How to conduct a PACE client value assessment:

A technical guide for microinsurance practitioners

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Contents

Background

The ILO's Microinsurance Innovation Facility (www.ilo.org/microinsurance) has developed the PACE tool to assess the client value of microinsurance products in relation to alternatives providing protection for similar risks. Based on testing with 15 microinsurance schemes, the tool was developed to fill a need for a simple yet comprehensive methodology of evaluating microinsurance programs from a client's perspective. The PACE tool analyses client value through four dimensions of value - Product, Access, Cost and Experience.

The PACE tool helps practitioners develop a better value proposition for clients. The tool focuses on *improving* value, rather than *proving* it. It is not a substitute for demand or impact studies. The tool provides an initial assessment of the product and processes then aims to provide actionable insights for practitioners. It can help instil a client-centred approach to microinsurance.

This document is a technical guide for users of the PACE tool, originally outlined in the companion paper "Improving Client Value From Microinsurance: Insights From India, Kenya, and the Philippines", which together with other resources listed in Box 1 are a useful read before applying PACE.[1]

Box 1: Additional Resources

The following documents can provide useful background information for trainers preparing to deliver the course. They can also be distributed to course participants on a CD-Rom or data stick.

- Thematic Page on Improving Client Value (http://www.microinsurancefacility.org/en/thematic-pages/improving-client-value) provides up-to-date information about new developments regarding PACE and improving client value.
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- Wipf, J.;Garand, D. 2010. *Performance indicators for microinsurance: A handbook for microinsurance practitioners*, 2nd edition (Luxembourg, ADA), available at: http://www.microinsurancenetwork.org/publication/fichier/KPI_MI_Handbook_v2_EN.pdf

[1] Authors would like to acknowledge contributions from Clemence Tatin-Jaleran, Cheryl Frankiewicz, Jasmin Suministrado and Andrew Douglas that significantly improved this guide.

The guide is set out under the following sections:

1. **Definition**: this section defines the PACE tool, it's limitations and outlines why and when a PACE analysis would be appropriate.
2. **Planning**: describes the resource requirements of PACE in terms of data, time and skills required.
3. **Preparation**: explains how to prepare to do the analysis.
4. **Application**: outlines the methodology of undertaking PACE analysis and how data should be collected.
5. **Results**: discusses how results can be utilized to improve client value and enhance strategic business decision making.
6. **Appendices**: provides a more detailed description of the tool's methodology and data requirements.

Two symbols are used throughout this text to highlight special insights for PACE users:

- The light bulb symbol  indicates an idea or tip that might help users implement a particular step more effectively.
- The exclamation point symbol  is designed to warn users of a potential risk and is usually followed by a suggestion for avoiding that risk.

This guide features a preliminary list of frequently asked questions in green boxes under each step, which will be further develop when more questions come from current implementations of PACE.

This guide goes together with an Excel spreadsheet template for client value analysis that is useful for the application of steps 6 and 7.

The Facility continues to gather feedback about the PACE tool to further improve it. Please provide your comments at microinsuranceresearch@ilo.org .

1. Definition

What is PACE?

The PACE tool is a client value assessment tool that looks at the value added for clients from insurance products by comparing them to other insurance products as well as other means of offering protection against similar risks. Client value in the context of PACE is about reducing vulnerability due to improved risk management practices that ultimately leads to the improvement of client welfare. Value is created when clients use products and are satisfied enough to renew their policies. The following model demonstrates how client value can be created (Figure 1).

The PACE client value assessment tool focuses primarily on the first stage of value creation, when the products are developed or refined. PACE caters to the needs of practitioners who wish to develop a superior value proposition to protect clients against specific risks.

