Distribution Channels in the East African Microinsurance Market

Bachelor's Thesis

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Supervisor Sebastian Barth

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Student Deborah Keller

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Management Summary

Low-income people in developing countries, who are the most vulnerable and particularly exposed to risks in their daily life such as diseases or drought, often have no access to formal insurance – although they need it the most. The concept of microinsurance is a solution to help mitigating the vicious cycle of poverty, while also offering insurance companies an opportunity for strategic market expansion in this vast untapped market. In the African microinsurance market, a share of only 2-6% of the low- and middle-income population is covered by a microinsurance policy.

The objective of this thesis was to evaluate distribution channels with the potential to promote microinsurance products in the East African market based on selected supply-and-demand side criteria and taking into consideration economic, financial and social factors.

Thereby, this study followed a qualitative approach that included both secondary and primary research, the latter being conducted in the form of four semi-structured expert interviews.

It was identified that the microinsurance market is still in its infancy and the challenges are various. The low-income target groups have continued negative perceptions of insurance companies and their products. They consequently have a lack of trust in them and see limited value in it. This is compounded by low financial literacy rates of the target customers and insurers have limited access to potential customers as urbanization rates are low. Therefore, facing these challenges, insurance companies rely mainly on distribution channels that provide direct, personal and broad access to these low-income individuals. Especially the distribution of products through cooperatives and community-organizations is a valuable option because trust, transparency and sustainability are ensured. Furthermore, it is crucial to embed the insurance product into the business of distributors such as microfinance institutions and retail stores to integrate insurance further into these low-income population's life. Mobile Network Operators, which are widely known and used in the market on a daily basis, represent a promising option for the future if the issue of simplicity of the products is further solved. Nevertheless, additional capacity building in the form of trainings, information campaigns using simple pictures is essential to overcome the aforementioned issues and to enhance financial literacy and trust in the East African market.

Digital platforms, evolving in Africa at high growth rates, have an important impact on the further development of microinsurance distribution. The integration of technology-based tools to develop the microinsurance market is a viable opportunity for insurance companies to facilitate processes, scale the business and reach more customers even in rural areas while optimizing the distribution costs. An interesting focus for further research is therefore the integration of Artificial Intelligence and Big Data and as a result new business models such as index-based insurance or on-demand insurance to further penetrate and develop the microinsurance market.

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List of Abbreviations

EAC	East African Community
GDP	Gross Domestic Product
ILO	International Labour Organization
MFI	Microfinance Institution
MNO	Mobile Network Operator
NGO	Non-Governmental Organization
PPP	Purchasing Power Parity
SACCO	Savings and Credit Cooperative

1 Introduction

Significant progress has been made in the effort to reduce poverty around the world. The steady decline, which began in 1990, has lifted 1.9 billion people out of poverty as a result of sustained economic growth, macroeconomic stability, improved education, or foreign aid. Although the decline in poverty begun to decelerate in 2015, at which time global the rate was 15.7%, it was expected that the number of people living in poverty around the world would fall to 7.9% by 2020 (The World Bank, 2020b). This trend has led to a growing share of the population moving into higher income brackets in their countries (The World Bank, 2020a). Nevertheless, these people continue to cope with limited and irregular incomes and are additionally exposed to numerous risks in their daily lives, such as diseases, death, floods or droughts. Additionally, people living in poverty are more vulnerable to such risks, because they have limited resources available to develop proper risk management strategies (Kanbur & Lustig, 2000). For this reason, a crisis is likely to affect them the most. According to the World Health Organization (2017), approximately 100 million people fall below the international poverty line each year because of out-of-pocket spending for health services (World Health Organization, 2017). To build the resilience of this vulnerable population and to end the vicious cycle of poverty and vulnerability, microinsurance offer a viable risk management alternative for these people (Churchill, 2006).

Microinsurance was first introduced in the late 1990's, and the term has been added to the domain of development and social protection. Microinsurance takes a need-based approach to providing solutions in areas where mainstream protection is generally lacking, particularly in the large informal sector in many low- and middle-income countries, where the people are neither taxed nor monitored by any form of government. In its early years, scaled-down insurance policies became available as a form of charity (Dror, 2019). The last two decades, however, have seen commercial interest and an increase in worldwide activity in the field of microinsurance. Today, the concept has gained broad understanding and many types of microinsurance products—such as life, health, accident or agricultural insurance products—are distributed to a large number of vulnerable people across the globe. According to the Microinsurance Network Landscape Study (2020), in which 194 insurance companies from around the world participated, between 162 million and 253 million people are covered across 28 countries, paying USD

1,060 million in insurance premiums. However, this number accounts for only 6% - 10% of the low- and middle-income population in these countries and, thus, a significant market is still waiting to be tapped (Merry, 2020).

1.1 Problem Statement

As outlined in the previous section, the concept of microinsurance is gaining increased importance and insurance companies are investing significant time and effort in understanding and gain a foothold in this underserved market. There are many reasons for this trend, but strategic market expansion, competitive advantages, and corporate social responsibility are the most frequently cited motivations for entering this industry (McCord, 2012). Nonetheless, it remains a major challenge for insurance companies to extend microinsurance coverage to developing countries. Despite almost two decades of microinsurance availability, low penetration rates of 6% -10% are indicative of the difficulties facing this industry option. In 2017, an estimated 300 million people around the world were covered by microinsurance (Smit, Denoon-Stevens, & Esser, 2017), which represents less than 10% of Swiss Re's estimated global market potential of 4 billion people (Swiss Re Institute, 2010).

There are some success stories in microinsurance, and, in certain cases, insurance companies have even achieved a great amount of scale, such in the case of BIMA. BIMA is a Ghanaian insurance company delivering mobile-based health and life insurance products to emerging markets, reaching 37 million people with its microinsurance scheme (BIMA, n.d.). Despite such an achievement, many challenges still need to be overcome. Radermacher et al. (2011) pointed out that three rather fundamental issues including payment, profitability, and pooling remain dominant issues to be tackled in the microinsurance industry (Radermacher & Brinkmann, 2011). However, Prahalad and Hommond (2002), and Kendall et all. (2013) stated that the most important aspect of microinsurance, as well as most challenging, is customer outreach and its related cost outlay (Kendall, Wright, & Almazán, 2013; Prahalad & Hammond, 2002). The argument draws on evidences such as the high cost involved with reaching the low-income population in remote areas as well as the strong reliance on intermediaries to deliver the products. Furthermore, people living in poverty are exposed to different risks depending on where they live, so risks are prioritized differently and subjected to different risk management strategies. The lack of data for this market segment makes it challenging to find out about these people's needs and devise possible ways to reach them (Smith, Smit, & Chamberlain, 2011). For these aforementioned reasons, and since distribution plays a critical role in the product lifecycle and a company's success (Porter, 1985), insurance companies must carefully assess what channel strategy to pursue.

When looking at the African microinsurance market, a small proportion of only 2%-6% percent of the low- and middle-income population is covered by a microinsurance policy, representing 4% of the potential market's premiums (Cheston, 2018). While funeral, life, and credit life insurance policies make up the greatest number of products sold in this market, growth in recent years has been seen mostly in the area of health products, while crop and livestock schemes continue to face various hurdles. A total of 70% of these insurance products are distributed by agents from various institutions, such as microfinance institutions (MFIs) or mobile network operators (MNOs). In some cases, insurance companies have begun to use its their own sales staff to distribute products. In addition to the agents, brokers or intermediaries continue to play an important role in Africa. These brokers are usually not the traditional insurance brokers found in developed economies, but rather specialized microinsurance brokers who usually assume a reaching from product development to claims payment and customer service. Lastly, community organizations and associations are gaining in importance, with 7% of the insurance products delivered through African communities or associations such as agricultural cooperatives (Microinsurance Network, 2020).

As can be seen from the previous section, the penetration rate of microinsurance products in Africa remains low to this date, and, despite a growing number of actors innovating in this market, several barriers remain. The African Insurance Organization argues that the of lack insurance awareness still the main obstacle for policy sales on the continent (African Insurance Organisation, 2019). Given the ability of distribution channels to drive awareness and build trust through interactions is of utmost importance (Kendall, Wright, & Alzman, 2013).

1.2 Research Question and Objectives

The main goal of this bachelor thesis is to identify relevant distribution channels in the East African market that includes Kenya, Tanzania, Rwanda, and Uganda. By taking into consideration several criteria from a supply-and-demand side perspective, looking at the current market conditions, and conducting expert interviews, it is aimed to synthesize lessons and provide certain guidelines to companies distributing microinsurance policies in the East African market. The various partnering possibilities is one aspect to consider when it comes to microinsurance distribution. However, this entails an examination of factors that include trust, client understanding of the delivery channel, the potential to reach scale, and the ability to fulfil customer needs, such as convenient payment options. Hence, this bachelor thesis aims to answer following research question:

What are valuable options of distribution channels in East Africa to promote microinsurance policies?

As mentioned previously, the field of microinsurance is still evolving and companies are seeking best-practice guidelines. This thesis provides readers an overview of the current state of the East African economic and financial market factors and potential delivery channels as well as the remaining challenges and future opportunities.

1.3 Academic and Business Relevance

Compared to other subjects, rather limited research is available in the field of microinsurance but as well as in particular with microinsurance distribution. One reason for this is probably its recent emergence, which started mainly after the turn of the millennium. Furthermore, most of the literature dates back to the beginning of the last decade. However, some people and institutions could be identified who are frequently found in this domain and who have already carried out relevant research. Craig Churchill, the chief of the Social Finance Programme and the team leader of the International Labour Organization's Impact Insurance Facility, is a major contributor, as he compiled two microinsurance compendiums in 2006 and 2012. The subjects included a broad range of general microinsurance operations and practices around the world, including the infrastructure and environment for microinsurance, specific research, and key lessons involving different products, such as health or life insurance. Michael McCord, founder of the MicroInsurance Centre, is another contributor, who has conducted several studies in Africa and East Africa. These include an examination of the vulnerability of the people of East Africa (2003), the potential of microinsurance health products in East Africa (2007), and general risk management possibilities for the low-income market (2009). However, scant research has been conducted about the various delivery channels and their impact on microinsurance in East Africa. Among all the East African countries, Kenya has been identified as the country researches most study about in terms of microinsurance. However, studies have been published about a number of delivery channels, such as one by Smith A., Smit H., and Doubell C. (2011) dealing with emerging trends in microinsurance distribution or another by Prashad P., Saunders D., and Dalal A. (2013) examining mobile phones and mobile network operators in microinsurance (Prashad, Saunders, & Dalal, 2013; Smith et al., 2011). More recent research has been conducted to evaluate the role of cooperatives in social and economic development (Otieno, 2019) or about the influence of distribution strategies in Kenya (Mutua, 2017). Additionally, research has addressed the general factors influencing the uptake of microinsurance in Kenya (Odenyo, 2018; Onduso, 2014).

1.4 Scope

This thesis examines the topic of microinsurance distribution, which usually includes a long list of factors to consider. As outlined in the problem statement, microinsurance customers are exposed to various risks, have different needs, and are subject to a number of risk management strategies that diverge around the world. To be successful in promoting microinsurance products in the market, a delivery channel must be able to understand the clients' needs and the current risk coping mechanism and provide advice in the best possible manner. Furthermore, other issues, including the complexity and abstractness of microinsurance for the target group, are crucial aspects to be addressed by a distribution channel. Moreover, the selected delivery channel must be cost-efficient, since each microinsurance policy has a low margin of profit. For this reason, the main focus of this thesis is to evaluate a delivery channel's ability to increase microinsurance uptake by consider several supply-and-demand side criteria such as the cost, outreach, and convenience of premium payment. Moreover, current market conditions including the financial literacy rate, mobile phone penetration rates, and the urbanization rate are evaluated to determine the development level of the four countries under study.

After conducting a thorough literature review, a general pattern for the development of distribution channel can be identified, such as MFIs and community organizations or associations including lending and savings cooperatives or agricultural communities. The second phase was mainly characterized by mobile network operators, which emerged with the global penetration of smartphones around the world, and other innovative delivery channels, such as retail stores or utility companies. Finally, with the most recent rise in technology, digital platforms and mobile applications are transforming the way microinsurance can be distributed and represent a promising way to overcome several existing barriers, such as how to reach customers in remote areas.

Based on this development, and since the following delivery channels are the most-cited in theoretical literature, these delivery channels have been identified as the most relevant and are analyzed and evaluated more thoroughly in the literature review:

- Financial institutions,
- Community organizations or associations,
- Mobile network operators,
- Retail stores, and,
- Online platforms and mobile applications

Nonetheless, there are other delivery channels in the microinsurance industry, depending on the market, the product, the particular target group, and the degree to which an insurance company has innovated and experimented with microinsurance. A brief overview has been presented in the literature review.

As this thesis evaluated the ability of delivery channels to impact product uptake in East Africa, a further narrowing in terms of countries is required. According to the African Development Bank Group, the East African region comprises 13 countries: Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Rwanda, Seychelles, Somalia, Sudan, Tanzania, Uganda and, the Republic of South Sudan (The African Development Bank Group, 2012). The countries differ significantly in terms of size, diversity of culture, ethnic and religious identities, economic and infrastructure development levels, and welfare of the people, to name a few examples. However, the countries studied in this thesis are limited to Kenya, Tanzania, Rwanda and Uganda. These four nations are part of the East African Community (EAC), which is one out of the three important regional economic communities in East Africa. The main mission of the EAC is to "widen and deepen economic, political, social and cultural integration in order to improve the quality of life of the people of East Africa through increased competitiveness, value-added production, trade, and investments" (East African Community, n.d.). The other two communities in East Africa are the Common Market for Eastern and Southern Africa and the Intergovernmental Authority on Development. Nonetheless, the EAC is approaching the highest stage in terms of economic integration with a treaty signed in November 2013, to implement a common currency within the next 10 years (African Development Bank, 2019).

To apply for EAC membership, country must conform to a set of principles including the adherence to universally acceptable rules of good governance, democracy, law, human rights and social justice. Additionally, an applicant must demonstrate the ability to contribute to integration of the East African region, establish and maintain a market-driven economy and ensure EAC-compatible (East African Community, 2007). Another development worth mentioning about the EAC that is intra-EAC trade scores the best among all RECs, with exports accounting for 20% of total trade in 2017, and it significantly outperforms the continental average of 14.5% (African Development Bank, 2019). All of these elements are crucial to promote economic development in a country and lay the groundwork for sustainable growth in the financial sector.

Uganda		**Kenya**	
Population	39.0 million	Population	47.8 million
Gross Domestic product[1] (GDP) (in USD)	35. 165 billion	GDP (in USD)	95.503 billion
GDP growth[2]	6.8%	GDP growth	5.4%
Rwanda		**Tanzania**	
Population	12.1 million	Population	54.2 million
GDP (in USD)	10.354 billion	GDP (in USD)	63.177 billion
GDP growth	9.4%	GDP growth	5.8%
Burundi		**South Sudan**	
Population	11.7 million	Population	12.3 million
GDP (in USD)	3.012 billion	GDP (in USD)	3.691 billion
GDP growth	1.8%	GDP growth	0.87%

Table 1: East-African Country Overview (own illustration) (East African Community, n.d.; The World Bank, n.d.)

[1] in 2019, for all the countries
[2] annual % in 2019, for all the countries

However, as can be seen in Table 1, the four countries in this study diverged significantly in terms of economic performance in 2019.

While Uganda, Kenya, Rwanda and Tanzania have achieved positive Gross Domestic Product (GDP) growth rates for several years, South Sudan and Burundi still post low to moderate growth figures. The main reason for their weak growth rates is the lack of peace and stability that disrupts economic activities in these two countries. While stability and structural transformation are needed to reduce poverty, the two nations also must cope with high poverty rates. According to the World Bank, 63.5% of the population in South Sudan is living on less than USD 3.10 (2011 PPP) a day, while in Burundi the situation is even worse, with 89.2% living on less than USD 3.10 (2011 PPP) a day (The World Bank, n.d.; African Development Bank, 2019). Due to the significantly lower development levels of these two countries compared to the other EAC countries indicated in Table 1, this thesis focuses on the four more mature member countries of the EAC, namely, Uganda, Kenya, Tanzania, and Rwanda.

The insurance industry is one of the most regulated industries. Additionally, as insurance regulations varies widely from country to country and is bewilderingly complex, even within a single jurisdiction (Biener, Eling, & Schmit, 2013), this thesis is not taking into consideration the regulatory conditions of the four selected countries.

2 Theoretical framework

2.1 Research Methodology

This thesis applied both primary and secondary research to gather the relevant information to answer the defined research question. This section provides an overview of the research methodology and explains the reasoning behind the chosen research methods.

Secondary research has been conducted in the first part of this thesis. According to Bell, Bryman, and Harley (2018), a detailed literature review is an important element of the research process and is paramount in determining what is already known about a particular topic. Furthermore, it may provide understanding of controversies that exist about the topic, offer details about the ways in which the topic has been studied, and categorize key contributors (Bell, Bryman, & Harley, 2018).

For this reason, the Chapter 3 theoretical framework serves as a basis for the thesis and consists of the following content in the consecutive order:

- A definition of microinsurance has been provided as the microinsurance business differs from the traditional insurance business, alongside information about the microinsurance customer and products.
- The distribution concept in microinsurance was explained and specific supply-side and demand-side criteria related to microinsurance distribution highlighted to understand the various factors to consider when selecting a delivery channel.
- The selected distribution channels have been discussed in more detail.
- The economic, poverty, telecommunication infrastructure and financial environment for in East African countries of Kenya, Tanzania, Uganda and Rwanda has been examined to evaluate the potential fit of the delivery channels into the market.

The most important definitions were obtained from the two compendiums about microinsurance edited by Craig Churchill 2006 and Craig Churchill and Michal Matul 2012. These two publications included theories and experiences of dozens of microinsurance innovators around the world who shared lessons learned, including successes and failures. From there on, several other studies and working papers have been consolidated to gain a holistic view of the topic of microinsurance and microinsurance distribution. When having assessed the East African market, the database of the World Bank and additional information on its website served as a basis to gather relevant information about the four selected economies. Moreover, the countries' respective government websites, the homepage of the African Development Bank, the International Labour Organization and the Microinsurance Network served as a relevant literature databank as well.

After having outlined the selected distribution channels for microinsurance and an analysis of East African economic and financial market factors, preliminary findings of the literature review were elaborated before the interviews have been introduced. The insights gained through the collection of the secondary data were crucial to define the interview questions.

Apart from the secondary research, primary research has been conducted for this study. Primary research has been explained by Boeije and Hox (2005) as the "original data collected for a specific research goal, using procedures that fit the research problem." The key benefits of primary research are transparency, exclusivity and timeliness of data collection (Boeije & Hox, 2005). Before selecting an appropriate research method to gather primary data, one must distinguish between quantitative and qualitative research. While quantitative research involves numbers and statistics, qualitative research deals with words and their meanings (Thomas, 2003). The thesis aimed to study the potential of selected distribution channels in East Africa which may strengthen product uptake in the selected markets. Hence, the goal was to provide meaningful and holistic insights into different approaches taken by various institutions operating in the domain of microinsurance. For this reason, the qualitative research method has been identified as the appropriate research method for this thesis. As most of the research dates back to the years from 2005-2015, it has seen as crucial to conduct exclusive and up-to-date data for this thesis. The primary research was collected in the form of interviews with experts who are engaged in the microinsurance business.

After having defined to apply a qualitative research method for this thesis and selecting expert interviews to collect primary data, a suitable interview approach was selected from the four methods proposed by Alsaawi (2014): structured, unstructured, semi-structured and focus group interviews. While structured interviews allow for strong comparisons, unstructured interviews permit unlimited responses, but precise comparisons may be more difficult to draw. Semi-structured interviews leave room for elaboration and explanation, with the disadvantage that the interview discussion may veer off the topic. The focus group interviews involve a discussion with a group of participants to collect a variety of high-quality data, but transcription afterward may be difficult (Alsaawi, 2014). To gain in-depth data but at the same time benefit from a simplified transcription process, semi structured interviews were selected for this thesis.

The interviews were conducted in the form of discussions in which the interview expert took the most active role and offered insights into the chosen delivery channels, advantages and drawbacks of the selected delivery channels, challenges in the East African market environment and the potential future development of microinsurance distribution. The various advantages and disadvantages mentioned by the respondents have been ranked, based on the defined supply and demand side criteria, in an excel table, to identify potential delivery channels which fit most effectively in the African microinsurance market. The findings were critically discussed and a recommendation of valuable options of delivery channels in East Africa provided and how insurance companies should approach the East African market to ensure sustainable and successful microinsurance business is established.

2.2 Expert Interviews

As discussed in the prior section, qualitative, semi structured interviews were conducted. The interview questions were based on the examined theory; they aimed to provide a complete picture of how microinsurance is currently distributed and to gain insights into key challenges and success factors of the delivery channels. In addition, questions were asked about the future development of microinsurance distribution to elicit opinions about how the market is advancing. The insights were provided by executives from two insurance companies and two Insurtech companies that either are established in the East African market or that distribute insurance products in other African markets. The reason for the latter has been to find out if the same challenges exist in other African markets in terms of microinsurance distribution and whether better solutions to these problems have already been found. A total number of six interviews had been conducted. Due to the lack of quality, only four interviews have been used in this thesis. Table 2 lists the interviewees along with their positions.

Table 2: Interview Partners

Company	Type	Interviewee	Job Position	Date
AXA	Multinational insurance company	Quentin Gisserot	Project Manager AXA Emerging Customer	30 April 2021
Blue Marble	InsurTech Start-Up	Jaime de Piniés	Head of Africa	30. April 2021
BRITAM	Local insurer and financial service provider	Helen Osore	Head of Business Development	07. Mai 2021
ACRE	Insurance intermediary	Farid Wangara	Principal Officer	25. Mai 2021

Each interviewee received the questions in advance to allow them to prepare accordingly. Furthermore, they were informed in advance about the recording and the use of data from the interviews. At the outset of each conversation, the purpose of this thesis was explained, and assurances were made that the data obtained would be handled confidentially, for the purpose of this thesis only. The length of the interviews, which varied between 60 and 90 minutes, were conducted online on MS Teams due to international locations such as Paris and Nairobi. In a second step, the interviews were transcribed. According to Oliver, Serovic, and Mason (2005), distinctions can be made between naturalized and denaturalized interviews. To ensure that the research was left in its purest and least-altered from, the interviews were transcribed using the denaturalized technique. This way, the spoken language was made clearer, grammar was corrected, and utterances such as “uh” and “um” were removed to improve the readability (Oliver, Serovich, & Mason, 2005). All interviews were conducted in English, and the transcripts can be found in the Appendix 8.1.

2.3 Literature Review

The theoretical framework is an essential part of a thesis, comprising the secondary research that discusses the relevant definitions and concepts and serves as the basis for the primary research to come. This chapter first introduces the concept of microinsurance in general, defines a microinsurance customer, and describes products developed for this market. In the second part, the concept of microinsurance distribution is explained, and various factors from the supply- and demand-side perspectives that are important to consider in microinsurance distribution are discussed. Lastly, the distribution modes are introduced, and the selected delivery channels are discussed in greater detail. Taken together, these parts aim to provide a relevant overview and create a holistic understanding of the research focus of this thesis.

2.3.1 Definition of Microinsurance

The phenomenon of microinsurance has been described by the author of two microinsurance compendiums, Craig Churchill (2006), as a "financial arrangement designed to protect low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of risk involved" (Churchill & Matul, 2006, p.8). However, before examining the concept and its underlying principals, it is necessary to understand what the term microinsurance means. Since the early 2000'-s, the word "micro" has been interpreted in a number of ways and, thus, several definitions of microinsurance have evolved. Following Dror (1999), who explained "micro" as a level of society, in other words, community-based groups describing the insurers, the Microinsurance Network (2003) defines "micro" as consumers of microinsurance (Consultative Group to Assist the Poor, 2003; Dror & Jacquier, 1999). The third application of the term refers to the product itself and has become popular in country-based definitions of microinsurance (Ingram & McCord, 2011).

Churchill (2006) stated in his first compendium that "the definition of microinsurance is essentially about the same as for regular insurances with the only difference of its clearly prescribed target market, namely, low-income people" (Churchill, 2006 p.8). Nevertheless, research has found that simply down-sizing regular insurance is not possible (Biener & Eling, 2012), and a fundamentally different approach from the traditional insurance industry is inevitable (Ledgerwood, Earne, & Candace, 2013). The differences that the words "low-income people" make for the overall process design are significant. The products must meet the needs of low-income households and be as inclusive as possible, in other words, accessible for almost everyone, a practice that conventional insurance companies do not have much experience with. Insurance premiums must be affordable to this low-income group, conditions must be clearly defined and claims processing must be designed in the most facile manner possible. Furthermore, insurers need to think about strategies to overcome customer wariness, as most potential customers have limited to no experience with financial products. Lastly, insurance products should be grouped for efficiencies, since it has been proved that group policies tend to be more affordable than individual policies (Churchill, 2006). The Swiss Re Sigma Report (2010), highlights some of the key attributes mentioned by Churchill and provides a clear picture about how microinsurance can be defined:

- The concept of microinsurance is based on **insurance principles.** In exchange for loss coverage by the insurer, premium payments are made by the policyholder. This creates a sense of financial confidence among customer groups.
- By including low-income customers, most of whom live in remote areas, in the financial sector, **accessibility** refers to the increased availability of protection for a wider segment of the society.
- The main goal is to keep premiums and coverage at a moderate level to ensure **affordability** for the target population.
- **Flexibility** is another key aspect. Since the low-income population does not represent a homogenous group, deep customer understanding is required in order to create products that serve those people's needs.
- Lastly, **simplicity** of the overall process design for microinsurance plays a crucial role to promoting understandability and acceptance (Swiss Re Institute, 2010).

2.3.2 Microinsurance Customer and Products

The targeted population in microinsurance is found in the middle segment of the base of the economic pyramid, as illustrated in Figure 1. (Meyer & Vazirani, 2012; Prahalad, 2006).

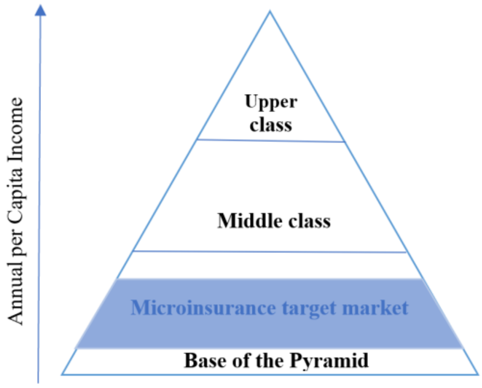

Figure 1: The World Economic Pyramid (adapted from Prahalad, 2006)

There is no single profile that applies to all microinsurance clients. Factors potentially characterizing a microinsurance customer, such as income level, maturity level, and social as well as environmental circumstances varying by definition. However, the Swiss Re Sigma Report (2010) estimated that people living on USD 1.25 to 4 per day can be viable customers for insurance companies, creating and estimated market potential of 2.6 billion people. Those who are living on less than USD 1.25 per day, about 1.4 billion people, can be reached with microinsurance provided through humanitarian aid and government support (Swiss Re Institute, 2010). Other general characteristics to describe a microinsurance customer are provided by the International Association of Insurance Supervisors (2018) and include factors such as low levels of education and insurance awareness, low levels and irregular streams of disposable income, and low levels of formal identification document penetration. Moreover, these people tend to live in places that are difficult to reach, have a lack of trust in insurance companies and possess a rather negative perception of insurance (International Association of Insurance Supervisors, 2018).

Because people's risks and needs vary greatly, a variety of different microinsurance products have evolved. However, the risk of illness is prioritized, as this risk entails not only a loss of income but additional cost outlays as well (Churchill, 2006). Health microinsurance products include coverages such as hospital nights, medical treatment, or drug expenses. These products tend to be more complex to develop (Matul, Tatin-Jaleran, & Eamon, 2011); therefore, even when they are most needed, health microinsurance products are not the most frequently sold in today's market. Life and credit life insurance, which compensate either the survivors or the credit company with a corresponding cash value in the event of death, are the most widely sold products (Microinsurance Network, 2020), followed by personal accident coverages and funeral insurance policies. The latter insure the costs of funerals, as burials play a significant role in many cultures and can be quite expensive (Cohen & Sebstad, 2005). Additionally, there are climate and natural disaster policies that, for example, provide smallholder farmers with coverage to protect their source of agricultural income in the event of drought (Microinsurance Network, 2020).

2.3.3 The Concept of Microinsurance Distribution

Since there would be no business transactions without the fourth element of the marketing mix, often referred to as place or physical distribution, this element plays a critical role not only in the product lifecycle but in a company's success as well. It has even been stated in research that customer value can be improved significantly when effective distribution strategies are in place. However, this can lead to higher barriers to market entry for competitors, resulting in a competitive advantage for a company (Porter, 1985).

A common definition for the concept of distribution channels has been introduced by Stern et al. (2005) and defined "as the set of all interlocking organizations involved in the process of making a product or service available for use or consumption" (Stern, Coughlan, Anderson, & El-Ansary, 2005, p.2). According to Kotler, Keller and Bliemel (2007), the distribution of products from companies to end users entails a network of relationships among at least three parties. These include the company producing the product, the end users for whose benefit the products are offered in the first place, and the intermediaries, who are functionaries of the distribution of goods and services, such as sales agents or retail outlets. Kotler, Keller and Bliemel (2007) further state that, to be successful in selling products, the company needs consumers who are motivated to buy. Likewise, it requires motivated distribution partners, if the company does not use its own sales staff (Kotler, Keller, & Bliemel, 2007).

A distinctive factor for microinsurance distribution compared to traditional insurance distribution is that it can be delivered through a number of channels which are not commonly used in more developed markets (Churchill et al., 2006).

Figure 2 illustrates the product delivery supply chain of an insurance company that is engaged in microinsurance.

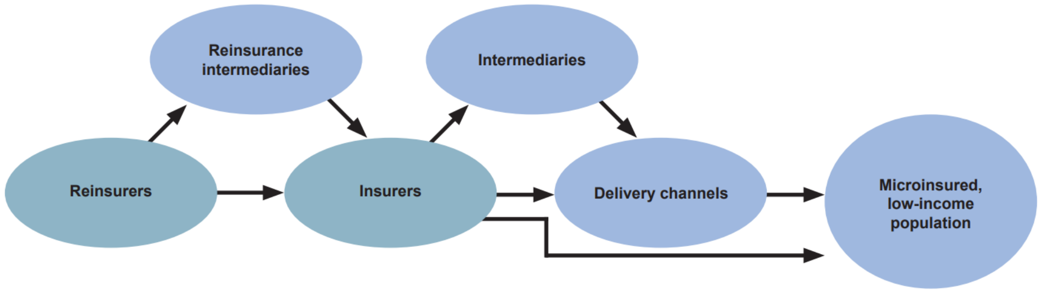

Figure 2 - Product Delivery Supply Chain (adapted from Bernhardt et. al, 2012)

In this unexplored and challenging market, insurance companies rely heavily on various delivery channels, since these MFIs, retailers, MNOs, credit unions, or other cooperative or community organization, typically have direct and regular access to low-income people in remote areas. Some insurance companies have attempted to distribute their products directly to the target group, but this approach is rarely seen. A more common practice is for insurance companies to partner with delivery channels, whose field staff members then generate the sales. This method expects the delivery channel to serve as an intermediary by identifying relevant products for the target groupings, sourcing the products from the insurance company, and serving the clients. Nevertheless, it has become apparent that delivery channels often are unable to meet these requirements, since their knowledge of insurance and experience with financial products is limited, and their motivation is obscure. This explains the existing ambiguity regarding the delivery channels being the main driver behind such a partnership, which is designed either to increase the insurance company's annual revenue or to provide added value to its clients. For this reason, there may be difficulties regarding communication, divergent motivations, client awareness, and knowledge of insurance concepts between the insurer and the delivery channel (Bernhardt, Steinmann, & McCord, 2012).

Taken together, these problems create a significant roadblock in a profitable business model and are why brokers or intermediaries have emerged to build bridges between insurance companies and distributors. These brokers support insurance companies not only by selecting appropriate delivery channels, but by training and supervising employees of the typically inexperienced delivery channels. Depending on the insurance company and its knowledge about the specific market, the broker assumes the responsibility for pilot-testing the products, coordinating the premium collection procedure, overseeing the claims processing, and performing additional market education campaigns (Bernhardt et al., 2012). Despite these various benefits, a research study by the MicroInsurance Centre (2014) found, that the main problem of profitability needed further attention. Since margins are small in the microinsurance market, limited liquidity funds are available to pay for various efforts undertaken by intermediaries and distributors. To ensure profitability, a massive scale at minimal cost is required, which represents a major challenge for existing intermediaries (Koven, 2014).

However, regardless of whether the insurance company or a selected intermediary decides on the delivery channel for a microinsurance product, evaluation is required from both a business and customer perspective. This is because what might work for the insurer and the delivery channel may not meet the needs of the targeted customers (Smith et al., 2011).

2.3.4 Supply Side Criteria on Microinsurance Distribution

Insurance companies face several challenges in the microinsurance market that must be overcome. Main issues are the lack of information about customers; inadequate access to these people, as they tend to live in rural areas; customers' inexperience with financial services; and skepticism toward insurance in general (Radermacher & Brinkmann, 2011). For this reason, insurance companies often partner with a distribution channel to leverage the channel's credibility as a seller of their products in the low-income market. Furthermore, this partnership enhances the chances of the insurance companies' product success. Achieving scale is easier, thanks to the existing customer bases related to the delivery channels (Churchill & Matul, 2012).

Smith et al. (2011) have explained in their study the evolution of the relationship and commitment between the insurer and the delivery channel. At the beginning, there is usually an assessment phase in which the insurer either changes its selected partner or, if a successful relationship has been established, the products offered develop further in two ways. First, adjustments to price and exclusions are made in order to increase customer value or to manage claim ratios more efficiently. Second, there is an upsurge in insurance products that are not linked to the delivery channel's primary business activity. The insurance company adjusts the process once sufficient data is available on take-up and lapse rates and the costs associated with a specific channel. This usually involves adding more, or different delivery channels, whereas others are being reduced (Smith et al., 2011).

However, before such an agreement can be established. To achieve this, Merry et al. (2014) suggest consideration of three fundamental aspects: (1) the advantages and trade-offs of the delivery channel, (2) the benefit the insurance company can have on the business of the delivery channel, and (3) the fit of the delivery channel in the target market. To evaluate a delivery channel's advantages and disadvantages, several criteria need to be evaluated, which have been summarized in Table 3 below.

