



Learning Journey

MicroFund for Women (MFW)

Pioneering the “Women’s World Banking Caregiver Policy” for MFW Clients

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Project Basics

About the project

Started in 1979, **Women's World Banking (WWB)** is a global network of 41 leading microfinance institutions from 29 countries. The network members are diverse in geography, size, and structure, but united in the firm belief that global poverty can be best addressed by increasing the economic access, participation, and power of low-income women. Collectively the network reaches over 21 million poor entrepreneurs, the majority of whom are women.

MicroFund for Women (MFW) is a member of the WWB consortium. It was registered as a local not for profit company under the Ministry of Trade in 1999. MFW aims to provide sustainable financial and non-financial services to the entrepreneurial poor, especially women (96 per cent of its borrowers), in order to empower them socially and economically, and to help them achieve a better quality of life. Its work contributes to the empowerment of underprivileged women as they become income earners and decision-makers in their communities and reduces unemployment by enhancing economic opportunities and providing support to enterprises.

Research indicates that health is among the top three most important financial concerns of MFW's target group. MFW therefore developed an affordable health insurance product, known as the Caregiver policy, to offset some critical costs borne by MFW clients in accessing public health care.

MFW and WWB conducted a demand assessment and surveyed the Jordanian healthcare industry in 2007 to assess the gaps in the current health care available to MFW clients. While every citizen has access to public facilities for primary health care, the research indicated that satisfaction with public health care is low, especially for emergency and more extensive treatment, due to overcrowding, absence of necessary medications, and, often, a lack of professionalism of medical staff.

The Caregiver product provides cash payments to MFW clients to help offset the cost of accessing health care facilities for emergencies and more serious illnesses. MFW is presently testing an option for clients to choose to extend their Caregiver policy to cover their families, too. In particular, the product is intended to cover the incidental costs of travel to the hospital and lost wages or other costs incurred during a longer hospital stay.

The Caregiver product was offered to MFW's nearly 55,000 borrowers (as of 2009); with growth of MfW, enrollment topped 90,000 by the end of 2012. It was introduced in phases:

- Phase 1: For borrowers only (mandatory cover): Pilot in two of the largest MFW branches for six months.
- Phase 2: For borrowers only (mandatory cover): Roll out to MFW's full branch network (27 branches).
- Phase 3: Voluntary cover for family members of clients: Pilot, test and roll out a family cover product, in which MFW clients could voluntarily purchase cover for family members.

The project encountered challenges in several areas:

- Creating the optimal product design and pricing structure for individuals as well as family members
- Introducing the first hospital-cash insurance product in Jordan
- Launching the first voluntary microinsurance product in Jordan and achieving sustainability
- Controlling moral hazard associated with voluntary health products.

Project Summary

<i>Project Name:</i>	Pioneering the “Women’s World Banking Caregiver Policy” for MFW clients
<i>Grant Period:</i>	May 2009 – March 2011
<i>Duration:</i>	23 months
<i>Country:</i>	Jordan
<i>Product:</i>	Health – hospital cash
<i>Product names:</i>	<i>Riaya</i> (mandatory cover for borrowers) <i>Salamatak</i> (voluntary cover for family members)



Project Updates

Key Indicators

Riaya (Caregiver mandatory cover for MFW clients)

Item No	Indicator	Cumm/Incr (a)	Year to				March 2013	Total	Target
			2010	2011	2012				
I	Insured Number	C	5'209	43'630	91'044	22'517	159'036	93'381	
	Claim Numbers (b)	C	148	1'987	4'391	1'424	7'360	18'864	
	Loan Rejection (c)	C	Nil	Nil	Nil	Nil		<2.5%	
II	Expense Ratio (d)	C	48%	18%	8%	6%	6%	<90%	
	Claims Ratio (e)	C	29%	31%	32%	33%	33%	33%	
	Net Income Ratio	C						n/a	
III	Coverage Ratio	C	8%	61%	98%		25%	93%	
IV	Claims Frequency	C,I	10.2%	8.3%	7.2%	7.1%	7.1%	10%	
	Hospital Stay Length	C,I	3.6	3.8	3.5	3.5	0.0	3.8	
	Claims Duration (f)	C,I	11.6	10.0	10.1	8.1	9.7	<10 days	
	Claims Rejection Ratio	C,I	4.7%	3.1%	3.4%	2.6%	3.4%	<5%	