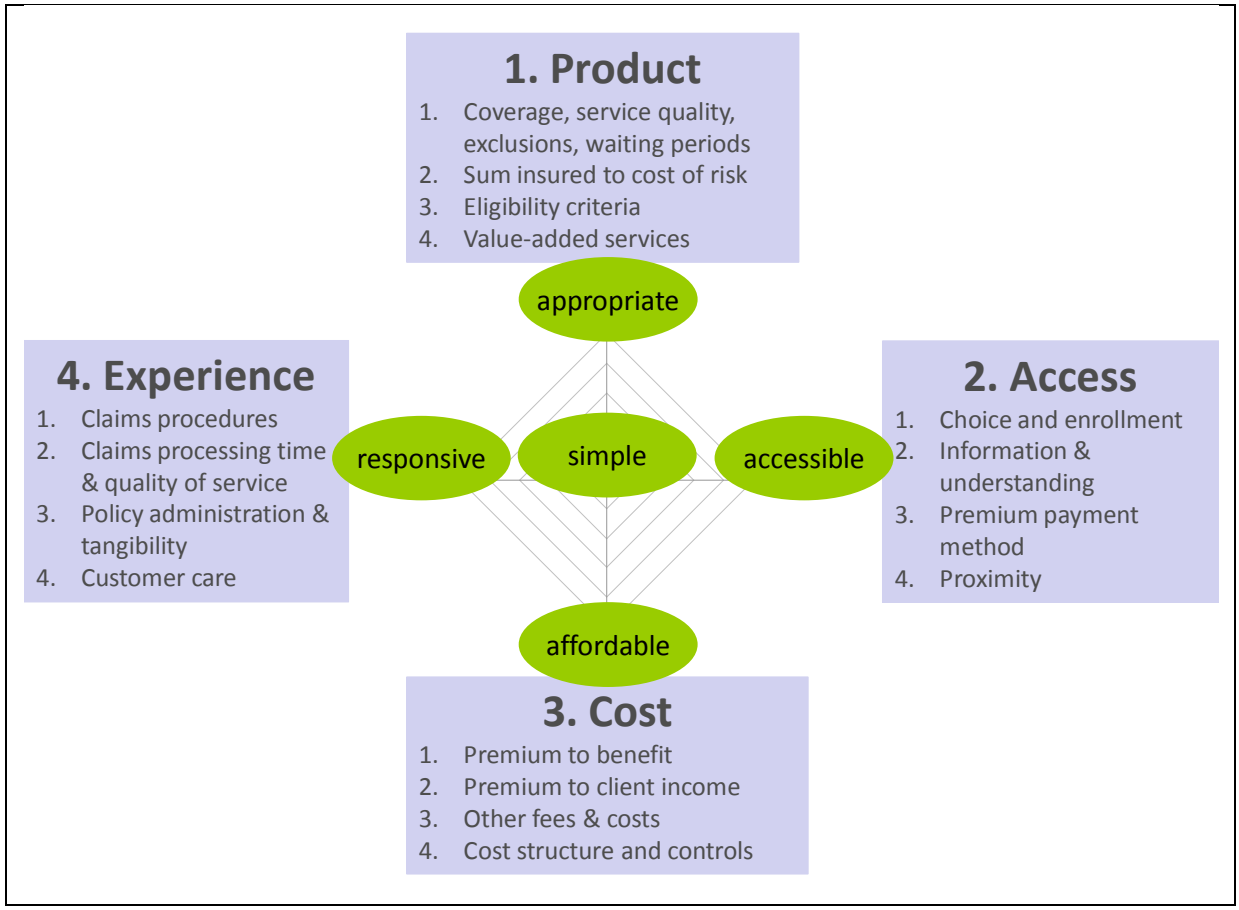
Figure 1: Client value creation model

The PACE framework is structured into four dimensions of Product, Access, Cost and Experience:

- **Product**: describes appropriateness by reviewing coverage, benefit level, eligibility criteria and availability of value-added services
- **Access:** focuses on accessibility and simplicity by investigating choice, enrolment, information, education, premium payment method and proximity
- **Cost:** measures both affordability and value for money, while looking at additional costs to keep down overall costs of delivery
- **Experience:** assesses responsiveness and simplicity by looking at claims procedures and processing time, policy administration, product tangibility and customer care

The underlying assumptions behind the PACE tool is that products can deliver value to clients only if they are appropriate, accessible, affordable, simple and responsive to shocks. Figure 2 shows how these five underlying assumptions interact with the four main dimensions of PACE and their individual sub dimensions.

