



Exploring Africa's digital platforms

Insurance in e-hailing

Report | September 2019

Established and driven by



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About insight2impact

insight2impact is a resource centre that aims to catalyse the provision and use of data by private and public-sector actors to improve financial inclusion through evidence-based, data-driven policies and client-centric product design.

insight2impact is funded by the Bill & Melinda Gates Foundation in partnership with The MasterCard Foundation.

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Introduction

This report forms part of a series of knowledge resources that seek to explore the relationship between digital platforms, their participants and the potential value of financial services to these participants.

We present our findings from a review of e-hailing platforms that operate globally to understand what role these platforms can play in the distribution of financial products that have the potential to allow gig workers (i.e. drivers) to become more financially resilient and better manage the risk events associated with their day-to-day platform activities.

Box 1. What is e-hailing?

In this study we define an e-hailing platform as one that connects passengers and drivers of cars, taxis or any other form of transportation using virtual devices such as a computer or mobile device. This definition includes so-called Transportation Network Companies (TNCs) that offer rides in private vehicles, for example Uber, but excludes other platform types considered in the broader definition of ride hailing¹, i.e. carpooling platforms such as uGoMyWay and regular taxi services booked online or through an app.

Source: insight2impact (2018)

¹ The ride hailing segment covers online platforms and apps that bring together passengers and drivers. It includes TNCs which are regulated entities in the United States, as well as ride pooling services and regular taxi services booked online or through an app.



1. The landscape of e-hailing platforms and insurance

E-hailing platforms a global phenomenon. Our study included a review of 251 unique e-hailing platforms², which are active across 102 countries and can be broken down by region as follows³: Latin America (50), Africa (51), Asia (66), Europe (68), North America (10) and Australasia (6). E-hailing transportation applications are expanding rapidly and are now available in many cities throughout the world, especially in the Global South – over two-thirds of the total e-hailing platforms investigated are operating in either Africa, Asia or Latin America.

E-hailing a part of the broader ride hailing market. At present, ride hailing platforms engage both drivers and passengers as participants on the platform. As drivers, individuals can earn revenue by providing transport services to paying passengers through the platform. Ride hailing platforms in the Asian market are currently generating USD99bn in revenue (the highest globally) while there are around 729 million users of these platforms.

While Africa has the smallest absolute ride hailing market generating USD2bn and engaging 24 million users⁴, our earlier research⁵ found that e-hailing platforms are the third-most common platform type in the region. In eight of the 54 countries in Africa, just under 220,000 individuals reported obtaining income from e-hailing in 2017. Of these workers, 91% considered income earned through e-hailing as being essential for meeting their basic needs⁶.

2 A unique platform is characterised as an e-hailing platform within a specific country, e.g. Uber+ in South Africa.

3 North America includes USA and Canada; Asia includes Middle East countries; Australasia includes Australia and New Zealand.

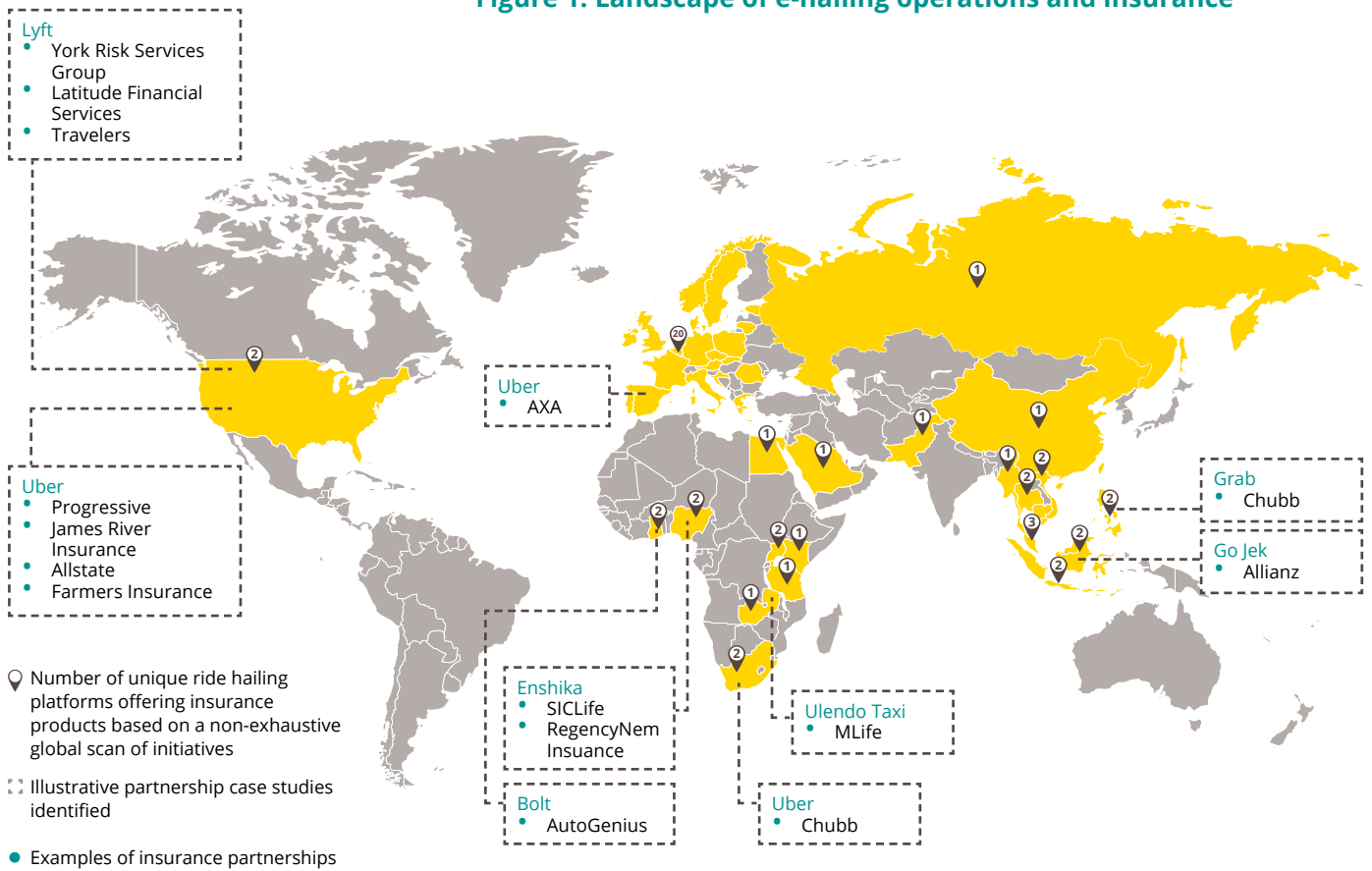
4 Statista (2019). Ride hailing.

