

Al Amana up-scaling health microinsurance to low-income clients in Morocco

1. DEVELOPMENT RELEVANCE

Economic and poverty context

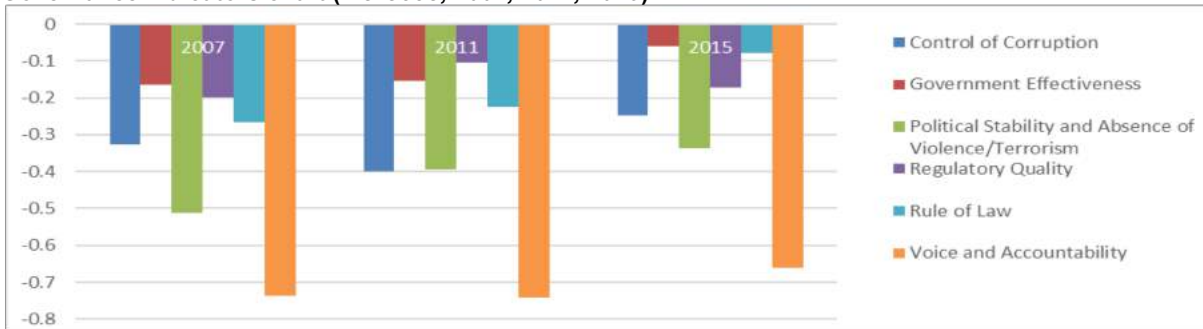
Morocco introduced wide-ranging reforms beginning in 2011 following the adoption of a new constitution aimed at a more open society.ⁱⁱⁱ

Its Gross Domestic Product is dominated by the service sector (57.2%), followed by industry (29.8%) and then agriculture (13.1%). 40.5% of labour force is employed by the service sector, followed by 39.1% in agriculture and 20.3% in the industry. 60.2% of the population is urban, and labour force participation is 49% (2016). Morocco is integrating its economy more fully into the global marketplace and has been taking steps towards increasing the ease of doing business and welcoming foreign investment. Its banking sector has become increasingly more competitive and is advancing into regional markets.^{iv}

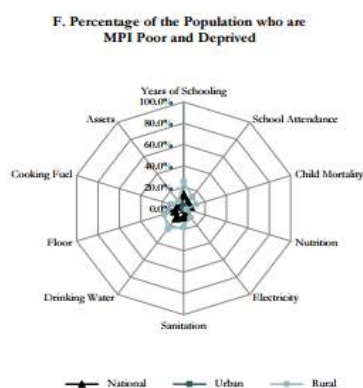
Table 1ⁱ: Population & economic indicators

Population in million (2016)	33.2
Gross Domestic Product growth (2015)	4.5%
Inflation (2015)	1.6%
Trade balance (% of GDP) (2015)	-7.8%
Foreign direct investment (net) (% of GDP) (2015)	3.2%
Net ODA received (% of GNI) (2014)	2.1%
Remittances received (% of GDP) (2015)	6.9%
Economic Freedom Index ⁱⁱ (Rank among 186 countries) (2016)	85
Poverty indicators	
Gross Development Product per capita (USD) (2015)	2'878.2
Gini Index (0= equality 100= inequality) (2006)	40.7
International poverty rate (2006; at 1.90 USD/day)	3.1%
National poverty rate (2007)	8.9%
National rural poverty headcount rate (2007)	14.4%

Governance indicators chart (Morocco, 2007, 2011, 2015)



Multidimensional poverty index chart^v (Morocco, 2016)