Table 3: Criteria to evaluate a Delivery Channel (adopted from Merry et. al, 2014)

Client understanding	Since the target group has, in general, low awareness about the insurance concept, it is of utmost importance that the distribution channel is able to improve clients' understanding, consider their needs and provide advice.
Product diversity	This term refers to the degree of a channel's openness to offer a wide range of insurance coverages such as life, health and agricultural solutions. By offering a variety of microinsurance products, positive spill overs can be achieved.
Scale	One of the most crucial elements for an insurance company is the network or client base to which a distribution channel has access.
Brand and trust	Due to the rather negative attitude of low-income people toward microinsurance, it is particularly important to ensure that the distribution partner is trusted within a community or has a well-known brand.
Priority	This element assesses the distributor's level of commitment to prioritizing microinsurance alongside its own business or its level commitment to achieve an accurate sales proportion.
Cost	This refers to the channel's ability to provide low-cost distribution for the microinsurance supplier.
Partnership risk	Partnership risk refers to the extent to which the delivery channel can or is willing to offer a long-term collaboration to achieve ongoing success with a microinsurance scheme.

The study further suggests that insurance companies need to think beyond enrollment and recognize that the distribution channel may be able to provide additional services than simply product selling. Examples include the collection of premium payments, advertising, education of the low-income group, and evaluations of claims (Merry et al., 2014).

2.3.5 Demand Side Criteria on Microinsurance Distribution

According to Churchill et al. (2006), it is crucial to consider the needs and current circumstances of the target group when selecting the distribution channel (Churchill, 2006). This is also supported in the study of Smith et al. (2011), in which they highlight that an assessment must be made from a customer and business perspective (Smith et al., 2011).

In general, risk management is not a new concept to the low-income group, but only insurance as a tool to mitigate risk. For this reason, the adoption of formal insurance can represent a highly demanding challenge for the clients and the selected distribution channel. Not only are people across the globe managing risks in a variety of ways, but the prioritization of risks varies to some extent as well (Churchill, 2006). In some countries, the main concern is losing the families breadwinner, while in other low-income economies, the risk of a natural disaster is feared the most. Geographic location, cultural values, and societal norms play major roles in this context and are key aspects to consider. For example, in certain cultures, it is socially unacceptable to bet on negative events, and placing a focus on illness and death is seen as a wish for bad luck (Cohen & Sebstad, 2005, p. 42). Moreover, as the poor are managing risks differently, identifying their current coping mechanisms or precautionary measures is of utmost importance. They usually rely on more than just one risk-coping instrument, such as the diversifying income sources, stocking up on food, strengthening social networks, building assets by saving money, or make use of other informal, group-based insurance systems. The selected distribution channel must be aware of these aforementioned issues, able to provide meaningful customer service, and be well-suited to the customers environment (Cohen & Sebstad, 2005).

Additionally, Churchill et al. (2006) further suggest that it is essential for insurance companies to ensure that client value is provided through their distribution channels. This means that the low-income people need to clearly understand the purchase decision, the value proposition, and how to successfully realize the value of the acquired product (Churchill & Matul, 2012). This precondition and several others are taken into account in the PACE framework (product, access, cost and experience) developed by the International Labour Organization's Microinsurance Innovation Facility that concentrates on enhancing client value in the microinsurance process. It is based on the current knowledge available on the low-income people's preferences and needs for insurance products (Matul, Tatin-Jaleran, & Eamon, 2011, p. 302). The five key issues of microinsurance to consider when developing a risk management solutions for the low-income population include; appropriateness, accessibility, affordability, responsiveness and, simplicity (Cohen & Sebstad, 2005).

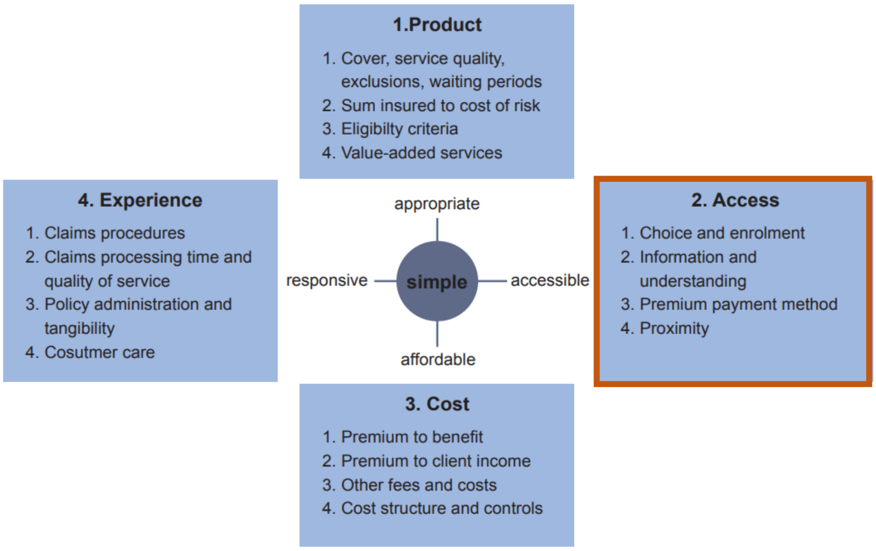

Figure 3 - PACE Framework (adapted from Matul et al., 2011, p. 300)

As can be seen in Figure 3, the PACE framework is derived from the five principles mentioned earlier, whereas simplicity represents an element that must be implemented on all four dimensions (Matul & Kelly, 2012). Although each of these four dimensions is equally important in the product development process, only the second dimension, "access", is examined in this paragraph since it refers to the distribution process and is used for the further analysis of the work.

The first aspect of "choice" involves generating value for a customer when insurance companies offer a variety of product options or specific features that can be customized according to the needs of the target group. However, two major challenges are posed by the increased offerings. Firstly, these choices make customer decision process more complex, and second, there is a risk that the differences between the products are not understood and bad purchases are made. For this reason, it must be ensured that the selected delivery channel can offer advice if needed and to reduce the complexity for the customer group. Apart from a certain flexibility that has to be offered in terms of product variations, the enrollment process must be designed in a workable manner, in terms of length and timing. Attention should be paid to when the low-income people have the most liquid resources and the offering of one brief enrollment window may not be enough to capture all the of interested low-income population (Matul et al., 2011).

Knowledge about finances, also known as the financial literacy rate, is important for understanding the offered microinsurance products and their proper use in case of a claim. For this reason, easy access to basic and additional product information must be ensured. Moreover, the customer should be educated individually about the use of microinsurance, while taking account of other available risk management tools such as broad financial education. Besides leveraging the selected distribution channels to increase awareness and trust, the latter requires additional marketing tools to further spread educational messages and change and change skepticism about insurance products Given the limited resources that insurers generally have at their disposal, such broad programs are unlikely to be implemented without the funding support of of financial resources from donors or governments (Matul et al., 2011).

The premium payment refers to the challenges associated with serving the microinsurance customer group around the world, in other words, people with irregular and low incomes. For this reason, the premium collection process must be designed in a flexible manner. The simple method of deducting the premium from the designated bank account, as is the case in developed economies, is barely seen in emerging countries. Nevertheless, several other measures can be taken to address the needs of low-income households, such as doorstep collection or payments in small and irregular sequences. However, this increased flexibility also has a direct impact on channel costs (Matul et al., 2011).

Finally, proximity of distribution channels is another important aspect to consider. With limited transportation options, which often come at a high cost, microinsurance providers need to ensure that the point-of-sale for their customers is within a reasonable distance of their homes (Matul et al., 2011).

2.3.6 Distribution modes

As already mentioned earlier, microinsurance can be distributed by a variety of delivery channels and is commonly used by insurers to gain credibility in the market. Churchill and McCord (2012) have explained the delivery channel evolution according to three phases including, (1) the early distribution and mandatory product phase, (2) new and innovative delivery channels and greater product diversification, and (3) multiple partners and complex product choice (Churchill & Matul, 2012). The study of Merry et al. (2014) further suggested, that successful distribution processes are aligned to the maturity level of microinsurance customers.

Figure 4 explains the relationship between the delivery channel and the development level of a market (Merry, Prashad, & Hoffarth, 2014).

It is suggested, that in markets in which people are unfamiliar with insurance products, the product must be offered on a mandatory basis. The typical example is credit life insurance, in which the microinsurance product is sold in a bundle with the loan to ensure that the balance is repaid in case of death of the borrower (Enarsson, Wiren, & Almeyda, 2006).

Delivery channel and maturity of microinsurance customers

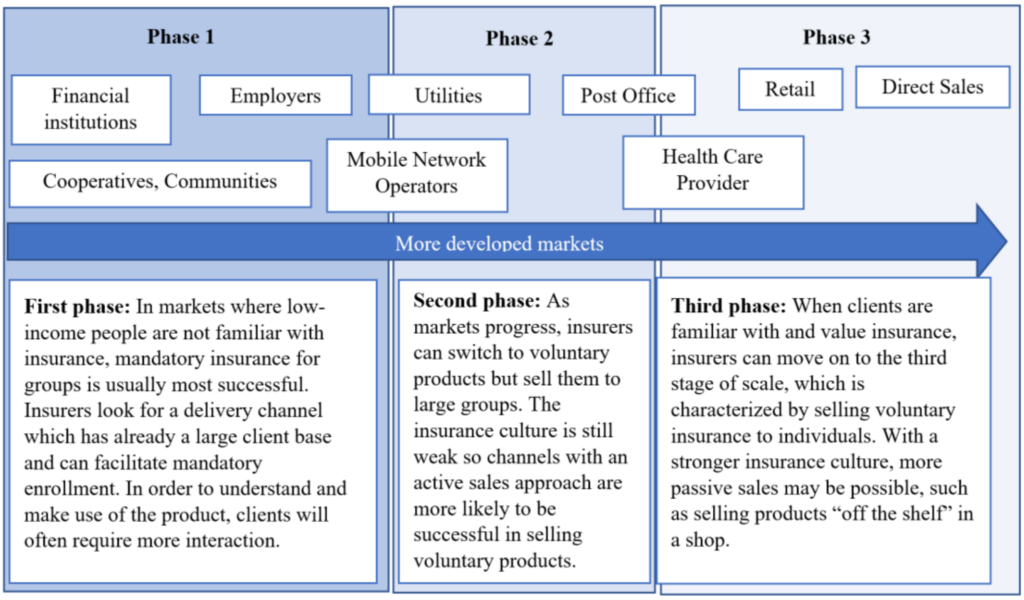

Figure 4: Delivery Channel and Maturity of Microinsurance Customers (adapted from Merry et al., 2014)

In the first phase, insurance companies are likely to partner with institutions, that offer a large client base, are able to facilitate the enrollment process and effortlessly provide additional information. The second phase is characterized by increased understanding of products, but it still requires an active sales approach and grouping for efficiencies to manage costs. The last phase assumes that customers understand the value proposition of microinsurance policies, and thus, companies are able to sell voluntary insurance to individuals or even make use of passive sales strategies (Merry et al., 2014).

2.3.6.1 Microfinance Institutions

Microfinance has evolved as an economic development approach intended to provide low-income people access to capital in the form of small loans, secure savings products, or collateral substitutes such as group guarantees or compulsory savings (Ledgerwood et al., 2013).

From the beginning, the distribution of microinsurance through MFIs was a popular way to enter the low-income customer market. The main reason for this phenomenon was the natural demand that arose among MFIs to protect their book value of loans, after the microfinance model gained popularity in emerging markets. This was achieved by linking credit loans with life insurance policies. As a result, almost all microfinance lenders are insured against the death of the loan holder. Some policies extended the coverage to illness and disability; however these require careful preparation and well-designed terms and conditions (Enarsson et al., 2006). Apart from the benefits that MFIs gained through the increased loan security, insurance companies were able to use the credit screening process as a substitute for underwriting life insurance policies (McCord, 2006). Other important benefits that MFIs can offer are the existing infrastructure and regular financial transactions with the target market (Churchill, Dalal, & Ling, 2012). Since microfinance institutions often interact personally with borrowers whenever new credit has been granted, these institutions are in a position to improve financial literacy and thereby contribute significantly to the further development of the financial market (Enarsson et al., 2006). This is particularly important for insurance companies, as a certain degree of financial understanding is required, to promote microinsurance policies. Researchers have studied the correlation between distribution channels and how they prioritize building a client’s financial understanding. Results indicated that the delivery channels prioritized financial literacy development experienced almost three times as many new enrollments as those that did not place high value on enrollment (Roscoe, 2013). In addition to being able to offer information about financial products, the MFI staff members usually understand their customers and are able to provide meaningful advice that is appropriate to the customers’ current risk-coping strategies and cultural norms and values (Wipf, Kelly, & Mc Cord, 2012).

McCord (2006) has studied the typically large client databases of MFIs, which offer microinsurance providers a fast and low-cost way to reach the poor. Due to the technical capabilities of financial institutions and the existing infrastructure at the local level, processes such as insurance registration and collection of premiums can be accomplished while the loan is being granted (Churchill et al., 2012). This also has a positive impact on customers, certain advantages can be taken derived from price pooling (McCord, 2006). As some of MFIs are already well-known in the low-income customer segment, in particular, those with a strong social mission, these institutions often benefit from a high level of trust from their customers regarding financial matters. This also leads to higher-quality offerings for customers, since these trusted MFIs face great reputational risk, and therefore, seek to ensure that meaningful products and efficient processes are provided (Smith et al., 2011). Moreover, the gathered data on customers from MFIs can significantly contribute to a better understanding of a client's insurance needs (McCord, 2006). However, some argue that in contrast to the improved financial literacy accompanying credit loans, understanding of insurance remains low, because low-income people perceive the insurance as a prerequisite of obtaining the loan. This has led to small-claim payments as well as limited customer value (Oyekan, 2020). Furthermore, the rather fixed repayment plans with the linked insurance coverage offer customers limited flexibility when taking into consideration the low and unstable income of this market (Datar, Epstein, & Yuthas, 2008). Another drawback is the limited control over the sales process. Apart from the basic credit life insurance, MFI agents in general are highly occupied by their main business of selling loans, resulting in limited effort to sell and explain microinsurance products. (Churchill et al., 2012).

2.3.6.2 Cooperatives or Community Organizations and Associations

Apart from MFIs, insurance companies make use of community-based organizations such as trade unions, credit cooperatives, agricultural cooperatives and other groupings to sell microinsurance policies. These groups are characterized by a high degree of solidarity within their member group, and mutual support in critical situations has long been a part of these communities risk management strategies (Zenklusen & McCord, 2009). For this reason, the concept of insurance is valued by the majority of these organizations, as it is believed to increase the well-being of the members (Oyekan, 2020). In some cases, community-based organizations or cooperatives even actively reach out to insurance companies to formalize their current risk coping mechanisms. This general knowledge helps to undermine the commonly existing negative perception of insurance and to overcome cultural barriers to some extent (Cohen & Sebstad, 2005).

Since these communities play a central role in the members' social and professional lives, the leaders usually benefit from a high level of trust, and insurance companies or intermediaries save costs when collective decisions are made to purchase the product for the whole community or cooperative. Additionally, community or cooperative leaders can be a driving force for insurance companies to understand the needs of these low-income groups and provide assistance by developing diverse and relevant products. However, sometimes the trust does not extend to financial services and when individual sales must be achieved, there is no longer a cost-benefit (Merry et al., 2014).

The size and degree of formality of these organizations varies greatly. Among the factors that make them attractive as distribution channels is the capability to group small and large number of people who have similar needs and characteristics (Oyekan, 2020). Such organizations are familiar with these needs as well as the economic and social situations of their members, because exchanges within the community or cooperative are taking place on a frequent basis. The use of such communities or cooperatives to distribute products includes the advantage of promoting the insurance concept in remote areas that are inaccessible by other delivery channels (Radermacher & Dror, 2010). However, insurer face a certain partnership risk, as larger groups may decide to participate directly in insurance, in other words, in a mutual model. A mutual model is based on the underlying principle that the insurers are also the owners of insurance (Radermacher & Dror, 2010); in some countries, these models are implemented nationwide (Fonteneau & Galland, 2006). Another risk that insurance companies face with community-based organizations is accumulation. In case of a force majeure such as storm, earthquakes or floods, everyone within the community may be affected. In addition to the rather small number of insured people, which makes the claims payment even less predictable and thus vulnerable to fluctuations, the model is susceptible to high cost (Radermacher & Dror, 2010).

2.3.6.3 Mobile Network Operators

The rapid increase of mobile phone use around the world has had a significant impact on the microinsurance landscape and many other industries in emerging countries and has given rise to many MNOs. These MNOs own a complete telecommunications infrastructure to provide wireless data and voice communications services for their subscribed mobile users (Andrés, 2020).

Due to the vast spread of mobile phones even in emerging countries, MNOs were able to build a large customer database with millions of subscribers in a short period of time, and thus developed a highly valuable asset compared to other institutions that still lack relevant customer data. The existing data about a customer, such as name, address and billing information, can fulfil the identification requirement for an insurance company, which results in lower data collection costs. Moreover, the delivery of microinsurance through mobile phone eliminates the high costs associated with in-person sales (Prashad, Saunders, & Dalal, 2013). In addition to the large customer base, MNOs usually have an extensive agent network that covers large parts of a country and, therefore, can have a strong impact on the broad product success. Due to their high visibility in a country, the model offers significant possibility to reach scale, as subscribers' trust in the MNO can also be leveraged to sell microinsurance products (Bankable Frontier Associates, 2015). Moreover, as the acceptance of paying utility bills, sending remittances to family members, or recharging airtime via mobile financial services has grown rapidly among the poor, offering insurance coverage can be seen as a natural addition to this list (MicroEnsure, n.d.)

The existing infrastructure of MNOs has significant potential to facilitate processes for insurance companies and offer increased value for the customer group. First, MNOs are able to manage several steps of the value chain process, including enrollment, marketing, registration and claims handling. As low-income people must cope with irregular cash flows, flexibility in terms of payment is important and MNOs mobile infrastructure allows the option of mobile or physical payment, with the latter being delegated to a mobile money agent (Téllez, 2012).

Within the MNOs' industry, these companies face fierce competition and see frequent pressure on subscribers to switch their mobile carrier at a low cost. Offering value-added financial services, such as insurance, as a tool to reward customer loyalty is done quite frequently, and sometimes MNOs even reach out to insurance companies for collaboration (Prashad et al., 2013). This opens up the opportunity for insurers to involve MNOs not only as a passive delivery channel for insurance enrollment or premium collection but also as an active channel to provide insurance coverage on its platform. However, if insurance is not prioritized as a loyalty benefit by the MNO, the insurance product must compete with the other paid mobile-based applications and products. In general, MNOs have mostly provided life insurance policies and have experienced some difficulties with expanding the product line to include more complex products (Merry et al., 2014).

Given that MNOs usually serve their customers with voice or short message service (SMS), the low level of interaction can reduce customers' understanding about contract conditions and, therefore, increase the risk of mis-selling (Prashad et al., 2013). Although these companies employ a large agent network to support customers when needed, there is, the possibility to introduce both, personal and remote ways of selling the product (MicroEnsure, n.d.). However, by having MNOs as delivery channel, insurers rely heavily on their support, as they struggle to expand the product offerings on the MNOs' platform without their assistance. Another major drawback of this delivery channel is the customers lack of awareness that a coverage is integrated in the service when offered as a loyalty scheme by the MNO. Furthermore, there is limited potential for the insurer to increase its popularity, as the main focus of MNOs is to promote their own brand in the market (Smit et al., 2017). Lastly, insurance companies face a high partnership risk with MNOs and interest may diverge because the industry MNOs operate in can be characterized as a fast-moving consumer goods industry, while the financial industry requires a customer's long-term commitment and trust to succeed (Prashad et al., 2013).

2.3.6.4 Retail Stores

Insurance companies have experimented with another type of alternative mass-market channel, namely, retail stores. These stores sell goods and services other than financial services to low-income households and may include grocery stores, household goods shops, funeral shops, clothing retailers, or agricultural retailers. Such retail outlets are a useful alternative to MFIs for insurers, as the low-income people who are uninterested in savings or loans may be interested in buying food, fertilizer, or furniture (Roth, Chamberlain, & Churchill, 2006).

Retail stores, similar to MNOs, have established a visible presence in these low-income markets, and benefit thereby from an increased level of trust among this customer group. There are a great variety, ranging from small stores to large retail chains. If a store has several branches in a market, insurers are able to benefit from a fairly large customer base, indicating significant opportunities to achieve scale (Oyekan, 2020). As these stores often have branches located in rural areas close to the insurers' target group for distribution of their products, it allows for a direct cash premium collection from customers and makes the overall enrollment and payment process more convenient the client. However, this assumes that the retail store has regular transactions with low-income people, as it is unlikely that a customer would visit a retail store for premium payment only. This requires some infrastructure for financial transactions, which may be present in larger retail chains such as supermarkets and gas stations, but less apt to be the case in small informal retail stores (Roth et al., 2006). In general, the retail stores provide either an active or passive sales approach in microinsurance distribution, depending on a store's and its staff's commitment to microinsurance sales (Hougaard & Chamberlain, 2011). In an active sales process, retail store sales staff actively attempt to sell insurance, such as health insurance or seed protection policies for farmers, whereas a passive approach involves placing the product on the shelves and offering no advice about the product. However, as stores seek to minimize a reputational risk, retail outlet may be committed to actively engage in the microinsurance sales process (Roth & Chamberlain, 2006).

Due to customer proximity, facilitated premium payment process, and passive sales approaches, retail stores are likely able to reduce costs in microinsurance distribution more than any other delivery channel (Smith, Chamberlain, Hougaard, Smit, & Carlman, 2010). Nonetheless, there are problems with this delivery channel when products are actively sold, as sales personnel in retail stores typically have limited knowledge of financial products, are unlikely to provide customers with additional information, and have limited ability to offer advice tailored to a customer's individual situation. This is why, only simple products, such as life or funeral insurance, are often offered on a mandatory basis through these delivery channels (Smith et al., 2011). Additionally, if the product is not actively sold but is placed on retail shelves, only limited customer awareness is achieved and the risk of mis-selling increases. Furthermore, as an insurance product must compete with a retailer's other product offerings, it often lacks visibility and, consequently, its success is rather limited (Merry et al., 2014). Lastly, retail stores may sell microinsurance products from several companies, which makes it difficult establish a meaningful and efficient relationship based on customers' needs (Smith et al., 2011).

2.3.6.5 Digital Platforms and Mobile Applications

If one compares the fourth industrial revolution to the other three, it can be stated that technology is triggering change at an exponential pace before experienced, resulting in an exciting and unpredictable environment. These fast technological advancements have led to the introduction of big data, machine-learning, and artificial intelligence, which challenge not only the standards and products for the traditional insurance sector in developed economies, but also promise to improve access to the low-income groups in remote areas more cost-effectively while providing increased customer value. Furthermore, these state-of-the-art technologies have made it possible to reduce personal interaction and physical paper elements, thereby trimming distribution costs to a large extent (Smit et al., 2017). Moreover, new digital platforms, mobile applications, and insurance business models, such as the index-based insurance, or usage-based insurance are emerging (Zinsmeyer, 2018). Index-based insurances are increasingly popular in the agricultural sector to monitor, for example, rain levels or drought periods using satellite data and to compensate the farmer in the event of excess rain or drought. Usage-based insurance refers to coverages that are restricted to a defined period, for example, during a travel period (International Association of Insurance Supervisors, 2018).

Apart from new business models, and more importantly related to distribution, significant potential has been detected in digital platforms to overcome the challenge of low microinsurance penetration. Insurance companies do have clear incentives to partner with digital platforms, as these platforms already have a solid customer base, reputation and communication channel as well as sufficient data available about their customers. However, several preconditions, such as internet connectivity, mobile payment infrastructure and a platform designed for local market requirements are necessary to achieve success with this delivery model (Rinehart-Smit, Johnson, & Chamberlain, 2018). Through the use of artificial intelligence and chat-bots, communication between the microinsurance customer and the insurance company can be facilitated and can allow customers greater flexibility in terms of information requests. Moreover, technology can act as facilitator to spread marketing messages, enhance client education, and assist in market segmentation. Although the use of digital marketing to enhance client understanding in terms of microinsurance products is underexplored, it has been identified as having significant potential (Chow, Ng, Biese, & McCord, 2019). Until now, mobile applications have rarely been seen as a tool to provide additional value to microinsurance customers. The technology in the overall process creates the risk of leaving the poor behind. If no attention is paid to inclusive access to technology, low-income people may never be exposed to the offered products. Furthermore, since they are also not visible in the collected customer data, this can further lead to products and process adjustments that are not adapted to their needs (Fitzgerald & Raverkar, 2020).

3 East-African environment

Following the discussion of the relevant definitions and the advantages and disadvantages of the main delivery channels in microinsurance, this section aims to examine the economic and financial market environment from Kenya, Tanzania, Uganda and Rwanda. For this reason, several aspects that have been identified during the course of the literature review are evaluated to draw a picture of how the various delivery channel potentially fit into the East African environment. Firstly, economic and several other important factors have been scrutinized to draw a picture about how the four countries are performing. The urbanisation rate of countries provides information on the geographical distribution of the population and may serve as an indicator that a delivery channel must have a large reach, if the population is not concentrated in cities. Consideration of the international poverty lines in these countries is crucial, to assess the target market and available financial resources of these people. Moreover, the telecommunications infrastructure, including access to internet and digital payment systems, is evaluated. The financial context must be considered to assess the financial literacy rate among potential insurance customers and the access to financial services.

3.1 Economic and Context

Kenya

Kenya's constant and flourishing average growth rates of 5.7% from 2015 to 2019, has made the lower-middle income country to one the fastest-growing economies in sub-Saharan Africa. This acceleration of growth has been accompanied by significant political and economic reforms changes, with the latter contributing to the country's social development and political stability. Kenya's future prospects seem promising, as the nation benefits from a growing youthful population, a dynamic private sector, and a skilled workforce (The World Bank, 2021d). The agricultural sector continues to be the greatest source of income for the poor as well as the noon-poor households in remote areas. A World Bank economic analysis (2019) found that agricultural activities have helped reduce poverty by 31.4% in rural Kenyan households that have been exclusively engaged in farming (The World Bank, 2019a).

Tanzania

The economic landscape in Kenya’s neighboring country, Tanzania, is similar. By achieving a gross national income per capita of USD 1,080 in 2019, the country exceeded the threshold of USD 1,020 for low-income status and advanced to the lower- middle-income country status in this year (The World Bank, 2021c). The country reached this target six years earlier than expected, probably also due to high urban growth, as the government had planned to achieve the status of a low-middle-income country by 2025 (Worrall et al., 2017). Although the service sector contributes the largest part approximately 38% of the country's GDP, 67% of the population is still engaged in agriculture, as the main economic activity, contributing 30% to the GDP (Statista, 2020).

Uganda

Even though Uganda experienced a 1.3% slower growth in the past five years compared to 2010-2015, in which the economy expanded by an average of 2.2%, structural transformation has helped the country begin shifting its workforce away from basic agricultural activities toward more industrial production, for example, the processing of raw materials and intermediate products derived from the agriculture sector. However, the country remains dependent on low-productivity agriculture, which accounts for 25% of the economy, about 50% of the country’s exports, and 70% of employment by 2019, partly explaining Uganda’s stagnation (The World Bank, 2021a).

Rwanda

Rwanda finds itself in an economic boom, with growth averaging 7.2 % over the decade ending in 2019, while GPD per capita grew at an annual rate of 5%. After two five-year economic plans to increase economic development and reduce poverty, which have brought robust economic and social improvements, Rwanda aims to become a low-middle-income country by 2035 (The World Bank, 2021b). The main contributor of the GDP is the agricultural sector, with approximately 35%. The agricultural industry has been the main driver of growth and, similar to Kenya, has significantly contributed to the countries reduction in poverty, lifting 1.7 million people above the international poverty line within five years (Republic of Rwanda, n.d.).

Urbanization rate

On the African continent, East Africa is considered to be one of the fastest urbanizing regions with an average growth rate of 4.5% from 2000 to 2018, however, at the same time, constitutes the least urbanized region in the world, according to the Organisation for Economic Co-operation and Development (OECD). The global level of urbanization was 54% in 2015 (OECD, 2017). However, this growth in urban population impacted East Africa in several ways, including improved connectivity to basic services and quality of life, economic growth and better health.

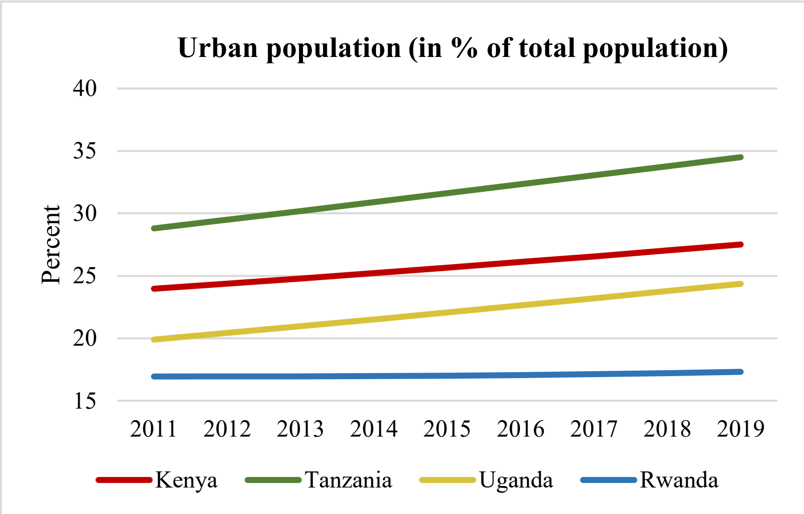

Figure 5: Urban Population (in % of total population) (adapted from The World Bank, n.d.)

Figure 5 depicts the urbanization development of the selected East African countries in the past five years (The World Bank, n.d.e). Uganda has experienced an urban population growth of 6% since the turn of the century, by 2019 having 24.4% of its population living in civic areas. (The World Bank, n.d.d). Among the studied countries, Tanzania had the highest share of people living in urban areas in 2019, at 34.5% and a growth rate of 5.2%. By mid-century, projections have been made that Uganda will have 60 million urbanites, an increase of 45 million people compared to 2012, when 15 million people lived in cities (Worrall et al., 2017). Kenya is experiencing a slower urban growth rate than Tanzania and even performs below the sub-Saharan African average of 4.5%. In 2019, Kenya's urbanization rate amounted to 27.5% and, given its low-middle-income status, the country is under-urbanized (The World Bank, 2018a). Rwanda has the lowest share of population living in urban areas, at 17.3%. However, some researchers have argued that the level of urbanization in Rwanda has been far greater, increasing from 15.8% to 26.5% between 2002 and 2015, meaning that the country is at least on par with the other three East African nations (The World Bank, 2017).

3.2 International Poverty Rate

Table 4: People living below the International Poverty Line (adapted from The World Bank, n.d.)

	International poverty rate (USD 1.90/day)	Lower-middle-income poverty rate (USD 3.20/day)	Upper-middle-income poverty rate (USD 5.50/day)
Kenya (2015)	37.10%	66.50%	86.60%
Uganda (2016)	41.30%	69.60%	87.60%
Rwanda (2016)	56.50%	80.20%	91.90%
Tanzania (2017)	49.40%	76.80%	91.80%

An estimated 41% of the people living in sub-Saharan Africa fall below the international poverty line, living on USD 1.90 per day. While Kenya is the only country to have achieved a poverty rate that is below this regional average, all of the countries studied are characterized by existing high poverty rates, as illustrated in Table 4. At least two-thirds of the population of the four countries still live with less than USD 3.20 a day (The World Bank, n.d.c). Tanzania experienced a temporary increase in poverty following the drought in 2016-2017, which exemplifies very well the high vulnerability of these people. It has been estimated that for every four Tanzanians who manage to move above the international poverty line, three fall below it (The World Bank, 2019b). The same reality holds for Uganda, as the government has successfully reduced poverty in recent years but has been less effective in preventing the vulnerable low-income population from falling back (Owori, 2020). Rwanda's poverty reduction rate has slowed down and low incomes remain a major challenge for the country, as poverty reduction has been less responsive to growth since 2010 (The World Bank, 2021e).

3.3 Telecommunication Infrastructure

Mobile Phones

In December 2017, a total of 250 million smartphone connected in Africa, representing one-third of the potential market. The Global System for Mobile Communication Association, an industry organization that represents the interests of mobile network operators worldwide, expects the rate to double to 690 million by 2025. Although there been rapid growth in telecommunications on the continent, and subscriber penetration has increased by 21% since 2010, mobile adaption is projected to slow to an annual growth rate of 4.8% between 2017 and 2022 (Kiprop, 2018).

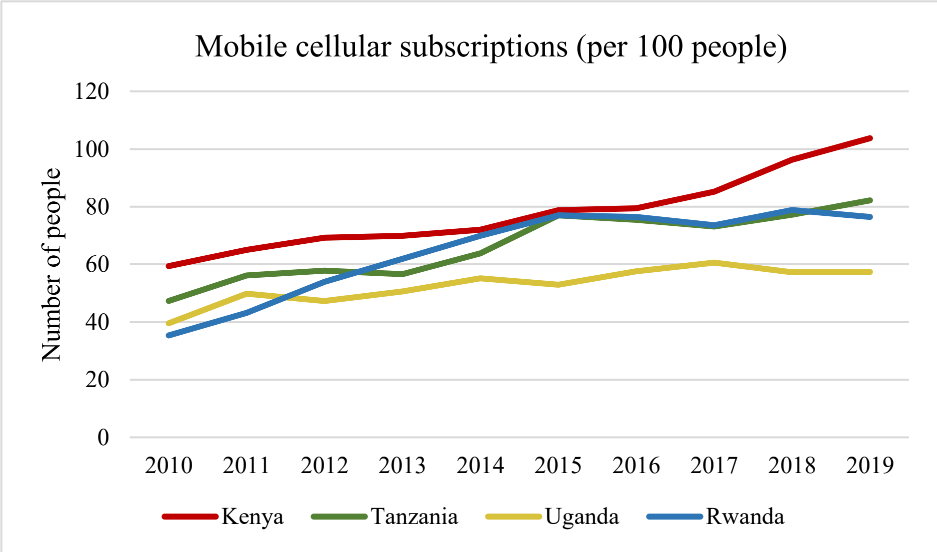

Figure 6: Mobile Cellular Subscriptions (per 100 people) (adapted from The World Bank, n.d.)

