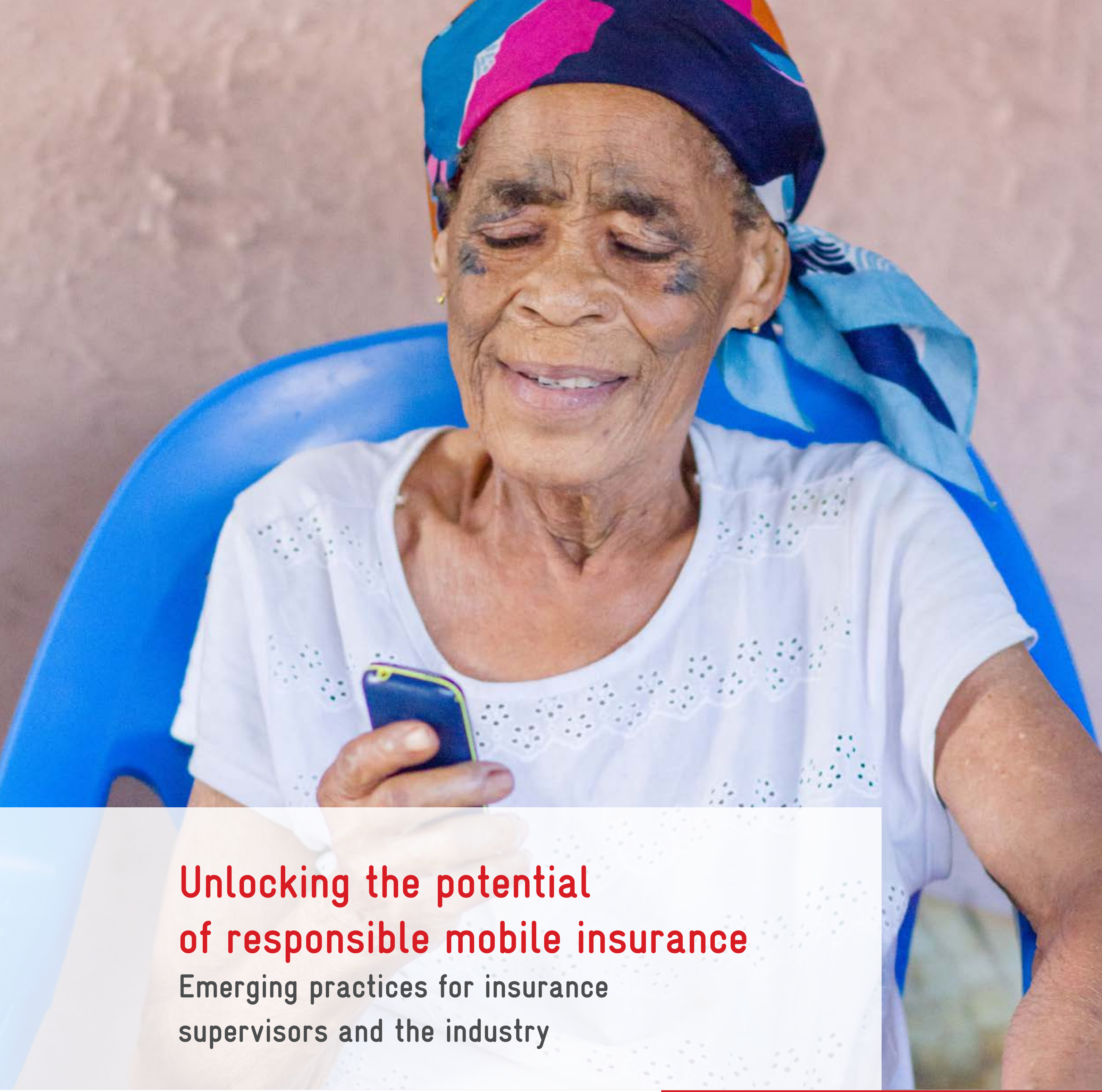

# Unlocking the potential of responsible mobile insurance

## Emerging practices for insurance supervisors and the industry

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On behalf of

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# ACRONYMS

| | |
|---|---|
| **A2ii** | Access to Insurance Initiative |
| **ACAPS** | Supervisory Authority of Insurance and Social Welfare of Morocco |
| **AAFP** | American Academy of Family Physicians |
| **AFM** | Dutch Authority for the Financial Markets |
| **AI** | artificial intelligence |
| **AML/CFT** | anti-money laundering and combating the financing of terrorism |
| **ARPU** | average return per user |
| **BDA** | big data analytics |
| **CBE** | Central Bank of Egypt |
| **CDD** | customer due diligence |
| **CIMA** | Conférence Interafricaine du Marchés d'Assurance |
| **CNP** | Conselho National de Seguros Privados |
| **COB** | conduct of business |
| **DFS** | digital financial services |
| **eKYC** | electronic know your customer |
| **e-signature** | electronic signature |
| **FCA** | Financial Conduct Authority |
| **FRA** | Financial Regulatory Authority (non-banking, Egypt) |
| **FSB** | Financial Stability Board |
| **FSCA** | Financial Sector Conduct Authority |
| **GIZ** | Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH |
| **GSMA** | Global System for Mobile Communications |
| **IA** | Insurance Authority Hong Kong |
| **IAIS** | International Association of Insurance Supervisors |
| **ICP** | Insurance Core Principle |
| **ID** | Identification |
| **IGCC** | Integrated Grievance Call Centre |
| **IGMS** | Integrated Grievance Management System |
| **IPEC** | Insurance and Pensions Commission |
| **IRA** | Insurance Regulatory Authority |
| **IRDAI** | Insurance Regulatory and Development Authority of India |
| **IT** | information technology |
| **IVR** | interactive voice response |
| **KYC** | know your customer |
| **MFI** | microfinance institution |
| **MIC** | Micro Insurance Company (earlier MicroEnsure) |
| **M-insurance** | mobile insurance |
| **MMP** | mobile money provider |
| **MMRI** | Mobile Money Regulatory Index |
| **MNO** | mobile network operator |
| **MOCI** | Ministry of Communication and Informatics |
| **MoU** | memorandum of understanding |
| **NIC** | National Insurance Commission |
| **NPC** | National Payments Council |
| **NTRA** | National Telecommunications Regulatory Authority |
| **ODR** | online dispute resolution |
| **OECD** | Organisation for Economic Co-operation and Development |
| **OJK** | Otoritas Jasa Keuangan (Financial Services Authority of Indonesia) |
| **P2B** | platform-to-business |
| **PIN** | personal identification number |
| **RBM** | Reserve Bank of Malawi |
| **RIA** | regulatory impact assessment |
| **SDD** | simplified due diligence |
| **SECP** | Securities and Exchange Commission of Pakistan |
| **SLA** | service-level agreement |
| **SMS** | Short Message Service |
| **SSA** | sub-Saharan Africa |
| **SUSEP** | Superintendencia de Seguros Privados |
| **TSP** | technical services provider |
| **USD** | United States dollar |
| **USSD** | unstructured supplementary service data |
| **VAS** | value-added service |

# Executive Summary

**In the last decade, mobile services and mobile phone penetration have been instrumental in unlocking access to insurance for unserved and underserved segments of the population around the globe.** Mobile phones and services have supported product development and the delivery and distribution of insurance products in innovative business partnerships, with rapid levels of uptake by large numbers of emerging consumers being reached. This has been the result of the adoption of innovative approaches by traditional and less traditional stakeholders[1] that have helped to overcome several of the supply-and-demand obstacles that are common to inclusive insurance. In this regard, 2020 was a landmark year, with social distancing imposed to tackle the COVID-19 pandemic accelerating digitalisation across the insurance life cycle[2] and demonstrating to providers, consumers, supervisors and other stakeholders the crucial role that "mobile insurance"(m-insurance)[3] could play in reducing the insurance protection gap.

**However, this push towards digitalisation showed that the enhanced used of technology across the insurance life cycle also comes with challenges.** For providers, challenges include developing sufficiently robust technology capacities to carry out their activities in a responsible manner; building partnerships with newcomers; engaging with new-to-insurance consumers; and competing in a rapidly evolving market environment. For consumers, it meant that having a mobile phone and mobile connectivity became vital for accessing insurance and very importantly for using insurance products appropriately; the push towards digitalisation also entailed a change in consumer behaviour, namely an increase in digital literacy, embracing remote means of payment or receiving payments, and entering into contracts remotely despite a common cultural preference for paper-based processes and physical documents as well as face-to-face contact support. For insurance supervisors[4] and other authorities, increasing digitalisation meant that they had to be prepared, more than ever, to strike the right balance between promoting the development of "responsible"[5] m-insurance as a way of unlocking access to insurance and addressing the manifold supervisory risks associated with m-insurance that keep emerging. Supervisory risks keep emerging in the context of m-insurance mainly because of (i) the rapid uptake of m-insurance by consumers who are particularly vulnerable; (ii) the high dependence on technology throughout the entire insurance life cycle, and that technology evolving at a rapid pace; and (iii) the wide range of stakeholders, supervised by different authorities or not supervised, carrying out a myriad of activities through innovative arrangements and models.

**To succeed in this balancing act, it is crucial that supervisors implement the "proportionality" principle, taking good practices and appropriate guidance into consideration.** Insurance supervisors are instrumental in promoting the "responsible" development of m-insurance; thus, sharing good practices to support supervisors to implement the proportionality principle is paramount. For more than a decade, supervisors from countries such as Ghana, Kenya, Brazil, Pakistan, India, Indonesia, the Philippines, the CIMA (Conférence Interafricaine du Marchés d'Assurance) region, Morocco and Egypt have been adopting different approaches to implementing the proportionality principle in m-insurance. In addition, the International Association of Insurance Supervisors (IAIS) has provided several guidance papers to help supervisors do so.

This White Paper brings major guidelines and emerging practices together, to provide supervisors with a comprehensive resource that aims to help them navigate processes for implementing the proportionality principle in m-insurance.

1 Stakeholders include insurers, technical services providers (TSPs), mobile network operators (MNOs), mobile money providers (MMPs), InsurTechs and data platforms.

2 The insurance life cycle is referred to in this document as the process that includes all the steps of the insurance consumer journey plus those steps that relate to product design. The consumer journey refers to customer onboarding, which includes first contact, information and advice, informed consent, know-your-customer processes and proof of coverage; premium payment; post-sale engagement steps, which include customer servicing, claims management and settlement, and complaints resolutions and dispute settlement; and termination and renewal.

3 This White Paper adopted the definition of the IAIS of mobile insurance. The IAIS defines mobile insurance as "any insurance that is sold or subscribed through a mobile phone and/or in partnership with a MNO". (IAIS, 2018.b)

4 The term "supervisors" in this White Paper includes both regulators and supervisors.

5 The term "responsible m-insurance" is used in this paper to refer to m-insurance provided in a way that consumers are delivered with products with value and effectively protected during the entire consumer journey.

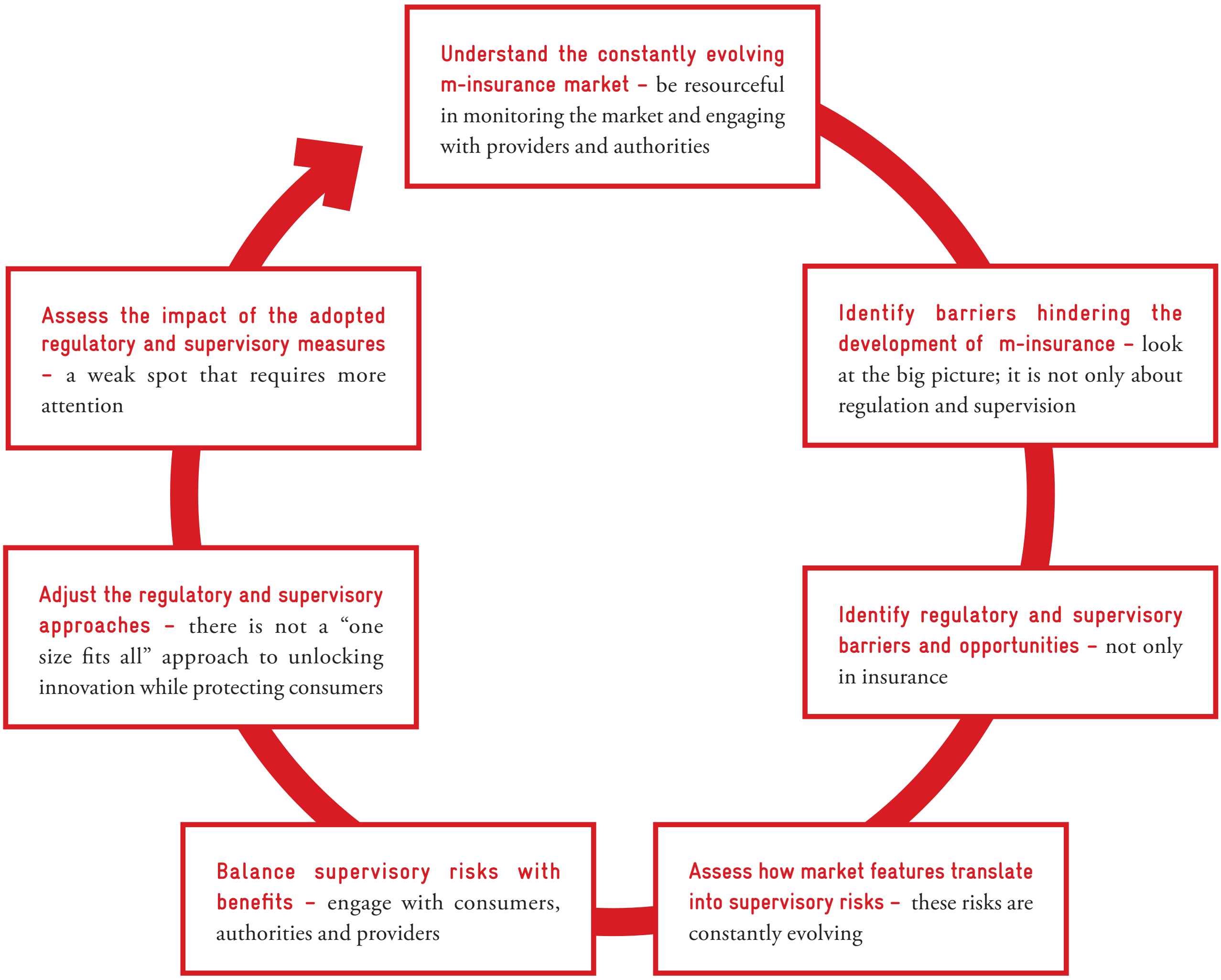


Figure 1. Crucial elements to consider when implementing the proportionality principle in m-insurance

The White Paper provides the following key messages to inspire supervisors:

- **To encourage the development of "responsible" m-insurance, the adoption of an iterative process will help to identify crucial challenges and solutions in a holistic way.** Inspired by lessons learned around the globe and the guidance provided by the IAIS, this White Paper concludes that supervisors may want to consider seven crucial elements when implementing the proportionality principle in the context of m-insurance (see Figure 1).
- **Regulatory and supervisory approaches that promote responsible m-insurance are characterised by addressing three dimensions, as identified by global supervisors:**
  a. **Unlock opportunities for the participation of responsible stakeholders through innovative business models.** Supervisors have adopted steps to ensure that regulatory and supervisory frameworks enable the formalisation of innovative providers, which are key for the provision of m-insurance through innovative business models, while addressing emerging supervisory risks.
  b. **Unlock opportunities for the responsible digitalisation of the entire customer journey.** Supervisors have adopted steps to ensure that the regulatory and supervisory frameworks (related to insurance and other legal areas) unlock the use of responsible digitalisation across the insurance life cycle.
  c. **Adopt supervisory approaches that encourage innovation, efficiency and proactivity.** Supervisors have adopted approaches to (i) ensure efficiency and collaboration among the authorities involved; (ii) promote innovative approaches; and (iii) ensure that supervisors have access to adequate tools, considering their resources and capacities, to monitor the market, identify supervisory risks and assess the impact of the measures adopted in a continuous way.
- **Supervisors around the globe, inspired by IAIS guidance and the experience of their peers, have adopted innovative approaches in relation to these three dimensions.** In the same way that providers have innovated in the design, distribution and delivery of m-insurance, supervisors around the globe have adopted out-of-the-box approaches in relation to these three

dimensions, recognising that all three are equally important and that they are interdependent. This White Paper presents some examples to inspire supervisors in addressing each of the dimensions.

In the context of **Dimension 1 (responsible providers and business models)**, supervisors have adopted various approaches as follows:

- To promote the proportional formalisation of new risk carriers and intermediaries, supervisors, for instance:
  - have allowed the recognition of digital insurers, as is currently being explored in **Pakistan**;
  - have allowed specific risk carriers to offer microinsurance products, namely in **Cambodia, Brazil, Nigeria, Kenya, the CIMA region and Pakistan**, among other countries;
  - have allowed microinsurance brokers and agents to operate in **Brazil** and the **Philippines** as a way of unlocking regulatory spaces for technical services providers (TSPs), mobile network operators (MNOs) and other stakeholders;
  - are currently exploring the possibility of allowing online brokers in **Egypt** and mobile money providers (MMPs) in **Morocco** to commercialise insurance products;
  - have recognised that the licencing requirements of TSPs as key stakeholders in the business model need to be adjusted given that m-insurance with MNO involvement is in constant evolution, such as in **Ghana**.
- To ensure that insurers take prudent steps to select their partners, and enter into sustainable and suitable partnership arrangements and ensure that they are accountable, approaches have included requiring the establishment of service-level agreements (SLAs) and contingency arrangements (in **Ghana**); and requiring insurers to carry out due diligence of partners (in **Indonesia**).

In the context of **Dimension 2 (responsible digitalisation along the entire customer journey)**, examples of approaches adopted by supervisors include the following:

- To make sure that insurers are diligent in gaining sufficient awareness and understanding of operational risks and adopting measures to address them, supervisors have, for instance, required that insurers carry out risk assessments, as is the case in **Pakistan**; adopt operational contingency plans, as is the case in **Ghana**; and implement policies and procedures on risk management for each of their distribution channels, as is the case in **Indonesia**.
- To protect consumers from cyber risks in **Russia**, the Bank of Russia proposed that websites through which legal insurers sell compulsory motor insurance be 'marked as legitimate websites by the Yandex search engine to prevent internet scammers from creating clones of insurers' websites.
- To ensure that consumers are not victims of intrusive and aggressive marketing strategies that could push them into purchasing products that they do not necessarily need or want, regulations that prevent unwanted direct remote marketing have been established, for instance in **India**. In the **United Kingdom**, approaches have been adopted that aim to ban opt-out selling and there's been a call for improvements to be made to the information provided to add-on buyers.
- Approaches have been adopted to ensure that details of products are disclosed remotely in a timely, suitable, transparent and simple manner to consumers, so that they are able to understand the terms and conditions of the products and therefore provide their informed consent. For instance, in **the Philippines** supervisors require that insurers, in the context of remote selling, submit application documents in a clear and readable manner and carry out post-sale quality assessments. In **Brazil** and **India**, time is provided for reflection, so that consumers have time to get acquainted with the details of the products, for instance through the recognition of cooling-off periods in remote selling.
- In **Ghana**, for instance, a wide range of alternatives is available for consumers to pay premiums, including airtime, data credit and mobile money.
- To enable and promote the use of digital means to process claims and manage complaints, in **Indonesia** insurers must provide a service centre that operates 24/7 to handle complaints and answer questions. In **Pakistan**, the draft regulatory framework for digital-only insurers and microinsurers provides that these insurers have to provide round-the-clock customer support.

In the context of **Dimension 3 (appropriate supervision that encourages efficiency, innovation and proactivity)**, various approaches have been adopted by supervisors, as follows:

- Supervisors have promoted innovation by:
  - adopting a "test-and-learn" approach to accommodate pilots and innovative approaches that do not fit within existing licensing structures, such as the BimaHub and BimaBox in **Kenya** and the regulatory sandboxes in **India** and **Hong Kong**;
  - engaging more closely with providers, for instance by designating a single contact point as a "one-stop shop" for all communication with the insurance supervisor, as was the approach taken by the National Insurance Commission (NIC) in **Ghana**;
  - creating open communication channels with other authorities involved in innovation, such as in the case of **Egypt** where the Financial Regulatory Authority (FRA) and the Central Bank of Egypt (CBE) cooperate within the framework of a FinTech sandbox; FRA is also considering using this framework for InsurTech;
  - establishing fast-track processes to accelerate approval processes, as is the case in **Hong Kong**, where the

insurance authority IA launched "Fast Track" for firms looking to enter the insurance market using solely digital distribution channels.

- Supervisors have promoted efficiency by:
  - encouraging close collaboration between authorities actively involved in m-insurance, such as insurance supervisors and the telecommunications supervisor, as is the case in **Ghana**, where the NIC, the Bank of Ghana and the National Telecommunication Regulation Authority (NCA) signed a memorandum of understanding (MoU) to help manage their relationship.
  - taking advantage of existing dialogue platforms and committees involving relevant authorities that intervene in m-insurance, for instance through working groups on topics such as digitalisation, financial inclusion and agricultural insurance, as is the case in **Morocco** in the context of the working groups created in the context of the Financial Inclusion Strategy adopted in 2019.
- Supervisors have promoted proactivity by building suitable approaches and capacities to monitor an evolving market, for instance by:
  - Measuring the performance of products using key performance indicators (KPIs): this is the case in **Ghana**, where market data are recognised as vital for effective supervision and KPIs are monitored through half-yearly submissions, and in **Morocco**, where the Supervisory Authority of Insurance and Social Welfare (ACAPS) is creating an annual barometer to measure inclusive insurance penetration.
  - Mobilising internal technical resources, knowledge and skills to create multidisciplinary committees: the aim of such committees is to follow up on and deal with emerging issues, as in the case of the Digital Insurance Committee of FRA in **Egypt**.
  - Carrying out country diagnostics and specific assessments on m-insurance: this is the case in **Morocco**, where a diagnostic tool helped the supervisor to assess the current stage of development of inclusive insurance and identify areas of focus to promote the development of inclusive insurance including m-insurance. In addition, ACAPS, jointly with the International Finance Corporation (IFC), has started a project on digitalisation in insurance that has an important component on regulation. In **Ghana**, in 2015, a specific risk assessment was conducted prior to adopting rules on m-insurance in 2017. This risk assessment served as an information basis and baseline for a later assessment of regulatory risk and market development.
  - Using innovative technology to make supervisory processes more efficient and proactive: this is the case in **India**, where the Insurance Regulatory and Development Authority of India (IRDAI) has automated supervisory processes such as licensing, product approvals and other reviews.

- **Emerging areas will require further discussion and guidance.** There is no way to foresee the future of m-insurance but, based on the consultations and research carried out in the context of this White Paper, it is clear that emerging areas will require closer analysis from supervisors in the mid and long terms.

  In relation to **Dimension 1**, the following could be considered:

  - emerging supervisory risks related to market concentration that may arise when digital platforms or TSPs create their own insurers, or when they acquire incumbents;
  - approaches bringing limitations to insurers, to restrict the provision of remote insurance services across borders;
  - exploring the role that cell captives could play in m-insurance.

  In relation to **Dimension 2**, the following could be considered:

  - regulatory approaches that could be used to unlock the use of telemedicine and telehealth services, to reduce the health insurance protection gap;
  - the need to map and address the exclusion risk due to the digitalisation gap of certain segments of the population and in certain regions where internet connectivity is poor;
  - the enhanced use of technology in product design, for instance through the use of big data analytics (BDA);
  - the need for innovative approaches to manage cyber risk and data protection, taking into consideration the fact that emerging consumers are generally not aware of potential pitfalls or of their data protection rights and how to protect their data and that they are sometimes more vulnerable to cyber risk;
  - the evolving landscape of payment systems, notably regarding cryptocurrencies and digital tokens;
  - the importance of ensuring that proof of the coverage provided remotely is always accessible despite any connectivity or mobile ownership issues;
  - explore proportional approaches to unlock the responsible use of comparison websites and robo-advice;
  - the pitfalls and potential benefits of paying for premiums with airtime and data credit;
  - the need to unlock opportunities for digitalisation in areas such as complaints management and dispute resolution, to ensure that a hassle-free experience is available not only during onboarding and payment processes.

  In relation to **Dimension 3**, the following could be considered:

  - the need to adopt innovative approaches to ensure enhanced direct but also automated collaboration, as more and more supervisors or other authorities become directly or indirectly involved and are expected to coordinate and jointly adopt legal provisions or establish supervisory approaches;
  - the need to adopt suitable KPIs, informed by lessons learned on inclusive insurance, specifically for m-insurance;

- the need to improve supervisory capacity when traditional approaches under one authority no longer adequately respond to the emerging market challenges;
- how to cope with tech companies and commercial investors that are generally from the non-insurance market and may have diverse interests, other than providing insurance;
- the need to have in place proper internal technical resources, knowledge and skills to enable supervisors to keep track of the rapid pace of the integration of technology within the insurance life cycle as InsurTech becomes the new normal, relying on, for instance, robots and artificial intelligence; it must also be kept in mind, however, that, generally, supervisors have a lack of or limited resources to make these types of investment;
- integrating regular regulatory impact assessments as common practice, to make sure that regulations are achieving the intended objectives;
- the need for cross-border collaboration to ensure appropriate supervision;
- the adoption of supervisory approaches that thoroughly assess client value; this means adopting monitoring steps to check that products provide the expected benefits to consumers, that consumers are able to understand and use these products, that consumers receive benefits in a timely and hassle-free manner, and that any complaints and disputes are addressed appropriately with a focus on the e-environment and the lack of physical contact and documents; and will require the integration of innovative supervisory tools, such as consumer surveys and mystery shopping approaches, that are appropriate for capturing demand aspects, take-up and client value.

**The key to unlocking the potential of m-insurance is ensuring that supervisors are prepared to address constantly emerging risks.** New players will keep participating, and innovations and risks will keep emerging. The market as it is today is not the market of yesterday or tomorrow. Therefore, there is no way of foreseeing what the future will bring in terms of digital process and providers. However, an important lesson of this White Paper is that what really makes a difference is supervisors adopting proactive, creative, collaborative, strategic and innovative approaches. By doing so, they can ensure that m-insurance effectively unlocks access to insurance while protecting consumers and ensuring that markets are stable.

# Rationale behind mobile insurance and about the White Paper

**Mobile services and mobile phone penetration represent an important opportunity for the digitalisation of financial services, including insurance.** By February 2021, 5.2 billion people were subscribed to mobile services and this number is increasing every day. In emerging economies, most of the population use feature phones; however, smartphone ownership is growing and, depending on the region, phones are used for access to the internet and social media.[6] Worldwide, mobile phones, mobile services and appropriate connectivity are seen as essential items and services. The COVID-19 pandemic has reinforced this perception because mobile connectivity and payment structures have proven essential for supporting governments, businesses and society through the pandemic, and for reaching out to households and firms. In this context, it is easy to understand why mobile phones and mobile connectivity are key to enabling access to a wide range of services, including financial services, for segments of the population that are extremely difficult to reach. Indeed, for financial services in particular, the opportunity is huge, as two thirds of the 1.7 billion unbanked adults, that is, adults who do not use financial services, in the world have a mobile phone.[7] Therefore, in markets and regions where banking structures are less developed, digital financial services (DFS) including electronically supported payments[8] have unlocked opportunities to overcome traditional constraints on financial inclusion.[9] This clearly has important implications for the potential of mobile services in promoting inclusive insurance.

**Mobile insurance (m-insurance) is seen as an opportunity to reduce the insurance protection gap for segments of the population that are currently unserved or underserved by traditional insurance products and traditional business models.** Despite the efforts made in the last two decades to increase access to insurance,[10] the insurance protection gap in most emerging market countries is still wide. According to a 2021 Swiss Re report, the global insurance protection gap for health, mortality and natural catastrophe risks reached a new high of USD 1.4 trillion in 2020.[11] In this context, the high levels of mobile phone penetration and connectivity represent an opportunity to reduce the insurance protection gap and explain why "mobile phone-based insurance" (m-insurance) has made headway in the last decade as an important market enabler for inclusive insurance. Indeed, the use of mobile phones and other digital devices has catalysed innovations in the design[12], distribution[13], and delivery[14] of insurance products for new consumer groups through new business models and products.

**The definition of m-insurance has evolved and is no longer dependent on a single business model.** The definition of m-insurance has evolved during the last decade and this has been dependent on the business model that predominated during that time. Initially, the definition was linked to this predominant business model, namely the model supported by partnerships between mobile network operators (MNOs), insurers and technical services providers (TSPs).[15] This is the "first-generation" m-insurance model. However, new business models have emerged in which new entrants are participating, such as mobile money providers (MMPs), and FinTechs and InsurTechs.[16] These are the "second-generation" m-insurance models, where MNOs are merely providing a platform and many other stakeholders are involved. Indeed, nowadays the distribution and delivery of insurance through mobile phones is not dependent on a partnership with an MNO, but rather on the tenancy of a mobile phone, which is the entry point to provide a wide range of services through digital platforms and other providers. Considering this, the International Association of Insurance Supervisors (IAIS) has adopted a definition of m-insurance that accommodates both models, as

6 In sub-Saharan Africa, only 26% of the population uses mobile internet; this figure is much higher in Asia, being 48% (GSMA, 2020a,b).
7 WBG, 2020a.
8 As of March 2021, there are over 1.2 billion registered mobile money accounts and 300 million monthly active accounts worldwide (GSMA, 2021a).
9 WBG, 2020a.
10 Led for instance by countries such as Philippines, South Africa, Ghana, Peru, among others.
11 See Swiss Re Report. (Swiss Re, 2021)
12 Product design relates to the process of developing products for the benefit of consumers and it entails data gathering and analysis, risk assessments, product prototyping and piloting.
13 Product distribution is defined as the processes used to distribute or commercialise the insurance products with consumers. This covers elements such as marketing, sales, enrolment, bundling and premium collection, and post-sales servicing, complaints and queries management.
14 Product delivery relates to the delivery of the benefits and services offered to consumers, the provision of services through mobile platforms and payouts.
15 As seen in the Glossary, supervisory authorities in Ghana, Uganda and in the CIMA region have adopted definitions following the MNO-led business model approach.
16 See Annex 2, Glossary.

it refers to m-insurance as *"any insurance that is sold or subscribed through a mobile phone and/or in partnership with an MNO"*.[17] The IAIS definition is adopted by this White Paper, which showcases a myriad of stakeholders participating through different models that unlock the use of mobile phones as touchpoints to distribute and deliver insurance products. However, the paper will also delve into some aspects of the "first-generation" MNO-based business model.

**First-generation m-insurance deployments based on MNO partnerships have reached millions of consumers in a brief period in some markets.** For instance, some schemes in Africa and Asia reached a significant share of the populations within months. In 2017, Telenor India's m-insurance product reached 20 million voluntary sign-ups within 150 days and was listed as one of the fastest growing voluntary m-insurance products;[18] EcoLife Zimbabwe reached 20% of the adult population in 7 months; Tigo Ghana reached almost 1 million people in 12 months; Airtel Zambia reached an estimated 2 million adults upon its launch; and MTN Nigeria signed up 100,000 clients a month.[19] The business models used in these cases were all based on a strong role of the MNO in the partnership.

**Technology developments and COVID-19 are pushing the trend to go digital in insurance.** In recent years, the upsurge of m-insurance approaches was a consequence of staggering innovative technological developments and new partners coming to the market such as InsurTechs. The growth in M-insurance was further catalysed in 2020 as a consequence of the lockdowns established in response to the COVID-19 pandemic. Social distancing measures have driven the digitalisation of the insurance value chain and the popularity of m-insurance. Since March 2020, a new wave of products delivered through innovative business models have been launched or adapted[20] and regulatory reforms have been paving the way for the enhanced digitalisation of the insurance value chain, as presented in this paper.

**M-insurance is instrumental in reducing the insurance protection gap; however, there is a wide range of supervisory concerns and risks associated with this that supervisors should consider addressing.** MNOs, MMPs, InsurTechs, TSPs, insurers and other stakeholders are rolling out innovative m-insurance products through innovative schemes at an increasing pace. These innovative approaches might help narrow the insurance protection gap,[21] as segments of the population who were traditionally unserved or underserved finally have access to insurance and are also conducive to an increase healthy competition, improving the consumer experience and efficiency of the services provided. However, these innovations also give rise to supervisory risks that, if not appropriately addressed, could hinder the stability of the insurance market and pose threats to consumer protection.

**Supervisors[22] face an important task that consists of striking the right balance between addressing supervisory risks and promoting the development of m-insurance as a key tool for unlocking access to insurance.** Supervisors have an important task, namely to strike the right balance between promoting m-insurance, innovation and free competition, and ensuring consumer protection and market stability through the adoption of proportionate regulatory and supervisory approaches. Supervisors therefore can be seen as having a new role: *"being proxies between innovation and law"*.[23]

**To succeed in this balancing act, "proportionality" is key.** According to the IAIS, proportionality implies that *"supervisors have the flexibility to tailor their implementation of supervisory requirements and their application of insurance supervision to achieve the outcomes stipulated in the Principle Statements and Standards"*.[24]Therefore, proportionality allows the Insurance Core Principles (ICPs) to be translated into a jurisdiction's supervisory framework in a manner appropriate to its legal structure, market conditions and consumers; and, very importantly, allows the supervisor to increase or decrease the intensity of supervision according to the risks inherent to insurers, and the risks posed by insurers to policyholders, the insurance sector or the financial system as a whole.[25] Following the proportionality principle, supervisors are invited to make sure that regulatory and supervisory measures are proportional to the risks inherent to the m-insurance market, taking into consideration the potential impacts in respect of insurance market development. Indeed, "if the approach is only focused on risks and not on market development, and if there is not a proportionate response, there could be unintended consequences" that "may adversely impact technological innovation, which in itself may be significant in overcoming challenges within inclusive insurance".[26]

The proportionality principle calls for a thorough understanding of the market and its characteristics and features, to identify associated supervisory risks and to enable those risks to be balanced with the associated benefits of innovations brought to the market. With this information, it should be feasible to increase or decrease the intensity of supervision according to supervisory risks (see **Figure 2**).

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17 IAIS, 2018a.
18 Leftley, 2017.
19 FSB South Africa (J. Huma drawing on Leach 2014), 2014.
20 For instance, telehealth services linked to health m-insurance became extremely popular during the COVID-19 pandemic. For example, at the peak of the pandemic, in April 2020, the use of teledoctor services as part of BIMA's m-health insurance product in Bangladesh doubled (GSMA, 2021a).
21 By addressing challenges related to lack of information on customers, difficulties in outreach, meeting specific needs, coping with consumers who do not trust or have experience of formal insurance services, keeping premiums affordable by reducing administrative and operational costs, unlocking wider choice, among others.
22 The term "supervisors" in this White Paper includes regulators and supervisors.
23 Chatzara, 2020.
24 IAIS, 2019.
25 AIS, 2019.
26 IAIS, 2018b.


Figure 2. Steps for implementing proportionality[27]

**Supervisors are instrumental in promoting the "responsible" development of m-insurance. Thus, sharing good practices to support supervisors to implement the proportionality principle is paramount.** M-insurance will be offered responsibly if the risks that are associated with it are addressed in a proportionate way, ensuring that the market is stable and that consumers are protected effectively. Providing supervisors with the tools needed to promote the responsible development of m-insurance is essential to achieve that goal, especially nowadays, as m-insurance keeps evolving and changing as a consequence of the pace of technological development. This is why the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) commissioned this study, to promote the adoption of proportionate approaches by supervisors to encourage the development of responsible m-insurance as a tool to unlock access to insurance for segments of populations that have generally been excluded, unserved or underserved by insurance (see **Box 1**).

### Box 1. The approach taken for the White Paper

GIZ along with the SAGABI Project commissioned a study to promote the adoption of proportionate approaches by supervisors to encourage responsible m-insurance. To achieve that objective, the following activities were carried out:

**(1) The situation regarding the regulatory frameworks in Egypt and Morocco applicable** to m-insurance were analysed with the intention of understanding the extent of support for and development of this approach, identifying key regulatory challenges and enabling the presentation of high-level recommendations to encourage the responsible development of m-insurance.[28] The focus was on analysing the level of appropriateness of the regulatory and supervisory frameworks to enable m-insurance, by looking at three dimensions:

1. The use of innovative providers and **business models**.
2. The **digitalisation of the insurance value chain along the product life cycle** for inclusive insurance.
3. The efficiency and collaboration of the **authorities involved**.

**(2) The impact of the regulatory framework on m-insurance in Ghana was analysed.** Following the adoption of the M-insurance Rules in 2017, a regulatory impact assessment (RIA) on mobile insurance lite[29] was carried out to assess to what extent the objective of this regulation had been met and whether or not the outcomes of the various impact areas, such as new providers engaged and products sold, that the regulator may have defined prior to adopting this regulation had been achieved.

27 Source: Authors.

28 Given the travel restrictions due to COVID-19, the team could not carry out in-country activities. These activities were replaced by online interviews with key stakeholders from Egypt and Morocco, the constant support from the local teams of GIZ, and a consultant in Egypt who helped to validate some findings.

29 The RIA is referred to as "lite" because the impact assessment will be a rapid exercise, driven by key questions defined jointly with the NIC, based on remote stakeholders' consultations and with a focus on a limited number of select indicators.

**Box 1. The approach taken for the White Paper (continued)**

**(3) Good practices and challenges in relation to implementing the proportionality principle were identified to encourage the responsible development of m-insurance.** To achieve these objectives, undertaking activities (1) and (2) was essential, and the following tasks were performed as part of the project:

- mapping existing m-insurance regulations on a global level, and identifying best practices provided by a wide range of authoritative documents of the IAIS and the Access to Insurance Initiative (A2ii);
- analysing regulatory and supervisory approaches in Brazil, Pakistan, Kenya and the CIMA region through a high-level assessment of the regulatory approaches and market situations (surveys with supervisors and exploratory interviews);
- exploratory interviews with global stakeholders in m-insurance;
- facilitating interviews and consultative dialogues bringing together different public and private stakeholders in Egypt, Morocco and Ghana.

The White Paper aims to present challenges, emerging practices and lessons learned to inspire supervisors in the area of m-insurance regulation and supervision and other stakeholders in this industry. The paper relies on issues and application papers of the IAIS and other lead agencies as well as on stakeholder interviews in different backgrounds and countries.

The authors are thankful to the insurance supervisors from Egypt, Ghana and Morocco (our focus countries), and other stakeholders from the insurance and finance industry who provided input to this paper.

The White Paper is divided into four sections.

**Section 1** aims to help supervisors understand the current trends and features of m-insurance, a key step towards implementing the proportionality principle. It provides a snapshot of the current status of m-insurance by highlighting the participants involved, the business models currently used, the type of products being offered, and the technologies used to design, distribute and deliver insurance. This section also reflects on the trends in the market and lists key characteristics of m-insurance.

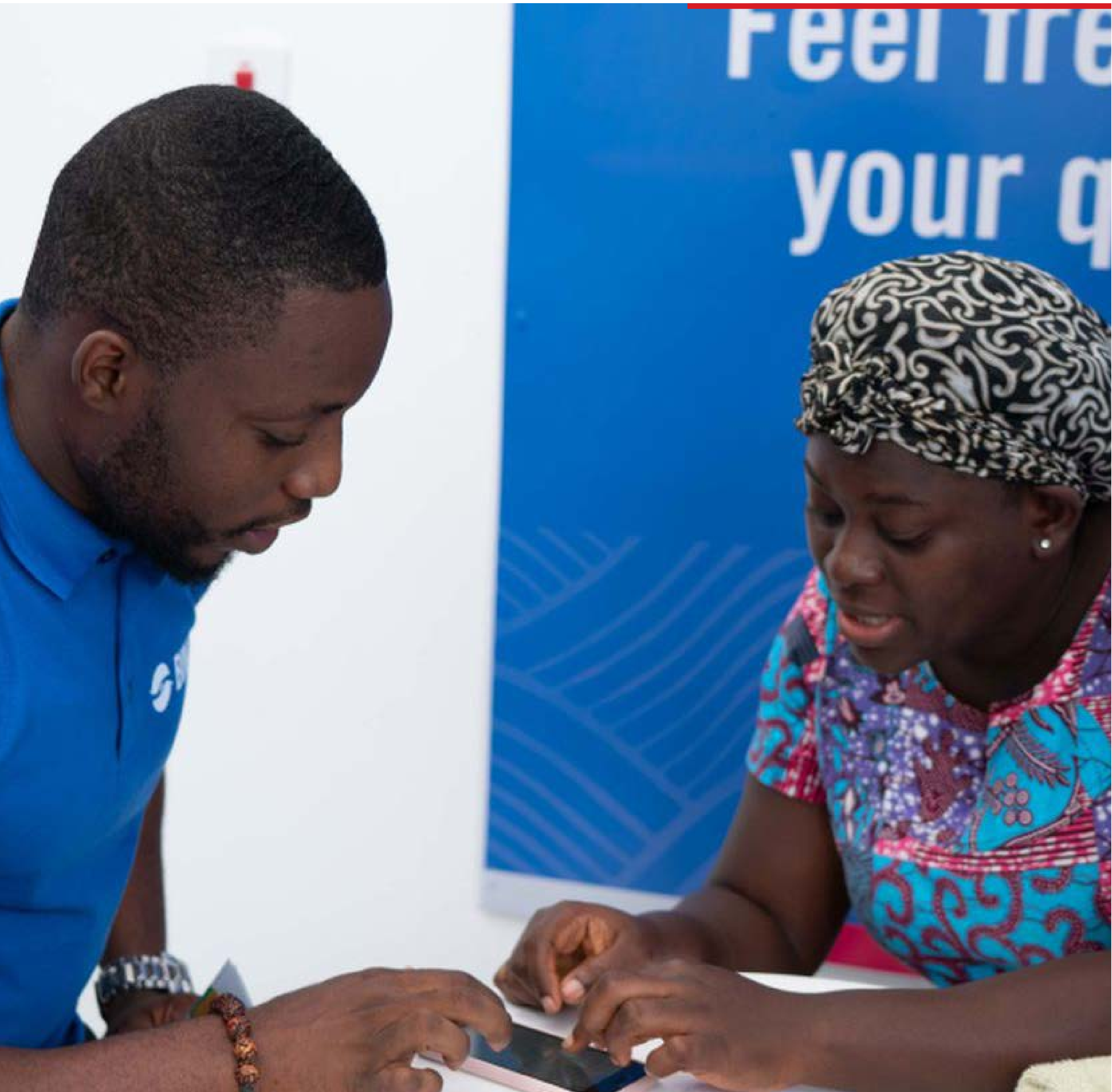
**Section 2** aims to help supervisors to identify the main supervisory risks associated with m-insurance. Specifically, it clearly explains why the current trends and features of m-insurance give rise to concerns and supervisory risks, risks that will keep emerging and changing.

**Section 3** aims to support supervisors by providing them with a tool that inspires them to address the supervisory risks associated with m-insurance in an appropriate manner, while promoting the responsible development of the inclusive insurance market. The tool includes examples of approaches adopted by different supervisory authorities around the globe[30] and guidance from the IAIS, to address those risks and remove barriers to promoting the development of responsible m-insurance.

**Section 4** provides conclusions and key lessons for supervisors in terms of encouraging the development of responsible insurance markets.

30 Section 3 includes important elements identified in the three countries that were the focus of this study, namely Morocco, Egypt and Ghana.

# 1 What supervisors should be concerned about: understanding today's mobile insurance ecosystem



## 1.1 STAKEHOLDERS AND BUSINESS MODELS

*The objective of this section is to provide a snapshot of the stakeholders participating in the m-insurance life cycle, the activities they generally carry out, the arrangements by which they form partnerships and the trends witnessed during recent years in terms of business models and the emergence of new players. This information is helpful for supervisors looking to identify supervisory risks and balance them with potential benefits in terms of closing the insurance protection gap. This section is closely linked to Sections 2 and 3, and specifically to Section 3.1 relating to Dimension 1 of the analysis, which relates to the regulatory and supervisory approaches used to unlock opportunities to develop responsible stakeholders and responsible business models.*

**InsurTech is the driving force of m-insurance and is constantly shaping the market and related models, and this is unlikely to stop.** The traditional approach to insurance delivery involves costly infrastructure at both front and back ends. In inclusive insurance, stakeholders are constrained by the need to keep costs low and achieve high volumes to ensure that the business case is viable. The proliferation of mobile phones has allowed insurers to connect directly with a greater number of new market participants, reaching previously uninsured or underinsured populations, thereby enhancing resilience on a wider scale than before through sustainable business models.[31] In this context, m-insurance has the potential to be a major enabler of inclusive insurance. However, in recent years that role has been enhanced thanks to InsurTech developments:

- **Firstly, major insurance functions have been digitised thanks to InsurTech developments.**

  These functions include rating and pricing using big data and machine learning; distribution and customer engagement by MNOs, mobile health (m-health) and telemedicine, with digital marketing channels, call centres, artificial intelligence (AI) and chat bots; agent-led m-insurance platforms; and claims settlement through remote-sensing for crop and yield data, pictures or mobile-based data (see **Section 1.2**).

- **Secondly, InsurTech has triggered the evolution of m-insurance business models and, with this, driven an increase in the diversity of the stakeholders participating in this market.**

  During the early years of m-insurance, approximately a decade ago, business models focused on partnerships between insurers and MNOs, where the client base of MNOs defined the target market. Nowadays, a myriad of new stakeholders from various industries and sectors are entering the insurance business. Examples of these are MMPs, InsurTechs,[32] FinTechs, and technology platforms for information technology (IT) solutions or for comparison and sales; BigTech[33] disruptors such as Facebook, as well as large enterprises such as Amazon and Alibaba; and gig-economy platforms including ride-hailing companies such as Uber and Grab[34] (see **Annex 3**). In this context, there are now three predominant models in m-insurance: MNO-led models,[35] MMP-led models and digital platform models.[36]

**The wide range of stakeholders, which are generally not from the insurance world, work together through different types of arrangements.** M-insurance is commonly provided by a combination of traditional and non-traditional insurance stakeholders who assume distinct roles across the insurance value chain. Non-traditional stakeholders usually come from the non-insurance world, and even from the non-financial world; they provide a wide range of benefits (see **Figure 3**) and use their client bases as powerful bargaining tools, bringing in disruptive business models, products and services. On the other hand, traditional insurance stakeholders[37] bring insurance capacity and expertise. The joint participation of traditional stakeholders and non-traditional stakeholders is structured through different contractual arrangements. Stakeholders in Ghana and Egypt reported that negotiating and detailing the aspects of a partnership can take up to 3 years. The type of partnership depends on the alternatives provided by the regulatory framework.[38] In addition to contractual arrangements to support the design, distribution and delivery of m-insurance, partnerships can also be developed through investments or purchases, or through the development of in-house proprietary solutions[39] (see **Annex 3**).

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31 IDF, 2020.
32 The Cenfri InsurTech Tracker looked at 282 InsurTech deployments globally, where digital platforms dominate (2019 data) and Cenfri (2019).
33 WBG, 2020a; a big tech firm is a large company with an established technology platform and user base. Examples of big techs are online search engines, social media platforms, e-commerce platforms, hail-riding platforms and MNOs. Leveraging technology and user network effects, several big tech forms have started to offer DFS.
34 Grab is currently called a super app, as it is a platform that provides diverse services such as GrabFood, GrabMart, GrapPay and GrabInsure.
35 One of the first-generation m-insurance model types.
36 MMP-led and digital platform models are examples of second-generation m-insurance models.
37 Such as incumbent insurers, new insurers, reinsurers and insurance intermediaries
38 See Section 3.1.
39 Most companies are developing both partnerships and in-house solutions, while some have also made investments (usually in addition to partnering) or have acquired start-ups as an alternative to developing solutions in house.

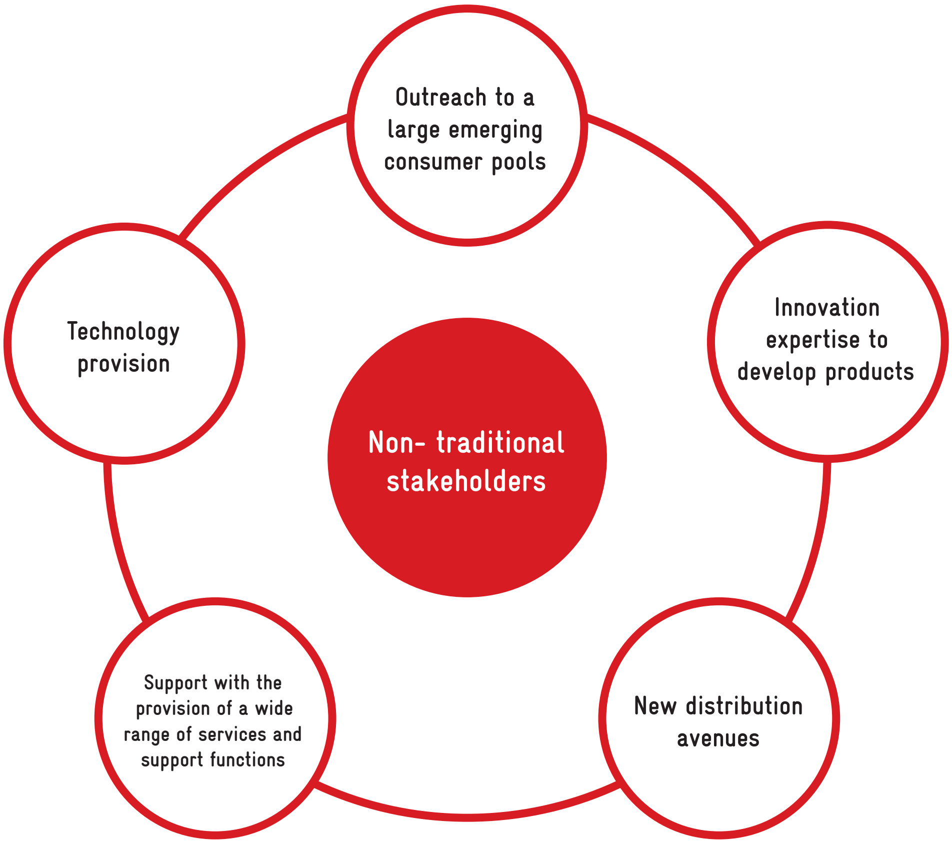


Figure 3. Benefits of non-traditional stakeholders participating in m-insurance[40]

**As stakeholders and innovations unlock opportunities to provide unserved and underserved segments of emerging markets with access to insurance, new supervisory concerns arise.** This is palpable when considering the role of m-insurance in countries such as Ghana, where these efforts could enable affordable health and life insurance products to be offered to market segments that had not previously been served by these products.[41] This is also notable in relation to the emergence of insurance models to protect informal workers and informal small and micro entrepreneurs, such as the insurance products offered within the model of ride-hailing companies that protect an increasing number of people around the globe. For instance, Grab, an emerging aggregator in finance, now offers SME (small and medium-sized enterprise) loans and microinsurance, which are digitally supported and, as such, considered m-insurance in the wider sense. This was made possible with the support of various entities such as Vision Fund, an international non-governmental organisation, and a microfinance institution (MFI) network.[42] In addition, Go-Jek in Indonesia is unlocking access to key insurance products for passengers,[43] but also for informal workers who are generally not protected through social protection schemes.[44] However, as discussed in **Section 2**, all of these innovations entail new supervisory concerns and risks.

40 Source: Authors.
41 See Annex 3.
42 See this link.
43 Such as Go-Ride's automatic free passenger insurance offered by Go-Jek in Indonesia, a company to which Allianz has invested in USD 35 million.
44 In some cases, mobile devices even have a linkage to public social protection schemes enabled. This is the case in Uruguay, where social protection coverage for ride-hailing drivers that use digital platforms has been facilitated through a phone application that allows the direct deduction of social security contributions from the price of the ride through the mono-tax mechanism (ILO, 2021).

### 1.1.1 Technical services providers

**TSPs have been key drivers of m-insurance and still are.**[45] TSPs emerged about a decade ago, with TSP being a 'catch-all' term for companies that brought in new strategic m-insurance business ideas, while providing technical services along the insurance value chain, making m-insurance possible. These were services that insurers and traditional intermediaries did not provide or did not know how to provide. From a strategic point of view, in a first-generation model, they motivated insurers to engage with MNOs and develop innovative products through innovative and profitable business models to reach a larger scale. These TSPs drove the growth of m-insurance from 2010 onwards and they have promoted the evolution to second-generation models.[46] Some TSPs have now accumulated many years of experience in developing innovative approaches to inclusive insurance. They have been the catalysts of m-insurance in emerging markets and remain very much the key drivers of m-insurance.

**The landscape of TSPs is changing as a consequence of the development of the m-insurance market.** Some of the incumbents have adapted their models, gained maturity and become more institutionalised.[47] At the same time, newcomers have been emerging with new ideas and services to disrupt the insurance value chain.[48] Some TSPs were set up and are owned by MNOs,[49] while others are independent entities. Some TSPs are globally active, others are confined to a particular region. For instance, BIMA and the Micro Insurance Company (MIC) are the two longest standing and largest international TSPs, with a focus on sub-Saharan Africa (SSA) and some business in Asia.[50] Other smaller and mostly regionally concentrated TSPs focus their operations on specific functions. Importantly, they are all drivers of innovations. For a snapshot of TSPs, see **Table 1**.

Table 1. Examples of TSPs[51]

| | Ayo[52] | BIMA[53] | Inclusivity Solutions[54] | MIC[55] |
|---|---|---|---|---|
| **Owner** | Metropolitan Momentum Holdings (MTN Group)[56] and Metropolitan Insurance Company[57] | Allianz X, CreditEase Fintech Investment Fund (CEFIF), LeapFrog Investments, Axiata Digital, Millicom International Cellular SA, Kinnevik, and Digicel | Mix of investors (e.g. RGAX, Goodwell)[58] and management | STP Group, MicroEnsure and TonkaBI[59] |
| **Countries** | Ghana, Uganda, Zambia (more markets under preparation) | Ghana, Tanzania, Bangladesh, Pakistan, Sri Lanka, Indonesia, Philippines, Cambodia and Malaysia | Kenya, Rwanda, Uganda, Côte d'Ivoire, SA, Zambia | SSA<br>Asia<br>United States of America<br>United Kingdom<br>Expanding to Latin America |
| **Type and licence**[60] | Local brokers | Local brokers,Ghana: corporate agent | InsurTech (for outsourcing) relying on local distribution partners | Corporate agent in Ghana and Philippines, for example |
| **Client base** | 11 million policyholders and 6 million active policies (December 2020)[61] | 37 million customers reached over | 950,000 | 60 million in Africa and Asia, 58 million in 11 countries |

45 GSMA, 2018.
46 GSMA estimated that, in 2017, the TSP-led business model accounted for more than 50% of existing MNO microinsurance products in the world (GSMA, 2018).
47 For instance, MicroEnsure is now the Micro Insurance Company (MIC).
48 TSPs have increased in numbers and include entities such as Inclusivity Solutions, AYO, PULA, OKO, Activa (Senegal) or Trustco, and StoneStep (see Table1 for examples).
49 Such as Ayo.
50 Swiss Re, 2015.
51 Source: Authors, supported by information shared by providers and publicly available.
52 See link. Ayo is a mobile microinsurance joint venture between MTN and SSA's third-biggest insurer Momentum Metropolitan.
53 See link. BIMA calls itself an "InsurTech player that uses mobile technologies to fuel financial inclusion".
54 See link.
55 Since 2020, the entity has been known as the "Micro Insurance Company", a new global provider aiming to provide insurance in 119 countries and working with Airtel and Telenor Telco companies across 11 countries. See link.
56 See link.
57 See link.
58 See link 1 and link 2.
59 A legal tech company and an InsurTech; see link.
60 The local licence depends on country regulations; see Section 3.2.1.
61 See link.

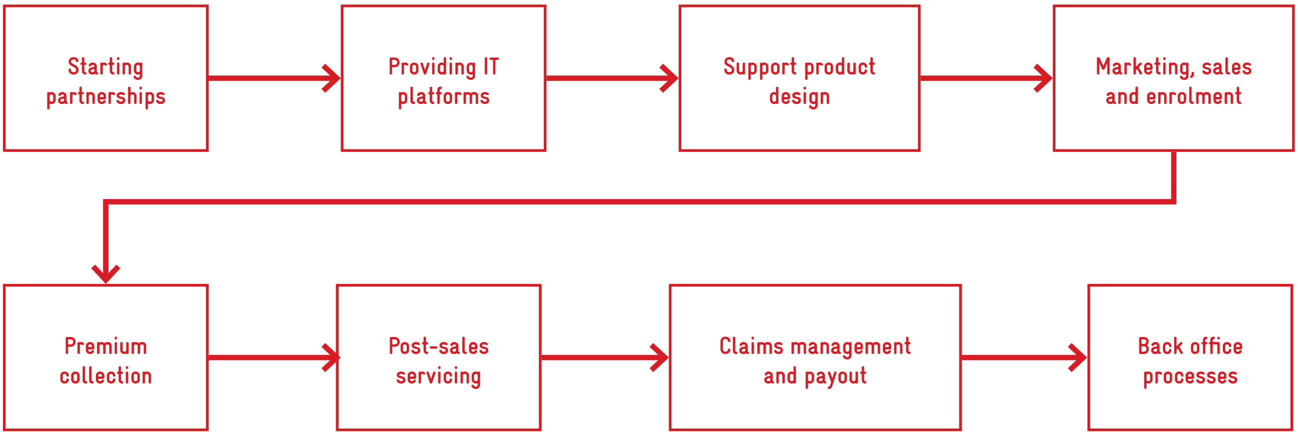


Figure 4. Overview of the typical functions of a TSP[62]

**TSPs provide a range of services that are essential for the development and implementation of m-insurance.** TSPs play a crucial role in developing m-insurance deployments and providing a range of services to insurers, MNOs, MMPs, customers and other stakeholders. Their main functions are presented in **Figure 4** and these functions differ depending on the type of TSP, the market they are engaged in and the partnership model they are a part of. As shown in **Section 3.1**, their functions determine the type of licensing, authorisation or approval needed to operate in different jurisdictions.

