EXAMINING THE PRODUCT ADOPTION RATES AND VIABILITY OF MOBILE HEALTH MICROINSURANCE IN ZIMBABWE.

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ABSTRACT

The study sought to evaluate the product adoption rates and viability of mobile health microinsurance in Zimbabwe. The main objectives were to examine the potential benefits of mobile health microinsurance to the poor and the insurers; assess the challenges of mobile health microinsurance to the insurers and insureds; examine the product uptake rates of mobile health micro insurance and assess the viability of mobile health microinsurance in Zimbabwe. The study adopted the explanatory and descriptive research design. The research focused on the company that is currently offering the mobile health microinsurance product as well as clients who are currently insured under the product which is the Hospital Cash Plan. A total of 50 respondents was used (comprising of 10 executives and 40 walk in clients) as study subjects. Questionnaires and interviews were used as research instruments to collect data. The research findings revealed that the adoption rates are low and the scheme had not been performing well. The mobile health microinsurance products need to reach large volumes and be correctly priced in order to be viable and profitable. Insurers highlighted challenges of lack of awareness and education by clients as causing the low rates. The study recommended use of advertisement of the products their products, correct pricing, strategic alliances with NGOs, coming up with innovative products, fewer exclusions to attract more clients and educational awareness.

Key terms

Microinsurance, mobile health microinsurance, uptake rates, viability and profitability

List of acronyms

MHI.....Mobile health insurance

MNO's.....Mobile network operators

Zimstat.....Zimbabwe national statistics agency

NGOs.....Non Governmental Organisations

Introduction

There are many insurance products in the world market, some of which are specific to certain environments .Health microinsurance is a product which exists but has not been explored fully in many markets especially Zimbabwe. Most countries do not have full understanding of this product and are ignorant of it, and to the insurers its disadvantages are quick to come to mind when the subject is mentioned. Insurers are conscious of problems related to microinsurance such as high costs and low adoption rates. According to Churchill (2007) The transactions costs under health microinsurance are not proportional because the small values result in high costs. Because of this and some other disadvantages the insurers are reluctant to offer health microinsurance products. The poor have had to resort to measures such as borrowing and help from non governmental organisations.

Developing countries have sought to overcome these challenges by leveraging the distribution channel offered by mobile networks through the introduction of mobile health microinsurance. In a bid to cut costs, to attract numbers and to ultimately make health microinsurance more viable and profitable some insurance companies in developing countries like Zimbabwe have now introduced mobile health microinsurance. According to Tellez (2012) mobile health microinsurance can be defined as "any type of microinsurance product which leverages the mobile channel, whether or not a mobile money platform exists to improve a part of the insurance value chain which can include: product design, pricing, marketing and sales, policy administration and claims payment."Most people although they are living below the poverty datum line own at least a cell phone especially the urban poor. According to The Postal Regulatory Authority Report of Zimbabwe 2014 mobile subscribers are currently at 13,500,000 million with a penetration ratio of 103.4%

Out of an industry with 24 players short term insurance companies there is only one insurance company in the industry offering mobile health microinsurance namely Eagle Insurance which started offering the product in the year 2012. Most insurers in the Zimbabwean market are still unsure about the profitability and viability of these products as well as the benefits that this holds for them as well as the consumers. For mobile health microinsurance to be successful insurers need to attract large volumes and cut on transaction costs. This study sought to evaluate the product adoption rates the viability as well as the profitability of these products.

2. Literature review

2.1 Mobile Health Microinsurance defined

Churchill (2003) defines microinsurance as the protection of the low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved. Churchill clearly spells out that microinsurance is similar to all other forms of insurance except for the clearly defined target market, the poor. Churchill adds on to say the definition of poor differs or varies by country but microinsurance is for persons ignored by mainstream commercial and social insurance schemes especially those working in the informal sector. Ahuja and Guha-Khasnobis (2005) postulate that microinsurance, is different from insurance in general since it is a low value product involving modest premium and benefit package. They go on further to explain that microinsurance is different since it requires different design and

distribution strategies for example premium is based on community risk rating as opposed to individual risk rating. MHI still targets the same group of people. Because MHI is offered via mobile phones it is therefore a strategic innovation to the traditional way of offering microinsurance. According to Tellez (2012) MHI can be defined as "any type of microinsurance product which leverages the mobile channel, whether or not a mobile money platform exists to improve a part of the insurance value chain which can include: product design, pricing, marketing and sales, policy administration and claims payment."Chaudry and Fazilda (2013) support Tellez's definition by postulating that under MHI insurers partner with mobile network operators (MNOs) to take advantage of their technology platforms and agent networks to provide insurance to the vast pool of mobile phone subscribers

