

# SAVINGS LINKED INSURANCE FOR RESILIENCE: GHANA & MALAWI

Final Report - June 2023



## INTRODUCTION

For the past seven years, VisionFund has been actively designing microinsurance products tailored to meet the needs of the clients we serve. We believe microinsurance provides vulnerable individuals with the safety net they so often lack. VisionFund has proven successful in working with local insurance providers while negotiating coverage that is contextually appropriate for the community members where we work. We are looking to expand our reach by offering our microinsurance expertise to our partner organisation World Vision, giving World Vision beneficiaries the opportunity to purchase insurance to protect themselves and their family from financial hardship from health-related incidences.

For the past two years, VisionFund has piloted the provision of health microinsurance to World Vision Savings groups in Ghana and Malawi through funding and support by The Swiss Capacity Building Facility. VisionFund serves as World Vision's microfinance subsidiary. World Vision is the global Christian relief, development and advocacy organisation working in nearly 100 countries for over 70 years. The Swiss Capacity Building Facility is an innovative public-private platform that provides access to the expertise required to develop and scale innovative solutions.

## HEALTH INSURANCE AND RESILIENCY

Microfinance is the practice of providing vulnerable families with financial services which includes credit, savings, and insurance. Benefits include sustainable livelihoods, increased economic and community well-being, decreased dependence on outside aid, and restoration of hope and dignity.

Microinsurance products enable clients to guard against the consequences of an illness or the failure of their business from uncontrollable risks by supporting them to recover their livelihoods faster, helping them build resiliency when they encounter a shock.

Sustainable Development Goal 3 (SDG-3) ensures healthy lives and promotes well-being for all ages. SDG-3 aims to address health issues just as much as financial issues. Health insurance is a solution to help people cover expenses in cases of illness.

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*The disruptions to education and health care for children, coupled with catastrophic out-of-pocket health expenses which affect more than 1 billion people, could put the brakes on the development of human capital – the levels of education, health and well-being people need to become productive members of society.*

Carolina Sánchez-Páramo, Global  
Director of Poverty and Equity for the World Bank.



Access to good healthcare is a human right.

 SUSTAINABLE DEVELOPMENT GOALS #GlobalGoals

**1.4 billion people** incurred **financial hardship** by having to **fund their health cost.**

(World Health Organisation and World Bank)



## PARTNERING FOR GREATER IMPACT

In times of crisis, those living in rural poverty can have difficulty recovering from shocks. VisionFund's microinsurance products ensure that our clients aren't left with further financial difficulties after a death, birth, theft, accident, illness, or disaster. VisionFund is looking to expand our work to serve World Vision beneficiaries by ensuring that we reach the most vulnerable communities, providing them with the financial resources needed to thrive.

The expansion of microinsurance to World Vision beneficiaries came about during a World Vision assessment that revealed that desperate parents and caregivers are finding it increasingly difficult in the post-COVID-19 time to provide their children with healthy nutritious food or to buy necessities such as medicine and hygiene products (Out of Time report, July 2020). The World Vision offices also conducted child audit surveys and realized that most child deaths could have been avoided with the proper health treatment. They could not access proper treatment because of a lack of microinsurance products offered to communities and misunderstanding on how insurance works. These findings revealed the importance of World Vision and VisionFund partnering to provide World Vision beneficiaries with access to microinsurance.

# CHALLENGES FOR WORLD VISION BENEFICIARIES

As VisionFund seeks to expand its insurance offering to World Vision beneficiaries, there are challenges that must be addressed when offering it to new clients.