5 Africa's digital platforms and financial services: An eight-country overview (2019)

6 Africa's digital platforms and the future of financial services infographic (2018)



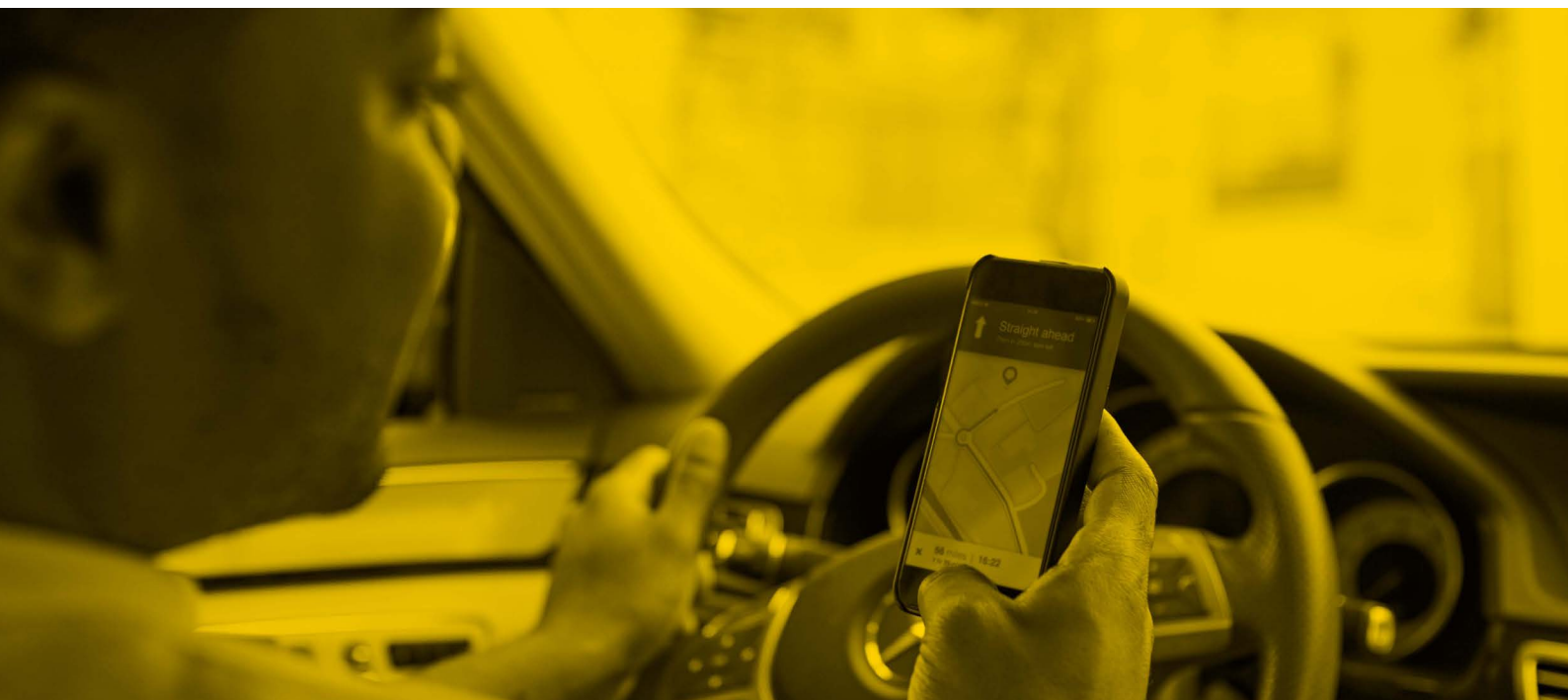
Figure 1: Landscape of e-hailing operations and insurance



