

Launch of Enda’s first commercial microinsurance product in Tunisia

1. DEVELOPMENT RELEVANCE

Economic and poverty context

Tunisia has a relatively well-educated population: the youth literacy rate is above 95%, the adult literacy rate stands at 79%, while the enrolment ratio for tertiary education has been above 30% for at least a decadeⁱ. Official figures show a sharp decline of poverty rates over the last 15 years: the overall poverty rate fell from 25.4% in 2000 to 15.2% in 2015, while the rural poverty rate fell from 40.4% to 26% during the same periodⁱⁱ. At the same time, Tunisia is the country where in late 2010 the so-called Arab Spring started on a backdrop of dire economic perspectives (especially for the younger population), high rates of unemployment, corruption and an oppressive political system. The democratic transformation is still under way, but many of the reasons that have led to dissatisfaction persist, including insufficient economic perspectives for large parts of the population.

Table 1 ⁱⁱⁱ : Population and economic indicators	
Population in million (2016)	11.4
GDP growth (2016)	1.2%
Inflation (2016)	5.5%
Trade balance (% of GDP; 2016)	-10.8%
Foreign direct investment (net) (% of GDP, 2016)	1.7%
Net ODA received (% of GNI; 2016)	1.6%
Remittances received (% of GDP; 2016)	4.3%
Economic Freedom Index ^{iv} (Rank among 186 countries; 2016)	99
Poverty indicators	
GDP per capita (USD; 2016)	3'689
Gini Index (0= equality 100= inequality; 2010)	35.8
International poverty rate (2010; at 1.90 USD/day)	2%
National poverty rate (2016)	15.2%
National rural poverty headcount rate ^v (2015)	26%

Figure 1: Governance indicators^{vi}, (Tunisia, 2008 - 2016)

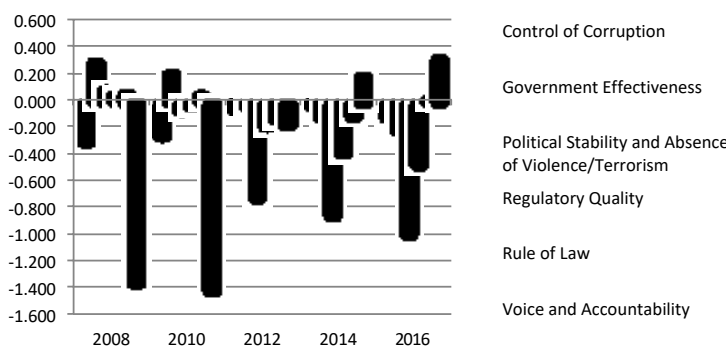
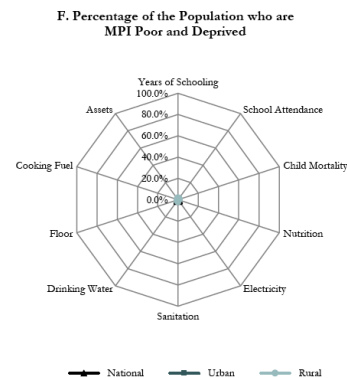


Figure 2: Multidimensional poverty index^{vii} (Tunisia, 2011)



Financial sector context

The World Bank reports for 2014 an account ownership ratio of 27%^{viii} among Tunisians aged 15 and above. Similar figures have been found by successive studies. The reforms triggered by the Arab Spring movement include a stronger emphasis of financial inclusion. Successive governments have adopted^{ix} or planned^x development strategies for the microfinance sector. While the microcredit sector has been completely reformed to the effect that now a good number of new MFIs operate in Tunisia, the same has not happened yet for other financial services, including insurance. Microinsurance has come to the attention of the regulator, in part thanks to this project. However, regulatory progress has stalled and MFIs are still not able to work as an agent for insurance companies.

Partner financial institutions

The direct partner for this intervention was **Enda interarabe**. Since 2000, Enda concentrates on the provision of microcredit and business advisory services to the Tunisian population. Having started as an NGO, Enda's institutional structure evolved in 2016: the microcredit activities were transferred to the newly created for-profit entity **Enda tamweel**, which is owned by the NGO Enda interarabe.

Enda tamweel's mission is "To economically empower marginalized households, and particularly women, by providing a full range of high-quality financial services and fostering micro-entrepreneurship." At the end of 2017, Enda tamweel served 320'000 clients through a network of 82 branches covering all 24 governorates of Tunisia. Enda targets both urban and rural people excluded from mainstream financial services and having a lower standard of living than the national average. It offers a variety of loan products and serves almost exclusively individual clients.

Enda tamweel is the undisputed leader in the Tunisian microcredit market: at the end of 2017, 8 MFIs served a total of 350'000 clients. This translates into a market share for Enda of over 90% in terms of clients served.

