

# Microinsurance: Performance Management

## Carefully monitored performance leads to better results

*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 performance management or other aspects of building a successful microinsurance product, see [\*\*Health Microinsurance: An Inclusive Approach.\*\*](#)*

Performance management is the most critical aspect of a microinsurance business. Pricing assumptions are built into key performance indicators (KPIs). Institutions must carefully monitor KPIs monthly and make appropriate adjustments if they are to meet the strategic objectives of the program. KPIs help institutions answer three crucial questions: "Is the product appropriately priced?", "Is it meeting the clients' needs?", and "Are the clients using the product?"

Performance management is only as good as the data and resources dedicated to it. The management information systems (MIS) of both the insurer and the financial institutions offering the microinsurance product are key sources of client and claims information. The MIS also provides anecdotal data from client surveys and staff interviews, market news and updates, and periodic competition tracking. In order to effectively use this information, an institution must invest in staff (employees that possess basic analytic skills and knowledge of analytic tools such as MS Excel), and

technology (high-performance computers and appropriate software). Senior staff should also build a culture and discipline of quality data entry, data management and performance tracking through dashboards. Senior management should invest time in discussing KPIs and dashboards and guide the project team in making informed business decisions.

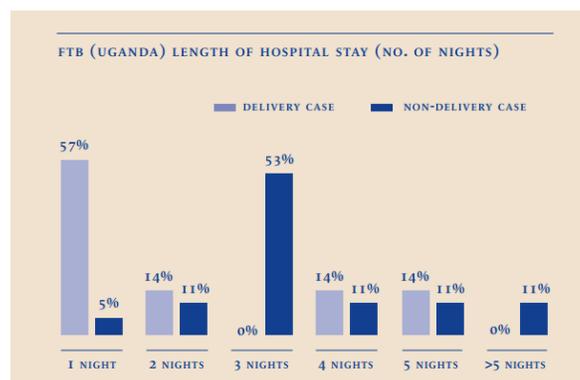
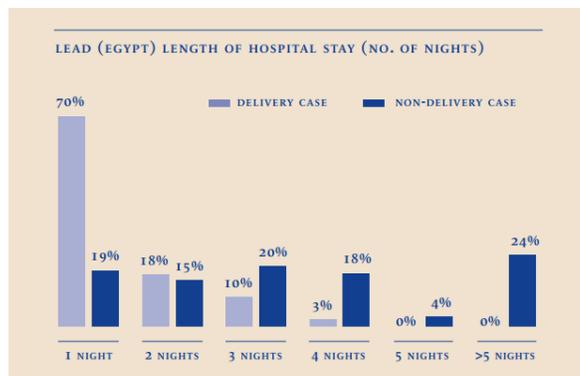
Financial institutions often neglect to build internal capacity for insurance monitoring, assuming that the insurer will provide this insight. By doing so, they miss an opportunity to proactively steer the product to maturity by leveraging their unique combination of client data and process knowledge. They also miss the opportunity to build a peer dynamic with the insurer about pricing assumptions and product features. Neglecting this capability may force institutions to change product pricing or reduce certain benefits at the insurer's request, when an informed look at the data would have ruled it out.

Women's World Banking's technical assistance approach of building an institution's capacity to collect and analyze data allows each institution to independently conduct breakeven analysis, monitor profitability and handle risks with an eye toward the future, while keeping an eye on its social impact.

Women's World Banking works with partner institutions to track eight non-negotiable KPIs for microinsurance.

1. Number of lives covered (per gender, spouse, children, loan type)
2. Percent of clients enrolled
3. Claims ratio (Pure Loss Ratio)
4. Claims pattern (frequency, average size)
5. Claims rejection ratio
6. Claims process Turnaround Times (TAT)
7. Percent of detected fraud
8. Operational margin (Cost/Commission)

## Performance Management Helps Inform Business Decisions



Building institutional capacity for creating, reading and interpreting KPI dashboards is imperative to successful microinsurance. Institutions need to have immediate access to and understand product performance and flag potential risks or deviations from assumptions. Dashboards form the basis of evaluation of the long-term impact of insurance on the lives of the clients. These insights are immensely useful in enhancing the product and delivery model, enhancing the value proposition for clients and helping institutions achieve their objectives. A close look at some of these KPIs serve as a case in point.

**Severity.** Lead (Egypt) has over 80 percent women clients. Women’s World Banking found that the maternity/delivery-related claims were in fact not very severe, i.e., 70 percent of the clients who were hospitalized for delivery were discharged within one day. This indicates that maternity-related claims do not put a huge burden on the claims ratio. However, the severity pattern for FTB in Uganda is more severe compared to Egypt (likely due to poor conditions of health facilities and clients’ limited health awareness levels). However, compared to non-maternity related cases, their severity is moderate.

**Claims frequency.** Lead’s dashboard suggested that the claims frequency started to reach a stable level in the first five months of the pilot. This information helped the institution predict the future claims volume and in turn prepare itself for the operational and IT enhancements required to manage the amount of work more efficiently.

This indicator formed the basis of a phone survey to gauge client awareness and understanding of the Caregiver product. Results showed that there were variations in clients’ awareness and staff’s understanding of the product across the three pilot branches. It highlighted gaps in the marketing and training processes. This enabled Lead to take corrective action. Further research suggested that there was improvement in clients’ awareness levels of the product and claims frequency after these measures.

Similar analysis with FTB revealed that while the product was scaling up at a good pace, the claims frequency had not stabilized six months into the pilot. A follow-up phone survey revealed that a significant number of clients were not aware of the Caregiver product. Among clients who were aware, their level of understanding of varied across locations. A significant number of clients also did not remember receiving the product brochure. Furthermore, the net claims rejection ratio (total rejected claims minus fraudulent claims) was higher than expected, indicating that even if the clients were aware, they were not able to fulfill the claims process requirements. In the pilot evaluation, Women’s World Banking recommended strengthening the organization’s marketing and training approach as well as updating their claims and IT processes.

