

Client Value Assessment of SAJIDA Foundation's Nirapotta product

Version 1.0

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Completed by Practitioner Learning Group on improving client value during the peer exchange visit hosted by SAJIDA Foundation in April 2013



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Objectives and methodology

SAJIDA Foundation hosted a Practitioner Learning Group (PLG) on improving client value from 8-11 April 2013.

Main goal was to **analyze client value proposition of Nirapotta product**. The objectives were to identify strengths, weaknesses and improvements under Product, Access, Cost and Experience dimensions.

Other objectives included:

- Identify possible adaptations of Nirapotta for better off and ultra-poor segments
- Assess opportunities for introducing a voluntary product

This analysis builds on the previous client value assessment done by SAJIDA Foundation in 2012 that resulted in many improvements. This time we also looked at how these improvements improved value for clients, especially in the case of claims processing, health cash benefits, premium structure, educational campaigns and value-added services, including integration with the SAJIDA's health programme.

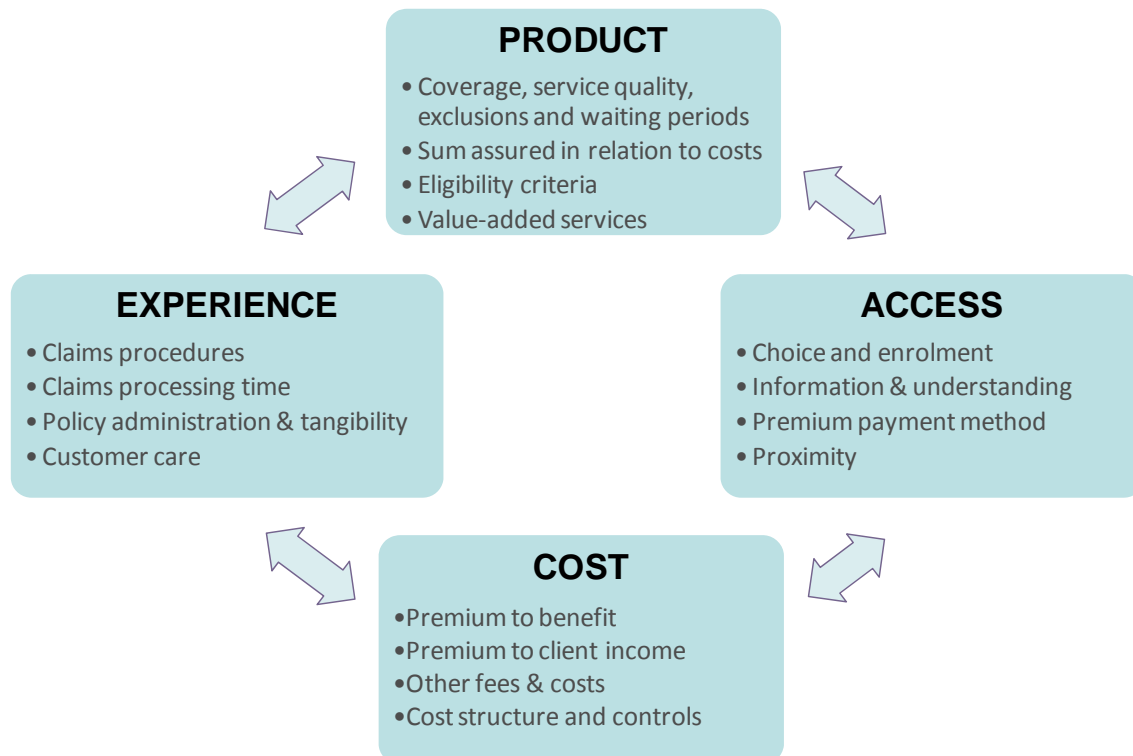
The assessment was conducted by 21 people who participated in the PLG peer exchange visit: SAJIDA Foundation staff and PLG members from Kenya, Peru, India, Pakistan, South Africa, Colombia, USA and facilitators from the ILO's Microinsurance Innovation Facility (See Annex 1).