Enda tamweel selected the insurance company **Maghreb** as the key partner for providing insurance services to its clients. Maghreb was founded in 1973 and is since 2009 owned by the Tunisian financial group UFI and the Italian insurance group GENERALI. In 2016, Maghreb was the 5th largest insurer (based on premium volume) in the Tunisian market, served 418'000 clients, had 86 sales points and posted a net result of TND 14.5 million (CHF 5.5 million).

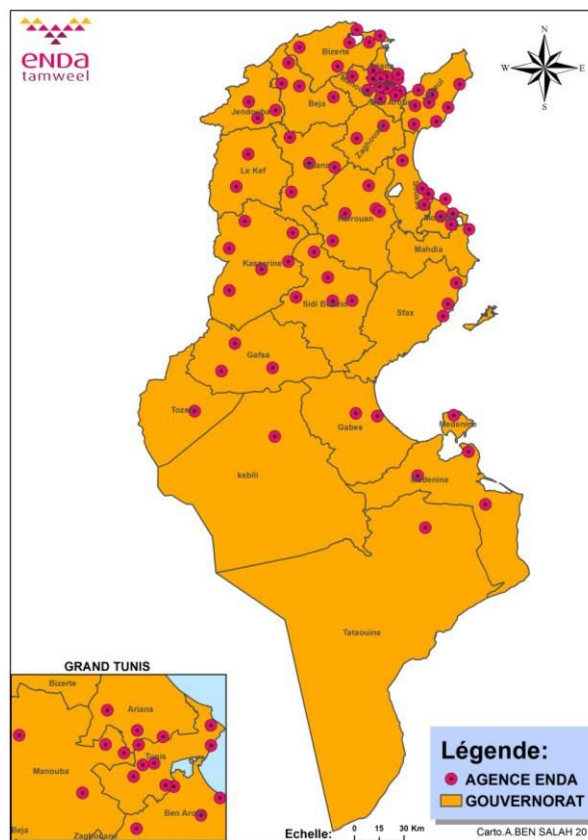


Figure 3: Enda tamweel's branch network (2017)

2. INTERVENTION APPROACH

Capacity building needs

This intervention directly built upon the SCBF funded feasibility study completed in 2014 (FS-12). The feasibility study identified Enda as a promising distribution partner for microinsurance in Tunisia. Among the key constraints the intervention sought to address were first, no experience with microinsurance, neither at Enda nor in the broader Tunisian market; and second Enda's unfamiliarity with working with other financial service providers and related governance and trust issues. The SCBF offered also complementary support in financial education for the clients of Enda (FE-7) by training branch staff as trainers and producing videos.

Main activity areas and outputs

The project was structured around the following activities: i) training Enda's microinsurance leader and team members; ii) product development; iii) development of the partnership with an insurance company; iv) insurance process development; v) adjustments of IT systems and integration with insurer's system; vi) training front-end staff; vii) developing marketing and communication materials; viii) pilot testing microinsurance services; ix) country-wide roll-out.

The planned duration for this project was 18 months, while in the end it took significantly longer to complete (see last section). However, in the end all goals were achieved: Enda's clients have access to their first commercial microinsurance product and Enda's microinsurance team has built a sound basis for adding additional microinsurance services. Two activities did not yet achieve the expected results: IT integration and product-specific marketing to supplement the financial education efforts. The IT activities suffered from SCBF's decision to withhold support until the regulatory reform allowed MFIs to earn commissions, which hasn't materialised yet. On the other hand, support to the development of a marketing plan and related tools have been provided, but most of the planned materials still await production.

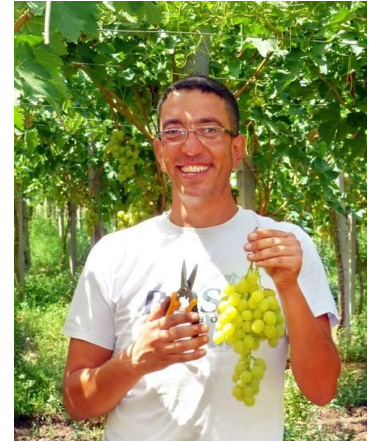
Thanks to the support received from experts financed by SCBF, Enda tamweel was able to develop a meaningful credit life product that not only adequately protects its own exposure, but more importantly the clients and their families, too.

