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Advancing Financial Inclusion
Assessing opportunities and challenges in implementing a digitally enabled microinsurance service in Myanmar

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Assessing opportunities and challenges in implementing a digitally enabled microinsurance service in Myanmar

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Executive Summary

Even though access to financial services in Myanmar has grown, a large proportion of families remain narrowly served, or financially excluded altogether. Financial exclusion impedes economic development and keeps households in poverty. This report assesses the feasibility of digitally enabled microinsurance services as a means to accelerate financial inclusion and access in Myanmar.

The power of financial technology innovations in advancing financial inclusion is well known. Numerous innovations have taken advantage of the fact that mobile phone usage is nearly ubiquitous and that internet facilities are now more accessible than ever. This allows firms to provide financial services cheaply and at scale. At the same time, these innovations are a boon for users too. It helps them reduce transaction costs and allows greater access to financial services. This effect can be especially profound in Myanmar where there are nearly 68 million phone connections, over 80% of which have at least a 3G internet connection.

Microinsurance works well when the market is underpenetrated and Myanmar is just that. While there is little doubt that insurance is an important service for poor households, Almond Finance will find that this market is large, likely making a venture in the microinsurance sector financially sustainable. The report finds that only 6% of the country is formally insured meaning that over 30 million adults have no formal insurance coverage. This is a sizable, untapped market that is estimated to be $1.3 to 2.7 billion per year.

When looking at what insurance product to offer, the report determines that it is best to start with life insurance. While it is relatively easy to explain to people who have never been insured, the service is also important from Almond Finance's point of view–chances of fraud are low, and mortality rates are decreasing. In addition, to encourage long-term use, some strategies suggested include piling the service on to other services Almond Finance is planning to offer, using a freemium model, automatically enrolling customers, and incorporating a financial literacy program.

At the same time, the report also finds some important challenges and barriers to overcome in Myanmar. First, the regulations in the country do not appear to be friendly to newcomers, especially foreign entities. Further, a lack of clarity in the roles of responsibilities of different players means that Almond Finance might face scrutiny in the future. Second, the country faces an uncertain future with the current military coup. The internet is unstable, many individuals and firms are engaged in regular protests, and foreign governments are asking entities to not work with the junta. These challenges means that Almond Finance will have to hold back until the political situation is back to normal and the regulations in the sector are addressed.

While the challenges seem too big to surmount, these are short-term. Over the medium to longer term, Almond Finance will find the market for microinsurance services in Myanmar large and untapped. This gives them a real opportunity to better the lives of millions of citizens by providing these risk-mitigating services in an economically sustainable way.

About this Report

A lot has been written about how financial technology (fintech) innovations are accelerating financial inclusion across various contexts.[1] While this might be true, this report seeks to understand how one particular financial service might fare in one country. The report looks at the feasibility of digitally enabled microinsurance services in accelerating financial inclusion and access in Myanmar. This report has three main objectives:

(1) First, this report seeks to determine whether the client, Almond Finance, might find the Myanmar market an attractive place to offer these inclusive insurance services. In determining this, the report looks at three categories: (a) it looks at whether insurance as a financial service is needed for the poor; (b) it looks at insurance usage within the country and whether it is underpenetrated; and (c) it looks at whether this service might align with the goals of the client.

(2) Second, the report determines the various business models within the microinsurance sector. It determines what the limitations might be when implementing these business models and what sort of partnerships might be required when implementing these services. The report also looks at what type of products Almond Finance could look to offer, while finding ways to ensure that the products are being used over the longer term.

(3) The final goal of this report is to understand what the challenges Almond Finance might face when working within the microinsurance sector in Myanmar. It analyzes not only the political climate, but also looks at regulations, challenges in forming partnerships, and the difficulties associated with selling insurance–particularly to those at the bottom of the financial pyramid.

This report is not intended to be a business plan. Rather, the report is policy-oriented and focuses on how technology can enable microinsurance services to the people of Myanmar. This report is intended to highlight the opportunities and challenges facing Almond Finance if they choose to enter this segment in the future.

Introduction: Access to Financial Services and its Importance

Access to financial services is broadly defined as the ability of households and firms to use financial services such as credit, deposits, payment and insurance, if they so choose to do so.[2] Access to these services, and financial inclusion in general, is an important driver of economic growth and development–both on a micro level for individuals and on a macro level.

For many individual households, access to these crucial services means that they are able to plan for medium and longer term futures, rather than just short-term financial planning. Individuals who utilize these formal financial services are able to plan ahead by taking advantage of opportunities like making use of credit and loan services from banks and other lending institutions, investing in important causes like education and healthcare, saving for their retirement or for emergencies, and insuring against hardships and shocks.[3]

These support services are seen as important not just from a theoretical point of view. Empirical research suggests that access to financial services is critical–especially in lower income countries. Evidence suggests that increasing access to financial services leads to higher incomes on average. Moreover, expanding financial access for everyone appears to have a greater impact on economic growth in low-income countries compared to economic growth in higher-income countries.[4]

Further, benefits of enhanced financial access goes beyond economic gain. For instance, many studies have shown that the ability to access formal financial services empowers women, and has a more profound impact on their lives compared to men. This is because women are disproportionately affected by poverty. In addition, access to services like savings programs have tremendous positive impacts as it allows women greater control of household finances, empowers them to make decisions, and grants them greater bargaining power in the household. Studies have also shown that allowing women greater access and control of financial services strongly correlates with better outcomes for childrens' nutrition and health.[5]

The Financial Services Landscape in Myanmar

Access to financial services in Myanmar is growing.[6] By 2018, nearly 48% of the adult population in the country had access to financial services through banks and other regulated institutions like microfinance institutions and cooperative banks. This proportion was up from 30% in 2013, and had surpassed the government's 2020 target of 40%. The overall financial inclusion in the country, which included both the

formal financial inclusion, and the informal financial inclusion like the usage of a savings group or a money lender, increased from 62% in 2013 to 70% in 2018.

- **Overall financial inclusion in the country stands at 70%**
- **48% of all adults had access to financial services through banks and other institutions**
- **Only 17% of adults use more than one financial service (deeply served)**
- **31% utilize only one financial service**
- **31% of all adults are financially excluded**

Progress has also been made in the rural areas of the country. In rural areas, financial access has grown at a quicker rate than in urban areas. Within urban areas, financial inclusion and access was primarily driven by improved access to private commercial banking services. This is in stark contrast to the drivers of rural financial inclusion and access, which comes largely due to improved access to microfinance institutions, rural cooperatives, and the informal sector. In fact, over 70% of the rural financially included individuals utilise informal financial services. However, an equal proportion of adults from both rural and urban areas remain excluded at 30%.

Men and women faced nearly equal rates of financial inclusion. Approximately 70% of all adult men had some access to financial services. This access was driven by bank usage, which was used by 29% of all adult males. A total of 41% of all men used either informal services or other non-bank formal financial services. About 70% of all women had access to financial services too. However, a higher proportion of the inclusion and access is driven by informal services and other non-bank financial services. Formal services like banks accounted for 22%. When looking at gender, financial exclusion remained nearly the same among men and women–30% of all men were financially excluded while 31% of women were estimated to be excluded.

While progress is being made in the country with respect to financial inclusion and access, a significant amount of work is yet to be done. Only 17% of adults in the country are deeply served (defined as adults that access more than one financial service from a regulated institution). Almost 31% of the adult population utilise only one formal financial service and are classified as “narrowly served.” Further, nearly 22% of the adults in the country utilise only unregulated and informal financial services. These unregulated services include borrowing money from informal money lenders or using savings groups to save money. 31% of adults in the country are financially excluded and make no use of any financial services.

