



Underwriting and Claims (2)

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Level of Underwriting

- Underwriting for most is:
 - Credit or membership criteria as a proxy
 - Use a take-all system, assessing through claims
- Tuw Skok (Credit Union insurer)
 - Suggests a broker would be best for underwriting
 - Groups make underwriting easier
- Delta Life
 - S.O.A.P. (sex, occupation, age, physical condition)
 - Declaration of good health
 - Application approval hierarchy (2-3 people)
 - Underwriting review after 1 year lapse, medical exam and review after 2 years
 - Formal underwriting guidelines

Underwriting controls

- Periodic on-site investigations (Columna)
- Strong training of agent to limit risky policyholders (AIG – Tata)
- Signing “Compliance of Insurability” (La Equidad)
- Contestability clause (Delta)
- Integrated packages and once per year enrolment (Vimo SEWA)
- Four week claims waiting period (TYM)

Underwriting Weaknesses

- Spouses and families
 - No screening in any program noted
 - Some screen members by age but not spouse
 - Leads to high adverse selection
 - 4:1 in Uganda
 - 3.2:1 in the Philippines
- Limited underwriting can lead to fraudulent activity (AIG – Tata)
- Paperwork takes time from credit management and thus adds to credit risk (Madison)



Rejections and delays

- Rejections 5% - 15% (Madison, AIG Tata, Delta, Serviperu)
 - Fraud
 - False information on age or health disclosures
 - Inadequate documentation
 - Clients did not understand claims policies
- Payment delay (event to payment) is between 7 and 90 days. (AII)
 - A primary reason for delay is difficulty obtaining the death certificates (La Equidad, Muscco, Yeshasvini)



Interesting Strategies

- Use a third party administrator (Yeshasvini)
- Claims paid in public (India cases, AIG Tata, AIG U)
- Clinical audits (ServiPeru, Vima Sewa, Tuw Skok)
- Require receipt for pyre wood (Vima SEWA)
- 24 Hour toll free claims line (only 10% of claims started there) (Tuw Skok)





More Interesting Strategies

- Prevention can reduce claims costs (Indian cases, Muscco)
- AIDS exclusion has been withdrawn (AIG U and Muscco)
- Intermediary claims payments with subsequent reimbursement (Vimo SEWA)



Things are starting to move

- Better information to policyholders about coverage and claims processes, led to higher claims (Vima SEWA)
- Mortality rate fell from 10/1000 at 30,000 policyholders, to 4/1000 at 90,000. (Vima SEWA)
- Claims paperwork can be more complex than the benefit amount warrants (Madison)

Loss and Admin Ratios

Insurer	Loss Ratio	Admin Ratio
Madison	10%	36%
Indian cases	88%	
Vimo SEWA	74%	137%
TYM	63%	
Delta Life		44%
CARD	16%	10%
Muscoco	40%	15%
La Equidad	61%	25%
Columna	42%	16%
AIG Uganda	31%	15%