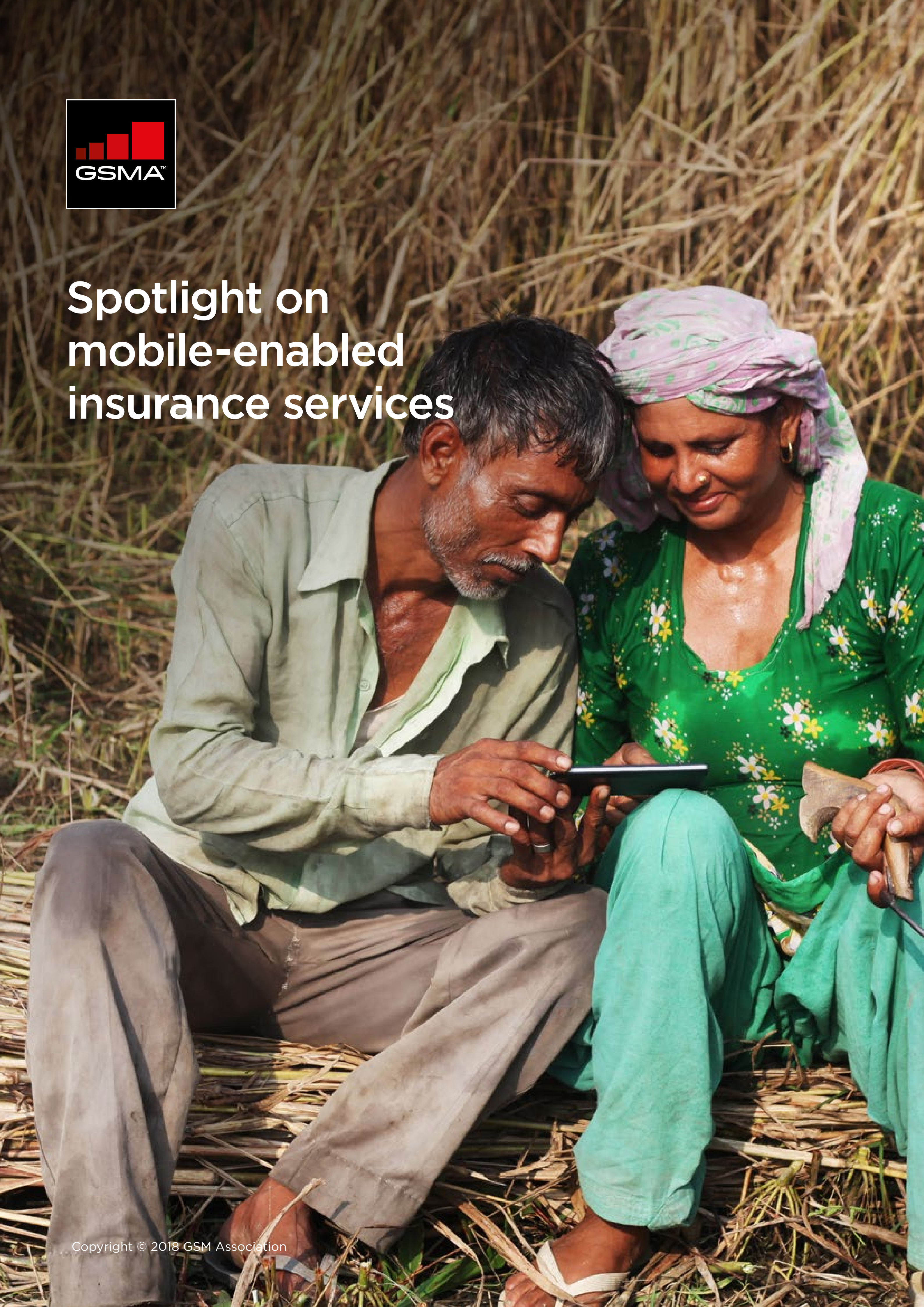

Spotlight on mobile-enabled insurance services

GSMA Mobile Money

The GSMA represents the interests of mobile operators worldwide, uniting more than 750 operators with over 350 companies in the broader mobile ecosystem, including handset and device makers, software companies, equipment providers and internet companies, as well as organisations in adjacent industry sectors. The GSMA also produces industry-leading events such as Mobile World Congress, Mobile World Congress Shanghai, Mobile World Congress Americas and the Mobile 360 Series of conferences.