Figure 6 illustrates the development of mobile cellular subscriptions per 100 people within the past decade (The World Bank, n.d). At 103 per 100, Kenya has the greatest number of people having an active mobile phone subscription. As in many other African countries and particularly for people living in rural areas, mobile phones were the first modern telecommunication infrastructure of any type. The impact of mobile phones on the Kenyan market has gone beyond the initial expectations of driving down communication cost and realizing efficiency gains in many economic markets. Mobile phones have transformed the economic landscape by providing a platform for service delivery rather than simply being a communication tool (The World Bank, 2018a). Mobile money, referring to digital cash that allows people to make digital payments, is one of these examples of service delivery (Groothuizen, 2019). Whereas mobile payments been common in the Western world for a few years, this phenomenon, in particular Mobile Pesa[3] (M-Pesa) was introduced in Kenya in 2007. M-Pesa, a mobile banking, SMS-based service, was launched by Safaricom, the largest and most successful MNO in the region, together with the Vodaphone Group (The World Bank, 2018a). However, mobile money grew in popularity not only in Kenya but in entire East African region, and the four countries studied led the world in the highest number of registered and active per capita mobile money accounts, mobile payment transaction volume, and agent network. Additionally, the East Africa region is responsible for 52% of the overall active mobile money accounts (Groothuizen, 2019).

[3] Pesa is Swahili for money

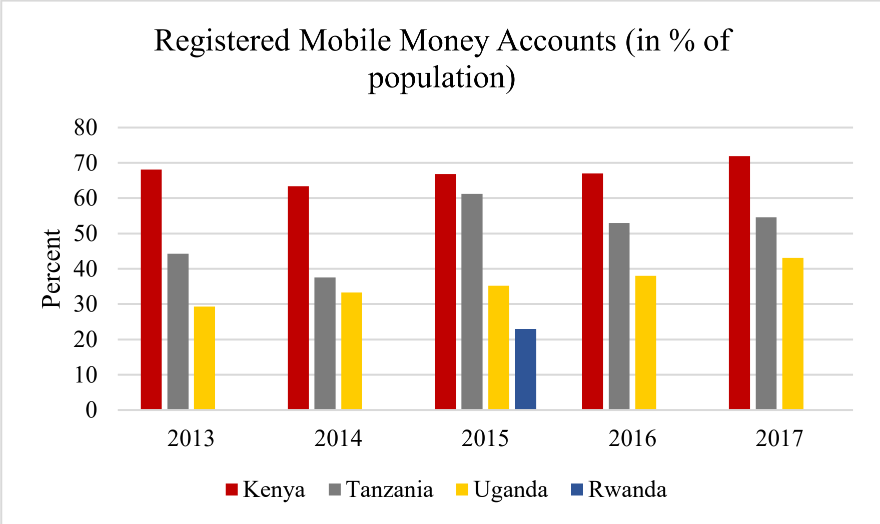

Figure 7: Registered Mobile Money Accounts (in % of population) (adapted from Financial Inclusion Insights (FII), n.d.)

However, as Figure 7 indicates, most of these accounts are concentrated in Kenya, followed by Tanzania. While Uganda has experienced a slight increase in the number of mobile money accounts over the past few years, Rwanda has the lowest rate at 23% of the population in 2015 (Financial Inclusion program, n.d.b).

Africa was connected relatively late to the internet, and the lack of reliable and affordable electricity exclude many households from using it. There has been improvement, however, as the number of broadband internet connections, including 3G and 4G, increased nearly 20 times over the 2010 level, with more than 400 million users connected in 2019. Even though internet data charges are continuously declining, which is beginning to solve the problem of affordability, a lack of progress in extending access and network coverage has been asserted (Bahia & Delaport, 2020).

To achieve change and greater digital inclusion, more effective and innovative collaborations are required (The World Bank, n.d.-a). Recent research by Information and Technology Communication Africa found that East Africa and in particular Tanzania, ranking fourth among all the African countries, offers inexpensive internet data charges for its population. Rwanda, Kenya, and Uganda hold the fifth, seventh, and ninth places (Research ICT Africa, n.d.)

The Figure 8 depicts the internet access of an individual as a percentage of the overall population. As mentioned previously, mobile phone penetration and mobile money have reached high levels in Kenya and Tanzania, but limited impact has been seen in improving internet access.

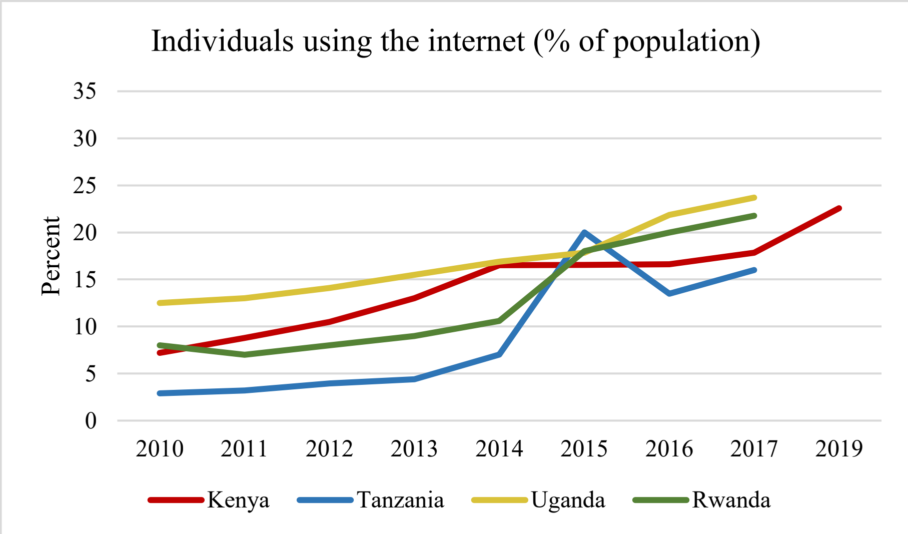

Figure 8: Individuals using the Internet (% of population) (adapted from The World Bank, n.d.)

3.4 Financial Context

Financial inclusion is the access to products and services for individuals and businesses that meet their needs for such transactions, as payments, savings, credit and insurance, all delivered in a sustainable and responsible manner. When individuals and business open and use accounts at institutions that offer a full suite of financial services including savings, credit, insurance, and investment, financial inclusion can be created. The most popular examples for full-service financial inclusion are banks, mobile money service provider and non-bank financial institutions such as microfinance institutions (The World Bank, 2018b).

Financial literacy rate

The OECD defines the financial literacy rate as “the knowledge and understanding of financial concepts and risks, and the skills, motivation, and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial well-being of individuals and society, and to enable participation in economic life” (OECD, n.d.). Financial knowledge is especially important, as governments in many countries boost access to financial services for the growing number of people with bank or mobile money accounts. With greater access to such services, more complex financial products are becoming available to a broad segment of the population, and they need to be properly educated to avoid mis-selling, high levels of debt, mortgage defaults, or insolvency. The OCED has studied the financial literacy rate across the globe and determined that only one in three adults reveal an understanding of basic financial concepts. African countries have performed among the lowest in terms of financial literacy (Klapper, Lusardi, & van Oudheusden, 2015)

Table 5: Financial Literacy Rate (adapted from Klapper et al., 2016)

Country	**Adults who are financially literate (in % of the population)**
Kenya	38%
Tanzania	40%
Uganda	34%
Rwanda	26%

Table 5 indicates the financial literacy rate of the four countries studied. The regional average[4] was at 28.75%, indicating that, apart from Rwanda, the population of the remaining three has a greater level of understanding of financial products and services than of the other countries in the East-African region.

Access to financial services

The financial inclusion program, a project, which has been established in partnership with the Bill and Melinda Gates Foundation to build meaningful knowledge about financial inclusion in selected countries in Africa and Asia, has measured the access to financial services in several countries in East Africa. For Kenya, Tanzania and Uganda figures were available from 2017, while Rwanda's latest figures date back to 2015. As indicated in Figure 9 especially in Kenya, Tanzania, and Uganda, more than 50% of the population has access to a mobile money agent within a 5 kilometres (Financial Inclusion program, 2018a). The rate of use of informal savings and lending groups remains popular in these three countries, at 30%-50% (Financial Inclusion program, 2018b, 2018c).

[4] including Burundi, Ethiopia, Kenya, Rwanda, Somalia, Sudan, Tanzania and Uganda

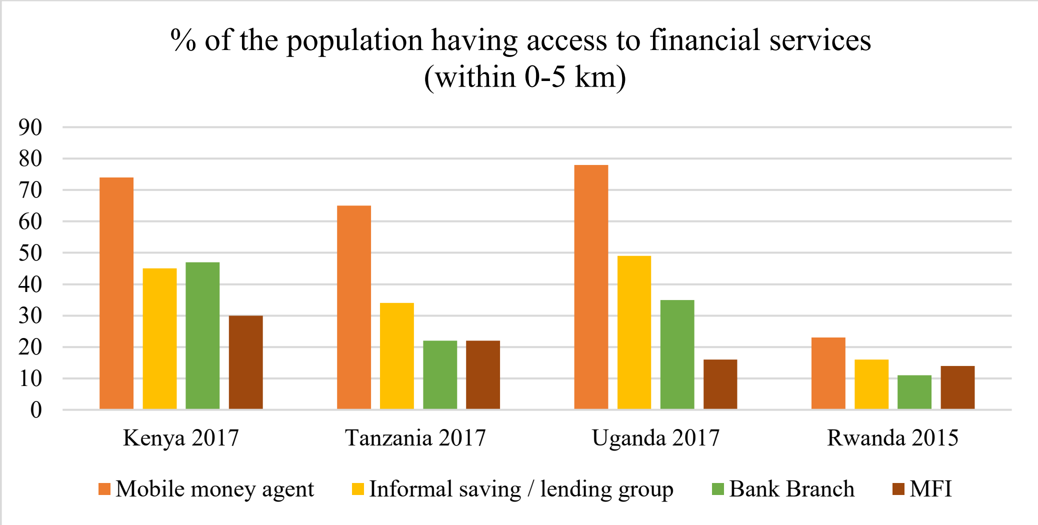

Figure 9: Access to Financial Services (0-5 km) (adapted from financial inclusion programm, 2015/2017)

Compared to the other three countries, Kenya offers already easy access to bank branches, with almost 50% of the population having one close by. In none of the countries, the proportion of people accessing MFIs in the immediate vicinity was above 30% in 2017 or 2015. Rwanda lags behind the other countries, although it is difficult to draw a comparison as no figures from 2017 are available. However, in 2015, access to mobile money agents and other financial services remained low (Financial Inclusion program, 2016).

4 Findings

In the first part of this chapter, the selected delivery channels are placed into context with the analysis of the East African market to evaluate the delivery channels potential fit into the East African market. The second section provides opinions and practical insights into different approaches of microinsurance distribution, an evaluation of the East African environment and a future outlook. These findings were gathered through interviews with experts from various companies.

4.1 Distribution Channels in the Context of the East African Market

Even though Kenya, Tanzania, Rwanda and Uganda have decided to form an intergovernmental organization to promote inclusive growth, trade, and wealth among the member countries and to fight poverty, these four nations differ greatly in economic dimensions. While Kenya and, most recently, Tanzania are lower-middle income countries, according to the World Bank, Rwanda and Uganda are still categorized as low-income countries performing below a gross national income of USD 1,020. The four nations are all overwhelmingly dependent on their primary sectors, which account for a large share of their GDP. The limited economic performance, development, and diversification in economic activities in these countries is perceived by insurance companies as less attractive and is one potential reason for the slower uptake and establishment of microinsurance business in this region compared than in other parts of the world. Poverty is persistent, with at least three-quarters of the population in all countries living below USD 3.20 a day, indicating that a large number of people remains vulnerable to being pushed back below the international poverty line. The low to middle incomes of the population may force insurance companies to keep premium costs as low as possible to make them affordable and attractive for the target group. As a consequence, insurance companies may need to find cost-effective ways in these markets to bring the product to the customer. Although there has been a rise in urbanization in the four countries, the rates remain low, with Tanzania reporting the highest percentage of urban dwellers at 35%. With these low rates of urbanization, the delivery channel must be able to reach large groups in rural areas to achieve efficiency and justify costs.

When looking at MFIs, limited potential is seen in Kenya, since the country already offers about 50% of the population access to bank branches within 0-5 km. This may increase in the coming years as Kenya continues to develop, especially in terms of access to digital payment services, which is already well advanced. More than 70% of Kenyan's have access to mobile money agents within 0-5 km, and most of the population has access to mobile phones. For this reason, significant potential can be seen to leverage the network of the MNO to reach high share of rural population. However, the remaining countries are still characterized by low to medium access to financial services and high rates of informal saving groups, indicating great potential for MFIs to penetrate the market and increase their client base. This, in turn, represents a worthwhile delivery channel for insurance companies to consider. Another important aspect to mention is the low financial literacy rate in all four countries, which implies the necessity to explain an insurance product. For this reason, it can be difficult to use a retail stores as a delivery channel, as the sales staff usually have little experience in dealing with financial products. However, the agents of an MFI are able to do so, as they are experienced in selling financial services products and, thus, can improve the financial literacy rate. Nevertheless, due to their rather limited market presence, MFIs may be not the most trusted institutions in these markets and, thus, they represent a moderate incentive rate for insurance companies.

More trusted delivery channels are said to be communities and associations, one example of which is informal saving or lending groups. In Kenya, Tanzania and Uganda, 30%-50% of the population has access to such informal savings and credit groups within 0-5 km of their homes, which represents significant potential for insurance companies for several reasons. Since these groups already have an informal system in place to deal with savings or credit lending, they usually also have an informal risk management strategy set up for their members to cope with unexpected events. This offers significant opportunities for insurance companies to support such communities or groups in formalizing the existing schemes. The proximity of the management or leaders to their groups as well as the close exchange allow them to understand exactly what risk solutions need to be developed. However, the high proportion of rural population in all three countries may pose a barrier to reaching to such informal groups and may serve as an indicator that several smaller village groups exist rather than a few large groups that would be concentrated in more urban areas. Nevertheless, the high rates of mobile phone and mobile money subscriptions in Kenya and Tanzania have the potential to compensate for the geographical distance and may serve as a platform for the collection of premium payments as well. Uganda has a slightly lower rate of mobile phone and mobile money subscription but the highest share (almost 50%) of such informal saving and lending groups within 0-5 km. This indicates significant potential but a higher cost outlay may be required to reach these people with more traditional communication channels, since the percentage of the people living in rural areas remains high, and access to technology is not yet widely available. Rwanda has the lowest rates of access to informal savings groups and, at the same time, more than 85% of its people live in rural areas with moderate levels of mobile cellular subscriptions and the lowest level of registered mobile money accounts. However, the country has the second highest percentage (about 23%) of individuals using the internet and has experienced the highest constant increase since 2014, where the rate was at 10%, compared to the other countries. Due to the high level of trust that members place in their community organizations or associations, this distribution channel may be of particular interest to insurance companies. As with Kenya and Tanzania, technology can be used to facilitate processes and increase the efficiency of reaching out to such group, so they can be considered a valuable option to pursue. Uganda holds a number of opportunities with the high share of informal savings groups, but a cost-effective solution would need to be found to reach out to these groups. The answer could be to equip the responsible parties with mobile phones. Due to the small amount of data available for Rwanda, it is not possible to evaluate the potential of informal lending and savings groups

The significant visibility of mobile money agents in Kenya, Tanzania, and Uganda, which are usually part of the sales staff of MNOs such as Safaricom, represent a major opportunity for insurance companies. An estimated 60–80% of the population has access to such an agent within 0–5 km. The strong presence in these markets and proximity to a significant majority of the population may allow insurance companies to achieve scale quite quickly and offer increased customer value due to mobile offerings, call centers, and personal interaction in case of additional questions. The platform of MNOs can also serve as a means to collect premium payments. However, the power and vast amount of customer data that MNOs have in these three markets make them attractive delivery channels not only for insurance companies but for providers of all types of goods and services. It seems evident that MNOs are well aware of their strong market power, are fielding a large number of partnership inquiries, and are able to demand respectively higher costs. The high numbers of mobile phone users and mobile money accounts in Kenya suggest that MNOs are able to reach a vast majority of population in this market. The same opportunities emerge for Tanzania and Uganda, although Uganda lags behind in terms of the number of people with mobile phone subscriptions, which may indicate the need for training more MNO sales staff to sell the microinsurance products. However, Uganda has the highest rate of individuals using the internet, at nearly 25%, with a gradual increase over the past nine years, which may pose further potential for MNOs and insurance companies in the near future. Overall, the access to internet remains low in all four countries, which indicates the currently limited potential of selling products through online platforms or offer mobile applications. The high proportion of Rwanda's rural population could be reached through MNOs, since an estimated 80% of people have a mobile phone. The low rates of mobile money accounts and access to mobile money agents, however, may cause difficulties for insurance companies to collect premiums in Rwanda.

4.2 Expert Interviews

After having gained an overview of the selected delivery channels and their potential fit in the East African environment, this section aims to present insights into the different strategies and practices from two insurance companies AXA and Britam, an Insur-Tech start-up Blue Marble and an insurance intermediary ACRE. The interviewed companies are operating either in East Africa or at least in other African markets. The main goal of the interviews was to gain first-hand insights into each company's perspective on their selected microinsurance distribution channels in East Africa or Africa. The different statements of the interviewees regarding their selected delivery channels had been gathered and categorized in an Excel Table, which can be found in the Appendix 8.3. The Excel Table in the Appendix 8.2 provides a summary of the findings from this Chapter highlighting valuable options of delivery channels in Africa. Lastly, a common future outlook of the further advancement in microinsurance distribution is provided.

4.2.1 Use of Delivery Channels

4.2.1.1 The Kenyan Insurance Service Provider Britam

Introduction

Britam is a Kenyan financial service provider with headquarters in Nairobi. The company offers its services including pension plans, investments and insurance solutions in seven countries including Kenya, Tanzania, Uganda, Rwanda, South Sudan, Mozambique, and Malawi. However, microinsurance policies are solely sold in Kenya. The company began operations the business twelve years ago serving customers living on USD 6 to USD 17 dollars a day in terms of purchasing power parity (PPP). Britam is the leading insurance company in Kenya when it comes to microinsurance distribution serving 800'000 low-income customers in the market.

Delivery channels

One delivery channel the company has in a long-time collaboration, representing its most successful model is with the Kenyan Tea Development Agency, which oversees the harvest and sale of tea in the country. The microinsurance products offered are life and health coverages for members, who are small-holder farmers and which are at the owners of the cooperative. The body counts 67 factories around the whole country and 600,000 farmers are included. The selling of microinsurance is handled by self-executives of the respective factories, who understand the needs of the target group and are thus able to explain the products to the small-holder farmer. To take into consideration the limited cash flow of the members, the premium is collected on a monthly basis. Up to now, the scheme accounts for 170,000 small-holder farmers and the annual premium amounts to USD 4 million. Mrs. Osore mentions the potential of such large cooperatives, and associations that are able to aggregate large amounts of low-income people who want to establish business together and consequently have microinsurance needs. In addition, once an appropriate insurance company has been found, these institutions and associations are most likely to introduce other coverages for their members through the same provider. Nevertheless, she added that there is a limited number of such entities which are not yet included in an insurance panel in Kenya.

Another delivery channel the company uses are MFIs. A main disadvantage coming with this delivery channel is the limited interest to sell additional insurance products others than credit life insurance. Mrs. Osores cites that Britam insures a moderate level of MFIs, but also refers to the trust MFIs benefit from in Kenya. Apart from MFIs the company is in an ongoing discussion with MNOs to start a partnership in Kenya. Mrs. Osore explains the opportunity MNOs represent in Kenya and at the same a remaining challenge that comes with this delivery channel.

> It does make sense; Kenya is such a digitized country. The issue is are we able to underwrite it at that simplicity level? Because everything else is happening on their mobile phones, people paying their bills on the mobile phone, do calls, pay school fees, people can do a lot of things with their mobile, but the issue is can insurance be understood. It has to be really, really simplified (...), five steps and you are done. (Osore, 2021)

The last delivery channel Britam is using and introduced by the beginning of this year is through a retail health company covering basic health risk. The model is successful counting already 600 active customers. However, due to the limited ability of the sales staff to advice customers apart from medical advice, Britam has a call center supporting customers during the registration process or in case additional questions occur. To facilitate the registration process and reduce costs, Britam is leveraging mobile phones.

4.2.1.2 The Kenyan Insurance Intermediary ACRE

Introduction

ACRE is a Kenyan insurance intermediary with headquarters in Nairobi. The company currently provides risk management solutions to reduce climate and agricultural risks to over 1.7 million people in Kenya, Tanzania and Rwanda. Around 80% of its customers are small-holder farmers, who are characterized as microinsurance customers. In addition, ACRE has ongoing projects and feasibility studies in Uganda, Zambia, Nigeria, Malawi, and Mozambique.

Delivery channel

ACRE distributes its microinsurance policies through different distribution channels which are, apart from the percentage points, according to Mr. Wangara, congruent, in all the operating countries. The SACCOs, represent one delivery channel, whereby the management of the cooperative is responsible for managing the policy contracts for their members but ACRE does the overall monitoring and training of the members. A major issue that comes with SACCOs is the unstructured working mode. However, Mr. Wangara emphasizes the power the model can have, as the management of SACCOs has great influence on their members and this will determine if your product is bought on large scale or not.

Apart from SACCOs, the company works with MFIs. The main drawback with this delivery channel in these markets is the limited effort of the sales staff in terms of training and prioritizing microinsurance policies, as their main business priority is selling credit loans. They are trained in the basics but the main part of supporting the customers in the implementation process is done by the ACRE sales staff. This support is not only limited to the subscription process, but also several actions to provide additional customer value.

> I'm basically taking a loan so that it should assist me to make more money, repay the bank's loan, and retain my profit. So, the value addition we try and do is add things like good agronomical, practices, trainings to the farmer when you're doing inspections and reviews. We just review the farms, see where are problem within the farms what can we advise from an agronomical perspective, what should be done to increase sustainable business. (Wangara, 2021)

Another delivery channel the company makes use of are seed retail stores. With this model, Mr. Wangara highlights that better localized and more affordable solutions can be developed since they are embedded in the seed companies' product. The customer receives a card with which he or she can subscribe to the insurance product and is able to access geo data provided by ACRE. This means that ACRE is not only able to monitor farmers with this method, but also offers them the opportunity to download relevant weather data or use an app with various information about agricultural practices.

Moreover, the company has a collaboration with NGOs, as most international NGOs are engaged in the area of agriculture to improve the welfare of small-holder farmers. The company attempts to embed its microinsurance products in the NGOs field work. However, with this model, which usually involves a partnership with international organizations and governments as well, the bottom of the pyramid is supported and premiums are largely subsidized.

Another model the company has set up is the village champion model. For this scheme, the company recruits a chairman or leader of a particular village and incentivizes him or her with mobile phones to gather additional data and ensures in case of any questions that the village champion can reach out to ACRE. Furthermore, sales staff from ACRE visit the site and conduct training sessions such as role plays to enhance their financial understanding and support them in the agricultural farming business. Mr. Wangara mentions the importance of providing value adding services to increase trust and wealth among these income groups.

> So, and there is a need for lot of personal touch, hence, for example you see with the village champion model, it works best because then this person lives within the community, so it becomes the first touch point for the farmers around it. (Wangara, 2021)

Lastly, they collaborate with Safaricom on a digital project serving small-holder farmers qualitative access to farm input, input loans, farming information and microinsurance. However, to underline the limited use of digital technologies to distribute microinsurance policies in these markets, Mr. Wangara made reference to the numbers of subscribers. A lot of success has been seen in the first year with 40,000 subscribers, while in the consecutive year only 5,000 subscribers remained.

4.2.1.3 The InsurTech Start-Up Blue Marble Microinsurance

Introduction

Blue Marble is a UK-based start-up owned by several insurance entities including Zurich, MarshMcLennan, TransRe, Assa, and Aspen. The company provides socially effective and economically viable insurance coverage to underserved populations, with a focus on providing a tech platform in the domain of agriculture and climate insurance. The company operates in South Africa, Ethiopia, Zimbabwe and Mozambique and is about to establish a branch in Kenya.

Delivery channels

Blue Marble partners with seed retailers to distribute one of its agricultural microinsurance product of protecting seeds during the first 21 days of germination against trap. Insurance protection comes with the retailer’s seed bag and the sales staff from the retail stores who visits villages sells the bundle. It has proven to be a successful solution, since the seed retailer can differentiate their seeds from others by offering additional value to their customers, and thus shows great initiative in explaining the product to their customers. As these seed companies have gained a competitive advantage, they are willing to use their marketing budget to pay the premium. Mr. de Piniés exemplifies with this the main strategy Blue Marble pursues, which is to find efficient ways in how to embed their insurance solutions into a delivery channels existing business to reduce the barrier of entry for their low-income customers. Moreover, there is no need to incentivize agents, since the only role the sales agents have is to enroll the customers and explain that the seeds are protected against trap. Nevertheless, when asked about the customer reviews and if the agents of the retail companies were able to explain the concept of insurance protection, mixed results had come out of the customer surveys.

> I would say key messages like the fact that their seeds are protected through germination for 21 days against trap is understood. That's not a problem. Understanding the mechanics of the product and really understanding how they would get paid was more challenged (…). I mean training of trainers in our experience is a very powerful (…) but it's also prone to let's say get the message lost along the way, right? You're training officers, they then need to train farmers so the message can be diluted over time. (De Piniés, 2021)

To improve understanding, the company equip trainers with clear materials that omit words and mostly includes pictures to follow one of the key principles in microinsurance of simplicity.

Mr. de Piniés has explained another approach they take with agents from NGOs to deliver the products. It is a collaborative effort together with the World Food Programm to offer access to microinsurance products to people just above the poverty line. With this strategy, Blue Marble has access to subsidies and is thus able to reduce entry barriers for these vulnerable people. He emphasizes that without the support of such institutions it would not be feasible for a private company to reach these most vulnerable people who live at USD 1.90 a day.

Blue Marbles' third delivery model Blue Marble involves MFIs. In this case, the insurance product is integrated in the loan and the company train the credit officers of the MFIs. As part of the loan onboarding process, the sales staff collect the necessary data for Blue Marble.

The fourth distribution channel the company makes use of farmer cooperatives, which according to Mr. de Piniés is the most sustainable model. The same approach will be used in Kenya to enter the market and establish the business. He mentions that through such cooperatives it has been possible to overcome the issue of reaching large group of farmers in rural areas, which has always been one of the biggest challenges.

> The beauty of cooperatives is for instances in cash crops like coffee then it's relatively easier to actually visit farmers because you can aggregate them and you can have these sessions, where you can have under the general assemblie's almost all if not all, the farmer members of a cooperative, and you can train them at once, which simplifies a distribution as well, because you can focus, then on each cooperative, given a customized plan, and because and because cooperatives can have a few thousand farmers, it's economically viable to come to do visits to each cooperative and then and then on board them at once. (De Piniés, 2021)

Mr. de Piniés explained in reference to this challenge a program the company had in Kenya with rural savings groups. The cooperation ultimately had to be ended because the number of people was too small to justify Blue Marbles expense.

Most recently, the company has been exploring with MNOs, which are according to Mr. Wangara the most promising delivery channels but at the same time come with several challenges. Firstly, he mentions the popularity of MNOs due to their wide reach, and that everyone wants to work with them. Secondly, in many cases people were not aware that they benefited from insurance or did not understand the product. Lastly, he emphasizes the difficulties involved in reaching the increased level of depth with this channel to ensure that the customer really understands the product and value is provided.

4.2.1.4 The Multinational Insurance Company AXA

Introduction

AXA Emerging Customers is a separate business unit, which is part of the overall multinational insurance company AXA, that was set up in 2016. Worldwide, the company counts 160,000 employees and serves over 108 million customers from around the world. However, the team of AXA Emerging Customers consists of 15 people and is located in Paris. The entity was set up to act as kind of "center of expertise" for the microinsurance business at the service of the local AXA entities in for example AXA Egypt or Nigeria. Today, the company serves 22 million of emerging customers from around the world, with customer segments varying from USD 2 to USD 20 in terms of purchasing power parity (PPP).

Delivery channels

AXA uses several delivery channels to distribute its product in its markets. The company initially started off investing in an intermediary called MicroEnsure in 2015, which brought the company great value in the first year, as the intermediary supported it in several aspects. It provided the company with the relevant market knowledge, conducted feasibility studies, developed and distributed the products. However, AXA realized after the first phase when several businesses lines had been established that it had to start learning for itself how to develop, price and distribute the products and thus ended the collaboration with the broker MicroEnsure one year later.

Mr. Gisserot mentions that the company had partnerships with savings and credit cooperatives to distribute life insurance products from the beginning, which has proven successful and these cooperation's still exist today. With the leaders of cooperatives having sufficient financial understanding and as they already had an informal strategy in place for dealing with unexpected events occurring to its members, Mr. Gisserot emphasized the reduced skepticism towards financial products and the generally greater openness to the concept of insurance.

Another delivery channel the company is making use of are MFIs. AXA partners with MFIs to distribute life and health microinsurance products. After having sought exchange with the borrowers from MFI it has become evident that basic credit life insurance does not provide customer value. This was the reason why the company developed additional features to regular credit life protection. By now, the product includes a hospital cash protection for the borrower, their spouse and most recently also their children. The coverage has been upgraded in incremental steps, using customer feedback to adjust the products to meet their needs. The insurance is embedded in the microfinance loan in order to reduce costs as well as adverse selection and to avoid the need to incentivize the sales staff of MFIs. The incentivization of agents have proven to be a major challenge, as according to Mr. Gisserot, the lending business is already a fierce business with usually high turnover rates among MFI sales staff. Lastly, he pointed out the rather small-scale opportunities that come with this delivery channel, since a limited number of low-income people are microfinance borrowers compared to the total number of low-income people.

A third distribution channel AXA works with is MNOs. Mr Gisserot emphasized the main advantage of MNOs as they are "the highway to the customer" in these markets. Although the distribution channel offers great opportunities to reach scale, the cost aspect is a major issue as MNOs usually offer a wide variety of products in the market.

> "Mobile network operators can sometimes be a challenging channel from a cost standpoint because they distribute products and services like short codes or games where their revenue share is often 50% or higher. If you take a 50% commission on an insurance product, the customer value is not going to be very high." (Gisserot, 2021)

The sustainability of the model, which needs to be questioned, is another aspect that Mr. Gisserot has raised. One particular example are the low claim rates when distributing life insurance through MNOs, since in many cases nobody is going to notify the MNO that the insured person has passed away, in contrast to the MFI, in which the company has an interest in getting its money back. Additional issues accompanying MNOs are the low level of financial understanding and literacy rates among the customer group in many countries, which still limits the success of the model. Mr. Gisserot explained one approach AXA took in India to overcome such challenges with MNOs. The company co-branded a SIM card with the MNO Airtel which, apart from a voice and SMS service, offers a third feature of insurance coverage. With this SIM card solution, AXA is currently providing two insurance coverage for two million in India, which is already a scaled microinsurance solution.

4.2.2 Interviewee Evaluation of the East-African Environment

This section is based on the interviews from ACRE, Britam and Blue Marble. Since ACRE has either a presence or conducted feasibility studies in each of the four markets and the statements correspond with the other two interviews from Britam and Blue Marble, the responses from the three interviewees give meaningful insights into the region's current market environment of the four countries as well as challenges and opportunities.

The interviewees have emphasized the same challenges to overcome with regard to the microinsurance target group which include (1) few experiences with formal services, (2) problems of understanding the concept of insurance and a (3) persisting negative perception of insurance companies. The latter also because of bad experiences heard from neighbors or other village residents. As the value the concept of insurance offers is not yet seen, even among the higher income population, purchasing insurance is not on the priority list of the East-African population.

> In general, microinsurance in itself is very low here. (..) You find people, like I go to seminars to do presentations and meetings on microinsurance and you ask people in a meeting how many of you have just taken an education policy, for example, and you find maybe from 100 people in the room maybe only two. So, you see and these are people you would probably consider learning now you can imagine a person with a low-income prioritizing insurance. (Wangara, 2021)

The main issue with regard to the priority of microinsurance among the target group is that when little resources are available, there are plenty of imperfect substitutes an insurance company has to compete against, such as buying a goat to diversify the income. Hence, it is difficult to justify to these low-income people the abstract concept of microinsurance as a valuable option they are willing to pay for.

In addition, the interviews have revealed the problem of the high proportion of rural population, thus making it difficult (1) to reach these people in the remote areas and consequently (2) to find strategies to aggregate them in sufficiently large groups. However, the strong presence of MNOs in these markets started to change the landscape in the four countries, particularly in Kenya, as even low-income people manage their savings or school fee payments on their feature phones. This has enabled the interviewees already to facilitate many processes such as the premium payment method or the subscription process with USSD codes. In addition, Mr. Wangara noted that access to smart phones in the market is expected to increase rapidly as MNOs like Safaricom have started selling them on credit over a period of one year for 20 shillings a day to low-income people.

Another important aspect to consider is the system of collectivism in East Africa. The microinsurance market is said to be a peer market, and decisions for a microinsurance product uptake is largely influenced by a community or so called “opinion leaders”. This is especially the case when moving from urban to more rural regions, where endorsement of a product or opinion from such a leader or community management has a great impact on a group.

4.2.3 Future Outlook

Several examples were mentioned by the interviewees which could be learnt from to adapt strategies accordingly. Sectors, as seen it in the microcredit business, where banks were not targeting the emerging client segment, and microfinance distribution was able to decode and developed the business model into a very interesting industry serving this segment. Another example are MNOs including Safaricom, who managed to introduce the simplicity needed on mobile phones for various activities such as savings to access these people and consequently reached scale. The interviewees agree that the future of microinsurance distribution in the long-term lays in the digital space, which may involve "super apps" like WeChat and other digital platforms such as Jumia in Kenya to develop a profitable market. Big Data and other tech solutions are expected to provide further insights into the needs of these people and insurance companies will be able to adapt accordingly, which has been to date another challenge to overcome.

However, in the mid-term, the solution should not be restricted to smart phones but accessible by mobile phones, large parts of the population do not yet have reliable connections to the Internet. Furthermore, all interviewees share the view that the right use of technology and personal touch is the answer to reaching these people now and in the near future.

> What we're saying for the microinsurance is two things: Even when you're selling digital or through mobile phones, you must do what we call high touch. There is high tech and high touch you must do both, otherwise, they don't understand or not fully yet. (Osore, 2021)

5 Evaluation of Results

The following section aims to address and contrast the literature review as well as the findings from the literature review with the expert interviews and reveals, what measures have been taken to overcome some challenges mentioned in the literature or in the current market environment and where potential is seen to implement good-practice examples in East Africa.

5.1 The significance of Distribution Channels in Microinsurance

Table 6 summarizes the delivery channels used by the interviewed companies in Africa, coloured in green the delivery channels used to distribute the microinsurance products in East Africa.

