

Alternative Distribution Channels in mInsurance and need for Value Alignment

Premasis Mukherjee
Practice Group Leader, Insurance
MicroSave



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The Flow of Presentation

Why is there a noise about insurance through mobile/agent banking channel?

The broad value chain

Emerging models in mInsurance and their value levers

The need to understand value chain stakeholders

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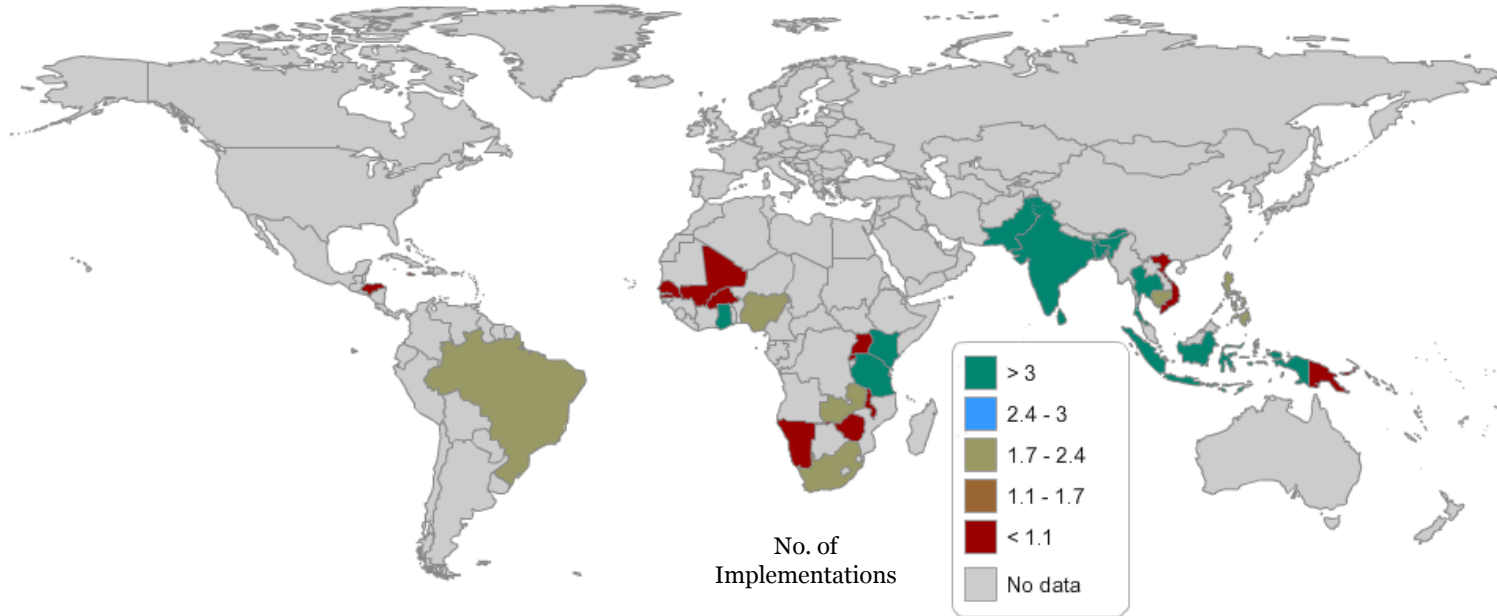
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mInsurance Deployments are Taking Place Across the Globe



Insurance Companies



MNOs



Support Organisations



Other Players



Insurance and Agent Banking/mInsurance are Apparent Value Enhancers

Insurance/Pension Industry

- Insurer are used to deliver product through agency relationship
- Need of alternative channel for microinsurance
- Collect premium at high frequency,
- Would like to leverage existing client base of channel partners

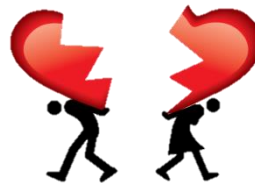


Digital Finance Industry

- Income from Account opening ceases to be the revenue driver after 1-2 year
- Low transaction volume for agents in newer geographies
- Agent attrition, a majority of which is due to low income
- Viability issues in agent banking in single or limited product suite.

But

- Insurance requires acquisition skills, not transaction skills
- Exclusive agents of insurance operate in a high incentive environment



- Insurance and agent banking activities have different incentive structures
- Insurance is not high transaction business, so volume might not increase in mInsurance