E-hailing platforms as an alternative distribution channel for insurance.

Of the 251 e-hailing platforms included in our review, we identified 53 unique⁷ cases in which platforms offer some form of insurance coverage to drivers. These platforms have developed a range of insurance solutions that seek to meet the diverse needs of drivers. Other than the 53 platforms that we identified, additional e-hailing platforms are planning to introduce insurance over the short and medium term.

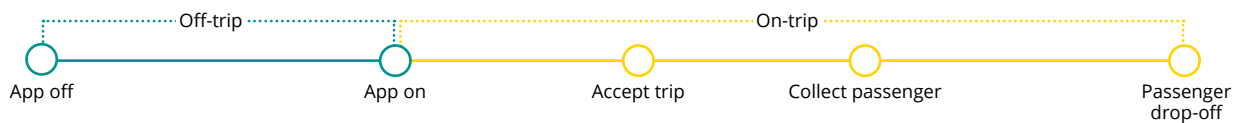
⁷ A unique case is identified as an insurance product that is offered in a particular country.



2. Risks faced by e-hailing drivers

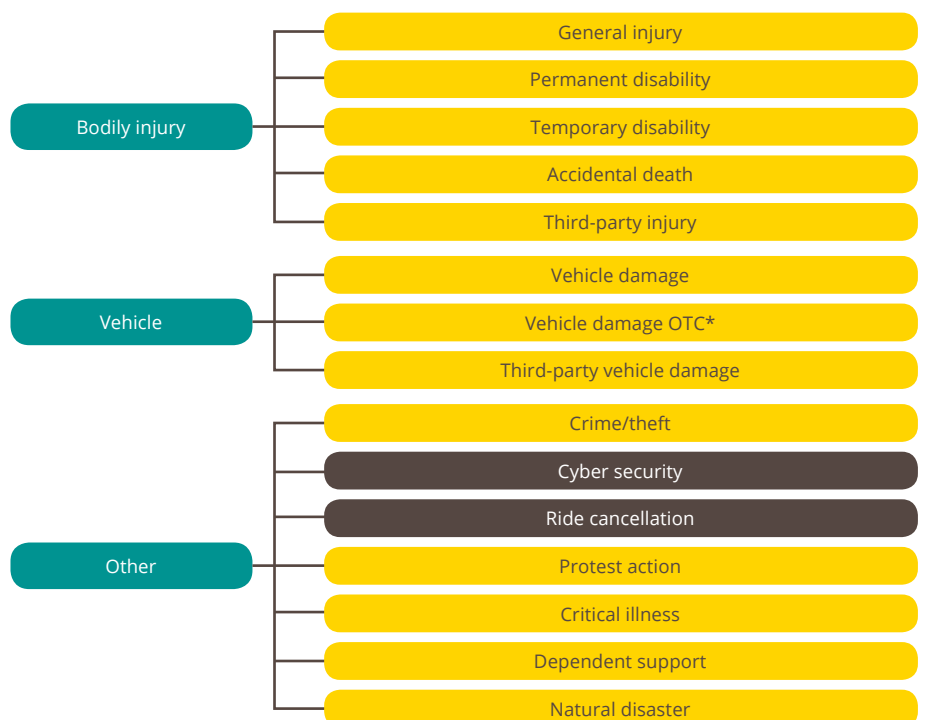
E-hailing drivers confronted by a range of risks. Digital platforms in the e-hailing sector represent a place-based form of work where the service provider, i.e. e-hailing driver, comes into physical contact with the passengers. This dynamic characteristic can add additional layers of risk for drivers using these platforms, and our research shows that these risks typically fall into three broad categories: bodily injury, vehicle damage and other⁸.

