



# Managing the complexities of insurance partnerships

## Turaco and Fenix International



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# Introduction

Microinsurance is a low-cost financial risk management product that requires a sufficiently large customer base to be viable. Unlike typical insurance, its viability often requires collaboration with partners who have a considerably large client base to positively enhance the economics of the product. However, successful partnerships are easier initiated than maintained: many insurers, brokers and providers have struggled to deliver real and lasting mutual value in partnerships due to a confluence of factors, ranging from misaligned priorities, counterparty risk, and competing strategic objectives. This makes partnership management a crucial responsibility for microinsurance agents or brokers, whose very existence depends on the viability of multiple partnerships. In the case of a financial offering like microinsurance, a breakdown in partnership often mars the customer's perception about insurance in general and can potentially reverse previous gains in building trust.

Turaco Insurance Limited, a microinsurance broker (or insurtech<sup>1</sup>) registered in Uganda, formed a major partnership with Fenix International, a distributor of lease-to-own solar energy products in Uganda, to offer an innovative microinsurance product to Fenix's customers in 2019. This bilateral partnership offers a classic case in point on the complexities of partnership management within the insurance industry. Driven by a 12-month pilot, the partnership involved Turaco selling an embedded medical insurance product with Fenix's flagship ReadyPay solar kit that offered Fenix's customers a refund of hospital bills incurred after discharge. Turaco's solution was not delivered as a standalone product but rather bundled together with the ReadyPay solar kit. Eligibility for earning insurance cover was triggered through active usage (lighting) of the solar device.

The relationship between Turaco and Fenix International was intentionally designed to be symbiotic: Turaco was leveraging the large customer base of Fenix (Fenix regularly sells 20,000 new solar units a month and has over a million customers in Uganda) which offered them the opportunity to achieve the scale required for a viable business model, while Fenix hoped to use insurance to incentivise customer loyalty and improve repayment rates of their lease-to-own solar products. There was an additional developmental aspect to this partnership. Health risks are one of the most prominent risks faced by Ugandans, with 53% of Ugandan adults having experienced a health risk event within a typical year (FinScope, 2018). Offering the average Ugandan medical insurance cover as a reward for making on-time device repayments was therefore an avenue to reduce the likelihood of diverting funds for unexpected health expenditure, thereby enabling better management of health-related financial shocks.

The promising partnership did deliver strong results at the end of the 12-month pilot: 12,337 customers signed up for insurance policies and a total of 42,844 individuals received cover for hospitalisation. The pilot also provided evidence that a well-designed microinsurance product can meet the needs of both the consumers and major distributors like Fenix - which in the case of Fenix was incentivising customers to repay their loans in good time and reduce churn. But partnerships are not without friction and hurdles, and the Turaco-Fenix collaboration was dealt a heavy hand when

<sup>1</sup> Insurtechs are businesses that utilise technology to compete with or provide value-added benefits to the insurance industry.

a combination of unmet partner expectations around the pilot outcomes, and the global COVID-19 pandemic precluded the pilot from progressing to scale.

With the decision to scale up the concluded pilot still unclear, there is the risk that renewed customer trust in insurance could be undermined, as is the case in multiple Sub-Sahara African markets where multiple Mobile Network Operator (MNO)-distributed micro insurance products have languished. However, there is clear evidence that the pilot left a positive imprint on the lives of customers and their households, with many requesting for the product's comeback. On another level, this pilot underscored the substantial partnership-related challenges insurers and insurtechs face when distributing insurance through third-parties as well as the rich learnings around partnership management for others looking to distribute microinsurance in other jurisdictions. This case study explores the triad highlighted above: the impact of the pilot on Fenix, the pilot's impact on Turaco's customers and the complexities underlying partnership management within the context of insurance.

## About the case study series

Turaco's Fenix pilot was one of the winners of the Microinsurance Challenge Fund (MCF) commissioned by Financial Sector Deepening (FSD) Uganda in 2018. The winning partners and their projects were learnings for all players in the market. To support that objective, case studies of the interventions were built into the MCF design to highlight the different models and document key learnings for all the winners and the broader market. This specific case study draws on interviews with the Turaco and Fenix International teams, the Turaco quarterly reports to FSD Uganda, as well as results from a close-out survey of pilot customers.

