

CGAP WORKING GROUP ON

MICROINSURANCE



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EMPOWERING THE WORLD'S POOR

Performance Indicators for Microinsurance Practitioners

WORKSHOP REPORT
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The opinions expressed are not necessarily those of ADA, the CGAP Working Group on Microinsurance or BRS.

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For more information on the CGAP Working Group on Microinsurance, visit their website: http://www.microfinancegateway.org/resource_centers/insurance/

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With the development of the microfinance sector, a growing number of low-income households start having access to financial services such as credits and savings, but still have difficulties managing the risks they are facing and for which insurance could be a solution. A client's family that is unable to face a risk of sickness, accident or death is not only an avoidable problem, but for a Microfinance Institution represents an additional risk that could affect its sustainability.


As a consequence, in order to better respond to the client's needs, to extend the range of financial services offered and hence strengthen sustainability, more and more microfinance institutions offer microinsurance products. In theory it is just an additional financial service for the same target group. But in practice, managing an insurance scheme and its risks efficiently is a different business altogether.

The strength of a microfinance institution is often based on its close relationship with clients and distribution coverage within a geographic region. The strength of an insurance company is its capacity to identify and manage risks related to insurance products. Microfinance institutions decide sometimes to develop their own microinsurance products or they focus only on the distribution and work together with an existing insurance company for calculating and managing the risk. Another option would be that an existing insurance company develops an offers its own microinsurance product.

Defining and using appropriate microinsurance performance indicators and analysing them would be of great value for the microinsurer as they inform on the scheme strengths and weaknesses. It will provide the management with information on which decisions can be based.

Considering the emergence of the microinsurance sector, most of the microinsurers do not have adequate insurance background and reference tools to assess performance and sustainability of a microinsurance scheme. Therefore, ADA invited practitioners and experts to a two-day workshop for sharing experience and information on microinsurance performance analysis. This workshop does not intend to be exhaustive but rather wants to initiate a process by proposing a first set of key performance principles and indicators with the aim to develop a tool for performance analysis for microinsurance schemes. Organised in close collaboration with the CGAP Working Group on Microinsurance and the Belgian Raiffeisen Foundation (BRS), we intend to continue to develop this initiative that will strengthen the microinsurance industry for the benefit of low-income households all over the world.

Axel de Ville
Director ADA



There is all too often uncritical support of anything called “microinsurance”; such as a scheme with a dubious product, low renewal rates, 8% of premiums being used to pay claims, 45% for paying expenses, remainder in profit. We must keep our focus on the main objective of protecting low-income insured from inadequate or inappropriate coverage, unreasonable marketing, unfair claims settlements or denials, excessive expenses and excessive profits. Other aspects - such as the “need” for a product, the suitability of a product, the microinsurer’s leadership (board and management), and closeness to market – are difficult to quantify and measure. It is also easy to get lost in technicalities such as definitions, varying situations and practices, and the relative importance of various aspects. It is therefore essential to keep our overall focus by identifying the most critical performance indicators, understanding that there are no absolute truths, and “seeing the forest, despite all the trees”.

Ellis Wohlner
Consultant and adviser to Sida

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WORKSHOP OBJECTIVES

The objectives of the workshop on Performance Indicators for Microinsurance Practitioners were:

- To strengthen awareness of microinsurers for performance analysis and risk management;
- To provide practitioners with a first set of microinsurance performance indicators and test them using data from the workshop participants;
- Share information and knowledge necessary to monitor performance and to increase transparency, which will facilitate the inclusion of microinsurance into the financial sector; and
- To promote exchange of experiences between participating microinsurers and experts.

ADA applied the methodology of its workshop “Financial Performance Indicators in Microfinance” to this workshop with the necessary adaptations for microinsurance. Furthermore, some changes had to be made due to the fact that the microinsurance sector is still very young and no performance measurement standards are available to use for direction.

The main methodological principles for this two-day workshop were as follows:

- Two microinsurance performance experts as trainers;
- Invite management level of microinsurance providers to guarantee understanding and command of the microinsurance activity;
- Get the participants to fill out a factsheet before the workshop in order to calculate the proposed set of indicators, which will constitute an important part of the workshop content;
- Discuss the factsheet data and results with the microinsurers during the workshop and thus start a reflection process;
- Based on the seven dimensions proposed by the trainers, use the discussion as a tool to determine the value of applying these principles and then define a first group of performance indicators for the microinsurance industry; and
- Define from the start the understanding of data confidentiality.

PRESENTATION OF THE PARTICIPANTS

Most of the workshop participants were already in contact with the CGAP Working on Microinsurance in relation to its Microinsurance Case Study project. Different organisational types and products were represented, the majority being life insurance products.

| ORGANISATION | COUNTRY | MI SCHEME | PRODUCTS | NUMBER OF INSURED |
|---|--------------|---|---|-------------------|
| 3ASC - Association d'Appui aux Activités de Santé Communautaire | Togo | Mutual | Health | 8,757 |
| Bhartiya Samrudhi Finance Limited | India | Partner-agent | Life, livestock, health, rainfall, assets | 35,000 |
| CDI-Bwamanda | Congo | Mutual | Health | 114,465 |
| CIF | Burkina Faso | Network | Life | N.A. |
| Compartamos | Mexico | Partner-agent | Life (independent from the credit) | 71,831 |
| DHAN Foundation | India | Mutual (but they propose other MI schemes) | Life, livestock, weather | 3,045 |
| FCPB | Burkina Faso | In-house (MFI) | Life, health | 2,519 |
| FECECAM | Benin | In-house (MFI) | Life | N.A. |
| FUCEC - MAFU-CECTO | Togo | In-house (MFI) | Life | 13,983 |
| FWWB | India | Apex institution (partner-agent) | Life, health, livestock, asset, weather | 1,514,006 |
| Healing Fields Foundation | India | (Network) partner with NGOs, health care providers, hospitals, government and medical community | Health | 30,300 |
| Karuna Trust, Bangalore | India | Partner-agent | Health | 112,734 |
| PAMECAS | Senegal | In-house (MFI) | Life | N.A. |
| Prem | India | Community based | Mutual health | 69,886 |

PRESENTATION OF THE PARTICIPANTS

| | | | | |
|------------------------------|-----------|--|--|--------|
| SHARE | India | Partner-agent | Life | 78,925 |
| Shepherd | India | Partner-agent | Life, health, assets, livestock | 10,199 |
| Tata-AIG | India | 40% Partner-agent, 60% Business associate model and CRIG (Community rural insurance group) model | Term life, endowment | 20,909 |
| TYM's Mutual Assistance Fund | Vietnam | Community-based (MFI) | Credit life, funeral services | 21,303 |
| YASIRU | Sri Lanka | Partner-agent | The product covers accident, death, disability and hospitalisation | 15,123 |

SEVEN DIMENSIONS OF MICROINSURANCE ANALYSIS

The following dimensions aim to integrate all aspects of a microinsurance scheme. Most MFIs would not have a separate department for these different dimensions. Therefore, it is important that a dedicated person is accountable for each dimension in order to guarantee that all activities are monitored diligently and corrective measures can be taken, if necessary, with only short delays. These dimensions should be applied as a whole to all those involved in providing microinsurance (MI).

1. MICROINSURANCE ORGANISATIONAL STRUCTURE

The purpose of looking at the organisational structure is to demonstrate the ability of an organisation to manage and monitor microinsurance as an independently viable business.

Insurance is a risk management business that requires particular technical skills and practices. Therefore, it is important to understand that a microinsurance business has to be managed the same way as an insurance company. The microinsurer should manage the microinsurance activities separately from all other activities with its own accounts and dedicated staff.

The lack of separation of duties is likely to impact on the microinsurer. If the business is not separated from other activities, for example credit and savings in MFIs, it is impossible to measure the impact that the activity has, or how good or bad things are done. Microinsurance has to be managed at least as a “profit centre” with staff and someone holding overall responsibility for managing the programme.

