Learning Journey

Union des Assurances du Burkina Vie (UAB)

Cauri d´or - Automating daily collection of microinsurance premiums

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About the project

The Union des Assurances du Burkina Vie (UAB Vie) is a long-established life insurance company with a 46 per cent share of the life insurance market as of December 2009. Since 2003, it has been the leader in the Burkina Faso life insurance market, which has four life insurance companies. UAB Vie has considerable experience in microinsurance.

In 2003, UAB Vie launched a life microinsurance savings product aimed at the population in the informal sector in Ouagadougou. Although initially the product was a copy of traditional products offered by the company, it has evolved over time to adapt to the needs of the target group. The Cauri d’Or product has been highly successful among these groups, reaching as many as 15,000 beneficiaries during the pilot phase. The product consists of a contractual savings scheme and includes life and disability coverage in the case of accident. Policyholders’ premiums are collected each day by UAB Vie staff. Premiums can be very low: 150 CFA francs or US$ 0.35 per day. The terms vary from 1 month to 5 years, but it is the short-term policies that are most attractive to the target clientele.

The daily manual transactions performed by UAB Vie sales staff seemed to be holding back the growth of the product and UAB Vie has decided to automate the collection of premiums using technological solutions. Although UAB Vie initially planned to use point-of-sale (POS) devices, the poor experience with the partner chosen to implement this solution led to its abandonment in favour of mobile phone technology. Thanks to the mobile phone technology, sales staff are able to record information on their customers’ payments, and transfer it directly to the UAB Vie database. This allows rapid consolidation of information and its integration into the accounting system. Customers who have paid their savings contribution receive regular statements showing that their payment has been made. The company hopes to reach a point where a paper receipt can be issued at the time of payment.

UAB set a target of reaching 90,000 customers in three years by extending access to the product to new sites in Ouagadougou and in the provinces.

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### Project Summary

<table>
<thead>
<tr>
<th>Project name:</th>
<th>Cauri d’or - Automating daily collection of microinsurance premiums</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project start date:</td>
<td>September 2008</td>
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<tr>
<td>Duration:</td>
<td>3 years</td>
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<tr>
<td>Country:</td>
<td>Burkina Faso</td>
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<tr>
<td>Product:</td>
<td>Life—personal accident insurance coupled with a savings product</td>
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Project Updates

Key indicators

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<th>Indicators</th>
<th>31/12/2007</th>
<th>31/12/2008</th>
<th>31/12/2009</th>
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<th>30/08/2012</th>
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<tr>
<td>Number of policies</td>
<td>9,706</td>
<td>11,234</td>
<td>12,793</td>
<td>15,403</td>
<td>10,603</td>
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<tr>
<td>Growth rate</td>
<td>21%</td>
<td>16%</td>
<td>14%</td>
<td>20%</td>
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<td>Penetration rate</td>
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<td>0.64%</td>
<td>0.75%</td>
<td>0.81%</td>
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<tr>
<td>Expense ratio</td>
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<td>6.1%</td>
<td>5.5%</td>
<td>4%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Income ratio</td>
<td>-3.3%</td>
<td>-19.8%</td>
<td>-13.9%</td>
<td>-1.5%</td>
<td>-1.7%</td>
</tr>
</tbody>
</table>

* The drop in the total number of members is mainly due to the "cleaning" of data at the time of migration from the old to the new system.

What is happening?

As of December 2008

In the first phase of the project, UAB Vie finalized the agreement with the information technology provider responsible for supplying the automated premium collection solution. It planned to equip all UAB Vie sales staff in the markets with POS units to allow direct information capture (subscription, payment, etc.) into the UAB Vie business software. The contract between UAB Vie and the chosen supplier involved the supply of POS units, smart cards, a printer to print customer cards and the implementation server. 150 POS units were acquired.

As of December 2009

An actuarial mission was undertook a financial analysis of the Cauri d’Or product. The objective was to have a baseline analysis and thus allow ex-post analysis of the implementation of the technology in order to check the reduction in operating costs from the automated process.