2.2 Benefits of MHI

According to Chaudry and Fazilda (2013) microinsurance is beneficial if administered via mobile phones. Premiums are collected on a daily basis and do not have to be paid as lump sum which makes it affordable for low income people. Flexible premiums are affordable and payable at the members pace. Tarazi (2012) postulates that it is essential for insurers to have a mechanism for collecting small premiums from widely spread customers they need to design premium payment plans that can be collected regularly at shorter intervals and at a lower cost. This makes it very affordable for the low income people.

Chaudry and Fazilda (2013) also explain that another benefit of MHI to the client is that they are simple to administer. Clients simply sign up by phone or text message. According to McCord (2006) by exploring innovative solutions, insurance agencies can be convinced to lower their premiums which makes insurance cheaper and more affordable to the poor populations. Tellez (2012) discusses the ways in which insurers can take advantage of the mobile networks to reach more people and cut on transaction costs. The drop in these costs can be incorporated in the premium calculation resulting in the drop in insurance premiums. Tellez (2012) postulates that it can be an extremely cost effective channel for, example, reminding customers when premium payments are due, because sending such reminders can be entirely automated. This is accessible on even very low end handsets. According to Ghosh (2013) cutting costs can also be achieved through SMS channels by advertising the product and handling customer feedback. Technology does two key things that help drive the development of financial services: it cuts costs, and bridges physical distance. These two issues high operating costs and clients that are spread out and difficult to access represent two of the biggest barriers to microinsurance development (http://www.ilo.org/global/about-the-ilo/ visited 31/07/2016).

According to Tellez (2012) in addition to these added advantages of MHI there is also an advantage of loyalty and trust. People are more willing to pay their premiums through mobile service providers than insurance companies. Insurance companies are less trusted by consumers than mobile service providers. MHI therefore instils more consumer confidence. Mobile networks provide a cost effective way of regularly communicating with clients. Customers can use mobile channels to access policy data, check payment status and submit changes to policy coverage if required. Insurers can send messages to clients to remind them of premium payments. For example YuCover customers in Kenya can use the menu on their phone to check policy details and register claims when required.(Tellez,2012)

Tellez (2012) also postulates that one of the major challenges faced by insurance providers when designing and pricing new products is lack of historical data. The real time rendering of insurance

and mobile transaction information can dramatically improve this process and give insurers access to reliable data to find patterns necessary for better understanding their customers allowing them to design more appropriate products for them. Record keeping is also improved thereby eliminating redundant processes and reducing fraud. For claims settlement the readily available data reduces the amount of documentation necessary making the process more efficient.

2.3 Challenges of MHI

One of the greatest challenges for microinsurance is the target market's lack of insurance information and understanding. This leads to weak demand for such services. It also opens the door to deliberate miss-selling by agents striving to reach quotas or higher commission levels, which further deteriorates the reputation of insurance. (Churchill,2007). Promoting consumer education about the value of insurance might be time consuming and costly, although the return in terms of reduced lapse rates may be considerable. (Churchill,2007) According to Ito and Kono (2009) there are usually many exceptions which insurers have to explain. They also have to explain conditions on which indemnity will be paid out ,how policyholders can access health care services and how they should send out claims. Because the poor may not understand the concept completely they can even think they are being deceived when they stay healthy and do not claim since according to them 'they have paid the premium and gained nothing.' According to Leatherman, Christensen and Holtz (2010) improper pricing of MHI products along with funding deficiencies or uncertainty faced by insurers, hospitals, and clinics creates situations where health microinsurance programmes cannot reach their target populations in expected numbers and/or cannot sustain themselves over time. McCord (2007) indicated that in four of seven MHI programmes reviewed, premiums were improperly priced. In all cases, the premiums were too low. Of these, only two programmes had obtained actuarial assistance.