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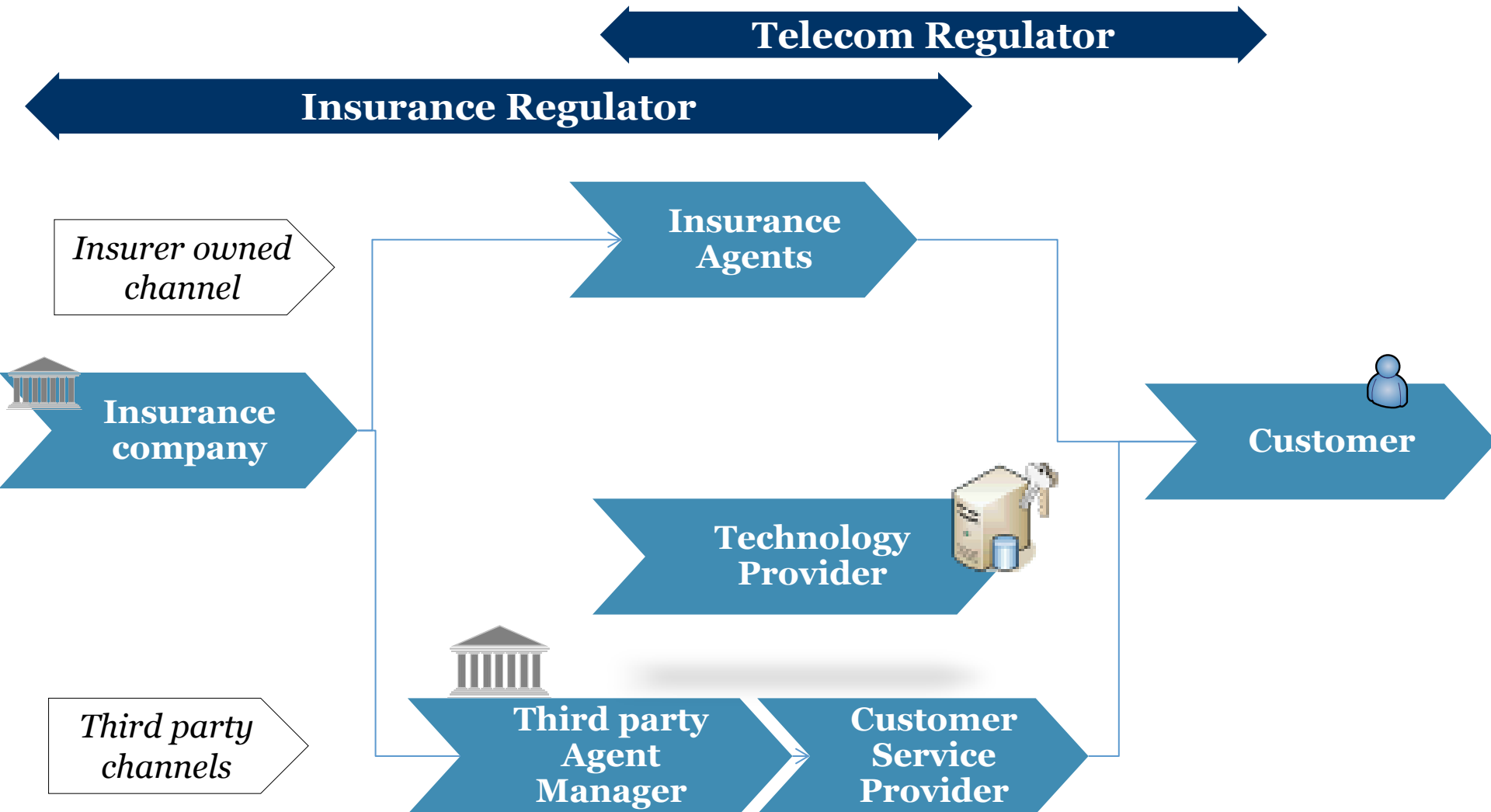
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Basic Value Chain of mInsurance



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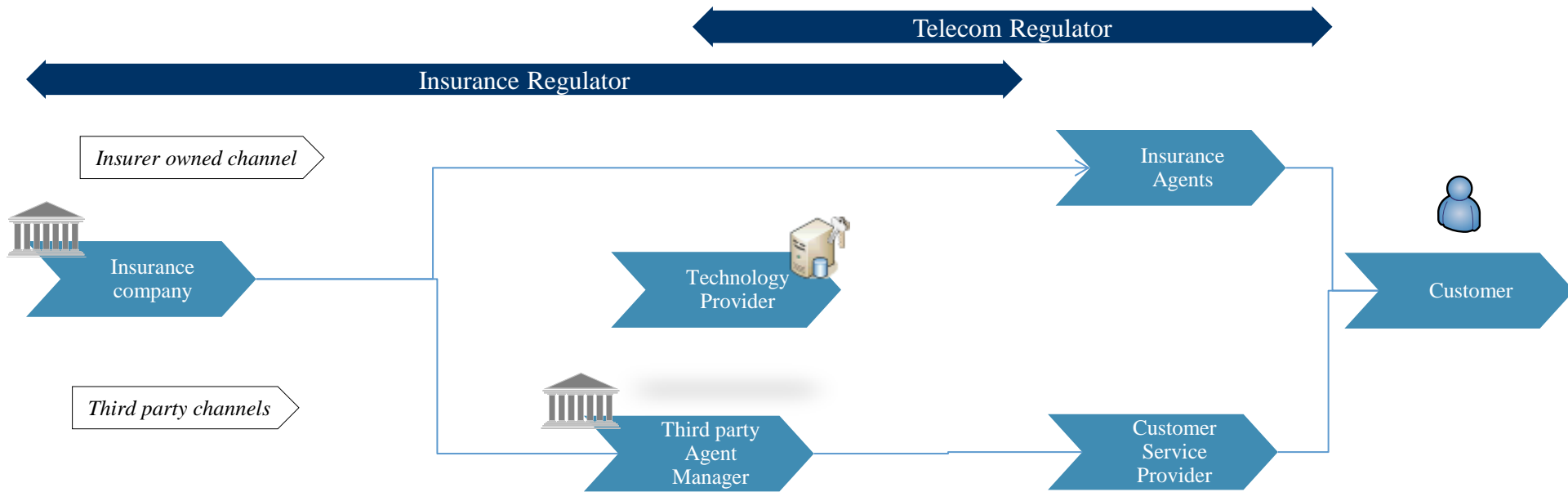
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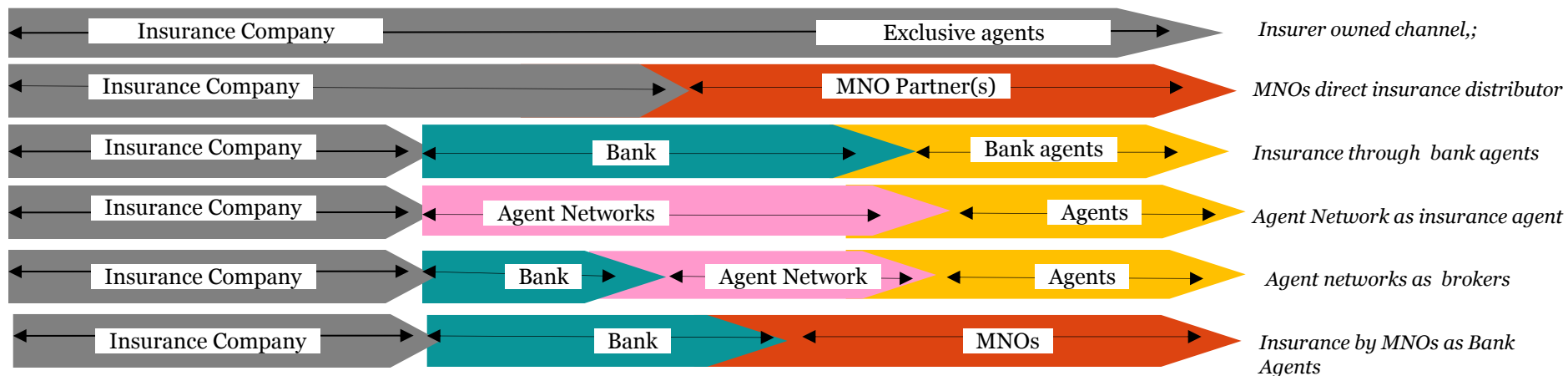
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Multiple Business Models are Emerging in mInsurance



Possible Options (Regulations Dependent)



Basics of the Model



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*

Who pays?

