



Narrowing the protection gap via technology



Democrance Asia's Akira Morita tells us how emerging markets such as Myanmar can leverage technology and microinsurance products to bridge the significant protection gap.

By **Ranamita Chakraborty**

Insurance is most needed in emerging markets like Myanmar where the protection gap appears to be the widest. Low-income individuals and households live on the brink of financial disaster without any protection to mitigate various risks such as losing a breadwinner, having health issues, accidents or natural disasters.

The insurance penetration rate in the country is estimated to be less than 0.1% which means that nearly the entire population of 54m is uninsured, said Democrance Asia head of business development Akira Morita.

This is why he sees both traditional insurance and microinsurance playing a critical role in offering financial protection to the middle-income and low-income masses in Myanmar.

However, low-income segments such as at-risk households, farmers, gig economy workers and small businesses, could afford insurance at a very small cost.

Therefore life, health, accident or agriculture microinsurance products are more suited for them with premiums generally amounting to \$1-2 per month even though they

vary according to cover type and level.

Based on figures from the World Bank, Myanmar is a lower-middle income economy with a gross national income per capita of \$1,210 in 2017.

One in four people in the country is considered poor and another 32.9% of the population have consumption levels that put them at risk of falling into poverty.

"I see more similarities between Myanmar and other developing economies such as Bangladesh in terms of how the low to middle-income mass population is prone to various risks in daily life without any financial protection," he said.

An egalitarian approach to insurance

Mr Morita used to be the country manager of Bangladesh at microinsurance provider BIMA. In his current role at Dubai-based InsurTech Democrance, he now oversees business development and works with insurers in Southeast and South Asia

The InsurTech's core product is its cloud platform, which automates and

digitises insurance from marketing to claims for insurers in emerging markets.

This enables insurers to launch non-traditional distribution channels as well as the backend and front-end of traditional channels including direct-to-consumer, bancassurance, broker and agent portals – allowing them to access new customer segments and increase their digital sales for both traditional and microinsurance products.

“Our name, Democrance, says in itself that we seek to democratise insurance. Our mission is making insurance successful and affordable for the people who need it the most,” said Mr Morita.

Democrance operates across 11 countries in Middle East, Africa, Latin America and Southeast Asia.

Driving insurance awareness

Based on his familiarity with emerging markets, Mr Morita notes that insurance penetration remains low even though the international microinsurance community has a history dating back 15-20 years.

Therefore, he sees insurers facing an uphill task in promoting microinsurance in a market which has minimal awareness and understanding of how insurance works.

“This means that there is no easy silver-bullet solution,” he said while suggesting that insurers in emerging markets can explore non-traditional

distribution partners with a low-income mass customer base and good brand recognition.

Mr Morita points out that insurers in a country like Myanmar probably lack brand recognition which creates trust issues for potential customers.

However, an insurer’s partnership with mobile wallet firms, remittance companies, telecom operators or ride-sharing apps can overcome this issue. These potential partners might be interested in offering microinsurance to bring unique value to their users and increase their customer loyalty, he said.

Additionally, insurers can also consider offering complimentary microinsurance by bundling it with services or products of distribution partners who subsidise the insurance premium costs.

“I visit Myanmar regularly and have heard from the market that there are ongoing discussions of such non-traditional distribution partnerships,” he said.

Democrance recently collaborated with AXA and mobile operator AIS in Thailand to offer insurance to the latter’s prepaid customer base on a ‘freemium’ basis whereby customers were rewarded with free insurance for their loyalty to AIS.

Meanwhile in Cambodia, the firm has partnered with local insurer Cambodia Life Insurance and mobile operator Cellcard to enable insurance customers to purchase

micro life and health insurance policies and make claims through their mobile ‘phones.

Another suggestion from Mr Morita is that traditional insurers should change their mind-set as well as business processes when it comes to insurance in developing countries.

He said it is common for traditional insurers to have cumbersome paper documentation upon policy enrolment and claim request, several insurance exclusions and long waiting times for claim pay-outs in general.

“While such experiences are common even in developed economies, you can imagine that by having traditional mind-sets and processes in developing countries, it would be impossible for insurers to gain the trust of the masses who have never experienced insurance before.

“Product design should be simple and claims paid swiftly with minimum conditions or exclusions. Hence, a fresh mind-set is crucial for microinsurance as well as traditional insurance,” said Mr Morita.

Leveraging opportunities in an underinsured market

“We are having active discussions with several private insurers and look forward to supporting both life as well as P&C insurers by helping them to increase their digital sales and access new customer segments – which will contribute to the evolution of the local insurance market,” he said.

However, he noted that ultimately the future of the market largely depends on the mind-set and efforts of all stakeholders – insurers, distribution partners, the regulator and others.

“Myanmar’s insurance market appears promising and exciting given that international insurers have officially entered the market and are providing skills and resources to the market.

“At the same time, the digital ecosystem is rapidly developing in areas such as mobile money and smartphone apps. Hence, the door is open to explore various innovative products and distribution models – both in traditional insurance and microinsurance,” he said. ■

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