Barriers to Financial Inclusion in Myanmar

Within Myanmar, factors that inhibit financial inclusion could be broken down into two categories: the demand for financial services and the supply of financial services. Addressing both the demand and supply-side factors will be key for Myanmar's economic development.

When looking at the demand for financial services, a major hurdle is the fact that people prefer using cash. Many people also have a low trust in the financial system resulting in people using and saving money as cash, jewellry or even livestock. In addition, transactions costs may also be high. Low number of bank branches means that people in Myanmar could also be facing significant transaction costs when utilizing formal financial services–such opportunity costs include the time taken to travel far away to a bank and forgoing a day's wage.[7]

The problem of financial exclusion is also driven by the supply of financial services. Missing infrastructure limits access and increases the cost of delivery of financial services. Some of these missing infrastructure include e-payments, roads, and telephone networks. Paper-based banking and systems, common across the country, also increase cost of delivery and impact scalability. There are limited skills to operate formal financial services, and at the same time many institutions also face funding constraints. It is also noted that it is difficult to make business models in rural areas sustainable all while inappropriate and insufficient products and services are offered to the poor.[8]

Digital Financial Services as a Means to Financial Inclusion

- **Potential for digital financial services in Myanmar is high**
- **Usage digital financial services is strongly correlated with an increase in bank accounts and greater savings**
- **In Myanmar, it can help reduce direct and in-direct transaction costs, while increasing access–physical banking infrastructure is limited while travel time is high**
- **There are 68 million mobile phone connections (126%), at least 75% of which are smartphones**
- **Internet and data is cheap. 83% of mobile phone users have at least a 3G connection**

Digital financial services are defined as those services that rely on digital technologies for their delivery and usage. The services often include payments, credit and loans, savings, remittances, insurance, and other support services. These services are offered through numerous digital and technological channels such as the internet, smartphone applications, ATMs, and other point-of-sale terminals like credit card machines.[9]

Within the digital finance landscape comes the mobile financial services sector–an area many feel will be a key driver to financial inclusion in the developing world. Mobile financial services make use of mobile phones of the end users to deliver financial services to them. As per the Alliance for Financial Inclusion, mobile financial services are defined as "the use of a mobile phone to access financial services and execute financial transactions. This includes both transactional and non-transactional services, such as viewing financial information on a user's mobile phone."[10]

Similar to the broader digital financial services space, mobile financial services offer a range of services which include real time payments, digital wallet storage and transactions, access to credit, and other banking and financial services.

There is an increasing interest in exploring the use of mobile financial services as a means of ensuring easy financial access for all because it appears to work. In Africa, it was found that people who used mobile financial services were more likely to save money than those who did not utilise these services. It was also found that the amount of money people saved generally increased with time. One potential reason for this was the fact that mobile phones reduced transaction costs like the problems of distance to banks. The usage of mobile phones meant that people could save conveniently and remotely from their homes, or their business vicinity. This meant that they did not have to physically travel to a far off location.[11]

Similarly, when looking at the payments space, promising outcomes were seen. Mobile services like M-Pesa in Kenya have been attributed to be key drivers in the

increasing usage of digital payments and other non-bank financial institutions. The transactions have been more formalized, and across the platform have reached nearly $40 million per day. It is believed that in Kenya, the introduction of M-Pesa has led to a 58% increase in the number of Kenyas who hold bank accounts. These examples show how important mobile financial services can be: they not only provide a much needed service to the poor, but the services can also catalyse development and improve the wider economy.[12]

Potential for Digital and Mobile Financial Services in Myanmar

The potential for digital and mobile financial services in Myanmar is high. While still in its early stages, these services can drive financial inclusion in a country where formal financial institutions find difficulty penetrating but where smartphone usage is especially high.

Within the country, nearly a third of the population live below the poverty line of $1.90 per day, while almost 10% of the population live in severe poverty. Inaccessible financial services, especially for women, ethnic minorities, and rural farmers, have exacerbated these effects.[13] This means that some of the most marginalized people of Myanmar cannot save, borrow from formal financial institutions nor find ways to mitigate risk. All this while keeping money in the form of cash or livestock where animal disease puts their money at extensive risk. These people are unable to plan for their and their family's futures, and cannot guard against risks and emergencies.

In addition to this, banking infrastructure in the country is few and far between. The largest bank in the country has only 307 branches, while only 0.01% of the women have access to credit with a formal financial institution.[14] While in urban areas, the time taken to access a financial service has fallen to somewhere between 18 and 24 minutes on average, rural areas still lag behind. Majority of the people in Myanmar live in these rural areas and here, these financial services remain anywhere between 43 minutes (for a microfinance institution) to 82 minutes away (for ATMs) on average.[15]

The above findings suggest that there are significant barriers which mobile financial services might help set right. While there are direct transactional costs such account opening fees and maintaining a minimum balance, indirect transaction costs can be significant as well. These costs include travel time to the nearest bank or ATM for instance, and are key in solving the problem of financial exclusion. Increased access through mobile phones and other easy to use digital services can help reduce these transactional costs and ensure financial inclusion–thereby reducing poverty and maximizing social welfare.[16]

Telecommunications Landscape in Myanmar

A significant majority of the population in the country have mobile connections. By the end of January 2020, it was reported that there were over 68.24 million mobile connections–a subscription rate of 126%.[17] The rapid growth in mobile phone usage has been attributed to affordable SIM cards and inexpensive phones imported from China. When looking at smartphone usage, it was found that nearly 78% of mobile phone users owned a smartphone. This impressive growth was expected to continue, with projections that Myanmar would have the second highest smartphone usage as a proportion of connections in the Asia Pacific region by 2020.[18]

Another reason for the widespread mobile phone adoption is the telecom competition in the country. High competition between the various service providers has meant that prices for consumers have remained largely low. Telecom providers have also made it easy to access the internet in the country. In fact, nearly 83% of mobile connections have at least a 3G connection,[19] and the primary mode of communication is through the internet via Facebook. Further, 90% of mobile phones used have cameras which can be used for reading QR codes, and thereby making the potential for payment services and other transactions much easier.[20]

These findings indicate that there is a high potential for mobile financial services in the country. Now that a significant number of people own smartphones and can access the internet and other auxiliary services like cameras, the belief is that the market for digital and mobile financial services is ripe for penetration.

Research Methodology

To meet the objectives of this report, the research methodology was fairly qualitative.

First, there was a review of academic literature and policy reports. These secondary sources usually came from organizations trusted in the field of financial inclusion like the United Nations Development Programme (UNDP), the United Nations Capital Development Fund (UNCDF), the World Bank and reports from ministries within the Government of Myanmar like the Ministry of Planning and Finance. These reports helped establish whether there was a need for microinsurance services in the country.

The research project also involved interviews conducted with sector experts. Due to the ongoing political crisis in Myanmar, it was difficult to obtain interviews from people within the country. However, a few interviews with people who resided in and understood the financial inclusion landscape of Myanmar were conducted.

Other interviews were also conducted with experts who were familiar with issues pertaining to financial access and the insurance sector. These experts came from different professional fields, and were familiar with working with customers who have similar backgrounds to those in Myanmar. Their expertise helped determine what sort of products needed to be offered and how a digitally enabled microinsurance service could be implemented.

Why Insurance?

