




# SOCIAL PERFORMANCE INDICATORS FOR MICROINSURANCE

Microinsurance Conference, Manila  
November 11, 2010

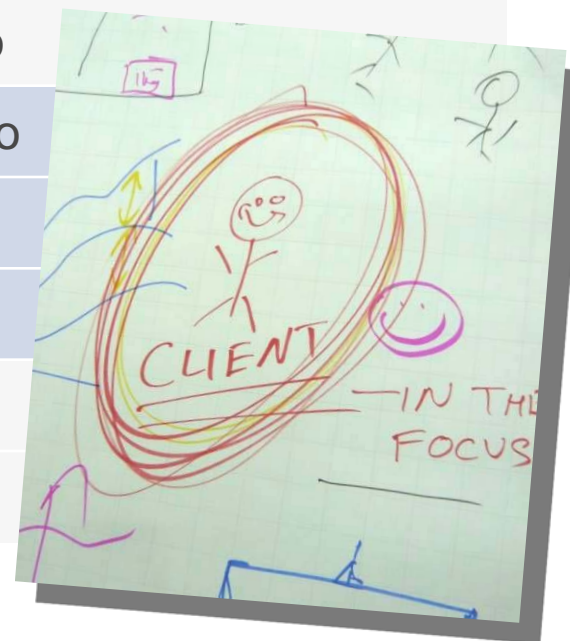
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# Mixx Social Performance Reporting for MFIs

STRATEGIES AND SYSTEMS	ANSWERS	COMMENTS
14 Poverty Assessment		
5 Staff performance appraisal and interventions		
a Does your institution conduct performance appraisals of staff in relation to		
3 Areas of products and services (financial and non-financial)		
a Which of the following financial products/services does your institution offer? (Check all that apply):		
 <p><b>FY 2009 SOCIAL PERFORMANCE STANDARDS REPORT- PART I</b></p>		
<b>INTENT</b>		
<b>1 Mission and Social Goals</b>		
a	What is your MFI's social mission?	
b	In which year was the mission statement formulated (or updated)?	
c	What is the poverty level of the clients that your institution aims to reach? (Check all that apply):	<input type="checkbox"/> Very poor clients <input type="checkbox"/> Poor clients <input type="checkbox"/> Low income clients <input type="checkbox"/> Not a specific focus/all population
d	If you checked the boxes "very poor or poor clients", which reference point/benchmark do you use for estimating the poverty level of your clients? (Check all that apply):	Very poor clients: <input type="checkbox"/> Persons in the bottom 50% of those living below the poverty line established by the national government <input type="checkbox"/> Persons living on less than the US \$1 a day international poverty line <input type="checkbox"/> Other (please specify): _____
	Poor clients:	<input type="checkbox"/> Persons living below the poverty line established by the national government <input type="checkbox"/> Persons living on less than US \$2 a day international poverty line <input type="checkbox"/> Other (please specify): _____
e	What is the target market of your institution? (Check all that apply):	<input type="checkbox"/> Women <input type="checkbox"/> Adolescents and youth (below the age of 18) <input type="checkbox"/> Indigenous people and ethnic minorities <input type="checkbox"/> Clients living in rural areas <input type="checkbox"/> Clients living in urban/semi-urban areas <input type="checkbox"/> No specific target/all population <input type="checkbox"/> Other (please specify): _____
f	What kind of enterprises does your institution support? (Check all that apply):	<input type="checkbox"/> Microenterprises <input type="checkbox"/> Small enterprises <input type="checkbox"/> Medium enterprises <input type="checkbox"/> Large enterprises
g	Which development objectives does your institution specifically pursue through its provision of financial and non financial products and services? (Check all that apply):	<input type="checkbox"/> Financial inclusion <input type="checkbox"/> Poverty reduction

# Financial KPIs for Microinsurance

Category	Indicator
Product awareness & client satisfaction	Coverage Ratio
	Growth Ratio
	Renewal Ratio
Service quality	Promptness of Claims Settlement
	Claims Rejection Ratio
Product value	Incurred Expense Ratio
	Incurred Claims Ratio
	Net Income Ratio
Financial prudence	Solvency Ratio
	Liquidity Ratio



# Social Performance Indicators for Microinsurance

## 11 Social Performance Indicators

Incurred Claims Ratio\*

Claims Rejection Ratio\*

Renewal Ratio\*

Promptness of Claims Settlement\*

Social Investment Ratio

Coverage Ratio\*

Poverty outreach Ratio

Rural Outreach Ratio

Complaints Ratio

Transparent Sales Ratio

Staff Retention Ratio

*\* also financial performance indicator*

# Incurred Claims Ratio\*

## Definition

- How much of the premium do you return as claim or benefit?
- The incurred claims ratio is incurred claims to earned premium for a given accounting period

