

THE INSTITUTE OF FINANCE MANAGEMENT



FACULTY OF INSURANCE AND SOCIAL PROTECTION

DEPARTMENT OF INSURANCE

BACHELOR OF SCIENCE IN INSURANCE AND RISK MANAGEMENT (BIRM)

YEAR III

ACADEMIC YEAR: 2017/2018

PROJECT WORK

The objectives of the project work

1. To conduct an independent study and write a project report
2. Demonstrate and improve personal skills, particularly on areas of time and work management, report writing and general presentation.
3. Integrate the material learnt throughout the academic period, by applying it to an open ended problem.

Supervisor's responsibilities

What is the role of the supervisor?

It is your report and not your supervisor's. They are there to provide academic guidance, to provide you with feedback on your progress and help you to make necessary changes and correction as your work progresses.

How does the supervision process work?

From the supervisor's point of view, different supervisors may have different approaches or philosophy about how frequently and to what degree they should intervene. Our experience

suggests that the number of meetings between supervisor and the student varies from about 3 to 7. With e-mail and electronic interactions, appointments do not have to be face to face and some supervisors may give you detailed written comments and send these by email.

You can expect the following from your supervisor:

- Giving you a reasonable number of appointments at times suitable to both of you.
- Providing academic feedback on your work within a reasonable period of time. Such feedback can be in various forms depending on the supervisor's preference:
 - Verbal feedback and discussion during meetings or telephone
 - Annotated comments on draft chapters (either on hardcopy or on softcopy)
 - Summary written comments in the form of a note.
 - Relevant materials to be used by candidate and its sources
 - Structure of the report
 - Reading the complete draft of your report before submission.
 - Marking the final report.

PROJECT ASSIGNMENT

Case Study: Mobile-insurance in GHANA

The Provider

In 2010, Millicom – an international telecommunications and media company focusing on emerging markets in Latin America and Africa – partnered with the mobile insurance provider Bima to explore the idea of a mobile-based life insurance product that would serve the purpose of increasing customer loyalty and average revenue per user. Understanding the importance of launching in a market that was sufficiently large, Millicom targeted Ghana, a country in which Tigo (the company trade name of Millicom) was well established. At the time, Tigo was the second largest mobile network operator in the country.

The Product

In 2010, only 4.1 per cent of the Ghanaian population held any formal insurance policy. Yet Ghanaian culture strongly valued the ability to provide a proper funeral for family members. It is in this context that the Tigo Family Care Insurance life product was launched in December

2010. It provides free life insurance coverage to Tigo customers based on the amount of airtime they use during a given month. By consuming a monthly minimum of 5 GHS (US\$2.50) worth of airtime, a Tigo prepaid customer would receive 200 GHS (\$100) worth of coverage. Coverage has a maximum limit of 1000 GHS (\$500), a level that would require monthly airtime usage of 40 GHS (\$20). Clients are notified via SMS on a monthly basis about how much insurance cover they have earned for the coming month.

Following successful take-up of the free product over the course of the first year, Tigo began offering clients the option to double their monthly coverage by paying an additional 1.3 GHS (\$0.65) per month. Tigo deducts this premium from a client's airtime balance over the course of a month, removing 5 Ghanaian Pesewas (\$0.025) per day. As with the free product, once clients register for the "freemium" product, they remain automatically enrolled for subsequent months, until they opt out. All Family Care Insurance policies allow policyholders to cover both themselves and one other individual, without any waiting period.

The Distribution Channels

The Family Care Insurance product reaches clients through four distinct distribution channels. From the outset, Tigo and Bima have employed a group of 65-75 roaming agents whose sole task is to register and educate clients on the product. These specialists have face-to-face interaction with clients throughout the country, though primarily in urban areas. According to Bima, they have played a key role in driving customer understanding and, ultimately, scale. Agents are remunerated through a combination of fixed salary and commission, a model that provides security of income while still encouraging hard work. As Eliza Kucukaslan, Ghana County Manager for Bima, notes, "It is also very important that agents receive proper training and that training sessions are arranged continuously, where learnings can be shared between agents. If the agents are properly trained, the face-to face method becomes successful since the agent can explain the product and the benefit to the customer in a way that the customer feels comfortable with."