2. MARKETING AND DISTRIBUTION

The purpose of the dimension Marketing and Distribution is to measure effectiveness of distribution and marketing, both important for programme sustainability. “Marketing and distribution effectiveness is one of the most important requirements for the long-term sustainability of a microinsurance scheme. Without successful marketing, the organisation is unlikely to reach or retain the critical mass that it needs to survive.”¹

1 Garand, D. and Wipf, J., 2006: Performance Indicators and Benchmarking, p. 322. In Churchill, C. (ed.): Protecting the poor: A microinsurance compendium. ILO, Geneva.

Insurance is a promise of a future benefit based on the payment of a premium today. As the target market for microinsurance often lacks awareness of the importance and usefulness of microinsurance or has little or no knowledge about its concept, marketing and distribution constitute very important activities for microinsurance: Not only the product, but also the concept has to be explained. How well this is accomplished usually determines the degree of success of the programme.

The participation rate (= total number of insured members / eligible members of the target population) could be a good overall indicator for this dimension. A high participation rate usually indicates that the provider represents an efficient channel, is servicing the client well and has an effective renewal and premium collection process. A low rate on the other hand indicates that the communication strategy might need to be revised, that the client tracking is not done efficiently and / or that servicing might be inadequate.

3. FINANCIAL MANAGEMENT AND VIABILITY

The purpose of this dimension is to assess the quality and practices of financial management and the viability of the microinsurance programme in the long run.

Like any other aspect, financial management practices and MI growth should be monitored carefully. Managers should monitor financial conditions continuously, prepare business plans and project the financial requirements of their programmes to reach viability.

Financial statements such as income statements and balance sheets should be separate from microfinance or other business activities: "Producing accurate financial statements is an important management function of a microinsurance scheme. Results should be shown by product line to make it clear where the programme is losing or making money."²

Important considerations to be taken into account when preparing financial statements are data accuracy, accounting method, reporting frequency, reserving methodologies, and regulatory requirements. Regulatory requirements might determine some important aspects of financial management such as reserving methods, reserve levels, and the types of assets recognized in determining MI solvency.

² Garand, Wipf, 2006: 327.

4. RISK MANAGEMENT

Microinsurance is the business of risk management per se and the purpose of this dimension is to assess the risk management practices of the MI provider. It is crucial to identify developing trends and analyze results in order to monitor risk and to make well-informed management decisions.

Risk management is concerned not only with the core microinsurance activities, but also addresses numerous practices such as

- the existence of a formal investment policy;
- the linking of long term interest rate guarantees to actual investment yields;
- the existence and design of a reinsurance programme, including negotiation of the levels and types of risk that a possible reinsurer is willing to assume and that meet the risk cessions required by the MI provider;
- the effective and continuous monitoring of claims experience;
- pricing reviews and revisions;
- control of moral hazard and adverse selection;
- constant monitoring of the client risk profile;
- actual to expected claims analysis; and
- and the types and levels of risks taken within the microinsurance programme.

5. INVESTMENT MANAGEMENT

The purpose of this dimension is to assess the MI programme's investment related practices since investment mismanagement could push the organisation into bankruptcy and imperil its long-term sustainability.

Having a clearly defined investment policy enables to limit or even avoid precarious investment activities. Liabilities are paid using the income from assets (interests and maturities). Therefore, having good quality assets (high grade investments) and a diversified asset portfolio are crucial for any microinsurance programme. Another important consideration is to see if the period of liabilities is longer than the period of assets, which constitutes a reinvestment risk. The asset diversification policy is apprehensive about the concentration of invested assets. If investments are held with a single source or asset class, this could become a problem for the scheme. Additionally, a suitable matching of assets to liabilities is required for increasing the likelihood of long-term sustainability and to avoid bankruptcy.

6. OPERATIONS MANAGEMENT

The purpose of this dimension is to assess key microinsurance management practices.

The control of operations is fundamental, both internally and externally. On the one hand, knowing how an organisation deals with procedures is something to be considered as the internal efficiency is crucial to the delivery of high quality services to clients, and regular training is crucial for capacity building. On the other hand, having an experts' external opinion on internal operations in form of an audit is a helpful evaluation that provides a "neutral" overview of operations.

The operations management should ideally be carried out with a comprehensive, adapted and well designed MIS, which allows management to monitor personnel performance and programme effectiveness.

7. ECONOMICS, CLIENT VALUE AND SERVICE

The purpose of this dimension is to assess client value and service: "Good product value is one of the most important catalysts for the participation rate and for the programme to remain viable."³

Organisations that provide superior value and service have a better chance for long term viability as they will retain their existent customer base and attract new customers by word-of-mouth.

If clients think they are not receiving the benefits worth the amount of money paid, they will shop around and thus put the viability of the microinsurance scheme at risk. Good economic value is to return as much of the premium as possible to clients while maintaining viability and good service levels. However, giving a good client value depends on a series of other dimensions, like, for example, efficient operations. Efficiency, at the end of the day, equals savings and therefore contributes towards better economic value to the client.

This break-down in seven dimensions should facilitate the understanding of the different aspects of microinsurance programmes – their challenges and risks – and thus establish the basis for any successful programme.

Much of the workshop content is based on the chapter "Performance Indicators and Benchmarking" from Denis Garand and John Wipf, published in "Protecting the poor: A microinsurance compendium."⁴

3 Garand and Wipf, 2006: 329.

4 Churchill, C. (ed.), ILO, Geneva: 2006.

MEASURING PERFORMANCE IN MICROINSURANCE

Measuring performance requires the availability of quantitative data, which can be analysed and interpreted, and thus provides an overview of the programme in question. Data accuracy and sound data collection principles are a basic requirement for any analysis and interpretation to be representative and precise.

The content of this workshop was based on quantitative data (factsheets) but also some qualitative data from 17 microinsurance providers. Two participants were not able to provide data as they just started microinsurance operations.

Standards indicators "indicate" where a scheme requires improvement and "can be a signpost for management, boards and other stakeholders, helping them to ensure that the company remains solvent and that performance continues to improve."⁵

A. KEY PRINCIPLES

Before calculating microinsurance performance indicators (see chapter B), it is important to integrate a set of principles. A couple of questions help to determine if these principles have been implemented or not. If the latter is the case, the answers will help the programme managers to identify weaknesses or implement necessary improvements.

For this workshop, eight principles were set and although, they are treated separately for ease of analysis, they are not separate features in practise.

The key principles are:

1. Separation of data
2. Collection of relevant and accurate data
3. Production of financial statements
4. Calculation and setting up premium and claim reserves
5. Efficient claims monitoring
6. Clear investment policy
7. Right technical insurance expertise
8. Transparency

5 Garand and Wipf, 2006: 321.

Additional key principles suggested at the workshop are a basic description of the organization and its products, social mission and ownership structure. These will not be discussed or elaborated in this report.

1. SEPARATION OF DATA

The following questions will help to determine if the microinsurance scheme is following the principle of separation of data:

- Does your organisation have separate accounting for each activity?
- If not, why not?
- What difficulties are you having in separating the data?

Having data separated per activity, for example microfinance vs. microinsurance, gives an overview of the programme's performance. If the answer is no, the organisation should reflect on why this is not the case – is it because of a deficient MIS? Was it simply not taken into consideration? etc.

Separating data requires not only the separation by type of activity, like for example microinsurance from other activities, but also by schemes or product as calculation and analyses requirements are depending on the different products. The big advantage of this is that performance indicators can be calculated per product with product specific data and therefore, produces accurate results and facilitates analysis. Otherwise, the results will not be a true reflection of a scheme's performance.

2. COLLECTION OF RELEVANT AND ACCURATE DATA

The following questions will help to identify whether or not the microinsurance provider has produced and collected relevant and accurate data:

- Which difficulties does your organisation have in calculating and tracking rates (e.g. participation rate, renewal or AAPR rates, etc.)?
- What would you need to calculate these ratios more efficiently?