Figure 2: PACE added value analysis framework



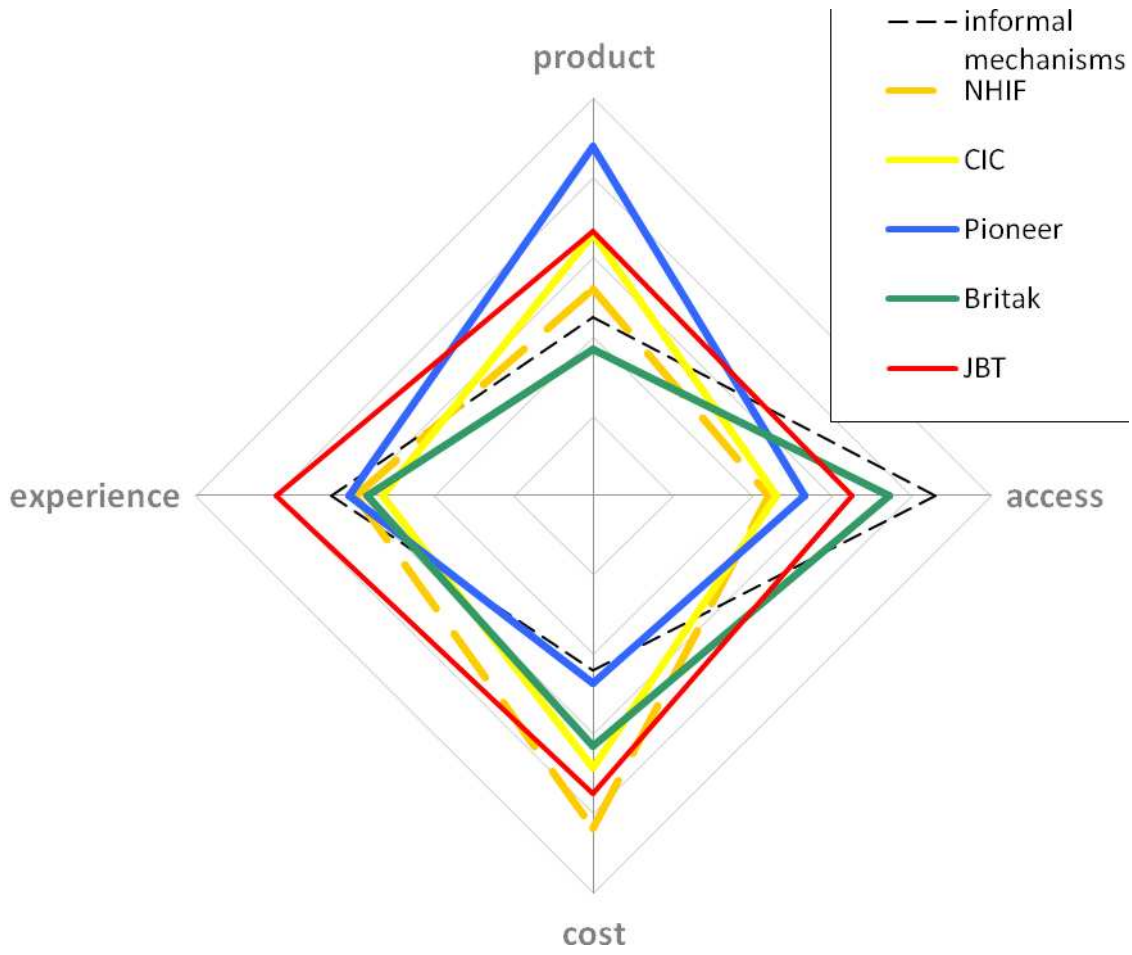
One key aspect that differentiates PACE from other client value assessment tools is that PACE looks at both product specifications and related processes. Often, the problem with microinsurance schemes is that processes to enable access or to service claims are poorly designed and undermine the value of the products. By evaluating current processes from the client perspective, PACE can identify improvement opportunities.

What the tool can/cannot do?

A PACE analysis can show that one product is better than another one in one or several dimensions. The analysis can be done for one product but is much more powerful when done as comparative analysis; with a benchmark and similar offerings. Client value of microinsurance cannot be analyzed in isolation as microinsurance often complements existing risk-management mechanisms such as informal savings and credit groups or tax-funded government safety nets. The chart in Figure 3 comes from a study done on life insurance products in Kenya and demonstrates how PACE might be used to compare a number of microinsurance products against informal risk sharing arrangements.

As seen in the chart PACE can provide quick top level comparison based on the four dimensions of client value.

Figure 3: A graphical example of a comparative PACE analysis



	informal mechanisms	NHIF	CIC	Pioneer	Britak	JBT
product	2.3	2.6	3.3	4.4	1.9	3.3
access	4.3	2.2	2.3	2.7	3.7	3.3
cost	2.2	4.2	3.4	2.4	3.2	3.8
experience	3.3	3.0	2.7	3.1	2.9	4.0

The PACE tool does not measure the long term impact of microinsurance, nor does it attempt to assess client satisfaction or purchasing decisions. It is not a substitute for rigorous impact studies, which are important to improve our understanding whether and to what extent the poor benefit from different microinsurance programs. The PACE tool should be viewed as an initial analysis that can be complemented by other market research or impact studies. It provides sufficient insights for practitioners to act on and assists them in developing a client-centred approach to microinsurance. PACE can also be used to inform the design of more rigorous studies and kick off policy debates.

