

Factsheet microinsurance business model

Pakistan: Delivering health based plan for women and their families through a non-government organization

The challenge

Pakistan is sixth most populous country in the world with an estimated population of 190 million in 2015. Out of the total population, approximately 40% are poor according to the Multidimensional Poverty Index. The proportion of people identified as multidimensionality poor in urban areas is significantly lower than in rural areas – 10% and 55% respectively. This population segment is vulnerable to a number of shocks, which can have severe repercussions on their economic and social wellbeing. With the cost of care, unplanned emergencies, education, marriage and medical treatment rising faster than current funding structures are able to support and the low levels of income, the outlook for micro insurance in Pakistan is highly favorable. There are nonetheless major challenges to growth which need to be addressed. Some of the key challenges include:

1. Raising consumer awareness of mass market products among low-income households.
2. Creating an insurance buying culture among low-income households.
3. Outreach to this micro population.
4. Developing sustainable low-cost operation models and leveraging innovative distribution channels and administrative procedures.
5. Modifying regulations that can help to facilitate micro insurance market development.
6. Product and processes tailor-made for this segment.

Enabling policies and regulations

One of the key recent developments in Pakistan is the “National Financial Inclusion Strategy” (NFIS). The objective of the strategy is to build momentum and push forward reforms to achieve universal financial inclusion in an integrated and sustained manner.

The Government’s stated vision for financial inclusion in Pakistan is: “Individuals and firms can access and use a range of quality payments, savings, credit and **insurance** services which meet their needs with dignity and fairness”

Research also shows that countries that have invested in devising and implementing a national financial inclusion strategy have been more successful and effective in reaching set targets. On average, there is a 10% increase in the percentage of adults with an account at a formal financial institution for countries that launched an NFIS after 2007, whereas the increase is only 5% for those countries that have not launched an NFIS.

The NFIS provides a platform for national level acceptance for financial inclusion, on the part of the regulators, as well as other stakeholders such as microfinance institutions and telecommunication companies.

In addition to the NFIS merits the rich experience accumulated in Pakistan through the rather ‘rough’ implementation of the first Microinsurance Regulation of February 2014 and through the Regulatory Impact Assessment (RIA) results presented during the first Multistakeholders Dialogue (MSD) in August 2016 organized by the GIZ RFPI program in collaboration with SECP in the context of the MEFIN network activities contributed in advancing the preparations of the detailed MI provisions of the Draft Insurance Bill currently under public consultations. How successful the new MI provisions will be depends ultimately on the level of accessibility, affordability, and client value of the MI products available in Pakistan.

Partnership with a Non-Government Organization

EFU Life has joined hands with DAMEN (Development Action for Mobilization & Emancipation) to offer a health based plan to the borrowers and their spouse. Before the scheme was insured by EFU Life, it was on a cash-less health insurance model where utilization was restricted to the network



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hospitals (which did not have a presence in the rural areas). Due to difficulty in access to the network hospitals as well as lack of awareness on the product, the claims ratio hovered between 5 to 10%. Once DAMEN decided that the earlier scheme was not having the desired social impact, it was taken over by EFU Life on a reimbursement based model without the restriction of network hospitals and hassle free claims process. Over a period of time, due to efforts made on claims awareness, the current claim ratio is 65%. DAMEN and the members are very much satisfied on the overall performance of the scheme and the positive impact it has had on the lives of its members.

DAMEN is a non-profit, non-governmental organization established in May 1992 working for alternative development at grass-root level in Pakistan. It is an alliance of social scientists, philanthropists and professionals from various fields having significant experience of working with NGOs in and outside Pakistan. DAMEN mainly concentrates on women development by initiating programs for income generation, provision of credit and awareness of their legal and basic rights.

EFU Life and Damen both are working on a same vision to cater to the health related needs of a segment where affordability always hinders a healthy living. As this underprivileged segment of the market is prone to vulnerability, the benefits of the Hospital Cash Plan have a visible social impact on families of the borrowers.

Hospital Cash Plan

This product is a hospitalization reimbursement plan where in case the insured borrower, as result of Accident or Sickness is confined as an inpatient within a hospital for at least twenty-four (24) consecutive hours, under the continuous attendance of a Physician, then EFU Life pays a daily cash benefit. In case of confinement to Intensive Care Unit (ICU), the benefit payout is doubled.

Caesarian Section Surgery for child birth, is also covered (this was an additional benefit offered to DAMEN on the first renewal of the scheme).

| Product details | Hospital Cash Plan benefit package/year |
|---------------------------------------|---|
| Type of cover | Hospitalization |
| Term | 1 year renewable |
| Enrolment ages | Eligible enrolment age: Between 18 & 64 years nearest birthday Eligible coverage age: Between 18 & 65 years nearest birthday |
| Annual premium | USD 3.25 per covered member |
| Benefit amount | <ul style="list-style-type: none"> ▪ Daily cash benefit = USD 10 ▪ Additional ICU benefit = USD 10 ▪ Caesarian Section Surgery = USD 100 |
| Maximum hospitalization benefit limit | The benefit can be availed for a maximum of 180 days in a year. Consecutive hospitalization for more than 24 hours, the payment benefits (ICU benefit and/or main benefit) may contribute for a maximum of 30 consecutive days. |
| Some Key exclusions | <ul style="list-style-type: none"> ▪ Any pre-existing condition ▪ Self-inflicted injury, attempted suicide, abuse of alcohol, drug addiction or abuse ▪ Hospitalization for diagnostic purposes only, dental treatment ▪ Injuries as a result of illegal act of the covered |
| Elimination/Waiting period | <p>Starting from enrolment:</p> <ul style="list-style-type: none"> ▪ For sickness benefit: 10 days ▪ For accidental benefit: No waiting period <p>Between successive hospitalization: 30 days</p> |

From April 2015 to November 2016, 110,000 lives have been covered by Hospital Cash Plan. This high number can be attributed to the significant effort made for awareness building giving special emphasis on explaining to the customers how to claim for this benefit.

Takaful Version

DAMEN is also focused on opening Islamic Branches around the country and due to their excellent experience on the conventional version of Hospital Cash plan, they requested EFU Life to provide the Takaful version as well. EFU Life offered Group Takaful Hospital Cash plan which is Shariah Compliant. All other product features are the same as above.



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