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*

How is Intimated?

How is claim settled?

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

Wallet settlement: *claim amount credited to mobile wallet*

Agent intimation: *Submission of document at MNO agent*

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



Premium Payment



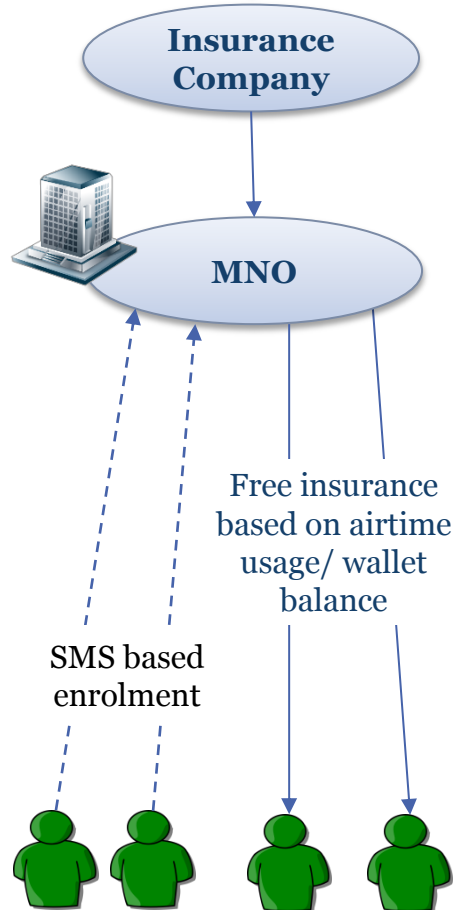
Claim Processing

MNO Led mInsurance is the dominant model

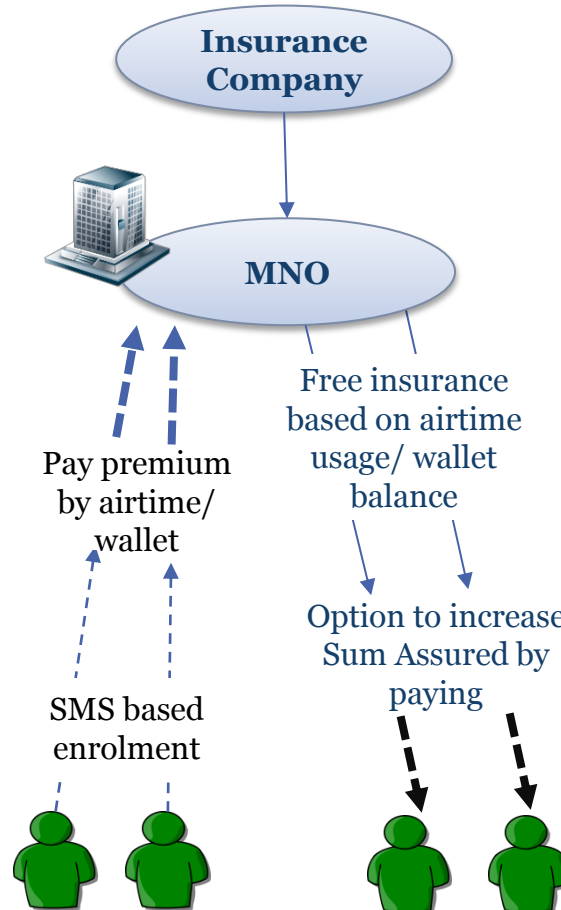
Example



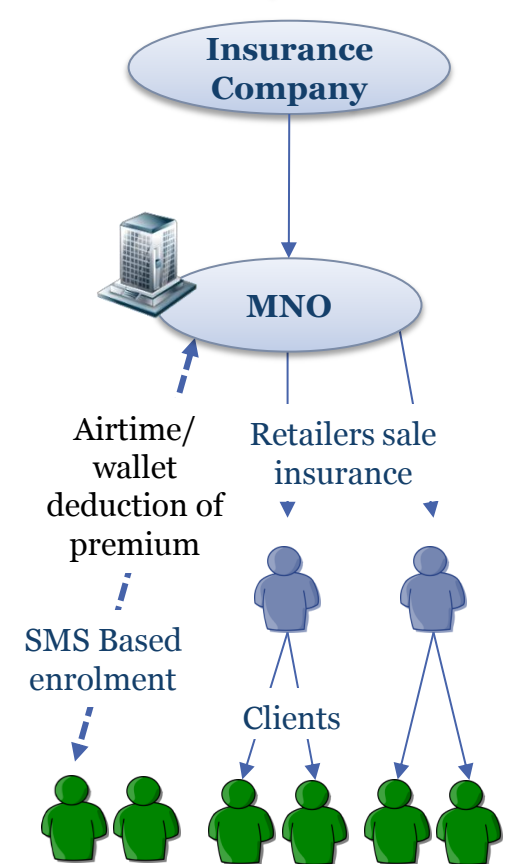
Loyalty Products



Freemium Products



Voluntary Products



Some Insurers Tried “Self-Owned” Channel but had Limited Success

Example



Value Lever

Question/s on Business Economics

Insurance Company

-Structured planning on sales and agent management

-Technology cost vs. increased business value
-Cost of training and deploying agents vs. multiple small sized policies