Why do PACE analysis?

Two key reasons for performing the PACE analysis are:

- PACE ensures client needs are better met and small details that potentially have large impacts on client value are not overlooked by taking a **holistic** approach to designing value propositions for a given target market.
- Client value ultimately ***drives*** business viability. By achieving a superior client value proposition this in turn creates profits and growth, leading to greater business viability.

PACE is not the only approach to assess the client value of microinsurance products, however, it fills a gap between such approaches as tracking Key Performance Indicators (KPIs) that can only indicate success or failure and full-fledged client studies that are far more resource intensive. A table comparing different approaches to assessing client value is presented in Annex 5.

The PACE analysis can be used during the initial product design phase, after market research has been completed or for product refinement. The PACE tool can assist practitioners in:

- structuring market research to develop the value proposition for their target market
- identifying the strengths, weaknesses and opportunities to increase client value of their product
- conducting comparative analysis to identify added-value of their product compared to alternatives and competitors' products
- making strategic decisions and managing trade-offs between client and business value.

 A PACE analysis should be repeated regularly to help guide the product review and repositioning process.

When PACE results are incorporated into a broader strategic planning process it enables practitioners to strike the right balance between client value and business viability that will pay off in the medium or long term for both themselves and the client. PACE should be incorporated into strategic planning that considers the broader economic environment and institutional factors.

There are intrinsic trade-offs between client value and business considerations but it is widely acknowledged that client value should drive business viability. There is often no simple answer to which business strategy is optimal, but what is obvious is that incorporating clients' feedback in strategic decisions is vital, especially with growing competition. PACE and other client value assessment tools can help accomplish this. Better products mean reaching economies of scale, a prerequisite in microinsurance, in a more timely fashion.

2. Planning

What does it take to complete the analysis?

The PACE analysis is similar to an audit, for which answers to specific questions are validated by data from different sources. PACE users follow guidelines as summarized in Box 2 and require information and data related to each of the four dimensions of PACE in order to assess them.

The PACE analysis can be done relatively quickly as it relies largely on available secondary data and a limited number of staff interviews. The key data sources are: product specifications and documentation, performance data, manuals and process flowcharts, reports, staff feedback, market and client satisfaction studies. The information required is both qualitative and quantitative in nature.

This information should be at a sufficient level in order to make an informed assessment. Thus there will be an element of judgement in weighing up the available data and in actually using the data to make an assessment of the four dimensions.

The level of effort required to conduct the PACE analysis will depend on how well the data is organized, how quickly it can be assessed and to what extent it is validated. Depending on data accessibility and the complexity of the product, the PACE analysis takes 4-15 person working days.

Often, the first time the PACE is implemented it identifies information gaps that does not need to be immediately filled in order to conduct the PACE analysis. The first analysis can be done with fragmented data if it is deemed useful to identify some improvements. Then an action plan should be developed to implement those enhancements as well as collect some of the missing data and information for the next PACE analysis (for example, to justify larger investments in product design or delivery).

If there is limited client data available, it is recommended to conduct market research or client satisfaction studies, however this increases the costs of the PACE analysis.

Box 2: Key pointers for the PACE analysis

Some ***key pointers*** to remember when conducting PACE analysis are the following:

1. Look at all the issues from a client perspective
2. Build on KPIs and other secondary data, with some staff interviews
3. Do more client research if needed
4. Do the analysis regularly and if possible in-house
5. Benchmark the program against informal mechanisms, social security, competitor's products
6. Be holistic; all details count
7. Go beyond product features ; think about all business processes
8. Act on the analysis to improve your products and make better strategic positioning decisions

Who should do the analysis?

PACE tool users are microinsurance practitioners, marketing and program managers. This tool will help them review their product in a structured, consistent and objective manner.

As summarized in Figure 4, there are pros and cons of doing the work in-house versus outsourcing the analysis to a consultant.

Figure 4: Pros and cons of work done in house versus outsourcing

	In house	**Outsource**
Pros	• Direct knowledge of the program • Easy access to information • Knows the context and local factors • Understands and knows the organisation	• Independent view • Timely and efficient and can be focused solely on this task • Brings knowledge of other schemes and programs • Usually brings strong technical skills • Applied skills of using the tool in other locations
Cons	• Lack of independence • Possibly limited knowledge of other schemes and programs • Possibly limited technical skills	• Limited direct knowledge of the program, relies on local assistance • May have less access to information • Less knowledge of context and local factors • Limited knowledge of the organisation.