Financial sector context

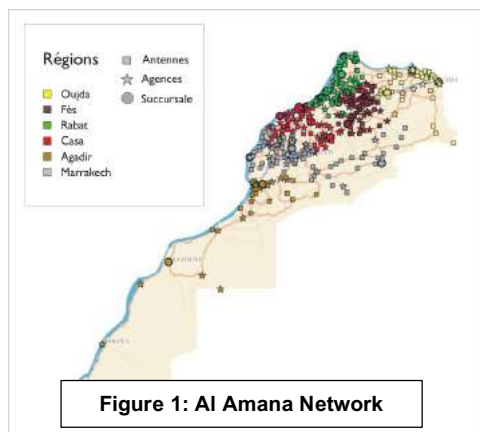
Following the adoption of the new constitution in 2011, Morocco's central bank implemented a number of initiatives aimed at promoting financial inclusion and stability, including a modern credit bureau to prevent over-indebtedness and minimum disclosure requirements to promote transparency in bank services. In 2013, it founded the National Foundation for Financial Education along with other organizations. A financial capability survey in 2014 revealed that 41% of Moroccan adults have never used any formal financial services. 53% used banking products, 41% accessed insurance products (due largely to compulsory insurance, including motor third party liability), and 13% accessed products from microfinance institutions.^{vi} Financial inclusion is substantially higher in urban areas and for men, who were found to be 20% points more likely than women to be financially included.

Morocco has 19 banks, 6 offshore institutions, and 35 non-bank financial institutions. The latter include 16 consumer lenders, 13 microcredit lenders, and 6 leasing companies. Morocco has the largest microcredit sector in the MENA region by loan value^{vii} and the second-largest insurance market in Africa by total premiums. Despite this, just 2% of the population uses private health, life, or other self-initiative take-up insurance.^{viii} Plans to make other forms of insurance compulsory are under discussion.

Partner financial institution

Al Amana is a non-profit association founded in 1997. It received approval from the Ministry of Finance to work as a microcredit association in 2000 and, despite the crisis of the Moroccan microfinance sector in 2008, had grown to among the top five largest microcredit institutions in the world by asset values by 2012^{ix}

and first in Morocco.^x Its mission is to be an important player in the economic and social development of Morocco through financial inclusion. It has 606 points-of-service in both rural and urban areas and 2'378 staff. Al Amana provides financial products such as individual and group loans for income-generating activities, housing loans, microinsurance, and non-financial services such as financial education and assistance/training for micro-entrepreneurs. It is a network member of Women's World Banking since 2003. As of December 2016, Al Amana was serving more than 330'000 clients, of which 43% were women. It reported nearly 43% of the total reported MFI client base in Morocco and 41% of the gross loan portfolio.^{xi}



2. INTERVENTION APPROACH

Capacity building needs

In 2012, Al Amana introduced a comprehensive health microinsurance product. Along with their loan, borrowers would receive an ambulance service for health emergencies, and a lump sum depending on the disease treated. For events such as death or childbirth, clients would receive a fixed amount. After roll-out, product usage by clients remained extremely low (less than 2'500 claims in from January to May 2014 for more than 200'000 clients, with more than 60% only for birth i.e. not related to hospitalization) with an overall loss ratio of around 22% coming mainly from birth. This posed a reputational threat and put into question the client value of the hospital benefits in the product. A sector-specific challenge included general low usage of formal financial services and a particularly low rate of insurance take-up in the country.

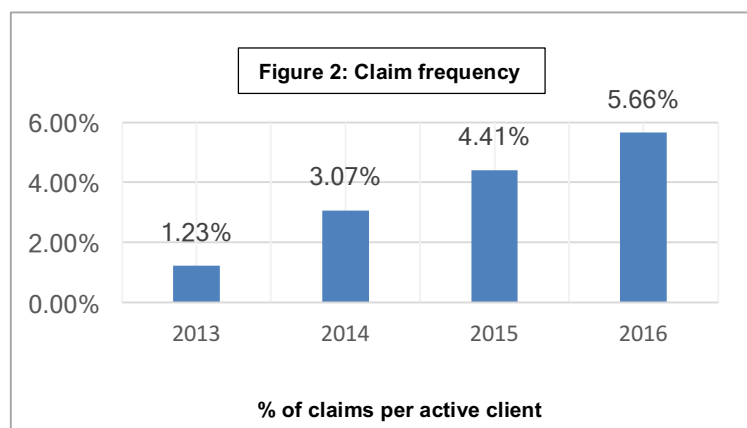
Main activity areas

Women's World Banking - with 82% co-funding from Agence Française de Développement - supported Al Amana in a three-phase approach starting in December 2013 to (1) assess and develop an action plan for improving the product and its marketing, (2) prepare and pilot the improved marketing campaign and (3) rollout the product across the entire branch network with a pragmatic monitoring and evaluation system in place. An institutional and industry assessment revealed that Al Amana's existing health insurance offering provided an affordable yet accessible solution for the health care needs of its clients. The package was much more comprehensive than any competitor's, but clients were either not aware or did not know how to use it. The team thus focussed on increasing utilization, expanding client awareness, optimizing the operating model, and expanding policy benefits to family members guided by customer research.

