SOCIAL PERFORMANCE INDICATORS FOR MICROINSURANCE

WORKSHOP REPORT
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ada MICROFINANCE EXPERTISE

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Social Performance Indicators for Microinsurance is published by BRS in collaboration with ADA and the Microinsurance Network.

This report is based on the workshop material and notes and has been written by Therese Sandmark and Anton Simanowitz with the input from Véronique Faber, Matthew Gianni Genazzini and Bert Opdebeeck. Special thanks go to the participants of the workshop on Social Performance Indicators for Microinsurance, the members of the Performance Indicators Working Group of the Microinsurance Network and all those who provided valuable comments and feedback on the concept note on Social Performance Indicators for Microinsurance. We encourage the reader to contribute to the further shaping of the social indicators, by providing feedback and comments to info@microfact.org.

Social performance indicators for microinsurance are closely linked to the financial performance indicators for microinsurance. Chapters on existing principles and indicators have been reproduced and adjusted where applicable from the handbook Performance Indicators for Microinsurance – A Handbook for Microinsurance Practitioners (2nd Edition) by John Wipf and Denis Garand, published by ADA with the support of BRS and the Microinsurance Network.

For more information on performance indicators for microinsurance, visit www.microfact.org or the Performance Indicators Working Group page on www.microinsurancenetwork.org.

FOREWORD

This workshop report is the first public document on social performance for microinsurance. It forms an important milestone that has long been requested by microinsurance operators. Already before the existence of a sector wide acceptance on a set of financial performance indicators, microinsurance practitioners called for the development of a balanced view on the performance of microinsurance organisations, taking both financial and social measures into account to reflect to nature of the microinsurance business.

Four years after this initial request, the Performance Indicators Working Group of the Microinsurance Network took up the challenge to start working on social indicators. From our microfinance colleagues we knew it would not be an easy task, but thanks to a great, diverse group of 15 dedicated microinsurance practitioners - guided by microfinance expert Anton Simanowitz – the October 2010 workshop in Luxemburg achieved a better result than hoped for.

The workshop participants reached a consensus on a set of 8 principles and 11 indicators that are concrete, practical focused and closely linked to the financial performance indicators for microinsurance. This makes us confident that social indicators are viable and applicable in the microinsurance sector.

This report is not the ending, but merely a decent start for the integration of social performance measurement in microinsurance activities. We invite all microinsurance stakeholders to contribute to this project by providing us feedback on this document, by testing the indicators and by implementing them in your microinsurance activities.

Bert Opdebeeck

Facilitator of the Performance Indicators Working Group
of the Microinsurance Network

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INTRODUCTION

This report presents a set of social performance principles and indicators for microinsurance. These represent the consensus of a group of practitioners selected for their knowledge and experience of social performance in microinsurance. The report is the outcome of a workshop held in Luxembourg on 5th to 7th October 2010 by ADA, BRS and the Microinsurance Network. Without ignoring the variety in microinsurance schemes, the workshop set out to propose a set of social performance indicators that are applicable to all microinsurance providers, irrespective of legal structure, environment, delivery model and type of microinsurance product offered. Towards this end 15 practitioners representing a variety of countries, types of institutions and microinsurance products were included.

BOX 1: Participating institutions (see Annex 1 for more details)

Organisation	Country	Organisation	Country
ABA	Egypt	BancoSol	Bolivia
Caurie	Senegal	CIF	Burkina Faso
CRECER	Bolivia	Dhan Foundation	India
Gropere	Benin	Healing Fields	India
NWFT	Philippines	Prisma	Peru
ProMujer	Nicaragua	RCPB	Burkina Faso
Uplift	India	VimoSewa	India
University of Dhaka	Bangladesh		

The workshop and this report follow on from a process to develop financial performance indicators. In October 2006 and July 2007 ADA and BRS in collaboration with the CGAP Working Group on Microinsurance (now the Microinsurance Network) organised two workshops to develop performance metrics for microinsurance. Over 30 practitioners from Asia, Africa and Latin America provided data from their operations that was used to discuss the indicators. The workshops were concluded with the selection of 9 key principles and 10 Key financial Performance Indicators (KPIs).

Whilst these principles and indicators were focused on financial performance, workshop participants highlighted the importance of ensuring a balance between financial and social measures. This is to reflect the social purpose of the microinsurance business - setting up risk mitigation mechanisms for poor and excluded people, who don't have access to regular insurance or social protection mechanisms. This was captured in the inclusion of "client focus" as one of the key principles established, meaning that some indicators should be calculated from the client perspective. Also, for each of the 10 key financial performance indicators, the handbook Performance Indicators for Microinsurance includes a 'social interpretation' paragraph that highlights the social significance of each indicator.

These measures form a good foundation for developing social performance indicators. Within the Performance Indicators Working Group of the Microinsurance Network, it was agreed that the development of social indicators should start in 2010.

A lesson from the microfinance sector is to harmonise the social indicators across the sector from the start. In microfinance, different standards were developed in parallel by different actors and coordinated since 2005 by the microfinance Social Performance Task Force. The sector-wide approach was important to agree on accurate and appropriate social indicators. To incorporate these lessons learnt, the Performance Indicators Working

Group of the Microinsurance Network proposed to facilitate the development of social indicators, as the Microinsurance Network is regarded as the representative body of the global microinsurance sector. The participative process applied to develop the financial performance indicators – leaving the lead role to a fair representation of the microinsurance practitioners rather than the donor community – proved successful and was the adopted format for the development of the social performance indicators leaving them to be shaped by the actual practitioners of microinsurance

The workshop and this report are thus an important step in developing a set of performance metrics for microinsurance that achieve an effective balance between the social and commercial elements of the sector.

BOX 2: Financial key performance indicators

Since 2007 a standard set of financial performance indicators have been established and are being promoted in the microinsurance sector by the handbook Performance Indicators for Microinsurance, microinsurance factsheet, the website microfact.org, presentations, workshops on the key performance indicators and the KPI assistance project. There is a wide acceptance of the key performance indicators as ever more microinsurers and donors integrate them into their operations.

To learn more about the financial key performance indicators, visit www.microfact.org.

The indicators and principles proposed in this report stem from a group consensus on priority questions which microinsurance providers need to answer in order to understand and monitor their social performance. Arising from a demand from participants for a practical focus, the social performance indicators are primarily intended for managers of microinsurance programmes seeking to track, demonstrate and enhance the social performance of their operations. Participants underlined the importance of the indicators' applicability and relevance to management reporting, as well as for parameters of good practice to be established through the principles. A key criteria in the selection of indicators was therefore that they could be generated by microinsurers on a regular and consistent basis, as well as that they should be specific, measureable and time-bound.

Following a short introduction to social performance in microinsurance this reports main focus is to present the 8 key principles and 11 key indicators agreed by the workshop. For each principle and indicator there is a brief discussion that provides a definition, explanation and interpretation of its significance.

WHY ARE SOCIAL PERFORMANCE INDICATORS IMPORTANT?

Microinsurance targets vulnerable and financially excluded people who are exposed to relatively high levels of risk. They are particularly vulnerable to the impact of shocks when they occur, such as illness, death, natural disaster, crime or crop failure which is a major factor contributing to poverty. The impact of such a shock is often a long term or permanent erosion of a household's productive base and can lead the household to fall into poverty. If well designed and delivered, microinsurance can provide a formal and dependable coping mechanism and reduce household's vulnerability to risk.

Microinsurance pioneers and practitioners frequently underline the social focus of the sector. As highlighted by a workshop participant, "we expect microinsurance programmes to live up to the expectations of the target population".

Social performance indicators allow organisations to both monitor the achievement of these objectives and improve and enhance their operations. Additional benefits to integrating social performance indicators into the organisation's operations include the demonstration of transparency, adherence to best practices and focus on clients' needs. In microfinance, practitioners have also found a positive correlation between social and financial performance, and it is expected to be the same for the microinsurance sector.

BOX 3: Comments from workshop participants on the importance of social performance for microinsurance

- "Organisations implementing microinsurance need to periodically monitor social performance so that their objectives are not diluted."
- "Social performance is a priority for the microinsurance industry."
- "Monitoring social performance allows us to improve the product and develop better services for our clients."
- "As competition will grow, social performance indicators will help us to keep client focus."
- "Monitoring of the social performance helps us understand if we are creating a valuable product for our clients or if we are only forcing them to buy a product they don't actually need."