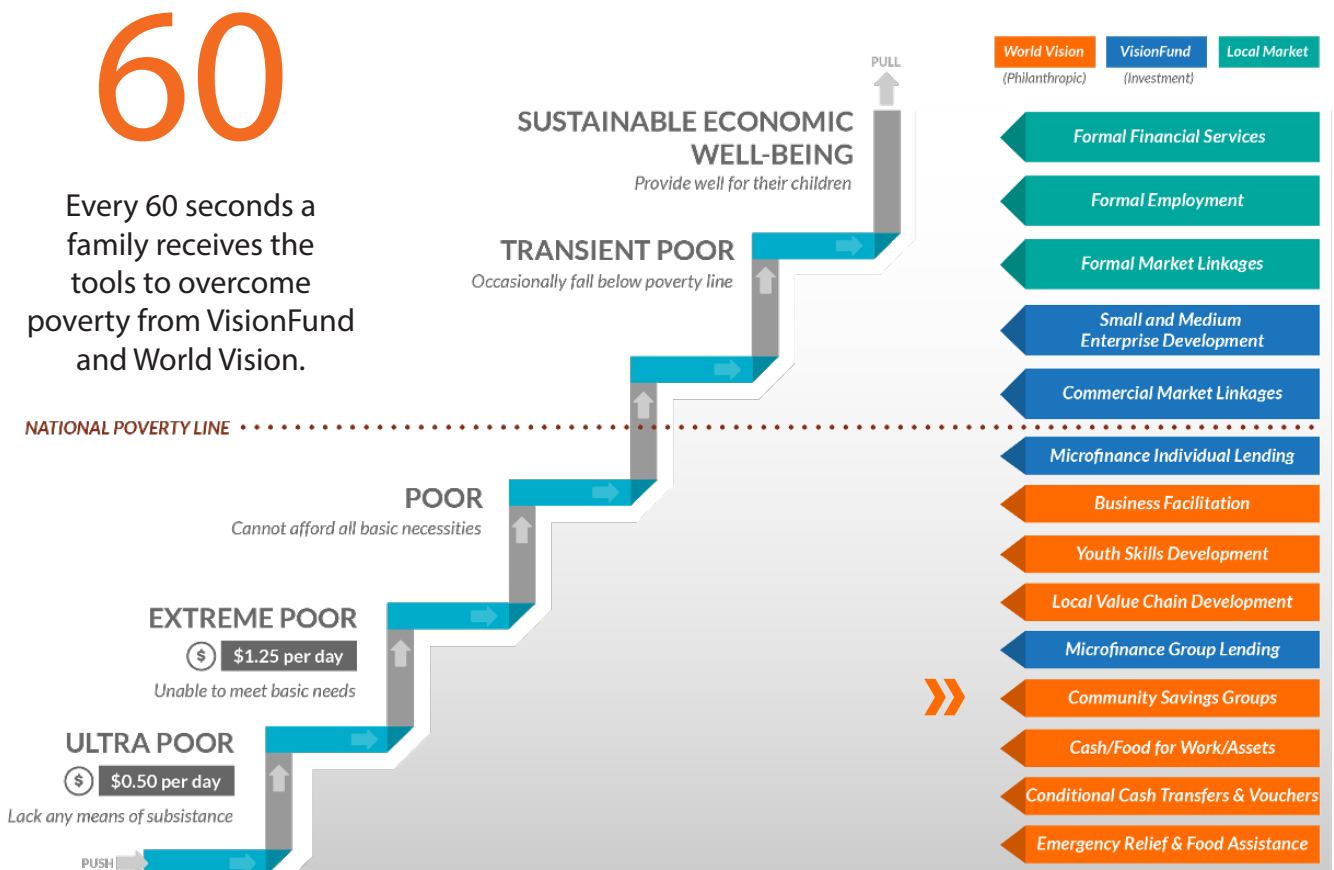
Traditionally, the promotion and enrolment of insurance to VisionFund borrowers is done during the loan application process. The borrowers are known to VisionFund and have an account with VisionFund that is used to pay the premium, or they have the option of increasing their loan amount to cover the insurance premium. These mechanisms are in place and up and running.

However, World Vision is focused on providing humanitarian aid to communities, and staff are not used to integrating programs for which its staff will be asked to promote, distribute, or sell an insurance product.

The target population is the World Vision Savings Groups members and their dependents. Community members are already organized into groups making them an easy to reach target. They are already identified by World Vision field staff, so the link with the target group is easier to establish.

The target groups are lower on the Economic Ladder (see below). They are less educated on financial tools than clients of microfinance institutions, but they do have experience saving and borrowing money within a group. They understand the solidarity mechanism among a group and can be receptive on the concept of insurance by putting small money aside for those who are in need when the need arises. As part of a savings group, they could possibly use part of their yearly share out or part of their interest accrued to cover the cost of health insurance.

## Economic Ladder



## 2021 SURVEY RESULTS

VisionFund conducted demand surveys in Ghana and Malawi and the respondents confirmed the need for insurance as evidenced by the summary results below:

	Ghana 553 respondents in 11 locations (2021)	Malawi 410 respondents in 5 locations (2021)
<b>Risks identified</b>	<ul style="list-style-type: none"> <li>• 54% declared that illness is the <b>most important risk</b></li> <li>• 52% said illness is the <b>most financially impacting risk</b></li> <li>• 39% use savings to pay for medical bills</li> <li>• 73% are covered by the national scheme</li> </ul>	<ul style="list-style-type: none"> <li>• 90% declared that <b>illness</b> is the <b>most important risk</b></li> <li>• 96% said <b>illness</b> is the <b>most financially impacting risk</b></li> <li>• 59% use savings to pay for medical bills</li> <li>• National scheme: hospitalization is free at the public hospitals</li> </ul>
<b>Experience of illness</b> (previous 12 months)	<ul style="list-style-type: none"> <li>• 88% of households <b>experienced an illness</b></li> <li>• 36% could not operate their business for 5 or more days</li> </ul>	<ul style="list-style-type: none"> <li>• 89% of households <b>experienced an illness</b></li> <li>• 43% could not operate their business or a week or more</li> </ul>
<b>Understanding of insurance</b>	<ul style="list-style-type: none"> <li>• 98% said they had a good understanding</li> </ul>	<ul style="list-style-type: none"> <li>• 77% said they had a good understanding</li> </ul>
<b>Willingness to join</b>	<ul style="list-style-type: none"> <li>• 61% are interested in insurance</li> </ul>	<ul style="list-style-type: none"> <li>• 70% are interested in insurance</li> </ul>