### 1.1.2 Mobile network operators

**MNOs have been key in achieving large-scale m-insurance outreach.** More than a decade ago, MNOs started offering insurance as a value-added service (VAS), with the aim of increasing loyalty from their clients. In some markets, they became the key drivers of m-insurance, with MNO conglomerates, such as Airtel,[63] Orange, MTN, Telenor, Tigo[64] and Vodafone and its subsidiaries,[65] being active in unlocking access to insurance for their large client base.[66] In addition, some MNOs have established MMPs, and have used these as an opportunity to provide financial services, including insurance. Other MNOs have set up TSP subsidiaries; for example, MTN set up the TSP AYO (see Table 1).

The initial factor that motivated MNOs to partner with insurers was the opportunity to open new revenue streams and reduce churn in an increasingly competitive telco-market; the motivating factors have changed over time. Because of a reduction in revenue generation caused by the reduction in the number of voice calls and general customer usage of services provided, MNOs in certain countries[67] have started looking at insurance to find other streams of business that could add value to their current business model. Their intention in engaging in m-insurance was to reduce churn by offering new services and to improve returns per user. However, the business motivation has changed rapidly across markets, for example when another VAS has emerged as seeming more profitable to MNOs than offering insurance, as it can take several years to establish a business model.

**MNOs offer advantages that can lead to insurance uptake, such as a brand name; however, this can have negative outcomes when the brand is not well perceived.** MNOs bring certain advantages to the m-insurance business: they have a large client base, a significant agent network, a well-known brand name, payment mechanisms such as airtime deduction and mobile money, and are usually able to provide financial resources to test innovative approaches. However, uptake can be affected when clients' perception of the MNOs change. For instance, this applied recently to AirtelTigo in Ghana, which was acquired by the Government of Ghana[68] after having experienced sustainability challenges. These challenges created uncertainty, affected consumer confidence and debilitated the brand, leading to a reduction in the customer base and churn. BIMA Ghana reported in consultations for this paper that BIMA lost about 500,000 clients as a result.

62 Source: Authors adapted from A2ii, 2018.
63 In Kenya, Malawi and Tanzania.
64 In Ghana, Senegal and Tanzania.
65 Such as Vodacom in South Africa and Safaricom in Kenya.
66 A2ii, 2018a.
67 This interest in insurance has not been the same in every country; for instance, MNOs' motivation to engage in insurance is still low in some markets, such as in Egypt and Morocco.
68 See link.

**MNOs can play strategic or only transactional roles in the business model.** In an MNO-led model, that is, the first-generation models, MNOs assume a strategic role and generally take the lead with branding;[69] pay the premium in the context of loyalty-based products (see **Box 2**; get involved in tasks such as enrolment or claims assessment; and sometimes act as intermediaries, as in the early years of m-insurance in Ghana.[70] Given all of this, for some time and still in some markets, MNOs are considered a strong party in the business model,[71] and this model led to the development of m-insurance as a separate business line under micro or mass insurance. In 2016, MNOs led the provision of 63% of m-insurance services globally.[72] However, this first-generation model is losing traction, while second-generation models are gaining traction. In second-generation models, MNOs play less of a role: depending on the case, their functions can be limited to premium collection, when the payment modality is airtime/data credit, or simply to providing the mobile platform and connectivity as an entry point for other providers.

### Box 2. From loyalty-based insurance products to paid products

**Loyalty-based products accelerated the development of m-insurance.** A key strategic approach based on **"loyalty-based"** insurance models accelerated the development of m-insurance. This approach involved the MNO encouraging its subscribers to spend some airtime or maintain a certain balance in their mobile money wallet to qualify for tiered levels of insurance cover. The premium was paid by the MNO, whose aim was to increase the average return per user (ARPU) and reduce customer churn. This approach was very common in the early years of m-insurance.

**The loyalty-based insurance approach has almost vanished now and there has been a shift to paid business models.** Loyalty-based insurance products have been losing traction because the value of loyalty-based insurance for consumers was questionable. Very low claim ratios due to a lack of customer awareness about insurance benefits resulted in a shift away from loyalty-based to paid products. Paid business models entail a focus on ensuring uptake by improving product design and the consumer experience, while making customers pay for the services provided. The market has been transitioning to paid models, such as freemium or premium. In 2016, 106 loyalty-based services were available in 31 emerging markets and, in 2017, only four services were available in 27 countries[73].

Some major TSPs were involved in driving this change, which started with **freemium products**, but now they are focused on offering a wide range of paid products that are tailored to the needs of consumers.

For example, in Ghana, 55% of clients from a large scheme **migrated from a loyalty-based product to a fee-incurring product**. In some markets, loyalty-based products are being phased out and m-insurance offerings are evolving to paid models. To date, some paid models have achieved a relatively large scale but not at the same level as loyalty-based models, which have been replaced by freemium or paid products in many markets.[74]

Recently, in Ghana, a loyalty-based approach has been used in a business partnership in which the insurer pays the premium for the first 6 months to motivate consumers to enrol and then the customer pays the premium after the 6-month trial period.

An African TSP stated that it is considering providing basic coverage for free and then promoting top-ups that will be paid by consumers. The reason for this, according to the TSP, is that consumers who have purchased top-ups are more likely to be aware of the insurance product and interested in renewing it.

69 Such as in Ghana.

70 In this case, they need to have the appropriate licence to act as such.

71 For instance, the huge operations of MicroEnsure (now MIC) in Pakistan that are reaching a billion transactions a day are still leveraged by the brand of the MNO and the payment facilities offered.

72 GSMA, 2016a.

73 GSMA, 2018, In 2018, the GSMA's Mobile Insurance Tracker was overhauled to distinguish between services that utilise mobile for premium collection (via both airtime and mobile money payments) and services that either offer mobile money as one of a range of payment instruments or services that were using only mobile to provide information to policyholders. With a number of services having closed down operations and others having launched between 2016 and 2018, we are now tracking 94 services in 27 countries.

74 A2ii, 2018a.

### 1.1.3 Mobile money providers

**MMPs have become a new driving force in m-insurance.** Digital payments have increased across all regions of the world, with countries in Africa, such as Ghana, Kenya and Uganda, leading the way.[75] The year 2020 was key for mobile money: the number of registered accounts grew by 12.7% globally to 1.21 billion accounts and the industry processed over USD 2 billion a day, more than double the value processed in 2017.[76] As of December 2020, the Global System for Mobile Communications (GSMA) reported over 300 million monthly active mobile money accounts and 64 MMPs that had over 1 million monthly active accounts.[77] In emerging markets, the number of MMPs has been increasing continually, with most countries having more than one provider and at least 310 deployments on mobile money in 96 countries (and more than half of them in Africa), as of 2021.[78] Mobile money can be an enabler and MMPs can be crucial partners in m-insurance.

**Depending on the applicable regulation and the business model, MMPs can take different forms and have different ownership structures.** Many MMPs emerged as subsidiaries of MNOs. Today's MMPs could also be subsidiaries of financial institutions, start-ups such as FinTechs or digital finance providers such as Google Pay.

**MMPs can offer a variety of services and benefits.** MMPs can contribute to the business model with their client base[79] and by playing a strategic role, as MNOs do in an MNO-led model. However, in the m-insurance business, MMPs could also have limited involvement, for instance by playing only a transactional role or by facilitating premium collection and payouts.

**However, using mobile money in the insurance life cycle can pose challenges.** Even though mobile money has been a game changer for facilitating payment for services such as utility services and for peer-to-peer (P2P) transactions, mobile money cannot unlock opportunities for insurance by itself. Challenges can relate to the associated costs, as fees are perceived to be expensive by low-income market segments; to limitations related to small transactions;[80] to the fact that mobile money users generally do not leave a balance on their account and if they do they use it only to cash money in and out, which results in users not having funds when the premium is deducted; and to the applicable regulations, which might not allow that digital money is stored in the accounts when regulations only allow payment services (fund transfers or cash in and cash out).

### 1.1.4 Digital platforms

**Platform business models have been spreading very rapidly in the past few years and entering the area of finance.** Digital platforms provide products and services, including network communication services and payments,. They "*create value by facilitating exchange between two or more participants (...) host markets and allow people to interact*".[81] They have developed extremely quickly during recent years. Social restrictions imposed by COVID-19 have pushed the development and market penetration of some digital platforms. Mobile phone devices (and also tablets and personal computers) are the touchpoint for using digital platforms. The "platform economy" is expected to grow to USD 405 billion by 2030, almost double the 2018 value of USD 204 billion.[82] Digital platforms are developing innovative, tech-driven ways to transform business models, and are providing a wide range of services and products to a wide range of segments of the population, such as workers and micro, small and medium-sized enterprises. With established client bases, brands, communication channels and often associated payments channels, digital platforms of many kinds have started providing financial services to their users on the back of their core product (as MNOs did a decade ago). **Annex 3** presents how the different types of digital platforms can be classified.

**Platforms have started leveraging the trust that clients have in them to offer financial services including insurance.** Increasingly, digital platforms are focusing on providing financial services in emerging markets and developed economies, where there is still a lack of access to financial services and payment systems.[83] Many large platform businesses have also started offering insurance by either bundling these products in with their core services or selling them separately.

**The integration of innovative insurance offerings into digital platforms' business models is scaling up rapidly.**[84] Some BigTech platforms (social media, e-commerce and ride-hailing platforms, such as Grab and Uber, among others) have integrated insurance into their business models. For instance, insurance products are being embedded within asset-sharing platforms, these products are valid only during the period that the asset is being shared. Insurance is also sold as an add-on by shopping and ride-hailing platforms. Most current insurance offerings on digital platforms are embedded with other non-financial or financial services or assets and some are valid only during the time that the service or asset is being used or limited in some other ways, e.g. for a certain clientele or employees (for examples, see **Box 3**).

75 Sahay et al., 2020.
76 GSMA, 2021a.
77 Ibídem.
78 GSMA, 2021a.
79 Their client base is an attractive piece in any m-insurance model.
80 For instance, some client aggregators such as an MFI in Egypt consider the fees that the MMPs charge (e.g. 1 % of the premium amount) high for their low-income clients.
81 CGAP, 2020.
82 Specifically for countries in SSA the insight2impact's scan of eight countries found 277 unique platforms that employ an estimated 4.8 million individuals (Cenfri, 2020).
83 CGAP, 2020.
84 WBG, 2020b.

**Box 3. Innovations in platform-based insurance integration[85]**

- SweepSouth, a platform in **South Africa** that allows users to book cleaning services within seconds, has partnered with Simply (an InsurTech) to provide basic accidental death and disability cover at no cost to SweepSouth's domestic cleaners.
- Kobo360, a logistics and courier platform that connects drivers and owners of trucks with companies who want to transport their goods in **Nigeria**, has an embedded insurance product that covers goods from point of pick-up to point of drop-off.
- Jumia, one of Africa's largest online shopping platforms, is one of the few platforms to offer voluntary insurance products. Jumia has partnered with the insurance company AXA Mansard to offer device protection, health and life insurance products in **Nigeria**.
- Go-Jek, an **Indonesian** digital platform offering ride-hailing services, food delivery, amongst other services, has merged in 2021 with Tokopedia, a tech specialising in e-commerce, to form "Go To" group. It is expected that "Go To Group" will become a tech giant in e-commerce with a special focus on financial services in Southeast Asia. Go-Jek has been offering insurance products to their drivers since 2016 with the support of Allianz Indonesia. In addition, in 2018 Allianz X invested 35 USD million in Go-Jek[86].
- The **Singapore**-based ride-hailing company Grab (known as a super app, operating in eight countries in Asia) has partnered with Chubb to offer insurance to drivers and customers as part of a strategy to become the go-to app for consumers, while also offering payments, car loans and insurance.[87]
- In **Viet Nam**, the life insurer IAIA Viet Nam has recently created a partnership with a leading e-commerce platform, Tiki. The objective is to provide to Tiki's millions of customers with access to life and health insurance solutions.[88]

## 1.1.5 Insurers

**About a decade ago, incumbent insurers started to get involved in m-insurance business models as either partners or investors.** Since 2010, incumbent insurers, including global companies such as Allianz and local insurers, have increasingly been recognising that partnerships with MNOs allow them to capture the MNO's huge client base, which supports their growth. In addition, some insurers have invested in TSPs that are very active in m-insurance. For example, Allianz invested in BIMA at the end of 2017 (see **Box 4**) and Metropolitan established the TSP Ayo jointly with a regional MNO holding (see **Table 1**).

**Box 4. Allianz investment in BIMA[89]**

**Allianz X investments, a vehicle to invest in innovation.** Allianz X is the digital investment unit of the Allianz Group, pushing business in emerging markets. Allianz X invested USD 96.6 million in BIMA, a leading digital microinsurance TSP. Allianz is BIMA's sole insurance shareholder and the largest strategic shareholder overall. Allianz's investment underscores its commitment to digitalisation and supports the growth strategy of the Allianz Group in emerging economies, enabling them to reach the goal of serving the *"next billion customers"*.[90]

**BIMA utilises mobile technology to serve low-income customers in Africa, Asia and Latin America.** BIMA's proprietary technology delivers affordable insurance and health products to emerging market customers who cannot access these products through traditional channels. BIMA's business combines mobile technology, partnerships with MNOs and a 3,500-person sales force to achieve scale and profitability. BIMA's technology platforms create a paperless experience and enable scale, while the sales force distributes products and educates customers. All partners share BIMA's mission to reach underserved consumers, with 93% of the global customer base living on less than USD 10 per day and 75% accessing insurance for the first time.

85 Cenfri (2019) and information available in the links provided below in subsequent footnotes.
86 See link.
87 IFC, 2019.
88 See link.
89 See link.
90 See link.

**Incumbent insurers face opportunities and challenges in partnering with non-traditional stakeholders and in keeping up with technological advancement, key factors for those involved in m-insurance.** There are a number of opportunities for incumbent insurers in partnering with MNOs, or any other aggregator or platform, and in integrating technology into the insurance life cycle. Those opportunities are generally related to, among other things, gaining access to the client data of these aggregators; gaining access to aggregators' field agents; using aggregators' networks and systems to facilitate insurance processes, which ultimately reduces costs;[91] improving communication throughout the entire customer journey. However, benefiting from these opportunities requires the incumbent insurers to outsource certain functions, involve specialised service providers and make large investments in systems and staff. Indeed, "facing the digital reality" is a huge challenge for all insurers. Keeping up with the level of innovation and digital competencies at the speed that changes are made is extremely challenging for insurers.

**In some markets, some TSPs have established or plan to establish their own insurance companies.** As mentioned before, there is an emerging pattern in which TSPs are creating their own insurers or are themselves transforming to operate as risk carriers. For instance, the global TSP BIMA has obtained its own insurance licence in Cambodia as a microinsurer.[92] Another global TSP, namely MicroEnsure, established the global insurance company the MIC[93] in 2020.

**Digital insurance companies have been emerging.** Online-based insurance companies are catalysing the development of m-insurance. For instance, Amazon has partnered with and invested in Acko General Insurance, a new digital insurance company, in India. In China and Hong Kong, ZhongAn was the first online-based insurance company, founded in 2013 by the most renowned and successful Chinese businessmen, from multinational conglomerates Alibaba, Ping An Insurance and Tencent. Currently, ZhongAn has nearly 500 million users.[94]

## 1.2 MOBILE INSURANCE PRODUCTS

*The objective of this section is to provide a snapshot of the type of m-insurance products that are currently available and the latest trends in this respect. It does not provide a comprehensive assessment of m-insurance in the market, however, as this is out of the scope of the White Paper. The information in this section is intended to help supervisors to balance the benefits of m-insurance with the associated risks and, very importantly, explore whether or not m-insurance is effective in providing unserved and underserved populations with access to valuable insurance products.*

**The line between inclusive insurance and m-insurance products is sometimes blurred.** In many countries, inclusive insurance products such as microinsurance and mass insurance products are offered through mobile phones. In this context, the line between inclusive insurance and m-insurance is sometimes difficult to draw, which means that identifying and assessing m-insurance products generally overlaps with identifying and assessing microinsurance and mass insurance products. In some cases, this is reflected in regulations, where m-insurance is included as a category of microinsurance such as the in case of the CIMA region and Ghana.

**M-insurance products are becoming more diverse and tailored to clients' needs and particularities.** When m-insurance emerged, products were for simple life and personal accident coverage. For instance, in 2015, 51% of m-insurance products were simple life and funeral insurance products.[95] A different trend was identified in 2018, when this figure went down to 39% (see **Figure 5**). That decline was explained by an increase in the number of other relevant products such as health or hospital insurance, accident and disability insurance, and agricultural insurance, some of which were offered as bundled products.

91 One such example in the value chain is the promise of automation that can reduce 30% of claims costs (Digital McKinsey, 2017).
92 A2ii, 2018a.
93 See link.
94 See link.
95 GSMA, 2016b.

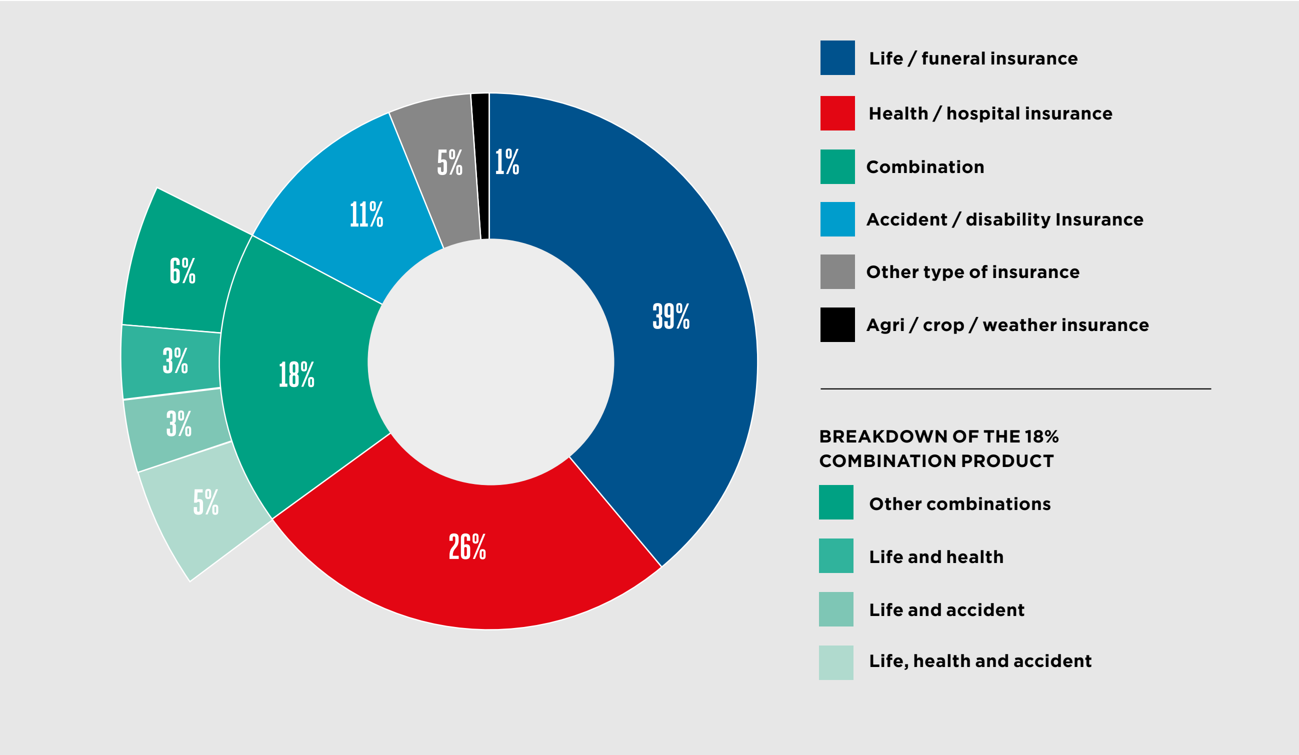


Figure 5. Breakdown of m-insurance products in 2018[96]

**Simple health m-insurance products are on the rise.** Simple and low-cost health m-insurance products such as hospital cash insurance have developed during the last decade and are gaining traction as a key m-insurance product. In 2018, these products were the second most purchased m-insurance product[97] according to the GSMA (see **Figure 5**). Although these products were already popular and a key microinsurance product before COVID-19,[98] the pandemic not only created more awareness about insurance,[99] which led to an increase in the popularity of these products, but also drove the use of innovative "telehealth services" or "digital health services".[100] This has also catalysed technology innovations that are driving telehealth services into the next tier. For example, Medi24,[101] a telehealth subsidiary of Allianz Partners, is exploring the use of AI-based symptom checkers and wearables to better diagnose and understand the needs of patients. For some TSPs, such as BIMA, simple digital health insurance is becoming the core of their offerings and is boosting their growth through investments from the leading Chinese FinTech investor CreditEase FinTech Investment Fund (CEFIF), LeapFrog and Allianz X[102] (see **Box 5**). MicroEnsure integrated an innovative approach in Pakistan with Careem, a ride-hailing technological platform in the Middle East, to provide medical coverage to Careem's drivers during the COVID-19 pandemic.[103] In the microinsurance landscape study of 2020, simple health m-insurance came fourth of all type of microinsurance products.[104]

96 GSMA, 2018.

97 In 2018, 26% of m-insurance coverage was for simple hospital insurance.

98 MIN, 2020.

99 This has been a trend in emerging and developed economies. For instance, in India, a series of surveys found that the COVID-19 pandemic accelerated the awareness and ownership of insurance; similar findings have been reported in Indonesia, Malaysia and Thailand. In the United Kingdom, consumer awareness of insurance coverage is reported to have increased and almost 31% have noted that they would be more careful in understanding what their insurance policy covers.

100 "Telehealth" services can be defined as all the electronic and telecommunications technologies and services used to provide remote care and services. The "telehealth" concept is broader than telemedicine, which is specifically the practice of medicine using technology to deliver care at distance. Therefore, telemedicine refers to remote clinical services, such as remote diagnosis and monitoring, whereas telehealth also includes remote non-clinical services, such as education and training.

101 See link.

102 See link.

103 The insurance scheme aims to provide coverage to Careem's drivers and their families for hospitalisations and intensive care unit admissions in the event that they test positive for COVID-19 or are diagnosed with other disease. The insurance scheme also provides disability benefits if they are involved in an accident or are unable to continue working.

104 The MIN landscape study (2020) ranked simple health m-insurance fourth, with 11.4 million policies, after life, personal accident and funeral coverage (MIN, 2020).

**Box 5. Examples of telehealth services and m-insurance deployments**

**BIMA:** BIMA delivers bundled insurance and digital health packages in the nine countries in which it operates. As of September 2020, BIMA was delivering 2 million teledoctor consultations through their health hub, where customers have 24/7 access to integrated health services. These services include health programmes to manage chronic illnesses, discounts at pharmacies, drug delivery and a health wallet to fund medication-based expenses. These services are provided through BIMA's app, WhatsApp and Short Message Service (SMS), making insurance more tangible for consumers.

**M-TIBA in Kenya:**[105] M-TIBA is a digital health platform that was launched in Kenya in 2016 by PharmAccess, Safaricom and online health payment service CarePay as a technology partner. The platform facilitates payments and the exchange of data between patients, healthcare providers and healthcare payers (including governments, insurers, donors and solidarity payers). They offer four lines of insurance (private insurance, public insurance, a patient access programme and cash advances) and own a clinic. In under 4 years, the platform has connected over 4 million Kenyans and 1,400 healthcare clinics.

**Agricultural insurance still remains a niche product but mobile and technology developments are enhancing its potential to reach those who need it the most.** The insurance gap for smallholders around the globe is exorbitant: worldwide, less than 20% of smallholders have insurance to protect them against risks that could affect their livelihood.[106] The insurance protection gap varies depending on the region: 97% in SSA and 78% in Asia.[107] During the last decade, "index insurance" has emerged as a modality of agricultural insurance that could help to overcome the challenges, such as high operational costs, of designing and delivering indemnity-based insurance products to smallholders. Mobile phone technology and InsurTech have the potential to improve the provision of index insurance, helping with the design, distribution and delivery of affordable index insurance to smallholders and other rural customers (see **Annex 3** for some examples and innovative ventures). InsurTech firms, such as the global firm Pula, are emerging players in offering such insurance in some African countries in partnership with development agencies such as the World Food Programme.[108]

**Nowadays, mobile phones have the potential to help with tailored product development, which gives rise to opportunities but also concerns.** Mobile phones and other digital devices can enable the gathering of data from large consumer pools in real time followed by the use of technological innovations such as big data, Internet of Things (IoT), machine learning and AI (see **Annex 3**). The applications and features of mobile phones can be used as entry points for customer data collection that, when processed using the right algorithms, can help to develop tailored products. Digitalisation means that data sets are available from data sources other than the insurer, and these can be accessed through direct consumer action. Mobile devices, sensors, satellite technology and the internet are some examples of such sources.[109] This is an important opportunity for inclusive insurance, as the lack of data and a clear understanding of the consumer have been obstacles to developing valuable products. Therefore, those who provide such data, such as MNOs and BigTech platforms, are potentially interesting partners for insurers and TSPs to support product development. However, some concerns might arise if certain segments of the population are not insured or if premiums to insure them are too high as algorithms might deem them too risky to insure.

105 See link and MIN (2020).
106 GSMA, 2020c.
107 Ibidem.
108 https://www.pula-advisors.com/#
109 IAIS, 2020.

## 1.3 THE MOBILE INSURANCE CUSTOMER JOURNEY

*The objective of this section is to identify the key features of a typical journey of prospective and actual m-insurance consumers that are relevant for supervisors. The section presents examples of interventions in m-insurance around the globe. For a full understanding of this section, please refer to **Annex 4**, which provides the profile of an emerging consumer of m-insurance, in the context of inclusive insurance, which is the focus of this White Paper. This section describes the elements that can be used to help identify supervisory risks linked to the digitalisation of all stages of the insurance life cycle and is therefore linked to Sections 2 and 3, in which regulatory concerns, risks and solutions are presented for each stage of the customer journey.*

**Every stage of the customer journey can be supported using mobile technology and platforms.** For this White Paper, the m-insurance customer journey includes the following six stages: customer onboarding;[110] premium payment; customer servicing; claims management and settlement; complaints handling and disputes; and renewal and termination (see Figure 6). Thanks to technological developments and innovative business models, all of these stages of the m-insurance customer journey can now be supported through mobile technology and platforms (see Annex 5 and Box 6). Applying digital approaches in all of these steps has important consequences in terms of ensuring a hassle-free consumer experience, and for client value in each of the steps and the products and services provided to the emerging consumer.

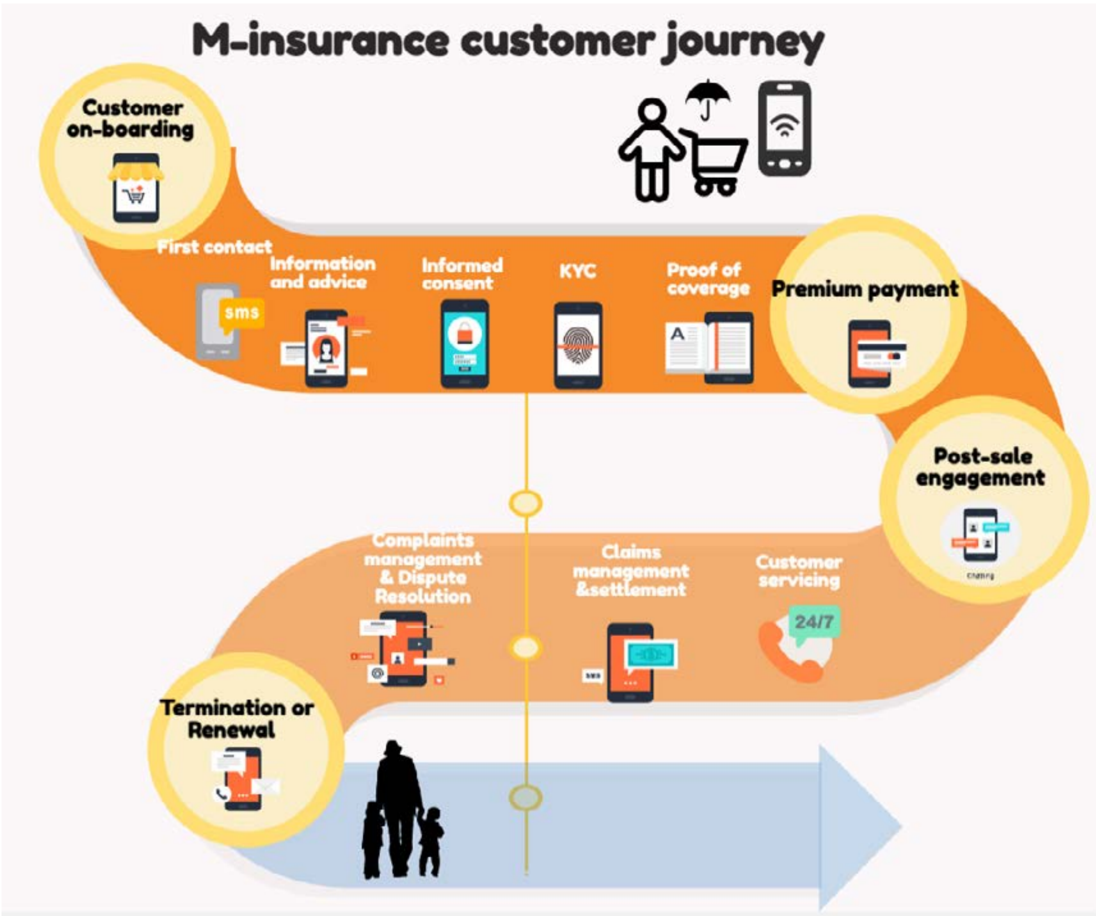


Figure 6. The m-insurance customer journey[111]

110 For this White Paper, customer onboarding includes critical steps to ensure that the consumer provides an informed consent when purchasing the product (see Section 3.3.2).

111 IAIS, 2015a.

## Box 6. Examples of technological developments in the customer journey

**Some examples of the use of technologies in inclusive m-insurance:**

- In **Singapore**, PolicyPal is a start-up that helps consumers to organise, understand and purchase insurance policies digitally through a mobile app. PolicyPal graduated from the MAS sandbox and is now an insurance broker registered with MAS.[112]
- In **India**, online insurance marketplaces such as Policybazaar, Coverfox and Turtlement have simplified the process of purchasing an insurance policy.
- Insurance companies in **Tunisia** are preparing to integrate gaming features into their digital applications with the aim of increasing customer loyalty through reliance on the app.[113]
- In **Malaysia**, the InsurTech company Senang operates as the corporate agent of a licensed insurer that provides an on-demand insurance platform for domestic cleaners in Malaysia when freelance cleaners offer their services via the online marketplace. The insurance product provided is mandatory and this online marketplace for freelance cleaners acts as the policyholder of a group policy, with the cleaners being those insured by the policy. The platform facilitates all stages of the customer journey as follows: when the cleaner starts and ends a cleaning task, they click on the app; once the cleaning job starts, the cleaner receives an email containing a cover note with the terms and conditions and steps involved in making a claim; the app has a FAQ section with further details in case more are needed; WhatsApp is used as the main channel of communication with consumers; the premium is automatically deducted from the wage earned from the cleaning job; and claims are submitted via Senang's platform and are paid within 14 days.
- In **Mozambique**, MovelCare, a mobile insurance platform, adopts a hybrid approach, where consumers are presented with insurance products when shopping in retail outlets or through other in-person engagement; after this initial step, all the other stages of the insurance cycle are supported by the digital insurance platform. For instance, enrolment and premium payment are not done in person but via a digital platform and, after pre-registration and payment, an information centre engages with customers to finalise registration and/or activate the policy. The policy is delivered to the consumer's mobile phone and the digital insurance platform supports the consumer with accessing the policy, managing claims and facilitating payouts.
- **BIMA** adopts a customer-centric approach to the design, distribution and delivery of its products from the beginning, and uses a hybrid approach when communicating with customers. For instance, SMS messages are sent through its MNO and MMP partners, call centres and the BIMA app, and consumer generation through social media campaigns, referrals, as well as direct contact through local agents. More recently, BIMA has developed an approach to support customer engagement in information kiosks. The paperless registration is quick and payments are enabled through either airtime or mobile money. All support is provided remotely, 24/7, and when necessary local agents complement this service.[114]


112 IAIS, 2018b.
113 See link.
114 Interviews with BIMA and see link.

**There are opportunities but also challenges associated with the digitalisation of the customer journey.** Digital processes are intended to support a hassle-free consumer experience from start to finish that helps to reduce costs and enhance value and trust. Simplicity is essential for onboarding and post-sale service to ensure a friction-free customer experience and the offer of affordable insurance products. The goal is to meet consumers' expectations of simplicity, transparency and hassle-free processes and of being provided with support when needed. It is very important to consider the complexities and particularities of consumers when designing, distributing and delivering insurance.

The trend towards digitalising insurance life cycle processes is rampant because it has the potential to decrease costs,[115] speed up processes and increase the number of clients enrolled in comparison with a paper-based approach. Digital approaches also intend to improve the consumer experience. However, there is also a downside to digitalisation. Digital approaches present pitfalls in terms of client value and consumer protection as shown in **Sections 2 and 3**. Specifically, it is important to highlight the potential pitfalls that could arise when mobile tenancy and connectivity are low or non-existent (see **Box 7**).

### Box 7. M-insurance complexities when there is a lack of mobile ownership or connectivity

Mobile phones are the consumer's touchpoint for m-insurance. Therefore, when processes are fully supported on mobile phones, lack of mobile ownership or connectivity might be a concern. The levels of mobile tenancy[116] and connectivity are key to making m-insurance work. However, lack of mobile ownership and connectivity is widespread in remote and marginal areas; for some segments of populations, such as women;[117] and for entities providing key services to emerging consumers[118] that are just starting to digitalise their operations and may struggle to keep pace with technological developments. In addition, there are some challenges related to consumer behaviour vis-à-vis mobile phones that could affect the customer m-insurance journey; for instance, some consumers have a SIM card but do not stay active on the network for long, or have multiple SIM cards and divide their airtime top-ups between networks.

115 For instance, automation of processes can reduce the cost of claims by 30% (McKinsey & Company, 2018).

116 Or to certain mobile phones, such as smartphones.

117 Women generally experience more difficulties in relation to accessing mobile phones (feature or smart phones), and having appropriate mobile connectivity and electronic ID documents to support all insurance life cycle processes than men. For instance, across low- to middle-income countries, women are still 8% less likely than men to own a mobile phone, and 20% less likely to use the internet on a mobile. This means that in these markets 300 million fewer women than men use mobile internet. In addition, there are wide gender disparities in digital ID systems; for instance, 44% of women in emerging economies lack adequate identification compared with just 38% of men. For instance, 8 million more men than women have Nigeria's national ID (GSMA, 2020; IFC, 2021; Jarrahi, 2021) However, this depends on the country. For instance, during conversations with BIMA Ghana it was noted that women have been faster adopters of mobile use and have higher literacy than men and therefore BIMA is conscious of this by offering insurance products that will be more valued for women through important messages that resonate with women, such as the willingness to protect their children and family.

118 Entities such as MFIs, savings and credit groups and cooperatives, agribusinesses and other type of aggregators.

# 2 Weighing up supervisory risks and benefits

**The benefits and opportunities provided by m-insurance come with concerns and risks for providers and consumers.** In an ideal world, m-insurance could bring several benefits to the agenda of inclusive insurance. In principle, m-insurance is instrumental to narrowing the insurance protection gap, improving the consumer experience and improving efficiency (see Figure 7).

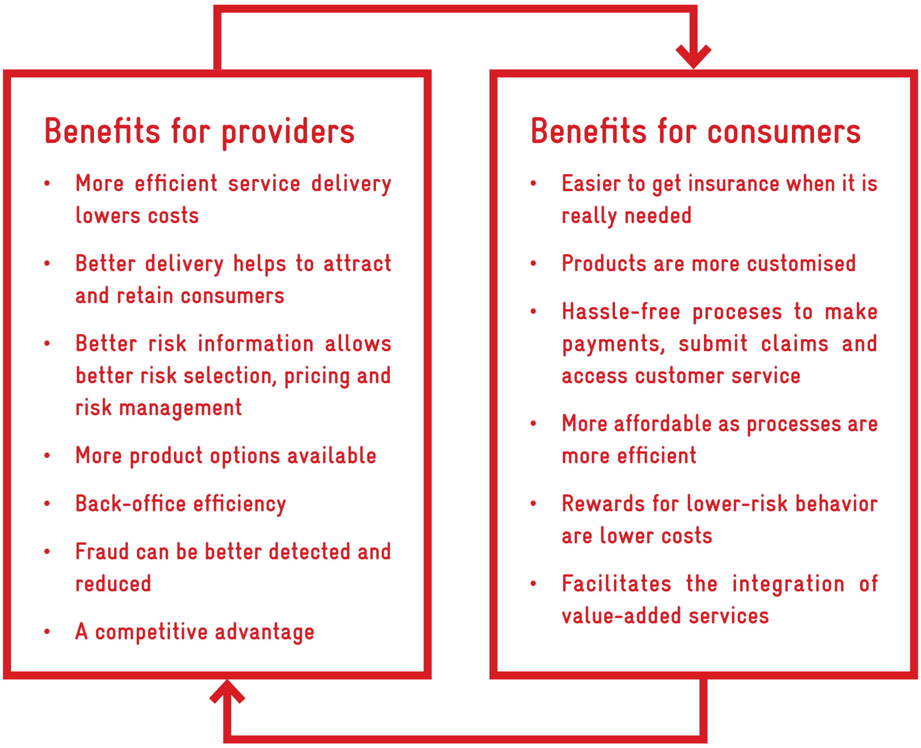


Figure 7. Benefits of m-insurance for providers and consumers[119]

Although m-insurance offers the potential to tackle several obstacles to inclusive insurance, it could also aggravate typical problems associated with inclusive insurance such as trust, awareness, usage and product value. Indeed, m-insurance gives rise to new concerns for insurance supervisors, which are presented in this section.

**The three key supervisory concerns are related to the profile of the emerging consumer, the high dependence on technology and the diversity of the stakeholders operating in this market.** Specifically, the concerns are associated with the characteristics of the ecosystem of m-insurance presented in Section 1 as follows:

1. the **rapid uptake of emerging consumers** who are more vulnerable in many ways than traditional consumers, as they have limited awareness about insurance; have relatively low literacy levels; are more likely to be digitally illiterate; lack mobile tenancy and connectivity; might not have access to justice;[120] and might not have had insurance before and so their first insurance contract might be an m-insurance product purchased through an innovative distribution model supported by remote selling, which is characterised by limited disclosure and support;
2. the **high dependence of business models and client interaction on technology** throughout the insurance life cycle, namely technology that will continue to evolve at a rapid pace and shape m-insurance; and
3. the constant integration of **new players** and incumbents carrying out a wide range of activities across the insurance life cycle through a wide range of arrangements and models.

119 Source: Authors.
120 See Annex 4 for details on their vulnerability based on the profile of emerging consumers.

In practice, these supervisory concerns lead to comprehensive **prudential risks**, such as systemic and reputational risks, and importantly also to **conduct of business (COB) risks**[121] such as those outlined below:

- **The rapid uptake of m-insurance consumers** through distribution and delivery models relying on remote selling and digitalisation can lead to mis-selling, as there may be a lack of policyholder awareness and understanding of risks, including post-sale risks and data protection and privacy risks.[122]
- The high **dependence on technology** that keeps evolving for the design, distribution and delivery of m-insurance, and the rapid and sometimes rushed digital transformation of incumbents and new players,[123] leads to enhanced prudential risks, such as operational, cyber, and legal and regulatory risks,[124] and COB risks, such as payment risks, data protection and privacy risks, and exclusion risks.
- The integration of **players who are new to the insurance and financial world** and carry out a wide range of activities across the insurance life cycle, who might not be supervised or who might be licensed under a scheme that is not suitable to them, or who might be supervised by different authorities leads to enhanced prudential risks such as insurance and underwriting risks, outsourcing risks, regulatory avoidance risks, and contagion and concentration risks. This also leads to enhanced COB risks, such as mis-selling, policyholder value, awareness and understanding risks, or post-sale risks. The combination of traditional (incumbent insurers, traditional brokers) and non-traditional stakeholders through innovative arrangements could enhance prudential risks, such as outsourcing and counterparty risks, and could also enhance COB risks, such as policyholder value risks.

Table 2 provides a detailed list of the supervisory risks emerging from the concerns and risks of m-insurance.

**The prudential and COB risks associated with m-insurance keep changing and emerging.** There is a wide range of new and old prudential and COB risks associated with m-insurance that relate to the three core supervisory concerns presented above. However, considering the trends of the last decade, it is expected that the risks of today might become less or more relevant and new risks that have not even been considered yet will emerge.

**This fact calls for proactive supervisory approaches that consider the constantly evolving market and a focus on understanding their impact.** Table 2 presents the sources of risks in more detail, and the negative impacts that may arise.

Table 2. Overview of key supervisory risks associated with m-insurance[125]

| Source of risks | Supervisory risks | Potential impact if risks are inadequately or not addressed |
|---|---|---|
| **Prudential risks** | | |
| • Lack of actuarial, underwriting expertise and capacity by new insurers.<br>• Insurers that have an important share of the m-insurance market could lack underwriting capacity, for instance they might be reliant on the reduction of capital requirements to enter into a market.<br>• Active participation and pressure in product design (including pricing) by TSPs, MNOs and MMPs that might not have insurance expertise.<br>• For loyalty-based products, risk arises when products are under- or overpriced.<br>• Rapid uptake could strain small insurers' balance sheets without effective reinsurance.<br>• Lack of control over the risk profile of policyholders, as anyone can buy a policy via a mobile phone. | Insurance risk,<br>Systemic risk,<br>Reputational risk | • The insurer may no longer be able to fully honour its obligations.<br>• If premiums are too high, the affordability of the insurance product will be limited. If premiums are too low, this will lead to poor profitability and low product performance.<br>• Claims frequency may be higher than expected and could lead to a sustainability issue with the product offered. Conversely, if claims frequency is very low the value of the product for consumers will be very limited.<br>• Key player of m-insurance collapses or pulls out, undermining trust in the market.<br>• Disappointment and lack of trust by emerging consumers who were experimenting. Reputational damage to the insurance sector |

121 COB risks "can be described as the risk to customers, insurers, the insurance sector or the insurance market that arises from insurers and/or intermediaries conducting their business in a way that does not ensure fair treatment of customers" (IAIS, 2015). According to the glossary of the IAIS, conduct risk is defined as: "The risk of financial loss or other adverse consequences that arises from insurers and/or intermediaries conducting their business in a way that treats customers unfairly or results in harm to customers".

122 See the Glossary in Annex 2 that includes the definitions of COB and prudential risks mentioned in this section.

123 Since March 2020 insurers have been pushed to rapidly adopt digital transformation to be operationally and commercially resilient. In such context, insurers adopted digital transformation and integrated m-insurance in their models and in some cases such move has been rushed.

124 Such as regulatory uncertainty, regulatory backlash and regulatory avoidance risks. For definitions see the Glossary in Annex 2.

125 Sources: IAIS (2012, 2015a, 2016, 2017, 2018a, 2018b), A2ii (2018a), MEFIN-RFPI (2018), Chatzara (2020) and GSMA (2020), IAIS Glossary and consultations with a wide range of stakeholders.

| Source of risks | Supervisory risks | Potential impact if risks are inadequately or not addressed |
|---|---|---|
| • New players and incumbents have a strong dependence on technology within the insurance life cycle.<br>• Rapid and rushed digital transformation by new players and incumbents.<br>• Interconnectedness is increased considering the limited number of technology platforms supporting big data and increased data analytics.<br>• Digital insurers rely solely on digital distribution channels.<br>• Reliance of back-office operations on outsourced IT infrastructure. | Operational risk, Cyber risks, Strategic risk, Systemic risk, Reputational risk | • Technological failures[126] could lead to consumers not being serviced properly or without coverage. This could undermine confidence in the insurance sector and more broadly in insurance.<br>• Increase in cybercrime, espionage and sabotage, particularly affecting immature or badly protected technology platforms.<br>• The wide use of digital tools without appropriate protocols may enable individuals to circumvent AML/CFT controls. |
| • Long value chain with multiple players that do not have a sufficient standard of financial soundness, competence or expertise.<br>• Before there was a model with MNOs, now there are MMPs: digital platforms and this ecosystem might keep changing.<br>• Reliance by insurers on the trust that emerging consumers have on the brands of partners such as MNOs, MMPs or digital platforms means that if something goes wrong with partners it could affect consumers' trust in insurance and in insurers.<br>• Objectives of stakeholders such as MMPs, MNOs and digital platforms might not necessarily be aligned with the insurers' objectives.<br>• Power imbalances where the aggregator has strong bargaining power over insurers. The aggregator or TSP could suddenly decide to walk away from the partnership or leave the market. This issue could be exacerbated in cases where supervisors have limited control over private partnerships between insurers and other stakeholders such as TSPs, MNOs and MMPs.<br>• Weakened business models, processes, internal controls, internal/external audits, reporting, segregation of duties, reconciliation of accounts[127] because of the complex value chain involving many players.<br>• Integration of TSPs as part of the insurers' structure, for instance when TSPs are integrated as part of an in-house department of innovation or digitalisation. Such structures increase contagion risk.<br>• Newcomers are in some cases part of the same groups; for instance, MNOs have created specialised insurers or TSPs, and big data platforms have acquired insurers as part of their group. Such interlinkages between providers in terms of ownership and management increase the contagion risk.<br>• Some participants increase concentration and dominate the provision of m-insurance. | Outsourcing risk, Counterparty risk, Cyber risks, Contagion risk, Concentration risk, Strategic risk, Systemic risk, Reputational risk, Legal and regulatory risks | • Partnerships may fail especially where there are multiple parties involved, i.e. MNOs, MMPs and TSPs.<br>• Impact on the product life span and the whole operation, leaving (in some cases a massive number of) consumers without coverage from one day to the next.<br>• Effective regulatory oversight is limited.<br>• Reputational damage to the insurance sector and to the insurance concept. |

126 Technological failures could include connectivity challenges; customer accounts not showing contributions; reconciliation with MMP or MNO not effective; payments made to an aggregator being lost; loss of transaction data such as premiums received and claims paid; and leak of confidential client data.

127 IFC, 2016.

<table>
<tr><th>Source of risks</th><th>Supervisory risks</th><th>Potential impact if risks are inadequately or not addressed</th></tr>
<tr><td><ul><li>Supervisors face difficulties keeping regulations and supervisory practices up with the pace of innovation, giving rise to regulatory uncertainty risk</li><li>Absence of law or regulations because of the novelty of the business model, channel or technology that is currently not recognised.</li><li>Lack of clarity concerning the applicable law or regulations because of the multiple authorities and frameworks that are typical to m-insurance.</li><li>Incidents such as a change of business practices or termination of a partnership can trigger perceptions that these models are inherently more risky than traditional ones, leading to regulatory backlash.</li><li>New players might not be familiar with compliance obligations and requirements.</li><li>New players may try to stay outside the regulatory environment so they are not classified as insurers or intermediaries to avoid regulatory compliance. In some cases, they might prefer to be online providers without a physical presence within the market to avoid regulatory compliance.</li></ul></td><td>Legal and regulatory risks</td><td><ul><li>Lack of interest of stakeholders in engaging in m-insurance considering the lack of legal certainty.</li><li>Unexpected breach of regulations potentially leading to supervisory corrective measures or sanctions that might unnecessarily restrict the development of m-insurance.</li><li>Regulatory arbitrage.</li><li>Reputational damage to the insurance sector.</li></ul></td></tr>
<tr><td colspan="3">Conduct of business risks</td></tr>
<tr><td><ul><li>Rapid scale up to a large emerging consumer base that might be digitally, financially and insurance illiterate, and therefore more vulnerable to abuse and mis-selling.</li><li>Consumers may be digitally illiterate and unfamiliar with or confused about how to use the technology or engage with their mobile device for insurance transactions.</li><li>Customer engagement through limited face-to-face interaction and limited disclosure considering the remote customer engagement.</li><li>Customer engagement to initiate sales can sometimes be aggressive and lead to unwanted SMS blasts, interactive voice response (IVR) calls and pressured sales.</li><li>Consumer registration and provision of consent are generally done with just one SMS reply or with just a click.</li><li>Aggregator salesperson or sales channel could misrepresent or sell inappropriately products or not provide appropriate post-sale services because:<ul><li>sales incentives are not appropriate.[128]</li><li>Sales people are not competent or adequately trained, and may not provide full information.</li></ul></li><li>Aggressive selling practices give little time and information for consumers to decide.</li></ul></td><td>Mis-selling risk, Policyholder awareness and understanding risk, Post-sale risk</td><td><ul><li>Emerging consumers could feel pressured or pushed into purchasing unwanted products as a consequence of an aggressive sales strategy, without even considering the terms and conditions. Clients end up buying products that they do not need or know how to use.</li><li>Misconduct such as fraud or mis-selling by agents or sales staff; predatory practices.</li><li>Advice is not tailored or not provided.</li><li>Crucial product information is not passed on or understood by customers, affecting the entire customer journey. Consumers may not receive or know how to access policy documentation. Consumers may not be aware of their obligations and the obligations of other stakeholders.</li><li>It is challenging to provide the same level of understanding and support to consumers who have feature phones as that provided to those who have smartphones</li><li>Consumers might not be aware of claims processes, how and to whom to claim. Claims are rejected because the insured or beneficiary does not understand the conditions or process. Products show very low claims ratios.</li></ul></td></tr>
</table>

128 For instance giving agents high commissions based on the number of clients enrolled without ensuring that sales are “responsible sales”.

<table>
<tr><th>Source of risks</th><th>Supervisory risks</th><th>Potential impact if risks are inadequately or not addressed</th></tr>
<tr><td>• Customer engagement with emerging consumers who might not have the type of mobile phone required to obtain the support needed. For instance, emerging consumers might not have phones or access to the internet, which might be required to gain access to terms and conditions.[129]<br>• Support from remote tools such as chat bots and robo-advice is limited in the context of inclusive insurance; these tools might not be accessible, affordable or suitable for emerging consumers.<br>• Automation of post-sale services could be faulty and not available when needed the most.<br>• Auto-enrolment processes, where a person does not pay the premium directly, but it is deducted from airtime or data.<br>• Lack of clarity on which stakeholder is playing which role, how to communicate with them and who supervises them.<br>• Consumers might not have access to phones and connectivity that can support sale and post-sale stages.<br>• Business models where the MNO, MMP or TSP does not send customers SMS updates regularly.<br>• Lack of oversight over the conduct of MNO, MMP or TSP salesperson.</td><td></td><td>• Consumers might be confused in terms of who the risk carrier is and who the aggregator and distribution channel are.<br>• Consumers unknowingly pay for an unwanted product or renewal or may unintentionally lose cover.<br>• Consumers do not know how to access recourse channels, do not know what those channels are and do not have access to those channels. Therefore, consumers might encounter issues when lodging complaints and queries, which might end up in them being unaddressed.<br>• If an insurance contract is available on the mobile device only via a data plan, this may be an issue if the network is out of order or the client does not have access to data.<br>• Damage to the reputation of insurance; no trust in the insurance industry or in insurance.</td></tr>
<tr><td>• Conflict between the interests of the aggregator and the end consumer. Interests of the aggregator could dominate considering the strong bargaining power of the aggregator over insurers or the fact that they are subsidising the product.<br>• Incentives to integrate insurance can be misaligned with the interests of the customer or insurer; for instance, the MNO might be convinced that a certain product will be key to reducing customer churn, but that product might not address the most pressing risk management needs of the client base.</td><td>Policyholder value risk</td><td>• The product does not provide value to consumers, as it does not address the needs, risks and particularities of the end consumer.[130] Products will end up mitigating the risk of the aggregator rather than the consumer.<br>• Disproportionate costs to client due to the remuneration structure, i.e. high commissions or partner fees translating into higher premiums where a small portion is left to cover claims.</td></tr>
<tr><td>• Long value chain comprising multiple entities (e.g. MNO, TSP, MMP) could delay payments and, in the worst case, payments could get lost.<br>• Challenges in terms of reliability and robustness of third-party payment system providers or other payment platforms used, such as connectivity challenges or other technological glitches.<br>• Premium conversion from airtime and data. The latter is a new development that might increase this risk.<br>• Low levels of digital literacy and limited access to touchpoints facilitating e-payments, along with a lack of trust in e-payments.</td><td>Payment risk</td><td>• If premiums are not received by the insurer, cover does not take effect or it is not renewed, leaving the customer unknowingly uncovered and exposed to risk.<br>• Agents may defraud clients during the course of facilitating the transfer of payments, i.e. when advising on the usage of mobile services.<br>• Impact on the delivery, speed or reliability of payments, which could damage trust in and reputation of insurance.</td></tr>
</table>

129 For instance, if the information is provided through only SMS, email, apps or websites, the terms and conditions provided are less likely to be read and understood.

130 For instance, more on-demand products might result in insurance products that reflect the insurers' objectives more than the customers'.

| Source of risks | Supervisory risks | Potential impact if risks are inadequately or not addressed |
|---|---|---|
| • Increased volumes of personal data handled by insurers and other stakeholders.<br>• Fraudulent schemes to steal passwords and codes are predominant in some emerging markets.<br>• Emerging consumers enrolled through remote and light-touch consumer engagement tools are less likely to have provided informed consent for data collection, handling and sharing. | Data protection and privacy risk | • Consumer data may be lost or corrupted, affecting the entire consumer journey.<br>• Data are transferred to third parties without the consent of the consumer.<br>• If consumers change their mobile number, client data can be lost, as their mobile phone number is the primary client identifier. |
| • The digital divide: reliance on mobile phones and connectivity for access to insurance can result in the exclusion of segments of the population that do not have access to mobile phones and those who face connectivity issues such as women and some key providers that deliver key services to emerging consumers.[131]<br>• Potential for further exclusion from insurance services, due to tailored risk selection based on big data and data aggregation that classify certain consumers as "too risky" or not a suitable target market according to the business strategies of insurers and other stakeholders participating in the m-insurance market. | Exclusion risk | • Unintended exclusions of those who do not have access to mobile phones or who have problems of mobile connectivity, as digitalisation is becoming the new normal in inclusive insurance. This leads to a wider insurance protection gap in the era of digitalisation.<br>• Lack of trust in and loss of reputation of insurance by those who are excluded. |

**International guidance prioritises addressing certain risks.** Some of these risks are consequences of developments in InsurTech and FinTech that go beyond m-insurance. In that respect, different international standard-setting bodies such as the IAIS, the Financial Stability Board (FSB)[132] and the Organisation for Economic Co-operation and Development (OECD)[133] have identified key implications of FinTech and InsurTech that should be the focus of attention for supervisors. Specifically, the IAIS [134] as highlighted key implications that need to be addressed as the role of technology in insurance evolves, namely consumer choice, COB, regulatory oversight and data ownership, among others (see **Figure 8**). The IAIS has suggested some supervisory considerations in relation to these implications, such considerations related to the underlying elements of the prudential and COB risks associated with m-insurance, and core issues that should be addressed.

131 As presented in Section 1.3.2.

132 The FSB has issued two general reports: Financial stability implications from FinTech: Supervisory and regulatory issues that merit authorities' attention, 27 June 2017, available in this link; and Artificial intelligence and machine learning in financial services: Market developments and financial stability implications, 1 November 2017, available at this link. The FSB has also issued sector-specific reports, with the Committee on the Global Financial Systems (CGFS) about FinTech platforms engaging in credit provision

133 OECD, 2017a.

134 IAIS, 2017b.

### Competitiveness

- Should supervisors do more to encourage/accommodate competition and new entrants, noting that longer term in other areas technology reduces the number of players?

### Consumer choice

- How should it be ensured that the ability to compare products between providers is not compromised as new technology seeks to find ever smaller segmentations?
- Should there be legislation on data transferability between providers?

### Interconnectedness

- Should current reporting be refined to capture additional information to monitor the potential for increasing interconnectedness?

### Regulatory oversight

- The regulatory perimeter may need to be reassessed to ensure that consumers are adequately protected, and that regulators continue to have the ability to monitor market trends

### Business model viability and prudential requirements

- As the risk profile changes, supervisors will need to ensure that the regulatory capital framework continues to adequately capture the changing risk profile

### Conduct of business

- Should regulation require a minimum level of transparency for consumers that highlights the potential conflicts of interest?
- Should the insurance value chain become highly fragmented?