Technology Provider

Insurance Agents

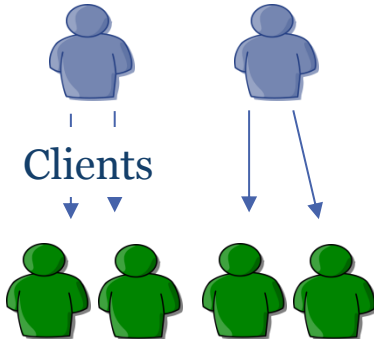
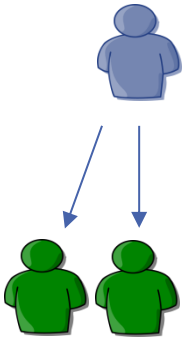
-Hassle fee sales
-Choice to market products to low income segment

-Volume / Revenue vs. efforts in selling

Clients

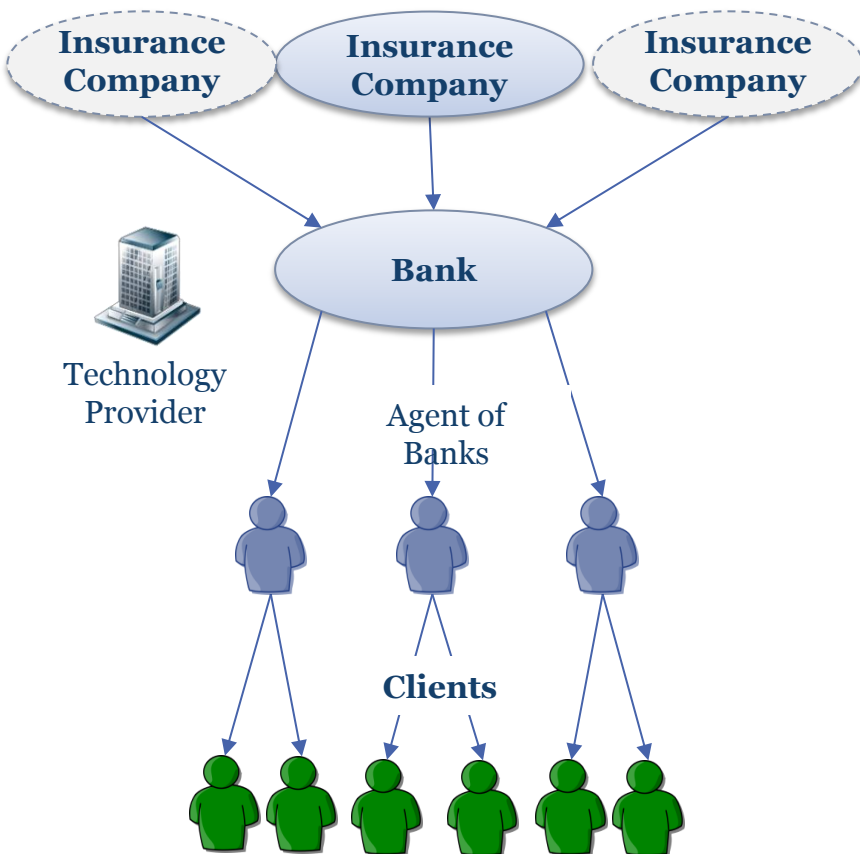
-Ability to deposit premium in high frequency/low ticket size

-Quality of solicitation
-Tangibility of product and provider



Some Banks Prefer to Extend Bancassurance Through Agents

Example



Value Lever

- Access to bank clients
- Low cost (technology, training and agent management)

- Cross-selling
- Co-branding

- Income enhancement (30-40%)

- One window solution (???)
- Ease of access

Question/s on Business Economics

- Brand vs. volume
- Quality of sales
- Supervision cost on bank agents

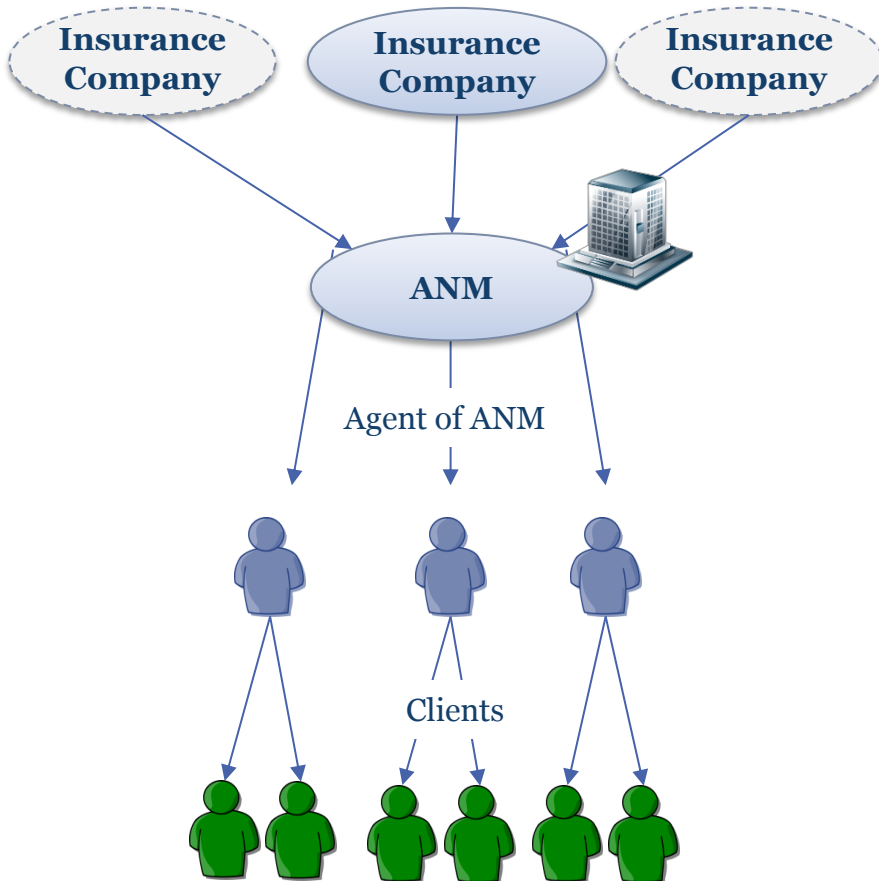
- Incentive mismatch and product cannibalisation risk
- Cost vs. revenue