The need to protect clients from harm (client protection) is also an important element of social performance, involving regulators, policy makers and supervisors as well as microinsurers. As effective measures are rarely in place in the markets where microinsurance is spreading, social performance indicators can guide insurance regulators, and be used in lobbying towards a more conducive regulatory framework including client protection. It is also important that microinsurers take a proactive role by monitoring their social performance at all levels of product delivery and avoid harmful practices

Assessment of social performance is also important when products are mandatory and poor clients are forced to buy microinsurance along with other microfinance products; and when any part of a microinsurance business model receives grants or subsidies as institutions performing poorly socially represent a risk for investors and donors.

WHAT IS SOCIAL PERFORMANCE IN MICROINSURANCE?

This section provides a brief introduction to the characteristics of microinsurance relevant to understanding social performance, and the factors that need to be considered in developing social performance indicators.

CHARACTERISTICS OF MICROINSURANCE

For developing social performance indicators, it is first important to understand the specific characteristics of microinsurance. In recent years there has been a lot of work in microfinance to develop social performance indicators. These have been incorporated as a standard reporting format on the industry information platform – the Microfinance Information Exchange (MIX), and form a common assessment and reporting framework for a range of auditing, rating and reporting tools. Whilst this framework is relevant to microinsurance, the specific characteristics of microinsurance mean that they cannot just be simply applied as such.

An important difference between microfinance in general and microinsurance is on the demand side. While microinsurance has to make a major effort to encourage and educate the poor to buy insurance, microcredit and microsavings enjoyed an existing unfulfilled demand from the start. Another difference is that microfinance almost across the board started as not-for-profit, donor subsidized projects. It was only later that programs evolved or transformed into commercial organizations or that investors entered the scene. For microinsurance however, the majority of programmes involve commercial, for profit insurance companies from the beginning. Because microfinance was almost totally dependent on donor subsidies there was a stronger rationale for social performance from the beginning.

Unlike microfinance, microinsurance programmes often have multiple partners involved in implementing a microinsurance program. As well, product diversity and complexity is generally greater than in microfinance. These complexities mean that performance must be measured across multiple partners and delivery modes as well as a variety of product lines. The differences with microfinance also imply that education is seen as an integrated part of the delivery and that the indicators will be promoted by the practitioners themselves and not the donors or investors.

DEFINING SOCIAL PERFORMANCE IN MICROINSURANCE

As mentioned above, microinsurance often involves multiple organisations in the distribution chain, and it is therefore important to primarily focus on the product and its purpose and secondly on the relevant organisations' mission. It is therefore suggested that social performance for microinsurance is defined *as the effective design and delivery of products that create value for poor and financially excluded people by allowing them to more effectively manage risk*.

Specifically, this includes:

- Serving increasing numbers of poor, vulnerable and financially excluded people sustainably i.e. expanding and deepening outreach to poorer people;
- Improving the quality of appropriate risk coping mechanisms available to target clients through systematic assessment of their specific needs;
- Creating value for clients of microinsurance, their families, and communities;
- Improving the social responsibility of the microinsurance provider towards its employees, its clients, the community it serves and the environment;
- Client protection.

In assessing social performance, it is hence important to look at the client perspective in terms of the service they receive and whether the products accessed meet their needs.

SOCIAL PERFORMANCE AND IMPACT ASSESSMENT

The concept of social performance developed from the recognition that microinsurance institutions have the capacity to affect the impact they achieve through the design of their services and the management of their day-to-day work. Whilst social performance encompasses both process and results, the focus is the measurement and reporting of day-to-day activities that the institution can directly influence (intent/design, systems/activities, outputs), rather than trying to attribute longer term impact. Measuring impact generally requires more in-depth research with clients which cannot routinely be produced by microinsurance organisations. It is also carried out on a less regular basis, allowing enough time to pass in order for a measurable change to occur in the target population.

BOX 4: Social performance monitoring versus impact assessment

- Social performance monitoring: measures what can actually be controlled by an organisation (intent/design, systems/activities, outputs).
- Impact assessment: measures what the organisation is affecting but is not under its direct control (impact and outcome).

Furthermore, evaluation of social performance is usually less costly and focuses more on improving management and monitoring of the institution. It can be integrated into the organisation's information systems and tracked on a regular basis from the start of the operations.

Social performance information can be a useful base-line for impact assessments, but does not replace the need for more in-depth research to understand impact. Impact and social performance assessments should therefore not be seen as separate but complementary.

PRIORITY QUESTIONS FOR SOCIAL PERFORMANCE

The starting point of the workshop was a framework for social performance, which built on that in microfinance. This outlined key questions to consider in social performance in microinsurance. These are grouped into four areas capturing social performance at a product and institutional level:

1. *Product* including value proposition of product for clients; product quality; outreach & accessibility.
2. *Social responsibility* including client protection; and responsibility to staff, community, and environment
3. *Institutional Systems* to ensure that the organisation delivers on its stated social goals
4. *Outcome/Impact*

Indicators of social value therefore focus on the appropriateness, accessibility, affordability and timeliness of the microinsurance product. The outcome/impact level was viewed in terms of increasing the resilience of poor people to cope with shocks when they occur. Indicators that relate to the effectiveness of microinsurance in protecting livelihood and reducing the vulnerability of households and communities are therefore relevant. It was however concluded during the workshop that these questions go beyond what social performance indicators are capable of measuring and will therefore need to be reviewed by the Microinsurance Network Working Group on Impact.

These questions represent a wish list of possible indicators which were then prioritised and refined through the workshop process. Prioritised questions were developed into specific quantitative performance indicators and broader qualitative principles. Central to this process was the practitioner's wish to demonstrate that their social focus is translated into practise and integrated into their operations.

KEY PRINCIPLES

Social performance principles represent practices or a 'code of conduct' that are critical for the achievement of social performance. These key principles are regarded as an integral part of the management of a microinsurance programme with a focus on social performance. "In a sense, these can be viewed as a priori conditions or assumed requirements without which transparent and accurate performance measurement is impossible"[1]. The implementation of these principles can be the focus of internal management review or external assessment. In either case review of practice will help managers to identify weaknesses or implement necessary improvements.

Eight principles were defined, of which two (Client Focus and Transparency) are already present in the set of key principles for the financial microinsurance indicator (marked with a *).

Although, they are treated separately for ease of analysis, they are not separate features in practice.

The key principles are not listed in any hierarchical order and are the following:

1. Client focus*
2. Inclusion
3. Conduct assessment of client risks in product development stage
4. Conduct regular client satisfaction assessments
5. Protect client data
6. Transparency*
7. Audited standards and policies aligned to the mission and vision of the organisation
8. The organization should have an environmental policy

At this stage the principles provide broad guidance for the establishment of a social performance focus in microinsurance. Over time, as the principles are applied and assessed it will be possible to develop more detailed standards for their use.

[1] Garand and Wipf, 2010: Performance Indicators for Microinsurance (2nd Edition), p 7.

[2] All quotes are from Garand and Wipf, 2010: Performance Indicators for Microinsurance (2nd Edition), p 17.

PRINCIPLE 1 - CLIENT FOCUS*[2]

"The primary purpose of microinsurance is to offer microinsurance products to the less privileged, although there are some players in the market that exploit it for their benefit." These organisations miss a strong social focus. In assessing social performance, it is hence important to look at the client perspective in terms of the service they receive and whether the products accessed meet their needs. Client focus needs to be an integral part of the microinsurance provider's systems and operations starting with visible endorsement from management and reflected in the product design and customer service.

"The principle of client focus implies that the managers should be keenly attuned to the true needs of the clients. In fact, the mission and objectives of the microinsurance programme should state that the focus is on providing relevant products and services at an optimum and sustainable price. This means that every management decision should always consider foremost the impact of the decision on the client. This principle also reinforces why performance should be evaluated from the client's perspective and concerns over social performance should be linked to financial performance." It can be determined by the following questions:

- Are the mission and objectives of the microinsurance scheme clearly stated and do they mention client focus?
- Is the client focus visibly endorsed and encouraged by management?