Agenda:

Date	Morning	Afternoon
8 April	* PACE refresher training	* PACE refresher training * Briefing on SAJIDA and Nirapotta product
9 April	* SAJIDA field tour (interviews with area and branch managers, and bondhu; visit to collection centers)	* Preparation for PACE analysis * Identifying information gaps for PACE analysis
10 April	* Collecting additional data (visit to hospital branch, focus groups with clients, additional interviews with staff)	* Collating information, analysis, establishing benchmarks, scoring client value dimensions
11 April	* Wrapping up analysis, preparing presentation	* Briefing for SAJIDA management * PLG peer exchange visit wrap up

The PACE methodology was applied to conduct client value assessment of both products. See more at: <http://www.microinsurancefacility.org/en/thematic-pages/improving-client-value>.



The analysis has been done only from a client perspective. A business analysis needs to be conducted to verify feasibility of suggested improvements.

The analysis is limited to the urban markets in Dhaka. The results could be much different if the study was conducted in semi-urban or rural areas.

We were supposed to compare Nirapotta offering to informal ways and competitive products clients use to manage risks covered by Nirapotta products. It occurred to be challenging because of a composite design of the Nirapotta product that made it difficult to identify good benchmarks.

We have not tackled in-depth the issue of extending Nirapotta to non-borrowers; while some potential solutions exist they are not satisfactory because of current regulations. At this moment, it might be better for SAJIDA to keep perfecting the product for borrowers, while still influencing regulators.

Some information gaps still exist. To complete analysis the following needs to be done:

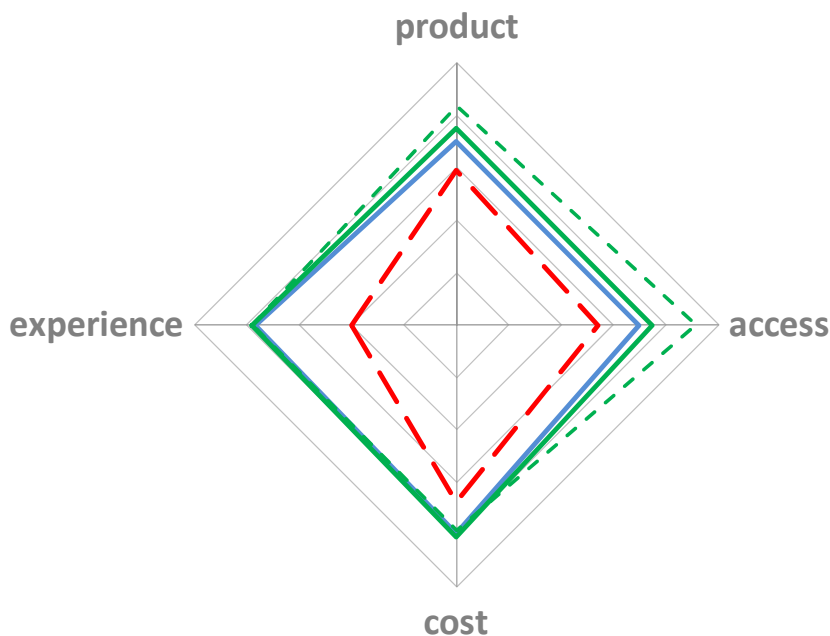
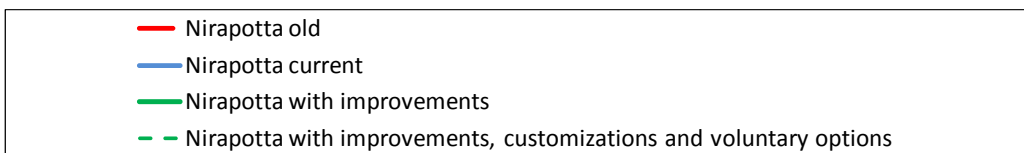
- Explore informal ways low-income households use in Bangladesh to cope with life, health and asset shocks (quite a lot of secondary data, including financial diaries, is available in Bangladesh). Compare Nirapotta to these informal mechanisms.
- Estimate share of new clients for which Nirapotta was an important incentive to join SAJIDA microcredit program; and share of repeat clients for which Nirapotta is an important factor to stay. Calculate and monitor renewal rate.
- Estimate a share of SAJIDA clients using other microcredit providers.
- Estimate a share of SAJIDA hospital card-holders that are eligible for microcredit loans.
- Actuarial analysis of ultra-poor customizations and voluntary options suggested below.
- Similar PACE analysis in rural and semi-urban zones.
- Additional research concerning health claims – why do 77% still take more than 7 days to settle?
- Actuarial analysis to check feasibility of removing age limit.

