

## CASE STUDY

# MicroEnsure: Providing affordable microinsurance to low-income customers via mobile phones



### BCtA commitment

MicroEnsure brings affordable microinsurance to low-income mobile phone users in Africa and Asia by partnering with insurance companies and mobile phone service providers. The company joined the Business Call to Action (BCtA) in 2012 with a pledge to launch its insurance products in Malaysia through a partnership with Telenor and Zurich Insurance. Its aim was to sign up 200,000 customers within 24 months. While its partners' strategic and personnel issues obliged MicroEnsure to halt the project in Malaysia, the company has now extended its collaboration with Telenor to India.



### In short

More than 2.4 billion people worldwide live on US\$2 or less per day. Those who are able to accumulate savings often see them wiped out by illness, accidents or natural disasters. Most lack access to affordable insurance, which could mitigate these risks and act as a safety net. As a result, millions of people remain trapped in poverty.

To tackle this challenge, MicroEnsure works with insurance companies and mobile phone service providers to supply microinsurance products to underserved markets in Africa and Asia. In order to reach low-income customers, the company distributes its products via mobile phones. Mobile customers of service providers that

*"You've got a very uneducated consumer base, which doesn't trust insurance companies. So you need a completely different kind of infrastructure, using mobile phones and other digital platforms."*

—Richard Leftley, CEO, MicroEnsure

partner with MicroEnsure receive basic life insurance free of charge. Customers can double their level of coverage or add a family member for an additional US\$1 per year; they can add health insurance by paying another US\$1 per month.

By 2016, MicroEnsure had supplied 24 million people with microinsurance in 13 countries in Africa and Asia.

### Key company facts

Country of headquarters:  
**United Kingdom**

Year of foundation: **2002**  
(renamed MicroEnsure in 2008)

Number of employees:  
**186 (2016)**

Annual turnover:  
**US\$6 million (2015)**

## How it works



### Link to the SDGs

- 3** Good health and well-being
- 17** Partnerships for the goals



### The role of partners

MicroEnsure's business model is built around its network of partnerships. The company collaborates with more than 90 partners, including over 70 insurance companies such as AXA, Zurich and Sanlam, and 13 telecom companies like Telenor and Tigo. By acting as a broker, the company is able to serve a large number of customers with a small core team.

When Richard Leftley founded the company in 2002, he was supported by Opportunity International, a non-profit organization supporting grassroots businesses. Opportunity International provided the company with funding and access to microfinance organizations. MicroEnsure also received US\$24 million in grants from the Bill & Melinda Gates Foundation and US\$5 million from USAID. With three rounds of equity financing, MicroEnsure secured the International Finance Cooperation and insurance companies Sanlam and AXA as major shareholders.

### Business model

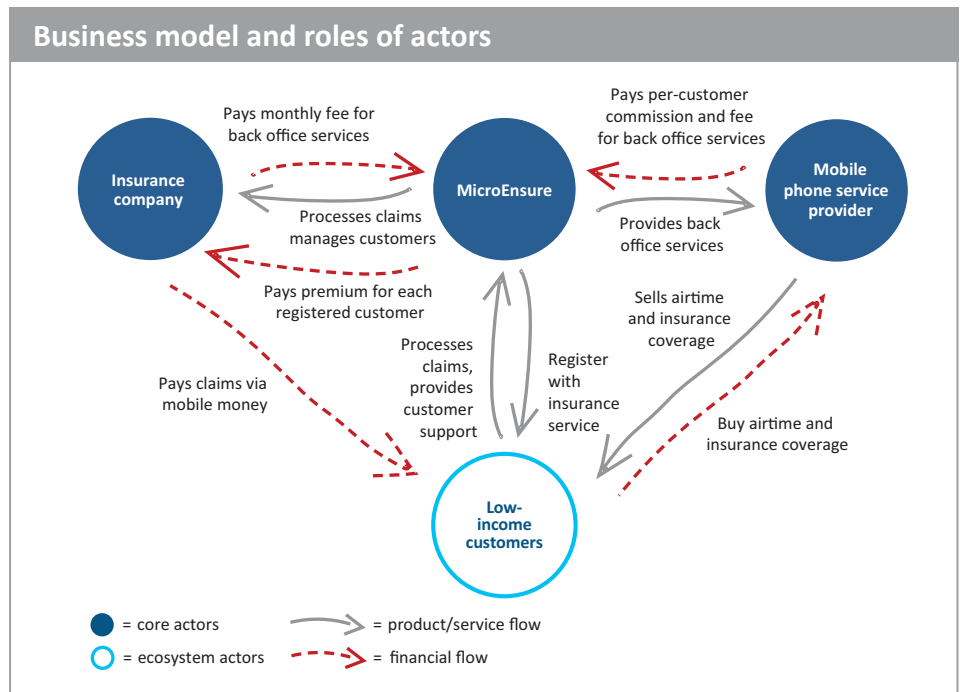
MicroEnsure provides affordable and easily accessible microinsurance to low-income people in Africa and Asia who use prepaid mobile phones. Customers can register for insurance with their mobile phone service providers free of charge via text message. When registered customers top up their airtime credit, they receive life insurance coverage for one month. The level of coverage depends on how much airtime customers buy. For example, if customers buy US\$1-2 of airtime, they receive insurance coverage of US\$100.