Figure 2: Ride cycle coverage



Ride cycle⁹ phase affecting driver risks. In our review we developed a typology of the risks faced by drivers on e-hailing platforms. Our typology is informed by the kinds of risks that drivers encounter at different phases of the e-hailing ride cycle. For instance, drivers face bodily injury risk whether on-trip or off-trip, while ride cancellation risk would only be a possibility once a driver has accepted a trip on the platform. The risk typology was further refined by considering (1) the risks to the health and life of a driver and third party that arise as a direct result of driving their vehicle, (2) potential risks to the driver's primary asset (i.e. vehicle), as well as those of third parties and (3) risks that may indirectly affect a driver's ability to engage sustainably on the e-hailing platform. As can be seen in Figure 3, these considerations form three broad risk types faced by drivers. Within each risk type we also identified sub-risks.

Figure 3: Risks faced by drivers



⁸ Bodily injury: This is the risk of incurring bodily harm, sickness or disease, including resulting in death; Vehicle damage: The risk of incurring physical damage to personal or business vehicle; Other: Risks that cannot be directly categorised as bodily injury or vehicle damage.

⁹ The ride cycle refers to the distinct phases that form part of a driver's engagement on an e-hailing platform and the related activities within each phase.

* OTC (other than collision) events include: acts of nature, vandalism, theft or hi-jacking, civil commotion, fire and explosions

● Risk not covered by platform ● Risk covered by platform



Variation in when risks are covered. Mapping the data collected on the products offered and the risks covered to specific phases along the e-hailing ride cycle shows variation in insurance coverage for drivers. Coverage of risks off-trip were found to be significantly less prevalent than on-trip: Of the 53 unique platforms that offer insurance, 44 provided coverage for risks faced on-trip, while 21 covered risks off-trip. Figure 2 shows that, while all risk types are covered on-trip, bodily injury is also covered off-trip. In addition, loss of income and personal accident insurance were some of the products found to provide coverage to risks faced off-trip. Figure 2 shows the phases across which drivers face risks.

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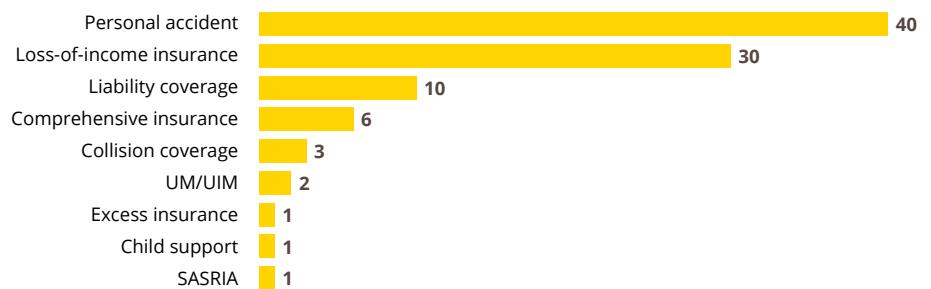
3. Insurance solutions offered by e-hailing platforms

Platforms offering a range of insurance products to drivers. Across the set of 53 cases of insurance solutions being provided, we identified nine insurance product types offered by platforms¹⁰. We considered these products based on traditional insurance product typologies used by insurance industry actors. These were personal accident, loss-of-income insurance, comprehensive insurance, liability coverage, collision coverage, UM/UIM¹¹, child/spouse support, SASRIA¹² and excess insurance.

Bodily injury the most common risk covered by platforms insurance products. We found that in Africa, Asia and Europe, bodily injury risk was the most common risk type to be covered by e-hailing platforms. In contrast, e-hailing platforms operating in the US are most likely to cover vehicle risk.

Personal accident insurance is the product most commonly offered by platforms. Figure 4 shows that 40 of the 53 platforms that provide insurance were found to offer personal accident coverage to their drivers. Personal accident insurance generally provides coverage for bodily injury, permanent disability and accidental death resulting from accidental collision. Personal accident insurance is the most common product offered by platforms across all regions considered, except for the USA where liability coverage, comprehensive coverage and UM/UIM are the most common products.

Figure 4: Insurance products offered by platforms



Insurance products covering more than just drivers. Figure 5 shows that the majority of platforms that offer insurance have developed products that cover both the driver (policyholder) and their passenger. Further, 11% of platforms that offer insurance provide coverage to additional parties including third parties, spouses and other dependants of drivers. As e-hailing platforms seek to grow their driver pool, the introduction of insurance products that enable drivers to manage risks across their personal networks may increase the value proposition for individuals to join the platform.

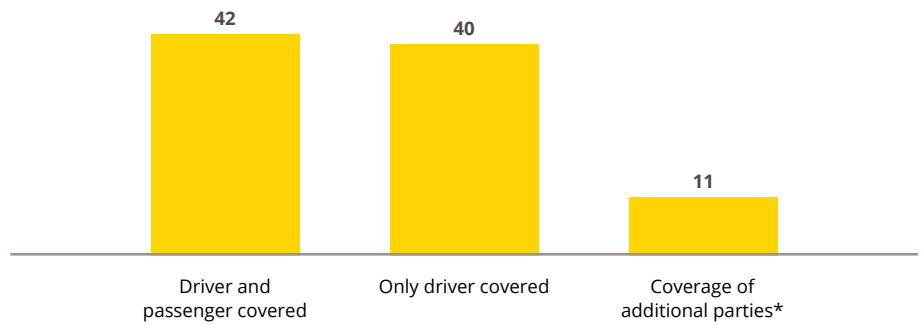
10 Where a unique platform offered more than one insurance product type, entries were “multi-tagged” in the database.

