Women's World Banking

Microinsurance: Claims Management

Institutions have options for handling microinsurance claims; choosing the right model is essential to profitability.

Health microinsurance not only provides a crucial financial safety net for low-income families, especially women, but also can be a profitable value-added offering for institutions who implement it properly.

In 2006, Women's World Banking designed and launched ***Caregiver in Jordan****, a health microinsurance product that offers simple, affordable and relevant solutions for low-income clients, especially women. Since then, they have worked with network members in Peru, Egypt, Morocco, and Uganda to create similar health insurance products that respond to the needs of women and institutions. For more information on claims management or other aspects of building a successful microinsurance product, see* ***Health Microinsurance: An Inclusive Approach.***

A common challenge that institutions face in delivering health microinsurance is maintaining efficiency within their operating model. Efficiency is essential to scaling up the business, attaining better profitability, adding value for clients, and gaining an advantage while negotiating with insurers.

There are three claims management models institutions can use with their insurers: shared, outsourced or owned.

The most common approach is the **shared model**, where the financial institution owns the relationship with clients and handles part of the claims management responsibilities. The insurer is responsible for scrutinizing and making decisions on the claims. This model is appropriate when insurance is newly introduced and both the institution and insurer are still in the learning process.

In the **outsourced model**, the insurer (or a third party) manages all claims while the financial institution is primarily responsible for client education and enrollment. This model is most relevant when the market is mature, the product is evolved and clients have high awareness levels about insurance. Clients reach out to the insurer directly to file claims and the insurer handles all operations. This model is appropriate for institutions with a large client base or when the volume of the microinsurance business is not large enough to justify investment in IT and operations.

The **owned** model is another approach to consider. The financial institution takes full responsibility of the end-to-end claims process. The insurer's primary responsibility is to act as a risk carrier and provide guidance on product pricing. This model is appropriate for institutions who have a strong relationship with their clients and who consider insurance as one of their core offerings. The institution must have a long-term commitment to building its own capacity to manage insurance operations and the insurer is confident about the institution's capacity to manage large-scale operations and identify fraud cases on its own.

Each model carries unique benefits and risks for the institution and the insurer. Women's World Banking breaks down the differences in the two most common models below.

Claims Management Models

	Shared	Outsourced
Market Profile	• Microinsurance is new or untested and/or • Product is in pilot stage and/or • Product is simple with limited documentation	• Market is mature and/or • Required by regulations and/or • Insurance is voluntary and/or • The product is evolved or the claims documentation is complex
Client Profile	• Clients do not have full understanding and experience of microinsurance • Clients have long-term relationship with the financial institution • Clients require handholding for claims process	• Clients have high insurance awareness and good experience in using insurance • Insurance and insurer's perception is positive • The nature of the financial institutions' relationship with clients is transactional
Financial Institution Profile	• Insurance is a new product offered by the financial institution • Has evolved capacity in high scale operations and is willing to invest in IT, capacity building, training and additional resources (or allocate responsibilities) at branch and central level	• Institution has a huge client base spread over a large geographic region • Offers more than one insurance product from multiple insurers • Institution may not have fully developed capacity to manage claims on its own
Insurer Profile	• Insurer has some experience of working in microinsurance / high willingness to learn and adapt • Insurer has good IT platform and quick response time	• Insurer has strong reputation, with proven track record of working in microinsurance • Insurance has a well-established network of hospitals • Insurer has physical presence in most locations
Benefits	• Institutions control data and service quality levels • Puts the institution at the center and strengthens relationship with clients	• Limited operational burden on the institution • Clients have access to superior customer service
Risks	• Longer turnaround times for claims processing • Ineffective project management at both ends can complicate the relationship and jeopardize the business • Operating costs can be high and affect profitability	• Poor service can affect client relationship • Institution has little to no visibility to data that is owned by insurer
Mitigation Steps for Financial Institution	• Mention turnaround times at both ends of the service contract • Identify the right personnel at each end and clearly define their roles and responsibilities • Meet weekly and monthly to discuss all open items • Track and monitor operating costs for microinsurance separately on a monthly basis	• Build research capability to gauge client satisfaction with product and service • Review insurer's operations regularly and flag gaps • Ask for raw data and dashboards on a monthly basis and build internal capacity to analyze the information