

MICROINSURANCE CONFERENCE

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CAPE TOWN

CGAP WORKING GROUP ON MICROINSURANCE
CASE STUDY NO. 10 - MADISON INSURANCE, ZAMBIA
BY LEMMY MANJE

PARTNER-AGENT MODEL –

CLAIM PAYMENT SESSIONS

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1. Overview of microfinance and microinsurance in Zambia

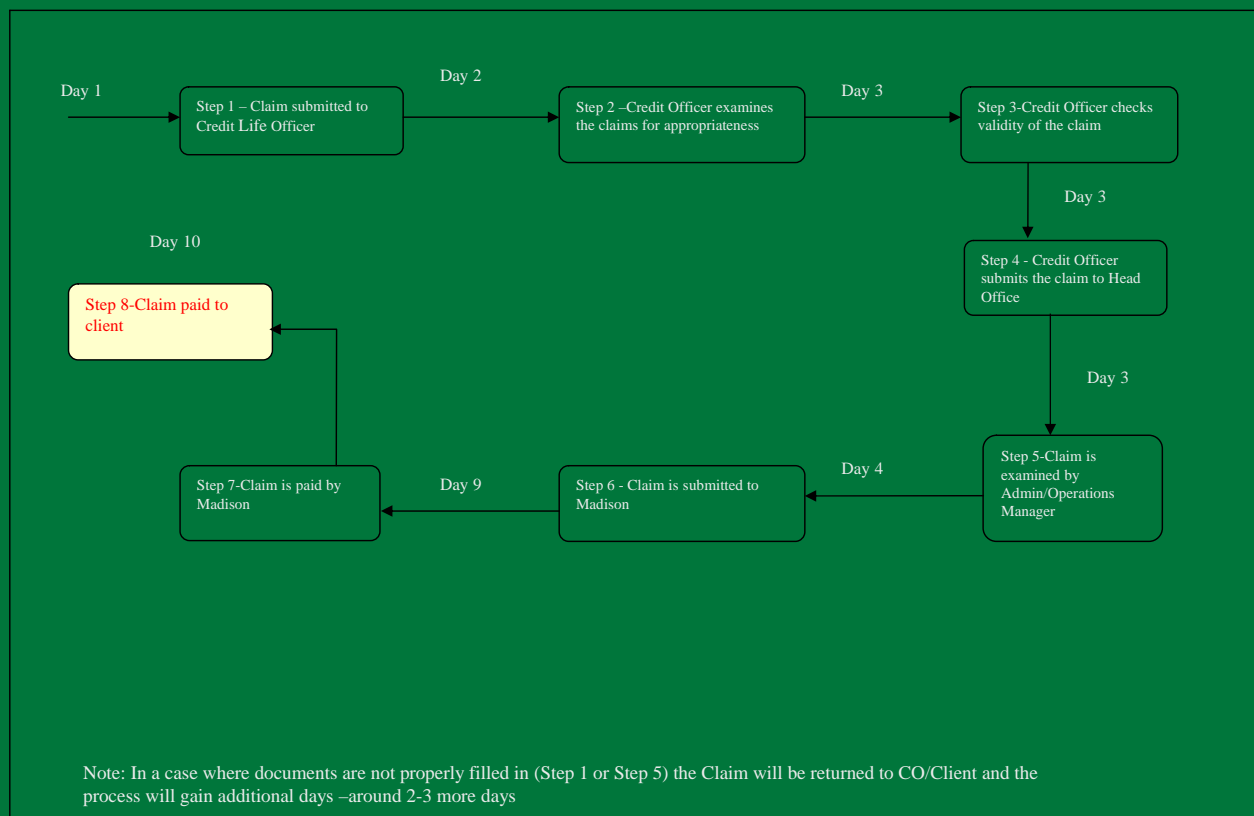
- ✔ The role of microfinance is to provide finance to low income earners and small scale entrepreneurs.
- ✔ Microfinance institutions are operating in an environment without specific regulatory framework.
- ✔ There is no explicit Government policy on microfinance.
- ✔ Formal microinsurance began in 2000 and transactions have increased dramatically since 2001.
- ✔ The range of microfinance products have remained narrow with most products being closely linked to micro credit.

2. Membership – Major Risks and vulnerabilities

- ✓ The first tier of risks faced by majority of MFI clients in Zambia are death and illness.
- ✓ The second tier of risks relate to various economic stresses that cannot be met out of regular household cash flow:
 - Illness of members of the family
 - Education Expenses
 - Funerals of members of the family
 - Food
 - Accommodation
 - Theft

Claims Management

Typical Claims settlement process



Claims Settlement Details

Issues	Observations
Parties Involved	Madison, MFIs, Beneficiaries
Documents are required for claims submission	The Standard requirements for death claim are
	•Medical certificate of the cause of death
	•Post mortem report with burial permit
	•Police report with burial permit
	•Plus proof of identity i.e. National Registration Card or Passport
	For deaths that occur in remote villages, the requirements are three written confirmations of death, such as
	•The District Secretary or local police station
	•The Chief or village Headman and
	•Employer of the deceased
	•Plus proof of identity
Claims payment method	The standard requirements for sickness claim are
	•Certificate of sickness from a qualified medical practitioner
	•plus proof of identity
Claims payment method	Cash or cheque depending on amount or whether client has a bank account
Time for insured event to claim submission	2days;varies widely and depending on how fast the client can organise the documentation; clients are encouraged to make a claim within a month
Time for submission to payment	7 working days; However, Madison does take longer than this sometimes
Claims rejection rate	Estimated at 5% ;However, it seems senior management was not aware of some claims rejected particularly those due to misinformation from staff

3 (a) Case study conclusions on claims

Management

✓ Provision of claim documentation:

MFIs need to understand the importance of submission of claim documents for quick settlement of claims.