### Data ownership

- Regulation on data protection may need to be reassessed to include provisions on data transferability between providers
- As more institutions are relying on big data technologies, supervisors will need to ensure that the regulatory framework includes prudential and organisational obligations related to IT management, cyber security and internal controls for outsourcing services

Figure 8. Some supervisory considerations stemming from the integration of technology into insurance (as suggested by the IAIS[135])

These six areas are relatively broad concepts that give rise to important questions and provide relevant insights. However, the assessment of legal provisions in the three focus countries, Egypt, Ghana and Morocco, as well as the other countries considered in this study, provides deeper insights into how supervisors address the supervisory challenges of m-insurance, and also which areas they consider still require work.

135 Source: Authors.

# 3 Addressing supervisory risks in a proportionate manner

## 3.1 GENERAL CONSIDERATIONS

Supervisory action is needed regarding both prudential and COB risks. The diverse supervisory concerns and prudential and COB risks associated with m-insurance that are detailed in Section 2 (see **Figure 9**) need to be addressed and mitigated by supervisory and regulatory actions.

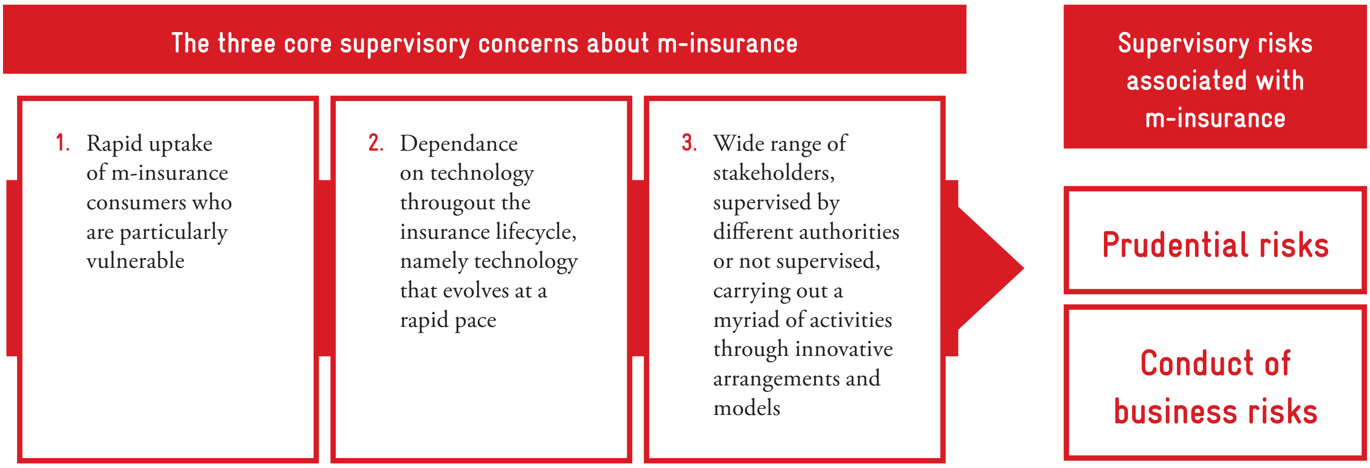


Figure 9. Supervisory concerns and supervisory risks[136]

**The White Paper uses three key dimensions to identify areas where regulatory actions could or should be taken.** This section aims to suggest an approach that supervisors could use to ensure that supervisory risks are addressed in a way that promotes the development of responsible m-insurance. In this way, m-insurance will be a crucial instrument in reducing the insurance protection gap in a responsible manner. To do so, this section brings together guidance that has been provided by the IAIS to support supervisors when addressing the supervisory risks associated with the integration of technology into insurance activities and country examples of how to implement the proportionality principle to promote the development of a responsible m-insurance market. Note that some of the guidance and good practices are specific to m-insurance arrangements, while others are relevant to insurance in general or areas beyond insurance. This guidance and good practice is shared in the context of the three dimensions that are key to ensuring that the proportionality principle is implemented in a manner that ensures that supervisory risks are assessed and m-insurance is developed (see **Figure 10**):

1. **Responsible stakeholders and business models:** through the first dimension, supervisors are invited to explore pathways for ensuring that regulation and supervision enable the intervention of stakeholders that are key for the provision of m-insurance through innovative business models[137] within the insurance life cycle, while addressing the supervisory risks emerging from such interventions.
2. **Responsible digitalisation of the customer journey:** the second dimension focuses on providing tools to supervisors that allow them to ensure that regulatory and supervisory approaches unlock the use of digitalisation across the customer journey, to ensure that it is hassle free and at the same time that the supervisory risks associated with enhanced digitalisation are appropriately addressed.
3. **Appropriate supervision that encourages efficiency, innovation and proactivity:** the third dimension focuses on ensuring that supervisory approaches are conducive to the development of m-insurance. In particular, this dimension provides tools to ensure that all the supervisory authorities involved collaborate efficiently; that innovative approaches are promoted; and, finally, that supervisors have access to tools, considering their resources and capacities, to keep monitoring the market, identifying supervisory risks and assessing the impact of the measures adopted.

136 Source: Authors..
137 The stakeholders participating in m-insurance and the business models used were presented in Section 1.1.

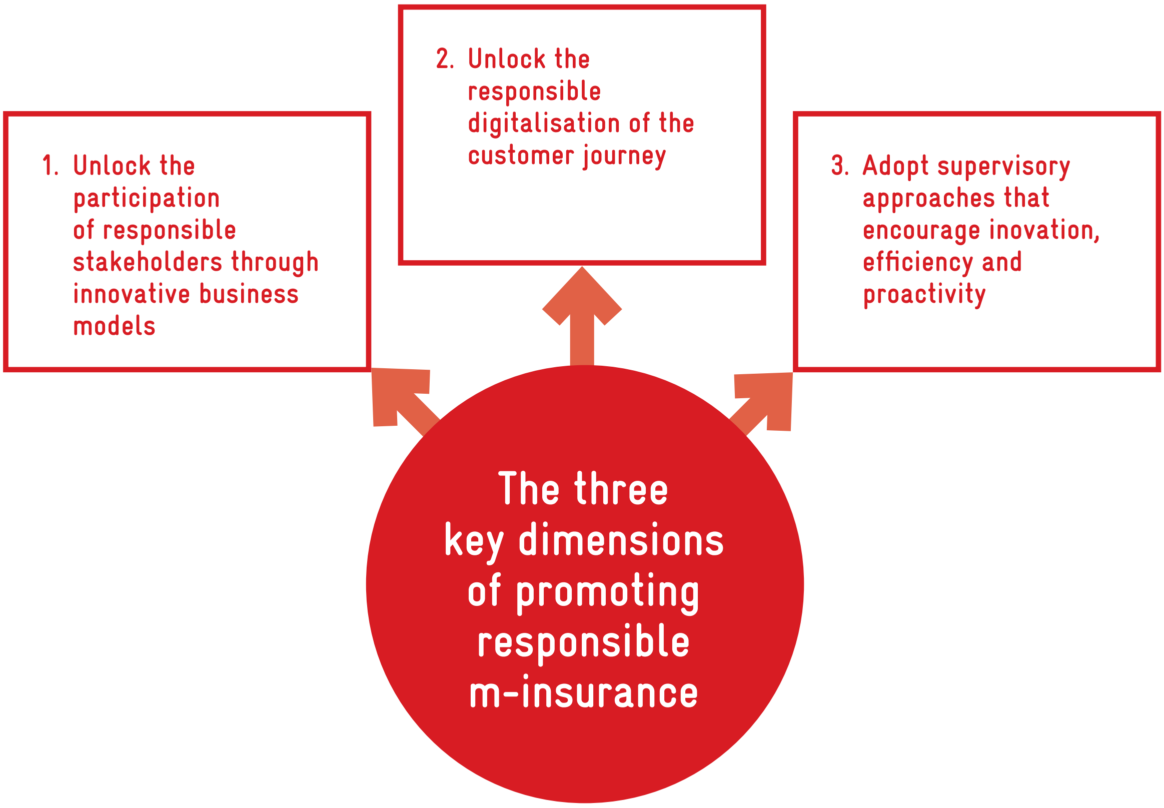


Figure 10. The three dimensions of promoting responsible m-insurance

The following overarching considerations are intended to help supervisors to navigate the guidance and emerging practices provided in this section. Supervisors are invited to consider the following four elements while navigating the three dimensions and applying the proportionality principle:

1. **Some jurisdictions have developed a specific m-insurance regulation, with one single specific m-insurance rule, while others have adapted different regulatory provisions.** The particularities of m-insurance in each country determine the type of supervisory risks and their intensity. Therefore, the measures that should be adopted to address those risks should be tailored to the needs and particularities of the jurisdiction, and "copying and pasting" solutions from other jurisdictions should be avoided. A tailored regulatory scheme can take various forms. Some jurisdictions have adopted a specific regulation on m-insurance, while others focus on a combination of rules. Specific m-insurance rules or regulations were adopted for example in **Ghana, Uganda and the CIMA region**[138] and they regulate a diversity of topics, which are presented in more detail below. Interestingly, in the case of the CIMA region m-insurance is considered a sub-category of microinsurance. In other jurisdictions, a new category or insurance line has not been created, but rather opportunities in m-insurance have been unlocked through a wide range of regulations including those applying to remote selling, consumer protection, e-commerce, alternative distribution channels, technology-based distribution channels, intermediation, outsourcing, digital finance, microinsurance and mass insurance, to name the most prominent examples. Examples of the latter are **Kenya, Indonesia, the Philippines, India, Costa Rica, Pakistan, Brazil, Morocco, Egypt and Colombia** (Box 8 provides more details on the example of Brazil)[139]
2. **Proportionate approaches to regulating and supervising m-insurance effectively are not limited to insurance regulation and supervision.** The applicable regulatory framework and the supervisory authorities involved in m-insurance transcend insurance regulation and insurance supervisors as a consequence of the complexity of the m-insurance ecosystem. The development of the m-insurance market depends on appropriate regulation and supervision in respect of the insurance activity and contract, while also cutting into the regulatory space of telecommunications, payment systems, digital financial services, e-commerce, data protection, tax regulation, consumer protection, contract law, anti-money laundering and combating the financing of terrorism (AML/CFT), health, and trade and commerce, among others (see Table 3 for an indication of regulations and the regulatory ambit as well as the authorities involved).

138 The draft was examined and approved at the last meeting of the CRCA in May 2020. In accordance with the usual procedure, the document has been transmitted to the national authorities and to the States for their comments before its final adoption during the next meeting of the Council of Ministers.

139 Section 3 will provide some of these examples in further detail.

**Box 8. The regulatory framework of Brazil uses diverse legal instruments[140]**

A wide range of regulations adopted at different stages of the development of the insurance market has unlocked the m-insurance market in **Brazil**.

**The regulations combine different measures allowing electronic signatures (e-signatures), easing distribution, reinforcing consumer protection and creating a regulatory sandbox,** among other key steps.

- The first intervention was in 2004 and aimed to simplify the insurers internal processes by allowing e-signatures with digital certificates (SUSEP Circular 277/04). This was made possible by the issue of Provisional Measure 2200-2/2001, which introduced e-signatures in the Brazilian legal framework.
- In 2012, a series of resolutions of the Conselho National de Seguros Privados (CNP) and the Superintendencia de Seguros Privados (SUSEP) were issued to facilitate the **distribution** of microinsurance products. For instance, Circular 440/2012 introduced the concept of "remote selling" and allowed the use of login and password details as well as biometric identification as valid signatures for microinsurance policies. Remote means were defined as those using any telecommunication network such as internet, phone, cable or satellite.
- The great success of SUSEP and CNP interventions in 2012 led to the **expansion of mobile insurance to all lines of business** in 2013 through Resolution 294/2013. Also in 2013, Circular 480/13 was issued by SUSEP with the objective of improving consumer protection in the context of m-insurance.
- In 2014, some aspects of Circular 404/12 were modified by SUSEP Circular 490/14.
- In 2017, CNP Resolution 359/17 brought some additional improvements to make it even easier for m-insurance to spread.
- In 2020, CNP Resolution 381/2020 and SUSEP Circular 598/20 enabled a **regulatory sandbox** to promote innovation. In October 2020, 11 new companies were selected to participate in this sandbox. In addition, the Market Conduct CNP Resolution 382/20 was issued as an important milestone to adapt conduct supervision to the new challenges coming from the digital transformation. The 2020 interventions have the objective of modernising SUSEP's supervision and promoting competition and innovation.

Table 3. Applicable regulations and relevant authorities for the development of the m-insurance market[141]

| Regulatory ambit | Authority |
|---|---|
| Insurance law and regulations (prudential and COB including inclusive insurance regulations such as those related to microinsurance, mass insurance, digital insurance and m-insurance), contract and commercial law | Insurance supervisor (prudential and COB) |
| Financial sector regulations, digital financial services, payment systems regulation[142], financial consumer protection | Financial supervisor/central bank |
| Telecommunications law and regulations | Telecommunications authority |
| E-commerce regulation, digital development (some digitalisation issues) | Ministry of trade or ministry of commerce and other agencies |
| Tax regulation, AML/CFT | Ministry of finance or treasury |
| Data protection regulation | Data protection agency or national identity authority |
| Competition law | Competition authorities |
| Regulation related to telehealth and telemedicine provision | Health ministries and other agencies |
| General consumer protection regulations | Ombudsman |
| Cybersecurity | Ministry of trade or ministry of commerce and other agencies |

140 Source: Survey submitted by SUSEP and publicly available regulations.
141 Source: Authors adapted from A2ii (2018a).
142 "This includes all the systems, mechanisms, institutions, agreements, procedures, rules and laws that come into play from the moment an end-user, using a payment instrument, issues an instruction to pay another person or a business, to the final interbank settlement of the transaction in the books of the central bank" Overview (PASA, 2017).

3. **Applying the proportionality principle does not mean that supervisory practices and regulatory requirements in m-insurance should be less intensive or lower than those of conventional insurance.**[143] The principles applicable to conventional insurance are equally applicable to inclusive insurance, of which m-insurance is a subset, and to any new digital business models involved. In some cases, these principles may have to be implemented differently because of the complexity of and risks associated with m-insurance. Some additional requirements, conditions and restrictions may be appropriate for and proportionate to the complexity and risk involved.[144] Supervisors are invited to adopt an approach where the principles applicable to conventional insurance are adapted and tailored to the particularities of new digital business models, such as m-insurance; this could entail applying lower or higher requirements than would be applied to conventional insurance depending on each case. For instance, measures should be proportionate and commensurate to the activities carried out by stakeholders mentioned in Section 1.1. When such activities do not entail the provision of information to consumers, the training requirements of the field staff involved in onboarding processes could be relatively low, such as is the case of MNO staff who only refers consumers for product information to a call centre. However, if staff provide advice and support to customers, training requirements should be adapted accordingly.

4. **Complementary action beyond regulation may be required to ensure the development of responsible m-insurance markets.** Factors beyond regulation and supervision could play a role in hindering or promoting the development of responsible m-insurance markets, such as supply, demand or policy factors (see **Figure 11** for a non-comprehensive presentation of some of these factors). This is in fact the case in countries such as Morocco and Egypt, where supply and demand factors are the main reasons why m-insurance is still in the early stages of development. Conversely, looking at countries such as Kenya, Ghana, Tanzania and India, where m-insurance is more developed, it is clear that this more advanced development is a direct consequence of strong digital infrastructures that became the backbone of digital payments systems, which increased competition among providers that now see a business case for digitalisation. Indeed, when mobile money systems reach scale, other financial services such as insurance have opportunities to develop. Another factor strongly promoting the development of the m-insurance market is the engagement of TSPs. In the cases of Morocco and Egypt, digital infrastructures are still in development and providers are still putting elements together to build a business case.[145] In this context, complementary measures promoting the development of m-insurance might be related to promoting digital and financial literacy, promoting behavioural changes regarding digital contracts and digital money, and promoting the development of digital infrastructure, among other factors. In this context, regulatory and supervisory measures are not always the only way, or the most suitable way, to address supervisory risks. However, supervisors could play an important role in encouraging, promoting and advocating for the adoption of measures that unlock barriers related to supply, demand and policy.

**Supply**

- Digital information technology and infrastructure available
- Diversity of providers and models
- Intereseted and innovative providers
  - business case
- Valuable products

**Policy environment**

- Digital financial inclusion as a priority
- Consumer education on DFS
- Digitalization of other sectors that can unlock MI opportunities
  - For instance, AG tech

**Demand**

- Digital culture
- Liquid customer engagement
- Digital empowered customers

**Regulation & supervision**

- Digitalization of the insurance value chain
- Innovative providers and technologies in responsible models
- Efficiency and collaboration of authorities involved

Figure 11. Some opportunities for the development of the m-insurance market[146]

143 IAIS, 2018.
144 IAIS, 2018.
145 For instance, in Morocco interoperability was an issue a couple of years ago, but it is no longer an issue and this is unlocking interesting opportunities
146 Source: Authors.

## 3.2 DIMENSION 1 – UNLOCKING OPPORTUNITIES FOR RESPONSIBLE STAKEHOLDERS TO DEVELOP RESPONSIBLE BUSINESS MODELS

**Proportionate regulation can unlock the opportunity to integrate a wide range of providers into the m-insurance market through responsible business models.** This dimension recognises the need to strike the right balance between allowing the involvement of a wide range of stakeholders in m-insurance and addressing the supervisory risks associated with the integration of these stakeholders, who are reliant on digitalisation. This section aims to provide, firstly, some factors to consider in relation to stakeholders and their role as risk carriers and also as intermediaries, distribution channels, aggregators, digital platforms and outsourcing providers, within the regulation (Section 3.2.1); and, secondly, some factors to consider in ensuring that the arrangements used by stakeholders to create partnerships do not hinder market stability or affect consumers negatively (section 3.2.2). For the benefit of supervisors, **Box 9** provides a summary of the ICPs relevant for this analysis.

**Box 9. ICPs relevant for Dimension 1**

**ICP 1: Objectives, Powers and Responsibilities of the Supervisor.** Each authority responsible for insurance supervision, its powers and the objectives of insurance supervision are clearly defined.

**ICP 4: Licensing.** A legal entity which intends to engage in insurance activities must be licensed before it can operate within a jurisdiction. The requirements and procedures for licensing must be clear, objective and public, and be consistently applied.

**ICP 5: Suitability of Persons.** The supervisor requires Board Members, Senior Management, Key Persons in Control Functions and Significant Owners of an insurer to be and remain suitable to fulfil their respective roles.

**ICP 7: Corporate Governance.** The supervisor requires insurers to establish and implement a corporate governance framework which provides for sound and prudent management and oversight of the insurer's business and adequately recognises and protects the interests of policyholders.

**ICP 8: Risk Management and Internal Controls.** The supervisor requires an insurer to have, as part of its overall corporate governance framework, effective systems of risk management and internal controls, including effective functions for risk management, compliance, actuarial matters and internal audit.

**ICP 12: Exit from the Market and Resolution.** Legislation provides requirements for the voluntary exit of insurers from the market; and the resolution of insurers that are no longer viable or are likely to be no longer viable, and have no reasonable prospect of returning to viability.

**ICP 13: Reinsurance and Other Forms of Risk Transfer.** The supervisor requires the insurer to manage effectively its use of reinsurance and other forms of risk transfer. The supervisor takes into account the nature of reinsurance business when supervising reinsurers based in its jurisdiction.

**ICP 14: Valuation.** The supervisor establishes requirements for the valuation of assets and liabilities for solvency purposes.

**ICP 15: Investments.** The supervisor establishes regulatory investment requirements for solvency purposes in order for insurers to make appropriate investments taking account of the risks they face.

**ICP 16: Enterprise Risk Management for Solvency Purposes.** The supervisor requires the insurer to establish within its risk management system an enterprise risk management (ERM) framework for solvency purposes to identify, measure, report and manage the insurer's risks in an ongoing and integrated manner.

**ICP 17: Capital Adequacy.** The supervisor establishes capital adequacy requirements for solvency purposes so that insurers can absorb significant unforeseen losses and to provide for degrees of supervisory intervention.

**ICP 18: Intermediaries.** The supervisor sets and enforces requirements for the conduct of insurance intermediaries, in order that they conduct business in a professional and transparent manner.

**ICP 19: Conduct of Business.** The supervisor requires that insurers and intermediaries, in their conduct of insurance business, treat customers fairly, both before a contract is entered into and through to the point at which all obligations under a contract have been satisfied.

**ICP 21: Countering Fraud in Insurance.** The supervisor requires that insurers and intermediaries take effective measures to deter, prevent, detect, report and remedy fraud in insurance.

### 3.2.1 Enabling the responsible integration of stakeholders through proportionate formalisation pathways

Supervisors may want to consider pathways to unlock opportunities for the intervention of stakeholders within the insurance life cycle through a proportionate approach. This has been mentioned by several supervisors as a key way of enabling the development of m-insurance, including in **Brazil** and the **CIMA** region, in the survey carried out for this study.

a. **Insurance legislation should clarify whether or not a definition of m-insurance is required.** Insurance legislation may include a definition of m-insurance and any connected activities that are subject to licensing, authorisation and registration, and should prohibit unauthorised activities.[147] Some countries have demarcated the space of m-insurance through a specific definition and regulation dedicated to m-insurance. This is the case in **Ghana**[148] and **Uganda**[149], where a specific regulation for the m-insurance business was created that applies to the different roles played by MNOs (such as policyholder in group policies, agents or the platform only).[150] In countries where m-insurance definitions are linked to a specific model, such as Ghana and Uganda, it is expected that these definitions might end up evolving to allow other models, such as second-generation models, to operate in the m-insurance market, as expected in Ghana under the new Insurance Law (see **Annex 8**).[151] A similar approach is in the process of being adopted in the CIMA region, where draft rules for m-insurance provide a clear definition of m-insurance. Other countries have opted for a different approach where there is no specific m-insurance regulation and, therefore, no definition of m-insurance. In these cases, definitions may be required regarding concepts such as digital marketing, remote selling or similar, as is already the case in countries such as **Indonesia, Kenya, Pakistan, Brazil and Morocco.**

b. **The supervisory perimeter may have to be reassessed.** Entities that fulfil functions in the insurance life cycle must be supervised either directly or indirectly, and setting a framework for this is imperative. The supervisor has the power to regulate those functions that relate to insurance provision or intermediation, regardless of whether or not the entities themselves are regulated by a separate regulatory authority for their primary business, such as the central bank or the telecommunications authority[152] as is the case of MMPs and MNOs. In light of changing technologies and tech-driven business models, supervisors and policymakers face the challenge of reassessing the scope of the regulation to ensure adequate consumer protection and the ability of regulators to monitor market trends.[153] In this respect, the IAIS provides that the supervisor should *"set expectations, assess the competency and experience of the third party/contractor, regularly monitor their performance, and ensure their independence from the insurer or any other related party"*.[154] Specific cases include an MNO acting as the aggregator and partnering with a TSP and insurance company, or a FinTech engaging in insurance sales as presented in **Section 1**.

#### 3.2.1.1 Proportionate approaches for licensing risk carriers

**The need for proportionate approaches for licensing risk carriers.** As presented in **Section 1.1**, stakeholders with experience in providing m-insurance, such as TSPs, MNOs and InsurTechs, are showing an interest in becoming underwriters. They have the potential to disrupt the structure of the m-insurance value chain, bypassing existing insurers. Having an underwriting licence would give them control over their products and operations, and makes sense from a financial perspective. Licensing processes and prudential requirements could act as obstacles for new entrants, therefore supervisors may want to adopt proportionate approaches to make them lighter. However, while doing so, it is paramount to ensure that risk carriers are robust enough to honour their obligations, and that there are no loopholes for regulatory arbitrage. Providing pathways to formalise these entities could be done as follows:

a. **Consider the existing licensing options:** before adding new classes of insurance to the list of classes already granted to a legal insurance entity, the supervisor is encouraged to consider the existing licensing requirements.[155] In fact, globally, some TSPs, MNOs and InsurTechs have already acquired insurance licences in emerging countries. For instance, BIMA has acquired a microinsurance license in Cambodia (Milvik); Vodacom, a South African MNO, has acquired an insurance license and operates as Vodacom Life Assurance Company; the MNO Econet obtained an insurance license in Zimbabwe and operates as Ecolife; and more recently the MIC has expressed its intention to operate as a risk carrier and plans to acquire insurance licences in different jurisdictions.[156]

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147 Standard 4.1 (IAIS, 2018).
148 The Market Conduct (M-insurance) Rules issued by the NIC in 2017, from now on called the "M-insurance Rules 2017".
149 IRA Uganda, Mobile Insurance Regulation, 2020
150 This is further developed in Annex 2.
151 Importantly, in Ghana and Uganda, the regulations on m-insurance provide that, where an m-insurance product is approved as a microinsurance product, the regulations applicable to microinsurance products apply generally to the marketing and sale of the product in addition to these m-insurance regulations.
152 IAIS, 2018.
153 IAIS, 2017a.
154 IAIS, 2018d. See Section 3.4 "Ensuring the adoption of appropriate supervisory approaches" for more detail on ensuring efficiency and collaboration when different supervisors and regulators are involved.
155 IAIS, 2018.
156 See link.

b. **If the regulation allows "microinsurers", take this into consideration, as this could be an entry point for newcomers:** the progress made on proportionate licensing for insurers offering specifically microinsurance products is supportive of newcomers in m-insurance schemes. BIMA in **Cambodia** was able to operate as a risk carrier precisely thanks to the existence of a microinsurance licence in the regulatory framework of Cambodia. It is also expected that such approaches, where lower prudential requirements have been allowed under certain circumstances, will unlock opportunities in other geographical locations and for other stakeholders such as the MIC and new digital insurers (see **Box 10** for some examples).

c. **Develop new models for licensing digital providers:** depending on the case, supervisors, after having understood the particularities of new risk carriers and assessing the risks, can decide to impose proportional requirements to new entrants. This is precisely the approach adopted in countries where specialised risk carriers, for instance for microinsurance, are allowed (see **Box 10**). For instance:

   - In **Pakistan**, the Securities and Exchange Commission of Pakistan (SECP) issued a draft regulatory framework for digital-only insurers and microinsurers that introduces different prudential requirements for these new structures, but highlighted that COB rules are equally applicable to digital-only insurers (see **Box 10**).

d. **Develop proportionate supervisory approaches to allow newcomers and speed up licensing processes:** **Section 3.4.** focuses on this topic and highlights the importance of creating spaces where newcomers can operate and test their approaches without hindering the market and consumers, for instance through "test-and-learn approaches", regulatory sandboxes or "fast-track" licensing processes (see **Section 3.4**).

e. **Explore the recognition of cell captives,**[157] **as it could unlock access to another formalisation pathway for newcomers:** a framework of cell captives could allow the entry of newcomers that would like to operate as risk carriers. However, this will depend on how present these vehicles are in a certain country and if the regulation allows them[158]:

   - These vehicles are used in **South Africa** where the Financial Sector Conduct Authority (FSCA) is currently looking to regulate third-party cell captives.
   - In **Kenya**, the Insurance Regulatory Authority (IRA) has been open to exploring the potential of cell captives in the context of InsurTechs and is open to creating a space to test such innovations, mainly through the recently launched BimaLab.[159]

f. **Ensure that risk carriers offering insurance remotely are restricted to offering these products in their own geographical location:** insurers are generally allowed to offer their products in only jurisdictions where they have obtained the appropriate licenses or authorisation. Nowadays, with the emergence of digital insurers, it is easier to offer cross-border insurance products. This increases several prudential and COB risks, which need to be proportionately addressed. In this respect, supervisors may want to consider being very explicit about limiting insurers so that they are authorised to provide products remotely to only the specific geographical location where they were granted a licence.

   - This is actually the approach that has been adopted in the **Philippines**, as set out in the recent Circular 2020-19 issued by the Insurance Commission, where it is provided that: *"insurers shall only insure persons and/or risks situated within the Philippines. Remote Selling Initiatives may not be utilised in cross-border selling. Accordingly, insurers shall adopt measures to ensure that no cross-border selling shall occur at the time of conduct of the sale".*

157 Cell captives are vehicles created by insurance companies (cell providers) to extend the use of their insurance licences to other organisations (cell owners). The cell owner uses the licence to cover its own assets (first-party cell) or to cover assets or lives of its members or customers (third-party cell). The cell owner can provide capital for the cell or the insurance company can capitalise the cell and in return receive a fee or share of underwriting profits.

158 Dunn et al., 2021.

159 See Section 3.3.

**Box 10. Examples of unlocking opportunities for new risk carriers**

**Regulation on microinsurers as enablers:** such proportionate approaches have unlocked opportunities in m-insurance. An example of this is that of BIMA, a TSP, which operates in Cambodia as a microinsurer. The regulations of countries such as the **Philippines, Brazil, Nigeria, South Africa, Cambodia, Zimbabwe, Kenya and Eswatini,** and of **the CIMA region** recognise the creation of specific risk carriers for microinsurance with different licensing requirements. India is currently exploring this option.[160]

The most recent case is Pakistan. The SECP introduced a proposal for a registration regimen for digital-only insurers and dedicated microinsurers.[161] This draft framework stipulates requirements relating to business conduct such as technological capacity requirements, allowable classes of business, the requirement for pilot operations before full-scale launch, cybersecurity requirements, product-filing requirements and the requirements for the fair treatment of customers, among others.[162]

The draft framework proposes adapting prudential requirements set out in the Insurance Rules, 2017, for digital-only insurers and microinsurers, specifically by varying the minimum capital requirements depending on the type of insurer.[163]

The draft framework establishes clearly the allowable minimum capital requirements for life and non-life classes of business for digital-only insurers, limited to only individual or natural persons and depending on specific limits of the sums insured. Products allowed range from savings products to life digital-only insurers and this will be determined on a case-by-case basis. Digital-only insurers can only use services of insurance intermediaries or TSPs for digital distribution and therefore cannot use non-digital modes of insurance distribution. The draft specifically provides that the digital-only insurer will establish a physical place of business in Pakistan and will keep the SECP updated about the address of its place of business.

| Minimum Paid up Capital Requirement | |
|---|---|
| | Amount in PKR (million) |
| Life insurers | 700 |
| Non-life insurers | 500 |
| Life microinsurers | 150 |
| Non-life microinsurers | 80 |
| Life digital-only insurers | 150 |
| Non-life digital-only insurers | 80 |

#### 3.2.1.2 Proportionate approaches to formalise stakeholders involved in distribution and with other roles

**Regulatory considerations in relation to innovative stakeholders assuming distribution and support roles in m-insurance have regulatory precedents in some jurisdictions.** The m-insurance ecosystem involves a wide range of entities, carrying out a myriad of activities that might be considered intermediation, including MNOs, TSPs, MMPs, InsurTechs and other players.[164] Depending on the activities they carry out, these entities might be subject to licensing[165], authorisation and registration; they could also be subject to ongoing supervisory review or supervised indirectly through the supervision of insurers.

160 In 2020 the IRDAI in India constituted a committee in order to explore the allowance of Standalone or Exclusive Micro Insurance companies to improve Micro Insurance penetration in India. The Report of the Committee for development of a concept paper on standalone Micro Insurance Companies was published for consultation in October 2020. IRDAI, 2020.

161 Link News, 2021. See also SECP, 2021.

162 Interestingly, the draft framework introduces the following definitions: digital insurance, insurance which is distributed, serviced and administered through digital or electronic means only; and digital-only insurer, insurer which solely relies on technology for its insurance operations and does not use any other mode for distribution, administration, servicing or for performing any other aspect of its insurance operations.

163 Pakistan Rupee (PKR) see https://www.currencyconverterx.com/PKR/USD/700000000 is 4.150361 USD (as of 15.9.21) while 150 million PRK is 889.363 USD; the same as for a life microinsurance; and 80 million PKR for a none-life digital only insurers is 474,327 USD

164 According to the IAIS glossary, intermediation is defined as the activity of soliciting, negotiating or selling insurance contracts through any medium, where "solicit" means attempting to sell insurance or asking or urging a person to apply for a particular kind of insurance from a particular company for compensation; "negotiate" means the act of conferring directly with, or offering advice directly to, a purchaser or prospective purchaser of a particular contract of insurance concerning any of the substantive benefits, terms or conditions of the contract, provided that the person engaged in that act either sells insurance or obtains insurance from insurers for purchasers; and "sell" means to exchange a contract of insurance by any means, for money or its equivalent, on behalf of an insurance company. https://www.iaisweb.org/page/supervisory-material/glossary

165 The supervisor should ensure that initial licensing conditions and ongoing regulatory requirements are maintained, after the licence has been issued.

Supervisors are invited to consider the following elements, to strike the right balance between benefits and risks:

a. **Define clearly which stakeholders are considered intermediaries and which are not.** The first step that supervisors are advised to take is to clearly map which entity does which activity, namely the underwriting, intermediation, pricing, product design, administration, premium collection, management of insurance claims, loss adjustment, claims appraisal, payment of payouts and providing the electronic platform to carry out these activities. IAIS guidance emphasises that it is essential to clearly identify what business functions are outsourced to external parties by the insurer, including outsourcing to related entities within the insurance group or financial conglomerate. Even though some of these functions are excluded from the IAIS definition of insurance intermediation, they may relate to other ICPs and standards relating to business conduct.[166] For instance, the TSP Inclusivity Solutions is not considered as an intermediary in the markets in which it works (see **Table 1**), as it relies on other distribution structures and provides only diverse support roles and not intermediation. It is however open to obtain an intermediary license in the future in any given market, in case it begins performing such activities.

b. **Consider that, depending on the level of involvement and support provided to end consumers, licensing approaches differ.** When entities such as MNOs, MMPs, TSPs, digital platforms and other stakeholders conduct regulated insurance activities, such as intermediation, they can be either a licensed broker or a corporate agent. However, when they carry out activities that entail less or no involvement with end consumers, they are not considered an intermediary. For instance:

   - In **Ghana**, according to the M-insurance Rules 2017, if an MNO simply provides its platform, it is called a "platform-only provider". However, if an MNO carries out a licensed activity (intermediary functions as agent or broker)[167] it needs to get an intermediary license. If an MNO is other than a platform-only provider, a TSP must usually be party to the arrangement. The TSP has responsibility for administering the contract, including claims, and providing marketing, administrative and technical support to the MNO. Where the MNO is other than a platform-only provider, the only circumstances in which a TSP would not be required, is if all the TSP functions are carried out by the insurer (rule 8 of the M-insurance rules). The National Insurance Commission (NIC) Ghana plans to develop a new license for TSPs under the new Insurance Law, which is expected to cover the range of activities it undertakes, as it has been recognised that these activities fit under neither the broker license nor the corporate agent license that NIC Ghana currently has.

   - In **Indonesia**, entities participating in "active marketing" must be registered as either insurance agents or brokers, whereas aggregators such as non-bank businesses that use electronic systems under the "referral model" are subject to different requirements.

c. **Consider how proportionate regulatory approaches adopted in the context of inclusive insurance have unlocked the use of alternative distribution channels, which could also be used for m-insurance.** The regulatory adaptations that can unlock the use of alternative distribution channels, for instance under the umbrellas of microinsurance, mass insurance or other regulations on inclusive insurance, are entry points for enabling the licensing or registration of providers participating in m-insurance as another class of insurance. This is why some providers of m-insurance benefit from the class of microinsurance aggregators or intermediaries, as in the following cases:

   - In the **Philippines,** TSPs are licensed and regulated as microinsurance brokers.

   - In some **Central American countries**, MNOs, MMPs and other stakeholders that are key in m-insurance are allowed to operate as mass marketers.

   In countries where there is no regulatory framework allowing alternative distribution, supervisory authorities have adopted a case-by-case approach and are exploring the modification of their regulations to allow alternative distribution more broadly (see **Box 11**). For instance:

   - This is the case in **Morocco,** where the Supervisory Authority of Insurance and Social Welfare (ACAPS) has unlocked the possibility of MMPs commercialising insurance but on a case-by-case basis and is currently in a process of reforming the Insurance Code to unlock possibilities for alternative distribution more broadly.[168]

d. **If intermediaries are supervised indirectly by insurers, it is suggested that supervisors ensure that such an approach achieves effective supervision.** According to the IAIS, if insurers supervise intermediaries indirectly the supervisor should consider the extent to which such an approach achieves effective supervision.[169] Therefore, the insurer should make sure that an intermediary can be relied on to perform processes on its behalf. To achieve this, supervisors have to assess insurers based on the adequacy of the processes carried out and the documentation obtained. For instance:

   - This approach has been adopted in **Indonesia,** where Circular Letter 5/2020 provides[170] that insurers must have and must implement selection standards and accountability when choosing their distribution partners. This is intended to guarantee that distribution partners have the required licences, a good reputation and internal controls in place with respect to preventing churning, pooling and twisting. The Financial Services Authority (Otoritas Jasa Keuangan (OJK)) requires insurers to submit documents evidencing that they have undertaken the relevant diligence and assessments of distribution partner candidates when they apply for OJK approval.

166 IAIS, 2018: Standard 18.0.3 and Standard 18.8.
167 For instance, as agent or when it serves consumers in its premises.
168 For instance, in 2020 ACAPS allowed MMPs to commercialise insurance products.
169 IAIS, 2018.
170 OJK, 2020

**Box 11. Unlocking opportunities for the involvement of innovative intermediaries and other stakeholders in inclusive insurance**

- **Distribution channels allowed in the context of inclusive insurance and microinsurance:** countries such as **the Philippines, India, Tanzania, Brazil, Peru, Colombia, Pakistan and Guatemala, and those of the CIMA region** have adopted proportionate approaches to unlock the use of alternative distribution channels in the context of inclusive insurance. In these countries, the microinsurance broker, microinsurance agent, microinsurance correspondent, insurance representative, banking correspondent and mass marketer, among other entities, are examples of the alternative distribution channels specifically allowed for microinsurance.[171]
- **Traditional regulation of insurance intermediaries:** in addition to the opportunities that are unlocked by the recognition of alternative distribution channels, stakeholders such as MNOs and TSPs can also be integrated as traditional agents or brokers, and in some cases the requirements can be tailored so they are more proportional for this purpose.
  - This is the case in countries such as **Zambia** where the Registrar applies the agent licence provisions to the MNOs and to the TSPs, and tailors the requirements as relevant.
  - In addition, in **India**, online insurance marketplaces such as Policybazaar, Coverfox and Turtlement are regulated by the Insurance Regulatory and Development Authority of India (IRDAI) as agents or brokers, depending on the business model.
- **Comprehensive approaches to regulate intermediaries and other stakeholders in m-insurance:**
  - In **Ghana**, the M-insurance Rules 2017 differentiate licensing requirements depending on how MNOs and TSPs participate in the value chain.
  - The M-insurance Rules provide that MNOs can participate in the distribution of m-insurance as platform-only providers, licensed insurance agents or policyholders of group policies.
  - The M-insurance Rules provide that TSPs[172] should have the experience and licences appropriate for being an outsourcing services provider, or an insurance agent or broker. Currently, TSPs in Ghana are licensed as corporate agents, which is not appropriate, as their activities extend much beyond the activities of a corporate agent. Under the new Insurance Law that has been enacted in Ghana in 2021, TSPs will be licensed separately. Considering their importance in the value chain and for customer services (they play the consumer-facing role in Ghana), the NIC is of the view that more clarity in respect of the activities these entities carry out is required.
  - The scope of the rules is limited, stating that "These rules do not apply to a platform only provider". In the case of the business model of today, where MNOs merely act as platform-only providers, and not as brokers or group policyholders as they did in the early years, the rules apply to the insurer and TSPs, but not to MNOs (scope of rules 1).
  - In **Indonesia**, the OJK issued Circular Letter 5/2020 to regulate the marketing and sale of insurance products and their distribution through digital platforms. The Circular Letter 5/2020 provides clear guidelines for stakeholders participating in the insurance life cycle either as intermediaries or as distribution partners involving electronic systems, and also for those participating in marketing insurance products through websites and/or digital platforms (details are provided in **Annex 6**).
  - Entities carrying out "active marketing"[173] activities are subject to licensing and registration by OJK as corporate insurance agents and insurance brokers.
  - Insurers can enter into distribution partnerships with non-banking businesses involving electronic systems, and the non-banking businesses must comply with certain requirements such as being licensed by the relevant government authority, which supervises their activities. These partnerships can be undertaken only by a "referral model", which implies that they do not provide "active marketing".
  - Insurers, insurance agents, banks and non-banking business entities that market insurance products through their own websites, third-party websites and/or digital applications must be registered as electronic system operators at the Ministry of Communication and Informatics (MOCI). They must have in place and implement IT risk management policies; comply with all requirements set out by the OJK and other relevant authorities with respect to electronic system operations; and have a service centre operating 24/7 to handle complaints and questions.

171 A2ii, 2019a.

172 TSPs are in charge of administering the insurance contract and the mobile insurance arrangement, including administering claims and providing all necessary marketing, administrative and technical support to the MNOs.

173 According to the Circular Letter 5/2020, "active" marketing constitutes any sales or marketing activities that are not within the scope of the referral model for distribution. The referral model for distribution is a distribution partnership with non-banking business entities.

### 3.2.2 Promoting responsible arrangements between stakeholders

**Box 12** describes the example of EcoLife in **Zimbabwe** in 2013,[174] which makes clear the impact on market stability and consumer protection of partnerships between insurers and other stakeholders that are not robust or appropriately regulated and supervised.

**Box 12. The case of EcoLife in Zimbabwe[175] and what can go wrong in an m-insurance partnership**

**Description of the product offered:** in Zimbabwe, the insurer First Mutual Life (FML), the MNO Econet and the technology service provider Trustco partnered to launch a loyalty-based m-insurance life product in 2010, offered on a monthly term basis, where subscribers could opt-in via SMS and the level of coverage was determined by the airtime usage of the client. However, the calculation of the premium and level of coverage was based on a complex pricing model that was not fully understood by consumers.[176] Econet subscribers did not receive individual certificates of coverage. It was reported that, in less than 7 months, the product had reached between 1.2 and 1.6 million people (20% of the adult Zimbabwean population). Such a rapid take-off gave rise to excitement but also concerns.

**Approval process:** this product was approved by the Insurance and Pensions Commission (IPEC) and during the process Econet was required to register as FML's licensed agent. IPEC also reviewed the agreement between Econet and FML, but did not review the tripartite agreement between Econet, FML and Trustco. IPEC did not engage with Trustco during the approval process. IPEC requested that FML revise the policy wording to ensure consumer understanding and also requested the removal of the HIV exclusion.

**The collapse of Ecolife:** 7 months after the launch of the product, Trustco gave notice to Econet of the termination of the arrangement because of a dispute concerning royalties, and after this the service was suspended. Without the Trustco platform, it was impossible for Econet to manage the product. The consequence of this was that 1.6 million people lost their EcoLife cover overnight. It was found that 62% of those people were not notified about the cancellation, 63% would rule out using similar products in the future and 42% were dissatisfied with insurance. It was found that the complex pricing and difficulties with consumer engagement potentially exacerbated the negative impact.

**The response of the supervisor:** IPEC contacted Econet and FMP and met with both parties, and IPEC requested that FML cancel Econet's agent license and compensate policyholders. IPEC considered imposing sanctions on Econet for the immediate cessation of the product but considering the size of such penalties (maximum USD 5,000) it was considered that it would not have any real punitive impact. FML considered taking Econet to court, but this did not happen. Econet announced that it would compensate any former EcoLife clients for any outstanding claims; however, 9 months after that announcement, it was announced that FML had decided not to compensate former EcoLife clients and that the insurer had launched a new m-insurance product (e-FML). This situation demonstrates the limited financial and legal resources available to IPEC to hold all parties accountable.

174 See link.
175 Leach and Ncube, 2014a.
176 Full cover was achieved only after 6 months of continuous subscription. If someone missed a monthly recharge of USD 3, the person would then have to start from the beginning.

To avoid cases like the one of EcoLife in Zimbabwe, supervisors are invited to consider requiring that insurers do the following, to ensure that arrangements between providers are robust and appropriately structured and that they will not hinder market stability or affect consumers:

a. **Ensure transparency for consumers with regard to the stakeholders involved in offering, distributing and delivering insurance products and the roles they play.** According to the IAIS, entities should neither be allowed to present themselves nor act as licensed insurance legal entities without, or before, having been granted a licence: *"any market participants in digital inclusive insurance should clearly indicate either that it has been granted a licence to sell insurance or indicate which licensed insurer is the risk carrier of the contracts"*.[177] This transparency is needed especially if m-insurance consumers are novices to insurance; if insurance products are added or bundled; and if insurance products are commercialised through distribution channels that are widely known and trusted but only in respect of other services or goods. In such situations, consumers are particularly vulnerable, as they can be victims of aggressive customer engagement tactics and may not be able to identify who the risk carrier is and who the distribution channel is, and, very importantly, they might not be even aware that they are in fact purchasing two separate products or services. Without that clarity, consumers will struggle to exercise their rights and benefit fully and in a timely manner from the insurance products.Some jurisdictions have adopted regulatory steps to ensure this kind of transparency:

   Some jurisdictions have adopted regulatory steps to ensure this kind of transparency:

   - In **Ghana**, for the case of "branded insurance products" (i.e. when an MNO brands or co-brands insurance),[178] the M-insurance Rules establish that the policy summary and all written documentation provided to those insured shall state clearly that the contract is underwritten by a licensed insurer and specify this insurer, including the address of its principal office. The M-insurance Rules also establish that a licensed insurer shall not underwrite an MNO-branded product unless the MNO participates as a licensed insurance agent or as the policyholder of a group policy. Today in Ghana, in practice, all m-insurance products are co-branded, by the MNO (visible) and the TSP (the consumer-facing entity), and the insurer's name is mentioned.
   - In **Indonesia**, Circular Letter 5/2020 provides that, when a non-banking business (such as an MFI) refers an insurance product to a prospective customer, it is required to inform the customer that the products referred are the insurance company's products,[179] rather than the non-banking distribution partner's own products.
   - In **Pakistan**, the draft amendments to the Insurance Rules, 2017, for digital insurers (see **Box 10**) provide that the insurer has to submit a holistic distribution plan in respect of a proposed product, along with details of all distribution partners involved, the role of each partner, the remuneration for each partner and any marketing material that may be used for product promotion.

b. **Ensure transparency of the contractual arrangements entered into between stakeholders to design, distribute and deliver m-insurance products.** To ensure that the conditions of the arrangements entered into between stakeholders in m-insurance are visible, it is essential to ensure that supervisors have access to the details of such distribution and cooperation arrangements. To do this, supervisors could consider requiring business partners to present robust service-level agreements (SLAs) and details of other contractual arrangements used by stakeholders. In countries such as **Ghana** and **Indonesia**, relevant rules clearly state that details of such arrangements need to be made available to supervisors (see **Annex 7**):

   - NIC **Ghana** requires partners to sign and present an SLA[180]
   - OJK **Indonesia**[181] provides that insurers have to submit a draft cooperation agreement in relation to any partnership to be entered into with non-banking entities involving the use of electronic systems, together with their application to obtain OJK approval for the distribution arrangement.[182]

c. **Require that minimum essential information is provided in relation to contractual arrangements such as information on the cost structure, data management and dispute resolution.** Details of distribution arrangements and collaboration agreements should include minimum essential information, that is, the information needed to provide clarity to supervisors about their roles, obligations, cost structure, consumer data management policies and dispute resolution mechanisms. These minimum requirements will ensure transparency in respect of aspects that could hinder market stability and consumer protection. In addition, clearly defining the minimum information required on contractual arrangements in the regulation can help partners to focus on the key features that they have to agree upon. For instance:

   - NIC **Ghana** requires that SLAs include a mechanism for resolving disputes between the parties and provisions to ensure the appropriate handling and transmission of data (see **Annex 7**).[183]

177 IAIS, 2018, para. 61 and Standard 4.2.

178 According to the M-insurance Rules 2017, "branded product" means MNO-branded products, an "agent branded product" or a "co-branded product". A co-branded product means an insurance contract which is marketed and sold under joint branding of the licensed insurer underwriting the contract and either the participating MNO or a licensed insurance agent participating in the arrangement. An "agent-branded insurance product" is an insurance contract which is marketed and sold under the branding of a licensed insurance agent, who is not the MNO, rather than the branding of the licensed insurer that is underwriting the contract. (NIC, 2017)

179 Note that this example is valid for all type of insurance products that are commercialised through digital marketing.

180 NIC, 2017

181 OJK, 2020

182 Those insurers that had already entered into distribution agreements prior the issuance of Circular Letter 5/2020 can continue to carry out such distribution arrangements without reference to the changes required by the Circular Letter. However, they have 1 year from the issuance of the Circular Letter to modify their marketing activities or distribution arrangements to satisfy the requirements under the Circular Letter.

183 NIC, 2017.

- OJK **Indonesia** provides that the agreements should include the commission rates payable to the distribution partners, the rights and obligations of the parties, including with respect to data confidentiality, and complaints handling, among other information[184] (see **Annex 7**).

d. **Require market contingency plans.** To avoid situations like the one involving EcoLife in Zimbabwe (see **Box 12**), supervisors could consider adopting forward-looking practices, for instance by requiring insurers to adopt market contingency plans. For instance:

- NIC **Ghana** requires that a licensed insurer that distributes m-insurance must establish and maintain a market contingency plan.[185] This plan should include provisions for the discontinuance of the arrangement, the withdrawal or exit of a party from the arrangement and other provisions presented in **Annex 7**. This market contingency plan must be submitted to the NIC when the insurer applies for approval to offer m-insurance.

e. **Ensure that arrangements between stakeholders do not affect the value of the product to the insured.** As presented in **Table 2**, low client value could be the result of complex stakeholder relationships that could lead to, however not the only cause for it; a lack of relevance of the risks covered;[186] high costs due to remuneration structures that end up reducing the value of the product to consumers;[187] lack of sustainability of the product over time;[188] and lack of technical robustness of product design.[189] Supervisors have adopted different approaches to counteract the problem of low client value due to complex stakeholder relationships. For instance, supervisors have established provisions in relation to the cost structure:

- OJK **Indonesia** promotes transparency regarding cost structures by sharing details of the arrangements with supervisors.[190]
- The FSCA in **South Africa** requires that the insurer justify any remuneration for outsourced functions that deviate from the internal cost of fulfilling the function.[191]

Another measure is to clearly define design criteria for m-insurance contracts and inclusive insurance where client value is at the core:

- NIC **Ghana** requires that insurers make sure, when designing and developing an m-insurance contract, that the contract is likely to provide sufficient value to the insured persons for whom it is designed; that the product is sustainable, particularly if it is a loyalty-based product; and that the terms of the contract are fair to the insured persons.
- In **Pakistan**, the SECP requires the same conditions as those requested by NIC Ghana, presented above, for digital insurers when they are filing products.[192]

f. **Clarify that the insurer is always the ultimate accountable party.** In business models where a myriad of stakeholders participate, it is paramount to ensure that insurers are always considered the ultimate accountable party. This is an effective way to protect consumers. Supervisors around the globe have recognised this, for instance:

- In the **CIMA region**, all operators in the value chain are represented by the insurer and the insurer is supervised by CIMA to make sure that all partners it works with are legally established and comply with the requirements of their home regulators.[193]
- The same approach is taken in **Brazil** and **South Africa**, where the insurer is held fully responsible.
- Specifically, in **Brazil** the regulation requires the insurer to monitor the activities of its distribution channels, including those based on digital technology.
- In **Ghana**, the M-insurance Rules provide that *"whether or not other parties to the arrangement that constitutes mobile insurance hold a licence under the Insurance Act or are regulated and supervised under any other legislation, the licensed insurer concerned has ultimate responsibility for ensuring that a mobile insurance contract is distributed in compliance with the Insurance Act and these Rules"*.
- OJK **Indonesia** requires that the distribution and cooperation arrangements include a statement that makes clear that the insurance company is responsible for any decisions with respect to insurance underwriting and claims[194] (see **Annex 7**).

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184 OJK, 2020
185 NIC, 2017.
186 Because the risk to be covered might fit the aggregator better than the end consumer.
187 As most of the premium goes to pay commissions rather than claims.
188 For instance, once ARPU is achieved or once the premium is no longer subsidised.
189 Because sometimes entities that are not insurance professionals end up being involved in intermediation.
190 OJK, 2020.
191 IAIS, 2018a.
192 Insurers have to join an "assessment of whether the proposed insurance product is likely to provide value to the policyholders for whom it is designed, whether the product is sustainable, and whether the terms of the contract are fair to insured persons along with the basis on which it has assessed the proposed insurance product as meeting the criteria" (SECP, 2021).
193 IAIS, 2018a.
194 OJK, 2020

# 3.3 DIMENSION 2 – UNLOCKING OPPORTUNITIES FOR RESPONSIBLE DIGITALISATION ACROSS THE INSURANCE LIFE CYCLE

**Proportionate regulation can unlock opportunities for the responsible digitalisation of the consumer journey.** Dimension 2 considers the responsible development of m-insurance, to enable a hassle-free customer journey from beginning to end, where consumers are treated fairly and trust is promoted along the insurance life cycle. The journey of customers purchasing and/or using insurance products supported by mobile platforms is very different from the journey of customers that access insurance through in-person and physical support. As seen in Section 2, the increased use of digitalisation gives rise to concerns in relation to topics such as disclosure of information, provision of informed consent, and awareness and understanding of "*consumers commitments and entitlement, practical operations of IT devices, and knowledge of basic safeguards against misuse by others*"[195] (see Table 2). Considering the guidance of the IAIS and lessons emerging from the focus countries, this section presents approaches that could help supervisors to unlock opportunities for the responsible use of digitalisation in the insurance life-cycle and therefore the responsible provision of m-insurance. The first part of this section (Section 3.3.1) provides suggestions on how supervisors could address some prudential and COB risks associated with the enhanced digitalisation and dependence on technology of all processes across the insurance life cycle. The second part (Section 3.3.2) provides suggestions of how to ensure a "responsible and hassle-free" customer journey through proportionate regulatory approaches that can unlock opportunities in the six critical stages of the customer journey, as presented in Section 1.3 and Annex 5, namely customer onboarding; premium collection; customer servicing; claims management and settlement; complaints handling and disputes; and renewals and termination. The ICPs relevant to this section are provided in Box 13.

**Box 13. ICPs relevant for Dimension 2**

**ICP 1: Objectives, Powers and Responsibilities of the Supervisor.** Each authority responsible for insurance supervision, its powers and the objectives of insurance supervision are clearly defined.

**ICP 7: Corporate Governance.** The supervisor requires insurers to establish and implement a corporate governance framework which provides for sound and prudent management and oversight of the insurer's business and adequately recognises and protects the interests of policyholders.

**ICP 8: Risk Management and Internal Controls.** The supervisor requires an insurer to have, as part of its overall corporate governance framework, effective systems of risk management and internal controls, including effective functions for risk management, compliance, actuarial matters and internal audit.

**ICP 18: Intermediaries.** The supervisor sets and enforces requirements for the conduct of insurance intermediaries, in order that they conduct business in a professional and transparent manner.

**ICP 19: Conduct of Business.** The supervisor requires that insurers and intermediaries, in their conduct of insurance business, treat customers fairly, both before a contract is entered into and through to the point at which all obligations under a contract have been satisfied.

**ICP 21: Countering Fraud in Insurance.** The supervisor requires that insurers and intermediaries take effective measures to deter, prevent, detect, report and remedy fraud in insurance.

**ICP 22: Anti-Money Laundering and Combating the Financing of Terrorism.** The supervisor takes effective measures to combat money laundering and terrorist financing.

195 IAIS, 2018a,b.

### 3.3.1 Addressing supervisory risks associated with digitalised systems and processes

**Proportionate approaches can facilitate the use of electronic systems to offer, distribute and deliver insurance products while protecting consumers.** Insurers and other stakeholders in m-insurance rely on technology and outsourcing functions to third parties to gain access to that technology. This dependence entails significant supervisory risks (see **Table 2**) or can even lead to regulatory avoidance.[196] However, "*digital technology also allows the implementation of risk controls, which in turn can provide a more secured and safeguarded way of handling virtual cash compared to direct dealings with people, paper and liquid assets*".[197] The adoption of additional but proportionate requirements should be appropriate to guarantee that there are resources available to carry out IT-related processes, and ensure that arrangements are in place for a back-up system for business continuity purposes and to protect the confidentiality of customer data collected by third parties.

