

Issue No. 9

MICROENSURE
Helping the poor weather life's storms

MICRO INSURANCE MATTERS



TANZANIA

Health Insurance Launched In Tanzania

MicroEnsure has launched its first health insurance pilot in Tanzania which provides cover for a family of five for just \$40 per year.

Access to health facilities to treat common illnesses is difficult for many Tanzanians. Public facilities often lack the capacity needed to offer comprehensive healthcare, whilst the majority of the population are unable to afford the services offered by private healthcare facilities.

MicroEnsure in conjunction with the Anglican Health Network have launched 'Imani', a health insurance programme that provides cover for malaria, maternity, diarrheal disease, pneumonia and acute respiratory infections. Imani is Swahili for 'Faith, Belief, Trust'.

In order to increase the affordability of the product, clients are able to pay the premium in one annual sum or in two instalments every six months.

MicroEnsure is pioneering a brand new sales distribution method that manages enrolment through Anglican parishes in Dar es Salaam, staffed by a sales representative team. This allows clients to purchase the product and receive their photo identification membership cards from a local parish centre.

Imani was officially commissioned at a launch event attended by representatives of the Anglican Church and members of the local and national media on Sunday 3rd October 2010.

Speaking at the launch event the Archbishop of the Anglican Church of Tanzania, Valentino Mokiwa (bottom left), explained how the product would allow individuals to seek professional medical advice rather than purchasing medicines without a proper consultation.

Imani covers preexisting conditions from day one of cover and has minimal exclusions. Similar to MicroEnsure's

health insurance product in India, it operates on a cashless basis ensuring that a client does not have to pay for treatment and seek reimbursement.

For patients receiving outpatient treatment there is no authorisation process required. The client simply presents their membership card at the health facility in order to receive treatment. The service provider then completes a claim form and submits it to MicroEnsure with the attached invoice.

In the case of inpatient treatment being required, the service provider first seeks approval before admitting the member for care. Following authorisation the patient is able to receive treatment.

Imani's tagline 'Afya kwa wote sasa' translates as 'Health for All Now'. Japhet Makau of the Anglican Health Network commented, "Imani is an exciting project that allows individuals to access a high standard of healthcare for the first time."



Imani Product Features:

- Costs TZS 60,000 per family payable in one or two instalments.
- Provides cover for up to five people (adults or children) living under the same roof.
- Allows use of 'age' rather than 'Date of Birth' as many clients do not know when they were born.
- Provides unlimited access to inpatient and outpatient care for five ailments:
 - * Malaria
 - * Maternity - One pre-natal and one post-natal visit plus hospitalisation for normal delivery or C-Section
 - * Pneumonia
 - * Diarrheal disease
 - * Acute Respiratory Infection
- Sold as a voluntary product through sales representatives who are embedded into the Anglican Church of Tanzania; other sales partners are being identified for Imani including other religious groups and Microfinance Institutions (MFIs).
- Pilot test is initially limited to clients living in the capital Dar es Salaam.
- MicroEnsure has negotiated treatment 'case rates' with a number of private / mission hospitals and clinics in Dar es Salaam.
- MicroEnsure uses its 'Amara' IT system to validate claims and pre-authorise inpatient treatment; this system is a Third Party Administrator (TPA).
- Service is provided on a cashless basis - the client is given an ID card (right) which they use at the networked healthcare providers to get treatment - the providers bill MicroEnsure directly.
- MicroEnsure has authority to validate and settle claims on behalf of the insurers.
- Imani was designed and priced by MicroEnsure. It is underwritten by Golden Crescent Insurance Company in Tanzania with the majority of the risk reinsured to the MicroEnsure / Hollard reinsurance facility in South Africa.



PHILIPPINES

Country Profile: Philippines

MicroEnsure first began operating in the Philippines in February 2007. With over 50 staff in offices across the Philippines in Iloilo, Cebu and Manila, it is one of MicroEnsure's largest subsidiaries.

Initially offering Life Insurance cover to two Microfinance Institutions (MFIs), MicroEnsure Philippines now partners with over 20 MFIs providing cover to over 900,000 individuals through a range of insurance products including:

- Personal Accident
- Life
- Micro Housing
- Funeral
- Loan Redemption Insurance
- Hospitalisation

Having completed successful pilot projects for Weather Index Insurance, MicroEnsure Philippines is expecting to provide crop cover for farmers in 2011.

'Panatag Ka Ba?'

