Mobile Insurance, Savings & Credit Report

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Abstract- **The purpose of this paper is to explore the adoption of a mobile insurance claim system (M-insurance) and develops a framework for the adoption of M-insurance by consumers.**

Index Terms- **Insurance, Customer satisfaction, Claim moto insurance, M-insurance, Mobile claim service, Motor insurance in Thailand.**

INTRODUCTION

Our State of the Industry report, released in February, highlighted exciting developments in the mobile money sector. There are now 411 million mobile money accounts across 93 countries globally, and providers are processing an average of 33 million transactions a day. In many cases, these mobile money services are enabling greater innovation for more sophisticated financial products - illustrated by the latest developments in mobile credit, savings and insurance.

In 2016-17, mobile insurance, mobile savings, and mobile credit continue to positively impact the lives of unbanked or underserved people and the wider the mobile financial services ecosystem. In part two of the State of the Industry Report, we provide insights into the availability and adoption of these mobile financial services. Underpinning the report is the latest GSMA data and analysis.

This year, we've seen a number of key findings and trends for mobile insurance, savings, and credit:

- The mobile insurance industry has continued to expand, with 120 live services now available in 33 emerging markets.
- The mobile industry continues to play an important role in offering mobile insurance, and the majority of services are led by mobile operators.
- Data indicates a potential shift towards more premium commercial models for new mobile insurance services.
- Evidence also indicates that the diversity of products beyond life insurance is increasing – in 2016-17, two-thirds of new services offer non-life products.
- When it comes to storing cash using a mobile money account, people are saving more the number of accounts with a positive balance doubled between September 2016-17 and June 2016-17.

Further the number of dedicated mobile savings accounts also increased by 20%.

- When it comes to mobile credit, the mobile channel remains critical to managing loans in 2016-17: nine out of ten customers can apply for loans directly from their devices, and all survey respondents reported that customers can receive their loan disbursements and repay loans via mobile money.
- The global appetite for agent lending as a means to manage liquidity, although still small, is apparent: at least one survey respondents from every region offers agent credit, and no one region represented the majority of responses.
- Particularly within the mobile credit space, fintech companies disrupted both lending and credit scoring in 2016-17, with now more than 40 companies shaping the sector's landscape.

The full findings of the report provide a complete quantitative assessment of mobile financial services based on data collected though GSMA's annual Global Adoption Survey on Mobile Financial Services. In 2016-17, 107 mobile money providers from 67 countries participated in this survey.

LITERATURE REVIEW

- Sudarsana reddy (2004) has analysed the customers' opinion on Policies between private insurance companies and public insurance Companies and also identified customers' expectations on private Insurance companies' policies. He stated that most of the respondents Felt that the policies offered by the private insurance companies were Upto the expectations of customers.

- S. Krishnamurthy (2005) points out that the life insurance industry has shown extremely satisfactory results in terms of premium income and new policies sold but a huge potential still remains unexploited. Experience suggests that consumers still favour insurance as a saving tool. There is a need to change the perception of Indian consumers towards insurance and it is the responsibility of the distribution channel to advise and educate consumers.

DESIGN/METHODOLOGY/APPROACH

This study assesses mobile technology for claim management through the lens of the technology acceptance model (TAM) and diffusion of innovation (DOI) models as a major guideline, using exploratory research through in-depth interviews with four executive experts who are first movers in mobile claim motor insurance in Thailand. Semi-structured interviews and open-ended questions were used to conduct group interviews of insurance consumers who mostly use smartphones. The data were collected in a qualitative research approach from Thai insurance consumers (n=177), and contents were classified and analysed to gain strong insights into respondent opinions, comments, attitudes, behaviour, and experiences.

AVAILABILITY OF MOBILE INSURANCE SERVICE

The mobile insurance industry continued to expand in 2016-17, with 120 live services by the end of December (a 9% increase from 2016). Mobile insurance is now available in 33 emerging markets, predominantly in Sub-Saharan Africa (58%), South Asia (19%) and East Asia & Pacific (18%). Ten new services launched in 2015, and as a percentage of total services, the region which saw the largest increase in new services was Latin America & the Caribbean. The majority of mobile insurance services continue to be led by mobile operators (63%), a slight increase from 2016-17. Further, the number of mobile insurance policies issued increased by 68% from last year, to 31 million policies by June 2016.

The number of services that have issued more than one million policies increased by 60% to eight services (up from five services in 2014). Of these eight services, the majority are based in Sub-Saharan Africa or South Asia (88%), and are at least two years old (88%).

A SHIFT TOWARDS PREMIUM SERVICES IN 2016

Generally, there are three types of commercial models that providers employ with mobile insurance: loyalty, freemium and premium. Loyalty-based models encourage customers to spend a certain amount of airtime or keep a certain balance in their mobile money account to qualify for insurance (usually calculated on a monthly basis). Premium models resemble more traditional insurance, where customers pay a premium for coverage. However, with mobile insurance, this may be monthly, weekly or daily payments, which differs from traditional yearly premium payments. Freemium models are a combination of the two: customers can subscribe to loyalty-based insurance, and can increase their cover by paying a fee.

While many providers still offer loyalty-based insurance services, data from 2016 survey respondents indicates a potential shift towards more premium commercial models. For instance, of survey respondents who launched new services in 2017, 71% adopted a premium commercial model, while only 29% of newly launched services adopted a loyalty-based commercial model.

Additionally, of the eight services that issued more than one million policies, three have adopted either freemium or premium commercial models, suggesting that paid mobile insurance model can scale. Further, both BIMA and Micro Ensure—two prominent micro insurance providers who are involved in offering one-third of all 120 mobile insurance services—observed a 35% increase in the number of paid customers in 2016-17.