Notes

- (a) Some indicators completed based on cumulative or incremental Data
- (b) Claim numbers include estimated incurred but not reported claims (IBNR)
- (c) Loss of clients due to client refusal of *Riaya* policy
- (d) Total direct costs by month compared to the amount paid to MFW as fees
- (e) Measuring whether total claims costs not unduly low or high (pricing expects 60%)

Salamatak (family cover)

May 2012 June 2012 July 2012 Aug 2012 Sep 2012 Oct 2012 Nov 2012 Dec 2012 Jan 2013 Feb 2013

MEMBERS

Cumulative Total since inception	95	413	453	477	639	724	765	825	837	864
Total per month	95	318	40	24	162	85	41	60	12	27
Female members	28	121	16	9	45	29	13	20	2	9
Male members	67	197	24	15	117	56	28	40	10	18
Age(0-18 years)	49	188	28	11	86	50	26	26	4	18
Age>18 Years	46	130	12	13	76	35	15	34	8	9

POLICYHOLDERS (MFW Clients)

Cumulative Total	28	125	137	148	216	249	261	285	291	299
Grand total	28	97	12	11	68	33	12	24	6	8
Female clients	28	95	12	10	66	32	11	19	6	7
Male clients	0	2	0	1	2	1	1	5	0	1
Single clients	0	6	0	1	5	1	2	1	0	0
Married clients	25	81	11	10	59	28	9	23	6	8
Widow Clients	2	8	0	0	3	3	0	0	0	0
Divorced Clients	1	2	1	0	1	1	1	0	0	0
Average members/policy	3.4	3.3	3.3	2.2	2.4	2.6	3.4	2.5	2.0	3.4

PENETRATION

Eligible Clients (approximate)*	3'100	3'100	3'100	3'100	3'100	3'100	3'100	3'100	3'100	3'100
Per cent enrolled	1%	4%	4%	5%	7%	8%	8%	9%	9%	10%

CLAIMS

Claims Incurred and reported		1	3	4	6	6	9	5	2	4
Settled Claims	0	0	3	4	6	6	9	5	2	4
Average Length of Hospital stay (days)	-	-	3.7	3.3	4.0	2.5	3.6	6.4	5.5	4.5
Total Amount Paid per month (JOD)	0	0	110	195	360	225	480	480	75	285
Average claims turnaround time	0.0	0.0	3.3	2.5	6.8	6.2	7.7	11.6	5.5	4.5
Rejected Claims	0	1	0	0	0	0	0	0	0	

Note: until January 2013, only active clients with more than six months remaining on their loan were eligible to enroll. Approximately 15% of new clients were estimated to enrol their families.

What is happening?

Phase 1: Initial planning (June - November 2009)

MFW conducted four focus groups with clients and one with staff to test key product features and pricing, and gauge receptivity. It also modeled the administrative, marketing and training costs to include in final pricing. An insurance partner was selected (Al Manara, an affiliate of Zurich Insurance), and work begun to create a product tailored to MFW clients' payment capacity, eliminating most exclusions, including pre-existing medical conditions. The planning process with the insurer took longer than anticipated, due to the need to create a relevant product that was simple and affordable for MFW clients, but met the underwriting and pricing parameters of the insurer.

Data on MFW operations and administrative capacity were collected to support development of an operational model for the product. A plan for claims administration was also completed. Finally, a marketing plan for pilot branches was developed and initial design of the marketing tools and promotional materials commenced.

Phase 2: Prepare to pilot (November 2009 - March 2010)

In January an ILO Microinsurance Innovation Facility Fellow joined MFW full time for one year to enhance the team's knowledge and experience.

In February, the product features and pricing were finalized, as follows:

- no exclusions for pre-existing medical conditions and limited general exclusions
- mandatory for borrowers only (voluntary family cover postponed)
- premium paid monthly
- a claim could be triggered after a one night stay in the hospital
- benefits could be claimed for complicated pregnancy if the stay was three or more nights in the hospital; for normal deliveries benefits would apply for up to two nights.



Figure 1 Marketing and training materials

Based on this, a memorandum of understanding between the insurer and MFW was executed in early March 2010.

Additional work was done to [design processes](#) for three key operational features: enrolment, claims, and finance. The tasks for the management information system were structured in two phases to address enrolment and financial aspects.

Key marketing and training materials, including sales tools for loan officers, posters for branches and take-home brochures for clients, went through various revisions to incorporate feedback from all stakeholders before finalization (Figure 1).