This report deals with the question of what sector Almond Finance can move into to advance financial inclusion in Myanmar and better the lives of millions of its citizens. In particular, the report explores the possibility of providing digital microinsurance services to the uninsured people of Myanmar. As stated previously, most people of Myanmar are narrowly covered by financial services meaning that they use and access only one financial service. The number of people who use more than one formal service is miniscule. Further, with the smartphone and mobile phone penetration being so high, there is real potential of providing these services through digital tools like mobile phones. The question is, why does this report look at the potential digital microinsurance services to advance financial inclusion in the country? There are three reasons for that.

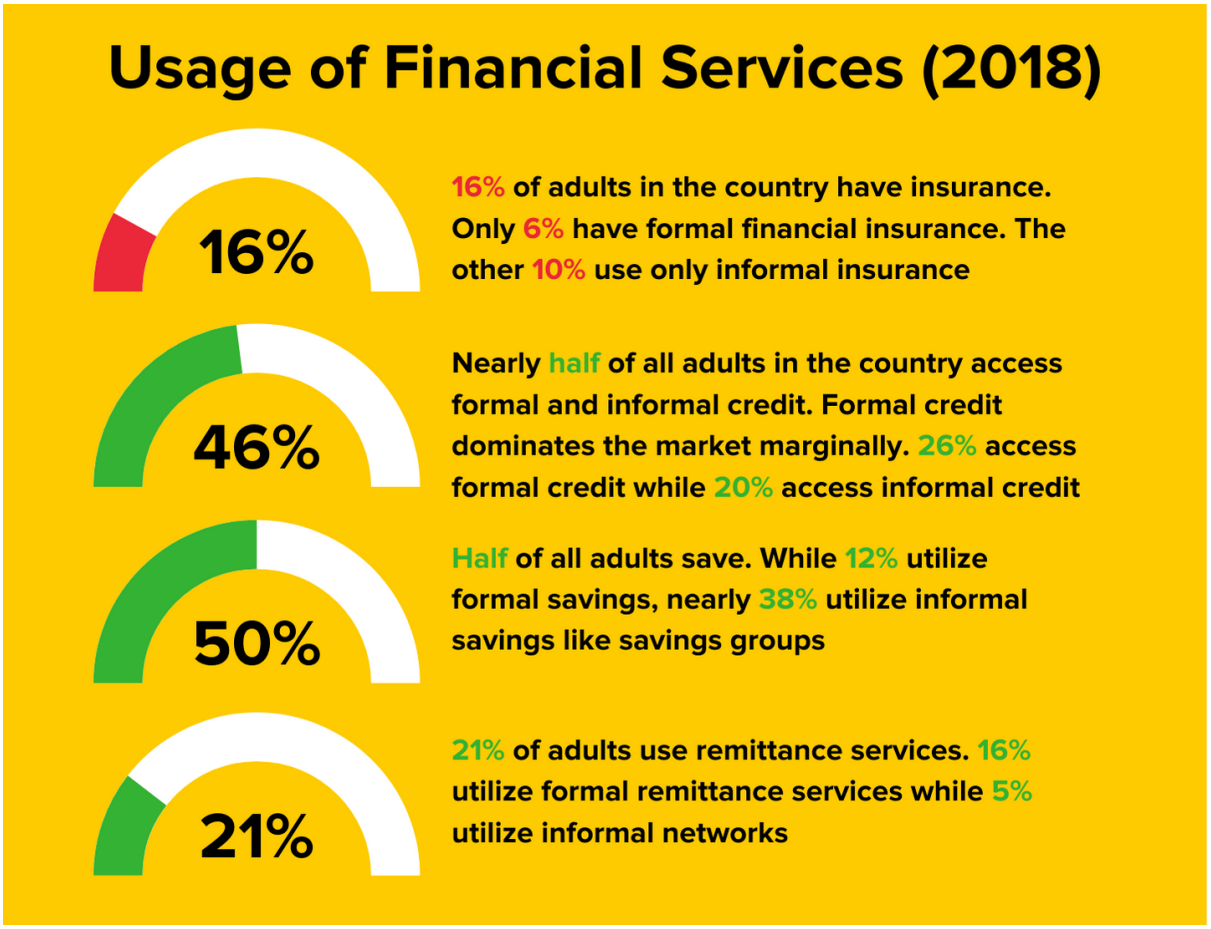
Reason 1: Insurance is a Crucial Financial Service for the Poor

Insurance is a tool that provides protection against a loss. It generally works by pooling in a group of people and collecting a fee from each in order to be insured against a certain risk in the future. This fee, known as the insurance premium, is a way to ensure that if something adverse happens to a person, the person would be guaranteed to receive some compensation in order to make up for the financial loss they faced.

For the poor and financially excluded, insurance products can make a significant and a positive difference on their lives. These products would help poor households mitigate adverse shocks, like the death of an earning family member or crop damage. It is also seen as a way to improve their way of managing finances especially for those expenses related to unforeseen circumstances like medical emergencies or natural disasters. Insurance adoption is especially important for low income households where small and irregular earnings means they are particularly vulnerable to economic shocks. They generally have smaller savings and limited resources to rely on when times get tough. In such cases, consequences of shocks can be dire.[21]

Reason 2: Insurance Penetration is Low in Myanmar

The number of people covered by microinsurance services globally is growing. It is estimated that the number of poor and marginalized people insured went from 78 million in 2007 to approximately 135 million in 2009, and today, some estimate it to be nearly 500 million people covered by the service. While these stats are positive, the growth is not uniform geographically and few in Myanmar have insurance.[22]



As of 2018, only 6% of the adults in the country had formal insurance that was purchased from a registered insurance company. Nearly 84% of all adults were uninsured while a small proportion of the adults utilized informal insurance services such as community solidarity groups or self-help groups.[23] These figures indicate that roughly 33 million of the approximately 35 million adults in the country remain uninsured against any type of risk.

On the other hand, rates of access and utilization of other forms of financial services have been more widespread. For instance, nearly 36% of all adults in the country access banking facilities or microfinance institutions, equating to nearly 12 millions adults utilizing these services–up from approximately 9 million in 2013. Savings rates have increased too. Approximately 50% of all adults saved money, with nearly 13% of the adults utilizing banks or other formal services. Many adults were utilizing formal credit services as well. The rates of adults using banks or other formal facilities to access credit and loans had increased to nearly 26% from approximately 20% in 2013, mostly indicating that less number of people were relying on friends, family or loan sharks for their borrowing needs. Finally, formal usage of remittance products increased as well. Remittances are particularly important in Myanmar where a large number of workers emigrated to neighbouring countries like Thailand and Bangladesh for work. The space saw increasing utilization of formal remittances from

10% in 2013 to 16% 2016. These indicators show that insurance is the least penetrated financial service.[24]

The reasons why the people of Myanmar remain uninsured are numerous. Some of the poor are uninsured as they face income instability. Other findings attribute it to literacy and awareness. In fact, of the nearly 33 million uninsured, it was estimated that nearly half of them are unaware of insurance products. Further, there was some evidence of a lack of access as well. In a survey, the most usual reason for not having insurance was that no insurance representative ever visited a household and told them about insurance products or how they work. This meant that they did not have easy access nor the knowledge of these products. However, this trend appears to be changing. The same study also notes that, especially among the urban and the semi-urban group, who have higher literacy levels, awareness for insurance remains high. Moreover, among people who were aware of insurance products, there is a willingness to take up these products–a majority of the respondents surveyed saying they would be interested.[25] This means that even though many are uninsured, and there are challenges, there is a demand for insurance products.