## Formula

$$\text{Incurred Claims Ratio} \\ = \text{Incurred Claims} / \text{Earned Premium}$$

## Significance & Interpretation

- Is the product valuable for the client?
- Relevant product for the right price
- You don't want the claims ratio to be too low



# Claims Rejection Ratio\*

## Definition

- How many claims do you reject?
- The claims rejection ratio is the proportion of claims that has been disqualified for benefit payment, for whatever reason

## Formula

$$\text{Claims Rejection Ratio} = \text{Number of claims rejected} / \text{Number of claims in the sample}$$

## Significance & Interpretation

- Legitimate claims mean
  - ✓ Clients understand coverage
  - ✓ Clients know how to submit a claim
- High rejection ratio
  - ✓ Too many exclusion criteria? Fraud?
  - » Track reasons



# Renewal Ratio\*

## Definition

- How many clients renew their cover?
- For a particular period or sample, the ratio of participants that renewed to those that could have renewed

## Formula

$$\text{Renewal Ratio} = \text{Number of renewals} / \text{Number of potential renewals}$$

## Significance & interpretation

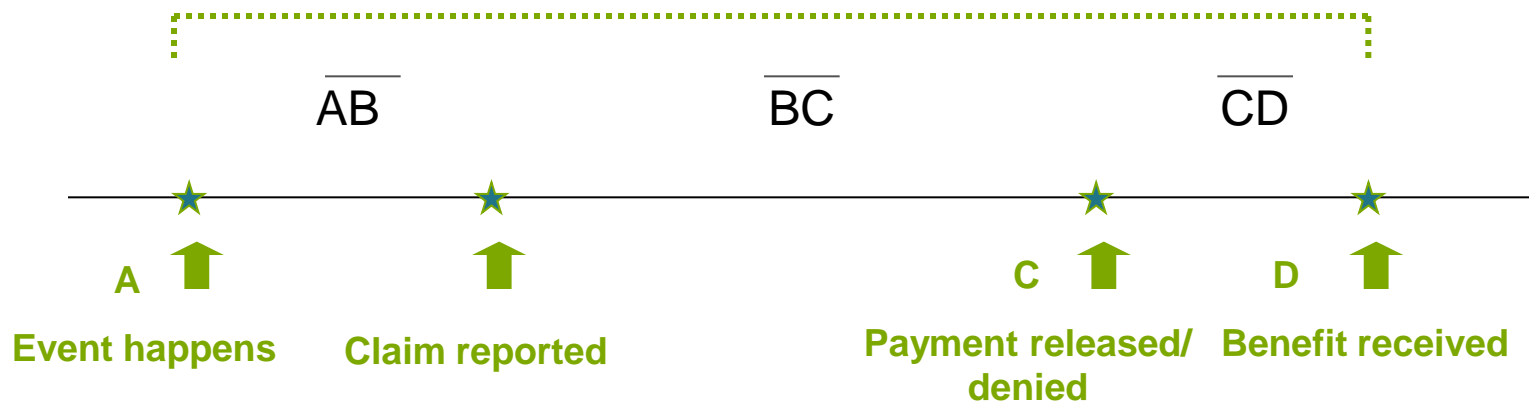
- Satisfied clients stay onboard
  - ✓ Good understanding of the cover
  - ✓ Price and services are correct



# Promptness of Claims Settlement\*

## Definition

- How long does it take to settle a claim?
- Time from the date of the covered event occurrence until the date the payment to the beneficiary(s) is settled or refused