The partnership with the information technology supplier ended in mid-2009 due to its failure to deliver the equipment and poor communication. The implementation server was not delivered, making it impossible to implement the project. Legal proceedings against the supplier followed with a view to recovering the money paid to the supplier.
In order to redefine the project, a support mission by a consultant, a technology expert, was carried out in July 2009. The mission’s task was to analyse and document the sales procedures, compare technological alternatives for support of collection procedures, carry out a financial analysis of possible solutions, and evaluate the business and accounting software. As a result of the mission, UAB Vie decided to wait for the introduction of the new management system before implementing the technology, and to issue an invitation to tender to select the next supplier. The invitation to tender was issued at the end of 2009.

As of August 2010

The consultant continued to provide remote support for the process of selecting the next information technology partner and for the start-up phase of the automated premium collection solution.

In response to the invitation to tender, UAB Vie received four applications and the new partner was selected. The partner was Innova, an electronic money institution based in Burkina and operating with the authorization of the BCEAO. It offers financial and electronic payment services such as money transfers, payment of bills and merchandise, and mobile phone top-ups. It does this via various electronic channels such as mobile phones, electronic payment terminals (EPTs), automatic teller machines (ATMs), the Internet and "payment offices." The package of solutions making up the management platform of these different services has been developed by INOVASOFT, a specialized IT company belonging to the INOVA group.

The new automated premium collection solution will be implemented using mobile phones. Sales staff will be able to record all data related to customers’ payments through an application installed on their mobile phones, and their customers will receive periodic account statements. The project requires the following:

- A server (the INOVAPAY platform) containing a database which makes it possible to register customers and sales staff, to record data collected by sales staff, to draft statistical summaries and periodic reports, to record information about customers' contracts, and to connect with the UAB-Vie business software system

- A server application with interfaces for managing sales staff and telephones, drafting multi-criteria reports (transaction logs per sales person, period, number of customers not contacted, etc.), and retrieving data in the case of offline collection

- A customer application installed on all telephones allowing sales staff to access the information available on the server, to enter premium collection information, and to transmit it to the server

As of September 2011

Following a cost-benefit analysis, UAB Vie decided to use the GPRS network to transfer data captured by sales staff to the INOVA server. A partnership with Telecel, a mobile telephone company within the UAB
The group was set up. A study of mobile phone option was carried out, to find out which were compatible with the application and sufficiently robust for work in the field. As a result, the NOKIA S60 was chosen.

The INOVA solution was developed and tested in the course of 2011. The tests revealed a GPRS connection problem, so the launch date of the new product was postponed, and "offline" collection procedures were strengthened. If no connection is available, the data gathered by sales staff are saved on their telephones and transferred to the server once the connection is re-established or when sales staff report to the main office to hand over the premiums collected.

Parallel to the development of the technical solution, UAB Vie developed a new business software system called DATAASSURANCE. The migration from the old to the new software was performed manually by sales management staff and the IT service. This transfer took several months and required a massive amount of data cleaning.

The sales staff was trained in the use of the phones and appreciated acquiring the new skill as well as having a mobile phone. Training was provided by the sales director in several stages, with theoretical and practical training, as well as participation by sales staff in awareness-building campaigns concerning the product. The training courses ended with a test in order to validate that the new procedures had been assimilated and to work one-on-one with those experiencing difficulties.

In order to improve the profitability of the Cauri d'Or product, UAB Vie developed a new version of the product (see product description). This new version includes:

- Life insurance covering death "from any cause" that, for a monthly premium of 200 CFA francs, provides for the payment of a lump sum of 200,000 CFA francs, as well as the balance of the savings account at the time of death
- Policies with terms of one year, tacitly renewable for a maximum of five years
- An increase in the charge rates, ranging from 0 per cent to 7 per cent
- Systematic interest at a gross annual rate of 3.5 per cent for all policies no matter what their term

The new product was launched at the same time as automatic premium collection in September 2011.

A new system for managing the remuneration of sales staff was also introduced. Each sales staff member reports to a team leader, who in turn reports to a supervisor. Sales staff are paid 1.8 per cent of
the premiums collected, and the team leader receives 0.10 per cent of the premiums collected by the team (in addition to the remuneration from her portfolio). The supervisor also receives 0.10 per cent.