Nirapotta client value proposition

Big picture

Nirapotta is one of the rare examples of a composite microinsurance product that seems to work for both provider and its clients. While providing comprehensive coverage, it is simple enough for clients to understand and for SAJIDA to administer. It is due to a mix of tangible benefits, mandatory coverage and substantial effort to educate clients and provide value-added services.

Nirapotta has been improved significantly based on the previous PACE analysis in 2012. As shown on PACE diagram below it made a huge difference for clients, especially in experience dimension. Major improvements were simpler and quicker claims processing, improved client education, addition of community health workers program, increase in health benefits and fairer pricing. Claims approval and payment process has decreased from 25 to 10 days.



	Nirapotta old	Nirapotta current	Nirapotta with improvements	Nirapotta with improvements, customizations and voluntary options
product	3.0	3.5	3.8	4.2
access	2.7	3.5	3.7	4.6
cost	3.4	4.0	4.1	3.9
experience	2.0	3.8	3.9	3.9

There is still scope to improve the current offering, especially in Product and Access dimensions, however, these improvements, while worthwhile to be considered, will not make such a huge difference for clients as the previous upgrade.

The next major client value leap would be to customize the product to specific clients segments and provide voluntary options for both borrowers and non-borrowers. This is not easy to operationalize but SAJIDA microinsurance scheme is mature enough to consider these options. There are some quick wins that can be implemented immediately such as customizing slightly the product for ultra-poor and providing voluntary top-up option for all borrowers. The major breakthrough would be for SAJIDA to be able to extend the coverage to non-borrowers. The latter will require, however, changes in microfinance and insurance regulations.

The table below captures past improvements and summarizes new suggestions, which are developed further in subsequent sections.

	Old Nirapotta (2011)	Current Nirapotta (2013)	Nirapotta with new improvements	Nirapotta with segment customizations and voluntary options
Product	<ul style="list-style-type: none"> • Inadequate coverage for fire • Inadequate compensation for most common health conditions, high copayment (OOPEs). • Difficulty in paying for common operations e.g. normal delivery, cataract operation. • Inadequate visibility of and integration with Community Health program 	<ul style="list-style-type: none"> • Coverage for Fire increased from 3,000 to 10,000 BDT • Coverage for common health conditions increased but still high copayment (OOPEs) • Improving Community Health program and its integration => higher awareness by members • 2 operations made free at SF hospitals • Ambulance service introduced for some branches 	<ul style="list-style-type: none"> • Promote better current emergency loan as a strategy to finance OOPEs / loan amount adequate to cover OOPEs • Potential to remove age limit for both life and health. 	<ul style="list-style-type: none"> • Voluntary option for current clients to buy more health coverage • Trimmed version of the product for ultra-poor (less fire coverage, no education and legal benefits; more attention by Community Health, small hospital cash for travel allowance and loss of business)
Access	<ul style="list-style-type: none"> • Low field staff and client understanding of the product due to limited communication • Single lump-sum premium payment 	<ul style="list-style-type: none"> • Better staff and client understanding of the product through improved communications (loan officers weekly talks, Sajida Bonhus, insurance passbook, visual support materials). • Still poor understanding among ultra-poor or for more sophisticated issues (hospital referrals, etc.) • Limited use of call centre for client education. • Single lump-sum premium payment 	<ul style="list-style-type: none"> • Make loan officers weekly talks more engaging and focused on specific subjects. • Strengthen call centre • Keep single lump-sum payment for standard cover. • Better communicate on hospital referral system : provide list of HCP along with Nirapotta card to members, display public & NGOs HCP maps in branches. 	<ul style="list-style-type: none"> • Voluntary option and choice of type and level of cover and beneficiaries • Additional communication effort for ultra-poor. • Introduce installment premium payment options for ultra-poor and additional covers
Cost	<ul style="list-style-type: none"> • Pricing structure the same for short and long-term loans 	<ul style="list-style-type: none"> • Product repriced to make it sustainable while affordable. • Pricing differentiated to 150, 300 and 450 Tk for 3 product 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • Pricing for ultra-poor product done separately to define the