11 Uninsured/underinsured motorist insurance covers the insured party in the event of an accidental collision with another motorist at fault and whose liability coverage is either too low to cover you or not existent.

12 The Southern African Special Risks Insurance Association covers the insured for property damage of vehicles in the event of special risks such as civil commotion, public disorder, strikes, riots and terrorism.



Figure 5: Participant coverage by number of unique cases identified



* Coverage of additional parties includes third party, spouse and dependant

Box 2. Bridging the coverage gaps in e-hailing ride cycle

A common issue faced by drivers on e-hailing platforms relates to the coverage parameters of a driver's personal insurance policy relative to that offered by the platform. Many drivers remain vulnerable to risks faced in the period when their e-hailing app is on but they are awaiting a match with a passenger, since platform insurance often provides limited, if any, coverage and since personal auto policies often do not cover drivers from the point that they are active on the e-hailing platform.

To address this gap, insurers have begun developing hybrid policies. A hybrid policy replaces the driver's current personal auto insurance policy and provides coverage for both personal and e-hailing use at the same time. The coverage is in effect when the rideshare app is off, when it is on with no passengers in the vehicle, and when it is on with passengers.

Source: Glover (2019). Rideshare Insurance for Drivers: Where to Buy It, What It Covers

Box 3. What are the characteristics of insurance distribution models

The models through which e-hailing platforms distribute insurance products and accept payments are characterised by the following components:

- **Embedded:** An embedded model integrates the insurance distribution and payment mechanisms within the platform itself.
- **Linked:** A linked model involves marketing of the insurance product on the platform while final payment and distribution of the product happens through an external insurance provider.
- **Voluntary:** A voluntary product is one that a driver may take up but that is not a prerequisite for participation on the platform.
- **Compulsory:** A compulsory product is one that a driver must take up as a prerequisite for participation on the platform.

Embedded insurance models popular among e-hailing platforms.

Our research revealed that 42 of the 53 unique platforms that offer insurance make use of an embedded-voluntary distribution model¹³. For drivers, the value of an embedded insurance product lies in the reduction in customer friction in the insurance purchase process on the platform. Furthermore, embedded distribution via platforms may offer greater potential for customer access, risk selection and pricing power than distribution via the open market¹⁴. Figure 6 maps the distribution methods platforms use per product type as well as the risks covered by each of these products.

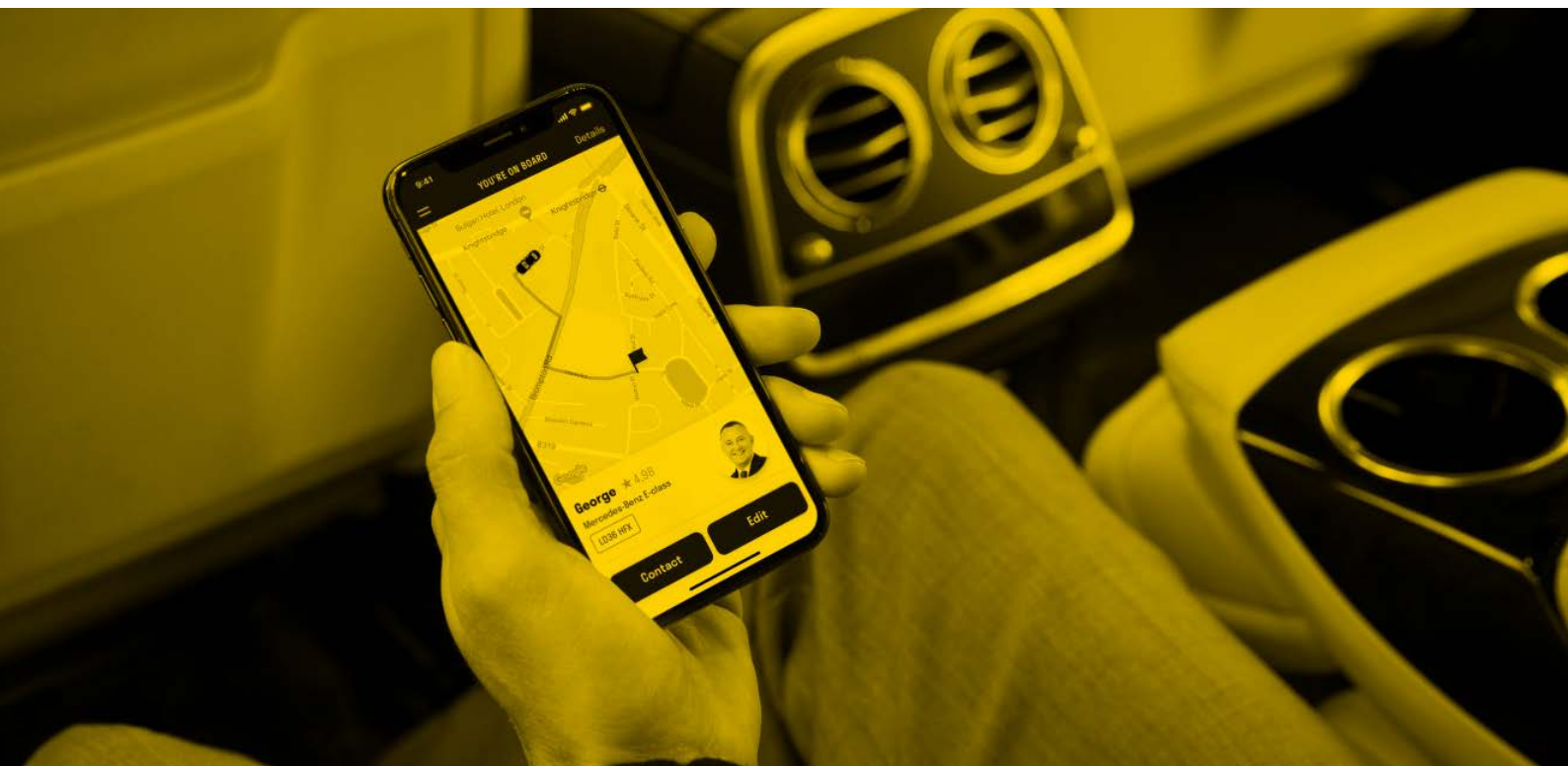
Figure 6: Insurance product and risk mapping