Reason 3: Aligns with Client's Goals

Almond Finance is a mission-driven fintech platform currently focussed on bettering the lives of millions of people in Myanmar. Almond Finance is hoping to take advantage of the fact that even though nearly 2 billion people globally are unbanked, about 67% of them have a mobile phone, meaning Almond Finance could provide essential financial services through digital channels.[26]

- **Market for microinsurance services in Myanmar, and around the world, is large**
- **Overall market for insurance services in Myanmar expected to be between $1.3 to 2.7 billion**
- **33 million people still remain uninsured in Myanmar**
- **Globally, nearly 3 billion people still do not have access to microinsurance services**
- **The market for microinsurance is expected to grow as incomes rise and more people escape poverty**

The firm is soon to begin operations in Myanmar by targeting farmers and entrepreneurs. Almond Finance's goal is to help this target population through their mobile platform by integrating microfinance institutions for easier borrowing, and connecting them to services through their marketplace. Almond Finance is also hoping to provide payment services such as digital wallet transactions, and is exploring the possibility of making remittances easier for the rural poor in Myanmar. Microinsurance services can then be integrated within these services, into the platform or by utilizing other digital means to efficiently provide these services.

It is worth noting that while the client is a mission-driven social enterprise, they are not a non-profit organization. As such, the client's goal would be to maximize revenues wherever possible. Even with this constraint, getting into the area of providing digital microinsurance services to the poor can be a lucrative prospect. Most adults in the country are willing to purchase insurance products by paying anywhere between Kyat. 5,000 to 10,000 per month.[27] This means that the overall market size for the insurance sector can be estimated to be worth nearly $1.3 to 2.7 billion per year. This is sizable.

The market is not large just in Myanmar alone. With Almond Finance having goals of expanding their reach in the future, it is worth pointing out that the market for inclusive insurance services covers around 3.8 billion people globally. This global market size for inclusive insurance services is significant, and growth is mainly driven by rising incomes among populations in the emerging economies. Even though people in these groups are rapidly rising to form the middle class, many remain uninsured and therefore vulnerable.[28]

It is estimated that less than 20% of the above customers in the segment remain insured. This means that penetration rates for this market are low, and for an insurance industry that traditionally serves wealthier people, this presents an opportunity to move from a saturated space to an untapped market that contains numerous customers who are receptive towards the idea of insurance. With more and more people willing and able to pay for insurance, the speed of growth among this segment of the population has been rapid. For instance, rates of microinsurance growth in Nigeria was 106% recently while other emerging economies like Tanzania and Ghana witnessed impressive growths as well at 90% and 60% respectively.[29]

Implementing a Digitally Enabled Microinsurance Service

Providing a digital microinsurance service can be complicated with a number of operations to conduct ranging from policy design and regulatory compliance to marketing and claims management. Depending on the model or the partnerships between the various players, these individual components of the value chain are often handled by different parties.[30]

Model A: The Insurer-Led Model

In many parts of the developed world, we see the insurer-led model of providing insurance. Here, the insurer is responsible for designing the insurance product being offered, underwriting the risks, managing claims, and possibly addressing customer queries. Usually, when people in the developed world want to get insured, they contact an insurance company, who enrol a person after conducting thorough background checks. This might include taking a medical exam to insure a person against death or sickness risk. This often tedious process is expensive but necessary in order to eliminate the adverse selection problem. However, in order to reduce costs, the insurer might want to take advantage of group insurance policies.

Group insurance is a way of covering many people within a certain group with the same policy. While there is risk in covering one person with an insurance plan, group insurance might make sense as it is difficult to game the system on a larger scale. Group insurance therefore has been utilized to not only eliminate these adverse selection effects but to also bring down administrative costs. These costs are

generally associated with customer acquisition, or the cost of a medical examination that are usually borne by the insurer. These lower administrative costs that group insurance allows also bring down the premium rates for the consumer. Since microinsurance deals with people who are at the bottom of the pyramid, this becomes very advantageous to the customers as well.[31]

In order to take advantage of the group insurance phenomenon, insurers need to reach a vast number of customers in an efficient manner. This is even more important as they deal with microinsurance products that often have very small premiums. One way that allows people to be reached quickly is by taking advantage of nearly ubiquitous mobile phone usage in many parts of the world. In some countries, insurance agencies have partnered with mobile network operators to quickly on board customers. For instance, when customers add currency or airtime to their phone, they might automatically be enrolled into the insurance scheme offered by the insurer. They might also have the choice to opt-in as well. In these cases, the insurer is still designing the policy and bearing the risk. However, the mobile network operators are the ones collecting premiums quickly and at a large scale.

In Myanmar, this means that Almond Finance would want to partner with an organization that can quickly onboard consumers. The logical choice would again be a mobile network operator due to the vast penetration of mobile phones in the market.

However, this model presents challenges. It assumes that Almond Finance can meet the regulatory requirements imposed by the Financial Regulatory Department and the Insurance Business Regulatory Board of Myanmar. These regulatory requirements remain non-trivial. For example, in order to obtain a license to provide insurance products, the minimum capital needed is between the ranges of $4 million and $30 million, depending on the type of insurance service. Further, these businesses require licences granted by the Insurance Business Regulatory Board, with the approval of the Financial Regulatory Department and the cabinet, in order to begin operations. According to interviewees, these licences, especially for a start-up company or for a foreign entity, are hard to come by in spite of the fact that Myanmar recently attempted to liberalize the insurance sector and did allow five foreign operators to begin operations.[32,33] The more efficient way of ensuring people are insured might be through the technical service provider model.

Model B: The Technical Service Provider Model

Within the technical service provider model, a third party agent (in this case Almond Finance) connects the risk bearing insurance company to the people. Essentially, the agent acts as an aggregator to provide people with insurance. They act as the representative and face of the insurance company. The technical service provider might want to work with the insurer on the right set of products to be designed and the cost of premiums to be collected. They might also be in charge of marketing the product, and other administrative tasks. These administrative tasks include administration of the policies and ensuring people are enrolled, managing claims and helping with customer queries.

This is the model that was used predominantly by some of the largest players in the microinsurance market like BIMA and MicroEnsure. The option allows Almond Finance to skirt around many of the regulatory barriers they would face as an insurer. While they would be registered as an agent, they would likely not fall under the purview of the Financial Regulatory Department or the Insurance Business Regulatory Board. The fact that other already established players are subject to vast regulations common within the insurance industry makes the technical service provider model more applicable to many digitally enabled microinsurance service providers, not just in Myanmar but globally as well.

The technical service provider model has enabled the expansion of the digital microinsurance sector recently, with most new businesses taking this form. However, whichever model an organization decides to go ahead with, it is important to create robust and meaningful partnerships at the start. To reemphasize, the key here is to ensure that the partners can get a large number of customers quickly and as efficiently as possible. If proceeding via the technical service provider route, it is crucial to partner with an insurer as well.

Potential Partnerships

- **Partners will allow Almond Finance to acquire customers efficiently, thereby achieving scale quickly**
- **Potential partners in Myanmar include mobile network operators, mobile wallets, financial institutions, workplaces, unions and cooperatives**
- **Partnerships may also have to be formed with a regulated insurance entity as well**

Potential partners would help a firm reach a group of customers quickly so that they can take advantage of group coverage. In many cases, these have come from the mobile network operators. In Myanmar, there are nearly 68 million mobile phone subscribers who pay and recharge their phones regularly. This is an avenue to insure people. Premiums could be collected via monthly phone recharge or deduction in airtime.[34]

Partnerships can also be made with mobile wallets and mobile money agents that can incentivize insurance. This could be a promising avenue given the rise of digital payments in the country. The Central Bank of Myanmar's 2017 decision to remove restrictions and allow international payment companies to enter the Myanmar market means that, today, there are numerous mobile financial service providers in the country.[35] This has led to a massive growth in the number of users using these services. According to estimates, the total transaction value for digital payments is expected to reach $1.3 billion, and is expected to grow at nearly 18% CAGR to reach nearly $2.5 billion by 2025.[36] Just Wave Money alone, one of the biggest providers of digital payments in the country, has nearly 1.3 million monthly active users and over 45,000 cash agents.[37,38] Channels like these could be extremely useful when targeting populations that are uninsured.