2.4 Conditions necessary for the profitability of MHI

There are certain elements that have to be met for any microinsurance scheme to be profitable to insurers. For MHI to be profitable there are certain elements that have to be met. The key to profitability with MHI is that it is a strategy based on a philosophy of "low-margin/high-volume".'To make it profitable, an insurer must rely on pricing that is as accurate as possible with low margins and sell large volumes of business. As long as growth in revenues is greater than growth in incremental costs, scalability means profitability. For microinsurance initiatives to be viable business propositions, they need to make a contribution to overall profitability of the business relative to their risk and the investment of capital (McCord ,2007). This therefore implies that for MHI to be a success insurers need to accurately and correctly price their products and the products have to be quite popular with the consumers in order to create large volumes for the creation of a viable pool. If the pool is too small the volatility of claims can lead to an unexpected increase in claims.

To be sustainable, a microinsurance scheme must minimize operational costs. Insurance requires a large number of policyholders to reach economies of scale. It can involve costly claims verification processes, cumbersome data management, and a high volume of transactions due to regular premium payments. When this model is translated to a micro scale, maintaining a good ratio of operating costs to premium payments becomes difficult. Players in the microinsurance field need to cut costs and they recognize that technology is one of the solutions.(http://www.ilo.org/global/about-the-ilo/ visited 31/07/2016).

2.5 Success of MHI products in other developing countries

In most developing countries partnerships between insurers and MNOs are very successful. McCord (2012) noted that the African microinsurance market grew by more than 200 per cent during 2010 and 2012. Eight out of nine markets with more than one million insured (not counting South Africa) have reached those customers through mobile-phone-based insurance . According to Gross et al (2013) In Ghana, Senegal and nNamibia insurance offered through MNOs doubled the insured population in the country within one year, compared to 40 years for a typical insurance market with many active players . In Africa reports of success of the product has been reported in Kenya and Uganda. Microcare in Uganda and Changamka in Kenya have both been enjoying success in mobile health microinsurance. According to Wang (2013) Changamka has managed to reduce administrative costs by almost 50 percent, while increasing numbers in an unprecedented way.

3. Methodology

The survey research design was deployed for the study. The survey is a non experimental descriptive research method. A formal study was carried out in order to provide answers to the research questions though exploratory characteristics are present in order to develop areas for future research. The research was conducted on a non statistical basis in order to target a certain class of respondents under field or natural conditions. It follows an ex post facto design where the researcher has no control over the variables hence should guide against introducing bias through influencing variables. The researcher used this form of research design since it is the most appropriate in obtaining descriptive and explanatory information as is postulated by (Wagenaar and Babbie ,1983) and it also relevant to this research. This research used qualitative techniques due to the varied opinion and views involved in the subject of insurance. Data was collected through in-depth interviews for clarity of critical aspects of the matter. Data was also collected from the clients through questionnaires. The target population was set on the senior executives of the two insurance companies currently offering MHI and insurance clients. This population was considered due to their involvement in the aspect of MHI insurance. The clients gave information on their level of confidence in MHI, the source and drivers of their confidence was sought. Senior executives were given the desired consideration for the assessment of the product adoption rates and the reasons thereof. 40 walk in clients were handed out questionnaires to fill in. The researcher carried out interviews with the 10 executives at Eagle Insurance Company. A combination of sampling methods was adopted. Quota sampling technique, purposive and simple random sampling were used for different classes of the research population. The quota sampling procedure is based on the selection of a number of respondents that possess a certain characteristic. This is because the relevant data will need to be collected from the company already offering the product as they will have a better insight and knowledge to what the researcher intends to find out. Simple random sampling was used in administering questionnaires to the walk in clients . Black (1999) points out that total population sampling is a type of purposive sampling technique where the researcher chooses to examine the entire population that has a particular set of characteristics. Since total population was adopted in including all relevant executives from the insurance company offering MHI in Zimbabwe. It gives deep insight into the phenomenon of adoption rates and profitability and different explanations are obtainable by this method.

