Learning Journey

Fonkoze (Fondasyon Kole Zepòl)

Kore W – Catastrophe insurance for microfinance clients

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Project Basics

About the project

Since a series of devastating hurricanes struck Haiti in the autumn of 2008, Fonkoze has worked to develop natural disaster coverage at a price affordable to the poorest of their microfinance clients. Their product is called “Kore W”. The premise of Kore W's viability and affordability is that both Fonkoze and involved donors contribute to subsidize the premium paid by clients, so that it is just 3 percent of the loan, whereas it would otherwise be 8 per cent. Kore W is catastrophe insurance coverage for Fonkoze's approximately 60,000 microcredit clients. This coverage is meant to protect small entrepreneurs in the event of earthquakes, rain or other wind events. The product is mandatory for all clients when they take out a loan and the premium for most clients is 3 per cent of the loan's principal. In the event of a natural disaster, approved clients are eligible for a US$ 125 indemnity payout, the cancellation of their loan with Fonkoze, and the right to take out a new loan as soon as they are ready. Kore W operates through MiCRO, a catastrophe (re)insurance company based in Barbados. MiCRO provides index coverage (through Swiss Re), which is triggered in large-scale catastrophes (earthquake, wind and rain), as well as basis risk coverage for smaller events that affect Fonkoze's clients.

From the 1st October 2012, all Fonkoze's financial services, including microinsurance, are offered by Sèvis Finansye Fonkoze, S.A., which is part of the family of organizations collectively referred to as Fonkoze. In addition to SFF, the Fonkoze family includes Fondasyon Kole Zepòl (the “Foundation”), Fonkoze, S.A. – the holding company of SFF, and Fonkoze USA.

To reduce the risk of payment gap inherent in any index product, a rapid loss assessment was implemented that uses Fonkoze’s already established network of credit centres and centre chiefs. When a large natural disaster occurs, Fonkoze’s centre chiefs immediately begin assessing client damage in their centres and reporting this information to the 46 branches, who in turn notify the Kore W team at the central office, which relies on their assessment to determine which clients qualify for payouts.

Fonkoze included an intensive client education programme during the rollout phase of the project, to explain the product’s benefits to clients. Fonkoze’s credit centre chiefs were trained to facilitate the process of assessing losses after a natural disaster.

Despite demonstrated client value and many improvements in product design and the donor community's financial support, the product's short-term viability proved unsustainable during the second hurricane season, exacerbated by the magnitude of the events that hit Haiti in a very short timeframe. Fonkoze has decided to stop the product until further reflection on a comprehensive and sustainable risk management strategy. The outlier events in 2012 did not per se reveal the lack of viability of Kore W, which wouldn't be sustainable and/or affordable to clients unless Fonkoze absorbed some of the cost or continued to have it subsidized.

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<th>Project Summary</th>
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<td><strong>Project name:</strong></td>
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<td><strong>Project start date:</strong></td>
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Project Updates

What is happening?

As of December 2011

The launch of the project was scheduled for early January 2011. By the 17th January 2011 all Fonkoze’s branches linked Kore W to their new loan disbursements for Solidarity and Ti Kredi clients. The project was implemented quickly in order to protect all these clients before the hurricane season started in July. This speedy implementation meant that staff in the branches and centre chiefs (a client participating in a solidarity group, elected to lead her credit centre) had limited time to be trained, and therefore the processes and forms related to Kore W were adjusted during this period. Fonkoze operates in a rural environment where communication between headquarters and branches can be challenging, given technology limitations. There were initially delays and communication hurdles in providing information and support to branches.

The initial strategy was to appoint 23 trainers from Fonkoze’s microinsurance team and training centre. Each of these trainers then supported two branches. A 1-day seminar was organized for the trainers before they were assigned to branches to work with the branch managers, credit agents, and centre chiefs.