Partnerships need not only come from the telecommunications sector. Many customers can be targeted through financial institutions. Institutions such as banks or other microfinance institutions regularly cater to the bottom of the financial pyramid and partnering with such institutions may have numerous advantages. First, customers in these spaces already have some knowledge of financial services so they are most likely aware of services like insurance. Second, it helps insurance providers easily pile on services on top of what customers are already being provided. Examples of these partnerships regularly occur in India where banks offer low premium microinsurance services. Other places where banks have been the distribution partner are in Mexico and Philippines, where millions of microinsurance policies have been sold.[39]

Other ways of forming meaningful partnerships include targeting workplaces. For example, AXA insurance provides Uber drivers with insurance in some countries in Africa and Latin America.[40] Other gig companies do the same too. This could have

potential in Myanmar as well, where teaming up with gig platforms like Grab could mean that gig workers get some amount of social protections–a need that was particularly highlighted across the world at the start of the Covid-19 pandemic.[41] Targeting worker groups could also be a good idea. This has already been done in many places by targeting farmer cooperatives to provide them with credit services, and adding services like insurance would help the workers. An example of this is Pula, who provide farmers with insurance when they buy a bag of seeds.

Forming meaningful partnerships means that Almond Finance can acquire insurance customers swiftly and cost-effectively. However, another big advantage is the fact that neither Almond Finance nor the insurance company may necessarily have to do the Know Your Customer (KYC) verifications. Since telecom companies, financial institutions, and work places usually conduct KYC checks themselves, insurance companies and agents can utilize the same information. They would not need to reverify consumers, which could be a logistical hassle especially when dealing with numerous people who may be living in rural areas.

In a technical service provider model, which is most digitally enabled microinsurance providers, it is crucial to form meaningful partnerships on the supply side as well. Getting insurance companies on board is key. According to some , there is willingness from big insurance providers to partner with third-party providers to reach people who live at the bottom of the financial pyramid. This was what was highlighted by one interviewee who mentioned that big insurance companies have been receptive about partnering with insuretechs in the Philippines. This was also applicable to Myanmar as well where one report suggested that some insurance companies such as IKBZ, Myanma, Aung, and Guardian showed interest in catering towards the microfinance clientele.[42] This was corroborated by another interviewee who spoke about a partnership on the verge of being formed between a leading insurance provider and a third-party insuretech from Switzerland.

There seem to be advantages for big insurance companies as well to partner with technical service providers and insuretechs. They often will not have to enrol customers, nor verify their status and claims. At the same time, they are able to expand their market reach and reach more customers while not deploying too much manpower. The big insurers would only underwrite the risk, leaving technical service providers to enrol customers and verify claims. This then begs the question: Is the work of the technical service provider labour intensive?

According to one interviewee, not particularly. A non-trivial amount of labour is generally required in verifying enrolment in the first place due to KYC regulations. However, since partners like telecom utilities and banks already have this information, technical service providers could easily skip this step. Additionally, technical service providers also found that the cost of committing fraud was generally higher than the

insurance payout. This meant that the incentive to make false claims was quite low, and thus the interviewee did not believe this model was labour intensive.

Product Offerings and Encouraging Long-Term Use

As stated earlier, insurance coverage in Myanmar is vastly underpenetrated. Most people do not utilize even one insurance product. In such cases, in order to encourage insurance coverage, it becomes critical to choose a product that benefits both parties: the users of insurance and the seller, Almond Finance. The question is, which product can Almond Finance begin to offer and why? The answer, according to most interviewees who were asked this question was life insurance.

Start with Life Insurance

Life insurance works by providing financial support to one's beneficiary in the event of his or her death. Life insurance can be a critical service to the poor. Many of these households have one breadwinner and can therefore become financially crippled if adversity strikes the sole earner of a family. The consequences can be especially harsh if they had dependents to take care of. In such cases, life insurance may be especially impactful to these families.

Interviewees said Almond Finance should consider offering life insurance mainly for three reasons:

- **Life insurance is relatively easy to explain:** The life insurance product offered to those at the bottom of the financial pyramid is fairly straightforward. People pay premiums either through their mobile phones or banks, and if they pass away, their family gets some form of financial security. This is easy to explain and sell to most people, especially to those who may not be financially literate.

- **Chances of fraud is low:** It is difficult to fake one's death, and because of that, the chances of fraud in life insurance products are fairly low. This is true especially because life insurance companies demand exhaustive reports of one's death before payout to families. These documents might be difficult to arrange if one has not actually passed away. This makes the product attractive especially to those selling.

- **Mortality rates are decreasing:** Another reason life insurance products might be enticing for sellers is the fact that mortality rates are decreasing. This is certainly true for Myanmar where national death rates have been on a steady decline. Death rates have been steadily decreasing from approximately 22 deaths per one thousand people in 1960 to approximately 8 deaths per one thousand people in 2018.[43] This is important from a seller's perspective. Insurance sellers would not want to offer a product that needs to pay out often.

Moving Beyond Life Insurance

Even though life insurance is considered as the base product for microinsurance, newer products are coming into the market for low income populations. For example, hospi-cash is common in many markets today. Hospi-cash provides people with cash upto a predetermined amount on days they have spent admitted in the hospital. This appears to be an attractive option for both consumer and seller. Consumers can hedge against lost income and medical expenses, while sellers regard the product as a profitable option compared to traditional health insurance offerings.

In rural Myanmar, it might make sense to also sell agriculture-based insurance products. These products might help farmers in case their harvest does not turn out according to their wishes. One product that has worked well in this scenario is weather-index insurance which provides certain sums of money based on environmental factors such as rains. In this scenario, collecting premiums when farmers are in their planning stage or before harvest might be a good idea. One potential draw-back here is that it might be a difficult product to explain to customers on account of the fact that there are varying pay-outs. It might also be financially difficult especially when poor rainfall is experienced as the insurer will have to cover not just one, but multiple customers in a certain region.

Interviewees have also spoken of other products that have been offered sustainably in other contexts. Some of these include automobile insurance products for workers, unemployment insurance, funeral expenses or even insurance coverage for mobile phones. While these products may certainly be necessary, it might make most sense for Almond Finance to focus initially on products that could devastate families in the event of some adverse impact. These include products pertaining to life, health and employment.

Encouraging Insurance Use Over the Long-Term

As mentioned earlier, insurance can be a difficult product to sell. It requires customers to invest periodically without them realizing benefits immediately or at all. As one interviewee mentioned, one of the biggest challenges is overcoming the perception that people are paying for nothing. It is therefore imperative to find strategies that encourage premium payments over the longer term. Interviewees recommended various strategies for doing so. Some of them include:

- **Piling on insurance to other financial services:** Many interviewees mentioned that this can be an effective strategy in getting people used to the idea of insurance. In this case, insurance is added on to other financial products offered by partners or the technical service provider. Some examples include

providing insurance for anyone who takes credit and loan services, providing insurance when remitting money, or leveraging the power of cash agents. This can be an effective strategy for Almond Finance too. Insurance products can be bundled on to Almond Finance's existing product offerings like credit services and remittances.

