The ILO's Social Finance Podcast Episode 3: Going digital with inclusive insurance – November 15, 2021

Introduction

Welcome to the ILO social finance podcast on financial inclusion, impact insurance and sustainable investing. Our podcast brings insights from around the world, highlighting how financial services contribute to social and economic development.

Lisa Morgan: Welcome back to the third episode of the ILO's Social Finance podcast, going digital with inclusive insurance. We have really listened to your feedback and selected a topic that many insurers have been grappling with even before the COVID pandemic hit, but now with the world as it is, there has never been a better time to either consider which insurance operations can be digitalized, develop digital insurance products or create new digital inclusive insurers. This is why today I'm speaking with Inclusivity Solutions on their insights into going digital. I'm speaking with Jeremy Leach, founder and CEO of Inclusivity Solutions based in South Africa, and Sam Ndori, General Manager of country operations at Inclusivity Solutions, based in Rwanda. Thank you both for joining us, Jeremy and Sam, and welcome to the podcast. Let's start out by talking about Inclusivity Solutions, just so that all of our listeners know a bit about what you do and where you are. So, Jeremy, can you tell us more?

Jeremy Leach: So Inclusivity Solutions is what's now called an inclusive insurtech that we're focused around designing, building and operating digital insurance businesses in emerging markets. Simply put, we are trying to extend access to insurance in emerging markets beyond the kind of current 2-5% of the adult population that have insurance at the moment. So, we're in South Africa, Kenya, Rwanda, Cote d'Ivoire, Zambia, and Uganda.

Lisa Morgan: Excellent. And can you tell us a little bit about what you do in each of these countries at a very high level?

Jeremy Leach: Right. So in each of these countries, we've got different distribution partners, but for example, in Kenya, we work with Equity Bank, which is Kenya's largest retail bank and Britam, a kind of well-known microinsurer, to basically offer insurance through Equity Bank's mobile virtual network operator. So basically launching a range of hospital cash products to their base initially, and looking to launch a few new products going forward.

In Rwanda, similar process, we're working with Airtel, a large mobile network operator based in Rwanda, where we again simply have a hospital cash product. And then in Cote d'Ivoire, we are working with Orange working on hospicash and a funeral policy, but excited to launch a range of new products in Zambia with Hollard, where we're basically looking at SME type of products with a range of different distribution partners. So again, we're trying to be very much focused on the end consumer, understand their needs and then create products based on their needs across those markets. And what we've seen in pretty much all markets, one of the core needs has been around simple health, which is why we've been biased towards these simple health products so far.

Lisa Morgan: Right. And with the products that you've worked on, would you be able to say what percentage of people pay their premiums or receive their claims through mobile money?

Sam Ndori: So actually it's a hundred percent. All of them, all of our, all of our customers do receive their claims via a mobile banking. So for instance, our partnership with Airtel, that's via their Airtel Money, for our partnership with Orange, it goes to Orange Money, our partnership with Equity, it goes through their mobile banking account.

Lisa Morgan: And Jeremy, you mentioned SME products. Can you tell us a bit more about this type of product, when you say SME product, can you give me an example of what type of insurance that would be.

Jeremy Leach: In Zambia, where we've spent quite a bit of time really researching and understanding the market, we're basically looking to offer basically smaller micro enterprise, a bundled cover that can cover a number of things, that can cover property assistance, cover so if their buildings or equipment gets burned down, then there basically can be a kind of cash payout or as well as basically a potential hospitalization cover and also funeral insurance. And again, why property assistance cover is so important, we just known from the work across a number of markets that if your shelter is burned down, not only as most kind of small businesses are run from home, we find that not only if your building has burnt down, you lose your shelter, you lose your equipment, you lose your inventory and you often lose your content.

So again, it's so important to be able to offer insurance to cover those kinds of types of properties, because it has such a huge impact on the clients, if the property is burned and with penetration of insurance so low, I think it's just under 3% in Zambia, we know our typical customers are not covered and will basically be devastated if there is a fire or a shock to their business.

Lisa Morgan: So your partnerships bring together MNOs, financial partners and insurers. I see that you have partnerships with the likes of Equitel in Kenya, Orange Money in Cote d'Ivoire Airtel Tigo in Ghana and insurers such as Hollard, Belife and Britam to name a few. So what do you think are the main challenges in setting up these partnerships and any ideas on how to overcome these?

Jeremy Leach: I think what we find is, three challenges that we are facing. One, is business development timelines. It takes a long time to go to secure the right distribution partner at the right time and get those decisions made that they want to embrace a partnership. You know, so that is, it's a real challenge. The second real challenge is around operational timelines. I mean, once a partner has said, yes, you've still got to operationalize it and go through your 13 plus committees to get approval. And that's also not easy. Or making a small, minor tweak does require significant time to basically go through those processes. And the third is around what we call frictionless payments or premium certainty, where again, you want to ensure that whichever partner you go with, you need to be able to collect premium easily and frictionlessly with no real pain to the customer.