In June 2011, Invest 97L, a slow-moving tropical disturbance, dumped rain on Haiti, Jamaica, and Cuba for more than a week. National civil protection authorities reported at least 28 deaths (including 22 in the Port-au-Prince area) from flooding and mudslides, but the heaviest rains occurred in the south-west of the country, where Fonkoze has seven branch offices. Specially trained Fonkoze staff began visiting clients to assess their situation after the storm. They carried out a process of evaluation to decide whether members were eligible for a payout or not. This process was completed within a couple of weeks. The total time taken to process claims was on average 45 days.

Fonkoze set up a call centre for its microfinance clients; this centre also handles calls from microinsurance policyholders. This allowed the microinsurance team to identify issues, questions, and complaints that clients have around Kore W, which were then used to create a FAQ list.

In its first year of operation, from February 2011 to February 2012, Fonkoze’s Kore W catastrophe insurance product paid out to 6,794 clients as a result of 14 events that struck the country. During 2011, 63 per cent of claims reported were accepted as valid under the guidelines in the agreement between Fonkoze and MICRO regarding claims handling. The other 37 per cent of claims were deemed ineligible.

As of June 2012

During the first 3 months of the year Fonkoze’s microinsurance team conducted focus groups with clients in order to collect feedback on their understanding of and satisfaction with the product. Further analysis was carried out regarding the financial and organizational impact of the implementation of Kore W. The internal performance of the microinsurance unit was assessed based on certain indicators. In a joint initiative with the US-based MicroInsurance Centre and its MILK project (Microinsurance Learning and Knowledge), Fonkoze conducted further research to better understand both clients and non-clients and their responses to a natural disaster.

The strategy for communicating the decision on a payout to clients was improved by trying to include the centre chiefs in the process. The performance of the call centre was also improved; the regular call centre staff was trained in microinsurance subjects and two staff were specifically hired to handle Kore
W calls and provide information on payout decisions to clients. There was a need for greater transparency about and consensus on how the payout decisions were made.

Some tension was noticed in some credit centers following payouts in 2011, further highlighting the need for Fonkoze to improve on the process of damage assessment by the facilitation team.

There was a high frequency and magnitude of catastrophic events during 2012 (8 events in total), most notably tropical storm Isaac (in August 2012) and hurricane Sandy (October 2012). It became particularly challenging to dispatch facilitators to over 1,100 centers affected by the disasters in a timely manner and to make payouts quickly enough. The central office was extremely busy handling data entry and processing for 25,000 claims from the two largest events alone.

As a result, Fonkoze completely changed its claims process. Center chiefs were now to perform claims assessment for their respective centers, fill out forms, and report claims to their respective branches. Center chiefs were incentivized to perform claims assessment thoroughly and quickly through an incremental monetary bonus linked to the number of visits performed. The change in process was an operational imperative, rather than an attempt to improve client satisfaction. However, the new process was well-received by clients and improved client acceptance of claims decisions.

This change might have resulted in an increase in fraud, since there could be some resistance from center chiefs to refuse claims from their community members. This has not yet been investigated, but Fonkoze's plans to improve fraud detection and claim assessment should the product be redesigned or a similar product deployed in the future.

The IT department considered introducing technology, such as smartphones to support damage assessment. Fonkoze believes that this has the potential to shave a week or two off the average claim payout time. The frequency and magnitude of catastrophic events has, however, forced it to focus is efforts on creating IT tools to automate some transactions to reduce the delays in processing claims from tropical storm Isaac and hurricane Sandy.

Though the average payout time was reduced to 21 days by April 2012 (from 46 days in 2011) with the fastest claim payment made within 7 days, it soared back to 44 days after Isaac (August 2012) and Sandy (October 2012). The last claim processing for these events were finally closed in May 2013, over 7 months after Sandy struck.