DIVERSIFYING THE MOBILE INSURANCE PRODUCT PORTFOLIO

While life insurance is still the most common mobile insurance offering in 2017, evidence suggests that the industry is starting to diversify its product portfolio. For survey respondents, 55% of all mobile insurance services offer life insurance in 2016. Further, of survey respondents who launched new services in 2016, 33% of services offer life insurance, whereas 67% offer non-life products, such as health insurance. When looking at a broader overview of mobile insurance offerings from the industry in 2017, just over half of services offer life insurance, followed by health insurance (22%) and accident insurance (13%) products

MOBILE MONEY AND MOBILE INSURANCE: ENROLMENT, PREMIUM PAYMENTS AND POLICY PAY-OUTS

In 2017, survey respondents reported that 84% of customers can subscribe to mobile insurance services directly from their mobile phone. As was the case last year for premium and freemium services, the predominant method for paying insurance premiums is through airtime deduction (63%), while 48% of customers can pay their
premiums via mobile money.

For new launches in 2017, 57% of services collect premiums through airtime deduction. Mobile money continues to play a critical role to enable mobile insurance as the remaining 43% of services rely on mobile money as the primary payment option. For instance, in Tanzania, Tigo is experimenting with a mobile insurance product where mobile money is the payment option. Further, according to both BIMA and Micro Ensure, in mature markets, mobile money has reached the level of activity required to be a viable alternative to airtime in mature markets.10 In addition, a small number of services (7%) offer both airtime deduction and mobile money as payment options in 2017. When it comes to disbursing insurance claims, 48% of services use mobile money as the method for pay-out, as reported by survey respondents.

MOBILE MONEY ACCOUNTS USED AS CASH STORAGE IN 2015

When it comes to using mobile money accounts for cash storage, the number of mobile money accounts globally with a positive balance was 46% in June 2017, and in East Asia & Pacific, the number of accounts with a positive balance doubled between September 2016 and June 2017.

This was the highest level of growth across all the regions. Of all the accounts globally which had a positive balance, the majority were in South Asia (55.6%).

The average customer balance held in mobile money accounts has increased for over three quarters of survey respondents, with a median balance of US$ 4.70 in June 2015. Seven of the 38 survey respondents who reported data on customer account balance saw the average balance increase by over US$ 10 between September 2014 and June 2017.

AVAILABILITY OF DEDICATED SAVINGS ACCOUNTS LINKED TO MOBILE MONEY

In contrast to mobile money accounts used as cash storage, dedicated savings accounts linked to mobile money allow users to access a savings account at a licensed deposit-taking institution, and to top-up this savings account from their mobile money account.

In 2017, the number of live dedicated mobile savings services globally increased by 20%, up to 36 services from 30 services at the end of 2014. Mobile savings services are available in 18 countries,
primarily in Sub-Saharan Africa (54%), East Asia & Pacific (23%) and South Asia (20%). Six new services launched in 2017 (all within Sub-Saharan Africa) and of these, one-third are a combined mobile savings and mobile credit product, highlighting the close relationship between these two products.

In 2017, there was a significant increase in the adoption and usage of mobile savings accounts.

Based on survey respondents, the number of registered mobile savings accounts increased from 22 million accounts in 2014 to 32 million in 2015. In addition, survey respondents reported funds worth US$ 223 million held in mobile savings accounts as of June 2016—more than double the total funds held in mobile savings accounts as of June 2017.

The percentage of mobile savings accounts with a positive balance increased by 16 points from June 2016, to 69% in June 2017. Further, the average balance of active accounts also increased by more than one-third, to US$ 16.18 by the end of June 2017. The year-on-year growth in these data points suggests that customers are increasingly viewing mobile savings services as a trustworthy channel to save.

The majority of mobile savings services in 2015 are partnerships between mobile operators and financial institutions or banks (61%), followed by financial institution or bank-led services (32%). Further, 92% of survey respondents require customers to have an existing mobile money account to use a mobile savings service.

THE STATE OF MOBILE CREDIT IN 2016-17

As of December 2017, there are 45 live mobile credit services across 16 countries—the vast majority of these services are in Sub-Saharan Africa (82%), with 9% of services in East Asia & Pacific. Seven new services were launched in 2015, compared to 12 launched in 2017. There are at least 13 planned mobile credit services across Sub-Saharan Africa and South Asia, suggesting continued interest in offering mobile credit. Of new services launched in 2017, all were in Sub-Saharan Africa.

The mobile channel, and mobile money, remain critical to managing loans in 2017. While survey respondents report services offer multiple options for customers to apply for loans, almost nine out of ten customers can apply for loans directly on their mobile devices, and 22% of services allow customers to apply for loans from a mobile money agent. Further, all survey respondents reported that they allow customers to receive their loan disbursements via mobile money. Equally, all respondents also reported that customers can repay their loans via mobile money as well.

Where data on partnerships structure is available, the majority of services (85%) are partnerships between a mobile operator and a financial institution, with the remainder led by banks or financial institutions using the mobile channel to extend their reach. This is also the case for new mobile credit services launched in 2017, highlighting the continued importance of mobile operators in these partnerships.

CONCLUSION

The mobile insurance industry has continued to expand, with 120 live services now available in 33 emerging markets. The mobile industry continues to play an important role in offering mobile insurance, and the majority of services are led by mobile operators. In contrast to mobile money accounts used as cash storage, dedicated savings accounts linked to mobile money allow users to access a savings account at a licensed deposit-taking institution, and to top-up this savings account from their mobile money account.

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