"A member-owned microinsurance programme is likely to be more focused on its clients since it is organized by its members and they regularly participate in democratic governance. Conversely, insurance companies and service providers owned by stockholders who demand a competitive return on their invested capital have to be more focused on profit and therefore might be less concerned with optimizing the service to and value for the poor. There are plausible exceptions though, such as in the case where an insurer may regard microinsurance as a pioneering endeavour aimed at gaining trust and confidence of a community and with a follow-up plan of introducing additional services in the future."

Client focus is complemented by the principles of assessment of client risks in product development stage and the conducting of regular client satisfaction surveys.

[2] All quotes are from Garand and Wipf, 2010: Performance Indicators for Microinsurance (2nd Edition), p 17.

PRINCIPLE 2 - INCLUSION

Outreach to increasing numbers of poor, vulnerable and financially excluded people sustainably is a core part of the definition of social performance; the inclusion principle ensures that outreach and access are maximized. Microinsurers should seek to include those who are exposed to higher risks who do not yet have access to regular insurance or are covered by any government social security scheme.

The inclusion principle is reflected by the microinsurance scheme's exclusion criteria; pricing; infrastructure to access services; and payment structure offered to clients covering the dimensions of the target clients' gender, poverty level, exposure to risk and place of residence (urban or rural). It can be determined by the following questions:

- Does your product policy set exclusion criteria that limit access to certain groups (e.g. elderly, people with pre existing conditions etc.)?
- Does your organisation cross subsidise any products in order to make the accessible to groups who would otherwise be excluded?
- Does your organisation have appropriate infrastructure in place that allows access to clients in rural areas and slums?
- What payment structures does your organisation propose the clients (e.g. upfront, bulk payment and amortised, fully amortised).

The less exclusions the insurance has, the stronger the social focus is in regard of this principle. In addition, in the case of health insurance, the insurer will also need to ask itself whether some treatments are excluded from the policy which particularly affect society's vulnerable groups such as children, women and the elderly; as well as treatments needed for accidents related to occupational hazards.

Some insurers with a strong social focus might even choose to cross subsidise some products in order to make them accessible to the groups who would otherwise be excluded. The destitute and the higher risks groups are often more costly to cover with insurance and there exists many arguments that these people should be taken care of by governments. However, in most countries where microinsurance schemes operate the governments do not yet have the social support structure in place to cater for these needs. In the meantime, the microinsurers with the strongest social focus will try to include these groups to the best of their abilities. The more access and outreach is facilitated by the microinsurance provider, the stronger the social focus is in regard of this principle.

Inclusion also covers the issue of infrastructure in place to allow people to sign up and use the services. Management should be able to demonstrate the efforts that have been made in order to reach the people in less accessible areas like in slums and/or rural areas.

The payment structures offered to clients also affects inclusion. A product might be affordable if the microinsurance provider allows for payment in instalments but not affordable if the whole premium needs to be paid for upfront. In such cases the client might be forced to take a loan to purchase the insurance. The advantage of premium financing through loans is that it can thereafter be paid back in instalments; the disadvantage is that it increases the debt level of the policy holders and their families.

PRINCIPLE 3 - ASSESSMENT OF CLIENT RISKS IN PRODUCT DEVELOPMENT STAGE

Whilst recognising that many risks are not easy to insure, from a social performance perspective it is important that microinsurers assess the risks of the clients and their community as part of the product development stage and integrated this into the product design process. Microinsurers often choose to insure the risks that are the easiest regarding product design and delivery but which do not necessarily cover the risks that the target clients are the most affected by. The risk assessment should allow the insurer to develop a risk index against which the final product can be compared.

The advantage of integrating a risk assessment into the product development stage is that the insurance is more likely to create value for the client; achieve a higher satisfaction and contribute to more resilient communities.

The product should be designed with the end client in mind taking into consideration suitable and appropriate payment mechanisms and exclusions. Particular attention should be paid to gender specific risks and the elderly (e.g. relating to pregnancy and childbirth; informal working conditions; death of a breadwinner; protection at old age etc). The risk assessment should also include an analysis on whether the product will strengthen or undermine good existing risk reduction and coping mechanisms (e.g. burial societies).

The following questions will help to determine whether the microinsurance scheme is following the principle of client risk assessment at product development stage:

- Did your organization conduct a client risk assessment at the product development stage?
- Did the risk assessment take into consideration the more vulnerable members of the population (women, children and the elderly)?
- Did the risk assessment take into consideration risks that impact at community level?
- Was a risk index developed and integrated into the product design process?
- If no, why not?

The effectiveness of the risk assessment integration into the product design phase can be measured once the product has been implanted by client satisfaction surveys as well as by analysing the reasons for claims rejections.

This principle underlines the importance of adopting a client perspective. It also reflects social responsibility at community level as the organization should be able to answer whether it insures risk that may impact the community as a whole. (e.g. crop failure; flooding). It was however argued during the workshop that these risks need to be insured at national level as the covariant risk is too great for one single risk carrier.

Principle 4 - Regular assessment of client satisfaction

The purpose of a microinsurance product is to create value for the client. Without a mechanism providing regular feedback from the client base the microinsurer is not able to appreciate whether the product is fulfilling this purpose. The principle of conducting regular client satisfaction assessments is a necessary first step to understand the product's value proposition from the client perspective including their appreciation of the services offered; their level of awareness of the product and its features; and satisfaction with the product quality. Microinsurers should be able to demonstrate that they have a mechanism for regularly gathering information regarding client satisfaction that is sufficiently regular and comprehensive to allow for review and revision of the product and delivery mechanism.

If well implemented by the organization they will be able to collect information from the clients and respond to the following questions which reflect product quality and value for the client:

- Do clients demonstrate that they value the product?
- Is the product relevant to the most important risks for target clients?
- How suitable/appropriate is the product and its payment mechanisms for client needs?
- How suitable/appropriate are the distribution channels?
- Does the insurance provide good value for the clients' premiums paid?
- What changes to the product can increase client satisfaction?

The microinsurance provider is recommended to analyse the results from the surveys by segmenting them into the different target market groups. For example, the needs and challenges faced by the urban and rural populations are not the same as well as for the poorer clients compared to the moderately poor but it is important that the product is a suitable to all.

PRINCIPLE 5 - PROTECTION OF CLIENT DATA

The principle protection of client data is a core aspect of client protection and ensures the privacy of the data disclosed by the client to the microinsurer. As mentioned earlier, client protection is crucial for market development as abuse of clients can easily and quickly damage the sector's reputation. Microinsurance providers need to inspire trust as they are selling an intangible product that is still little known to the target population and need to promote models of best practices in the sector. Client protection is often viewed as being the responsibility of mainly policymakers, regulators and supervisors. However, effective measures are rarely in place in the markets where microinsurance is spreading which is why insurers need to take a proactive role in adopting practices that protect their market.

Protection of client data is a first step in promoting client protection and it can be determined by the following questions:

- Does your organisation or any of your partners sell or share client data with any third parties?
- Do your organisation and your partners ensure that staff respect a standard of client confidentiality?

This principle is particularly important regarding the health status of clients.

PRINCIPLE 6 - TRANSPARENCY*[3]

"Every calculation, procedure, data collection, and report should follow the principle of transparency in order to provide valuable and accurate information, to improve processes and increase credibility. This not only means making more data available to a wider spectrum of stakeholders and the insured public, but also making the data more accessible and presented in a more meaningful and understandable language and format. Drowning the public in large volumes of data does not in itself increase transparency."

This principle complements the other social performance principles well since, for example, they promote accurate disclosure of information to the clients; audited company policies and practices; ethical staff behaviour; compliance with environmental standards; enhanced management capacity, and so on. "Furthermore, evaluating and publishing the social performance indicators periodically will increase transparency. It is also important for microinsurance providers that have received a grant to have clear information available to donors and grantees on their available resources. Subsidies should not be hidden; it is in the best interest of all stakeholders that there is clear economic accounting of microinsurance activity."

This principle can be understood as a consequence of the application of the other principles and therefore, no specific questions apply. It is also closely linked to the social performance indicator transparent sales ratio which measures the disclosure of appropriate information to clients prior to purchase.