Sam Ndori: The other challenge, of course, is change management. As you know, people naturally resist change. So even just getting people to now say, "okay, here's a new thing, this is a new way of doing it", it's a challenge. An example is that, once we partnered with one of the insurers, remember the first month, it was a challenge to get the claim assessors to do everything on a computer or digitally. We faced a lot of claims that were actually approved when they were not supposed to be approved because the claim assessors weren't used to, they weren't even opening the documents and reading them through and trying to see and doing the due diligence that they would do on a physical paper or going through their normal process. And they thought just ticking the box or just clicking approved that does the thing. So getting them to understand that this a new way of doing things and getting them to see how to do it, yeah, that was a challenge.

The other big challenge that we've seen also is around customer awareness and changing their already perception around insurance. Already most of our markets, customers don't trust insurance, they're used to those, the traditional insurance products. And they feel like at all times, insurance cheats them and therefore to them, getting the buy in and also to see the need for the insurance is not easy for them to understand some of the principles, that insurance is for that, just covering yourself for that risk that hasn't yet occurred. Yeah, I would say this, this has been the main challenges and how we overcome them, of course, it's something that we're still battling with every day and we're making some steps but it's something in progress.

Lisa Morgan: Great. Thank you. Just going back to the priority alignment, are there any tools that you use or what approach do you use to make sure that all the partners have the same end goal? How do you make sure that the different players in the partnerships see the intervention that you were bringing as important?

Sam Ndori: Yeah. Thanks Lisa. That's a good question. So we of course it's engagement. So we engage with all stakeholders as frequent as possible at the beginning of all the projects, even before the conceptualization, just to get them to involve so as much as possible, we try to involve all the stakeholders. And the other thing, of course, we do provide reports that get to show them against set KPIs or key results that we've agreed on. So we have objective key results. So that's one tool that we get to use. And from time to time, we conduct workshops just to review the product where we are, what we've achieved, and what challenges, how to change things, what we need to address. Yeah. So I would say it's more of engagement on, on a day to day and as often as possible, and getting all stakeholders there and celebrating some wins of course, to see the impact of course, also getting that feedback from the customers. That does help a lot, but importantly it's to show the impact on the business.

Lisa Morgan: So a few of our listeners are living in countries where they are very keen to accelerate the digitization of their inclusive insurance offerings. I'm sure that you can understand this given the current COVID-19 crisis, but it's not always easy to know where to begin. What advice would you give to such insurers?

Jeremy Leach: Yeah, that's a very good question. And again, a lot of companies are often very paper-based and that causes real issues. And well, there's a few things that have to be done. I mean, one is basically is really kind of be customer-centric. What does the customer need as a, as a priority? So again, I think that will link to what we do, which is basically really support an omni-channel onboarding model. So essentially clients want to engage with customers around kind of onboarding and renewals. You don't want to have to cumbersome processes or use paper in this time because clients are not very happy to see you if you'd come and knock on their doors at this time. So again, I'd probably start around the look at the omni-channel onboarding process. And what I mean is, say for example, on our side, we can basically support our partner sign up via USSD, basic kind of technology, or SMS, or use web based models on your kind of cell phone, or again, make sure that your call center models are done well so you can fulfill the call and collect premium over the phone.

So maybe the starting point is thinking from the customer perspective or certainly is on the onboarding side. You know, secondary, we spent a lot of our time and thinking through a process on the policy admin and claims side. So again, we support a full policy, digital policy, admin side. Clients will be able to change their cover, change beneficiary. They want to do that digitally, they don't want to sit on a call center for an hour, trying to get through all the different menus to basically change some basic details. I mean, that's the last thing you want to do. So again, think through how do you support the policy administration and claims administration. Again, you don't want clients to ring up and spend an hour on a call center trying to log a claim and then work out how to send reams of documentation through.

So what we've done again is support, you can initiate it fully digitally. You're told based on that, what you need to send through, and then you can send your documentation through WhatsApp or email, no claims forms, but you really want to simplify that process. So if you kind of think through, from a customer perspective, what are their main kind of pain points and how do you support that? Then obviously that's a pretty good way to go around that digitalization side. Again, what we are aiming to do, and certainly at Inclusivity, you actually have an end goal is to delight customers. And it's not something you'd typically would say around insurance as a grudge purchase, but you want to be able to delight them. And that means you need to have a seamless relationship and engagement, engaging with them. And we spend a lot of our treasure really understanding what do they need, how do they want to engage and what, how to ensure a really slick process.

Lisa Morgan: So given what's been happening with COVID, have you seen anything particularly different in the way your partners are operating?