Below are some considerations related to how supervisors can address those risks in a proportionate manner:

a. **Make sure that insurers are diligent in gaining sufficient awareness and understanding of their technology and electronic systems and those of third parties.** According to the IAIS, it is a condition of implementing a proportionate regulatory response to ensure that insurers have a clear understanding of the "*business risks arising from the use of digital technology, the nature of the customer, capacity constraints and functioning of the market in the inclusive insurance market context, as well as the implications for innovation that may arise in such contexts from regulatory uncertainty or disproportionate regulatory requirements*". Therefore, it is essential that insurers are diligent in taking measures to ensure that they have considered all the implications of the use of such technology, particularly when it is provided by TSPs. Notably, there could also be barriers in the overall legal environment such as restrictions on the use of cloud services. For instance:

   - NIC **Ghana**[198] provides that the insurer has to provide the details of the arrangements in place to ensure that the insurer has sufficient information to understand and sufficient access to the IT systems that have been or will be put in place by the MNO and any other party to the m-insurance arrangement to (i) satisfy itself as to the effectiveness, resilience and security of the IT systems; (ii) assess and manage its operational risk in relation to the IT systems; and (iii) develop appropriate operational contingency plans and arrangements.
   - SECP **Pakistan**[199] provides that the applicant must carry out a risk assessment, with a special focus on operational risk and mitigating measures. The applicant must further provide details of the technology system architecture to be deployed for end-to-end digital-only operations in respect of customer acquisition, underwriting, administration, claims processing, etc. Moreover, the applicant must provide details of third parties from which technology systems will be outsourced or procured and the use of cloud services and where these cloud services will be hosted, and very importantly the applicant must disclose any SLAs between those third parties and the insurer.

b. **Make sure that the insurer adopts operational and technology risk management policies and procedures.** ICP Standard 20.9.1 provides that "*the insurer should describe its outsourcing policy and how it intends to maintain control, ownership and oversight over the outsourced functions*".[200] This guideline is the foundation for creating policies and procedures to manage operational and technology risks associated with the reliance on technology that is typical in m-insurance. For instance:

   - NIC **Ghana**[201] provides that insurers should establish and maintain an operational contingency plan, covering operational risks and technology risks. In the arrangements between insurers and other parties, the roles and responsibilities in relation to the implementation of operational contingency plans must be defined. A copy of that operational contingency plan must be provided to the supervisor when the insurer seeks approval to offer m-insurance.
   - OJK **Indonesia**[202] establishes that insurers must have in place and implement appropriate policies and procedures to address risk management in each of their distribution channels. It also requires that insurers, insurance agents, banks and non-banking business entities that market products through their own websites, third-party websites and/or digital platforms be registered as electronic system operators with MOCI. Moreover, it requires that insurers have in place and implement IT risk management policies, standards and procedures; that insurers comply with any requirement regarding electronic system operations; and that insurers' electronic systems are able to process insurance applications, closures and payment of premiums and that they have a service centre operating 24/7 to handle complaints and questions (see Box 11).
   - SECP **Pakistan**[203] provides that digital-only insurers must develop "adequate technological capability to conduct the operations digitally in the areas of customer engagement, customer enrolment, distribution, administration, servicing, claim processing and/or any other aspect of core operations". Specifically, this may include the availability of a back-up system for business continuity planning and disaster recovery.

196 Ibidem.
197 Ibidem.
198 M-insurance Rules 2017.
199 Draft amendments to Insurance Rules, 2017, for digital-only insurers and microinsurers of 14 June 2021 (SECP, 2021).
200 IAIS, 2018.
201 M-insurance Rules 2017.
202 OJK Circular Letter 5/2020.
203 Draft amendments to Insurance Rules, 2017, for digital-only insurers and microinsurers of 14 June 2021 (SECP, 2021).

c. **Pay fresh and close attention to fraud risks specific to m-insurance.** The enhanced use of digitalisation can increase the vulnerability of both insurers and consumers to insurance fraud, as presented in **Table 2**.[204] In m-insurance, the risks of internal fraud and external fraud on the part of the insured and the intermediaries might be higher. For example, the risk of there being fraudulent websites and scams is higher when there is a high reliance on digital platforms to support the processes of onboarding and post-sale engagement, and this is exacerbated by the particular vulnerability of the m-insurance consumer.[205] External fraud could also be exacerbated, as individuals could take advantage of digital platforms to purchase insurance just after the occurrence of an event[206] or present forged supporting documents during the claims process, for instance by using fake images of hospitalisation discharge notes or fake images of losses occurred. Considering this, according to the IAIS, insurers and intermediaries are required to take effective measures to address fraud risks and consider the importance of proportionality when doing so. In that respect, they are expected to take precautions to ensure that fraud risks are prevented; and that insurers' sales staff, intermediaries and any other stakeholders involved are aware of these risks and how they can be enhanced.[207] Supervisors are also invited to reinforce collaboration with other authorities and judicial bodies; help raise digital awareness among consumers about fraud that could affect them; and monitor the market very closely to identify any fraud hotspots, for example through surveys carried out jointly with the industry:

- In **Russia**, to fight fraudsters purchasing electronic policies after an accident, the Bank of Russia has introduced a delay of 72 hours between the moment of purchase of a compulsory electronic motor policy and this policy becoming valid. Moreover, the Bank of Russia collaborates closely with law enforcement agencies and executive bodies through interdepartmental meetings, exchange of experience and training seminars on insurance fraud.
- In **Poland**, there is strong collaboration between the police, Europol, Interpol, insurance companies and other insurance market institutions. In addition, the supervisor KNF carries out surveys on insurance fraud jointly with the Polish Chamber of Insurance.
- In **Morocco**, insurers are required to put in place measures to prevent, detect and combat fraud, and ACAPS has the authority to investigate and test the robustness of such measures. Insurers should have robust IT systems to allow fraud investigations.

d. **Address the risks of money laundering or terrorist financing specifically in the context of digitalisation, as these risks are different in a digital environment from in a traditional environment.** The digitalisation of the customer journey means that customer due diligence (CDD) should be simplified and facilitated through remote means if possible. However, it is essential to ensure that AML/CFT risks are addressed specifically in the context of digitalisation; in this regard, regulations relating to AML/CFT should be applied in a proportionate way. For instance:

- In **Pakistan,** insurers, including digital-only insurers covered by recently proposed amendments to the Insurance Rules, 2017,[208] have to comply with the AML/CFT Regulations of 2020 regarding CDD, enhanced due diligence, ongoing transaction monitoring, the filing of suspicious transactions reports (STRs) and the screening of customer databases against proscribed persons in accordance with targeted financial sanctions obligations under the United Nations (Security Council) Act 1948 and/or Anti-Terrorism Act 1997. The draft framework that aims to regulate digital-only insurers (see **Box 10**) provides that these insurers may obtain and store the documents and information required by the AML/CFT Regulations digitally.

e. **Give special consideration to the management of cyber risks, which are exacerbated in m-insurance.** The use of digital technology enhances cyber risks (see **Table 2**), which have been further exacerbated since the COVID-19 pandemic.[209] Cyber fraud and cyberattacks are widespread in m-insurance, for instance personal identification numbers (PINs) for online platforms or SIM cards can become compromised; fraudulent apps and websites simulating those of insurers are emerging; and technological platforms essential for distribution and delivery can become the subject of malware, web-based attacks, denial of service, malicious insiders, phishing, etc. Cyberattacks can cause a wide range of damage, such as interruptions to services, destruction of data and property, business disruptions, data theft and, very importantly, financial instability. In this context, ensuring cyber resilience and, very importantly, ensuring that emerging consumers are as aware of these risks as is necessary and sensible is paramount. To provide guidance to providers and supervisors on promoting cybersecurity, the G7 provided eight fundamental elements,[210] which later were related by the IAIS, through the Application Paper on Supervision of Insurer Cybersecurity,[211] to the ICPs (see **Box 14**).

204 Insurance fraud can be internal (owner or employee of the insurer); external on the part of the insured; external on the part of intermediaries; external on the part of supplies of goods, works and services; or mixed fraud. See A2ii (2018b) for details on the concept of insurance fraud.

205 See Annex 4.

206 For instance, in Russia, the speedy processing of compulsory insurance of civil liability of vehicle owners (OSAGO) through the internet allows this. In fact, this type of fraud has increased since sales were allowed in electronic form in 2017 (A2ii, 2018b).

207 IAIS, 2018a.

208 SECP, 2021.

209 IAIS et al., 2021.

210 G7, 2016.

211 IAIS, 2018c.

Some jurisdictions have adopted regulations to manage cyber risks more broadly and also for more specific aspects such as the management of cyber risks in the financial sector, including the insurance sector. The following general examples are relevant to m-insurance considerations:

- In **Malawi**, national regulation was adopted in 2016 and 2018 to broadly address cyber risks,[212] and the Reserve Bank of Malawi (RBM) issued the Risk Management Directive for insurers. This covered IT risks, but not fully.[213] Following this, in 2020, the RBM issued the Cyber Security Risk Management Guidelines, which are now applicable to all financial institutions, including insurers.
- In **Russia**, to prevent internet scammers from creating clones of insurance companies' websites, the Bank of Russia proposed that websites through which legal insurers sell compulsory motor insurance be marked. Specifically, the Russian search engine Yandex marks the websites of insurers that are allowed to sell electronic policies of this mandatory insurance product.
- In **Pakistan**, the SECP issued in 2020 the Guidelines on Cybersecurity for the Insurance Sector, according to which insurers have to formulate a cybersecurity framework in accordance with the guidance provided and align their risk management framework with the cybersecurity framework.

**Box 14. IAIS guidelines on cyber fraud risks**[214]

- The **IAIS Issues Paper on Cyber Risk to the Insurance Sector** adopted in 2016[215] provided that supervisory areas that may have particular relevance for cyber risk and cyber resilience include the security of private information held by insurers and intermediaries; financial crime undertaken through cyber means; and business continuity and disaster recovery planning, for individual insurers and intermediaries and potentially for the insurance sector as a whole. In addition, it was noted that cross-border and cross-sectoral supervisory cooperation may be important for addressing cyber risk.
- The **IAIS Application paper on supervision of insurer cybersecurity**[216] provided guidelines for supervisors wishing to develop or strengthen their cyber risk supervision frameworks, and also a detailed analysis of the G7's eight fundamental elements and how they are related to the IAIS ICPs. The key messages were:
  - Cybersecurity strategy and framework: insurers must specify how to identify, manage and reduce their cyber risks in an integrated and exhaustive manner.
  - Governance: insurers must define the roles and responsibilities of staff required to implement, manage and supervise the implementation of cybersecurity strategy. Insurers must provide the necessary resources to implement the cybersecurity strategy.
  - Evaluation of risks and controls: insurers must identify functions, activities and services (including outsourced services) subject to cyber risks, understanding and assessing risks and implementing the corresponding controls. The latter must be aligned with the risk appetite of the insurer.
  - Supervision: insurers must have monitoring systems that allow them to detect cyberattacks quickly. Insurers must constantly assess the effectiveness of their controls in place for cyber risks, including cyberattack simulations.
  - Response and recovery: insurers must respond promptly to cyberattacks and be aware of the severity of the attack, curtailing its effects, issuing appropriate notifications to whom it may concern, and coordinating and implementing responses that allow them to return to normal operations.
  - Exchange of information: insurers must provide information on threats, weaknesses, attacks and responses to attacks to improve responses to attacks, limit damages, heighten awareness and promote in-house learning. Insurers must provide information internally and externally, including notifications to government authorities.
  - Continuous learning: insurers must keep their cyber risk management systems constantly under review, to ensure that they keep pace with new cyber risks, while also endowing them with adequate resources.

212 The Cyber Security Act was adopted in 2016, followed by the National Cyber Security Strategy adopted in 2018.
213 Specific IT risk management guidelines were issued for banks and pension administrators.
214 Sources: IAIS, 2016, 2018c; A2ii, 2019b.
215 IAIS, 2016.
216 IAIS, 2018c.

f. **Make sure that data privacy and confidentiality are guaranteed for the m-insurance consumer.** The enhanced use of and dependence on technology for gathering, storing and using client data enhance the risk of data and confidentiality breaches, as presented in **Table 2**. Using technology and data from sources such as MNOs increases the risk of malicious access to such data. In addition, this risk is enhanced because of the profile of emerging m-insurance consumers,[217] as they might be more likely to be the victims of aggressive tactics that result in their data being used and collected without them even knowing. Unfortunately, a lack of awareness about data protection rights and the data protection regime, and the lack of a suitable process for providing consent for third parties to access and use their data contribute to the vulnerability of m-insurance consumers. Considering this, supervisors are invited to explore the following approaches:

- **Consider that emerging consumers are more vulnerable to data and cyber scams and encourage efforts to raise awareness of their data protection rights.** Supervisors are invited to take steps to build awareness of data protection rights among consumers who are generally unserved and underserved by insurance, to make them more aware of the ways in which their data can be protected, considering their particular vulnerabilities.
- **Consider that there is a close relationship between cyber risk and data protection, as nowadays most data breaches occur as a result of cyber breaches.** Supervisors may want to ensure that insurers manage their cyber risks appropriately, as this will help to protect data privacy.
- **Ensure that there is a clear regulatory framework that guarantees data privacy and confidentiality.** According to the IAIS, the enhanced use of and dependence on InsurTech and big data technologies strengthens the case for a reassessment of data protection regulations. This reassessment should focus on how to ensure robust and transparent frameworks that establish prudential and organisational obligations regarding access to and usage of data, IT management, cybersecurity and internal controls for outsourcing services.[218] In this context, the applicable data protection regime will determine how m-insurance client data are protected and whether all parties in the value chain must comply. This aspect is important because some countries might have only an overarching regulation on data protection, whereas others might have specific frameworks for data protection in financial services and insurance. Moreover, some countries might not have data protection regulations at all and, therefore, supervisors may have to formulate the necessary requirements under insurance regulations.[219] For instance:
  - In **Ghana**, there is a data protection regulatory framework and an authority has been set up to oversee data protection.[220]
  - OJK **Indonesia**[221] provides that policies and procedures must integrate provisions so that insurers and distribution partners ensure the confidentiality of customers' personal data, transaction data and financial data. In addition, the acquisition, utilisation and/or disclosure of personal data, transaction data and financial data by insurers and/or distribution partners as a result of their marketing activities must be subject to the data owner's consent. Circular Letter 5/2020 also provides that, in the arrangements between stakeholders, the roles and responsibilities of all stakeholders regarding data management and confidentiality, as presented in Section 3.2.1, must be clearly established.[222]
  - SECP **Pakistan**[223] provides that digital-only insurers are responsible for policyholder data security and confidentiality, and that they have to ensure fair usage of any policyholder information acquired during the course of their business. This information can be used for only the purpose of providing insurance services to the policyholders and will not be shared with any other party except in instances where the applicable regulatory requirements so require. The draft amendments to the Insurance Rules, 2017, for digital-only insurers provide that insurers will collect and share only the information that is necessary to provide insurance to the policyholder or potential policyholder through the technology-based platforms and not any additional information without the express and informed consent of the policyholder or potential policyholder.

g. **Consider potential exclusion risks associated with the use of big data analytics (BDA) in insurance.** As presented in **Section 1.2**, there are already some examples of BDA supporting product design processes. While *"the granularity of data from multiple sources can lead to more personalised and affordable insurance products, increased choices and more efficient servicing for customers"*,[224] the complexity and opacity of algorithm technology and the ability of insurers to customise product offerings at the individual level could result in risks to customers and the insurance sector, such as unintended exclusion risks. In **New Zealand**, a case was reported in which more granular data, while not directly from BDA, led to the exclusion of some households from being insured against earthquake insurance, as an increase in the quality and granularity of underwriting and claims data led to 300% insurance premium price hikes for some properties.[225]

217 Presented in Annex 4.
218 IAIS, 2017b, 2018a,b, 2020.
219 A2ii, 2018a.
220 See link.
221 Circular 5/2020
222 Examples of this were presented in section 3.1.2.
223 Draft amendments to Insurance Rules, 2017, for digital-only insurers and microinsurers of 14 June 2021 (SECP, 2021).
224 IAIS, 2020.
225 OECD, 2020.

In this respect, the IAIS has provided that supervisors "*may wish to consider whether the use of BDA could adversely impact the availability and affordability of insurance, potentially resulting in reduced options or no coverage for certain consumer segments. Additionally, supervisors may find useful to explore the need to enhance governance, oversight and third party risk management requirements specific to the use of algorithms for BDA purposes. This could include clarifying supervisory expectations on appropriate levels of transparency and insurer accountability for customer outcomes resulting from algorithm-based decisions*".[226]

In this context, some supervisors around the globe have created specialised working groups to thoroughly assess the implications of BDA, including the potential exclusion risk that it could entail; examples of the implications of BDA could inspire supervisors from emerging countries.[227]

h. **When intermediaries in digitalised frameworks handle client monies, consider requiring that insurers should guarantee that there are sufficient safeguards in place to protect those funds.** As presented in **Annex 5**,[228] in m-insurance value chains non-financial stakeholders may receive premiums or handle claims through innovative mechanisms, for example an MNO might charge the telco-consumer using airtime/data credit and then transfer the funds to the insurer. These activities entail particular supervisory risks (see **Table 2**). To address these risks, the IAIS has provided guidance on cash flows where monies are transferred via an intermediary from the customer to the insurer and vice versa[229] (see **Box 15**).

**Box 15. IAIS guidance on the management of monies by intermediaries[230]**

- The intermediary should be expected to have adequate policies and procedures in place for the safeguarding of funds, in the interest of its customers.
- Where the insurance intermediary acts as an agent for the insurer, these funds may be considered "*monies held at the risk of insurers*". In these circumstances, the insurer is responsible for such funds held by agents on its behalf.
- Mobile devices of the customers or the servers used by the MNOs may register the entitlements and obligations in either monetary terms or non-monetary values, such as entitlement to airtime. The latter should be treated similarly to monetary values.
- In setting requirements for insurance intermediaries in respect of safeguarding client monies within an inclusive insurance context, the supervisor may wish to consider recommending, among other things, that the following are adequately covered in insurance intermediaries' client money policies and procedures:
  - the use of separate client accounts clearly distinguishable from the intermediary's own bank accounts, such that monies for individual or groups of clients are not mixed with other funds of the intermediary;
  - ensuring that client accounts are held with licensed banks within the jurisdiction or within other specified jurisdictions;
  - disallowing monies, other than client monies, within the account, except in specific circumstances such as to achieve or maintain a minimum balance, to receive interest or to receive commission due to the intermediary;
  - ensuring that monies are paid into the account promptly;
  - ensuring that adequate financial systems and controls are maintained, including the authorisation of payments from the account;
  - ensuring that adequate books and records are maintained and subject to audit;
  - ensuring that reconciliations are performed on a regular basis and reviewed;
  - ensuring that discrepancies on the account are followed up promptly and resolved satisfactorily;
  - ensuring, for each client, that payments from a client account are not made before sufficient monies paid into the account have cleared, thus ensuring that any balance held in respect of each client is not negative;
  - ensuring the appropriate treatment of interest.
- In the interests of safeguarding clients' money, client accounts cannot be used to reimburse creditors of the insurance intermediary in the event of its bankruptcy.
- Consideration might be given to the specific features of airtime payments and deductions in a digital MNO model. An MNO provides airtime top-ups for different uses. Deductions for insurance are made at some point after the customer's money is converted into airtime through the top-up. Full premiums are often collected in instalments during a given month before being allocated to an insurance cover amount for the following month. The supervisor may wish to ensure that, where insurance intermediaries operate client accounts, the terms and conditions of such accounts are disclosed to their customers, including details of whether funds are held in such accounts at the client's risk or at the insurer's risk.

226 IAIS, 2020.
227 This is the case of the FCA in the United Kingdom, the National Association of Insurance Commissioners in the United States and the European Insurance and Occupational Pensions Authority (EIOPA) in the European Union. See OECD (2020).
228 Annex 5 provides specific examples of digitalisation of the customer journey.
229 IAIS, 2018a.
230 Ibidem.

### 3.3.2 Ensuring a hassle-free customer journey where consumers are protected effectively

Digital support in critical stages of the customer journey deserves a specific regulatory lens. In the consumer journey described in Section 1.3.2 and Annex 5, there are several stages that are commonly provided remotely and/or with digital support. These stages can be clustered into six critical stages: customer onboarding; premium payment; customer servicing; claims management and settlement; complaints handling and disputes; and renewals and termination. In this section, the last three stages are clustered under one category, namely post-sale engagement (see Figure 12). Proportionate approaches to regulate these critical stages are essential to ensure that the customer journey is hassle free but also that consumers are treated fairly. This section presents some practices used around the globe and guidance from the IAIS on these stages, highlighting that there is a myriad of regulatory frameworks that should be considered in relation to achieving that goal, such as insurance law, contract law, regulations on COB in inclusive insurance,[231] and rules on consumer protection, remote selling, remote digital marketing, e-commerce/e-signatures and contracts, and mobile money/digital payments.

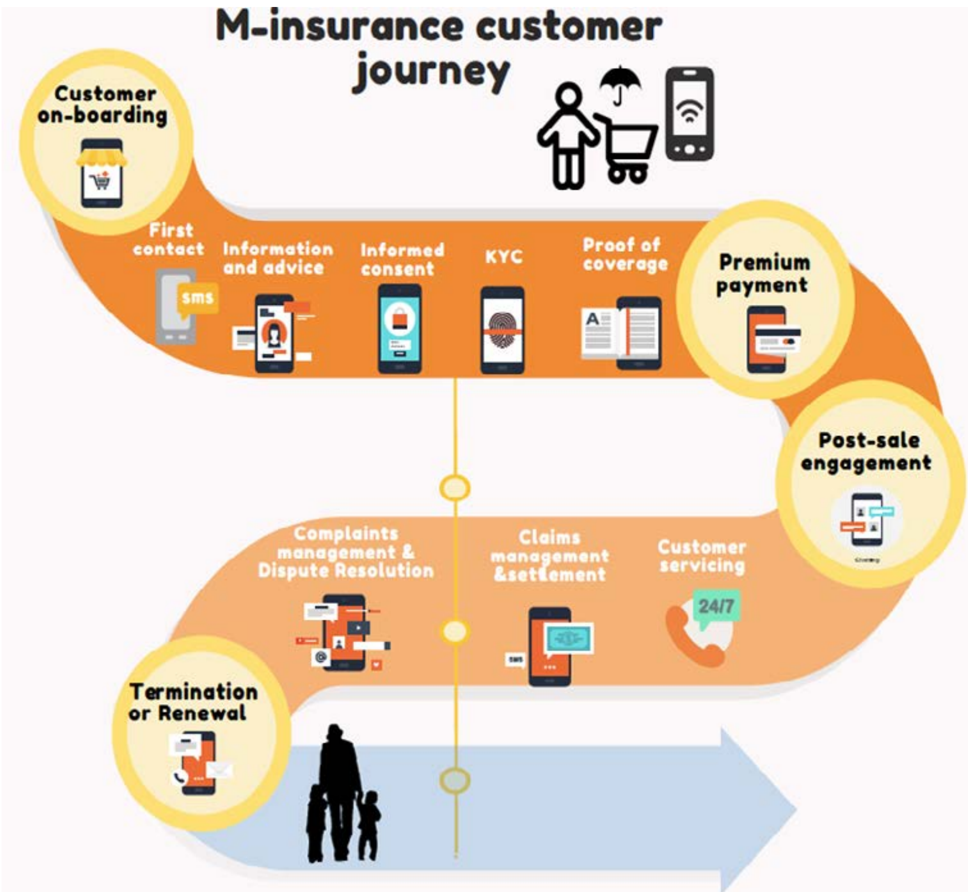



Figure 12. Critical stages of the customer journey

231 For instance, through regulations on microinsurance or mass insurance.

### 3.3.2.1 Customer onboarding

#### Defining customer onboarding

The onboarding process is generally very rapid and composed of different steps that are generally all carried out at the same time. These steps are sometimes difficult to untangle. For this White Paper, customer onboarding includes critical steps to ensure that the consumer provides informed consent when purchasing a product. In this context, this far-reaching concept includes:

i) the deployments used to make contact with the potential consumer, such as text blasts (SMS, unstructured supplementary service data (USSD) or other messenger applications), IVR, call centre calls, community or field agents and radio;

ii) the information and advice provided to the prospective consumer before entering into the contract;

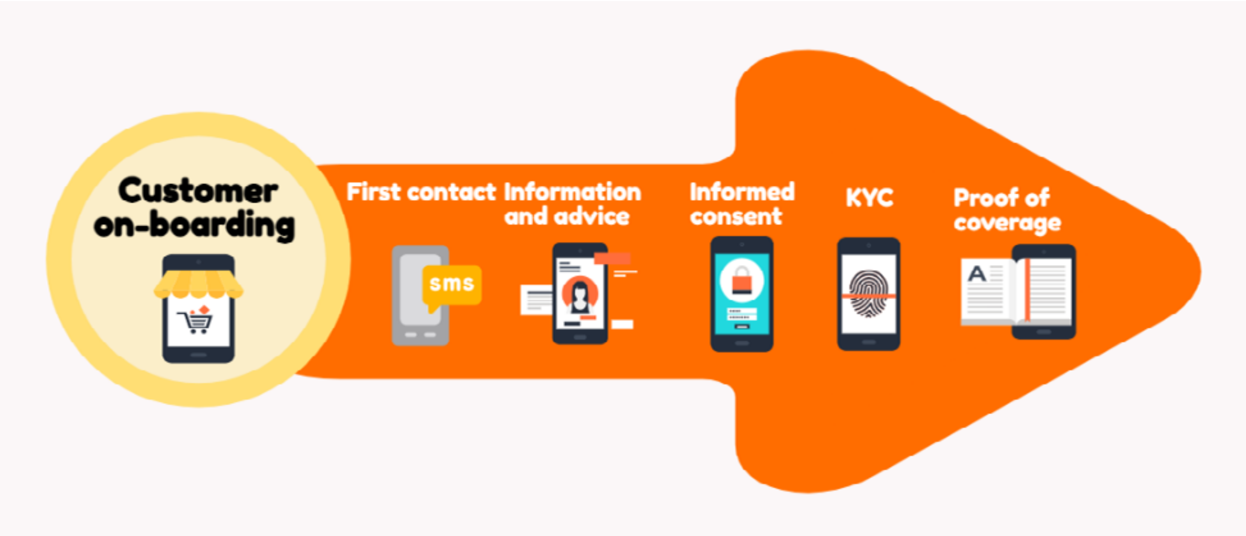
iii) the tools used for the consumer to provide informed consent;

iv) the consumers' right to revisit their decision;

v) the KYC and CDD procedures; and

vi) the provision of proof of the coverage provided to consumers.

A wide range of innovative approaches is used by m-insurance stakeholders to support onboarding processes (see **Section 1.3.2** and **Annex 5**). Sometimes these processes are fully digital, while sometimes a mix of light-touch and high-touch customer engagement is used.




This section suggests ways of ensuring that three important objectives are achieved during the onboarding process: (i) ensuring that consumers are not victims of intrusive and aggressive marketing strategies that could push them into purchasing products that they do not necessarily need or want; (ii) ensuring that consumers provide informed consent and receive proof of coverage that will help them to clearly understand the terms and conditions of the product so they can use it and benefit from it; and (iii) ensuring that KYC and CDD procedures are hassle free but still robust enough (see **Figure 13**).


Figure 13. Key objectives to achieve during customer onboarding

#### 3.3.2.1.1 Limiting aggressive and intrusive tactics

Supervisors can adopt a variety of measures to ensure a controlled environment that can limit aggressive and invasive marketing tactics in the digital environment:

a. **Clearly differentiate direct marketing from advertising to ensure a clear level playing field.** At the pre-contractual stage, information could be provided to the wider public through an advertising or general awareness-raising campaign about insurance; moreover, at this stage, information could be tailored to a specific product offered by an insurer through direct marketing, with the intention of leading to the completion of a contract.[232] It is important for supervisors, that supervised entities and consumers clearly understand the differences and different requirements for direct marketing and advertising, as the regulatory framework applicable to each of them.

- In South Africa, the Insurance Policyholder Protection Rules 2017 define and clarify the differences between “advertisement” and “direct marketing”.[233] Specifically, the definition of direct marketing highlights that this information can be provided by or on behalf of an insurer through different mechanisms but “*in a manner which entails the completion or submission of an application, proposal, order, instruction or other contractual information required by the insurer in relation to the entering into of a policy or other transaction in relation to a policy or related services*”.

b. **Ensure that there is a clear regulatory framework that prevents unwanted direct remote marketing.** As mentioned in Annex 5, a variety of approaches to contacting prospective consumers is used in digital marketing, from purely digital and hybrid approaches to personal ones. Indeed, contact with the m-insurance consumer is generally initiated by using SMS blasts, USSD, IVR calls or in-bound calls. Furthermore, some means of contact rely on advertising through innovative

232 The latter will fall under the key information that insurers are obliged to convey to prospective consumers as part of the compliance to their obligation of disclosure.

233 “Advertisement” means any communication published through any medium and in any form, by itself or together with any other communication, which is intended to create public interest in the business, policies or related services of an insurer, or to persuade the public (or a part thereof) to transact in relation to a policy or related service of the insurer in any manner, but which does not purport to provide detailed information to or for a specific policyholder regarding a specific policy or related service. “Direct marketing” means the marketing of a policy by or on behalf of an insurer by way of telephone, internet, digital application platform, media insert, direct or electronic mail in a manner which entails the completion or submission of an application, proposal, order, instruction or other contractual information required by the insurer in relation to the entering into of a policy or other transaction in relation to a policy or related services, but excludes the publication of an advertisement.

channels, such us unsolicited offerings based on the consumers use of the internet. These contact options give rise to some supervisory concerns, as digital marketing could be unwanted by prospective consumers and perceived as invasive and aggressive, with some forms of contact potentially being considered spam calls/messages, which have been a problem in several countries.[234] In addition, legitimate providers could be supplanted by fraudulent scammers using scam calls, texts, apps and other deployments to defraud clients. In this context, ensuring that the targeted prospective consumers consent to receiving SMS blasts, IVR calls, in-bound calls and other remote marketing messages is key, as is ensuring that they have the option to opt out of receiving aggressive unsolicited marketing in the future.[235] In this context, some countries have issued specific regulations on electronic and telephone marketing and such considerations might also be included in data protection regulations.[236] Several authorities might be involved in overseeing such regulations, for instance the national telecommunications regulatory authority. For instance:

- The Telecom Regulatory Authority of **India** has adopted specific overarching rules and procedures to manage unsolicited commercial communication (UCC). According to these regulations, consumers can make complaints to service providers through different mechanisms and can block all commercial communications or can selectively block UCC from seven categories, the first being the banking, insurance, financial products and credit cards category.[237]

c. **Ensure that indirect marketing though social media does not lure clients into unwanted and uninformed rapid purchases, that is, those that can be made with a "click".** Social media platforms allow providers to gather data from prospective consumers. This could lead to consumers being nudged or directed towards purchasing insurance products that are not in their best interest without them being aware.[238] For example, insurance products could be emotionally framed depending on the circumstances, for instance by taking advantage of personal fears. These practices are becoming more widespread and emerging consumers, new to insurance, generally lack understanding of such situations and products. To address these practices, regulations on data confidentiality and privacy are relevant, but specific rules for finance or even insurance could also be necessary. For instance:

- In **France**, the Autorité de contrôle prudentiel et de résolution (ACPR) issued a recommendation in 2016 covering the banking and insurance sectors providing that advertising material issued through social media must comply with the applicable rules regarding the information disclosed and the presentation of this information, and that professionals should refrain from using unfair commercial practices when using social media, for instance "by misleading opinions issued by professionals on social media and the practice of buying 'likes' or 'followers'".[239]

d. **Ensure that marketing strategies relying on bundling and add-on approaches are responsible.** A common practice, not only in m-insurance but more broadly in inclusive insurance, is to bundle insurance with primary products or services that are more valued by and tangible for consumers, such as telehealth services or other financial services such as the provision of credit (see **Annex 5**).[240] The provider of these primary services generally provides the core service on the condition of the purchase of insurance[241] or it sells the core service and insurance jointly. In addition, a widespread practice is to include insurance as an "add-on" service, which is the case, for instance, for insurance products being offered to an MNO's clients as a loyalty-based reward or when prospective consumers purchase services for which insurance products could be provided, such as trips (see **Annex 5**)[242]. Even though these practices have been catalysers of the development of inclusive insurance, supervisory concerns may arise, mainly in relation to the level of awareness of insurance coverage and the real value of the insurance product for the consumer (see **Table 2**).

Indeed, the distribution method and bundling strategy have a real impact on consumer behaviour and affect consumer decision-making. Consumers often focus on the primary product, meaning that many purchase add-on products that they do not need or understand; have poor awareness of products they have bought; and are less able to make choices because of insufficient information about the quality and price of the insurance product, or because this information is presented too late.[243] Addressing the risks associated with these bundling and add-on practices should help to ensure their responsible use, which has been essential for the development of inclusive insurance. In this context, supervisors may want to explore pathways to ensure that prospective consumers of add-on or bundled insurance products are aware of the

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234 In 2020, Truecaller published "Truecaller Insights: Top 20 Countries affected by spam calls". This identified Brazil as the country most affected by spam calls; India was the most affected country in previous years but has now it has dropped to ninth position. In terms of impact, Indonesia, Indi and Viet Nam are the countries most affected by these practices in Asia. Interestingly, financial services and insurance-related scams are very common in emerging economies. For instance, in in Brazil 42% of spam calls are financial related, these calls are generally related to companies trying to "upsell credit cards, insurance and loans". For the case of Indonesia, 52% of spam calls are financial services related and 25% are from the insurance sector. In Mexico, 27% are from financial services; in Viet Nam, 45% of spam calls come from the financial services sector; in Peru its 34% and in Colombia its 52% and 5% specifically for insurance. See the Truecaller findings here.

235 Previously, some elements were provided regarding proportionate measures to address the enhanced risk of fraud due to the use of digitalisation.

236 For instance, in the United Kingdom the Privacy and Electronic Communications Regulations (PECR) sit alongside the Data Protection Act and the UK General Data Protection Regulation (GDPR).

237 For details, see the information of the Telecom Regulatory Authority in India in this link.

238 IAIS, 2018b, 2020.

239 IAIS, 2018a.

240 This is understandable when insurance is not seen as a priority or a need by prospective consumers, precisely because of their lack of awareness of or even trust in insurance.

241 Such as in the case of credit life insurance and other credit-linked insurance products.

242 For instance, travel insurance when purchasing flight tickets and personal accident insurance when hiring ride-hailing services.

243 IAIS, 2018b. The findings of a market study carried out by the FCA in the United Kingdom on general insurance adds-ons found that the add-on distribution method has a real impact on consumer behaviour and affects consumer decision-making. According to this study, consumers often focus on the primary product, meaning that many purchase add-on products that they do not need or understand; have poor awareness of what products they have bought; and are less able to make choices because of insufficient information about the quality and price of the add-ons, or because this information is presented too late.

insurance product being offered;[244] receive information on alternative products from different providers in cases in which having an insurance product is a condition for purchasing another product; and limit the modalities for opt-out when products are bundled or added on to ensure that consumers make a well-informed decision before purchasing the insurance product. Specifically, supervisors may also want to consider requiring that insurers take firm steps to separate the provision of consent for insurance products from that for primary products when they are bundled or added on, and ensure that for group policies all insured parties provide their consent. In addition, supervisors may want to ensure that consent is actually provided and not only presumed, for instance through the "toggle"[245] switch, which might be activated for a primary service but not for an insurance product offered as an add-on. It is important to ensure that during these processes consent is provided explicitly. Likewise, it is important to be aware of the fact that opt-in and opt-out approaches to providing consent could be confusing for consumers. For instance:

- In the **United Kingdom**, the Financial Conduct Authority (FCA) has implemented two measures: a ban on opt-out selling and improvements to information provision for add-on buyers.[246]
- In **Indonesia**, Circular 5/2020 established that, in the context of the digital marketing of insurance products, when non-banking distribution partners refer insurance products to prospective consumers they are required to offer insurance products issued by at least two different insurance companies if the purchase of an insurance product is a condition that must be met to enable the customer to purchase another product such as a loan.[247]

#### 3.3.2.1.2 Ensuring the provision of "informed" consent

Supervisors are invited to explore the following seven crucial aspects to ensure that consumers provide informed consent:

a. **Provide information to consumers in a timely, clear, transparent and accessible manner**. As presented in **Annex 5**, insurers and other m-insurance stakeholders provide a wide range of information flows during different stages of the contract and through different mechanisms, and these could be less or more accessible for some prospective consumers. In some cases, digital tools could highlight information that is relevant but could also downplay information that is key for consumers. With an excess of information, consumers face the risk of information overload and might find difficult to *"identify reliable product disclosures,… differentiate between product disclosure and marketing,… flag misunderstandings and the need for more explanations,… ascertain the accuracy or legitimacy of the information"*[248], which will lead them to choose an inappropriate product. Addressing those risks at the pre-contractual stage is paramount, because this is the moment when the information provided to prospective consumers will be essential to support them in giving "informed" consent; very importantly, if that information is not appropriately communicated the chances of the consumer not being aware of the claims process and how and to whom to claim will be higher. To ensure consumers receive complete, clear and transparent information in a digital environment, supervisors could consider the following:

- **Ensure that key information is disclosed in a timely manner.** Before entering into a contract, prospective consumers should actively explore all resources and information available to them to provide their informed consent. Unfortunately, sometimes key information is not disclosed during the pre-contractual stages and, in some cases, the information might be disclosed but consumers might be more focused on the primary product being purchased. Therefore, the timing of the provision of the information plays a key role and supervisors are invited to explore pathways to ensure that m-insurance consumers receive **all** relevant information **before** entering into the contract, and that insurers provide consumers with reminders and use other mechanisms after the sale of the product, using deployments appropriate for the profile of the consumer,[249] to encourage them to consider all information available to them. For instance:
    - NIC **Ghana**[250] provides that "the prospective insured person shall be provided with a copy of the policy summary in sufficient time for the person to make an informed decision about whether to enter into, or renew, the mobile insurance contract".
    - SECP **Pakistan** provides, in the draft amendments to the Insurance Rules, 2017,[251] for digital insurers and microinsurers, that the insurer will ensure that the key facts are communicated to the prospective policyholder during the sales pitch and before the offer of an insurance contract is made.
- **Ensure that the information is provided in a way that it is understandable for the prospective consumer.** Special consideration should be paid to the language used, the simplicity of terms and conditions, the familiarity of vocabulary, the fact that the information should be provided in a way that is easy to read, and the possibility of conveying information visually and orally. This is important considering the complexities and needs of the consumer presented in **Annex 4**, such as low levels of literacy, including financial and digital literacy, language barriers, age and disabilities such as visual impairments, which is

244 Details of the information that has to be provided at the pre-contractual stage are provided in Section 3.2.2.2.
245 Toggle switch is button that allows the user to change a setting between two states.
246 IAIS, 2018b.
247 In this case, the distribution agreement entered into by the insurance company and the non-banking business entity may not contain an exclusivity provision or other restrictive covenant that prohibits the non-banking business entity from entering into a distribution partnership with another insurance company and vice versa.
248 IAIS, 2018b.
249 This is particularly appropriate for products that are bundled or added on, as consumers might be more focused on the purchase of the primary product. See paragraph below on: "Consider post-sale quality control measures as a way to verify if consent was provided appropriately".
250 M-insurance Rules 2017.
251 SECP, 2021.

an especially important consideration in a digital setting. Supervisors may want to test the level of readability and simplicity of the key information being provided to the policyholder and the insured party. For populations with limited literacy levels and those with visual impairments, approaches that promote the oral presentation of simple information are appropriate. Microinsurance regulations can be used as a model, but regulations for insurance in a digital environment need to go a step further. For instance:

- In countries such as **Ghana, Kenya, Nigeria, Brazil, Peru, Pakistan and the Philippines,** and those in **the CIMA region**, microinsurance regulations specifically provide for the need to provide information in the spoken language in very simple terms, avoiding legal and technical terms. It is important to consider these aspects in a digital environment.
- For the case of remote selling in **the Philippines**, Circular 2020-109 provides that "*insurers and their sales personnel shall ensure that all insurance application documents submitted are clear and readable*". Moreover, it also provides that the sales proposal and illustrations used in remote-selling initiatives adopted by insurers must be thoroughly presented, explained and discussed to the satisfactory understanding of prospective consumers.
- In **Pakistan**, the Microinsurance Rules 2014[252] provide that the insurer must ensure that the contract provisions can "easily be understood by the insured and are printed in legible form and font, at least in simple Urdu language". This example can be translated to m-insurance, as legibility on a feature phone could be an issue.
- In **Ghana**, the M-insurance Rules[253] provide that the policy summary must be written in plain and easy-to-understand language.

• **Focus on the quality of the information that will be disclosed to the consumer rather than the quantity.** An overload of information can confuse the prospective m-insurance consumer but a lack of information will lead to a lack of understanding. To strike the right balance, it is essential to focus on providing key information that enables the consumer to understand the product and, very importantly, how to use it and how to exercise their rights and obligations. Supervisors may want to clarify what key issues should be communicated to consumers. For instance, supervisors may want to require clarification that the insurance product is an add-on and not a pre-condition for acquiring a primary service; and that details be provided addressing crucial questions for consumers such as "What am I covered for?", "What am I not covered for?", "How much does it cost?", "Who is the insurer?", "How do I get paid?" and "What can I do if they do not pay?". Regulations relating to the simplicity of information and what key information should be disclosed in the context of inclusive insurance might be helpful. For instance:

- In **South Africa**, it is provided that information disclosed in relation to microinsurance products should cover the following six questions and answers to each of these questions: "What am I covered for?", "What are the exclusions?", "How much are my premiums and where do I pay them?", "What will happen if I do not pay my premium?", "When, where and how can I claim?" and "What documents will be required when I complain and where can I complain?".[254]
- SECP **Pakistan**[255] stipulates the key facts that should be disclosed to consumers. In addition, the draft amendments to the Insurance Rules, 2017,[256] for digital insurers provide that the insurer must ensure that key facts relating to the insurance policy, such as the risk insured, the sum insured, policy benefits, premium, free-look period, period of coverage and any other material fact, are communicated to the prospective policyholder.
- NIC **Ghana**[257] provides that insurers should prepare a "policy summary" that contains a summary of the cover provided and key features of the contract. Specifically, the policy summary must include the name of the insurer and the address of its principal office in Ghana; the type of insurance contract; a description of the risks insured by the contract and any significant or unusual exclusions or limitations;[258] the duration of the contract; the principal benefits provided under the contract; contact details for making a claim under the contract; any obligations for the prospective insured person to disclose material facts before purchasing the contract; details of the right to complain and the method of lodging a complaint; and a statement indicating that the policy summary does not contain the full terms of the insurance contract, which are to be found in the policy document.

• **Ensure that all information provided by insurers and intermediaries remotely is always "accessible" to prospective consumers.** Information provided in the context of m-insurance is generally delivered through mobile phones and sometimes requires internet connectivity to open links or apps that contain the details of the product and its terms and conditions.[259] It may be difficult for some segments of the population to access

252 SECP, 2014.
253 NIC, 2017
254 In this case, the details of the insurer and the Ombudsman should be clearly stated.
255 SECP, Microinsurance Rules of 2014.
256 SECP, 2021.
257 NIC, M-insurance Rules 2017.
258 According to the M-insurance Rules, a significant exclusion or limitation is one that (i) would tend to affect the decision of a prospective insured person or prospective insured persons generally to purchase the insurance contract; or (ii) is not normally found in comparable insurance contracts.
259 The latter is also provided by the regulation in some countries; for instance, in Indonesia Circular 5/2020 provides that non-banking entities involved in the digital marketing of insurance products should provide to the prospective consumer a link that directs consumers to the insurer's electronic system for further information.

information provided in that way, namely those who do not have access to the internet through their phones; cannot afford the cost that this entails; do not have access to energy to charge their phones; and do not have smartphones. To ensure that they receive the same level of information, supervisors may want to require that insurers consider the particularities of certain segments of the population when deciding how to provide information and that they explain such approaches to the relevant supervisor during the product approval process. In this regard, supervisors may also want to consider hybrid approaches where field agents and call centres support the delivery of such information, as this is a mechanism preferred by consumers. If this approach is used, field agents and call centre staff must be appropriately trained and have the appropriate licenses, authorisations and registrations to deliver such information (see point (b) below and **Dimension 1**). Regulatory approaches adopted in inclusive insurance that have unlocked the use of individuals and entities that are trusted and close to the prospective consumer as alternative distribution channels are welcomed in this respect, as they can support further explanation of the product (see **Box 11**). Moreover, supervisors may want to explore how local initiatives can reduce the mobile tenancy and connectivity gap. For instance:

- In **Pakistan**, the draft amendments to the Insurance Rules, 2017,[260] for digital insurers provide that when filing products insurers should explain the mechanisms used to communicate terms and conditions to policyholders through digital modes, the process of offering and acceptance, and the customer enrolment process. They also have to submit an assessment of whether or not the terms of the contract are fair to the insured persons, and the SECP may require modifications.
- In some countries, MNOs and other stakeholders are adopting measures in this respect. MTN **Ghana** as part of the GSMA's Connected Women Commitment Initiative[261] is looking at increasing the proportion of women in its customer base.[262]

b. **Ensure that any information, support and advice provided by third parties are provided in a responsible manner.** As presented in **Annex 5**, there are some cases in m-insurance where field agents participate in hybrid approaches, and where advice and information are provided through robo-advice, chat bots and other innovative approaches. The information and, sometimes, the advice provided in those instances are crucial for enabling consumers to provide their consent. In this context, supervisors are invited to consider the following elements:

- **When human interaction supports the provision of information and advice, ensure that those who are involved are competent and carry out those activities in a sound manner.** In some approaches, low-touch deployment used during onboarding is complemented by high-touch deployment, for instance involving field agents or call centres and other legal and natural persons (see **Annex 5**). It is important that these entities and individuals are appropriately licensed, authorised or registered depending on the activities they carry out. In this respect, the considerations presented for Dimension 1 regarding stakeholders who are not risk carriers are applicable. In particular, it is important to ensure that entities supporting the delivery of information and support, such as call centres and field agents, are appropriately trained, act in good faith, provide clear and transparent information to consumers and are supervised by insurers, and that insurers are the ultimate accountable party. For instance:
  - In **Indonesia**, OJK[263] provides that insurers must continuously supervise and evaluate the marketing activities undertaken by their distribution partners. When a non-banking distribution partner refers insurance products to a prospective consumer, it is required to (i) inform prospective policyholders that the products it is referring are the insurance company's products; (ii) forward any questions or complaints received regarding the products to the insurance company partner; and (iii) if an "electronic system" is used to market insurance products, provide a link in that electronic system that directs applicants to the insurance company's electronic system for further information and/or insurance underwriting.
  - SECP **Pakistan**[264] provides that the insurer is "*responsible for accuracy of information presented to the policyholders or potential policyholders through its customer interface and will liable be for any loss caused to the policyholders due to incorrect, inconsistent or incomplete information through its digital customer interface. In addition, the digital-only insurer will ensure that the promotional/ marketing material it uses, whether on its own or through intermediaries or third parties, is accurate, clear, fair and not misleading*".
- **Consider the risks associated with advice and price comparisons being provided through robo-advice and product comparison sites.** One important area that could be improved in inclusive insurance is the advice provided to prospective consumers on the products available in the market and whether or not those products address their needs. In addition, an important gap in inclusive insurance is the lack of product comparison platforms

260 SECP, 2021.
261 For information on this initiative, see this link.
262 For more about the commitment of MTN Ghana, see this link.
263 OJK Circular 5/2020.
264 Draft amendments to Insurance Rules, 2017, for digital-only insurers and microinsurers of 14 June 2021 (SECP, 2021).

to help consumers to make informed decisions. In this context, innovative approaches such as robo-advice[265] and comparison websites could fill an important gap and encourage the provision of informed consent.[266] As seen in **Annex 5**, these tools are being used more and more in emerging economies; therefore, it is important that supervisors address the emerging risks associated with these innovations. Those risks are presented in **Table 2** and include the risk of mis-selling due to the enhanced risk of misunderstanding arising when interactions are fully automated and of potential conflicts of interests arising because of compensation arrangements or the ownership of the structures; the regulatory and legal risks regarding the lack of clarity of the rules applicable to those services in terms of disclosure obligations and liability;[267] incorrect programming algorithms, which could lead to improper advice being provided; the risk that these tools could reinforce and perpetuate existing biases; a lack of understanding by supervisors of what is behind the "black box algorithms"; and the risk that consumers will buy unsuitable products based on the results provided by a comparison site, because they believed that they were receiving some form of advice.[268] All of these risks could in turn create systemic and reputational risks.[269] Therefore, supervisors may want to ensure that robo-advice adheres to the regulations applicable to those in the value chain that provide advice such as brokers, agents or agencies. For instance:

- In **Singapore**, PolicyPal graduated from the Monetary Authority of Singapore (MAS) sandbox and is now operating as an insurance broker.

In addition, supervisors may want to explore whether or not an algorithm has been carefully developed and tested before it is used in practice, and is subsequently subject to adequate maintenance.[270] In the case of comparison websites, it is important to consider how affordable these products are and also if they are effective in providing reliable information objectively and in a comparable way. An approach to achieve this could be to standardise the format of disclosure for certain products to facilitate comparisons. In all cases, supervisors may want to follow these innovative approaches closely and map their quality based on key performance indicators. For instance:

- In the **Netherlands**, the Dutch Authority for Financial Markets (AFM) maps the quality of comparison sites and issues press releases to report the findings. Interestingly, a press release published in 2018 found that comparison sites sometimes provide financial advice[271] while advertising their services; however, their approach to customer onboarding is not suitable for providing financial advice, as comparison sites are based on execution only and therefore contain a limited set of questions.

c. **Ensure that consumers are allowed to provide their consent remotely, but that such processes are transparent, reliable and robust, so that consumers are effectively protected.** In m-insurance, the policyholders or the insured often provide their consent remotely. This is generally done by sending a short code via SMS without the support of agents, physical signatures, documents or any other verification. The most common approach is to provide an e-signature through secured PINs and passwords and text confirmations, regardless of the level of sophistication of the mobile phone. In addition, informed consent is provided through recorded calls in call centres, where the insured receives information about the product. In some cases, the provision of informed consent is supported by field agents, who ultimately receive physical signatures on mobile devices such as tablets.[272] These approaches have benefits, as they speed up customer onboarding and encourage a hassle-free experience; however, mis-selling, consumer abuse, fraud and data confidentiality risks could be enhanced. Therefore, supervisors are invited to consider the following elements:

   - **Enable the use of electronic or digital signatures but require that insurers pay close attention to consumer understanding and client value.** Supervisors may consider allowing e-signatures as a crucial way of enabling of m-insurance. Considering that allowing this is generally provided for in regulations pertaining to contractual law, supervisors may want to engage in dialogue with other supervisors and regulators to unlock such opportunities. It is very important to note that legal recognition of e-signatures should be accompanied by a suitable operational framework that ensures their security and legal validity, to ensure that fraud and data confidentiality and protection risks are addressed. Special attention should be paid to the fact that consumers might not understand the implications of providing their consent remotely, and might not be able to address this properly, in their own interest. Therefore, supervisors may want to take appropriate measures to require that insurers verify that consumers have understood, for instance through follow-up calls or other tools that will be presented in **Section 3.3.2.3**.[273] In addition, supervisors may want to pay special attention to monitoring whether or not consumers have understood, as

265 See Annex 2, Glossary.
266 Robo-advice and comparison websites can also be considered a form of distribution, as they do not always provide advice, and could also be considered part of customer servicing through the insurance life cycle.
267 For instance, the traditional definition of advice means that no individual person can be held liable.
268 This is an important risk, as many comparison websites that are available in some countries, such as in India, are really sales platforms, despite the fact that consumers might think these price comparison websites are providing neutral advice and transparency.
269 IAIS, 2018b.
270 Ibidem.
271 For instance, the price comparison website provides information by saying the top three mortgages "for you". This could qualify as "financial advice" but it does not comply with the rules of financial advice on consumer onboarding.
272 However, in some cases, field agents support this process when e-signatures are not allowed.
273 See section below "Consider post-sale quality control measures as a way to verify if consent and information were provided appropriately".

detailed further in **Section 3.4.3**. For instance:

- In **Brazil**, since 2001 the legal framework has allowed the use of e-signatures and in 2004 SUSEP clarified their use specifically in insurance (see **Box 8**). More specifically for microinsurance, Circular 440/12 allows the use of logins and passwords and biometric identification as valid signatures for microinsurance policies.
- NIC **Ghana** provides that e-communication – "*SMS message or another type of electronic communication or by signifying consent through the use of an application or programme*" – can be used.[274]

- **Unlock the use of voice signatures or telephone signatures.** Voice signatures might be appropriate for segments of the population who do not know how to read or are visually impaired. However, the risks of mis-selling, lack of policy awareness, misuse, scams and fraud[275] might be enhanced. Therefore, supervisors may want to consider requiring the adoption of enhanced security measures by insurers.[276] Generally, voice signatures are considered legally binding if they comply with certain requirements, for instance in the **United States** a specific statement ("I agree") needs to be made clearly, and the voice signature needs to be attached to the contract. Supervisors may want to ensure that there is alignment with other authorities in terms of the allowance of voice signatures and how they can be allowed, to avoid situations like the one in Brazil where some court decisions have considered that voice recordings are valid e-signatures. In such a case, supervisors may want to engage closely with these authorities to develop a more robust framework that enables their use.

d. **Ensure that consumers have time to reflect after the purchase of an m-insurance product and that they are aware that they have that right to reconsider their purchase.** Because of the rapid and remote consumer onboarding that characterises m-insurance, it is important to ensure that consumers have time to reflect after the purchase and can change their decision if they do not consider themselves appropriately informed. In this context, the recognition of free-look or cooling-off periods is essential and a common feature of remote-selling regulations and consumer protection regulations. It is important to note that some countries have included cooling-off periods in their microinsurance framework and some have decided not to for various reasons.[277] However, in a digital context, the latter has been reconsidered by some supervisors and it is considered good practice to recognise such cooling-off periods when microinsurance products are sold remotely. Very importantly, considering the profile of the m-insurance consumer presented in **Annex 4**, supervisors may want to take steps to ensure that consumers are well informed and aware about the cooling-off period, for instance by requiring that insurers inform consumers about this right in the key facts documents, by making follow-up calls[278] or by sending confirmation messages just after the purchase of the insurance product informing consumers that they have the right to cancel, how long they have to exercise this right and the steps they need to take to do so. For instance:

- In **Brazil**, the cooling-off period for products sold via digital technology or via retail stores is 7 days.[279]
- SECP **Pakistan**[280] has provided that: "*All life and non- life insurance policies offered by digital-only insurer, except the group insurance policies, will be subject to free look period of at least fourteen (14) days starting from date of issuance of policy provided and where the policy is cancelled by the policyholder within the free look period, the premium will be refunded to the policyholder in the manner as stipulated in Rule 62 of these Rules*". Importantly, the draft amendments to the Insurance Rules provide that this free-look period needs to be clearly disclosed to consumers before the sale and after the issuance of the policy as part of the terms and conditions and through "*any other medium which is most likely to be viewed by policyholder such as in-app notifications or pop-up messages on opening application/website/email*".
- In **India**, IRDAI allows the policyholder to opt out from a policy within 15-30 days of the date of receipt of the policy document, which is also valid for microinsurance.[281] IRDAI also checks on call centre scripts from time to time.[282]

e. **Consider post-sale quality control measures as a way to verify if consent and information were provided appropriately.** When insurance products are bundled or added on, prospective consumers might be more focused on the primary service. When onboarding processes are rushed or even pushed, consumers could end up providing their consent without proper reflection. It is important that insurers ensure that consumers are provided with all the information related to the insurance products separately from the primary service, and that post-sale communications or visits are also provided in models involving bundling and add-ons. For instance, the insurer could remind the consumer about the product in a welcome call or welcome SMS message and provide the details of the coverage again. Ideally, such calls or SMS messages should be made or sent before the free-look or cooling-off periods end, to ensure that the consumer has the opportunity to exercise their right to cancel. For instance:

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274 NIC, 2017

275 For instance, scam calls asking the receiver to respond yes or no to a simple question, such as "Can you hear me?" could have the intention of recording the agreement and the voice of the person for future fraudulent activities.

276 For instance, biometric software can be used to record a customer approving a transaction and this recording can then be used to create a unique voice print comparable to a fingerprint. This voiceprint can then be used to validate the person's identity in subsequent communications.

277 For instance, there has been debate on whether or not allowing cooling-off periods is an appropriate approach for microinsurance, considering that cooling-off periods increase the complexity, cost and administration of products, issues that ultimately go against the simplicity expected in microinsurance.