In addition to the network of insurance specific agents, all Tigo customer care centres are trained to distribute the product and process customer claims. These physical locations, of which there are more than 30 around the country, formerly housed one trained insurance specialist. The system has since shifted so that all front-office staff members are familiar with the product.

As well as the agents and customer service centres, Tigo and Bima also use an outbound call centre that targets previously registered, free product clients for enrolment in the paid product. This distribution strategy has allowed the product to quickly reach large volumes of paid clients, achieving a nearly 90 per cent conversion rate with customers who can be reached by telephone, according to Tigo. Finally, starting in 2012, the product has allowed self-registration for customers via USSD. Although keen to tap into technology to reduce costs, the project partners note that this method of distribution remains underused, as clients are unfamiliar with the concept.

To complement its network of channels for product distribution, Tigo-Bima has had to mount a large marketing and consumer education campaign. Targeting via call centres has proved effective in converting clients from the free to the paid model, but SMS messages have been the primary point of contact for reaching clients eligible for accessing the free model. Throughout a given month, as clients use airtime, they receive SMS notifications to inform them of the option of receiving insurance coverage. Although they are more expensive, television and radio advertisements have also been used at various points during the product's history. However, the most effective form of marketing and consumer education remains face-to-face interaction between agents and clients, according to project staff at both Bima and Tigo. By attending community events and going on product "road shows", the 65-75 insurance specific agents have built consumer awareness of the product.

The Processes

In order to enroll, a client must complete a one-time registration at a Tigo customer service centre, through trained insurance sales agents at a call centre or via USSD. Clients provide data on both themselves as the primary policy-holder and on one other covered person (beneficiary). Clients then automatically receive cover for any subsequent months when they again consume the amount of airtime required for free coverage.

Following the death of either insured party, the policy beneficiary contacts a call centre, which explains the necessary documentation that must be submitted at the nearest Tigo customer service centre. Once documentation has been processed at these locations, claims are paid out within 72 hours via Tigo Cash. Having formerly paid out via cheque, the product made the switch to the Tigo mobile money platform, in order to reduce costs, shorten payout times and

increase usage of Tigo Cash. Clients can collect their payouts at any Tigo Cash agent location, a process which management claims has resulted in the absence of any complaints from clients.

The Results

As shown in the table below, 100,000 customers registered for the Family Care Insurance Product within six months of its launch. Using targeted marketing for those clients who registered for the free insurance, the Family Care product was able to convert 250,000 policies in the first year to the paid product, with these numbers rising to 400,000 paid policies in June 2013. By that time, the product covered more than 1,000,000 lives in total. Tigo cites the relatively inexpensive price of 1.3 GHS for doubling of coverage as a key factor in reaching such a large number of consumers with the hybrid free-paid model.

Table 1; Customers registered for the Family Care Insurance Product within six months.

	Paid (freemium)	Free only	Total
June 2011	-	100,000	100,000
June 2012	100,000	300,000	400,000
June 2013	400,000	150,000	550,000

Source: Bima, 2013

With claims ratios exceeding 40 per cent, the product appears to be viable to the company while also providing value to the clients it serves. Tigo notes that the product's shift to a freemium model is increasingly helping to cover the cost of the premiums to the insurer. It claims to have seen tangible benefits from the product, as insurance users remain more loyal to the company compared to non-insurance customers, although its total customer base has decreased, mainly due to increased competition from other mobile companies.