A training process for branch loan officers was designed to be as interactive as possible, using slides, marketing and sales tools, client feedback, role plays, question and answer sessions, and a final exam. The training was split into three parts spread over three days and emphasized understanding by loan officers on all aspects of the product (such as processes, benefits, and policy conditions) and how to manage client reactions.

The technical preparation included an analysis of demographic data of clients, projections of expected claims, cash flow, and expenses. The projections estimated the breakeven point, at which ongoing MFW income would be sufficient to cover ongoing MFW costs (estimated to be 3-6 months after full roll out).

The project team held regular pre-launch meetings to finalize necessary preparations for the launch, and designed and implemented a protocol against which the results of the pilot will be tested. Regulatory approval for the product was received in late March.

Phase 3: Pilot (April - September 2010)

MFW launched the Caregiver product in the first branch on the 11th April 2010. Feedback was collected from field staff on an ongoing basis regarding the product and clients' reactions. Client feedback was also collected directly; both client and field staff feedback was positive (Figure 2). There was some fine tuning of operational processes during the pilot, but changes were minimal. MFW collected feedback from loan officers regarding the tools before print and roll out to the second branch. The sales tool was scrapped and replaced with a laminated brochure. The promotion posters were left unchanged. To support the expansion of Caregiver, a full time insurance officer (formerly part of MFW's finance department) started in April 2010 to support the project.

There were some misunderstandings with the insurer on the policy terms and premium collection, which MFW and the insurer agreed to consider further during the pilot review. In June, Caregiver was launched in a second branch. The training was very similar to that done at the first branch; it encompassed three sessions and also included direct feedback on the experiences and claims activity from the first branch. Field staff from the first branch assisted in the training at the second branch.

During the pilot period, project progress was tracked carefully, and a formal review of the pilot was planned for October. [A protocol for this review](#), which included collecting quantitative and qualitative data, including stakeholder feedback, had been established at the start of the pilot. Importantly, the pilot protocol established the objectives and approach for running and monitoring the pilot, and to assess its success at the end of the pilot period. The pilot protocol included: 1) key features, such as the duration and scope of the pilot, and activities to be conducted, 2) roles and responsibilities of identified members of a pilot test team, 3) reporting topics and frequency, 4) key performance indicators (targets) for the end of the pilot (e.g. rejection rates and turnaround times for claims), and 5) conditions under which the pilot would be placed on hold or permanently stopped (e.g. more than x per cent client loan renewals do not occur due to mandatory inclusion of Caregiver, or if more than 5 per cent of



Figure 2 A focus group with MFW clients

claims are rejected).

A pilot review process document was developed in August and September to detail the process to be followed to complete the evaluation of the pilot. During the pilot review, MFW held monthly meetings with the insurer and also had regular contact with the reinsurer to review issues that arose on topics such as policy terms and language, and premium collection processes. Notes were taken by MFW staff during the first month of the pilot, both in the field and at the MFW head office. Regular discussion during in-house meetings at MFW was held to review any issues as they arose. MFW's general manager was briefed monthly on the status of the project, and the board was updated periodically.

Results of the pilot were analyzed and a [pilot review note](#) that summarized findings was published in September 2010. Key findings included:

1. Client feedback: Fifty clients with Caregiver were surveyed to evaluate their perceptions of the product, and to help identify areas for improvement. Clients were surveyed about policy terms, claims processes, marketing and communications, and for general opinions. Findings:
 - a. Clients understand the basics of the product, and its cost.
 - b. The claims process was clear, except that many clients did not understand that a medical diagnosis was required for a claim to be accepted (in order to rule out exclusions and to learn about why clients are hospitalized).
 - c. Clients did not understand the general exclusions (e.g. for psychiatric care or for acts of war).
 - d. The Caregiver brochure, intended to be a primary source of information for clients about the product, was read by about half of all clients.
 - e. Group borrowers tended to demonstrate higher understanding of the product than individual borrowers. There was no difference between clients in the two pilot branches.

MFW shared these findings with branch managers and loan officers, and the training and marketing materials were improved to address the gaps noted.

2. Claims analysis: Twenty claimants were surveyed, and a total of 37 claims were analyzed to compare early results to projections. Most importantly, even with a small sample, an emerging trend of lower than expected claims costs was observed. MFW thought that this was due to a lower than expected hospitalization rate, and a shorter length of stay (number of days per hospitalization). The Caregiver team also reviewed the reason for claims, and the number and reason for the three claim rejections (e.g. forged discharge date). About 78 per cent of claimants were treated in public hospitals, and half the claims were for maternity care.
3. Processes: The Caregiver team reviewed the actual processes for enrolments and claims as compared to what was initially envisioned. The flow of information from MFW branches to the headquarters, and from MFW to the insurer and back was reviewed to clarify processes and improve them in anticipation of roll out to the remaining 22 branches.
4. Marketing effectiveness: In addition to the client survey, loan officers and branch staff were consulted. With some experience, they could now give input as to what was working well (or not). As a result, MFW revised the client brochure to simplify the language, and adapted the sales support tool to the way loan officers typically communicate with clients. The need to expand communication with clients after enrolment was identified.

