

## MICRO-INSURANCE BRIEFS



### PAKISTAN: KASHF LIFE INSURANCE PRODUCT

#### Scheme Design

Inspired by the success of the Grameen Bank, Kashf Foundation (meaning miracle or revelation) began in 1996 as an action research program focusing, for the first two years, on understanding key factors having an impact on the demand for microfinance services by poor women.

Kashf Foundation began with many firsts: it was the first specialized microfinance institution in Pakistan; it was the first MFI targeting only women from low income communities and also the first microfinance institution to charge a sustainable price for its services.

Kashf foundation targets women in rural Punjab. Sixty percent of their clients earn less than \$ 1 a day and remaining 40% less than \$2 a day.

Since inception, Kashf Foundation has continued to trail-blaze – in 1999 it introduced the first pro-women consumption loan in the sector, in 2001 it pioneered in offering micro-insurance services by collaborating with one of Pakistan's oldest insurance companies. In 2003, it was the first MFI to become financially sustainable, in 2004 the first institution to obtain an investable credit rating and in 2007 it has been able to close over \$36 million in commercial deals with key local and international banks.

Based on feedback from clients, Kashf Foundation initiated its life insurance product in 2001 to firstly meet clients' needs and secondly to build brand equity. In 2005, Kashf increased its coverage from client to include the main bread winner in the family. In 2007, KF began pilot of a health insurance product to provide its clients a means to hedge against medical contingencies and the ever increasing cost of medical operations.

The insurance is delivered through a partner agent model where the distribution (enrollment, premium collection, marketing and ensuring proper claims are lodged) is done by Kashf Foundation and the insurance company provides coverage for the risks, provides coverage benefits and verifies claims on its end.

The product is mandatory for all clients who take a loan from Kashf Foundation which reduces adverse selection.

#### Eligibility Conditions

The client (female in our case) has to be an active client of Kashf Foundation lending programme and has to be between the age of 18 to 60.

#### Exclusions

Standard exclusions typical in any insurance policy apply such as death due to suicide, self-affliction of pain, murder or in the case of civil war or terrorist attack. This also includes exclusions deaths due to natural or man-made disasters.

#### General Overview

Starting date:	2001
Ownership profile:	MFI
Target group:	Women
Outreach:	National (Punjab, Sindh)
Intervention area:	Urban/Peri-Urban
Risks covered:	Credit Life
Premium Insured/Y:	2% or 3,5% of Loan Amount
Co-contribution:	None
Total premium:	-
No of insured:	636,148

#### Operational Mechanisms

Type of scheme:	Partner-Agent
Insurance company:	New Jubilee Insurance Company
Insurance plan year:	Start of Each Loan Cycle
Insured unit:	Client and Nominee (main bread earner)
Type of enrolment:	Mandatory
One-time enrolment fee:	-
Premium payment:	Upfront
Easy payment mechanism:	Collected in cash
Waiting period:	No
Indirect subsidy:	Yes

#### Level Of Benefits

Life:	None
Loan:	Outstanding loan paid by Insurance Company
Funeral expenses:	PKR. 5,000

#### Service Delivery

Prior H. check-up:	No
Additional Financial Benefit:	None (Rs 5,000 burial expenses)
Additional Non-Financial Benefit:	No

The client and her nominee (usually a male bread winner and a direct relative) have to be of sound health. There is no health check-up however if clients are visibly unwell then they are not insured (and hence not given a loan either)

Also, for the benefits to kick in, the client or the nominee cannot be a defaulter/delinquent at the time of death.

### Plan Benefits

- ✚ Outstanding loan paid by Insurance Company in the event of death of client or the nominee
- ✚ Burial Expenses of Rs. 5,000
- ✚ In the housing loan, the credit life product insures the client's outstanding only.

### Premium

- ✚ 2% of Loan Amount, 3.5% of the Housing Loan amount.

### Insurance Plan Key Features

The scheme is a credit life product which insures the client against outstanding dues in case of death. The client and her nominee (usually a male bread winner and a direct relative) are insured at the start of each loan cycle and ensured for the entire period of the loan which is one year. The insurance amount is collected at the start in a lump sum amount and usually 2% of the loan amount. Another product i.e. the housing loan also insures its clients with credit life and the premium is 3.5% of the loan amount (since the product is for a period of 4 years).

### Main achievements

The insurance product initially was limited to client only but based on client feedback was extended to two persons. The documentation needed to lodge a claim was also very stringent and difficult for the clients to fulfill but over time the documentation has been minimized and has enabled faster processing of claims.

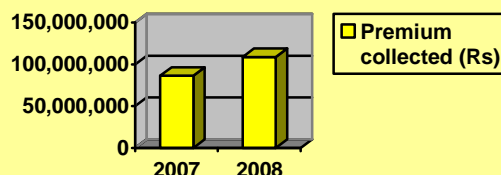
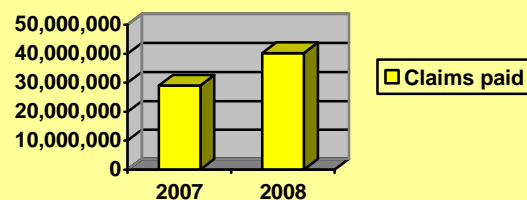
### Remaining challenges

Remaining challenges are to reduce the costs of the insurance further and enhance coverage benefits over the coming years.

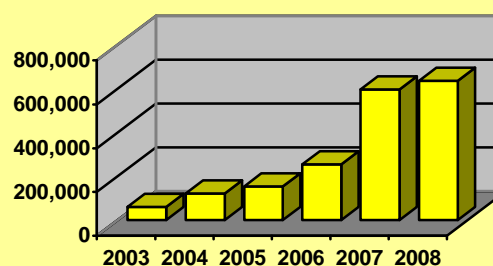
### Development Plans

The focus is to grow the insurance to a sizeable number and increase benefits. A health insurance program has already been piloted with an insurance company. In the coming years a combined health and life product shall enhance the feature set of this insurance and enable client to achieve more benefits in a reasonably priced premium.

### Activity Indicators

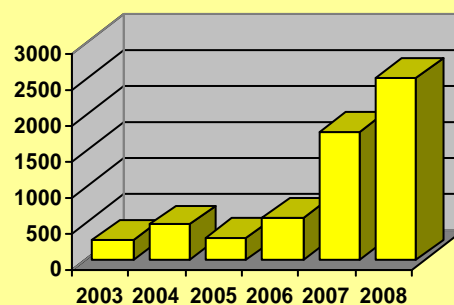


### Number of Insured



**Women's Participation : 100% Women**

### Number Of Claims



### Average Claim Amount