The mobile insurance provider, Bima, was set up as an independent Swedish company in 2010, the same year as the Tigo Family Care Insurance product was launched in Ghana. Tigo partnered with Bima because of its ability to build the technology that would link low-income clients, the mobile network and the insurance product. Bima became the primary entity, not only for providing the technology platform, but also for managing the project partnerships and playing an ever-increasing role in product administration.

Seeking to complement the capacities of the two partners, Bima also brought on board MicroEnsure, a for-profit, specialized microinsurance intermediary with expertise in Africa and

Asia, and Vanguard Life Assurance Company, to assist with pricing and ultimately to bear the risk of the product as the underwriter.

Tigo, with its 3.7 million mobile subscribers, provides the customer base for the product, as the Family Care Insurance initiative is tied to airtime usage. In addition to this, Tigo contributes:

- Monthly data on clients' mobile usage (to determine insurance eligibility);
- Customer service centres, as a point-of-service for the product nationwide;
- Mobile wallet platform and Tigo Cash agent locations for benefit payouts;
- A strong brand, to build trust with clients.

Bima, which began with the project in Ghana and has since expanded to a number of other markets around the world, provides:

- Technology that connects the mobile customers to the back-end insurance system;
- SMS notifications of client eligibility;
- A distribution network (management and training of insurance agents);
- Policy administration (inscription, policy management, customer inquiries, claims payment);
- Management of the partnerships between itself, Tigo, and the insurer;
- A customer call centre.

When the initiative first began, MicroEnsure contributed its specialized knowledge of microinsurance to ensure effective customer service, overseeing agent training, claims processing and the management of the customer call centre. Over time, however, Bima expanded its capacity and now handles the tasks initially performed by MicroEnsure, which is no longer an active partner as of August 1, 2013.

Tigo and Bima remain committed to their mobile life insurance product and have expanded with a mobile hospitalization insurance product, launched in July 2013. Express Life recently joined the initiative, replacing Vanguard Life Assurance as the product underwriter in July 2013. Express Life shares a major investor with Bima.

The evolution of partnerships for this project illustrate that when dealing with microinsurance products, especially those with small margins, such as the Family Care product, it is challenging to maintain a large network of partners, who all receive a share of the profits. Nevertheless, at the

time that the product was launched, the unique value chain contributions of each partner definitely played a role in creating an efficient and effective product that was able to grow in a relatively short time to reach scale. Different partners may have different roles to play in achieving scale over time.

Adapted from: Tappendorf, T.; Fonseca, C.; Muller, Z.; Gray, J.; Zafar, S.; Thom, M.; Solana, J. 2014. Scale: Thinking big – case studies, Microinsurance Paper No 30 (Geneva, ILO), pp. 31-36.

QUESTION:

- A.** After a thorough reading of the case study, select two insurance product in Tanzania insurance market then discuss the similarities and differences in comparison with the product in the case study basing on the following features:
- Product type
 - The roles different partners may have in achieving scale over time
 - The most effective marketing strategy
 - Analyze the major challenge and prospect for selling microinsurance products in Tanzania
 - Price as one of the factors determining demand [without neglecting other factors]
 - Claims handling [procedures, systems, documentation and payout time]
- B.** Suggest the means for improvement as the lesson learnt from the case study. [Conclusion part of the project report]

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YEAR III

ACADEMIC YEAR: 2017/2018

A PROJECT REPORT ON XXXXXXXXXXXXXXXXXXXX

NAME: XXXXXXXX
REG. NO: XXXXXXXX
SUPERVISOR: XXXXXXXX
SUBMISSION DATE: XXXXXXXX

TITLE (COVER) PAGE – (See format above)

PROJECT REPORT

Note:

- Begin each preliminary and content part on a separate page
- Headings must appear at the top of the page, positioned at the center, in capital letters and in bold text.