As of March 2013

The magnitude of hurricane Sandy, coming right after tropical storm Isaac, prompted Fonkoze's management to stop enrolling clients for Kore W as of the last week of November 2012 valid retroactively to the date of hurricane Sandy (October 24th) canceling policies that has been purchased after Sandy. It focused on redesigning the product to be re-launched in April 2013. In February 2013, in a joint Fonkoze-MiCRO-IFC meeting, participants suggested that Fonkoze should delay the re-launch of Kore W until November 2013 to allow sufficient time for MiCRO and Fonkoze to redesign the product. They also suggested that Fonkoze should re-purchase a parametric policy to cover its portfolio. The 2012 policy year ended on the 1st April 2013, but Fonkoze obtained an extension from SwissRe until the 15th April, when the new parametric policy was purchased.

Half of the parametric premium coverage for 2013 was funded by an individual donor while the other half is to be funded by an IFC grant.
In March 2013, Fonkoze’s CEO went on a leave of absence and Fonkoze's Board appointed a management team comprising the CFO, COO (formerly head of Internal Audit), and CIO to oversee day-to-day operations while decisions are made around the appointment of a new CEO.

**As of August 2013**

Fonkoze’s (SFF) management committee decided to focus its efforts for the upcoming fiscal year on consolidating the organization's core business and transferred microinsurance and activities focused on clients’ resilience to the Foundation. In light of SFF’s current financial situation and at the direction of their Board, they are focusing on a variety of strategic priorities essential to the long-term viability of the organization.

With regards to considering next steps on microinsurance, SFF has expressed the following views:

- SFF and its clients remain vulnerable to environmental risks; affordable microinsurance products that help mitigate these risks would be of great value to SFF and its customers;
- Knowing the level of risk that SFF and its clients face is difficult; knowing whether and/or how much insurance is appropriate versus other, or combinations of other, risk mitigation strategies remains a challenge;
- Continued support from insurance experts to redesign and re-implement a retail microinsurance product is necessary;
- Proposed regulation will prohibit SFF in the future from underwriting insurance; a third party aggregator is needed to re-launch the product;
- Future products must continue to give careful consideration to the administrative capacity of SFF (or other MFIs) to act as microinsurance agents and associated operational risks/costs.

This feedback underscores the importance of gathering a variety of stakeholders to evaluate the needs, opportunities, and risks associated with reintroducing a revised microinsurance product in Haiti.
Project Lessons

On pricing and demand

The standard pricing approach has been questioned by clients from low-risk areas and larger borrowers. Differential pricing would have made it too difficult to implement a new product but is being considered for the future.

A single premium is charged to all clients throughout Haiti, while the risks from natural disasters (according to the parametric model) vary widely between regions. Clients’ perceptions of local risk level correlated surprisingly well with the statistical data from the parametric model.

Initially some clients were reluctant to participate in the insurance, particularly in the north of the country, where the risk of natural disasters is lower but no major outflow of clients has been noticed as a result to the introduction of the mandatory insurance product.

Because of the structure of the insurance payout, those with larger loans pay disproportionately more for the insurance coverage than those with smaller loans. Credit centre chiefs and other influential clients, who tend to have larger loans, were therefore particularly resistant to this initiative.

Fonkoze thinks that it could have considered differential pricing depending on the level of risk, perhaps at a regional level. Ideally there would have been some piloting in more than one region, to test acceptability of the price in different areas.

Special efforts could have been made to engage and convince centre chiefs before launching this insurance for all their clients. Training and information sessions for centre chiefs were only held later, as part of the annual assembly in each branch.

On sales force training, client education, and communication

On-going training, together with integration of microinsurance components into the regular training programme of the microfinance organization, increases knowledge and allows for better and more efficient implementation of the product.

Credit agents in all 46 branches of Fonkoze have received formal training from Fonkoze’s training centre. The training director and other training centre staff have been central to the success of the project since the design stage: it was relatively straightforward for them to integrate this product into their existing training programme for credit agents.

