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MEFIN Network

Microinsurance Reporting System (MIRS)

2018 Edition

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Introduction

Insurance regulation generally seeks to ensure that *quality, fairly priced* products are *available* from *reliable* insurers. The market in which the insurers operate is desirably a competitive market, and government intervention is most evident and needed to ensure that they are *reliable*. Insurance and reinsurance companies are financial intermediaries selling promises (i.e., insurance coverages) of future delivery and together play an important role for the furtherance of the local economy. Their clients are not only citizens but also entities in the public and private sectors. They are thus subject to regulation in every known market.

Government regulatory policy and practice regarding insurance typically take place at three levels. The legislative body commonly enacts laws to establish the country's broad legal framework for insurance, including the general standards and scope of responsibilities of the administrative agency charged with enforcement of the insurance laws. The judiciary enforces insurance laws and resolves disputes arising from insurance transactions.

The state's executive branch carries out insurance regulatory oversight. Because of the complexities in insurance business, policymakers commonly delegate this authority to a ministerial department (e.g., Brunei, Nepal and Vietnam), a (*de facto*) central bank (e.g., Autoridade Monetaria de Macau, Bank Negara Malaysia, and Monetary Authority of Singapore) or another government agency (e.g., the China Insurance Regulatory Commission, Financial Services Agency of Japan, Financial Supervisory Commission of Taiwan, Korea Financial Supervisory Commission, the Insurance Regulatory and Development Authority of India, the Office of Insurance Commission of Thailand, and the Securities and Exchange Commission of Pakistan). The governing body may work with or further delegate its duty to a subordinate government agency (e.g., the Insurance Board of Sri Lanka, the Insurance Regulatory Authority of Nepal, and the Office of Commissioner of Insurance of Hong Kong) or a quasi-government agency (e.g., the Financial Supervisory Service of Korea). One or more industry associations bridge the regulator and the regulated in a number of countries including those in Asia.[1]

Who Collects and Uses Insurance Data

Governments increasingly depend on the quantitative data and qualitative information they collect from the market. They use the data to evaluate the market in general and to examine the regulated entities that exhibit signals of financial or operational difficulty. The most common sources of the data are financial statements, interrogatories, and findings from onsite examination. Other parties collect the same of data and information as well. They include but are not limited to other governments (for inter-governmental cooperation, for example), inter-governmental organizations (for global comparison and standard setting), insurance and reinsurance companies (for competitiveness analysis), investor and consumers (for the protection of their wealth and policyholder's right, respectively), and academicians (for research), statistical

[1] A Preliminary Review of Insurance Statistics Sources in Selected Asian Countries, W. Jean Kwon, 2010

agencies, and rating agencies (for further dissemination of data and statistical analysis for their members and customers).

Data collection methods and the scope of data submitted to the government and other stakeholders vary widely not only in Asia but also in other regions. Governments increasingly make the data or a summary of the data available to help other stakeholders correctly evaluate the local market and its participants. However, it seems that several governments are not up-to-date when it comes to collecting and disseminating data or do not effectively control the flow of data to other stakeholders.1 these issues warrant examination

The Case of Microinsurance Data Reporting

Microinsurance is a rapidly growing industry that faces a variety of challenges in providing valuable products in a profitable way. Data allows stakeholders to analyse performance and make better decisions, yet data on microinsurance has been limited. Efforts to promote key performance indicators (KPIs) for individual institutions and to generate region-wide data through landscape studies have been effective but still exist on a limited scale. Expanding these efforts can professionalize the microinsurance 'industry' by allowing the development of useful tools to enhance products and identify opportunities. Several constraints to data collection hinder these efforts. These include definitional variability, competitive forces as a disincentive to sharing, and lack of data segregation, among others. Improving data collection will require presenting a strong value case to insurers, getting supervisors to promote KPI calculations and broader landscaping, and then using this data in a way that enhances and expands microinsurance.

MEFIN and Data Reporting in its Member countries

"As the saying goes, if you can't measure it you can't manage it."

This adage holds true for the business of microinsurance in general as well. However, as we look at the MEFIN network members we find that only Philippines has a well-developed set of regulations on performance reporting for microinsurance players. The Insurance Commission of the Philippines, through its Circular Letter 5-2011 – Performance Standards for Microinsurance sets guidelines for reporting microinsurance activities and prescribes the calculations of prudential and performance ratios according to set of Performance Standards called SEGURO (Solvency, Efficiency, Governance, Understanding of Microinsurance, Risk Management and Outreach of clients).