For more information, please visit the GSMA corporate website at www.gsma.com

Follow the GSMA on Twitter: @GSMA and @GSMAPolicy

The GSMA's Mobile Money programme works to accelerate the development of the mobile money ecosystem for the underserved.

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About this report

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CONTENTS

INTRODUCTION

For over a decade, mobile money has enabled financial inclusion, giving people access to transparent digital transactions and the tools to better manage their financial lives. In our State of the Industry Report on Mobile Money, we highlighted how mobile money has grown beyond payments and is increasingly used as a platform which opens access to key adjacent services.[1,2] There are now options available for customers to save and borrow money, and to prepare for and mitigate financial risks and shocks.

Across many developing countries, insurance penetration remains as low as 3 per cent (as a percentage of GDP).[3] Coupled with low incomes and a lack of awareness, the absence of formal safety nets can lead to acute vulnerability to financial shocks, with significant short-term and long-term consequences for low-income populations. With 67 per cent of the global population subscribed to mobile, there is a significant market opportunity for mobile to "leapfrog" traditional models by helping to protect the under-insured against unexpected emergencies and shocks.[4,5,6]

This year, we have observed a number of key trends in the mobile-enabled microinsurance industry:

- There are 93 services available across 27 emerging markets.[7]
- Over 61 million policies have been issued as of 2017, with at least eight million new policies added in 2017.
- In the dominant business model, the technical service provider (TSP) takes the lead. Over 67 per cent of services use the TSP-led model.
- In 2015, there was an increase in the uptake of premium (paid-for) commercial models for new mobile insurance policies. By 2017, the majority of commercial models in use were premium.
- Traditionally, life insurance was the main product offered by providers. Between 2015 and 2017, there has been a rise in "combo" products that combine life, personal accident, hospital and even crop insurance.

This report provides an overview of the mobile-enabled microinsurance industry, as part of our mission to support broader industry stakeholders to increase the utility and sustainability of mobile financial services. This publication is part of a series of deeper insights into selected topics based on the findings of the 2017 State of the Industry Report on Mobile Money.

1 GSMA. (2016). "State of the Industry Report on Mobile Money Decade Edition: 2006 – 2016".
2 GSMA. (2017). "2017 State of the Industry Report on Mobile Money".
3 Cheston, S. (2018). "Inclusive Insurance: Closing the Protection Gap for Emerging Customers"
4 GSMA Intelligence. (2018). Q2 2018 unique mobile subscribers expressed as a percentage of world's population.
5 Cheston, S. (2018). "Inclusive Insurance: Closing the Protection Gap for Emerging Customers"
6 Pilling, D. (2018). "African economy: the limits of 'leapfrogging'". Financial Times.
7 See Appendix A: In 2018, the GSMA's Mobile Insurance Tracker was overhauled to distinguish between services that utilise mobile for premium collection (both via airtime and via mobile money payments) and services that either offer mobile money as one of a range of payment instruments or services that were only using mobile to provide information to policyholders. With a number of services having both closed down operations and others having launched between 2016 and 2018, we are now tracking 94 services in 27 countries.

PART 1

The state of mobile-enabled microinsurance in 2017

Mobile has succeeded in introducing millions of people to insurance and widening their access to a diverse range of insurance products. The popularity of loyalty-based products can be attributed to the convenience and ease of using mobile to enrol and pay for insurance, and make claims and receive claim payments.[8] Customers can also upgrade to premium products that offer a higher level of cover through mobile, and are now able to enrol for a range of products including life, health and accident insurance.

