

Factsheet microinsurance business model

Pakistan: Delivering affordable life insurance solutions through mobile phones

The challenge

Low-income households and micro, small and medium size enterprises are particularly vulnerable to risks, whether they are related to health, agriculture, property or death. These risks generally bring with them heavy financial implications as individuals, businesses and households attempt to mitigate them. Very few of these groups are served by efficient and effective formal risk management and social protection mechanisms, meaning that recuperating losses and recovering from shock is difficult, at best, and impossible, at worst. As the world is beginning to recognize the tremendous impact that climate change is having on all regions of the world, the poor and the vulnerable are the most at risk of the dire consequences that push millions into poverty every year.

Generally, worldwide there are two key challenges to extending effective insurance services to low-income households, both of which have experienced vast improvements over the last decade but remain a barrier to sustainability and profitability, and a deterrent for the engagement of commercial insurers. Both are intrinsically linked:

1. Microinsurance (MI) products need to be accessible and affordable to low-income households. To address this challenge, distribution models have to be low-cost and allow for large scale rollout to take advantage of economies of scale.
2. Microinsurance products and services have to be appropriate within the context of low income households, and provide high client value. To address this challenge, services have to be tailored to meet the needs of low-income clients. Clients also need insurance education to make informed decisions.

These two points might appear to be mutually exclusive, however for developing a financially sustainable business

model for mass/micro market, the above points need to be seen as two sides of the same coin.

Enabling policies and regulations

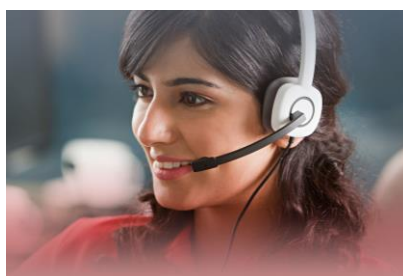
One of the key recent developments in Pakistan is the “National Financial Inclusion Strategy” (NFIS). The objective of the strategy is to build momentum and push forward reforms to achieve universal financial inclusion in an integrated and sustained manner.

The Government’s stated vision for financial inclusion in Pakistan is: “Individuals and firms can access and use a range of quality payments, savings, credit and **insurance** services which meet their needs with dignity and fairness”

Research also shows that countries that have invested in devising and implementing a national financial inclusion strategy have been more successful and effective in reaching set targets. On average, there is a 10% increase in the percentage of adults with an account at a formal financial institution for countries that launched an NFIS after 2007, whereas the increase is only 5% for those countries that have not launched an NFIS.

The NFIS provides a platform for national level acceptance for financial inclusion, on the part of the regulators, as well as other stakeholders such as microfinance institutions and telecommunication companies

In addition to the NFIS merits the rich experience accumulated in Pakistan through the rather ‘rough’ implementation of the first Microinsurance Regulation of February 2014 and through the Regulatory Impact Assessment (RIA) results presented during the first Multistakeholders Dialogue (MSD) in August 2016 organized by the GIZ RFPI program in collaboration with SECP in the context of the MEFIN network activities contributed in advancing the preparations of the detailed MI provisions of the Draft Insurance Bill currently under public consultations. How successful the new MI provisions will be depends



This factsheet is jointly produced and published by the Securities and Exchange Commission of Pakistan, EFU Life and the German Development Cooperation - Regulatory Framework Promotion of Pro-poor Insurance Markets in Asia (GIZ-RFPI Asia) for the MEFIN Network, a collegial body of insurance policy makers and regulators in Asia. RFPI Asia is the Secretariat of MEFIN Network. Contact us: +63 2 353 1044-45. www.mefin.org

ultimately on the level of accessibility, affordability, and client value of the MI products available in Pakistan.

Telenor Pakistan Kamyab Mustaqbil (“Successful Future”)

EFU Life has partnered with Telenor Pakistan to provide a value added life insurance proposition for its branchless banking customers i.e. "Easypaisa". The main focus of both entities is to provide a very simple and affordable life insurance solution to the masses.

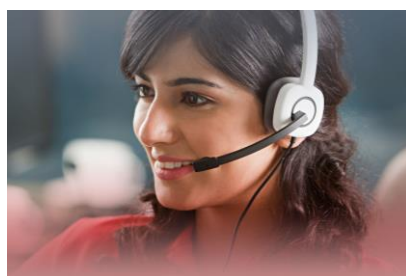
Telenor Pakistan is 100% owned by the Telenor Group, an international provider of high quality voice, data, content and communication services in 13 markets across Europe and Asia. Telenor Group is among the largest mobile operators in the world with 180 million mobile subscriptions and a workforce of approximately 33,000. The company has reported a subscriber base of over 36 million, making it Pakistan's second largest mobile operator.

Telenor Pakistan acquired 51% of Tameer Microfinance Bank in November 2008 and in 2009, launched Pakistan's first and to date the largest Mobile Financial Services brand 'Easypaisa' in February 2014.

Kamyab Mustakbil Plan

Easypaisa "Kamyab Mustakbil" is an exclusive, ethical and Shariah Compliant financial Planning solution. The plan is determined to provide financial security net to individuals, especially the underprivileged with a simple and secure nano-term takaful plan starting with a contribution as low as USD 5 per annum, providing a life cover of USD 1,000 (which is 1 unit). The plan offers a maximum of 10 units.

The target market (or covered members) is the Accountholders of Telenor Easypaisa. This segment is effectively the masses of Pakistan with a deep penetration in the rural areas of the country. To give an indication of the financial placement of this target market within the socio-economic segments, it is pertinent to note that the average monthly account balance of these individuals in their mobile wallets is only PKR 1,000 (USD 10).



Product details	Kamyab Mustakbil Plan
Term	1 year
Annual contribution	USD 5 for USD 1,000 insurance cover; can go up to USD 50
Benefit amount	<ul style="list-style-type: none"> Minimum death benefit amount (1 unit): USD 1,000; can go up to USD 10,000 On death of the covered member, the beneficiary has the option of taking the lump sum amount, OR 12 equal monthly instalments, in which case EFU Life will pay one extra monthly instalment to the beneficiary.
Key exclusion	Only one exclusion: <ul style="list-style-type: none"> Suicide and self-inflicted injury
Waiting period	<ul style="list-style-type: none"> For policies sold through Telesales: None For policies sold through Retailers: 30 days
Free look period	30 days from date of enrolment

USD 1 = PKR 100

Scholarships

As a value added feature, EFU Life has set up an Educational Scholarship fund that will pay three (3) scholarships per year to policy holders of Kamyab Mustakbil through a lucky draw. This provides an opportunity for the children of the underprivileged class for good higher education.

Enrolment process

Technology plays a key role in the enrolment of Kamyab Mustakbil Plan. The entire enrolment process is paperless. Customers are pitched the product through an outbound call center. Once the consent is given by the customer on recorded telephone lines, a confirmation SMS is sent to the customer. The payment is only deducted from the mobile account on a real time basis when the customer responds to the USSD code sent by the call center agent and gives authorization for the payment by logging into the mobile account.

Expansion plan

Currently this plan is sold through an outbound call center. In the next phase (April 2017) the product offering will be extended to the Easypaisa retailers. Currently Easypaisa holds the highest retailer network throughout the country with over 70,000 retailers across Pakistan.

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