MEFIN is a peer network of insurance regulatory authorities in Asia, established as a platform for effective and efficient exchange of relevant knowledge and best practices on inclusive insurance. MEFIN was established in 2013 through the assistance of the GIZ program on Regulatory Framework Promotion of Pro-poor Insurance Markets in Asia

(RFPI Asia) and Asian Development Bank to encourage productive exchanges of knowledge and experience among member countries.

The MEFIN has created a supportive environment where ideas, knowledge, insights, and business practices and models are exchanged to ensure that all stakeholders are capacitated to advance inclusive insurance in their own jurisdictions. Simultaneous to such exchanges, these stakeholders become advocates in their countries, issuing policies, designing inclusive insurance products, crafting literacy campaigns, expanding reach, and yet so often, these efforts are not reported, measured nor analysed.

As a platform of a capability building, the Network also serves as a CHANGE AGENT, pushing innovations that will bring about essential and relevant improvement on "how we do things." The first digital transformation that the network pursues is the Microinsurance Reporting System (MIRS). The vision behind this MIRS system is that it will become the common standard for reporting on performance of Microinsurance in all member countries of the MEFIN network.

Key Functions Expected from the MIRS

Data Aggregation

Microinsurance remains a relatively young sector and not many sources of data exist that offer enough data-based information and knowledge of the industry as a whole in terms of gaps in products/coverage, performance or trends over time. Hence, MEFIN visualises MIRS as a data aggregation exercise (similar to Swiss Re sigma's research studies and annual World Insurance Reports) that can illuminate trends and identify differences across countries of its membership on key factors such as uptake and product diversity.

However, in the absence of standardised regulatory definitions and well-developed reporting mechanisms for microinsurance providers, there is no standard mechanism that exists for data aggregation at a national level and also at the regional level at which the MEFIN operates.

The MIRS offers the opportunity to become the first platform for standardised data collection mechanism in the MEFIN region.

Data for Monitoring and Benchmarking

As in any industry, in order for microinsurance to develop and profitably provide better products and services for clients, stakeholders need to analyse performance and identify emerging trends. A deeper look at these trends and differences can help to identify factors or contexts that drive or detract from the development of microinsurance.

Ultimately, improved access to better data will result in better access to more appropriate (valuable) insurance products for low-income clients, and a stronger business case for insurers and intermediaries. A better understanding of the market gained through industry-wide data is needed by:

- ***Insurers*** – to benchmark against relevant peers and identify opportunities for expanded business and improved effectiveness. Understanding one's place in the market improves competition, leads to better products for the beneficiaries, and has a positive impact on pricing and service quality. Thus, data sharing can lead to improved balance between business case and client value as a result of robust data collection and information sharing.

- ***Intermediaries*** – to understand key benchmark indicators in order to better work efficiently with partners (insurers, clients, etc.) as well as to monitor their own performance on processes such as distribution and claims settlement.

- ***Regulators and policymakers*** – to develop a regulatory and supervisory environment that facilitates microinsurance market development while still protecting consumers, based on knowledge and understanding of the market and its stakeholders, as well as to gain a vision of microinsurance indicators in other jurisdictions. These obviously require an adaptive understanding related to the country differences, but can help regulators to take a more quantitative approach to microinsurance legal considerations.

- ***Multilateral agencies supporting microinsurance sector*** – to more effectively focus interventions in areas where gaps are evident as well as to improve coordination with others. Data can also be used to clearly understand market and insurer issues as identified through proper benchmarking.

Promoting Information Exchange and Assessment of MEFIN's Impact

MEFIN has undertaken a wide array of efforts, through its regulatory partners in The Philippines, Nepal, Pakistan, Vietnam, Mongolia and Pakistan and the private insurance sector in these markets to work towards a evolved and conducive microinsurance ecosystem in these markets. MEFIN visualizes that the MIRS will offer an ideal platform for information exchange amongst its members and partner organisations for ideas, knowledge, insights, and business practices and models are exchanged.

As a platform of capability building, the MEFIN Network is also a CHANGE AGENT, hence monitoring the data and understanding the evolving trends will help MEFIN better quantify its impact that can be measured in the reported growth of microinsurance coverage, better client value being offered and microinsurance sector as a whole evolving in a sustainable manner.

Assumption for MIRS

There exist multiple challenges in getting the right microinsurance data from microinsurance providers. Hence, the following assumptions have been made while designing the MIRS tool.

