

Lead Family Insurance by Lead Foundation in Egypt

1. DEVELOPMENT RELEVANCE

Economic and poverty context

According to the World Bank¹, the economy in Egypt was gradually improving with the annual rates of GDP growth reaching 5.6 percent in 2019 at 3,020 per capita. The disruptions caused by the Covid-19 pandemic, however, have interrupted a period of macroeconomic stability, which had been characterized by the World Bank as a period of high growth, fiscal account improvements and an increase in foreign reserves. Covid-19 exacerbated persistent challenges such as the government's slow decrease in their debt-to-GDP ratio and revenue mobilization. Economic activity slowed in 2020 with social distancing measures in place and air traffic suspended, halting tourism and causing job loss in wholesale trade, manufacturing, tourism, transport and construction especially among informal workers. The government launched an emergency response package (1.7% of their GDP) to support health expenditure, scale-up social protection and provide financial relief to businesses and individuals affected by the crisis.

Financial sector context

Despite the growth in women's financial inclusion lasting until the Covid-19 crisis in early 2020, the gender gap had doubled and 73 percent of adult women in Egypt (23.3 million women) do not have access to a formal financial account, largely because institutions beyond the traditional MFIs are not targeting low-income women².

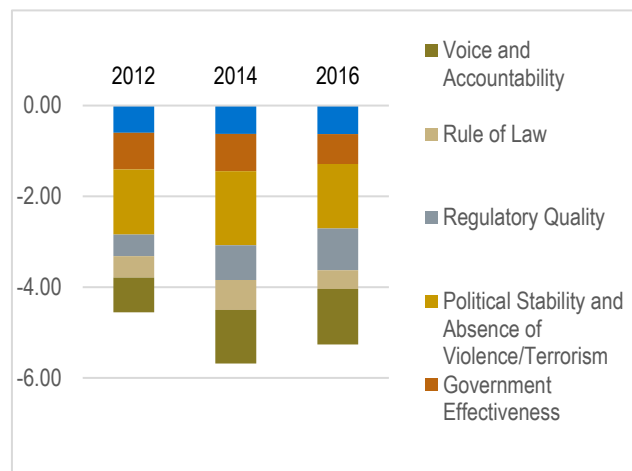


FIGURE 1 - GOVERNANCE INDICATORS (EGYPT, 2015-2019)

Partner financial institution

Lead Foundation ("Lead") is a not-for-profit microfinance institution whose mission is to provide poor and low-income entrepreneurs, especially women, with sustainable access to quality microfinance services that address their needs and build their capacity. With 25 branches and two satellite offices, Lead offers group and individual loan products (GL and IL, respectively) as well as hospital and life

¹ The World Bank Group (2012-2016). Worldwide Governance Indicators database. Washington, DC. <http://datatabank.worldbank.org>.

² Women's World Banking's Egypt Country Strategy. We are working to reach unbanked and underserved women in our priority markets: India, Bangladesh, Indonesia, Egypt, Mexico, and Nigeria and have developed a tailored strategy for each market.

Population in million (2019)	100.39
GDP growth (2019)	5.6%
Inflation (2018)	14.4%
Trade balance (% of GDP) (2018)	5%
Foreign direct investment (net) (% of GDP) (2018)	2.97%
Net ODA received (% of GNI) (2018)	0.8%
Remittances received (% of GDP) (2019)	8.83%
Economic Freedom Index (Rank among 186 countries) (2017)	144
Poverty indicators	
GDP per capita (USD) (2019)	3,020
Gini Index (0= equality 100= inequality) (2017)	31.5
International poverty rate (2015; at 1.90 USD/day)	1.4%
National poverty rate (2015)	27.8%
National rural poverty headcount rate (2010)	32.3%

Insurance penetration (ratio of total premium to GDP, an indicator of the maturity of the insurance sector of a country) in Egypt is at 0.64 percent (world average is 6.28 percent), and insurance density (premium per capita, an indicator to understand how much a person spends on insurance) is USD 22.8 (world average is USD 638.3¹). Government social health insurance does not cover the informal sector population, most of which is low-income women. As a result, Egyptians end up using more expensive private healthcare facilities and pay 90.6 percent of their health expenses out-of-pocket. Commercial insurers in Egypt have focused on the middle class segment and have not yet expanded offerings beyond credit-linked life insurance for the low-income segment.