	<ul style="list-style-type: none"> • Premium perceived as 'high' if including cost of all VAS is included. • Premium for additional children was unfairly high. 	<p>types.</p> <ul style="list-style-type: none"> • Cost of some VAS (Community Health & Legal) subsidized by Microfinance • Premium for additional children re-priced fairly at 20, 40 and 60 Tk (from flat 50 Tk) • Full subsidy for ultra-poor clients. 		<p>level of subsidy; remove full subsidy by introducing a 100Tk payment for ultra-poor (or suggest a graduation approach).</p> <ul style="list-style-type: none"> • Sustainable pricing for voluntary higher-coverage option.
Experience	<ul style="list-style-type: none"> • No software for processing claims, claims centralised to head office and field officer/bondhu not used in the process. • Many documents - also included I.D, hospital card and other additional pieces • Average claims processing time was 25 days • No call centre, any queries handled by existing staff 	<ul style="list-style-type: none"> • Decentralized process with claims settlement tool at branch level. Client collects documentation, hands it over to the bodhu, field officer or at branch. Branch manager reviews the application - if they cannot decide the claims committee reviews it. Client is then informed whether the claim has been approved or not. • Claim is then paid out to client at the branch. • Average claims pay-out is 10 days. • Call centre opened • Grievance committee established • More tangible experience with Community Health workers, insurance passbook with visuals. • No policy document handed to clients. 	<ul style="list-style-type: none"> • Provide policy copy to client • Improve communication with clients and HCP to make sure correct client details are placed on claims documentation (release note). • Further strengthen the call centre (promote it more) 	<ul style="list-style-type: none"> •

See Annex 2 for more details.

Product

Strengths

- Simple comprehensive package / Clients aware of Nirapotta benefits
- Family product & inclusion of new born (*improvement from last PACE analysis*)
- Community health program / Clients aware of CHP benefits (*improvement from last PACE analysis*)
- Normal delivery and cataract operations free of costs in Sajida Hospital (*improvement from last PACE analysis*)

Weaknesses

- Age exclusion (for life and health insurance)
- OOPes remain too high for members in particular for health events (SAJIDA's objective is to cover 1/3 of expenses)

Improvements

- Possibility to remove age limit
- Increase sum insured for the most common diseases / along with differentiation of the premium according to member segments => *See ultra poor product & voluntary options*
- Increase promotion of emergency loan as a strategy to finance OOPes / Make loan amount adequate to cover OOPes

Access

Strength

- Mandatory
- Simple
- Easy enrollment and claims requirements
- Multi-tiered human interaction
- Insurance card separate from passbook
- Printed materials, call centre
- Information provision and form completion by loan officers and bondhus

Weaknesses

- No voluntary option for non-borrowers
- No extra coverage that can be opted into
- Higher number of guarantors required
- Information provision by loan officer/bondhu does not fully engage
- Details of product are not clear to ultra-poor
- Lack of general insurance and risk management education
- Information access largely based in personal relationships
- Call center not fully utilized
- Some more sophisticated information does not flow in a structured way (e.g. HCP referrals)

Improvements

Opportunity	Recommendation
Increase choice	Offer additional covers (top-ups)
Extend coverage and reach	Use top-ups and voluntary coverage as entry point to create a stronger insurance “product” (rather than “benefits”) culture
Lower access barriers	Change guarantor requirement to 2 or 3, and allow significant savings to replace 1 guarantor.
Enhance utilization of call centre	Utilize social structure to promote call centre. Enhance call centre: <ul style="list-style-type: none"> • 7am-7pm • 7 days a week • Toll-free • Auto-answering machine
Strengthen insurance education	Train loan officers to be more engaging, prepare Q&A structure for short talks, blown-up visuals. Segmented 4 week education cycle: Week 1: General insurance and risk management, Weeks 2-4: Nirapotta components.
Strengthen information flow	Improvement for hospitals referral system : provide list of HCP (public & NGO) along with Nirapotta card to members, display public & NGOs HCP maps in branches, strengthen call center role in referral system (provide the list of hospitals area wise to call center officer).
Strengthen written materials	Include FAQs