### Box 1: Microinsurance Challenge Fund (MCF)

FSD Uganda launched the Microinsurance Challenge Fund (MCF) in December 2018 to increase the availability and usage of appropriate insurance solutions in the underserved and unserved market segments, which had only 1.4% of adults having any kind of insurance (FinScope, 2018). This was in support of the National Financial Inclusion Strategy (NFIS 2017- 2022), which includes the objective of increasing insurance uptake. Winners were provided with co-investment and technical advice to support the roll-out of affordable, accessible, and appropriate insurance for Uganda's low-income segments.

## It all begins with a Partnership

Turaco's founders' previous experience in the microinsurance industry provided them with the experience and insight needed to facilitate insurance partnerships with telecom companies and other major distributors. During their previous time in the industry, they helped facilitate insurance for more than 8 million African consumers. However, almost universally, these partnerships broke down within two to three years of launching due in part to an over reliance on partners who often struggled to realise value vis-à-vis their promotional expenses for the microinsurance product. In most cases, Mobile Network Operators (MNOs or telecom companies) considered insurance products as temporary customer loyalty programmes, rather than as part of their core service offering. In some cases, insurance was even seen as competing with the MNOs' core business. Furthermore, while MNOs have a significant customer base that quickly enables scale, this often comes at the cost of agility, with decision-making greatly slowed within the bureaucracy of these mammoth-like institutions and their group level networks.

Turaco was launched to try a different approach to microinsurance distribution by explicitly focusing not only on MNOs, but primarily on collaborations with alternative, smaller, and more agile partners, with strongly aligned incentives. The model favours multiple partnerships with large-scale distributors of products (also called aggregators) that are typically smaller than MNOs but with a significantly large, active customer footprint. A wide variety of aggregators are pursued to diversify risk away from a sole, large player and to provide the scale relevant to make the model sustainable. Additionally, Turaco's Business-to-Business-to-Customer (B2B2C) model enables it to engage both the aggregator and their customer base with marketing and promotion of insurance products, thereby relieving the aggregator of additional marketing expense. The B2B2C model in essence has two customers – the company and its clients – and is one of the highlights of Turaco's business model.

Fenix International, a Ugandan based solar home system supplier and financier, creates value by offering their customers 18-month loan financing for an energy asset to replace customers' spending on kerosene and candles. Fenix saw business value in partnering with Turaco by using medical insurance as a carrot to incentivise

customer loyalty and improve repayment rates of their solar products. Their objectives for partnering with Turaco were to explore if and how the offer of “free” insurance to their clientele could improve repayment rates of their lease-to-own asset, minimise defaults, reduce financial shocks due to hospitalisation, and increase sales by differentiating their product from others in the market.

The governing hypothesis for the first two objectives had to do with whether the offer of health insurance to Fenix’s customers (representing the average Ugandan) could limit the diversion of customer funds that go into mitigating an unexpected healthcare shock for a household, redirecting it towards repayment of their solar asset, all things being equal. In line with this, Fenix proposed a 12-month pilot with Turaco where the latter would offer a freemium-based health insurance product to Fenix’s customers who actively used (paid for lighting) of the solar device. Fenix absorbed all premium related expenses for its customers for the 12-month pilot, treating them as marketing and promotion expenses for the product and leveraged their sales agents (called ReadyPay Coordinators or RPCs) who sell the solar systems to distribute the insurance product.

Overall, the terms of the partnership were well laid out. Fenix International was responsible for providing their large customer base required to make the microinsurance value proposition valuable, training their RPCs on the basics of insurance and for gathering and passing KYC information on customers to Turaco. Turaco’s responsibilities included designing the microinsurance product, authoring the policy wordings, and marketing the product. It also included managing all the core operations involved in microinsurance delivery including policy administration, claims administration and reporting to key parties involved, including the underwriter Sanlam Life Insurance. Sanlam Life was responsible for carrying the risk of the product and co-branding the product. This bipartite partnership -between Fenix International and Turaco - provided the foundation for the offer of the pilot microinsurance product.