278 This is an example demonstrating the importance of the protocols used by call centres.

279 Brazilian Consumer Protection Code, Law no 8.078 of September 11, 1990.

280 Draft amendments to Insurance Rules, 2017, for digital-only insurers and microinsurers of 14 June 2021 (SECP, 2021).

281 https://www.policyholder.gov.in/micro_insurance.aspx

282 A2ii, 2018a.

- In the **Philippines**, Circular 2020/190 provides that insurers must establish post-sale quality control mechanisms to ensure that sales conducted through remote-selling initiatives are conducted in accordance with the companies' standards and that the policyholder understands the features, terms and conditions, and benefits provided by the products sold.

f. **Proof of coverage should be provided to consumers in a way that is always retrievable and storable.** Once consent has been provided, the policyholder, and the insured in a group policy, should receive proof of coverage in a manner that can be referred to at all times. A standardised format could take the form of a one-page key information document or a standardised disclosure template.[283] Supervisors are encouraged to enable innovation and simplicity; however, it is very important to ensure that, when customers receive the policy document or the certificate remotely, they are able to access this document at all times. Therefore, proof of coverage should be retrievable and storable, and retrievable when lost. For instance:

- NIC **Ghana**[284] states that the insured person shall be provided with a written insurance policy document on the commencement of the mobile insurance contract or as soon as possible thereafter.
- SECP **Pakistan**[285] provides that the insurer must provide evidence of insurance cover promptly after the inception of the insurance policy; in particular, the detailed terms and conditions may be communicated to the policyholder after issuance of the insurance policy.

g. **Insured parties in group m-insurance policies should also have a clear understanding of the conditions, provide informed consent and receive proof of coverage.** Group policies are used in m-insurance and they provide several benefits such as speeding up onboarding processes and making products more affordable. However, the misuse of group policies could lead to consumer protection concerns. Therefore, although it is appropriate to allow the use of group policies, it is important to provide a framework that addresses the risks that they could entail. In particular, it is important to ensure that all insured parties are well aware of the terms and conditions of the insurance product; therefore, they should receive an individual certificate or a summary of the policy from the policyholder, and the insurer should make available to the policyholder such documentation. In addition, it is important to ensure that the insured parties also provide their consent to be part of the group policy and that they receive proof of coverage, often simplified in an individual certificate. For instance:

- In Ghana, the M-insurance Rules provide a specific set of provisions for group policies (see **Box 16**).

**Box 16. Group insurance in m-insurance in Ghana**

According to the M-insurance Rules (2017), the master policyholder has the following two obligations[286]:

1. **Obligation to maintain records of insured and beneficiaries:** the master policyholder shall maintain a written record of members and beneficiaries under the contract which shall (i) adequately identify each member of the group insurance contract; (ii) in the case of a member, record the date upon which the person became a member; (iii) provide details of any other persons who are beneficiaries under the group insurance contract; (iv) if members are able to exercise options to take different levels of cover, summarise the cover provided by the contract to the member; and (v) identify the next of kin of each member.
2. **Delivery of information to insured parties:** make available to each person who becomes a member under a group mobile insurance contract (i) a copy of the policy summary; (ii) if not specified on the policy summary, a schedule setting out the details of the cover provided to the member; (iii) the name and contact details of an employee or representative of the master policyholder whom the member may contact for further information in relation to the contract; and (iv) details of how the member may obtain a copy of the policy document.

283 IAIS , 2017a.
284 M-insurance Rules 2017.
285 Draft amendments to Insurance Rules, 2017, for digital-only insurers and microinsurers of 14 June 2021 (SECP, 2021).
286 According to the M-insurance Rules, a master policyholder complies with these obligations if the activities are undertaken by another party to the mobile insurance arrangement on its behalf.

#### 3.3.2.1.3 Promoting simplified and remote know your client and customer due diligence procedures

Supervisors are invited to consider the following measures to promote responsible, hassle-free KYC and CDD procedures:

a. **Ensure that proportionate approaches are adopted to allow simplified KYC and CDD procedures in remote selling.** M-insurance products in inclusive insurance generally fall under proportionality approaches for CDD as part of simplified due diligence (SDD), from which KYC procedures are generally exempt or that recognises very simplified KYC procedures because of the low premiums and insured amounts involved, or because of the short-term cover provided by the insurance product.[287] These considerations are appropriate to accelerate enrolment processes and allow people without proper identification (ID) documents to access to financial services.[288] In this context, several countries have opted to adopt a proportionate approach regarding KYC and AML/CFT approaches, where simplicity is allowed while fraud risk is appropriately managed. For instance:

   - **Colombia, the Philippines, El Salvador, Pakistan, Morocco and Malaysia**, among other countries, have recognised simplified KYC procedures for insurance products of certain insured amounts and premiums. In some cases and in some jurisdictions, such processes have even been exempted.
   - In the **Philippines**, the Insurance Commission provides, in the Microinsurance Regulatory Framework, a relaxed KYC procedure for microinsurance, where an application form containing only minimum client information together with photographic ID or a substitute document are sufficient. For remote selling specifically, Circular 2020/109 of the Insurance Commission provides that insurers and their sales personnel shall ensure that any and all AML requirements (KYC and CDD requirements) are observed at all stages of the remote-selling process.
   - In **Pakistan**, Regulation 17 of the AML/CFT Regulations 2020 recognises the possibility of conducting SDD of the customer/policyholder if the customer/policyholder is considered low risk, and the insurer justifies the decision to rate the customer/policyholder as low risk in underwriting. The SECP recognises that the adoption of this proportionate approach to AML/CFT is a key enabler for the development of m-insurance.
   - In **Malaysia**, the Central Bank of Malaysia issued in 2019 new AML/CFT regulations allowing proportionate CDD for low-risk insurance products.[289]

b. **Consider that eKYC approaches can facilitate m-insurance, but that associated risks should be addressed.** Some electronic KYC (eKYC) solutions have been adopted by MNOs,[290] MMPs and insurers. Examples of this are biometric authentication technology to verify users during the onboarding process and subsequent transactions as is used in Morocco. In this context, online users need to submit photos of their national ID documents and take selfies to verify their identity. Such eKYC approaches have been enabled by digital IDs,[291] which are supported with biometric authenticators, chip cards and PINs. Despite the opportunities that such approaches unlock, supervisory risks such as cyber risks and fraud might be associated with them. Therefore, supervisors are invited to take measures to ensure that the technology available to support these deployments is robust enough; that measures are in place to improve cybersecurity; that eKYC approaches are effective; and that consultation with other regulatory and supervisory authorities and entities involved in the provision of these approaches is common practice. Supervisors may also want to explore how to engage with other relevant authorities that could be instrumental in facilitating these developments, for instance to promote the development of electronic or biometric ID cards [292]see Section 3.4 for more details regarding collaboration with other authorities). For instance:

   - In **Malaysia**, eKYC approaches were recently allowed by the Central Bank of Malaysia, with risk management requirements, including key performance indicators (KPIs), in place to monitor effectiveness.[293]

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287 Given this, the 2013 FATF Guidance on anti-money laundering and terrorist financing measures and financial inclusion provides that, for lower risk customers and transactions, including low-value life insurance policies and products, provided that there has been an adequate "analysis of the risk by the country or by the financial institution, it could be reasonable for a country to allow its financial institutions to apply simplified CDD measures" (FATF, 2013).

288 IAIS, 2015a, 2018a.

289 Central Bank of Malaysia, 2019; available here.

290 For instance, most countries require customers to identify themselves and submit personal information when purchasing a mobile phone or a pre-paid SIM card. In Pakistan, MMPs must capture their customers' IDs and biometric data and verify the information against the national registry. When MNOs are operating as MMPs they also have to go through additional KYC procedures with some specific sets of requirements (GSMA and Center for Global Development , 2019).

291 Defined by the World Bank as a "collection of electronically captured and stored identity attributes that unequally describe a person within a given context and is user for electronic transactions. It provides remote assurance that he person is who they purport to be" (WBG and GPFI, 2018).

292 For instance, in Estonia, ID card and digital signature services resulted in the incorporation of digital insurance solutions (OECD, 2017b).

293 Central Bank of Malaysia , 2020.

#### 3.3.2.2 Premium payment

**Defining premium payment**

For this section, premium payment encompasses:

i) the payment mechanisms used to pay the premium in m-insurance;

ii) the responsibilities of those who receive the premium from the consumer;

iii) timelines given to pay the premium.


Supervisors are invited to consider the following measures to promote proportionate approaches in relation to premium payment:

a. **Ensure that a wide range of alternatives is available for consumers to pay premiums.** As presented in **Annex 5**, mobile money, cash or bank deductions, and airtime/data credit are all mechanisms used to collect premiums in m-insurance.[294] Cryptocurrencies also present opportunities to support the payments of premiums and payouts, although the use of cryptocurrencies is in the early stages. Payment mechanisms have been evolving and will keep doing so. It is important to ensure that consumers have different options to pay premiums and that these options are tailored to their particularities, and it is important for insurers to guarantee that collecting premiums is a cost-efficient process. Insurance supervisors are invited to consider themselves as catalysers for allowing a wide range of alternatives for paying premiums. Firstly, supervisors could encourage and promote the adoption of proportionate approaches to enable the use of different payment alternatives by engaging closely with the relevant authorities, such as central banks, in charge of allowing different payment mechanisms such as mobile money/payment systems. Secondly, supervisors could play an instrumental role by recognising these modes of payment as valid alternatives for paying premiums and encouraging insurers to integrate and enable them within their processes. Supervisors may want to consider the following approaches:

   - **Adopt and encourage the adoption of proportionate approaches to allow payment through airtime and data deductions, while addressing the supervisory risks associated with these payment options.** Even though airtime deduction has been losing traction in recent years, it had been the most predominant premium collection mechanism for m-insurance and is still commonly used in some jurisdictions (see **Annex 5**). In addition, in countries such as Ghana, data deduction is being used in m-insurance and this mechanism is expected to spread to other countries over time as many people around the globe are increasingly using less airtime but are instead topping up data credit. In this context, supervisors, including central banks, may want to explore allowing the use of airtime or data deduction as a payment mechanism depending on the modality most used and widespread in the particular country; at the same time, supervisors are invited to establish clear safeguards to avoid consumer abuses.[295] For instance:

     - Some concerns could emerge regarding consumer awareness and understanding of these deductions from purchased airtime including in relation to which services and which levies are being paid for by the deductions.[296] For instance, in **Egypt** and **Tanzania**, central bank regulations had allowed the use of airtime deduction as a payment instrument for some time. However, a huge volume of complaints from clients who were unaware of their m-insurance product subscription and premium deductions led the regulatory authorities to disallow this practice.[297] In this respect, supervisors may want to consider requiring insurers to explicitly communicate in a simple and understandable manner how airtime deduction works and to notify consumers when such deductions have been made. As regards notifications, it would be better to establish monthly or fortnightly notifications than daily notifications of micropayments being deducted, as this could be a nuisance for consumers.[298] For instance, BIMA in **Ghana** sends monthly SMS messages to confirm the amount paid throughout the month and the corresponding coverage provided.
     - In addition, supervisors might want to consider consulting closely and maintaining a close dialogue with the central bank in this matter, because ultimately it is the central bank that is responsible for allowing such an approach or not.
     - Another important consideration for supervisors is the taxation regime and value added tax (VAT); moreover, stamp fees applicable to airtime/data credit could affect the cost of the insurance product, entailing issues in terms of lower client value than that for clients using mobile money.

294 Premium payment through airtime and data is limited to MNO-partnership models.
295 IAIS, 2018a.
296 A2ii, 2018a; IAIS, 2018a.
297 A2ii, 2018a
298 Ibidem.

- In **Ghana**, airtime payments have been allowed since 2010, when the MNO business model emerged. However, the insurance supervisor NIC of Ghana has now confirmed that "*airtime is a transitory payment mode*" and, in the long term, mobile money is the better payment method. A recent change has been reported from Ghana, where the Bank of Ghana has allowed the deduction of payments from data credit that the client has purchased, reacting to the consumer trend to purchase data rather than airtime.[299]

• **Adopt and encourage the adoption of proportionate regulations to allow mobile money, as it is crucial for m-insurance.** Mobile money is becoming the preferred mechanism to pay for m-insurance products, while also becoming one of the most important catalysers of digital financial services around the globe. The GSMA has developed the Mobile Money Regulatory Index [300]MMRI), which measures the effectiveness of mobile money regulatory frameworks in 90 countries through six key regulatory enablers or dimensions: authorisation[301]; consumer protection[302]; transaction limits[303]; KYC procedures[304]; agent networks[305]; and investment and infrastructure environment[306]. This MMRI, and its dimensions, could serve as an interesting tool for supervisors to use to identify areas that need to be considered within their jurisdictions, to unlock opportunities for the responsible use of mobile money, which then could be leveraged for the benefit of m-insurance. Some interesting findings of the latest MMRI analysis are:

  - The MMRI 2019 it was found that countries such as **Botswana, Singapore, Papua New Guinea and Eswatini** had improved their regulations enabling mobile money more than other countries.
  - It was also found that 73 countries allow non-banking entities to issue e-money and provide mobile services, 88 countries have consumer protection rules specifically for mobile money, 59 countries allow mobile money to be accessed with an ID and mobile account, and 29 countries provide automated KYC verification by the government.[307]
  - It is expected that the MMRI 2020 will show improvements as a consequence of the accelerated digitalisation triggered by the social restrictions of the COVID-19 pandemic. Indeed, since March 2020 it has been reported that several countries are now allowing mobile payments in insurance. For instance:
    - In **Uganda**, the IRA in July 2020 adopted a new regulation allowing mobile phones to be used as a new payment platform for third-party motor insurance.
    - In **Egypt**, mobile payments via e-wallets are allowed and the use of mobile money by clients has increased since the implementation of COVID-19 restrictions. At the same time, some client aggregators such as microfinance institutions are only starting to consider linking to an MMP, as there is a perception that the cost of each transaction might be prohibitive for their clients and because their own IT systems would need considerable investment.
  - Three important topics are extremely relevant for supervisors to consider:
    - Firstly, the taxation regime applicable to mobile money is relevant, as this could affect the affordability of insurance products.
      - » In this respect, the MMRI 2019 found that several countries have high mobile money transaction taxes, among them **Congo, Côte d'Ivoire, Tanzania, Kenya, Uganda and Zimbabwe.**[308]
      - » However, other countries have adopted measures to address that complexity. For instance, in **Morocco**, in 2019, the government introduced fiscal incentives to encourage the adoption and use of mobile payments.
    - Secondly, it is relevant to consider the need to ensure interoperability, so that mobile money can play an important role in m-insurance.
      - » For instance, according to SUSEP in **Brazil**, it is expected that new measures of the central bank ensuring interoperability through the recently allowed payment system PIX[309] will play an important role in m-insurance.[310]
    - Thirdly, supervisors are invited to consider how sudden general changes of mobile payments could have a large impact on the insurance sector and create systemic risk.
      - » For instance, in **Zimbabwe,** the government

299 Interview with NIC
300 Available here.
301 Examines the eligibility to provide mobile money services, authorisation instruments, capital requirements, international remittances.
302 Examines the general consumer redress and disclosure mechanisms and the provisions for the safeguarding of customer funds, including measures to protect customer funds in the event of bank failure.
303 Examines the proportionality of account balance and transaction limits (entry level and ceiling).
304 Examines the permitted identification requirements, the proportionality of KYC requirements and the guidance provided by regulators on ID requirements.
305 Examines the eligibility criteria for agents, their authorisation requirements, permitted agent activities and agent liability.
306 Examines the external factors that are likely to affect the regulatory environment such as affordability, ID verification infrastructure, interoperability infrastructure, provisions on the utilisation of interest income and national financial inclusion policies.
307 GSMA, 2020d.
308 GSMA, 2020d.
309 PIX is an instant payment system, which involves an electronic money transfer between different institutions where the payment message transmission and fund availability to the final beneficiary occur in real time, and whose service is available to end users 24/7. It is through PIX that all wallets that use QR codes will be interoperable, meaning that transfers and payments will be allowed from one e-wallet to another in real-time, 24/7.
310 Survey on m-insurance for supervisors of Brazil, Pakistan, Kenya and CIMA carried out in the context of this White Paper.

suspended all monetary transactions on phone-based MMPs in June 2020 because it was alleged that MMPs, such as Ecocash, and the Zimbabwe Stock Exchange were conspiring to sabotage the Zimbabwe dollar.[311] Even though the central bank banned MMP-facilitated transactions, it still allowed merchants to receive payments for goods and services.

- **Consider new developments that could have an impact on m-insurance, such as the use of cryptocurrencies and digital tokens.** Even though these deployments are still in the early stages of development in emerging market countries, it is expected that they will develop quickly, particularly in some Asian countries. In this respect, supervisors are invited to become acquainted with the supervisory risks associated with cryptocurrencies, which could be prudential and COB risks, and consider guidance provided in this respect by the Financial Stability Board (FSB)[312] and the Bank of International Settlements (BIS)[313], and the European Parliament[314].

b. **Ensure that there is clarity for consumers about the alternatives and deadlines for paying premiums in m-insurance.** It is important that regulation on m-insurance requires insurers to clearly communicate to consumers the mechanisms available for paying premiums, the deadlines for payment and, very importantly, the consequences of not paying on time. Generally, payment mechanisms are identified in the insurance contract and those mechanisms are aligned with the available payment options in the country. For the case of paid products (as opposed to loyalty-based products), insurers should clearly inform consumers of the timelines for paying premiums and the consequences of not paying in time.

- In countries such as **Ghana, Pakistan and South Africa**, policy summaries or key facts documents must include that information. In some cases, specific regulations applicable to remote selling and m-insurance specifically mention the mechanisms available for paying premiums. For instance:
  - NIC **Ghana**[315] provides that payment alternatives must be explicit in the m-insurance contract. In terms of alternatives allowed, the premium can be paid in three ways. Firstly, it can be paid from an e-money account held by the insured person, provided that (i) the e-money issuer with whom the account is held holds a licence issued by the Bank of Ghana under the E-Money Issuer Guidelines; and (ii) any (mobile money) agent, within the meaning of the Agency Guidelines, is authorised by the Bank of Ghana under those Guidelines. Secondly, the premium can be paid through the reduction of the insured person's airtime balance held with the participating MNO. Thirdly, if permitted by the mobile insurance contract, the premium can be paid by cash or other means. In 2021, the Bank of Ghana has authorised the use of both airtime (which had been allowed prior to this) and data credit because mobile phone users increasingly rely on data credit and using messenger services, rather than making telephone calls via the network.[316]

c. **Consider the introduction of grace periods to pay premiums.** The introduction of grace periods to pay the premiums for the case of inclusive insurance is appropriate and considerations provided by the IAIS in this respect are applicable here as well.[317] For instance:

- In the **Philippines,** the Insurance Commission has a 45-day grace period for microinsurance, compared with 31 days for traditional insurance.[318]

d. **Address appropriately the risk of the insurer not receiving the premium, to ensure that the consumer does not suffer in such cases.** Unfortunately, premiums rightly paid by consumers do not always reach insurers. For instance, in April 2021 it was reported that in Kenya USD 35 million paid in premiums by consumers did not reach insurers because of delays from brokers, agents and banks, failing to wire premiums to insurers in time.[319] The consequence of this was that businesses, households and individuals were not covered because of the "cash and carry" principle, which provides that, if an insured party suffers a loss before the premium is remitted to the insurer, the insurer will not compensate this loss. Supervisors may want to reconsider such approaches and instead provide that any premium payment made to an intermediary is considered made to the insurer.[320] Additional considerations of the IAIS on this topic are presented in **Box 15**.

311 Finextra, 2020; Hamacher , 2020.
312 See link.
313 See link.
314 See link.
315 M-insurance Rules 2017.
316 Interview NIC July 2021.
317 IAIS, 2015a; IAIS, 2017a.
318 A2ii, 2016.
319 MEIR, 2021.
320 IAIS, 2015a.

### 3.3.2.3 Post-sale engagement

**Defining post-sale engagement**

In this section, post-sale engagement refers to a comprehensive phase that includes all stages of customer servicing, including:

i) claims management;

ii) claims settlement;

iii) complaints management;

iv) dispute resolution;

v) renewals;

vi) termination[321].


**Proportionate regulation is essential to promote hassle-free but responsible post-sale engagement.** Mobile phones offer consumers and providers technology platforms to manage their insurance products. As presented in Annex 5, communications are generally supported through SMS, USSD, messenger apps such as WhatsApp, IVR (pre-recorded voice messages) or direct calls by call centres, or directly through smartphone apps or internet apps. Communication can be supported through chat-bots, robo-advice and direct agents. All of these deployments are used to support all stages of the insurance life cycle, but they are also key to supporting one of the most important stages of the consumer journey: the claims management and settlement process. Mobile phones support communication during claims management and the gathering of evidence and data that are essential during this stage. Mobile phones are used to take pictures of supporting documents or events to prove that losses have been incurred. They can facilitate geo-referencing in the context of index insurance and they are instrumental in delivering some of the benefits provided by the policy, for instance in the case of telehealth services. They support complaints management and remote dispute resolution. Taking these diverse functions into consideration, supervisors may want to ensure that regulations enable the possibility of using these deployments to support post-sale engagement, while ensuring that the associated risks are addressed. Below are some considerations intended to inspire supervisors to strike the right balance between allowing these innovations and addressing the risks that might emerge from them:

a. **Ensure that platforms and deployments supporting post-sale engagement are robust.** Supervisors are invited to consider the measures proposed in Section 3.2.1 to address the potential operational, fraud, cyber, payment, and data protection and privacy risks that are common when relying on these platforms and deployments.

b. **Ensure that consumers are aware of what platforms and deployments they can use to communicate, claim, lodge complaints and seek redress.** Supervisors may want to ensure that, before and from the inception of the contract, consumers are well aware of all the deployments available to support post-sale engagement and how they will communicate with insurers, distribution channels, and other stakeholders. It is very important that this clarity is provided regarding the platforms allowed, for example apps, email or SMS, and the accountable parties that consumers should contact for claims, complaints management and dispute resolution. This should be communicated in a simple, accurate, transparent, suitable and timely manner, for instance in a key facts document or policy summary, and in any other communication with the consumer, as presented in Section 3.3.2, and should be in vernacular language that is easy to read, even on a feature phone.

Consumers need to be aware of how communications will take place and they should provide their consent in this respect. For instance:

- NIC Ghana (M-insurance Rules 2017) provides that an "*insurer, insurance broker, insurance agent or MNO may communicate with, and provide documents to, an insured person by electronic means only if the insured person has given his or her consent to the use of electronic communication for this purpose*".
- In Pakistan, the SECP (in draft amendments to Insurance Rules, 2017, for digital insurers) provides that all communication should be electronic and that the insurer "*may make all communication with the policyholder using*

321 For the case of renewals and termination, aspects discussed in section 3.2.2.1. are also relevant, such as the provision of the informed consent and premium payment.

*electronic/digital means while ensuring that the policyholder has received the same*"[322]. The insurer would then have to verify if the documents had in fact been received.

c. **Ensure that consumers are clear about who they should lodge queries, claims and complaints with.** Supervisors are invited to consider requiring that insurers provide clear, transparent and simple information about who consumers should take up consumer enquires, claims and complaints with. In addition, it is important to ensure that these contact points respond fully to consumers and are accountable to them, as this will avoid consumers becoming confused, exhausted or frustrated. All of these contact points should be contactable remotely and through deployments that are accessible, affordable and suitable for consumers.

d. **Ensure that the platforms and deployments used during post-sale engagement are accessible, affordable and suitable for all consumers.** Considering that the platforms and deployments used to support post-sale engagement in a digital environment are key, appropriate consumer engagement depends on mobile connectivity and, in some cases, the tenancy of smartphones. Therefore, supervisors may want to require that insurers take measures to guarantee that all consumers will be able to access information and support regardless of connectivity constraints and the type of phone that they have. This means that insurers should take all possible steps to adapt post-sale engagement deployments to the particularities and complexities of their consumers. If consumers do not have access to the internet or a smartphone, an alternative could be to adopt hybrid models where USSD could be used. Another option would be to use sales staff and field agents, as well as call centres, who will be available to attend to queries, support claims processes and lodge complaints on behalf of consumers.[323] For instance, agents could help to fill in the online claims template, as is already happening in some jurisdictions as presented in **Annex 5**. Supervisors are invited to become acquainted with the client realities of low-income consumers, to ensure that innovative and digitally supported mechanisms work for all clients including the low-income client segment. Proof of understanding of client realities could be provided during product approval, supervisors could require insurers to share elements considered in the design of the products, such as demand studies, and the structure of the business model. For instance:

- NIC **Ghana**[324] provides that "*if a mobile insurance contract is approved as a microinsurance contract under the Market Conduct (Microinsurance) Rules, 2013, those rules apply to the contract and the marketing and sale of the contract in addition to the M-insurance Rules*". Although the M-insurance Rules envisage the approval of m-insurance products that are not also microinsurance, in practice all the m-insurance products that have been approved are also microinsurance products. In fact, of the 44 microinsurance products, 26 are m-insurance products and all of them are therefore regulated under the microinsurance regime[325] as well as under the m-insurance regime. According to the Microinsurance Rules issued in 2013, all microinsurance products must be "designed and developed to meet the needs of low-income people". Given the importance of microinsurance to the m-insurance business model, the nature and challenges of low-income people are a key element in the product design and product approval process.

Supervisors are also invited to ensure that digital deployments and platforms are accessible all of the time. Some regulations have already provided that these platforms and deployments should be available at all times to support and guide consumers and respond and attend to their requests. While it is essential to provide round-the-clock customer support and allow continued engagement with consumers, insurers and other stakeholders should be cautious about not spamming and becoming a nuisance for consumers through communication overload for instance by sending notifications too frequently. For example:

- OJK **Indonesia** in Circular 5/2020 provides that "*if their electronic systems are able to process insurance applications, insurance closures and/or payment of premiums, they must have a service centre operating 24/7 to handle complaints and questions*".
- In **Pakistan**, the draft amendments to the Insurance Rules, 2017, for the digital insurer provide that the insurer "*will maintain a round-the-clock customer support mechanism, preferably through voice-call/telephonic helpline and will communicate the details of such helpline to policyholders along with insurance policy*".[326]

e. **Ensure that consumers receive clear and timely communications during claims and complaints management, so that they are well aware of the details of these two key processes.** Supervisors are invited to ensure that essential communications are provided in a timely and clear manner to consumers so that they are aware of the status of the claims or complaints lodged. For instance, when beneficiaries make claims, insurers should provide notifications letting consumers know that they are processing the claim; or, if additional information is needed, insurers should take all necessary steps to ensure that beneficiaries know what else is required, by when and in which format. Beneficiaries should also receive communications letting them know when and how the payment will be provided. In the case of index insurance products, it is advisable that beneficiaries are sent communications showing that an event covered by the policy was triggered and that they will receive a payout. While digital communication allows such information to be generated and delivered automatically, it is imperative to bear in mind that the emerging consumer may not always be in a position to access, understand or react upon this communication. Therefore, providing a physical contact point, such as the kiosks in Ghana (see **Box 6**), can be an important complement to the digitally supported insurance business, with a focus on including the emerging consumer.

322 SECP, 2021.
323 Those supporting these processes should comply with the applicable licenses, authorisations and registration as presented in Section 3.2.
324 M-insurance Rules 2017.
325 Data from the NIC as of December 2020
326 SECP, 2021.

f. **Keep track of telehealth and telemedicine developments to address the risks associated with telehealth and telemedicine benefits, which are generally provided as part of insurance coverage.** Telehealth services are becoming relevant in many markets, as they can help to reduce the health insurance protection gap and piggy-back on increasing mobile phone coverage. However, some concerns have arisen with regard to this popular practice in relation to, for example, the conceptual confusion between telemedicine and telehealth; uncertainty about the licenses required by those providing such services; the complexities that arise when these services are provided from abroad; the fact that telemedicine and telehealth do not always fit within the regulatory framework applicable to the medical profession;[327] and the fact that confidential information could be shared through digital platforms and through different stakeholders[328]. Therefore, supervisors are invited to consider these potential risks and pitfalls and ensure that there is consultation between them and the authorities involved in overseeing the medical practice, such as the ministry of health, the medical councils and other entities involved, to address these risks appropriately.

g. **Make sure that consumers have different options for receiving claims payments, that those alternatives are suitable for their particularities, that they are appropriately communicated and that there are no unnecessary barriers to receiving claims payments remotely.** Insurers should be compelled to clearly communicate the various mechanisms for payouts. In some specific cases, supervisors may want to consider that payouts cannot be made through certain mechanisms. Supervisors may also want to consider the potential transaction limits applicable to e-transactions and explore whether or not these limits could hinder the payment of claims.[329]

   - NIC **Ghana**[330] provides that "*a mobile insurance contract shall provide for the method or methods used for the payment of monies due to the insured person or to a beneficiary under the mobile insurance contract on the settlement of a claim*". Specifically, these M-insurance Rules provide that "*the mobile insurance contract may provide for payment to be made by any one or more of the following methods: (a) by payment into an e-money account held by the insured person or beneficiary with a licensed e-money issuer; (b) by cash; or (c) into a bank account held by the insured person or beneficiary*". The NIC also provides that claims cannot be settled by applying credit to the airtime balance of an insured person or beneficiary.

h. **Ensure that remote communication can be used to confirm payment.** Supervisors may want to encourage the recognition that confirmation of payment should operate as a confirmation of "*full and final settlement*". In some Latin American markets, the beneficiary is required to provide a signed full and final settlement through wet signatures; such approaches are not necessarily appropriate in an e-communication environment.

i. **Consider that, if most of the stages of the insurance life cycle are supported remotely, complaints management and dispute resolution mechanisms must also be supported remotely.** In digital business models, the focus is generally on digitalising consumer onboarding, while, unfortunately, key steps that ensure consumer protection such as complaints management (internal and external) and dispute resolution are rarely digitalised. Therefore, supervisors are invited to explore pathways to ensure that internal and external complaints management, and even dispute resolution, mechanisms are also supported by remote deployments. This could be done directly in some cases but in other cases might require collaboration with a wide range of authorities. The remote deployments supporting these key processes should be available 24/7 and accessible to all without any charge, and details should be appropriately communicated to consumers so that they are well aware of them.[331] For the particular case of internal complaints management, when agents are involved in internal complaints management, for instance by providing guidance to consumers, they should be trained to respond or to forward complaints to insurers. In all cases, deployments should be aligned with consumer protection regulations, which provide the internal grievance mechanisms that insurers should have in place. This might mean that these deployments should comply with extra requirements depending on the applicable regulatory framework, for instance consumer protection regulations specifically provided for the financial sector.

   Regarding external complaints mechanisms, supervisors are invited to consider pathways to ensure that consumers can lodge complaints remotely within the supervisor's complaints department or with consumer protection agencies without any cost. Not being able to do so can deter some consumers from lodging complaints, as they might not be able to afford to travel to the administrative centre where the complaints department or consumer protection agency is located, or they might not be able to afford to pay call fees. For instance:

   - IRDAI in **India** has created the Integrated Grievance Management System (IGMS), an online system for grievance management, and the Integrated Grievance Call Centre (IGCC), which receives complaints through a toll-free number and by email. The Consumers Affairs Department (CAD) is in charge of managing both the IGMS and the IGCC as part of its mandate to oversee the obligations of insurers and intermediaries with respect to consumers and to empower consumers by educating them on grievance redressal mechanisms.

   If complaints are not resolved, consumers should have the right to use traditional or alternative dispute resolution mechanisms. However, generally these mechanisms are often not available remotely or online, a factor that has created a bottleneck of unresolved disputes preventing the full digitalisation of the insurance life cycle. Indeed, very few countries have online dispute resolution (ODR) systems in place.[332] Nonetheless, as

327 Hogan Lovells, 2020.
328 For instance, the industry in Ghana has been calling for integration of data and access to the hospital registry, to ease the claims process, which may however be associated with data protection, fraud and consumer protection concerns.
329 This could also be a problem for premium payment.
330 M-insurance Rules 2017.
331 See chapter on complaints management and dispute resolution of IAIS (2015a).
332 Several countries are making progress in integrating ODR into their judicial procedures. For instance, several European countries have adopted online procedures to manage civil small claims not exceeding EUR 2,000.

a consequence of the social restrictions imposed during the COVID-19 pandemic, some countries have recently adopted measures to unlock opportunities for ODR. For instance:

- In **Kenya**, in July 2020, a virtual court and electronic court case management system was adopted.[333]

Progress in this respect will be instrumental in making the use of digitalisation across the insurance life cycle consistent and ensuring that the m-insurance consumer is effectively protected throughout the entire life cycle. Supervisors should however be aware of the difficulties that low-income consumers might face in using such services. Therefore, supervisors may want to monitor separately the rate of complaints lodged relating to insurance products using digital or remote means, or checking the use of such complaints services through surveys and other means. This would allow supervisors to verify if such processes are understood and accepted by the emerging consumer, who is only slowly becoming acquainted with digital processes.

j. **Use same deployments for customer engagement and post-sale engagement to support renewal processes.** Consumers should be made aware of the termination date of their contract and the alternatives to continuing with existing cover. Specifically, it is important to avoid automatic renewals without proper communication, as consumers might not be aware that their policy is being renewed and might forget to opt out in due time. Insurers and intermediaries should be required to send communications in advance to inform consumers about the termination date and the alternatives to renewing the contract. If consumers are interested in renewing the insurance contract, the elements described in **Section 3.3.2.1**, to the provision of consent and the payment of premiums, are applicable. Specifically, it is important to ensure that consumers consent explicitly to renewing the contract.

k. **Give consumers the option to use the same deployments to terminate the contract as were used to initiate the contract.** Consumers should benefit from a clear process to opt out of the contract through the same remote deployments and platforms that were used to support customer onboarding and post-sale engagement. Consumer concerns could arise if they are required to carry out this process in paper or in person.

## 3.4 DIMENSION 3 – ENSURING APPROPRIATE SUPERVISORY APPROACHES

**An enabling supervisory approach is key to promote the development of responsible m-insurance.** The development of responsible m-insurance depends largely on the approaches adopted by supervisors to address supervisory risks in a proportionate manner. Considering global examples such as the ones of **Ghana, Brazil, Pakistan, the CIMA region, Indonesia and Kenya**, the development of m-insurance has been possible because supervisors have:

- collaborated effectively and efficiently with other authorities involved directly or indirectly in this market to ensure the robust supervision of all parties involved;
- engaged with providers to understand the market and address the associated risks while promoting innovative approaches;
- adopted open-minded attitudes to allowing stakeholders to test innovative approaches while protecting consumers and the stability of the market effectively;
- built internal skills, mobilised resources and developed capacities to understand, assess, balance and address the supervisory risks associated with a rapidly evolving market marked by technological developments, new providers and innovative tech-based approaches;
- adapted their supervisory systems and monitoring tools to ensure proactive and effective supervision.

This section presents some global examples and some guidance from the IAIS to support supervisors to adopt appropriate supervisory approaches regarding m-insurance. **Box 17** provides a list of the ICPs that are relevant for supervisors in the context of this dimension.

333 Juma, 2020.

**Box 17. ICPs relevant for Dimension 3**

**ICP 1: Objectives, Powers and Responsibilities of the Supervisor.** Each authority responsible for insurance supervision, its powers and the objectives of insurance supervision are clearly defined.

**ICP 2: Supervisor.** The supervisor is operationally independent, accountable and transparent in the exercise of its responsibilities and powers, and has adequate resources to discharge its responsibilities.

**ICP 3: Information Sharing and Confidentiality Requirements.** The supervisor obtains information from, and shares information with, relevant supervisors and authorities subject to confidentiality, purpose and use requirements.

**ICP 9: Supervisory Review and Reporting.** The supervisor uses off-site monitoring and on-site inspections to examine the business of each insurer; evaluate its financial condition, conduct of business, corporate governance framework and overall risk profile; and assess its compliance with relevant legislation and supervisory requirements. The supervisor obtains the necessary information to conduct effective supervision of insurers and evaluate the insurance market.

**ICP 10: Preventive Measures, Corrective Measures and Sanctions.** The supervisor requires and enforces preventive and corrective measures; and imposes sanctions which are timely, necessary to achieve the objectives of insurance supervision, and based on clear, objective, consistent and publicly disclosed general criteria.

**ICP 20: Public Disclosure.** The supervisor requires insurers to disclose relevant and comprehensive information on a timely basis in order to give policyholders and market participants a clear view of their business activities, risks, performance and financial position.

**ICP 23: Group-wide Supervision.** The group-wide supervisor, in cooperation and coordination with other involved supervisors, identifies the insurance group and determines the scope of group supervision.

**ICP 24: Macroprudential Supervision.** The supervisor identifies, monitors and analyses market and financial developments and other environmental factors that may affect insurers and the insurance sector, uses this information to identify vulnerabilities and address, where necessary, the build-up and transmission of systemic risk at the individual insurer and at the sector-wide level.

**ICP 25: Supervisory Cooperation and Coordination.** The supervisor cooperates and coordinates with involved supervisors and relevant authorities to ensure effective supervision of insurers operating on a cross-border basis.

### 3.4.1 Fostering responsible innovation

M-insurance has developed and unlocked opportunities to reduce the insurance protection gap thanks to the innovative approaches used by providers. Supervisors are invited to consider the following recommendations to foster such innovation while ensuring that those innovations are provided in a responsible manner so that consumers are protected effectively, and the insurance market remains stable:

a. **Unlock opportunities for innovation through clear and simple approval processes.** One important barrier to innovation identified by providers is the lack of clarity on product approval processes and the processes involved in applying for licenses, authorisations and the registration of risk carriers, intermediaries and other stakeholders. The latter is even more obvious when different authorities are involved in authorisation processes, as those involved could end up in a game of administrative ping-pong. Without a clear level playing field, it is difficult for providers to navigate the crucial preliminary stages. This difficulty could discourage them or result in new business partnerships being prepared over several years and then not being implemented, hence limiting the offer of products to unserved and underserved populations.

Therefore, supervisors might want to consider the following:

- **Ensure that rules are clearly conveyed to insurers and other stakeholders.** Supervisors might want to explore the possibility of issuing guidelines for insurers and other providers, clarifying approval processes in a simple and transparent manner. These guidelines could be contained in a single document and complement the applicable regulation. They could list the steps involved in obtaining all the necessary authorisations and approvals from all participating stakeholders and also list the authorities that are competent to provide the licences and authorisations required. If stakeholders such as TSPs, MNOs or MMPs are required to be licensed or registered with the insurance supervisor (which depends on the specific functions they assume in the value chain), the information that they have to provide should be clearly established. Moreover, the guidelines could clarify the process of product approval, namely by providing information relating to the authorities involved and detailing the information required, the type of approval[334] required and the applicable timelines, among other information. Clarifying timelines is particularly important, as it has been identified in some jurisdictions that approval or new business models and the product approval process can be excessively long and include several iterations.

334 Such as file and use or file and approve.

- The supervisory authority, the Superintendencia de Bancos (SIB), in **Guatemala** has issued circulars that provide clear guidelines to insurers about the process for registering products and mass marketers,[335] and these circulars are frequently updated.
- In **Pakistan**, the draft amendments to the Insurance Rules, 2017,[336] for digital insurers provide a step-by-step process for product approval, and a similar approach has been adopted for microinsurance in the Microinsurance Rules of 2014.[337]

• **Designate a single contact point as a "one-stop-shop" for all communication with the insurance supervisor.** Supervisors are invited to explore the possibility of clearly designating a single contact point within the supervisory authority, to help insurers and intermediaries manage approval processes and enable them to discuss plans and proposals and consider their feasibility from a regulatory and supervisory perspective. For instance:

- This has been a supportive measure in countries such as **Ghana**, where each insurer and corporate intermediary like the TSPs has a dedicated contact point within the NIC, not only during the approval processes but also during all other stages of the insurance life cycle. Furthermore, the designated officer at the NIC checks in with the provider every 3 months to discuss open issues.

• **Create open communication channels with other authorities involved in the approval process.** To avoid administrative ping-pong during approval processes, supervisors are encouraged to create specific channels of communication with the authorities that are generally relevant during these processes. For instance, if the insurance supervisor needs to validate that an MNO or MMP complies with certain requirements, the insurance supervisor might be interested, in certain instances, in creating direct communication channels with the telecommunications authority or the central bank, and even in exploring pathways to develop automated processes to cross-check information. For instance:

- In **Egypt**, the Financial Regulatory Authority (FRA) and the Central Bank of Egypt (CBE) are cooperating within the framework of the FinTech sandbox; and FRA is considering using this framework for InsurTech (see also **Annex 10**).[338]

• **Consider allowing fast-track processes to accelerate approval processes.** As mentioned before, long timelines for product and entity approval can be deterrents for innovation. In this respect, supervisors may want to explore the possibility of recognising fast-track processes that accelerate the processes involved in providing licences and approving products. For instance:

- In **Hong Kong**, the insurance authority IA launched "Fast Track",[339] a dedicated channel for firms looking to enter the insurance market using solely digital distribution channels. As of 4 May 2020, four virtual insurers had already been granted authorisations under Fast Track.[340] Firms applying under this channel must have an innovative and robust business model, while satisfying all the regulatory requirements on solvency, capital and local assets.[341] In particular, for long-term business, the IA provides that, to ensure that there is adequate insurance experience among shareholder controllers, at least one of the shareholder controllers should be an insurer in Hong Kong or in jurisdictions with information exchange arrangements with the IA.

b. **Promote supervisory approaches that can accommodate innovation.** Supervisors may want to adopt steps to ensure flexibility to accommodate innovative approaches despite regulatory barriers, considering consumer protection and market stability. If regulatory and supervisory approaches are very strict, it will be difficult to leave room for innovations, as they might not be covered by the regulation simply because such situations did not exist when the regulation was drafted. To illustrate this, it is helpful to consider the example of inclusive insurance, the opportunity for which, during the last two decades, has been unlocked largely thanks to supervisors identifying the opportunity to reduce the insurance protection gap by allowing providers to test innovative approaches even though regulatory frameworks were not fully conducive to enabling such innovations. More recently, with the evolving landscape of FinTech and InsurTech, supervisory approaches allowing innovation have been established and conceptualised. Supervisors might already be familiar with concepts such as "wait-and-see" approaches[342] and "test-and-learn" approaches,[343] and innovation facilitators such as regulatory sandboxes or innovation hubs.[344] In many jurisdictions, these supervisory approaches are already being used for m-insurance, as they promote the opportunity to experiment, where supervisors participate more or less actively depending on each case. In

335 That participate in m-insurance models.
336 SECP, 2021.
337 SECP, 2013.
338 See link.
339 For details see this link of IA.
340 IA, 2020.
341 The Fast Track guidelines provide clearly that all solvency, capital and local asset requirements, which are set for ensuring sufficient loss absorption capability of authorised insurers, must be met. All other requirements under the relevant guidelines should apply, except where the IA agrees to exempt or modify after due consideration. All policyholder protection measures should remain intact, except for those that are not applicable to the case of direct digital sales.
342 When supervisors observe and monitor trends of innovation from a distance before intervening when necessary. Depending on the development of capacities and the results of observations, supervisors may decide to intervene.
343 In this case, a tailored framework is created for each individual business case to allow it. Generally, a non-objection letter or a temporary approval is provided from the supervisor
344 Innovation hubs provide a specific scheme, where entities can engage with supervisors to raise questions and seek clarifications or non-binding guidance about FinTech and InsurTech. Regulatory sandboxes allow "a direct testing environment for innovative products, services or business models, pursuant to a specific testing plan, which usually includes some degree of regulatory lenience combined with certain safeguards". The "regulatory sandbox approach" is used to carve out a safe environment conducive to experimenting with innovative approaches and where the consequences of failure, if any, can be contained (Parenti, 2020).

this context, supervisors are invited to ponder the following considerations:

- **Adopt a "test-and-learn" approach to accommodate pilots and innovative approaches that do not fit within existing licensing structures.** The test-and-learn approach encourages regulators to observe the impact of an innovation or product adaptation ("test") and adjust their regulatory response to it based on their improved knowledge of its effect ("learn"). Open-minded supervisors around the globe have allowed providers to test pilots with close oversight and this has allowed them to understand the complexities of such innovations and identify and test suitable proportionate approaches to address supervisory risks. Pilots have been allowed in several jurisdictions without the need for the official recognition of a specific regulatory approach[345] by the supervisor; indeed, allowing pilots is now a common practice. Pilots are a very useful learning tool for providers, consumers and supervisors alike. In this respect, supervisors are invited to provide guidance to insurers about what a pilot is, for instance in terms of the people covered, the areas covered and the time of roll-out, among other criteria; the approval process of that pilot; the type of approval provided, for instance temporary approval of the product; and the level of oversight and collaboration between the supervisor and the insurer. For instance:

  - In **Pakistan**, the draft amendment to the Insurance Rules, 2017, for digital insurers provide specific requirements for the approval of a pilot before the full-scale launch of digital-only insurance operations. The digital-only insurer must submit a specific application to the SECP for the commencement of operations on a pilot basis and, subsequently, the SECP will assess the operational readiness and may issue a letter of approval for commencement of pilot operations for a period of at least 1 year. During that year, the SECP will conduct on-site inspections of the insurer or may require it to produce documents, information or reports verified by independent experts to assess its operational readiness. In addition, the SECP may introduce conditions at the time of issuance of approval for commencement of pilot operations.[346] After a year of pilot operations, the digital-only insurer may be allowed to commence operations on a full-scale basis or the period of the pilot may be extended, depending on performance during pilot operations. The insurer will share periodic performance reports with the SECP and the SECP may also conduct on-site/off-site inspections of the insurer at any time. The SECP may also modify the conditions under which pilot operations were allowed on the basis of performance during the pilot operations.

  In addition, supervisors may want to consider recognising explicitly a test-and-learn approach for innovative topics, for instance by issuing temporary regulations to cover the piloting stage of m-insurance, which will allow supervisors to learn and therefore later adopt more comprehensive regulations on the topic.

  - This is the case in **the CIMA region**, where the draft rules for m-insurance that are currently under discussion for approval are considered a temporary framework for the pilot phase of m-insurance in the region. The draft rules clearly establish that later a more detailed regulation will be adopted, taking into consideration the best practices observed during the pilot phase and the better understanding of the activity gained.

- **Create specialised spaces to learn about innovations.** Supervisors are invited to explore the possibility of creating formalised spaces that allow innovations within their jurisdictions, for instance the creation of regulatory sandboxes and innovation hubs. Regulatory sandboxes or labs are spaces where innovations can be tested in a safe and controlled environment with clear boundaries and safeguards. Generally, the use of innovation hubs is a first step in the "innovative regulatory journey".[347] The use of regulatory sandboxes generally requires skills, resources and capacities from the supervisor to "*adequately understand the technical aspects, related risks, financial impact and customer outcomes*".[348] The level of involvement might be high, as supervisors will have to dedicate their resources and capacities to closely overseeing the interventions allowed within the sandbox.[349] M-insurance development could benefit not only from regulatory sandboxes and innovation hubs unlocking opportunities for specific insurance innovations, but also from innovations in other areas of FinTech, such as mobile payments, cryptocurrencies, e-signatures and eKYC processes.

  - Regulatory sandboxes and innovation hubs have been established in developed and emerging economies to promote innovation in all financial services, including in **Malaysia, Singapore, Thailand, Colombia, Mexico, Brazil, Pakistan, Hong Kong, Kenya, Indonesia and Egypt.**

    - In some countries, there has been a specific focus on insurance, such as in **Kenya** with its BimaHub and BimaBox, **India** with IRDAI's regulatory sandbox and **Hong Kong**. In other countries, the approach is broader but still covers insurance, such as in **Pakistan** and **Mexico**.

    - In some countries, different regulatory sandboxes from different authorities coexist, such as in **Indonesia** where OJK and the Bank of Indonesia have separate sandboxes.

    - In other countries, regulatory authorities collaborate on and coordinate a single regulatory sandbox, such as in the case of **Brazil**, where the regulatory sandbox is a joint effort of the Central Bank of Brazil (BCB),

345 Such as a regulatory sandbox or a test-and-learn approach.

346 Such as number or volume of transactions; number or nature of customers to be enrolled; limits on sum insured, premium and/or overall business volume in a certain time period or other elements.

347 Parenti, 2020.

348 IAIS, 2018.

349 IAIS, 2018.

the Securities and Exchange Commission (CVM) and the Superintendence of Private Insurance (SUSEP).

- In **Kenya**, the IRA, in collaboration with Prudential, UK-Kenya Tech Hub and the UK Department for International Trade, launched the BimaLab Accelerator Program, to promote a platform of exchange, discussion and experimentation on innovative approaches in insurance that can then be tested in the BimaBox (the regulatory sandbox). This approach was adopted in response to the fact that the insurance industry has been slower than other financial sectors to adopt innovation.[350]
- In **Hong Kong**, the IA created the InsurTech Corner, which brings together all of the initiatives that the IA has launched to promote innovation

## 3.4.2 Effective and efficient collaboration

As presented in **Table 3** and throughout this document, a myriad of authorities is involved either directly or indirectly in m-insurance. For instance, in **Egypt,** the CBE noted that *"Governance around FinTech regulatory related matters is not clearly defined and communicated today. For example, FinTech solutions are subject to one or more of the major regulators, CBE, Financial Regulatory Authority (hereinafter 'FRA'), National Telecommunications Regulatory Authority (hereinafter 'NTRA') and Money Laundering Combating Unit (hereinafter 'MLCU')"*.[351] This enhances the risks of overlapping oversight, regulatory arbitrage and lack of coherence or confusion, which leads to enhanced supervisory risks, such as regulatory and legal, reputational and systemic risks (see **Table 2**). These concerns are enhanced in a context where the provision of remote insurance increases the possibility of insurers offering products from abroad. To address these risks proportionately, supervisors may want to consider the following steps, to ensure close collaboration and cooperation among all the authorities involved:

a. **Clearly identify which authorities are relevant and the areas for which they are relevant.** This might sound obvious but without clearly identifying which authorities are relevant, either directly or indirectly, and why they are relevant, it will be difficult to ensure efficient and effective collaboration with them in specific areas. In this context, it is important to consider that the relevant authorities might be involved in m-insurance for different reasons, and, depending on these reasons, supervisors might have different concerns, which could be resolved through different collaboration and coordination approaches. Considering global examples, authorities involved in m-insurance can be classified into four categories:

   i. **Authorities that oversee stakeholders participating in the digital customer journey.** For instance, the telecommunication authority supervises MNOs commercialising insurance products, the central bank supervises MMPs and health authorities are involved in overseeing providers involved in telehealth and telemedicine. To map these authorities, supervisors are invited to first map all of the entities participating in the m-insurance life cycle and then identify the authorities that supervise and regulate them. This also concerns providers, as these complexities and gaps may result in a lack of clarity over who is in charge, and lead to business models not being rolled out or entail higher compliance and time costs and an unclear level playing field, which could end up discouraging providers from participating in m-insurance at all.

   ii. **Authorities that regulate or interpret the regulation on key aspects of m-insurance.** As presented throughout this document, diverse regulatory authorities are in charge of the various areas of the insurance life cycle, such as the regulation of payment systems, e-signatures, electronic contracts, simplified KYC processes, data protection, taxes and alternative dispute resolution approaches aiming to promote access to justice. In addition, bodies of the judicial system are also relevant, as they have the power to interpret and decide on key regulatory aspects of m-insurance.[352] In this regard, supervisors might want to consider the legal and regulatory risks that could arise in relation to the interpretation of regulation, or the approach adopted by the judicial system to certain innovative practices.

   iii. **National and international law enforcement agencies that can help supervisors to criminalise providers that commit crimes.** For instance, these agencies could be involved if providers or third parties involved in m-insurance commit cyber fraud or data privacy and confidentiality breaches. In this regard, supervisors may want to consider the consequences of not being able to collaborate and cooperate closely with these entities, resulting in sanctions not being imposed on those who harm.

   iv. **Insurance supervisors from other countries that can help address cross-border risks.** Supervisors can learn from peers about the approaches they have adopted in areas relevant to m-insurance, to address potential risks emerging from cross-border insurance practices.

b. **Create frameworks of collaboration with clear and agreed upon roles and responsibilities.** Supervisors may want to develop formalised frameworks for collaboration with the authorities identified in point a above, to ensure the smooth, efficient and effective exchange of information and

350 During the first programme of BimaLab in 2021, approximately 20 start-up organisations participated and three were selected to receive grants from the IRA based on their ability to promote increased access to insurance in underserved markets through the use of emerging technologies such as AI, blockchain and telematics. See link.

351 (CBE, 2019-12)

352 For instance, when regulations do not allow digital signatures, electronic contracts or electronic payments, among others. This is the case in Brazil, where according to the survey carried out in the context of the White Paper, some courts have considered that that voice recording was not sufficient to grant non-repudiation to a contract, thus not being valid as an e-signature.

collaboration. Below are some points that supervisors may want to consider:

- **Collaboration and cooperation approaches depend on the authorities and the roles they play.** An important consideration that supervisors may want to keep in mind is that, depending on the authority and the role they play, the approach to collaboration and cooperation might need to be different.
  - **Collaboration and coordination with authorities that oversee the stakeholders participating in the digital customer journey[353] are instrumental, but might not be enough to safeguard the supervisory perimeter of the insurance supervisor and ensure adequate consumer protection and market stability.** Some regulatory frameworks assign supervisory responsibilities based on the type of entity supervised rather than the activity carried out. This could lead to situations where the insurance supervisor may lack the power to intervene to protect consumers and ensure market stability, and where the "leading supervisor"[354] might not have the capacity to implement the ICPs.[355] This is not a desirable outcome "*as the responsibility of insurance supervision may then be split across multiple different authorities, each with different legal powers, priorities and resources, including skilled staff*".[356] This will increase the risk of arbitrage or more favourable treatment of some institutions under supervision. In this context, "*the insurance supervisor should have sufficient power and authority to allow for effective oversight and intervention*".[357] Insurance supervisors may consider raising concerns of this nature with policymakers and legislators when these situations are identified, and policymakers, legislators and regulators may establish a supervisory framework to avoid this situation arising. This will entail a reassessment of the scope of supervision in primary legislation to ensure appropriate consumer protection and market stability. Such reassessments could result in primary legislation that explicitly recognises the role of the insurance supervisor in overseeing these stakeholders when they carry out insurance-related activities and through the regulatory approaches presented in **Section 3.2.1**, where entities such as MNOs, MMPs or TSPs, depending on the role they play, have to register as brokers, corporate agents, microinsurance intermediaries or any other alternatives available in the jurisdiction. These reassessments of the supervisory perimeter would then be a foundation to establish the details of collaboration and coordination among the insurance supervisor and the authorities listed under point (a) (i.) above. These details should be further elaborated in memorandums of understanding (MoUs).[358]
    - In **Ghana**, the NIC, the Bank of Ghana and the National Telecommunication Regulation Authority (NCA) signed an MoU to frame their collaboration and cooperation in topics such as m-insurance.
  - **Collaboration and coordination with authorities other than those described under point (a)(i) above can be encouraged by different frameworks.** No single framework can apply to collaboration and coordination with all of the authorities presented in points (a)(ii) to (a)(iv) above. However, it is essential that an instrument is established, for instance an MoU or an international or national agreement of cooperation, to provide clarity on the areas of collaboration, the exchange platforms to be used, the information to be shared and the roles and responsibilities of each authority. For instance:
    - Collaboration arrangements have been established in **Russia** and **Poland** between the insurance supervisor and law enforcement agencies to address fraud risk (see 3.3.1. (c)).
    - The IRA of **Kenya** and the NIC in **Kenya** signed an MoU to strengthen their collaboration in 2016.[359]

    It also helps if the relevant authorities are already collaborating and coordinate closely among themselves, even if the insurance supervisor is not integrated into those collaboration agreements:
    - In **Ghana**, the Bank of Ghana and the NCA signed an MoU in 2016 that defined the relationship between these parties regarding DFS. The main points covered by the MoU are consumer protection and market conduct. Both parties have agreed to share and exchange relevant information, to facilitate complaint resolution, fraud investigation, supervision, regulation and the monitoring of MMOs and MNOs. They also agreed to collaborate in the drafting or reviewing of directives and legislative instruments for the DFS sector.[360]
- **Ensure that communication platforms are efficient and effective.** In addition to having a clear framework for collaboration and coordination, it is crucial to ensure that the coordination and exchange of information is in practice efficient and effective. This implies that there should be appropriate platforms for exchange and discussion, where representatives meet frequently and have clear roles and responsibilities in that exchange. In addition, supervisors may want to consider appointing dedicated contact points in each entity that are responsible and accountable for ensuring appropriate collaboration and coordination.

353 The authorities mentioned in point (a)(i) above.
354 his being the supervisors that is then in charge to supervise these entities according to the aforementioned approach.
355 IAIS, 2018a.
356 IAIS, 2018a.
357 IAIS, 2018.
358 IAIS, 2018a.
359 See link.
360 AFI, 2017.

Supervisors are invited to explore innovative approaches to ensure enhanced and automatised collaboration, for instance by the adoption of robust IT platforms that facilitate sharing information through secure protocols, and reflections on RegTech and SupTech may be relevant in this respect. These innovative approaches could also become practical when different authorities participate in product approval processes and licencing. In addition, in some countries, insurance supervisors have been adopting simpler approaches such as referring to data from other authorities to make sure that aggregators or TSPs have already been registered with them. For instance:

- In **Indonesia**, Circular 5/2020 provides that OJK will check if the websites of insurers, insurance agents, banks and non-banking business entities marketing insurance products, or third-party websites and/or digital applications, have been registered as electronic system operators at MOCI.
- In **Tanzania**, the Tanzania Insurance Regulatory Authority (TIRA) checks if the TSPs or MNOs involved in m-insurance have registered with the Tanzania Communications Regulatory Authority (TCRA).[361]

Supervisors are also invited to take advantage of existing dialogue platforms and committees with relevant authorities that intervene in m-insurance, for instance through working groups on topics such as digitalisation, financial inclusion and agricultural insurance.

Even though these platforms might not be specific for the advancement of m-insurance, they could be helpful to raise awareness about the need for further collaboration and the development of more specific platforms.