Awareness building among customers concerning the new product was carried out for three months in the 60 Ouagadougou sites where UAB Vie is present. For each market, the sales director, accompanied by a representative of the markets federation and two humourists well-known to the target population, carried out communication campaigns aimed at explaining the new technological solution and to describe the new product, in particular, its "death from any cause" component. The involvement of humourists is a means of attracting the target population to awareness-building sessions.

The messages used were "telephones will make your money more secure" and that, in case of death, the family will not have to take a loan to cover funeral costs. Instead of premiums, the presenters spoke of a "contribution" recommended by the regulations (in the national language this refers to the law) in order to have access to this service. This facilitated acceptance of the payment of a monthly premium of 200 CFA francs for death benefit coverage.

A broadcast was also aired by a local radio station.

As of 1 November 2012

At the time of the launch in September 2011, UAB Vie realized that the extent of connection problem in the collection zones was greater than the tests had revealed. The entire "offline" solution had to be strengthened, for example, by updating the messages to be sent in case of network failure, in order to communicate to sales staff the status of the transfer of the funds they collected.

After manual transfer of the information from the old to the new business software, sales persons found themselves with customer portfolios that did not correspond to reality. In order to correct the errors of the new server, the new production was suspended between 5 September and 15 October.

The technical partner was very responsive to the problems the launch brought to light.

On 15 October, subscriptions resumed. As of 1 November 2012, the results were as follows:

- 7,805 policies of the new version have been sold, of which 65 per cent are for terms of over one year
- 70 per cent of the policies are taken out by new policyholders and only 30 per cent correspond to existing policyholders renewing their policies
- 2,997 policies of the old version are still active
- Benefits have been paid for two deaths
For the time being, the benefit payment part is still not automated, because certain discrepancies between actual premiums collected and those recorded in the system have appeared (due in particular to processing offline when the product was launched), which makes it impossible to calculate automatically the redemption value of the contracts. This process is still very cumbersome in-house and, once the problem of the discrepancies is resolved, automation should result in a considerable improvement in efficiency.

Network connection problems slow down the work of sales staff. Although an offline solution has been developed, sales staff struggle to access the policies menu when the network is down, and the memory capacity of the telephones is not sufficient for effective work offline. This leads some sale staff not to collect on certain days.

Because of the poor state of the network, it was not possible to implement portable printers for the purpose of providing the customers with a receipt automatically. A manual receipt production system is still in place. When certain malfunctions affected the entire platform, these manual receipts were a great help in making the necessary corrections.
Project Lessons

On the selection of a technology partner

It is important to put in place a system to compare bids (invitation to tender, for example) before selecting a technical partner. This should not compare technical and commercial aspects, but also the candidates’ responsiveness and relational qualities. Having several bids strengthens the purchaser’s position in the negotiation of future commercial terms. One of the major problems between UAB Vie and its first partner was the partner’s lack of transparency and responsiveness when delivery delays occurred. Perhaps these problems of communication and responsiveness could have been identified during a tendering process, by testing candidates’ ability to listen and adapt to UAB Vie’s needs.

In the framework of an information technology partnership, it is important for a supplier’s representative to be present in the country in order to facilitate problem solving. In fact, UAB Vie’s first supplier did have a representative in Ouagadougou, but his authority and decision-making powers were too limited to allow effective management of the relationship with UAB Vie.

When internal technical competencies are limited (with respect to new technologies in this case), a technical assistance solution, even at a distance, can be a way of remedying the lack of human resources. In the case of UAB Vie, the consultant’s support made it possible to better define UAB Vie’s needs and better identify possible solutions. It was also an important resource during the selection of bids. Furthermore, for UAB Vie, the presence at its side of an experienced consultant lent weight to its up-front decision not to sign any document until it fully understood the proposed solution. This allowed UAB Vie to avoid a second mishap. Indeed, the solution which was initially designed was significantly changed.

It is crucial to obtain information on the cost and performance of the equipment proposed by an information technology partner. The POS devices sold by the supplier turned out to be desk units (as used, for example, in a bank branch) and thus too fragile for use by UAB Vie sales staff in the field. It was also found that this equipment was technologically obsolete and available on E-bay at lower prices than those proposed by supplier.

