

Sika Life and GhanaTel

GhanaTel a Mobile Network Operator and Sika Life, a Life Insurance Company have been collaborating to sell insurance for some time now. The main delivery channel is the mobile phone. The insurance is initially offered for free to GhanaTel customers who consume air time credit beyond a certain amount. As a loyalty based product, clients learn to appreciate the offering and subsequently may be willing to pay a premium for higher coverage. Provision of free insurance lasts for 6 months before the premium function is enabled. The free insurance is activated when a customer accepts an offer via SMS or activates a policy by sending a short code. Customers are informed of airtime credit deduction and the amount of insurance cover earned or purchased via SMS.

A mobile money account is not needed to register for the insurance cover. Where a customer does not have a mobile money account, the premiums are deducted from the customer's airtime balance. There is an opt out option (a ticked box) that consumers use to agree to increase insurance coverage up to \$1,500. (See policy information below)

Since the mobile money usage rate is still very low (just about 25% of mobile phone users have mobile money accounts) a majority of the mobile insurance customers are currently using air time to pay their premiums.

Table One – Policy information.

Insurance policy	Life insurance (2 family members covered)
Policy term	One month
Premium	Free ("freemium") with option to double the coverage for premium of \$1 per month through airtime deduction
Covered amount	Ranges from \$200 to \$500 based on the value of airtime that was purchased during the previous calendar month and up to \$1,500 of insurance cover for paid option.
Age Limit	18 to 70 years inclusive
Waiting period	No waiting period
Exclusions	Death resulting from Suicide and HIV AIDS

GhanaTel and Sika Life have an agreement with Service Pro, a technical service provider to market and distribute the product as well as manage customer data, administer premiums, manage claims and provide customer service including resolution of customer complaints. Service Pro has been aggressively pushing the sales through its GhanaTel branded agent network and a call center. A recent survey indicated that about one and half million customers of GhanaTel have signed up the mobile insurance product.

In recent days, there have been complaints against GhanaTel concerning the mobile insurance product as illustrated by the following quotes:

- *I did not want that insurance but the GhanaTel agent pushed me to take it...;*

- *I don't understand why I get airtime deductions for some insurance service that I don't really know how to use. I registered for the service via my phone but they did not explain the terms and conditions clearly.*
- *At first, they told me it was free as long as I consume airtime. Now I realise they are deducting my airtime credit.*
- *I got an SMS in June that I had a life cover of \$500 but when my mother died in July, they said I was not entitled to any claim. When I went to the GhanaTel sales office to complain, they told me they were selling airtime credit and not insurance.*

In addition to the above, the extremely low claims ratio has been a major concern for the insurance regulatory authority over the value of the policy for GhanaTel customers. Also, an emerging dispute between GhanaTel, Sika Life and Service Pro on commissions is threatening to leave customers without coverage. Finally, The Central Bank has issued a statement indicating that airtime credit is a commodity and so must not be used to pay for goods and services. The statement actually disclosed that the Central Bank is working on an Electronic Payments Act which will expressly prohibit the usage of airtime for making payments.

QUESTIONS:

As the head of the insurance regulatory authority,

1. Identify the main issues here? Why is urgent attention needed?
2. What factors led to the situation?
3. What steps need to be taken to resolve the issues and prevent future recurrence?
4. What lessons/conclusions can we draw from the case?