5. Training: MFW observed that even though clients were generally receptive to the mandatory inclusion of Caregiver, the MFW loan officers needed to be reassured about how to convey this message, and to feel positive about the product and its benefits for clients. It was important to address this need during training to secure buy-in from the branches.
6. Communications: All parties recognized that there were communication challenges. There was a need to further clarify the roles and responsibilities of all the parties (MFW, insurer, and reinsurer).

Phase 4: Roll out (October 2010 – August 2011)

In October 2010, MFW's board approved the request to roll out Caregiver from the two pilot branches to all 27 MFW branches in Jordan by a targeted date of March 2011. Minimal changes identified as a result of the pilot were implemented, and it was decided to monitor the roll out experiences. The roll out was planned to occur in approximately four branches per month, and plans were made to offer a voluntary cover to clients' family members. The general process to introduce Caregiver in a new branch included:

1. In person visit to the branch to kick off the introduction of Caregiver
2. First staff training
3. Second staff training
4. Distribute product materials
5. Official launch
6. Follow-up visit to review the first stage of the launch
7. Ongoing monitoring

In January 2011, the roll out was temporarily stopped while MFW and its insurer partner worked to develop product terms and pricing for the voluntary family product. The insurer raised questions about the impact of the maternity claims on the viability of Caregiver, as these claims represented about half of all claims for hospitalisation, so a more detailed analysis of maternity claims was undertaken.

In March, the parties agreed to resume the roll out of the mandatory product, as the maternity experience was found to be within acceptable limits (and overall the claim experience was below target), but a decision on terms for the voluntary cover was not reached. Thus the launch of the voluntary product was delayed further while the parties evaluated all aspects of the Caregiver experience to date. The insurer felt that further investment into Caregiver should warrant at least a two-year commitment from MFW to continue the partnership. Finally, and in line with MFW's strategy to continually reduce the cost of services for the clients, a decision was made by MFW to solicit bids from other insurers to support the continuation of the Caregiver product. These bids included introducing a voluntary feature for family members, which was the ultimate goal for the Caregiver product.

The roll out of the mandatory Caregiver policy, underwritten by Al Manara/Zurich, for borrowers in all 27 branches of MFW was completed successfully in April 2011. MFW continued to build its internal capacity to manage a higher volume of Caregiver policies, and to introduce the voluntary cover. In May, an insurance supervisor (essentially replacing the ILO Fellow) joined MFW, and plans were made to

transfer a loan officer with actuarial training to join the insurance department in July, bringing MFW staff resources dedicated to Caregiver to three.

In June 2011, MFW evaluated partner options for the next phase of Caregiver, i.e. continuation of the mandatory cover plus introduction of the voluntary family product. As part of the evaluation, MFW sought to enhance client value with better benefits, faster processing of claim approvals, and a more affordable price, as well as to continue to build MFW's internal insurance capacity. After evaluating several proposals, MFW selected a new insurer, Jordan Insurance Company. After a transition to the new insurer the introduction of the family product was anticipated in the fall.

As of August 2011, MFW introduced changes to Caregiver to improve client value:

- Cost: the premium was reduced by 10%.
- Coverage: the maximum numbers of days of hospitalisation for which benefits could be paid was raised to 48 days per year for clients with loans with payback periods longer than one year. For a single hospitalisation, the limit of 30 days still applied.
- Pregnancy and delivery: benefits payable for maternity care were expanded to match the policy terms which apply to other covered diagnoses, i.e. after one night stay in hospital, for up to 30 days (previously benefits were limited to up to two days for normal deliveries and up to three days for complicated deliveries).
- Claim servicing: to enable faster servicing of claims, MFW will now authorise claims for six days or less. Claims for seven or more days will continue to be serviced directly by the insurer.