The second phase comprised the design of a communications, training and marketing campaign, and the development of key performance indicators for the product. Based on customer research, the product was renamed from "L'assistance" to "Tayssir Al Amana", which roughly translates to "facilitated by Al Amana." The new name resonated much better for the mainly Arabic speaking client base. The internal communications plan and marketing material were similarly reviewed and updated to include simple imagery and texts in Darija (Moroccan Arabic). Additionally, Women's World Banking assisted in the development and delivery of training to ensure staff were prepared to effectively market and explain the product, including "training of trainers" for Al Amana staff to train their colleagues from 461 branches over a two-month period.

The third phase shifted focus to operational processes and performance monitoring, coinciding with the introduction of family coverage in January 2015. Key improvements in the operating model include faster turnaround times, identification of bottlenecks, reduced costs, and optimized control. Infield pilot evaluations indicated high client value and profitability for both Al Amana and insurer by the end of 2016.

3. RESULTS ACHIEVED AND NOT ACHIEVED



Client level

Women's World Banking's work in improving product marketing and outreach resulted in a stronger level of awareness and comprehension of *Tayssir Al Amana* and the associated costs and benefits. This can be measured with the claim frequency (Figure 2), i.e. the proportion of insured clients who used the product in 12 months. By experiencing the product more and more, clients also gained trust in Al Amana to help them improve their ability to cope with medical emergencies and mitigate the associated financial burden. Based on

clients' testimony, health problems are perceived to have less negative impact on the household well-being so that the intervention has been successful in meeting its aim on a client level.

Rkia: Successful claim

Rkia is a fifty-year-old client of Al Amana. She lives in Kenitra, with her adopted daughter. Her husband passed away a few years ago, so Rkia makes her living through embroidery and sewing.

Rkia discovered that she was suffering from diabetes. Diabetes had affected her eyes, she was not able to work effectively and needed surgery. She had the surgery done but had forgotten about her insurance. Her daughter reminded her to file a claim with Al Amana. After all the papers were submitted, Al Amana paid the claim in the amount of MAD 2'500 within one week.

“The procedure is good. They paid me a week later. They were polite on phone.”

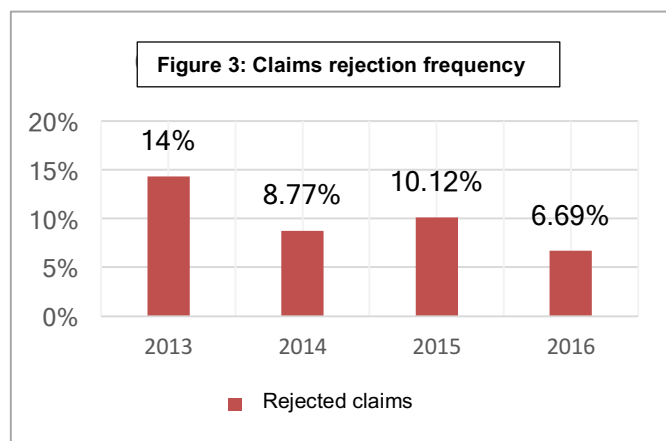


Abdellah: Successful claim

Abdellah lives in Sale, he is a 61-year-old client of Al Amana. He used to work in the hotel business but after retirement took a loan to support his son's IT business and later for personal consumption, mainly to meet health expenses. At the time of retirement, Abdellah was unwell, and his employer did not pay his salary. He was also unable to receive benefits under CNSS (social security scheme).

Abdellah is suffering from chronic heart condition, and he requires frequent doctor visits. Al Amana paid him MAD 4'000 upon the diagnosis of his illness, which helped him meet some of his health expenses.