- **Offering insurance for free or using a freemium model:** Providing microinsurance for free is an idea that can be explored. This encourages people to sign up as they have no costs. The idea sounds promising as it gets people used to the idea of living with insurance and when eventually the microinsurance product is priced, they are more likely to purchase the product. Freemium models can also be considered. In this model, insurance upto a certain amount is free, and if a customer wants more benefits or add-ons, they are required to spend to upgrade. Both these models have been used in similar contexts to Myanmar.

- **Automatic opt-in for insurance:** This model has been used in certain countries in Africa when customers recharge their mobile phones with airtime. Recharging their mobile phone automatically enrols a customer into the microinsurance product. If they want to stop purchasing insurance they would need to opt-out, which many do not do. This strategy is thus useful in keeping people enrolled in insurance programs over the long-term.

- **Incorporating financial literacy through digital channels:** Another important way to encourage long-term insurance use is by promoting financial literacy. While a growing number of people are becoming aware of insurance, there still remains a large number of people who are unaware about the concept of insurance. Leveraging digital tools to improve this awareness might help increase insurance adoption.

- **Creating an engaging user interface:** UI/UX designs are critical to keeping usability high. These product designs need to be clear and straightforward for users who may not be used to online transactions, particularly for insurance. Designs also need to be engaging and appealing to users.

- **Ensuring product affordability:** Another critical factor is making sure prices are low enough for consumers while ensuring pay-outs are large. This requires Almond Finance to understand what the willingness to pay is for consumers and what their expectations are. It also ties back to Almond Finance needing a large customer base, and acquiring these customers as efficiently as possible.

Challenges and Considerations

Interviewees and literature has highlighted how there is tremendous opportunity for microinsurance services within the Myanmar market. Low market penetration is ideal for new entrants trying to encourage financial inclusion particularly in the insurance sector. At the same time, with smartphone usage being very high, there is an opportunity to reach people efficiently and in a cost-effective way. However, there are important considerations to keep and eye out especially in the short-term. Some of these challenges deal with regulatory barriers, finding an efficient business model, the political landscape and people's perception towards insurance.

Current Regulations and the Impact on Profitability

When interviewed, country experts in Myanmar mentioned that there is a regulatory grey area when dealing with microinsurance. In order to enter as a third party technical service provider, interviewees were unsure whether Almond Finance would have to register as an agent, or whether they would even need to be registered with the relevant authorities in the first place. In addition it was unclear who could even be registered as an agent and what their roles and responsibilities were. There was a lack of guidelines that defined clearly the roles and responsibilities of various players within the microinsurance value chain. This is an important hurdle when implementing a microinsurance program that can run efficiently over the long-term.

Moreover, when dealing with microfinance institutions especially, the business model may end up being more complicated than initially thought. Microfinance institutions are regulated and the interest rates and fees they charge are capped. This cap is already low and most microfinance institutions charge at that cap. There is some uncertainty about what happens when a microinsurance product is bundled on top of the existing product offerings. This is because the microfinance institutions are unaware if they can charge more, or if they would have to charge less in order to accommodate the insurance product. This has an effect on a microfinance institution's profitability as they end up getting squeezed.

Consequences of the Current Political Situation

On 1st February 2021, the Myanmar armed forces took control of the Myanmar government citing election fraud. The military commander-in-chief Min Aung Hlaing is now in power.[44] This has various consequences for firms in the market.

First, there is uncertainty regarding what policies will continue to take priority. For instance, when looking at financial inclusion, experts in the country are unaware about the effects of the coup on policies that they were hoping would be

implemented. This included the financial inclusion road map, crafted by the previous Aung San Suu Kyi government, which highlighted the strategies the country should take to improve the adoption of financial products. Ambiguity was also there about a new policy that clarified many of the uncertainties highlighted in the previous paragraphs within the insurance sector. The new policy also placed an emphasis on microinsurance in the country. This uncertainty is not good especially for new entrants into the market.

Working with this military government can also be very challenging. Western governments are especially vocally against the coup and many have imposed restrictions against working with state-owned firms. This can be a big barrier for Almond Finance. Working in the insurance sector means that Almond Finance would most likely have to partner with a state-owned insurance company and this could present political challenges in Myanmar and, perhaps, within the US.

Another consequence of the coup is that many locals themselves are unhappy about it. There have been reports of numerous people, including bank comployees, protesting and shutting down businesses in order to prevent funding the military government, which would be difficult for Almond Finance to deal with.

The present military government has stated that the coup will last for a year, after which elections would be conducted and normalcy would return. However, some believe it could last for several years.

Distrust in the Financial Institutions

Distrust in financial institutions is quite common in Myanmar.[45] Historic mismanagement of financial institutions by the junta and others led to many institutions failing in the 2003 banking crisis and resulted in distrust of financial services.[46] Thus, people would prefer saving in terms of real assets such as cash, gold or even livestock as mentioned earlier. Even though behaviour is changing slowly–evident by the widespread growth in mobile money–convincing people to adopt a new financial product may be difficult.

One way to ensure trust is built is to ensure claims are addressed as swiftly as possible. Addressing these claims quickly while advertising them can help spread the message about the importance of insurance. It can also help build goodwill and acquire a positive brand message for the company.

Considerations with Partners

As mentioned in the earlier chapter, building robust partnerships is crucial to success in the microinsurance space. Each potential partner comes with their own constraints,

incentives and goals. It is thus important to ensure that these goals align. So the question is what must Almond Finance consider when finding a partner?

First, Almond Finance should have a good understanding of the project with its partner. Almond Finance needs to ensure that its partners are on the same page about the long term vision of the project, who their target customers are and what each other's roles and responsibilities are. The two need to also align on the product being sold and ensure the right unit economics are met. When working with partners, one interviewee noted that it is worth going into the operation as a joint venture. This ensures that all parties are equally involved in the project. Ideally, the parties would not share commissions. Rather, they would share profits. This is an idea that Almond Finance must consider.

Conclusion and Next Steps

The microinsurance market shows great promise and potential in Myanmar. The market is heavily underpenetrated and the market size appears to be large. An underpenetrated insurance market is key for the microinsurance model to work well. However, at this present moment, it seems unlikely that Almond Finance can start operations within the microinsurance sector in the short-term. For that to happen the regulations and the current political scenario need to change drastically. Almond Finance should therefore wait and, in the meantime, ready themselves to enter the market if it seems feasible in the future. Some action steps Almond Finance can take are:

- **In the short-term:**
    - Keep an eye out on the political scenario and how drastically it might change. If it improves within the proposed one year time frame, it might be worth keeping looking at how regulations within the financial services sector are evolving.
    - Start looking at connections to potentially make within the Insurance Business Regulatory Board, the Ministry of Planning and Finance, as well other organizations like USAID and UKAID. These connections can help Almond Finance begin operations in the sector. They have already done so in the past where they helped other insurtechs enter the market by facilitating changes in existing laws and policies.
    - Begin scouting potential partners that share the same vision as Almond Finance. This includes partners in the distribution side as well as the insurance side.
- **In the medium-term:**
    - Determine the appropriate business model. The technical service provider model, where Almond Finance partners with an insurance provider should be the way forward.
    - Begin talking with stakeholders and policymakers to amend necessary regulations within the sector in order to facilitate greater financial access and inclusion.
    - Determine what products can be offered and at what price point. Life insurance products bundled on to Almond Finance's existing offerings might be the way to start.

- Ensure the products are marketed well. Almond Finance may also need to incorporate some financial literacy projects. This ensures awareness and long-term use.

The short- and medium-term tasks may take years to implement due to the ever changing political climate in the country. However, if Almond Finance can get its product, the unit economics and marketing right, it could very well make a huge impact on the firm as well as to the poorest people of Myanmar.

