

## Pilot and upscale digital financial education and insurance in Zimbabwe, Malawi and Zambia with Zingsure

### 1. DEVELOPMENT RELEVANCE

#### Economic and poverty context

Zingsure engaged with a number of faith-based Affinity Groups (AGs) with about 15 million members, including Christian and Muslim faith groups, in Malawi, Zambia and Zimbabwe and their economically disenfranchised members. In Zimbabwe, many live almost entirely on remittances from their diaspora families, mostly South Africa.<sup>i</sup> Access to banking and transactional services is difficult for many of these people and insurance penetration rates remain low, despite some improvements in access. These societies predominantly use cash. The political and economic situation in these countries is difficult, reflected by low levels of Foreign Direct Investment (FDI). There is limited economic freedom: Employment to population rates in both these territories is concerningly high. The poverty indicators below provide perspective of the enormous economic challenges these people face.

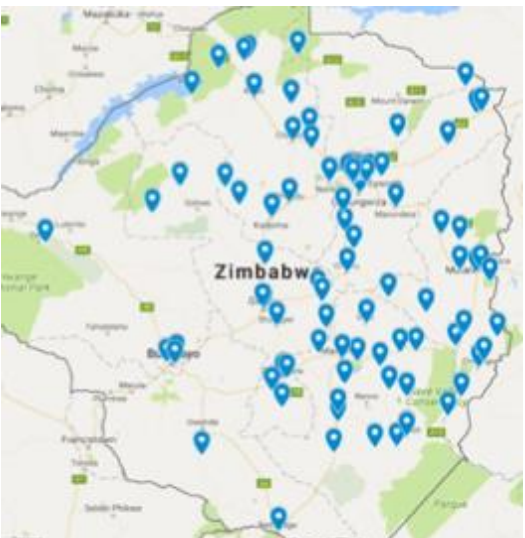

<b>Table 1: Population and economic indicators<sup>ii</sup></b>	<b>Zimbabwe</b>	<b>Malawi</b>	<b>Zambia</b>
<b>Population</b> in million	14.4m (2018)	18.1m (2018)	17.4m (2018)
<b>GDP growth</b>	6.159 (2018)	3.5% (2018)	3.795 (2018)
<b>Inflation</b>	0.91 (2017)	12.42 (2018)	7.495 (2018)
<b>Trade balance</b> (% of GDP)	-2.588 (2018)	1.358 (2017)	-0.814 (2018)
<b>Foreign direct investment (net)</b> (% of GDP)	1.084 (2017)	4.396 (2017)	2.129 (2018)
<b>Net ODA received</b> (% of GNI)	3.48 (2017)	24.13 (2017)	4.14 (2017)
<b>Remittances received</b> (% of GDP)	5.99 (2018)	0.63 (2018)	0.4 (2018)
<b>Employment to population ratio, 15+, total</b> (%)	79.44 (2018)	73.14 (2018)	69.78 (2018)
<b>Economic Freedom Index</b> (Rank among 186 countries)	44 (2018)	52 (2018)	53.6 (2018)
<b>Poverty Indicators</b>			
<b>GDP per capita</b> (USD)	2,147 (2018)	389 (2018)	1540 (2108)
<b>Gini Index</b> (0= equality 100= inequality)	43.2 (2011)	44.7 (2016)	42.1 (2002)
<b>International poverty rate</b> (year; at 1.90 USD/day)	21.4 (2011)	70.3 (2016)	57.5 (2015)
<b>National poverty rate</b>	72.3 (2011)	51.5 (2016)	54.4 (2015)
<b>National rural poverty headcount rate</b>	No data	56.6 (2010)	No data

Zimbabwe, chosen to be 1<sup>st</sup> territory for Zingsure’s launch, especially has a challenging economic and political context in which to operate. Mr. Robert Mugabe, the long-time rule of the country, was deposed in 2018 and subsequent changes to the economic and political system made it impossible for Zingsure to remain in the country. This would ultimately delay the launch of the project in Zambia and Malawi, ultimately leading to Zing’s withdrawal from all three territories in favour of launching in South Africa.

### Partner financial institution/s

Territory	Partner	
<b>Zimbabwe</b>	Zingsure Zimbabwe	Local start up: A locally registered microinsurance business – owned by Zingsure Ltd, holding a microinsurance license and the primary issuer of insurance.
	FBC Re	Local reinsurer who took up 100% of the risk via a retrocession treaty with Swiss Re.
	Sanctuary Insurance	Local short-term insurer: Provider of distribution agent network, who operated from Zing Kiosks that were housed at Puma Stations across the country.
	Headhunters International	Provider of training to Zing agents.
<b>Malawi</b>	Zingsure Malawi	Start up: A locally registered funeral insurance business – owned by Zingsure Ltd, holding a microinsurance license and the primary issuer of insurance.
	eKwacha	Provider of distribution agent workforce of 300 agents, who operated as street vendors from under umbrellas selling prepaid airtime.
	Swiss Re	Offshore reinsurer who took up 100% of the risk.