The Philippine Comic Book Initiative

Comic books have proved a great success in communicating key product information to clients in the Philippines.

Traditional outlets such as television, billboard, radio and newspaper advertising often cannot provide the capacity needed to convey the quantity of information required for successful client education.

Comic books are a cost-effective solution that provide effective client education in an accessible and entertaining way.

In many areas comic books are shared between family members and friends, increasing their potential outreach.

Written in local dialects, they allow a high degree of readership, knowledge retention and recall.

MicroEnsure Philippines also offers the following services:

- Client Education & Training
- Claims Processing
- Product Research & Development
- Business Process Outsourcing
- Automated Insurance Management Systems

To find out more about MicroEnsure Philippines please contact:

William Martirez

Country Manager

MicroEnsure Philippines

e: william.martirez@microensure.com

t: +63 33 329-0729

MicroEnsure Philippines
3rd Floor, RCBC Savings Bank Building
Luna Street, Lapaz, Iloilo City
Philippines, 5000

w: philippines.microensure.com

Dry Day Weather Index Insurance

2.6 billion people (40% of the world’s population) live on \$2 or less per day. Rural areas account for three in every four people living on less than \$1 a day. According to the World Bank, GDP growth originating in agriculture is at least twice as effective in reducing poverty as GDP growth originating outside agriculture.

In the growing season of 2005-2006 MicroEnsure introduced its first Weather Index Crop Insurance pilot in Malawi. This revolutionary product provided protection against crop failure caused by drought or excess rain and enabled farmers to access credit in order to purchase quality seeds and fertilisers in order to maximise output. By linking farms to local weather stations and introducing an automatic payout process farmers were not required to file a claim or go through an expensive loss verification process in the event of crop failure. Following a successful pilot scheme Weather Index Crop Insurance was extended to cover farmers in Tanzania, Rwanda, India and the Philippines.

Harry Kafakalunda a smallholder farmer in Malawi explains, “Before I joined the scheme I wasn’t able to access loans and farming wasn’t a profitable business. Now, every year I see improvements in my farming because I am able to buy better farm inputs. From struggling to survive and support my family, I am now planting two hectares of maize as well as cash crops - two hectares of tobacco and half a hectare of groundnuts. I am also going to plant cabbage and onions as extra cash crops, and I’m looking forward to being able to introduce irrigation to extend the growing season. The benefits for me are a better living standard, better food, I have been able to build a better house, and I have bought an ox cart from last year’s earnings. This would not have been possible before.”

Dry Day Weather Index Insurance

MicroEnsure’s ‘Dry Day Concept’ has been developed as drought is not primarily measured by how much rain has fallen in total, but by how many days crops have not been replenished by rain. Because it isn’t possible to take measurements on each individual farm, rainfall levels are taken at local meteorological stations. Participating farmers within a 20 kilometre radius of a station are assumed to have received the same amount of rainfall and to be affected in a similar manner. In the case of severe drought, all farmers will receive compensation.

Table one shows an example of Dry Day Weather Insurance product in India. In the first period, a farmer receives an increasing level of payment for each dry day over the lower threshold of 22 days up to the maximum value of the sum insured for 30 days or more.

Should crop failure occur before the beginning of the second risk period, it is likely that a farmer will be able to replant the crop and achieve a reasonable harvest. After this date the crop is also covered by a second deficit rainfall product that allows a payout should the cumulative rainfall fail to reach the threshold levels.

Lack of Weather Stations

The key challenge to dry day weather insurance is the lack of weather stations. Past historical data is vital for actuaries to design the most appropriate product whilst the claims process relies on current data in order to function. The lack of ground based weather stations is a global problem in the developing world that has been recognised by a number of United Nations agencies including The World Meteorological Organisation (WMO). An alternative solution to ground based weather stations is the use of data from weather satellites (Meteosat & others) and MicroEnsure is actively cooperating with a number of key players in this field including The Consultative Group on International Agricultural Research (CGIAR) and the Food Early Solutions for Africa (FESA). However, a usable satellite solution may still be 3 to 5 years away. Weather Index Crop Insurance programmes would still significantly benefit from ground based weather stations, and ultimately a hybrid solution (combination of satellite and ground based weather stations) may be the best long term solution.