The Government of Egypt is pushing key reforms to promote financial inclusion. FRA (Financial Regulatory Authority for Insurance and MFI) is committed to strengthening the regulatory and legal framework for the microfinance sector. In 2019, in an effort to improve access to insurance, FRA established a mandatory credit-life insurance for death and disability on micro-loans for all microfinance institutions. Despite good intention, the results remain to be seen, as this cover will provide more protection to the institutions rather than their customers.

microinsurance on every loan. As of September 2020, Lead had an outstanding portfolio of EGP 693 million (CHF 40.28 million) and 226,739 active clients. A hundred percent of GL clients are women, while 53 percent of the IL clients are women. The average loan size of IL clients is CHF 561, while that for the GL clients it is CHF 222. Lead has been a member of the Women's World Banking network since 2003. For the last seven years, Women's World Banking has been intensively supporting Lead on credit, insurance, and leadership programs.

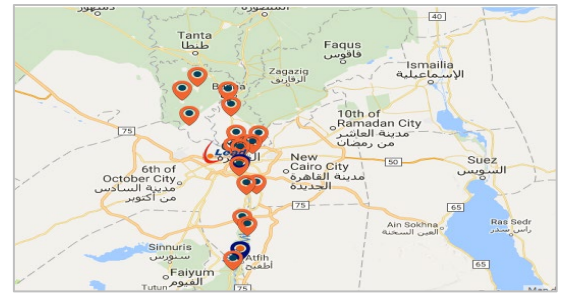


FIGURE 2. MAP OF LEAD'S BRANCH LOCATIONS

2. INTERVENTION APPROACH

Capacity building needs

Women's World Banking and Lead Foundation launched an individual hospital cash insurance called Hemayat Lead (local name for Women's World Banking's Caregiver program) in Cairo, Egypt in November 2015. The successful roll-out of the program was supported by SCBF (2016-07). The project has been successful in meeting the needs of all key stakeholders as listed below:

1. Women clients: Creating meaningful and affordable health insurance for women clients, most of whom are accessing insurance for the first time;
2. Lead Foundation: Gaining trust for Lead Foundation from their clients and a competitive advantage in the sector; and
3. Insurance providers (Egyptian Life Takaful Company, AXA Egypt): Building the first scalable and sustainable microinsurance insurance proposition in Egypt.

The original program covered only the clients instead of their entire family. The team chose to limit the insurance dependents in order to build trust with the clients, minimize cost, and optimize Lead's internal operations. Our research confirmed that the program would need to be expanded given the financial burden that women clients were facing during hospitalization or death of a spouse. As a next step, the team developed the Caregiver family program (or 'family program') to meet the evolving needs of the clients. Women's World Banking leveraged our experience from launching the family program in Jordan to advise the Lead team. The expanded program allowed Lead to gain sufficient experience in running a large-scale claims management system, which could be leveraged to scale future insurance products.

The main objective of this project was to develop health-financing solutions for the clients' households, with the following targets:

1. Develop at least one family health insurance product; and
2. Retain positive operational margin from insurance operations.

Main activity areas (goals, targets, resources and timeline) and outputs

Milestones and activities	Deliverables	Timelines (planned)	Status/ Output
Hemayat Lead product quantitative analysis, information collection, actuarial assumptions and prototype for family cover.	Report	July 2018	<ul style="list-style-type: none"> Completed in April 2018. We conducted an ideas workshop with Lead and a phone survey to understand the family size of Lead clients. The team also assessed anonymized MicroFund for Women data from the Caregiver program launched in Jordan in order to review inputs for the morbidity and mortality pricing for children and spouses. These inputs informed the initial product prototype.
Client research and recommendations for family cover		July 2018	<ul style="list-style-type: none"> Completed in May 2018. A team from Women's World Banking conducted field research with clients and staff to test the product prototype across different segments of clients (women vs. men/ married vs. unmarried/ group loan vs. individual loans) and considered mandating the program for all clients.
Recommendations for family cover		Sept 2018	<ul style="list-style-type: none"> Completed in September 2018. The product features were finalized after the research was completed and the team conducted another workshop with Lead. The actuary provided pricing options for the product. The final product offered two options for the customers to choose from – Silver (low price option) and Gold (higher price).
Product development	Product specifications	Sept 2018	<ul style="list-style-type: none"> Completed in December 2018. The negotiations with the insurance company AXA took longer than anticipated due to 1) AXA's lack of benchmark data; and 2) AXA anticipated a high risk of anti-selection for the Gold plan.
Pilot of family cover	Pilot protocol	March 2019	<ul style="list-style-type: none"> Conducted initial staff training in December 2018. The pilot was launched in 3 branches in mid-May as opposed to March due to delays in the development of the IT system. By mid-May, Lead's IT team completed the enrolment module for the family product and decided to launch the pilot even though the insurance claims module was not complete. The claims module had not been completed as of September 2020, which has created a significant bottleneck for the rollout, and caused the team to manage the claims process manually.