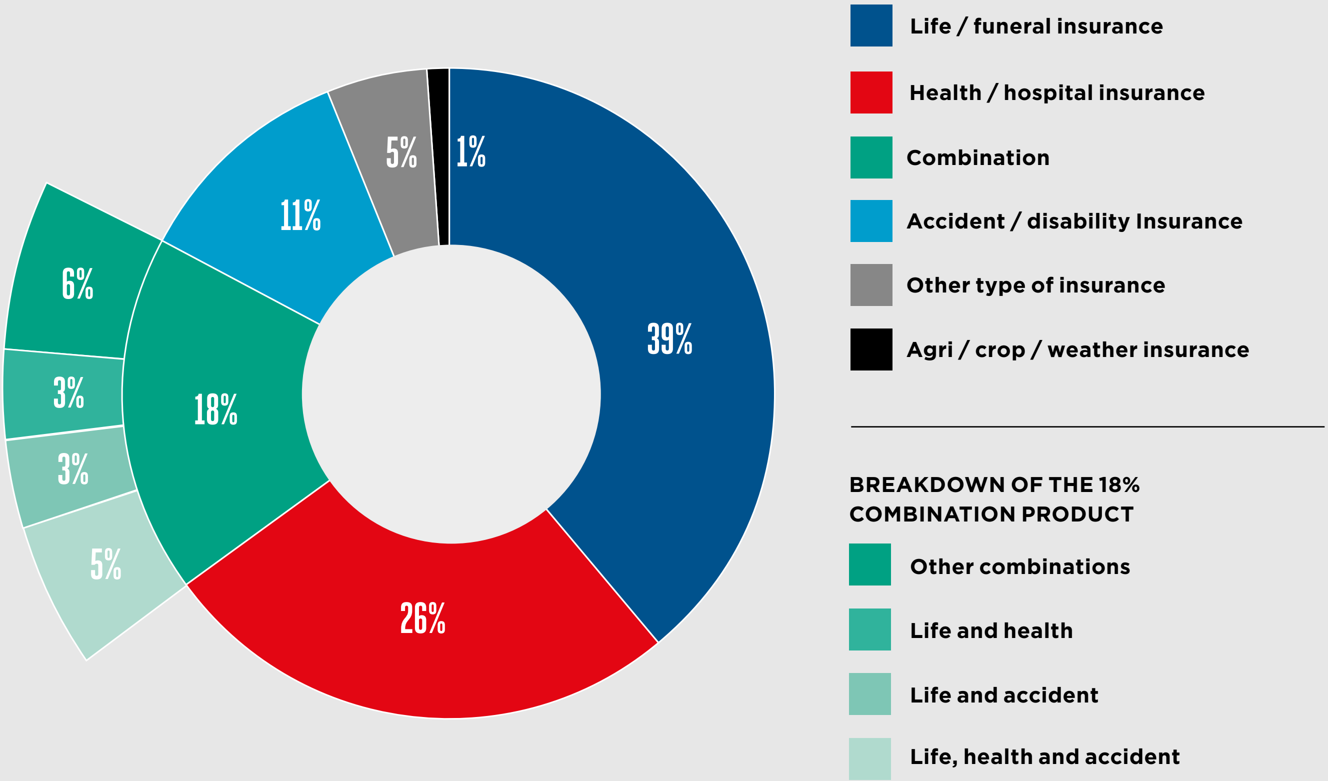
The diversification of products beyond life insurance

According to the GSMA's Mobile Insurance Survey, as of June 2017, at least 61 million policies had been issued by mobile-enabled microinsurance providers across 27 countries. This represents a significant rise from the 31 million policies issued as of June 2015. Over the last two years, the industry has continued to grow and mature, resulting in a shift toward a more diverse range of products.

In 2015, around 51 per cent of products offered were for life insurance. By 2017, only 39 per cent of products offered by providers were for life insurance (see Figure 1). Bundled products, such as policies covering both life insurance and personal accident cover, are also increasingly popular with customers.

8 Cheston, S. (2018). "Inclusive Insurance: Closing the Protection Gap for Emerging Customers"

FIGURE 1 OVERVIEW OF ACTIVE INSURANCE PRODUCTS (2017)



INDUSTRY SPOTLIGHT: AGRICULTURAL INSURANCE

Econet Wireless Zimbabwe now offers its farming customers a unique value bundle or “combo” that provides farmers with agricultural knowledge, insurance cover and funeral cover. The bundle includes EcoFarmer Maize and Cattle Tips, Weather Indexed Insurance, Zimbabwe Farmers Union (ZFU) Membership, and EcoSure Funeral Cover, which farmers can subscribe to for a minimum of $1 per month. Farmers are able to pay their monthly subscriptions using Econet’s mobile money platform EcoCash, from which the amount is deducted automatically every 30 days.

The benefits include funeral insurance cover worth $500 per year, weather index insurance worth $25 per year (applicable to specific farming regions), tips for cattle and maize farming in specific regions, and an annual membership subscription to the ZFU.

While Econet already offered EcoSure funeral cover and EcoFarmer as separate products, the company decided to increase awareness of weather-index insurance by bundling it with their widely known mobile funeral insurance. By attaching products and services to existing services, Econet recognised the opportunity to improve other aspects of farmers’ lives, beyond their core agricultural activities.

