



Breakout on failures in Microinsurance

Richard Leftley - CEO, MicroEnsure

Could have chosen many examples of failures but was asked to focus on two areas for today

India Health sold via a MFI

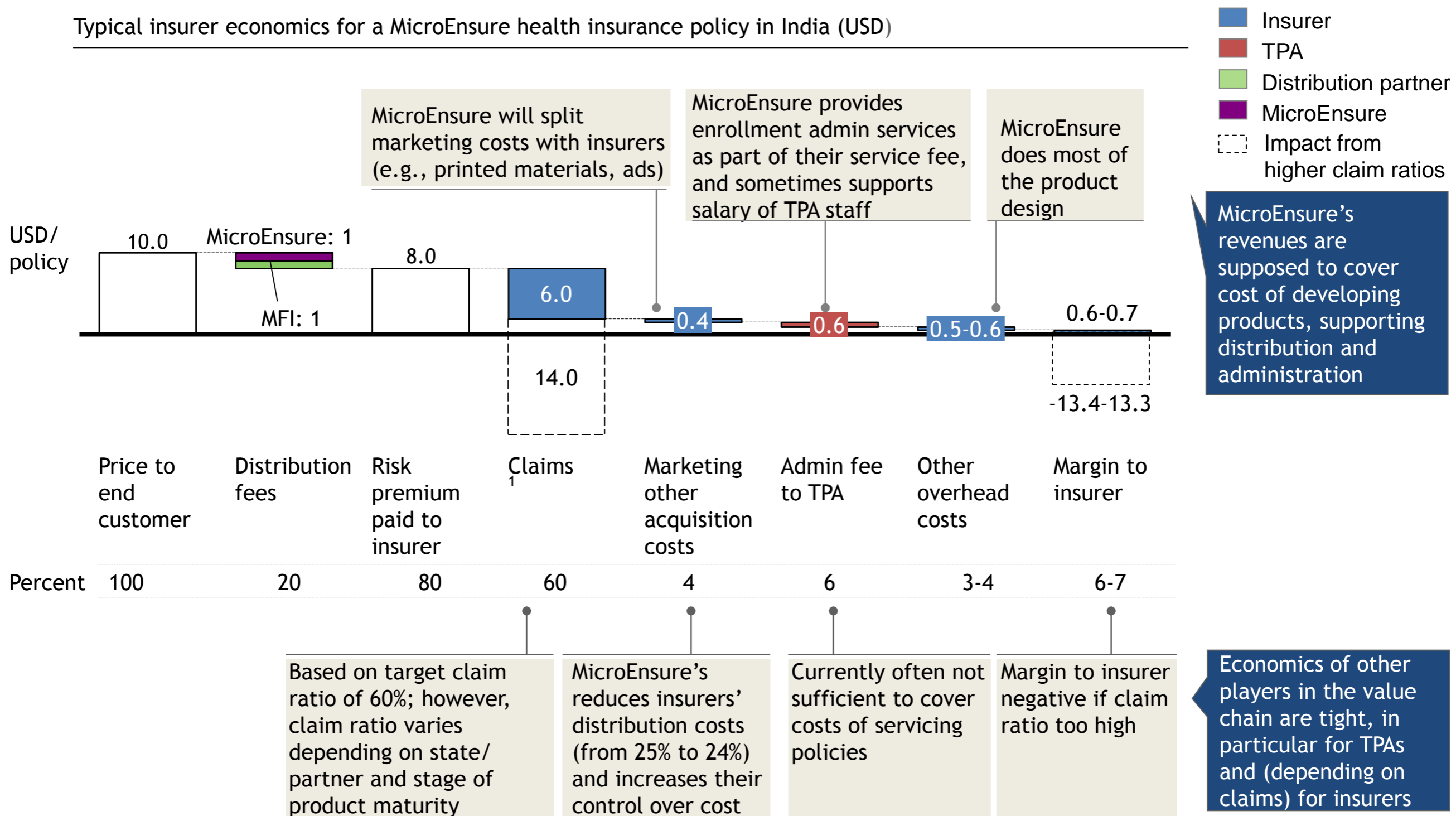
- Started operations in India in 2009 focused on providing cashless in-patient health insurance initially via MFI's
- Started working with large mega-MFI's but failed to ramp up
- Tried working with smaller MFI's but economy of scale was impossible
- Settled on working with District Co-operative Banks (DCCBs) as best partners until RSBY started