Insurance enrolment was built into the microloan disbursement process, thereby ensuring that all clients received coverage. Reinforcement of training by credit agents, along with signed insurance contracts, also ensured that clients understood the product. Though the process worked generally well and all credit agents had a good understanding of the insurance product, some concerns remained over how to monitor the quality and consistency of training which credit agents would be providing to clients. The microinsurance team believed that it was important to reinforce knowledge so that all clients received the same message about the insurance product.

Training centre chiefs as well as staff was vital to ensure proper understanding of the product by clients. As the concept of insurance was completely foreign to many clients, further training on the benefits of the coverage would have been desirable. Because resource constraints prevented Fonkoze
from providing more extensive education, they trained centre chiefs to explain the product to their members.

Twice a year all the centre chiefs come together in a general assembly. Fonkoze’s microinsurance team organized a training session about Kore W. The sessions provided information about implementation processes as well as the features of the product, so that the chiefs could perform their initial assessment and information duties more efficiently.

A Kore W guide was designed for center chiefs and distributed to Fonkoze’s 46 branches in early 2011, and again with updates in October 2011.

The vital role of the centre chief in the insurance programme was highlighted by responses to questions asked during a survey. When asked how they were informed about the insurance processes, 52 per cent of clients said they were informed by their centre chief, while 22 per cent were informed by the branch when they received credit, and 20 per cent by their credit agent. Another 13 per cent did not recall how they were informed about the claims process. Centre chiefs are also the first point of contact with the client following a natural disaster. Clients were asked how long it took for their centre chief to visit for a damage assessment. In total, 72 per cent of centre chiefs visited during the first 5 days following a disaster, a strong indication of centre chief’s understanding and willingness to participate in the process. Similarly, 93 per cent of centre chiefs had visited in the first 15 days.

Even for compulsory enrolment, it is important to communicate product benefits adequately so clients appreciate the insurance when they take out a loan. Clients were asked whether they would continue to purchase the product if it was not mandatory. Of those clients who received a payout, 69 per cent indicated they would continue to purchase it while 28 per cent said they would not. Of those clients who did not receive a payout, 50 per cent indicated they would continue to purchase a non-mandatory product while 40 per cent said they would not.

These numbers are positive for Fonkoze in that a majority of clients surveyed felt the product was worth purchasing even if it weren’t compulsory. At the same time, however, a large percentage of clients still perceived that the product was not valuable enough to purchase on its own, thus indicating an area where Fonkoze could improve both services and marketing in order to increase the perceived value of the product amongst its members.

Call centres not only provide a communication channel but also help to monitor the performance of branches and assess client satisfaction.

In 2011 Fonkoze opened a call centre to establish a direct communication channel between the central office and clients and take their questions and complaints. The microinsurance department developed a master list of complaints that allowed it to follow up on the concerns that clients express.

For example, several complaints were collected from clients regarding a single branch where, despite the fact that an initial assessment by a credit chief had occurred, no payouts came in a reasonable period of time. The microinsurance team was able to ascertain that a new agency manager had not forwarded the initial assessments to the central office because he had not fully understood the process. This problem was captured by the call centre, allowing the team to rectify it by retraining the branch personnel.
On claims processing

For a catastrophe insurance product with an assessment process, the capacity of the team needs to be adjusted during the year in order to cope with increased claims during certain periods.

During 2011 it took an average of 46 days to pay claims. For smaller events, this timeframe tended to be shorter. A few “outlier” events were responsible for some of the longer periods. Some events, like those in Mibale and Pomago, were not reported to the central office until over a month after they had occurred. During the hurricane season the demand for facilitators to provide assessments for payouts to branches always increases, which prompted Fonkoze to alter its assessment process. Before hurricane Sandy in October 2012, Fonkoze had three permanent facilitators who traveled to branches once the branch manager had consolidated the information from clients provided by the centre chiefs. These facilitators were in charge of validating the information against the payout criteria and deciding whether a payout would be made. During the first hurricane season, Fonkoze had to hire two extra staff to carry out these activities, and train ten extra people from different departments to support in case of extreme events. The functions of these facilitators were extremely important as branch personal could not carry out these activities, since they are close to the clients and would have an incentive to approve claims.