## The promise to the customer: The Product

FinScope Uganda (2018) indicates that approximately 53% of Ugandan adults experience a health risk in a year. The prevalence of health risks in Uganda is also documented more broadly in, among others, the Financial Diaries Project (BFA Global, 2019). However, only 1.4% of adults have formal insurance of any kind to manage this risk. This points to a clear untapped need for health insurance in Uganda (FSD Uganda, 2018). When one considers the sachet-sized savings of many rural dwellers and the fact that most informal insurance options are patronised primarily by rural dwellers<sup>2</sup>, a grim picture is immediately painted: many peri-urban and urban Ugandans only get healthcare roughly equivalent to the cash in their pocket. The *Hospital Cash* insurance product designed by Turaco and Fenix as part of the pilot was meant to address this grave financial and economic reality.

Turaco provided an embedded product called *Hospital Cash* to Fenix customers. This product provided a payment to customers who were hospitalised for three nights or more. The cost of the product was borne by Fenix and was free to customers who chose to sign up. Customers simply had to opt in for the cover and provide the Know-Your-Customer (KYC) details for all dependants on cover. Cover for up to four immediate family members was included. The offering was structured as follows:

Specifically, customers who lit up for **at least 15 days** (i.e. paid for 15 days' worth of solar light) would enjoy the **Basic** product offering:

- Up to UGX200,000 cash pay-out per person in the event of hospitalisation in a year with a pay-out of UGX100,000 per claim<sup>3</sup>.
- Patient must have been hospitalised for at least 3 nights at a registered hospital or in-patient facility

Similarly, customers who lit **up for up to 30 days** would enjoy a **Premium** product offering:

- Up to UGX300,000 cash pay-out in the event of hospitalisation of the patient, spouse and three children in a year.
- Each cash pay-out will be a minimum of UGX150,000 per claim.

In designing the product, the inclusion of a family cover option in addition to the individual product cover was an important component of the product's value proposition to customers: evidence from an earlier Fenix survey revealed that customers often had many dependents whose medical expenses they were responsible for. It was therefore little surprise when the premium option emerged as the more popular of the two at pilot end.

<sup>2</sup> Finscope 2018 reports that up to 41% of Ugandans, mostly rural, use informal insurance such as community health schemes, burial societies, etc.

<sup>3</sup> Up to two payouts could be claimed for two hospitalization events by a customer in a single year, with each paying UGX 100,000.



## How it all comes together: The Pilot

The pilot's aim was to introduce and onboard at least 50,000 Fenix customers to medical insurance over a 12-month period. It was launched in 2019 within the context of FSDU's Microinsurance Challenge Fund, which sought to increase the availability and usage of appropriate insurance solutions in the Ugandan market and create demonstration cases to generate learnings for insurance players in the market. Turaco emerged as one of the four winners of the Challenge Fund and received grant funding of up to £100,000 to fund marketing expenses, technology/product development, and training for the pilot. Like FSDU, Turaco's aim was to use the pilot to prove the viability of the aggregator microinsurance model using partners other than telecom companies.

As mentioned earlier, Fenix sought to test two main hypotheses around asset repayment or what Fenix typically calls portfolio health and sales:

- Portfolio health: will bundling insurance with the solar device provide an incentive for on-time repayment?
- Sales: can free bundled insurance differentiate the Fenix product from others and lead to increased sales?

Initially, Fenix and Turaco intend to market this offering as a loyalty product for seven months (from June to December 2019) before offering customers the opportunity to opt-in to paid-for insurance cover. However, after a review of the June – December pilot results, the management of Fenix and Turaco agreed to extend the pilot by another five months to monitor the performance of customers over a longer period. The longer period was also to allow sufficient time to grow the awareness of insurance and improve customer trust as it was often a misunderstood concept. In this regard, customer education became integral to the product marketing process. Customers were educated about insurance in general, the specifics of the product cover and the fact that it was conditioned on being up to date with the loan repayments to Fenix.