Table 6: Applied delivery channels by interviewed companies (own table)

	MFI	NGO	Cooperatives or communities	Retail Stores	MNO	Digital platform
AXA	x		x		x	
Blue Marble	x	x	x	x		
Britam	x		x	x		
ACRE	x	x	x	x		x

Table 6 above underlines the research of Bernhard et. al (2012), that insurance companies heavily depend on the network of the delivery channel to reach their target group. This dependency is not only observed in East Africa but looks similar in other African markets, since all the companies distribute their products through partnerships. The field of microinsurance including distribution is a complex issue and requires solid foundation with well-established partners in a market, as companies dive into a new business segment with a very constrained environment.

The most common delivery channels are MFIs and cooperatives or communities, followed by retail stores. MNOs and digital platforms are not yet in use, but all companies are working on solutions. ACRE is the only company currently engaging on a digital solution. NGOs have not been taken into consideration as a relevant delivery channel for microinsurance distribution in this thesis.

Research shows that the two companies, Blue Marble and ACRE, work with international organizations such as the World Food Program and NGOs. The project aims to reach income groups living on the poverty line, that have no means to finance premiums and thus would normally not be a viable target group for a for-profit insurance company.

When looking at the study of Merry et al. (2014) in Figure 10 and evaluate the development level of the market, it can be seen that the companies still operate in the first phase, shaded in orange, and consequently concluded that the market in East Africa is still in its infancy. However, the interviews with AXA and Blue Marble reveals the same maturity level in other African markets.

Delivery channel and maturity of microinsurance customers

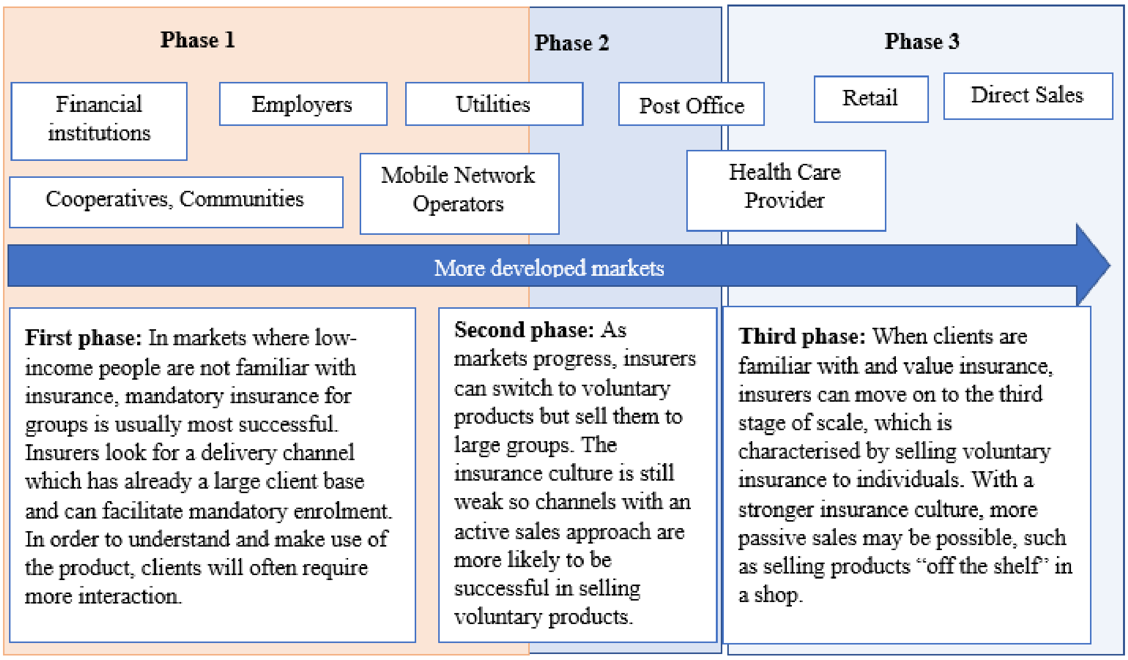

Figure 10: Delivery channel and maturity of microinsurance customers (aligned to Merry et al., 2014)

As it the first phase suggests, the microinsurance products are offered on a mandatory basis and all companies interviewed have referred to their use the network and reputation of the delivery channel to distribute their products. Embedding the products in the existing business of the selected delivery channel is of utmost importance to start bringing microinsurance policies to the lives of low-income people. Furthermore, there is in general a persistent need for personal interaction in the selling process as all companies use human intervention at some point. However, research shows that simply selling the product through the delivery channel is not leading to increased customer trust and more importantly, brand awareness of the different companies. For this reason, the insurance companies should not only invest in embedding the product in the distributors existing network as Merry et al. (2014) suggested, but also begin to establish trust between the customer and the insurance company. To improve growth rates in the microinsurance business, reduce dependence on a delivery channel and accelerate the pace to move from phase 1 to phase 2, insurance companies thus have to devote time to delivering additional value or supporting services rather than rely solely on a delivery channel. This additional value can be in the form of helping them to develop good agricultural practices such as ACRE is currently doing, but also trying to find a way to fulfil their basic needs.

5.2 Valuable Options of Distribution Channels in East Africa

The literature review reveals that poverty persists in all four countries, and a large share of the population lives in rural areas. The interviews confirm the findings that affordability and accessibility for these rural people are fundamental issues in these markets with regard to low product uptake, as is the simplicity of the product design. However, the main challenge is to change the negative perception of these people towards insurance companies and to justify to them, as limited resources are available, to buy a microinsurance product, which requires advice and endorsement from a person or an institution who is well-trusted.

5.2.1 Microfinance Institutions

Low success in sustainably improving insurance awareness is seen through the use of MFIs and a moderate through MNOs. The interviewed companies experience low efforts from the sales staff to promote microinsurance policies, which has already been suggested by Churchill et al. (2012) for MFIs, and Smith et al. (2017) for MNOs and not changed to date. However, all companies mention the existing experience MFIs have of selling financial products to low-income people, as a major advantage, since the collaboration involves less training of agents and by offering life insurance embedded in credits. Oyekan (2020) noted the limited benefit the mandatory product credit life insurance offers to MFI borrowers. AXA has come to the same conclusion and consequently started to offer additional features such as health insurance cover after talking to their customers to identify their needs. The limited control over the MFI sales process mentioned by Churchill et al. (2012) and difficulties in establishing monitoring mechanisms to control products are understood, are shared by Blue Marble. In response to this issue, the company tries to simplify the information and training as much as possible by mainly including pictures and videos to ensure that the insurance details are understood and can be explained to the customer. However, ACRE mentioned the same challenges and consequently started to assign their own agents to support the MFI borrowers not only in the subscription process to ensure the product are equally understood, but as well as advice their clients in good business practices to provide additional value. This approach is considered to be the most crucial to develop a sustainable business, and change the skepticism towards insurance companies and the concept itself. Although MFI branches are not yet widely available in Kenya, as confirmed by Britam, distribution through MFIs is seen as essential. These institutions play a significant role in educating customers, thereby helping to improve financial literacy rates.

5.2.2 Mobile Network Operators

Prashad et al. (2013) and Bankable Frontier Associates (2015) have claimed that MNOs sometimes reach out to insurance companies to introduce loyalty programs for their customers. They have large client base and therefore the mobile selling costs are reduced. However, research shows that the landscape has changed and MNOs have established a strong presence in these markets. Not only are insurance companies eager to work with them, but also many companies from other industries, which puts MNOs in a position of strong bargaining power. This channel is perceived as the most promising in terms of customer outreach and success in these markets in the short-term, if the issue of simplicity in microinsurance can be solved, which still prevents many insurance companies from selling through mobile channels. Another issue raised with MNOs by (Smith et al. 2017) have been the low awareness of insurance coverages among the low-income group, when distributed as a loyalty scheme through MNOs. AXA's co-branded SIM card solution is considered a sophisticated option to overcome the aforementioned problem, as the customer has to actively choose the SIM card and indicate the personal data. As mobile money agents are widespread in almost all the East African countries, this can in particular be considered as a valuable solution to promote basic policy coverages such as life insurance and increase brand awareness in the market. Overall, all interviewees begin to leverage the platform of MNOs to address the issue the high share of rural population for as many processes as possible of which premium payment is the most common used. Research confirms for Kenya, being such a digitized country, significant potential can be seen to introduce more low-touch aspects once the contract is concluded, since the population handles several financial matters such as savings or paying bills on their mobile phones.

5.2.3 Cooperatives or Community Organizations and Associations

Cohen and Sebstad (2005) and Zenklusen and McCord (2010) have argued that cooperatives and other community-based organizations have had risk management strategies in place to support their members in case of crisis and other unexpected events. For this reason, these organizations and associations are less skeptical and are also approaching insurers to formalize their risk management. The community leaders or cooperative management look after the well-being of the group and thus prioritize the concept of insurance (Oyekan, 2020). According to Radermacher and Dror (2010), such organizations are familiar with the needs as well as the economic and social situation of their members because exchanges within the community or cooperative are taking place on a frequent basis. These aforementioned statements are in line with the research. All interviewees work with either cooperatives or village groupings and emphasize the success of the model. There are larger cooperatives as in the case of Britam or smaller models as in the case of Blue Marble or with ACRE's village groupings. However, they have great potential, as meetings can be used for training and selected individuals within the grouping can educate members. In addition, to address the issue of accessibility and trust, technology can be used as viable option in these markets. Britam is interacting with the management of the cooperatives by phone to answer any question that occur or to solve an issue. ACRE is using technology not only as a communication facilitator and build trust but also to incentivize so called “village champions” to gather and provide on-site data. Based on the literature, it was found that a large portion of the population has access to informal credit and savings groups, which represents a potential to formalize these schemes. However, this potential seems difficult to exploit, since Blue Marble had to end a project in Kenya because not enough microinsurance customers could be aggregated.

5.2.4 Retail stores

According to Hougaard and Chamberlain (2011), distribution through retail stores is implemented either through an active or passive sales approach. As financial literacy rates remain low in East Africa, the concept and value of insurance is not yet understood. Research confirms these findings, since the delivery channel is used only as an active sales channel with agents from the retailers. Merry et al. (2014) suggested to consider retail stores as passive channels only in the third phase once an insurance culture had been established. Research by ACRE and Blue Marble shows that the delivery channel is effective in the early stages if the retailer has its own sales staff selling products locally in the villages. Both follow the recommendation of Merry et. al (2014), to embed the insurance in the product offering of the retail store, which allows them to offer more localized and affordable products. Blue Marble in Zimbabwe has managed to encourage retail stores considering insurance as a marketing investment to differentiate themselves from competitors, and thus the stores indirectly subsidize the premiums. This strategy, used with retail stores in the agriculture business, is perceived to offer great potential in the four countries, since all of them still heavily depend on the primary sector. However, as Smith et al. (2011) stated, ACRE and Blue Marble indicate the challenge that agents have limited ability to explain the product and mixed reviews have been received. To overcome this aforementioned issue, Britam has established a support hotline to offer microinsurance customer the possibility reaching out to them and provide additional information if needed.

5.2.5 Digital Platforms and Mobile Applications

Rinehart-Smit et al. (2018) have outlined the incentive of insurance companies to partner with online platforms to distribute microinsurance products. The lack of Internet access and limited financial knowledge found through the literature limits at the moment the potential for online or app sales of microinsurance. This is confirmed during the research, as only ACRE together with the MNO Safaricom operates an online platform offering microinsurance. However, even with a well-established brand the success rate has found to be moderate, with 5,000 of the original 50,000 microinsurance customer remaining. This proves, although all respondents emphasize the benefits and scale that technology and digital platforms can offer, face-to-face interaction is still required unless the product is greatly simplified to ensure that products are understood and customer value is created.

6 Conclusion and Recommendation

6.1 Final remarks

The thesis aimed to find out valuable options of distribution channels in the East African market to promote microinsurance policies. This overall approach was divided into three objectives:

The first objective was to review the existing literature on microinsurance and distribution channels in the market, the supply-and demand-side criteria to be considered, and explain relevant characteristics of the distribution channels in microinsurance.

Secondly, important economic and financial market factors were evaluated to provide a picture of the current landscape in the four countries, followed by a summary of the selected delivery channels and their potential fit into the market.

Thirdly, qualitative and semi-structured interviews were conducted to gain insights into how different companies are engaged in microinsurance distribution. These were evaluated against the identified supply-and demand-side criteria to identify relevant distribution channels in Africa and subsequently critically evaluated to present various approaches to tackle specific issues faced by companies.

The challenges of microinsurance in East Africa are various.
The low-income groups:

- Have a persisting negative perception of insurance companies (lack of trust)
- See a limited value in the concept of microinsurance
- Have a lack of financial resources
- Prioritize insurance low in their daily live
- Have a low financial literacy rate
- Live dispersed in rural areas and are difficult to aggregate and access

In the context of the above, the research concludes that the microinsurance market in East Africa is still in its infancy, with products distributed through traditional channels including MFIs and cooperatives or communities. Overcoming negative perceptions and building the trust that is essential to promoting microinsurance policies in these markets require delivery channels and endorsements from individuals who possess this capability. The landscape in all the four studied countries looks somehow different in terms of the overall development level and economic performance. However, as Kenya had the second largest financial literacy rate but it still needs largely physical presence there to sell the products. It can be concluded that this is also the case in the other three countries.

Distribution through cooperatives, associations, or village unions is a valuable option to consider for the reasons that follow:

- Opinion and endorsement from leaders or the management of cooperatives, associations or village groupings are highly valued (in particular in rural areas)
- These community leaders or management of cooperatives are close to the people or members, understand their needs, and most importantly bring effort to improve the welfare of the members or groupings (prioritize microinsurance)
- Even if the distribution channel tends to reach fewer people than, for example, MNOs, sustainability is greater in return
- Gather first-hand data about the members and current on-site conditions (in particular for agriculture) which can be used to develop better customized products

However, as the findings reveal, each delivery channel contributes its part and has its strengths, depending also on the strategic priority or nature of the insurance company or intermediary. While the most critical factor to achieve product success and increase the uptake in the East African has been found to be trust, the prioritization and effort from the delivery channel has a major impact. Due to the limited motivation of the sales personnel, the aforementioned market conditions and to reduce product cost, but at the same time start connecting insurance into low-income people's life, it is still important to embed the microinsurance product in a delivery channels main business offering. Therefore, MFIs are perceived as a powerful model, as it is easy to integrate a life insurance policy in the loan, despite the limited number of MFIs available. However, MNOs are perceived nowadays to have the biggest impact in customer outreach. Nevertheless, both delivery channels create low client awareness. For this reason, it has to be ensured, that appropriate supporting systems are established to offer the customers direct interaction. Nevertheless, insurance companies and intermediaries should not rely solely on the efforts of the delivery channel but rather start to create brand awareness by themselves. This can be achieved through capacity building using role plays, workshops and brochures including pictures only. With this, additional customer value is provided and the negative perception of insurance companies can be improved.

As economic growth and prosperity increase in these countries, the importance of the distribution channels will change slowly. The existing channels are expected to be supplemented and reinforced by digital apps and mobile applications in greater cooperation with the MNOs. This means that the advantages and potential of all channels in terms of accessibility, affordability, flexibility and simplicity can be better exploited.

The researcher comes to the conclusion that the following general key factors shape the success of an insurance company in the microinsurance business in East Africa:

- A clear and focused strategy taking into consideration the attributes accessibility, affordability, simplicity and flexibility (not only scaling the strategy of the developed countries)
- Effective selection of the distribution channels (supply and demand side criteria), promote a channel mix and focus on simple and comprehensible communication about the meaning, purpose and benefits of microinsurance provide
- Find solutions (such as differentiation) to increase the sales effort of the delivery channel
- Consideration of the different local country and market conditions including the economic policy and financial context, culture and values
- Leverage technology wherever possible to drive costs down and reduce product complexity
- Monitor the further development of digital platforms and online apps

Since some of the knowledge of the microinsurance market is at a highly critical level, it is advisable to invest significant time in feasibility studies, collect first-hand data, and seek a sustainable model rather than scaling at the cost of trust. Deepening this understanding can be done through promoting and realizing specific and intensive desk- and field research. This allows the companies to focus with limited resources available in the microinsurance business on the right countries, target groups, products, distribution channels and marketing mix.

“The “holy grail” of inclusive insurance, that is a model that is both scalable and sustainable, is very much yet to be found" (Gisserot, 2021)

6.2 Limitations of the study

This thesis has several limitations. The main goal of the research was to provide an overview about valuable options of delivery channels in Kenya, Tanzania, Uganda, and Rwanda. Secondary research has shown that the literature on this topic is very scarce, so the foundations have been made more difficult. Therefore, the researcher intended to gather as many insights as possible to evaluate the potential of the delivery channels and develop relevant guidelines for insurance companies. A total of sixteen organizations from around the world were contacted to obtain meaningful insights into their current delivery channel approaches in the East African or African market. The response rate has been 60%, with six interviews being conducted in the end. Due to qualitative shortcomings, two interviews with Microinsurance Network and MicroInsurance company could not been implemented. Due to the limited number of interviewees and scope, the researcher is aware that this is not a detailed insight into the distribution of microinsurance in East Africa but rather an initial overview to build upon.

Lastly, and related to validity, one of the challenges with qualitative research is that there are multiple possible interpretations of the data. Nevertheless, it wanted to be ensured that the information gathered through the interviews was as objective as possible. Referring to the previous point, it is important to note that certain language barriers existed as some of the interviewees came from culturally distant countries. However, to achieve as much objectivity as possible, the researcher asked questions in case of unclarities such as “what do you mean with this, you mentioned x, does that mean y, now it's still not 100% clear, so how do you ensure …”. Nonetheless, the interpretation of data may be biased by the personal subjectivity of the researcher and choices such as interview questions. Moreover, as microinsurance is a domain where success strategies are yet to be found, the researcher is aware that respondents may tend to give biased answers for strategic reasons, but also unintentionally, such as lack of knowledge or for confidentiality reasons.

6.3 Potential Continuation

Digital platforms are evolving in Africa at exponential growth rates, which can have an important impact on the further development of microinsurance distribution. Technology-based integrations into the microinsurance market are a viable opportunity for insurance companies to facilitate processes and reach more customers. An interesting focus for further research is therefore the integration of Artificial Intelligence and Big Data and the resulting new business models such as index-based insurance or on-demand insurance to further penetrate the microinsurance market.

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8 Appendix

8.1 Transcripts of Qualitative Semi-Structured Interviews

8.1.1 Insurance Provider Britam

Transcript Expert Interview

Company	BRITAM	**Interview Date**	7. Mai 2021
Interviewee	Helen Osore	**Interviewer**	Deborah Keller
Job Position	Head of Business Development	**Language**	English
Location	MS Teams		

Deborah Keller: Hey Helen, happy that you made it. How are you?
Helen Osore: Thank you fine, how are you?
Deborah Keller: Thank you fine as well. The weather could be better. I guess in Kenya it's better than here because currently its raining.
Helen Osore: I see, yes here it is 23 degree and the sun is shining.
Deborah Keller: I'm jealous, would be happy if I could be there as well.
Helen Osore: You definitely need to come, Kenya is beautiful and there is a lot you can see.
Deborah Keller: For sure, one day I will. So Helen, why I want to interview you is because as maybe you've read my questions, I'm really interested about distribution of Microinsurance in East Africa. And when I was looking at your website, I see that you as an insurance company or very popular in East Africa and operate in many countries and the leading in terms of microinsurance in Kenya. But what I couldn't find out is with microinsurance do you operate with the microinsurance business Kenya only, or Tanzania, Rwanda and Uganda or in other countries as well?
Helen Osore: At the moment microinsurance is only happening here in Kenya and it's because our regional offices in the other countries is relatively young compared to the Microinsurance experience that the Kenyan market Britain, specifically has as we've been doing microinsurance for the last 12 years. So, we haven't open up Microinsurance in the other markets you've mentioned, but its within our strategic plan to do that.
Deborah Keller: OK, and for what reasons do you not operate yet in these countries?
Helen Osore: I tend to believe it's because you know when you open up a new market and forecast growth, you look at how fast you can achieve growth and how to control growth. And then what you want to seek is to ensure stability of whatever business line you want to pursue. What do I mean, you find like it's easier to start with what is known and in this case something like motor vehicle insurance. I guess in all the countries its mandatory so that becomes easier when you're opening your regional office that you stabilize around that then you begin to introduce the what is it the opt in insurance covers, because remember, you're a new brand and people need to know you and possibly experience your service.
Deborah Keller: OK, and if we talk about Kenya that the target group you have with microinsurance, what is the income in PPP?
Helen Osore: Let me just do a calculation from Kenya shillings to dollars shortly.
Deborah Keller: You can also tell me and I'll do the conversion.

Helen Osore: OK, its 18,000 Kenya shillings. So that's, between 18 to 25,000 Kenya shillings that would be the lowest and then also you're looking at those who have up to 50,000 Kenya shillings, so to convert it to dollars you divide by 100. So that would mean $180.00 to 250$ and that's per month, per day we look at $6-17$.
Deborah Keller: And so then when on your website you have listed that you have several products including Afya Tele, Kingi ya Mkulima, Biashara Sacco, Credit Life, Personal Accident Cover and Death Benefit. I've seen that the Kingi ya Mkulima is designed for small scale farmers and that you work with Kenya Tea development agency, what kind of distributor is that. Is it a cooperation or a retailer?
Helen Osore: The Kenya tea development agency it's a cooperative that oversees the collection and selling of tea in Kenya by some famers. So what that means is that the tea factories they send their farmers and these farmers oversee the processing and also selling inside and outside the country. If the body is big enough to oversee export, its working with 67 factories, it will have insurance needs for their workers. We created a setup of agents there handling the insurance needs in different formats from life and health insurance. They have around 600'000 registered farmers so you understand why an agency would be in place, right? So they do the selling and what they've done is they have a self-executives on the ground per factories and their product is embedded.
Deborah Keller: So, does that mean the health and life product is offered on a mandatory basis?
Helen Osore: No, it's not mandatory, it's opt in, but a good number take it because it's affordable. And the self-executives from there sell it to the different farmers and explain the products.
Deborah Keller: So, the management of the cooperatives they are responsible for the whole process, like collecting the premiums, register claims?
Helen Osore: Yes, correct, they do everything. You know if you have 600'000 farmers in this body so they understand how to do business and even the self-executives, they talk to them on a frequent basis and explain the products the meetings. And so, the premium is deducted by the factory because it's on a check of system when the farmer gets their wages. So that is monthly so the farmers can afford it.
Deborah Keller: That makes sense with such a huge number of farmers. If you say that the association has 600'00 farmers, so how many policies have you already sold?
Helen Osore: 170,000 and the product is priced at 2500 Kenyan shilling in terms of premium and this is $23 per year.
Deborah Keller: OK, do you believe it's a good model to distribute the products? Like have there been no challenges or like are you successful with it?
Helen Osore: I think so because let me think we introduced it eight years ago and it's growing in customer numbers. Microinsurance business need time but now premium wise it's also in green because right now the premium its over USD 4 million. I think that's a green product right.
Deborah Keller: Yes true, but this Kenya Tea development agency is only operating in Kenya, they don't have established branches in Uganda or somewhere else?
Helen Osore: No, they haven't. Because you see, this is an agency for Kenya tea farmers. When we start the micro business in Uganda, we would identify a similar partner.
Deborah Keller: So, and the other accident and death coverage you've offering on your platform. Through what other delivery channel do you distribute the products?
Helen Osore: Broadly we use right now three distribution channels. We have MFIs, we have cooperatives and most recently we have introduced retail stores. But what will happen is that cooperatives or associations will most likely reach out to us, they will use these channels because you know they are all people on the ground trying to establish business together. But

back to the Kingi ya Mkulima model. A very few large institutions will you find that have insurance needs and are not engaging any insurance panel yet. So, they have insurance needs and most likely when they found an insurance company, they do other insurances such as medical insurance over the same provider. You see what will happen is even, let's look at the MFI, the distribution channel it will come through bancassurance. That's how we do it at Britam. So, if an MFI distributing or a SACCO or let me use the word; the institution is a lender, then it will most likely it will come under bancassurance model. But we work with all institutions and all partners and anyone who needs insurance and qualifies to get insurance.
Deborah Keller: But then, yes, how many MFIs do you work with who sell microinsurance?
Helen Osore: I won't say many because they are not all borrowers and MFIs look more for their own
business like we do with insurance, but you see in the end it's a question of what product is under discussion and the cost. First of all, let's start from all these institutions will have a form of insurance because of what insurance is, and I give an example of motor vehicle - so that's the first thing. But these institutional insurances needs are not necessarily within what we've called a microinsurance product. To come to the microinsurance products, for example, if you're looking at a credit life with the MFI that you would find it becomes a mandatory product.
Deborah Keller: Yes, but that's the problem with this model is that people perceive that the MFI is more protected than the people itself, so they don't really see the benefit of the insurance, or what is your concrete opinion?
Helen Osore: No because they see it when risk will create to crystallize on their loans. You see, if they, for example, they pass away in the loan was insured, then what is it? The guarantors are not prosecuted or next of kin forced to pay, so they're able to see the benefit. But that is as long as you have a loan you just pay the insurance with the loan together. So, the question that comes in is what happens if I don't have a loan because I will not be a beneficiary. No, that's where the microinsurance opportunities check in. Because it's a question of what is about to save me if I'm not a borrower. And I have saved so from what microinsurance can I benefit from? That's where we start creating solutions for such opportunities.
Deborah Keller: OK, so and what is your solution? How do you approach it?
Helen Osore: The other solutions would definitely be around health.
Deborah Keller: And with what channels do you distribute this model?
Helen Osore: All the channels I've told you
Deborah Keller: OK, so you're not using for example MNOs to distribute products?
Helen Osore: Right now, there are ongoing discussions to do that but it is difficult because you know, they all have their own business like I said with MFIs, and many businesses want to work with them, but like what I said the different channels will be used by Britam and each will give a certain contribution.
Deborah Keller: I understand. So, you mentioned digital channels, how much do you sell online? Is it really already popular for microinsurance?
Helen Osore: No, the microinsurance clients rarely buys online. We are not yet there, but we are trying to digitize some solutions. Because you see something like a health product is complex and will require explanation isn't it the case. But this is what we're doing under transport insurance, a GPA coverage is fairly straightforward, so we're trying to work with partners who are in the transport industry so that somebody can buy a coverage as long as they are on a ride with one of these companies
Deborah Keller: So, your goal is to partner with a transportation company that could offer the service for its customers?
Helen Osore: Correct, that's what we try to do. So, passengers know their covered while they are on a ride.
Deborah Keller: OK, but to come back to MNO, as you are in discussion to offer products

through MNOs, I guess so even if it comes at higher expense because they are as you said so popular, if you are under discussion, I guess for you it makes sense to like distribute through this channel?

Helen Osore: It does make sense; Kenya is such a digitized country. The issue is are we able to underwrite it at that simplicity level? Because everything else is happening on their mobile, people paying their bills on the mobile phone, do calls, pay school fees, people can do a lot of things with their mobile, but the issue is can insurance be understood. It has to be really, really simplified.
Deborah Keller: Yes, either the insurance product more simplified or customers better educated about financial products by offering an offline channel to get additional information or explanations.
Helen Osore: Right. Because anything that will be on the mobile must be simple, must be affordable and shouldn't need the explanation. Five steps and you are done. And this makes it very difficult to provide enough information. The good thing is that it has started for example, even ourselves we're doing a partnership with a retail health company and have introduced the mobile subscription process. It's less than six months and has over 600 active customers with a premium above USD 22,000. So, you can see it’s a fairly small revenue but it has started and reached already 600 people.
Deborah Keller: And does it work? Like are these retail health companies able to explain the product do people know how to sign up?
Helen Osore: Yes, we keep it simple, they are showing them a video and they have experience with health issues, so with this product it is understood. And people do understand this because there are a lot of examples where people can do that such as savings. You can save for example USD 10 and you’ll find people on their phones and they will click the USSD code and then opt to save whatever amount they want to save, so you can save even USD 2.00 per day if you want on a month. That is up to you.
Deborah Keller: So, can you explain again how does that work exactly with the subscription?
Helen Osore: Yes so it’s just using USSD, because we keep it simple. You see all the companies even what Safaricom is doing in the country does not require a smartphone, so we've now gone back to our microinsurance conversation whereby you want to reach as many Kenyans as possible. You know whatever solution should not be restricted by a smartphone just needs to be done on a mobile phone because not everyone has a smartphone.
Deborah Keller: So, it’s by SMS?
Helen Osore: Yes, it's a message, but you need to type in a code. You press star, put, then code maybe 555, then hash key. When you enter that code, it is done.
Deborah Keller: OK, so you don't sell yet anything on digital platforms or online?
Helen Osore: Not yet, because microinsurance is largely a peer market. Decisions are made by the leaders and influencers. Second, people still are comfortable filling in a form they want to see a form that’s the only way they believe they’re really registered. However, once they sign up is done and maybe even have certain experience you find that they are now more open to when you give them a USSD code, then it becomes easier.
Deborah Keller: When you say the leaders, are that community leaders or what do you mean?
Helen Osore: Correct, community leaders, I like this clarification. These are community leaders who are also called opinion leaders.
Deborah Keller: Yes, I’ve read that they are very highly valued in East Africa.
Helen Osore: Yes, if your community leader endorses something, people will buy. If they think it's not important, a good number will ignore because they are responsible for what’s good for them and what’s not. And especially when you move from urban centres, you find people really, really take endorsement from their opinion leaders very seriously.
Deborah Keller: Would you also say this holds for other countries in East Africa or is it only

possible to tell for Kenya?
Helen Osore: So, Africa and let me talk about East Africa, we are communal. You know we are communal and so that is one, but moving away from Africa and into the segment under discussion, microinsurance is a peer market. Endorsements and influences really play a critical role in a perception and patches decision-making, play a critical role because it's a peer market, mass market but also peer market**.**
Deborah Keller: So, people like insurance companies they face great risks that if they don't do it right in the first place that they will quickly get a bad reputation within a community or village, and lose customers?
Helen Osore: Yes. You could lose.
Deborah Keller: But it is also very important though that then you select the right distribution channels, right? Or like that you have the right people who sell the insurance in an appropriate manner?
Helen Osore: Yes, because let me give you a typical market. Kenya is one of the largest markets in Africa, and if, let's say for example, you just approach a trader. And a good number of people also, when it comes to the insurance knowledge there is a gap. So, you are approaching a trader. They've never had an insurance and they've never heard what you're saying. What will happen after you leave is to go and ask their leader. If they had a dissent that so the leader is not aware the leader will say a just wait, we will investigate and once we know whether these people are credible or not, we will let you know. So, you see, you go back to that person, then they'll tell you: just wait, I'll tell you when I'm ready. But he is there waiting for the opinion leaders just to endorse or something like that. It's how the market is.
Deborah Keller: I understand. Maybe to touch another point, as you mentioned something like a health product requires explanation, I've seen that you distribute it as a microinsurance policy through health retail stores, do you believe that these customers understand the product they buy? And what is your experience?
Helen Osore: No, they can buy because you see first of all, when you're talking about digital, you're talking about individual decision, isn't it? But a good number of the people will consult their opinion leader. But as I've told you about the product we've started for the mobile health for our upper income clients, we have about 600 subscribers, right? The difference is that this is maybe your own decision you make and tell yourself I want to try it out. Now we have 600 customers and if they tell their friend, they have tried it and it is working when we're paying claims fast, they will buy faster than me trying to tell them to buy the insurance. That's why I've told you it's a peer market.
Helen Osore: We've put a support system to answer their questions. What we're saying for the microinsurance is two things: Even when you're selling digital or through mobile phones, you must do what we call high touch. There is high tech and high touch you must do both, otherwise, they don't understand or not fully yet. They can register interest, but subscribing and paying without seeing a person is not possible it needs a conversation. We call them because once we noticed the customer registered an interest, we call him because there is always a mobile number. We have a back-office team that calls just in case there are any questions. Like just what you're saying, somebody will come to the website and see this and then contact this person.
Deborah Keller: But so, then those are your agents that are on the phone talking to the client?
Helen Osore: Yes, they are from Britam. We have a contact centre where when you make the calls you can get advice and it works good because our staff can also explain the product directly to the client.
Deborah Keller: And what do you believe which distribution approach has the best outreach like to get to the client?
Helen Osore: With the channels who have human intervention, because people are not dealing

with what they don't know and if you don't know and nobody explains, especially with insurance which is something technical, no decision-making can be reached. And that's why when, let's say for example, you're selling through MFI and everything you see is people know and understand them. So, people believe in MFIs and they are already consuming products from these institutions, right? Yeah, so when the MFI makes the decision to offer insurance, we will avail such a solution. What we do is now work with the MFI on what we call member education. So, during member education various things happens. Right now, with COVID we even putting together a one-minute video clips that summarizes what you have purchased. So, the institution will share that to its employees. So, in very few words, people know what the benefit is and how its structured. And this is usually not a problem with MFIs because they have the knowledge about financial products and the MFI using its branches or loan officers to communicate to the customers, because they already have a network how they contact him, so they will most likely use this channel to educate the client.
Deborah Keller: This makes sense. But as you said microinsurance is a peer market, what if customers get in trouble and can't repay the loan, as you said I guess it will be the same with credits that people talk and recommend. Don't they have not always really the best reputation?
Helen Osore: I would not say you see the percentage of people don't pay it's not 90%, but you and me are the two who will end up in trouble because of defaulting, right? So, institutions are able to manage the two separately whereby clients even understand that the insurance does not pay in case of default. In case of default, you're still liable, so the insurance will pay in case of death, hospitalization, a permanent and total disability or something like that. So, the point is, we ensure that this member education is done so that the cover is equally understood and if there any questions they can be answered. Of course, the question you've asked is what will they ask? So, the question is comping up a lot, what happens when someone has defaulted will you pay? No, what will be that the recovery process will check in for the loan and then they get the difference.
Deborah Keller: So, there is a certain level of trust in MFIs?
Helen Osore: Yes, people trust them or maybe at least more than insurance. Insurance is not trusted; people treat it with a lot of suspicion because either mis-selling or the terms and condition that people don't care to know when they're purchasing products, but at the point of them experiencing the reality, maybe I told this and this is not covered. So you know people, trust the lenders more than they trust insurance company.
Deborah Keller: Yes, that's true. And how is the success with the member education approach, like do customers understand the coverage and the loan officers?
Helen Osore: It is working well, and with the loan officers they understand it because it is them who want to offer the insurance for the client. But others than credit loan is not very much asked because they often sell the loan to their clients how it is to avoid making it more costly.
Deborah Keller: Would you say in Tanzania, I don't know if you can say this but maybe as you have branches for insurance protection also there and in Uganda, Rwanda, MFI are also possible options, or there less trusted and spread?
Helen Osore: No, that trust is there with the lenders because you see, the lender is giving you, their money. Why would you not trust them because they've given you their money? Actually, you're the one who should not be trusted because you could run away with the money that they've given you. That is our experience and even when we engage with our partners in the in the regions the experience is the same.
Deborah Keller: Ok, and to maybe to touch another point. I know you haven't mentioned it using it as a delivery channel but sometimes there is also literature that says that retail stores or other stores sell microinsurance? What do you think about that?
Helen Osore: I know that one happens in South Africa. I've been there and I've seen it happen. In Kenya, we haven't introduced yet. We haven't introduced that and this is because, like what I

said, you see these intermediaries we use also keep guiding people in what they want and explain what is insured what is not. So, what we see is more people are more comfortable buying insurance through someone who can explain and understand the financial products.
Deborah Keller: And what do you believe in the coming years? Do you believe that online is getting more popular or still high touch like with face-to-face interaction or phone calls?