4. Results

a) According to the survey out of the 10 targeted executives a 100% response was obtained as the researcher managed to carry out interviews with all of them. Of the 40 questionnaires administered to the clients all 40 were returned but 36 were found to be usable.

b) The clients were asked on whether they thought the scheme was affordable or not. The clients pay $1.50 per month for a payment of $100 for everyday that they are in hospital with a maximum of $6000 per year and a maximum of $3000 per event. Most clients were happy and they felt that the product was affordable. The staggering of the amount during the whole month also made the product more affordable. This could probably be the case since 62.6% of the population is deemed to be poor and 16.2% living in extreme poverty, according to Poverty and Poverty Datum analysis 2013, (www.zimstat.com)

c) The research sought to determine the product adoption rates of the scheme. All the executives from Eagle indicated that the uptake rates for the Hospital cash plan at Eagle was low and they had a problem with the defaulting on subscriptions from their acquired clients. The hospital cash plan was still quite far from the targeted number of a million subscribers. They went on to cite two main challenges as being behind the low uptake rates. The respondents were of the opinion that it was due to the lack of consumer awareness and education. Given the target market the respondents highlighted the lack of education as a barrier to understanding the product.

This is supported by theory were according to Churchill (2007) one of the greatest challenges for microinsurance is the target market's lack of insurance information and understanding. This leads to weak demand for such service.

e) The respondents who comprised of the clients indicated two main challenges they were facing under the scheme. They indicated that the main challenge was in accessing healthcare when they wanted to claim. Some of the hospitals they had been referred to did not accept the medical aid cards despite the fact that prior arrangements had been made between the facilities and the insurance companies. The other challenge they were facing was the actual restriction as to the hospitals they could visit. Under the scheme the clients can only get medical attention from government hospitals, mission hospitals as well as municipal clinics. The respondents indicated that in some cases they needed to get specialist care that they could only find in private hospitals.

f) The benefits of MHI were also highlighted. 50% of the clients were happy that their health needs were being catered for.25% of the clients were happy at the affordability of the product while 25% of the clients were of the opinion that the most important benefit is the easiness in transacting since the process is via mobile phones. To register one would simply send his first name, surname date of birth, sex and ID number to a given number. To pay the subscriptions one would simply send the recharge number to that same given number. The same question was also posed to the executives who cited three main benefits which are affordability ,meeting health needs and easiness in transacting. This view was supported by Chaudry and Nabeel (2013) who postulated that microinsurance is beneficial if administered via mobile phones since premiums are collected on a daily basis. They are simple to administer.

g) The executives were further asked on whether they thought the premiums were fair and adequate to sustain the pool. 50% of the respondents thought they were adequate. 25% were of the opinion that they were not adequate and 25% were not sure and they still wanted more time in running the schemes to be completely sure. On further inquiry the respondents revealed that premiums were charged on what they 'thought was affordable' not any past experience or actuarial model. This is in contradiction to what most authors deem to be the correct pricing method. MHI

has to be correctly priced for it to be viable. It cannot be determined on what the insurer deems to be affordable. (Tellez ,2012)

h) The executives indicated that profitability was average and not what they expected. 50% indicated that the scheme was not really profitable and a lot of issues such as creating awareness and pricing issues needed to be addressed.

5. Conclusions

The study was set out to evaluate the product uptake rate as well as the viability of MHI. The study also looked at the benefits that can be enjoyed by the consumers and the insurers from MHI. The challenges being faced in the provision of these products were also highlighted. The study has also sought to devise solutions to the challenges highlighted.

1. According to literature MHI offers quite a few benefits to the poor. Although a few benefits were highlighted the research can safely conclude that the benefit enjoyed most is that of having a peace of mind since their health needs will be met. Churchill (2006) noted that the greatest benefit that microinsurance can bring to the poor is to satisfy their health needs. Most never usually recover after a health shock has hit them. Maleika and Kuriakose (2008) concur with this view by noting that microinsurance is a powerful tool for protecting the poor and their assets . Other major benefits highlighted include easiness to transact and affordability.

2. On the issue of affordability it was determined that the products are quite affordable for the poor. Affordability is dependent on two factors which are the amount itself as well as the payment pattern. The amounts were deemed to be low and the premium also does not have to be paid at once. Premium payment is quite flexible. This is supported by Tarazi (2012) who postulates that premiums need to be collected regularly over shorter intervals at a lower cost.

3. Although insurers are sceptical about offering the traditional health microinsurance they should consider offering MHI as there are a lot of benefits that can be obtained from these products. Based on the findings the research can conclude that easier administration of the scheme is the main benefit of MHI. According to Tellez (2012) mobile microinsurance provides easier administration. No paperwork is involved.