### Photo of the branch network map

Zimbabwe	Malawi
<p>Zingsure activated 20 branches in Harare at Puma Fuel stations (83 country-wide) in partnership with Sanctuary Insurance, before withdrawing from Zimbabwe.</p>  <p><i>83 Puma Station sites earmarked for Zing Kiosks. In total the business invested in 240 kiosks to be deployed in Zimbabwe and Malawi.</i></p>	<p>Zingsure worked in partnership with the Muslim Associations and accessed members via their 50 mosques distributed across Malawi.</p>  <p><i>Mosque in Zomba, where Zingsure engaged with the local Sheiks</i></p>

## 2. INTERVENTION APPROACH

### Capacity building needs

Zimbabwe	Malawi	Zambia
<p><b>Financial Education - SCBF FEW-13 - (linked to SCBF 2016-02).</b> The SCBF intervention focused on training agents, who sold Zingsure products to customers, who previously did not have banking or insurance. It was a follow on of SCBF 2016-02 where Zingsure assisted the insurance regulator with the drafting of a microinsurance policy framework and was the first recipient to secure a microinsurance license. The product Zingsure sold included access to banking for free and free life insurance.</p>	<p><b>Product Upscaling - SCBF 2017-07</b> The SCBF intervention helped to secure Zingsure's insurance license and to engage and sign-up affinity groups, notably the Moslem Association of Malawi with six million members.</p>	<p><b>Product Upscaling - SCBF 2017-11</b> The SCBF intervention was used to register a local insurance company, apply for a microinsurance license, and sign up a number of Affinity Groups. Unfortunately, the Regulator chose not to issue the Microinsurance Policy Framework and so the project was terminated and this grant was repaid to SCBF. The rest of this report focuses on Zimbabwe and Malawi.</p>

### Main activity areas (goals, targets, resources & time frame)

<b>Zimbabwe</b>	<ul style="list-style-type: none"> <li>• <b>Goals:</b> <ul style="list-style-type: none"> <li>○ To compile and deliver training material in the correct vernaculars to prospective sales agents</li> <li>○ To develop a sales solution and tool on mobile devices</li> <li>○ To rollout 133 Zing Kiosks as branches to sell and assist customers</li> <li>○ To train a distribution task force of 627 people throughout Zimbabwe</li> <li>○ To do follow up, support and additional training for the ongoing FE campaign</li> <li>○ To conclude with a client survey</li> </ul> </li> <li>• <b>Resources:</b> Team leader, Insurance Expert, Operations Manager, Training Officer, Regional Coordinators</li> <li>• <b>Time Frames:</b> 1<sup>st</sup> Oct 2017 – 30<sup>th</sup> Apr 2019</li> <li>• <b>Outputs:</b> Secured an insurance license, built 140 kiosks and rolled out 21 of them, and registered 103'000 members for insurance.<sup>iii</sup></li> </ul>
<b>Malawi</b>	<ul style="list-style-type: none"> <li>• <b>Goals:</b> <ul style="list-style-type: none"> <li>○ To provide initial insurance group scheme cover for one million insurance clients through members of the Muslim Association of Malawi</li> <li>○ To collect regular monthly contributions of one dollars million per month.</li> <li>○ To secure an insurance license from the insurance regulator.</li> <li>○ To roll out 300 Zing kiosks over two years</li> </ul> </li> <li>• <b>Resources:</b> Team leader, Insurance Expert, Program Manager, Project Manager, Communication Manager, Operations Officer</li> <li>• <b>Time Frames:</b> 31 Aug 2017 – 31 Dec 2018</li> <li>• <b>Outputs:</b> Secured an insurance license, built 100 kiosks, signed 300 insurance contracts with clients.</li> </ul>

## 3. RESULTS ACHIEVED AND NOT ACHIEVED

Zingsure experienced significant delays of 18 months with launching in Zimbabwe mainly due to the delay in securing a mobile banking license. Zingsure approached three banks and all of them ended up creating similar offerings for their customers. Unfortunately, the delay in Zimbabwe caused a delay with launching in Malawi as Zing's Board did not want Zing to launch in a second territory (as a start-up the risks were simply too high)

without the learnings from the first launch. In September 2018, Zingsure finally launched in Zimbabwe and within two weeks managed to secure 103'000 customer signups, with \$200'000 of revenue using the agent force who had undergone training. This was a significant achievement.