Phase 5: Voluntary family cover pilot and on-going mandatory cover (September 2011 to January 2013)

In May 2012, MFW announced the pilot launch of a voluntary rider called *Salamatak* to cover family members under Caregiver beginning in a nearby branch in Ruseifah. Modelled after *Riaya*, the mandatory product for MFW clients, *Salamatak* offers the same benefits for hospitalization of any family member. Premiums per person are the same (1 Jordanian dinar (JOD) per family member per month). Family cover is offered for the entire family. To minimize adverse selection, clients cannot enrol a sub-set of their families. In June 2012, *Salamatak* was piloted in a second MFW branch, also in Ruseifah.

As of August 2012, Caregiver membership had rose to more than 66,000 covered clients, as all active borrowers in all branches had been phased in and were receiving the mandatory cover. Approximately 30-35 claims per day were being submitted and claim servicing targets continued to be met (or exceeded). Based on continued experience of stable claim ratios in the range of 30 per cent, well below the target of 65 per cent, MFW and its insurer agreed to enhance client value by increasing the daily cash benefit for hospitalization by 50 per cent, from JOD 10 to JOD 15. The next review of the product performance was planned for 2013.

In the first 10 months of the voluntary family cover pilot, ending in February 2013, uptake was modest. A total of 870 family members were covered by 300 voluntary *Salamatak* policies (see KPI section above). These 300 policies represent approximately 10 per cent penetration of the total potential client base (approximately 3,100 clients eligible to enrol their families in *Salamatak*). This was below the initial penetration target of 15 per cent. It also reflects the fact that only active clients with at least six months on a loan were eligible to enrol. Though experience is still limited, so far MFW observed that about 20 per cent of clients choosing to enrol their families had themselves claimed under Caregiver. Not

surprisingly, this percentage is significantly higher than the 7.9 per cent enrolment rate of clients who had not incurred a claim or received any cash pay-out.

It is also worth noting (and disappointing) that approximately 80 per cent of clients with mandatory cover who received a claim pay out did not choose to extend their Caregiver coverage to their families. The reasons for this will continue to be investigated. It may be that the uniform per-person pricing is prohibitive for clients with average or larger families. Client interviews in the two pilot branches reinforced that clients were willing to pay up to JOD 4 per family (regardless of family size).

Additionally, some clients did not continue premium payments for *Salamatak*, leading to higher than expected delinquent payments, in the range of 2.8% of all outstanding loan amounts. It was felt that payment lapses were a result of clients not having funds on hand (liquidity constraints), or prioritizing other needs. The MFW information system does not allow for the voluntary premiums to be bundled into the monthly loan payments. Instead, due to this system limitation, clients make their loan payment and then separately pay for monthly premiums.

At this early stage, no indication of greater adverse selection for voluntary family cover was evident from claims activity compared with that for the mandatory cover– though more experience will be needed to more reliably measure performance in this regard. MFW believes that the increase in the hospital cash per diem benefit from JOD 10 to 15 may encourage more fraudulent claims, but overall the claim rejection percentage remains stable at around 3-4 per cent, and within acceptable performance limits. This suggests that the fraud detection rate is consistent – and considering that the claims incidence is also below target, that fraud is being reasonably managed.

MFW adopted two mechanisms to manage and control fraudulent claims:

- Preventative mechanism:
 - By providing loan officers with continual training in Riaya & Salamtak to make sure that they are fully understanding the program benefits and limitations including the risk of fraudulent claim and how it might badly affect the policy
 - Communicating the disadvantages of submitting fraudulent claims clearly to clients before enrolling them in the policy.
- Post claim submission - fraud control mechanism:
 - MFW has established a special Insurance Department where more than 80% of claim processing is done within this Department by two pharmacists who are specialists in claim processing, and their main role is to capture the fraudulent claims.
 - MFW developed a clear and transparent procedures to deal with detected fraudulent claims such as:
 - Reject the fraudulent claim and educate the client about the impact of fraudulent claim on the program.
 - Repeated fraudulent claims: client is added to MFW's blacklist (suspension from the program" no future claims homered denied future loan application"
- Starting this year MFW produced and broadcasted radio ads to educate clients and raise their awareness about the importance of being truthful to keep benefiting from this "paid service"

Limited promotion of the voluntary cover with *Salamatak* may also contribute to a low initial uptake (approximately 300 policies as of February 2013), as loan officers do not receive commissions or other incentives for sales of the voluntary family cover. Nonetheless, MFW felt the initial promotion of

Salamatak in both Ruseifa branches was promising. Loan officers are eligible, however, to receive a per client payment to follow up on any delinquent monthly premium instalments, which are treated like any outstanding loan payment due within the officer's portfolio. This payment initially was JOD 0.75 per client per month, and was decreased in April 2013 to JOD 0.325 to manage administrative cost.