Helen Osore: For me the online part, which I think will work is the mobile but not online where I've gone to the Internet, I'm trying to do something there. However, the online platforms is a place where you're dealing with millennials because many millennials are the ones on Facebook and WhatsApp and all these things, so they are bit conversant. And yes, they can do the online thing and it makes sense to develop Millennial insurance solutions that can be on the phone or on the mobile platform. That is one. However, when you look at the item under discussion which is microinsurance and needs, there must be explanation even on the phone, unless it is oversimplified and this, we will be quite a challenge. However, we can learn from other industries that have succeeded in the same space I think in Kenya we have two case studies which is Safaricom, which is an MNO and also, we have our equity bank and when you look at both cases what you see its simplicity because you whatever you're doing on the mobile phone in Kenya, you will not take a minute, it takes 30 seconds and you are done. So, the big question is, are we able to introduce that simplicity in insurance? If the answer is yes, then we will develop very fast and that's why I'm saying are we able to look at other industries or sectors and adapt that simplicity and affordability. If we crack the two then ideally it should work.
Deborah Keller: But actually, then it would also less costly for sure as in the case with the tea cooperative in Kenya right because you don't have commissions to pay and you can use your call centre to answer questions.
Helen Osore: Yes, you may not have commissions, but you may have a lot of complaints because apart from patches, how do you also make your claims are digitally coming through the same channel you have used? You understand that, I managed to on board digitally, I never came to an office and didn't use any intermediary, but right now I have a claim. How do I do that digitally? You understand, so you realize that's why I said it has to be high tech and high touch. There must be a point of touch somewhere.
Deborah Keller: Well, but how does it work with the Kenya Tea cooperative? Does the management file a claim or the farmer directly?
Helen Osore: Everything is through the agency. But what happens this being a medical cover. What we've done is all their names are submitted to all the service provider in our panel. So, let's say someone visits a Hospital, they will always contact the person, in this case, the factory that introduced them to the cover. So, they don't contact us directly, they don't even have our number. Because you see you always contact the person you have been introduced to the service, isn't it? So those introducers we are with them in a WhatsApp group and it they announce something that is taking longer or other issues we're able to see that.
Deborah Keller: OK, and with the mobile health how does it work there, I still not fully understand the concept with the retail health company?
Helen Osore: Yes, we use SMS but as I said the way we're doing microinsurance at Britain is a lot through partnerships. Like I told you these micro-customers will always be under a certain platform, whether it is MFI whether it is another association or cooperative but they are somewhere. So what happens is if say for example, you agree with this MFI that you will work with them or this institution, then the next thing once you are in agreement, the documents are signed, the products agreed on. Then the next thing is that they will do SMS blasts and alerts just to let people know what's happening. Like with Alia I said earlier, remember they already communicating to the same people on other things.
Deborah Keller: And can you say again what Alia is because I forgot or maybe haven't heard it?

Helen Osore: I just meant that the partners we work with already have systems and structures that they used to communicate to all those micro customers. So when you bring in the issue of insurance they already have a system and a structure they used to communicate and to reach those customers on in their day-to-day business, excluding insurance. So when you bring an insurance and these decisions are made at the top where this micro customers engage, then the same channels will be used to communicate and they will get to know we now have an insurance cover.
Deborah Keller: But again to your mobile health solution. How does that work? How do customers know that there is a mobile health insurance and where they can subscribe?
Helen Osore: OK, that's what I was saying before. You find, even with the mobile health, you will still create a sensitisation through a partner, in this case the retail health company you get all these micro customers mostly coming as I said earlier in groups such as self-help groups or cooperatives.
Deborah Keller: But there is not advertisement you do by phone like SMS or something like that?
Helen Osore: No, not yet for advertisement. But for example, you'll find this customer comes with let's say 4000 members then we can do an SMS to their group. Because remember Britain customers and the database has different types of customers, both micro and non-micro. The micro one there in your books because they already have your product. Now the others could be buying something else from Britam such as a different medical cover from Britam. So, if we're creating awareness, we create awareness to the target segment and because we are still growing insurance then we pursue and prospect knew customers.
Deborah Keller: So and then it's also that for example an MFI promotes the product and says, hey there is health product at Britam go and look at it and call up to get assistance.
Helen Osore: No, they don't do that because you see that they leave it to their customer to decide, but they will not even wake up to promote it because you see if anything goes wrong, the customer will not come to Britain. The customer will go to them because they're the ones who promoted it. So that's why they don't do it. I only work for a product that you agree and customize for the MFI. If you customize something for them, they will communicate to the customer and if the customer has an issue, the customer will communicate to them to the MFI not to Britam.
Deborah Keller: I understand. So you would not offer a health insurance product which cover hospital nights, or healing costs after a stay in a hospital for example through an MFI?
Helen Osore: Let me say this, Deborah. These businesses have their own business, primary business and so does the insurance companies. So the only time they will talk about an microinsurance product is when they have customized it for their customers? But anything outside from that they leave it up to the customer to make their decision outside that MFI engagement. So that if the customer wants to come directly to Britain that's their decision. However, for them to start saying look at this product, they don't do it, even if we would ask them. What they will do is say for example they want a medical cover for their customers. So, they will customize something for their customers and then they will tell their customers, you can now take this product. But if the customer buys anything that is not what was discussed with the MFI because we have many products on the market, they are not liable and neither do they promote. They don't talk about it. And also because it's not their main business right to sell insurance, its selling loans. So if you take insurance and you put it on your loan first of all, your loan eventually becomes more expensive. Then you cannot even compete in the market. So, let's say for example, you put a medical insurance on your loan, your loan becomes expensive by the same margin of profit. So, to avoid their loans being expensive, they first of all sell the loan as it is, and if they think they want to include a medical coverage there are two ways of approaching it. The first one is to customize something for their customers and then just tell

them you can now enjoy this medical cover at this cost without interfering with their loans. That's the first way they go about it. And remember, lenders and insurance companies sit under different regulator bodies. So you can't make a health product mandatory for a customer, because you would need to ask the central bank of Kenya. And this is not possible, as I might already have a medical coverage with another partner. Even the health cover by the government, which is the cheapest, is not mandatory. So there's no way lenders will make a health product mandatory when even the health cover by the government is not mandatory. You decide whether you want to take it or not and so lenders are not allowed to say that something is mandatory, not only on loans.

Deborah Keller: OK, and but do you have a lot of MFIs that ask you to customize a health product that they could offer to their customers or not?
Helen Osore: Even when they customize at the MFI level, it's still opt-in because customers has the right to choose whether they want something or not because it's not free it costs extra to the loan. But the interest is there, but the problem is really the costs to the customer, and they would need to promote it a lot in order also for Britam to achieve good numbers of people taking this insurance.
Deborah Keller: I understand. And what do you believe in the future, will there be more insurance policies sold by mobile phones, or still with MFIs, Cooperatives or MNOs`?
Helen Osore: It is a journey that has begun, but it will need to be given a bit of time. But like I said, insurance in other forms is already being utilized, like for example I talked maybe you're going for a savings product. But what I've seen there, let's say the education policy for example. Someone will buy the education policy and then continue paying their premiums online or digitally. You get it, but the starting point, they'll need fill in a form somewhere and then now begin their premium payment digitally. Right now, even with COVID, most people are paying digitally using the M-PESA platform. So, it's just a question of maybe which product is under discussion, is it a straightforward one like personal accident cover, transport cover, those are straight forward covers, that you can maybe sell by phone. So I think the issue is the product design. How simple can it be designed remains the main question to decide whether to sell it online or not.
Deborah Keller: Do you believe there are still other main issues why microinsurance is not that popular yet in these markets? Maybe lack of relevant infrastructure, poor financial literacy rate or what are according to your opinion the remaining issues?
Helen Osore: I think, three things. The first one is product simplicity, the second still affordability in the market, and the last one also accessibility. So those products are still designed from the underwriter's point of view. It is not from the point of view how I interpret what I can afford, let me give you examples. First of all, most of the insurance products are either monthly or annual also for example with MFIs. But the microinsurance customer earns his money daily. So, there is already a misalignment in terms of payment. I make my money daily and I will not start putting it together to pay your monthly premium or annual premium you understand. So, it means if the products are structured to match the earning patterns of the microinsurance, there could be a fit somewhere. You see, like our airtime, people by their airtime daily. Nobody saves money to buy airtime at the end of the month. Or a good example would be travel insurance, I only take insurance for a few days of travel. So, the microinsurance customer wonders why am I taking insurance for the whole year? Why can't they just get me an insurance when I need to? So those are some of the things that need to be taken care of. Then the second thing is the knowledge gap. Like I said, there's a disconnect between what they know as insurance, what we know. But guess what, we need the customer so it is asked to change, right? And then when it comes to distribution is just what we've talked about. How many people can be reached by people physically visiting you? Very few because still many people don't live in urban areas in these markets. So, it means if we know the channel that will give us the

quickest scale is digital because digital moves very fast and very convenient. But like I mentioned ALIA, how simple is the product and what about the claim process, this is another point. People don't have problem with passing money anymore, but it's a question of after the registrations has been done and I need to pay, what then? Will it be fast and easy? If this one people don't have and when you look at back end you realize it will not even up front. Even after it, if you have to look at it, it will not. You know, with Airtime, people buy airtime, load it and are able to use it and this is everything. But let's say by insurance what happens at time of claim? Will it be that fast?
Deborah Keller: And that's why it is often perceived with scepticism, because claims are not getting paid that fast right?
Helen Osore: Correct, you put it very well. People have that observation that the premiums I paid very fast and I paid today, but in case of a claim it doesn't come that fast. And also the terms and conditions suddenly check in and in some cases and you're not even qualified to be paid the claim. So that's why I bring in the issue of simplicity because this is sometimes even to win the market. You need to have simple product that just shouldn't have exclusions, is just straightforward. If we can do that, I think everybody would have a problem because people want evidence of claim and as seamless as the payment was made, you know, full stop, you know you don't want much more than that. Now you see for example, if you pay that you're traveling from point A to point B. That's what you expect you want to get to point B, not to be told. Even though the vehicle got a puncture, you still want to know how you will get to point B, not being told now you see, first of all, it's late, then we had not envisaged this puncture, so you start organizing yourself. Those things are annoying people. So, I keep saying maybe the more we wear the lenses of the customer the more we should be able to grow.
Deborah Keller: That's true, so the coming years will be very interesting with the further development of technology.
Helen Osore: Correct. We will see how the market will go.
Deborah Keller: True. And do you also believe that insurance can make a difference in reducing
poverty?
Helen Osore: Significantly. Oh my dear, it is the missing link in poverty elevation because you see your addressing risk and risk is very costly, whichever form it comes. These people are not able to cope with that.
Deborah Keller: If you talk about risks, because for example in Tanzania, it is difficult to talk about certain events such as death or illness as the culture says that it might bring bad luck. So I guess, this makes it also difficult to sell such products or not?
Helen Osore: Yes, that's true and not just in Tanzania, I think it's a taboo in Africa to just talk about death and plan for it and even take a cover. To us it's not the normal. However, when you look at death in the medical context that you know you'll try to have this person alive and they pass away, that one is understood. But this is a like I told you we are communal. So people, even if you die today, people like you or not either way you'll be buried, people make sure even without a cover. So what that means is people will contribute towards your funeral and these are fatigue around the contribution. So people are beginning to appreciate instead of us always meeting to do contributions, why don't we buy an insurance cover that will take care of this need so that their money which we are contributing maybe as a group is used for other things. Yes, so there's that, in 21st century, that discussion is much better than the previous century, but it's not where it should be. It's not something some communities don't even discuss it at all.
Deborah Keller: So then it's also, maybe, I guess, no option to buy an insurance protection for these kinds of risk, right?
Helen Osore: Most people are not happy to buy cover on a standard loan. But there are some who by now, but the uptake of debt cover standard loan is not so big. But as we trying right

now, we're looking at insurance selling from a gamification approach, what that means is you train people with role plays and other stuff. And they are able to understand the impact of not having insurance on their finances. And the more they see that, just back to your poverty question, until I put an insurance solution in place, then I'm open to all manner of risks that will affect my pocket.
Deborah Keller: That’s true. Do you still have questions for me, because otherwise I need to join the school lesson. It was very helpful that you took the time and explained everything so well and nicely.
Helen Osore: Thank you, Deborah. Mine is just to that I do agree with you with everything. Is this in fact that's why I personally joined the insurance industry, to understand the industry and then see from here now that I understand the micro segment very well just to see how do we bridge that gap. And what I can say is that microinsurance is the answer. We just need to crack it in terms of how we package and how we distribute it, but like the distribution channels there are working channels, let me use that, they work because people are able to ask questions to a person. But what I know is if we will do the three things that have told you, possibly change the approach, simplify the product and ensure its accessible in 5-10 years we should see a difference. We still have to see with the corona virus how it is going but I’d say in 10 years we are able to see a change because the tools like mobile are there to work for us. And it's just how much mobile can take and improve. You see, when SMS tells you 160 characters only, what happens then it gets an MMS or you have to start a second SMS. I mean it's an example of how people consume information.
Deborah Keller: That's interesting.
Helen Osore: So, tell me what you will do with this information?
Deborah Keller: I'm writing my bachelor thesis about this subject. And yes, probably I hope one day I have also the chance to get to work in this kind fields and maybe also in Africa since I’m very interested in the countries – especially in East Africa. But yes, still a lot of work to do to get there.
Helen Osore: No worries, you'll finish.
Deborah Keller: Thank you a lot Helen, for your time and help, it was very kind and I appreciated it a lot that you answered my questions.
Helen Osore: You’re welcome my dear. It was also interesting because now you’re making me think through what experiences we’ve had and what we’ve done and are doing.
Deborah Keller: That’s nice to hear. Many thanks again and I wish you all the best!
Helen Osore: Thank you for you too.

8.1.2 Insurance Intermediary ACRE

Transcript Expert Interview

Company	ACRE	**Interview Date**	25. Mai 2021
Interviewee	Farid Wangara	**Interviewer**	Deborah Keller
Job Position	Principal Officer	**Language**	English
Location	MS Teams		

Deborah Keller: So I start the recording and before I would like to hand over the word to you and maybe to start for the beginning. Is that correct that you offer microinsurance products mainly in the agricultural sector for the moment?
Farid Wangara: Yes, we are basically work around microcredit insurance, so just I'm specifically in the Agri-sector so we do not do any other insurance products for nothing else that is not related to Agri, so our main focus is Agri and all the other activities that we do revolve around Agri. So we have other products, but basically just to complement the Agri sector.
Deborah Keller: This means like for smallholder farmers, right?
Farid Wangara: Yes, our major focus. One of our key deliverables to the board, of course, is the impact aspect. So basically then, that means we have to work with the small farmers with the majority of them but of course the given landscape in the various countries that we operating, we tend to also work with the large scale farmers - Medium to large scale farmers and various other organizations that are doing Agri.
Deborah Keller: Also like cash crop farmers?
Farid Wangara: Yes, and our main focus, ideally 80% of all our farmers are usually smallholder farmers. So the various channels of course, to aggregation by various organizations and our own internal models in terms of, tech-tools to be able just to reach as many smallholder farmers as possible.
Deborah Keller: How many clients do you count currently with your microinsurance products?
Farid Wangara: So since inception, I think we've worked with over 3,000,000 farmers. So we are in Kenya. We have a presence of offices in Kenya and one in Tanzania and Rwanda but we have other running projects and activities in other countries, like Zambia, though we still don't have a presence in Zambia but we have projects in Zambia, Nigeria, Malawi, Uganda, Mozambique. Currently we are engaged in some discussions in DRC Congo and we also have some discussions ongoing in India.
Deborah Keller: In which country are you most active or do you count the most customer?
Farid Wangara: Kenya is our head office with initial pieces of operation, so basically that becomes the biggest market.
Deborah Keller: How does it look like in the other three countries?
Farid Wangara: We are visible in terms of office presence in Kenya, Rwanda and one in Tanzania, but we have more ongoing and maybe just to mention we have got a new board member which is a company called the Zep-Re, so Zep-Re is our insurance company owned by the commercial state. So, the common market for Eastern Africa, so they are the ones that owns Zep-Re. So, by basis, with Zep-Re on our board as shareholders, actually they are majority shareholders and now we are pushing to have businesses in all the commercial countries as well.
Deborah Keller: So, you have the most established business in Kenia and then how would you say Tanzania, Rwanda and Uganda how is it divided in terms of microinsurance?
Farid Wangara: I would say, maybe they would fall within 20% to 30% in terms of insurance product.

Deborah Keller: Like all together? And then Tanzania is around 70%?
Farid Wangara: Kenya has the majority of members; Rwanda would be looking at maybe 40% and Tanzania another 30%.
Deborah Keller: Alright and Uganda you haven't any office up to now if I understood correctly?
Farid Wangara: Uganda, we haven't done much, yes. We have just done feasibility study for now four years so basically, we are leaving from the feasibility study now we are putting together mechanisms going to the market. It was because we haven't had any strong partner there and the research process takes a lot of time before finally entering a market and establish business.
Deborah Keller: I understand. So, in terms of delivery channels like I've seen on your website that you've working with and with former associations or cooperatives and also retail stores like seed companies. Can you maybe briefly explain what delivery channels do you use to distribute your products and are they the same in in the three countries like Kenya, Tanzania and Rwanda?
Farid Wangara: So we have various delivery channels, but what we largely want to do is to try, and especially when you're working with smallholders farmers it is very difficult, to reach individuals smallholders farmers in all the countries. They all live very dispersed in the various regions so we leverage on working with an aggregation model. So number one, we have a model working with MFIs, mobile financial institutions and SACCOs. So basically, now what we'll be doing is the SACCOs would be able to assist in the aggregation of the farmers. Then for us would do the overall monitoring for all the farmers, but then they will do the aggregation, they will hold the policy documents on the behalf of the farmers and then now we'll do the administration on their part. Then of course most of the very large-scale farmers do we have on an individual basis. Our definition of smallholder farmers is any farmer who as maybe five acres and below. Then we have large scale farmers who have 500, 200, 1000, 2000 or even 4000 acres. So we would attend to them on an individual basis. But for smallholder farmers we have the aggregation model. But we also develop products like for the seed companies. We are partnering with the seed companies because they are selling their seeds to a smallholder farmer. So through that engagement we are able to design products that are much more localized and cheaper for the smallholder farmers because its embedded in the aggregators product. So you'll find that doing it bundled, where for example a bug with seed come with an insurance cover. So insurance cover would probably be less, lets say USD 0.50 or one dollar at most. So when the farmer is purchasing the pack of seed or even put up a fertilizer, then it comes already bundled with the insurance. So we have mechanisms or to ensure that wherever the farmers is purchasing, we're able to give them geo data of course. We have cards in the box and we have USSD codes. We have apps for the farmers to be able to reach through. So they're just log in, scratch a card, put in a user number and then we would be able to geotag where the farmers are and monitor. So that that is one. We also work with NGOs, you realize most international NGOs and organizations working around agriculture with various farmers so we tried what we call integrated risk management, so we'll be able to assist them in bundling insurance together with whatever services they offer.
Deborah Keller: Is this the One ACRE fund model I guess?
Farid Wangara: Yes.
Deborah Keller: Ok, so you said like MFIs, SACCOs retail companies like the seed companies, NGO and farmer cooperatives and associations. Do you make use of MFIs agents and NGO' agents or do you have your own financial agents in place?
Farid Wangara: So largely for the aggregation model, we try to support the product acceptance and modelling at the financial institutions first with our staff, then once they have understood then we are given them an opportunity to train their farmers on our particular insurance products that we're providing. So we always work within two models. Number one you realize, for

example, a financial institution, it's more of a one way street. Their agents are dealing with finance, so anything else out of that, the rigidity of must human being is if that is extra work I'm not going to do that, so we try and train them on the basics, but then we would have our people, our staff, the people we've contracted for the regions to support in the implementation process.
Deborah Keller: OK, and do you make the products mandatory in the MFIs or cooperative model or is it opt in?
Farid Wangara: It depends. There are those that are opt, let's say a SACCO would say whoever farmer is interested, we are going to finance the farmer, so the SACCO buys a group policy but the farmers are free to take it or not. But then there are ones who are embedded I'll give you an example, we are working with MFIs, for example, what we say is instead of a farmer coming to the bank to secure a loan for agriculture and go through the rigorous checks and scoring, where you really want to ask for maybe a security or collateral for the loan. You use insurance as collateral, so then then this one becomes mandatory for the farm. If you want alone, for example, for a particular project for a particular farming program then that insurance would be embedded in the loan that you take and whichever agricultural periods happens, then the banks money is covered.
Deborah Keller: And what were the experiences with MFIs? So what I've read is that, how do I say, like there is no benefit for the borrower and they have like mixed opinions about MFIs? Or isn't that the case?
Farid Wangara: No, I mean it that is always the case. I mean even me, when I went to take a loan to the bank whether it's agriculture or not. Definitely the MFIs interest is its money, number one before anything else even knew. I'm sure wherever you are, if you went to the bank, their first line need is to make sure they're protecting their money, so they'll be looking at your repayment ability. They'll be looking at your general loan scoring. But now what we try and do more often than not is to offer value addition not just to the MFI for the loan. But we're also offering value addition because personally, I always believe if I'm entering into farming, I'm not taking a loan so that I'm unable to repay. I'm basically taking a loan so that it should assist me to make more money, repay the bank's loan, and retain my profit. So the value addition we try and do is add things like good agronomical, practices, trainings to the farmer when you're doing inspections and reviews. We just review the farms, see where are problems within the farms what can we advise from an agronomical perspective, what should be done to increase sustainable business. But more often than not, you'll find the MFI or bank is not giving you 100% if it's an agricultural loan, the bank more often than but not might not give you 100% funding. They give you maybe 40 or 50% funding. So what we do is also try and structure the insurance coverage to ensure that it's covering you just beyond the load so that in case of a total loss then you'll be able to repay the bank loan and also remain with something on top of it to start you over next season.
Deborah Keller: OK, so in case of death that the spouse also gets some kind of payment?
Farid Wangara: No, not really for death that would be a bit different. Yes, but of course if you have a debt by the bank and you die with no insurance basically then the bank I would come for your assets and things like that. But what we try and do is to just cover in terms of credit life that when you die and you have a loan from the bank, then the loan will be repaid so that the family is not being touched. And the other part, so what we've added is if you have a permanent disability, we ensure you're getting a bit of a lump sum amount payable to you.Then let's say if you are a farmer and you are ill, you'll spend some time in the hospital and we also try to do things like hospital cash back. So we give the farmer a certain amount for the stay just to support other activities and initiatives.
Deborah Keller: OK, and so with which channel do you experience for the moment the most success because like they have all like different advantages and drawbacks as MFIs, they have experience with selling financial products so they know how to deal with such products. What

would you say what are the success factors of each of these delivery channels?
Farid Wangara: I think it varies. I mean it depends on what channel has a bit of a less management effort as compared to others, but more or less they vary. Maybe one thing I would want to mention at this point is that agriculture in microinsurance it’s still very low. In general, microinsurance in itself is very low here. It's still you see, like in most developed countries you find people literally value insurance. So you find people here like I go to seminars to do presentations and meeting on microinsurance. And you ask people in a meeting how many of us have just taken a education policy, for example, and you find maybe from 100 people in the room maybe two only so you see and these are people probably would consider learning now you can imagine a person with low income prioritizing insurance. So, again priority for smallholder farmers, insurance comes almost number 10 on their priority list. They are wondering should I be eating, Should I be paying school or should I be paying for agriculture insurance?
So if it doesn't have the success we've seen is not just offering microinsurance in itself alone, but put more value addition to it, so that then what you're giving is a better value proposition by the farmer and its seen as compared to just getting an insurance cover. I mean, they're learning that we've been able to learn over time just to enhance the different distribution models that we are working with. Because if you just offer insurance in itself, then it doesn't make sense, so it has to have a lot of value proposition, but distribution models always come with different problems and different challenges you'll find for example, for financial institutions, we find it a bit easier because then their level of understanding is a bit higher, and the way they work more structured and even the farmers they are granting loans to are a little bit more structured, while with a SACCO, on the other hand, it's not really structured. Decisions are not based on a solid foundation way of thinking. You find decisions that are made either euphoric position and you're thinking how well have i pitched my presentation to the board or to the leadership of the SACCO that determines how maybe your product would be perceived by the members or not. So it all of them come with different challenges, just to know how do I deal with them and how do I make them into opportunities to improve the distribution model.
Deborah Keller: I understand. And how do you train the people at, for example, the seed company? Because yes, these people don't have let’s say financial knowledge so as for example, MFI agents. Do you also train agents at the seed company or how does that work?
Farid Wangara: So actually we engage at the beginning of any engagement, we try to train as many people as possible. But again, as I mentioned, you'll find if it's not your immediate line of business, it's not what I'm supposed to be doing. Then it takes a backstage happen until a question arises within that angle. So what we try and do mostly is to continuously train the people who are frontline from MFIs and retail companies who are dealing with the farmers. But these information they get are all very basic to understand, so that not only the sales staff from the retail company but also the farmer understands the product. On top of that, like for echo what we've done as well is to have what we call a village champion model. So, we are going down to where the farmer groups are even before they reach to the SACCO level, training, recruiting people within farmer leaders. Within those areas, in a very small group, so would recruit and incentivize maybe a chairman of a group and incentivize them in terms of mobile phones, now they'll be able to get more information and data so we don't need to be there, but we can be able to continuously send data so that when they're having their meeting, they already training the farmers, so seeing farmers becoming even more knowledgeable and even the organizations that we are working with as well because they get the data. And again, now so those village champions will also be working hand in hand with the agents of the SACCOs and with the agents of the seed companies just to continuously train and educate people. Then of course, periodically we’d also go in and bring in the leadership and train them together with the team and then we just do different simulations and treatments in terms of training just to

enhance understanding and things like that.
Deborah Keller: OK, and how does then the collection of the premiums work with these smaller farmer cooperatives?
Farid Wangara: So, we have different model but what I think what mobile money has really taken root within very many small-holder farmers it's much more easier than the normal bank transactions, so most people prefer the mobile management section, so we have what we call that pay bill. So the farmers just directly pay that premium.
Deborah Keller: OK, so this is also in Tanzania, Rwanda the case? because M-PESA has started off in Kenya and it's very successful. But then it also spread around the other neighbouring countries?
Farid Wangara: Yeah, it has been spreading quite quickly. And also for the regions for example where we don't have let's say M-PESA or is not so present like in Rwanda and Uganda we use the cooperatives and associations to the collect the premiums so you find a farmer we can get an advance for input and then so instead of being given the money they've been given the inputs directly, then the money is remitted by the cooperative or association on behalf of the famer.

Deborah Keller: OK, and do they insure or do you take into consideration the irregular cash flows? Or what is the payment period? Do they pay once a year or how many times do they pay?
Farid Wangara: So I depends. For example, if it is pegged on the crop insurance, then that would mean it is based on a crop season. Like in Kenya we have two seasons in a year so it depends it when the farmer probably is taking a crop insurance then it will be pegged on that but with the MFI it is pegged on the payment scheme so we cannot decide. But what were trying to is to make insurance as affordable as possible. So like for example, in what we've done, we have a product we call Bima, so this is so in English just basically commodity. So that, uh, if, let's say I'm able to pay 50 schilling, I'm like covered up to 1000 schilling. If I can afford 100 schilling, I'm covered up to 2000 and 3000 schilling. If I'm able to afford that, so I would buy commodity insurance and you're finding farmers, for example, that would say it went for a 1000, but I can pay 100, 100 every week or the next two weeks until it is finished. It's just now we're trying with the models to be able to ensure that we are reaching out to as many smallholder farmers.
Deborah Keller: Now it's still not 100% clear, so how do you ensure that you reach as much as most small order forms as possible?
Farid Wangara: So the commoditized insurance, for example. By using our agents how go to the field who are who are pulling it to the village champions for example.
Deborah Keller: Ok, and when you say that these people are training the farmers other than you, what kind of ways or strategies do you do you use? Like how do they train the farmers?
Farid Wangara: So there are various models we employ when training the farmers. Of course we do a lot of visuals. We do a lot of role plays. We have various programs that are running on local radio stations, because most of smallholder farmers are to be found. So we have engagement with most local radio stations. So we are doing now with the village champions, because like right now with possible restrictions and everything we've enabled them with phones because most of the farmers have feature phones. So, the farmer who wants to find something out goes to the USSD, but the village champions we give them mobile phones we are able to share with them information on WhatsApp, then that information they disseminate it to the smallholder farmers. Any questions that are rising at some point, we're able to respond and give them appropriate information. So and like with MFIs the basics it is like less training needed than with the seed retailer, MFIs there is a little bit less training needed than for example with the seed companies and the village champions for example I guess. These kinds of ways to use it as a delivery channel need a little bit more attention to explain products and everything.

Deborah Keller: But I guess a little bit more sustainable and maybe also other motivations behind it. How about MNOs? You haven’t mentioned it before, do you have a collaboration with them?
Farid Wangara: Yes, like Safaricom for example, we have already an existing engagement with them. We are working with them, I don't know if you heard about it, its DigiFarm.
Deborah Keller: Yes, I’ve read about it and heard from another interview that they carefully follow the program.
Farid Wangara: Happy to hear that.Yes, with DigiFarm we already working with them on this digital platform and provide microinsurance to smallholder farmers, but apart from that nothing else. But maybe it will increase because in Africa there are a lot of these platforms evolving and I guess there are now around 350 platforms such as Jumia and each year more are about to establish. And to the partnership with the telephone companies, for example, the USSB we are getting that from the telephone companies. I mean like for data sharing and things like Agri-data and things like that. Of course, we're using the platforms of the MNOs.
Deborah Keller: Interesting, and what do you think like for example from a multinational insurance companies I’ve heard that they’ve develop for example, a SIM card in collaboration with an MNO?
Farid Wangara: I think we haven't reached such an advancement. But for microinsurance product and especially agriculture insurance and these products are more often than not we found it's almost a very low touch kind of engagement because for Agri, there's much more details that our farmers need to understand for microinsurance. The farmers always are always asking whether you train them today, or you train them after week, they will still ask you the same questions. My crop is looking like this what does that mean, I’ve cut my hand when we were slashing the cow, how do I get compensated? So you find it's almost very personal and quite a lot of back and forth. And especially for the smallholder farmers, to understand, it haven’t reached that level yet. Even for us training becomes a continuous process. If you trained today and you come back the following day you do a role play. Come back after two week, after one month the farmers have forgotten everything you taught them because it's not really in their thoughts, they’re just interested in the question if I gets a loss, would I be covered? But then, what would you quantify as what would cause that loss? If your cows come and eat all your crops, for example is that a payable claims ? Yeah, Is it covered, if your neighbours motorcycle came and ran over you and you were playing football? Is that a payable claim? It's not, so it becomes quite very engaging in terms of demystifying everything surrounding microinsurance and agriculture insurance.
Deborah Keller: Now I understand. So and how do you address it? Like is there also the delivery channel who could bring in more effort?
Farid Wangara: Yes, so like we try as much as possible to simplify everything, even when we are developing the policy documentation and with the insurance companies, especially for these customers in general the more simplified it is the better. The times where we've been going into very local language to be able just to simplify. I mean the policy terms, policy working and what is covered in or is not covered to the most simplest of way, but even one month later, they will still be asking about the same thing. So, and there is a need for lot of personal touch so, hence, for example you see now with the village champions model, it works best because then this person lives within the community, so it becomes the first touch point for the farmers around it. Maybe you have like five larger groups around this particular village champion, so any issues regarding to insurance, they're able to reach out to this village champions, if this person doesn't have an answer, he can quickly reach out to us and we give whatever answer that needs to be given. And because then he is moving around between the farms, he is able to disseminate that information very quickly
Deborah Keller: It comes maybe a little bit at the smaller scale because sometimes there are

smaller villages, but it's sustainable right ? Because they can reach out to you and they don't have the MFI or the SACCO between the farmers and you. So and I guess for this reason it is more trusted.
Farid Wangara: Yes, they're more trusted.
Deborah Keller: That makes sense. And what experience do you have with implementing digital solutions such as you've mentioned before with Digifarm?
Farid Wangara: We are trying that because, let's say like for us it makes a lot of sense, if we are going to digitize almost all our products, but of course with the challenges that are there within the rural regions, but at least we are seeing with continuous training, continuous capacity building, we are beginning to see that as a possibility, and so of course, now we are preparing ourselves to that phase. For example, you find that almost 70% of all small-holder farmers have their own feature phone. If have a good phone, you are to get a bit of apps that can reduce a lot of work also in terms of communication and so you're seeing even companies like Safari for example, they've started to sell phones on credit to farmers and he can pay 20 shillings a day over the next year and things like that. So it becomes a bit more affordable and now we see a lot of farmers are going into smartphones and things like that. I think it's moving forward, more information about them, more capacity building training. We are seeing that as a possibility and prepare now so we are prepared when that really happens.
Deborah Keller: And what's the reviews with DigiFarm you are engaging with Safaricom? Do you
have a lot of success, or is it still at a very moderate level?
Farid Wangara: It still on a very moderate level. I've been part of the development for a very long time. Last year, 2019 was, I think, it was the first time we did the first implementation, we began to see so many farmers put into it because it is Safaricom, so it was for status so, it had really a great expansiveness in the beginning. But still they don't just offer microinsurance it really has to have a lot of value proposition, they offering inputs so they're partnering or within the value chain to offer farm inputs and then the farmers are supposed to pay at the end of a particular season, but of course it still has its challenges. It's still baby steps, so there's a lot of learning that has to be undertaken over a period of time for it to be able to be actually a success, but at least that is a starting point that you're seeing farmers can actually use their mobile phones to get inputs, use their mobile phones to get information and if there is any insurance claims to be paid, we're paying them through the forms now. We don't need to have a farmer submitting any claim anymore because it is automatically paid.
Deborah Keller: I see, there's a lot of potential to facilitate many processes, but how would you say then in terms of other products, not agricultural products but health products or I don't know, accident coverage or something like that. Do you believe that this has already more potential to be solved online?
Farid Wangara: I think I would say baby steps are still made at the moment, because you know if you're targeting people in Europe we have a bit of an understanding, but here even people living in bigger cities in Nairobi for example, most people don't think its important to them. Now you can imagine people living outside urban areas and especially small-holder farmers, it's not a priority for them at all. I think step by step with more capacity building training, that eventually once people begin to understand not just the product itself, but the value proposition behind the particular product, that it begins to make sense.
Deborah Keller: So that it really can help to reduce the vulnerability in terms of climate shocks, health issues and all these kind of benefits the insurance can bring. That's already a lot if answered is nice, but in terms of Internet as I guess this is still no option at all, right? How do you rate the success of digital platforms?
Farid Wangara: Again even for that still step by step that's what I'm saying like with DigiFarm when we launched DigiFarm I think we had a very aggressive way of thinking. I mean

Safaricom currently serves above 25 million people in Kenya using the network. So imagine for them, I mean to reach 1 million farmers should not have been a big deal because 25 million people use the platform. But in the past year of our launch, I think we worked with around 40’000 farmers. In the second year, we worked less than 5000 farmers. So, you can imagine the challenges around selling and serving customers through digital platforms. It’s still baby steps and things that are coming up, and lot of capacity building.
Deborah Keller: I wouldn’t have expected that, impressive decline after the first year, but yes I totally agree it is just not yet feasible! But in order to make further progress, what do you believe, what's still missing for microinsurance to further develop? Is it better technology or like less complicated products? Like apart from lot of training to increase the take-up rate?
Farid Wangara: I think a lot of capacity building needs to be done. A lot of farmer training and sensitization needs to be done and usually for models I think we see very little involvement with the government. I have seen, like for example in China, if you go to China or the US and other countries, there's a lot of insistence, for example by the government with insurance such as health insurance, life insurance and subsidies. So a lot of insistence and a lot of subsidies. So you see if government offering subsidy up to 80% of subsidy**,** if I was a farmer, I wouldn't mind not just paying 20% of it, so here a lot of it is still needed to be done. The other thing I find a bit obnoxious is we have almost 100 governmental organizations working in the same region, trying to pass the same message in different language or in a different model of operation, so just replicating and confusing farmer. I think we also need to see how we could come together? All of us want to do this particular project, so it shouldn't just be because of current funding, we should be going this same project to do the same thing, and again you find project there's usually not a lot in terms of sustainability. The project would run for a year or 2-3 that's it and then after what happens right? So, assuming all these people would come together and just craft all these people to work towards one model where we are saying, you work on the microinsurance product, you work on the capacity building for the value chain players. You do capacity building on the input providers and things like that. Really change a lot in terms of how resources are being used, how resources have been well used for the distribution of strategy.
Deborah Keller: So government support, pooling of resources, and training and sensibilization of all the involved parties among the value chain. But do you also believe that you still need to innovate? Maybe in with working with order delivery channels or doing more simple products. Use technology to further.
Farid Wangara: Yes, of course. For us, the main product is weather-index insurance. In Kenya, Tanzania and Rwanda we have installed our own automated weather station and so of course we have a strong focus on tech and big data. We believe, it is the future for distribution is the future for dissemination of information. Basically, we see the same the big opportunities technology can have and even from an insurance perspective, for us, I'll give an example when we are doing a livestock insurance for farmers, we've completely eliminated uncertainties, for example from a point where the farmer applies for livestock insurance all the way to the insurance company. Everyone has a visibility of what is happening in between. But of course, again, a lot of capacity building and encouragement for our insurance companies to enter into this business need to be done. in Kenya, we have around 57 insurance companies, only between 5-7 are very active in Agri and even out of the seven only maybe three are very active and have a robust department for agriculture.
Deborah Keller: So still a huge like untapped market with a lot of potential to like to get a lot of customers and to help and to develop sustainable business for agricultural farmers.
Farid Wangara: Yes, and especially in terms of pricing of course I agree, insurance is a bit expensive for the simple reason that the number of different product are very few. But of course, now with having as many farmers as possible, it becomes more accessible even for the small-holder farmers.