## EVALUATION AND IMPLEMENTATION PROCESS

Based on field surveys and further country checks, we developed a low-cost context specific health insurance product that targets low frequency, but high impact events.

We have developed a five-stage methodology for setting up insurance for savings groups in each country.

<b>1</b>	<b>Stage one</b> is a country analysis which assesses the General Economic Development indicators, Financial Sector Development (including payment systems), Insurance Sector Development, and Insurance Regulatory Framework.
<b>2</b>	In <b>stage two</b> , we conduct an insurance demand survey to assess coping mechanisms that the community members use in case of illness, their level of insurance knowledge, and ability and willingness to pay among the targeted beneficiaries.
<b>3</b>	In <b>stage three</b> , we float a tender for product development among local and regional insurance providers and facilitators. The tenders will be assessed and awarded to the best institution based on product value, as well as the terms and conditions that will be offered and the level of premium.
<b>4</b>	In <b>stage four</b> , we negotiate and adjust the product with the selected insurer taking into account the operating processes and expected volumes. When we agree, we contract with the insurance partner.
<b>5</b>	<b>Stage five</b> is the final stage and when the implementation occurs.

## DEVELOPING INSURANCE SOLUTIONS

In Ghana we developed a hospicash product that covers a family of up to 8 people at a cost of less than \$10 per year with a hospitalization benefit of \$13 per night, a death benefit (\$265 for main insured, \$132 for spouse and \$66 for a child) and a disability benefit of up to \$265 depending on the severity of the disability.

In Malawi we started off with a medical scheme product covering one person at a cost of \$12. Benefits included outpatient care, inpatient treatment, drugs, ambulance, and selected specialist services. The product was discontinued as it experienced a claims ratio of 225% as premium and benefits were not balanced.

A hospicash product with a premium of \$6 for an individual and \$16 for a family of up to three members and an option for an additional member at a cost of \$4 was developed. Benefits include \$18.50 per week for hospitalization for more than three nights, a death benefit of \$247 and a disability benefit of up to \$247 depending on the severity of the disability.

To keep premiums as low as possible, we digitalized the processes from enrolment to claim using phones and the ability for claimant to submit their claim documents through WhatsApp directly. Training on using the dedicated App was provided at the same time as training on the product. Targeting already formed savings groups also maintained the operational cost of distribution at a sustainable cost.

The willingness of insurers and the commitment of World Vision structures to go further and innovate in order to protect more families proved a great contribution in making this possible.



# PILOT PROJECT CONSIDERATIONS

## » Project Opportunities

- 1) Commitment from stakeholders to find the right model to overcome poverty through this tool to create greater resilience.
  - World Vision, VisionFund and insurers work together to develop and document an operating model that can be used to cascade to World Vision savings groups in other countries, savings groups in other organisations and other World Vision beneficiaries who are not in savings groups.
- 2) Potential to scale
  - Potential for clients willing to pay, for World Vision's willingness to mobilize communities in World Vision operating in 100 countries with 79,000 savings groups and serving 1.6 million beneficiaries.
  - Scale-up in Ghana and Malawi, extend to other countries and other World Vision target beneficiaries.

## » Project Challenges

- 1) Difficulty monitoring field staff remotely
  - Consultants (Insurance Officers) contract had weak reporting lines and an unattractive fee structure, which could encourage consultants to engage in other activities.
  - A lack of monitoring lead to low productivity and commitment of staff.
  - Exploring an alternative contract for field staff to enhance accountability and productivity. It is important to use existing structure for field staff and recruit a dedicated staff and to monitor staff activity using different tools including Open Data Kit (ODK).
- 2) Unbalanced product (Malawi)
  - The first product in Malawi was not balanced in terms of premium and respective benefits and was prone to adverse selection as benefits proposed were very large without waiting period.
  - People may wish to register while already having a health issue as there is no waiting period. It also influences people to wait getting health issues before registering. Therefore, the whole concept of paying for an hypothetical risk if not completely observed in this situation and technical results are biased with a higher claim ratio than in a more normal situation due to a lower risk mitigation.
  - High claim ratio prompted the insurer to stop the product on very short notice.
  - Project had to find an alternative provider with an appropriate product.
- 3) Slow product intake
  - Staff and clients have limited knowledge and understanding of insurance leading to low volumes at the beginning.
    - Develop short product orientation training for senior leadership.
    - Develop intensive training for the field team in order for them to understand clearly the concept and how this tool serve our clients and improve our impact.
    - Design strong educational campaign and powerful marketing tools to raise awareness of clients on the concept of insurance as well as how to benefit from it.
    - Use existing World Vision/VisionFund local staff instead of external insurance officers as they already have the trust of the community and the structure to meet the families.