- In **Morocco**, in the context of the implementation of the Financial Inclusion Strategy adopted in 2019, specialised working groups were established, in which all authorities involved in digital financial services participate actively. The working groups on microinsurance and digitalisation are crucial platforms to promote further collaboration and coordination among authorities. In addition, some committees could become interesting platforms for discussing specific topics with relevant authorities. This is the case of the Coordination and Systemic Risk Monitoring Committee, which is composed of ACAPS, the central bank (Bank Al-Maghrib) and the Moroccan Capital Market Authority. At the moment, there is no formal dialogue platform with the telecommunication authority and ACAPS, but it was reported that this could be established.
- In **Egypt**, FRA is involved in the sandbox being run by the CBE. In addition, FRA and the CBE jointly participate in the FinTech and Innovation Committee, which was established to ensure effective collaboration among national regulators. This committee was upgraded to the Electronic Payments' Development Committee of the National Payments Council (NPC).

  The NPC operates as a multi-regulator committee that can be leveraged for FinTech executive-level escalations and functions as a single FinTech gateway to orchestrate governance across the ecosystem.[362]

### 3.4.3 Building suitable approaches and capacities to monitor an evolving market

As presented in **Section 1**, m-insurance has been evolving extremely quickly and there is no sign that this will slow down. Technological innovations have been the driving force behind pushing m-insurance to another level. These innovations are constantly taking new forms, involving new approaches, players, business models and deployments. Supervisors face the challenge of keeping up with the pace of these innovations, which support the development of m-insurance. However, supervisors have reported limited know-how and understanding of the technical intricacies of these innovations and could therefore easily be a step behind the market. In this respect, supervisors may want to consider the changes they will need to make to ensure that they do keep up with innovation, in terms of human resources, funding, interagency exchange, capacity building and IT systems strengthening.

Supervisors could use a variety of tools to keep track of the market and develop the skills to understand relevant innovations and assess them appropriately. This means gathering the information needed to understand m-insurance markets using their existing capacities and resources, while considering which innovative, IT-based or collaboration-based avenues they can make use of. Supervisors may want to consider the following recommendations to build cost-efficient capacity for monitoring the evolving market:

a. **Assess and use available tools to understand m-insurance markets.** Supervisors have different ex ante and ex post tools to keep track of the insurance market in general and those tools may also be suitable for tracking some areas of m-insurance. For instance, information reported as part of insurers' reporting obligations is crucial for helping supervisors to track market trends; innovative approaches and partnerships are brought to the attention of supervisors during product approval processes; supervisors could gain a better understand of technological developments carried out by insurers during on-site visits; and supervisors could identify the most important loopholes and areas in which consumer protection needs to be enhanced through mystery shopping and the appropriate evaluation of customer complaints.

   However, these tools may need to be investigated more closely or adapted to gather specific or additional information about m-insurance. In this respect, supervisors may want to consider guidelines that have been developed in the context of inclusive insurance to enhance monitoring and evaluation. These guidelines call for (i) cost-efficient approaches, using supervisors'

361 IAIS, 2018a.
362 CBE, 2019-12, p. 13.

existing resources and capacities, where supervisors make the most of the information that they are in a position to gather; (ii) segregation of information to rightly monitor demarcated types of products; and (iii) the assessment of products through specific KPIs, to measure the technical robustness and value for customers of products. These guidelines are a powerful tool to regularly evaluate the development, soundness and appropriateness of m-insurance.[363]

b. **Identify areas for which traditional or adapted tools may not be sufficient for tracking and understanding m-insurance developments.** While assessing and using currently available monitoring and evaluation tools, supervisors will identify areas for which current approaches and skills, even if adapted, are insufficient for tracking and understanding the constantly evolving m-insurance market. Identifying these areas is key for supervisors, as it will help them to determine the priority areas that require attention and resource mobilisation, and ensure that they can effectively exercise their supervisory roles.

c. **Take steps to develop new tools, skills and approaches to track and understand m-insurance.** New tools, skills and approaches should be developed to track and understand emerging areas associated with enhanced supervisory risks. In this respect, supervisors are invited to be resourceful and consider the following alternatives:

   - **Engage closely with stakeholders to understand m-insurance deployments, trends and developments.** Supervisors may want to explore approaches such as engaging frequently with providers through different platforms, such as inclusive insurance or digital insurance committees or working groups, or by having dedicated contact points within the supervisory authority for insurers to keep track of developments, for instance in Ghana where designated NIC officers check in regularly with insurers and intermediaries in the industry, in the case of the test-and-learn approach, and within innovation hubs and regulatory sandboxes. In addition, platforms for collaboration and coordination with other authorities will also be helpful in identifying and understanding market trends.

   - **Carry out market studies to support the identification of market trends and risks.** Market diagnostics, financial inclusion surveys and other market assessments are helpful for tracking market trends and identifying areas that require further strengthening

   - **Ensure that supervisors have adequate resources, knowledge and skills, and can draw on external support.** According to the IAIS "*the more advanced and complex the IT, digital systems, processes of the insurers are, the more technically able the supervisor's staff should be in order to fulfil their supervisory responsibilities*".[364] In this context, according to the IAIS it is paramount that the supervisor's staffing policies attract and retain highly skilled, competent and experienced staff, and that the supervisor provides adequate training for its staff. Alternatively, the IAIS provides that the supervisor should be able to hire or contract the services of externally based experts when needed. Regarding the resources required to develop these in-house skills or hire or contract the services of experts, the IAIS recommends that "*additional funding for experts could be arranged through the existing funding provisions, or funding may be requested directly from the government*".[365] Nonetheless, in all cases it is expected that supervisors have a certain minimum level of expertise and that the supervisor should maintain adequate oversight of work carried out by external experts, specifically to ensure the confidential treatment of information by the experts. Supervisors may also want to consider the roles of local, regional and international entities that are mandated to strengthen the capacity of supervisors such as the IAIS; other entities such as the A2ii and the Toronto Centre; or multilateral banks such as the World Bank Group including First Initiative, the Asian Development Bank (ADB), the Inter-American Development Bank (IADB) and the African Development Bank (AfDB). Regarding funding to develop in-house skills, international donors can also play a key role.

   - **Use innovative technology to make supervisory processes more efficient and proactive.** An important step in the context of InsurTech is to enhance the technological capacities of the supervisor and develop automated supervisory processes. This calls for the exploration of what has been called supervisory technology (SupTech), which refers to the use of innovative technology to support supervision.[366] The goal of this is to help supervisors to digitalise reporting and regulatory processes, leading to the more efficient and proactive monitoring of risk and the compliance of supervised entities.[367] Another important area to explore in this context is RegTech, which refers to technology developed by insurers to support their regulatory compliance. SupTech is an emerging topic that has clear benefits and challenges, as can be seen in Table 4. Supervisors are invited to consider these challenges and explore pathways to address them when moving forward, in the SupTech direction.

363 For more detail see Tatin-Jaleran and Chiew, 2019.
364 IAIS, 2018a.
365 Ibidem.
366 BIS, 2018; A2ii, 2019c.
367 A2ii, 2019c.

Table 4. Benefits and challenges of SupTech[368]

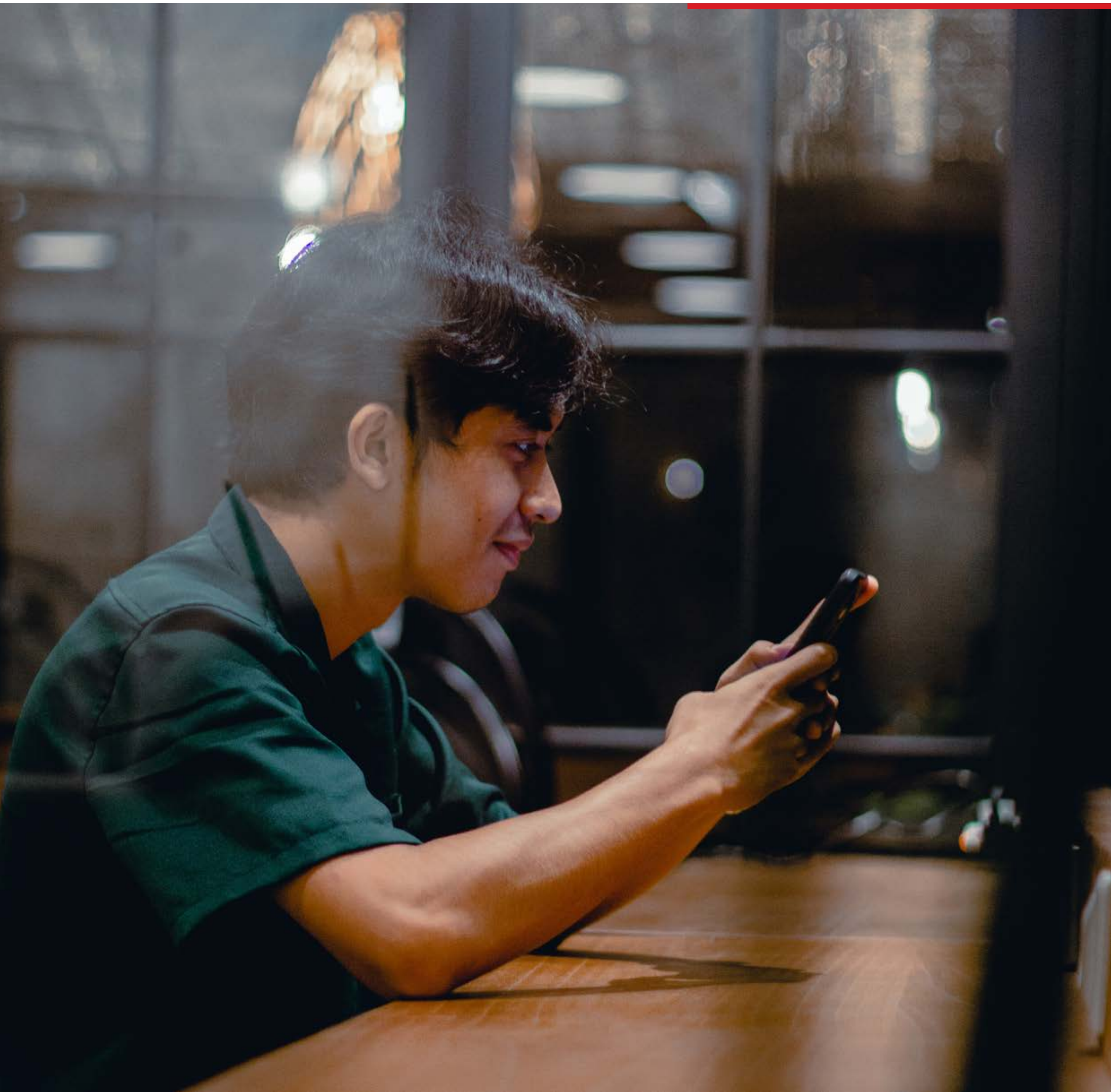
| Benefits | Challenges |
|---|---|
| **Exceptions-based supervision:** automated checks on institutions' data and other information automatically collected and analysed for the identification of "exceptions" or "outliers" to pre-determined parameters. Automated implementation of supervisory measures – sending an automatically created direction for capital increases based on automated data analysis and decision-making. | **Data quality issues:** complexity in analysing or validating big data collected from non-traditional sources such as social media data. |
| **Algorithmic regulation and supervision:** can be used for oversight of high-frequency trading, algorithm-based credit scoring, robo-advisors or any service or product that automates decision-making. | **Legal risk:** supervisors need to be aware of existing data protection laws in their jurisdictions given the continuous data collection and availability of more data from alternative sources |
| **Efficiency:** can reduce compliance costs for the regulated entity and enhance risk management to improve marketplace stability and effectiveness. RegTech can minimise different interpretations of rules and enhance timeline management. | **Operational risk:** more data means that firms and supervisors have become a greater target for hacking and might require stringent cybersecurity measures in place to detect any forms of breaching. |
| **Supporting innovation:** many regulators' mandates include the promotion of innovation. Through the identification of appropriate technologies, supervisors may help firms better manage regulatory requirements. | **Reputational risk:** improper validation of data by SupTech applications. For example, failure of algorithms may lead to misinterpretation and possible wrongful supervisory actions. This may affect the reputation of both the firm and the supervisor. |
| **Real-time supervision:** supervisors can monitor data as they are created in the regulated institutions' operational systems. | **Resource issues:** supervisors may face budget constraints and a lack of skilled personnel to deploy SupTech applications. If such data remain unused, insurers might raise issues of regulatory burden. |

Below are some interesting examples of countries where supervisors have adopted different tools to keep track and understand this evolving market:

- In **Ghana**, the NIC requires an insurer and TSP in an MNO partnership to enter into a service level agreement that enables the insurer to access and receive all information collected or held by the TSP that is relevant to the design, development, pricing and sale of the m-insurance contract. The NIC also measures the performance of products using KPIs. Market data are recognised as vital for effective supervision and KPIs are monitored on half-yearly submissions. Market surveys are used for providing further information. Qualitative measures, such as how a product is marketed, training of sales agents and the complaints process, are also considered. In addition, as mentioned before, in Ghana, the NIC has a dedicated contact point for insurers and TSPs, to monitor the performance and emerging concerns of providers. In addition, a market assessment or risk study was implemented before adopting the M-insurance Rules.[369] This study helped to document the risks identified and the trends mapped at that time.
- In **Egypt**, FRA has been mobilising its internal technical resources, knowledge and skills to enable it to deal with emerging issues, for instance through the creation of the Digital Insurance Committee, which involves staff from several departments, including the product approval, supervision, actuarial and digital transformation departments.
- In **Morocco**, ACAPS promoted the development of a country diagnostic for the inclusive insurance market that included m-insurance and is currently engaged in a project with the International Finance Corporation (IFC) to assess the regulatory framework applicable to digital insurance. ACAPS maintains close dialogue with the insurance industry and other stakeholders, and this has been promoted through working groups dealing with the implementation of the Strategy of Financial Inclusion and the active participation of public and private institutions in the A2ii Innovation Lab 2020, which has a particular focus on digitalisation. In addition, ACAPS is developing an inclusive insurance barometer that will measure the progress of this market in the country.
- In **India**, IRDAI has automated supervisory processes such as licensing, product approvals and other reviews. During the COVID-19 pandemic, the IT set up secure and compatible file transfer protocols (FTPs) to facilitate the electronic transfer of large volumes of information between frontline supervisors and insurers. In addition, IRDAI strengthened cybersecurity controls to reassure insurers about the increased frequency of regulatory reporting through electronic means.[370]
- In **Mexico**, the National Commission of Insurance and Finance (CNSF) has started to implement regulatory reporting changes to facilitate a full transition to remote supervision in the future.[371]
- In **Pakistan**, the 2021 draft amendments to the Insurance Rules, 2017, for the digital insurer and microinsurer provide that the communication between the digital-only insurer and the SECP, including submission of documents, reporting and filing, may be done electronically/digitally unless otherwise specified explicitly.[372]

368 Source: A2ii, 2019c..
369 NIC and GIZ, 2015.
370 AIS et al., 2021.
371 Ibidem.
372 SECP, 2021.

# 4 Conclusions



**Addressing supervisory risks through proportionate approaches is essential to promote the responsible development of m-insurance.** M-insurance has the potential to play an important role in reducing the insurance protection gap but, at the same time, it has the potential to exacerbate prudential and COB supervisory risks. With m-insurance, supervisors are confronted with an important task, which consists of striking the right balance between addressing the risks arising from m-insurance and encouraging the development of "responsible" m-insurance, where consumers are protected effectively and the stability of the market is guaranteed.

**There is no silver bullet approach to promoting the responsible development of m-insurance.** Supervisors around the globe have adopted a myriad of approaches inspired by IAIS guidance[373] to apply the proportionality principle to m-insurance. Some of these approaches are presented in this document as examples for supervisors of the importance of adopting an open-minded approach that allows innovation while keeping a close eye on the consumer protection and market stability risks associated with these innovations. Indeed, a crucial conclusion of this White Paper is that there is no "one-size-fits-all" solution to address supervisory risks, but that what really matters is that supervisors adopt innovative stances to solve constantly evolving challenges and address endlessly emerging supervisory risks.

**To encourage the development of "responsible" m-insurance, the adoption of some key steps is instrumental.** Inspired by lessons from around the globe, and the guidance provided by the IAIS, this White Paper concludes that supervisors may want to consider seven crucial steps to implement the proportionality principle in the context of m-insurance:

1. **Keep track of and understand the constantly evolving m-insurance market.** The m-insurance market is characterised by being constantly evolving, with a myriad of new business and legal developments happening all the time. To apply the ICPs proportionally, it is essential to understand the nature and complexity of the risks associated with m-insurance and therefore to have an appropriate understanding of the intricacies of the market including the new business models and dynamics that stem from the use of technology, how innovations work, and what stakeholders do and how, among other market features. This can be done through:

    - frequent consultations with the industry;
    - strong collaboration with other supervisory authorities;
    - the development of diagnostics for the inclusive insurance market;
    - strong monitoring of the market through specific KPIs that take into consideration claim ratios, time to provide payouts and complaints from consumers, among others.

    For instance, in Morocco, ACAPS promoted the development of a country diagnostic for the inclusive insurance market that included m-insurance, and close dialogue with the insurance industry and other stakeholders was promoted in the context of the implementation of the Strategy of Financial Inclusion and the A2ii Innovation Lab. In Ghana, the NIC has a dedicated contact point for insurers and TSPs, to monitor the m-insurance market closely, and a specialised monitoring tool that segregates information on microinsurance and m-insurance.

2. **Identify barriers beyond regulation that hinder the development of responsible m-insurance.** To do this, it is important to look at the big picture regarding the market, because factors beyond regulation may need to be addressed to encourage take-up and responsible innovation. For instance, in many markets, m-insurance markets are in the early stages and significant barriers are related to the low levels of digital literacy among emerging consumers.

3. **Assess specific market features that translate into supervisory risks.** Market features have supervisory implications and will entail supervisory concerns and risks. Supervisors may want to implement market assessment or risk studies, such as the one that was implemented in Ghana before the M-insurance Rules were adopted. Such studies could help to document the risks that are particular to a certain stage of development of m-insurance and ensure that all risks are appropriately balanced, assessed and addressed by regulation. At a later stage, the risk levels and data collected could be an important baseline to revisit and monitor the impact of the regulatory approach taken.

4. **Balance risks against benefits for policyholders and the insurance sector as a whole, and establish a priority list of risks based on their intensity and impact.** To support this process, it is important to engage closely with providers and also consumers, to understand the pitfalls and benefits that such innovative approaches might bring to consumers and the sector as a whole. With the increasing diversity of business models and massive sales, as observed in some markets, situations/risks such as low client value and regulatory arbitrage will need to be identified and addressed by adequate measures.

5. **Assess whether or not regulatory and supervisory measures that are applicable to m-insurance are proportional.** This implies that measures taken (i) should fully address supervisory risks; (ii) should not hinder, unnecessarily and inadvertently, the development of responsible m-insurance; and (iii) should encourage responsible innovation. In this regard, this White Paper proposes three key dimensions that encompass the essential elements that should be considered in assessing the level of appropriateness of the regulatory and supervisory approaches applicable to m-insurance.

    a. **Dimension 1 – responsible providers and business models.** In relation to the first dimension, supervisors are invited to explore whether or not the existing regulatory and supervisory frameworks enable the formalisation of innovative providers, which are key for the provision of m-insurance through innovative business models, while addressing emerging supervisory risks.

    Important areas to consider include:

    - the new wave of approaches aiming to promote proportional formalisation of new risk carriers, such as digital insurers and cell captives;

373 Such as IAIS (2017b), IAIS (2018a,b), IAIS (2020).

- the supervisory concerns associated with the fact that digital insurers could provide services across borders;
- the supervisory risks that will keep emerging when market concentration takes place, for instance when digital platforms or TSPs create their own insurers, or when they acquire incumbents;
- the evolving licencing, authorisation and registration requirements of TSPs and other stakeholders;[374]
- the evolving regulatory tools (e.g. SLAs) to ensure that insurers take all the steps needed to select their partners, enter into sustainable and suitable partnership arrangements with them, and ensure that they are accountable without affecting consumers.

b. **Dimension 2 – responsible digitalisation along the insurance life cycle.** In relation to this second dimension, supervisors are invited to assess if the applicable regulatory and supervisory framework (related to insurance and other legal areas) unlocks the use of responsible digitalisation across the insurance life-cycle.

Areas to consider include:

- the evolving landscape of payment systems, cryptocurrencies and digital tokens in the context of m-insurance;
- the pitfalls and potential of paying premiums with airtime and data credit;
- the regulatory approaches that can be adopted to unlock the use of telemedicine and telehealth services as a way to reduce the health insurance protection gap;
- innovative approaches to manage cyber risk and data protection;
- the need to thoroughly map and address the exclusion risk due to the digitalisation gap of certain segments of the population, and certain regions where internet connectivity is poor;
- the enhanced use of technology in product design, for instance through the use of BDA.

c. **Dimension 3 – appropriate supervision that encourages efficiency, innovation and proactivity, as well as the transparency and collaboration of authorities.** This dimension looks at tools to (i) ensure efficiency and collaboration among the authorities involved; (ii) promote innovative approaches for collaboration; and (iii) ensure that supervisors have access to adequate tools, considering their resources and capacities, to monitor the market, identify supervisory risks and assess the impact of the measures adopted in a continuous way.

Areas to consider include:

- the need to adopt innovative approaches to ensure enhanced direct but also automatised collaboration when more and more supervisors or other authorities are directly or indirectly involved;
- arranging proper internal technical resources, knowledge and skills to enable supervisors to keep track of the rapid pace of the integration of technology within the insurance life cycle, such as the Digital Insurance Committee of FRA in Egypt;
- the appropriate mapping of benefits of and barriers to the integration of SupTech in m-insurance;
- cross-border collaboration to ensure appropriate supervision;
- the adoption of supervisory approaches that can thoroughly assess client value. This implies adopting monitoring steps to check that, under the applicable regulatory and supervisory framework, products provide the expected benefits to consumers; consumers are able to understand and use these products; consumers receive benefits in a timely and hassle-free manner; and that any complaints and disputes are addressed appropriately. This will require the integration of innovative supervisory tools that are appropriate for capturing demand aspects, take-up and client value, such as consumer surveys and mystery shopping.

6. **Ensure that the legal approach adopted is adequate when adjusting the regulatory and supervisory frameworks.**

- Regulatory and supervisory measures are not always the only way, or the most suitable way, of addressing supervisory risks and stimulating the development of new business models. Other measures can include providing an accessible check-in point for the industry or an innovation space coupled with a dialogue platform.
- The regulatory approach could centre around one regulation or a combination. For instance, countries can opt to issue a specific regulation on m-insurance, as has been done in Ghana, Uganda and the CIMA region, or they can opt not to have one specific piece of regulation on the topic but to rely on a combination of regulations, for instance a combination of remote and online-selling regulations, as in the case in Kenya, Pakistan, Indonesia, Brazil, Egypt and Morocco.
- Allow for test spaces like test-and-learn or a Sand Box to allow the industry to innovate in a flexible but supervised space. Share experiences with peers involved in such spaces across countries to foster cross-border and peer learning.

7. **Assess the impact of the regulatory and supervisory measures adopted and seek support for this.** This is a new area of practice for supervisors and it could allow them to undertake systematic assessments of the regulatory and supervisory approaches taken, for example looking at a period of 3 years after adopting a new provision or set of rules. In this respect, it is important that supervisors adopt an approach with consumer protection and consumer value at the core. Supervisors may need to seek funding from their own budgets or collaborate with international donors to undertake such exercises. Annex 8 provides a standard methodology for carrying out a high-level RIA for m-insurance.

374 As is the case in Ghana, where the NIC plans to create a dedicated licence for TSPs under the upcoming insurance law of 2021, and in Egypt, where FRA plans to regulate online brokers.

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# Annex 2. Glossary

**Artificial Intelligence:** Artificial Intelligence is "intelligence" that is not the result of human cognitation.[375]

**Big data:** Big Data is the term used for the storage of data from different sources, in large volume and speed.[376]

**Blockchain:** It is a type of decentralised distributed ledger, comprised of unchangeable, digitally recorded data in packages called "blocks". These digitally recorded "blocks" of data are stored in a linear chain. Each block in the chain contains data and is cryptographically hashed.[377]

**Comparators:** online services that provide automated, algorithm-based product comparison without human intervention. May have more or less individualized answers according to information provided by the user. In addition to offering products, comparators are used for addressing concerns of right coverage through digital advice.[378]

**Concentration risk:** The risk of adverse changes in the value of capital resources due to the lack of diversification in the risk exposures.[379]

**Contagion risk:** The risk that an event, whether internal or external, has a negative impact on one legal entity or part of a group and spreads to other legal entities or parts of the group.[380]

**Counterparty Risk:** It is the risk that a counterparty does not comply with its contractual obligations.[381]

**Cyber risks:** The risk of cyber criminals compromising data protection, or of digital identity fraud.[382]

**Data analytics:** The process of inspecting, cleaning, transforming, and modelling data with the goal of discovering useful information, suggesting conclusions, and supporting decision-making. [383]

**Data protection and privacy risk:** The risk that client data is lost or not kept confidential and the risk that data is transmitted without the client realising which data is being transmitted and without providing consent.[384]

**Digitalization:** The use of digital technologies and data to create revenue, improve business, transform business processes and create an environment for digital business. Digital transformation is generally used as a synonym for digitalization or for using new technology.

**Exclusion Risk:** The risk that certain prospective customers are unfairly excluded from insurance cover.[385]

**FinTech:** "Technologically enabled financial innovation that could result in new business models, applications, processes, or products with an associated material effect on financial markets and institutions and the provision of financial services.[386]

**Inclusive Insurance:** "All insurance products aimed at the excluded or underserved market, rather than just those aimed at the poor or a narrow conception of the low-income market. In developing countries, the majority of the population often classifies as un- or underserved".[387]

**Insurance Risk:** The risk of adverse change in the value of capital resources due to unexpected changes in the assumptions of pricing or reserving such as severity, frequency, trend, volatility, or level of occurrence rates. The underwriting risk is part of insurance risk. Underwriting risk includes the risk that the premium is mispriced, the risk that claims are higher than expected, the risk that technical provisions are incorrectly calculated and the risk that operating expenses are higher than expected.[388]

**InsurTech:** There are various definitions:

> IAIS definition: "the variety of emerging technologies and innovative business models that have the potential to transform the insurance business".[389]

> Cenfri definition: "an insurance company, intermediary or insurance value chain segment specialist utilising technology to either compete or provide valued-added benefits to the insurance industry".[390]

375 (IAIS, 2017b).
376 (IAIS, 2017b).
377 (IAIS, 2017b).
378 (IAIS, 2018b).
379 (IAIS, 2015) and IAIS Glossary available at: https://www.iaisweb.org/page/supervisory-material/glossary
380 (IAIS, 2015) and IAIS Glossary available at: https://www.iaisweb.org/page/supervisory-material/glossary
381 (IAIS, 2015) and IAIS Glossary available at: https://www.iaisweb.org/page/supervisory-material/glossary
382 (IAIS, 2015) and IAIS Glossary available at: https://www.iaisweb.org/page/supervisory-material/glossary
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384 (IAIS, 2015) and IAIS Glossary available at: https://www.iaisweb.org/page/supervisory-material/glossary
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386 (FSB, 2017).
387 (IAIS, 2015).
388 (IAIS, 2015) and IAIS Glossary available at: https://www.iaisweb.org/page/supervisory-material/glossary
389 (IAIS, 2017).
390 Cenfri, March 2017.

**Internet of Things:** A "global infrastructure for the information society, enabling advanced services by interconnecting (physical and virtual) things based on existing and evolving interoperable information and communication technologies".[391]

**Machine Learning:** It is the modern science of finding patterns in your data in an automated manner using sophisticated methods and algorithms.[392]

**Microinsurance:** According to the IAIS microinsurance is "insurance that is accessed by low-income populations, provided by a variety of different entities, but run in accordance with generally accepted practices, which include the Insurance Core Principles".[393]

**Mobile Insurance:** There is no consensus among stakeholders on the definition of m-insurance. Some are now calling it "inclusive digital insurance".[394] The online survey and interviews conducted as part of this study with the insurance supervisors and technical experts revealed different definitions and interpretations of m-insurance. The definitions used to date have been insufficient to build the case for a potential differentiated legal approach (See Section 4, Regulatory Considerations). Existing definitions include:

- Consultative Group to Assist the Poor (CGAP): Any microinsurance product "that leverages mobile technology - including phones as well as point-of-sale (POS) and radio-frequency identification (RFID) devices - for automation of some part of the process."[395]
- BMZ: "Mobile insurance relies on the mobile phone ecosystem and infrastructure to support the functions of the insurance process".[396]
- FinMark Trust: "Insurance sold through and/or with a mobile network operator (MNO)".[397]
- Bill and Melinda Gates Foundation: M-insurance is defined as a subset of digital microinsurance. "The term 'Digital Microinsurance' (DMI) is used to encompass the broader role of digital mechanisms to support the delivery of microinsurance. DMI is generally broader and more encompassing than the term mobile microinsurance". (Leach, et al., 2015)
- GSMA: Defines m-insurance as "Insurance enabled by mobile, broadly speaking. This includes insurance enabled by mobile money, as well as insurance that leverages airtime channels for premium payments".[398]
- IAIS: "mobile phone supported distribution or insurance driven by mobile network operators and other aggregators".[399]

As presented in this report, some countries have also adopted specific definitions on m-insurance:

- NIC Ghana[400]: "Mobile insurance" is as separate product category in the regulatory space in Ghana. M-insurance was formally defined in 2017 in the M-insurance rules Paragraph 23:
  - "Mobile insurance or m-insurance is any arrangement between a licensed insurer and a mobile network operator under which the mobile network is used as a means of distributing an insurance contract of the licensed insurer to policyholders and potential policyholders".
  - Mobile insurance includes, but is not limited to, an arrangement under which:
    - the MNO acts as an insurance agent for the licensed insurer;
    - the MNO enters into a group insurance contract, as master policyholder, with the intention of providing insurance coverage to its customers, as members;
    - the MNO acts a platform-only provider.
- CIMA[401]: M-insurance is considered as a modality of distribution of microinsurance that is supported on the mobile phone channel. In such context, m-insurance is defined as the insurance marketed and/or managed, in whole or in part, through the mobile phone channel.
- Uganda[402]: Mobile insurance or m-insurance is an arrangement between a person to whom these Regulations apply and a mobile network operator where a mobile network is used as a means of distributing an insurance product to policyholders and potential policyholders. Similarly to Ghana, according to the Regulations mobile insurance includes an arrangement where:
  - a MNO acts as an insurance agent for a licensed insurer, health maintenance organisation or micro insurance organisation;
  - a MNO enters into a group insurance contract, as master policyholder, with the intention of providing insurance coverage to its customers, in their capacity as members; or
  - the MNO acts as a platform-only provider.

391 Source http://www.itu.int/ITU-T/recommendations/rec.aspx?rec=y.2060, (IAIS, 2017b).
392 (IAIS, 2017b).
393 (IAIS, 2015).
394 (CENFRI- FSDA, March 2021).
395 (CGAP, 2014).
396 (BMZ 2015).
397 (Leach, et al., 2014b).
398 (GSMA, 2017).
399 (IAIS, 2015).
400 (NIC, 2017).
401 (CIMA, 2021).
402 (M-insurance Rules, 2020).

**Legal and Regulatory risk:** The risk that an insurer may be adversely affected due to legal uncertainty that can arise from unenforceable contracts, change in laws or regulations, or failure to properly comply with legislation.[403] This category comprises three kinds of risk:

- Regulatory uncertainty risk: The risk of non-compliance due to the uncertainty in law. This risk may cause market players not to launch innovative ideas or business models.
- Regulatory backlash risk: The risk that the supervisor imposes stringent regulatory requirements that limit the development of particular insurance models.
- Regulatory avoidance risk: The risk of new business models operating in grey areas that provide scope for avoidance of compliance.

**Mis-selling risk:** Risk that consumers are sold products that they do not need, fail to purchase products they do need, are inadequately insured or are over-insured.[404]

**Operational risk:** The risk arising from inadequate or failed internal processes or systems, behaviour of personnel, or from external events. Generally operational risk includes legal risk, outsourcing risk and cyber risk.[405]

**Outsourcing risk:** Risk arising from outsourcing i.e. an arrangement between an insurer and a service provider for the latter to perform a process, service or activity, which would otherwise be performed by the insurer itself. Outsourcing risk is unique in that it could lead to any prudential or conduct of business risk depending on the nature of activity outsourced. The outsourcing risk relates to the "Counterparty Risk".[406]

**Policyholder awareness and understanding risk:** This the risk that the insured is not aware that the cover exists, does not understand the terms and conditions of the cover or the related processes to use the product and amount of coverage.[407]

**Policyholder value risk:** This is the risk that the product provides poor value to policyholders as it does not address their needs, risks and particularities.[408]

**Payment risk:** Risk that the premium will not reach the insurer, that the premium will not be paid on the due date or that the cost of collecting the premium is disproportionate. Risk that the full payout will not reach the beneficiary in a timely and appropriate manner.[409]

**Post-sale risk:** Risk that customers face unreasonable post-sale barriers to maintain their cover, change products, make enquiries, submit claims, receive benefits, or make complaints.[410]

**Reputational Risk:** The risk of potential negative publicity regarding an insurer's business practices will cause a decline in the customer base or brand value, costly litigation, or revenue reductions. Third parties who fail to perform could also heighten compliance and reputational risks.[411]

**Responsible m-insurance:** according to the authors of this report it is the design, distribution and delivery of m-insurance where the stability of the market and consumer protection are at the core.

**Robo-advice:** According to the IAIS[412], there are different types of robo-advice. Full robo-advice is provided by a robo-adviser that completely takes over the work of the traditional financial adviser. The "customer journey" is fully digitalised and the advice is fully automated. The only human role is to develop and maintain the robo-advice system and to prevent malfunctions of the algorithm. There is no face-to-face contact. Partial robo-advice is where the advice is fully automated, but the traditional adviser is still available to answer questions. Hybrid advice is where the robo-adviser and human beings interact with each other, for example the "customer journey" is fully digitalised, but the advice is still provided by a human, possibly face to face. In traditional face-to-face advice, technology is used only as an additional tool, for example to show graphs or animations.[413]

**Smart Contracts:** refers to any contract which is capable of executing or enforcing itself. They are written as programming code which can be run on a computer or a network of computers rather than in legal language on a printed document.[414]

**Strategic Risk:** The risk created by an insurer's business strategy. Strategic risk includes risks arising from poor business decisions, substandard execution of decisions, inadequate resource allocation, or a failure to respond well to changes in the business environment.

**Systemic risk:** The risk of collapse or destabilisation of the broader insurance market due to a negative fallout in one particular insurer or partnership, mostly when the particular insurer or partnership has a strong monopoly over the market.[415]

403 (IAIS, 2015) and IAIS Glossary available at: https://www.iaisweb.org/page/supervisory-material/glossary
404 (IAIS, 2015) and IAIS Glossary available at: https://www.iaisweb.org/page/supervisory-material/glossary
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411 (IAIS, 2015) and IAIS Glossary available at: https://www.iaisweb.org/page/supervisory-material/glossary
412 (IAIS, 2018).
413 (OECD, 2017).
414 (IAIS, 2015) and IAIS Glossary available at: https://www.iaisweb.org/page/supervisory-material/glossary
415 (IAIS, 2015) and IAIS Glossary available at: https://www.iaisweb.org/page/supervisory-material/glossary

**Telehealth services:** Telehealth services can be defined as to all the electronic and telecommunications technologies and services used to provide remote care and services.[416] The "telehealth" concept is broader than telemedicine as telehealth also includes remote non-clinical services, such as education and training.

**Telemedicine:** It is specifically a practice of medicine using technology to deliver care at distance. Telemedicine refers to remote clinical services, such as remote diagnosis and monitoring.[417]

**USDD:** USDD stands for "unstructured supplementary service data" and is particularly suitable for feature phones. USSD is a session-based protocol within the Global System for Mobile Communications (GSM) standard. It has been available on phones alongside SMS and standard voice calling since the earliest mobile phones were available.

416 Definition of the American Academy of Family Physicians (AAFP) available at: https://www.aafp.org/news/media-center/kits/telemedicine-and-telehealth.html
417 Definition of the American Academy of Family Physicians (AAFP) available at: https://www.aafp.org/news/media-center/kits/telemedicine-and-telehealth.html

# Annex 3. InsurTech developments and digitally supported agricultural insurance

**The term InsurTech is extensive, and it can range from digital insurers to a mere provider of technology or a single technology.** A2ii has defined InsurTech as "the variety of emerging technologies and innovative business models that have the potential to transform the insurance business."[418] M-insurance emerged way before the InsurTech concept was coined, however, InsurTech deployments have been helping m-insurance in emerging markets to reach a different level considering the myriad technological possibilities that are open now to unlock access for the unserved and underserved populations.

Most InsurTech have rolled out in the past few years, with many of them in Africa (See Figure 14).[419]

**InsurTech is revolutionizing the entire insurance lifecycle, from underwriting to product design to distribution, and all the way through to claims management.** Mobile phones and digital platforms are one of the key touchpoints that are unlocking the vast opportunities that InsurTech has to offer. In such context, nowadays the development of m-insurance is very interlinked with the development of InsurTech: InsurTech is an enabler and catalyzer for the development of m-insurance and a key tool to overcome challenges of inclusive insurance (See Figure 15).[420]

InsurTech relies on diverse technologies, some examples are presented below:

- Automotive insurers are using telematics devices that can automatically detect accidents as they happen, as well as assessing damages and the severity of the impact, in addition to notifying the relevant authorities in order for them to dispatch emergency services at the accident location, such as tow trucks or ambulances. In turn, the concerned insurance firm can utilize this data for faster and more accurate claims processing, resulting in an overall quicker process and better satisfaction for customers.
- The emerging Internet of Things (IoT) industry, Insurance companies are also establishing partnerships with innovative technology entities to offer security devices that feature IoT functionalities, such as video doorbells, smoke alarms, and theft-detection instruments.
- Drones can performing human tasks that don't necessarily need humans to do them; insurers employ drones to remotely assess damage claims on real estate properties instead of sending an agent to do that task, for a seamless process of payments.
- New technologies like augmented reality (AR) and virtual reality (VR) are also being used in the sector of insurance. Auto insurance companies use AR displays to communicate the dangers of driving by simulating car crashes, as well as for educating customers on damage estimation and even insurance plan walkthroughs. Health insurance entities use AR to turn the banality of choosing retirement benefit plans into a fun and exciting activity.
- Biometric ID. This can play a big role in preventing fraud, which otherwise drives up the costs of insurance for honest customers, particularly in health insurance. While not essential, the experience in India and some African countries has indicated this type of identification removes a significant barrier to developing better insurance solutions.[421]

Figure 16 provides an indication of the diverse types of platforms.

**InsurTech has many advantages.** At the side of the customer, InsurTech developments help to

- meet changing customer needs with new offering;
- enhance interaction and build relationships;
- augment existing capabilities and reach with strategic relationships.

At the side of the insurer, InsurTech can:

- leverage existing data and analysis to generate risk insights;
- allow to utilize new approaches to underwrite risk and predict loss
- enable the business with sophisticated operational capabilities.

418 (A2ii, 2018b). Annex 2 provides a glossary of the terms used in InsurTech.
419 InsurTech Tracker available at this link.
420 (IFC, 2019).
421 (IFC, 2019)

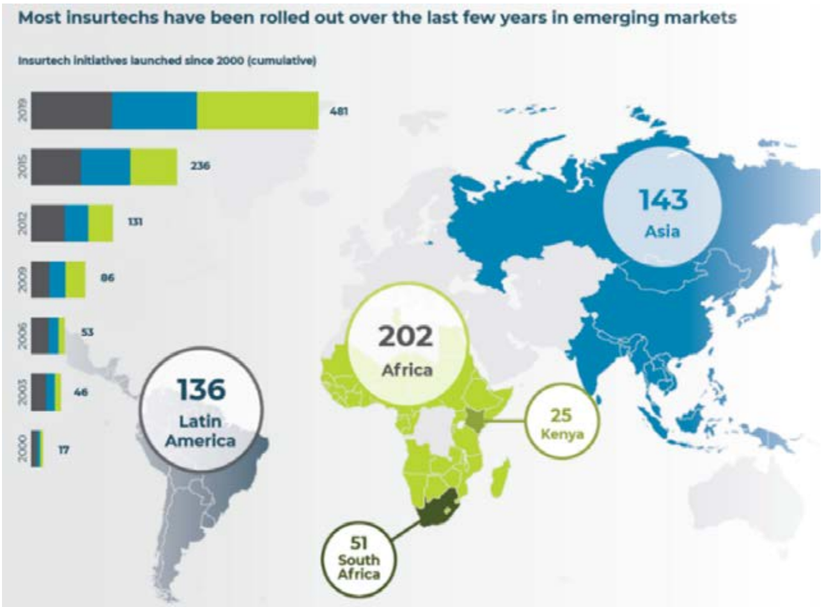



Figure 14. Insurtechs rolled out over the last few years in emerging markets (Cenfri, 2019a)

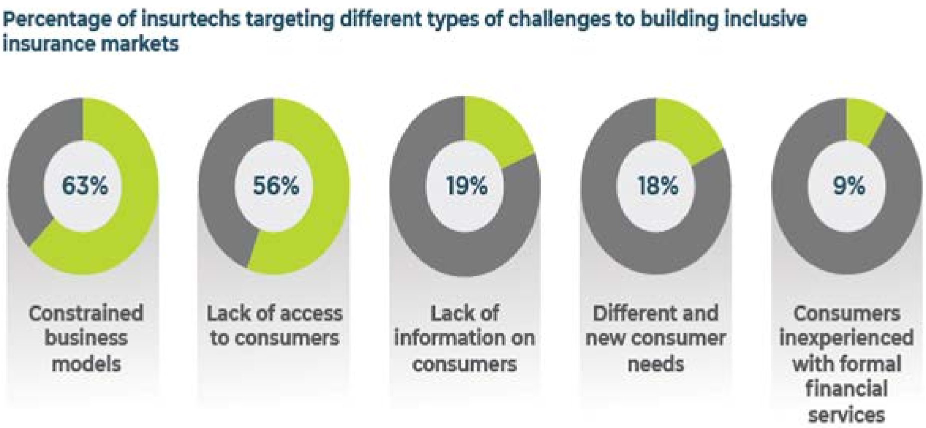



Figure 15. InsurTechs targeting different challenges in inclusive insurance (Cenfri, 2019a)


Figure 16. Diverse types of Platforms[422]

**InsurTech deployments are different from traditional insurance business models in how they collect data, process enrolment, service consumers to mention some.** They are by nature relying on digital applications in many of their processes. M-insurance is now part of InsurTech, or vice-versa, relying on it, and is growing in emerging markets alike.

**InsurTech attracts large capital investments[423] and a significant portion of the InsurTech investments seems to be going towards m-insurance to open new markets opportunities.** The number of venture capital stakeholders that are investing in InsurTech start-ups has increased from 55 funds in 2012, to 141 in 2016, with investments in health insurance taking up a considerable share in the US, and life and annuity-start-ups also attracting large investments. Other investors are reinsurers and global insurers. For instance, Allianz established Allianz Ventures as its centre for investments in and partnerships with start-ups to target five key areas: InsurTech and wealth management; mobility and connected cars; connected homes and properties; digital health; and cyber security and data intelligence. Allianz X is the group's "company builder" that identifies, builds and scales new business models in InsurTech and related areas like blockchain and artificial intelligence (AI). Another example is Axa Strategic Ventures which has completed 20 deals and together with Ping An (China) have been the most active in deal making of strategic investments. Another interesting example is the one of the online insurance platform PolicyBazaar in India that has reported to have raised USD 75 million to fund regional expansion.[424]

**InsurTech is playing an instrumental role in the context of in index insurance.**[425] Two types of agricultural insurance services benefit particularly from Digitisation, namely **area-yield index** (AYII) and **weather index insurance** (WII). Digital approaches present are many opportunities for these schemes, for example to improve the following key functions in the value chain:

- **Weather data collection for product development.** MNO assets can support the collection of meteorological data required for weather index insurance products. MNO base stations provide opportune locations to install automated weather services, as they are secure sites with access to their own electricity supply. This data can be to provide rainfall index insurance products for the vicinity, or they can provide the "ground truth" for modelled indices that draw data from several sources. MNOs can also invest in co-locating weather stations at base station sites to generate weather data for climate resilience services.
- **Registering and locating users.** A key part of providing WII products is localising users and their farm plots. Traditional approaches like getting location data from a cooperative or local government may be imprecise or expensive if done in person. User location vial smartphone using GPS services can be done but not all farmers avail smartphone or have good connections. MNOs can support the localisation process by call detail records which provide meta-data on calls made

422 (CGAP, 2020) Note that MNOs are a traditional type of technology platform in the telco space and not considered in this figure
423 (OECD, 2017)
424 Middle East: Online insurance platform Policy Bazaar raises US$75m to fund regional expansion, see link.
425 (GSMA, 2020c)

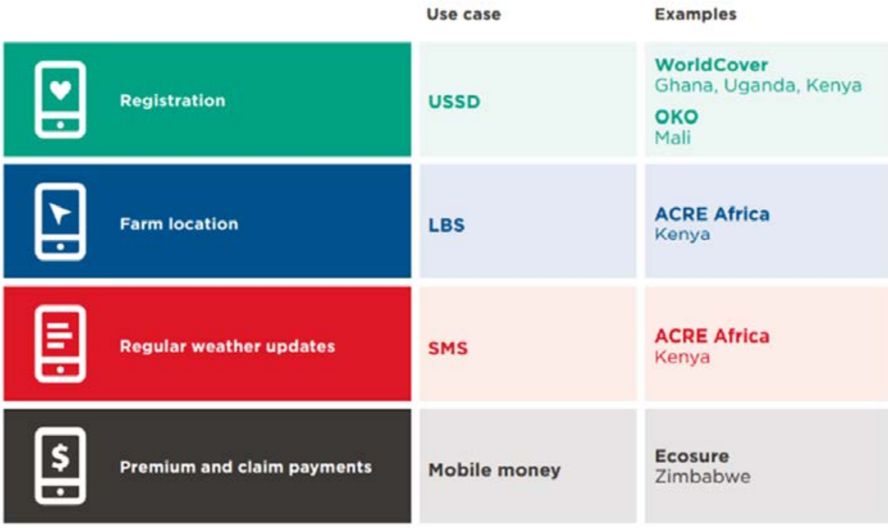



Figure 17. Examples of index insurance providers using MNOs assets for service delivery (GSMA, 2020c)

by users while data from the base stations at which the calls originate can be used to infer a user's location. Integration of these services with an insurance product's registration process can eliminate the need for manual localisation of users, thereby reducing costs and increasing scalability. Where an automated approach is not possible, an MNO's agent network can provide an in person marketing channel to register users and record locations. This approach requires training and educating agents about the service, and offering incentives to promote sales.

- **Service delivery.** MNOs' basic delivery channels (USSD[426], SMS, Interactive Voice Responses, IVR) provide valuable opportunities to digitize all or parts of the service delivery process. By using mobile money to collect premiums and disburse payouts, index insurance service providers can move away from cooperative or community-based in-person sales.
- **Examples from Africa.** The following examples show how providers use digital approaches for the diverse steps in providing agricultural insurance:
  - In Mali, Oko's insurance series has been integrated in Orange's USSD menu. OKO also involves mobile money agents in its community meetings to ensure customers receive help in setting up their accounts and making transactions. Or, they organised a joint SME voice campaign to educate farmers on its insurance service.
  - In Kenya, Pula's seeds replanting guarantee schemes requires registration vie the agent's app after buying a packet of insured seed.

426 Unstructured Supplementary Service Data is a dial-in number that start with an* and ends with'; and it is the best currently available communications technology to deliver mobile financial services to low-income customers. See link.

# Annex 4. The emerging m-insurance consumer

**Who is the emerging consumer of inclusive insurance using m-insurance? A key question for supervisors and providers.** Considering that the objective of this paper is to share good practices with supervisors for the implementation of the proportionality principle to m-insurance and to promote access to insurance to those who are unserved and underserved, it is important to shed some light regarding on who the emerging consumer of inclusive insurance is. This is important to highlight considering that even though nowadays m-insurance is a common practice that reaches all segments of the population, the focus of this paper is m-insurance targeted to the unserved and underserved. This clarification is also relevant if we consider that some countries have integrated the concept of m-insurance within the category of microinsurance, such it is case of the draft of the Regulation of M-insurance of the CIMA region.[427]

**The emerging consumer of inclusive insurance is composed by diverse segments of the population.** Low-income households, smallholder farmers, MSMEs, women, young people, the elderly, disabled populations, indigenous communities, day labourers, contact workers and factory workers are generally more prone to be unserved by insurance products. The following particularities have been observed among the above-mentioned segments in relation to m-insurance:

- **Limited access to smartphones and mobile connectivity.** hallenges with mobile ownership and connectivity are frequent, especially in rural areas. Customers may have limited access to smartphones and/or only own feature phones. Due to the fluctuating cash flows and irregular incomes, people often purchase prepaid SIM cards and small amounts of airtime.
- **Higher levels of digital illiteracy and preference to paper-based processes.** This is linked with cultural patterns where they may not be used yet to paperless processes, such as e-signatures and e-contracts, and even e-payments and if when available, not be able trust such services. While exceptions exist,[428] there is often a cultural attachment to documents and cash, as in the case of Morocco. This is enhanced by the levels of informality in which they operate, for instance SMEs will be less interested in diving in the digitalized world if it entails the formalization of all their operations. This could also be related with the fact that customers may not be financially and digitally literate,[429] or because the aggregators related to them (like the MFIs or SMEs) do not use digitalized processes for consumers yet.
- **Wider asymmetries in information are present, increasing problems of mis-selling and abuse.** Emerging consumers generally experiment persistent problems of access to education and literacy. In addition, consumers are generally part of informal markets where the use of formal contracts and formal financial services such as insurance is not the norm.[430] This implies that many of them do not have previous exposure to insurance and to the formal frameworks that are available to protect them and exercise their rights. Emerging consumers may not understand who the insurer is, how to administer the product, where to file claims and what the available recourse options are. This is enhanced in m-insurance because client engagement takes place through mobile phones with limited means for communication (e.g. via SMS, USSD) and often under the brand of the MNO. Furthermore, clients may not know their rights and the insurer's obligations because they may not have easy access to the policy documentation. The latter leaves them vulnerable to mis-selling and abuse.
- **Insurance is not the preferred tool to manage their priority risks.** Emerging consumers perceive health issues as a major risk for their families, business and livelihoods, being health expenses a major concern. With most people working in the informal sector, the level of out-of-pocket health expenses are perceived to be very costly and, in most cases, health cost are often disproportionate to the income. Natural catastrophes like flood or drought also threaten not only lives but also businesses and productive activities. Generally, the reliance on insurance to manage these risks is very low as this products are not always available and affordable to them. This is especially the case for informal sector workers where there is not an employer to facilitate health insurance coverage, or a social protection scheme that can provide protection. In such context, emerging consumers generally use various coping strategies like relying on family and friends; using savings, that are sometimes informal savings and kept as assets and livestock; take up loans; or rely on government support.[431]

427 CIMA was established in 1992 to harmonize insurance regulation for its members, currently they are 14 members are: Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Congo Brazzaville, Equatorial Guinea, Gabon, Guinea Bissau, Ivory Coast, Mali, Niger, Senegal and Togo. Comoros is expected to join. Article 1 of the Projet de Règlement relatif à la commercialisation et la gestion des produits de Microassurance par le canal de la téléphonie mobile du CIMA, As of 2021.

428 For instance, in countries like Kenya a highlight trusted payment system is precisely M-PESA.

429 (OECD, G20, GPFI, 2018)

430 (A2ii, 2018)

431 (Cenfri, 2018b)

- **Lack of trust in insurance and in traditional insurance providers is generally the norm.** Word of mouth plays a paramount role in issues related to trust in insurance. Grievances about claims not being paid of fellow members of the community dissuades potential clients from subscribing m-insurance.[432]

**The COVID-19 pandemic and the social restrictions imposed as consequence are playing a role to change behaviours regarding m-insurance.** It has been reported that in several countries that the pandemic has created more awareness about insurance[433] and with this the popularity of insurance has increased. For instance, according to the MIC[434] that before the pandemic, a digital only approach supported on SMS blast led to less than 0.5% of people signing up, but during the pandemic a digital only approach led to 3 to 5% opt in for products covering COVID-19.[435] In addition, as one of the consequences of social restrictions imposed by COVID-19, digital literacy and digital customer engagement has deepened even among the poorest segments of the population. This has been due to the fact that consumers from low segments of the population have been nudged to engage in digital processes, for instance, to receive governmental social assistance transfers.[436]

432 (Dercon, et al., 2019) (Matul, et al., 2013)

433 This has been a trend in emerging and developed economies. For instance, in India, a series of surveys found that the COVID-19 pandemic accelerated the awareness and ownership of insurance; similar findings have been reported in Indonesia, Malaysia, and Thailand. Interestingly, there have been trends For instance in the UK it has been reported that consumer awareness of insurance coverage has increased and almost 31% have noted that they would be more careful in understanding what their insurance policy covers.

434 Microinsurance Centre at Milliman see link.

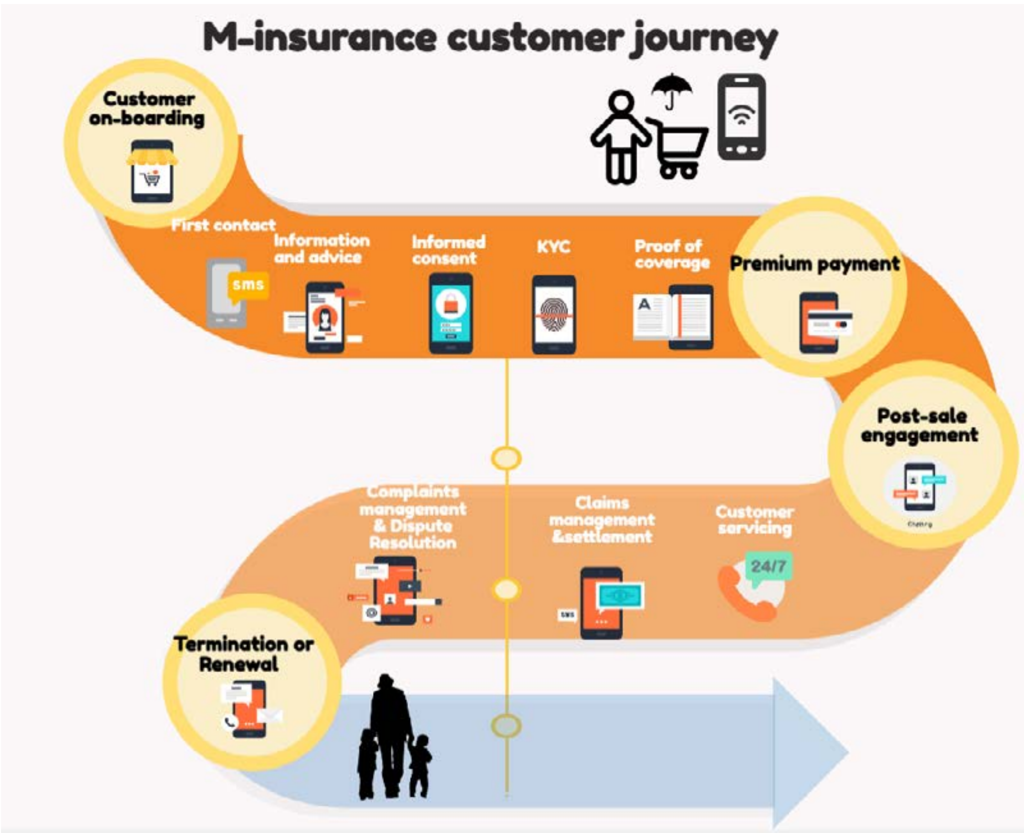
435 Video Interview with R. Leftley during the Annual Actuarial Convention organised by the Actuarial Society of Kenya held in Nov 2020 available at this link.

436 For instance, already in 2017 in Ghana almost 100% of Government to Person (G2P) and government to government (G2G) payments are digital (Better Than Cash Alliance , 2017). It is expected that as consequence of the social restrictions imposed by Covid-19 this percentage has increased. More globally, as of July 2020, 200 countries and territories have expanded or introduced social protection measures in response to Covid-19, this represents more than four-fold increase reaching 915 million new beneficiaries since March 2020. Many of those countries are opting to digitize G2P payments to limit the risks of personal contact and crowding when people collect their assistance, and to rapidly disburse funds at an unprecedented scale (Bill and Mellinda Gates Foundation, World Bank, CGAP, and Women World Banking , 2020) (World Bank, 2020).

# Annex 5.
# Details of the m-insurance customer journey

**Diverse deployments support all the stages of the consumer journey.** Applications (apps) and USSD messages are enabling new functions and processes to be carried out through mobile phones. The use of apps has allowed many companies to reach a bigger audience via their smartphones[437] or provide a service line for their clients. Smartphones and internet access enable innovations which are based on the use of apps for diverse purposes, therefore ownership of smartphones and internet access is becoming essential for consumers if they want to benefit from a hassle-free experience. However, for those who have feature phones, USSD protocols are enabling similar approaches and simple SMS texts are supporting customer engagement.