Insurance product	Risks			
	Distribution method	Bodily injury	Vehicle damage	Other
Personal accident	Embedded-voluntary, Linked-compulsory	●	●	●
Liability coverage	Embedded-voluntary, Linked-compulsory	●	●	●
Collision coverage	Embedded-compulsory, Linked-voluntary	●	●	●
Comprehensive insurance	Embedded-compulsory, Linked-voluntary	●	●	●
UM/UIIM	Embedded-compulsory	●	●	●
Loss of income	Embedded-voluntary	●	●	●
Excess insurance	Embedded-voluntary	●	●	●
SASRIA	Embedded-voluntary	●	●	●
Child support	Embedded-voluntary	●	●	●

● Provides coverage for specific risk ● Does not cover specific risk

13 Distribution model refers to the mechanism by which e-hailing platforms make insurance products accessible to drivers for uptake. In this study we identified four distinct models: (1) embedded-voluntary: An insurance product that is distributed and paid for through the platform and is optional for the driver to take up while working on the platform; (2) embedded-compulsory: An insurance product that is distributed and paid for through the platform and is mandatory for the driver to take up while working on the platform; (3) linked-voluntary: An insurance product that is not paid for through the platform and is optional for the driver to take up while working on the platform; (4) linked-compulsory: An insurance product that is not paid for through the platform and is mandatory for the driver to take up while working on the platform.

14 Deloitte. (2018). Squaring risk in the sharing age: How the collaborative economy is reshaping insurance products.





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Variation in platform distribution models. Depending on the market and regulatory context, a platform may choose to use alternative distribution models. Embedding a product, for example, may enable a platform to earn a commission each time a driver takes up insurance over the platform. Alternatively, in jurisdictions where platforms may require insurance licences to distribute products, it may be more convenient to act as an agent or broker for licensed insurers and provide a linked product. Furthermore, platforms may need to consider the possibility that different insurance provider partners may prefer certain distribution models over others. Box 4 and Box 5 provide demonstration cases of unique platforms relying on contrasting distribution models and what each means for drivers participating on the platform.

Box 4. Uber United Kingdom with AXA embedded-voluntary

Uber, in partnership with AXA, launched Partner Protection in June 2018 in the United Kingdom, protecting eligible drivers from the financial cost of life-changing events with insurance from AXA. Through an embedded-voluntary distribution model, all eligible independent drivers are automatically protected by the insurance, at no cost to the driver. Uber covers for accidents that happen on-trip, which includes medical expenses, death, permanent disability, hospitalisation and injuries. For “active” drivers there is off-trip coverage for severe sickness and injury as well as a one-off maternity/paternity payment.