Cost

Strengths

- Affordability of the product (Ratio premium to income = 0.2% on average)
- Good value for money of the product
- Cost control : Referral system for HCP / SAJIDA own hospitals / fixed reimbursement list => help to control costs

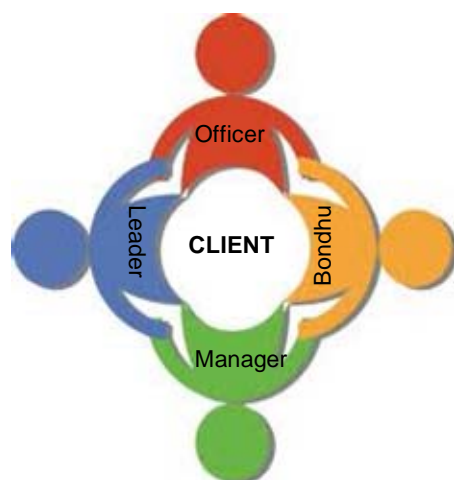
Weaknesses

- Same premium for all the members, income level not taken into account for both ultra-poor and better-off clients.

Improvements

- Price product separately for ultra-poor, define subsidy level; price additional cover options => *See ultra poor product and voluntary options*
- How to integrate CHP in the premium – Develop 3 year-plan to include CHP (Bondhus) cost in Nirapotta premium

Experience



“Sajida is like a tree that I have seen grow over the years, and I am under its shade and I feel protected...”

“Sajida’s help has improved my life.”

“If I am with Sajida I do not need any other organisation”

“Sajida has improved my life so much that I do not need the loans, however, I still borrow from them because I see them as my family and they provide additional services that I have used before – like Nirapotta.”

“Sajida does not ask for too many guarantors.”

“We are too poor to join many MFIs...”

Strength

- Low claims rejection- facilitates positive market discovery
- Clients are well informed concerning various processes
- Documentation requirements are not onerous (have been reduced)
- One to two weeks claims payment
- Very personalised and decentralised service: Branch manager, Field officer, Sajida bondhu
- MI card (passbook) with pictures easy to understand
- Claims tool
- **Tangibility**
- Different levels of claiming: At Sajida office; in the field – with the field officer or Sajida bondhu
- All staff handle customer queries and play a role in customer care

Weaknesses

- Ultra poor not really sure of claims process – potentially due to low literacy levels
- Clients has to go to the branch to receive the claims payment
- Client does not have a copy of the policy – containing terms and conditions of the product
- Call centre staffed by one person
- Claims process still long for certain products e.g. health

Improvements

- Tighten information collection procedures to improve claims (Improve communication with clients and HCP to make sure correct client details are placed on claims documentation (release note).)
- Simplify the policy contract and present a copy to the client
- Keep developing the call centre, promote it more and encourage usage by clients.

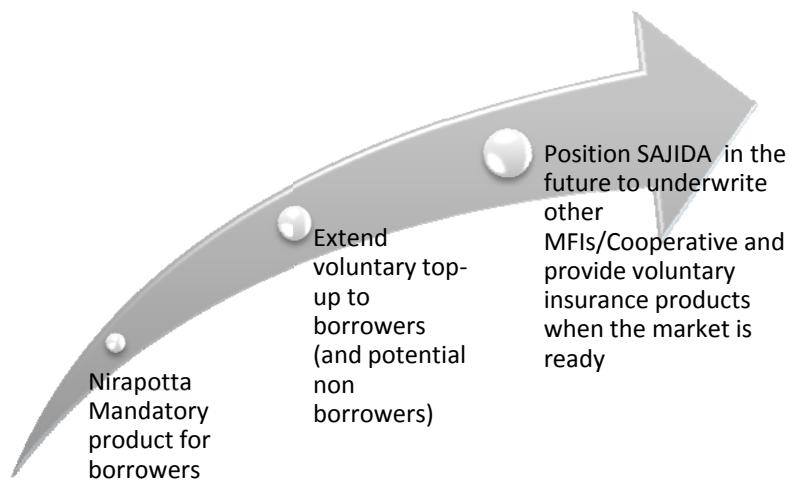
Opportunities to customize Nirapotta for specific client segments

Nirapotta evolved to a very good mandatory product that serves the needs of typical SAJIDA clients. As SAJIDA has some distinct client income segments in its portfolio, there is opportunity to provide better client value by customizing the product to the ultra-poor client segment and by providing voluntary top-up options for those who can afford to buy more coverage. It goes in line with higher risk-management needs of better-off clients (more assets to insure, availing health care in private clinics, etc.).