[3] All quotes are from Garand and Wipf, 2010: Performance Indicators for Microinsurance (2nd Edition), p 16.

PRINCIPLE 7 - AUDITED POLICIES AND PROCEDURES ALIGNED TO THE MISSION AND VISION OF THE ORGANISATION

The principle audited company policies and procedures aligned to the mission and vision of the organisation ensures that:

- Social goals are included in the organisation's mission and vision statement. In case of a global insurer, the mission and vision might be the mission of their microinsurance programme rather than their global statements;
- The mission and vision are translated into procedures and policies;
- These policies and procedures are subject to internal and/or external audits.

Core to these policies and procedures are HR procedures promoting ethical staff behaviour and rewarding high standards of customer service. Staff should be encouraged to act according to the stated values of the organisations (e.g. productivity targets, staff recruitment, training, performance management, incentives). The principle also covers how the staff is incentivized to assist clients with the claims processes and how they are trained to handle transparent mobilizing of the target market.

Adherence to this principle can be determined by the following questions:

- Does your organisation have clearly defined mission and vision statements?
- Are the organisation's mission and vision reflected in the policies and procedures?
- Is the microinsurance department subject to internal and external audits? And do they comply with the internal policies and procedures?
- Are the incentive structures clearly stated in the staff policies and do these encourage ethical staff behaviour?
- Is staff sufficiently trained to deal with clients in a transparent manner?

This principle is closely linked to the social performance indicator staff retention ratio which measures the staff turnover of the organization as a reflection of staff satisfaction. It is assumed that compliant human resource standards and policies create an attractive working environment resulting in a high level of staff retention. The staff retention indicator is important since it's likely to improve the relations with the clients leading to better customer service.

PRINCIPLE 8 - ENVIRONMENTAL POLICY IN PLACE

The principle environmental policy in place is derived from social responsibility to the environment and ensures that each partner of the microinsurance scheme is conscious of its own environmental impact. An environmental policy is today often considered as standard among organisations that want to attract support from donors or funders. It can be determined by the following questions:

- Do all partners of the microinsurance scheme have an environmental policy in place?
- If not, why not?

For organisations who aim to champion social performance, it is recommended to also take into consideration the environmental risk factors in the microinsurance product design. The organization should the also be able to demonstrate this.

KEY INDICATORS

"The main goal for using performance indicators is to produce a realistic picture of a microinsurance programme's overall social performance in key areas as agreed by the workshop participants. This means that even when multiple partners are involved, indicators should be for all partners in the microinsurance scheme."[4] Although the set of indicators are applicable to all it is understood that some indicators will be more relevant for some types of products than others, and that the interpretation of the indicators may vary depending on the nature of the product.

"If the principles discussed in the previous chapter are followed, the capturing of the [social] performance indicators is easier and provides a realistic picture of the [social] performance of the microinsurance scheme."[5] A set of eleven performance indicators were agreed during the workshop of which five are already included in the financial performance indicators. The incurred claims ratio claims rejection ratio, renewal ratio, promptness of claims settlement ratio and coverage ratio which are already KPIs are included here but have been developed to underline their importance and relevance for assessing social performance.

This set of indicators is not exhaustive but should be considered elementary for social performance analysis for microinsurance schemes. They are not presented in any hierarchical order and all should be calculated on a product level apart from staff retention level. It must also be understood that many of the indicators are interrelated and dependent on one or more of the others. From the workshop, eleven indicators were derived from the social performance concept note of which five are already key financial indicators (marked with a *).

The social key performance indicators are:

1. Incurred claims ratio*
2. Claims rejection ratio*
3. Renewal ratio*
4. Promptness of claims settlement*
5. Social investment ratio
6. Coverage ratio*
7. Poverty outreach
8. Rural outreach
9. Complaints ratio
10. Transparent sales ratio
11. Staff retention ratio

Two additional indicators were identified by the workshop as valuable for organisations willing to invest resources in capturing them, but were not included in this list as they did not fit the criteria of being feasible to collect on an on-going basis for most organizations:

- Out of pocket expenditure: after the intervention of the insurance, how much does the insured still need to pay itself (for instance in case of health).
- Claims incidence ratio: how many claims do you get compared to last year implying that by investing in prevention activities, the number of claims event will go down.

[4] Garand and Wipf, 2010: Performance Indicators for Microinsurance (2nd Edition), p 18.
[5] Garand and Wipf, 2006: Performance Indicators for Microinsurance Practitioners, p 25.

Indicator 1 - Incurred claims ratio*[6]

Definition

"The incurred claims ratio indicator is defined as the incurred claims in a period divided by the earned premium for the same period. The period can be a fiscal year or any other accounting period. A 70 percent incurred claims ratio means that for every 100 of premium earned in a given accounting period, 70 is paid back in the form of benefits (claims).

How to calculate it

Incurred claims ratio = Incurred claims / Earned premium

Notes:

- Incurred claims equals benefits paid during the period plus the change in reserves."
- Earned premium equals premium income in the period minus change in unearned premium reserve.

Significance and interpretation

The workshop agreed that this indicator responds to the issue of whether the product provides good value for the clients' premiums paid. "In essence, this ratio indicates how much [financial] value the programme returns to the insured since it measures the average proportion of premium that is returned to the insured in the form of benefits."

From a financial point of view, a microinsurer should be concerned that the incurred claims ratio is not too high. This could indicate adverse selection or fraud. If a claims ratio is continuously close to or over 100% the programme might prove not to be sustainable over time.

From a social performance point of view, "a consistently low claims ratio is also problematic since it could indicate irrelevant products or difficulty in claiming or overly priced products. If the low claims ratio persists, the insured population could lose interest in the programme over time due to its inferior value and this could be an invitation to a competitor to service the same market better.

Providing benefits to compensate for losses is the purpose of insurance. A higher claims ratio of a viable programme demonstrates to clients that they are getting good value for their premiums and is likely to contribute to client satisfaction and renewal."

The incurred claims ratio can provide valuable market information regarding seasonality of claims if it is tracked and analysed over a longer period of time. For example with health insurance there are times of the year when people are more exposed to certain diseases (e.g. malaria) which will increase the number of claims during those months. If this is the case the microinsurance might want to engage in prevention education activities prior to the high risk seasons. If tracked over a longer period of time the claims ratio can be linked to the social investment ratio as investments in education, information, communication and prevention activities are intended to decrease the number of claims over time.

[6] For more details on the calculation and financial interpretation, see Garand and Wipf, 2010: Performance Indicators for Microinsurance (2nd Edition). All quotes are from Garand and Wipf, 2010: Performance Indicators for Microinsurance (2nd Edition), p 23-26.

INDICATOR 2 - CLAIMS REJECTION RATIO*[7]

DEFINITION

"The claims rejection ratio is the proportion of claims that has been disqualified for benefit payment (rejected), for whatever reason. A 10 percent claims rejection ratio means that for every 100 claims reported, only 90 result in a benefit payment while the other 10 claims are denied."

HOW TO CALCULATE IT

Claims rejection ratio = Number of claims rejected / Number of claims in the sample

SIGNIFICANCE AND INTERPRETATION

The workshop participants agreed that the claims rejection ratio responds to two key questions:

- Does the insurance provide good value for the clients' premiums paid?
- Are a high proportion of claims for genuine loss paid out?

"The ratio reflects several programme characteristics, and perhaps the most significant of these is how well the insured understands the product. If the product is not well understood, then the claims rejection ratio could be high for one or more of the following reasons:

- Claims are submitted for events that are not covered;
- Claims are made before the waiting period has been satisfied;
- The insured is no longer covered due to expiration of the coverage period or upon attaining maximum eligible age; and
- Claims are rejected because of a pre-existing condition which was not understood.

Often, a high rejection ratio is due to lack of understanding by the insured. Understanding a product well is a function of client education as well as effective product design. For example, the microinsurer may not have properly explained how its health insurance programme works, resulting in clients using services that were not covered thus increasing the burden on the poor. The ratio is sometimes also indicative of a programme with too many exclusions. For example, commercial products are sometimes retrofitted to microinsurance programmes and this can increase the complexity and number of exclusions which confuse the poor. In some cases, unscrupulous insurers deny too many claims on technical grounds or because the insured cannot accomplish unrealistic requirements. Sometimes, to lower costs, too little screening of insurance applications will result in a high proportion of ineligible clients. Ineligibility is then only discovered at the time of claim. This increases the rejection ratio."