Jeremy Leach: Good question. I mean, that's actually, you need to look at it a bit of a holistic way on that side. So from the impact of COVID, which to be honest is probably the biggest learning moment for insurance the world has ever seen. There's never been a time like this, maybe since the Spanish flu where health risks has been up at the forefront of people's minds and the need to think around how insurance can support them, whether it's around hospitalization or life. And one thing I'm really pleased to say is that across all our products, essentially across the 700,000 plus kind of clients, every single one of them will be covered for coronavirus, whether it's from hospitalization or death for a funeral. And that's really important, but in terms of the impacts on us and the industry, it's significant.

So our partners, Equity Bank and Orange and companies like that, are just not used to working digitally. So a huge challenge for them to overnight change to a digital model, which had an impact in terms of decision making, turnaround times, ability to execute, obviously kind of being impacted, beyond that is saying, impact on the end clients. So for a bank or we're dealing where, for example, one MFI we're working with in Zambia essentially retrenched 30% of their staff because of the impact of COVID. So again, if you look at the impact on people's lives, it's absolutely huge in terms of increasing kind of unemployment.

And you can see the real covariance risk coming through because all at one time, clients who typically have low savings in Africa are being hit, they're being made unemployed. Their income is being reduced because they're not able to work. They often have insufficient savings to be able to manage this risk. Secondly, the lenders are becoming pretty nervous and this time not surprisingly, and having to think about how to support existing clients, they'll be nervous about new loans. And then thirdly, remittances, which have typically been the stabilizer during these shocks, the sending countries are being hit significant at the same time. So we're seeing some positive stories in Rwanda about remittances going up, but basically a lot of the sender countries are being hit at the same time. So you can basically have this kind of, absolutely hammering of that low mass market, where they're typically informally employed. So I think that's it's really terrifying what's happening on that end customer, which again, is going to impact our distribution partners and our distribution partners and our insurers.

And even on the insurer side, we're seeing, suddenly a lot of the industry and insurance side haven't done well on the risk pricing, but they've made up their gains in terms of the investment revenue, but investment revenue has been hit. So again, you've seen a double hit on the insurer side.

But yes, I think the overall biggest learning moment insurance has ever seen, we expect that there will be a longterm value for insurers if they are customer-centric, if they're willing to recognize this is the moment to grow the market because of growing awareness and don't pull back. The sad thing is we are trying to negotiate or negotiate new re-insurance contracts. And three of the big global reinsurers had declined to support new hospitalization cover. So again, we're now seeing in re-insurance, rather than seeing this as an opportunity to, opportunity to help grow, the insurance market are being risk averse and pulling back, which will actually undermine trust in the market even more, which is a little bit concerning.

Lisa Morgan: So last question for our interview, given your experience with Inclusivity Solutions or beyond, is there any advice that you would like to give the inclusive insurance sector as we navigate our way through the current global health crisis?

Sam Ndori: So the advice I'd say is that this is the right time. I think insurance as an institution has been left behind for a long time in terms of digitizing, or the digital revolution, and I think this is our time. This is a time for, for insurance to actually change gears. And I think this is the right time. So I would say seize the moment. The other thing is that digitizing or, going digital is not the end. We should be prepared to do the hard work, and the hard work here, I mean doing the customer education, partnering with the right institutions and the right partners to actually create that awareness and to change the mindset of the customers, to more of assure that impact and let the customers change their perspective on insurance.

So that's the other thing we, the other thing I think that I will recommend is also as insurers or people in the insurance sector is we need to be open to challenge the status quo. And, and all the times that I want to emphasize is, you know, be customer-centric always and always put the customer first in everything and, right from the design, whatever solution you come up with, let it be something that is driven by the customer and not by the board. So that is what I would say would be my, my recommendations.

Lisa Morgan: Okay. What about you, Jeremy? What advice would you give the inclusive insurance sector for navigating the current crisis?

Jeremy Leach: Excellent question. And a few things. One, I think is resist the view that claims are losses. We've always said in the insurance sector, you don't see a claim as a claim. You couldn't see it as a loss. So again, you need to resist the view that claims are losses in the aim of building the market in the long run. So this is the biggest learning moment we've seen. This is the first opportunity at such scale that clients can really understand the value of insurance. If I just, from some analysis of Finscope Zambia, you saw that 88% of the market a few years ago, just didn't understand what insurance is. This is the time when clients are starting to appreciate the value for insurance. And if the industry retracts, you've lost a huge opportunity to kind of grow the market in the long run, I'd certainly embrace the digitalization model. And I think we'd love to support more of our partners in this kind of space and link them with the higher touch distribution channels as well. So again, that need for digitalization, but also say, "how do you use digitization to link with higher touch channels?" Because at the end of the day, there's no point having a high touch distribution channel and then having a dreadful experience on the backend because clients can't change policies, they can't pay easily, they can't claim easily. You do need to be able to have a very easy journey to, to delight customers and with that - and we're certainly we with some patience and, some clearly, you know, getting some nerve racking issues in COVID - we'll we'll get through this. And I think the industry can be far better on the other side.

Lisa Morgan: Great. Thank you very much for those optimistic and insightful thoughts, and I wish you all the best at Inclusivity Solutions.

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