The analysis of the pilot phase of *Salamatak* after a 6-month pilot period yielded the following findings and subsequent actions:

- Clients with large families (more than five) were less likely to enrol, likely given the per person premium, which was perceived to be too expensive for a large family. In response, MFW and its insurer revised pricing so that the maximum premium per family per month is JOD 4 (i.e., the fifth or higher member is free).
- Some clients requested to enrol some, but not all family members (e.g., exclude a spouse). Others asked about including parents. MFW will continue to examine options for enrolment and pricing to balance client interest with administrative complexity and potential of adverse selection. For now, no action was taken.
- When a male client has more than one wife, the agreed upon rule is to choose one spouse and all children of the male client.
- Some clients with delinquent loan payments expressed interest to enrol their families in *Salamatak*. MFW initially allowed only clients with accounts in good standing to choose to enrol their families. MFW decided to relax this rule for delinquent accounts of less than 100 days, which are charged a penalty of JOD 1 per day. MFW will consider requests on a case by case basis when accounts remain delinquent for more than 100 days.
- Some requests were made for an insurance card to be issued for Caregiver that included all covered members' names. This was not acted upon, because of concern whether MFW could legally issue cards directly, and to avoid additional administrative cost if the insurer were to do so.
- *Salamatak* is designed to cover family members for the same period as the client's loan with MFW. Since clients are allowed to pre-pay loans and thus shorten their loan period, it was unclear how to handle the policy period for *Salamatak* family cover initially set up to cover the same period as the client's loan. MFW decided that clients who pay off their loans early could continue to pay monthly premiums for *Salamatak*, so that family members could remain covered under Caregiver until the end of the initial policy period.

Project Lessons

On the use of a supplemental hospital cash product

Having insurance may increase health seeking behavior. During enrolment some clients said that they had previously deferred seeking hospital care due to financial constraints and that they may be more likely to seek care with the Caregiver product.

Although claims rates may increase over time, the frequency of hospitalization may be lower than expected, thus keeping claims costs low. Experience thus far indicates that clients found the product easy to use and to claim a benefit. The frequency of claims is less than that of national hospital use rates (7-9 versus national rate of 14%). Thus far, this claims frequency is stable. It will be monitored to see if changes occur over time, and with clients who may have the product for longer periods of time.

On the effectiveness of different marketing methods for voluntary insurance components



Client reaction to a mandatory hospital cash product is generally positive. Clients' first priority is applying for a loan, and the product may be seen as an added benefit of taking a loan. Because the product is mandatory, it is not yet possible to test the price sensitivity of clients. This will be tested through the results of the voluntary product.

Loan officers not familiar with insurance may be reluctant to offer and service insurance products. Before the launch MFW loan officers generally had some reservations about clients' reactions and possible claim numbers. Clients' actual reactions to the Caregiver product were very positive and better than expected (there had been some concern about client reaction to a mandatory product). Feedback from the branch staff was positive. It seems that offering and servicing Caregiver is becoming better integrated with the ongoing work of loan officers and others at MFW.

Demand for voluntary cover requires pricing that is affordable for the full family. A per-person pricing structure may make family cover unaffordable for clients with larger families. In the

initial pilot phase of voluntary cover for families, the average family size was smaller than that of the client base, and clients with larger families were less likely to enroll. Client interviews in the pilot branches had indicated that a maximum premium of JOD 4 would be affordable. MFW and its insurer are now testing this maximum premium to see if it attracts enrolment of larger families and if it can be viable for the insurer.

Financial incentives may be needed to motivate loan officers to promote a voluntary product. MFW believes that the financial incentive to collect delinquent monthly premiums may not be sufficient to engage loan officers. In addition, the cost to MFW of JOD 0.75 to collect JOD 1.0 appears to be unsustainable.

On client understanding of the policy

Clients need to understand how to submit claims. During the pilot, MFW observed that most clients understood the key features of the product and the claims process, but there was mixed response on the information brochure (half of clients read it) and some clients were not aware of the need to include a medical diagnosis on hospital papers. Based on client feedback, MFW saw a need to reinforce information about the product and the requirements to submit a claim, particularly with respect to what information must be included on a hospital discharge summary. These points were shared with field staff and were re-emphasized in the training during the roll out.