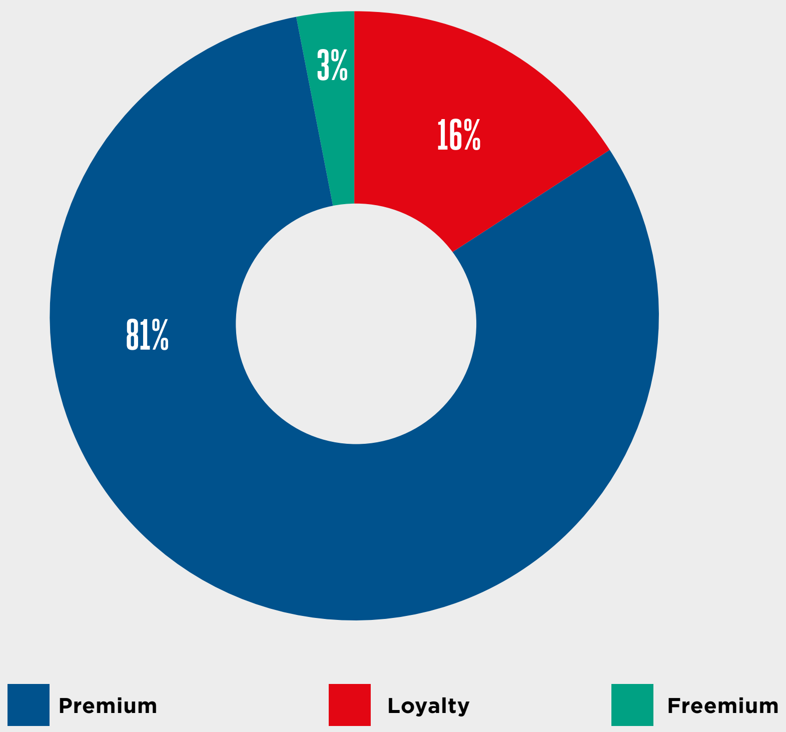
Econet’s partnership with ZFU allows both organisations to engage the farming community as a customer segment, creating an opportunity for broader and rapid customer uptake and driving digital and financial literacy amongst a larger customer base.

Commercial models: providers' loyalty firmly lies with premium products

Mobile-enabled microinsurance commonly involves three types of commercial models: loyalty, "freemium" and premium. In a loyalty-based model, customers are encouraged to spend specific amounts on airtime or maintain a certain balance in their mobile money wallet to qualify for tiered levels of cover. This cover usually extends for a defined period, normally 30 days. Premium models are similar to traditional insurance transactions, whereby customers pay a premium for cover either daily, weekly or monthly. Freemium models combine both the loyalty and premium models in which customers can take advantage of loyalty-based cover and increase this by paying a small fee.[9]

Loyalty-based insurance is often utilised by a mobile network operator (MNO) to distinguish itself from competitors. Services use the loyalty model for core operational benefits, such as increasing average revenue per customer (ARPU) and reducing customer churn.[10] However, the insurance landscape is evolving: in 2015, nearly 55 per cent of mobile-enabled microinsurance services employed a premium or freemium commercial model. By 2017, almost 84 per cent of services were using a premium or freemium commercial model (as shown in Figure 2). Together with the increase in non-life insurance offerings, these two trends demonstrate increasing maturity among both new and existing providers in shifting from a focus on loyalty toward paid-for insurance products.[11] Indeed, the strategic evolution toward the premium model is a necessary development to support the expansion to more sophisticated product offerings.

FIGURE 2 TYPES OF COMMERCIAL MODELS (2017)