   Most authors however agree that the largest benefit that can be obtained from MHI is that of reaching more people. The major role that technology plays is to reach more people and cut costs. McCord (2012) states that by investing in research and technology microinsurance is able to reach more people. In Zimbabwe however the same can not be said. This can be attributed to the fact that the company is not investing as much as they should in bringing awareness to the people through use of mobile phones.
4. Despite the benefits being enjoyed the research however noted that a few challenges were being faced in the provision of these services. The failure to access health care when they

wanted to claim is the major challenge faced by the poor. Some clients were turned away from hospitals. This is despite the fact that prior arrangements

This could be a reason why the default rate was high. This conclusion is supported by Leatherman, Christensen and Holtz (2010) who postulate that health facilities in developing countries often deliver no or poor quality services which lowers member satisfaction.

5. The research needed to determine whether they would be enough to ensure the insurers survival. Premiums are charged on what the insurer perceives to be affordable. Literature states that for the schemes to be viable pricing needs to be accurate. McCord (2007) indicated that in four of seven health microinsurance programmes reviewed, premiums were improperly priced. Of these, only two programmes had obtained actuarial assistance. Tellez (2012) supports this by identifying correct pricing as being crucial for the sustenance of microinsurance pools.
6. The product adoption rates was one of the major questions that the research aimed to answer. The research concluded that the product adoption rates of the Hospital Cash Plan are low since they are still far from the targeted numbers . The default rate on subscriptions is quite high for the Cash Plan. The low uptake rates was attributed to the lack of product awareness and education
7. The overall viability of the schemes is measured on two main aspects which are the numbers as well as the margins. At the current time the research concludes that the scheme is failing to acquire large numbers. The pricing of the products is also not accurate. The research concludes that MHI is quite viable in Zimbabwe but proper measures need to be put in place. Investment needs to be made in creating awareness as well correct pricing of the schemes.

6. Recommendations

The researcher suggests the following recommendations for the guaranteed success of mobile health microinsurance products.

One of the major challenges faced by insurers and the insured is the lack of product awareness and consumer education. Insurance is sustained by the law of numbers. The insurers need to devise ways in which they can ensure that the consumer is aware and educated about the product. It was quite interesting to note that despite the mobile channel the company offering the product is not using cell phone messages to advertise their products and make the consumer more aware of the products on offer. This can be one sure way of increasing awareness. The insurance companies can also have strategic alliances with NGOs to advertise their products. NGOs are well trusted by most people and also they have access to most of the target population since they work with them on other campaigns. The product should be continuously visible in the market to maintain the existing clients, trust and subscriptions hence need for promotions, advertising, sponsorships and exhibitions. Insurers can increase awareness by engaging airtime dealers and mobile money agents. Tellez (2012) suggests that, by working with mobile operators, insurers can also take advantage of MNOs' large and mature distribution networks of airtime dealers and mobile money agents. In that regard mobile money agents like Ecocash agents (in the case of Econet)and airtime vendors can be educated about the products available and in turn educate the consumers. They can even sell the products and also help in claims processing. Incentives would then be given to the mobile money agents in the form of commission for each policy sold .This will help in minimising costs and

creating public awareness to the products available. This will also create trust because customers are already familiar with the retailers. By engaging airtime dealers and mobile money agents the insurer is not only brining awareness but also minimising costs and gaining trust.

There is need for the government to play a significant role in helping provide risk management tools needed by very low income families .Government can assist in dealing with challenges such as providing infrastructure and injecting in the pools until they are stable and profitable .McCord (2007) postulates that the government could assist in providing technical support and training to health microinsurance institutions and operators. The government could also make sure that legislation allowed them to get some reinsurance support as well as making sure that the clients had no trouble in accessing health care under the two schemes.

Insurers should continue to be innovative in order to attract more clients and provide quality service to their existing clients. There is need to continue to design new products that will be beneficial and will provide value to the consumers. According to Tellez (2012) the goal behind innovation is to provide a simple and cost effective solution for health insurance.

Once there are too many exclusions the policy becomes very unpopular and not trustworthy expanding member benefits can ensure that more people join the schemes. The Hospital Cash Plan in Zimbabwe excludes pregnant women, chronic illnesses as well as those over 60. According to Lloyds (2009) Madison Insurance in Zambia discovered that they could still make profits even without the HIV/AIDS exclusion.

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