- **Separated reporting of Microinsurance activities**
  Many organisations provide services other than microinsurance, and although the activities of delivering multiple services may be integrated, microinsurance data must be captured in such a way that it can be easily separated from data generated by non-microinsurance activities. Separate accounting for microinsurance and other activities such as microfinance will enable isolated measurement of financial performance for each activity. For small-scale microinsurers, for example, reasonable estimates of part-time staffing costs and use of other resources for the microinsurance activity may be sufficient; however, larger-scale microinsurers with fulltime dedicated staff should account for actual salaries and all other associated costs of running the programme.
  Microinsurance information is separated from that of all other activities; Information is segmented for each microinsurance product; Information is based on complete and audited databases;
- **Financial statements of microinsurance providers**
  For any microinsurance programme, one should be able to produce the following financial statements based on its activities: a) Income Statement (also called Profit and Loss Statement); b) Balance Sheet; c) Cash Flow Statement (also called Sources and Uses of Funds). These key statements are produced according to all legal guidelines of the local jurisdiction as applicable for the market, produced quarterly.
- **Self-Reported Data**
  The rationale for keeping the model self-reported is because of the 7 MEFIN member countries, only Philippines has a well-developed microinsurance reporting model that is mandatory for the microinsurance players in the country to comply with. Indonesia also has a set of stipulations for reporting for microinsurance by the commercial insurers in the market. This also stems from the challenge of a lot of markets not having a well-defined set of regulations for microinsurance. While Philippines has a well-defined microinsurance regulations, other markets are at different levels of defining microinsurance regulations. For example, Mongolia, Nepal, Pakistan, Sri Lanka or Vietnam has little or no on microinsurance reporting. Some of these markets, like Nepal and Mongolia have very little to no regulations on microinsurance in general. Hence for the MIRS of MEFIN to succeed, it will have to rely on the self-reported data from commercial/formal microinsurance services providers in these five markets based on the local markets assessment and regulations of defining what constitutes microinsurance in that country.

- **Data confidentiality.** Insurers are often reluctant to share company data for competitive reasons. Sharing data may provide opportunities for competitors to gain an understanding of one's market and potentially improve their ability to compete in a market. More importantly, in many developing country markets, experience data, which is the basis for risk calculations, is not publicly available.
- **Client protection.** While data sharing may be encouraged, personal and sensitive client data must be safeguarded. Clients who enrol in microinsurance programs often share personal information about their financial and health status. It is important to ensure that sufficient safeguards are in place to protect individual clients from unnecessary disclosure of personal information.

Data and Analysis to be Provided by MIRS

Defining the key reporting categories for microinsurance providers for the MIRS by the participating Microinsurance service providers:

- Outreach
- Client value
- Financial Performance
- Prudential Sustainability

The key parameters of the reporting categories and the key data to be collected from microinsurance providers is defined as below:

The following table states the data to be collected from the microinsurance providers for both life and general products:

Category	Data to be collected	Defining the data point to be collected
Outreach	No. of policies sold per product	Total number of policies sold for the product in the reporting period
	No. of lives (M/F) covered per product	Total number of lives (men and women) covered for the product in the reporting period
	No. of active policies per product	Total number of policies active on the reporting date
	Policies renewed year on Year	Total number of policies that were renewed from last year/last reporting period
	Premium Underwritten	Total Premium Underwritten by the microinsurance service provider
	Earned premium	*It is calculated as Net Premium Income – increase in Unearned Premium Reserve*

Category	Data to be collected	Defining the data point to be collected
Financial Performance	Underwriting cost	**Underwriting Costs** are expenses directly related to the underwriting of the microinsurance business: such as commissions and other selling expenses, transactional taxes (excluding income tax), and other transactional and incremental expenses related to selling and underwriting.
	Operating costs	**Operating Costs** are expenses directly related to operations of the microinsurance business including depreciation, tax implications etc. Taken from the financial statements of the period.
	Total Claims paid	Total Claims paid by the microinsurance provider for the period – taken from the financial statement
Client value	No. Of claims received	Total number of claims received and admitted for the reporting period
	No. of claims paid	Total number of claims paid for the reporting period
	No. of claims rejected	Total number of claims rejected for the reporting period
	No. of claims paid within 10 days	Total number of claims paid within 10 days of admitting the claim for the reporting period
	No. of claims paid within 30 days	Total number of claims paid within 30 days of admitting the claim for the reporting period
	No. of claims paid after 30 days	Total number of claims paid after 30 days of admitting the claim for the reporting period
	Policies renewed year on Year	Total number of policies renewed from last year
	Current Assets	***Current Assets*** *includes cash, short-term investments, and receivables maturing within one year. – from financial statement of the reporting period*