9 GSMA. (2016). "2015 Mobile Insurance, Savings & Credit Report".

10 Ibid.

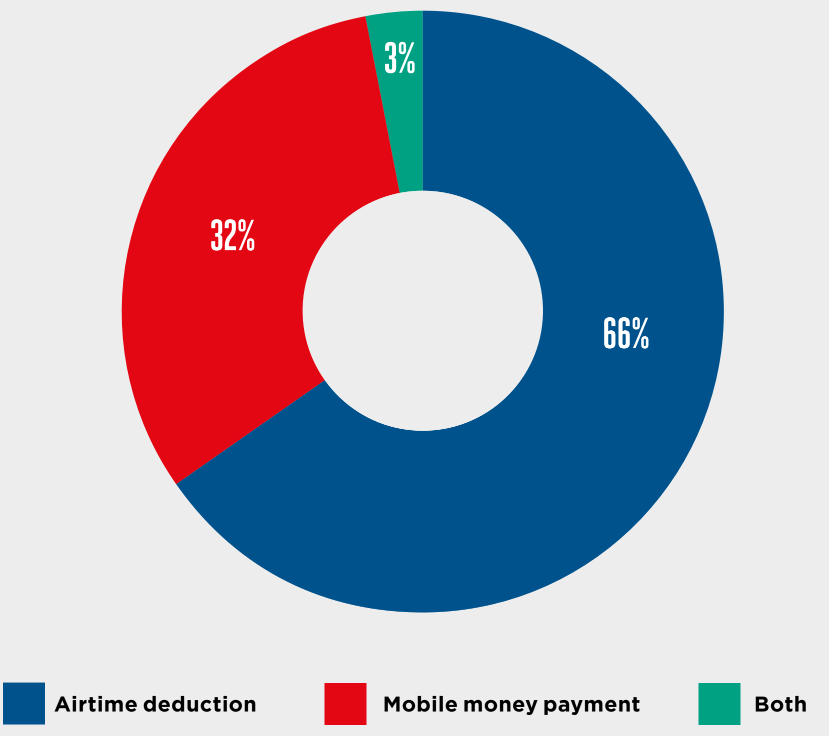
11 Levin, P. (2014). "Promising starts in mobile microinsurance: Tigo Senegal & Telenor Pakistan". GSMA.

While loyalty-based insurance is ideal for creating awareness and introducing customers to the benefits of insurance, premium products tend to offer a more comprehensive level of cover. MicroEnsure and BIMA, two of the largest TSPs in the industry, pioneered this approach in their partnerships with MNOs. MicroEnsure initially offered free insurance as a means of onboarding customers and introducing them to insurance. BIMA started out with freemium products, but now primarily focuses on premium products. Both TSPs now offer premium insurance policies in existing and new markets. This approach allows providers to offer a range of products tailored to various customer needs and encourages deeper financial inclusion than loyalty-based products, as well as a profitable and sustainable revenue-sharing model.

Premium collection via airtime brings scale and accessibility

Like traditional insurance products, mobile-enabled microinsurance also requires regular premium payments. As these are usually small and recurring payments, most providers deduct regular amounts from customers' airtime balances. Premium collection is still predominantly carried out via airtime deduction, and most insurance providers prefer this method. In 2015, around 63 per cent of services were collecting premiums via airtime deduction for premium and freemium policies, and this rose to almost 66 per cent by 2017. Mobile money is used to collect premiums for around 32 per cent of services, with a small number of services allowing payment via either method as shown in Figure 3.

FIGURE 3 PAYMENT METHODS FOR PREMIUM POLICIES (2017)



Collecting premiums via airtime deductions is an effective strategy for microinsurance services to build a user base, establish a market footprint and build brand awareness and trust. However, collecting premiums via airtime can be relatively expensive for providers.[12] When collecting premiums via airtime, the actual revenue will be lower than the amount of airtime collected due to the distribution costs, sales and value-added taxes associated with airtime sales.

Mobile money is likely to be used for collections in models where loyalty or freemium policies are upsold, or where one lump sum or a number of higher-value payments might be required to pay the premium. Some providers collect upfront premiums via mobile money, such as MicroEnsure and JazzCash in Pakistan, and DaviPlata and Seguros Bolivar in Colombia. Airtime deduction can serve as a stepping-stone toward mobile money payments; once customers see the benefits of their microinsurance policies, there is an opportunity for providers to collect premiums via mobile money.[13]

12 Wiedmaier-Pfister, M. and Ncube, S. (2018). "Regulating Mobile Insurance – Insurance business via mobile phones: regulatory challenges and emerging approaches." Access to Insurance Initiative.

13 Ibid.

PART 2

Mobile-enabled microinsurance business models

Collaboration between traditional and new players is essential to bring insurance to hundreds of millions of new customers. Mobile-enabled microinsurance value chains comprise a mixture of traditional and non-traditional players, namely insurers (usually in-country underwriters), TSPs and MNOs. Over time, three different business models have emerged, led respectively by each of the players. Whilst the models differ, there are typically nine main functions across the value chain with responsibilities split between the three main players, as outlined in Figure 4.

