Unanswered questions from Webinar 2 of the Learning from the Leaders Series on the Distribution of Inclusive Insurance

Q1. What is more effective to bundle products or to distribute through partners?

Siani Malama (Vision Fund International) Our experience has been bundling insurance products with other underlying financial solutions has been more effective, than selling insurance on its own. To bundle, you will need partners to work with, in our experience bundling requires an aligned partnership in place. It's difficult not to work with other partners, if one opts for bundling model as part of the distribution strategy.

Q2. Is there a best example of crop insurance globally? What about subsidies for sustainability? Is there another business model?

Siani Malama (Vision Fund International): Most global crop insurance, to reach scale, have been through PPP with premium subsidy from Govt or development partners. One of the risks for subsidized models, is sustainability. When the subs expire, or come to an end, we tend to see high drop off, of farmers from the scheme. It is critical to ensure a sustainable strategy by implementation of different strategies. i.e A savings pool concept where farmers can save towards paying their own premium. What's key is to demonstrate insurance value during the subs period, to encourage farmers to willingly pay for the insurance.

Seguros Bolivar: In Colombia, in the absence of national or local government subsidies, successful cases have emerged by linking microinsurance with microcredits aimed at small farmers. These models seek to make agricultural insurance accessible to populations that traditionally lack access to such services.

- Partnerships with Financial Institutions: Instead of relying on direct subsidies, some agricultural microinsurance initiatives integrate with microfinance institutions or agricultural cooperatives. Farmers can access insurance at the same time they obtain credit or loans, and premiums can be low and payable in installments, making them easier to acquire.
- Simplified Products: These insurance products often offer very specific coverage (e.g., only drought or flood) and feature simple claims processes to keep costs low and transparency high.

Q3. I am wondering about digitalization of microinsurance vs. other financial services (payments, credit). Are there any specific aspects to be taken into account when digitizing insurance services?

Siani Malama (Vision Fund International): Yes, digitization in isolation may not always work. The nature of insurance services still requires a human element, to bridge the lack of trust between customers and insurance services. We often see a combination of high human touch and digital solutions. What's important is to have a clear plan on which components of the micro insurance process should digitized, and where human high touch is still required. There's definitely a need for digitization, to improve efficiencies, and reduce opex for micro insurance, the key is finding the right combination of digital & human tough within the value chain.

Oscar Pinto (Seguros Bolivar): The digitalisation of microinsurance shares similarities with other financial services but presents important specific aspects to consider:

- Understanding and Trust: Insurance products can be less intuitive than payments or credit for many low-income customers. Digitalization must focus on simple user interfaces, clear educational content, and accessible support channels to build trust and understanding.
- Risk Assessment and Underwriting: Data collection for risk assessment and underwriting can be challenging in low-income populations with limited financial histories. Digitalization can facilitate the collection of alternative data (e.g., mobile phone usage data, agricultural data) and the use of advanced analytics to improve risk assessment, while maintaining transparency and data protection.
- Claims Management: An efficient and transparent digitized claims process is crucial for the insurance value proposition. This includes facilitating claims submission through accessible digital channels (e.g., mobile apps, SMS), providing regular updates on claim status, and ensuring fast and easy payments.
- Adaptation to Infrastructure and Connectivity: In many emerging markets, digital infrastructure and connectivity can be limited. Digital microinsurance solutions must be designed to work effectively even with intermittent connections and on low-end devices.
- Regulation and Supervision: Regulators are increasingly focused on consumer protection in the digital realm. It is fundamental to ensure that digital microinsurance solutions comply with relevant regulations regarding transparency, data protection, and dispute resolution.

Andrew Nkolola (Intelikava Intemediaries): They are not very different. Both require the basic underwriting data which primarily involves KYC as well as other consumer data. Some insurance regulations may, however, require additional declarations through policy schedules and Ts & Cs. This typically is a factor of the complexity of the product and such for microinsurance it is always advised to focus on simple offerings for purposes of ease of digital distribution.

Q4. How to reduce insurance premiums?

Siani Malama (Vision Fund International) : There are different strategies that can be implemented to reduce opex, reducing premiums may not always be the right strategy, depending on the business case. i.e implementing digital solutions, within the operational process, can drive/reduce costs in the long run. It is important that insurance premiums are affordable & sustainable for the target clientele. Starting with design sprint process to understand customers ability and willingness to pay is a good starting point, to understand how much of the customer wallet can clients afford to pay for insurance.

Andrew Nkolola (Intelikava Intemediaries) Premiums typically are a reflection of the cost of service in addition to the overall risk. Strategically, therefore, any reduction in premiums are achievable through cost effective distribution (i.e Low touch digital and unassisted distribution) directly or through partnerships. On the risk side of things tactically scaling spreads the risk, thereby reducing premiums (i.e The more people there are in the pool of insurance the cheaper it is for each member). This can also be achieved by targeting large groups of individuals via Group insurance coverage.

Q5. Any Experience in distributing the Islamic version of Microinsurance?

Siani Malama (Vision Fund International) : For VFI, we have not engaged in Islamic version of micro insurance. We have some programs where we need to comply with Takaful.