Fenix and Turaco also used claim events and customer testimonials from the intervention to deepen awareness of microinsurance and publicise the success stories. Over four claims' events were held over the life of the pilot to showcase the benefits of microinsurance with the hope of positively impacting the conversion rate from free to paid. Turaco played an active role in the customer onboarding process to ensure that customers were aware that insurance accompanied their solar product in case they or their family were hospitalised. Product education was also conducted for Fenix' RPCs. A series of insurance and product trainings were conducted in both Central and mid-Western Uganda for selected RPCs and other agents. Most curiously, the sales agents soon expressed desire for insurance cover after the customer product training sessions. To address this, cover was offered as an incentive for reaching sales targets with well over 50 agents obtaining this cover.

## How did the pilot perform?

Like Turaco's B2B2C model which in essence has two customers – the company and its clients, this section highlights the pilot's performance from Fenix's lens (B2B) and assesses the overall impact made on the end customer (B2C). As indicated earlier, the pilot was able to sign on 12,337 new policyholders as clients and provided insurance cover to up to 42,844 dependants, including the policyholder's spouses and children. A survey at the end of the pilot showed that 92% of the clients had never had any form of micro insurance and they were largely low-income earners. For Turaco, these outcomes are their gospel, demonstrating that the *Hospital Cash* product is desirable and has great potential for scale in Uganda. For Fenix, the results showed that embedding insurance with their traditional offering did improve repayment rates but was insufficient to reduce defaults. Nonetheless, the pilot provided valuable lessons around product and partnership management that is helpful for future scaling efforts.

### Impact on Fenix

***Pilot facilitated better repayment rates but did not decrease loan default rates.***

From the outset of the pilot, Fenix defined and segmented the success criteria metrics to into three actions:

- Go (scale pilot as is)
- Iterate (try different things and re-run), or
- No Go (stop insurance altogether).

General criteria for the Go category included an increase in average percentage of engaged customers (or repayment rates), a positive ROI on Average Revenue per User (ARPU), at least 5% of customers making a claim, an increase in sales, and a reduction in churn. A pilot that produced no change in the portfolio health of the treatment vs control group<sup>4</sup>, a negative ROI on ARPU, and less than 1% of customers making claims constituted a No Go. Anything in between would loosely put the pilot in the Iterate category.

The results of the pilot squarely suggested that further iteration of the product and outreach model was necessary. The pilot was able to increase the repayment rates of Fenix's customers – in comparison to a control group that did not receive the insurance cover. Repayment rates increased by 3% in the last quarter of 2019 and 9% in the first quarter of 2020, before the April 2020 lockdown stopped further sales. A 2% increase in the sales growth rate was recorded within the period among treatment and control groups and Fenix's share of perfect payers also increased by 20%.

However, the pilot did not decrease the number of customers defaulting on their loans. This means that while the insurance product incentivised customers to repay their Fenix loans more quickly, strengthening the portfolio health of Fenix, it did not reduce the non-performing loans (NPLs). The implication is that the insurance product was sufficiently valued by Fenix customers to incentivise better repayment behaviour, but that the product design, its marketing or sales approach did little to motivate those at risk of default to make a payment.

<sup>4</sup> The control group shared similar characteristics with the treatment group including being first time customers of the solar device, living in similar geographical location, and belonging to similar income brackets. The offer of insurance was the main differentiator.

***Limited impact on defaults may be due to mis-selling of the product by the agents.***

The pilot was meant to include tiered cover, which offered both the basic and the premium insurance options, but unfortunately this was not fully implemented. The lower tier cover was to provide customers with lower levels of cover even if some payments were missed during a month, provided at least half of the month's payments were made. However, this seemingly simple product option was not fully explained or taken up by clients because the sales agents found it difficult to communicate the benefits of the base option clearly. This then resulted in only one tier (the premium option) being clearly communicated to and understood by the customers.