Having large volumes of data is not a substitute for having good quality data or the right kind of data for calculating performance indicators or reserves, for preparing management reports, etc. The type of data should be carefully determined and preselected with the help of an actuary before starting the collection process as to avoid collecting data that does not provide valuable or relevant information. All the data should be kept on record to compile the history of the microinsurance scheme.

If the organisation has problems with the calculation of indicators, it could well be because their data is not appropriate or the information is insufficient for an accurate analysis.

3. PRODUCTION OF FINANCIAL STATEMENTS

The following questions determine whether the microinsurance organisation is producing financial statements with the correct data:

- Does your organisation prepare a separate Income Statement and Balance Sheet in line with the proposed minimum standards?
- Which parts of the Income Statement and Balance Sheet do you have problems with when calculating indicators?

The minimum standards are:

- Separation of microinsurance schemes;
- Data accuracy (see principle 2);
- Accrual accounting method;
- Frequency of reporting (at least quarterly for management purposes);
- Net income (prior to non permanent subsidies);
- Reserve levels reflected as liabilities on the Balance Sheet; and
- Change in reserves reflected as expenses on the Income Statement.

All financial statements are required from management to get a punctual overview of the scheme's performance, but the statements may also need to meet some national regulatory requirements and standards.

4. CALCULATION AND SETTING UP PREMIUM AND CLAIM RESERVES

A microinsurance organisation should ask itself the following questions:

- Are you calculating reserves? If not, why aren't you?
- For those calculating reserves, on which basis were they calculated?
- Which capacities and tools would be needed to enable you to calculate and set up reserves?

A reason for not calculating reserves internally could be that the insurance risk is managed externally, as is the case for Partner-agent models. In all cases, reserves are crucial for the safeguard of any organisation.

Reserves are very difficult to determine in most cases as their calculation is based on complex actuarial mathematics. Some more general and simplified methods and tools that follow accepted actuarial standards are available. However reserves for long-term products should be calculated by an actuary.

A risk-bearing MI provider must calculate reserves and reflect these correctly in its financial statements in order to obtain a true picture of its financial condition. Reserves are a proxy for the actuarial present value of future claims and expenses. They should cover the claims and expenses due to expected events but should account for most of the unexpected events as well.

Some of the generally accepted simplified reserves are Unearned Premium Reserve (UPR), Incurred But Not Reported Reserve (IBNR), Claims in Course of Settlement (CICS), and Contingency Reserve (CR). The level of reserves varies depending on the type of microinsurance product, on its design and features, and on how the microinsurer is implementing it. For example, reserves for a life microinsurance product are not the same as the reserves needed for a health microinsurance product, while identical products may require different reserve levels between two different microinsurers.

5. EFFICIENT CLAIMS MONITORING

In order to see if a microinsurance organisation is meeting the principle of efficient claims monitoring, the following questions can be asked:

- Do you list and describe the current methods used to monitor your claims?
- Do you analyse trends in claims? Which trends are developing?
- Do you have problems monitoring claims? What kind of problems?
- Which capacities and tools would be needed to improve claims monitoring?

Claims should be monitored in order to understand the risk profile of the scheme's clients. Comparing actual claims by age and by gender with the expected claims and other important parameters helps to identify developing trends and results for better-informed management decisions. In addition to this, claims monitoring contributes to pricing, monitoring of moral and adverse selection, the calculation of reserves and the monitoring of other aspects of the plan. Denied claims should also be controlled.

Every claim record needs to include at least three dates:

- When did the claim event occur?
- When was the claim reported to the microinsurer?
- When was the claim finally settled?

6. CLEAR INVESTMENT POLICY

The following questions help to determine if the microinsurance organisation has defined a clear investment policy:

- Does your organisation have a formal investment policy?
- What is the proportion of the microinsurance invested assets compared to its premiums?
- Do you have products with a term of over one year? If yes, does your organisation practice asset-liability management?

Microinsurance hinges on the accumulation of premium payments and their appropriate investment to fund claims payments and expenses. For some products, especially those with longer duration or with a significant savings component, the viability of a scheme relies a great deal on the way the accumulated premiums are invested.

An investment policy should at least address the following issues: Asset quality (grade of investments), asset diversification, and asset-liability matching for long term products. The first issue is especially important if the microinsurer has substantial accumulation of assets for long term products, or has had a grant to set up capital. Moreover, asset diversification measures the concentration of invested assets; the potential to diversify will depend on the country specific situations. If all investments are held with a single source or asset class, this can be a potential future problem. As a general standard; real estate should not be more than 10% of invested assets. Asset-liability matching should be practiced for longer term products since a significant mismatch can bankrupt the organisation. It is also necessary to manage cash flows efficiently as it also helps good product design.

7. RIGHT TECHNICAL INSURANCE EXPERTISE

The following questions help to determine if, and which, technical insurance expertise is needed:

- How often are internal and external audits conducted?
- How does your MIS compare to the suggested minimum standard?
- Did you list and describe the kind of information it is recording?
- What types of applications does your system provide?
- What is the source and content of staff training on microinsurance?
- How many of Principles 1-6 are not being met due to lack of capacity?

Usually, microinsurers are new to this service and do not know the technicalities of the insurance business. Therefore, they should consult technical insurance expertise in order to assess key microinsurance management practices.

This support concerns: Internal and external audits; staff training and appropriate insurance expertise. Internal audits will reinforce the overall control of the structure and should be conducted frequently (for example, quarterly). External audits are equally necessary but may be conducted less frequently (perhaps once a year).

A comprehensive MIS will include: A relational database in normalized form⁶; applications developed for monitoring and applications developed for financial and risk management. It is important to design the MIS with the help of an actuary.

8. TRANSPARENCY

Every calculation, procedure, data collection, etc. has to follow the principle of transparency in order to provide valuable and accurate information, to improve process and to increase credibility. This principle can be understood as a consequence of the application of the other principles and therefore, no specific questions apply.

⁶ A definition from the Wikipedia online dictionary: In relational database theory, normalization is the process of restructuring the logical data model of a database to eliminate redundancy, organize data efficiently, reduce repeating data and to reduce the potential for anomalies during data operations.

B. THE KEY INDICATORS

If the principles discussed in the previous chapter are followed, the calculation of ratios and performance indicators is easier and provides an accurate picture of the performance of the microinsurance scheme.

A set of seven performance indicators was determined and tested with the data from the participating microinsurers. Three additional indicators were added during the workshop: Growth ratio, Coverage ratio and Liquidity ratio.

The workshop had also suggested using yield ratios, Return of Investment or Return on Assets; however they were not discussed during the workshop.

This set of indicators is not exhaustive but should be considered elementary for performance analysis for microinsurance schemes. This set does not include social performance indicators, but they will be included at a later stage.

1. NET INCOME RATIO

Definition

This ratio shows how profitable a microinsurance programme is: “One of the most important indicators is the microinsurer’s net financial result or net income since this reflects a summary of all activities in the period reviewed. To measure net income, an accurate income statement on an accrual accounting basis has to be produced, which exhaustively reflects all costs of administering the scheme, depreciation of equipment, reserve changes, and so on.”⁷

How to calculate it

$$\text{Net Income Ratio} = \text{Net Income} / \text{Earned Premium}$$

With

- Net income (prior to non permanent subsidies) = Earned premium + investment income – incurred claims – incurred expenses
- Earned premiums⁸ = Premium income (not cash premiums) – change in Unearned Premium Reserve (UPR)
- Incurred claims⁹ = Cash claims + change in reserves = cash claims + changes in Incurred But Not Reported Reserve (IBNR) + change in Claims In Course of Settlement (CICS)
- Change in a reserve = reserve level at the end of the current accounting period less reserve level at the end of the previous accounting period

Comments

If the microinsurance scheme is making a lot of profit, it is perhaps because the programme does not offer enough benefits to its clients, either because benefit levels are too low, due to numerous exclusions, because the insured do not know how to claim, or due to some other

7 Garand and Wipf, 2006: 327.

8 Note that a change can be positive or negative. Examples: 1) If the Premium Income is 1,000 and the Change in Unearned Premium Reserve is 100. Then the Earned Premium is 900 (1,000 - 100 = 900). 2) If the Premium Income is 1,000 and the Change in Unearned Premium Reserve is -50. Then the Earned Premium is 1,050 (1,000 - -50 = 1,050).