Fraud robot teaching	Report	March 2019	<ul style="list-style-type: none"> Tested the fraud model in October 2019, along with the introduction of Microsoft Power BI as the data visualization tool (as part of the other concurrent project on Automation). However, due to the large delay in the project, the team deprioritized that part to focus on operations.
Pilot evaluation		Apr 2019	<ul style="list-style-type: none"> Completed in September 2020. The pilot underwent many delays, first due to the IT system and then due to a need for more statistically significant data for actuarial analysis. Furthermore, Covid-19 disrupted Lead's operations and shifted priorities for loan repayments. Due to social distancing measures, the pilot assessment was delayed from March 2020 to July 2020. The team was able to complete the assessment remotely with support from Lead and a research consultant in September 2020.
Recommendations for roll-out, final review and learnings		July 2019	<ul style="list-style-type: none"> Completed in September 2020.

3. RESULTS ACHIEVED AND NOT ACHIEVED

Client level



Amira (name changed, not in the photograph), Woman client, Silver plan for family

Amira sells dresses, bedsheets etc. for bridal shopping. She has been a client of Lead for 6-7 years and uses the loan for the expansion of her business. Her husband passed away recently due to a hepatitis infection, after spending 6 nights in a hospital. Amira's relatives helped her pay the hospital and funeral expenses. Her loan coordinator reminded her to file a claim and told her about the documents required. She filed the claim 15 days after the death of her husband and received her claimed money in 9 days. She received EGP 900 (CHF 52.31) from the hospital cash benefit under the Silver plan (EGP 150 (CHF 8.72) per night) and EGP 2000 (CHF 116.24) as the death claim.

Feedback on the process:

"It was an easy process. It is not complicated. They don't ask for a lot of documents. It is only the death certificate and a form to be filled in and details about my loan."

Feedback on the claims amount:

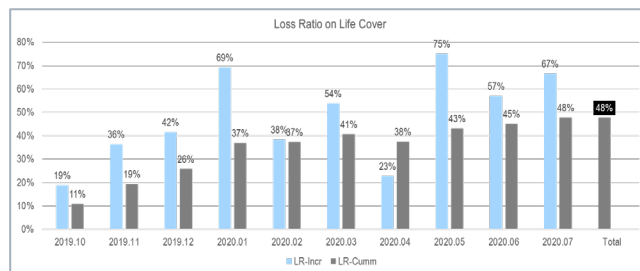
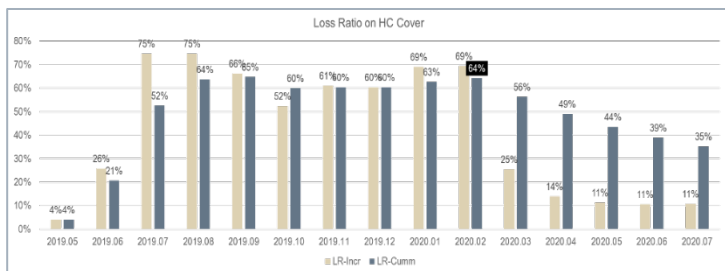
"Yes, it was good. It was some sort of help... Things didn't go well, so I used the money to repay it [my loan]. These things happen all of sudden and I didn't have money for such circumstances. No one knows that he would pass away at this time. So, I have paid the money I borrowed from others."