This may have created a “gap” in the cover. The premium cover option likely incentivised customers in good standing to keep paying, as evidenced by the improved repayment rates. However, the lower-tier option would have been more appropriate for customers at risk, as they may have been incentivised to make a payment of 15 days in a month if they knew that they would still get hospital cover, even if just for themselves. The inability of agents to fully comprehend this option could provide a plausible explanation for the limited impact of the product on reducing the number of defaulting customers. This highlighted the need to ensure that products be simple enough to be easily understood by both the agent and the customer.





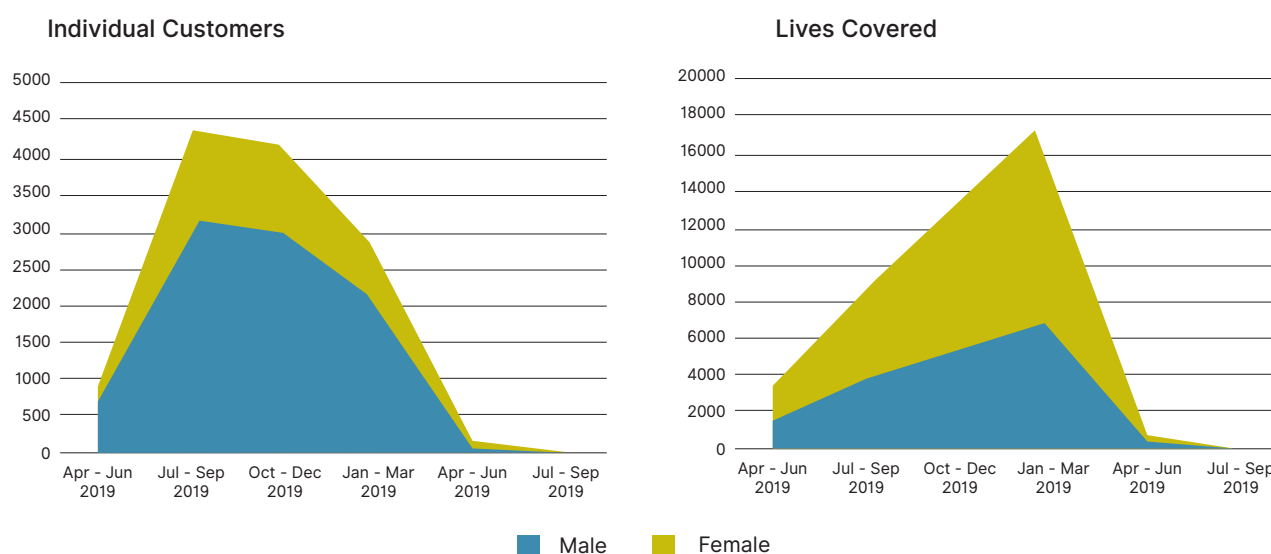
### *Global pandemic and partner restructuring affected management decision to iterate and scale.*

Uganda imposed a national lockdown in March 2020 as a response to the COVID-19 pandemic. This halted the onboarding of clients as in-person sales could not happen and remote sales was not feasible. Within the same period, Fenix also underwent a major consolidation with Mobisol (another solar home system company) in a merger engineered by their holding company. These factors resulted in an internal budget freeze at Fenix, resulting in no new sales of insurance even after lockdown restrictions were lifted. Insurance coverage for the pilot households was stopped at the end of September 2020. The merger brought about a change in priorities of the parent company Engie which effectively deprioritised extension of the pilot. The free cover for the customers effectively ended with the pilot's closure.

## Impact on customers

### *Significant number reached.*

The pilot resulted in onboarding 12,337 policy holders (28% being women) with a total of 42,844 individuals (62% being women) enjoying medical cover despite the global COVID-19 pandemic significantly hampering sales and stalling further roll-out. This total policyholder number was over 337 more than the lower bound of the project target of 12,000, which is decent for a new untested product that had to deal with COVID-19 related setbacks.