3. RESULTS ACHIEVED AND NOT ACHIEVED

3.1 Client level

The benefits of formal microinsurance often require some time to become fully visible. However, in this specific case, Enda’s clients and their families have clearly become less vulnerable to financial shocks as a consequence of death or disability. The key features of the new product are:

- a) Covered risks: death and disability (>66%) due to accidents and serious illnesses
- b) Cover amount: outstanding loan (beneficiary: Enda) plus TND 2’000 (CHF 780) for the client in case of disability or for a designated beneficiary in the case of death.
- c) Cover duration: loan duration plus 1 month (to cover time between two loans for renewing clients)
- d) Optional spouse cover of TND 2’000 (CHF 780; same risks covered)
- e) Premium payment: one-off payment at loan disbursement
- f) Waiting period: 6 months for first-time clients; none for renewing clients
- g) Exclusions: only those legally required (e.g. suicide)



Prior to the introduction of this microinsurance product, Enda operated an informal solidarity fund, which provided relief for the outstanding loan balance, but was reserved for clients in their 3rd or higher loan cycles, applied only in the case of death or total disability and at the discretion of Enda’s management. Compared with that, the most significant changes to the benefit of clients are:

1. Legal certainty of loan forgiveness after death or disability for all clients
2. Benefit to the client’s family in the case of death in order to address most immediate needs
3. Benefit to the client in case of disability to help reorganize his/her life
4. Possibility to add the spouse to the insurance coverage

Feedback from loan officers, who explain the microinsurance cover to new and renewing clients suggests that they don’t face any significant issues or pushback from clients, leading to smooth transactions. This confirms the findings from the initial demand research, which indicated strong demand for a better solution than the solidarity fund.



“I didn’t have insurance before. After having learnt from Enda about the concept I got convinced. The new service is much better than what we had before and now I’m sure that if I have to go, I won’t leave unsettled debt behind.”

“We recently lost our beloved mother - may she rest in peace - and we still struggle with adapting to the new situation. Thanks to this insurance we received 2.000 DT, which helps us a lot to keep her business. We heard that before families received just 500 DT, which would not have been enough to keep her business going”



Note: Figure 4 (top), figure 5 (bottom left) and figure 6 (bottom right and accompanying quotes are for illustrative purposes only and don’t show current beneficiaries of insurance payouts.

3.2 Partner financial institution level

Offering more than credit and business advisory services has become of high strategic importance to Enda tamweel. Microinsurance was one of the services identified as promising early on, despite a less than ideal regulatory environment (see next section). The fact that for the time being offering microinsurance is not directly contributing to Enda's income stream shows its strong commitment to develop this activity with the long-term benefits for the clients and the institution in mind.

The SCBF-financed technical assistance allowed Enda to acquaint itself with the trade of microinsurance and laid a sound foundation for future expansion of this new service. Staff from all key departments now have a good grasp of microinsurance and related processes. Enda established an internal microinsurance team, which set up claims processing guidelines and structures and developed a monitoring framework for collecting and analysing key performance indicators. These are regularly shared with senior management. Finally, preparing training materials for getting its field and back-office staff introduced to the concept and first product was critical to a successful pilot test and smooth roll-out.

Pilot testing for two months in four branch offices allowed for making sure staff understood the new service and clients reacted positively to it. Subsequently, product training and implementation was rapidly scaled across the whole network: within five months after the pilot test, all 82 branch offices offered the new service.

	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	Total
Branch offices (*)	4	4	9	22	32	63	81	82	83	86	88	
Clients insured (,000)	0.2	2.3	2.3	6.8	10.5	12.7	22.5	28.8	25.7	29.6	27.2	168.5
Premium, written (,000)	3	31	34	108	166	199	355	459	414	471	435	2'675
Premium, earned (,000)	2	21	21	54	71	72	105	102	62	39	16	565
Claims number (**)	0	0	1	0	1	5	6	11	8	20	26	78
Claims amount (,000) (**)	0	0	4	0	3	24	21	40	33	84	133	340
Claims ratio												60%

Currency: Tunisian Dinar

(*) number of branch offices offering microinsurance

(**) claims paid and reserved

Table 2: Evolution of Enda's microinsurance portfolio over the first eleven months.

Currently, Enda tamweel offers loans with a maximum duration of up to five years. Accordingly, it will take five years until the whole portfolio is covered through this type of insurance. As the portfolio is building up steadily, so does the claims experience. Currently, the claims ratio stands at 60%. This ratio is expected to slightly grow in the future. Claims settlement time is too long, primarily due to the time required for clients to procure a medical statement of the cause of death. Efforts are under way to better assist clients in securing this document while also negotiating with the insurance partner on the documents required for settling a death claim.

Apart from improving the claims settlement time through an accelerated compilation of the claims file, Enda is still working on the promotion of the spouse cover, which is offered together with the standard policy for the client. Here, numbers are disappointingly low, despite a strong demand for such a cover expressed during initial research. Its promotion has been severely hampered by the fact that during most of the pilot test and scaling-up phase, this option wasn't supported by Enda's IT system and hence loan officers stopped promoting it. The IT issues have been fixed shortly before writing this report and loan officers were instructed to again promote this cover. Beyond the social imperative to extend adequate protection to as many people as possible, protecting the clients' spouse is of direct interest to Enda, too: the demise of a spouse often seriously impacts a client's ability to honour his/her financial commitments.