1. Clients are highly satisfied with Lead and the family insurance offering has contributed to an overall increase in trust with Lead.
2. However, clients do not understand the family product features as well as the individual product features. This is because Lead has three distinct insurance offerings – Hemayat Lead (hospital cash and life insurance, only for clients), Family insurance (hospital cash and life insurance for spouse and children), and, more recently, a mandatory insurance by the regulator. Loan officers pitch all three insurance programs as one proposition to the customers, which can make it complicated for customers to understand key differences.
3. Clients found the claims process straightforward but sometimes additional document requirements meant multiple hospital visits and led to some frustration.
4. The turnaround time (TAT) for claims payment is much higher than Hemayat Lead (mostly because of the lack of the fully functional IT system to process family insurance claims by Lead). While the clients did not directly complain about the TAT, research tends to show that delays in payments have impaired the perceived value of the product, especially in the case of spouse death claims.
5. The hospital cash claims amount was useful and was primarily utilized to buy medicine. The claim amount for spousal death, however, did not have a clear value proposition and was primarily utilized to pay for miscellaneous expenses instead of medical needs.

Partner financial institution/s level

KPI (As of end-July 2020)	Total	Women
Outreach and Portfolio trends		
Number of clients enrolled in the family policy (total number of family policies)	27,473	24,042
Total number of lives covered (spouses + children)	78,271	30,140
Total Earned Premium (EGP)	EGP 2.42 mn (CHF 0.14 mn)	
Total Sum Insured (for life insurance of Spouse) (approx.)	EGP 60.97 mn (CHF 3.54 mn)	
Total Sum Insured (for hospital cash for spouse + children) (approx.)	EGP 621.95 mn (CHF 36.15 mn)	
Product value and Service Quality		
Loss Ratio for Hospital Cash component	64%	
Loss Ratio for Spouse Life insurance component	48%	
Turnaround Time for Claims Payment (Hospital Cash claims)	Average 11 days, Median 7days, 80 th percentile: 16 days	
Turnaround Time for Claims Payment (Spouse death claims)	Average 18.4 days, Median 13.5 days, 80 th percentile: 23 days	
Claims Rejection Ratio (Hospital Cash)	2.4%	
Claims Rejection Ratio (Spouse death)	3.3%	

Loss Ratios have been destabilized from March 2020, showing declining trend for Hospital Cash. This is largely attributed to the lockdown related disruptions due to Covid-19. Life Insurance (Spouse death claims) is unstable and increasing, likely to exceed 65% in 8-9 months. This could be attributed to Covid-19 and maybe limited customer awareness.



Results achieved

- Product design** – The client research confirmed the demand for family insurance with a mismatch of financial burden and emotions. Women shared a strong preference towards covering their children under the policy. However, the research revealed that women are more impacted financially by the hospitalization or death of their spouse. Affordability was a factor; most clients preferred lower premiums (e.g. less than 15 EGP (CHF 0.87) a month), thus the team designed two product offerings for clients (Gold and Silver).
- Pilot and early course correction** – Lead launched the pilot in 3 branches in mid-May 2019 and added two more branches to the pilot by August 2019. During the beginning of the pilot, through a phone survey, the team discovered many data quality issue in the form of inconsistencies of the family status. This coding error was leading to mistakes in family policy enrolment and eligibility. Lead took steps towards cleaning up the data and eliminated this issue for future enrolments.
- Business case** – The product is sustainable overall (~64 percent at the end of February 2020), however, the standalone loss ratio for the Gold option is not sustainable. This finding confirmed the anti-selection and cross financing between the Silver and Gold products; clients who opt for the Silver plan (~87 percent), cross-subsidize for the clients who opt for the Gold plan because the Gold plan has a much higher claims ratio compared to the Silver plan. Additionally, due to the Covid-19 lockdown measures, the team observed a sharp decline in the hospital claims frequency and an increase in spousal death claims. This fluctuation is due to Covid-19 and will take time to stabilize; however, the team will be able to adjust the benefit levels accordingly (e.g. instead of Gold or Silver options, we propose keeping one uniform benefit level for all customers, and enhancing the spouse death amount, keeping the overall monthly premium to EGP 15 (CHF 0.87) per client.)

Results partially / not achieved

- Non-financial services** – Women's World Banking worked in parallel looking for prospect partnerships for non-financial services to complement the health insurance program for Lead's customers and their families. One potential partner in Egypt is [Shamseya](#), an Egyptian social enterprise that offers community-based solutions to tackle local healthcare challenges. Based on the inputs of Women's World Banking, the organization devised a unique idea to support the low-income women customers of Lead through phone assistance service that would guide the clients by providing the right information about the various government health benefit schemes. Lead decided not to pursue this avenue because they felt like the value proposition offered by Shamseya would not be useful for Lead clients.