Adhering to the principle of transparency and client protection it's highly recommended that the clients whose claims are rejected are informed of the reasons for this. If a claim is rejected, there is typically a negative perception of the microinsurance programme and this reaches beyond the claimant's family, especially if the claimant lives in a closely knit community or if she is a member of a Self-Help Group.

The workshop participants also agreed that a microinsurance provider should track the reasons for rejection of claims as it will give an insight into what needs to be improved regarding the product and

[7] For more details on the calculation and financial interpretation, see Garand and Wipf, 2010: Performance Indicators for Microinsurance (2nd Edition). All quotes are from Garand and Wipf, 2010: Performance Indicators for Microinsurance (2nd Edition), p 46-48.

the process. If many claims have been rejected due to exclusions, the provider needs to revise these exclusions. The provider might find that they are actually not covering the genuine financial loss experienced by the client and might consider adding benefits in the insurance package e.g. transport costs for accessing health services.

This indicator is also linked to education and information efforts of the microinsurers. It can be used to measure the effectiveness of the information and education provided to the clients regarding the product and the claim procedures. By analysing the reasons for rejection this indicator can be linked to the social investment ratio. The provider will be able to identify the knowledge gaps and to adapt the information and education material. The effects of such campaigns can be tracked through the claims rejection ratio and also by tracking if the reasons for rejection change.

INDICATOR 3 - RENEWAL RATIO*[8]

DEFINITION

"The renewal ratio measures the proportion of insured that stay enrolled in the programme after their coverage term expires. A 90 percent renewal ratio means that for every 100 insured, 90 renew while 10 do not.

HOW TO CALCULATE IT

Renewal ratio = Number of renewals / Number of potential renewals

Note:

- The number of potential renewals n is the number of clients that could have renewed their coverage. This number excludes those that become ineligible due to old age, death, or due to other reasons which results in ineligibility during the period in question.

The ratio has to be calculated for a pre-identified time frame or for a random sample. Usually it is measured over a one-year period since this is the coverage duration of most term microinsurance products." For a more in-depth understanding of the service quality to the client it is highly recommended to calculate the renewal ratio over a longer time period as insurance value is often created over a longer time period and gives an idea of the clients' loyalty to the programme. Loyalty can also be measured by clients' referral behaviour as loyal clients tend to recommend the product to others which is highly beneficial to the microinsurance provider.

SIGNIFICANCE AND INTERPRETATION

The renewal ratio relates to the following questions identified by the workshop participants:

- Do clients demonstrate that they value the product?
- Does the insurance provide good value for the clients' premiums paid?
- Does access to insurance enable accessibility to services at times of need? E.g. access to health care, children remaining in school.

"The ratio demonstrates the value of the product as perceived by the client and helps determine how satisfied the insured are: The renewal ratio applies specifically to term products (products with a fixed term of coverage such as one year)… It reflects (among other things) the satisfaction of the client once the term product has been purchased.

The renewal ratio may be sending several possible messages to Management. If the ratio is very high (such as 90 percent or more) it may signify that:

- There is a good understanding of the needs of the target market;
- The price is acceptable to the target market;
- The service levels are reasonable; and / or

[8] For more details on the calculation and financial interpretation, see Garand and Wipf, 2010: Performance Indicators for Microinsurance (2nd Edition). All quotes are from Garand and Wipf, 2010: Performance Indicators for Microinsurance (2nd Edition), p 31-35.

- The benefit is highly valued by the community.

If the client is satisfied with the quality of the product and the services and the product is well adapted in terms of client capacity to pay they are most likely to renew."

The opposite is also true - a low renewal ratio might be due to the lack of knowledge of the clients of the need to renew and how to do so. "For schemes with voluntary participation, low renewal ratio is often indicative of client dissatisfaction, possibly due to poor communication, unacceptable product value, unsatisfactory claims payment or other reasons. It could also simply mean that the insured does not know how and where to renew." In that case it is advised to strengthen the information and education efforts.

The interpretation of the renewal ratio is different but arguably still useful where participation is compulsory such as for a credit life insurance programme tied to microfinance services.

"Whatever the renewal ratio is, Management has to interpret it carefully and determine what response is required. The renewal ratio should be monitored over several time periods since the trend will provide additional insights." It is particularly interesting to follow the clients who have made claims as their renewal behaviour will testify of the services' accessibility and satisfaction at times of need (e.g. access to health care,). The microinsurer would also want to follow up with the clients who have not renewed in order to understand why.

Indicator 4 - Promptness of claim settlement*[9]

Definition

The promptness indicator measures the time elapsed between when insured incident occurs to when the beneficiary actually receives the payment. “It provides an analytical breakdown of service times taken to report and process a set of claims.

How to calculate it

The indicator is defined in terms of a schedule such as the one presented in the table below. The schedule more accurately describes the claims payment pattern as this type of information is lost in a simple arithmetic average. To find the problem area, the microinsurer should analyze all aspects of the claims process and have a standard time for each step, and this type of analysis will help to detect the problems.

Interval	Number of claims	% of total claims
0 to 7 days	___	___%
8 to 30 days	___	___%
31 to 90 days	___	___%
More than 90 days	___	___%
	Total___	100%

Note:

- It is not always possible to know how long it takes for the payment to reach the beneficiary (i.e. the benefit received date). In this case, it should be estimated from the paid date for preparing the claims promptness schedule.”

Significance and interpretation

Promptness of claim is important in terms of the workshop consensus around two issues:

- Are claims settled within a time-frame that is appropriate to client needs (meets their cash-flow needs)
- Is the product designed to overcome client obstacles in accessing or using the services? E.g. outreach to rural areas; assistance in claim filing process, the inclusion of financial education

Promptness is defined as the microinsurance provider’s ability to respond to the client’s cash flow needs when an insured incident occurs. “The acceptable delay depends on the context and the product, however, the shorter the delay, the better for the insured. Paying claims promptly is an important aspect of service and good value. Some claimants need the benefit proceeds right away in order to deal with an emergency situation resulting from the event that triggered the claim, and if claims payment is too slow, they may be forced to sell off their productive assets or borrow from moneylenders at (often) exorbitant rates. Clearly, untimely claims payment diminishes the value of the microinsurance service and in some cases may even aggravate the insured’s condition and situation since (s)he may have been

[9] For more details on the calculation and financial interpretation, see Garand and Wipf, 2010: Performance Indicators for Microinsurance (2nd Edition). All quotes are from Garand and Wipf, 2010: Performance Indicators for Microinsurance (2nd Edition), p 42-45.

able to cope in an alternative manner had (s)he known beforehand the length of time that it would take to receive the benefits. Some insurers, however, delay payments deliberately, they say, for such reasons as to prevent the use of benefits for grander funeral ceremonies.

Health microinsurance models using a cashless system provide immediate relief to the insured, and such systems would rate highest on this indicator since all claims would qualify to be included in the first [range of 0-7 days]."

Information on this indicator can be used by management to identify the bottlenecks and where the process can be improved. The workshop highlighted the importance of tracking the breakdown of each phase (until claim submitted, treated, settled, benefit received). By analyzing the different phases of claim settlement process management can adapt the design of the product and process to be able to respond to the clients' cash flow needs which are the most burning when these insured incidents occur. The analysis may reveal for example, that there is need to provide further assistance in claim filing process and to improve clients' level of financial literacy.

The first part of the process: date of incident to declaration date; gives a good understanding of how easy it is for the clients to access the services. This step should be designed in such a way to overcome obstacles by the clients. This means that clients are equipped with the right information and knowledge on how to process a claim and how to contact the insurance provider. This process might be more challenging in rural areas as distances are greater and education levels generally lower. However, the insurance provider should try to incorporate alternative and innovative mechanisms to be able to respond promptly in such circumstances as well (e.g. by using innovative technology).

