

Microinsurance Market Development: Piloting Paid Digital Insurance in Myanmar

1. DEVELOPMENT RELEVANCE

Economic and poverty context

Prior to Covid-19 in 2020, and the military coup d'état in February 2021, key indicators such as GDP per capita and the GINI coefficient showed steady growth. Additionally, although Myanmar's Human Development Index (HDI) remains low, with the country ranking 147 out of 189 countries assessed in 2019, the country's HDI value increased significantly from 0.515 in 2010 to 0.588 in 2019^{iv}.

Primary issues affecting poverty in Myanmar are a poorly mechanized agrarian society, low access to financial services, low financial literacy, and an underdeveloped private sector. These factors are largely predicated on Myanmar's history of military dictatorship and oppression. From 2015-21, Myanmar's nascent democracy brought growth and progress across nearly all economic sectors and indices. The coup d'état in February 2021 put a harsh end to Myanmar's democratic future, severely limiting development progress and gains to poverty alleviation. Before the putsch, the World Bank predicted that the economy would grow by almost 6% in 2021; now it expects to contract by 10-20%^v.

Table 1ⁱ: Population and economic indicators

Population in million (please indicate year)	
GDP growth (year)	2.9% (2019)
Inflation (year)	8.8% (2019)
Trade balance (% of GDP) (year)	0.1% (2018)
Foreign direct investment (net) (% of GDP) (year)	3.0% (2019)
Net ODA received (% of GNI) (year)	2.8% (2019)
Remittances received (% of GDP) (year)	3.2% (2019)
Economic Freedom Index ⁱⁱ (Rank among 186 countries) (year)	135 (2021)
Poverty indicators	
GDP per capita (USD) (year)	\$1,407 (2019)
Gini Index (0= equality 100= inequality) (year)	30.7 (2017)
International poverty rate (year; at 1.90 USD/day)	1.4% (2017)
National poverty rate (year)	24.8% (2017)
National rural poverty headcount rate ⁱⁱⁱ (year)	30.2% (2017)

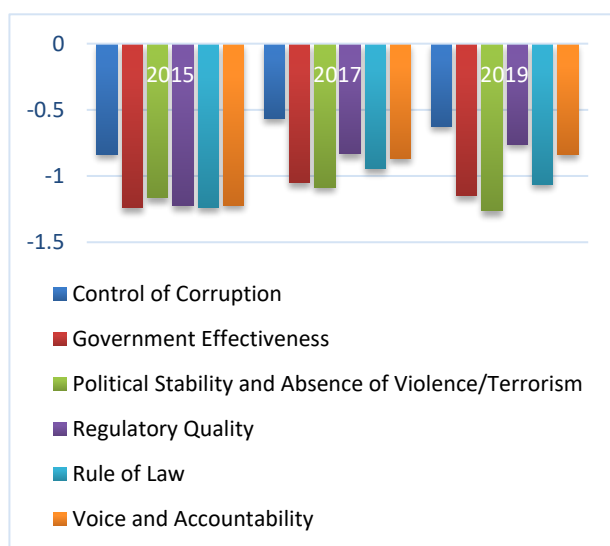


Figure 1: Governance indicators chart, (Myanmar, 2015-2019)

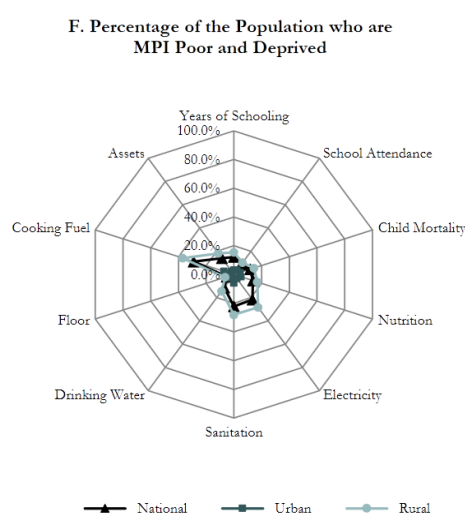


Figure 2: Multidimensional poverty index chart, (Myanmar, 2017)