Catastrophic insurance loss assessment processes should remain adaptable to operational imperatives while maintaining accuracy.

For the second hurricane season, after tropical storm Isaac and hurricane Sandy hit Haiti back to back, Fonkoze found it difficult to handle the thousands of claims received (over 25,000 claims for these two events alone) and dispatch facilitators to over 1,100 centers that had submitted claims. The loss assessment component was therefore altered, so that center chiefs took over the role of visiting claimants, assessing damage, filling out claims forms, and submitting claims to the relevant branch. To incentivize center chiefs to visit victims right after an event had occurred, Fonkoze provided an incremental monetary bonus linked to the number of visits carried out.

Though the average payout time was marginally reduced from 46 days in 2011 to 44 days in 2012, a MILK brief produced by the Microinsurance Center suggested that the delay in paying claims on Kore W was in fact eroding the total value of the product as clients still had to seek alternative short-term financing, usually through informal mechanisms such as using up savings, borrowing from family or money lenders, and reducing spending. The study suggested that faster payments may increase value to clients regardless of the coverage amount.
Average times for payouts

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
<th>Average time elapsed for cash payout</th>
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<tbody>
<tr>
<td>Heavy Rains in South</td>
<td>May/June 2011</td>
<td>45 days</td>
</tr>
<tr>
<td>Tropical Storm Emily</td>
<td>August 2011</td>
<td>48 days</td>
</tr>
<tr>
<td>Hurricane Irene</td>
<td>August 2011</td>
<td>39 days</td>
</tr>
<tr>
<td>Wanament Rains</td>
<td>September 2011</td>
<td>19 days</td>
</tr>
<tr>
<td>Ench Rains</td>
<td>September 2011</td>
<td>24 days</td>
</tr>
<tr>
<td>Mibale Rains</td>
<td>October 2011</td>
<td>56 days</td>
</tr>
<tr>
<td>Okay/Okoto Rains</td>
<td>October 2011</td>
<td>51 days</td>
</tr>
<tr>
<td>Lenbe Rains</td>
<td>October 2011</td>
<td>25 days</td>
</tr>
<tr>
<td>Pomago Rains</td>
<td>Oct/Dec 2011</td>
<td>64 days</td>
</tr>
<tr>
<td><strong>Average 2011</strong></td>
<td></td>
<td><strong>46 days</strong></td>
</tr>
<tr>
<td>Heavy Rains in the North</td>
<td>April 9 2012</td>
<td>19 days</td>
</tr>
<tr>
<td>Sourthen Haiti Rains</td>
<td>April 23, 2012</td>
<td>36 days</td>
</tr>
<tr>
<td>May 5th Rains</td>
<td>May 5, 2012</td>
<td>-</td>
</tr>
<tr>
<td>May 8th Rains</td>
<td>May 8, 2012</td>
<td>35 days</td>
</tr>
<tr>
<td>Late May Rains</td>
<td>May 29, 2012</td>
<td>-</td>
</tr>
<tr>
<td>Squall lines of storms</td>
<td>July 16, 2012</td>
<td>32 days</td>
</tr>
<tr>
<td>Tropical storm Isaac</td>
<td>Aug 24, 2012</td>
<td>45 days</td>
</tr>
<tr>
<td>Hurricane Sandy</td>
<td>Oct 24, 2012</td>
<td>44 days</td>
</tr>
<tr>
<td><strong>Average 2012</strong></td>
<td></td>
<td><strong>43 days</strong></td>
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More specific claim forms provide better data and speed up the claims process. The claim assessment form completed first by the facilitators and then by center chiefs initially contained open questions that elicited vague answers. These did not provide the right information to the microinsurance team. After this experience, a new format was developed to capture more specific information, allowing the microinsurance team to make better-informed decisions.