The loan Officers should give the same attention of provision of documentation as to that of collection of premiums.

✓ Claim rejections:

The Insurer and senior members of Staff of MFI's are not aware of any rejections .However Field Staff claim that 5 to 10 percent of Claims are rejected.

✓ Main causes for rejections are :

1. Misinformation about the product parameters
2. Insufficient claim documentation.
3. Fraud

3(b) Case study conclusions on Claims Management

✔ Delays in claim Settlement:

Claims process with the insurer is too long and rigid.

✔ Clients understanding of the settlement process:

Clients are not fully aware of the claim requirements and documentation.

✔ Clients lack of knowledge of insurance :

A lack of knowledge and communication of insurance and its benefits between the borrowers and their beneficiaries.

✔ Staff education:

Training of staff involved in the selling and servicing of microinsurance is very important particularly in providing consistent product information and servicing claims.

3 (c) Case study conclusions on claims management

✔ Internal communication:

Effective internal communication on products is very important.

✔ Staff workload:

Simplification of registration and processing documentation can reduce the workload for credit officers and speed up the claim settlement process.

✔ Dealing with myths about client education:

e.g clients are too many to be taught, they wont understand Insurance

4(a) “Lessons learned” of the case study by Lemmy Manje and Insurer’s observations

(i) Role of Insurer:

An insurance company should consider embracing more roles in the delivery of insurance through MFIs.

RECOMMENDATION:

- ✔ Going forward Madison will take a more supportive role to MFIs in educating their clients about the value of life assurance, getting feedback on product satisfaction, avoiding fraudulent tendencies especially with the sickness cover and making them understand how the sickness cover operates.

4 (b) “Lessons learned” of the case study by Lemmy Manje and Insurer’s observations

(ii) Limited Understanding:

Focus group discussions showed that most clients had a shallow understanding of insurance features and benefits. Client education is certainly weak for all MFIs, and this is largely due to staff limitations. Staff responsible for servicing insurance products should receive adequate training to enable them to effectively educate clients on insurance and indeed promote microinsurance products.

Recommendation:

- ✔ As said in 4 (a) for the future we will take a more comprehensive education program for MFIs clients.

4 (c) “Lessons learned” of the case study by Lemmy Manje and Insurer’s observations

(iii) Provision of claim documentation :

- ✔ Focus group discussions showed that most loan Officers spent a lot of time chasing up on loan repayments and did not consider the provision of Claim documentation as equally important.

Recommendation:

- ✔ As said in 12 (a) for the future we will take a more comprehensive education program for MFIs Staff for them to appreciate their role in the claims process.
- ✔ They may be need to dedicate a few of the MFIs officers to handle claims processing and make them readily available for consultation with the clients.
- ✔ The insurer will also be required to try and reduce on the required documents so as to make it possible for the clients to meet the claims requirements.

4 (d) “Lessons learned” of the case study by Lemmy Manje and Insurer’s observations

✔ (vi) Claims rejections:

- ✔ The rejection of Claims by the Insurer is proved to be a source of discouragement to the clients .

Recommendation:

- ✔ There is need to educate both the MFIs staff and their clients on the aspects of the claims processing in addition to the knowledge of the product itself. This will reduce on the rejections due to misinformation and provision of documentation. As said in 12 (a) for the future we will take a more comprehensive education program for MFIs clients.

4 (e) “Lessons learned” of the case study by Lemmy Manje and Insurer’s observations

(v) Delays in claim settlement:

- ✔ Delays in the claims settlement does disadvantage the poor as it takes a long time to settle after a disaster.

Recommendation:

- ✔ Insurers should aim at reducing the time period it takes to settle a claim by being more flexible in the required documentation and assessing each case on its own merits and not standardizing the requirements as for all other policies. This is after taking into account the fact that its small values involved
- ✔ To reduce on underwriting at claims stage so as to reduce on delays especially that the amounts involved are small.
- ✔ Issue the payments to the beneficiaries directly instead of the MFIs

4 (f) “Lessons learned” of the case study by Lemmy Manje and Insurer’s observations

Workload

- ✔ The workload for credit officer is too much and there a number of functions that are being performed.

Recommendation :

- ✔ There is need to simplify the work process and also to computerize the functions.
- ✔ There may be need to have specialized claims assistants in the MFIs institutions so that the process is given the attention required.
- ✔ Issuance of the payments directly to the beneficiaries instead of the MFIs

THANK YOU FOR YOUR ATTENTION