Appendices

Appendix A: Myanmar Country Fact Sheet

Demographics:

- **Population:** 54.05 million (World Bank, 2019)
- **Adult Population:** 38 million (World Population Review, 2021)
- **Largest Ethnic Group:** Bamar, 68% (Wikipedia)
- **Religions:** 88% Buddhism, 6% Christianity, 4% Islam (Wikipedia)

Source: Wikipedia.org/wiki/Myanmar

Economic Indicators:

- **GDP:** $76 billion (World Bank, 2019)
- **GDP per Capita:** $1407 (World Bank, 2019)
- **Agriculture Contribution to GDP:** 38% (UNCDF)
- **Agricultural Products:** Rice, Pulses, Beans, Sesame, Groundnuts, Fish (CIA Factbook)
- **Male Labour Force Participation:** 81% (UNCDF)
- **Female Labour Force Participation:** 47% (UNCDF)
- **Unemployment Rate:** 4% (CIA Factbook)
- **Mobile Phone Subscription:** 68.2 million or 126% (Digital 2020)
- **Mobile Connections that are Broadband:** 83% (Digital 2020)

Financial Inclusion and Poverty Indicators (UNCDF, 2018):

- **Formal Financial Access:** 48%
- **Available ATMs per 100,000:** 8 (ASEAN Average: 52)
- **Formal Savings:** 12%
- **Formal Credit:** 26%
- **Formal Insurance:** 6%
- **Formal Remittances:** 16%
- **Financial Literacy:** 52%
- **Overall Literacy (> 15 yrs):** 76% (The Economist)
- **Population Below Poverty Line:** 26%
- **Difficulty Keeping Up with Finances:** 49%
- **Women Below Poverty Line:** 51%
- **Experienced a Health Crisis:** 22%
- **Skipped Health Treatment Due to Poverty:** 15%

Appendix B: Snapshot of Financial Regulations

2019
13
June

Myanmar Legal Update: New Set of Interest Rates for Microfinance Institutions

Back

Among recent developments happening in the banking and finance sector, the Microfinance Business Supervisory Committee ("**MBSC**") issued Directive 1/2019 (the "**Directive**"). This Directive lays down a new set of interest rates which shall be followed by all microfinance institutions operating in Myanmar.

Under the new Directive, the interest rate for microfinance loans shall be charged at a rate of 2.30% per month but shall not exceed 28% per year and would be calculated using an effective rate.

The interest rate for compulsory savings as prescribed by the Directive shall be 1.20% per month but shall not be lower than 14% per year, whereas the interest rate for voluntary savings shall be 0.8% per month but shall not be lower than 10% per year.

The MBSC has further stated that for collectables such as fees on loan services, banking services, digital financial services, social welfare, life insurance, membership fees, charges for books and documents, and prepayment service charges, the following shall apply:

- The total collectable fees and charges for loans having a term of 12 months shall not exceed 2% of the loan amount; and
- The total collectable fees and charges for loans with any term less than or exceeding 12 months shall be calculated based on 2% of the loan amount for one year as per the relevant loan period.

This Directive supersedes and replaces all other previous directives, namely those of 2011, 2014 and 2016 which concern interest rates on savings and loans.

While this Directive sets new interest rates, we observe that the Directive came into force on 1 June 2019 but was only published on 5 June 2019. Microfinance institutions which conducted transactions in accordance with the previous interest rates from 1 June 2019 till 4 June 2019 would therefore be in default of this Directive. Given this uncertainty, we expect that the MBSC will issue additional guidance to microfinance institutions in the near future to clarify its position.

Microfinance Rate Caps
Source: dfdl.com

Regulatory framework

The two main laws currently regulating the insurance business in Myanmar are the:

- Myanma Insurance Law of 1993, which includes the Third Party Liability Insurance Rules for Myanma Insurance.
- Insurance Business Law of 1996, as amended in 2015, for the private insurance sector, which, with its regulations, sets out the following basic regulatory principles:
  - formation of the IBRB;
  - establishment and licensing: public or private limited companies must obtain a licence from the IBRB before operation;
  - capital, deposit, reserve, and funds requirement;
  - restriction on licence transfer;
  - approval requirement for policy and premium;
  - liabilities of insurers, underwriters, and brokers;
  - auditing;
  - liquidation;
  - administrative actions; and
  - penalties for non-compliance.

Insurance/reinsurance providers

Once the insurance business licence approval is granted by the IBRB, the insurer and underwriter are subject to the following requirements:

- **Paid capital.** The insurer and underwriter must pay statutory minimum capital requirements.
- **Deposit.** 10% of paid capital must be deposited at the state-owned Myanma Economic Bank as a deposit.
- **Licence fee.** Fees of MMK3 million must be paid for an insurance business licence.
- **Bond.** 30% of paid capital must be invested in government treasury bonds.
- **Fund.** The insurer and underwriter must establish a life insurance fund as well as a life assurance policyholder protection fund.
- **Licence renewal.** Licences must be maintained and renewed on an annual basis, for which licence fees of MMK1 million are payable. Annual fees for ROs are USD1,000.
- **Other regulatory requirements**. Before conducting insurance business, approval of the form, proposal, policy, premium rates, and other related documents must be obtained from the IBRB.

Insurance/ reinsurance intermediaries

Once the insurance business licence approval is granted by the IBRB, the insurance broker is subject to the following requirements:

- **Paid capital.** Paid capital must be contributed as set out by the IBRB.
- **Licence fee.** Insurance business licence fees of MMK3 million must be paid.
- **Professional indemnity insurance.** Professional indemnity insurance must be purchased and maintained by the broker.
- **Licence renewal.** Licences must be maintained and renewed on an annual basis, for which licence fees of MMK1 million are payable.

Other providers of insurance/reinsurance-related activities

Insurance agents must pay licence fees on approval of their agent licence, and must renew their licence every year by paying renewal fees.

Insurance and reinsurance providers

Any person or entity wishing to set up an insurance business in Myanmar must be established as a private or public company with the Directorate of Investment and Company Administration (DICA), before applying for an insurance business licence with the IBRB. They must also:

- Be incorporated as a private or public limited company.
- Apply for a licence with the prescribed application form.
- Meet paid-up capital requirements.
- Pay for deposit fees.
- Pay for licence fees.

Insurance and reinsurance intermediaries

Any person or entity wishing to set up an insurance agency or brokerage business in Myanmar must be established as a private or public company with the DICA, and then apply for an insurance business licence with the IBRB. They must also:

- Be incorporated as a private or public limited company.
- Apply for a licence with prescribed application form.
- Meet paid-up capital requirements.
- Pay for licence fees.

This will remain the case under the draft Insurance Business Law.

Other providers of insurance and reinsurance-related activities

There may be actuaries and insurance agents who provide insurance related activities other than those provided by insurers, underwriters and brokers.

Under Directive 4/2020, foreign reinsurers can provide reinsurance in Myamar (subject to certain restrictions).

Regulatory bodies

The two key regulatory bodies that oversee the licensing of insurance businesses and activities both for domestic and overseas insurance companies in Myanmar are the:

- Financial Regulatory Department (FRD) (*www.frd.gov.mm*) under the Ministry of Planning, Finance and Industry (MoPFI) (*www.mopfi.gov.mm*).
- Insurance Business Regulatory Board (IBRB).

In addition, the Directorate of Investment and Company Administration (DICA) under the Ministry of Investment and Foreign Economic Relations (MIFER) acts as a regulator for company registration for all companies operating in Myanmar.

Regulation of insurance and reinsurance contracts

3. What is a contract of insurance for the purposes of the law and regulation? How does it differ from a contract of reinsurance?