9 Note that a change can be positive or negative. Examples: 1) If the Claims Paid are 1,000 and the total net Change in Claims Reserves is 150. Then the Incurred Claims are 1,150 (1,000 + 150 = 1,150). 2) If the Claims Paid are 1,000 and the net Change in Claims reserves is -75. Then the Incurred Claims are 925 (1,000 - 75 = 925).

reason. If this is the case, the programme will eventually lose its appeal. The partner-agent model should be specially analyzed as the microinsurer is delivering the product, but not retaining the collected premiums, or earning a profit. The calculation of this ratio helps to assess the quality of management and the viability of the microinsurance scheme.

Workshop discussion

The acceptable level for this indicator is around 5%. This level is a good value from the clients' point of view. When calculating this ratio, one has to make sure that the reserve changes are only used once.

2. INCURRED EXPENSE RATIO

Definition

This indicator points out how efficient the delivery of microinsurance is. Good product value can “only be achieved with a low expense ratio, which is the proportion of the premium earned in a given period consumed by incurred expenses in the same period.”¹⁰

How to calculate it

$$\text{Incurred Expense Ratio} = \text{Incurred Expenses} / \text{Earned Premiums}$$

With

- Incurred expenses (before subsidies or grants) should reflect all actual expenses incurred in the accounting period, including amortisation of equipment, depreciation, and commissions. This may or may not be equal to cash expenses.
- Earned premiums¹¹ = Premium income (not cash premiums) – change in Unearned Premium Reserve (UPR)

Comments

“By definition, microinsurance premiums are small and are usually collected in frequent instalments. The result is a very large number of transactions relative to premium amounts, which makes it difficult to maintain a low expense ratio. Because of this, viability can only be achieved if an existing collection system is utilized.”¹² This indicator gives an idea of the economics, client value and service quality of the microinsurance programme.

Workshop discussion

The acceptable level for this indicator can not be clearly stated since it really depends on the context. During the workshop some participants argued that amortisation of equipment, training of staff, etc should not be included in incurred expenses, at least not at inception since these types of expenses do not have a direct impact on the programme. If they were taken into account from the beginning, the result obtained would be very pessimistic, and it would be a biased indication of performance.

10 Garand and Wipf, 2006: 329.

11 See Footnote 8

12 Garand and Wipf, 2006: 329.

3. INCURRED CLAIMS RATIO

Definition

This indicator indicates how valuable the programme is to the insured. It is “defined as total incurred claims divided by earned premium in a given period.”¹³

How to calculate it

$$\text{Incurred Claims Ratio} = \text{Incurred Claims} / \text{Earned Premiums}$$

With

- Incurred claims¹⁴ = Cash claims + change in reserves = cash claims + changes in Incurred But Not Reported Reserve (IBNR) + change in Claims In Course of Settlement (CICS)
- Earned premiums¹⁵ = Premium income (not cash premiums) – Change in Unearned Premium Reserve (UPR)
- Change in a reserve = reserve level at the end of the current accounting period less reserve level at the end of the previous accounting period

Comments

“Maintaining a high claims ratio while at the same remaining viable is the crux of the microinsurance challenge.”¹⁶ This indicator is a good complement to the Incurred Expense Ratio (see p.28) and helps to complement the picture of the economics, client value and service quality of the microinsurance scheme.

Workshop discussion

The acceptable level for this indicator can not be determined as it depends on the situation, but generally, the higher, the better. This could be an indicator for the organisation’s and scheme’s viability. Theoretically, the rule 75:20:5 should be followed (incurred claims ratio, expense ratio and net income). However, some participants reiterated the need to differentiate by product line and business area, and considered the claims ratio as too high.

13 Garand and Wipf, 2006: 330.

14 See Footnote 9

15 See Footnote 8

16 Garand and Wipf, 2006: 330.

4. RENEWAL RATE RATIO

Definition

This ratio helps to determine how satisfied the insured are. It is the proportion of those clients that renewed to those that could potentially renew or were eligible to renew: “The renewal rate applies specifically to term products (products with a fixed term of coverage such as one year). It is defined as the percentage of clients that had coverage in the previous year and are still eligible for renewal, who are renewing their term coverage. It reflects (among other things) the satisfaction of the client once the term product has been purchased.”¹⁷

How to calculate it

$$\text{Renewal Rate Ratio} = \text{Number of Renewals} / \text{Number of Potential Renewals}$$

With

- Number of renewals: Number of policies which were actually renewed.
- Number of potential renewals: Number of policies that could be potentially have renewed excluding those that have become ineligible due to old age, death, or due to other reasons.

Comments

“For schemes with voluntary participation, low renewal rate [...] [is] often indicative of client dissatisfaction, possibly due to poor communication, unacceptable product value, unsatisfactory claims payment, and so on. Operationally, high participation [...] rate help[s] to reduce administrative expenses. This adds value to the product since a larger proportion of the premium can be returned as benefits, which in turn encourages even wider and longer-term participation.”¹⁸ This ratio helps to show the condition of marketing and distribution.

¹⁷ Garand and Wipf, 2006: 324.

¹⁸ Garand and Wipf, 2006: 324.

Workshop discussion

The acceptable level of this ratio depends on the context. Features like microcredit linked to the microinsurance scheme can have a substantial impact on the results, for example when someone stops accessing credit and as a consequence will be disqualified from the microinsurance programme. This indicator should be measured per product and in general for comparison.

5. SOLVENCY RATIO

Definition

This ratio indicates how strong the insurance programme is. It relates admitted assets and liabilities by dividing assets of the microinsurance scheme by its total liabilities. Clearly this needs to be over 1 for the scheme to be technically solvent.

How to calculate it

$$\text{Solvency Ratio} = \text{Admitted Assets} / \text{Liabilities}$$

With

- Admitted Assets: The insurance regulator should normally provide a list of admitted assets. In absence of a regulator's definition, use your own definition and judgement of "high quality" assets (e.g. government securities, high grade bonds and mortgages, cash and cash equivalents, accrued interest of higher grade investments, etc.)
- Liabilities: Liabilities include claims reserves, incurred expenses, and accumulated savings with accrued interest (generated by MI products with savings features) but exclude capital and member equity. If the microinsurer cannot calculate reserves, then the true liabilities are not known.

Comments

This ratio helps to show the condition of the financial management and viability of the microinsurance programme.

Workshop discussion

An acceptable level for this indicator might be 115% or higher, but it depends on the maturity of the microinsurance programme. When determining the admitted assets, the issue of whether receivable premium should be considered as an admitted asset was discussed. However, even if the regulations should allow the inclusion of long overdue premium payments, it would be advisable to exclude any premiums overdue by more than two months.

6. PROMPTNESS OF CLAIMS SETTLEMENTS

Definition

This ratio indicates the time spent, on average, on settling benefits or the time passed between the date of the event reported (or the event incurred, for example, in case of health insurance) and the benefit payment: “The time to payout - how many days it takes for a client to receive a payment after the occurrence of an event.”¹⁹

How to calculate it

Calculate the percentage of claims paid within each interval

| Interval | Number of claims | % of claims |
|-------------------|-------------------|-------------|
| 0 to 7 days | ___ | ___% |
| 8 to 30 days | ___ | ___% |
| 31 to 90 days | ___ | ___% |
| More than 90 days | ___ | ___% |
| | Total # of claims | 100% |

Comments

The acceptable delay depends on the context and the product, however, the shorter the delay; the better for the client. “Paying claims promptly is an important aspect of [economics, client value and] service [...]. Health microinsurance models using a cashless system provide immediate relief to the client, and such systems would score highly on this indicator.”²⁰ Determining the time the process is taking will help the management to analyse how efficient the procedure is. The situation should be seriously analyzed if claims settlement is taking more than 90 days.