- Agents skilled enough for insurance?
- Effort vs. Revenue

- Data security and data leakage
- Consumer protection issues

Agent Network Managers Also are Emerging as Corporate Agents/Brokers for Insurance

Example



Value Lever

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

- Cross-selling opportunity
- Product bundling

- Income enhancement (30-40%)

- One stop solution for financial needs

Question/s on Business Economics

- Brand vs. volume
- Quality of sales
- Supervision cost on bank agents

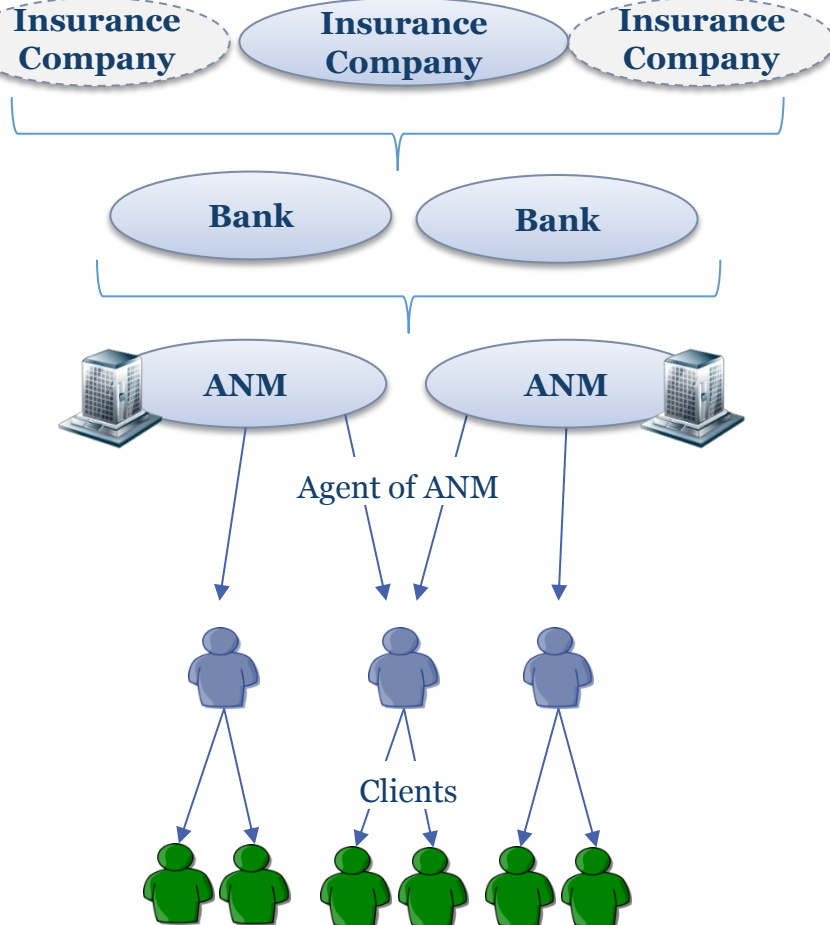
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ANM Selling Insurance as Bank Channel

Example



Value Lever

--Multiple touch points

-Cross Sell

-Cross-selling potential

--Income enhancement

--Ease of access
-Choice of products

Question/s on Business Economics

-Supervision across elongated value chain
-Quality & brand sanctity

-Compliance cost
-Incentive distribution
-Cost vs. net income

-Distributed incentive vs. net income
-Cost on coordination of services vs. revenue

-Revenue vs. additional effort? (lower incentive in this case since it gets distributed)

-Poor solicitation
-Trust issue

Hybrid Models are also emerging – the case of Geosansar



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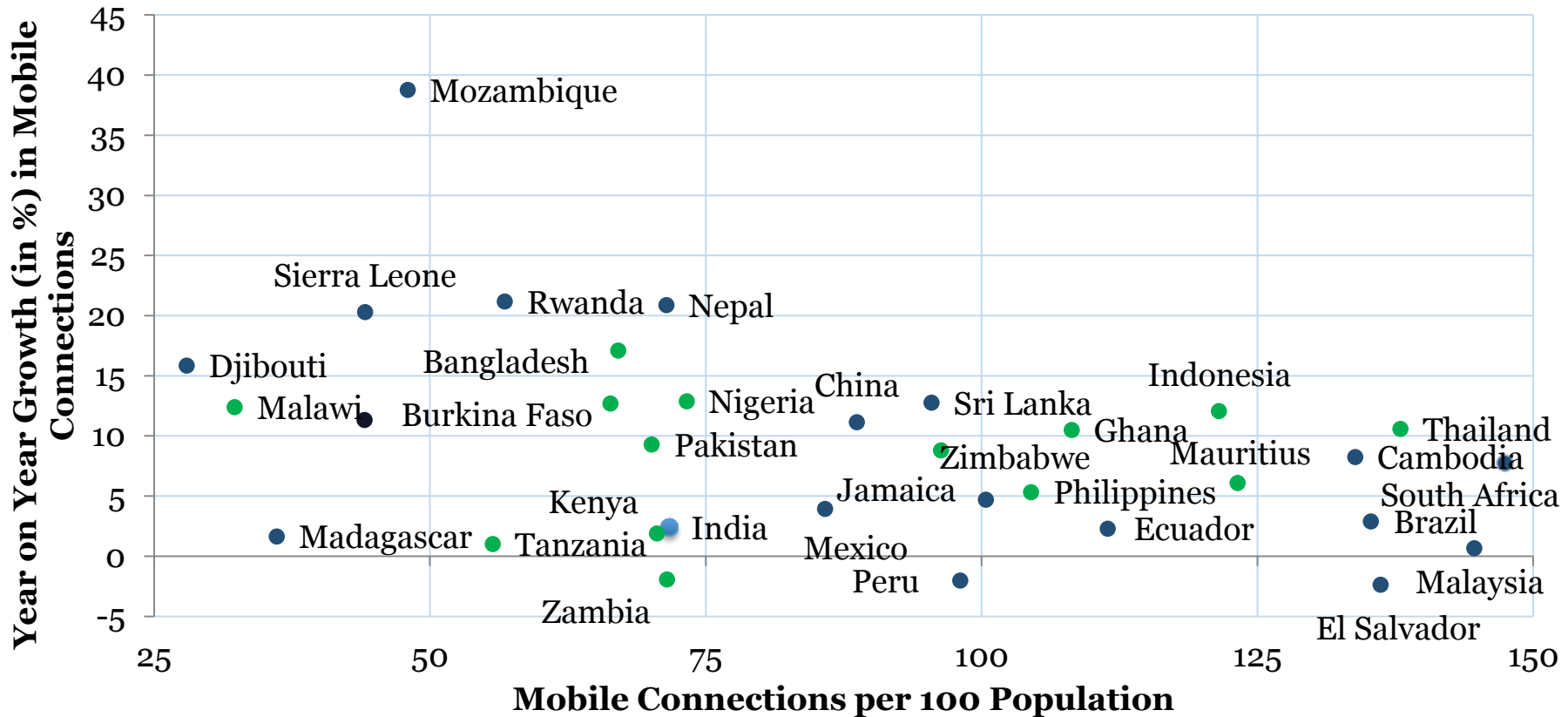
The need to understand value chain stakeholders