Global lessons

- In 2008 and 2009 we were serving 600,000 people with no new net growth.
- Lots of new partnerships, lots of new countries...but no growth
- Following a review with McKinsey we made changes that radically changed the growth so that three years later we are serving 4.5m people

The economics across the value chain for health insurance

Typical insurer economics for a MicroEnsure health insurance policy in India (USD)



¹ Based on target claim ratio of 60%. Actual claim ratios vary from 25% to 300%

Economics for the TPA

ME policy

	Description	Premium per policy USD	TPA economics per policy USD cents
Example corporate account	<ul style="list-style-type: none"> 17,000 FTEs, plus an average of 3 dependents 2.5%- 4% Admin fee Plastic ID card (no photo) Coverage of up to \$10,000 	15-40	
Example standard group policy	<ul style="list-style-type: none"> 190,000 covered 5.4% Admin fee (pre-tax) Coverage of \$600 Plain black and white passbook Capped levels of reimbursement by treatment plan 	~5.7	
Micro-ensure group policy	<ul style="list-style-type: none"> 190,000 covered 4.2% Admin fee pre-tax (or 5.4% of premium net of ME fees and taxes) Coverage of \$600 uncapped except pregnancy Colorful and glossy cover passbook 	~4.2	

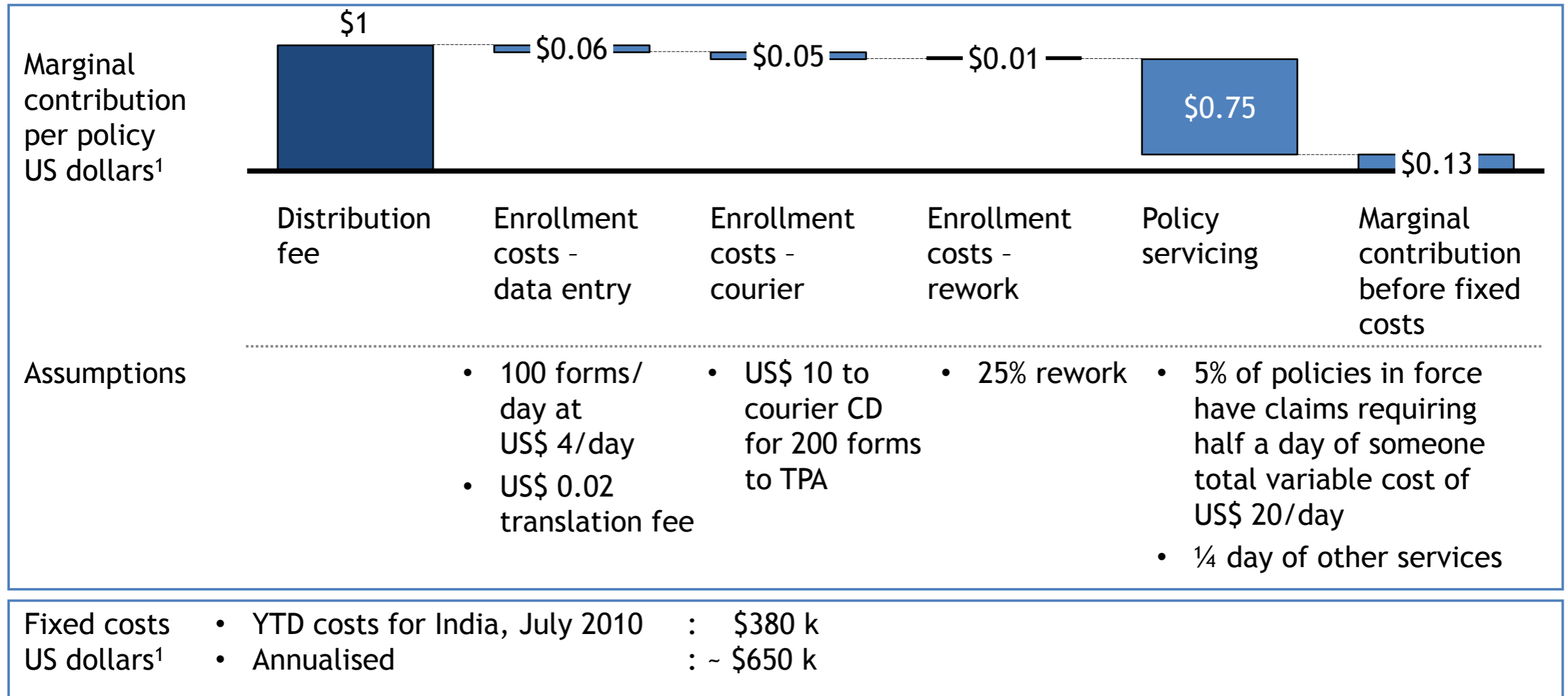
Admin fee to TPA Card printing Admin and other direct costs Indirect costs Margin