“I waited 15 days to receive the money. It was a relief.”



Nevertheless, there is still a relatively high level of claims rejection (figure 3, 6.69% at the end of 2016¹). The claim rejection rate is a means to measure the clients' understanding. The most common reasons for rejection helped identifying following weak points: 1) filing for hospitalization of an illegible family member (this occurred mainly at the introduction of the family coverage in 2015 for all clients renewing their loans. The percentage of claims rejection increased as in-force clients with individual coverage tried to file claims for their family members, although they were not yet covered); 2) filing claims late or for events that occurred before joining the scheme; or 3) filing for an outpatient visit to the hospital.



Fatiha: Claim rejected

Fatiha, 50, lives in Kenitra with her husband and a daughter and works as a tailor cum sewing teacher to make her living. She has been a client of Al Amana for over 16 years. She is a diabetic and heart patient. She also suffers from goiter and her condition required special treatment and frequent visits to the doctor. She had to pay a bribe to enter the hospital and pay for her medicines and tests for goiter, which were expensive. She did not spend a night in the hospital but she ended up spending MAD 2'500 on the overall procedure, more than what one would spend for 3-4 nights of hospitalization.

She filed her claims papers as per instructions received by Saham paying MAD 40 for the fax. Saham informed her after

some follow-up that her condition was pre-existing and hence she was not eligible for the claims benefit.

“I don't know if it is fair. I needed them but I think they were just doing their job. I didn't know if it was legitimate. I don't know if they made a mistake. Maybe they only pay if you have hospitalization... They need to explain to us, what is this insurance, what does it cover?”

¹ The rejection ratio is the number of claims rejected divided by the total number of claims filed in the same period, whereby a claim containing several benefits is deemed to be only one claim and a claim is deemed rejected only if the client has received no payment at all (client who receive a benefit tend to claim for more).

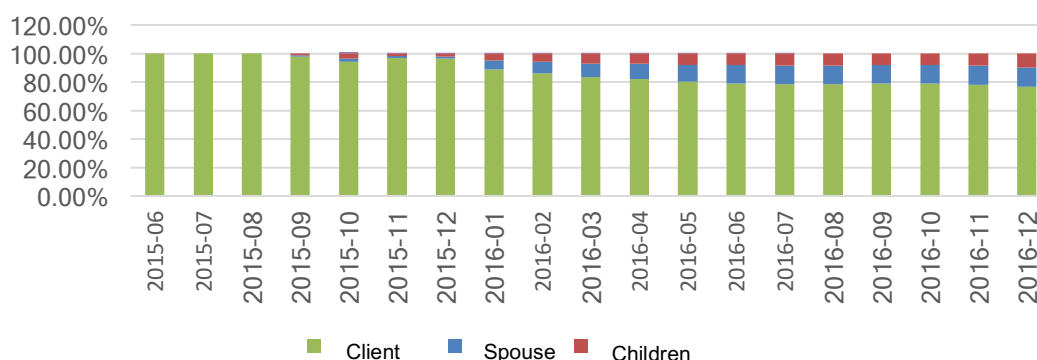
Partner financial institution level

The redesign and rebranding of the product and development of strong marketing campaigns led to an increase in uptake and usage of the product. That, in concert with the supportive management systems for product monitoring and evaluation, resulted in a substantial growth of Al Amana's microinsurance portfolio from 2013 through 2016:

Indicator	31.12.2013	31.12.2014	31.12.2015	31.12.2016
Number of active loan clients	314'241	322'240	348'835	331'259
Number of policies	210'000	285'000	302'392	309'165
Number of lives covered	210'000	285'000	535'000	1'186'424
Premium (CHF) ²	1'295'729	1'986'226	2'706'898	3'435'842
Claims (CHF)	192'576	782'340	998'988	1'184'543
Claims expense ratio		10%	10%	10% ³
Claims rejection ratio	14%	8.77%	10.12%	6.69%

Product performance has been strongly influenced by the family policy introduction. Its price was at 10 MAD (1 CHF) while the individual cover premium remained at 6.5 MAD (0.65 CHF) per month. The overall loss ratio was expected to increase in the first phase of the project due to introduction of family cover. However, the claims frequency for spouses and children did not increase in the beginning as quick as the premium volume. Gradually, due to improved client understanding and increased awareness of the family benefit, Al Amana started seeing more claims from the family members. The figure 4 below demonstrates gradual increase in the share of claims amount for spouses and children, mainly due to staggered enrolment of family members and improved awareness.