| | | |
|--|---|---------------|
| Total Sum Insured (TSI) | ₹7,500 per acre | |
| Premium Rate | 10% of sum insured + applicable service tax | |
| Total Payment | Risk period 1 or risk period 2 (whichever is greater) | |
| Risk Period 1 | 1 st July to 15 th October | |
| Nature of Insurance | Consecutive Dry Days | |
| Payment Schedule <i>(Multiple events are payable)</i> | Consecutive Dry Days | Payout |
| | 22 Days | ₹2,500 |
| | 23 Days | ₹3,125 |
| | 24 Days | ₹3,750 |
| | 25 Days | ₹4,375 |
| | 26 Days | ₹5,000 |
| | 27 Days | ₹5,625 |
| | 28 Days | ₹6,250 |
| | 29 Days | ₹6,875 |
| | 30 Days or more | ₹7,500 |
| Definition of Dry Day | 1mm or less | |
| Risk Period 2 | 1 st September to 15 th October (Inclusive) | |
| Nature of Insurance | Deficit Rainfall | |
| Payment - B | Cumulative Rainfall (<) | Payout |
| | 80mm | ₹1,250 |
| | 50mm | ₹4,000 |
| | 25mm | ₹7,500 |



Addressing Food Security

During focus group meetings with small scale farmers in Tanzania, three specific opportunities were identified to improve the food security of small scale farmers, and a summary of each has been detailed:

1. Increase in size of crop harvest:

Many small scale farmers are unable to secure access to loans required to purchase appropriate agricultural inputs at the time of planting. This lack of access to credit is the primary factor preventing small scale farmers from significantly improving their food security situation. The example in Table 2 is common throughout all focus groups and demonstrates the potential that can be unlocked by providing access to agricultural credit.

It can be seen from this simple example that facilitating access to an appropriate level of credit for small scale farmers has the potential to raise their net income per acre by over 300%.



2. Increase in land under cultivation:

Most farming families own between two and four acres, but due to a lack of access to agricultural credit at the start of the growing season, they typically plant just one or two acres or just 50% of their available acreage. As such, facilitating access to an appropriate level of credit to purchase inputs for all of their available acreage also has the potential to raise net income by up to a further 200%.

3. Increase in selling price achieved at harvest:

The majority of farmers are forced to sell most of their crop at harvest time when prices are very low. In February 2009 the price for a 100 kg bag of maize ranged between 20,000 and 23,000 TZS. However, small scale farmers confirmed that traders from Dar es Salam who bought at 20,000 TZS were selling in Dar es Salam the same week for 40,000 TZS and that the market price later in the year rose to 60,000 TZS. As such, facilitating access to an appropriate warehouse / receipt mechanism would allow small scale farmers to sell their harvest at an appropriate and fair market price thus further raising their net income by between 100 and 200%.

The focus group meetings in Tanzania were managed by Steve Coffey, Vice-President, Strategic Relations. For further information please email steve.coffey@microensure.com

| | Without Access to Credit | With Access to Credit |
|--|--|--|
| Inputs | Planting of seed left over from the previous harvest | 200,000 TZS of inputs per acre (seed grain, fertiliser, herbicide and insecticide) |
| Harvest | 5 bags of maize per acre (@ 20,000 TZS per bag) | 28 bags of maize per acre (@ 20,000 TZS per bag) |
| Net Harvest Value (Less Inputs) | 100,000 TZS per acre (approx \$67) | 360,000 TZS per acre (approx \$240) |

MicroEnsure Sets Up New Agriculture Consultancy Division

Since 2004 when MicroEnsure helped develop Weather Index Crop Insurance in Malawi our team has been at the forefront of developing and implementing the product for the poor in other countries.

In 2009 we implemented index products in Rwanda, Tanzania, India and the Philippines for the risks of drought, excess rain and typhoons. These experiences led us to develop index products around the number of dry days experienced in a month rather than the amount of rainfall received at a weather station. This innovation is helping us overcome issues of securing historical data sets and the aversion of farmers to pay full price for their insurance.

In 2010 it became clear to MicroEnsure that the provision of weather insurance, whilst important for rural small holders, requires more work in order to reach scale. Our business model is designed around recovering the cost of product development through the sale of large volumes of policies which has not been how the index market has developed. A decision was made to shift our Agriculture team from a commission based revenue stream to a consultancy model which provides us access to the funds needed to carry on the pioneering work we have done over the last seven years in this area.

