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# Around The World: Ghana

## Mobile phone insurance - err, no - mobile life insurance

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This is the second article in our new series. Each issue focuses on the protection market of a different country or region, looking at interesting product developments, new distribution ideas, regulatory responses and industry initiatives. Ghana is leading the way with the sale of life insurance with the distribution and administration centered around a mobile phone. Will the future regulatory environment stimulate this type of innovative response, or prevent it?

The developing world continues to come up with innovations and solutions for distributing insurance products. Some may not be transferable to all markets, but this initiative shows the scope for mobile-based distribution. Many firms are currently looking at Smartphone applications, such as, iPhone apps. Some have decided to wait for a winner to emerge in the platform race. This interesting initiative shows what can be done with the type of cell phones Americans owned 10 years ago.

MTN<sup>1</sup>, one of the largest cellular operators in Africa, has been an innovator and is recognized as a global leader in pre-paid airtime. The company has made significant strides into financial services with its mobile banking, which currently comprises the MobileMoney account and related credit cards. MTN has looked to extend this success with a move into insurance with the launch of milife in Ghana, “the world’s first mobile money m-insurance service.”

MTN has partnered with Mobile Financial Services (MFS) Africa,<sup>2</sup> Hollard Insurance<sup>3</sup> and Golden Life Assurance Company to create this insurance:

- MFS sees itself as having the skills to bring value-added services to providers of mobile wallets;
- Hollard has had a proven track record of innovations, where it regularly develops new partnerships with distributors that have a well-known and trusted brand. It has generated more than \$190 million in premium income from the lower income market.
- The products are underwritten by the Golden Life Assurance Company of Ghana.

The milife initiative uses mobile phones in all customer communication, whether the application process, the collection of premiums from the policyholders’ mobile wallets, responding to customer service questions or claims reporting. Mobile phones also facilitate alternative forms of customer communication, including SMS-based reminders and the use of interactive menus that all combine to empower the customer. This administration platform allows them to offer a cost-effective product. This solution, with monthly premiums as low as 75 cents, is 50 percent to 70 percent cheaper than competitor products, according to a general manager for the company.<sup>4</sup> This is partly because MTN is able to benefit from the mobile-based administrative cost savings and also potential scale advantages.

It may surprise some that this initiative has been first launched in Ghana. It is likely a strategic decision to pilot this program in a smaller country in the MTN stable and in one with low HIV+ rates. If it is a success, then the combination of MTN’s infrastructure and Hollard’s track record of rolling out initiatives around the continent suggest that it will soon be seen in many African countries.

Many have looked to develop direct-to-consumer propositions, and in the United States and United Kingdom, most of these have been built around the Internet. Internet penetration (including broadband) is very low in Africa, and alternative routes to customers are needed. This shows the scope for insurance sales that are done without a bank branch or even a computer connected to the Internet. While necessity may be the mother of all invention, is a profitable opportunity the father?

Anyone looking at mobile insurance strategies should be advised to reconsider the role that Smartphones will play. Smartphone penetration is continually increasing and some platforms are rapidly gaining prominence, most notably Google Android. The introduction of tablet computers offers another intriguing opportunity, which has already been picked up by those in Lloyd’s

Market and various agent networks. Many commentators are debating as to whether this is the perfect piece of hardware to facilitate a discussion between a financial adviser and a customer. New ways to interact with customers will continue to emerge, and the low-cost characteristics and scale arguments should be equally applicable in the United States as they are in Ghana. Will the regulatory framework welcome new initiatives? Let's hope it will. □

#### END NOTES

- <sup>1</sup> <http://mtn.com>
- <sup>2</sup> <http://mfsafrica.com/>
- <sup>3</sup> <http://www.hollard.co.za/>
- <sup>4</sup> <http://blogs.ft.com/beyond-brics/2011/03/23/ghana-gives-mobile-insurance-a-go/>

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