Customers can also purchase other insurance services: by paying an additional US\$1 per year, they can add a family member to their life insurance plan or double their level of insurance coverage; they can add health insurance for another US\$1 per month. MicroEnsure informs customers about their insurance status via text message and provides a call center for customer support.

Three key sectors are making this inclusive business model work: insurance companies, mobile phone service providers and MicroEnsure.

The insurance companies underwrite the risk in return for a premium from MicroEnsure. Mobile phone service providers act as the front end by offering microinsurance to their customers – they collect airtime credits and other payments for the insurance, and pay MicroEnsure a commission. Mobile providers also pay out claims to customers via their mobile money services. Mobile service providers see the insurance service as a way to secure customer loyalty in markets where people frequently change their service providers.

MicroEnsure provides the back end, mediating between insurance companies and mobile phone service providers. The company designs products for each market, negotiates with partners and structures work processes. It also manages customer registration, provides customer support and processes customer claims, checking their validity and notifying the insurance companies. MicroEnsure guarantees that its system will pay customers within five days of their claims being approved. To cover the costs of its operations, it charges its partners a monthly fee.



## What are the results?

### Business results

MicroEnsure generated US\$6 million in revenues in 2015. By 2016, it had 24 million active customers across 13 countries.

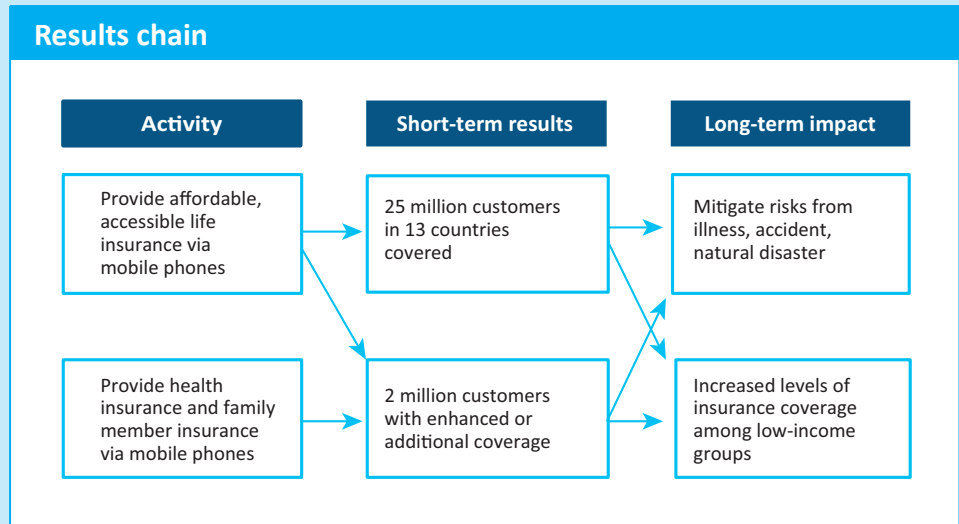
India is the fastest growing mass market for insurance and – not surprisingly – is MicroEnsure's largest market. More than 20 million of mobile provider Telenor India's 48 million customers have subscribed to MicroEnsure, accounting for 16 percent of the 126 million Indians currently protected by microinsurance. In sub-Saharan Africa – excluding South Africa – the company reported a market share of 21 percent in 2014.