INDICATOR 5 - SOCIAL INVESTMENT RATIO

DEFINITION

The indicator social investment ratio measures the amount of resources the microinsurance providers dedicate to information, education, communication and prevention.

HOW TO CALCULATE IT

Social investment ratio = Social investment expenses / Incurred expenses

Notes:

- Social investment expenses = Expenses for information, education, communication and prevention activities
- Incurred expenses is the sum of actual expenses incurred in the period, including commissions and items that are commonly overlooked such as amortisation of equipment, depreciation, and cost of software development. Expenses should not be reduced to reflect subsidies or grants.

SIGNIFICANCE AND INTERPRETATION

The workshop highlighted the importance of the social investment ratio in examining whether the microinsurer engages in any social activities to benefit the communities in which it works.

The activities included in this ratio are likely to impact on most of the other indicators as it affects how the clients interact with the product and the processes. The value for the insurer is derived from the clients' correct usage of the insurance product, and more broadly through affecting behaviour of clients and their communities that will impact on their level of risk.

The ratio covers a number of activities that a microinsurer might engage in which can affect target market knowledge of services, ability to access and use the insurance products, and change behaviour in a way that can help reduce or managed their risk.

Client education and provision of information helps build client understanding of the product and process. The impact of this is that clients are more likely to use the services appropriately which consequently results in higher satisfaction. It will also require fewer resources from the insurance provider to deal with discontented and misled clients. An institution is therefore expected to budget a significant amount towards these activities.

Marketing not only increases demand for a service, but raises awareness of a target market that is usually unfamiliar with the concept of insurance.

Microinsurers have an opportunity to provide education and information beyond just product features, focusing on risk management in general and awareness raising concerning the risks facing the target market and their communities. They may also engage in more active interventions such as providing mosquito nets, providing veterinary services, or improving water or sanitation. These prevention activities may bring benefits for both clients and the insurer.

This is particularly apparent in health schemes where education can have a high impact on people's general health. The advantage for the insurer is that such interventions, if well implemented, could positively impact on their incurred claims ratio. Insufficient social investment may impact on other performance indicators. By tracking the budget allocations between the four components of this indicator; information, education, communication and prevention activities; the provider should be able to determine this relationship, and this can drive expenditure decisions.

INDICATOR 6 - COVERAGE RATIO*[10]

DEFINITION

“The coverage ratio is the proportion of the target population participating in the microinsurance programme. Every microinsurance programme targets a group of persons, households, or assets to cover. This is called the target market.

HOW TO CALCULATE IT

Coverage ratio = Number of active insured / Target population

Notes:

- In the formula, the number of active insured is used rather than “active policies” since this is an all inclusive and can be used when programmes are member-owned schemes, for group plans, and other types of variations.
- The target population is not as straightforward to define, but should be included in the organisations’ business plan. “

SIGNIFICANCE AND INTERPRETATION

The workshop participants identified the coverage ratio as relevant to the following questions:

- Does the insurance cover achieve high rates of participation and penetration to target clients?
- Is the product designed to overcome client obstacles in accessing or using the services?

The ratio is important to the financial health of a microinsurer, being “indicative of a widely acceptable programme in which the participants are readily pooling their scarce resources to seek a measure of protection from the risks that they face. Marketing and distribution effectiveness is one of the most important requirements for the long-term sustainability of a microinsurance programme and without these there is only a small likelihood of reaching and retaining the critical mass needed for viability.”

From a social performance perspective the ratio is an indicator of the success of the insurer in reaching specific market segments targeted for social reasons, such as more vulnerable, excluded, or poor people. Outreach depends largely on how well a product is adapted to clients’ needs and the client’s satisfaction with the services and perceived value of the products, thus the indicator reflects the appropriateness of the design of the product and the effectiveness of its implementation.

[10] For more details on the calculation and financial interpretation, see Garand and Wipf, 2010: Performance Indicators for Microinsurance (2nd Edition). All quotes are from Garand and Wipf, 2010: Performance Indicators for Microinsurance (2nd Edition), p 35-37.

INDICATOR 7 - POVERTY OUTREACH RATIO

DEFINITION

The poverty outreach ratio s the proportion of the clients under the poverty line out of the total number of clients. This indicator reflects whether the insurance scheme is achieving high rates of participation amongst the poor. It relates closely to the coverage ratio.

HOW TO CALCULATE IT

Poverty outreach ratio = Number of clients under defined poverty line / Total number of clients

Notes:

- The poverty level of clients will be obtained through surveys upon registration or by conducting a poverty survey.
- The definition of poverty will vary upon context but needs to be explicitly stated.

BOX 5: Poverty assessment tools

An organisation can adopt measurement tools to assess the poverty status of new clients, the profile of its existing clientele, and how and why its clients' poverty level changes over time. Recent initiatives, such as the Progress Out of Poverty Index (PPI) and the Poverty Assessment Tool (PAT) enable the direct measurement of household poverty using simple, robust indicators, statistically correlated with different poverty lines. This indicator assesses the tools adopted to track the poverty status of the clients.

To know more about PAT visit this link: www.povertytools.org
To know more about PPI, visit this link: www.progressoutofpoverty.org

A comparison between these two tools and discussion of their applicability can be found in a CGAP user review of the tools, *Poverty targeting and measurement tools in microfinance*, available from www.sptf.info/page/user-reviews-of-sp-tools

SIGNIFICANCE AND INTERPRETATION

The workshop highlighted the importance of the poverty outreach ratio in examining whether the insurance cover achieves high rates of participation of poor clients and whether the product designed to overcome client obstacles in accessing or using the services.

Poor people are usually most exposed and vulnerable to risks and hence the most in need of appropriate insurance. This ratio demonstrates whether the product design and delivery mechanism are designed to reach poor people and are able to overcome the challenges of accessibility faced by the poorer population, and can be used by management to refine products and their delivery. It is important that microinsurance practitioners are able to demonstrate that this is being achieved and not only stated in their missions and visions.

Poverty is a very broad term and there are different levels of poverty, requiring different services. Generally a national poverty line or international (US$1.25 and US$2.50) poverty lines are used to define 'poor'. For a microinsurance product, the most challenging groups to cover will be the destitute and the ultra poor, and it can be argued that this role should be fulfilled by the state. It is therefore important that insurers identify different client segments in order to have a clearer understanding of the poverty level of the clients being reached by insurance.

In the case of mandatory products the poverty outreach of the product will be determined by the clientele of the organisation or service to which the insurance product is linked. There may therefore be little ability of the microinsurer to influence performance against this indicator in the absence of changes more broadly in the partner organisation or service provider.

Indicator 8 - Rural outreach ratio

Definition

The rural outreach ratio s the proportion of the rural clients out of the total number of clients. This indicator reflects whether the insurance scheme is achieving high rates of participation amongst the rural population. It relates closely to the coverage ratio.

How to calculate it

Rural outreach ratio = Number of clients living in rural areas / Total number of clients

Notes:

- Rural areas are defined as: settled places outside towns and cities, such as villages, hamlets, where most livelihoods are farm based. Farm includes crop and non-crop agriculture, livestock. fishing, etc.
- Semi-urban areas are defined as: residential areas on the outskirts of a city or town with strong presence of non-farm economy.[11]

BOX 6: Defining rural and urban

In developing countries rural areas (fewer than 5000 inhabitants) are typically sparsely settled and employment is mainly in agriculture, whereas towns (more than 20000 inhabitants) are densely settled and employment is 85-95% non agricultural. Intermediate conditions correspond to peri-urban and secondary towns.[12] "When possible, it is best to use the government definition for consistency. If no definition exists for rural, or if the definition is not well-suited to financial services, organizations may use their own definition or develop a consensus definition within the sector to track this indicator."[13]

Significance and interpretation

The workshop participants agreed that the rural outreach ratio indicates whether the insurance cover achieves high rates of participation of rural clients and whether the product design and delivery mechanisms overcome the challenges of accessibility in more challenging areas.

Rural areas usually have less access to financial and other services such as microinsurance but nonetheless are in great need. Poverty levels are expected to be higher in rural areas and the challenges to access basic services are usually much greater. As the purpose of microinsurance is to serve the poor and excluded; it is therefore important that practitioners are able to demonstrate that they are making the effort to reach out to the rural population.

