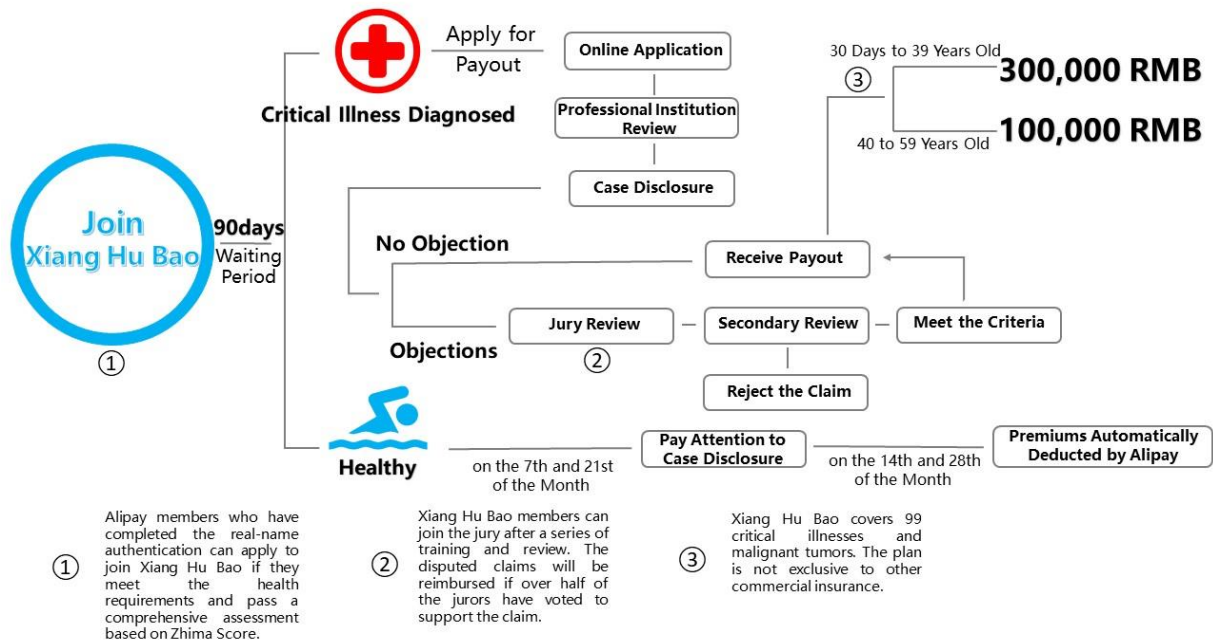




Highlight of the week – Mutual insurance: healthcare utopia sparks fresh controversy

Figure 1: Xiang Hu Bao flow chart



Source: Ant Financial

Ant Financial mutual insurance reached 72 million members

Ant Financial’s critical illness mutual insurance plan Xiang Hu Bao has attracted 72 million signups in late June since its launch 10 months ago. The medical coverage product allows participants to receive payouts at a cost of a small monthly fee. The cost of payout is split among the program participants. The scheme covers 100 critical illnesses such as cancer, stroke and heart disease and provides participants with a lump sum payment up to Rmb300,000.

A mutual protection scheme that eliminates middleman

Mutual insurance/peer-to-peer insurance has gained popularity globally. These insurance schemes would promise that they will pay back any leftover to members. Xiang Hu Bao users have just shared a new batch of cost of RMB0.51 per person, with 150 patients receiving the payouts. The variable cost depending on the real payouts is a big selling point. With 72 million signups, everyone pays less than Rmb0.01 for each ill member. Members’

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annual payment is capped at Rmb188. Xiang Hu Bao is marketed on Alipay's 1 billion user interface – this would eliminate traditional insurers' high channel costs and underwriting profit. As a result, premiums can be maintained at a minimal level while Ant Financial charges 8% of the premium as administrative fee. We believe this largely explains Xiang Hu Bao's rapid popularity. The plan reached the 50 million user milestone even faster than Ant Financial's blockbuster product Yu'e Bao. Tencent's WeSure reached 80 million users for around one year and Xiang Hu Bao is very likely to break the record.

Uncovered group call for more innovative product

The mutual insurance is not competing with the social security schemes. Instead, it targets on the uncovered medical expenses. Around a third of Xiang Hu Bao's members are from low-income rural areas and nearly half are migrant workers – a group usually lacks basic social medical coverage in big cities and with low awareness of the importance of insurance. Xiang Hu Bao helps to fill a gap in medical protection for this underserved population struggling with the existing healthcare insurance system. The current public social insurance plan requires patients to pay medical expense in advance and reimburse afterwards, while Xiang Hu Bao provides a lump sum payment when critical illness is diagnosed. This feature is very appealing to the low-income group as they are very likely not able to afford their medical bill in the first place. Furthermore, public social insurance scheme may also deny claims from areas other than policyholder's hukou city. Apparently, Xiang Hu Bao doesn't have this issue, which is also very appealing to millions of migrant workers.