In addition, 2 million MicroEnsure customers have purchased additional products like health insurance, extended insurance and coverage for their family members. MicroEnsure anticipates that by 2018, 10 million customers will buy its additional services.

With regard to its BCTA pledge, MicroEnsure's business in Malaysia succeeded in securing 20,000 customers within six months. However, Telenor and Zurich faced internal strategic and personnel issues, which halted the Malaysia project.

### Development results

MicroEnsure has made a vital contribution to the rising precedence of insurance coverage among low-income communities. In Africa, 5.4 percent of people had an insurance policy in 2015 compared to just 4.4 percent in 2011.<sup>1</sup> In Asia, the MicroInsurance Network reported that fewer than 5 percent of people had microinsurance in 2013,



yet this still represented a 40 percent increase compared to the previous year.<sup>2</sup> In India, MicroEnsure reports that its activities have contributed to a growth in the insurance market from 111 million people in 2013 to 126 million in 2016.

Microinsurance positively impacts people's lives: MicroEnsure's average customer has an income of between US\$1 and US\$4 per day. This is the income group most at risk from illness, accidents and natural disasters. According to a review conducted by the Microinsurance Innovation Facility at the International Labour Organization, insured children in Rwanda were up to 21 percent more likely to receive health treatment in case of illness than uninsured children. Studies also indicate that households' out-of-pocket expenses decrease with microinsurance. In Nigeria for example, microinsurance reduced households' healthcare expenses by 40 percent.<sup>3</sup>

Claims management is crucial – it needs to be fast and reliable since

low-income customers do not have savings to immediately cover their costs. MicroEnsure has beat its five-day target for processing claims by two days, which means that on average, low-income people making claims receive their money within three days. That is significantly quicker than the typical claim processing times of 5 to 45 days highlighted in a study of 12 microinsurance plans by the Microinsurance Innovation Facility.<sup>4</sup>



1 MicroInsurance Network (2015). The Landscape of Microinsurance Africa 2015: <http://www.microinsurancecentre.org/resources/documents/business-case-for-microinsurance/the-landscape-of-microinsurance-in-africa-2015-preliminary-briefing-note.html>.

2 MicroInsurance Network (2013). Microinsurance in Asia and Oceania Grows by 40%: <http://www.microinsurancecentre.org/resources/documents/market-development/microinsurance-in-asia-and-oceania-grows-by-40.html>.

3 MicroInsurance Innovation facility (2013). Literature Review on the Impact of Microinsurance: <http://www.impactinsurance.org/sites/default/files/repaper35.pdf>.

4 MicroInsurance Innovation facility (2014). The Moment of Truth: Claims Management in Microinsurance, <http://www.impactinsurance.org/sites/default/files/mp28.pdf>.

## What are the lessons learned?

### Key challenges and solutions

One of MicroEnsure's main challenges is convincing poorly educated consumers of the benefits of insurance products. Low-income people do not trust insurance companies because of the requirement for formal identification documents; because they find insurance products abstract and difficult to understand; and because insurance companies have a reputation for not paying out claims.

MicroEnsure is meeting these challenges with an innovative product design. To overcome the need for formal identification, the company accepts alternate forms of identification such as a WhatsApp account. In order to make insurance products more comprehensible and accessible to customers, it uses mobile phone service providers to reach potential customers.

Despite the perception that low-income people are uninformed about insurance and its benefits, many mobile customers have registered for the insurance. MicroEnsure believes that this shows latent demand for insurance products in developing markets despite there being no sales agents promoting them. To win customers' trust regarding payments, MicroEnsure prioritizes rapid claim processing and has enabled

insurance companies make insurance pay outs via mobile money.

However, according to MicroEnsure, finding partners is sometimes difficult. Its high-volume, low-margin business is the opposite of what insurance companies traditionally look for in a partner. And some partners' internal difficulties have complicated MicroEnsure's business. For example, MicroEnsure's partners in Malaysia ceased their collaboration as a result of internal conflicts over strategy and personnel. In Africa, one partner faced severe internal financial difficulties that led it to dissolve the partnership.

### Future plans

MicroEnsure plans to increase its market share in its established markets, to scale up its business and to reach more people who lack access to insurance.

The percentage of customers who have added additional insurance services such as health insurance remains low: the company plans to increase customers' awareness of these products – and their willingness to pay for them. It is aiming for a 500 percent increase in sales of these products by 2018.



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