You can see examples of claims forms [here](#) and [here](#).

Smartphones could be used for data collection in the field, including live reporting of damage in catastrophic events, thereby speeding up the decision-making process and the payout time to final clients. Using smartphones would allow damage adjusters (facilitators or center chiefs) to carry out their activities and proceed to the final payout decision more quickly when they perform the initial assessments. Initially the damage adjustors filled in a form that included the payout decision by hand; the form would then be manually processed and entered into a claims database managed centrally by the microinsurance team. A new open source technology integrating the questionnaire in a mobile technology application would allow Fonkoze to capture the validation questions as well as the payout decision immediately in its claims database and to start the payout process immediately.

The challenge of using this digital form for the team is that editing the information would have been more complicated and the interface for data entry would have been rather limited.

On business viability

Excessive claims have resulted from the multiple perils covered and Fonkoze’s unlimited liability to cover basis risk. This, coupled with potentially inflated loss assessment, has challenged the commercial viability of Kore W.
The combination of parametric and basis risk meant that Fonkoze needed to closely observe the development of its basis risk payouts. MiCRO retained 85 per cent of the basis risk, with capped liability on each of the perils covered (earthquake, winds and floods) whereas Fonkoze carried the remaining 15% with unlimited liability.

During its first year of operations, the balance between payouts to its clients after damage assessment was almost exactly offset by the parametric triggers and the payouts to Fonkoze for them.

![Bar chart showing the amount Fonkoze received from parametric insurance compared to losses by its clients in 2011.](image)

**Amount Fonkoze received from parametric insurance compared to losses by its clients in 2011**

During 2012 Fonkoze faced a challenge in managing the system because of the discrepancies between the satellite images and the actual events that affect final clients. In several cases rains have not been detected by the satellite, whereas these events caused serious damage to clients; hence there was a need for loss adjustment for basis risk to be paid by Fonkoze. Those loss adjustment payouts constituted a significant risk to Fonkoze given the 15 per cent co-payment and the yearly limits in terms of basis risk with MiCRO.
Though losses have been mostly offset by donor grants, Kore W was deemed financially unsustainable in its current design. Given the magnitude of the events, Fonkoze had also reduced the cash payout to victims of Isaac and Sandy to 2,500 GHT (approximately US$ 62) and stopped enrolling clients in November 2012 retroactively to October 24th.

These losses have been sustained with a parametric policy of over US$ 1 million (covered by donor grants) which would not have been otherwise affordable for Fonkoze to purchase. Had Fonkoze purchased a policy with lower coverage limits, the sustained losses would have been much larger. The cost of insurance would thus need to be equally factored into thinking about the product financial sustainability.

Mandatory catastrophe microinsurance cover linked to a credit product may improve the performance of a microfinance institution through a lower client drop-out rate. Fonkoze monitored drop-out rates closely. Though no strict correlation has been established between the decrease of the drop-out rates and the provision of the mandatory microinsurance coverage, in branches where some clients received payouts, the drop-out rate fell to 8.7 per cent and in 2011, the first year of this product, the drop-out rate was the lowest in Fonkoze’s history, at 10 percent; while previously drop-out rates had ranged between 20 and 25 per cent.

At the same time as drop-out rates were declining, Fonkoze was growing. As of the 31st December 2010, when the original pricing was conducted for the launch of Kore W, Fonkoze had 49,581 members in its Solidarity and Ti Kredi loan programmes. As of the 31st December 2011, the numbers of clients in these programmes had grown to 58,737 – a growth rate of over 18 per cent. This growth was seen both in branches that were highly affected by weather events like Okay, Okoto, and Jeremi, and in branches that were not very affected, like Ench, Lagonav, and Wanament.

Finally, in order to examine whether claim rejections were alienating clients, a brief analysis was done of retention rates among clients who had submitted a claim but were refused. Overall, 84 per cent of these clients took out another loan.