## PROJECT RESULTS

- » Outreach within the **21 months of sales** (1 September 2021 to 31 May 2023) in the field **reached 7,764 policies** covering **21,306 people** and **940 claims valued at \$16,121** were processed.
  - Ghana had 3,096 policies covering 15,516 people with 157 claims.
  - Malawi had 4,668 policies covering 5,790 people with 783 claims.
- » In the last 21 months, **41,771 people were trained** (17,191 in Ghana and 24,580 in Malawi) **in the concept of insurance, financial inclusion and topical health issues** such as malaria, maternal care and high blood pressure.
- » There has been a **notable mind set change among World Vision and VisionFund staff** in recognizing health insurance as a tool for building resilience and protecting families.



# PROJECT LESSONS LEARNED

## » Product

- We learned that clients prefer the family product (94% in Ghana) as it provides more impact to children and families served. It is also cheaper to buy a family product than to buy individual policies for all family members. For example, in Ghana the family product covers up to eight family members.
- Product must be balanced between benefits and premium (not too low) to be sustainable and remain attractive to clients. In Malawi, where the product was unbalanced and the insurer withdrew due to a high claims ration of 225%, securing a product and a premium for at least two years should be a strategic point to ensure smooth implementation.

## » Distribution

- There is a need to bundle the product with other services provided in order to achieve volume.
- Selling the product on a mandatory or opt out basis is best.
- There is a need to build in a good incentive scheme for distribution staff.

## » Training and education

- There is a need for product orientation for senior staff, as well as first time training and refresher training for field staff.
- There is need intensive education for clients at the right time, have an official launch, take into consideration seasonality of activities and income for farmers. Education should be ongoing.
- Use existing community structures and staff who are known in the community to enhance trust as insurance is an intangible good.

## » Marketing and Promotions

- It is important to ensure that there is good and effective engagement between clients and the insurer (i.e. through welcome calls and regular SMS messages from the Insurer).
- There is a need to enhance visibility through print media and local radio stations.
- It is important to have national and local promotional events to launch the product.

## » Management

- Ensure that middle and top management teams have a commitment to prioritizing this initiative.
- Use existing community structure and staff who are known in the community to enhance trust as Insurance is an intangible good.

## STEPS TAKEN

### **VisionFund decided to go further and increase its impact to World Vision savings group members:**

- In Ghana and Malawi, the product will be scaled up in the five Area Programmes where we were piloting and be replicated in other Area Programmes to cover the whole country.
- Extend this initiative to Rwanda, Uganda, Mali and/or Senegal in financial year 2023.
- Globally, World Vision has 79,000 savings groups with 1.6 million beneficiaries. The objective is to see everyone covered.

### **VisionFund and World Vision also identified needs to cover other World Vision beneficiaries:**

- Pilot a similar health insurance product among other World Vision beneficiaries especially amongst World Vision's most vulnerable children (poorest of the poor).
- With 3 million children supported by World Vision globally, we hope we will be able to contribute to provide brighter future to all children and their families.

### **Provide technical assistance for other organisations wanting to implement the model but without the internal resources to design products, negotiate with providers and support field implementation.**



**VisionFund** is the world's largest mission Christian microfinance network and part of World Vision, a Christian relief, development and advocacy organisation. We serve over 1 million clients and impact the lives of 4.7 million children in 28 countries. In Africa, we operate in 11 countries, lending over USD \$244 million to more than 569,000 clients.

**World Vision** is a Global Christian Humanitarian Organisation working in nearly 100 countries around the world dedicated to working with children, families and communities to fight causes of poverty and injustice.

The **Swiss Capacity Building Facility** (SCBF) is an innovative public-private platform to enhance inclusive finance for low-income clients, especially women, smallholder farmers and MSMEs, in emerging contexts. We enable financial service providers to access the expertise required to develop and scale innovative solutions that address the unique challenges these clients face.

Since inception in 2011, SCBF has co-funded over 188 projects across 50 countries, reaching over 3.4 million people with financial services that improve their living standards, build resilience and advance economic empowerment.

Have a bold idea to strengthen financial inclusion? Connect with us at [www.scbf.ch](http://www.scbf.ch) or LinkedIn @SCBF.