Financial sector context

The Myanmar Sustainable Development Plan 2018-30 (MSDP) identified increasing economic growth through the role of the private sector^{vi} as a priority. Economic liberalization was significant in scope and detail, affecting all financial sectors, especially banking and insurance. Both sectors were characterized by new digital business legislation and governance procedures, as well as a flood of international entrants via JVs (with local companies, as well as direct investment such as Stonestep). Illustrating Myanmar's rapid growth, the CPIA increased 20% between 2017 and 2018^{vii}. Financial inclusion has been characterized by a 'latecomer

advantage' and witnessed significant increases in customer adoption, especially among younger generations using digital financial services. Mobile payments for example, experienced a 19.7% user increase in 2020^{viii}. Digital adoption was further buoyed by Covid-19 which necessitated distanced services. Unfortunately, since the military putsch, a general strike has paralyzed businesses, internet blackouts are common, public services have largely ceased, foreign aid and investment firms have suspended investments and many financial services have shut down completely.

Partner financial institution

Stonestep Myanmar ASB is a microinsurance technical services provider, intermediary, and tech company focused on emerging and frontier markets. Its mission is to change insurance for good by providing risk transfer solutions and technologies to low-income, first-generation consumers in emerging markets to improve resilience and reduce poverty.

Stonestep first began working in Myanmar in 2015 through a feasibility study, funded by SCBF, and later established its Myanmar subsidiary in 2017. Stonestep Myanmar ASB has established partnerships with local insurers, digital/mobile distribution channels, and service providers to deliver first-to-market digital microinsurance products.

From 2018-21, Stonestep Myanmar ASB expanded access to insurance through two distribution partnerships: Ooredoo Myanmar (Ooredoo) and Wave Money.

Ooredoo is the 3rd largest mobile network operator (MNO) and mobile wallet in Myanmar. Ooredoo has 10+ million mobile subscribers, 3 million My-Ooredoo App registered users, and 500'000 M-Pitesan mobile wallet users. Stonestep also partnered with Wave Money, Myanmar's largest mobile wallet with 5+ million users. Target customers are first time insurance customers living in urban/peri-urban and rural geographies with greater emphasis on women.

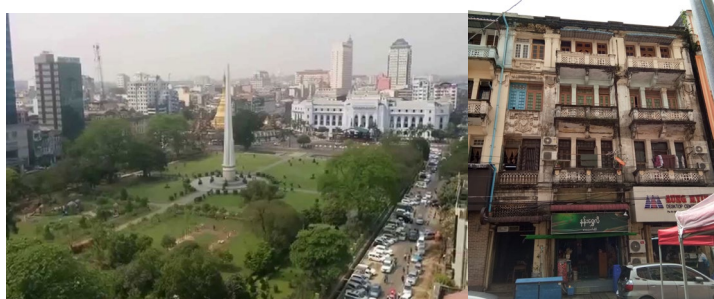


Figure 3: Stonestep Myanmar HQ Branch near City Hall, Yangon, MM

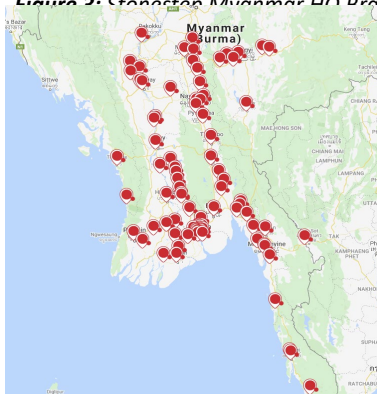


Figure 4: Ooredoo Myanmar Coverage



Figure 5: Wave Money Coverage

2. INTERVENTION APPROACH

Capacity building needs

The intervention was designed to de-risk the high start-up cost to launch a market-first microinsurance program in Myanmar, establishing the operational processes required for future program expansion and foundation for market growth. Key upscaling constraints of the PFI were regulatory delays, low financial literacy across all stakeholders, multi-layered, slow-moving distribution partners, and political instability.