Deborah Keller: And also you need to find more farmers because I guess climate risk won't diminish. I guess they will only increase in the coming years, right?
Farid Wangara: Yes, definitely. We're seeing the weather component changing quite drastically. I think when I was growing up and my grandmother would tell me go outside and it looked in the skies and then she came and told me it will to start raining in 2 days from today and it was true for very many years. Now you can't do that anymore. The rain is quite special and so drastic you don't even know if its going to rain or not. Number two, we used to see catastrophic events happening maybe after five years, six years or even ten years and then have one catastrophic event, but now we are seeing them almost every year. There is a catastrophic event we are seeing new uncontrollable events and diseases coming in. So, I mean, it's important that we begin to start thinking in the direction of protecting themselves. And the small-holder farmers need to move from normal agriculture to business, then they need to begin to think how do we protect ourselves.
Deborah Keller: But, to go back to the other insurances, can you explain to what extend you use these and the importance?
Farid Wangara: Yes sure, so we have our main business on the crop insurance in the Agri sector. But all the other microinsurance products are very mandatory and very important riders for us. So for like credit life, for example, if we are working with MFIs, SACCOs, credit life is very important, right. Because then we are saying it aims to support these farmers family to don't start looking for how to repay the loan in case something happens, let the insurance pay that. Then we have hospital cash. When I found my hospitalized, they loose income, and this one is more about loss of income. So for 2-3 days we are giving a farmer maybe 3000 shillings per day, when the farmer comes out, he has around 9000 shillings, that it's going to help him one way or the other. He lost some income when he was hospitalized. We have permanent total disability, if a farmer wants to get such an insurance, he has to pay a lump sum of maybe 50,000 to 100,000 shilling to start it off. So we find those microinsurance products quite very important, as it becomes more of an important value proposition to the Agri insurance. So those are important for us. The other thing, of course, now we are working and actually we put some grunt to try and just see how do we incorporate health into the agriculture. So that is what now we are working on. But of course, you know with health it's a bit complicated because then you have to be thinking about which are the hospitals they're going to be working. How do you harmonize? And of course, human beings naturally, if I have a health coverage, even when I have a headache or a pimple just on my head, I definitely want to go to the hospital because I have a coverage. So it requires a lot of harmonization around it just to see that there's actually value for it and it's not just a benefit that is not making sense both for the insurance companies and the hospitals that are going to be in the same program and things like that. And also, we are working for the first time a health coverage for animals. To get the farmers like a medical card for their cows and we have what we call almost an "Uber system" for the veterinary officers around a particular region, so if a farmer's cow is unwell, the farmer just need to put in a USSD and then the most nearest veterinary officer would be able to come and respond and swipe the card, and then the card cut off all the costs of the animal treatment. So those products are very, very important and important programs for us.
Deborah Keller: OK, but these like as you said, the hospital cash for example is this also promoted through the village champions for example, like the is it an opt in feature or is it mainly promoted and sold with MFIs or another channel? Like with what kind of partner do you distribute these hospital cash products?
Farid Wangara: So initially we piloted with MFIs it has proven difficult as it is a bit more complex and agents have shown limited management effort, but then now what we are trying to do moving forward is to try and embed that as a as a permanent when we are doing pricing, we embed it in the insurance product so that every each and every of our farmer who takes an

insurance cover then should be able to enjoy the hospital cash enjoy the past permanent disability benefit and enjoy death benefit and enjoy credit benefit.
Deborah Keller: So, but do you believe this is possible like explaining through village champions, all these kind of coverages or I because I guess it's very complex then to explain so many different products in one?
Farid Wangara: Of course it comes with these challenges, but I believe I with baby steps it will come and they want to learn and have certainly an interest in the wellbeing of the others. We explain one by one and as we go and they help us in how to best explain it and develop good solutions. And I think what also helps us a lot user in the in the occurrence of an event, let's say you lose a farmer. We are able to go and present a check to the family of 50,000 and that they begin to ask questions. How did that happen? Why was he paid 50,000 now? And then it becomes an opportunity for us to be able to even cross-sell.
Deborah Keller: That makes totally sense, And What is the experience? Are the people open to the insurance when you when you explain the products and are they keen on getting to know more or is it like Why do I need to know this because I just want to be covered when something happens?
Farid Wangara: Yes, it comes with their various challenges. They are those who are interested, genuinely interested but they can't afford. There are other who can afford but are not interested. The others will take the information and I just didn't think it is important and there are those would wait one person or five people who've taken the insurance cover to actually see a compensation for them to want to have it in the following season.
Deborah Keller: And in terms of how the future is going to develop, what do you believe, will the near future still need very strong face to face interactions and traditional channels or will there be a strong development? Like what do you believe?
Farid Wangara: I think I see a little bit of both at the moment, but I'm seeing, and even other players in the industry, a lot of people are trying to move into the digital space, so we see the very near future the digital space would probably be taking a lot of centre stage, but then with the human interaction backing the digital space.
Deborah Keller: OK, and what channel do you believe like is that that the most present? Do you really focus on as you said association or cooperatives ? Or do you then emphasize or maybe develop a stronger relationship with Safaricom for example.
Farid Wangara: For us, I think we you can never write off any distribution model, each of them are as important as the other but the village champion is very important because of the human aspect of it, but they can only meet as many farmers as they can. DigiFarm is very important because the reach in terms of farmers, but they can also just reach as many as at a time. We believe the financial sector model is very, very important because they play a very big role in the aggregation and provisional loans to the farmers, so all of them are important is asking to enhance product uptake but we need to ensure that all of them are working at optimal levels, but of course again when we look at the cost, aspect and cost element and of relationship management. We see a lot of effort being put towards the digital space.
Deborah Keller: Alright. I'm very happy about the insights you gave me, it was very interesting.
Farid Wangara: Thank you, have a nice day.

8.1.3 InsurTech Start-Up Blue Marble

Transcript Expert Interview

Company	Blue Marble	**Interview Date**	30. April 2021
Interviewee	Jaime de Piniés	**Interviewer**	Deborah Keller
Job Position	Head of Africa	**Language**	English
Location	MS Teams		

Deborah Keller: Thank you for taking the time Jaime, I'm happy that we made it even with the technical issues. Before we start, do you still have any questions regarding the questionnaire?
Jaime de Piniés: No, well just one for context. Even before we get started. We do have active presence in Southern Africa, but Eastern Africa is relatively advanced but not yet having an office there. I can give you examples of our approaches in South Africa and Zimbabwe and how we try to approach it in East Africa but we don't have not active products in East Africa. I just want to be very upfront with you.
Deborah Keller: No problem, every additional input is very valuable for me.
Jaime de Piniés: OK, perfect.
Deborah Keller: So if there are no additional questions, I will leave the floor to you open the discussion with the first rather general question of how is Blue Marble structured in East Africa and what is your function as a Head of Africa?
Jaime de Piniés: In Africa we have a team out of Kenya, Nairobi, where I'm based as well. So you have myself, the head of operations for Africa, then we have a team of software developers who are lead by our lead software developer, and then we have the head of project management software - we've hired him just recently. So I don't know the exact title but he's in charge of managing all the projects of software and then we have a full time software developer under the lead software developer, as well as two contractors that also worked together in that team. But they are on a temporary basis. We then also have a data scientist in the team out of Kenya, and that conforms the full small team, that we have in Africa based out of Nairobi. We then come to the countries where we have ongoing business, we have an indirect presence in the in the in the market. So in Zimbabwe we have very strong partnership with a local insurer and they are basically our legs in the ground if you will. So we manage all the relationship from here, design products and you know, do materials around the products that we share with them, but they really are the face and of the product in the market and the ones that distributed. We do also work with a consulting firm in Zimbabwe which specifically does education on product and help us to distribute them and they work side by side with the insurance company. And then we also have a presence in Mozambique where we have a contractor hired for the time being. We might develop a more stable presence, but for now we just have contractor. And we also have another strong partner there, in this case the World Food Program, who if you will, also serve as the more legs in the ground in that market. In Kenya obviously we have our team here, so especially with the head of operations. She's the one lifting most of the groundwork here and in Ethiopia, which is the other country where we are making inroads. We have also a strong partnership with the World Food Program. We don't have a physical presence, but for the time we just travel there. So that's the structure of our team across Africa. And in regards to my function, so I oversee the business in Africa, so everything from setting the strategy to managing at the highest level, of course, operations and recruiting, business development. I guess every other dimension, legal, business, finance, as a start-up you end up doing a bit of everything.

Deborah Keller: So, if you say that you work with the World Food Programme for example. All these projects and your insurance solutions like focus on agricultural domain, right?

Jaime de Piniés: Absolutely correct. So, we have an expertise in agriculture and climate risk products and all our solutions in Africa are in that domain.
Deborah Keller: Alright. And if we think about the overall process design of Microinsurance and the process of distribution, how would you assess the process of distribution compared to product design, pricing etc.? Because I'm studying now just the distribution channels but what I've read in literature is it one of the most challenging aspects in the overall process.
Jaime de Piniés: I mean, I certainly agree in the fact that this solution is very hard, but I would say in the context of climate risk, products are also quite complex to develop. We basically have to leverage a lot of alternative data, in particular satellite data and then around that satellite data layer and top models' algorithms that ultimately determine the probability of an event happening. And those algorithms that we built, we don't do them, sort of in a lab in complete isolation of the reality we're modelling, it requires a lot of contact with the client, so we follow a customer centric approach for developing products in which we first understand the needs of our client group and from that we develop what we call a minimum viable product (MVP) or prototype and then we go with that MVP to the ground and test it with client group and from that testing we extract insights that will help us finalize that modelling and so throughout that process we end up with a product, but that it's as you can tell from the process. It is lengthy and complex and provided there's all these algorithms behind that's why if you think about our team, we have so many software and data scientists because we really need that type of expertise in developing products.
But having said that, distribution is fundamental, I would say, but those going hand in hand, you can have an excellent product that if you don't invest enough in your distribution processes, it's going to go nowhere. Similarly, if you invest too much on your distribution but not enough on products, you can have a problem because the experience of the customers is going to be affected. So you really need to invest in those two. And distribution is really complex in our case because our customer group tend to be in rural areas. A lot of these countries that have low density population. It's very difficult to aggregate populations to reach them on the one hand, and sometimes you just suffer from problems of infrastructure, or little connectivity. In some areas, hard to get as there are bad roads or sometimes impossible to get to them in the rainy season for example. So that complicates matters of distribution, making it extremely difficult as well. So I would say the two go hand in hand. And certainly I don't know how you put this in there, but price and ultimately affordability, right of the end customer is I would say probably the most difficult battle in terms of the thinking of it in terms of affordability. I mean microinsurance in the eyes of most of the customers we target is something completely new. Many of them are first time consumers of insurance. And to explain and justify to them the abstract concept of insurance is already a big step and then from there on to cross the line of saying I'm going to purchase a promise of potentially receiving a payment, is also very difficult and actually paying for, it is also very difficult. In addition, you're competing against a lot of substitute services that they could also afford, and in many instances some of those substitutes are so different, I mean, the substitutes just narrow so much when you have little resources that a substitute is maybe buying a goat instead of buying an insurance and who are you to tell a farmer don't go and buy your goat to diversify your revenue from crops. So, in the eyes of individuals that have little resources to place microinsurance as a substance that they're willing to pay for, that's extremely hard, but that I would say, is the hardest of it.
Deborah Keller: I understand, so you've mentioned that it is a key issue to convince the farmer not to buy the goat but rather invest in an insurance as a mitigation strategy?
Jaime de Piniés: So I would say, what we found to be most successful is embedding microinsurance with other services which then enable us to access, but also enable us to present

this solution as a package, which then becomes a really compelling value proposition to the end consumer. And in some instances, by partnering with multinationals and partnering with entities like the World Food program and other international organizations also, being able to access subsidies and other forms of, let's say, complementing the premium such that the barrier of entry for this consumer is not as high. Because as I said, being such an abstract concept, lowering that barrier of entry to experience the service of insurance is very important. So we really focus a lot of our time and seeing how to embed ourselves into existing services or embedding ourselves into packages that are very compelling or offering these services as part of a package which has subsidies in order to lower that barrier of entry. And I can give you some examples of how those are so. We have worked with the seed providers where we have embedded insurance as part of seeds in a seed replanting guarantee in Zimbabwe, and it's proven to be quite a good distribution channel and achieved quite a bit of scale. It comes with challenges as well, but it's certainly a very good way to distribute the product. And I'll say that what is really interesting about that channel is, that insurance is seen as a value-added service to seeds, that differentiates your seats from others. And therefore, the company selling the seeds is willing to put some of their marketing budget to pay for the premium. So, it's a way to have premium subsidised indirectly, because seed companies are able to position and differentiate their product from other competitors when selling. So you see what we think in the different markets is about how to embed ourselves to reduce that barrier of entry to the service for the farmer.
Deborah Keller: And then, the seed company is selling the insurance or do you have special agents placed in the retail stores?
Jaime de Piniés: So, from the seed replanting guarantee that we've worked with is where the seed provider has its own agent network. They had agents across villages in Zimbabwe and what we did is a train the trainers' methodology where we basically gathered the officers of this seed company, which weren't agents, they were called officers and these officers then would go to their respective villages and then train customers on the products we had trained them and sell them together with the seeds. But it was already embedded, right? So, all they had to do basically is introduce the product, write down the name of the farmers they would have sold the seeds to and automatically they would be covered. We would just need their phone numbers. So it was really a way where they trained and validated afterwards that they had trained the farmers on this specific and insurance product and then with the sale of the seed they would be automatically admitted or onboard. So that's how we distributed that product. And in that case the premium was paid by the seed company through their marketing budget.
Deborah Keller: Did you do customer survey or feedback? And did they understand what they are getting when they purchased the seeds that they are like kind of insured?
Jaime de Piniés: Yes, that's a very good question, so we've had mixed results in evaluations. So I would say key messages like the fact that their seeds are protected through germination for 21 days against trap is understood. That's not a problem. Understanding the mechanics of the product and really understanding how they would get paid was more challenged, so we have seen mixed results in terms of evaluations. I mean training of trainers in our experience is a very powerful methodology to embed yourself within an existing distribution channel which has physical presence on the ground to distribute products, but it's also prone to let's say get the message lost along the way. You're training officers, they then need to train farmers so the message can be diluted over time. So, what we've learned along the way is that you really need to be on top of these aggregators that these officers you need to put mechanisms in place to monitor how things are being done to test them, the understanding from the officers done and then create materials and that's really important. That, when they distribute it as part of that process of onboarding are very simple and clear, so that the risk almost the dependency on that one officer. That is done doing the training because the material they're giving to the farmer is so clear and simple. It lacks words is mostly images that we just giving them, when they visit

the farmers such simple material. So with this, you can already enhance significantly the likelihood that they understand what they're getting. These are some of the learnings that come with time, but I would say it's a powerful channel to distribute products, but it's hard to implement and it takes time to really get it to a point where you can certainly say OK the message is getting clearly in the ground and it's perfectly understood and it's working well. It's quite hard to do.
Deborah Keller: I can image especially because they don’t have so much experience with explaining a value proposition of something non-physical as they always concentrate on seeds. But I guess with this differentiation strategy they are willed to keen to do so, very interesting. And so, apart from selling through retailers, do you make use of other channels to distribute your products?
Jaime de Piniés: Yes, sure this is just one, another one we use, especially with the World Food Program is with agents from NGOs. So, agents which are provided by an NGO or local NGO that is working in this World Food Program. But these agents what we've done is we've equipped them with an app, a mobile app with it's accessible through an Android phone or Tablet and they have the basic form to enrol a farmer into the product and then they are also trained on a standard operating procedure where they basically follow a checklist of what to present to the farmer and then what materials to hand over things like the term sheet of the product as well as like a general brochure which explains the basics of the product and whether index insurance in this case so? So that's something we've put in place with the World Food Program and that we standardize as a way for us to have a way to collect data from the ground through these agents. And the beauty is, that these data can be collected offline. And then once the agents are online, they can just upload it. So, they basically save the forms in their phones. And then once they're online, they upload it and then we're able to receive the data and then automatically activate the tracking and the monitoring of those policies throughout the policy of life cycle. So it really helps if you will embed automation with a distribution channel that gets to the ground to that last mile. So that's his second one.The third one we use is through MFIs so we distribute through lenders which I mean, it's very similar to the seed example where we will train the officers of the MFI and then they will as part of their loan onboarding process of customers, they include the insurance and so they explain the products. The premium is paid according to the MFIs repayment scheme. Even though the reviews in terms of understanding are a little better as in the seed experience. It's still very important and it's very hard to really get that monitoring to make sure things happen on the ground but we're getting better at it and improving processes and realizing that there are good results and good understanding. In that case, they collect the data as part of their long onboarding process and then hand it over to us in an Excel files. And we just do that through that train of trainer methodology, but in this case MFIs sometimes don’t show the same effort as with the seed company, they have their own credits to sell so it makes it hard to really keep them motivated about educating customers about insurance. The last model we use is through cooperatives of farmers, so cooperatives act as the aggregators of farmers and we sell policies to cooperatives who then are the ones that act as a group policy and the beauty of cooperatives is for instances in cash crops like coffee then it's relatively easier to actually visit farmers because you can aggregate them and you can have these sessions, where you can have under the general assembly’s almost all if not all, the farmer members of a cooperative, and you can train them at once, which simplifies a distribution as well because you can focus, then on each cooperative, given a customized plan, and because cooperatives can have a few 1000 farmers, it's economically viable to come to do visits to each cooperative and then on board them at once.
Deborah Keller: Those are your agents that go and sell the product or explain the insurance concept to the farmers cooperatives?
Jaime de Piniés: In Zimbabwe we have hired a consulting firm, so they would be the ones that

would do this sort of more in depth sessions with groups of farmers which tend to be in cooperatives. But in Kenya, as I said, we don't yet have active products, but we have been doing a lot of product design and visiting a lot of cooperatives. So in Kenya we would do it ourselves. We would just, as soon as the product goes live, hire one or two individuals, whose key function is just going to be to go to cooperatives and explain in detail these products and leverage this general assemblies or group meetings of the Members to really onboard them. So that's the approach we're following with cooperatives. The biggest challenge here is really finding ways to aggregate large enough groups that it becomes cost efficient to justify trips and sessions dedicated to onboard farmers, right? Actually, on this we explored the model of distributing through savings groups, I don't know if you heard of them. Yeah, so we did work with a large NGO who had a lot of savings groups in our country and the plan was we would send our own staff to train these savings groups. But we soon realized that the level of aggregation was not big enough to justify the expense so. In any one meeting, we may be able to get 20 farmers and we telling this NGO we need at least 200 to justify this trip. Otherwise, it just doesn't make economic sense for us to go because we're losing money, right? I mean, we're not making enough from this one group to justify that visit because margins in Microinsurance are very thin and so it is always a challenge. So we had to discard that distribution channel because we couldn't figure out a way to aggregate these dispersed. I mean these are rural savings groups, right? If they're urban is easier to do, but rural urban groups, sorry rural savings groups, they were just too dispersed to aggregate them into large enough clusters that it would justify the sort of that visit and the depth of training, so we eventually had to drop that model even we have been dissatisfied not being able to continue doing that, but we just couldn't justify.
Deborah Keller: That makes sense. As you've mentioned the thin margins on microinsurance products insurers need to be very careful about what channel to select and so you haven't touched MNOs yet and these are said to be a very popular way to reach scale at low cost – as they have a large agent network, call centres and technology like at the same time.
Jaime de Piniés: Right, and certainly MNO is, I think, one of the most promising of the channels. We are currently exploring with MNOs but exploring channels with MNOs is not easy. They are not the easiest partners to deal with. For starters, I mean everyone wants to work with network operators here in East Africa, but not just micro insurers, right? I'm talking about any service you can think of, wants to distribute it through that channel. So you have this situation where they get, I don't know, 100 companies come to them saying why don't you distribute my product. And they ultimately have at the other end, a client that there's so many products they can push to purchase, right? So there have been a lot of experiences with Microinsurance distributed, in particular less complex health products and basic life products, through MNOs. There has been mixed sort of reviews of the impact because a lot of these products are distributed without even the micro insurers knowing that they have them - because it is a channel that you get a lot of reach but you don't get a lot of depth. So it's very difficult to make sure, the ultimate end user is aware first that they're covered, and second that they understand the product. That is one of the big challenges I would say of that channel, the first one being just the fact of setting up one of the schemes because they are by far the widest reach channel but everybody knows that, and so it becomes really challenging to get your product in there. And then the second one of it is that the channel that doesn't lend itself very easily to go into depth. And so, having said that, I don't know if you're aware of Digi Farm in East Africa but it's basically program started by Safaricom which is an equivalent of Vodafone in Kenya and they are also the ones that started M-PESA. They've started this let's say three years ago and it's been quite successful. And I would say the first channel dedicated to farmers through mobile that is enabling the access to a set of services which includes microinsurance. We're watching that program quite closely because we do think, that what they're doing could be the way in which mobile distribution or microinsurance in this space of agriculture could be done,

but it comes with challenges as well and this problem of depth is one of them i.e., how do you make sure there's full understanding at the end? A lot of the channels I've mentioned also get you quite a bit of scale. I would say seeds and MFIs I do have large portfolios. They do serve thousands of customers, tenth of thousands of customers, so you could reach quite a bit of scale. But the interaction it's a bit longer with a client if you will. It just lends itself a bit better to go into a bit more depth in the cell of the products such that you can really make sure they understand what you're selling to them and that it brings them meaningful value. I would say that that's maybe a trade-off to identify with that particular channel, but it is indeed a very promising channel and one that once that code is cracked it will significantly impact the penetration of microinsurance business.
Deborah Keller: That’s true, it’s like with everything. There are trade-offs in every days business or private decisions we make. But basically you’ve selected for the distribution kind a lot of different channels and told me what haven’t worked for your company but how would you say what are the main success factors if you would have to summarize the channels? Is it the ability of the agents to explain the products or the extend these particular agents are able to understand the customers needs and risks because I guess this is also very important point that the agents are able to understand how do they manage risks and how does that fit into their current risk management strategies?
Jaime de Piniés: I think just having trust between the distribution channel you use and you know that the client facing part of that distribution channel is having trust with it is fundamental.
Deborah Keller: Sorry to interrupt you but about a much debated topic, would you say MFIs are trusted like in East Africa or MNOs in terms of financial selling?
Jaime de Piniés: It's a very good point. I would say out of all the channels that I've mentioned, MFIs are the least trust them. I mean that's a very good point. They do bring loans, which is a very appealing value proposition, right? I mean, it's cash on hand, but the moment you are behind the payment or you suffer, you're not repaying you’re loan they are on your case right trying to collect the interest and look, and there's a lot of best practices on how to do this, and there's I would say a lot of originality within that sector as well. And there's some clear outstanding players which go by best practices and even when the clients owe them money, they do follow very good practices and how they collect it so that trust is even kept at that level of the chain but there are also bad practices in the industry and therefore, the industry as a whole tends to have a mixed review.
Microinsurance also doesn't have the best - I wouldn't say microinsurance but insurance in general, so if you say the word BIMA for example, which is insurance in Swahili in rural areas people have mixed opinions because they don't trust and they see it as a formal financial service that is there to take money from them but not to pay money. So I mean even insurance in developed markets doesn't have the best friends right? There's always the fear of the fine print, and so it is a problem. Trust is a problem. Affordability is another problem, but trust is a problem and so working through channels that enable to increase that person, I would say, is very important for the success of distribution. We see it a lot in when working with the World Food Program and the different agency models were used within that we see of high level of trust. This enables the consumer to be very disposed to be open to what they're being trained on and be very open to provide very good feedback, but also be very open to communicate with you throughout the season and ultimately feel good when a claim comes through. What we really focus on is paying because it is the best way to ultimately get trust. It is built, when they see that they didn't just pay premium but actually got paid a claim. We do see that when trust this there from the beginning with the right distribution channel chosen, then there's a virtuous cycle and when that trust is not there this is far more difficult.
Deborah Keller: So if I understood correctly you would say that NGOs or the seed retail

company, those models are far more trusted than MFI?

Jaime de Piniés: Yes. I would say for example cooperatives it's another great one because the cooperative management tends to be individuals that see a lot of companies and building good trust with them is fundamental. And once the management trusts in a proposition, then the disposition of the former members is a far better right because they see that something is being brought by our managers, which we've elected. And they think, let's at least listen to this because they think this is good for us. That type of disposition just enhances the probability of success. But I mean, I just cannot emphasize enough that point of trust. I think it's one of the keys determining factors to a successful sale even though it comes at the expense of a bit slower scale. But there aren't that many channels that have that level of trust. It's a bit slower because you have to go a bit more in depth what you're explaining, but it builds up on better foundation. Then, if you try to go too quick without providing too much information, you're more prone to have more customers but then – we see it a lot these schemes that have had 5,000,000 customers, and then they're no longer there and you said what happened and it's just that Vodafone decided to discontinue that campaign, that was it. There wasn't a single person that wanted that it was just a company decision and the moment they decided to turn now to ringtones instead of microinsurance. It was gone, so it's just not the right foundation for the future of the industry to just rely on short term high reach delivery channel only. They could be a channel but it's not the only one.

Deborah Keller: I completely agree with you. When you talk about partnership risk, I would say that sometimes for MFIs there is also the risk that they obtained a license so that they offer their insurance themselves.

Jaime de Piniés: That's a good point. I mean, one thing I haven't mentioned until now is we don't have a license of insurance, right? You can think of us as an InsurTech, so we will develop products, we will develop the technology that enables the administration of these products and any given elements of the distribution, but we don't actually have a license to underwrite insurance. So for us that is not necessarily an issue. But what you just mentioned, is true that more broadly for the industry, there's a risk, but I would say not just MFIs, MNOs are starting to get insurance licenses. So a lot of these corporates with good distribution channels are also moving into this which it's also good because it puts more pressure on traditional insurance players to innovate and to step up and say well, how can we then build up our own distribution network so that we don't lose this entire market to these other competitors which are coming from other industries so that overall enhanced competition. I see it this as a positive force of change. Because if you think about it, a lot of what insurers do is connecting with distribution channels and very few times you see distributors retailing microinsurance directly, especially agriculture products which you usually not sell it in urban areas, other products in urban areas could make it a little easier to do it directly, but for these types of products you're typically selling through, so somebody else’s distribution channel.

Deborah Keller: As you mentioned that you have not an insurance license but it is an interest, because you are working with insurance companies that sell the product in those markets. So it is this of interest that you select distribution channel with low partnership risk I guess.

Jaime de Piniés: That is true.

Deborah Keller: If we talk about the enrolment process you said when you work with the seeds agents they are paying the premium for the farmers but how is it? How it is regulated with the MFIs and NGOs?

Jaime de Piniés: The MFI is paying as the premium, like actually it is included in the loan the customers pays for the microinsurance premium, so in that case it is ultimately the customer. In the seed product, it's actually the marketing budget of the seed company. They are just using microinsurance instead of billboards, think of it that way. In the case of the UN work we do with NGOs there are subsidies. So typically, the first year will be full subsidised, but there's a very smart way in which these subsidies are being sort of offered to farmers, because they're being offered in exchange of work days, so it's part of the programs that are being set up, there's a lot of assets that are being built. Think of it like a damn in a community, and so they will put work in the community to build those assets, and they use some of those work days to pay for the premium so it isn't like a free product it is just - in kind payment. Over time, however, as these farmers increase their income through the different interventions that have been done the subsidy is lowered and they start to pay and after the program is gone the farmer will pay by themselves. So that's what we found to be a pretty good model to introduce the service I would say for a lower income segment group. Because if we segment our customer group, I would say you have higher end, smallholder farmers, which typically have cash crops like coffee, tea. They actually can afford the product they need to, but it's a difficult decision for them, because they also need to think of substitutes, but there is disposable income. Then you have sort of a middle layer set of farmers which are commercializing. They do have income but you really need to think through how to embed the product with our distribution channels to lower the barrier of entry. And then you have the let's say a low commercial or subsistence farmer, which has very little income and it's not realistic for them to pay for insurance and therefore model. This approach, which is a long-term approach with NGOs enables these farmers to have access to the services they otherwise wouldn't have.

Deborah Keller: About how much do we talk about when you say little income?

Jaime de Piniés: You're talking about just above the poverty line. I would say in the event of some of the of the World Food Program and NGOs because you're talking about very vulnerable populations with which suffer a lot from climate change so. So yes, now when you're talking more about the higher end, you could be talking between USD 10- 15 PPP.

Deborah Keller: Which channels would you rate as one of the highest when we think about the offers customers flexibility in terms of enrolment such as payment and number of times, they visit them and do train them and help to further develop their financial understanding?

Jaime de Piniés: I mean, we really like the cooperative model just because it's one where we can really reach a very large numbers of farmers. I mean, each cooperative can have up to a few 1000 farmers, right? So its one very well aggregated, it's locally owned and so they really want to make sure value is also provided for their members and so set up a concept that fits the member preferences. We find it to be one of the most sort of natural channels to get to large bodies of farmers and be able to go in depth and make it efficient for us, right cost efficient to it, so that's one that we really like and that we're doing globally, not just in Africa.

The other one that we're really like working with agents such as MNOs or MFIs but in a special way. As you suggested there's a lot of companies that have them, but if we are able to design a technology that enables us to embed ourselves with existing agent networks, like provide a standardized operating procedure type of approach where we can really crack a model that balances reach with depth we think has a lot of potential, so and also because we can then automate a lot of it if we're able to capture data. The raw data and don't depend on excel sheets by third parties, but we really capture the data from scratch and we have direct contact through the agents to the end consumers. Then we can really service that customer much better because we reduced the dependency on third parties. Many times when you depend on data from a third party they send you data late, you need to communicate through them to the farmers, they may not prioritize you the message can get diluted. It puts layers between you and the end consumer. When you're able to operate with an agent model and an agent, which can be that be of a third party, but that you equip them with tools with which you have direct access to that agent and through them to the customer we think that has a lot of potential. And we see it in other industries like microcredit or MNOs how they cracked the code, so this is not new, right? So it is a very successful model to distribute.