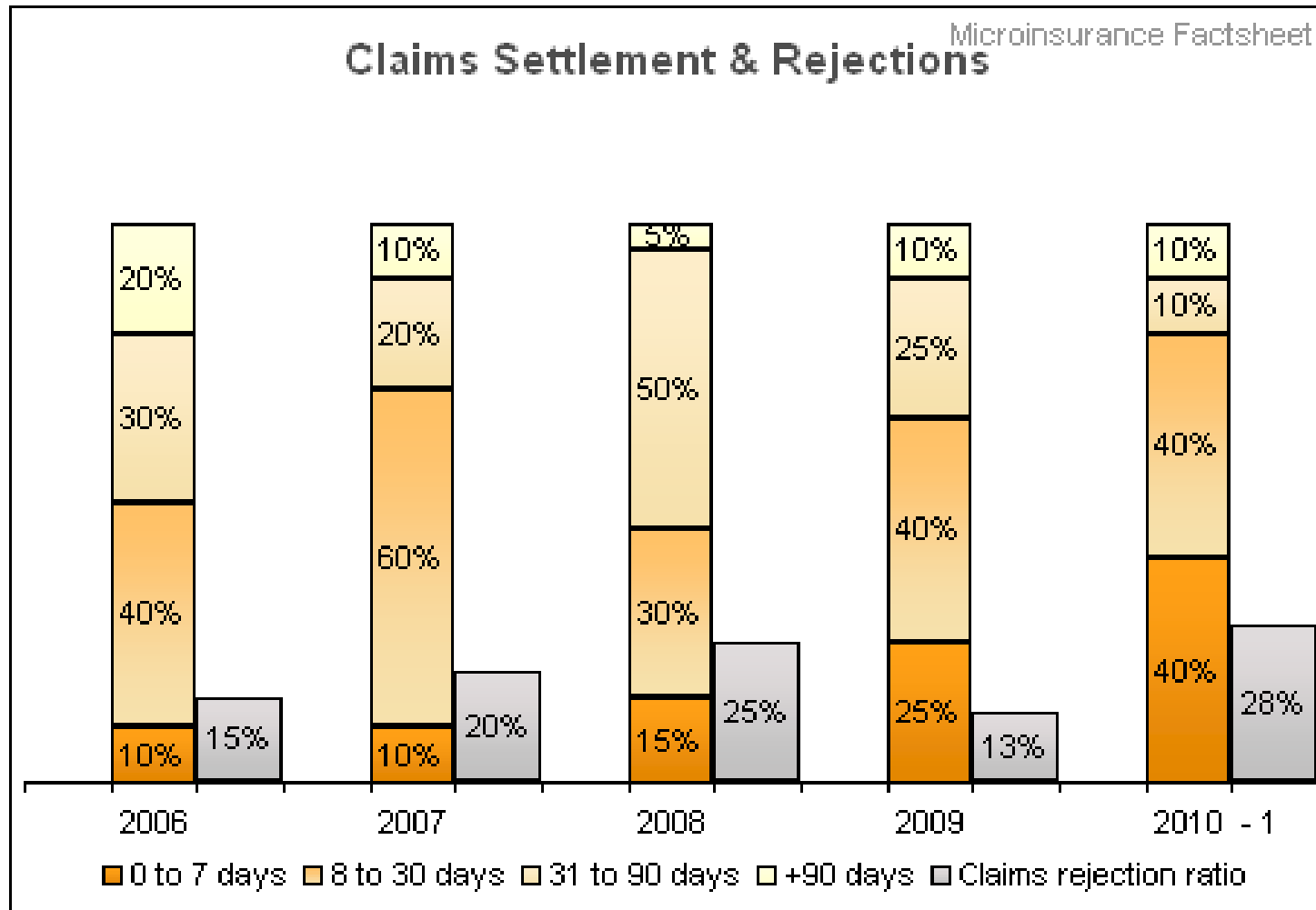
## Significance & interpretation

- Easy process to submit a claim
- Can you payout when the client needs it?
- » Keep track of breakdown of settlement process



# Reminder: look at the full picture

## Promptness of claims settlement & Claims rejection ratio



# Social Investment ratio

## Definition

- Do you invest in risk education & prevention?
- The social investment ratio is the portion of social investment expenses (information, education, communication and prevention activities) out of incurred expenses

## Formula

$$\text{Social Investment Ratio} = \text{Social investment expenses} / \text{Incurred expenses}$$

## Significance & interpretation

- Do you help your target population to avoid or decrease risk?
- Over time social investments could positively impact the incurred claims ratio



# Coverage Ratio

## Definition

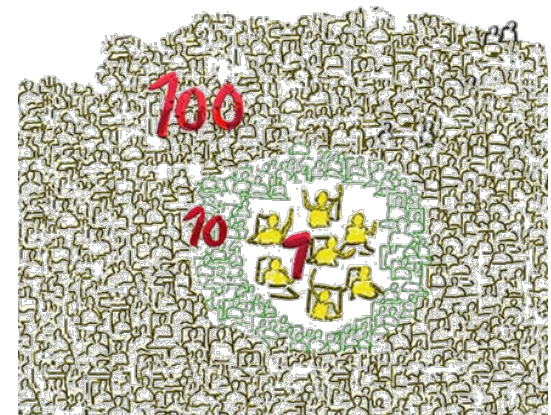
- How many people do you reach from your target group?
- The proportion of the target population participating in the microinsurance programme

