

Delivering health microinsurance at scale across Africa

POWERED BY MICROENSURE

AIRTEL INSURANCE



A maternity nurse with a mother and her two newborn twins. Marangu Hospital, Moshi, Tanzania. Photo by David Dorey/MicroEnsure.

The Airtel/MicroEnsure partnership aimed to introduce millions of emerging consumers to their first health insurance products by offering simple cover, for free, aimed to establish trust through transparent, reliable operations. It then offered products for customers to increase options, creating a path to greater health insurance coverage.

Health insurance penetration in Africa remains under 3%, serving fewer than 3 million people, even though more than 400 private and nonprofit health insurance schemes operate across the continent, according to the Landscape of Microinsurance in Africa 2012. Moreover, these health insurance schemes on average are unsustainable, paying out more in claims than they attract in premiums.

By contrast, all other forms of insurance operating on the continent have less than half as many products active, yet in aggregate they serve 17 times the number of people.

The reasons for low penetration of health insurance are multifaceted, but a key issue has been the high expense of traditional health insurance, which keeps it out of the hands of the mass market. While public health insurance projects are underway in many markets, MicroEnsure decided to pursue a complimentary private solution with Airtel, a pan-African telecommunications company, in order to deliver a sustainable health product to the emerging customer.

The Airtel/MicroEnsure partnership aimed to introduce millions of emerging consumers to their first health insurance products by offering simple cover, for free. By introducing consumers to a basic health insurance product, MicroEnsure aimed to establish trust through transparent, reliable operations. It then offered intuitive up-sell products to allow customers to increase their coverage by paying for more cover for themselves and/or their families, which created a path to greater health insurance coverage.

About Airtel/MicroEnsure

MicroEnsure and Airtel launched their first simple health insurance product in Ghana in January 2014, and eventually launched in seven African markets. The product was relatively straightforward: Airtel would reward loyal customers (who registered for the product by dialing a shortcode) with free insurance as long as they spent a minimum amount of airtime (usually US\$2). The more customers spent with the telecom, the more free health insurance (and life and accident insurance as well) they could earn. Customers were educated as to how the product works via an unstructured supplementary service data (USSD) menu showing policy information and through monthly SMSs informing them the amount of insurance they had earned for the following month based on their airtime usage in the previous month.

The health insurance offered a simple benefit: qualifying customers received one month of hospital cash insurance—

a lump sum of up to US\$300 paid to them via mobile money if they spent three nights or more in any hospital across the nation, for any medical reason, with no exclusions. This wide-open claims model was designed to eliminate the fine print traditionally associated with insurance and to demonstrate a reliable product.

Furthermore, while it might seem naïve to a typical, developed-market health insurance consumer that a lump sum of \$50, for example, would be attractive, MicroEnsure knew from its 12 years of experience in the mass market that, when there is no health insurance available at all, even a small amount of health cover represented a massive improvement over the status quo, and provided a stair-step into health financing. In other words, \$50 of hospital cash is viewed by the mass market in Africa as an excellent cover, especially when the cover is accessible for free.

Due to SIM-card swapping and a low level of brand loyalty for many African telecoms, this product was designed to increase loyalty as well as revenue for the telecom, hence it paid the premiums to MicroEnsure and its partner insurance companies in various markets. The customer's airtime was not deducted but rather the cover was provided for free and paid by the telecom on the basis of the overall increase in value to the core business (airtime spent) from the portfolio of insured customers.

This business model therefore offered a win-win-win for the patient, distributor, and insurer alike. The patients received free and reliable means of mitigating their risk; the distributor received a product to grow revenue and loyalty; and the insurer saw millions more customers become policyholders on a financially viable basis—as premiums exceeded the cost of claims.

Program Design Process

MicroEnsure had previously delivered mobile insurance through a “freemium” strategy, with Tigo in Ghana and Tanzania (2010–2013). In its partnership with Airtel MicroEnsure focused product design efforts on bringing a simple, valuable health insurance product to the mass market through the mobile channel.

MicroEnsure found from its experience that a traditional health insurance model was unlikely to be sustainable. It could not build a panel of hospitals and clinics and still meet the telecom's requirements to serve all of its customers across Africa within a year; nor could it operate a third-party payment scheme to health providers without experiencing the fraud that dooms many health insurance schemes.

When MicroEnsure looked into provider insurance fraud, it found that mutual distrust between providers and insurers is likely an unsolvable problem for now in Africa, where developed information technology (IT) systems are few and far between—doctors resent being paid less by an insurer than the service cost them to provide, and so they over-charge knowing the insurer will pay less; then, the insurer sees the overcharge and charges the provider with fraud. This vicious circle dooms many health insurance products in Africa.

MicroEnsure resolved, therefore, to use a hospital cash product, paying the patient directly instead of paying the provider. However, many other hospital cash schemes had experienced problems with fraud as well. MicroEnsure decided to work to limit fraud in three ways: 1) by providing the product for free, thereby reducing the claimant's incentive to

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commit fraud; 2) by providing a small sum assured for most of the telecom's customers (i.e. the lower spenders), reducing their motive for a large payday; and 3) by providing a lump sum benefit instead of a per-day benefit, thereby reducing the incentive for customers with genuine claims to overstate the size of their claim.

Once MicroEnsure had determined that hospital cash was the correct approach from the supply side, it had to identify whether there was demand for hospital cash insurance.