2. **Fraud model integration** – Women’s World Banking and Lead agreed upon the fraud rules for the Hemayat Lead program (for individual customers), but it was not possible to integrate these regulations into the family insurance program because; 1) Lead has been reluctant to use machine based inputs for fraud scoring mainly because the team felt that it was not as accurate as a human eye (refer to project [2018-02](#) Automation with Lead); and 2) Lead’s IT system for family claims module has not been launched as detailed above. Before Covid-19, Lead had to prioritize integration of the new insurance program mandated by the regulator. After Covid-19, Lead’s IT had to ramp up the efforts on digitizing the operations. Currently, the microinsurance team at Lead is managing the claims for family insurance program manually which is contributing to the increase in turnaround time for claims payment.
3. **Rollout timelines** – Women’s World Banking has provided the roadmap for Lead regarding the rollout, however, there are two critical bottlenecks; 1.) The IT system for family insurance claims management must be finalized and tested before rolling out the program in more branches; and 2.) Based on the client research during the pilot assessment, product change recommendations must be implemented by Lead as detailed above in the “business case” section. This will require Lead to resume negotiations with AXA and secure an agreement on the updated product design. We anticipate that it could take Lead an additional 3-4 months to complete before they are able to scale the program. Women’s World Banking will continue to engage with Lead periodically until the rollout begins. The roll-out is planned for January 2021.

4. LESSONS LEARNT

1. **Effect of family health events on women clients:** Family health events disrupt the lives of the women clients in multiple ways. If their child is hospitalized, their business is affected, securing additional childcare is extremely difficult.
2. **Product Design:** Less is more. Product design must be very simple, and contrary to the popular belief, customers should only have one option. Women’s World Banking observed client confusion with two product options, Gold and Silver. The loan officers were encouraged to recommend a plan, which created confusion, and loan repayment amounts were different despite the loan amount remaining the same in both plans which also caused confusion. Overall, two plan choices hampered decision-making ability of clients and put branch staff in an awkward position.
3. **Client Communications:** All insurance programs must be explained as one standard value proposition to the clients. In the IT backend, Lead has three distinct insurance products, which makes it difficult for staff to distinguish between the three products. Staff end up pitching the three products as one insurance product and overlook key differences between the products. Women’s World Banking recommends that Lead standardize their value proposition to one insurance offer.
4. **Delay in claims payment may reduce the perceived value of claims amount:** Delay in the spousal death claims payment led to some clients feeling that the claims amount was “too little, too late”. Spousal death increases the woman client’s financial vulnerability and pressure to repay the loan on time. The woman usually borrows cash from her relatives in order to pay for the funeral or daily expenses. Women’s World Banking recommends that Lead release an immediate cash payment for all spousal death claims or replace coverage through loan forgiveness or moratorium. With this recommendation, Lead is concerned about the possibility of fraud and loss of client engagement, so the team will need to compromise on this recommendation.
5. **Life insurance value proposition must be clear:** The money received for spousal death did not meet the expectation for “life insurance” - a meaningful safety net for the women clients. The clients ended up using the money for miscellaneous expenses rather than saving it for future emergencies. Our recommendation to Lead is to position their product as “funeral insurance” to create a simple value proposition and manage client’s expectations.
6. **IT delays:** The IT system for any microinsurance program is foundational and the absence of a well-functioning claims module is now preventing Lead from scaling up this program to other branches and increasing the product launch time. This is a missed opportunity for Lead, especially given the Covid-19 health crisis, as more clients could have benefited from this insurance product.
7. **Remote research:** Covid-19 related travel restrictions prevented Women’s World Banking to conduct the in-field client research in the traditional manner. Lead and Women’s World Banking adapted the research process to collect client inputs remotely through personal phone interviews. The key learning was to maintain constant communication with the interviewer to gather deeper insights even with the limitations imposed in the phone interviews as compared to a face-to-face conversation.

¹ Swiss Re Institute (2017). World Insurance n 2016: The China growth engine steams ahead. Retrieved from https://www.tsb.org.tr/images/Documents/Teknik/sigma3_2017_en.pdf