The new Agriculture division has secured projects from COMESA to provide training to regulators, insurers and MFI staff on how to develop and implement weather index across the COMESA countries in Eastern and Southern Africa. The team has also secured a \$1.5m three year grant from the IFC's Global Index Insurance Fund to develop and implement weather index product in conjunction with the Ministry of Agriculture in Rwanda. For more information please email shadreck.mapfumo@microensure.com



STAFF UPDATES

New Vice President, Health Appointed

Will de Klerk has been appointed as the new Vice President, Health for MicroEnsure. Will is a seasoned health insurance professional with in depth experience and expertise in health care financing and the initiation, development and delivery of low cost health insurance products.

Will previously worked as a Director for JMCA, an actuarial consulting firm operating internationally with six branches in three countries.

New MIS Operations Manager Appointed

Gary Freeman has been appointed as the new MIS Operations Manger for MicroEnsure. Gary has over 12 years experience as an IT Professional working for both UK and global organisations such as Computer Sciences Corporation, Chelsea Building Society and Dyson Ltd.

Gary graduated from Staffordshire University with a BSc (Hons) in Business Information Technology Management. He holds a Level 2 certificate from the Institute of Leadership & Management, has a Foundation Certificate in IT Service Management (ITIL) and is a Microsoft Certified Systems Administrator.

CAREERS WITH MICROENSURE

We are currently recruiting for the following positions:

- Finance Associate, Tanzania
- Health Claims Officer, Tanzania
- Health Operations Manager, Tanzania
- Operations Manager, India
- Operations Manager, Philippines
- Business Analyst, UK
- Senior Analyst Programmer, UK

For further information and to apply online please visit our website careers.microensure.com

Savita Mundari's Story

Savita Mundari is 17 years old. She lives with her mother, a daily wage labourer in a rented house in Rourkela, situated in the eastern Indian state of Orissa. On the 22nd February 2010 Savita's mother enrolled her family in a healthcare policy as part of the Samband Social Security Scheme for a cost of ₹600 (approximately \$13).

Just four days after enrolling, Savita experienced severe abdominal pain and was quickly admitted to the Super Speciality Hospital, Rourkela. At the hospital, doctors carried out a series of tests including X-ray, blood sample analysis and ultrasound examination in order to diagnose her illness. With the tests complete it was apparent that Savita was suffering from kidney stones and would require surgery.

On 28th February Savita underwent a successful operation to remove the kidney stones. She remained in hospital for a further week to allow her to recover fully. The cost of Savita's treatment totalled ₹20,000 (approximately \$430). As Savita was part of a cashless health insurance scheme, there was no need to pay the bills and seek reimbursement. Instead all the costs were processed by MicroEnsure's Third Party Administration (TPA) infrastructure which reduced the financial burden on her family.



Savita's mother earns an average wage of just ₹50 (approximately \$1) per day. Had Savita not been covered by a health insurance scheme it could have taken at least five years for her family to recover from the financial shocks associated with her illness.

OUR BUSINESS MODEL

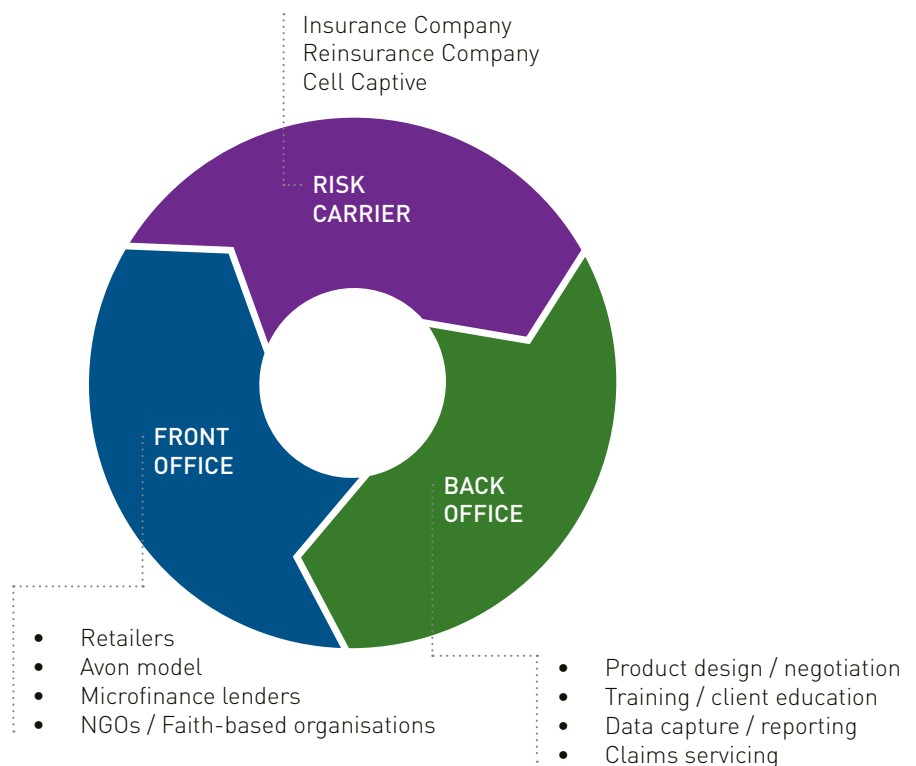
To bring insurance effectively to the poor, we see three tasks that need to be accomplished:

The first task is carrying the risk. We believe that existing insurance and reinsurance companies are best placed to do this but in some cases no willing insurance carrier can be found. MicroEnsure is pioneering the use of cell captives which are special underwriting vehicles used to carry health insurance risk in Africa and further afield.

The second task is that of the front office – the sales platform. We partner with those organisations that have effective outreach to the poor such as MFIs, NGOs and retailers.

The third task is the back office – keeping track of the insureds' details, premiums and claims. For this we have developed a very sophisticated MIS system. This is the key to keeping costs to a minimum. The back office also provides product development for the risk carrier and training for the front office, as well as financial education for the clients.

MicroEnsure derives revenue from two sources. The first is commission income when we work as an insurance intermediary in partnership with an insurance company and a front office partner such as a microfinance organisation. The second revenue source is generated by insurance companies outsourcing their existing back office operations to MicroEnsure.



It's All About Scale

All of us working to provide the poor with insurance know that if you want to succeed then you need scale. At first we just assumed scale was necessary to be able to ensure that anti-selection did not derail our best guesses at pricing. But, for MicroEnsure, an ability to achieve scale is directly linked to our ability to break even.



Unlike technical assistance providers, that get paid their consultancy fees regardless of how well a product sells or how efficient the work flow processes are in leading to a real reduction in time taken to pay claims, MicroEnsure's model is based on the premise that we design the product, train the staff, implement the product, administer the programme and assist in the claims process upfront, whilst seeking to recoup our costs through commission paid on each product. If the product remains competitively priced and the service level is good then logic suggests we will sell more policies and get paid for our work. If we don't do a good job then we don't get paid!

We have developed a business where scale is really important because we only earn around 20 cents from each policy and are trying to cover our in-country as well as our global head office costs. At the end of September, less than three years after starting up, we were serving 1.8m people and were covering around 40% of our global costs. During the first two years of our start up we found it really hard going to accelerate our growth (a fact that I know many others have experienced). But in the last six months we have turned a corner and are now growing at over 30% a quarter.

This change in fortune is due to a number of factors but it has been really interesting to see the rapid growth coming out of the mobile phone companies that we are now working with in Africa. We are in the process of implementing a number of programmes with mobile providers in Africa, each of which involves a different model, including in some cases 'rewarding' customer loyalty or network usage with free insurance or alternatively allowing customers to choose their level of insurance and pay small monthly premiums through the mobile provider's m-payment platform. Due to sensitivities with respect to the closeness of launch for some of these programmes, I am unable to provide more details at this time, but I look forward to sharing more details in a future column. All of the programmes have been or are being implemented in months and a decision to scale up often taken within weeks rather than years. It's really nice to have your partner chasing us to ramp up rather than us chasing the partner for once!

Scale is really important for us as a business. We will be past the 2m active lives covered by the end of 2010 and if these mobile phone companies keep going the way they have started then there is a lot to be excited about.

Richard Leftley, President & CEO

| | | | |
|--------------------|------------------|----------------------|---------------------------------|
| Ghana | Peter Gross | t +233 21 760 671 | e ghana@microensure.com |
| India | Vyasa Krishna | t +91 44 4269 4294 | e india@microensure.com |
| Kenya | Kate Waiganjo | t +254 733 850 058 | e kenya@microensure.com |
| Philippines | William Martirez | t +63 33 320 1472 | e philippines@microensure.com |
| Tanzania | Ryan Lynch | t +255 22 213 6001 | e tanzania@microensure.com |
| UK | Richard Leftley | t +44 1242 526 836 | e info@microensure.com |
| USA | Richard Leftley | t +1 630 687 1950 | e info@microensure.com |

Editorial Contact: David Dorey (david.dorey@microensure.com)

Global Operations Office Address: MicroEnsure, Parker Court, Knapp Lane, Cheltenham, GL50 3QJ

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