Understanding MNOs

MNOs of which country doing mInsurance? And How?

Country Segmentation on Mobile Teledensity and Growth rate of the Sector

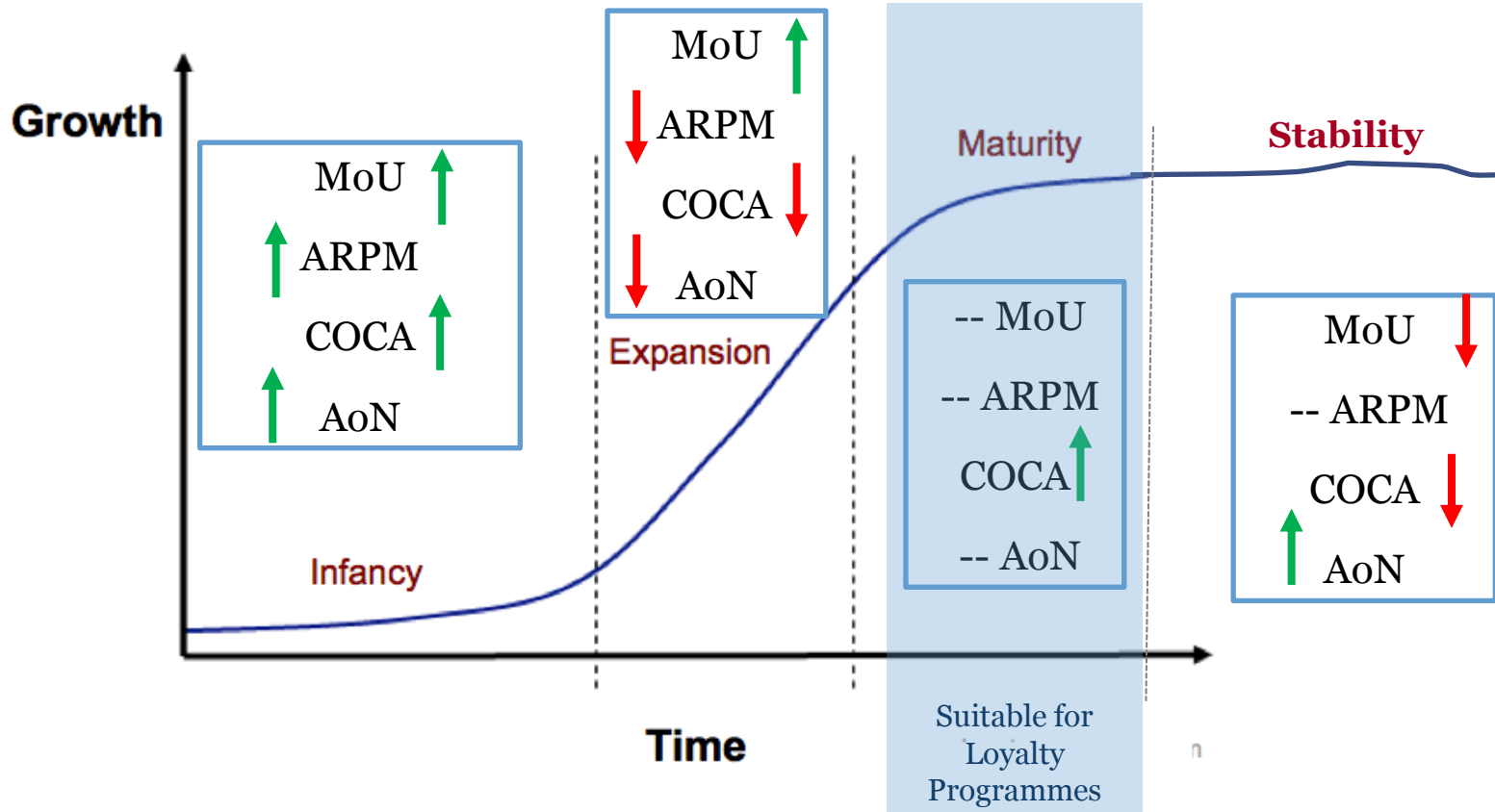
(Green dots representing countries with Loyalty Insurance)



Typical Growth Pattern of MNOs

How Key Indicators Behave in an MNO Growth Curve

- MoU : Minutes of Usage per Month
- ARPM: Average revenue Per Minute
- COCA: Cost of Client Acquisition
 - AoN: Age on Network



Question MNOs are Awake to (1/2)