Deborah Keller: No, I’m not sure if I have understood it correctly, but you said, that the

cooperative model is working like a mutual model?
Jaime de Piniés: I'm sorry if that wasn't clear. No, they elect their own members and governing bodies on their community. And so, in East Africa, what we're doing because, at least in Kenya there's a lot of cooperatives, and there's a lot of tradition of cooperatives. We're going to be using that channel.
Deborah Keller: Do you believe that it makes sense that that those cooperatives or communities then sell the insurance individually or do they make a group insurance?
Jaime de Piniés: So typically how we structure it is there's a group policy for the cooperative, and then the members can opt into that group policy, so you never have the 100% of the Member sign up. You may have 50 -60%. Typically, we have high numbers, but it's never 100% actually, so typically it's a group policy where farmers are given the option to sign up. And that can be sort of very easily articulated or set up because they even have ways in which they group the farmers right as I was saying, general assemblies and different group meetings where you can just set up a shop and just have farmers come in and signing up. I mean I have to say with COVID that is becoming also difficult so of course gatherings become a challenge, so even some of these models with COVID are becoming really hard to do. But it just takes a bit more time because instead of being able to do all in one day, you just need a couple more days to sign up all the farms because you have to do it in small group gatherings and at social distance.
Deborah Keller: And also premium collection is easier because I guess they do it for you, right? The community leaders or Corporative leaders?
Jaime de Piniés: Correct, you can align cash flows such that when they receive cash from selling the coffee then they can deduct the amount from the farmers to pay you. It just becomes logistically far easier to handle.
Deborah Keller: And how would you evaluate the potential of mobile wallet payments? Because what I've read is that it has become a facilitator in many ways.
Jaime de Piniés: I mean, certainly the future is going to be through mobile and digital channels. There's no question. It's just finding a way to do it such that it stays that it's not temporary. I think that's the biggest challenge on that channel is to do something that it is there to stay that creates some if you will "stickiness", It is a good word to describe that what we mean, which is that the customer actually likes what he's getting he understands it and he repeats it instead of just something that's applied by offer, which they don't really understand and then disappears so. But I completely agree on the importance of the data channel. I saw you had Jumia listed in the questionnaire.
Deborah Keller: Yes correctly.
Jaime de Piniés: I think all the digital app marketplaces even like remittance platforms, digital payments and mobile wallet, all of them are certainly playing a big role in the future but cracking the codes, it's not going to be easy but not impossible, it has already been done for loans. You have a lot of companies like M-Sure in Kenya offered through M-Pesa, which worked quite well. Well you can do it microinsurance quite easily on those, but the problem again with microinsurance is that you don't get cash in hand, it is less obvious of a proposition, right? You already have moderate levels of penetration in developed countries, so no wonder they're low and in in developing countries as well, right? So that's just something to bear in mind that it's going to be very hard even through these distribution channels to get this to very high level of scale as it already hard in developed countries, but it's for sure not impossible.
Deborah Keller: And how would you rate the potential of digital platforms and selling through the internet in East Africa in the coming years? Do you believe it will accelerate the rate of microinsurance policies in East Africa or will it still be largely distributed by traditional channels?
Jaime de Piniés: It will accelerate. There's no question. I do think it'll help to disrupt if you will, or at least enhance the chance of expanding further, because it's still the very low

percentage of population that is insured. What I do want to say here is that what I am experiencing is that in most of these programs having a PPP so a public private partnership helps tremendously in increasing penetration, so I'll give you one example. And of course, I'm talking about agriculture insurance but also in health and certain other products I see great potential. But in in Zambia, the Government of Zambia has through its input subsidy program, included micro insurance and it's a country where more than I think it's more than a million or even 2,000,000. farmers are now insured. That was because the government has played a very important role in the solution there and in actually paying for the premiums now agricultural insurance in Europe is subsidized, Agriculture insurance in the USA is subsidized. It is no surprising that public subsidies, when it comes to agriculture insurance are very important and that some of the most successful programs in terms of penetration of insurance in developing countries, are also subsidized like in the Zambia one's, India is another example. I would say in this space the role to play of both public and private sector is fundamental. And those two have to go hand in hand – it is very important you get more technological development, more product innovations, overall just better processes. You also work alongside the government because they have the ability to reach very large numbers and sometimes, they are the best mechanism of aggregation. I'm not saying that's necessarily the conclusion in all sectors, but in agriculture is very important. Also because of climate change, right? We are seeing that climate risk is becoming riskier over time, and there's more catastrophes, more frequent, more severe, and so that means necessary the price goes up of insurance, right? No matter how you do it, if you're insuring against a drought and droughts happen more frequently, you're going to pay more for that type of insurance. If you really think about how can this be done at scale in a way that is sustainable in a way that ultimately customers can afford it over time, public sector participating is very important.

Deborah Keller: That's also what I've read, and especially because affordability is still a problem. Do you believe there are other factors still need to be developed, especially in East Africa, so the penetration can further happen?

Jaime de Piniés: So government support in the form of subsidies one and then leveraging as much as possible technologies as a second, I think there is a role to play for the private sector in particular insurance sector to be more, I would say open to prioritize microinsurance as one of the key things, and that you're seeing through in the regulatory environment of insurance is that a lot of regulators are starting to issue Microinsurance licenses and that's not trivial because it enables like in microfinance business to have different capital requirements to have less strict regulation around how to distribute products and how to explain products which enables us to target better this customer segment. Because a lot of the problems that insurance companies have is that they have so many requirements to fulfil from a regulatory perspective that it becomes impractical for them to really operate and target a different segment and just urban wealthy customers. It's just very difficult for them, so I think that that's going to be a very important component. And as we saw it the credit space where banks weren't targeting the sort of emerging customer segment and microfinance distribution and we're able to crack the code and really have emerged as the as a very interesting industry that can serve that. You can see that in microinsurance that could also happen right where you have underwriters that can adapt their requirements to fulfil the needs of this segment that can start companies that don't have legacy of certain IT systems that impede them from innovating or that they have certain legal boundaries at the time of contracting like I mean, some countries to this day don't let you sign a policy through a digital platform. You need a physical signature; I mean that type of silliness in the regulation that is very outdated can impede penetration. So, I also see a role to play from the public sector of improving regulatory environments. Look one very simple thing is, we're trying to launch products and we see in some countries where it takes us a day to inform the regulator look we're about to launch this pilot, we just want to make you aware we're launching it with this insurer and they should say OK, go ahead and let us know once you piloted it and we'll all learn and there are other countries where the regulator says well now you have to submit that or 50 pages of reports it'll take me 3 years to tell you whether you can or not, and by then we're gone and that happens, that’s the reality. There's a lot of bureaucracy in some countries and frankly nonsense that just gets in the way of innovating. And that unfortunately makes innovation just happen less.

Deborah Keller: But I guess with the countries, especially the ones who like build at the East African Community, there are pretty open in terms of and microinsurance as far as I am informed?

Jaime de Piniés: They are, but there's also delay so I wouldn't paint a very rosy picture of it's definitely not Swiss clockwork type of efficiency. I mean, we've tried to launch product in some of these markets and to this day we're still waiting. It's the way it is, right. I think some places just work quicker than others, and with covid, it's been the case that it impacted the response time as well. you can bring innovation, but you need to work through local parties and local parties sometimes are not the most efficient and sometimes not even. The regulators, sometimes just the insurers that you have to work because it's necessary to have to work with a licensed provider, and then they may be very slow, so there's a bit of just the overall value chain of insurance then this regulation and it's also quite archaic, and that really makes it difficult to innovate. Sometimes I wish we were just like outside of the insurance industry. We were just this software company that has some clients and insurance so that we could go much faster because it really sometimes you want to say well what is this about. Are we trying really here to innovate or something else?

Deborah Keller: But do believe that the government just not prioritize it or why are they so slow in these kinds of processes?

Jaime de Piniés: Look, I think it's just the overall efficiencies of some of these regulators. I mean, I remember one of the insurers wanted to work with in one of the markets in East Africa, which we told look we want to present this product and we would like to go to market in three months. They said, good luck we presented a product for approval a year and a half ago and we're still waiting. Why this is the case? I don't know, maybe the regulator is just a bit slow.

Deborah Keller: But do they have special task force in place where?

Jaime de Piniés: Look, I don't want to necessarily say they're all bad there's really good people so there that are trying to push things up, but in my experience there's one layer which is the one that appears in the World Bank reports and the literature, which is all these taskforces and other very well sounding things and then there's the reality, which is that it goes very slow. Like everything here. Because doing business here is very slow and you know I'm used to getting email response in one week here in Kenya you need to expect two weeks. It's just the way it is and things get done at a slower pace. And frankly in my experience it is very slow. I don't know exactly what it is but I can just tell you the outcome and sometimes wonder why it is the case that there aren't more products appearing and more initiatives. And I can assure you we would have 10 more if it weren't impeded by some local players and some sort of local regulators that slow it's down. Like, the products need to be approved to launch it and there are some regulators which have this sandbox approach where they say look as long as it's within these parameters go ahead and launch and that makes so much more sense because then you can really innovate and learn from your errors. But if you're not able to launch, you never learn and unfortunately, and I'm saying this happens in East Africa as well.

Deborah Keller: But also what I've read is that sometimes the market is evolving too fast and especially in terms of MNOs, they face the problem that sometimes they can’t keep up with coming up for regulations for all this issues. And now in some markets they have restricted to deduct premiums from airtime. I guess it's very difficult to oversee the whole market because insurance is very regulated market and it just a lot to oversee, right?

Jaime de Piniés: Right and that's what I'm saying, that is part of the problem. Obviously, customer protection comes first, but overregulation comes with very small actions and you see an insane amount of innovation in mobile payments, digital apps, transport apps but in insurance it’s really hard to innovate. It's really hard because I can come up with the Platform and a software and a set of new ways of doing something that I ultimately need somebody sitting in an insurance company and from a regulating party to say OK, I want to do this and to do that but it has to be priority they have to decide that it's worthwhile, their time and it just it's very frustrating.
Deborah Keller: But would you say in general, like in East Africa, would they be open for such kind of products or is there still a huge mistrust?
Jaime de Piniés: No, they are open and it's not that they're shutting the door but it is that they're very slow to improvement. It is no offense. I'm just putting this point like most people don't say it, but it's the way it's and it's just very, very frustrating
Deborah Keller: I can imagine that. Even here in Switzerland after a referendum, it takes such a long time to put actions into play. And I guess it's everywhere the same, and in especially in developing countries, I guess it's even more complicated like to achieve efficient processes.
Jaime de Piniés: Everything is a little bit slower here.
Deborah Keller: But on the one hand it's also kind of nice this no rush mentality, I also like that but to become more efficient I guess it’s very annoying. And one other aspect I wanted to discuss is the different norms and values you have, because in some countries, especially Tanzania, I guess it's not really popular to talk about funerals and death and I guess this can also be a hard barrier for micro insurance companies to overcome these aspects?
Jaime de Piniés: It goes kind of back to the point of trust right when it was mentioning the formal services, and in particular credit. When we explain products, we use words that are carefully chosen precisely to not alienate customers right, to not create a preconception of what we're doing. I was mentioning before the way we design products is through a customer centric approach and that starts with a customer needs assessment when we go to the clients and we ask them very open questions. We ask about the risks about their needs. We don't come to them with particular solutions, it's only when they told us what they want that we come back to them with the minimum viable products, right. Those prototypes work or which are customized to their needs and those products the way we frame them it's also very much thinking of what are things that they actually want, so we'll emphasize things like Peace of Mind, things like protection we don't talk about insurance. Insurance is such abstract word, we take it for granted, but is it really abstract word so we’re trying to make language tangible, concrete and that matches what they're what they're looking to cover, and that means a lot of it is emphasizing in what is being covered like we're protecting your crop against drought. We treat that very carefully to make sure that ultimately customers are not violated, because if you don't, and we've seen this, and in a lot of countries, you immediately get customers very defensive because they come to these types of financial services with a lot of mistrust. And they come with mistrust because typically they've had a bad experience. They either had a bad service from a bank, or they already had a bad experience with insurance. I mean most of the farmers don't have insurance, but here for example in Kenya, where we're going to a bit of upper income level because it's a cash crop. They have had insurance and they've all mentioned some bad experience they had right and like somebody did not pay my claim or they rejected and you're like OK, well now I have to build trust with someone that's starting off with a negative track. So really, keeping those biases away from the discussion as long as possible, makes build that trust and demonstrating that we're building something customized. Which as I said in the context of a cooperative, you can do that in the context of more broad channels like mobile and so on it becomes harder.
Deborah Keller: Otherwise, you would need to make use of like the agent network of the

MNOs so that they really take the time to explain it in an understandable manner to their clients.
Jaime de Piniés: Yes, well, and that comes with what are their incentives to do that right? And that gets into can they get a commission or not and then you get back into regulation to get a commission they need to be an official agent, so they need to be licensed as an agent, so otherwise you can't pay them a commission. The intersection of regulation, sometimes a bit absurd of it and just the difficulty of ultimately reaching individuals and the lack of understanding and awareness, are huge challenges to deal with in operating.
Deborah Keller: But I guess as you said with these cooperatives, I guess it's a nice way to kind of overcome or start overcoming these challenges even when slower scale is reached in the beginning. But I guess when you reach a certain point in time you will have a sustainable business right? And not just two million customers within two years and then one day to another the MNO decides to stop the collaboration and you lose all your customers.
Jaime de Piniés: Exactly, and it could well be, as you said, leveraging agents right. But what I think is going digital is fundamental, but you're going to need a way to have a physical channel to the customer to really get that message through. It's going to be really hard given the depth of the message to get it exclusively through digital channel. So, a lot of potential for that limitation.
Deborah Keller: I also read that sometimes insurers they use like confirmation they have no physical confirmation anymore, so they just send an SMS as a confirmation and I believe this is even more abstract when there's nothing physical anymore to get the message through as you mentioned before.
Jaime de Piniés: I mean one way we overcome it to parametric insurance with satellites and so we don't require a client to issue a claim. We would pay a claim when once an event when a shock happens and that improves the experience because. Even if you haven't fully understood the product and see a payment coming through and then they realize, wait, ok, now I get it. Unlike health insurance, for example, where you need to issue claim once you've had an injury and you may not know how that is done or to whom to go, you get paid the payment automatically in the event that the shock happens so that within itself already improves the experience because you can confirm the value proposition without the need of the customer having to take any action, and I think that these way of operating overtime builds more trust than if you rely on customers on reporting claims. So that's just another point to bear in mind.
Deborah Keller: But I guess when one scheme really reached scale, it won't be possible anymore to pay all the claims because otherwise the claim ratio would get too high or isn't that the case?
Jaime de Piniés: No, well it it's not that we pay because we want to pay. No, there's a drought and we'll pay every farmer that has been impacted and it has been measured by the parameters so. So, I mean, if we're not sure whether the drought hit all the farmers or not, all of the covered farmers will get paid. But it's a matter of fact that agricultural insurance unlike other lines of business insurance has really high loss ratios, so loss ratio being the claims divided by the premium and you tend to have very high loss ratios in agriculture. There's an element that's called basis risk, which is you could have a mismatch between the reality that happens on the ground and what you observe on the satellites but setting aside basis risk, you're guaranteed a pay-out when you suffer the shock it doesn't depend on whether you raise a claim or not.
Deborah Keller: And usually when the drought is hitting, like all the farmers are affected, right?
Jaime de Piniés: Well, because it's systemic risk. It may not be necessarily all, but it's systemic risk, so it tends to impact large groups at once. And I know a lot of the mobile health insurance products or life insurance products have very low loss ratios, and it's because they're just not used. People don't issue claims, so it's a bit on paper, right? It's not real. I mean, they've earned all the revenue through the premium, but it's not sustainable because the customer is not getting

a good experience.
Deborah Keller: But what would you suggest to overcome these issues because I guess it's just too complicated for the clients to understand the product conditions. What is missing? Is not enough attention paid to educate clients on financial products or what would be a better approach?
Jaime de Piniés: I mean my opinion is that insurance is not very important to most people most of the time. It is just typically is important once you have the problem and what you need is something, once you the customers has the problem, that is very easy to act on and that it's a no brainer. So, the signings that makes it really easy for a customer to act on it if you need to issue a claim right by the nature of it. So that's what I think it's fundamental and then upfront emphasizing more on the education right on that training up front, which requires a channel or complementing a channel that can enable to offer that depth, which as you said could be agents but you need that additional layer, it's really difficult to blast people with SMS and assume that they're going to read them and then they're going to follow the steps, there's just too many assumptions along the way.
Deborah Keller: And they get so many notifications, since MNOs they offer so many different products and initiatives on their platforms they get I can imagine several notifications a day from them?
Jaime de Piniés: I wouldn't say every day but I'll tell you at least once a week I get one. So it becomes spam pretty much. I treat it as spam and I'm sure most people do it too.
Deborah Keller: It's very interesting topic and very interesting to hear what you're saying but I see the time is up and I don't want to steal more of your time you've already given so many insights.
Jaime de Piniés: Yes; I do need to wrap up because I'm seeing it's 4.30 here and I need to jump onto something else. But, I can certainly stay on for 5 minutes.
Deborah Keller: That's nice because maybe one last question. How do you expect the market to further develop in the coming years? Like will there be strong penetration because the last century we haven't seen so much of a progress. Do you believe with Technology it will be possible to achieve greater scale in the coming years?
Jaime de Piniés: So first I'll say we're still to be seeing what's the impact of this pandemic on the economy. If we assume that the purchasing power of most individuals that are targeted by microinsurance is going to drop then there is going to be some form of contraction of demand necessarily simply because less people are going to be able to afford this service. I think, just being conscious of that reality is necessary in any projection in the short run. Now, having taken into account that factor, there's certainly other factors, as do I suggest new technological development, new distribution channels, new regulatory changes and potentially a new drive by the public sector to expand, that could translate into increased levels of penetration. Look, I'm not sure what what's going to be I want to stay positive and that especially in our case with agricultural insurance through public private partnerships, I do think there's an opportunity to increase levels of penetration significantly replicating successful models as the Zambia one that I've mentioned. I do think that's a very good model to look into and to try to replicate.
If programs like that are set up, then suddenly penetration will increase and leveraging technology to make sure they are done efficiently and that they reach people and also able to leverage physical distribution channel to get that depth of which digital channels lack.
But if that doesn't come up, I do see it difficult in the short run to get a significant increase in penetration for agriculture. Now, if you asked me over the next 10-15 years, I do think once this effect of the pandemic is gone, I do think that the trend for this to increase quite significantly will be there, because I do see that a lot of these new channels are open and opening up ways to reach more individuals. There's also rural urban migration trend, which is concentrating individuals, which is also helping to reach more individuals. There's also progressively increase

in levels of income, which you know over time will come with all the spill overs so greater education, greater access to health care and the needs to protect the life's and assets that come with come up with their lifestyles and that will come with more demand, as it has happened in a developed country. So that's more what I'm thinking of but certainly in the long-run I do see significant potential in the up-take of microinsurance. In the short run, the jury is out there to see what will happen.
Deborah Keller: And one aspect is also if we make use of technology there is a risk that we leave the really poor ones behind so they can never access or never really access or get included in these services and the market further develops.
Jaime de Piniés: That's why the PPP's are so important. Because otherwise, as you rightly say, you people are left behind. Because I mean thinking about farmers, they are left behind. If you don't sell what you produce and you're just consume it then you don't have money, so you're left behind, unless you're able to be connected to markets, which is too big of an ask for a private company. That really needs to be a concerted effort from a number of companies including government and then you're going to get to see that broader change, otherwise it's going to be part difficult. I mean, the USD 10 to 15 PPP, will get them, but closer to the poverty line its far more difficult.
Deborah Keller: That's true! Alright I already took more than 5 minutes of your time but thank you a lot for your insights, it was very interesting.
Jaime de Piniés: Alright, glad to help and a wish you luck in writing the thesis and if you have questions along the way, let me know. Hopefully it was helpful and goodbye.
Deborah Keller: It was very helpful. Thank you a lot, and have a nice afternoon.

8.1.4 Multinational Insurance Company AXA

Transcript Expert Interview

Company	AXA	**Interview Date**	20. April 2021
Interviewee	Quentin Gisserot	**Interviewer**	Deborah Keller
Job Position	Project Manager	**Language**	English
Location	MS Teams		

Deborah Keller: No, I will definitely not. It's just because then I can do the transcript afterwards.
Quention Gisserot: Yes, that's fine with me.
Deborah Keller: That would be perfect. Thank you a lot, and also regarding your data protection do you want to anonymize your name? Your person in, in my thesis or I'm allowed to like to mention your name.
Quentin Gisserot: You can be allowed to mention my name, but if you quote me directly on anything I would like to be able to check the content of what you quote me on.
Deborah Keller: OK, for sure, I'll do that. So then, let's start with the rather general questions and after I will leave the floor to you. How is AXA Emerging Customers structured and what is your function within the team?
Quentin Gisserot: Yes, exactly. So, merging customers it's a business unit that had been set up five years ago in 2016.The reason for sending it up was that AXA had kind of expanded into quite a number of emerging markets since the end of the 90s. So, across Asia, Latin America and Africa. In the case of Latin America and Africa, the group made quite a number of acquisitions between 2010 and 2015, it was a kind of a top era. But the challenge we faced was that the people we were reaching in these countries, they were really at the top of the pyramid, right? So, you take your country like Nigeria still today you only have 3% of the population. Out of these 200,000,000 total populations only 6'000'000 have access to insurance and most of the insurance companies fighting for that kind of segment. AXA realized and I think it was a surprise for the management that we weren't reaching the low-income populations, right? – The very poor weren't the target group, but we thought we were at least reaching middle income populations or middle-class people. And when we did the analysis actually it became quite obvious that it wasn't the case because like the rest of the market, we were using recipes which weren't really adapted to these kinds of customers. The products, they were quite complex products. I don't know if you ever read your insurance contract details, but you know we were talking about 30 pages and very technical terms and conditions. In many cases you need to be quite advanced in your financial studies to understand all of them even, and that's even then the case if you take the time. But it wasn't just the products but the distribution channels as well. We were distributing our products through networks of agents and brokers and these are going to be concentrated in urban areas in richer areas. We distribute through employee benefits, but you know employee benefits means having a formal work contract, and in these markets, you're going to have almost 3/4 of the population, which doesn't have a formal contract, either because they are self-employed or because the work as an employee but still rather informally - They wouldn't have all the rights associated to it because of a lot of these businesses are informal, they don't pay taxes, etc. So you have to kind of turn it upon its head and as we wanted to do that with kind of a strategic drive. The business was born with the social impact aspect at heart, but also kind of a business aspect as well. We wanted it to stand on its own two feet. This wasn't born out of the CSR department of AXA. The CSR team was looking at the topic but when the team was created it was very clear that it is going to be profit and purpose oriented both at the

same time. For sure, not the same level of profit that a product usually has in these markets, its kind of adopted to help the middle class but also drive profitability - we're not here to lose money. We're here to kind of do good and do well at the same time, so that's the reason why the team has been put in place in 2016, to help the entities kind of systematize the thinking and also organize the best practice sharing, but in a very concrete way because at the time AXA did have some what we called microinsurance products. We had some programs in Morocco that we still have more in Western Africa with some cooperative savings and credit groups, but, the projects weren't strategic, not visible, and there was quite a lot that could be done in terms of making them better. So that's why the team was born. The team now counts 15 people across the world what we call a centre of expertise kind of function at the service of the local AXA entities – help AXA Egypt, Mexico, India etc. The idea is that within each of these entities in exchange for this help from the global team they have to invest in a team of their own to kind of support and launch the emerging customers programs on the ground. So, each of these entities is going to have between two and six people depending on the maturity of the entity and the level of potential. In India, of course, is much bigger than in other countries just because of the population size. So, the idea is what we call a tango model between this global centre of expertise and you know, the local teams who are very much in charge of running this underground and making this a success from a profitability and impact standpoint. So, it's definitely not a central initiative of AXA that comes from the top, and the entities just executes. It's really kind of a localized and very much locally driven business unit. I sit in the local team and was here from the beginning of the team. Basically, I work mostly on the partnership aspects of things and also specifically on our business in India. Long answer, but I don't know if it covers your question.
Deborah Keller: Yes, by partnership, do you mean exactly?
Quentin Gisserot: I work on partnerships with the public, private projects or distribution channels. We're working with the public sector on the number of domains, so it's not just, partnerships to distribute insurance, but it's also sometimes partnership on research or partnership on funding and other innovative initiatives. There's a lot that's going on for sure. And to talk about the team on spot, Egypt and Morocco consists of three people and in Nigeria I think it's four people and then we have one person who's based in Senegal who covers both Senegal, and Cameroon and Ivory Coast. Because the latter this is less mature initiative for AXA. So we have not yet doing business with emerging customers in all the entities. For example, access has a presence in Tunisia and Algeria, but we have not done anything yet over there.
Deborah Keller: So, for example in Nigeria, can you explain what your strategy is. It is mentioned on your website that you have already an entity, serving customers with MFIs and MNOs and maybe others? Can you explain how these collaborations look like and what are the success factors or challenges you'd face with them in Africa?
Quentin Gisserot: Yes, absolutely so two things in Nigeria like in other markets before can deep dive into kind of how this works completely from a distribution channel perspective, emerging customers you know we did find it quite broadly. It's the people who are too rich to be covered by Social Security, but they're not rich enough that you know they would be targeted or have access to traditional private insurance so they're in this kind of missing middle segment, and that represent quite a number of people you know in some markets it's a huge amount of people, and I told you, Nigeria 3% of the people is insured. I'm not an expert on the Nigerian Social Security system, but you might imagine that maybe 1/4 of the population from the top of the pyramid are covered under it, so you have this huge middle segment not protected by any insurance. So, of course, the biggest part of the population are maybe smallholder farmers and you know the biggest need for farmers is often agriculture insurance to be more precisely, parametric insurance for the crops. But like, we're going to have a certain number of businesses

we work with MFIs, we work with MNOs and we work with cooperatives. So, for example we're working with these cooperatives since quite a time and these people tend to have a certain understanding of how business works, like compared because you need to understand, that such cooperatives have already had several informal strategies or let me say risk pooling mechanism in place to support each other. And compared to other self-organized famers or shop keepers or whatever they are in general more open to participate in a formalized scheme and growing their businesses. So, it has lot of potential and, I tend to believe once we have even better way to connect with such groupings as technology continues to spread, there will be a great number of associations or cooperatives to be reached.
Deborah Keller: So, you and what kind of products do they cover or like explain to their groupings? Is it possible to sell more complex products and are they able like to provide information?
Quentin Gisserot: Yes so, the majority is in the domain of health protection. Firstly, because these are affordable products, but also because health is the most needed risk by very far. If you ask people, you know what their main need is and they will answer something related with health issues. But sometimes also accident coverage or life insurance policies, so you have this kind of less complex products as well.
Deborah Keller: That's true, I've read a lot about the different community leader but also in rural villages this is certainly highly valued what the leader is sharing with them. So, and what are the reasons why AXA Emerging Customers haven't established business yet in East Africa? Why is your focus more in Nigeria, and very few countries in West Africa such as Ivory Coast because when I was reading the literature, countries like Kenya and Tanzania and also Uganda are very popular in terms of empirical studies related to microinsurance.
Quentin Gisserot: Yes, well first a lot of the researchers speak English, and it's easier in the anglophone Africa than to study in Senegal because of the French language, so let's not underestimate that since it makes field research way easier. But you're right, Kenya especially, but also these neighbouring countries, since they have the M-PESA digital payment ecosystem, you cannot have a extraordinary testing ground to be able to try out new things because people are more digitally connected on the payment side. But as I was telling you a little bit earlier, AXA doesn't own an insurance license in Kenya. There are ways to work around that, for example by acting as a reinsurance company, and we're going to work with the local insurance company, or partner with a broker. The reality is that it's a business which you need to have feet on the ground. Microinsurance is a difficult, no a very difficult business because you're trying to something new within a very constrained environment and you heavily dependent on others. Plus insurance people/companies, they're not always the biggest risk takers on this planet. We can't deny that right, so in order to get the maximum out of the chances on our side, we focus mostly on where we have feet on the ground.
Deborah Keller: OK I understand, but due to your collaboration with MicroEnsure or do you already have certain business areas in Africa together with the broker?
Quentin Gisserot: That's a good question. So AXA invested in MicroEnsure in 2015 and we had around half of the company and little bit less than half of the company. So, I don't know, did you have a conversation with them or did you research them?
Deborah Keller: Not yet, but I read about the company and that you've had a collaboration.
Quentin Gisserot: Yeah, MicroEnsure is a very interesting company and they pioneered a lot of these models especially the idea of attaching insurance to mobile network operators / mobile phone recharges. The big challenge is that MicroEnsure is a broker/or intermediary and the business model inherent key, there was a challenge because they were taking quite a significant portion of the premium to be able to cover their expenses. But the value that they were bringing, was really in the design of these schemes.
In the initial phase and then after one year after two years, you know they would often get in

disintermediated, meaning that they would loose the business because the microinsurance providing company goes directly to the distribution channel and says hey why don't we do this without MicroEnsure? So, the value they've brought was mostly in the first year and now you know things are running so why is MicroEnsure still needed? And that's a huge challenge when you're a microinsurance intermediary such as MicroEnsure. There are a lot of companies which are trying to do this. You have a company and that you might have read on which is called “inclusivity” and I think they face exactly the same challenge that MicroEnsure did which is, that it's already difficult to build up the revenue, but it's even more difficult to keep the business model alive. So in the end, we sold our stake as AXA and are not shareholder anymore as of 2019. MicroEnsure is now working in more of a model where they have merged their company with a reinsurance company so that they can also reinsure some of these risks. To sum it up, it's a very interesting company but to be honest, it's really not what it used to be anymore. Now it's very small, counting just a couple of people. For sure, AXA Emerging Customers wouldn’t be there where we are right now without our grandchild MicroEnsure. But the bet that was made was to say we can't rely on having an external party which does our job for us, we need to transform ourselves, as AXA from the inside. We need to learn how to price these products and collect the data about customers. We need to learn how to operate them. We can't just be a passive balance sheet. And I think that was the idea. The idea was to merge MicroEnsure for AXA and you wouldn't have two mouths to feed, but you would kind of be doing the economies of scale. In the end it didn't go forward as planned. Notably, because my MicroEnsure was present in markets that weren’t AXA’s strongest market including Pakistan, East Africa, Bangladesh. I think they've left Bangladesh now, but basically, we only had one country in common which was the Philippines. And you know, that's also what explain that each of us went separate ways. But MicroEnsure and the people who are still working there, they definitely took this industry to where it is today.

Deborah Keller: But Blue Marble is also kind of acting as an intermediary, right?

Quentin Gisserot: BlueMarble is a bit different because it's a consortium of insurers, reinsurers and brokers. So, it was created in 2015. AXA chose not to be part of it, and then we bought one of the companies which were a part of it called Exell. And so, we sold our stake in Blue Marble. It was about the same idea. There were a lot of companies who wanted to do something in microinsurance, but they had no idea how to do it. So they created this structure. But I'm not really certain that this was the right approach because I think it complicates their life from a governance perspective because you know they have 10 companies, a lot of which overlap, some of which are insurance companies, some reinsurance companies and some of it are brokers. In the end, Blue Marble has announced a couple of programs in all those years, but I have not seen the success story in Blue Marble that would justify the amount of $1,000,000 that were spent on it. And the CEO got ousted from the company last year, John.

Deborah Keller: Oh really. It's a complicated business that I realized it when I was doing research. So, I read so many pages already, but it's still like a lot to learn and a lot to consider.

Quentin Gisserot: I think what you have to have in mind is that there are still a lot of challenges which haven’t been solved yet, companies are trying to innovate to find appropriate solutions for these markets, price is still a major factor which has to be looked at and for sure the distribution. With this in particular I would say that the Holy Grail of the sustainable and scalable model is very much yet to be found. We had the first generation of Microinsurance, which was with microfinance institutions, and we're adding insurance to the loans. That's a very powerful model, but you know, there are only 200,000 people who borrow from microfinance institutions worldwide, so that's a large number, but its also only 5% of the people who are uninsured, right?