**Figure 1: Product Uptake and Coverage**  
Source: Turaco

The fact that customers had hospitalisation cover was particularly relevant during the COVID-19 pandemic. While Uganda had just over 8,000 COVID-19 cases by the end of September 2020, the assurance of knowing that hospitalisation costs could be covered if customers prioritised asset repayment was highly valued. This became a major attraction at the height of the pandemic and particularly when Turaco promptly included COVID-19 hospitalisation as part of the original cover.





**Figure 2:** Francis Kusiima being presented with his claim payment  
 “Thank you very much Turaco because you helped me get treatment and my phone back”, said Francis thanking the Turaco team.

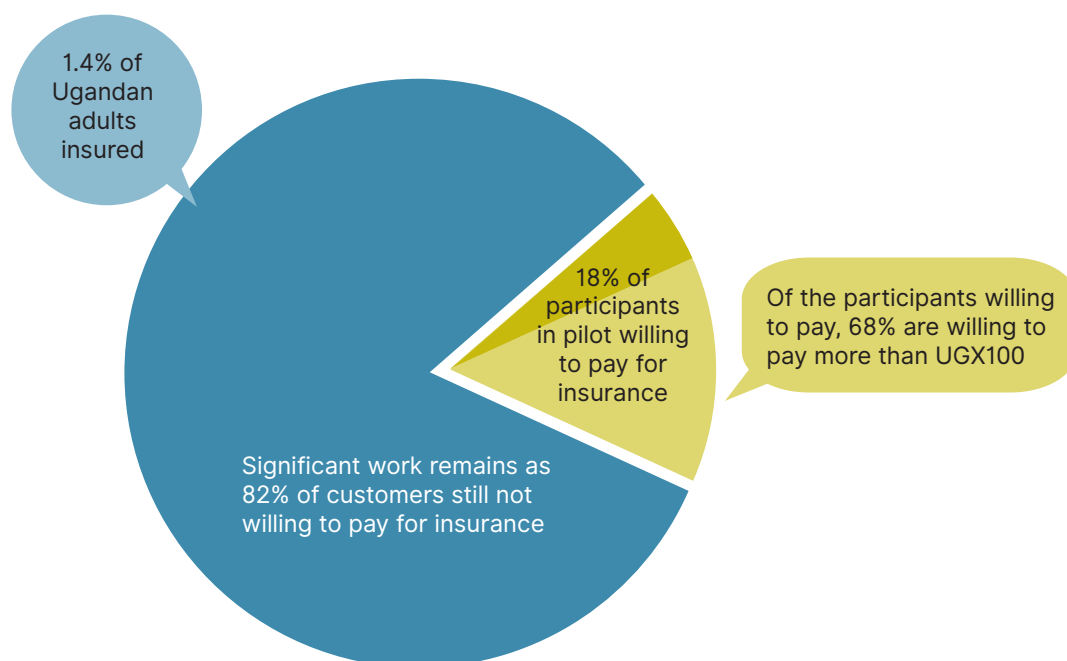
## Box 2: The impact of claims: Francis Kusiima’s story

Francis Kusiima and his child spent three nights in hospital in August 2019 after being diagnosed with severe malaria and typhoid fever. To access funds for his treatment, Francis had to give his phone as collateral. After calling Turaco and sending in his documents, his claim of UGX300,000 was processed and approved the next day. He was paid within 24 hours of being contacted by Turaco. His colleagues were so surprised by the insurance claim that he had to show them the receipt of his payment to prove that insurance worked.

### *Impact on customer awareness and willingness to pay appear promising.*

A phone-based survey was conducted at the end of the pilot with customers to gauge the impact of the pilot. Most of the clients were satisfied with the insurance they were offered (scoring an average of 3.5 on a scale of one to five in the customer exit survey). For many customers (92%), this was the only insurance cover they ever had, but most (82%) were unwilling to pay for this cover. The main reason, cited by 83% of customers, that were unwilling to pay for the insurance was that they could not afford any additional short-term low payments at that time. This response is likely to have been influenced by the financial strain brought about by the COVID-19 pandemic.