Workshop discussion

Some participants highlighted that the delay in payments is mostly due to time spent on claims verification. The settlement of a claim requires invoices from hospitals (in case of health insurance) or death certificates (in case of life insurance). Sometimes there are no death certificates which could certify the decease of a person, or there is no way of knowing the age of the insured people. Further complications emerge in case of co-payment agreements.

¹⁹ Garand and Wipf, 2006: 330.

²⁰ Garand and Wipf, 2006: 330.

7. CLAIMS REJECTION RATIO

Definition

This indicator rates the proportion of claims rejected out of the total of claims reported and reflects three aspects: How well did the organisation communicate information about the product? How reasonable is the microinsurance claims settlement policy? How good is the product design?

How to calculate it

Claims Rejection Ratio = Number of Claims Rejected / All Claims Reported

Comments

This ratio should be analyzed closely with other ratios. For instance, if the ratio is higher than 5%, it could mean that the scheme is too restrained with regards to its coverage policy, and therefore the programme could lose appeal to its clients. This indicator is a sign of the economics, client value and service quality of the microinsurance programme.

Workshop discussion

The acceptable level of this indicator depends on the context. It was highlighted that benchmarking of microinsurance performance is too difficult at this stage.

8. GROWTH RATIO

Definition

This ratio reflects the growth of activity from one particular period to another.

How to calculate it

Growth can be measured in several ways, one method being the measurement of the increase in number of scheme participants:

$$\text{Growth Ratio} = (\text{Number of insured}_n - \text{Number of Insured}_{n-1}) / \text{Number of Insured}_{n-1}$$

With

- Number of insured n: Number of insured in the current period.
- Number of insured n-1: Number of insured in the previous period.

Workshop discussion

This indicator can be expressed in terms of clients, of amount of incurred claims, in monetary terms (earned premium), etc.

9. COVERAGE RATIO

Definition

“As an indicator of marketing effectiveness, the participation rate [coverage ratio] refers to the proportion of eligible members of a target population participating in the microinsurance programme at a given point in time.”²¹ It is the proportion of the target population which is covered by the microinsurance scheme at a specific point in time.

How to calculate it

$$\text{Coverage Ratio} = \text{Number of insured}_n / \text{Target population}_n$$

With

- For purposes of the workshop, the terms coverage ratio, penetration rate, participation ratio are all equivalent- some distinguish between the three ratios, with the first indicator being the ratio of entire population covered and the latter two referring to the ratio of the target population covered.
- Number of insured n: Number of insured at the time of analysis
- Target population n: Target population at the time of analysis

Comments

“The ideal situation is when a very large proportion of the target population voluntarily participates in the microinsurance programme. This generally indicates that the population has accepted the concept of pooling risks and resources. It is also likely that the participants have a good understanding of the benefits package and know how to access the benefits.”²² This ratio is meaningful for a specific target population, and responds to marketing and distribution issues.

Workshop discussion

This ratio could also be called Outreach Ratio as it measures the proportion of people covered by the microinsurance programme compared to the total targeted.

21 Garand and Wipf, 2006: 322.

22 Garand and Wipf, 2006: 322.

10. LIQUIDITY RATIO

Definition

The liquidity ratio determines the capacity of the microinsurance systems to pay claims and its expense obligations.

How to calculate it

Liquidity Ratio = Available Cash or Cash Equivalents / Short-term Payables (3 months)

With

- Available cash or cash equivalents: Total cash available and other assets easily convertible into cash.
- Short-term payables (3 months): Total payments forecast between zero and three months from the time of the calculation.

Comments

“Even though a microinsurer may have a healthy solvency ratio, it could still have problems paying claims and meeting its expense obligations if it does not have adequate cash or cash equivalents in the short term... Too much cash, on the other hand, usually means that the scheme is forgoing investment opportunities, which will result in higher premiums or lower benefits for the participants.”²³ This ratio complements the ratios indicating the performance of the programme’s financial management and viability.

Workshop discussion

The result of this ratio should at least be 1.

23 Garand and Wipf, 2006: 328.

CONCLUSIONS

The workshop on Performance Indicators for Microinsurance Practitioners has achieved following objectives:

- To familiarise practitioners with the concept of microinsurance performance measurement and analysis;
- To demonstrate that microinsurance performance measurement with a set of principles and indicators is important for management to be able to take well-informed decisions;
- To understand that microinsurance performance measurement will help the industry to achieve credibility and thus attract future partners and investors;
- To advance the microinsurance industry in general by kicking off a discussion about standards and performance assessment;
- To take advantage during this workshop of the technical expertise of the trainers with actuarial and microinsurance background;
- To make a first “evaluation” of the state of microinsurance by looking at the indicators resulting from the participants data; and
- To discuss and establish a set of indicators as a necessary first step before agreeing on benchmark definitions.

The discussions between the experts and participants during this workshop were one of the most important elements:

- The microinsurance industry is still very young and therefore, immature. It is crucial to learn and exchange about existing models and practices.
- There are many different points of view of how microinsurance programmes should be run. The discussions brought together the practitioners’ every day business experiences and the experts’ microinsurance and actuarial background.
- Microinsurers with different delivery models (mutual, partner-agent...) and environments (country, region...) were able to understand each others specificities through sharing their individual experiences.
- The overall outcome is a first set of standard indicators for performance assessment, which can be used by different delivery models and in different environments.
- It is too early to consider benchmarking of microinsurance performance indicators.

The workshop has also brought up some challenges and lessons learnt:

- The microinsurance industry is still an inexperienced sector, but with a great potential to develop and grow.
- The microinsurance models represented at the workshop differed substantially, which was important in order to come up with a standard set of indicators.
- Principles and indicators should be clearly defined and differentiated: Principles are the foundation that guarantees that data is accurate and adequate, and indicators measure performance using that data.

Following questions are still open for now:

- Are there any other indicators that should be included in the proposed set of performance indicators?
- Are the proposed principles sufficient to guarantee that the data is accurate and adequate?
- How can we demonstrate that the proposed set of indicators applies to all microinsurance models?

Still a lot needs to be done, both in terms of harmonizing data collection and in terms of analysis. Neither the proposed set of principles nor that of key indicators are exhaustive, but should be considered as “Work in Process” aiming at expanding and strengthening the offer of microinsurance products for low-income households.

The Performance Indicators Sub-Group will continue working on establishing a set of standard performance indicators. Updates and more information can be found on the CGAP Working Group on Microinsurance: http://www.microfinancegateway.org/resource_centers/insurance/

ANNEXES

Monday 16th October 2006**08h30 Opening**

- a. Background, objective of the workshop
- b. Presentation and link with the CGAP Working Group on Microinsurance
- c. Presentation of the participants
- d. Keeping our focus

09h00 Part 1: Microinsurance performance analysis: General overview

- a. Introduction on microinsurance performance analysis and transparency as a management tool for the microinsurer. What are the components of performance and transparency in microinsurance?
- b. Microinsurance performance related to 7 dimensions.
- c. Experts' input about the set of indicators proposed. Why have they chosen that specific group of indicators? How to use them as a tool for monitoring the performance of a microinsurer?