Clients who experience a claim themselves (under mandatory cover) are more likely to purchase voluntary cover for their families. Based on pilot information, clients appear to be around twice as likely to enroll their families if they themselves have had a claim. This supports global experience about client perception of the value of insurance being positively associated with tangibility of benefits. On the other hand, just 20 per cent of clients who had a claim themselves are electing to extend cover to their families. This can be interpreted as an indication that clients may not see sufficient value in the product, or that they cannot afford it, particularly if they have large families.

Without a strong culture of insurance, clients may be delinquent in making premium payments. Clients' limitations in understanding insurance become more evident with voluntary products. MFW observed that some clients who purchased voluntary family cover did not maintain monthly premium payments to keep their families enrolled. These lapses may be due in part to a perception of low value when no tangible benefits are received during the prior period. Because the MFW information system does not presently allow bundling of voluntary family premiums into a loan payment schedule, clients must consciously decide to pay for *Salamatak* each month – in effect making a new purchase decision each month. Loan officers are mostly able to collect delinquent payments through follow-up activity, but this increases the administrative cost, which must cover the loan officer's time and incentive payment. MFW plans to carry out further study into the factors affecting enrolment, to allow it to effectively manage this emerging challenge.

On building and maintaining successful partnerships

When multiple stakeholders are involved, a clear decision-making process is essential to achieve timely action on implementation, and to obtain consensus. MFW had some challenges to achieve a common understanding with its insurer partner on product and pricing terms and operational items in the expected time frames. Part of this is believed to be due to a need for additional clarity around each stakeholder's goal, decision making, and roles and responsibilities. An agreed project plan and a strong commitment to the timeframe and deadlines would have also helped collaboration.

Partnership terms should be clearly defined from the outset. A more formalized process early on with clear identification (and application) of roles for each party would have helped the MFW project. For example, there were some situations where the local insurer was unsure about making a decision and deferred to its reinsurer. Stronger efforts on all sides to build consensus and empowerment of local partners would make the process run more smoothly. It is important to ensure regular communication among all partners for project delivery.

It is important to invest time in educating an insurer about the MFI's clients and its operations, and for the MFI to understand the insurer's processes and expectations. MFW's experience confirmed the value of supporting its insurer partner to understand the target population and its needs through involving the insurer in client research, e.g. focus groups, and to understand MFW's operations. This should be planned in advance, and both parties should be involved throughout the planning and implementation.

It is important for the insurer to be transparent on product terms and pricing and to include the input of the MFI in the pricing process. In planning the Caregiver product, MFW and its insurer partner needed extra time to understand each other's approaches and assumptions, and to reach consensus. As is often the case, MFW felt that the insurer's assumptions may have been more conservative than required, leading to either a more restrictive product or a higher price. It was agreed that the pilot would be a chance to test these assumptions, and make adjustments as needed based on emerging experience.

A delivery channel and an insurer view the value proposition of a product like Caregiver differently, and thus their motivations differ. MFW wanted to offer a distinctive product to enable its clients to handle risks in case of health incidents by providing them with a simple and affordable policy in line with clients' capacity to pay. MFW does not intend to generate additional income but rather to cover its administrative cost to offer Caregiver. MFW's first insurer, Al Manara, and its reinsurer and partner, Zurich, were using a different set of parameters to develop and judge the success of the product. This was apparent when the two parties spent a long time reaching a common understanding about the product definition, including exclusions.

It is critical to have insurance expertise to negotiate appropriate terms with the insurer. MFW benefited from support from consultants, who were engaged through WWB to provide ongoing advice on the design of the product and how to make it operational. Other advice focused on how to manage the partnership with the insurer, how to evaluate the pilot, and how to monitor the product. MFW also benefitted from hosting an ILO Fellow, who was an insurance expert, on site for 15 months to oversee the Caregiver project.

On product design

It is essential to have detailed client data. MFW collected detailed client data, both through prior research and at the beginning of this project. This data helped to inform the negotiations around product design and pricing, and to ensure a fit with customer needs, priorities, and payment capacity. MFW has continuously solicited feedback on client understanding of the product features, including benefits and claim processes. It also used feedback from the pilot of *Salamatak* to learn about client behaviour and preferences regarding a voluntary rider for family members.

The insights gleaned from client focus groups are invaluable to shape the final product and its features. In the case of MFW and Caregiver, it was learned that:

1. Many clients must close their businesses during a hospitalization, which makes it increasingly difficult for them to make on-time loan repayments. This finding was supported by previous gender research MFW conducted with support from WWB in 2006 that revealed that clients, as women and as entrepreneurs, need protection in the case of hospitalization of either themselves or their family members.

