WEBINAR ON
NEW OPPORTUNITIES IN MICROINSURANCE DISTRIBUTION
10 MAY 2013

Panelists:
Craig Churchill, Team Leader, ILO Microinsurance Innovation Facility
Jeremy Leach, Director, Bankable Frontier Associates
Peter Gross, Regional Director for Africa, Microensure
Rajeev Karunakaran, Head of Insurance, FINO Fintech
Jasmin Suministrado, Knowledge Officer, ILO Microinsurance Innovation Facility

To learn more about the questions answered during the webinar, please watch the webinar recording at: http://www.youtube.com/watch?v=Jn59DaMk&feature=youtu.be

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Responses to Unanswered Questions for Panelists

QUESTION: What is keeping microinsurance through mobile phones from spiralling into all kinds of markets?

It is already doing it - the growth is exponential. The main things still keeping it back, in my views, are: a) lack of capacity in insurance organisations to craft suitable products, provide reliable services, and cede branding to the telecom; and b) a reticence on the part of the telecoms to pay for loyalty-based cover, due to a disbelief that people will change behaviour in order to have access to insurance.

Peter, Microensure

Whilst considerable success has been achieved through the loyalty and freemium model, the purely voluntary mobile money and airtime deduction models are yet to be proven. These will come in time but it may take a while to build trust in the markets.

Jeremy, BFA

QUESTION: How can you build confidence in rural areas where no one knows big insurance names?

The best way remains by focusing on distribution partners who are trusted and known in the market.

Jeremy, BFA
The partners/distributor play an important role here. In rural areas it’s the trust factor which actually wins. This is where actually literacy programs help us to bring the confidence.

Rajeev, FINO

Mobile insurance. No one needs to know insurance names when the telecom offers them a product. Other brands are also powerful but the telecom brands top the list.

Peter, Microensure

**QUESTION:** What about local institutions like post offices for distributing of microinsurance products?

Of course - any large aggregator who has clients, high brand awareness, and distribution infrastructure can be a potential partner for mass market microinsurance.

Peter, Microensure

The post office offers huge potential in theory as they often have a large footprint and address collections. However the challenge remains execution where many post offices have poor systems and skills and therefore struggle to market the products and collect the premium.

Jeremy, BFA

Though post office has a large rural footprint, the challenge is on the skill level and time factor. The staff is not dedicated for the distribution and technological integration will not be simple.

Rajeev, FINO

**QUESTION:** Regulation is a barrier in South Africa due to FAIS requirements in particular, are "agents" viable due to this?

My initial thinking was that agents were growingly uncompetitive in the market. However alternative agents, such as agents linked to retailers have been successfully rolled out in South Africa and appear to be cost effective. Interestingly, players like Legalwise have a large dependence on agents and yet are financially successful so agents can well be viable if
Jeremy, BFA  managed well and you have the right product.

**QUESTION:** There are obvious cultural barriers in South Africa i.e. the role of burial societies and funeral parlours. How can insurers overcome these barriers?

Jeremy, BFA  

In the Financial Diaries that we have run with (see the book, Portfolios of the Poor, by BFAs Daryl Collins), we see that many informal services are a complement to formal products rather than competition. In fact the cultural driver is towards funerals which is why one can say that funeral insurance is bought, not sold as people actually seek out funeral cover. This has led to funeral insurance growing by 20% per year over 10 years (FinScope). Therefore there is an opportunity to benefit from this cultural imperative as well as thinking through ways of complementing the informal cover.

**QUESTION:** Given the difficulty of setting up a MNO relationship in the partner-agent model and the deep focus on their objectives (which are often short term when it comes to business cases), and with break-even and financial value on insurance offerings being unlocked over time, do you think MNO’s will really take a long term view on our products in order to protect viability and the client?

Peter, Microensure  

I don't think mobile insurance has to be a long-term-only value proposition; it can and does offer returns in the near term to all parties, including clients. In our experience, the way to show telecoms the long term view is to establish a road map of product and market development that extends the value of the offering to 3-5 years, with robust business cases. Telecoms are not going to become philanthropists overnight, but mobile insurance offers both financial and social benefits in the near, medium and long terms if designed and implemented appropriately. I also strongly believe that business that provides tangible value to clients is the most sustainable, and our telecom partners see that: they want us to pay lots of claims, quickly. I think telecoms get a bad rap for being greedy; the truth is that they have done more to benefit the average Africans quality of life in the last ten years than all the aid initiatives in the last fifty years combined. So when we talk about serving clients with high value products, we find they are very interested in that, as they see the benefit they will get from a product which does so much visible good among their client base - in fact insurers are usually much stingier in this regard than the telecoms.

**QUESTION:** How do you overcome the language barrier whilst communicating via mobile technology? For example, in Nigeria more than 300 languages are spoken. English is spoken only in urban areas but in rural areas they don’t understand and speak it. What is your advice for reaching those clients?
In India, we have 22 different languages, and there is a huge challenge of communicating in English in rural areas. With regard to FINO, what we do is that we communicate with the most commonly used local language in rural areas (Hindi) through mobile tech since the mobile phone supports the mentioned language for the agent to understand. This will not be applicable in some languages since there is a limitation of the transcript (characters) used in the mobile phone. If the languages are supported by the English transcripts (characters), then yes this will be possible.