1 Processing efficiencies due to cap on claims

Source: Interviews

Knock on of underpaying the TPA onto MicroEnsure's economics

India/Health Insurance

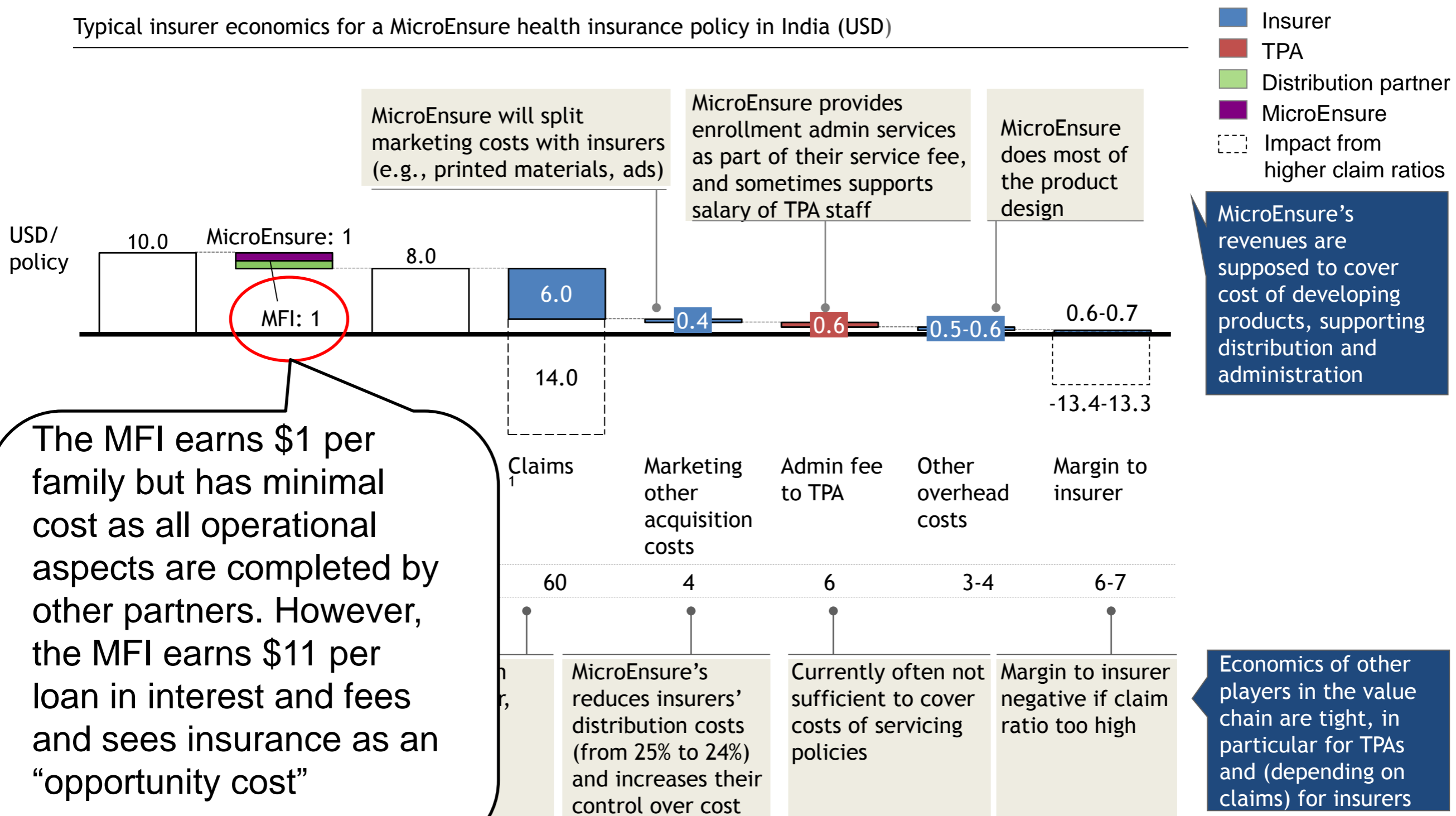


- At current cost levels, MicroEnsure would need to have 5Mn active policies/year to breakeven
- Reducing Policy Servicing Costs can be achieved if TPAs provide better service