However, 18% of customers indicated that they would be willing to pay for the insurance, and most of these (64%) indicated that they would be willing to pay more than UGX100 (USD 0.03) daily. This offers a glimmer of hope for the product and that a longer pilot and some product iterations (for instance base cover vs premium or lower premium payments) may be necessary to evaluate its sweet spot with the customer. However, significant work still remains to convert the 82% of the treatment group who are not willing to pay for insurance.



**Figure 3:** Progress made by pilot on raising the profile of insurance as “shield” for resilience  
Source: FinScope (2018) and pilot close-out survey with Fenix customers

***While most policyholders were men, most lives covered were women.***

As mentioned earlier, the individual customers were predominantly men (72%), but through the family cover, 62% of the female lives covered were women. This is an important result that shows that it is possible to amplify the financial resilience of entire households, including women, by including a family cover with insurance products. By including cover for the immediate family of the policyholder, insurers and insurtechs can make their products more gender-intentional and inclusive and increase chances of adoption.

**92%**

received insurance cover for the first time.

***Reliable, efficient claims management helped build trust in insurance but had to factor in risk management.***

Most of the customers reached (92%) through this partnership received insurance cover for the first time. To support the development of trust in insurance, the claims process was made very simple and somewhat lenient at the start of the pilot. Customers understood the claims process and were not afraid to make claims. 42% of all reported claims were paid in full and the number one reason for rejected claims was that customers did not spend 3 nights at the hospital. There were a few isolated cases of customers calling Turaco’s Call Center to appeal for claims rejections. The net effect is that customers felt empowered enough to make claims and even to appeal decisions they deemed unfair.

Concurrently, there was a notable increase in the number of claims that did not meet the policy conditions (i.e. fraudulent claims) during the height of the COVID-19 pandemic, which could be linked to loss of income and possible desperation for funds. To limit the number of fraudulent claims paid, more friction was increased in the claims process. This phenomenon was evident in the customer close-out survey, where 54% of the 26 surveyed claimants had their claims rejected. Continuous consumer education on claims can limit such occurrences by ensuring customers are clear on which events are covered and which are not.

# Key insights on optimising insurance partnerships

At first glance, the pilot findings as set out appear contradictory: The data suggests that the pilot added value for Fenix and customers alike, yet the decision to scale the pilot remains unclear. The fact that the pilot was not scaled up despite the relative success thereof emphasises the difficulty of setting up partnerships in a way that fully aligns incentives. What can be learned from the Turaco-Fenix experience for others exploring partnerships?

The section renders seven imperatives for effective partnerships:

## 1. Bundling is indispensable for microinsurance partnerships.

Perhaps one of the most compelling insights from the partnership has to do with the benefits of bundling or embedding insurance with existing products. The bundling of Turaco's product solution with a solar kit (rather than a standalone) delivered high number of customers in a short period of time and did trigger active usage (lighting) of the solar devices. It also exposed a population generally inexperienced with insurance to the basics of its workings, signup and claims and produced a number of converts. Bundling is indispensable for new financial products or services with low awareness and uptake like insurance.

## 2. Business objectives must be continuously balanced between partners.

While the pilot witnessed an increase in repayment rates among the treatment group, default rates experienced no change. The latter proved to be the more critical of the several indicators Fenix considered to expand the pilot, which included repayment rate, sales, ROI, and ease of operations. Fenix was ultimately seeking an avenue for insurance to reduce the impact of defaults on the business. To that end, an increase in repayment rates was a necessary but insufficient condition to trigger a scaleup of the pilot and product; a positive impact on the default rate was paramount. It is important for partnerships to take a holistic view of results and prioritise key success factors that are directly hinged to each one's business success.

With this understanding, Turaco management should have prioritised a deep inquiry of underlying drivers of the default rates right from the pilot's inception to ensure that the partner achieved their ultimate objective, even if other secondary goals were attained. It is easy to miss the forest for the trees when it comes to managing expansive projects and it can be even more challenging for partners to effectively balance one party's objectives with another. The lesson learned is to continuously monitor a pilot or product's outcomes from the lens of the partner as well as from one's own lens to ensure that a win-win is achieved for the partnership.