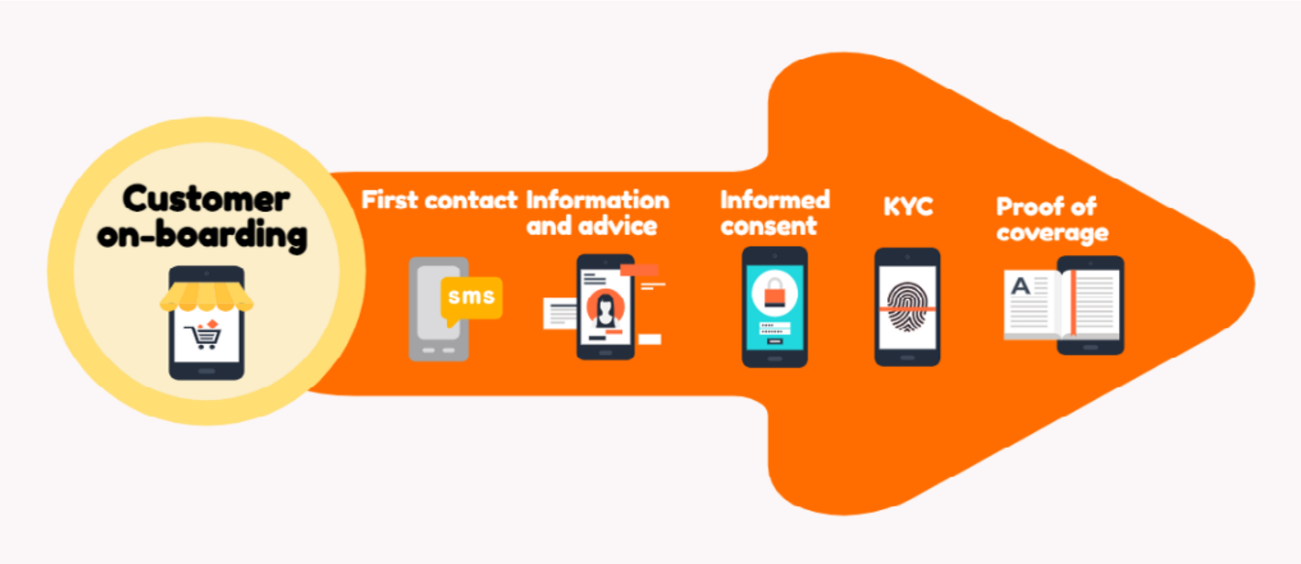
**Hybrid models combining digital and in-person communication supporting all stages of the customer journey are gaining momentum.** High-touch customer engagement in the form of in-person communication by an agent or sales person explaining the product is nowadays supported through digital tools and mobile platforms. An important lesson learned from over a decade of m-insurance globally is that in-person support will not disappear completely in all steps of the insurance lifecycle. Digital approaches can support and enable better customer engagement. An example of a hybrid approach by in-person customer support and digital approaches that combines field agents and in kiosks can be seen from the example of BIMA. This implies that salesforces are provided with digital tools and trained to use them to simplify processes and make them more effective. According to BIMA in Ghana the approaches that support higher enrolment are the combination of field agents and digital selling.




437 (OECD, 2017)

**Examples of innovative digital approaches across the insurance customer journey:** Below there is a description of the deployments and innovations that are generally adopted in the context of m-insurance. This description is based on global examples mapped during the preparation of this report.

## 1. Customer onboarding




### a. First contact:

- **The consumer engagement strategies of m-insurance have taken to heart the adage that "insurance is sold, not bought".** The innovative approaches used by m-insurance stakeholders to support on-boarding processes have proven essential to ensure customer engagement and uptake. Customer onboarding is generally initiated through diverse approaches. Commonly, these are SMS blasts, Interactive Voice Responses (IVR), in-bound calls, advertising through traditional and innovative channels, direct engagement with field agents or through alternative distribution channels, referrals, amongst others.
  - TSPs such as MIC, BIMA, AYO, OKO, amongst others, use a paperless or digital approach to engage with clients where consumers are nudged to enroll through different mechanisms. For instance, MIC uses SMS blasts to promote self-registration via USSD or in-bound calls, and active selling through call centers and their aggregator MFIs.
- **Customer onboarding for m-insurance is generally characterized by a mix between light-touch and high-touch customer engagement.** Generally, a fully digital approach supported by SMS blasts does not lead to considerable self-registrations, according to MIC only 0.5% of customers who have been pinged also end up self-registering. In comparison, a more active approach such as the use of call centers, although expensive, leads to more uptake.[438]

### b. Information and advice:

- Technology developments are supporting consumers to take informed decisions. Technological innovations such as big data, IoT, machine learning and AI are being used to provide new functionalities through mobile platforms like advising consumers to enable informed decisions, and they are also used for diverse steps in the customer journey. Product service centers using robo advice, chatbot and AI are providing virtual assistance 24/7. BigData is facilitating the ability to predict needs and requests from consumers.
  - In **Indonesia**, Allianz has been applying automated phone messages using the character "Ms. Ali" to automate post-sales calls and share information about the microinsurance product.
  - In **Kenya**, Denkim Insurance, an online broker, has a chatbot that functions with messaging apps, including Facebook .[439]
  - In **Argentina**, Esta Cubierto, a broker specialised on microinsurance products offers a digital platform through their website so consumers choose insurance products depending on their needs. This offer is complemented by face-to-face support through their kiosks across different neighbourhoods around the country.
  - In **Egypt**, the chatbot Nelly has transformed the role of the insurance agent and brought a gender element to the insurance market (see **Box 18**).

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438 Video Interview with R. Leftley during the Annual Actuarial Convention organised by the Actuarial Society of Kenya held in Nov 2020, see link.
439 (IDF, 2020)

**Box 18. MerQ: Transforming the insurance agent in Egypt**[440]

The InsuTech MerQ designs chatbots to help customers choose and understand financial products – without leaving their preferred messaging platform. MerQ's first chatbot, Sally, focuses on credit cards and communicates with close to 20,000 people via Facebook Messenger.Nancy was recently lauched and she assists customers inchoosing an appropriate kind of bank account from various options.

During the Insur;Hack (an industry event supported by GIZ in 2019)[441], MerQ focused on Nelly, their chatbot for insurance products. Focusing specifically on teaching its bots Egyptian slang (through both voice and text messages). MerQ has found that in comparison to traditional channels the convenience and comfort of chatbot engagements make this channel more successful in lead-generation for providers.

- **Delivery of pre-contractual information is supported by deployments used for customer on-boarding.** The provision of key information to ensure that consumers make an informed consent before self-registering is generally supported on the same deployments of customer on-boarding and in some cases are complemented through other instruments. Such information could vary and could fall under the category of marketing, financial education or mandatory disclosure during the pre-contractual stage. Generally, this type of information is sent through SMS, IVR, call centers, field agents, WhatsApp, amongst other tools. In some cases, tools are chosen and tailored according to the customer's need.
- **Factors like literacy rate and disability[442] are sometimes taken into consideration** while transmitting didactic information through WhatsApp and other similar applications to ensure that consumers have the needed information before self-registering.

### c. Informed consent:

- **Consumers are providing their informed consent remotely through different mechanisms.** Regardless the contractual arrangement, group or individual policy, consumers have to provide their informed consent. In m-insurance this process is often carried out remotely. This is generally is done by sending a short code via SMS without the support of agents, physical signatures, documents and verifications.
  - The most common approach is through electronic signatures provided through secured pins and passwords, and text confirmations regardless the level of sophistication of the mobile phone.
  - Also, the informed consent is provided through recorded calls in call centers where the insured receives information about the product. Sometimes, depending on the regulatory framework, the recorded conversation need to be transcripted and shared again with the insured for its verification.
  - In some cases the provision of the informed consent is supported by field agents, who ultimately receive physical signatures on mobile devices like tablets.
  - A common approach used within apps is to obtain the explicit consent of users before collecting and using their personal information by a "toggle" switch after providing certain disclosures about the collected information. This "toggle" switch acts as a tool to allow users to actively click and confirm their consent to collect data. Considering that currently m-insurance products are being offered through BigTech platforms, such approaches are used to obtain the consent to add insurance to a certain service offered in the marketplace platform.
- **The contractual arrangements used in m-insurance are generally provided as group or individual policies.** Many m-insurance deployments rely on individual coverages, such it is the case of Allianz and BIMA in Ghana.[443] However, group policies are largely used as they have lower underwriting and transaction costs and allow for smoother processes. In these cases, when this is allowed, the MNO, MMP or the TSP act as the master policyholder and their clients are the insured parties. Despite the benefits of group policies, clients may be unaware they are covered because products are underwritten on a group basis, and in turn they may not have provided their informed consent, know the particularities of the products and know how to claim.

### d. KYC:

- **KYC requirements are generally supported on the checks already carried out by other partners, and additional checks are being supported remotely.** A key step of the insurance lifecycle is the CDD. M-insurance products generally fall under proportionality approaches part of SDD that generally exempt KYC or recognize very simplified KYC because of the low level of premium and insured amount, or because of the limited term of the insurance product.[444] However, when KYC is in fact

440 See link.

441 On the Hackaton organised by GIZ aiming to support data analysis and risk management, providing chatbots and brokering SME insurance: Over 200 applications were submitted to the invitation shared in October 2019, among them designers, coders, innovators in FinTech, entrepreneurs and established start-ups. The Insur;Hack took place from 28. Nov to 1. Dec 2019 in Cairo with 24 teams starting and 12 teams making it to the last day. (GIZ, I2I, Cenfri, FMT, 2019).

442 This is for instance the case of an insurance product that has been developed with the support of the World Food Programme (WFP) to provide coverage to small and micro-entrepreneurs who are visually impaired. In this case, the information about the product is provided via WhatsApp through voice messages and it is complemented by specific trainings with field officers where information in Braille is provided.

443 (A2ii, 2018)

444 See Section 3.2.2. for details on this.

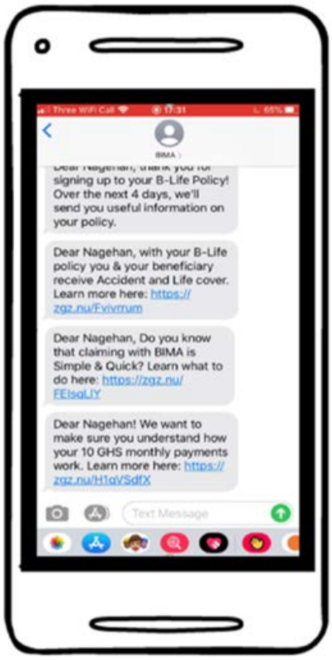


Figure 18. Onboarding process by BIMA Ghana

required it is important to consider that in a context of digital onboarding, innovations that have also been unlocking opportunities for eKYC are key.

- Some eKYC solutions have been adopted by MNOs,[445] MMPs and insurers. Examples of this are biometric authentication technology to verify users during the onboarding process and subsequent transactions as it is the case of **Morocco**. In such context, online users need to submit photos of their national IDs documents and selfies, to verify their identity.
- Such eKYC approaches have been also enabled by digital IDs[446] which are supported with biometric authenticators, chip cards and personal identification numbers (PIN).

  **Note:** *Considering the profile of the consumer of m-insurance insurance, special consideration needs to be paid to the fact they generally struggle to have national IDs documents and when there are digital IDs, they might be digitally excluded. When insurers are partnering with providers such as MNOs, and MMPs they generally piggy back on the CDD carried out by them, which could be supported by innovative eKYC approaches.*[447]

### 5. Proof of coverage:

- Consumers generally receive the proof of coverage via the mobile, via internet or physical contact. Once the insured has provided the informed consent, proof of coverage is sent to the insured. This is done through a text confirmation that contains a link to the insurer's or the digital platform website where they have access to the details of the policy, or by sending directly the policy via platforms such as WhatsApp, as it is the case of BIMA in Ghana (see **Figure 18**), or through a confirmation email with the terms and conditions attached to the email. In addition, this could be done with the support of field agents who provide either the physical simplified policy or a key facts document to the insured.

  **Note:** *It is important that regardless the contractual arrangement, individual or group policy, the insured must receive proof of coverage. In the case of a group policy, the policyholder will receive the policy and the insured individual certificates as proof of coverage.*

445 For instance, most countries require customers to identify themselves and submit personal information when purchasing a mobile phone or a pre-paid SIM Card. In Pakistan, MMP must capture their customers' IDs and biometric data and verify the information against the national registry. When MNOs are operating as MMPs they also have to go through additional KYC with some specific set of requirements. (GSMA and Center for Global Development , 2019).

446 Defined by the World Bank as a "collection of electronically captured and stored identity attributes that unequally describe a person within a given context and is user for electronic transactions. It provides remote assurance that he person is who they purport to be" (World Bank Group and GPFI, 2018).

447 (GSMA and Center for Global Development , 2019)

## 2. Premium payment

- **Among the various payment mechanism used collection of premiums supported through mobile platforms is becoming the predominant payment mode.** As of today, mobile wallets (such as WhatsApp pay,[448] Google Pay, Apple Pay), cash or bank deductions, and airtime/data credit are mechanisms used to collect premiums in m-insurance. A recent change is reported from **Ghana**, where Bank of Ghana has allowed the deduction of payments from the data credit the client has purchased is now allowed, reacting on the consumer trend to not purchase airtime but data.[449] Notably, this payment method is limited to MNO-partnership models. While airtime deduction was the most predominant premium collection mechanism of m-insurance a few years ago it has been losing traction and now mobile money is becoming predominant (see **Box 19**).


**Box 19. Airtime deduction and new trends in payment mechanisms**

**Airtime was a prominent payment mode in the early years of m-insurance.** Airtime deduction was the predominant form of premium collection available to m-insurance clients across various jurisdictions between 2010 and 2017. In 2016 GSMA (the global association of MNOs[450]) found that 63% of premiums collected through MNOs are done through airtime deduction.[451] Airtime deduction was preferred because it does not require clients to register, while mobile wallets require client registration. For the MNOs, this supported their value proposition based on the regularity of client engagement due to the frequent use of mobile phones and associated services including airtime top up.[452]

**Airtime payment models quickly achieved scale but are not always permitted.** In some jurisdictions, central bank regulations do not permit the use of airtime as a store of value and payment instrument. The advantages and disadvantages for clients and business partners of airtime deduction versus mobile money accounts (also called mobile wallets) m-insurance payment options. The disadvantages of airtime as opposed to other payment mechanisms are:

1. As airtime payments are subject to VAT (e.g. in Ghana it is 26%) the customer receives less value for money. For example, if the VAT rate was 20 per cent, a consumer paying USD 1 would only receive cover commensurate with USD 0.80.
2. People don't top up enough to pay for insurance
3. Transparency of deductions for the insured can be limited when monthly statements are difficult to get.
4. The Central Bank may not allow airtime as permissible form of payment, as in Egypt or Tanzania, where it had been allowed for some time but a huge volume of complaints from clients we were unaware of their m-insurance product subscription and premium deductions led the Regulatory Authority to disallow this practice.[453]

**The use of mobile money is increasing.** Considering the staggering rates of mobile money registration and also usage in an increasing number of markets airtime is becoming less relevant in these jurisdictions.[454]

**Educating investments needed.** Changing customer behaviour to pay for premiums via their mobile money account, and encouraging them to retain a positive balance, are key challenges when transitioning from airtime to mobile money.

**Mobile data top-up credit as new form of payment in 2021.** Generally, premiums cannot be deducted from voice, SMS or data packages.[455] However, as many people use less airtime but data top-up credit, Bank of Ghana has allowed using data credit as payment method in 2021.[456]

448 In India, WhatsApp Pay will facilitate the premium collection of the sachet-health insurance cover designed jointly by WhatsApp and SBI General Insurance and a micro-pension product tied up with HDFC Pension Management Co as a way to make widely available the National Pension Scheme (NPS) through the app.
449 Interview with NIC (See Annex 3).
450 GSMA represents the interests of mobile operators worldwide, uniting nearly 800 operators with more than 250 companies in the broader mobile ecosystem, including handset and device makers, software companies, equipment providers and internet companies, as well as organisations in adjacent industry sectors.
451 (GSMA, 2016b)
452 (A2ii, 2018)
453 (A2ii, 2018)
454 (GSMA, 2021)
455 GSMA, State of the industry report on Mobile Money, 2021
456 Interviews with NIC, Ghana.

- **There are opportunities to support payment of premium and payouts through cryptocurrencies, however this is in early stages.** Another important development is the potential of using cryptocurrencies to pay premiums in the context of blockchain applications for insurance.[457] Even though these applications are still in early stages in emerging economies, this could be a possibility mostly in countries where stable cryptocurrencies are being developed, for instance in Asian markets.[458] Interesting developments of blockchain application for insurance,[459] and the adoption by insurers of their own cryptocurrencies might increase the chances to integrate the use of cryptocurrencies within the insurance lifecycle more widely.[460]

## 3. Post-sale engagement


a. **Customer servicing:**

- **Post-sale services are generally provided through mobile platforms and supported by advanced technology developments such as artificial intelligence.** Mobile phones offer customers an interface for managing insurance products through SMS, other messengers (like WhatsApp), IVR, USSD, call centres, or smartphone apps.[461] For instance BIMA in Ghana provides customers with monthly SMS reminders of the insurance product subscribed to,[462] and consumers also can interact with providers through chat boots in the apps, call centers, via SMS or WhatsApp or other messenger services.[463] In the context of the health products, customers also receive a nurse engagement call and videos explaining the services with the objective of re-educate consumers who have not had a doctor consultation in the first 3 months of subscription. In Colombia, the consumers of index insurance products in Colombia offered by the local insurer SBS to clients of one of the biggest MFIs, Bancamia, with the support of the TSP *Microinsurance Catastrophe Risk Organisation* (MiCRO), receive explanatory videos of the product through WhatsApp. Customer engagement is also done though games, trivias (quiz games), videos related for instance through health programs sent through mobile phones. Mobile phones also support the process to ensure sales quality through quizzes and surveys of customer service. For instance BIMA has dedicated quality control staff to follow up with new subscribers through voice calls, IVRs, quizzes, gamification and surveys to check if the product was explained properly, agents are rated based on the insights gathered and their retention depends on the results of such rating.[464]

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457 Metromile, a digital insurance platform in the US and pay-per-mile auto insurer, announced in May 2021 that will allow policyholders the option to pay insurance premiums and receive payouts in bitcoin or dollars.

458 In Indonesia, the Indonesian government is planning to launch a blockchain-based, precious metals-backed payments and savings platform outside the banking system. It is being developed by Indonesia's state-owned postal service, PT Pos, and foreign token provider Kinesis, PosGO Syariah is a Shariah-compliant mobile platform that allows users to trade gold and silver with physical delivery, as well as save, transact and manage their wealth in digital tokens without bank accounts.

459 Such as the project between Aon, Ethersic, Oxfam and the local insurer Sanasa in Sri Lanka that is offering index insurance products to farmers based on Etherisc's Decentralised Insurance Platform on the Ethereum Blockchain, or the Blockchain Climate Risk Crop Insurance for Sub-Saharan Africa, South and Southeast Asia that is being developed by Sprout Insure and ACRE Africa (IDF, 2020)

460 Rio Uruguay Seguros (RUS) in Argentina is the first insurance company in South America to implement a virtual wallet with its own cryptocurrency based on blockchain.

461 (GSMA, 2021).

462 For instance, informing when premiums are payable.

463 For instance, in Ghana through feature phones consumers receive 3 to 4 on boarding texts to explain the product through SMS or IVR, and those with smartphones receive this information through WhatsApp. In the context of health programmes consumers receive approximately 12 health related messages via SMS, App, OVR.

464 (GSMA, 2014)

b. **Claims management and settlement are generally simple and without the need of paperwork:**

- Mobile devices are being used to raise awareness about the claims process through simple videos that are available in the apps of the providers or sent by WhatsApp to customers.
- Claim process is generally fully digitalized and is managed by the insurer and/or the TSPs. For instance, claims are being submitted via digital platforms; consumers can upload their supporting documentation.
  - For instance, BIMA in Ghana facilitates all this process for their B-health products through WhatsApp, or through the app, where policyholders can submit digital versions of the hospital discharge note.
  - CoverApp, a digital insurance platform from Kenya supports all the claims processing through the App.[465]
  - When clients use feature phones, the claims process can be carried out through USSD and the process of submission of documents can be supported by taking pictures of supporting documents, however in this case the support of field agents and other points of contact facilitate the process to file a claim.
  - In agricultural insurance, innovative approaches have been adopted to take pictures using mobile devices to support the claim either directly by the insured or by loss inspectors.
- Payouts are generally provided through digital payment channels, mobile money, mobile wallets, directly through the apps of the providers, and even in some cases through credit for airtime or as new approach, data credit.
- **Mobile platforms are becoming essential to deliver cashless benefits provided by insurance products.** Mobile platforms are instrumental not only facilitating processes but also providing directly benefits that are part of the insurance product.
  - Mobile devices are also essential to the provision of telehealth services as they enable doctors' consultations that could be supported through simple calls, video calls, or through the apps.
  - Mobile devices are also useful to locate beneficiaries to provide payouts when for instance digital payment channels or banking accounts are not available
  - Mobile devices are enabling the provision of cash-less benefits, for instance:
    - Remidinet in India provides a cashless health insurance product through a cloud-based platform connecting hospitals directly to insurers, in such case the insured does not receive direct payments.[466]
    - In some cases for the coverage of medicines the consumer receives a contribution through mobile money that was already pre-established at terms of the amount and the frequency at the inception of the contract.
    - In some cases, consumers receive redeemable points depending on the type of their coverage that can be used with healthcare facilities, pharmacies that partner with the provider.

c. **Complaints management and dispute resolution:**

- **Technology is facilitating a complaints management however this is not really being done for dispute resolution.** Consumers can use remote mechanisms to lodge their complaints or queries about the products and services. This can be done through traditional mechanisms such as direct calls to trained call centers of the TSP or the insurer, or through the contact with TSPs or insurers through their apps, chatbots, or messengers such as. For feature phones, besides direct calls, it is common that there are specific USSD codes to support that process. However, limitations to unlock alternative dispute resolution mechanisms for the unserved and underserved segments of the population, where Online Dispute Resolution is available is a limitation to fully digitalize the core processes of the consumer journey.

d. **Termination and Renewal:** Generally the same deployments used for onboarding process are used for termination and renewal.

465 See link.
466 (IDF, 2020)

# Annex 6. Indonesia: details on marketing through digital platforms

In **Indonesia**, OJK issued Circular Letter N.19/SEOJK.05/2020 (Circular Letter 5/2020) on marketing and sale of insurance products and their distribution through digital platforms. This circular provides clear guidelines for stakeholders participating in the insurance lifecycle either as intermediaries, as distribution partners involving electronic systems, and also for marketing insurance products through websites and/or digital platforms.

1. **"Active marketing"**[467] activities are subject to licensing and registration by OJK as follows:
   - Corporate insurance agents: Any business employing insurance agents and marketing actively insurance products must be registered as a corporate insurance agency. They cannot enter into a partnership with other insurer that has a similar business.
   - Insurance broker company: any business entity that markets products from two or more insurers that have similar lines of business.
2. Insurers can enter into distribution partnerships with **non-banking businesses involving electronic systems**. The non-banking businesses must comply with the following requirements:
   - Licences: Even though the Circular Letter does not require non-bank business entities to obtain certain licences from the OJK in order to act as distribution partners to an insurance company by way of a referral model, they must be licensed to carry out their business activities by the relevant government authority supervising the activities of the relevant non-bank business entities;
   - Business activities: The articles of association of the non-bank business entities must provide that they are allowed to carry out fee-based income activities or trading services;
   - Dedicated team for insurance distribution: The non-bank business entities must have a dedicated function within their organizations responsible for the management and evaluation of distribution activities; and
   - Facilities and infrastructures: The non-bank business entity must have adequate facilities and infrastructure to support the distribution activities.[468]

   These partnerships can only be undertaken by a "referral model", which implies that they are not providing "active marketing". Specifically, this means that non-bank entities may not conduct direct sales of insurance products through a direct or integrated model.[469]

   Under a referral model:

   - A non-bank business entity's activities are limited to delivering or providing marketing kits and/or a summary of product information as provided or approved by the insurance company.
   - A non-bank distribution partner is prohibited from providing any explanation regarding the terms and benefits of the insurance products and may not assist in the underwriting process, premium payment or claim process.
3. The Circular Letter also provides guidelines for insurers, insurance agents, banks and non-bank business entities **marketing insurance products through their own websites, third party's websites and/or digital applications**:
   - They must be registered as an electronic system operator at the Ministry of Communication and Informatics (the MOCI). The registration with the MOCI must be done within six months of 2 October 2020 or within the timeline set out by the MOCI regulations, whichever is earlier;
   - They must have in place and implement information technology risk management policies, standards and procedures;
   - They must comply with all requirements set out by the OJK and other relevant authorities with respect to electronic system operations; and
   - If their electronic systems are able to process insurance applications, insurance closures and/or payment of premiums, they must have a service centre operating 24/7 to handle complaints and questions.

467 According to the Circular, "active" marketing constitutes any sales or marketing activities that are not within the scope of the referral model for distribution. The referral model of distribution is a distribution partnership with non-bank business entities. This model is explained in Box 14.

468 Although the Circular Letter does not specify what facilities and infrastructures are required, or deemed adequate, for this purpose.

469 The Circular Letter provides examples of distribution partnerships between an insurance company and a non-bank business entity being: (i) a partnership between an insurance company and a multi-finance company to market life insurance products to the multi-finance company's customers; (ii) a partnership between an insurance company and an airline service provider or an airline ticket seller to market travel insurance products; (iii) a partnership between an insurance company and an e-commerce platform to market goods delivery insurance products; and (iv) a partnership between an insurance company and an insurance aggregator.

# Annex 7. Regulation of distribution and delivery arrangements in Ghana and Indonesia

## 1. Ghana

When insurers are requesting approval to offer m-insurance they should include a statement setting out the nature and the following details of the m-insurance arrangement:

- the MNO and any other persons that will be a party to the mobile insurance arrangement;
- details of the licence issued by the National Communications Authority held by the MNO;[470]
- whether the MNO will be a platform-only provider;
- the roles of the various parties to the arrangement, specifying which, if any, will be participating under outsourcing arrangements with the insurer;
- the specific contract or contracts that will be entered into between the parties to the arrangement, including service level agreements, indicating who will be a party to each contract;
- which of the parties will, by participating in the arrangement, be undertaking a regulated activity;
- if any party to the arrangement will be undertaking a regulated activity, the type of licence required by the party concerned and whether the party holds the licence or has applied, or intends to apply, for the licence;
- the payments to be made to the various parties to the arrangement on the onset of the arrangements and during the first year of its operation, including any outsourcing service provider, and the proportion of the expected premium income that those payments represent.

In addition, the M-insurance Rules provide that a licensed insurer shall not enter into an agreement with a party to a mobile insurance arrangement unless the agreement includes, or is accompanied by, a comprehensive **Service Level Agreement** (SLA) that at least includes:

- a mechanism for resolving disputes between the parties;
- provide for the appropriate confidentiality of client information;
- include provisions concerning the handling and transmission of data;
- and enable the insurer to access and receive all information collected or held by the outsourcing service provider that is relevant to the design, development, pricing and sale of the insurance contract concerned.
- Roles and responsibilities of each party in relation to the implementation of the market and operational contingency plans.

Insurers have to adopt **market contingency plans** that have to include provisions against:

- the discontinuance of the arrangement;
- the withdrawal or exit of a party from the arrangement;
- the withdrawal from the market of a mobile insurance contract distributed through the arrangement;
- a significant change in any mobile insurance contract distributed through the arrangement.

## 2. Indonesia

Distribution or cooperation agreements must be submitted to OJK. Any distribution agreement concerning the marketing of insurance products must be in writing and in the Indonesian language, and, if it is bilingual, the Indonesian language prevails.

The Circular Letter 5/2020 provides mandatory provisions which must be included in a distribution agreement entered into with an agent and a non-bank business entity, including:

- the specification of the insurance products to be distributed;
- a statement that the insurance company is responsible for any decisions with respect to the insurance underwriting and claims;
- the commission rates payable to the distribution partners;
- insurance closures, premium and claim payments procedures; and
- the rights and obligations of the parties including with respect to data confidentiality, complaints handling and the implementation of the prevention of terrorism and anti-money laundering policies.

470 Insurers have to NIC also a copy of the MNO's licence issued by the National Communications Authority.

# Annex 8. Regulation of Mobile Insurance in Ghana: Regulatory Impact Assessment Lite[471]

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471 Authors: Martina Wiedmaier-Pfister and Richard Carpenter in collaboration with the National Insurance Commission (NIC) Ghana

# 1 Development of the mobile insurance market in Ghana

## 1.1 The development of mobile insurance from 2010 to 2020

**The early growth of mobile insurance (m-insurance) products and partnerships was rapid.** M-insurance was first introduced into Ghana in 2010 through two funeral products offered over the Tigo platform.[472] Other products soon followed and, by 2015, six m-insurance products were offered over the platforms of three mobile network operators (MNOs), Tigo, MTN and Airtel. These early products mainly provided funeral, life, hospital cash or personal accident cover. All of the m-insurance products were provided as microinsurance.

**Initially, the loyalty-based model dominated.** In the early years, each MNO partnered with one insurer and one technical services provider (TSP). Tigo and Airtel utilised a loyalty-based insurance model where, as MNOs, they paid the premium on behalf of their subscribers as a cost of business. The loyalty products were designed to increase loyalty and reduce churn.[473] The objective was to provide an incentive for subscribers to use their mobile phones (by providing monthly cover tiered according to monthly spending) and remain with the MNO. The loyalty-based products were provided on an opt-in basis only, i.e. the subscriber had to opt in to receive the cover. Over time, "freemium" products were introduced, under which the insured still received basic coverage under the loyalty-based heading, but could purchase additional top-up cover.

**This business model had clear competitive advantages.** The introduction of a low-cost distribution channel, a high volume of mobile subscribers and free or low-cost policies resulted in the rapid growth of m-insurance. As all m-insurance products were sold as microinsurance, this also significantly boosted the microinsurance market.

**The intended target market was the low-income segment.** Although the premium costs were low, the products were available to all subscribers, not only low-income subscribers. In these circumstances, although sold as microinsurance, these early m-insurance products straddled the border between microinsurance and mass insurance, especially as there was no clear definition setting out the difference between the business lines (see **Box 20**) for a discussion of the definitions of microinsurance and mass insurance), and nor was there a clear definition of m-insurance.

**Over time, insurers have transitioned to paid products.**[474] Over time, the MNOs that offered loyalty-based products came to the realisation that the revenue benefits did not outweigh the costs of the premiums paid on behalf of their subscribers. It therefore became clear to all business partners that loyalty-based products and freemium products had to be phased out and replaced by paid products. No loyalty-based products are currently offered in Ghana.[475] During the early years of the transition of the m-insurance business model from loyalty-based products to paid products, the most common mode of premium payment was through airtime deduction. Mobile money is now increasingly being used for premium payment (see **Section 1.3**).

**Box 20. Microinsurance and mass insurance**

**The International Association of Insurance Supervisors (IAIS) defines microinsurance** as insurance products (i.e. products based on insurance principles) that are accessed by the low-income population. It is generally accepted that, to be considered microinsurance, a product should be designed for and targeted at low-income people rather than be intended for a wider market, but, because of low premium costs or ease of access, may be purchased by low-income people.

**Although the IAIS does not define mass insurance,** it is generally understood to refer to insurance products that are designed to be sold through distribution channels that target large volumes of potential policyholders. Mass insurance products may or may not carry low premiums.

472 NIC and GIZ, 2015.
473 NIC and GIZ, 2015.
474 NIC and GIZ, 2015.
475 An exception could be a product of MicroEnsure and Vodafone, where the insurer pays the premium for the first 6 months.

**There was an evolution from group products to individual products.**[476] Initially, m-insurance products (whether loyalty-based or paid) were predominantly sold as group policies. Under the group insurance model, the MNO is the master policyholder, while the individual subscriber is the beneficiary under the policy rather than an individual policyholder. Over time, the group insurance model has largely been abandoned, and most m-insurance policies are now sold to subscribers as individual insurance policies, with the subscriber being the policyholder.

**The m-insurance market has grown significantly in the past decade**[477]**:**

- In 2012, 1.8 million lives were covered by m-insurance, and 7% of the population had m-insurance.
- By 2014, coverage had increased to 4.34 million lives, amounting to cover worth GHS[478] 13 million (USD 2.18 million).[479]
- From 2017 to the end of 2020, total m-insurance premiums grew 4.5-fold from GHS 22 million (USD 3.66 million) to GHS 101.67 million (USD 17.06 million).
- The total number of lives or risks covered more than doubled within the same period, from 2.6 million to 5.7 million.
- By the end of December 2020, 19% of Ghanaians were covered with m-insurance. This figure was 16% in 2019.[480] When considering microinsurance, this figure amounted to 30 % (see below).

| | 2020 | 2019 |
|---|---|---|
| Proportion of Ghanaians with mobile insurance (%) | 19 | 16 |
| Proportion of Ghanaians with microinsurance (%) | 8 | 10 |
| Proportion of Ghanaians with either microinsurance or m-insurance (%) | 30 | 26 |

- **The product range has expanded considerably.** Products are now more diverse and often include health cover (see Attachment 2). With the emergence of health products, a new generation of products has been developed that allows the insurer to maintain a steady relationship with policyholders (see Box 21) for one provider.

The total number of m-insurance products has increased steadily:

- In 2014, there were seven m-insurance products (out of 27 microinsurance products, these lines not yet being separated).
- In 2020, there were 17 m-insurance products (and an additional 28 microinsurance products).

**A decrease in the claims ratio over the years has been observed.** The new generation of m-insurance products are intended to provide better value to the policyholder. A consideration of changes in the claims ratio can reflect changes in the value for money of products. For the m-insurance portfolio, the claims ratio went down from 17.5% in 2017 to 10.3% in 2020 for all TSPs; where one TSPs was new in business and had a claims ratio between 2 and 5.4 % (see also chapter 3.3.2). Before the M-insurance Rules were introduced, the claims ratio was even higher, at 31%.

## 1.2 The interconnection between m-insurance and microinsurance

**M-insurance emerged in 2010 without being covered by any specific regulation.** M-insurance was introduced before specific regulatory frameworks had been developed by the National Insurance Commission (NIC) for either microinsurance or m-insurance. Therefore, although all m-insurance products were considered microinsurance, the NIC had to supervise them as any other insurance product. Two specific rules were later introduced:

- In 2013, the NIC issued the Market Conduct (Microinsurance) Rules (the Microinsurance Rules), which established a new, specific regulatory framework for microinsurance. For the next 4 years, the NIC required all m-insurance products to be sold as microinsurance and approved and supervised them in accordance with the Microinsurance Rules.

**Box 21. BIMA**[481]

BIMA offers a series of four health insurance products. For example, the B-Health product allows customers to access doctors via a telephone hotline and, in some cases, avoid the need to commute long distances or spend hours in clinic waiting rooms.

BIMA promotes B-Health as a one-stop health solution, where customers can opt for health coaching programmes, and receive e-prescriptions via Short Message Service (SMS) messages and discounts when referred to BIMA's partner network of over 60 laboratories and hospitals.

476 NIC and GIZ, 2015.
477 Based on NIC statistics data. Note that the NIC had segregated m-insurance data (MNO based), even though there was no separate regulation or, hence, reporting required.
478 GHS, Ghanaian cedi.
479 https://www.currencyconverterx.com/GHS/USD/ (accessed on 9 September 2021).
480 Based on NIC data.
481 BIMA (https://bimamobile.com/about-us) operates across nine countries across Africa and Asia and has reached more than 35 million subscribers in just 10 years. Gustaf Agartson has driven the company's growth from a small pilot scheme in Ghana to one of the world's leading InsurTech players. He identified an opportunity to leverage mobile technology to provide affordable insurance and health services, including telemedicine, to the low- and mid-income segments in emerging markets.

- In late 2017, the NIC issued a specific regulatory framework for m-insurance, through the Market Conduct (M-insurance) Rules (the M-insurance Rules), which are discussed in chapter 2 below.

**All currently offered m-insurance products are microinsurance.** Although the M-insurance Rules do not require m-insurance products to be microinsurance, all m-insurance products that have been approved under the new M-insurance Rules have been approved and are provided as microinsurance. Consequently, m-insurance is, de facto, a segment of the microinsurance market and the two are heavily interconnected.

**Over time, m-insurance assumed a considerable proportion of microinsurance.**[482] By 2014, although only three of the 13 insurers engaged in microinsurance offered m-insurance and only six of the 27 approved microinsurance products were m-insurance, in terms of business volume, m-insurance policies accounted for more than half of microinsurance coverage (58%). This amounted to 37.6% of the total microinsurance premium value collected. The introduction of the m-insurance business model based on enrolling massive numbers of MNO clients had, therefore, resulted in these three insurers acquiring a significant share of the microinsurance market in terms of both the number of people covered and the number of premiums written. At end 2020, there were 27 m-insurance products (see **Attachment 2**) in the entire microinsurance portfolio of 45 inclusive insurance products.

**Financially, m-insurance performs well against other types of microinsurance.** A comparison undertaken in 2014 of m-insurance with other types of microinsurance shows that m-insurance generated higher returns for insurers than other types of microinsurance business. This comparison revealed that the role of m-insurance in the market was disproportionate in several ways: m-insurance accounted for 58% of lives insured (of the entire number of lives covered with microinsurance) but only 8% of total premiums written in microinsurance; and, while claims and administration costs were relatively low for m-insurance, the amount of commission income from m-insurance was almost half (44%) that of the total income from microinsurance and m-insurance businesses (see MNO data in **Figure 19**). The commissions generated from m-insurance were disproportionately high; however, this is justified by the much greater role the TSPs are assuming (see also 1.2). Notably, as mentioned in chapter 2.1, the claims ratio has continually declined over the years, from 31% to 10%.

The challenge of the disproportionate claims ratio is important as, given the rapid growth, m-insurance now dominates the microinsurance market as of 2020.

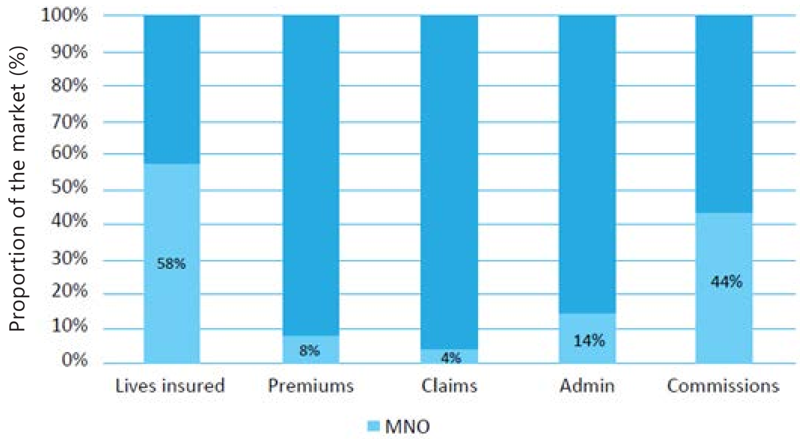


Figure 19. Financial performance of microinsurance and m-insurance (MNO-related business) at the end of 2014[483]

482 NIC, GIZ and MIC, 2015.
483 NIC, GIZ and MIC, 2015.

## 1.3 Enablers and stakeholders in the early years

**Enabler 1 – TSPs. The motivation and technical expertise of TSPs were a deal maker in the early years of m-insurance.** TSPs have been a strong driver in structuring business models involving MNOs and insurers since the first m-insurance products were developed. TSPs have assumed various functions in developing the products and managing the business.[484] The first m-insurance product was the result of a partnership between Tigo (as the MNO) and MicroEnsure (as the TSP).

As at 2015, three TSPs (see **Table 5**) were operating in the m-insurance sector, each with different levels of involvement. One TSP (MFS Africa) partnered with MTN, its role being limited to providing the technology platform.

MFS Africa was following a "low-touch" approach whereby sales were made by MTN staff in their branches and supported by MTN marketing materials.

BIMA and MicroEnsure assumed considerable operational and technical roles and provided the customer interface. The TSPs BIMA and MicroEnsure played a more significant role, adopting a "high-touch" approach, including involvement in customer research, pricing, product design, marketing and administrative support. Their roles included policy enrolment, handling customer queries and complaints, calculating insurance billing requirements and acting as the first line of claims administration. These two TSPs used a sales agent model for customer motivation and distribution, as well as call centre staff to call MNO subscribers to make sales; by which there was either face-to-face contact through an agent of the TSP, or direct phone contact of the TSP or a call centre.

**Enabler 2 – MNOs. In the early years, MNOs became heavily involved.** As client aggregators, MNOs were strong drivers of business in the highly competitive telecommunications market. High-level and growing mobile phone coverage led to MNOs considering the potential of delivering insurance as a value-added service (VAS). MNOs in Ghana had originally launched their m-insurance programs with an aim to improve key drivers for their business, such as an increase revenues, usage and reducing churn, see **Attachment 3**.[489] MNOs recognised that they could utilise their client base to reach out to significant numbers of customers: with a penetration rate of more than 115%, subscribers of MNOs far outnumbered holders of bank accounts in Ghana in 2020. Over time, MNOs, working together with TSPs, have become the most important distribution channel for insurance in Ghana. However, the high dependence on MNOs means that if an MNO decides to cease engaging in m-insurance there could be severe implications for the continuity of the service, as has occurred in some other countries. In 2017, Airtel and Tigo merged to form AirtelTigo; and consequently, one TSP (MicroEnsure) had to pass on his entire client portfolio to the TSP linked to the MNO.

MNO product branding and promotion was common for some time.[490] The MNOs were the "face" of m-insurance policies for customers in the early years only. In 2014, all m-insurance products distributed in the country were MNO-branded products (MTN Mi-Life, Tigo Family Care Insurance, Tigo Hospital Support and Airtel insurance). That has changed and MNO branding is now much less common, with only one MNO using its branding on insurance products (see **Attachment 2**).

Table 5. TSPs in Ghana (2015)[485]

| TSP | MNO partner | Market share (2015) | Insurer | Roles played by TSPs |
|---|---|---|---|---|
| BIMA | Tigo (AirtelTigo since 2017)[486] | 13.85% | Prudential Life | Operational and technical roles |
| MicroEnsure | Airtel or AirtelTigo (from end 2017)[487] | 12.4% | Enterprise Life | Operational and technical roles |
| MFS Africa[488] | MTN | 45.6% | UT Life | Technology platform only |

484 NIC and GIZ, 2015.
485 NIC and GIZ, 2015.
486 Reuters, 2017.
487 In 2017, Airtel and Tigo merged. Consequently, MicroEnsure had to pass on its portfolio over to BIMA, as Airtel was a subsidiary of Tigo.
488 MFS Africa is a mobile money service platform or digital payments hub (enabling five MMPs in Ghana) (https://mfsafrica.com/footprint).
489 (NIC and GIZ, 2015): ARPU (Average Revenue Per User), MOU (Minutes of Usage), reduce COCA (Cost of Client Acquisition) and reduce churn (movement of customers from one SIM card to another, either with another mobile operator or even the same operator (rotational churn)
490 NIC and GIZ, 2015.

**Enabler 3 – loyalty products and airtime deduction.** The early years of mobile insurance loyalty products (see **chapter 2.1**) where MNOs financed premiums opened up the market. In the later years, as the number of paid products grew, the deduction of insurance premiums from airtime became a common form of payment, establishing the principle that airtime can be "monetized" for insurance payments. Although airtime has continued to be an important means for premium payment, mobile money is now also used by clients who have mobile wallets, as well as deductions of premiums from a user's data allowance.

**Enabler 4 – mobile money. The provision of mobile money by MNOs has been an additional enabler of m-insurance.** The increasing supply and use of mobile money, with most mobile money providers (MMPs) being MNO subsidiaries, has driven the development of m-insurance, not only because mobile money provides an additional way for the insured to pay premiums and receive payouts, but also because of the opportunity to offer insurance to mobile money clients. In 2015, five MMPs were active on the market and there were more than five million mobile money accounts, driven by a regulatory guideline issued by the Bank of Ghana (BoG) that allowed customers to accrue interest on mobile money deposits and that permitted MNOs to own and operate mobile money networks under the supervision of the BoG.[491] At the end of 2017, 39% of the population had a mobile money account and over 11 million active mobile money accounts were enabling users to undertake many transactions from their phones, from opening a savings account to purchasing Government of Ghana Treasury bills.[492] The three largest MNOs were also providing mobile money services and offering a "mobile wallet" (m-wallet) to their customers that allowed them to top up their airtime, transfer money or pay bills.

**Enabler 5 – technology. Technology developments that unlocked opportunities in microinsurance and m-insurance.**[493] Information and communications technologies comprising specialised software, mobile phones and other types of electronic devices (e.g. personal computers or point-of-sales (POS) devices) facilitate the delivery of microinsurance and m-insurance. These technologies have been used for market research, marketing and education, but also for product management. Three providers covering 81% of the market in 2014 used mobile phones for market research, and providers covering 44% of the market indicated that they all use call centres. Although technology is now used for claims submissions and the payment of claims, this was not the case in 2014. Over time, call centres have become an important element of the m-insurance business model.

**Enabler 6 – insurers. Insurers that provided microinsurance started to engage in m-insurance partnerships.** The engagement of insurers in microinsurance started around 2010, and engagement in m-insurance has increased over time. Overall, 11 insurance companies were engaged in microinsurance in 2012 and 13 in 2014. All but one were incumbent insurers, while one company (Star Microinsurance) was explicitly set up for microinsurance. As noted above, m-insurance products were initially introduced by two insurers in 2010 and 2011.[494] In 2014, three insurers were underwriting m-insurance and each insurer was partnering with an MNO: UT Life (MTN), Prudential (Tigo) or Enterprise Life (Airtel).[495]

**Enabler 7 – airtime. In the early years of m-insurance, airtime was a key mode of payment; other modes have emerged over time, including data credit and mobile money.** As the number of paid products grew, the deduction of insurance premiums from airtime became a common form of payment, establishing the principle that airtime can be "monetised" for insurance payments. Although airtime has continued to be an important means of premium payment, mobile money is now also used by clients who have m-wallets, and premiums can be deducted from a user's data allowance as another means of payment.

**Although banks are a stakeholder in m-insurance, they have played a very limited role.**[496] As at 2014, the role of banks was limited to acting as partners of MNOs, providing the trust account for payment of the premium share by the MNO to the insurance company and, vice versa, making indemnity payments from insurers to the MNO, which would then transfer it to the customer's m-wallet. This is still the situation today.

## 1.4 The role of the enablers today

**Enabler 1 – TSPs.** TSPs still play a key role in m-insurance. TSPs have assumed many functions in the value chain and, in many ways, have played a driving role in setting up the business model. The fact that two of three TSPs are now owned by MNOs explains this in part.

- **TSP AYO was established in Ghana in 2017** in partnership with the MNO MTN. Of the 17 million MTN clients, about 4.6 million have m-insurance.[497] AYO uses three channels and leverages on technology: call centres, a foot team going to markets selling fact-to-face, and the unassisted sales, when the consumer sign themselves up. Customer service is provided over the phone. A client who has a feature phone can use the unstructured supplementary service data (USSD) channel. Policy documents can be access through a weblink.
- **MicroEnsure (today MicroInsurance Company)** set up a partnership with Vodafone in 2020 and enrols Vodafone clients via a call centre. However, because this is not an embedded product, as MicroEnsure is not linked to Vodafone, it was not possible to enrol the entire Vodafone customer base of 5.6 million clients. Enrolment requires the "explicit consent" of the consumer in this case.

491 GSMA, 2017; E-Money Issues Guidelines of Bank of Ghana (July 2015).
492 CGAP, 2018.
493 NIC et al., 2015.
494 At this stage, the concept used was "microinsurance"; the term "mobile insurance" emerged only later.
495 NIC and GIZ, 2015
496 NIC and GIZ, 2015.
497 AYO interview, 10 March 2021.

- **BIMA** is still working in partnership with AirtelTigo, which became a fully government-owned company in April 2021.[498] The Tigo product type (like AirtelTigo Family Cover etc.) have been on the market for 11 years. However, BIMA has expanded its sales strategy and now relies on a diversified marketing approach, using a variety of channels, including those detailed in Box 22.

**Box 22. How BIMA reaches out to its customers and potential customers using a hybrid approach, i.e. a combination of face-to-face and technology-based methods (2021)**[499]

- BIMA uses about 250 **field agents**, who speak to customers at home, in high-traffic areas like markets and in associations. The agents use a USSD portal, which allows them to sign clients up on their phones.
- **A social media approach** is also widely used, and this helps to position the brand. For example, clients can contact BIMA on Facebook and BIMA will call them back.
- By downloading the "**BIMA doctor app**", clients can locate the nearest pharmacies and doctors, who will then have access to their consultation history. A doctor close by will call them back via a call centre.
- **Kiosks** are being established at a community level. Clients can walk into these physical spaces and sign up for products there.
- **Referrals** from existing clients are also used.

**Enabler 2 – MNOs.** MNOs in Ghana are generally motivated and experienced, with a track record of championship in the m-insurance business. The following apply to MNOs involved in the business model as of today:

- Those MNOs who set up TSP subsidiaries have a greater stake in the market.
- Today, the MNOs are platform-only providers, as a result of lessons learned (see Attachment 3) over the years and changes in what motivates MNOs and in their level of engagement.

**Enabler 3 – Loyalty products and airtime deduction.** Loyalty products are not relevant anymore. Only, one TSP reports they are engaged in a business models that provides insurance for free, the cost being assumed by the insurance company, for the first six month, and then, the client is expected to transition to a paid product. Airtime deduction is still relevant but has lost traction over time as a payment method, with payment through data allowance taking over following BoG approval.

**Enabler 4 – MMPs.** Mobile money has become a key enabler for m-insurance, namely for premium payments and payouts. Likewise have the MMPs as aggregators the potential to enrol their clients and could enter into business partnerships as was the case with the MNOs.

**Enabler 5 – Technology and FinTech.** The number of FinTech companies is increasing. Payment solution companies, such as MMPs, owned by MNOs and others; smartphone applications such as Zeepay and expressPay; crowdfunding apps such as GoFundMe and Kickstarter; and distributed ledger technologies such as blockchain and cryptocurrencies are key components of the country's FinTech ecosystem. MNOs are leading the pack in terms of payment solution FinTechs. Research[500] from The FinTech Times estimates that there were at least 70 FinTech solutions in the country as of 2019.

**All stakeholders involved in the customer journey are taking an increasingly digital approach.**[501] For onboarding, new clients receive two SMS messages from the TSP. Then, onboarding is done via USSD, which has become a standard technology for clients with a feature phone. MicroEnsure has activated the use of robot calls, so that outbound calls need not be made through the Vodafone agent network but the TSP is in charge of these calls. The use of call centres is also a standard approach used by all stakeholders. New InsurTechs with diverse roles have been entering the market, while traditional InsurTechs including TSPs have operated for many years.[502] Providers report they face many new challenges due to the limited technological know-how of staff and consumers (see Box 23).

498 Dzawu and Dontoh, 2021.
499 BIMA.
500 Santosdiaz, 2021
501 Interview with MicroEnsure in March 2021 on the example of partnering with Vodafone.
502 https://asiainsurtechpodcast.com/ep-120-gustaf-agartson-founder-ceo-at-bima-combine-the-digital-approach-with-the-human-touch/

**Box 23. Challenges and opportunities related to the limited technological know-how of consumers and insurers' staff**

- Insurers report that the required level of technological expertise of staff is weak, and staff is also challenged to understand the target market for m-insurance.
- Most of the clients are in low-income groups and their level of technological expertise is low.
- The market keeps changing, as the number of mobiles phones in use has greatly increased the past decade, leading to changes in customer dynamics.

**Enabler 6 – insurers.** Four insurance companies are currently engaged in m-insurance through MNO partnerships. One of these insurers operates a limited freemium model, paying clients' premiums for the first 6 months (see above). All incumbent providers are going digital. They are using digitally supported processes in many different steps and areas of the insurance life cycle and customer journey.

# 2 The regulatory framework for mobile insurance

## 2.1 The supervision of mobile insurance before the issuance of the Microinsurance Rules (2013)

Before the issuance of the Microinsurance Rules (2013), m-insurance which started in 2010 was supervised under the general regulatory framework for insurance established by the Insurance Act, 2006. The Insurance Act, 2006, was repealed and replaced by the Insurance Act, 2021. Detailed regulations or directives have not yet been issued. The Insurance Act has the status of primary legislation in Ghana. The Act requires regulations to be made by the Minister of Finance and directives to be issued by the NIC. Both the regulations and the directives are fully enforceable by the NIC. Mobile insurance is a matter to be covered in a directive issued by the Commission.

Although the Insurance Act, 2006, enabled the NIC to supervise m-insurance through the product approval process and its general powers of supervision and enforcement, for many aspects of m-insurance the NIC's general supervisory powers were insufficient. For example, there was ambiguity as to the position of MNOs, TSPs were not recognised or required to be licensed, and significant market conduct issues unique to m-insurance were not covered by the Act.

However, in 2013, the NIC developed a new regulatory framework for microinsurance and, once that had been put in place, it required all m-insurance products to be approved under the new framework as microinsurance.

## 2.2 The Market Conduct (Microinsurance) Rules 2013

As all m-insurance products were also microinsurance, the issuance of the Microinsurance Rules in 2013 provided the NIC with an initial framework for also supervising m-insurance.

**Product design.** The Microinsurance Rules specify criteria that must be used by insurers when designing microinsurance products. These include the following:

- the product must be designed and developed to meet the needs of low-income persons;
- the premiums must be affordable;
- the insurance contract must be accessible to low-income persons.

Particular emphasis is placed on the need for a microinsurance contract to provide value for the persons for whom it is designed.

Other criteria relate, for example, to the simplicity of the contract and the minimisation of exclusion clauses.

**Other requirements and obligations.** The Microinsurance Rules also include other requirements, including in relation to disclosure and claims handling.

## 2.3 The need to develop a framework specifically for mobile insurance

With 4 years of experience in supervising m-insurance, initially under its general supervisory powers and latterly under the Microinsurance Rules, the NIC recognised the need to develop a regulatory framework specific to m-insurance. In addition to providing for the appropriate regulation and supervision of m-insurance, the NIC considered that a tailored regulatory regime would unlock the potential for m-insurance to allow insurance to be scaled-up for the mass market, while also including low-income groups.

Therefore, in 2014 the NIC embarked on a systematic review of the performance and risks of m-insurance. The following 10 main areas of concern were identified (based on 2014) data:[503]

1. **lack of transparency** due to minimal documentation and, given the use of group policies, the lack of a clear legal policy document between the insurer and mobile subscriber;
2. **asymmetry of information** due to the lack of hard copies of documents, and the MNOs having possession and control of most of the policy data, which had the potential not to be in the interests of either subscribers or insurers in the event of a dispute;
3. **lack of continuity of cover**, as some policyholders expected that insurance cover would run for a year, whereas coverage was always provided on a monthly basis for m-insurance products at that time; as a result, policyholders may have forgotten to recharge the required amount;
4. **a disproportionate share of the premium** being taken by MNOs and potentially TSPs, leaving a smaller proportion for the insurer as risk carrier;
5. **gaps in regulatory supervision** due to inadequate interaction and collaboration between the different regulatory bodies (NIC, the National Communication Authority (NCA) and BoG);
6. **some insurers lacking access to and control of policy-level data**, which was needed to assess risk, coupled with the possibility that an MNO could discontinue a product and leave subscribers without cover;
7. **lack of client awareness** about the product and its related features, particularly in respect of loyalty products, because, for example, there was often no material contact between subscribers and insurers, which led to clients perceiving that the products were "owned" by the MNOs, rather than the insurers;
8. **inadequate marketing and disclosure**: it was unclear whether sufficient information was being provided to subscribers or whether "mis-selling" was occurring;
9. **recourse options** available to settle disputes between the policyholder and insurers and MNOs not always being clearly specified; for example, as at 2015, there were no clear processes for addressing disputes between subscribers and MNOs/insurers;
10. **inadequate regulation and supervision of TSPs:** although TSPs were being licensed as agents, this did not provide an appropriate mechanism or process for the supervision of TSPs.

## 2.4 The M-insurance Rules

The M-insurance Rules were issued in December 2017. These rules are intended to complement the Microinsurance Rules for m-insurance, not replace them. Therefore, if an m-insurance product is also microinsurance (which unlike the previous position is not a requirement), both the M-insurance Rules and the Microinsurance Rules will apply. The M-insurance Rules therefore enable the use of m-insurance for mass insurance.

### 2.4.1 Definition of mobile insurance in Ghana and in the White Paper

Central to the M-insurance Rules is the definition of m-insurance. The definition of m-insurance in Ghana focuses on "an arrangement" between at least an insurer and an MNO.[504] The International Association of Insurance Supervisors (IAIS) uses the term "m-insurance" as a conceptual definition to describe a much wider use of digital services than those covered by Ghana's M-insurance Rules (see **Table 6**).