Rural population face greater challenges in accessing services and generally incur higher costs in transport and time. The microinsurer needs to demonstrate that they are trying to overcome these obstacles by adopting innovative and alternative delivery and payment mechanisms (e.g. by using innovative technology). Rural outreach must be taken into account at the time of product and process

[11] MIX Social Performance Report, glossary - www.themix.org/standards/sp-reports

[12] Adapted from Lipton and Ravallion, 1995, "Poverty and policy," Handbook of Development Economics, in: Hollis Chenery & T.N. Srinivasan (ed.), Handbook of Development Economics.

[13] SEEP, 2010, Building Vibrant and Inclusive Financial Sectors: Success Indicators for Microfinance Associations.

design and revision. This focus also needs to be integrated into the claims processing and service quality. Staff will need to be appropriately equipped and trained to be able to maximise rural outreach.

An organisation that seeks broad coverage would expect to achieve the national average of people living in rural areas, whereas an organisation that targets rural people would aim for a much higher coverage of this population. If the rural outreach is low, the process and product design will need to be revised in order to assure that obstacles for the rural population to access the product and the services are overcome.

Indicator 9 - Complaints ratio

Definition

The complaints ratio stems from client protection and reflects the ease with which clients can present the microinsurance provider with complaints. It measures the number of complaints registered over the number of clients.

How to calculate it

Complaints ratio = Number of complaints registered / Total number of clients

Notes:

- This indicator assumes that the provider has a complaint tracking mechanism in place. Complaints must be recorded and tracked as part of a redress system. This system may not be connected with an association (such as a government ombudsman scheme), but should be a formal system that produces statistics on complaints.[14]
- There are different modes for processing complaints. It can verbal or written, at a physical location i.e. a branch office; or through a field officer but also through a customer service helpline. This indicator captures all modes for client recourse.

Significance and interpretation

The workshop participants found that the complaints ratio answers the following questions:

- Are client treated fairly?
- Are there accessible and effective mechanisms for client recourse?

Complaint resolution is used as a proxy for determining how well clients are protected against unscrupulous or deceptive practices. Existence of a complaint tracking process indicates that clients have some protection, although tracking complaints registered does not capture complaint resolution nor the ease by which a complaint can be made.[15] In order to be effective in treating clients fairly it is necessary for a system to be in place through which they can put forward their concerns. It is a measure of the systems implemented by the practitioner to listen to the clients.

The interpretation of the ratio can vary, and it is therefore necessary to contextualise the data with a more in-depth understanding. Although a high ratio will generally mean that many clients have something to complain about indicating a flaw in the product and process design, this is only possible if clients can easily register complaints with the institution i.e. the system for recourse is working well and the clients understand how to use it. Similarly a low ratio may indicate that clients are very satisfied with the product and the services and have very few complaints and that the organisation has an efficient pre and post sales service staff; however it could equally reflect a poorly designed or implemented complaints mechanism.

[14] SEEP, 2010, Building Vibrant and Inclusive Financial Sectors: Success Indicators for Microfinance Associations, p 6.
[15] SEEP, 2010, Building Vibrant and Inclusive Financial Sectors: Success Indicators for Microfinance Associations, p 6.

For microinsurance practitioners who are aiming to champion social performance it is advised to also track the percentage of complaints resolved both in favour of the client as well as in favour of the microinsurance provider. In order to improve on customer service it is also advisable to track the time needed to respond to complaints. The content of the complaints can also be used as a client feedback mechanism providing information regarding claims processes and general client satisfaction.

INDICATOR 10 - TRANSPARENT SALES RATIO

DEFINITION

The transparent sales ratio stems from client protection and reflects the level of transparency the provider has shown towards the client. Transparency is here expressed as an act of disclosure of information. It measures the number of clients who have received appropriate information prior or during the purchase of the insurance.

HOW TO CALCULATE IT

Transparent sales ratio =
Number of clients who have received information prior or during purchase / Number of new clients

Note:

- The number of clients who have received information should sign a receipt recognising that they are in the possession of information about the pricing, terms, conditions and exclusions of the policy. This should be communicated in a form that is understood easily by clients i.e. in written form in the local language, or verbally for illiterate clients. By appropriate is meant that the information is presented in local dialect; contains a summary of the policy; is simple and concise.

SIGNIFICANCE AND INTERPRETATION

The workshop participants agreed that this ratio indicates whether products are marketed and delivered in a transparent manner.

Transmitting appropriate information to clients is not only compliant with good practices of client protection but also contributes to correct usage of the insurance product and services and hence to client satisfaction.

The institution should aim for 100% compliance with this ratio. Assuming that the system for collecting this data is effective, a low score would indicate that clients are either not receiving information prior or during the purchase, or that the information is provided in a way that is easily understood by all clients. This would indicate that sales procedures need to be revised.

For practitioners who aim to champion social performance it would be useful to complement this indicator with a periodic knowledge questionnaire for clients to determine the level of awareness of the basic characteristics and procedures of the product. If there is an important knowledge gap a further knowledge test can be conducted with the staff that is responsible for informing the clients.

Indicator 11 - Staff retention ratio

Definition

Staff retention is the percentage of staff having stayed with the organisation during the last reporting year. It's a reflection of staff satisfaction and measures how many of the members of staff stay with the organisation.

How to calculate it

Staff retention ratio = Number of employees who have remained / Average number of employees

Note:

- The number of employees who have remained is the result of the average number of employees during the period minus the number of departures during the period.[16]

Significance and interpretation

According to the workshop, high staff retention may result from positive treatment of an organisations staff and good working conditions. This implies that the organisation is most probably adhering to good standards of human resource practises. Staff satisfaction also positively affects how staff interact with clients and therefore is strongly linked to client protection and the quality of service delivery. The ratio also closely relates to the principle of audited procedures and policies in line with organisational mission and vision.

Workshop participants agreed that this indicator may relate to a number of aspects of labour practice and human resource management. High staff retention may indicate that working conditions are compliant with relevant legislation and standards, including international standards of worker safety; that there is a clear and comprehensive HR policy in place that is consistently applied; that there are appropriate and effective mechanisms for staff feedback; that the institution ensures the safety of its staff, especially those travelling; and that the institution promotes gender equity in the workplace e.g. by addressing particular constraints faced by women.

Staff retention may also be the result of negative aspects outside of the control of the organisation, such as high unemployment and low worker mobility.

[16] http://en.wikipedia.org/wiki/Turnover_%28employment%29

CONCLUSIONS AND WAY FORWARD

This workshop report represents the continuation of a process started in 2006 to develop balanced performance indicators for microinsurance that recognise the social goals inherent within microinsurance as well as the need to be financially sound. This is to reflect the nature of the microinsurance business, which is not about profit maximisation, but primarily about setting up risk mitigation mechanisms for the poor, who don't have access to regular insurance or social protection mechanisms.

The workshop, organised by ADA and BRS and the Microinsurance Network in October 2010 confirms the demand for social performance indicators in microinsurance. It also demonstrates that consensus can be reached amongst a diverse group of practitioners for a set of principles and indicators that can be applied to the wide diversity of microinsurance products and delivery methods.

The eight principles set out the foundation of 'good practice' that enables the performance indicators to be achieved. Over time it is expected that these principles will develop into standards as practice is documented and benchmarks can be set.

The eleven performance indicators presented in this report include five that are also included in the financial indicators handbook, and thus demonstrate the feasibility of working towards a single set of key performance indicators in microinsurance that combine both the financial and social dimensions.

The principles and indicators presented in this report are a first draft and will evolve through field testing and feedback. Readers are therefore encouraged to send their feedback to the Performance Indicators Working Group of the Microinsurance Network (info@microfact.org) and to test the principles and indicators within their own organisations. Once they have been refined the intention is to create an integrated Handbook "Key Performance Indicators for Microinsurance" creating a complete set of financial and social key performance indicators.