It is important that the assessor has a certain minimum knowledge or skills. These skills are split into critical (must have) and useful (nice to have).

The **critical** skills required include:

- practical understanding of microinsurance
- understanding of insurance principles and MI product design
- good understanding/experience with the end clients
- general understanding of the operational aspects of microinsurance (what is and is not practical)

The **useful** skills required include:

- marketing background
- actuarial experience

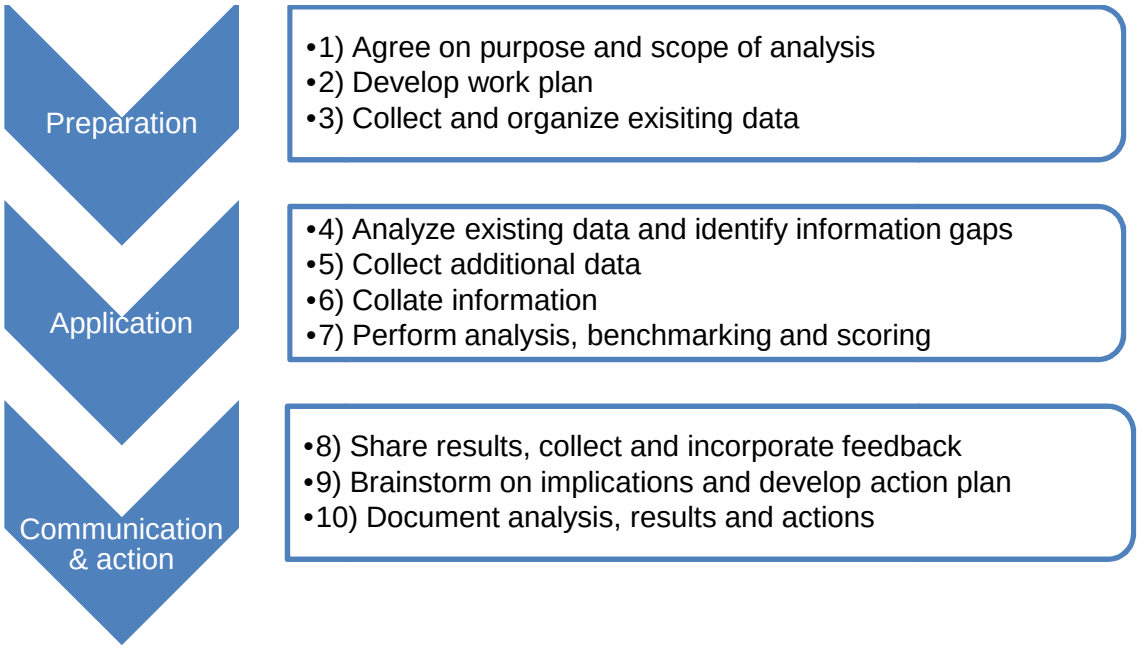
A key requirement for the user is a good understanding/experience with the end **clients**. This point is important as the tool relies largely on secondary information and limited client interaction. Extensive knowledge and experience with end clients will enable the user to put themselves in their clients 'shoes' when assessing the microinsurance product, which is particularly important when performing a PACE analysis.

As a rule of thumb, it is recommended that the PACE analysis is done in house in a regular manner in order to instil client-centred culture inside the organization. If this approach is followed, then the use of external consultant is justified if there is a need to build internal capacities or champion the project internally.

What are key steps in conducting PACE analysis?

As outlined in Figure 5 and discussed in detail in next sections, there are 10 key steps to perform the PACE analysis.

Figure 5: Ten steps to conduct PACE analysis



3. Preparation

STEP 1: Agree on purpose and scope of the analysis

The main purpose of using PACE is to develop a better value proposition for the target market; review the product for client value and identify areas for improvement. This is good as an overarching goal but might be too broad for successful execution. Hence, it is recommended that more specific objectives or a set of hypotheses to be tested are developed. For example, the PACE analysis can focus on making sure that the product complements informal risk-sharing practices; making the overall offer more consistent by reducing internal product cannibalization; or enhancing competitive edge by comparing a product to the core competition. When commencing any such review it is important to be clear on the objectives and that they are agreed upon in advance between all parties.

The scope of the analysis will depend mostly on the number of schemes that the product will be compared with. This can include just core competition or can be expanded to all substitute products, including informal risk-management mechanisms and existing social security schemes, which as explained below are useful benchmarks for the PACE analysis.