Figure 4: Evolution of distribution



The client value of the Tayssir product was enhanced significantly by expanding coverage to family members to include the client's spouse and children under 21 years of age (or up to 25 provided they be enrolled in school or university). This was possible through the ability of Al Amana to quickly turn around the family product thanks to a strong relationship with its insurance partner Saham. Al Amana is now able to offer a more comprehensive suite of financial products and services to a traditionally financially excluded population, thereby virtually improving productivity of their loan agents.

The coverage of the entire family is expected to result in a better family health situation which, in turn, lead to a better loan portfolio quality at Al Amana over time, as its borrowers face less health-related crises affecting loan repayment capability. In fact, the development of the portfolio quality (measured by portfolio-at-risk of 30 days) indicates a positive trend from 6.1% (after write-off) at the end of 2013 to 2.76% at the end of 2016.

Analysis of the operational processes highlighted how **Al Amana** can focus on delivering client value and ensuring sustainability of the product offering with the help of the three key levers of (1) a data and research driven culture, (2) suitable systems to support monitoring and evaluation, and (3) people with right skills and motivation. Through evidence-based research to assess marketing effectiveness (reflected through product awareness) and in turn, usage of product, Women's World Banking demonstrated to Al Amana the value of creating a culture and system that allows incremental innovations using data. Aware of the potential of data, Al Amana hired a statistician to build in-house capacity to get deeper insights through quantitative analysis. **The introduction of a performance monitoring system on occurrence**, in combination with capacity-building activities equipped the in-house team to monitor product performance effectively in a timely manner. Finally, Women's World Banking helped review the workflow and data-entry processes to prepare an integration into the IT system as monitoring tool.

² Exchange calculated at a rate of 0.1003 MAD to 1 CHF (rate as of 12/31/2016 as per Oanda), Premium @ 2013 Linear extrapolation

³ Estimate by senior management

Financial sector level

Tayssir Al Amana has proven to be a game-changer for Al Amana in the microinsurance market. The enhanced client value and optimal operating model strengthened Al Amana's position as a microinsurance market leader and sharpened its competitive edge vis-a-vis its competitors in the micro-credit market. Its strongest competitor Attawfiq (the second largest micro-credit lender with a 33% market share) felt compelled to introduce a similar compulsory micro health insurance product. As at November 2017 Al Amana has 309'000 policies, followed by Attawfiq with 260'000 and Fonddep 140'000 policies.

Client outreach (No. individuals)

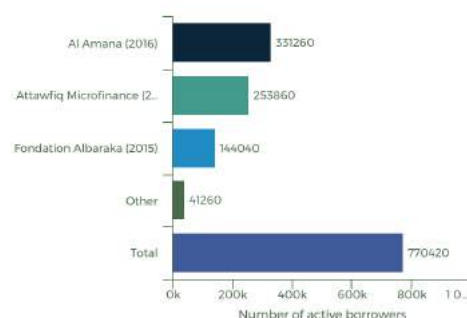


Figure 5: Financial sector

4. LESSONS LEARNT

Health issues exert serious financial pressure on low-income populations around the world; Al Amana's clients are no exception. They consider the available public health support slow and unreliable; furthermore, their distance to available facilities results in clients opting to ignore health issues until they are critical. The few who actually qualify for the state health insurance scheme (RAMED) find it prohibitively complicated. Most would prefer private insurance which they regard positively, but is perceived (whether true or not) as unaffordable. What was fascinating about the condition of Al Amana clients was that they *did* have access to a meaningful and valuable health insurance product, but were not aware of it. Women's World Banking's discovery of this institutional and client disconnect was the key moment in this engagement that put the intervention on a path to success. It demonstrated that health microinsurance can be profitable at scale, provided the value triangle **client-MFI-insurer** is in balance and financials are monitored proactively. The three critical success factors were:

- 1) Having the right approach in a dynamic environment:** Competiveness in Morocco's microfinance sector required flexibility, innovation, and a bit of opportunism to be successful. Al Amana's general can-do attitude and comfort with some trial and error was key in launching the product and rolling it out at an accelerated pace.
- 2) Complementary skills enhance the partnership:** Al Amana provided a well-established centralized administration and the commercial heft of a large MFI, which was beneficial in negotiating with the insurer. Women's World Banking shared expertise on maximizing the client value proposition, communication and marketing skills, and the analytic capacity to identify and resolve pain points.
- 3) A large network enhances reach:** Al Amana's large distribution network, which includes mobile credit units, exponentially enhanced communications and marketing efforts on *Tayssir Al Amana*. Word-of-mouth ensured buzz about the product, even in remote areas of Morocco.

The two key challenges were:

- 1) A high level of complexity in the existing product:** In its attempt to provide the best product possible for its clients, Al Amana incidentally created a high level of complexity in its initial microinsurance product. This came at cost to sales and administration of the product, evidenced by low uptake by clients. Claims were as few as client questions were many. Women's World Banking assisted Al Amana in identifying key product benefits to drive the marketing and consumer education strategy to enhance uptake and usage, ultimately achieving an acceptable loss ratio for the product. Other proposals to simplify the product and processes or to invest in technical resources for the purpose of analysis were not fully implemented. Nevertheless, Al Amana was able to compensate for this with a very high level of flexibility and strong negotiating power with the insurer.
- 2) Key people risk:** The dynamic labour market in Morocco meant shifts in staffing over the life of the intervention resulted in loss of institutional knowledge, delays in decision-making, and challenges with follow-through. Women's World Banking assisted Al Amana in identifying resources to take over responsibilities as needed and advocated for sharing of responsibilities by multiple team members where appropriate. Additionally, the team also reinforced the importance of the development of a workflow tool and better IT infrastructure.

ⁱ The World Bank Group (2015). World Development Indicators database. Washington, DC. <http://data.worldbank.org>. Accessed (01/05/2017).

ⁱⁱ Heritage Foundation (2016). Index of Economic Freedom. <http://www.heritage.org/index/ranking>. Accessed (01/05/2017).

ⁱⁱⁱ The World Bank (2017). <http://www.worldbank.org/en/country/morocco/overview>. Accessed (01/15/2017).

^{iv} Heritage Foundation (2016). Morocco. <http://www.heritage.org/index/country/morocco>. Accessed (01/15/2017).

^v Oxford Poverty and Human Development Initiative (2017). Global Multidimensional Poverty Index Databank. OPHI, University of Oxford.

http://www.dataforall.org/dashboard/ophi/index.php/mpii/country_briefings. Accessed (01/23/2017).

^{vi} World Bank Group (2014). <http://responsiblefinance.worldbank.org/~media/GIAWB/FL/Documents/Publications/Enhancing-Financial-Capability-and-Inclusion-in-Morocco-FINAL.pdf>. Accessed (01/05/2017).

^{vii} Oxford Business Group. Morocco's banking sector sees asset growth, expanded lending and greater penetration. <https://www.oxfordbusinessgroup.com/overview/moroccos-banking-sector-sees-asset-growth-expanded-lending-and-greater-penetration>. Accessed (01/05/2017).

^{viii} International Bank for Reconstruction and Development / The World Bank (2015). <https://responsiblefinanceforum.org/publications/enhancing-financial-capability-and-inclusion-in-morocco/>. Accessed (01/05/2017).

^{ix} International Finance Corporation (2012). Ending the Microfinance Crisis in Morocco: acting early, acting right.

<https://www.ifc.org/wps/wcm/connect/5e1e5a0047850bdba0d4f5299ede9589/IFC+Morocco+MicroFinance+Crisis+report.English.pdf?MOD=AJPERES>. Accessed (01/05/2017).

^x Mix Market. Morocco Market Overview. <https://www.themix.org/mixmarket/countries-regions/morocco>. Accessed (01/05/2017).

^{xi} Ibid.