In October 2018, the Zimbabwe government launched the Zim Bond Note ("ZBN") as the new local currency.<sup>iv</sup> Each ZBN was formally pegged in value to US Dollar (1:1). Unfortunately, the market had an entirely different view and the ZBN were de-valued four to seven times less than the US Dollar. This meant that the business (1) had to increase direct investments into the business by four to seven times in order to provide Zing agents with the same level of salary and (2) had to pay-out more for the insurance cover as it promised a \$100 payout denominated in dollars. The board (with Swiss Re) had to intervene and took a very tough decision to withdraw launching in Zimbabwe as the first territory and Malawi as the second territory and to move to launch in South Africa.

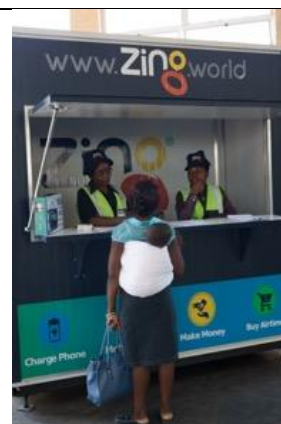
Zingsure did not achieve the desired results for these three projects. This was largely due to delays from securing a Mobile Financial License and because of the withdrawal from Zimbabwe.

### Client level

In September 2018, Zingsure Zimbabwe launched and in two weeks signed up 103'000 paying customers with \$200'000 in revenue. The take-up of the product garnered overwhelming interest. The core value proposition saw customers obtaining free term life insurance coverage. The more they spent on buying airtime, electricity, paying for school fees, or buying 3rd party insurance, the more term life coverage they got for free. Whilst Zing agents went through training prior to the launch, Zingsure soon realised the easiest way to educate customers about insurance was to allow them to consume it for free and experience it for themselves.



*Clients queuing up to register at a Zing Kiosk in Zimbabwe.*



*Two Zingsure agents assisting a mother to register and take up the product.*



*Clients queuing up at another Zing Kiosk.*



*A Zingsure agent congratulating a client for registering for free insurance coverage.*



### Partner financial institution/s level

Sanctuary Insurance (short-term insurer) partnered with Zingsure on the project (SCBF 2016-02 - [link](#)). Their managing director, Patrick Kusikwenya, assisted the partnership as the local insurance expert. Largely, through his efforts Zingsure managed to influence the insurance regulator and secured support from them to adopt a Microinsurance Policy Framework. Zingsure drafted this with the regulator and were the first recipient to have received this licence.



*A Zingsure agent inside a Zing kiosk*

Sanctuary continued to work with Zingsure on the follow-up financial education intervention (SCBF FEW-13). Zingsure signed a distribution agreement with Sanctuary, which would see their agents selling Zingsure’s products. Sanctuary had secured a venture with Puma to allow their agents on the fuel courts to sell clients 3rd party insurance. This distribution agreement would allow their agents to secure additional revenue and make them viable. In addition, Zingsure agreed to sell their 3rd Party Insurance on Zing’s platform to Zimbabwe diasporas.

Unfortunately, Zingsure’s withdrawal from Zimbabwe led to termination of the distribution agreement. It was then decided to engage the insurance regulator to request that Zing’s microinsurance license be transferred to Sanctuary. This was approved and today Sanctuary not only provides short-term products, but they also have a microinsurance license. Securing the license helped Sanctuary to get additional capital in their business to fund their minimum capital requirements for both their short-term and microinsurance business. A most recent update from Sanctuary is they have concluded a partnership with one of the mobile operators to compete with Econet and will be distributing their products through their mobile agent network.



*Zing Kiosk stationed at one of the Puma Stations in Harare*

## 4. LESSONS LEARNT

SCBF interventions started out in Zimbabwe with a product upscaling: intervention (SCBF 2016-02 - [link](#)) followed by a financial education campaign (FEW-13) to support Zingsure Zimbabwe. This was followed by a product upscaling project in Malawi (SCBF 2017-07) and Zambia (SCBF 2017-11). Following the withdrawal of Zingsure from these territories, Zingsure launched the offering to the Zimbabwean diaspora in South Africa, which allowed them to buy goods and services in South Africa for delivery in Zimbabwe. In summary the key lessons learned are:

### Upscaling

1. **TRANSACTIONAL SERVICES:** Zingsure learned the financial inclusion journey does not start with insurance. Rather, it starts with providing affordable access to transactional services to emerging market customers. Without transactional services in place, the financially excluded cannot participate in the formal economy and will remain a cash society. Providing transactional services has a significant impact on the ability of insurers to collect regular premiums.