Everyone shares the burden evenly, the more the merrier

Mutual insurance is an increasingly popular and more affordable insurance product. It works similarity to a collective, in which members contribute evenly to any payouts. As more members contribute to the premium pool, the risks and costs shall spread more widely. Lemonade, a U.S. digital P&C insurance company, disrupts the industry with similar business models. The insurtech startup charges clients a fee for its services, and any premiums that are not used to pay claims are passed on to good causes. Lemonade reportedly raised US\$300mn in April at a US\$2bn valuation and is expected to expand to Europe very soon.

Does mutual insurance scheme need to be regulated by insurance authorities?

Ant Financial owns a wide range of financial services licenses such as payments, online banking, insurance and fund management etc. However, the fintech giant claims Xiang Hu Bao is "not a health insurance product" and therefore is not regulated by related authorities like traditional insurance companies. In fact, Xiang Hu Bao's previous version was jointly backed by Ant Financial and China's first mutual life insurance company Trust Mutual Life. CBIRC fined the insurance company over this product for violations of insurance clauses and insurance rates. Ant Financial solely launched Xiang Hu Bao 2.0 version afterwards and tried to emphasize its function as a mutual aid platform instead of an insurance product. The updated product reportedly acts as a self-financing online mutual assistance program and doesn't rely on the creditworthiness of Ant Financial (theoretically). We believe Xiang Hu Bao inevitably will face a rigorous regulatory scrutiny given its apparent insurance features and a vast client base.

Jury system raises concerns on fairness of claim judgement

Xiang Hu Bao will form a jury to decide whether to approve a payout whenever a dispute arises. The platform will make the claim public for a certain period, which means related private information including medical record will be released to all the jury members. Apart from the privacy concerns, the jury system also raises conflict of interest concerns. The jury is consisting of members that participate in the plan, i.e. those who are paying for the payouts. Even if we could put the moral issues aside, we still need to ask whether the jury selected have the professional training and knowledge to make sure the decision process is objective and fair.

News of the week

InsurTech

Xiang Hu Bao Users Exceeded 72 Million

Xiang Hu Bao, a mutual health aid plan launched by Ant Financial Services Group, has amassed more than 72 million users, according to recent data. The users have just shared a new batch of cost of RMB0.51 per person, with 150 patients receiving the payouts. The plan has promised a ceiling of RMB188 per capita in 2019, while the excess would be attributed to Ant Financial. Major illness insurances amounted to RMB300,000 are usually priced at around RMB400, compared to which Xiang Hu Bao holds a big advantage. The huge demand of public also helps Xiang Hu Bao to become the third basic insurance besides social security and medical insurance.

Source: [JRJ](#)

InsurTech

360 Launched Internet-based Mutual Health Aid Plan “360 Hu Zhu”

The Chinese Internet security company 360 recently launched its mutual health aid plan, “360 Hu Zhu”. The plan covers 100 serious diseases and 30 light illnesses, as well as death (including sudden death). After granting the auto-payment access, people could enter the plan without prepayment. Only when there is a participant requiring aid, people need to pay a shared cost.

Source: [Yicai](#)

Neo Bank

India's Neo Bank Open Raises \$30 M

Open, a neo bank startup that helps businesses automate and run their finances, has raised \$30 million in a new funding round as investors look to replicate a globally tried and tested business idea in emerging markets.

Source: [TechCrunch](#)

Neo Bank

CreditLadder Supports Revolut for Rent Reporting

Revolut, one of the UK's fastest growing neo banks, are now able to report their rent through CreditLadder to credit reference agency Experian. Revolut is the latest financial institution to enable its customers to benefit from their own bank statement data, which has been enabled through the Open Banking initiative. Renters connect their bank to CreditLadder, which then uses read-only access via Europe's leading provider of financial API's TrueLayer to read and report their rent to Experian.

Source: [Finextra](#)

Digital Bank

Singapore to Issue Digital Bank Licenses

The Monetary Authority of Singapore (MAS) plans to issue up to five new digital bank licences as it seeks to open up the island's market to non-bank players. Up to two licences will go to providers targeting retail customers, with the other three earmarked for outfits aimed at SMEs and other non-retail segments. Applications, which open in August, are open to firms headquartered in Singapore and controlled by Singaporeans. Foreign companies can apply if they form a joint venture with a local player.

Source: [Finextra](#)

Neo Bank

Fidor to Shutter UK bank

German neo bank Fidor is to withdraw from the UK market, shutting down its online presence and all social media channels, as the bank struggles to keep an even keel three years on from its fast-souring acquisition by France's BPCE. Fidor was one of the first breed of new digital banks, establishing a reputation in European circles as a disruptive innovator, utilizing a full range of social media, crowdfunding and P2P lending techniques and digital currency services to build its business.

Source: [Finextra](#)

Cryptocurrency

Facebook

US Lawmakers Join Call to Freeze Facebook's Libra Project

4 U.S. lawmakers are formally calling on Facebook to cease all development of its Libra cryptocurrency in a new letter sent to executives at the social media giant.