Previous activities enabled by SCBF are:

1. SCBF funded Feasibility Study (FSW) with PGFM, Myanmar's largest Microfinance Institution. Results include increased named beneficiaries from 750'000 to 1'500'000 with improved insurance benefits.
2. SCBF funded Product Up-Scaling (PU) with PGFM. Results include reduction in claims handling and processing from 90-day average to < 2-weeks.
3. SCBF funded Financial education campaign (FEW) to improve financial literacy using animated video series to increase understanding and awareness of insurance. The videos were also designed for use in marketing with our partners.

Main activity areas and outputs

The project was divided into key outputs scheduled over a two-year period; however, changing insurance regulations delayed the intervention a third year. The project was scheduled for launch in February 2021 before the putsch. Main activity areas were:

1. **Market / Client needs assessment:** Two consumer needs assessments were completed. The first survey was deployed digitally using Facebook and Google Forms (464 responses). The second survey was conducted via telephone (101 responses). **Completed.**
2. **Product Proposal: Stonestep developed group micro-health and life insurance proposals** which were approved by the insurer, Central Bank, and Telecommunications Regulator. In addition, Stonestep developed a new product bundle to address customer demand and impacts from Covid-19, adding the following features: Health insurance + Covid-19 insurance + Life insurance + telemedicine service. **Completed.**
3. **Regulation and Licensing:** Separate changes to insurance regulations in February and July 2020 delayed project launch. During 2020, Ooredoo Myanmar, Myanma Insurance, and Stonestep agreed and aligned on three separate program structures to support three different regulatory regimes. By January 2021, Stonestep received approval from Myanma Insurance and the Finance regulatory Department on its third and final program structure. **Completed.**
4. **Operations and Integrations with at least one partner (Ooredoo or Wave):** By February 2021, Stonestep integrated ICT and operations with Ooredoo and telemedicine firm Trust Oo. Stonestep employed a local team of nine staff, all of which had customer service and education training to operate the pilot. **Completed.**
5. **Roll-out and Support:** Operations and support services for end-users and partners were organized and tested, marketing plans developed, and Stonestep staff upskilled, trained, and licensed as insurance agents. The roll-out, like the pilot, was put on hold since the putsch. **Partially completed.**
6. **Pilot Implementation with at least one partner (Ooredoo or Wave):** The pilot with Ooredoo was scheduled to launch in February 2021. Unfortunately, all business activities have been suspended since the putsch on 1st February 2021. After two months with no improvement to the situation in Myanmar, we have decided to close the project early. **Not completed.**

3. RESULTS ACHIEVED AND NOT ACHIEVED

The intervention was projected to reach sustainability (break-even) 6-months from pilot. Milestones 1-5 are completed, with pilot roll-out and implementation scheduled in mid-February 2021. Stonestep started its partnership with Ooredoo Myanmar in the fall of 2018 with the goal of developing first-to-market digital microinsurance. Three years later, the partnership was formally signed and executed on January 22, 2021, the same month regulatory approvals were received, cementing the path to launch in February 2021. The partnership with Wave Money was formed in 2019. Operations, IT integrations, commercial contracts, marketing plans, training and education are complete. Unfortunately, the February 1st coup d'état demands that the partners suspend the project until the political and security situation improves, which is uncertain.

Client level

Although the project closed early prior to collecting pilot results, many activities completed contributed to up-scaling, market-growth and replication.

Client Satisfaction

The original intervention planned to pilot paid health or life insurance; however, after conducting customer needs assessments, a bundled product was designed to address customer feedback and market-demand. Key learnings from client assessments were applied to product design, addressing cost of the product, accessibility, and low understanding of insurance. Nearly 70% of respondents surveyed were interested in insurance if it was bundled with other services like telemedicine, especially relevant during Covid-19 and stay-at-home orders. Clients also reported bundled product prices need to be affordable with price range from CHF 0.65-3.25 per month. In response, Stonestep Myanmar adapted the product to add multiple bundled features including Life Insurance + Covid Insurance + Health Insurance + Telemedicine Services all for CHF 2.00 per month. We also simplified the customer user journey to only a few steps on a smartphone, making enrollment and claims simple and efficient, offered in both English and Burmese language. Animated education videos and targeted marketing were planned to reach large numbers of clients with product offers and information to increase awareness and understanding. Furthermore, Stonestep Myanmar and distribution customer service centers were trained to answer any customer queries.