1

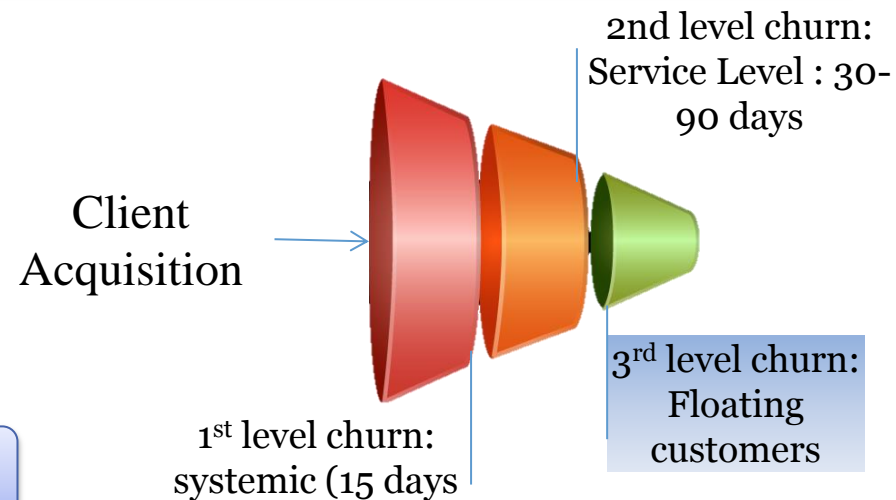
Do I need Loyalty of my Clients?

- Is my Cost of Client Acquisition (COCA) more than the Loyalty Programme?

2

Whose Loyalty Do I Need?

- **Understanding the Client Churn Funnel**



3

Is Loyalty Achievable?

- ARPU is a derived indicator = ARPM X MoU
- ARPM = f (natural behaviour)
- MoU = f (technology, cost)

Question MNOs are Awake to(2/2)

4

Is it Irreplaceable ?

- Risk of commodification of Loyalty Programme

5

Will Clients Respond?

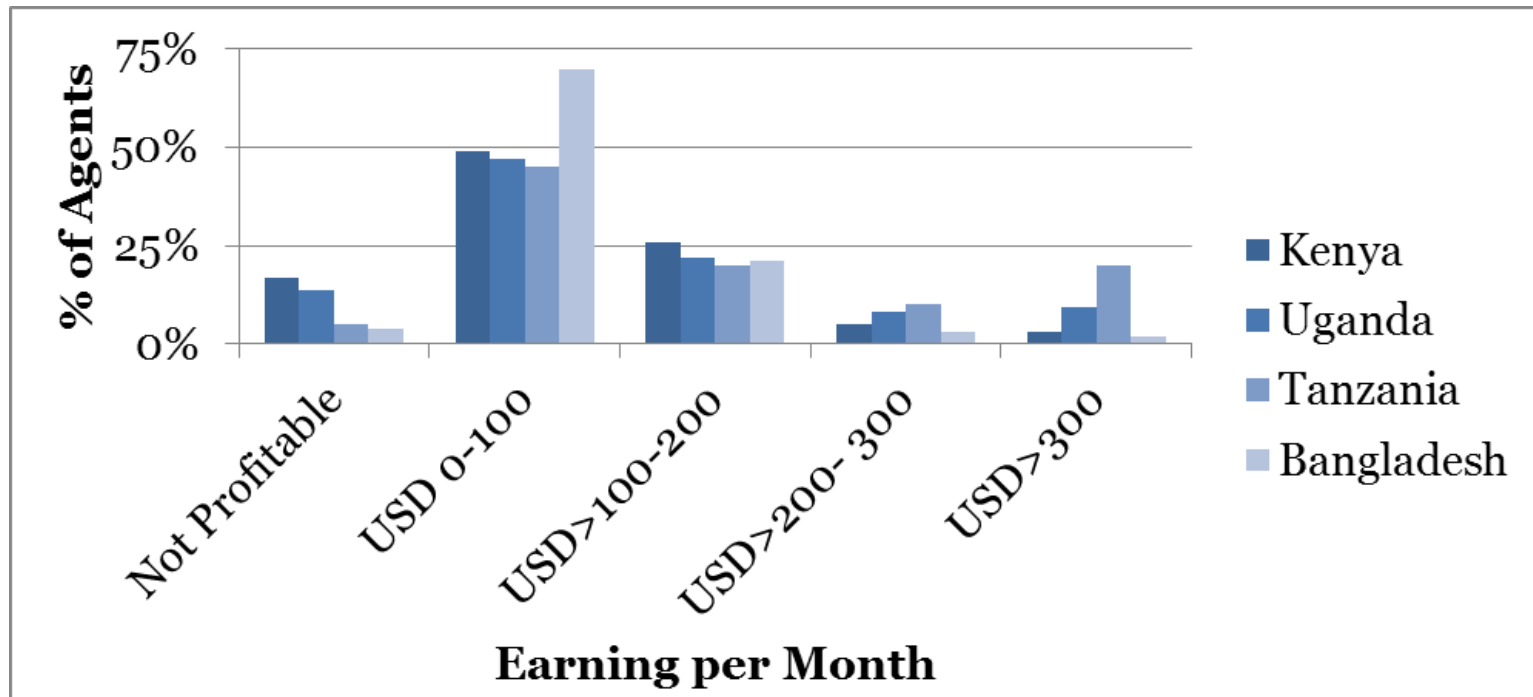
- Can short term impulsive behaviour be altered for long term planning?
- Can people overcome their behavioural biases
 - Present bias
 - Loss aversion
 - Social norms
 - Goal seeking behaviour

Will Bank Agents Respond?

- Bank Agent/ BC Business Follows typical Cycle



- 30-50% agents leave network within an year : loss to bank, loss of data
- Most Agents do not earn enough to sustain BC business



Litmus Tests for mInsurance



Design

Alignment of business objectives of value chain stakeholders

- Design logic for mInsurance- what is loyalty? or cross-sell?
- Target clients are actually becoming eligible for the mInsurance?
 - Who sells what?



Uptake

Outreach growth in comparison to the business model/projection

- What proportion of the overall eligible clients actually enrol?
 - Outreach justified by cost and revenue?