503 NIC and GIZ, 2015.
504 Rule 23 of the M-insurance Rules (NIC, 2017).

Table 6. Definitions of m-insurance

| | Ghana | IAIS (and White Paper) |
|---|---|---|
| Definition | A legal definition[505]:<br>"any **arrangement between a licensed insurer and a mobile network operator** under which the mobile network is used as a means of **distributing an insurance** contract of the licensed insurer to policyholders and potential policyholders". | A conceptual definition[506]:<br>"Mobile insurance is the **distribution and administration of insurance** through digital devices (primarily, mobile phones) utilizing digital technology, interfaces, platforms and processes to support the insurance process across the value chain". |
| Interpretation | Key to the definition is the requirement for an arrangement (or agreement) between an MNO and an insurer.<br>Note that platform-only insurance is still m-insurance if there is a specific arrangement between the insurer and MNO as platform provider.<br>The agreement can, and usually will, include other parties, such as the TSP. | The definition in the White Paper covers the wider use of an MNO network or other digital service providers to support insurance and, unlike the Ghana definition, does not require any agreement between an MNO and an insurer or any active participation by the MNO. |

### 2.4.2 The role of the mobile network operator

The M-insurance Rules stipulate that the MNO will act in one of the following three capacities under an m-insurance arrangement:

- as an insurance **agent** for the insurer;
- as the **master policyholder** under a group insurance policy, with the intention of providing insurance coverage to its subscribers, as members;
- as a platform-only provider.

**Platform-only provider.**[507] An MNO acts as a platform-only provider when it agrees to the use of its network (or platform) for the distribution of m-insurance, but does not itself undertake a regulated activity (e.g. acting as an insurance agent) or enter into a group policy as master policyholder. An MNO that acts as a platform-only provider is not subject to the M-insurance Rules, but the insurer or insurance intermediary involved in the distribution of insurance over the platform is subject to the rules.

As of 2021, in Ghana all MNO involved m-insurance partnerships are platform-only providers. This means that the MNOs are out of the scope of the rules, but that the rules apply to the other partners in the business model.

### 2.4.3 Mobile insurance products

The M-insurance Rules permit various different m-insurance products and business models, including:

- loyalty-based products, paid products and hybrid products;
- individual policies and group policies (where the MNO is the master policyholder);
- m-insurance policies that carry the branding of the insurer, the MNO, an insurance agent acting for the insurer or one or more of those parties; TSPs are licensed as corporate agents under the M-insurance Rules and therefore agent-branded products include TSP-branded products.

### 2.4.4 Role of technical services providers

Recognising that MNOs do not have the necessary insurance expertise or experience, the M-insurance Rules require the involvement of a TSP to undertake any functions relating to the administration of the m-insurance policy and the provision of marketing, administrative and technical support to the MNO. This does not apply if the MNO acts as a platform-only provider or if these functions are undertaken by the insurer.

### 2.4.5 Other areas covered by the M-insurance Rules

The M-insurance Rules also cover the following:

- the approval process;
- design criteria, which include client value, the sustainability of the product and ensuring that the policy terms are fair to those insured under the policy;
- the need for operational and market contingency arrangements in the event that the m-insurance product is discontinued;
- the payment of premiums, whether through airtime, mobile money or other means;
- disclosure, in relation to the policy and a policy summary;
- claims handling;
- service-level agreements (SLAs), which must include a mechanism for resolving disputes, and must provide for the confidentiality of client information and the handling and transmission of data and allow the insurer access to the relevant data.

505 Rule 23 of the M-insurance Rules (NIC, 2017).
506 Rule 23 of the M-insurance Rules (NIC, 2017).
507 Rule 24 of the M-insurance Rules (NIC, 2017).

## 2.5 Supervisory measures undertaken by the NIC and collaboration

**The NIC has put in place** a number of measures aimed at the better supervision of m-insurance. These include:

- **reporting on m-insurance separately:** the NIC started to divide up reporting and separate out m-insurance in the early years (2010), long before reporting requirements were formally introduced as per the M-insurance Rules of 2017;
- reporting on the share of female clients.
- **having a single account manager** in charge of a stakeholder, and holding quarterly meetings;
- using a one-stop-shop product approval process, in one place;
- using key performance indicators (KPIs) specific for m-insurance;
- Collaboration with the BoG and the NCA on the basis of a tripartite memorandum of understanding developed between the three regulators NIC, NCA and BoG. However, most practitioners preferred the NIC to lead the process.[508]

## 2.6 The Insurance Act, 2021

**The new Insurance Act** will enable the NIC to upgrade the m-insurance regulatory framework through the issuance of new or amended rules. In particular, the new Insurance Act includes provisions for:

- a new category of TSP licence;
- the establishment of a regulatory sandbox that may be used to trial InsurTech models and products;
- the space to establish a regulatory framework covering e-insurance or digital insurance more widely, as discussed in the White Paper.

**New directive and guidelines for m-insurance under preparation.** The NIC intends to base the new directive on the Market Conduct (M-insurance) Rules that governed m-insurance under the previous Insurance Act of 2006. However, the NIC will take advantage of the opportunity presented to update and upgrade the m-insurance regime taking full account of its 10+ years' experience in supervising the m-insurance market.

The NIC also intends to issue Guidelines on m-insurance, as enabled under the new Insurance Act of 2021. While the directives will contain all requirements, the Guidelines will provide context and explanations, and indicate how the NIC expects licensees to comply with the m-insurance directive.

As under the current M-insurance Rules, the new directive will require a m-insurance product that is also approved as microinsurance to comply with both the M-insurance and the Microinsurance Directives. However, there will not be a requirement for m-insurance products to also be microinsurance products.

# 3 Impact assessment

## 3.1 Background

**Two dimensions, regulatory risk and market development, are assessed.** This section considers the impact of the M-insurance Rules on addressing the regulatory gaps and weaknesses identified, but also considers any apparent wider impact that might not have been anticipated. The assessment is undertaken from two perspectives, the regulatory risk and market development perspectives.

**An earlier risk assessment established a qualitative baseline.** As indicated in Section 2.3, in 2014 the NIC commenced a systematic review of the performance and risks of m-insurance. The M-insurance Rules were developed with the objective of addressing the regulatory gaps and weaknesses identified through this review.

**A regulatory precedent had created some ground and there is some overlap.** Although the M-insurance Rules have been in place for more than 3 years, that is, since the end of 2017, they were not introduced in the complete absence of a regulatory framework, as, for the previous 4 years, m-insurance had been regulated as microinsurance under the Microinsurance Rules 2013. Furthermore, all m-insurance products are still approved as microinsurance and subject to the Microinsurance Rules. It is therefore not always easy to separate the impact of the M-insurance Rules from the impact of the Microinsurance Rules.

508 NIC and GIZ (K. Andoh), 2017-2.

Interviews were held during the process of the impact assessment with insurers and TSPs. The views from the industry are (see **Box 24**):

**Box 24. Views from the industry on the regulatory framework, on supervision and on market issues**

**Concerning the regulatory and supervisory approach taken, all stakeholders confirmed:**

- that the regulatory framework is conducive to the development of m-insurance
- that the NIC has a very open attitude. When there are grey areas, the NIC takes time to understand the issues and comes up with a solution (insurer). For example, when the NIC issued broker commission rules that capped the latter; an exemption was made for TSPs, as they assume a much greater role than brokers.
- The NIC has created an "environment for transparency" by providing insurers with a dedicated account manager with whom insurers have regular engagement

**Stakeholders identified the following issues:**

- data protection and data sharing requirements for those TSPs which are not linked to an MNO and hence, are not allowed to access MNO client data
- technical expertise regarding digitalisation is lacking within insurers, MNO's and clients
- customer dynamics are changing as the availability of and access to handsets has increased
- USSD is a very good platform for enrolment (operated by TSPs but downloading documents is difficult
- Industry is starting to consider offering non-life products
- The current Covid-19 crisis has eroded consumer trust, and walking into branches is important for them

**Open issues:**

- Integration with other authorities is important, e.g. the National ID authority (as for onboarding the ID is important)
- Hospitals don't readily share client data and documents with insurers.

## 3.2 Regulatory risk: the regulation of market players

Challenges arise as new players entered the markets. Although insurers are fully regulated, the positions of MNOs and TSPs as new business partners were unclear. Both MNOs and TSPs were outside the formal regulatory boundary, making it difficult for the NIC to supervise them appropriately.

### 3.2.1 Mobile network operators

MNOs as master policyholders created market conduct challenges. As previously noted, most m-insurance products were initially group policies, the MNO being the master policyholder. As master policyholder, an MNO is a client of the insurer and not subject to any form of insurance regulation or supervision. In reality, the MNOs were market players that were both involved and commercially interested in the sales of products. The client–insurer relationship was therefore not a proper representation of their position in the market. This gave rise to a number of market conduct issues, including in relation to:

- the appropriate marketing of the products by the MNOs, including clear branding of products;
- adequate disclosure to the MNO's subscribers during and after the sales process;
- the adequate administration of claims;
- access by insurers to data critical to their risks, including underwriting risks and operational risks;
- the continuity of insurance should an MNO decide to exit the market.

Although some of these risks were mitigated by the involvement of a TSP, there was no requirement for a TSP, agent or broker to be appointed in this business model.

**The M-insurance Rules include a number of provisions that were designed to address these issues.** These include:

a. clarifying the **possible roles of MNOs**, as platform-only providers, licensed corporate insurance agents or master policyholders, and providing for the responsibilities of the MNO in each case;

b. requiring the appointment of a **TSP**, unless the MNO acts as a platform-only provider or to the extent that functions are undertaken by the insurer, to be responsible for the administration of the policy and for providing marketing, administrative and technical support to the MNO;

c. setting out **disclosure requirements** and requirements relating to **branding**;

d. giving the insurer responsibility for ensuring that **contingency arrangements** are put in place;

e. requiring **SLAs** between all parties to an m-insurance arrangement and specifying minimum requirements, which include giving the insurer access to all relevant data.

**The situation today and its impact: a limited and clearly delineated role for MNOs.** Following the issuance of the M-insurance Rules, all participating MNOs have become platform-only providers. This is considered a positive impact, as it removes the MNOs from any insurance functions. However, their role is not strictly limited to providing the platform. MNOs continue to advertise m-insurance products and most m-insurance products are co-branded (by the MNO and TSP). This exploits the greater loyalty that clients have to MNOs than to insurers.

The M-insurance Rules provided a clear non-insurance role for MNOs, but the acquisition of TSPs as subsidiaries by two MNOs was probably also an important driver of the change in the MNOs' role in the business model.

### 3.2.2 Technical services providers

**Regulating TSPs has proven to be critical.** Given the pivotal role played by TSPs in the development, marketing and administration of m-insurance products, it was clear that they should be brought within the formal regulatory framework. Before the M-insurance Rules were issued, it was unclear how that should be done.

Given that the Insurance Act, 2006, did not provide for the licensing of TSPs, the M-insurance Rules could not adequately cover this issue. However, the rules envisage that TSPs will be licensed as either insurance agents or insurance brokers, unless they do not carry out any licensable activities.

**Situation today and impact: TSPs holding a licence.** All TSPs are currently licensed as corporate insurance agents and are therefore within the formal regulatory framework. However, the regulatory requirements and obligations applicable to corporate agents are not sufficient to cover the much more extensive range of roles and activities undertaken by TSPs.

**The new Insurance Act provides for a new TSP licence.** With the enactment of the Insurance Act, 2021, which requires TSPs to be licensed, this issue will be fully addressed, as the NIC will be able to put in place a regulatory framework specifically applicable to TSPs.

### 3.2.3 Insurers

Although insurers have always been required to be licensed, the M-insurance Rules impose obligations on them that aim to reduce the regulatory risk, for instance by requiring them to conclude an SLA. Perhaps the most significant aspect of the new rules is the provision that, for regulatory purposes, ultimate responsibility for ensuring compliance with the rules remains with the insurer under the m-insurance contract.

## 3.3 Regulatory risk: market conduct

### 3.3.1 Key concerns arising from the National Insurance Commission review

Many of the market conduct issues referred to in Section 2.2 are addressed in the M-insurance Rules (2017). In practice, as all m-insurance contracts were (and still are) microinsurance contracts, some of the issues had already been addressed through the Microinsurance Rules 2013.

However, the NIC has identified the following as requiring follow-up:

a. **Transparency and disclosure:** the M-insurance Rules have ensured significantly greater transparency and disclosure to clients under m-insurance contracts. Given that policies and other important documentation are usually delivered electronically, there remains an issue with respect to clients who do not possess a smart phone or easy access to the internet. It is not feasible to provide a policy document via SMS, but some clients receive information about their cover via SMS. Some clients receive paper documentation, but requiring paper documents in all cases undermines some of the cost benefits of using a mobile network as a distribution channel.

b. **Client understanding and decision-making:** there were also concerns that clients may not fully understand the m-insurance products that they had purchased and that that they would be unable to make an informed decision about whether to purchase only airtime or whether to also purchase insurance.

   The M-insurance Rules require an insurer to prepare a policy summary that is in plain language and easy to understand. The policy summary must provide a summary of the cover and set out the key features. The NIC advises that some surveys to ascertain the level of client understanding were carried out in 2018 and that these did not give rise to any concerns. In addition, the industry reported that other measures had been taken, such as the implementation of insurance education campaigns to improve client understanding more broadly. For example, BIMA has recently, with the kiosks it is setting up, been focusing on a hybrid model based on both remote and in-person sales and servicing (see **Attachment 4**).

c. **Continuity of cover and short duration:** the NIC identified a particular problem in relation to the term of m-insurance policies, which are usually renewable monthly. If a monthly premium is missed, the policy will immediately lapse leaving the policyholder uninsured. A number of risks arise from this, including the following:

   - As other types of insurance policies are usually renewable annually, sometimes with monthly instalments, the monthly term and the risk of the policy lapsing may not always be understood by policyholders.
   - Payment of the premium on time will usually depend on the client topping up airtime, the client's data allowance or the client adding money to an m-wallet. This could cause problems, particularly in the case of hospital cash or life cover. A client may become unable to top up because of sickness and, therefore, just when the policy is needed, for

example if the client is hospitalised or dies, it may have lapsed.

- The NIC indicated that a number of m-insurance policies have waiting periods, sometimes of several months. If the policy lapses and the waiting period starts again, the policyholder would continue to pay premiums for many months without the benefit of any cover.
- Fairness of the products: the M-insurance Rules specify a number of design criteria for m-insurance policies. One of these criteria is that the terms of the contract are fair to insured persons.

**What can the NIC do?**

- As all m-insurance policies must be approved by the NIC, the NIC has the opportunity to **assess fairness at the approval stage**.
- The use of monthly contracts combined with quarterly and annual reporting makes it very difficult to identify the extent to which policies are lapsing. The NIC may want to consider requiring insurers to provide **regular reports on lapse rates**.
- The NIC is considering strengthening the framework to require insurers to include a **limited grace period** in monthly contracts, to prohibit the use of waiting periods if a policy has recently lapsed and to ensure that insurers make reasonable efforts to provide policyholders with advance warning should their policies be close to lapsing.

### 3.3.2 Client value

**The issues raised in the previous section are also relevant to client value**. However, key indicators can be used to assess client value.

**The claims ratio generally and in the early years of m-insurance:** one of the key indicators of client value is the claims ratio, which for microinsurance was rather low in the early years of the m-insurance sub-category. In 2014, a claims ratio of 27% was reported for the total microinsurance portfolio; this was due to factors such as low awareness of cover, as discussed above, and limited coverage, such as the exclusion of a policyholder's family.[509] A claims ratio as low as this is usually considered an indicator of low client value. In 2014, microinsurance and m-insurance claims ratios were not considered separately.

Of particular importance in the initial stages of m-insurance was the lack of availability of airtime credit, low levels of literacy and the inability of some subscribers to handle data. As a result, not all subscribers were aware of what policy they had agreed to and therefore were not aware of the expiration date of their policy or even of what coverage they had. Again, as discussed above, lack of funds at the time of renewal could have resulted in a loss of cover.

The lapsing of policies and the failure of policyholders to lodge claims inevitably increase the profit of the insurer at the expense of the client.

**Claims ratios, 2017 to 2020:** the absolute value of m-insurance claims paid or all three provider models increased about by a factor of about 2.5 between 2017 and 2020. However, compared with the total value of premiums collected by all providers, which increased 4.5 times, this growth is disproportionate. As discussed, this is predominantly related to one provider (TSP) starting up business in 2017, and paying out very little on claims in the first 2 years of business. Claims ratio of this TSP – who has 43.8 % of the portfolio at end 2020, rose from 2018 with 2 % to 2019 with 4.32 % and to 5.44 % in 2020.

**Claims ratios in the sector were:**

- 2020 – 10.34%
- 2019 – 11.99%
- 2018 – 14.08%
- 2017 – 17.50%

**Questionable client value due to low claims:** the M-insurance Rules provide that, in designing an m-insurance policy, an insurer must consider whether or not the policy is likely to provide value for policyholders. The data on claims ratios suggest that m-insurance policies do not always provide client value.

The NIC has identified a number of factors that affect claims ratios, and these may differ between products. For example:

- In relation to hospital cash policies, difficulties in the admission of patients to hospital affect claims ratios. The NIC is considering ways to address this.
- Some policyholders have difficulties lodging claims. BIMA has managed to improve this through the establishment of call centres. Challenges in getting the documents needed for the claim from hospitals were also mentioned by a TSP in the industry. It suggested that the NIC engage in facilitating clients' access to these documents.
- In some cases, clients purchase unsuitable products. This is a longer term problem that may require better training and education.

The NIC is considering other ways of identifying client value, including through conducting surveys and reviewing the business costs of TSPs (which are often high relative to those of insurers).

**In summary, the impact of m-insurance on client value is an area that requires further work**. For example, it would be informative to study the consequences of monthly coverage and lapses, which require new approaches, such as the fine-tuning of reporting templates, making further use of KPIs and, on the industry side, undertaking demand studies before designing m-insurance contracts.

509 For all microinsurance products, exclusive of savings (NIC et al., 2015).

## 3.4 Market development: impact of mobile insurance on microinsurance

### 3.4.1 Are all mobile insurance products really microinsurance?

**In practice, m-insurance has become a sub-category of microinsurance.** As noted in Section 1.2, as all m-insurance products have, from 2010, been sold as microinsurance, the two are strongly interconnected. Therefore, even though the framework established by the M-insurance Rules permits, and envisages, that not all m-insurance products necessarily have to be microinsurance, in practice, m-insurance has become a sub-category of microinsurance. This gives rise to an important market development issue.

**There is a risk of regulatory arbitrage.** Section 1.2 shows that m-insurance has, over time, assumed an increasing proportion of the total microinsurance business to the extent that it now dominates the microinsurance sector in terms of premium income and lives insured.

On the other hand, the data indicate that the claims ratio for m-insurance products is considerably lower than for other types of microinsurance. This suggests that, for the reasons discussed, m-insurance products provide lower value to the client than other types of microinsurance product.

**M-insurance may crowd out microinsurance.** A key market development consideration is whether or not some insurers are developing and selling m-insurance products instead of other types of microinsurance products because the m-insurance business is more profitable. If this is the case, there is a danger that m-insurance will crowd out other types of microinsurance to the detriment of low-income people. Furthermore, even when there is an alternative type of microinsurance insurance product available, low-income people may opt for m-insurance because it appears to be more convenient, without understanding that it may not provide the same levels of cover or value for money.

The problem would be compounded by insurers not paying sufficient regard to the interests of low-income persons when developing m-insurance products. Many subscribers are not low-income people. It would be unfortunate if what are really mass insurance products end up being sold as microinsurance to the detriment of low-income people, who may face challenges contracting microinsurance products that are not m-insurance products.

Neither the NIC nor insurers have an easy way of discovering what type of clients purchase m-insurance products. It is therefore difficult for the NIC to ascertain whether or not this is a problem and, if so, how significant it is.

### 3.4.2 Data constraints

The NIC needs to be able to collect high-quality data on the m-insurance market to fully understand it and its impact on microinsurance. There is a risk that the interconnection and overlap between m-insurance and microinsurance could result in m-insurance data being aggregated with microinsurance data.

If this is a problem, provided that insurers are keeping separate data, it could be addressed through amendments to reporting templates.

## 3.5 Emerging recommendations

In summary, the following open issues were identified and recommendations developed.

| Open issues | Recommendation to NIC |
|---|---|
| **Is client understanding sufficient and client disclosure effective?** Industry has taken a lot of new measures such as handing out leaflets, calls, local language translations, clear branding, and hybrid approach with kiosks and: “more than half of the customers do receive paper policies” | Clients receive T+C in paper form, via the internet, or read out in a call:<br><br>**NIC should check if the measures taken to ensure client understanding are efficient and sufficient in an increasingly digital environment and for low-income consumers** |
| **How to ensure policies provide value to low-income consumers?** Client value, measured by the claims ratio, has fallen over the years – not for all products but industry wide.<br><br>So overall, the fairness of products for low income people seems questionable. | NIC should ensure that a **market analysis** is included in the design stage that considers the limitations low-income clients may face in the different stages of the product life cycle, and responses are presented to NIC at the product design stage. For example, when they submit a claim and the hospital does not provide easy access to the necessary documents. |

<table>
<tr><th>Open issues</th><th>Recommendation to NIC</th></tr>
<tr><td>Are monthly covers a limitation and is continuity of policies sufficient?<br><br>The use of airtime as a payment method results in monthly policies - as airtime is purchased monthly.<br><br>However, with the increasing use of mobile money, longer policies could be considered.</td><td>NIC should reconsider some aspects of product design such as<br>• the short-term nature of m-insurance and look at longer policy terms<br>• reconsider current waiting periods applied<br>• the lapses when premium is not immediately paid and consider grace periods</td></tr>
<tr><td>Is the current boundary between m-insurance and microinsurance effective?<br><br>In fact, it is blurred. Mobile insurance has become a sub-category of microinsurance which was not intended.<br><br>Mobile insurance has assumed an increasing proportion of total microinsurance business and now dominates the microinsurance sector in terms of premium income and lives insured.<br><br>On the other hand, the data indicates that the claims ratio for mobile insurance products is considerably lower than for other types of microinsurance.<br><br>This suggests that mobile insurance products provide lower value to the client than other types of microinsurance products.</td><td>• NIC should reconsider if all m-insurance is microinsurance (as currently) are in fact microinsurance or rather mass insurance<br>• NIC should look at the risk of regulatory arbitrage, whether m-insurance is crowding out microinsurance</td></tr>
<tr><td colspan="2">The high outreach of almost 20% of Ghanaians having m-insurance is a huge opportunity. Critical aspects are improving client understanding and client value, by showing that people are using these policies as intended.</td></tr>
</table>

# 4 Attachments

## Acronyms Ghana Study

| | |
|---|---|
| **ARPU** | average return per user |
| **BoG** | Bank of Ghana |
| **CECs** | Customer experience centres |
| **GIZ** | Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH |
| **IAIS** | International Association of Insurance Supervisors |
| **KPI** | key performance indicator |
| **M-insurance** | mobile insurance |
| **MMP** | mobile money provider |
| **MNO** | mobile network operator |
| **m-wallet** | mobile wallet |
| **NCA** | National Communication Authority |
| **NIC** | National Insurance Commission |
| **POS** | point of sales |
| **RIA** | Regulatory Impact Assessment |
| **SLA** | service-level agreement |
| **SMS** | Short Message Service |
| **TSP** | technical services provider |
| **USD** | United States Dollar |
| **USSD** | unstructured supplementary service data |

## Attachment 1
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# Attachment 2
# Product details as of 31 December 2020

| TSP (number of products) and insurer | MNO | Products, 2020 |
|---|---|---|
| Ayo Intermediaries (2), with Metropolitan Life[510] | MTN | Send with Care |
| | | Recharge with Care |
| BIMA (11), with Allianz Life and Prudential | Airtel Tigo | AirtelTigo Family Cover (MNO branding*) |
| | | AirtelTigo Hospital Support* |
| | | AirtelTigo Income Protection Policy* |
| | | AirtelTigo Max Cover* |
| | | BIMA Accident |
| | | BIMA B-Health |
| | | BIMA B-Life |
| | | BIMA Family Health Plan |
| | | BIMA Hospital |
| | | BIMA Life |
| | | BIMA PEG |
| Micro Ensure (4), with Prudential | Vodafone | BarclayCare Retrenchment |
| | | Credit Linked (Obra Pa) |
| | | Deposits/Account Linked |
| | | |

510 Metropolitan is a 75% shareholder of Ayo Intermediaries (https://www.ayo4u.com/gh/).

# Attachment 3
# Mobile network operator engagement in m-insurance over time in Ghana[511]

**MNOs in Ghana originally launched their m-insurance products to increase consumer loyalty and reduce churn.** Specifically, the aim of MNOs was to increase average revenue per user (ARPU), increase minutes of usage, reduce cost of client acquisition (COCA) and reduce churn (movement of customers from one SIM card to another, either with another MNO or even the same (rotational churn)). As of 2014, the MNOs agreed that the increase in minutes of usage had been as expected. The reduction in churn decreased over time and, to some extent, it was difficult to attribute the reduction in churn rates to the m-insurance products only, as opposed to other marketing tools and the emergence of mobile money.

**Premium payments by MNOs did not generate the expected results.** The expected business case of MNOs to offer m-insurance revealed a real risk, particularly for products based on the loyalty or "freemium" model. In this model, the MNOs expect the marginal increase in ARPU and the marginal reduction in churn to clearly outweigh the costs spent on premiums by the MNOs.

**Transition to paid products.** It became clear that loyalty-based products had to be phased out and transitioned to paid products after 6–12 months of the client having them. However, there are various consumer, insurer and industry risks attached to m-insurance (mass market insurance) products that are charged for without a clear exit strategy, or to products being discontinued within a relatively short period because the consumer can no longer afford them. Hence, the approach of using insurance as merely a marketing tool before making significant changes to the product should be assessed carefully as part of risk assessment.

**MNOs were setting up subsidiaries.** The MNOs began setting up mobile money providers (MMPs) and TSPs and thereby became involved in m-insurance business partnerships.

511 NIC and GIZ, 2015.

# Attachment 4
# Direct-to-consumer work package to improve client interaction

**Approach:** The direct-to-consumer (DTC) work package will pilot a combination of traditional and digital methods of client engagement, with the aim of substantially enhancing client interaction. The aim is to connect the benefits of digital and traditional channels, to increase access to and trust in m-insurance for health services. The DTC work package is based on four topics:

i. **Establishing customer experience centres (CECs):** in m-insurance, the digital delivery of services and sales drives impact. However, traditional, close one-to-one client interaction, which encourages trust with customers, is also key. For this reason, SAGABI is piloting CECs as part of the m-insurance business model. The presence of a CEC will provide a tangible experience for m-insurance policyholders, and this could significantly contribute to increasing trust in m-insurance and the provider BIMA. The CECs will do this by serving as a source of information for insurance policyholders and prospective clients, and by providing and facilitating face-to-face information on areas of concern such as registration, benefits and claims. The CECs are also expected to make it easier for policyholders to access information on risk reduction behaviour in relation to ill health, medical preparedness and response services, which could reduce the frequency of insurance policyholder claims.

ii. **Developing an insurance agent application:** the use of a mobile application (app) by insurance agents has the potential to support responsible selling. The app could be used to communicate with clients and prospective clients and as an aid to increase understanding of the product. An innovative insurance agent app could revolutionise the way insurance agents register customers, record feedback, capture complaints and enable claims initiated by agents. The resulting interactive relationship between insurance agents and customers would give m-insurance for health services a "human touch".

iii. **Advancing customer analytics to reduce the dependence of the MNOs:** the first experiences of m-insurance models show that m-insurance providers are generally highly dependent on MNOs influencing insurance premiums, customer targeting and payment structures. The pilot project seeks to test an alternative approach involving more balanced cooperation. The customer analytics component is intended to decrease the dependence of m-insurers on MNOs by analysing insurance adoption and assessing customers' mobile money/GSM (Global System for Mobile Communications) behaviour (that is, the ARPU/retention/balance holding behaviour). This is hoped to facilitate responsible customer acquisition and strengthen the collaborative lifecycle management (CLM) of m-insurance policyholders.

iv. **Innovative customer awareness campaigns:** the project is running innovative customer awareness campaigns to raise awareness and acceptance among potential customers of the new digital channels for insurance. To this end, the project is capitalising on traditional insurance campaigns and new innovative campaigns to engage potential and existing m-insurance policyholders. To measure the effectiveness of this approach, analytical tools will be developed to track customer uptake and involvement rates as well as customer satisfaction based on a number of indicators.

# Annex 9. Factsheet Mobile Insurance in Morocco

**Box 25. Country Context**[512]

- **Population: 37 million (27 million over 15 years old).**
  - Income: 26.9 million (low-income population) and 7 million (middle income population).
  - Rural: 38%
  - Literacy rates: 74% literacy rate
  - Contribution of informal sector into the economy: 30%
  - Population working in the informal sector: 80%
- **Financial Inclusion:**
  - Tenancy account: 58% with an account (41% men and 17% women)
  - Mobile Money account: 1%
  - Insurance Penetration: 4%
  - Insurance Density: US$ 127m
  - Microinsurance Coverage: 3.1% of the population
- **Mobile network:**
  - Mobile penetration rate: 125% of the population
  - Mobile internet users: 64.9% of total active broadband connections.

## 1. The m-insurance ecosystem

**The m-insurance market in Morocco is a nascent market.** The m-insurance market in Morocco is a nascent market that is expected to grow in next years to come. M-insurance has the potential to become central in the agenda of inclusive insurance of the country. This market is currently characterised by the following elements:

- **Insurers:**
  - Nowadays, most of the insurers in the country are taking steps to integrate technology to facilitate some stages of the customer journey remotely, mostly through mobile phones.
  - Before the COVID-19 pandemic some insurers were already taking steps in this respect. However, the pandemic made digitalisation a top priority for most insurers in the country.
  - Generally mobile phones and mobile services are used to support advise, marketing and facilitate tariffication simulation. However, some insurers are aiming to go deeper in this process. This is the case of key players such as WafaAssurance, Allianz Maroc, Saham Assurance, AXA Maroc, amongst others. Some of these insurers are also key players of inclusive insurance such as WafaAssurance.
    - WafaAssurance and Saham Assurance have created specialised Digital Factories to provide a more digitalised consumer journey for insurance products.
    - Allianz Maroc has unlocked the use of tools such as WhatsApp and other remote apps and tools to support customer care and facilitate payouts processes. At the same time Allianz Maroc adopted steps to address risks that are common with mainstreaming digitalisation, such as the risk of fraud.

512 Source: Microinsurance Network, Microinsurance Landscape of Morocco, 2021; Opensignal, Mobile Network Report 2021, Available at: https://www.opensignal.com/reports/2021/03/morocco/mobile-network-experience; Bank-Al-Maghrib, The size and the development of the shadow economy in Morocco, 2020, Available at: http://www.bkam.ma/Communiques/Communique/2021/Bank-al-maghrib-publie-trois-documents-de-recherche; ILO, Women and men in the informal economy: A statistical picture. 2018.

    - Other companies are taking measures to provide essential services through digital means. This is the case of AXA Maroc who recently signed an agreement with Orange Middle East and Africa to acquire a majority stake in DbaDoc a Moroccan health-tech company digitalizing access to healthcare in Africa.[513]
  - Some of these companies have received the support of TSP specialised in digitalisation of the insurance lifecycle such as DEVOATEAM that supported WafaAssurance in their digitalisation journey.[514]
- **Distribution channels, aggregators and other transactional platforms:**
  - **Online brokers are on the rise:** There are some interesting examples of digital platforms supporting the purchase of insurance products. However, the focus of these platforms is mainly on car insurance products.
    - The InsurTech AssurWi is mainly focused to facilitate the process of purchase of car insurance products
    - AssurH24, a digital platform of BeassurMarsh and Geomedia to purchase insurance online with in person support when needed.
  - **MNOs in Morocco are not actively and directly engaged in m-insurance.** However, this is likely to change. The Moroccan telecoms sector is limited to three MNOs: Maroc Telecom, Orange Morocco and INWI. Interestingly, during the assessment, the consultants did not find insurance products led by MNOs, this is, insurance products offered in the context of a first-generation m-insurance model. However, this does not mean that MNOs in Morocco do not, and will not, play an important role in m-insurance. For instance, as mentioned before, Orange recently partnered with AXA Maroc to acquire a Moroccan company that is leading the health-tech space in the country. Also, MNOs will play an important role through their MMP arms. Indeed, the three MNOs in the country have recently launched their own MMP.[515]
  - **MMPs are getting engaged in m-insurance as aggregators and payment providers. They are expected to be the steppingstone of m-insurance in Morocco.** For all the stakeholders consulted during the interviews, MMPs were identified as key players to promote financial inclusion and, specifically, inclusive insurance in Morocco. By February 2021, 15 MMPs have been granted licenses by the Central Bank to offer the services mentioned in **Box 26**. Amongst them, 3 MMPs are owned by MNOs, one, WafaCash, is owned by the Attijariwafa bank group that also owns key players in financial inclusion in Morocco, such as WafaAssurance and Wafasalaf. An interesting practice that is developing in Morocco is the active involvement of MMPs to commercialise insurance products. This is an important role that is recognised by them but also by public and other private stakeholders. In such context, it is expected that they will play an instrumental role in the development of m-insurance in Morocco.

**Box 26. MMPs in Morocco**

In 2018, the Central Bank, Bank-Al-Maghrib allowed the possibility for MMP Mobile Money Providers to carry out a wide range of activities in the country including: opening bank accounts; deposits and withdrawals in current accounts; transfers; payments; payroll payments; card payment transactions.

As of February 2021, there were 15 MMPs in the country.

The Central Bank provides the licenses to MMPs and has taken steps to raise awareness with the population regarding the potential of mobile payments.[516]

MMPs in Morocco have created their own association in November 2016, the Association Professionnelle des Établissements de Paiement (APEP).

MMPs consider that their mission is to promote financial inclusion and they are actively involved in the implementation of the strategy of financial inclusion.

513 https://www.orange.com/en/newsroom/press-releases/2021/orange-middle-east-and-africa-and-axa-assurance-maroc-sign-agreement
514 https://www.wafaassurance.ma/fr/compagnie-assurance-maroc/actualites/communique-de-presse-0
515 INWI launched in 2019 INWI Money; Maroc Telecom launched MT Cash in 2020; and the same year Orange launched Orange Money.
516 https://www.youtube.com/watch?v=D19rFBAAUBE

- **Insurance products:** M-insurance products are generally traditional products such as mandatory car insurance and some simple life and health insurance products. This trend is similar to the type of products offered in the context of microinsurance where the offer is generally linked to insurance products bundled with microcredit products. During the consultations stakeholders highlighted the need to diversify the offer of these products so they are more tailored to the needs of consumers and more innovative than just mandatory car insurance. Bundled solutions are seen as key by stakeholders.

**The m-insurance market in Morocco has the potential to grow thanks to the presence of key enablers.** Even though the offer of m-insurance products it is still limited, m-insurance is expected to grow due to the following enablers (See **Table 7**):

- staggering developments of FinTech in the country.
- the rapid development of the insurance market.
- the mobile penetration and mobile connectivity levels in the country.
- the conducive environment on areas such as financial inclusion, access to insurance and digitalisation.
- and the engagement of public and private stakeholders to digitalise the insurance costumer journey due to the digital push due to the social restrictions imposed during the COVID-19 pandemic (See **Figure 20**).

Table 7. Enablers of m-insurance in Morocco

| | |
|---|---|
| **Supply** | • FinTechs in Morocco are flourishing and developing fast. They are taking steps to participate in the insurance market and other financial products that are highly perceived by unserved and underserved populations such as savings. An example of this is CIWA a digital savings platform.<br>• MNOs are leaders of innovation and own MMPs.<br>• M-wallets are on the rise.<br>• Insurance market in Morocco is developing rapidly. Morocco has one of the highest penetration rates in Africa.<br>• The social restrictions imposed due to the COVID-19 pandemic showed the role of digitalisation in the customer journey and pushed insurers that were or were not already engaged in the digitalization of the consumer journey to embrace digital innovation. Almost all insurers have integrated technology in their value chains. Several insurers they have mobile apps to keep the relationship with clients, selling online, and using mobile banking.<br>• There is high interest from several insurers to innovate in this market to offering to the excluded populations simple products bundled with tangible services and promoting an understanding about insurance. There is the perception that it will make sense financially to provide insurance to the unserved and underserved populations as they will provide an interesting critical mass to build sustainable business models.<br>• The Fédération Marocaine de Sociétés d'Assurance (FMSAR) is participating actively in promoting inclusive insurance with a special focus on financial inclusion and digitalisation. FMSAR has a close collaboration with ACAPS in the latter.<br>• Several interviewed stakeholders highlighted that agricultural insurance, specifically index insurance, and insurance for small and micro-entrepreneurs could be important entry points. |
| **Demand** | • More digital customer engagement has been reported due to the digital push Covid-19. All stakeholders mentioned that COVID-19 has catalysed digitalisation, mostly regarding the use of digital payments.<br>• There are concerted efforts to build stronger financial education and capacities of the Moroccan population. Firstly, financial education is a corner stone of the Financial Inclusion Strategy adopted in Morocco in 2019. Secondly, entities like the Moroccan Foundation for Financial Education (FMEF) are instrumental to overcome important obstacles of demand of m-insurance such as lack of trust and awareness about insurance, but also lack of digital engagement, literacy and trust. The FMEF works closely with different authorities such as the Central Bank and ACAPS. They have very interesting tools and programs, however, it is important to integrate more actively insurance as part of what needs to be unlocked. Some stakeholders highlighted that more investment and support should be given to FMEN so it can achieve its objectives.<br>• Stakeholders highlighted that people generally trust MMPs, whereas this is not necessarily the case for the case of banks and insurers. This could be an opportunity. |

| | |
|---|---|
| **Policy environment** | • Morocco has adopted public policies that are conducive for the development of m-insurance. These policies include:<br>  ◦ Maroc Digital 2020 Strategy: The objective of this strategy is to promote the development of a digital economy. Specifically, the goal is to provide internet (fixed and mobile broadband) access to the entire population by 2022.[517]<br>  ◦ Financial Inclusion Strategy (FIS) 2019: The FIS has seven pillars, three of them are extremely relevant for the promotion of mobile insurance in the country, those being: promoting mobile payments, promoting inclusive insurance, and accelerate dematerialised payments. Several obstacles of mobile insurance have been already mapped in the context of the FIS (such as electronic signatures, biometric IDs, mobile payments, etc) and roadmap was established to implement the FIS. Seven working groups were created where public and private stakeholders participate actively, mobile insurance is particularly relevant for the groups of mobile payments, inclusive insurance, payment dematerialise and data and measuring. The roadmap of inclusive insurance within the FIS is supported by the recommendations of an inclusive insurance diagnostic that has been carried out by the consultancy firm Desjardins Development that highlighted the need to promote inclusive insurance to specific segments of the population, increase insurance awareness and adopt regulatory modifications to facilitate the development of inclusive insurance.<br>• Insurance is recognised as a pilar of financial inclusion and as mentioned before, obstacles hindering its development are being recognised and steps are being adopted to remove them.<br>• Important developments such as the Carte Nationale Biometrique[518] and efforts to support electronic KYC in the country are instrumental to promote m-insurance in the country.<br>• A wide range of public stakeholders that could promote m-insurance are aware about the role that digitalisation can play in promoting access to financial services, including insurance. They include specific organisations that have been created to move forward the digitalisation in the country such as the Agence de Développement du Digital (ADD) that is a specialised agency of the Ministry of Industry, Trade and Green Economy.<br>• Initiatives like the A2ii Innovation Lab that brought together stakeholders from the public and private sector to explore of innovative digital inclusive insurance solutions has been a catalyser for mobile insurance. |

| | | | |
|---|---|---|---|
| FMSAR: Insurers association | ACAPS: Insurance supervisor | ANRT: Telecommunications regulator | Bank-Al-Magrib: Central Bank |
| Ministère de l'économie, des Finances et de la Réforme de l'Administration(MEF) | Ministère e l'Industrie, du Commerce et de l'Économie Verte et Numérique: L'Agence de Développement du Digital (ADD) et Direction de l'économie numérique | Ministère de l'Agriculture, de la pêche maritime, du développement rural et des eaux et forêts (MAPMDREF) | Fondation Marocaine pour l'Éducation Financière (FMEF) |
| Association des etablissements de paiement (APEP) | Fédération des Associations de micro-crédit (FNAM) | Fédération marocaine des technologies de l'information, des télécommunications et de l'offshoring (APEBI) | L'Association des utilisateurs des systèmes d'information au Maroc (AUSIM) |
| L'Association Maroc Numeric Cluster (MNC) | L'Association Moroc Start-up Ecosystem Catalysts (MSEC) | StartupHub Maroc | |

Figure 20. Some public and private stakeholders that can unlock opportunities for the development of M-insurance

517 https://add.gov.ma/storage/pdf/Avril_NOG_ADD_fr_SITE_VF.pdf
518 Morocco launched a new electronic card and it is expected that 2030 all will be using that card. Also driver's license will be electronic.

**However, some barriers still need to overcome so it can reach to its potential.** The main obstacles of m-insurance in Morocco do not relate necessarily with regulation and supervision but with demand perception and supply (**Table 8**). These obstacles are linked to the obstacles that are present for inclusive insurance and DFS.[519] Even though regulation is considered by most of the interviewed stakeholders as an important barrier, all of them agreed that this is currently addressed thanks to dialogue platforms such as the FIS, and efforts such as the diagnostic carried out by Desjardins, the Innovation Lab of the A2ii, and the recently launched project that ACAPS and the IFC have specifically on regulation on digital insurance.

Table 8. Obstacles of m-insurance in Morocco

| | |
|---|---|
| **Supply** | • Some providers are not fully interested in inclusive insurance and m-insurance due to demand side barriers such as access limitations, lack of insurance awareness and trust, and low levels of digital financial literacy. For them, overcoming these barriers entails higher costs.<br>• There are some issues in terms of product innovation. The offer of inclusive insurance and m-insurance is still limited to basic and mandatory products such as car insurance.<br>• Despite the advance on digital financial services and access to financial inclusion, stakeholders raised concerns in terms of lack of appropriate infrastructure in certain areas of the country, and high transactional costs to achieve digitalisation.<br>• Stakeholders highlighted that even though steps of the customer journey can be dematerialised, the ecosystem supporting those steps are still paper and cash based. For instance, stamped certifications required for claims settlement are generally provided in paper. |
| **Demand** | • M-insurance confronts two obstacles: digital and insurance literacy and trust.<br>• Stakeholders noted that financial and digital literacy levels vary depending on the region and the segment of the population. However, something that is present in most of the cases is lack of trust and fear regarding insurance and digital tools, such as digital payments and digital transactions.<br>• There are segments of the population that seem to be more attached to cash and paper based transactions ("the culture of the stamp"), however it is expected that this is changing due to the pushed demateralisation consequence of social restrictions imposed during the COVID-19 pandemic.<br>• There is a lack of acceptance to digital payments by traders, specifically SMEs. They see digitalisation as a tool that will force them to formalise their structures, using digital tools could make them more "traceable". The latter could imply that their tax regime might change.<br>• Those who use more DFS is the middle class.<br>• People think that DFS are expensive. |

519 Digital ACT, Mobile Money et inclusion financière: le cas du Maroc. 2020. Available at: http://digitalact.ma/sites/default/files/inline-files/PolicyPaper_DigitalAct_MobleMoney_Oct2020_0.pdf

Interviewed stakeholders offered a wide range of ideas to overcome the barriers of m-insurance, such as:

- Supply:
  - Explore the possibility to make more insurance products mandatory such as home insurance.
  - Promote more investment from insurers on technologies to communicate with consumers and support essential stages of the customer journey such as claims settlement and complaints management.
  - Encourage providers to adopt monitoring and evaluation tools to ensure that products supported on digital processes are suitable and provide value and that consumers are effectively protected.
  - Take steps to dematerialise the ecosystem to achieve a real dematerialisation of DFS.
- Demand:
  - People need to feel that e-payments and e-contracts are safe. Experimentation is the best way to do so. Therefore, efforts of financial education should be complemented with pilots that can provide such experimentation space.
  - Instead of imposing insurance to segments of population who are unfamiliar with it, it is advisable to start integrating digital approaches on risk management tools they are already using such as savings through e-tontines. Digitalisation of these instruments could lead to positive outcomes for m-insurance.
  - Even though m-insurance was recognised as a tool that can play a role to promote access to insurance in Morocco, stakeholders are conscious that digitalisation is a tool to facilitate insurance processes and encourage a hassle-free customer journey that should be joined with face-to-face interaction. The latter is instrumental to build trust.
- Policy:
  - Take steps to guarantee that m-insurance is a topic embedded in the pathway to unlock financial inclusion and therefore it is recognised in the working groups of the implementation of the FIS. M-insurance should be perceived as an important way to unlock access to insurance in Morocco.

## 2. Regulatory and supervisory challenges and approaches

**Regulatory and supervisory measures are being adopted to facilitate the integration of responsible stakeholders in m-insurance and promote the digitalisation of the customer journey.** Two main obstacles have been identified in the regulatory framework applicable to m-insurance in Morocco: firstly, the rules allowing distribution channels are still quite restrictive to unlock the use of entities such as MMPs and MNOs. Secondly, despite efforts adopted to digitalise the insurance lifecycle,[520] there are still hurdles to achieve to a full dematerialisation of the customer journey. However, these barriers are being addressed in the country as part as a consorted effort where public and private stakeholders have been promoting financial inclusion and digitalisation in the country. ACAPS has adopted a positive approach to address these two issues. Firstly, ACAPS, supported on an inclusive insurance diagnostic, identified the most important areas that needed attention, and then created a road map to address areas through proportional and regulatory approaches. Specifically, ACAPS has allowed innovation by providing on a case-by-case basis authorisations to MMPs to commercialise insurance. The latter shows an open attitude to test innovative approaches through a test and learn approach. Some stakeholders suggested that such attitude could be enhanced and become more mainstream. In addition, there is a process to reform the Insurance Code and adopt regulations to unlock the use of MMPs, MNOs and other digital channels to commercialise insurance products, simplify enrolment, management and claim settlement. Recently ACAPS engaged with the IFC to carry out study to promote the digitalisation in insurance. All these endeavours show the willingness and openness of ACAPS to unlock responsible m-insurance.

**Stakeholders agree that a new category of m-insurance should not be created by the regulation.** Interestingly, different stakeholders highlighted that m-insurance can be promoted without creating a specific category or a specific regulation for it. This will imply that the Moroccan approach to m-insurance will be more similar to approaches adopted in countries like Indonesia, Pakistan, Brazil, Kenya amongst others.

**The positive approach of Morocco has been the result of a close and constant dialogue with the industry and the openness to find alternatives to unlock alternative distribution channels.** All of this has been facilitated by the fact that the financial inclusion strategy recognises specifically inclusive insurance and digitalisation as an important area to move forward. In addition, this has been catalysed by the strategy on digitalisation of Maroc Digital 2020. In addition, the fact that there are spaces to foster constant dialogue with different sectors of the private sector relevant for this topic, such as the FMSAR or the APEP, has been crucial. In that respect the working group of inclusive insurance and the space created for the Innovation Lab of A2ii are extremely positive. This positive approach has also been enabled by a closer collaboration and dialogue between ACAPS and other authorities such as the Central Bank. Indeed, these two authorities have played an important role to address regulatory and supervisory barriers that hindered the dematerialisation of financial services, in an important time where social distancing restrictions were imposed. Even though ACAPS and the ANRT do not have a formally established dialogue platform, both entities noted that they are part of other platforms, such as the working groups of the FIS. In addition, they noted that they could explore the creation of more frequent spaces to share information and explore further collaboration.

520 Such as a specific resolution on remote selling, regulations promoting electronic signatures and contracts and steps to facilitate eKYC.

# Annex 10. Egypt factsheet

## 1. The mobile insurance ecosystem

**Insurers and distribution channels.** The ecosystem of mobile insurance (m-insurance)[521] in Egypt comprises insurance companies, (bank-led) mobile money providers (MMPs), including FinTech and InsurTech companies, and some technical services providers (TSPs), which help to structure business partnerships and provide support functions. All of these stakeholders use applications and digitally supported processes, with the mobile phone being the platform. A small but growing number of insurance companies offer inclusive insurance solutions in Egypt, including some innovative solutions in agricultural insurance. Most of the current microinsurance polices cover life insurance, credit life insurance and hospital cash. Microfinance institutions (MFIs) are one of the major distribution channels for microinsurance in Egypt. MFIs are also starting to enter the digital world, although this is taking some time and effort. Emerging distribution channels for m-insurance are direct sales, including digitally supported sales involving apps and InsurTech in the product life cycle such as chat-bots.

**Mobile network operators (MNOs) in Egypt are not directly engaged in m-insurance as aggregators.** Several insurers and TSPs expressed intentions to partner with one of the four MNOs (Vodafone, Orange, WE and Etisalat[522]) as aggregators in the past few years; however, none of these partnerships has yet materialised. MNOs seem reluctant to engage directly in m-insurance and question how this business model can work for them. There is no example in m-insurance in Egypt where an MNO obtains insurance for its clients as a group policyholder or serves as an intermediary or group policyholder, although this has been under consideration for several years. Regulatory challenges of MNO business partnerships identified included a lack of insurable interest if the MNO were to function as a group policyholder.

**MNOs play a role in driving the development FinTechs generally through ownership and also by providing the mobile platform.** In early 2021, Vodafone Egypt signed a memorandum of understanding (MoU) with Ebtikar (a Financial Holding for Non-banking Services) for a 20% stake in two of their e-payment subsidiaries, namely the MMPs Masary (which owns 60,000 payment points across Egypt) and Bee.[523] Today, MNOs provide the mobile platform for m-insurance as mobile phone and payment services providers via their subsidiaries.

**MMPs have the potential to provide great leverage for m-insurance as aggregators and payment providers.** MMPs could assume either roles as licensed intermediary (corporate intermediary, individual intermediary which would be a freelance or tied) from Financial Regulatory Authority (FRA), or roles in the payment of premiums and payouts only. As of 2018, Egypt's MMPs, which are bank-led providers, had 133,651 mobile payment agents (including branches).[524] To date, they are involved in payments only.

**The FinTech and InsurTech landscape reveals important new deployments and business models.** InsurTechs are on the rise in Egypt. They support sales, servicing and risk management in the insurance business, although for premium collection most insurance companies still rely on banks or MMPs. Three InsurTech start-ups won the InsurTech Hackathon[525] in 2019, with innovations for supporting inclusive insurance and m-insurance in areas such as data analysis and risk management, chat-bots and the brokering of insurance for small and medium-sized enterprises (SMEs).[526]

**InsurTech could potentially join the regulatory sandbox of the Central Bank of Egypt (CBE) and the FRA.** The sandbox has been supporting six start-ups. The InsurTech Amanleek currently holds a broker licence, and was advised by FRA to enter the sandbox. InsurTechs wanting to act as on-line broker were advised by FRA to enter the Sandbox as no specific licence exist and in the past, they were approved on a case by case basis.

**The FinTech Association is an important industry support body.**[527] Their plan is to position Egypt as the FinTech innovation and investment hub in the region. The association is constantly interacting with regulators such as the CBE, FRA and the National Telecommunications Regulatory Authority (NTRA) to create a nourishing environment for start-ups while also interacting with government at all levels to develop the FinTech ecosystem.

521 The definition of m-insurance has evolved during the last decade. Initially, the definition was linked to the predominant business model used, which was a partnership between MNOs, insurers and TSPs. Since this "first generation" of m-insurance models, new business models have emerged, with new entrants such as MMPs, FinTechs and InsurTechs. In this "second-generation" m-insurance model, the mobile phone merely provides a platform, and many stakeholders are involved. Nowadays, the distribution and delivery of insurance through mobile phones is not dependent on a partnership with an MNO, but rather on the tenancy of a mobile phone, which is the entry point for providing a wide range of services through digital platforms and other providers.

522 https://www.opensignal.com/reports/2021/03/egypt/mobile-network-experience

523 Fertile market provides FinTech opportunities in Egypt, accelerated by pandemic (fitchsolutions.com); https://www.e-masary.com/index.html

524 AFI, 2018.

525 Over 200 applications were submitted for the hackathon in response to the invitation shared in October 2019. Among the applicants were designers, coders, innovators in FinTech, entrepreneurs and established start-ups. The event took place from 28 November to 1 December 2019 in Cairo with 24 teams starting and 12 teams making it to the last day (GIZ et al., 2019).

526 GIZ et al., 2019.

527 https://fintechegypt.org.

## 2. Regulatory and supervisory challenges: considerations of the industry and the Financial Regulatory Authority

**New laws provide new opportunities and new questions.** The new **Payments Law** (CBE, 194/2020) provides a definition of financial technology (FinTech), namely "*business models, applications or financial products based on using technology and regulatory technology (RegTech)*", with RegTech being defined as "*using technological applications to ensure the compliance with stipulated laws and regulations*". The **new FinTech Law** enables FRA to regulate InsurTech. The new **Insurance Law** (expected to be adopted in 2021) will bring major changes, including a new insurance licence type (Microinsurance Company licence) and a reference to InsurTech. FRA is also looking at an online broker licence. Questions arising in relation to this could include:

- "What could the definition of digital brokerage be?"
- "Would a digital broker need capital like normal brokers?"
- "In which way is a digital broker different from a normal broker?"
- "Do digital brokers require key personnel with the same qualifications as other brokers?"
- "Can one deal with on-line brokers just considering them as an app working online with insurers?"
- "What will be licensed, the portal, or are the broker?"

**FRA may want to create a one-stop shop and approval processes with clear steps.** New business models require the involvement of different stakeholders within FRA, from their technical team, product approval, international relations, legal, actuarial and other departments. Different types of approval are needed throughout the process, such as product, partnership, marketing and IT systems (in the case of digital issuance) approvals, resulting in the need for multiple steps and creating uncertainty around the process and approval time frames. Industry stakeholders suggest that FRA provide feedback to the industry on any business proposals and new products presented to it within a clearly specified time frame.

**Areas in which the NTRA and FRA could collaborate and the potential scope of this collaboration have yet to be identified.** This will depend on the role that MNOs may want to play, specifically:

- if the MNO wants to operate solely as a platform-only provider;
- if the MNO wants to act as an intermediary;
- if the MNO wants to act as a group policyholder and insure all their clients; in this case, there would be no insurable interest for the MNO.

A general question relates to call centres, which are increasingly used by the industry but are not supervised by FRA. Supervision under the NTRA is in the pipeline, however. The NTRA and the CBE collaborate on the basis of an MoU on mobile money and jointly oversee MMPs. This approach could be used as a model for a potential FRA-NTRA collaboration. FRA may wish to consider setting up a collaboration agreement to ensure alignment with the NTRA.

**Industry calls for FRA to simplify the broker licensing process to fit the RSP and InsurTech categories.** The broker licensing process, e.g. for TSPs, demands a large volume of documents and lengthy time frames as stakeholders from the industry stated. Moreover, there is a requirement to nominate a managing director with 14+ years of experience in the Egyptian insurance market. Such requirements could be an obstacle for an early-stage start-up and discourage international entrants to the market. The FinTech Law 2021 will open the door to simplifying the broker licensing process. Brokers are not allowed to collect premiums or pay claims; they can receive claims but not cash them out.

**The regulatory sandbox should be open to InsurTech.** FRA is open to considering new providers joining the regulatory sandbox approach of the CBE and FRA, which has flexible boundaries.

**Overall, challenges arise from the need to balance digital and physical, online and off-line selling and servicing to ensure client value.** The emerging consumers in Egypt have many important questions in relation to, for example, what is covered and what is not, and what options are available. The insurance literacy rate in Egypt is low, and literacy in general, as well as digital literacy, presents challenges. Because of this, sending material to consumers only on their phones or via emails is often not appropriate. Innovative approaches for explaining products, for instance at neighbourhood social gatherings or via MFIs, or using call centre agents to clearly explain products, are needed. Some people need to have someone to explain how they buy, over the phone or fact to face, how they buy a product and what they will get. A balanced approach may be needed, as some people, such as the elderly, may need to attend insurers' premises in person to provide the necessary documents when subscribing to insurance or making a claim. Adapting consumer protection and client value considerations to a digital environment is key, including in relation to emerging approaches such as InsurTech and online brokers. Client value considerations need to keep up with the growth of m-insurance products and new business models.

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Founded in 2010, BIMA offers opportunities to register and pay for affordable insurance products directly from mobile devices and has opened up vital insurance services to millions of underserved customers and their families. In 2015, BIMA also launched BIMA teledoctor consultations, a telephone service that leverages high mobile penetration in emerging markets to enable convenient, affordable access to medical consultations, as well as health information delivered via mobile to help customers better manage their health needs before they fall ill.

## About ALLIANZ

Allianz started insuring low-income population groups in emerging markets in the early 2000s and is a leading provider of inclusive insurance today. In 2017, Allianz made a strategic investment in BIMA via its digital investment arm, Allianz X, underlining its commitment to expanding its outreach to underserved segments in emerging markets using innovative, technology-enabled insurance propositions.

## About the SAGABI partnership

The SAGABI partnership caters to social needs while seizing new business opportunities, generating and sharing insights and best practices on how to approach mobile-delivered insurance and health services in a way that is both socially and financially sustainable, is commercially viable for the private sector, and can be replicated in other markets.

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