10h00 Coffee break**10h15 Part 2: Performance indicators definition and analysis for each of the 7 dimensions:**

- What are the key indicators?
 - How to calculate them?
 - How to interpret them?
 - Illustration with the data of the participants.
 - Questions and Answers.
1. MI Organisational Structure
 2. Marketing and Distribution

12h30 Lunch**14h00 Part 2: (continue)**

3. Financial Management and Viability
4. Risk Management

16h00 Coffee break**16h15 Part 2: (continue)**

5. Investment Management
6. Operations Management

17h30 Closing of the day

Tuesday 17th October 2006

8h30 Part 2: (continue)

7. Economics, Client Value and Service

10h30 Coffee break

10h45 Part 3: Specific insurance products performance analysis

- a. What are the products' particular features to be taken into consideration when analysing the performance of an insurer. Health, life, property and disaster insurance products
- b. Questions and answers

12h30 Lunch

14h00 Part 4: Dialogue between microinsurance practitioners and experts on insurance performance analysis

- a. Practitioner's experience with the proposed set of indicators.
 - To what extent is it different from the indicators they use internally?
 - Are information and data easily and periodically available?
 - What are the motives to use and to improve the proposed set of performance indicators?
 - What are existing capacities vs. the capacities needed to measure and track the proposed set of indicators?
 - How might participants address the capacity gaps?
- b. Synthesis of practitioners' feedback about the first proposed microinsurance performance indicators (based on input and discussion of day one).
- c. Identification of the advantages and the weaknesses of the proposed set of performance indicators

15h45 Coffee break

16h00 Part 5: Proposal of a set of indicators to the microinsurance industry:

- a. Setting up an improved set of indicators as a tool for Microinsurers.
- b. How to implement such tool within the management of the Microinsurer?
- c. How to start a benchmarking process for microinsurance performance?

17h30 Conclusions of the workshop

17h45 End of the Workshop

PRESENTATION OF PARTICIPANTS

Association d'Appui aux Activités de Santé Communautaire – 3ASC (Togo)

3ASC is a non-governmental organization that was founded on 28 February 1996. 3ASC arose from the health and hydraulic programs that the Belgian Flemish Vredeseilanden NGO (known as “Islands of Peace” in Togo) conducted in the Savannah region of northern Togo.

The principle objective of the founding members of 3ASC and Vredeseilanden managers was to pursue, develop and concretize primary health care actions that the Belgian NGO started through a national structure.

3ASC's activities mainly cover: the promotion of health for mothers and children, the fight against STI/HIV/AIDS, hygiene and environmental sanitation, and the improvement of access to healthcare.

KEY CHARACTERISTICS (as of 2005):

- MI Scheme: Mutual
- Products: Health
- Outreach: 8,757 insured (6% of the target population)
- Earned premium (USD): 25,691
- Incurred claims (USD): 13,431 (52% of the earned premium)
- Target group: Women and children

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Bhartiya Samrudhi Finance Limited – BASIX (India)

BASIX is a new generation livelihood promotion institution established in 1996, working with over 190,000 poor households in 44 districts and eight states. Its mission is to promote a large number of sustainable livelihoods, including for the rural poor and women, through the provision of financial services and technical assistance in an integrated manner.

BASIX began its initiatives to deliver insurance services four years ago, coinciding with the opening up of the insurance sector. From the beginning BASIX has actively partnered with multiple insurance companies to design insurance products for rural customers. In the area of life insurance BASIX has worked with ICICI Prudential to begin with and is currently working with AVIVA Life Insurance Company. BASIX has worked with Royal Sundaram general insurance company for the delivery of Livestock insurance, Health Insurance and Micro-Enterprise cover for rural non-farm enterprises and with ICICI Lombard for the delivery of rainfall insurance. In 2003, BASIX was also given a Corporate Agency license by IRDA to distribute retail life insurance products from AVIVA.

KEY CHARACTERISTICS (as of 2006):

- MI Scheme: Partner-agent
- Products: Life, livestock, health, rainfall, assets
- Outreach: 35,000 insured
- Earned premium (USD): 427,333
- Incurred claims (USD): 203,778 (48% of the earned premium)
- Target group: Rural

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CDI - Bwamanda (Congo)

The project C.D.I.-Bwamanda stands for Centre de Développement Intégral de Bwamanda (Centre for Integrated Regional Development), ie, a development that stimulates all aspects of the life of a basic community. For this reason CDI-Bwamanda organizes both economic activities and social services. CDI-Bwamanda-Congo a.s.b.l. (a non-profit organization) is an independent non-governmental organization that is supported by “CDI-Bwamanda-Belgium vzw.”

In 1986, a medical insurance was set up by C.D.I. Bwamanda for the medical care in the hospital of Bwamanda. The fact had to be taken into account that the income of the farmer population is not equally spread over the entire year, but to a considerable extent is connected with the harvest. From the very beginning, the different parties were involved in the development of an adequate health insurance: the population by means of the rural health committees, staff of the health centres, senior staff of the service “rural development and the management committee of the hospital. Elaborate discussions and consultation lead to setting up a health insurance, known as “Mutuelle”, which is adapted to the specific local situation.

KEY CHARACTERISTICS (as of 2005):

- MI Scheme: Mutual
- Products: Health
- Outreach: 114,465 insured (46% of the target population)
- Earned premium (USD): 253,273
- Incurred claims (USD): 82,827 (33% of the earned premium)
- Target group: Rural

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Centre d'Innovation Financière - CIF (Burkina)

CIF (Centre Innovation Financière) is a network of credit union partners based in Burkina Faso, which aims to support its members through innovation and product development. Together with microfinance expert ADA and the international insurance experts KBC (Belgium) and D.S.F (Canada), CIF started to pilot test a life insurance scheme in 2003.

This scheme, called "Régime de Prévoyance Crédit" (RPC), has first been tested in Togo with FUCEC and then in Burkina Faso with RCPB.

RCP offers a base protection of 100,000 FCA (196USD) in case of death or invalidity during the duration of the credit and protection of the outstanding credit balance. The contribution consists of a monthly fee of 0,075% of the total credit volume and of 1500 CFA as a single start off fee.

The statistics for the first 12 months of the scheme running in Togo have confirmed the demand for microinsurance in this region: FUCEC (Togo) has insured 13,983 clients for a total amount of 17,495,500 USD representing 325,090 USD in premiums perceived. During the same period, they validated 42 claims for a total amount of 40,942 USD.

After a first evaluation of the test period, the product is now ready to be implemented through the other members, who only need to make minor adaptation to different local contexts.

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COMPARTAMOS (Mexico)

In 1990 the Program Income Generators “IG’s” of the NGO “Gente Nueva” was the beginning of Compartamos. In 2006 Compartamos begins operations working as a Bank.

Compartamos life insurance product is available for all credit clients, it does not have any exclusion, its benefit amount is not to cover the credit debt and it does not have any additional cost for the client, except if he/she wants to increase its benefit amount.

Seguros Banamex provides its expertise and technical resources to Compartamos following the partner-agent model dynamic.

The benefit product has been tested. At present the project starts a growing state and a pilot test of an additional protection product has begun.

KEY CHARACTERISTICS (as of 2005):

- MI Scheme: Partner-agent
- Products: Life (independent from the credit)
- Outreach: 71,831 insured
- Earned premium (USD): N.A.
- Incurred claims (USD): 50,226
- Target group: All credit clients

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DHAN Foundation - People Mutuals (India)

People institution is promoted by federations of poor. It is a separate entity to implement the insurance program for poor members organized by DHAN Programs. People Mutuals is promoted through collaboration between NOVIB, RABO Bank Foundation and Interpolis, Netherlands.

The development policy of the program is to provide social security through the concept of mutuality, sustaining development through livelihood intervention efforts by providing cover against risks and vulnerabilities and ensuring prompt and adequate support after the happening of a risk.

In 1992 DHAN's microfinance programs included funeral expenses at rural and urban level. In 1995 a livestock insurance in collaboration with mainstream insurers was established. At present, there are mutual solutions in 12 federations (including whole life mutual solutions). The outreach for all microinsurance programs offered by DHAN is 300,000 poor, out of which 35,000 are covered through mutual solutions.