Impact

Impact of mInsurance on business economics of the value chain

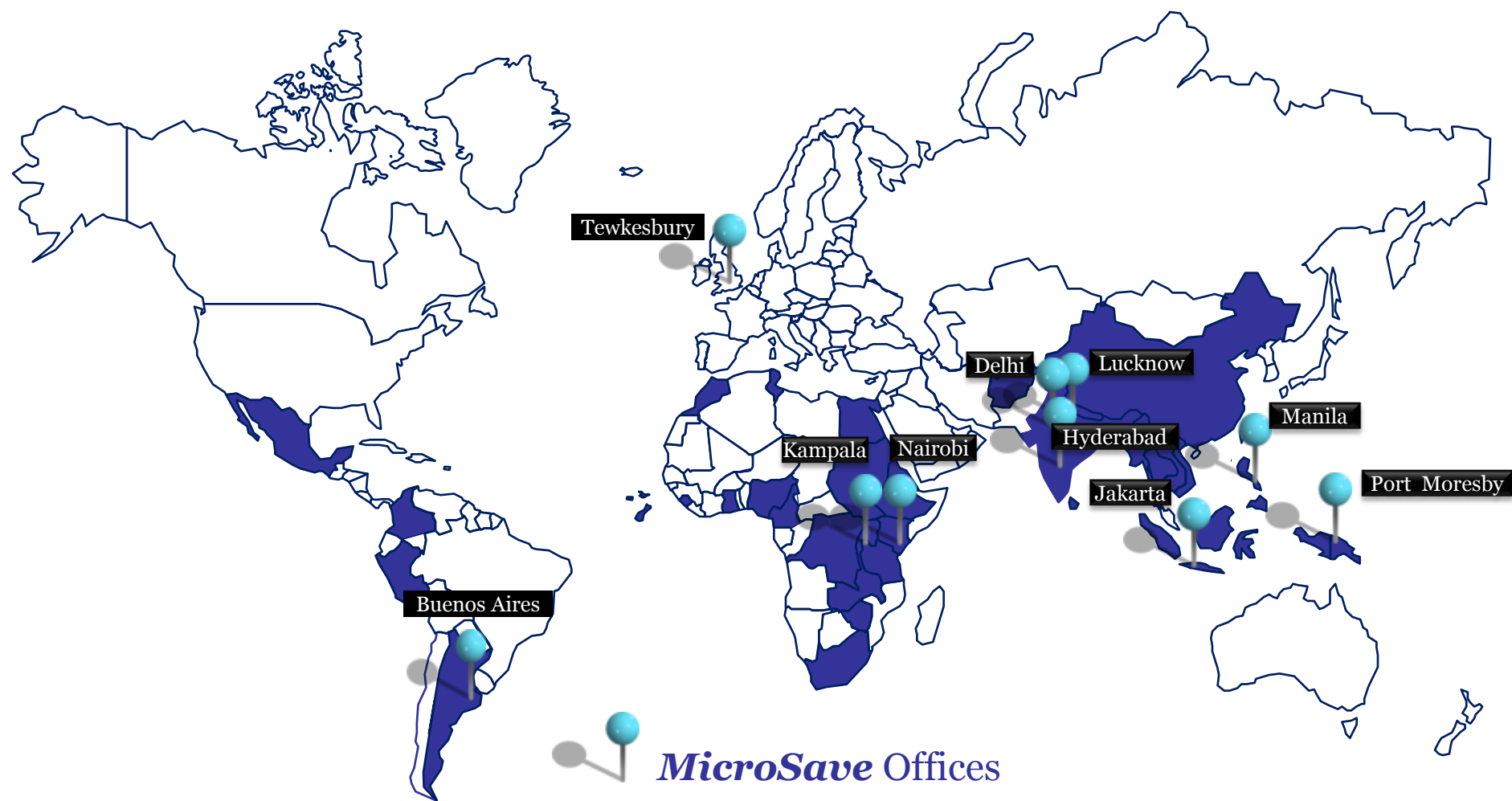
- Business economics of channel partners
 - $\Delta \text{ARPU} \times \% \text{ margin} > \text{Cost of MNO (Premium + Marketing)}$?
 - $\Delta \text{AoN} \times \text{ARPU} \times \% \text{ margin} > \text{Cost of MNO (Premium+ Marketing)}$?
- mInsurance is making any un-planned impact



Usage

Client experience and actual usage of the product and its benefits

- Claim percentage of mInsurance compared to universe?



MicroSave Offices

MicroSave (India)
 Head Office: Lucknow
 Tel: +91-522-2335734
 Fax: +91-522-4063773
 New Delhi Office:
 Tel: +91-11-45108373
 Hyderabad Office:
 Tel: +91-40-23516140
info@MicroSave.net

MicroSave (Kenya Office)
 Shelter Afrique House,
 Mamlaka Road,
 P.O. Box 76436, Yaya 00508,
 Nairobi, Kenya.
 Tel: +254-20-
 2724801/2724806
 Fax: +254-20-2720133
 Mobile: +254-0733-713380
info@MicroSave.net

MicroSave (Uganda Office)
 Regency Apartments
 30 Lugogo By-Pass
 P.O. Box 25803
 Kampala, Uganda.
 Mobile:
 +256-712 642368/
 +256-706 842368
info@MicroSave.net

MicroSave (UK Office)
 The Folly, Watledge Close,
 Tewkesbury,
 Gloucestershire
 GL20 5RJ
 UK
 Tel. +44 1684-273729
 Mobile +44 796-307 7479
info@MicroSave.net

MicroSave (Philippines Office)
 Unit 402, Manila Luxury
 Condominiums,
 Pearl Drive corner Gold
 Loop,
 Ortigas Center, Pasig City,
 Metro Manila, Philippines.
 Tel: +(632) 477-5740
 Mobile: +63-917-597-7789
info@MicroSave.net

MicroSave (Indonesia Office)
 Jl. Penjernihan I No. 10,
 Komplek Keuangan -
 Pejompongan,
 Jakarta Pusat 10210,
 Indonesia.
 Tel: +62 82122 565594
info@MicroSave.net

MicroSave (PNG Office)
 First Floor,
 Town Post Office,
 Port Moresby
 Phone : +675-3434789
 Mobile :
 +675-7232-9330
info@MicroSave.net