Change of Quality of Life / Change of Financial Literacy

The project was planned to introduce simple and affordable insurance to digital distribution partners and their clients, reaching 15 million low-income consumers. Animated videos were developed for use with clients to promote the product campaign and educate first-time customers about risk and insurance (Figure 3). Targeted educational messaging was planned for mass-distribution on partner's Facebook and apps, reaching both urban and rural clientele. Women are disproportionately impacted by health events; thus, the product bundle was expected to improve resilience and reduce vulnerability of women, especially young mothers.

Change of Client Business Performance

The product would have been a market-first in Myanmar and our partners expected a boost to their revenue as well as improved customer loyalty and market positioning with first-mover advantage. At the start of the intervention, the concept of microinsurance was entirely new to Myanmar and no digital distribution partners offered insurance. By 2021, new digital insurance campaigns were planned and the insurance regulator drafted specific directives to regulate digital microinsurance (still pending), highlighting demand-driven interest for formal risk mitigation, which still has tremendous growth potential.

Partner financial institution level

Stonestep Myanmar ASB (PFI) has operated in Myanmar since 2015 and established itself as a market-expert in microinsurance administration. Stonestep was the first to introduce microinsurance to the government and state-run Myanmar Insurance, and it was highlighted by the financial regulator as an example of innovation to improve resilience of low-income clients. The pilot was expected to further establish the market conditions for follow-on development, especially following the 2019 insurance market liberalization. The intervention also accelerated new partnerships with other distribution channels, including tech-focused NGO Koe Koe Tech, to launch on their maternal health app, and other mobile wallets: ONGO, True Money, e-Commerce, and MFIs.

Strengthening of IT and Customer Experience:

Stonestep constantly improved its microinsurance administration software, as well as customer experience and user journeys to maximize accessibility. The most significant developments in this space were the advancement of customer service processing, streamlining partner integration, and the iteration of high-volume claims processing. Significant improvements were also made on user experience (UIUX), creating a simple 3-step user journey to improve enrolment and claims experience for first-time customers. Lessons learnt are being deployed to other markets.

Capacity building of local PFI and distribution staff:

Stonestep retains a good relationship with its local team of highly capable staff which are ready to recommence should the political and security situation abate. 15 PFI staff are trained in customer service, operations, IT, UIUX, and marketing. PFI staff are also licensed life insurance agents. Knowledge transfer to other markets for replication is underway.

Financial sector level

The intervention accelerated market-awareness and acceptance of microinsurance into the mainstream, with several follow-on insurers and distribution channels planning digital insurance programs in 2020/21. Myanmar is considered one of the last frontiers for insurance development and with a young population of 54 million and almost no insurance, there is great potential. Unfortunately, the coup risks economic collapse and any gains over the last five years quickly evaporated. Most programs are on-hold and planned market-making and imitation effects could not be captured.



Figure 6 Sharing education videos in Yangon, Myanmar

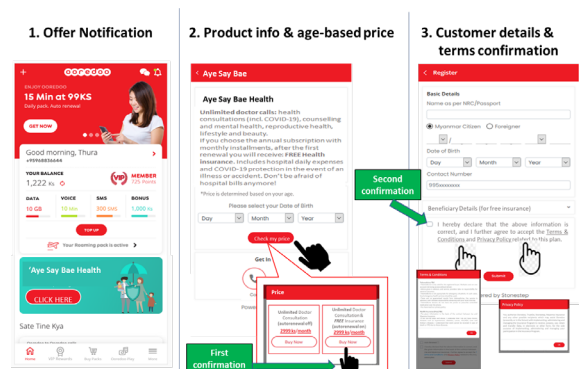


Figure 7: Simplified customer journey for product enrollment

4. LESSONS LEARNT

At the start of the intervention, digital microinsurance was completely new to Myanmar, with insurance penetration <1% and no digital products available by mass-distribution partners targeting low-income populations. Stonestep's mission is to change insurance for good and spent 3+ years developing the capacity and knowledge-transfer, product design, regulations, marketing, and education to pilot a market-first. Stonestep under-estimated the amount of time to implement the intervention, especially around opaque and delayed regulatory interactions. Put simply, the insurer and the regulator did not know how to regulate microinsurance and thus were paralyzed with indecision. After three regulatory changes and still-pending microinsurance directives, Stonestep found a way-forward with regulatory approval in January prior to the coup. To overcome regulatory challenges, Stonestep recommend ensuring a program champion within the government. It leveraged political capital and established relationships at each level of government, yet it did not have an internal champion to push the program through. Stonestep even drafted a white-paper on regional regulations and proposed multiple concepts to assuage concerns including: 'sand-boxing', 'proof of concept', 'test-and-learn' etc.