Many other factors might have contributed to the decrease in drop-out rates, however Fonkoze’s experience seems to suggest that adding mandatory catastrophe cover does not undermine credit activities and might even increase client loyalty.
Kore W was designed to leverage the infrastructure of solidarity group lending. It is therefore challenging to replicate such a catastrophe insurance product with savings-only clients.

The microinsurance department and Fonkoze’s management reached a consensus that the priority should be for the microinsurance team to focus on improving the insurance for borrowers before extending it to non-borrowers. Staff capacity and programme costs were the major concerns behind the reluctance to launch a product for non-borrowers.

Fonkoze’s network of credit centres and credit centre chiefs had eased the loss adjustment process within the administratively burdensome claim assessment process. Similar structures are not in place for Fonkoze’s saving clients. It might have been overly ambitious to plan to expand the insurance product to non-borrowers following only two years of operation, especially given the operational challenges faced during the second year. The organization recognizes that it is better to perfect a product before extending it.

On planning and project management

Adequate planning is needed to pilot products that have seasonal coverage. During the launch in January 2011, there was some disruption to Fonkoze’s credit operations due to the rushed implementation of Kore W. Fonkoze decided to halt disbursement to wait for the insurance product to be ready. Because of the shortage of time, communication to Fonkoze staff about this product was not sufficient.

The team believes that it should have set the deadline for implementation, and then allowed time for communication and staff training in advance of this. When there is a deadline for launching a product, the team needs to think ahead to ensure that there is enough time for the planning and training stages.

Staff was trained and began work in January 2011. Feedback from a few branches suggested that these new staff lacked capacity in some areas, so they were called back for refresher training after 1 month. Because of the rush to get the staff in place, to minimize the disruption already caused for the credit activities, the initial training was not as thorough as was desired. More time should have been allowed for training of these specialist staff before launching the project.

Detailed needs assessment and adequate in-house IT capacities are needed to deploy IT systems.

The insurance functionality was integrated to Fonkoze’s MIS e-Merge and went live on the 4th July 2011, behind the original schedule. All the Fonkoze branches used the module to enroll clients in the insurance programme and collect premiums. The schedule agreed with the IT contractor in January 2011 was overly optimistic, and Fonkoze’s requirements were apparently unclear in some cases. Lack of IT capacity within Fonkoze led to delays in follow-up and testing of systems. The team should have ensured that the contractor fully understood the project requirements before starting work.

Fonkoze recognized that it needed more capacity within the organization to manage this process better. Therefore a chief information officer was since recruited to provide leadership on IT and systems issues.
Next Actions

With over 34,800 claims paid (of which over 25,300 were generated by tropical storm Isaac and hurricane Sandy alone) and US$ 8,207,162 paid in claims to clients over two policy years, Fonkoze has worked towards fulfilling its social mission to provide small merchants with access to financial means to protect themselves against the frequent catastrophic losses which threaten their livelihoods.

Though the product has had clear short term value for clients, Fonkoze decided, in November 2012, to stop offering catastrophic insurance and no longer collected premiums from its clients. As of May 2013, and given the number of issues to be fixed with Kore W, along with the intrinsic challenges the institution is facing within its core business

For catastrophic insurance coverage of a portion of its loan portfolio, Fonkoze purchased parametric insurance that will provide recoveries for certain events of wind, rain, or earthquake damage until the 1st April 2014. In the event that such a catastrophe should occur and Fonkoze were to receive insurance proceeds from its parametric insurance, Fonkoze may disburse some of it to its clients at its discretion.

The Fonkoze Foundation submitted a proposal to develop a comprehensive disaster risk reduction strategy (outlined above) and the donor community remains particularly keen on pursuing the experience by designing a more sustainable product. A visit by the IFC and MiCRO is planned in November to explore future actions. Whether Fonkoze will re-launch a catastrophic microinsurance product, and under which conditions, remains contingent on the direction the organization will take after consolidating its core business and how it chooses to manage its risks to protect its clients and portfolio.