¹ Assume conversion of approx. INR 50 = US\$ 1.00

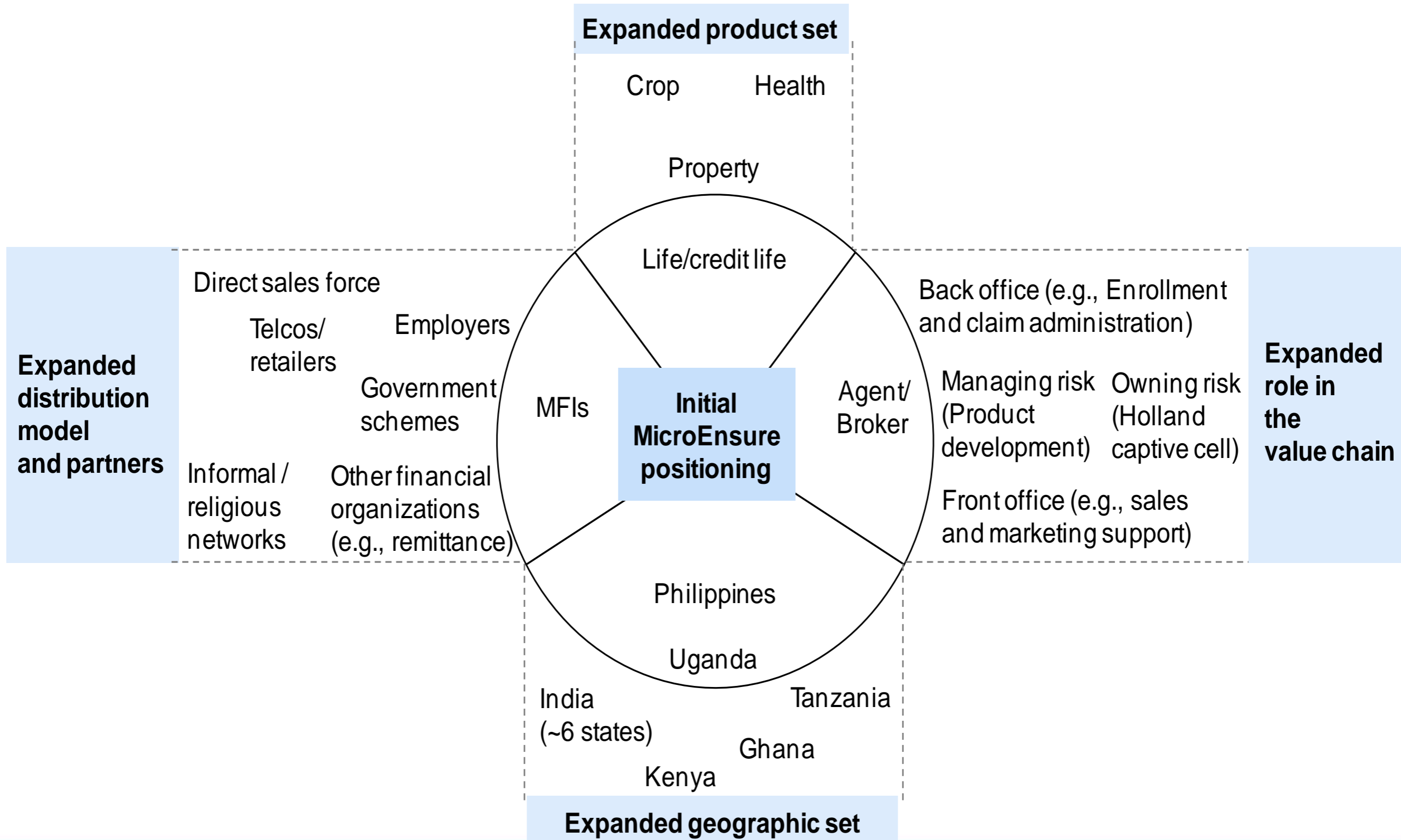
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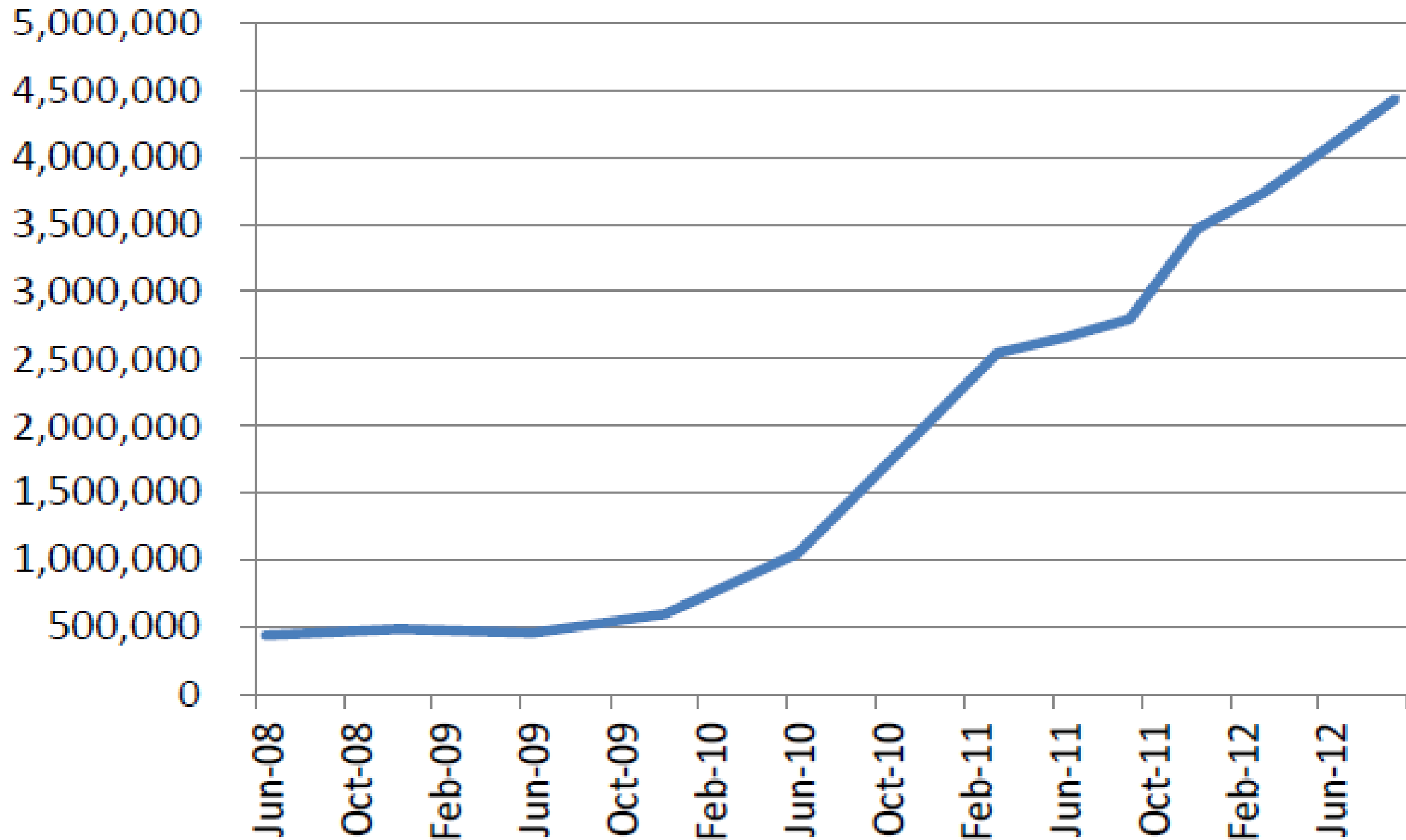
Two years in – lots of complexity but no real growth



MicroEnsure started in 2008, after two years there was no significant growth in outreach. We needed to make changes;

- Reduced scope – less countries and concentration on core products, complex products focused geographically
- Focus on partnerships that are productive – be brutal
- Shift skills from head office to country operations
- Understand the value chain and our place in it
- Start to extract the value that we add wherever possible
- Focus on execution – do it well

Growth in lives insured



- Partnerships – understand what others need and whether that is realistic for you and be brutal if a partnership is not working. Don't assume that your partners actually know what they want!
- Sales and marketing need to be near to the “client” whereas central functions such as IT, finance and product can be centralised.
- Micro insurance needs for one entity to take control of the project and have permission to drive it forward. The driving entity needs to understand micro insurance and is not always the insurance company.
- Stay focused and make sure you execute well.

Thank you for your attention

For more information please
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Ground Rules for Audience

- Presenters have accepted to make themselves vulnerable – respect them and create a safe space for them
- No recording, filming, or live streaming
- Blogging/tweeting OK if nobody objects
- Clarification questions only – no piling up
- Want to talk about somebody's failure? Talk about your own!