## Formula

$$\text{Coverage Ratio} = \text{Number of active insured} / \text{Size of target population}$$

## Significance & interpretation

- “High” coverage ratio
  - ✓ Widely programme is well received
  - ✓ Affordable and accessible by the target market



# Poverty Outreach Ratio

## Definition

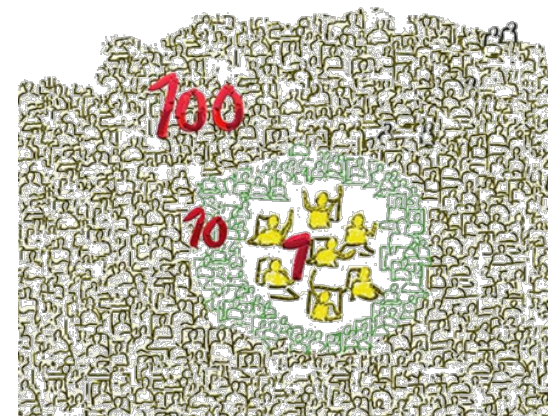
- How many clients live under the poverty line?
- The proportion of clients under the poverty line out of the total number of clients

## Formula

$$\text{Poverty Outreach Ratio} = \text{Number of clients under poverty line} / \text{Total number of clients}$$

## Significance & interpretation

- Is the product reaching those most exposed and vulnerable to risks?



# Rural Outreach Ratio

## Definition

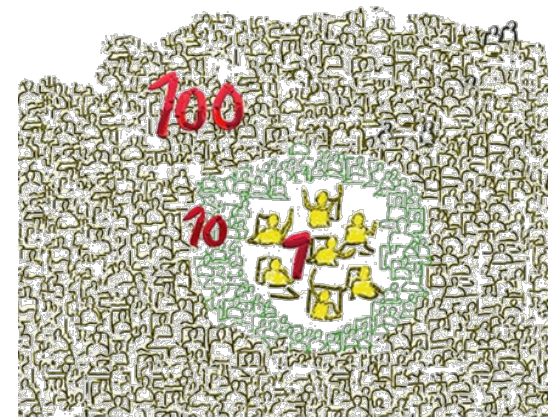
- How many clients live in rural areas?
- The proportion of clients living in rural areas out of the total number of clients

## Formula

$$\text{Rural Outreach Ratio} = \text{Number of clients living in rural areas} / \text{Total number of clients}$$

## Significance & interpretation

- Is the product reaching out to rural areas where there is less access to financial services?



# Complaints Ratio

## Definition

- Can and do clients complain?
- The complaints ratio measures the number of complaints registered over the number of clients

## Formula

$$\text{Complaints Ratio} = \text{Number of complaints registered} / \text{Total number of clients}$$

## Significance & interpretation

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



# Transparent Sales Ratio

## Definition

- Do clients know what they are buying?
- The transparent sales ratio measures the number of clients who have received appropriate information prior or during the purchase of insurance

## Formula

$$\text{Transparent Sales Ratio} = \frac{\text{Number of clients who received information prior or during purchase}}{\text{Total number of new clients}}$$

## Significance & interpretation

- Are products marketed and delivered in a transparent manner?
- Client protection
- Client satisfaction: correct understanding and usage of insurance



# Staff Retention Ratio

## Definition

- How many members of staff stay on board?
- The number of employees that stay with the organisation over the average number of employees during the sample period

## Formula

$$\text{Staff Retention Ratio} = \frac{\text{Number of employees who have remained}}{\text{Average number of employees}}$$

## Significance & interpretation

- A high ratio assumes
  - ✓ Positive treatment of staff & good working conditions
  - ✓ Good standards and HR practices
  - ✓ Positively affects how staff interact with clients



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# Conclusion: Yes!

- Yes, we have...
  - ✓ confirmed the **demand** for social performance indicators in microinsurance
  - ✓ achieved a **consensus** on a set of practical social measures amongst a diverse group of practitioners
  - ✓ demonstrated the feasibility to come to **single set** of (financial & social) key principles and performance indicators
  - ✓ to continue **to work** on further testing and fine-tune the social performance indicators
- You can contribute by..
  - ✓ **providing feedback** during this session and/or on the workshop report ([info@microfact.org](mailto:info@microfact.org))
  - ✓ **testing** and implementing the indicators

# Thank you



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