FIGURE 4 VALUE CHAIN BREAKDOWN OF MICROINSURANCE BUSINESS MODELS (2017)

<table>
<tr><th>Value chain</th><th>Insurer-led</th><th>MNO-led</th><th>TSP-led</th></tr>
<tr><td>Insurance product design & regulatory compliance</td><td>Insurer</td><td>Insurer</td><td>Insurer / TSP</td></tr>
<tr><td>Customer journey development</td><td>MNO</td><td rowspan="3">MNO</td><td rowspan="2">MNO / TSP</td></tr>
<tr><td>Marketing</td><td>MNO / Insurer</td></tr>
<tr><td>Premium collection</td><td>MNO</td><td>MNO</td></tr>
<tr><td>Underwriting</td><td rowspan="3">Insurer</td><td>Insurer</td><td>Insurer</td></tr>
<tr><td>Policy administration & enrolment</td><td rowspan="2">Insurer / TSP</td><td rowspan="2">TSP</td></tr>
<tr><td>Claims management</td></tr>
<tr><td>Claims payout*</td><td>MNO</td><td>MNO</td><td>MNO</td></tr>
<tr><td>Customer queries (via call centres)</td><td>MNO / Insurer</td><td>MNO / Insurer</td><td>MNO / TSP</td></tr>
<tr><td>Examples</td><td>• CIC BIMA Credo, Kenya</td><td>• MTN Life after Life, Zambia
• OneCover, Zimbabwe</td><td>• Riziki Cover, Kenya
• Nirvoy Life, Bangladesh</td></tr>
</table>

*Claims payout in this instance refers to the mechanism by which claims money is paid out to beneficiaries.

In each of the business models, certain responsibilities are limited to a particular player; underwriting is always the insurer's remit, whilst premium collection is carried out by the MNO, as its client base is targeted. The claims process is divided into two parts. When a claim is made, the insurer or TSP manages the initial process and determines whether the claim should be paid out. The physical mechanism to pay out claims is provided by the MNO, typically into a mobile money account.[14,15] This enables customers to access their claim payouts in a quick and affordable manner.

In an insurer-led model, the insurer is responsible for product design and the overall strategy, either owning the branding or co-branding with the MNO. The MNO's role may be limited to collecting premiums and paying out claims. In an MNO-led model, the MNO leads with their branding, sometimes co-branding with the insurer or TSP. The MNO also collects premiums and provides payment mechanisms. Where a loyalty option is offered, the MNO pays premiums for its customers to receive "free" basic cover.[16]

Over the past three years, TSPs have continued to lead the expansion of the mobile-enabled microinsurance industry, and consequently most new services have a TSP-led business model. BIMA and MicroEnsure today account for around 55 per cent of live services across 17 countries. New players have also emerged in the TSP space, with Ayo and Inclusivity Solutions having launched services in partnership with MNOs in May 2017 and March 2018 respectively, cementing a preference for the TSP-led model in which the TSP also becomes a consumer-facing brand. TSPs assume greater responsibilities than traditional brokers do in this model. Typically, this may include the design, distribution and delivery of the insurance product, agent network support, IT platform development and client data management.

INDUSTRY SPOTLIGHT: PREMIUM PAYMENTS VIA MOBILE MONEY

In 2016, MicroEnsure and JazzCash launched a premium health insurance service for JazzCash customers in Pakistan. For an annual fee of $9, customers have access to a number of benefits including a $9 daily hospitalisation benefit (for up to 30 days), an $18 daily benefit for intensive care admission and an annual limit of $250 for costs relating to medical accidents.

This particular service is unique in that customers are required to pay their premiums upfront and only via mobile money (JazzCash). In doing so, customers are also exposed to the wider JazzCash ecosystem, including its savings and loans products.

14 Wiedmaier-Pfister, M. and Ncube, S. (2018). "Regulating Mobile Insurance – Insurance business via mobile phones: regulatory challenges and emerging approaches." Access to Insurance Initiative.

15 Leach, J. and Ncube, S. (2015). "Can the digitalization of microinsurance make all the difference? Assessing the growth potential of digital microinsurance". Bankable Frontiers Associates.

16 Leach, J. and Ncube, S. (2015). "Can the digitalization of microinsurance make all the difference? Assessing the growth potential of digital microinsurance". Bankable Frontiers Associates.

PART 3

Investments in mobile-enabled microinsurance services

Over the last two years, both MicroEnsure and BIMA, the two largest TSPs, have benefitted from significant inward investment. TSPs have often raised funds from specialist venture capital and private equity funds such as LeapFrog Investments, as well as from funds run by international financial bodies such as the IFC. However, two well-known international underwriters are behind the most recent investments in the mobile microinsurance space; AXA increased its share in MicroEnsure to 46 per cent in 2016,[17] while Allianz X invested $96.6 million in BIMA in 2017.[18] The latter represented one of the biggest investments in digital insurance outside of the USA.