Source: Uber. (2019). Partner Protection Insurance with AXA in the UK

Box 5. Bolt (Taxify) Nigeria with AIICO Insurance PLC Linked-compulsory

Drivers Shield is a unique insurance initiative by Bolt Nigeria in partnership with AIICO Insurance PLC facilitated by AutoGenius to provide an insurance cover to all Bolt users. This initiative includes Personal accident and liability coverage products. These products cover bodily injury, vehicle damage from collision and permanent disability, among other risks. There are two ways to purchase the Drivers Shield – in person or online. While this cover is open to all drivers using the Bolt platform, it is a prerequisite for platform participation. Given that the platform requires drivers to take up this product for participation and links the distribution and payment for the insurance product to an external source, this is considered a linked-compulsory product model

Source: Bolt. (2019). Purchasing Drivers Shield



4. Platform incentives for creating value to individuals through financial services

Value creation at the heart of the platform business model. Business models of digital platforms rely strongly on network effects to scale and remain competitive. These network effects also underpin the incentives for platforms to create value to the consumers and producers who are matched on platforms¹⁵. Moreover, digital platforms that settle transactions have an opportunity to unlock additional value and economic benefit for platform participants through enabling access to low-cost and fit-for-purpose financial services¹⁶.

Box 6. Network effects

Network effects refer to the impact that the number of users of a platform has on the value of being matched by the platform for the participants.

There are typically two types of network effects that emerge in the e-hailing sector. Firstly, same-side effects. This is the impact of users from one side of the market on other users from the same side, e.g. the impact of more drivers joining the network on the existing pool of drivers. And secondly, cross-side effect, which is the impact of users from one side of the market on users from the other side of the market, e.g. the impact of more riders joining the network on the pool of drivers. These effects can be either positive or negative.

Network effects play an important role in driving the growth of the platform network, and platforms invest in strategies to attract participants to either side of the network with the underlying goal of seeking sustainable growth in the pool of platform participants that can be matched within the network.

As e-hailing platforms scale, incentives to unlock value through financial services pivot. When an e-hailing platform first launches it is incentivised to attract a stable pool of drivers to the platform to provide ride-hailing services to potential riders. Once a critical mass of drivers is achieved the platform's incentives to unlock value shift from the driver side to the rider side of the network. This focus shifts back and forth as the platform attempts to scale through achieving proportional growth on either side of the network. Pivoting of incentives is typically referred to as the seesaw principle, and the incentives for platforms to unlock value through financial services pivot in this manner as the platform business model increases scale.

Insurance is shown to add immense value in e-hailing interactions, through its de-risking function. From a financial inclusion lens, insurance products play a large role in value creation for both drivers and riders as they supports drivers in de-risking their day-to-day activities. Our research shows that many of the risks that are covered by emerging insurance products in the e-hailing sector allow for protection of the rider and driver in the event of physical risk events that can result in either bodily harm or vehicle damage.

15 Parker, G.G., Alstyne, M. W. V., and Choudry, S.P. (2016). Platform Revolution: How Networked Markets are Transforming the Economy – And How to Make Them Work for You.

16 Smit, H. and Johnson, C. (2019). Why financial services can kickstart Africa's digital economy.



“Portability” of benefits highlights diverging incentives for platforms and drivers. In the case of the e-hailing sector, while drivers often rely on multiple platforms for work, they are largely unable to transfer the coverage provided by an insurance policy across platforms, i.e. lack of portability of financial products¹⁷. For platform workers, the value in such a product would be the ability to more conveniently and affordably manage their resilience to risk. For platforms there is little incentive to offer this feature to drivers as it may reduce their competitive advantage. This is an example of how diverging incentives can affect a platform’s willingness to offer financial services that meet customer needs.

Customer and platform incentives aligning to develop market-based solutions. While platforms have begun to explore the value in offering insurance solutions to drivers, their incentives for doing so are often driven by the business case for the platform itself. However, for platforms to ensure the quality and value of their service, there must be alignment between the business case for platforms to offer a set of financial products with the financial needs of consumers that emerge from this type of workplace. Where these incentives overlap, market-based solutions are emerging that are enabling drivers to better meet their financial needs while creating a stronger value proposition for e-hailing platforms.

Platform benefits adding further value for drivers. When platforms are competing heavily to attract a stable pool of drivers, additional benefits are used as a means to attract and retain drivers. Importantly, these platforms are offering benefits that are directly linked to the use of financial services over the platform:

- **Safe driver programs:** A rewards programme offered on platforms in relation to the insurance product provided, where driving behaviour is reviewed over a select period and monthly premiums adjusted based on behaviour. For example, Uber Kenya.
- **Off-trip benefits:** Benefits received by the driver through the insurance product on condition that a certain number of trips over a set period be completed (these benefits are offered to the driver while off-trip). For example, Grab Singapore.

¹⁷ WEF. (2019). How the gig economy could help power Africa’s growth

- **Points-based system:** A rewards system offered on the platform in relation to the insurance product provided, where drivers receive premium discounts or greater insurance product coverage by collecting a certain number of points from trips completed. For example, Go-Jek Singapore.