Source: [coindesk](#)

Cryptocurrency

JPMorgan to Start Customer Trials of Its 'JPM Coin' Crypto in 2019

JPMorgan Chase is to start trials of its "JPM Coin" cryptocurrency in conjunction with corporate clients. Umar Farooq, the investment bank's head of digital treasury services and blockchain, said that customers would trial the technology with the ultimate aim of speeding up transactions, such as payments between firms and bond transactions.

Source: [coindesk](#)

AI

Oculus Raised \$24M in a Series B

Oculus announced it has raised \$24mn in a series B funding round led by venture growth equity firm Oak HC/FT. Oculus is a New York startup that taps AI and machine learning to parse financial documents. Its optical character recognition (OCR) technology - which it claims can analyze files with 99% accuracy - supports documents of almost any type and quality.

Source: [VB](#)

Mobile Wallets

Remittances

TransferWise Launches New Debit Card in the US

International money transfer service TransferWise, has made a significant incursion into the US market, launching a MasterCard debit card alongside a multicurrency account. Mirroring the card it has already launched in the UK and Europe last year, the card will work in over 40 currencies without balance limits, and conversion fees will be competitive with current exchange rates. A similar card aimed at businesses will follow the consumer launch.

Source: [TechCrunch](#)

Business Lending

KoinWorks Raises \$12M to Grow Its P2P SME Lending Platform

KoinWorks, an Indonesian startup that helps small and medium-sized businesses secure financial services through its online peer-to-peer platform, has raised \$12 million in a new funding round.

Source: [TechCrunch](#)

Business Lending

South African Finance Startup Lulalend Raises \$6.5M Series A

South African digital lender Lulalend has raised a \$6.5 million Series A round co-led by IFC and Quona Capital. The Cape Town based startup uses an online application process and internal credit metrics to provide short-term loans to small and medium sized businesses that are often unable to obtain working capital.

Source: [TechCrunch](#)

Online Lending

Jaja Pays \$671M to Acquire the Bank of Ireland's UK Credit Card Business

Jaja, a fintech startup that provides digital and physical credit cards and other financing services, announced that it will be acquiring the Bank of Ireland's UK credit card accounts for an initial cash consideration of £530 million (or \$671 million at current rates). It will also become the consumer credit card issuer for the Bank's UK business. At the same time it's also getting an equity investment of £20 million in its own business.

Source: [TechCrunch](#)

Payment

AI

Kount Launches 'Next Generation' AI for Detecting Payments Fraud

Kount, the leading digital fraud prevention company, announced the next-generation AI-driven solution that changes the way payments fraud prevention is delivered. Kount's AI uses both supervised and unsupervised machine learning along with additional calculations to deliver a near-human decision.

Source: [Finextra](#)

Payment

Visa Rolls Out Payment Instalment APIs

Visa has introduced a suite of APIs to help financial institutions and retailers offer their customers the option to pay off instore and online purchases in instalments. Visa's new instalment APIs will make it easy for firms to give shoppers the ability to pay using Visa cards, splitting the purchase amount into smaller, equal payments over a defined time.

Source: [Finextra](#)

Payment

Visa to Buy Verifi

Visa is buying Verifi, a payment dispute resolution technology specialist that promises to help firms reduce chargebacks. Verifi's technology connects all parties in the dispute management process in near real-time with the aim of resolving issues before they become a chargeback. The firm serves more than 25000 accounts.

Source: [Finextra](#)

Payment

Coupa Software Adds Invoice Payment Capabilities

Coupa Software, a leader in Business Spend Management, launched Invoice Payments under its Coupa Pay. With Coupa Pay Invoice Payments, AP teams are empowered to efficiently transact in one secure step, seamlessly, through a wide variety of payment options, including domestic bank transfer, cross-border payment, and digital checks. With this solution, companies can now orchestrate and govern their end-to-end payments processes with a unified platform, thereby reducing manual work, compliance risk, and fraud.

Source: [Finextra](#)

Payment

Paysafe Brings Rapid Transfer to America with Skrill USA

Leading global payments provider Paysafe announced a partnership with Skrill USA, a digital payments leader. The deal sees Paysafe's Rapid Transfer, an online banking payments service available in 18 European countries, launch in the US market through the Skrill digital wallet. Using Paysafe's Rapid Transfer identity and verification service, US consumers who transact with a merchant client of Skrill can now make instant online payments from their bank account without leaving the merchant's website.

Source: [Finextra](#)

Payment

ConnexPay Scores \$7 Million Series A

ConnexPay, a payment provider changing the way travel intermediaries do business, announced that it has raised a Series A funding round of \$7 million led by BIP Capital. ConnexPay works by seamlessly matching payments from travel buyers to travel suppliers in real-time. The technology reduces risk, eliminating the need for online travel agencies, tour operators, and consolidators to pre-fund payments or obtain lines of credit.

Source: [Finextra](#)

Payment

China UnionPay and OPPO Launched UnionPay Flash Payment OPPO Pay

China UnionPay and OPPO officially launched the UnionPay flash payment OPPO Pay. Users of OPPO Reno series can bind OPPO Pay "single pay" by double-clicking the power button in the bus, subway, catering and other scenes. At the same time, all OPPO users can use the UnionPay payment code to pay easily.

Source: [JRJ](#)

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