The fact that the two partners have a strategic interest in the project—beyond the sole contractual arrangement—facilitates the success of the partnership. In the case of the UAB VIE/INOVA partnership, both parties had an interest in the project’s success. INOVA considered this project to be strategic for the development of its activities by allowing it to develop new expertise and, possibly, new markets. For this reason, despite the glitches experienced at the time the project was launched, INOVA remained very present and responsive at UAB VIE’s side, making it possible to rapidly resolve operational problems.
On the technology solution

Design of the solution

It is essential to have an effective business software system before connecting “front end” technology. In the case of UAB Vie, the technical assistance mission recommended terminating the integration of the new information system developed for Cauri d’Or and to finalize the tests before proceeding with the implementation of automated premium collection solutions (through mobile phones or POS devices). The business system is the cornerstone of the insurance business. Connecting advanced technology to an inefficient software application will not work.

Mobile telephones cost less to use than POS devices. The cost of introducing POS devices, compared to mobile phones, is high, especially because of the price of smart cards. The use of mobile phones instead of POS devices also makes it possible to deploy the application more easily. In the scenario using POS devices, it is necessary to consider the cost of the unit (around 495,000 CFA francs), which could be amortized over two or three years with potential collection of premiums from an average of about 600 policyholders per year. Furthermore, for each policyholder, it is necessary to allow for a smart card costing about 2,000 to 2,500 CFA francs. In the scenario using mobile phones, it is necessary to allow for one phone per salesperson for a cost of about 85,000 CFA francs to provide the same service. The smart card is not used for the premium collection phase. It may be used for the payment phase.

An analysis of the costs and functionality of communication channels between the telephones and the INOVA platform resulted in the choice of a GPRS solution. SMS technology is in fact too costly and USSD technology only allows the transfer of a limited quantity of information.

Pre-launch tests

Carrying out large-scale tests before the official launching of a technical solution makes it possible to identify potential problems. The tests prior to launching the solution were carried out only in a limited number of zones (in order not to interfere with the collection process). As a result, UAB VIE underestimated network connection problems. These problems only emerged at the time the solution was launched, leading UAB VIE to urgently rethink its offline procedures.

Offline procedures must be developed with the same care as online procedures. Having underestimated the connection problems, UAB Vie and INOVA had to urgently revise offline procedures, identifying errors in the flow of information and improving the messages sent to sales staff.

Users of this technology need to be directly involved in the design and the testing of their future tools. This makes it possible both to improve the functionality of the tool and acceptance by users of the change. In the case of the Cauri d’Or project, sales staff took part in the validation of the tool but greater involvement on their part during the design phase would have made it possible to improve the user interface, for example, by making it possible to personalize policy displays according to the sales staff’s route within the markets.
Pilot

It can be useful to maintain the old procedures in parallel with the new operational methods in order to have a backup of information in case of problems. It is thanks to the fact that manual receipts continued to be made for transactions made with mobile phones that all information and customer balances were maintained despite connection problems.

The cost–benefit balance of automated premium collection

The shift from manual data collection and capture to automated capture made it possible to simplify production procedures and enhance portfolio management. The manual recording of premium collection data required the use of four external employees and an IT professional at 25 per cent, and resulted in the data being entered in the system one to two months after collection. The automated system, on the other hand, made it possible to follow premium collections per subscriber in real time, and external collaborators for data entry were no longer required. Nonetheless, a new auditor's post was created for validating, at the end of the day, the premiums recorded in the system and the premiums actually brought in by sales staff, and that the savings and costs of the technology in terms of human resources together with recurrent costs balance out. The capture in real time of deposits per customer also makes it possible to calculate more accurately the mathematical reserves to be integrated into financial statements.

The shift to new production procedures also made it possible to clean portfolio data. Real-time monitoring of contracts made it possible to update the status of all policies, bringing to light errors accumulated in the previous system.

Sales staff appreciate receiving a telephone and participating in the modernization of UAB Vie's offering. It also affords them greater comfort when they travel, since they no longer have to carry heavy customer policy records.