Deborah Keller: That’s right and an additional problem with MFI, at least according to theory was that sometimes the insured, they didn't know that they have the insurance because they

thought it's kind of pegged to the to the product, so not very sustainable to establish presence in the market?
Quentin Gisserot: Yes, well, I think we should zoom a little bit in microinsurance distribution because that's the key. So in microinsurance we often focus on embedding insurance with something else because customers they've never bought insurance, so we need to both leverage the channels that they have and also connect insurance into their lives and into their existing needs. But this comes also with problems. The challenge with linking insurance to the microfinance loans is that in many cases it's only covering the borrower in case of death and it replays the outstanding credit, right? So, you might say, okay, at least you know the family is not going to be in debt, so they're not going to have to sell the assets. That's true, lets not underestimate that. But if you ask your microfinance borrower, you know what he thinks of his insurance? He's going to tell you, or mostly she's going to tell you, because these are mostly women groups, right? She's going to tell you, it probably protects the institution more than it protects me, because the lending institution gets repaid. But the family doesn't get any money. So, the real question for me and that's a lot what we focused on at AXA Emerging Customers is how are we going beyond this - Just covering the outstanding loan is not enough, we should add additional coverage for the family in case of death so that a least the family gets money too. In addition, and most importantly, we should be adding health benefits and you know that's what we've been doing. We've done a lot of work with somebody I don't know if you have seen it, a couple of years back you can check it out on our website that might give you a couple of additional names of the institutions were working with. This one was called Lead foundation and we have this hospital cash product that covers the entire family and basically every time you need to spend a day at the hospital, they would get around EUR 15 – 20 per night, and this is this is a very valuable coverage for customers, right? Because it's any hospital they want to go to. We're not defining specific hospitals they need to go to and for any reason, there are no exclusions- you could buy the product, and having cancer or an existing condition or even maternity, if you need to go to the hospital for maternity, you would still get the pay-out so if you're able to leverage a channel like microfinance institutions to develop a super simple product on the health side with no exclusions, no health questionnaires, no constraints then it can be said that it is quite a successful channel and distributed through agents from microfinance institutions.
Deborah Keller: And were these MFI agents able to reduce the complexity and explain the policy conditions etc so that customers knew that they are protected against these risks?
Quentin Gisserot: So, we've tried out several things, overall, yes, because as you know they have plenty of experience with selling financial products and are able to provide explanations but actually, they have their credit business and want to sell, so that's their main priority. So, I think the best model is to attach it on a mandatory basis. Because if you do that first you're able to reduce the anti -selection/adverse selection which makes quite a difference. Because if you make the product voluntary, you know that there will be a bias towards people who are on average a little bit sicker than average buying it, and that can make it 15 or 20% more expensive for those who buy it. And more importantly, if you if sell it on a voluntary basis, you also need to incentivize the loan officers to sell it which makes the distribution more expensive again. And there are also operational costs such the premium collection, the documentation, signatures, etc. So, you know, I think making the product mandatory to some extent it imposes it on people but it also makes it 35-40% cheaper for the entire base, so it's kind of this trade off that you need to make. And I think the most successful model is the one where you make a mandatory product, which is very small in the beginning so costs are not affected. In the beginning you know we were only covering the hospitalization of the main borrower. So you already have your life insurance and you attach this very small hospital cash insurance. And then over the years - we've been doing this for four year with the Lead Foundation now for three years – or

more or less half and every year, we've kind of upgraded it a little bit so you know what the first ask from customers was to say, well, you know my spouse is Michael Borer, so you know if something happens to him and he can't work it is actually an even bigger problem, because even if the loan is in my name, he also works, and he's the main revenue driver. So can I insure him as well and so we extended it to the spouse as well on an opt-in basis. And as of this year we also expanded to the kids because as people use more and more the product and they get, they get paid out, they're ready to say: yes, I'm ready to spend maybe an extra amount per year on this because I know if I get a single hospitalization event, I'm getting this back by far, maybe six times. So that's how it works currently.
Deborah Keller: But how did you overcome the problem of fixed duration contracts, since the loan is usually repaid after a few years. So you would lose your customer?
Quentin Gisserot: It's a good question. There are two ways to answer it. The first one is that many microfinance borrowers, they take another microfinance loan afterwards. There are a lot of renewal customers because you have to keep in mind, a lot of people there they are not entrepreneurs by desire, they are entrepreneurs by necessity. I mean, they are not super innovative or super initiative takers or you know things like that. And actually, they might renew their loans and renew their loans and maybe they get a little bit bigger, maybe not, but there's a lot of stability in microfinance borrowers. So that's one part of the answer and the second part of the answer is there is a lot of work that needs to continue to happen on making people able to continue the insurance even after it alone. Some microfinance institutions have been able to do it. For example, there is a company called KGFS in India. There are many microfinance institutions in East India and they have more insurance customers than they have credit customers. But that's very rare. It's really one of the exceptions.
Deborah Keller: But to make this work I guess it's also very difficult to incentivize the agents accordingly, right?
Quentin Gisserot: It's a big challenge because you know, I mean, customers move around. Agents move around more important key. So there's a lot of turnover in microfinance institutions because these are difficult jobs.You have to walk around, move around a lot. So the challenge you know is once the loan is over you can say well, the insurance is still there, but how are you going to access the client? You know if you have to then go door to door and try to pitch it and you know that the product is worth €10 a month in premium and you know the Commission is maybe 15%. It's worth $1.50 you know per policy to you so you know the question becomes how many am I able to send in the day that justifies my time, you know? And also, loan officers, they're going to have super busy days already in the credit business, so they're not really going to have time chasing customers who are not credit customers and explain additional products that are completely new to a large share of their customers. So, it's a difficult model, but I think you know the sense of history is in our favour because you know more and more these processes and these customers are going to be digitalized. A lot of the microfinance institutions are digitalized. For example, customers get their loans paid in a bank account or in the e-wallet. They can repay it digitally more and more so you know as that kind of starts to grow as many people have access to digital payments, but the usage is not that great. When the usage grows, it will also make our life easier as an insurer, because maybe you're going to be able to have some form of recurring payments. You know that every month you know you spend a dollar that comes from your bank account today. I don't know if you have the big numbers in mind, but you a least half of the world's population which has no bank account and out of the half which have access, you have half of the accounts which are inactive, which means that there were no transactions in the last three months or so. This means that you only have 25 active bank percent of active bank accounts. And out of the 25% active bank accounts, half of those again are almost empty, because people cash out immediately when they get the money, right? So that means that you know around the world, you have 12% of people who

have an active filled up bank account that you can actually deduct premiums from and so that they're not going to be an emerging market.

Deborah: I see, MFIs come with a lot of potential but challenges as well. How about MNOs, do you work with MNOs in Africa and what are the respective challenges and benefits?

Quentin Gisserot: Yes, so microfinance institutions they were the first generation of distributors for this business. I like to segment it in three categories. Phase one was born out of microfinance institutions, phase two in the 2010 was expansion towards Telco's, the first E-wallets etc when they revolutionized how customers can pay their premiums and register with the USSD codes. But we need to differentiate between countries, in the AXA strong markets mobile money is not that far like in East Africa as we've discussed before but as I said it can be seen as an advantage but also disadvantage. For the customers it is for sure a way to facilitate and give them better access to such financial services. Yes, so, there were a lot of these schemes. MicroEnsure was really one of the Pioneers and then Bima another company came in. The basic idea with mobile network operators were to say that these are companies which have a huge client turnover every year, so they're going to have even every month 15% of the customers who are going to be turning from 1-1 operator to the next. The business model relied on the idea that you would create a form of a loyalty scheme based on insurance. If you toped up the with MTN in Nigeria then you know you would get a hospital insurance for the next month and so on and so forth. These schemes were extremely powerful in driving scale, because of course you know you have to look at mobile network operators as the highway to customers in a lot of these markets, but highways have costs and the challenge was that those models are often not sustainable. Frist of all, we made the experience that many customers weren't aware which is true. Second, many of these schemes have been opt out schemes so people they would get the insurance and they would get an SMS telling them that they were insured automatically when they renewed their phone. The challenge was, you shouldn't underestimate that many people have phones, but they don't know how to read. They know how to manage very basic things with the phone such as how to navigate the menu, but they can't read the SMS that they get. That's one thing, so working with visuals and words is still very important. Second thing, people get so many scams in these markets you receive tons of SMS for promotion purpose some of which are true, some aren't. That's why the level of trust in SMS messages such as "congratulation, you have an insurance covering your hospital fees" is limited. Even if you give people insurance and inform them by SMS, is that enough that they would actually know how to claim for it, in case you know they have an eligible event? That's a big question, especially if you're talking about life insurance, you know it's very taboo to talk about death in certain communities. Imagine the case, that you're insuring the person who owns the phone and this person might haven't told his or her the spouse, and so if that person dies, so does the knowledge that they were insured for since nobody's going to tell the mobile network operators that this person has passed away. Consequently, nobody's going to make the claim, whereas at least in the microfinance space, the claim is going to get registered because the MFI is going to have the interest to get the loan repaid. This awareness in case of death does not exist, in the context of mobile network operator.

Deborah Keller: Mobile network operator is been said that they have the largest agent networks apart from their outreach gained through mobile phones they also have call centres and agents spread in whole regions such as East Africa.

Quentin Gisserot: Yes, so the two challenges with that model are the one I just described before with the low level of awareness due to the loyalty scheme. The second challenge was the ability to transfer over to a page for insurance scheme. The idea with MNOs is always to say we're going to do this free insurance promotion for you three months, six months, twelve months or whatever but the idea was then that people would be ready to pay for it because they see the value in the concept and actually, many people do see the value. When the call centres reached out to them asking why don't you pay a dollar a month and you can get an extra coverage? The answer is often yes. But so, the challenge was the lack in customer touchpoints and followingly low understanding, otherwise you need to incentivise the agents and usually they don't have only few experiences in selling financial products so a lot of additional costs to train these agents. So, and the other reality is that working with MNOs is not only because of trainings and agents an expensive kind of channel. Mobile network operators can sometimes be a challenging channel from a cost standpoint because they distribute products and services like short codes programmes where their revenue share is often 50% or higher. If you take a 50% commission on an insurance product, the customer value is not going to be very high. Additionally, you have to cover some form of costs for the insurer such as the profit margins. Lastly, only 40% or 30% is going to go back to the clients as claims, and for this reason the product is not going to be that attractive. These were main challenges. However, there are still mobile operators which see it from a different perspective. We as a AXA work with Air Tel in India, it is a successful program covering around 1Mio customers now and the idea is that you create a specific SIM card which is co-branded between the MNO and AXA and you offer specific SIM card recharges. When you buy your SIM card recharge, you can buy this special one which also comes with life insurance. So that's a strategy we found to kind of overcome these challenges.

Deborah Keller: I'm not sure if I understood the concept correctly. Can you give me some more information?

Quentin Gisserot: Yes sure, so let's say Airtel is going to create two SIM cards – I do simplify it a lot since Air Tel has many SIM Card options. But let's imagine they have two options. We have one option which is voice data, SMS and they have one option which is voice data, SMS, an insurance. If you buy the option with the insurance, it is a little bit more expensive but you get the insurance. It's maybe you know 20 Rupee's more expensive but as I said it is optional to buy the package with the insurance or without. With this model we have been able to overcome several issues mentioned before and benefit from the network Airtel has of more than 1,000,000 retailers or shopkeepers selling airtime.

Deborah Keller: But apart from having a large network of retailers and shopkeepers selling airtime and providing mobile services, are they really able to explain the products to the clients?

Quentin Gisserot: I mean that's the idea. In reality you have 1,000,000 retailers, so first the product isn't distributed by all of them because we only have 2,000,000 clients out of Airtel for 300,000,000 mobile phone subscribers. It's a relatively limited penetration, but it's still I would say quite a scaled one. The reality is that especially in Africa more and more mobile network operators have started converting their agents into financial services points because they see the potential in the market to serve also this kind of business segment. So, more and more of the MNOs retailers they're becoming also banking points and those are the ones that you want to be training for insurance, because they are savvier on that kind of business.

Deborah Keller: That makes sense, to train these people on the products. And apart from these banking point sales staff, do you also use like your own agents in Nigeria or in another country to support the selling?

Quentin Gisserot: It's a good question. We have some pilots which we are starting, but we believe that the business model is very hard to sustain because the cost of distribution is going to be too high in percentage of the total premiums you get. There are some companies like BIMA, who have invested in the network or field agents notably in the country like Ghana, I think they have like 4000 own agents selling insurance but there's a lot of turnovers and in my opinion it's a business model that I have not yet seen a very strong success. However, I kind of tend to believe more that you will have a third generation of channels which is already starting to appear in some markets, especially in Southeast Asia or in China, which is going to be these tech platforms. These super apps which have a huge amount of data on customers because they

regroup payments, e-Commerce, transportation, like for example Ant Financial in China or We Chat in India, Grab in Southeast Asia. These companies which are going to be able to push the right product on a purely digital basis to already active digitally engaged customers. I believe, either these companies will expand to other markets or you know similar kind of approaches will happen in Africa and Latin America and it will probably be the best of both worlds because you will be able to have a digital product but a data powered one. The challenge with Telcos sometimes is that you don't really have a lot of ability to contact the customers. You can sometimes send them an SMS, but you're not able to show them a video or things like that whereas maybe with these super apps it will create new channels for us which don't yest exist.
Deborah Keller: But it's still like if we look at the percentage of the population having access to the internet in East Africa today, its around 20%, so may will still take some time.
Quentin Gisserot: Yes, if you look specifically at East Africa, it's definitely not the same as the Philippines or China. Yeah, so each country has their differences.
Deborah Keller: That's true. Just to conclude, maybe, what do you think how does distribution look like in the near future 1-5 years?
Quentin Gisserot: I think it's going to be digital. I think it's going be digital channels, but the ones who will be able to have a kind of a smart digital and physical combination - at least in the short term. In the mid-term, I think it's going to be only doable by digital delivery channels. But what I think is most important and I haven't seen that much literature about this, is that people think about financial inclusion in silos. They think about credit. they think about savings, they think about payment, they think about insurance. And even within insurance, people are going to think about life insurance, accident insurance, health insurance. But the poor people don't care, right? They need the best solutions to their problems. If the problem is how do I pay for health care? Well, maybe a piece of the answer is, well, I save regularly for the small events. In case I'm hospitalized I have an insurance and if I need extra money I can rely on a credit. I think the success is going to come from companies which are able to aggregate the right amount of these different solutions to kind of empower customers to make their choices, rather than kind of push products on them. And I think it's easier said than done, but there should definitely more attention be paid to that kind of combination.
Deborah Keller: Yes, but this will not be achieved with one distribution channel, right?
Gisserot Quentin: No, for sure not. If you're looking at farmers, you're not going to be thinking about the same channels as you think with factory workers, for sure, yeah. There is no one size fits all unfortunately. Well, I have to run but it was nice speaking to you and it you want to have another call, just email me.
Deborah Keller: OK, yes, that will be really nice. Thank you a lot, for the time and opportunity.
Quentin Gisserot: If you want to quote me by name, I just be happy to have your quotes and then I'll validate them, OK?
Deborah Keller: Yes, but it maybe takes a little time to structure everything and find the right text passages and so.
Quentin Gisserot: No problem, whenever you feel you know you are ready to understand where you want to integrate things then you can share that with me. If you want an opinion on the overall thesis or something, maybe you know I don't know how long it's going to be, but I can't guarantee if it's a super long document but I'll happy to take a quick look.
Deborah Keller: It's really kind. Thank you. I very much appreciate it and thank you for your insights and time.
Quentin Gisserot: Have a great day.

8.2 Categorization of Interviewees Responses

Interviewee	Text passage / Key argument	Codes	Category
Jaime de Piniés	But the interaction it's a bit longer with a client if you will. It just lends itself a bit better to go into a bit more depth in the cell of the products such that you can really make sure they understand what you're what you're selling to them and that it brings them meaningful value. I	Choice and enrolment	MFI
Jaime de Piniés	But the interaction it's a bit longer with a client if you will. It just lends itself a bit better to go into a bit more depth in the cell of the products such that you can really make sure they understand what you're what you're selling to them and that it brings them meaningful value. I	Choice and enrolment	Retail Stores
Quentin Gisserot	The reality is that especially in Africa more and more mobile network operators have started converting their agents into financial services points because they see the potential in the market to serve also this kind of business segment. For this reason, more and more of the MNO's retailers they're becoming also banking points and those are the ones that you want to be training for insurance, because they are savvier on that kind of business.	Client understanding	MNO
Farid Wangara	So largely for the aggregation model, we try to support the product acceptance and modeling at the financial institutions first with our staff, then once they have understood then their level of understanding is a bit higher, and the way they work more structured and even the farmers they are granting loans to are a little bit more structured.	Client understanding	MFI
Jaime de Piniés	Yeah, it's a very good question, so we've had mixed results in evaluations, so I would say key messages like the fact that their seeds are protected through germination for 21 days against trap is understood. That's not a problem. Understanding the and let's say the mechanics of the product and really understanding how they would get paid was more challenged, so we have seen mixed results in terms of evaluations.	Client understanding	Retail Stores
Helen Osore	So, in very few words, people know what the benefit is and how its structured. And this is usually not a problem with MFI's because they have the knowledge about financial products and the MFI using its branches or loan officers to communicate to the customers, because they already have a network how they contact him, so they will most likely use this channel to educate the client.	Client understanding	MFI
Jaime de Piniés	Even though the reviews in terms of understanding are better as in the seed experience it's still very important and it's very hard to really get that monitoring to make sure things happen on the ground but we're getting better at it and improving processes and realizing that there are good results and good understanding.	Client understanding	MFI
Quentin Gisserot	So, we've tried out several things, overall, yes, because as you know they have plenty of experience with selling financial products and are able to provide explanations but actually, they have their credit business and want to sell, so that's their main priority.	Client understanding	MFI
Farid Wangara	Yeah, of course it comes with these challenges, but I believe I with baby steps it will come and they want to learn and have certainly an interest in the wellbeing of the others. We explain one by one and as we go and they help us in how to best explain it and develop good solutions.	Client understanding, Product diversity	Cooperative / Associations
Helen Osore	Oh yes. If your community leader endorses something, people will buy. If they think it's not important, a good number will ignore because they are responsible for what's good for them and what's not Yes exactly they do everything. you know if you have 600'000 farmers in this body so they know how to do business and even the self-executives, they talk to them on a frequent basis and explain the products the meetings	Client understanding, Proximity	Cooperative / Associations
Helen Osore	Right now, not, there are ongoing discussions to do that but it is difficult because you know, many people want to work with them	Cost	MNO
Quentin Gisserot	Because if you make the product voluntary, you know that there will be a bias towards people who are on average a little bit sicker than average buying it, and that can make it 15 or 20% more expensive for those who buy it. And more importantly, if you if sell it on a voluntary basis, you also need to incentivize the loan officers to sell it which makes the distribution more expensive again.	Cost	MFI

Quentin Gisserot	So and the other reality is that working with MNO's is not only because of trainings and agents an expensive kind of channel but also because as I described before, everyone knows that they are the highways to customers so they distribute a lot of products like short codes, games and things like that and the levels of commissions that they take on this product is often 50% or higher. If you take a 50% commission on an insurance, the customer value is not going to be very high	Cost	MNO
Jaime de Piniés	it's economically viable to come to do visits to each cooperative and then and then on board them at once. So it threw one very well aggregated, it's locally owned and so they really want to make sure value is also provided for their members and so set up a concept that fits the member preferences. most sort of natural channels to get to large bodies of farmers and be able to go in depth and make it efficient for us, right cost efficient to it, so that's one that we really like and that we're doing globally, not just in Africa	Cost	Cooperative / Associations
Jaime de Piniés	So it threw one very well aggregated, it's locally owned and so they really want to make sure value is also provided for their members and so set up a concept that fits the member preferences. most sort of natural channels to get to large bodies of farmers and be able to go in depth and make it efficient for us, right cost efficient to it, so that's one that we really like and that we're doing globally, not just in Africa	Cost	Cooperative / Associations
Jaime de Piniés	They are not the easiest partners to deal with. For starters, I mean everyone wants to work with whole network operators here in East Africa, but not just micro insurers, right? I'm talking about any service you can think of, wants to distribute it through that channel, so you have this situation where they get, I don't know, 100 companies come to them saying why don't you distribute my product.	Cost, Brand and Trust	MNO
Helen Osore	I think, three things. The first one is product simplicity, the second still affordability in the market, and the last one also accessibility. So those products are still designed from the underwriter's point of view It is not from the point of view how I interpret what I can afford, let me give you examples. First of all, most of the insurance	General	Future
Helen Osore	So, I keep saying maybe the more we wear the lenses of the customer the more we should be able to grow.	General	Customer centricity
Quentin Gisserot	So in microinsurance we often focus on embedding insurance with something else because customers they've never bought insurance, so we need to both leverage the channels that they have and also connect insurance into their lives and into their existing needs	General	Customer centricity
Quentin Gisserot	and that's a lot what we focused on at AXA Emerging Customers is how are we going beyond this - Just covering the outstanding loan is not enough, we should add additional coverage for the family in case of death so that a least the family gets money too. In addition, and most importantly, we should be adding health benefits and you know that's what we've been	General	Customer centricity
Farid Wangara	So the value addition we try and do is add things like good agronomical, practices, trainings to the farmer when you're doing inspections and reviews.	General	Customer centricity
Helen Osore	So that's why I bring in the issue of simplicity because this is sometimes even to win the market. You need to have simple product that just shouldn't have exclusions, is just straightforward. So the question is, can insurance be simplified that much to address the insurers needs. We need to flip that conversation and move away from us growing to what does the customer need? How do they need it? How should it be packaged?	General	Customer centricity
Helen Osore	Right. Because anything that will be on the mobile must be simple, must be affordable and shouldn't need the explanation. Five steps and you are done. And this makes it very difficult to provide enough information.	Information and understanding	MNO
Helen Osore	We haven't introduced that and this is because, like what I said, you see these intermediaries we use also keep guiding people in what they want and explain what is insured what is not. So, what we see is more people are more comfortable buying insurance through someone who can explain, and understand financial products.	Information and understanding	Retail Stores

Farid Wangara	So, there is a need for lot of personal touch so hence now for example you see now with the village champions model, it works best because then this person lives within the community, so it becomes the first touch point for the farmers around it. Maybe you have like five larger groups around this particular village champion, so any issues regarding to insurance, they're able to reach out to this village champions, if this person doesn't have an answer, the're able to reach out to us.	Information and understanding	Cooperative / Associations
Jaime de Piniés	It lacks words is mostly images that with just giving them when they visit the farmers such simple material. So with this, you can already enhance significantly the likelihood that they understand what they're getting.	Information and Understanding	Retail Stores
Quentin Gisserot	The idea with MNO's is always to say we're going to do this free insurance promotion for you three months, six months, twelve months or whatever but the idea was then that people would be ready to pay for it because they see the value in the concept and actually, many people do see the value. When the call centres reached out to them asking why don't you pay a	Information and understanding, Priority	MNO
Quentin Gisserot	Frist of all, we made the experience that many customers weren't aware which is true. Second, many of these schemes have been opt out schemes so people they would get the insurance and they would get an SMS telling them that they were insured automatically when they renewed their phone. The challenge was, you shouldn't underestimate that many people have phones, but they don't know how to read.	Information and understanding, Trust	MNO
Jaime de Piniés	Then if you try to go too quick without providing too much information, you're more prone to have more customers but then – we see it a lot these schemes that have had 5,000,000 customers, and then they're no longer there and you said what happened and it's just that Vodafone decided to discontinue that campaign, that was it. Mobile network operators are starting to get insurance licenses.	Partnership risk	MNO
Jaime de Piniés	(Not only MFI's, answer of question) Mobile network operators are starting to get insurance licenses.	Partnership risk	MFI
Helen Osore	let me think so because let me think we introduced it eight years ago and it's growing in customer numbers. Microinsurance business need time but now premium wise it's also in green because right now the premium its over $ 4 million. I think that's a green product right.	Partnership risk, Cost	Cooperative / Associations
Helen Osore	The premium is deducted by the factory because it's on a check of system when the farmer get their wages . So that it monthly so the farmers can afford it.	Premium payment method	Cooperative / Associations
Quentin Gisserot	E-wallets etc when they revolutionized how customers can pay their premiums and register with the USSD codes.	Premium payment method	MNO
Farid Wangara	Like in Kenya we have two seasons in a year so it depends it when the farmer probably is taking a crop insurance then it will be pegged on that but with the MFI it is pegged on the payment scheme so we cannot decide.	Premium payment method	MFI
Farid Wangara	Usually it is then based on a crop season. Like in Kenya we have two seasons in a year so it depends it when the farmer probably is taking a crop insurance then it will be pegged on that. But what were trying to is to make insurance as affordable as possible	Premium payment method	Cooperative / Associations
Jaime de Piniés	The premium is paid according to the MFI's repayment scheme	Premium payment method	MFI
Jaime de Piniés	Correct, yeah. You can align cash flows such that when they receive cash from selling the coffee then they can deduct the amount from the farmers to pay you. It just becomes logistically far easier to handle.	Premium payment method	
Jaime de Piniés	that differentiates your seats from others and therefore the company selling the seeds is willing to put some of their marketing budget to pay for the premium. So, it's a way to have premium subsidised indirectly, because seed companies are able to position and differentiate their product from other competitors when selling.	Premium payment method, Priority	Retail Stores

Helen Osore	And also because it’s not their main business right to sell insurance, its selling loans. So if you take insurance and you put it on your loan first of all, your loan eventually becomes more expensive. Then you cannot even compete in the market even wake up to promote it because you see if anything goes wrong, the customer will go to them and blame it. It only work for a product that you agree and customize for the microfinance	Priority	MFI
Farid Wangara	Number one you realize, for example, a financial institution, it’s more of a one way street. Their agents are dealing with finance, so anything else out of that, the rigidity of must human being is if that is extrawork I'm not going to do that	Priority	MFI
Farid Wangara	But again, as I mentioned, you'll find if it's not your immediate line of business, it's not what I'm supposed to be doing.	Priority	MNO
Quentin Gisserot	So, for example we’re working with these cooperatives since quite a time and these people tend to have a certain understanding of how business works, like compared because you need to understand, that such cooperatives have already had several informal strategies or let me say risk pooling mechanism in place to support each other. And compared to other self-organized famers or shop keepers or whatever they are in general more open to participate in a formalized scheme and growing their businesses. There is a lot of effort usually from the management side even though we cannot say that all of these schemes are that good organized	Priority, Brand and Trust	Cooperative / Associations
Quentin Gisserot	And also, loan officers, they're going to have super busy days already in the credit business, so they're not really going to have time chasing customers who are not credit customers and explain additional products that are completely new to a large share of their customers.	Priority, Product diversity	MFI
Jaime de Piniés	And we just do that through that train of trainer methodology, but in this case MFI’s sometimes do not show the same effort as with the seed company, they have their own credits to sell so it makes it hard to really keep them motivated about educating customers about insurance.	Priority, Product diversity	MFI
Helen Osore	Once they sign up is done and maybe even certain experience you find that they are now more open to when you give a USSD code, then it becomes easier.	Process Digitization	Digitization
Helen Osore	Support system / call centre : for the microinsurance is two things: Even when you're selling digital or online, you must do what we call high touch. There is high tech and high touch you must do both, otherwise, they don't understand or not fully.	Process Digitization	Digitization
Helen Osore	However, we can learn from other industries that have succeeded in the same space I think in Kenya we have two case studies which is Safaricom, which is an MNO and also, we have our equity bank and when you look at both cases what you see its simplicity because you whatever you're doing on the mobile phone in Kenya, you will not take a minute, it takes 30 seconds and you are done.	Process Digitization	Future
Helen Osore	didn't use any intermediary, but right now I have a claim. How do I do that digitally? You understand, so you realize that's why I said it has to be high tech and high touch. There must be a point of touch somewhere.	Process Digitization	Digitization
Helen Osore	Someone will buy the education policy and then continue paying their premiums online or digitally. You get it, but the starting point, they'll need fill in a form somewhere and then now begin their premium payment digitally. Right now, even with COVID, most people are paying digitally using the M-PESA platform.	Process Digitization	Digitization
Helen Osore	How many people can be reached by people physically visiting you? Very few. So, it means if we know the channel that will give us the quickest scale is digital because digital moves very fast and very convenient.	Process Digitization	Future
Quentin Gisserot	I kind of tend to believe more that you will have a third generation of channels which is already starting to appear in some markets, especially in Southeast Asia or in China, which is going to be these tech platforms.	Process Digitization	Future

Quentin Gisserot	These companies which are going to be able to push the right product on a purely digital basis to already active digitally engaged customers. I believe, either these companies will expand to other markets or you know similar kind of approaches will happen in Africa and Latin America and it will probably be the best of both worlds because you will be able to have a digital product but a data powered one.	Process Digitization	Future
Quentin Gisserot	I think it's going to be digital. I think it's going be digital channels, but the ones who will be able to have a kind of a smart digital and physical combination	Process Digitization	Future
Helen Osore	Nono, the microinsurance clients rarely buys online. We are not yet there, but we are trying to digitize some solutions. Because you see something like a health product is complex and will require explanation isn't it the case.	Product complexity	Digitization
Helen Osore	It does make sense; Kenya is such a digitized country. The issue is are we able to underwrite it at that simplicity level? Because everything else is happening on their mobile, people paying their bills on the mobile phone, do calls, pay school fees, people can do a lot of things with their mobile, but the issue is can insurance be understood. It must be fast, 5 steps and you are done.	Product complexity	Digitization
Helen Osore	So if you take insurance and you put it on your loan first of all, your loan eventually becomes more expensive. Then you cannot even compete in the market. So, let's say for example, you put a medical insurance on your loan, your loan becomes expensive by the same margin of profit. So, to avoid their loans being expensive, they first of all sell the loan as it is,	Product diversity	MFI
Helen Osore	Yes, we keep it simple, they are showing them a video and they have experience with health issues, so with this product it is understood.	Product diversity	Retail Stores
Quentin Gisserot	Yes so, the majority is health protection. Firstly, because these are affordable products but also because health is the most needed risk by very far. If you ask people, you know what their main need is and they will answer something related with	Product diversity	Cooperative / Associations
Farid Wangara	So initially we piloted with MFI's it has proven difficult as it is a bit more complex, but then now what we are trying to do moving forward is to try and embed that as a as a permanent when we are doing pricing, we embed it in the agri insurance product	Product diversity	MFI
Helen Osore	A very few large institutions will you find that have insurance needs and are not engaging any insurance panel yet. So they have insurance needs and most likely when they found an insurance company they do other insurances such as medical insurance over the same provider.	Product diversity	Cooperative / Associations
Farid Wangara	We are partnering with the seed companies because they are selling their seeds to smallholder farmer. So through that engagement we are able to design products that are much more localized and cheaper for the smallholder farmers because its embedded in the aggregators product.	Proximity	Retail Stores
Jaime de Piniés	had agents across villages in Zimbabwe	Proximity	Retail Stores
Helen Osore	I won't say many because they are not all borrowers and microfinance institutions more look for their own business, but you see in the end it's a question of what product is under discussion and the cost.	Scale	MFI
Helen Osore	There are attempts to sell online, I think, by different insurance companies on different products.The question is what are the numbers covered especially when we talk about microinsurance.	Scale	Digitization

Helen Osore	The good thing is that it has started for example, even ourselves we're doing a partnership with a retail health company. It's less than six months and has over 600 active customers with a premium above USD 22,000. So you can see it's a fairly small revenue but it has started and reached already 600 people.	Scale	Retail Stores
Quentin Gisserot	I tend to believe once we have even better way to connect with such groupings as technology continues to spread, there will be a great number of associations or cooperatives to be reached.	Scale	Cooperative / Associations
Quentin Gisserot	card which is co-branded between the MNO and AXA and you offer specific SIM card recharges.	Scale	MNO
Farid Wangara	want to do is to try, and especially when you're working with smallholders farmers it is very difficult, to reach individuals smallholders farmers in all the countries. They all live very dispersed in the various regions so we leverage on working with an aggregation model. So number one, we have a model working with microfinancial institutions, mobile financial institutions and SACCO's. SACCO's would be able to assist in the aggregation of the farmers	Scale	Cooperative / Associations
Jaime de Piniés	And I can give you some examples of how those are so. We have worked with the seed providers where we have embedded insurance as part of seeds in a seed replanting guarantee in Zimbabwe, and it's proven to be quite a good distribution channel and achieved quite a bit of scale. A lot of the channels I've mentioned also get you quite a bit of scale. I would say seeds and MFI's I do have large portfolios	Scale	Retail Stores
Jaime de Piniés	A lot of the channels I've mentioned also get you quite a bit of scale. I would say seeds and MFI's I do have large portfolios	Scale	MFI
Helen Osore	170,000 and the product is priced at 2500 Kenyan shilling in terms of premium and this is $23 per year	Scale	Cooperative / Associations
Quentin Gisserot	These schemes were extremely powerful in driving scale, because of course you know you have to look at mobile network operators as the highway to customers in a lot of these markets, you know you have to look at mobile network operators as the highway to customers in a lot of these markets, but highways have costs and the challenge was that those models are often not sustainable.	Scale, Cost	MNO
Jaime de Piniés	even the micorinsurers knowing that they have them - because it is a channel that you get a lot of reach but you don't get a lot of depth.	Scale, Product diversity, Client understanding	MNO
Quentin Gisserot	That's a very powerful model, but you know, there are only 200,000 people who borrow from microfinance institutions worldwide, so that's a large number, but its also only 5% of the people who are uninsured,right?	Scale, Proximity	MFI
Jaime de Piniés	The beauty of cooperatives is for instances in cash crops like coffee then it's relatively easier to actually visit farmers because you can aggregate them and you can have these sessions, where you can have under the general assembly's almost all if not all, the farmer members of a cooperative, and you can train them at once,	Scale, Proximity	Cooperative / Associations
Helen Osore	And then what you want to seek is to ensure stability of whatever business line you you want to pursue.	Stability / Security	Microinsurance business
Helen Osore	I said the partners we work with already have systems and structures that they used to communicate to all those micro microcustomers. So when you bring in the issue of insurance they already have a system and a structure they used to communicate and to reach those customers on in their day-to-day business	Stability / Security	Microinsurance business

Helen Osore	Correct, but they see it when risk will create to crystallize on their loans. You see, if they, for example, they pass away in the loan was insured, then what is it? The guarantors are not prosecuted or next of kin forced to pay, so they're able to see the benefit.	Trust	MFI
Helen Osore	people believe in MFI's and they are already consuming products from these institutions, right? Yeah, so when the MFI makes the decision to offer insurance, we will avail such a solution. What we do is now work with the MFI on what we call member education.	Trust	MFI
Helen Osore	If your community leader endorses something, people will buy. If they think it's not important, a good number will ignore. Especially when you move from urban centres, you find people really, really take endorsement from their opinion leaders very seriously.	Trust	Cooperative / Associations
Quentin Gisserot	She's going to tell you, it probably protects the institution more than it protects me, because the lending institution gets repaid. But the family doesn't get any money.	Trust	MFI
Quentin Gisserot	true, some aren't. That's why the level of trust in SMS messages such as "congratulation, you have an insurance covering your hospital fees" is limited	Trust	MNO
Farid Wangara	we began to see so many farmers put into it because it is Safaricom, so it was for status so, it had really a great expansiveness in the beginning.	Trust	MNO
Farid Wangara	No, I mean it that is always the case. I mean even me, when I went to take a loan to the bank whether it's agriculture or not. Definitely the banks interest is its money, number one before anything else even knew.	Trust	MFI
Jaime de Piniés	I would say out of all the channels that I've mentioned, MFIs are the least trust them.	Trust	MFI
Jaime de Piniés	I would say for example cooperatives it's another great one because the cooperative management tends to be individuals that see a lot of companies and building good trust with them is fundamental. And once they the management trusts in a proposition, then the disposition of the former members is a far better right because they see that something is being brought by our managers, which we've elected.	Trust	Cooperative / Associations
Helen Osore	Right now, not, there are ongoing discussions to do that but it is difficult many people want to work with them and comes with higher costs	Cost	MNO
Helen Osore	Because you see you always contact the person you have been introduced to the service, isn't it? So those introducers we are with them in a what's app group and it they announce something that is taking longer or other issues we're able to see that.	Trust, Information and Understandi	Cooperative / Associations
Farid Wangara	You find decisions that are made either euphoric position and you're thinking how well have i pitched my presentation to the board or to the leadership of the SACCO that determines how maybe your product would be perceived by the members or not.	Trust, Priority	Cooperative / Associations
Helen Osore	It does make sense; Kenya is such a digitized country. The issue is are we able to underwrite it at that simplicity level? Because everything else is happening on their mobile, people paying their bills on the mobile phone, do calls, pay school fees, people can do a lot of things with their mobile, but the issue is can insurance be understood. It has to be really, really simplified. Because you see something like a health product is complex and will require explanation isn't it the case.	Trust, Scale, Product diversity, Premium payment method	MNO

8.3 Evaluation of Delivery Channels in Africa

Criteria / Delivery Channel	Microfinance institutions	Cooperatives or community organizations and associations	Mobile Network Operators	Retail stores	Online Platforms and Mobile apps
Supply side criteria					
Client understanding					
Product diversity					x
Scale					
Brand and Trust				x	x
Priority					x
Cost				x	x
Partnership risk	x			x	x
Demand side criteria					
Choice and enrollment				x	x
Information and Understanding	x				
Premium payment method				x	x
Proximity	x		x		x