Contract of insurance

Under both main laws on insurance (and the new draft Insurance Business Law), there are no explicit definitions for contracts of insurance. Every contract made in the Myanmar jurisdiction mainly depends on the Contract Act 1872. Any agreement enforceable by law is a contract (*section 2(h), Contract Act*). However, according to Directive 11/2017 by the IBRB, an "insurance policy" is an insurance contract made between the insurer and insured.

The fortuity principle, meaning that an event must be a known risk, is applied in the Contract Act and in practice.

An insurance contract entered into with a party having no insurable interest will be deemed void.

Snapshot of current Insurance Laws and Regulations
Source: Thomson Reuters Practical Law

Unofficial Translation

Central Bank of Myanmar

Regulation on Mobile Financial Services

(FIL/R/01/03-2016)

(March 30, 2016)

In exercise of the powers conferred under Section 132 and 184 of the Financial Institutions Law, 2016 the Central Bank of Myanmar hereby issues the following Regulations in order to create an enabling regulatory environment for efficient and safe mobile financial services in Myanmar.

CHAPTER 1
Title, Application and Definition

1. These Regulations shall be called the Mobile Financial Services Regulation.
2. These regulations shall apply to the Mobile Financial Services Provider.

Definition

3. For the purposes of these regulations, the following expressions shall mean-
   (a) "mobile financial services" (MFS) means the provision of payments and financial services through the use of mobile technology infrastructure;
   (b) "mobile financial services provider" (MFSP) means a mobile network operator or a non- bank financial institution that is granted Registration Certificate by the Central Bank under these regulations to provide mobile financial services;
   (c) "agent" means a person that has been contracted by a MFSP to provide mobile financial services to its end customers on behalf of the MFSP under an agency agreement;
   (d) "agency business" means the provision of mobile financial services to end customers by an agent on behalf of a Mobile Financial Services Provider (MFSP);
   (e) "agency agreement" means the contractual arrangement between a MFSP and the agent providing mobile financial services to end customers;
   (f) "float" means the total outstanding MFS account liabilities of a MFSP to its customers at any point in time; stored in the trust account at a bank;
   (g) "customer" means a natural person or body corporate who conducts MFS transactions with or without opening a MFS account;
   (h) "merchant" means a person who trades in goods and services for profit;
   (i) "mobile financial services account" (MFS account) means a store of value provided by a MFSP for the purposes of conducting MFS transactions;
   (j) "mobile network operator" (MNO) means an entity licensed under the

Use of Agents and Central Bank Requirements

9. (a) A MFSP -
      (1) may utilize agents as additional or sole interface to serve its customers;
      (2) is not permitted to practice agent exclusivity;
      (3) is legally responsible for the actions of its agent to the extent that they relate to the conducting of MFS transactions and matters connected therewith;
      (4) shall submit to the Central Bank, an internal audit report regarding its internal controls, after 6 months of its commencement of mobile financial services operation;
      (5) shall make public, the list of its agents and the authorized activities of the agents, and fee charged by agents for mobile financial services;
   (b) A MFSP seeking to utilize agents shall submit the following information to the Central Bank:
      (1) the proposed geographical coverage of agents over a three-years period;
      (2) the MFSP's agent due diligence policy and procedures;
      (3) the services to be provided through agents;
      (4) a copy of the draft standard agency agreement;
      (5) the policies and procedures applicable to the provision of services through agents;
      (6) a risk assessment report of the operations to be performed through the agents including the mitigating measures to be adopted in order to control the risks identified;
      (7) agent operational policies and procedures; and
      (8) any other information the Central Bank may deem necessary.
   (c) Based on the information provided under paragraph (b), the Central Bank shall grant the authorization to use agents for the delivery of mobile financial services;
   (d) Agents shall ensure that the customers are fully informed of the MFSP the agent is acting for and the type of services provided on behalf of the MFSP;
   (e) Agents shall not charge customers any fee other than the fees authorized by the MFSP; and
   (f) Agents shall provide customers the list of fees and charges imposed upon account opening and display conspicuously the same in the agent's outlet.

Snapshot of Regulation on Mobile Financial Services
Source: Central Bank of Myanmar

Appendix C: List of Interviewees

(*In alphabetical order*)

- **Carlos Alonso-Torras:** Investor at the FinTech Collective, a venture capital firm headquartered in New York City. Former COO of a technology-enabled social enterprise.
- **Peter Brimble:** Senior Technical Advisor at the DaNa Facility, a private sector development programme funded by the UK Government's Foreign Commonwealth and Development Office in Myanmar. Previously the Deputy Country Director (Myanmar) for the Asian Development Bank.
- **Shayne Rose Bulos:** Market Engagement Manager with GSMA. Also advises firms and startups in the Agritech, Insurtech, and Inclusive Insurance space in Southeast Asia.
- **Richard E. Cavanagh:** Adjunct Lecturer in Public Policy at the Harvard Kennedy School. Also the non-executive chairman of BlackRock Fixed-Income Mutual Funds, a director of Fremont Group, and of the Guardian Life Insurance Company.
- **Shawn Cole:** John G. McLean Professor of Business Administration at the Harvard Business School. Teaches and researches financial services, social enterprises and impact investing. Conducted extensive research on financial services including microinsurance in low income countries.
- **Bert Opdebeeck:** Founder of Microinsurance Master, a program that equips stakeholders with best-practices, consumer insights, frameworks and tools to improve microinsurance adoption in low income settings.
- **Rishi Raithatha:** Senior Advocacy Manager for Mobile Money at GSMA. Author of numerous policy briefs on mobile based microinsurance services.
- **Tanya Tandon:** Previously a Product and Country Manager (Nigeria) of MicroEnsure, a technical service provider of microinsurance services across emerging markets globally.
- **Rachel Yu:** Program Quality and Development Director at VisionFund Myanmar. Expert in microfinance services and other financial services like microinsurance and mobile banking.
- **Giulia Zaratti:** Former Financial Inclusion and Gender Specialist at UNCDF, Myanmar. Currently a consultant in the region to promote a digital economy.

Appendix D: Interview Protocol

Verbal consent prior to starting interviews: "*Thank you for your time. My name is Nakul Nagaraj from Harvard University, and I am asking you to take part in my research study for my Policy Analysis Exercise. The study looks at the feasibility of digital microinsurance services in Myanmar. The interview will last about 30 to 60 minutes. You can skip questions that you do not want to answer or stop the interview at any time. If you prefer, I will keep the data I collect confidential, and will not share your personal information with anyone. Additionally, if I do quote you directly, I will get back to you for authorization.*

Being in this study is voluntary. Please tell me if you do not want to participate.

I would like to record this interview. Is that acceptable to you?"

Broad interview questions:

- Can you talk about yourself and your professional expertise?
- In your opinion, what are the reasons for the low insurance penetration rates in Myanmar? What are the socio-economic, political and regulatory factors that contribute to this?
- How do you think these barriers can be bridged? What is your opinion on digital and mobile microinsurance services?
- How do you think it would work? What are the various business models in the sector? What do you foresee to be the challenges in Myanmar?
- Are these models profitable? What makes digital microinsurance services profitable and what conditions do you need?
- Do you think funders support enterprises in this space? What makes them supportive to such ventures? What makes them hesitant?
- What products would make sense in Myanmar? How do you encourage long-term usage of these products?
- What do you think the government's stand is? Have they been receptive to such new ventures?

[***NOTE:*** *These questions served as an initial guide. Interviews were more detailed and deviated from the above questions based on who was being interviewed and what their expertise was.*]

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