The case for investment in emerging market-based services is compelling: traditional markets in Europe and North America are already saturated and are at risk of disruption by digital players. In this light, how can established underwriters continue to grow their businesses? With low rates of insurance penetration, large populations and rising income levels, Asia, Latin America and Africa are seen as growth markets for new, primarily digital business.[19] Given BIMA and MicroEnsure's expertise in serving such markets at low cost, investing in such microinsurance providers allows major underwriters to become collaborative shareholders with digital disruptors, rather than competitors against them.

For TSPs, these investment flows also enable them to expand their range of products and geographical footprint. For example, BIMA now aims to expand its existing life, accident and health insurance products, as well as its mobile doctor service, across existing and new markets (such as Kenya).[20]

Recent investment in TSPs has not been limited to major global underwriters. MNOs have also invested in both BIMA and MicroEnsure, with Axiata recently investing $16.8 million in BIMA.[21] Historically, investment from MNOs has served as a conduit to TSPs starting operations in regions served by the MNOs, and taking advantage of their distribution networks. For example, a joint venture with Telenor enabled MicroEnsure to launch its services in Asia in 2013.[22] Similarly, Digicel invested $5 million in BIMA in 2014, enabling the latter to launch services in Haiti and Papua New Guinea.[23] While new forms of partnerships will lead to further growth opportunities for TSPs, partnerships between MNOs and TSPs remain important – especially in new markets.

17 AXA. (2016). "A new commitment to protect emerging middle classes"
18 Lunden, I. (2017). "Bima raises $97M from Allianz for microinsurance aimed at emerging markets". TechCrunch.
19 Emerging markets account for around 40 per cent of global GDP but only 17 per cent of global insurance.
20 Kariuki, J. (2016). "Kenya's low-income earners to benefit from new mobile-based insurance products". Daily Nation.
21 Lynn, J. (2017). "Axiata backs start-up BIMA". Insurance Business Asia.
22 Funa, D. B. (2016). "MicroEnsure as a microinsurance intermediary". Business Mirror.
23 See: https://www.businesswire.com/news/home/20141202006051/en/Bima-Receives-5-Million-Investment-Digicel-Group

INDUSTRY SPOTLIGHT: TELEMEDICINE

BIMA offers a unique, bundled insurance service in Bangladesh that provides life and hospitalisation insurance to customers as well as unlimited telephone consultations with qualified doctors. Available to Robi (Axiata) customers via their mobile phones, a monthly premium equivalent to US$0.70 is automatically deducted from a customer's mobile airtime balance as small daily deductions.

Known as "My Health Family Pack", the service entitles customers up to a maximum of US$706 of life cover and US$235 of hospitalisation cover, as well as telephone access to doctors located in BIMA call centres – both for customers and for their family members. The 'tele-doctors' can prescribe medicines, recommend appropriate clinics and book appointments with external partner doctors if necessary. Additionally, the service offers customers daily health and nutrition tips over SMS and bill discounts at BIMA's partner hospitals and diagnostic centres across Bangladesh.

Bangladesh has one of the lowest rates of insurance uptake in South Asia, with high costs and long distances often impeding patient access to doctors and clinics. Launched in 2016, BIMA's service has sought to address this and has seen its customer base grow rapidly to over 500,000 registered customers. To raise awareness of the service and demonstrate its benefits to prospective customers, BIMA also holds regular health camps with Robi. At a recent health camp in July 2018, doctors saw more than 3,000 patients for free face-to-face consultations. BIMA's example demonstrates the value of investment-backed technological innovations for Bangladesh's large underserved population.

CONCLUSION

The growth of mobile-enabled microinsurance in recent years underlines the mobile industry's formative role in protecting vulnerable populations against unpredictable financial shocks. The industry's growth has led to the emergence of a complex and highly specialised delivery value chain which features MNOs, major global insurers (as shareholders and as underwriters) and more mature and capable TSPs.

The TSP-led business model offers a near one-stop shop, with the TSP carrying out most functions in the value chain other than underwriting, enrolment and paying out claims. BIMA and MicroEnsure's strong positioning, resulting in successful inward investment from traditional insurers such as Allianz X and AXA, demonstrates the strengths of this model.