Enda established a solid working relationship with the partnering insurance company Maghrebria. The initial reticence to share data with third parties has given way to open exchanges of ideas and sharing of data in a secure way. This will be very beneficial for developing further services and products. With a successful launch of its first microinsurance product and a team in place to monitor and further develop this line of business, Enda is well placed and prepared to implement its microinsurance strategy by adding additional products in the area of agriculture and health in the near future.

Figure 7: A typical Enda tamweel branch office

3.3 Financial sector level

At project start, microinsurance was new not only to Enda, but to the whole market. By the end, all major MFIs have copied Enda's approach to deal with the regulatory hurdles by buying a group policy to protect their outstanding loan portfolio and to some degree their clients. As a result, several insurance companies are now getting interested in microinsurance. Further expanding insurance to the low-income population, will require resolving the issue of compensation for the delivery partners.

4. LESSONS LEARNT

Despite significant delays, the project could be implemented in full and closed with a successful roll-out of a quality microinsurance product improving the risk management options for Enda's clients and their families while also contributing to Enda's growth. This achievement is primarily due to Enda's tenacity and commitment to the project even when progress stalled due to internal or external factors. The delays were caused by a combination of three main factors: i) difficulty to identify and hire a qualified and suitable team leader for the microinsurance department; ii) continued regulatory uncertainty regarding an MFI's possibility to earn commissions for selling insurance products; iii) the institutional transformation of Enda, which coincided with the microinsurance project. At first, recruiting a person willing and capable to drive the development and testing of this service was met with failure. Luckily, a motivated team leader who fits well with the corporate culture of Enda could be hired subsequently. However, this change in personnel not only led to delays, but also meant that capacity-building activities had to restart from scratch.

The continued regulatory uncertainty absorbed a lot of attention and energy without having led to any significant progress to date. Enda needed to find a way to legally offer microinsurance to its clients. Currently, this is only possible under the form of a group policy bought by Enda on behalf of its clients. However, this also means that Enda can't earn a commission nor participate in any profit-sharing arrangement. The institutional transformation of Enda into an NGO and a for-profit unit operating the microfinance business took again, for a variety of reasons, much longer than anticipated and hence commanded high attention and involvement from top management.

Regarding the IT situation, the project was affected by SCBF's decision to withhold support until the regulatory environment changed for the better. As this has not happened, Enda's internal IT department developed and implemented a minimalistic solution only. Going forward, a more robust IT solution will be required to efficiently administer the existing and additional microinsurance products. During project implementation, Enda decided to migrate its customer and banking data to a new core banking system. This new system will be able to cover at least part of the requirements specific to microinsurance. While SCBF's desire to avoid investments into unsuccessful projects is understandable, the decision to support product development and implementation without addressing the IT side was suboptimal. In summary, the successful conclusion of this project is by and large due to the high commitment of Enda's management and SCBF's patience and preparedness to significantly extend the project duration.

ⁱ UNESCO (2012), <https://en.unesco.org/countries/Tunisia>. Accessed on May 31 2018

ⁱⁱ Institut National des Statistiques (2018), <http://www.ins.tn/fr/themes/ménages-et-conditions-de-vie#sub-3672>. Accessed (1.6.2018)

ⁱⁱⁱ The World Bank Group (2016). World Development Indicators database. Washington, DC. <http://data.worldbank.org>. Accessed (1.6.2018)

^{iv} Heritage Foundation, (2016) Index of Economic Freedom, <http://www.heritage.org/index/ranking> Accessed (1.6.2018)

^v Institut National des Statistiques (2018), <http://www.ins.tn/fr/themes/ménages-et-conditions-de-vie#sub-3672>. Accessed (1.6.2018)

^{vi} The World Bank Group (2016). Worldwide Governance Indicators database. Washington, DC. <http://databank.worldbank.org>. Accessed (1.6.2018)

^{vii} Oxford Poverty and Human Development Initiative (2011). Global Multidimensional Poverty Index Databank. OPHI, University of Oxford.

http://www.dataforall.org/dashboard/ophi/index.php/mpii/country_briefings Accessed (1.6.2018)

^{viii} World Bank / Findex (2014), <http://datatopics.worldbank.org/financialinclusion/country/tunisia>. Accessed 1.6.2018

^{ix} Autorité de Contrôle de la Microfinance (2011), <http://www.acm.gov.tn/upload/1410792769.pdf>. Accessed 1.6.2018

^x <https://www.leconomistemaghreb.com/2016/05/16/strategie-inclusion-financiere-2020/>. Accessed 1.6.2018