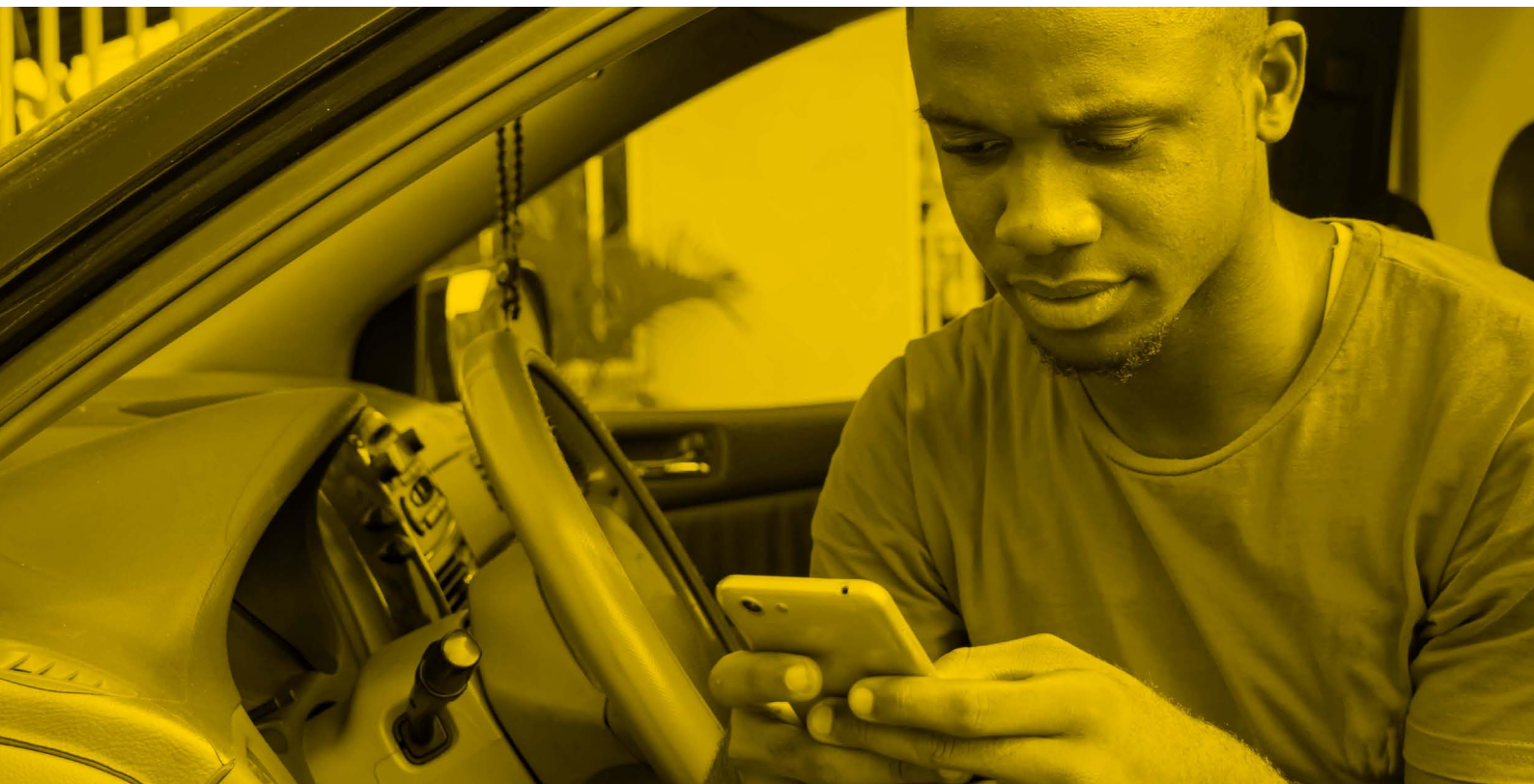
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...e-hailing platforms can supply valuable transactional data on driver and passenger behaviour that can inform the development of tailored financial products by financial service providers.

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Partnerships with insurers an additional incentive for platforms. Our study identified 23 insurance providers (fintechs and traditional providers) that are currently partnering with e-hailing platforms to offer insurance products. AXA (20), Chubb (12), Allianz (6) and Old Mutual (4) are partnered with the most unique platforms globally. For e-hailing platforms, the incentive to partner with financial service providers is driven by the benefits that a productive relationship with the financial sector can lead to. This includes investment finance and the technical expertise an insurer can provide in the development of insurance products for their drivers.

As a growing presence in the transport sectors of both emerging and developed markets, e-hailing platforms can supply valuable transactional data on driver and passenger behaviour that can inform the development of tailored financial products by financial service providers. In this way, e-hailing platforms appear well positioned to fulfil a key role in the provision of insurance to meet the financial needs of drivers and contribute to their improved financial health and resilience to risks faced in their personal and professional lives.





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