Category	Data to be collected	Defining the data point to be collected
Prudential Sustainability		
	Current liability	***Current Liabilities*** *includes claims, reserves, taxes, and other liabilities due or payable within one year. – from financial statement of the reporting period*
	Total Assets	***Total Assets*** *includes all cash, all investments, and all receivables – from financial statement of the reporting period*
	Total Liabilities	***Total Liabilities*** *includes all claims, reserves, taxes, and other liabilities due or payable– from financial statement of the reporting period*
	Net worth	Total Assets – Total Liabilities – as reported in financial statements for the period.

Defining the KPIs to be Calculated for Microinsurance Providers based on Data Collected on the Four Parameters

The following table states the KPIs to be calculated based on the data collected for microinsurance providers for both Life and general products:

Category	KPI to be calculated	Defining the KPI and its interpretation
Outreach	Policies Growth – Year on year =(Policies sold in year n – Policies sold in year(n-1)/ Policies sold in year n-1	• Measure of growth/decrease of policies outreach for each products and also at the portfolio level
	Lives covered growth – Year on year =(Lives covered in year n – lives covered in year(n-1)/ Lives covered in year n-1	• Measure of growth/decrease of lives covered for each product and also at the portfolio level
	Policies in force growth – year on year = (Policies in force in year n – Policies in force in year(n-1)/ Policies in force in year n-1	• Measure of growth/decrease of policies in force for each products and also at the portfolio level

Category	KPI to be calculated	Defining the KPI and its interpretation
Client value	Claims Settlement ratio = Total claims paid/Total claims admitted	• Measure of proportion of all the claims settled by the microinsurance provider • A high claims settlement ratio is a good indicator of customer value
	Claims rejection ratio = Total claims rejected/ Total claims admitted	• Measure of proportion of all claims rejected by the microinsurance provider • Lower the claims rejection ratio better the client value and also a good indicator of client awareness on how to make and receive a claim
	On time claims settlement ratio = Total claims settled within 10 days/ Total claims settled in the period	• Measure of how many claims were paid within a period of 10 days • Higher this proportion the better the client value
	Delayed claims settlement ratio = Total claims settled after 10 days/ Total claims settled in the period	• Measure of how many claims were paid after a period of 10 days • lower this proportion the better the client value in terms of on time claims being made and a higher proportion displays lower client value

Category	KPI to be calculated	Defining the KPI and its interpretation
Financial Performance	Underwriting cost ratio = Underwriting cost/Earned premium	• Measure of efficiency of how much it costs the microinsurance provider to • A low Underwriting Costs Ratio indicates that acquisition of the microinsurance business is efficient, making more of the premium available for investment and to fund benefits, profits, and other expenses.
	Operating cost ratio = Operating cost / Earned Premium	• Measure of proportion of all claims rejected by the microinsurance provider

		• Lower the claims rejection ratio better the client value and also a good indicator of client awareness on how to make and receive a claim
	Claims Ratio = Total Claims Paid/ Earned Premium	• The Claims Ratio shows the proportion of microinsurance premiums or contributions that are paid out in the form of benefits and services within a particular period