Introduction of the technology has led to a certain rigidity of procedures and lengthening of sales staff’s working time. Indeed, prior to introduction of the technology, sales staff could come and deposit the funds collected at any time of the day. With automation, the telephones need to be blocked at the end of the day to avoid transactions being made and recorded on the server without the premium having been paid (which led to discrepancies in the system). As a result all 68 sales persons find themselves at 5 pm at the central office to deposit their funds, and the waiting time to complete the process is too long.

Connection problems tarnish the product's image. Because of delays in accessing customer information when a network problem occurs, some sales staff are unable to collect premiums from all of their clients on some days. Clients’ confidence in the product comes from the proximity and punctuality of sales staff in the field. Should the collection schedule of sales staff become erratic, clients may lose confidence in the product.
For the moment, the introduction of the technology has not made it possible to reduce operational costs. The reduction in costs for external human resources to perform data entry of manually collected data is being used to create an additional post. Implementation of automated claims processing procedures should have a stronger impact on expenses.

To date, efficiency gains resulting from the solution are limited and do not yet make significant portfolio growth possible. For the moment, the time taken for each collection has not diminished and monetary transactions are still carried out in cash. It is therefore still necessary for sales staff visit their clients every day. Increasing the number of policies in the portfolio will depend on a complete revamping of the product distribution strategy, ensuring efficient management of the sales force.

On the product

Cauri d’Or clients do not have a long-term savings outlook, but rather, use the product for short-term objectives. Only 18 per cent of all subscribers between 2003 and 2011 were still subscribers in 2012. The mean policy renewal term is eight months, which illustrates the opportunistic character (need to invest in his/her business, savings for family events) of subscriptions to Cauri D’Or. Men make up 75 per cent of customers, and say that they use the product to take advantage of business opportunities. Women who currently subscribe to the product say that they mainly use it to save to meet their family’s needs (paying children’s school fees, supporting their children, etc.).

It is difficult to get policyholders to accept an increase in charges, despite the addition of further benefits. Only 40 per cent of policyholders whose policies matured subscribed to the new version of Cauri d’Or. Initially, UAB Vie intended to migrate its entire portfolio to the new conditions on the launch date, but the lack of client understanding convinced UAB to carry out the migration only at the time the contract is renewed, and to strengthen awareness-building efforts.

Confidence in UAB Vie is decisive in creating demand for the product. Despite the cost of the product, currently higher than that of the traditional tontine, sales of the product remain stable with around 150 clients per sales staff member. Clients say they prefer subscribing to UAB Vie because it is a player they trust, unlike the traditional tontines.

There is great demand among customers for access to loans. Negotiations with a local bank are under way to propose loans to customers after one full year of saving. The mathematical reserve of the contract will serve as collateral for the loan.
On the distribution method

Customer focus groups revealed that distribution directly by UAB agents who come to customers is highly appreciated and helps to build trust in the company. It also means that traders do not have to leave their place of work, making daily transactions more feasible.

Although economically viable, the use of insurance agents for daily collection makes it difficult to reach a mass market. At present, the direct cost of the sales force is 2 per cent of premiums, which is taken directly from the premium. This model is sustainable from an economic point of view, but it presents limitations for scaling-up the product. For example, each sales staff member at present manages on average 150 policyholders. With a total sales staff of 68, UAB Vie has an overall portfolio of 10,000 policies. To reach the objective of 100,000 policyholders, UAB Vie will have to develop a management system capable of looking after a sales staff of 700.

It is important to make sales staff clearly identifiable. Other people have tried to pass themselves off as Cauri d’Or staff at collection sites in order to profit from the product’s success. As customers are for the most part illiterate, they are often taken in. To resolve this problem, UAB Vie takes action at several levels: it regularly explains the specific features of the Cauri d’Or product at collection sites, introduces sales staff at their collection site, and engages the help of market managers and delegates during meetings organized on Cauri d’Or matters. The authorities may also decide to carry out checks to detect people operating illegally at collection sites.
Next Actions

- Conduct a survey among customers to test their knowledge and satisfaction with the new product, understand their reasons for saving, and analyse informal methods of retirement coverage

- Introduce automated processing of claims

- Extend the project to Bobo, the second largest town in Burkina Faso

- Finalize the partnership with the Bank of Africa, in order to give Cauri d’Or customers access to loans

- Define a new distribution strategy