Category	Product	Cost
Ultra Poor	Keep health and life coverage as is. Lower fire cover. Remove education and legal. Add hospital cash facility i.e. for loss of wages and travel expenses.	100-200 TK
Typical and better off of clients	Optional Higher Coverage for health, life and fire benefits at the moment of enrolment	350-450 TK

Extending the coverage to non-borrowers

Given regulatory obstacles, it is not possible for SAJIDA to offer its insurance package to non-borrowers. It should keep influencing the regulations. In the meantime some interim options are suggested below.



Short-term suggestions:

- Cover the members in between loans & the savers who make up 14% of the Sajida plan. Do this by linking insurance premium to a time period instead of loan period. Explore opt-out for savers. Explore savings accounts deduction or up-front payment.
- Allow top-up options for additional members. Policy holders and enterprise loan borrowers should be able to add additional family members to their policy, and also the staff of their micro-enterprise, all for additional premiums..
- Market Nirapotta product to Sajida Hospital Card Holders, as Nirapotta members get better benefits than Hospital Card members. Convert them to borrowers if possible, research required in this area.

Annex 1: Participant list

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Annex 2: Nirapotta PACE analysis final matrix

To be edited :

Provider / Product name	Weights	Nirapotta old product		Nirapotta current product		Nirapotta product with improvement		Nirapotta product with segment customizations and voluntary options	
1. PRODUCT			3.0		3.5		3.8		4.2
1.1 Coverage, service quality, exclusions and waiting periods	0.35	Coverage = health, death, fire, legal, education	4.0	Coverage = health, death, fire, legal, education	4.0	Coverage = health, death, fire, legal, education <i>Long term proposition : OPD cover for consultation, drugs and diagnostic - thorough tie up with other clinics - with additional premium</i>	4.0		4.0
1.2 Sum insured in relation to cost of risk	0.35	Inadequation of coverage for health and fire Inadequate compensation for most common conditions (high copayment)	2.5	Coverage for Fire increased from 3,000 to 10,000 BDT Coverage for common conditions increased but still high copayment But still Inadequation of coverage for health (high OOPes)	3.0	Emergency loan as an strategy to finance OOPes / loan amount adequate to cover OOPes	3.5	Sum insured for most common disease to be increased / along with differentiation of the premium according to member segments For better off - higher coverage	4.5
1.3 Eligibility criteria	0.15	New born not included	2.5	New born included - but age limit for health and life	3.0	No age limit	3.5	For voluntary product : extend coverage to other relatives / employees of micro entrepreneurs	4.0

							Insurance benefits for members in between loan	
1.4 Value-added services	0.15	Inadequate visibility/impact of Community health program (B) Inadequate impact of Education VAS (B) Transportation problems to SF hospitals (C) Client difficulty in paying for common operations e.g. normal delivery, cataract operation. (C)	2.0	Improving Community Health program => awareness of the members for CHP Introduce additional education services 2 operations made free at SF hospitals Ambulance service introduced for some branches	4.0	Same VAS	4.0	4.0
2. ACCESS			2.7		3.5		3.7	4.6
2.1 Choice and enrolment	0.35	No voluntary option or choice of type or level of cover	2.5	Mandatory. Simple. Easy enrollment and claims requirements. No additional voluntary option or choice of type or level of cover. High number of guarantors required.	2.5		2.5	Voluntary option and choice of type and level of cover and beneficiaries 4.0
2.2 Information and understanding	0.35	Low field staff understanding of product; low customer understanding of product	2.0	High field staff understanding of product. Better client understand of product, but still poor among ultra-poor. Multi-tiered human interaction. Insurance card	4.0	High staff and customer understanding of product through multiple channels, including interactive ones, especially making the loan officers pitch more interactive.	4.5	Additional effort for ultra-poor. 5.0