KEY CHARACTERISTICS (as of 2005, of one mutual insurance programme):

- MI Scheme: Mutual
- Products: Life, livestock, weather
- Outreach: 3,045 insured (51% of the target population for one of the mutual solutions)
- Earned premium (USD): 11,849
- Incurred claims (USD): 6,949(59% of the earned premium)
- Target group: Poor members

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Fédération des Caisses Populaires du Burkina - FCPB (Burkina)

The network of credit unions in Burkina Faso (*Réseau des Caisses Populaires de Burkina Faso*) was created in 1972 in the region of Bougouriba and started expanding significantly in 1987. Développement International Desjardins has been its partner for more than 30 years. This network (the RCPB) consists of 97 credit unions. The RCP is the largest network in Burkina (in 2004, it counted more than 360,000 members).

In order to protect its main activity, credit, the RCPB introduced, in the 1990s, the borrower's benefit mutual fund (*Fonds Mutuel de Prévoyance de l'Emprunteur*) that is similar to credit life insurance.

Since that time, these funds have grown and have raised the awareness of the networks on the need for professionalism and the standardization of insurance practices. Thanks to partners such as the CIF, ADA and DID, this professionalism has been achieved.

An applied micro-insurance research project was implemented and effectively started on 21 March 2005.

KEY CHARACTERISTICS (as of 2005):

- MI Scheme: Own insurance (in house insurance)
- Products: Life, health
- Outreach: 2,519 insured (1.2% of the target population)
- Earned premium (USD): 57,540
- Incurred claims (USD): Not available
- Target group: All loan clients

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FECECAM (Benin)

FECECAM BENIN is a network of credit unions that was founded in 1975. Today, it has approximately 170 service centers throughout the 12 departments of Benin. 90% of the network's clientele are poor, mainly rural and agricultural. One of the risks facing the network is unpaid debt. A study of this unpaid debt revealed that it is caused by unforeseen events such as floods, fires, death of the borrowers, etc.

Various protective measures have been implemented within the network to face these events.

Since 1 August 2006, with the support of the CIF, the network has been testing a new financial product called the "Credit Fund Scheme" (*Régime de Prévoyance Crédit*). In order to succeed with this innovation, the experiment wisely started within one center, a regional credit union, and at the federation level for a period of three months (August 2006 to October 2006).

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FUCEC- Mutuelle d'Assurances de la FUCEC-TOGO – MAFUCECTO (Togo)

In order to offer more useful services to its affiliated members, and in light of the difficulties facing the COOPECs mainly due to issues related to outstanding unpaid debt caused by death or permanent and total disability, the senior management of FUCEC-TOGO decided to implement an insurance program in favor of its members via an internal structure referred to as the MAFUCECTO (*Fucec-Togo mutual insurance*).

After audits and evaluations conducted since 2003 by strategic partners such as the ADA, the KBC and the DID/DSF, the senior management of FUCEC TOGO started restructuring MAFUCECTO in 2004 with the support of the CIF (*financial innovation center*).

MAFUCECTO's product is the credit fund scheme insurance (*assurance du Régime Prévoyance Crédit*) that guarantees the payment of capital in the case of death or permanent and total disability of a member having received credit from a COOPEC against the payment of premiums defined in the specific conditions.

KEY CHARACTERISTICS (as of 2005):

- MI Scheme: Own insurance (in house insurance)
- Products: Life
- Outreach: 13,983 insured (67% of the target population)
- Earned premium (USD): 352,800
- Incurred claims (USD): 40,942 (12% of the earned premium)
- Target group: All loan clients

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Friends of Women's World Banking - FWWB (India)

FWWB, India is a leading national level apex microfinance organization in India, established in 1982. FWWB's core objective is to increase poor women's access to financial services through its network of Partner Organizations across Indian subcontinent. FWWB achieves its objectives by enabling the development of strong micro finance providers that serve poor women. FWWB initiated its Micro Finance activities in 1989. At present, FWWB is working with 79 organizations in 12 states of India with an ongoing outstanding of 598 loans.

Integrated Social Security Project was initiated in the year 1999 with support of GTZ Germany. One of the most important objective of this project was to institute social security schemes for the members of the (NGO) partners through their microfinance programme. The role of FWWB has been that of a facilitator – to do the match making with the MFI/NGO partner and the Insurance Provider.

KEY CHARACTERISTICS (as of 2005):

- MI Scheme: Apex institution (partner-agent)
- Products: Life, health, livestock, asset, weather
- Outreach: 1,514,006 insured
- Earned premium (USD): Not available
- Incurred claims (USD): Not available
- Target group: Poor women

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Healing Fields Foundation (India)

Healing Fields Foundation (HFF) is a not for profit organization whose vision is to make healthcare affordable and accessible to people in India. By providing Health Management expertise to support organizations and people involved in the development of healthcare for the underprivileged in India. HFF partners with other NGOs health providers and insurance companies in providing healthcare services.

Prior to the delivery of health insurance services, Healing Fields did extensive survey to understand the need of the community from affordability to health care needs. Healing Fields worked with HDFC-CHUBB to develop a health insurance product on a DRG (Diagnostic Related Group) model with a robust service delivery model, creating awareness, enrollment cashless admission with a co-payment by the insurance. Today, a community that was unable to afford any major medical treatment in the past, can access quality treatment at significantly lower costs than it would otherwise.

KEY CHARACTERISTICS (as of 2005):

- MI Scheme: (Network) partner with NGOs, health care providers, hospitals, government and medical community
- Products: Health
- Outreach: 30,300 insured (26% of the target population)
- Earned premium (USD): 16,779
- Incurred claims (USD): Not available
- Target group: Rural sector

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KARUNA TRUST (India)

Karuna Trust was founded in 1987 and is dedicated to rural development and rural health and is affiliated to Vivekananda Girijan Kalyan Kendra (VGKK).

In 2002, Karuna Trust, in a partnership with the United Nations Development Programme (UNDP), decided to implement a pilot health insurance scheme for its target population. The non-governmental organization (NGO) collaborated with the state-owned National Insurance Company (NIC) in designing a health insurance product that complements the public healthcare infrastructure and compensates for some of its weaknesses. Karuna Trust acts as an agent for NIC. The insurance product compensates the insured for the loss of income in case of hospitalization at a public health facility. Furthermore, a drug fund was set up to supply medicines that are unavailable in public facilities. People with income around the poverty line receive treatment in public health facilities free-of-charge.

KEY CHARACTERISTICS (as of 2005):

- MI Scheme: Partner-agent
- Products: Health
- Outreach: 112,734 insured (23 % of the target population)
- Earned premium (USD): 63,108
- Incurred claims (USD): 41,041(65% of the earned premium)
- Target group: People around poverty line

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PAKISAMA (Philippines)

The PAKISAMA Mutual Benefit Association, Inc. or the PAKISAMA Mutual, is the insurance service arm of the Pambansang Kilusan ng mga Samahang Magsasaka (PAKISAMA) and other people's organizations and poor communities.

The primary objective of the PAKISAMA Mutual is to provide social protection benefits to members of PAKISAMA and other people's organizations, their beneficiaries and families upon the occurrence of covered contingencies.

The PAKISAMA Mutual has been registered with the Securities and Exchange Commission (SEC) in 2001 as a non-stock, not-for-profit association in accordance with the Corporation Code of the Philippines (Batas Pambansa Blg. 68) and is duly licensed by the Insurance Commission in accordance with the Insurance Code.

KEY CHARACTERISTICS (as of 2005):

- MI Scheme: Mutual
- Products: Life, health
- Outreach: 1,332 insured (27% of the target population)
- Earned premium (USD): 80,097
- Incurred claims (USD): 776 (10% of the earned premium)
- Target group: Not defined

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PAMECAS (Senegal)

The Union of Partnership Funds for the Mobilization of Savings and Credit (*Union de Mutuelles du Partenariat pour la Mobilisation de l'Épargne et le Crédit*) in Senegal (UM-PAMECAS) is a network of 28 credit unions located in the region of Dakar. At first, it consisted in a project to support the credit unions (*Projet d'Appui aux Mutuelles d'Épargne et de Crédit*) in Senegal that had started in 1995, financed by the Canadian International Development Agency (ACDI) and conducted by Développement International Desjardins (DID). In September 1998, the Union des Mutuelles du Partenariat pour la Mobilisation de l'Épargne et du Crédit in Senegal was created with a total of 22 credit unions. The legal structure of the network was recognized with the creation and certification of the Union des Mutuelles du Partenariat pour la Mobilisation de l'Épargne et le Crédit in Senegal (UM-PAMECAS). Thereafter, 7 other centers joined to form a network of 28 credit unions providing the same products and services and operating with the same policies.