Annex 1: Workshop participants

	ABA	BancoSol Bolivia S.A.	CAURIE
Type of organisation:	Private non-profit organization	Private for-profit organization	Cooperative
Country of operation:	Egypt	Bolivia	Senegal
Starting year of MI activities:	2009	2003	2008
# of microinsurance products offered:	1	3	1
Type of products:	Credit life	Life; Health; Repatriation for emigrants	Credit life
Number of staff involved in microinsurance:	2	1	8
# Number of insured:	163,000	45,096 by September 2010	All active credit clients. 39,000
Name of participant:	Motaz El Tabaa	Paola Patricia Rojas	André Roland Youm
Position:	Executive Director, Small & Micro Enterprise Project, (ABA)	Analista de Productos y Servicios	Directeur des Opérations

	CIF	CRECER	GROPERE
Type of organisation:	Confederation of financial institutions	Development Financial Institution	NGO
Country of operation:	Burkina Faso	Bolivia	Benin
Starting year of MI activities:	2004	2008	2003
# of microinsurance products offered:	2	2	1
Type of products:	Credit life	Group credit life; PA	Basic health care
Number of staff involved in microinsurance:	3	3	2
# Number of insured:	362,876	103,000	2,717
Name of participant:	Thomas Zongo	Julio Johnny Illanes Riveros	Segla Euloge Pascal Kuassy
Position:	Conseiller en assurances	Gerente Nacional de Negocios	Chargé de projets Santé et Mutuelle de santé

	Healing Fields Foundation	Negros Women for Tomorrow Foundation Inc.	PRISMA
Type of organisation:	NGO	NGO	NGO
Country of operation:	India	Philippines	Peru
Starting year of MI activities:	2005	2002	1999
# of microinsurance products offered:	1	3	2
Type of products:	Health	Life, Accident, Hospital income and Retirement Package	Life ; Credit life
Number of staff involved in microinsurance:	20	3	At HQ: 6. At branch level: 121
# Number of insured:	65,000	Approx 210,000	21,700
Name of participant:	Gayathri Prashanth	Gilbert Stephan Maramba	Cecilia Gamarra
Position:	Manager Operations	Research and Development Manager	Jefe de Microseguros

	Pro Mujer	Réseau des Caisses Populaires du Burkina	UPLIFT
Type of organisation:	MFI	Cooperative	Association of non profit organisations
Country of operation:	Nicaragua	Burkina Faso	India
Starting year of MI activities:	Not yet started	March 2005	2003
# of microinsurance products offered:	In process	1	1
Type of products:		Individual and group credit life	Health Mutual
Number of staff involved in microinsurance:		2	44
# Number of insured:		Approx 180,000	100,000
Name of participant:	Patsy Marena Mayorga	Kedem Servais	Kumar Shailabh
Position:	Coordinadora de Desarrollo de Productos.	Chef du Service Gestion des Ressources Humaines	General Manager

	VimoSEWA Cooperative Ltd.	University of Dhaka	DHAN Foundation (People mutuals)
Type of organisation:	Trade union	University	Community Federation of federation mutuals
Country of operation:	India	Bangladesh	India
Starting year of MI activities:	1992		Formally 2000, informally in a small way 1992
# of microinsurance products offered:	14		More than 10
Type of products:	Life; PA; Vehicles; Assets and health		Life; Whole life; Health (2); Accident; Inclusive life; Livestock; Crop (3); partnership prodcuts
Number of staff involved in microinsurance:	78		More than 100
# Number of insured:	125,000		600,000 members
Name of participant:	Arman Oza	Hamid Syed Abdul	M.P. Vasimalai
Position:	CEO, National Insurance Vimosewa Cooperative ltd., India	Associate Professor	Executive Director DHAN Collective

ANNEX 2: PRIORITISE FRAMEWORK FOR SOCIAL PERFORMANCE IN MICROINSURANCE

The workshop reviewed a set of questions relating to social performance presented in a concept note prepared for the workshop. The following is the list of questions that the workshop participants considered as very or moderately important, plus additional questions participants added. The questions viewed as not very important are not retained in this report.

1 A. PRODUCT

Value proposition of product for clients:

- Do clients demonstrate that they value the product?
- Is the product relevant to the most important risks for target clients covered? How suitable/appropriate is it for client needs?
- Are gender specific risks considered? E.g. Relating to pregnancy and childbirth; death of a breadwinner; protection at old age (less security for women due to informal working conditions, lower income, etc.)

Product quality:

- Are claims settled within a time-frame that is appropriate to client needs (meets their cash-
- flow needs)
- Does the insurance provide good value for the clients' premiums paid?
- Are a high proportion of claims for genuine loss paid out?

Outreach and access:

- Does the insurance cover achieve high rates of participation and penetration to target clients?
- Are the payment mechanisms adapted to the needs of the target group E.g. Instalments, timing of payments and mobile payments?
- Does product policy set exclusion criteria that limits access to certain groups? E.g. Elderly, people with illness etc?
- Is the product designed to overcome client obstacles in accessing or using the services? E.g. outreach to rural areas; assistance in claim filing process, the inclusion of financial education

Suggested additional questions:

- Processes for client education and awareness creation?
- Do you have mechanisms to identify and define the distribution mechanism? Mechanisms in place to ensure that you reach your target population.
- What is the out of pocket expense for post payment of claims?
- Should there be co-payment or co-insurance?
- Is the product meeting the affordability and capacity to pay of the target clients?
- Are claims and entry requirement flexible or adjusted to what is available from our target clients?
- Does the insurer have an evaluation system?
- Does the insurer have a department dedicated to microinsurance?

2 A. SOCIAL RESPONSIBILITY

Client protection :

- Are the products adapted to target clients needs (suitability/appropriateness)?
- Are the products marketed and delivered in a transparent manner?
- Are client treated fairly?
- Are there accessible and effective mechanisms for client recourse?

- Is the cost to clients fair?
- Financial solvency of the institution: is the institution managed in such a way as to ensure sustainability of its activities and that clients will receive payouts that they are entitled to?
- Is privacy of client data ensured?

Community:

- Does the microinsurer engage in any social activities to benefit the communities in which it works?
- Does the institution insure risk that may impact at a community level? E.g.: Crop failure; flooding.

Staff:

- Are working conditions compliant with relevant legislation and standards, including international standards of worker safety?
- Does the micro-insurer have clear and comprehensive HR policies? Are these consistently applied?
- Are there appropriate and effective mechanisms for staff feedback?
- Does the institution ensure the safety of its staff, especially those travelling?
- Does the institution promote gender equity in the workplace E.g. By addressing particular constraints faced by women?

Environment:

- Are environmental risk factors taken into account in the microinsurance product design?
- Does the microinsurer take into account its own environmental impact?

Suggested additional questions

- Is the product compulsory or voluntary?

3 A. INSTITUTIONAL SYSTEMS

Are systems and activities of the risk carrier and its agents in line with stated social goals (if relevant)?

- Do policies and processes support staff to act in line with the institution's mission and values? E.g. productivity targets, staff recruitment, training, performance management, incentives
- Is staff encouraged to facilitate the claims processes?
- Ethical staff behaviour: corporate culture and incentives values and rewards high standards of ethical behaviour and customer service;

Suggested additional questions

- Are there processes and mechanisms for measuring client feedback?
- Are partners and delivery channels being motivated to the same high standards?

4 A. OUTCOMES/IMPACT

It is likely that this would not be covered in key performance indicators, but through a qualitative assessment or as part of an impact assessment

- Does access to the insurance product sufficiently protect against the covered risk and protect client livelihoods E.g. Retention of productive assets, maintenance of business income, timely replacement of assets etc.
- Does access to insurance enable accessibility to services at times of need? E.g. access to health care, children remaining in school
- Does the product strengthen or undermine existing risk reduction and coping mechanisms?

Suggested additional questions

- Does insurance increase the cost of care leading to rise in premiums and over the time becoming unaffordable to a section of the population?

Appui au Développement Autonome (ADA), Luxembourg, is an NGO specialised in microfinance and collaborates with microfinance institutions all over the world through financial and non-financial support and exchange.
Website: www.microfinance.lu

Belgian Raiffeisen Foundation (BRS), Belgium, supports local savings, loans and insurance initiatives according to co-operative principles. BRS' support includes in depth technical assistance, training and financial support.
Website: www.brs-vzw.be

The Microinsurance Network seeks to promote the development and proliferation of insurance services for low income persons through stakeholder coordination and information sharing.
Website: www.microinsurancenetwork.org