The industry has shown healthy signs of progress, expanding to a range of non-life insurance products and more recently to "combo" products offering life, personal accident, hospital and agricultural cover. The increased diversity of products has emerged in tandem with a change in commercial models used by providers. Mobile-enabled microinsurance was initially provided as a loyalty-based value-added service by MNOs; it was sold to MNOs as a way to reduce customer churn and boost ARPU. This still holds true, but the model has evolved necessarily to align with more complex product offerings. It is now complemented, and sometimes even replaced, by a premium model that requires regular or upfront payments for high levels of cover, providing a more sustainable revenue source in the process.

As mobile-enabled microinsurance providers expand into markets with low exposure to insurance, they will need to address the constant challenge of achieving sustainable growth. How should providers aim to establish themselves in markets with a lack of prior experience with insurance? The TSP-based model has emerged as the popular choice to provide mobile-enabled microinsurance, but TSPs can have differing functions by market. As TSPs expand their functions along the value chain, it may be necessary to assess whether their role should be licensed – especially if they aim to perform traditional insurance functions.

Such considerations will ensure that players in the mobile-enabled microinsurance chain maximise the vast global opportunity of providing healthcare to populations without sufficient coverage or access to services.

APPENDIX A:
Background of the report

Methodology

This report provides a quantitative and qualitative assessment of the mobile-enabled microinsurance space and is based on information from the GSMA's the 2017 Global Adoption Survey on Mobile Insurance Services, the GSMA Mobile Money team's Insurance Tracker, telephone interviews with a range of players in the space, and desk research by the GSMA Mobile Money team.

Interviews

The authors carried out a series of telephone-based interviews with a range of players, including underwriters, industry supporters, technical service providers and think-tanks.

Survey

The GSMA Global Adoption Survey of Mobile Financial Services is an annual survey designed to capture quantitative information about the performance of mobile financial services around the world. In 2017, this survey was accompanied by a specific survey on mobile-enabled microinsurance services to which 51 service providers responded. Respondents provided operational metrics about their services on a confidential basis for the months of September 2016, December 2016, March 2017, and June 2017.

The GSMA's Mobile Insurance Tracker

The GSMA Mobile Money team maintains an offline database of all global mobile insurance services – both live and planned services. The database contains information on each service, such as who leads the business model, the type of revenue model, means of collecting premiums and types of insurance cover.

In 2018, the database was overhauled to distinguish between services that utilise mobile for premium collection (both via airtime and via mobile money payments) and services that either offer mobile money as one of a range of payment instruments or services that were only using mobile to provide information to policyholders. With a number of services having both closed down operations and others having launched between 2016 and 2018, we are now tracking **93 services in 27 countries**.

APPENDIX B:

Explaining the value-chain categories

RESPONSIBILITY	EXPLANATION
Insurance product design & regulatory compliance	Identifying insurable risks, determining key product features, determining pricing based on actuarial analysis and ensuring alignment with regulatory requirements.
Customer journey development	Defining the target group, devising the customer value proposition and customer sign-up process, and establishing payment capabilities.
Marketing	Branding the product, developing content for campaigns, taking the product to market and developing relationships with premium collectors and enrolment partners.
Premium collection	Collecting product fees (for premium and freemium policies).
Underwriting	Taking on the liability for the risks insured.
Policy administration & enrolment	Managing all aspects of insurance policies issued including signing-up and onboarding customers, policy rating, policy issuance and billing.
Claims management	Registering claim notification, checking cover, determining liability, determining claim payout amounts and arranging for claim payouts.
Claims payout	Mechanism by which claims money is paid out to beneficiaries (usually using mobile money, cheques or cash).
Customer queries (via call centres)	Managing queries from customers at two levels: Level 1, Responding to basic product queries; and Level 2, Responding to complex policy-related questions.

DISCLAIMER

This report is based on data collected through the 2017 Global Adoption Survey on Mobile Insurance Services, the GSMA Mobile Money Team's Insurance Tracker and internal analysis by the GSMA's Mobile Money Team.

Survey data: Survey data is self-reported and is not independently verified by the GSMA. Before data is entered, it is thoroughly checked for what is included and excluded, as well as how the metric is defined by the participant. Data is also crosschecked against regional benchmarks and other data sources.

Confidentiality: Data published in this report is always presented in a way to protect the confidentiality of each service provider. We only highlight services where the service provider has granted approval to disclose key performance information.

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