The PAMECAS corporate structure is a company with variable capital governed by Law No. 95.03 of 5 January 1995, which regulates mutual funds and credit unions in the West African Monetary Union (WAEMU) countries. It is under the authority of the Ministry of the Economy and Finance of Senegal via the Technical Assistance Cell for Credit Unions (*Cellule d'Assistance Technique aux Caisses Populaires d'Épargne et de Crédit*) (AT/CPEC).

In 2004, the network consisted of 30 unions and 44 service centers, and counted 163,902 members.

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UM-PAMECAS
Senegal

PREM (India)

The People's Rural Education Movement (PREM) is a registered voluntary organisation founded in 1980 and dedicated to the promotion of village self-help groups, micro-credit schemes, grain banks and group enterprises throughout Orissa. PREM aims to develop rights awareness among marginalised groups and promote the strengthening and mobilisation of community assets to sustain and improve village life. PREM has a particular focus on women in their work, and aims to address gender inequalities by establishing women's organisations, promoting political involvement, conducting training programs to create consciousness about women's problems and promote rights awareness.

The pilot project of People's Rural Health Promotion Scheme is 3 years old by 2006 and it is expected to be self supporting in another 2 years. At present the management of the scheme and training support is funded by Plan International.

KEY CHARACTERISTICS (as of 2005):

- MI Scheme: Own community based
- Products: Mutual health
- Outreach: 69,886 insured (82% of the target population)
- Earned premium (USD): 31,060
- Incurred claims (USD): 36,883 (119% of the earned premium)
- Target group: Rural poor (tribal, Dalits and fisherman)

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SHARE (India)

SHARE (Society for Helping and Awakening Rural Poor through Education) started micro-credit operations in 1993 as a two-year action research project with financial support from Asia Pacific Development Center, Malaysia and Grameen Trust, Bangladesh. To overcome the legal constraints as a society, SHARE MICROFIN LIMITED was promoted during the year 1999, as a Non Banking Financial Company (NBFC). SML's prime objective is to provide poor women with continuous access to collateral free credit thereby creating opportunities for self-employment and hence reducing poverty. The objective of creating the public limited company was to leverage a significant quantum of mainstream commercial funding and increase the outreach of microfinance in India.

SML, in its continuous efforts to better serve its clients and to offer them protection against unpredictable adversities, has introduced specially tailored insurance product through Life Insurance Corporation of India (LIC) - a Government of India enterprise. The lives of clients are insured against the natural and accidental deaths.

KEY CHARACTERISTICS (as of 2005):

- MI Scheme: Partner-agent
- Products: Life
- Outreach: 78,925 insured (89% of the target population)
- Earned premium (USD): 112,161
- Incurred claims (USD): 80,348 (72% of the earned premium)
- Target group: Micro-entrepreneur loan clients (individual and group)

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SHEPHERD (India)

Self-Help Promotion for Health and Rural Development (SHEPHERD) was formed and registered under the Society Act in 1995. SHEPHERD is located in Triuchirapalli (Trichy) in Tamil Nadu. Its goal is to empower poor rural women, particularly dalits. Though agriculture is the main source of income for its target market, the availability of employment is limited. SHEPHERD operates in five districts selected because they had high incidences of drought, bonded labour, underemployment and migration. SHEPHERD's main objectives are: a) to inculcate the habit of savings; b) to help women to lead sustainable livelihoods; and c) to protect them from calamities or risk.

SHEPHERD is a relatively small NGO offering a wide-range of insurance products in partnership with different insurers with the intention of providing its customers with comprehensive social protection.

KEY CHARACTERISTICS (as of 2005):

- MI Scheme: Partner-agent
- Products: Life, health, assets, livestock
- Outreach: 10,199 insured (41% of the target population)
- Earned premium (USD): 17,490
- Incurred claims (USD): 12,850 (73% of the earned premium)
- Target group: Poor rural women, particularly dalits.

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TATA-AIG (India)

Tata-AIG Life Insurance Company is a joint venture between the Tata Group (74% equity stake) and American International Group Inc. (AIG) (26% equity stake). The company offers a broad range of life insurance products to individuals and groups. The products offered to individuals are variations of term life with or without a savings element, e.g., endowment policies and money back policies. Tata-AIG Life has been in operation since April 2001 (incorporated on Aug 23, 2000). While the company itself is relatively new, the Tata group is widely known in Indian households and AIG is the one of the world's largest insurers.

Tata-AIG has a specialised microinsurance department called the rural and social team. At first, this team decided to collaborate with MFIs using a partner-agent model, and later it developed a model of micro-agents.

KEY CHARACTERISTICS (as of 2005):

- MI Scheme: 40% partner-agent, 60% business associate model and CRIG (Community rural insurance group) model
- Products: Term life, endowment
- Outreach: 20,909 insured
- Earned premium (USD): 480,641
- Incurred claims (USD): 243 (0.05% of the earned premium)
- Target group: Rural, low-income and landless adults

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TYM's Mutual Assistance Fund (Vietnam)

The TYM Fund or Compassionate Fund is a Grameen replication project that was formally launched in 1992. The fund is managed by the Vietnam Women's Union (VWU), a mass-based national organisation to promote the welfare of Vietnamese women. TYM works predominantly in rural agriculture-based communities in the northern provinces of Vietnam, targeting the poorest districts in these provinces. TYM's members are women living in poor households usually earning less than VND 100,000 (\$6.50) a month.

In 1996, TYM launched the Mutual Assistance Fund to protect against the death of a client or family member. With a weekly contribution of VND 200 (\$1 cent), upon the client's death, her outstanding loan balance would be written off and her family would receive VND 400,000 (\$26) to cover funeral expenses. Likewise, a member would receive a payout upon the death of her spouse or child under age 18. In July 2001, a health benefit of VND 200,000 (\$13) was introduced and the death benefit was also revised upwards to VND 500,000 (\$32).

KEY CHARACTERISTICS (as of 2005):

- MI Scheme: Community-based (MFI in house insurance)
- Products: Credit life, funeral services
- Outreach: 21,303 insured
- Earned premium (USD): Not available
- Incurred claims (USD): 13,252
- Target group: Women living in poor households

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YASIRU (Sri Lanka)

Yasiru started in the middle of the 1990s as an in-house insurance service in a federation of NGOs called All Ceylon Community Development Council (ACCDC). In 2000, Yasiru was registered as a separate entity under the society act and ACCDC became its partner for the implementation of the mutual microinsurance scheme. After a couple of years, Yasiru started partnering with other local NGOs and today it has twelve active partners with some 60,000 individual members. Yasiru is providing insurance to over 14,000 members through its partners. It has accumulated equity and reserves of almost LKR 6 million (\$60,000). The product covers accident, death, natural death, disability and hospitalisation and has a typical low-income profile. The monthly premiums vary from LKR 10 to 100 (\$0.1 to \$1.0) and the benefits range from LKR 3,000 to 125,000 (\$30 to \$1,250).

The package is reinsured by Interpolis-Re (Netherlands), except hospitalisation. It has the technical assistance of the Rabobank Foundation and MI computerization package from OASE. The main characteristics of the system are: member driven, mutuality, sustainable administration and reliable reinsurance.

KEY CHARACTERISTICS (as of 2005):

- MI Scheme: Partner-agent
- Products: The product covers accident, death, disability and hospitalisation
- Outreach: 15,123 insured (75% of the target population)
- Earned premium (USD): 30,192
- Incurred claims (USD): 9,372 (31% of the earned premium)
- Target group: Rural poor without permanent employment

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