MicroEnsure's research illustrated that nearly 30% of health-related expenditure in these markets is for costs other than the medical expenses themselves. These costs include transport, food, lost income, and other foregone expenses, such as children's school fees. Furthermore, the research showed that customers who had never been insured did not expect a full indemnity product, as traditional health insurance operates; rather, if they received a \$50 payout from MicroEnsure, they perceived it to be valuable, as it was greater than \$0—the amount of insurance they had ever received before. With this knowledge, it appeared as though customers would value the product as designed.

Growth in Scale

MicroEnsure designs its products, systems, and distribution strategies for large-scale implementation. MicroEnsure launched with Airtel Ghana in January 2014, and grew the enrolled customer base to 1.2 million within its first year. Once the product had demonstrated success, other countries launched in quick succession:

- Airtel Burkina Faso launched in August 2014, reaching 231,000 within its first year.
- Airtel Nigeria launched in September 2014, reaching 1.02 million within its first year.
- Airtel Madagascar launched in December 2014, reaching 57,000 within its first year.
- Airtel Niger launched in December 2014, reaching 194,000 within its first year.
- Airtel Malawi launched in May 2015, reaching 163,000 by March 2016.

- Airtel Kenya launched in August 2015, reaching 173,000 by March 2016.

In aggregate, these products had enrolled 3.74 million customers into hospital cash insurance in seven countries by March 2016, a little over two years after the initial product launch.

MicroEnsure's board approved significant growth in its IT development and African regional team, as well as local teams to deliver the product on the ground. Despite these investments, by the end of the roll-out phase it was clear to MicroEnsure that it did not plan enough expenditure on technology—especially the process of integrating its systems with the local telecom. Experience showed that it should have planned for more cost in recruiting, training, and development.



Photo by MicroEnsure



Evaluation and Results

The major objectives for the project concerned: scale of health microinsurance, financial sustainability, and creation of new market penetration by offering customers their first-ever health insurance policies.

As of March 2016, MicroEnsure had enrolled 3.74 million customers into hospital cash insurance in seven countries, a little over two years after launch. Airtel's continued expansion and the fact that no insurance companies dropped the product indicate overall financial success of the product.

MicroEnsure expects to break even on its investment in the

mobile insurance model in 2017. Customer surveys across its operating markets have indicated that for 86% of its customers, Airtel Insurance was their first insurance policy of any kind.

Unfortunately, there are no assessments of health outcomes, as MicroEnsure does not track patients beyond the submission of a claim, nor does it track any additional information about their health, including the cause of hospitalization. However, with a large-scale footprint, MicroEnsure expects to be able to have a much more significant impact on health outcomes, as it has built the customer base.

Lessons Learned in Program Implementation and Scaling

Low health insurance penetration is often assumed to be a function of low demand for insurance in general. MicroEnsure has found that low penetration of traditional insurance is more likely a function of: high cost, low trust, poor access, and product complexity. If these barriers can be overcome, enrollment numbers indicate that mass-market consumers are very eager to be protected from health risk.

MicroEnsure research shows that a simple health insurance benefit is perceived as better than having no health insurance at all; it is not necessary—or financially viable—for the uninsured customer to enroll in full health coverage from the start.

Furthermore, mobile channels offer important assets to enhance an mHealth service, but the telecom will only unleash those assets if they will directly benefit in their own core business growth; if this is not clear to them they will not lend their brand and footprint to the initiative.

MicroEnsure experienced several challenges during the rapid growth of the program. For example, due to Airtel's emphasis on rapid expansion across markets, MicroEnsure did not invest in client education and impact to the degree that it might have with a slower roll-out. This underinvestment led to lower uptake in some markets than initially expected,



and to fewer claims than expected as well. Additionally, the overhead and administrative cost as well as the day-to-day operational headaches of expanding in market after market often served as a distraction from the key program focus—to

drive value for the customer. MicroEnsure learned that in future multinational roll-outs, it should move more deliberately in order to ensure each project is performing according to best practice prior to the next product being rolled out.

Future Plans

MicroEnsure's main plans for Airtel Insurance are currently centered on transitioning from a free product to a product that customers pay for in order to make the product sustainable for the long term. The free product was successful in generating additional revenue and reducing customer churn for Airtel, but the company will not pay for free insurance in perpetuity. MicroEnsure has launched a prototype of a paid product in Ghana, which more than 100,000 people have purchased to date. It expects to roll out the lessons learned from the prototype to other Airtel markets throughout 2016.

MicroEnsure does not expect that all Airtel Insurance products will remain live, as telecoms' priorities change; however, it expects 3-4 of the products to remain live, including in its largest markets of Ghana and Nigeria. By year-end 2017 it expects to have more than 2 million paying customers on Airtel Insurance overall. If it successfully converts a sufficient number of customers from free to paid products, MicroEnsure plans to seek to drive additional value through

higher-value products with greater health benefits. MicroEnsure is currently prototyping telemedicine and health education products in Kenya and is designing other mHealth solutions, which it expects to make available at scale near the end of 2016 and early 2017. ■

Snapshot: Airtel Insurance powered by MicroEnsure

Geographic Coverage	Burkina Faso, Ghana, Kenya, Malawi, Madagascar, Niger, Nigeria
Implementation Dates	2014 to present
Implementation Partners	MicroEnsure (product design, mobile implementation, insurance arrangement, field engagement, back office support) Airtel Africa (marketing and distribution) Various insurers (risk underwriting)
Donor(s)	N/A
Contact Information	Peter Gross, Marketing Director, MicroEnsure, peter.gross@microensure.com

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