Second to regulatory challenges, managing and driving a large distribution partner to results was both time-consuming and slow. Microinsurance programs traditionally focus on large partnerships to reach scale; however, each market will have a limited number of large channels (e.g., Myanmar has 4 Telcos, 3 of which are eligible, the 4th sanctioned). Stonestep spent 3 years negotiating and contracting with Ooredoo despite their LOI commitment at the beginning of the intervention. Future interventions will focus on smaller, faster moving channels. In addition, with respect to microinsurance programs, providing technical assistance to distribution with the promise that implementing programs will create tremendous long-term value and revenue is not enough in emerging markets where insurance is new to sway and motivate channels to move quickly. Adding small financial incentives for marketing and promotion however are extremely useful 'carrots' to accelerate implementation.

During the intervention, it also became clear how much time and effort was required to build basic financial literacy and understanding of insurance for all stakeholders, including the insurer, regulator, distribution partner, and end-customer. Stonestep expected this in a nascent market, but it underestimated the time and effort to educate partners. From a customer-centric view, marketing and awareness building was critical, with the animated videos being a great tool to develop understanding and marketing. Similarly, designing easy customer journeys and user experience, so clients understood the product and could easily enroll was critical. Product bundling with insurance and service was especially attractive to clients where product offers were affordable, simple, and easy to use.

Unfortunately, because of the coup, Stonestep are unable to pilot the intervention and achieve outreach metrics. That said, the design and implementation of the intervention remains relevant and replication can be more easily achieved using lessons learnt. Critical success factors to implement a similar intervention are to:

- operate in a more mature regulatory environment where there is some experience in microinsurance;
- partner with smaller and more agile distribution partners and use financial incentives to gain quick results before scaling to larger partners;
- design simple, relevant, and easy to use products (especially bundled products); and
- focus efforts on financial literacy and capacity development with clear marketing messaging and efficient customer support to ensure positive user experience.

ⁱ The World Bank Group (2021). World Development Indicators database. Washington, DC. <http://data.worldbank.org>. Accessed (April 2nd 2021)

ⁱⁱ Heritage Foundation, (2021) Index of Economic Freedom, <http://www.heritage.org/index/ranking> Accessed (April 2nd 2021)

ⁱⁱⁱ The World Bank Group (2019) Poverty Report – Myanmar Living Conditions Survey 2017. Washington DC. <https://www.worldbank.org/en/country/myanmar/publication/poverty-report-myanmar-living-conditions-survey-2017>. Accessed (April 2nd 2021)

^{iv} United Nation Development Programme (2020). Human Development Report 2020. New York. http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/MMR.pdf. Accessed (April 2nd 2021)

^v The Economist (April 17, 2021), "Chaos in Myanmar, Asia's next failed state." Accessed (April 19, 2021)

^{vi} The Government of the Republic of the Union of Myanmar (2018). Myanmar Sustainable Development Plan (2018–2030). Naypyitaw. https://connectivity.asean.org/wp-content/uploads/2020/06/Core_Doc_Myanmar_Sustainable_Development_Plan_2018_-_2030_Aug2018.pdf. Accessed (2nd April 2021).

^{vii} The World Bank (2019). CPIA financial sector rating. New York. <https://data.worldbank.org/indicator/IQ.CPA.FINS.XQ?locations=MM>. Accessed (April 2nd 2021).

^{viii} Oxford Business Group (2020). Covid-19 and fintech: Myanmar's chance to expand financial inclusion? <https://oxfordbusinessgroup.com/news/Covid-19-and-fintech-myanmars-chance-expand-financial-inclusion>. Accessed (6th April 2021)