PRELIMINARY PAGES

Presentation of the preliminary pages takes the following sequence which involves some/more or all of the following parts;

- *Dedication*
- *Acknowledgement*
- *List of acronyms*
- *Table of contents*
- *List of Table, figures, if any.*
- *Executive Summary*

CHAPTER ONE (1.5 to 2 pages)

1.0 INTRODUCTION

- 1.1 Provide the context of microinsurance. i.e. Describe what is low income earner Insurance.
- 1.2 Briefly provide a clear expression of the purpose of which your paper is expected to assert, explain, support or defend.
- 1.3 Provide the statement of the problems for your paper that provides the basis for the study
- 1.4 Set the objective and reason of report.
- 1.5 Finally, provide a short outline of the benefit, challenges and how you are going to handle the aspects of your project in the rest of your paper.
- 1.6 Summarize on how your paper is structured

CHAPTER TWO (3 to 4 pages)

2.0 LITERATURE REVIEW

In line with a case study provided, conduct a literature review on the following aspects, but not limited to;

- The concept of microinsurance
- Microinsurance uptake
- Products and distribution strategies and mechanism
- Microinsurance Legal and regulatory framework
- Customer need segmentation
- etc

CHAPTER THREE (3 to 4 pages)

3.0 OVERVIEW OF THE TANZANIA INSURANCE MARKET

This chapter has to cover the Tanzania insurance and microinsurance market, the student will have to cover in details the following aspect, but not limited to;

- Development of Tanzania insurance market
- Development of microinsurance market in Tanzania
- The current status of microinsurance market in Tanzania
- Describe the available insurance products for low income people
- Describe available insurance distribution strategies and mechanism for low income earners
- Etc,.

CHAPTER FOUR (4 pages)

4.0 PRESENTATION AND DISCUSSION OF FINDINGS

Present and discuss the results you obtained in line with the case study provided,

Select two insurance products in Tanzania insurance market then discuss the similarities and differences in comparison with the product in the case study basing on the following features:

- Product type
- The roles different partners may have in achieving scale over time
- The most effective marketing strategy
- Price as one of the factors determining demand [without neglecting other factors]
- Claims handling [procedures, systems, documentation and payout time]
- Analyze the major challenge and prospect for selling microinsurance products in Tanzania

Make sure that you present and discuss your results is logically and follow the order of the objectives.

Note: These suggested areas for discussion are from the main question given in the first page of this document.

CHAPTER FIVE (1 to 2 page(s))

5.0 CONCLUSION AND RECOMMENDATION

5.1 Conclusion

- Provide an effective conclusion which gives the answer to the main questions/objectives of the project
- Your conclusion should provide a summary of what argued in before in the texts, answer the main questions and incorporate your personal view.

5.2 Recommendations

In line with what you observed in your analysis, give your advice and suggest the means for improvement as the lesson learnt from the case study to the respective authority addressing the needs of your project and the challenges, if any.

5.0 REFERENCE/ BIBLIOGRAPHY

- Use either reference or bibliography as your heading for this section. In both cases, make sure that you discuss with your supervisor and agree on which term to use.

- Adhere to the alphabetical order i.e. different entries should be arranged in alphabetical order by the surname of the first author. Each entry starts with a hanging indent and 1.5 lines spacing between.
- No numbering for your list
- You list the sources that you have used in your work. Don't list sources just for the sake of adding materials to this section

APPENDICES, if any,

- Attach all supporting files/materials you used in your project, if any.

Formatting

- Font; Times New Roman, size 12.0
- Line spacing 1.5
- Alignment; Justified

NOTE;

- Please follow the structure of the project as indicated above.
- Your report should have 3000 words and plus
- You are advised to plan your work carefully and back-up your work using different storage devices in order to avoid problems as a result of computer crash, virus attack or any other reason. Computing and printing problems will NOT be accepted as reasons for non or late submission

Finally, **PLAGIARISM** is not accepted, once noticed will lead to abscond and fail status.

SUBMISSION OF THIS PROJECT IS IN DECEMBER 2017 (specific date will communicated)