## 3. Drive product uptake through product simplicity.

There were some knowledge gaps about the tiered insurance product among sales agents during onboarding. This resulted in customers only being aware of the premium option – which provided cover only if full payment were made to Fenix was made every month. The limited cover for customers able to make at least half of their payments to Fenix in the month was launched only in name as many customers were not able to understand the nuances of the tiers. This highlights the

need for partners to design simple products that are easy to understand in markets with limited insurance exposure. Simple products are needed in partnerships to ensure that agents of distributors who are not primarily trained in insurance can accurately convey the value of the products and that customers understand their cover.

#### **4. Reaching women through family cover.**

While not directly targeting women, the majority (62%) of the lives covered by the pilot were women. This suggests that family cover may be an effective manner to increase the resilience of women, even if they are not the policyholders. Future partnerships and projects aiming to achieve better health outcomes for women may do well to do so through family cover.

#### **5. Leverage multiple smaller partnerships to manage partnership risks.**

Partnering with smaller players who may lack the scale of an MNO partnership, is a prudent way of managing risks – whether planned or unplanned. There is a need to balance the two: engaging with a sufficiently large distributor partner to reach sustainable scale while also reaching enough smaller partners to manage risk and get better integration. Even though the Fenix pilot has ended, Turaco is able to continue its operations through additional partnerships it has forged to offer hospital cash insurance. This includes partnerships with 4G Capital to provide cover for informal traders, M-KOPA to provide cover to solar-home owners in Kenya, as well as Grain Pulse to offer life and health insurance to smallholder farmers in Uganda. The ability to launch these partnerships was bolstered by the demonstrated value Turaco was able to add to Fenix during the pilot.

#### **6. Be cognisant of consumer price sensitivity.**

Low-income households are very price sensitive. This was possibly made even more explicit by COVID-19, as most people needed to rationalise any additional costs during that time. Eighty-three percent (83%) of pilot customers who indicated that they were not interested in paying for insurance indicated that this was because they could not afford any additional costs at the time. Fenix's Product team became aware of this finding towards the pilot's end and considered iterating on the product with lower premium rates for its customers in a scaleup scenario.

#### **7. Use the claims process to strike a trust balance.**

Initial flexibility in claims processing may have cost some credibility in later stages of the pilot, as customers seemed to expect that they could make claims for incidents that did not strictly meet the policy criteria. As additional frictions were added, more claims were rejected. While this is likely to have negatively affected the perceived value of the product to clients, it is necessary to prevent abuse of the product and negative economics for the insurer or provider. Astute insurers or insurtechs will manage the claims process well (particularly for hospital cash-related products) to avoid either a negative perception of insurance (through inflexible claims process) or high instances of fraud and exorbitantly high claims/loss ratios (through a lenient treatment of claims). Achieving that trust is a constant balancing act for products that address an underserved theme like insurance.



## Conclusion

In summary, while not all partnerships will succeed, iterating on the partnership model using insights from pilots like this can reduce the mortality rates of several weak partnerships. Even better, taking cognisance of these insights at the partnership formation stage and designing agreements with these principles in mind will provide a solid foundation for their longevity and robustness.

The pilot has also showed that there is a clear need to expose the unserved and underserved in low-income markets to insurance, and the B2B2C model is one way of doing that. While the pilot has created awareness and an appreciation of insurance, its discontinuation and future uncertainty may temporarily affect the perceived stability and value of insurance to customers. Thus, the key is ensuring that more partnerships are developed and iterated on to build sustainability and, if possible, to build on the baseline already developed with Fenix. This will ensure that customers get more experience interacting with insurance products and build the resilience in the face of health shocks – an important aspect of financial inclusion.

Ultimately, businesses that prudently consider the inherent complexities of partnerships and actively manage the risks continuously will stand out from the crowd and offer a stronger, more compelling promise of a product to the customer, one that can improve their resilience, give them access to healthcare and include them in the formal financial system.