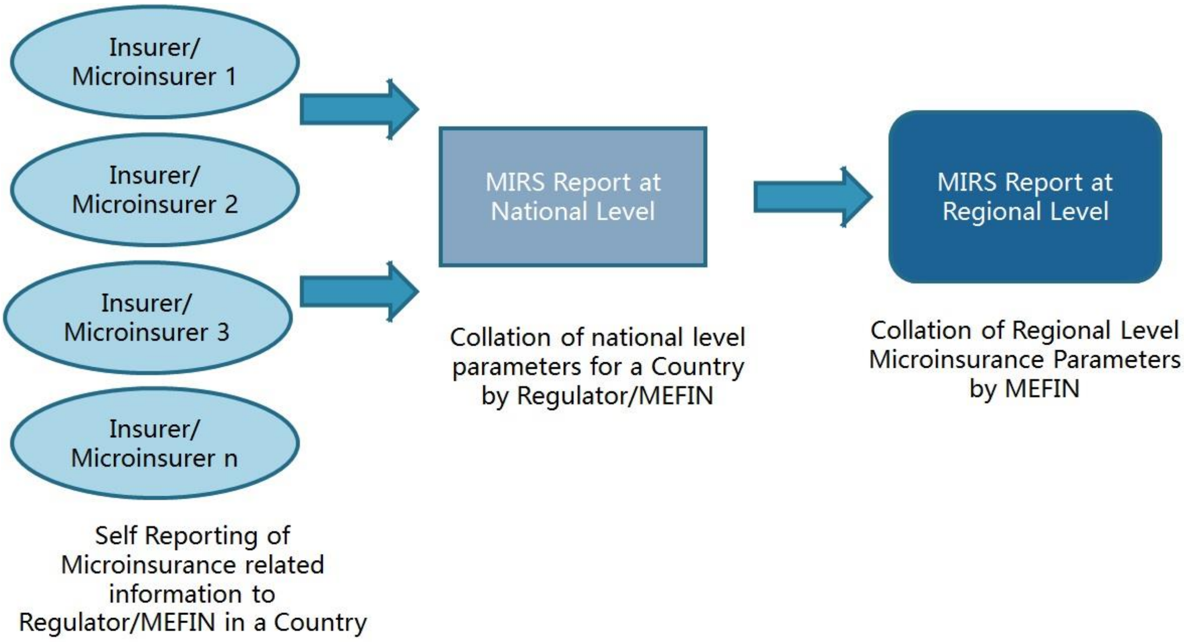
Category	KPI to be calculated	Defining the KPI and its interpretation
Prudential Sustainability	Solvency/Capital Adequacy Ratio = Total Assets / Total Liabilities In case RBC regulations are applicable then: = Total Available Capital/ RBC Capital Requirement ** The Risk-Based Capital (RBC) Requirement is the calculated minimum amount of capital to support the insurance operations and the risks faced by the insurer. The RBC Capital Requirement for each insurer should be computed in accordance with pertinent prevailing circulars of the Insurance Commission.*	• The Solvency/Capital Adequacy Ratio (CAR) indicates the sufficiency of the insurer's capital to support the degree of risks associated with its operations and investments. • The Solvency indicators are a measure of financial strength implying the degree with which a risk-carrier is able to meet its obligations. In addition, the indicators may be used to compare risk-carriers of the same type by ranking them in order of solvency / financial strength.
	Liquidity Ratio = Current Assets/Current liabilities	• Measure determines the ability to pay claims quickly and meet other current obligations. • A liquidity ratio should not be too high since this would normally indicate foregone investment opportunities. Risk-carriers should employ regular asset-liability duration matching to guide their investment decisions.

The MIRS

Microinsurance Reporting System is an excel based prototype that is aimed at being a self – reported microinsurance reporting tool for the members of the MEFIN network.

It is visualised to work as follows:

Model for the MIRS



Step 1: Primary Data entry by microinsurance providers

The primary data entry is expected to be made by the partnering microinsurance providers. They will be able to input the key data points as mentioned above and the KPIs, as described above will be automatically generated from the data provided. This is applicable to both life and general microinsurance services provider. The data can be provided for any reporting period for which the data may be available with the microinsurance provider.

Step 2: Collation and reporting of data and KPIs at the National Level of each MEFIN member country

The MIRS tool will automatically collate the data coming from each country and will generate the aggregated data set and the KPIs for the same at the national level. The national level data will be added and reported for all the key data points that have been identified as above.

The KPIs at the national level, will be identified by averaging all the same type of KPIs, for example the ontime claims settlement ratio, as reported by all individual microinsurance providers will be averaged to arrive at the average, representative on time claims settlement ratio for the period.

Step 3: Collation and reporting of Data at the regional/MEFIN level

The MIRS tool, working with the national level data from each of the countries will then be able to provide us with overall data points and KPI averages for the regional/MEFIN level.

The MIRS will offer the following advantages:

a. MIRS can become the first of its kind regional reporting mechanism for microinsurance. No such reporting mechanism exists in other parts of the world.
b. Offer a simple, standardised reporting mechanism for microinsurers in the region that will be self-reported and can be used across the member countries and jurisdictions of MEFIN, irrespective of the state of microinsurance regulations and microinsurance reporting mechanism in the country.
c. Easy comparison of performance of microinsurance providers at the country level as well as at the regional level to identify trends and progress being made by microinsurance sector in the region
d. Offers a real time data base for MEFIN to assess the impact of its efforts in hard numbers and well defined Key Performance Indicators that can help it identified the various areas of intervention and plan its next steps.
e. The comprehensive data set so made available through the MIRS will offer opportunities to run various comparative analysis that can be beneficial to all the stakeholders for microinsurance in the region.

Annex A. Microinsurance Report System Excel Tool

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