2. Clients will almost always go to a public hospital first, where treatment costs are low. Thus, many clients agree that the primary burden during a hospitalization is the lost business profit and additional costs required to access health care.
3. Group loan clients indicated that JOD 10 per day would be sufficient to cover their incidental expenses and lost income during a hospitalization. Individual loan clients suggested that on average JOD 20 per day was necessary because their businesses were bigger, though JOD 10 would be “better than nothing”.
4. On average, clients were willing to wait up to one week from the time of claims submission to receive the claims payment. Most clients preferred to make monthly premium payments, at the same time as loan repayments, rather than upfront.
5. Nearly all clients indicated that they would accept a mandatory Caregiver product. Some indicated that this product would actually provide them with a greater incentive to renew loans.
6. While reactions to the product were generally positive, one client argued that she shouldn't have to pay if her or her family members are never hospitalized. This suggests that some clients still lack a basic understanding of insurance concepts and that education and marketing will be critical to the product's success.
7. Many clients, in particular female clients receiving group loans, have asked family coverage (especially for children). Once the family cover was piloted in several branches, additional coverage requests (e.g. children only, or parents) were also
8. Some clients asked about the difference between Caregiver, which covers indirect costs associated with hospitalization, versus health insurance which covers the direct cost of healthcare. Many clients are very happy that claims arising from hospital maternity care are covered.

The coordination and negotiation around product features, including pricing and exclusions, took longer than expected. The need for a simple product, without exclusions for pre-existing illness, was critical for MFW to ensure viability of the product. There was extensive negotiation on this point. The project is ambitious in that it involved the creation of a new product with four initial major partners.

On designing and monitoring new processes

A pilot phase is ideal for testing new processes on a small scale, to see what works (or doesn't), before integrating improvements and scaling up. For example, it was discovered that both loan officers and clients had some confusion around claim submission requirements. Training processes and materials were therefore modified to improve loan officer and client understanding of how to submit a claim under the Caregiver policy.

Introduction of new processes should add onto existing processes when possible, and be flexible, so that they can be made more efficient over time. Field and branch staff commented that the processes to implement Caregiver were easy to get used to and did not create a major extra work burden for loan officers. Loan officers were able to adapt to the product and process quite quickly. MFW leveraged existing processes, such as accounting for financial reconciliation, to establish processes for Caregiver.

Favorable claims experience provides scope to enhance client value. Since Caregiver has had a stable and consistently below-target claim ratio, MFW and its insurer partner have collaborated to improve client value in various ways: increasing the daily cash payout; increasing the maximum days that can be claimed per year and per loan; reducing the premium; and enhancing maternity benefits (the most common reason for a claim), so that maternity is covered the same as any other hospitalization.

Regular monitoring of KPIs enables continuous product development. By tracking key indicators (e.g. number of policies, claims frequency and cost, and claim ratio), MFW is able to identify how to evolve Caregiver. Since the product has had low claims, this has created opportunities to increase client value. If claim ratios had been consistently above the target, this would instead have signaled a need to reduce product benefits to achieve a necessary balance between value for clients and product viability.

An existing microfinance information system may lack the features desired to service voluntary insurance. MFW has not been able to consolidate *Salamatak* premiums into loan payment schedules because of system limitations. This has led to more costly premium collection processes and could encourage policy lapses.

Next Actions

The innovation grant period ended in March 2011. With the mandatory cover for clients scaled up and stable, MFW piloted the voluntary family product called *Salamatak* beginning in May 2012. Looking ahead, MFW anticipates that it will:

- Continue to pilot the voluntary family cover, *Salamatak*, with its insurer partner, Jordan Insurance Company. Key next steps include:
 - Tailor the marketing approach used with the mandatory product for the voluntary product to include some additional marketing and promotion to clients
 - Consider cost-benefit to further refine to information systems and finance functions (e.g. premium collection) to handle the family product terms and conditions
 - Analyze barriers for demand for voluntary family cover
 - Examine the sales performance of loan officers and the effectiveness of incentives to sell voluntary cover
 - Review options for premium structure that will encourage enrolment of more and larger families
- Continue monitoring Caregiver policies, especially performance indicators related to claims, to see the impact of the client value enhancements made in 2012.
- Continue to monitor the performance of Caregiver between branches.
- Continue to seek ways to improve product performance and client and branch staff satisfaction with Caregiver.
- Collect and analyze data to evaluate whether Caregiver supports clients to protect their savings and capital accumulation.