				separate from passbook. Good materials, use of centre, bondhus and loan officers (weekly Nirapotta talks at collection centres). Limited use of call centre.					
2.3 Premium payment method	0.15	Single lump-sum payment	4.0	Single lump-sum payment	4.0		4.0	Single lump-sum payment for standard cover. Installment payment options for ultra-poor and extended covers	5.0
2.4 Proximity	0.15	Difficulty in accessing primary, preventive healthcare	3.5	Bondhus, centres, call centre	4.0	Strengthened call centre	4.5		4.5
3. COST			3.4		4.0		4.1		3.9
3.1 Premium in relation to benefit	0.35	Good value for money but unfair pricing	4.0	Good value for money, fair pricing	4.5	Good value for money	4.5		4.0
3.2 Premium in relation to client income	0.35	Premium perceived as 'high' if including cost of all VAS is included. (C, B) Premium for additional children was unfairly high. (C, B)	3.5	Product repriced to make it sustainable while affordable. Pricing differentiated to 150, 300 and 450 Tk for 3 product types. Cost of some VAS (Community Health & Legal) subsidised by Microfinance Premium for additional children re-priced fairly at 20, 40 and 60 Tk (from flat 50 Tk)	4.5		4.5	Premium for additional beneficiaries and benefits appropriately priced; higher premium Premium segmentation according to income level of members - with instalment facilities	4.0

3.3 Other costs	0.15	travel cost lost of wages OOPES	1.5	travel cost lost of wages OOPES	1.5	1.5	hospital cash for ultra-poor; Reimbursement of travel costs for members going to Sajida Hospital ? eimbursement of travel costs to any hospitals for ultra poor Reimbursmeent of lost of wage for ultra poor	2.5	
3.4 Cost structure and controls	0.15	Fraud (especially of health claims) is a minor problem. (B)	3.5	Claims simplification process redesigned to control fraud (including setting up management control loops). Cost control : Referral system for HCP / SAJIDA own hospitals / fixed reimbursement list => help to control costs	4.0	Review premium structure Improvement for hospitals referral system : provide list of HCP (public & NGO) along with Nirapotta card to members, display public & NGOs HCP maps in branches, strengthen call center role in referral system (provide the list of hospitals area wise to call center officer).Develop 3 year-plan to include CHP cost in Nirapotta premium	4.5	Viability boosted with top-up option	5.0
4. EXPERIENCE			2.0		3.8			3.9	3.9
4.1 Claim processing procedures	0.35	No software for processing claims, claims centralised to head office and field officer/bondhu not used in the process. Many documents. Claims documents also included I.D, hospital card and other	2.0	Client collects documentation, hands it over to the bodhu, field officer or at branch. Branch manager reviews the application - if they cannot decide the claims committee reviews it. Client is then informed whether the claim has	3.5	1. Alternative claims payment - eg claims payment 2. Controls should be put in place to ensure service providers fill the accurate information on the release note. 3. Controls should be put in place for staff who retain	3.6		3.6

		additional documents		been approved or disapproved. Claim is then paid out to client at the branch.		client documents - penalty?			
4.2 Claim processing time and/or quality of service provided	0.35	Average claims processing time was 25 days	2.0	Has improved since Sajida implemented changes. Currently, claims are reviewed by branch manager, and then the client is informed. Average claims pay out is 7 to 10 days. Clients have to find alternative risk coping mechanisms i.e. emergency loans to survive while the claim is being processed.	4.0	1. Additional research concerning health claims should be done to facilitate reduced claims payment time	4.0		4.0
4.3 Policy administration and tangibility	0.15		2.0	1. Clients receive an insurance card (with cards) however they do not receive a policy copy.	4.0	1. Provide the client with a policy document	4.2		4.2
4.4 Customer care	0.15	No call centre, queries handled by existing staff	2.0	1. Decentralised network facilitates client reach - various client customer care options including the field officers and the bodhu 2. introduction of call centre	4.0	1. Additional call centre staff. 2. Educate clients on the role of the call centre 3. Educate clients on the claims processing procedure.	4.0		4.0