2. **INSURANCE LICENCES:** The minimum capital requirement cost of a license per territory is prohibitive (five million dollars across two territories). It was the reason why Zingsure decided to pursue a microinsurance framework (cost: \$330 thousand).
3. **FAITH-BASED AFFINITY GROUPS:** These groups have significantly large groups of members (millions). Each individual denomination/church/mosque manages their own member registers and collects tithes. Zingsure imagined that it would be easy to register their members and collect premiums centrally. The reality was that these organisations are not centrally controlled. There is no central register and each individual denomination/church/mosque guards the member data they have because they are worried that another individual denomination/church/mosque will acquire their members.
4. **DISTRIBUTION:** It is significantly costly and time consuming to build one's own tied agent force. Forming partnerships with existing distribution networks makes more sense, since it is less costly and much faster. In addition, if commissions are paid as and when payments are received, then you do not need to invest much capital upfront in kiosks or agent training as this can be delivered on a train-the-trainer basis.
5. **MOBILE BANKING:** Partnering with existing banks is challenging. The issue is with the regulators and how they process applicants. Typically, the process requires one to apply for Mobile Banking Service via a local licensed bank or to work with a local licensed bank. The problem is the banks saw Zing as a threat and so never committed to the assist with the application. All three banks Zingsure engaged with copied the product after keeping Zingsure on a line. Regulators need to change the process by allowing applicants to apply directly (so the applicants success is not dependent on the banks), else it will stifle innovation in the transactional service space and prohibit non-bank customers from getting onto the financial inclusion journey.

### Financial Education

Whilst Zingsure does support agent class-room training, the learning is that it does not seem to be the best way to train customers. It is more effective and cost-efficient to train trainers and not to take on the task of training every individual agent. Zingsure's agents had no time to train customers about financial products or services. They were trying to make the next sale. Zingsure continued with agent training but for clients introduced free insurance.

In addition, Zingsure developed a prototype around a mobile app game ("The Amazing Game") that could easily teach customers about financial services. This was based on a financial education board game the Swiss Agency for Development and Cooperation developed for a financial education programme in Central America.

### Strategic Rational for Withdrawal and Outcome

Zingsure's withdrawal from Zimbabwe and Malawi to focus on launching in South Africa was a necessary intervention following the Zimbabwe cash crises. It was a singular event that happened that would have seen the business closed because overnight, it was costing Zing's shareholders four to seven times more foreign direct investment. Zingsure subsequently, through the financial support of Swiss Re, shifted operations to South Africa.

The plan of action was to take the lessons learned in order to launch a revised business model. The launch in South Africa has a target of about nine million unbanked emerging market customers. Zingsure is leading with the Digital Dollar ("D\$") and Insurance is one of the many uses for the D\$.

Customers without bank accounts can buy D\$ at most retailers for cash. It is as simple as buying milk. Once a customer holds D\$'s they can:

- a. **Remit D\$ anywhere globally for FREE!** This compares to current remittance costs of around 14% and represents a huge saving for customers, who provide financial support to their families in other African countries, like Zimbabwe. Zingsure is currently working on integrating D\$ to Mobile Wallets across Africa. This will enable Zing to send D\$ to 180 million mobile wallet users on the African continent.
- b. **Hold D\$ as an investment.** It represents the USD/ZAR asset class and is the best performing asset class in South Africa since 1978.
- c. **Participate in the Digital economy without the need to have a bank account.** Unbanked customers will be able to participate for the first time in the digital economy and buy goods and

services online using their D\$. All current online platforms (i.e. Amazon) require clients who have bank accounts in order to transact. Zing's new business model intends to open the door to the digital economy for 1.7 billion emerging market customers.

- d. **Buy US Dollar offshore life insurance coverage**, starting with as little cover as \$500 for one dollar (this is essentially microinsurance) with the option to increase this to \$250'000 without a medical check. In South Africa, there are two to three million Zimbabweans who simply do not qualify for life cover. Zingsure believes this will secure "employment" for many people to secure an annuity-based living wage because Zing's commission levels are high.

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<sup>i</sup> <http://rbz.co.zw/assets/zimbabwe-national-financial-inclusion-strategy-2016---2020.pdf>

<sup>ii</sup> The World Bank Group (2018). World Development Indicators database. Washington, DC. <http://data.worldbank.org>. Accessed (08.2019)

<sup>iii</sup> The remaining kiosks were sold to Getbucks, a microlender in Zimbabwe following Zingsure's withdrawal.

<sup>iv</sup> Late in February 2019, Zimbabwe introduced a new currency called the RTGS, or real-time gross settlement dollar, in the process abandoning its long held 1:1 parity between the US dollar and its local transactional instrument - the bond note.