It is important to select comparable schemes for the comparative analysis, namely; same product type, same target clientele and same risks being addressed.

Step 1 deliverable: clear objectives and scope of the analysis

Frequently Asked Questions:

Can you please explain the relevance of **informal** risk management systems in the PACE analysis?

- Understanding informal mechanisms is key in the PACE analysis. We found informal mechanisms to be a useful benchmark to identify a niche for microinsurance and discuss its added value. For example, we used earlier research by Microfinance Opportunities in Kenya to set the benchmark for analysing client value of four microinsurance products. One can assess informal risk-management systems against the same PACE criteria.
- Even with a good insurance product in place, clients will need to complement the existing cover or manage their cash flows through informal mechanisms. This makes the client value assessment even more challenging but needs to be taken into account as the whole idea is to look together at various risk-management options from a client perspective.
- However, detailed documentation on risk-management role of informal mechanisms is not available in many countries.

STEP 2: Develop work plan

Developing a work plan is important but should be relatively simple. The work plan should outline steps, resources required and the analysis time frame. It should cover the questions presented in Box 3. A sample work plan can be found in Annex 1.

Box 3: Questions to be covered in the work plan

1. What challenge or opportunity would you like to be able to address with the help of PACE analysis? To which schemes would like to compare your product? (Step 1 deliverable)
2. Are there other steps that must be taken before you can answer questions 3 and 4, or before you can fully elaborate your work plan?
3. Who should conduct your PACE review? If you outsource the work, who within your organization will develop the terms of reference for the consultant and support/monitor their work?
4. When would you like to start the process? By when would like to see each of the ten steps of the PACE review completed?
5. Which of the questions from Step 1 would you find it difficult to answer with the information available to you? What additional information might need to be gathered before your PACE review can be conducted?
6. Can the data that already exists within your organization be better organized to facilitate a PACE review? If so how?
7. What challenges might you encounter as you attempt to implement the PACE tool?
   - In prioritising your information needs
   - In your collection of primary data
   - In your benchmarking against other risk-management alternatives ,analysis and scoring of each sub-dimension
8. What solutions or strategies for meeting these challenges can you apply?

If we consider a scenario where one independent person is doing the work then the approximate time required to complete the PACE process would be 6-15 working days, which can be spread over a number of weeks depending on how long it takes to collect the data:

- Stage 1 – Preparation 2 days
- Stage 2 – Application 2-11 days
- Stage 3 – Results 2 days

It is useful to involve a junior person in the assessment, especially in steps 3, 5 and 6 as these are the most time consuming steps.

Step 2 deliverable: work plan with outlined steps, required resources and time frame

STEP 3: Collect and organize existing data

The third preparatory stage is the collection of source data and background information. Rarely can the PACE analysis be done just with existing data, however, many PACE criteria can be evaluated using existing information.

Full details of the existing data required are provided in Annex 3. Key data sources are:

- Product specifications
- Product documentation (e.g., forms, marketing and educational material)
- Performance data
- Manuals and process flowcharts
- Internal reports and staff feedback
- Market studies (e.g., low-income households' risk management needs)
- Client satisfaction surveys

The table provided in Annex 3 can be used to identify relevant data sources and organize them so they can be used later on during the application stage.

Collecting and organizing existing information as part of the preparation process minimizes the cost of the PACE analysis and the time it takes to complete it.

Step 3 deliverable: existing data collected and organized to make application stage easier

Frequently Asked Questions:

Have you **compared** the results of the PACE with the Microinsurance KPIs?

- The KPIs are an excellent management tool to identify quickly, high level problems with the microinsurance scheme. They can indicate where you have an issue you can work on. Especially if you can compare your results with others. Once you have identified an issue you will of course have to drill down and do more research.
- In fact, KPIs are integrated in the PACE analysis. Most of them are used as indicators to assess the product against specific PACE criteria. For example, claims rejection rate or promptness of claims payments are the indicators taken into account to assess client's experience. The more KPIs are tracked by specific product lines the better, it's even better if the MIS data can be then mined for specific market segments.

4. Application

Once the objectives, scope and work plan have been agreed upon and data has been collected, we can begin the analysis.

In application stage, all the issues are analyzed from the client perspective. The assessor needs to put himself/herself in clients' shoes. Box 4 sheds some light on this issue.

Box 4: What is 'client perspective'?

The PACE tool is anchored in what we know so far about low-income households' preferences for insurance products. The underlying assumption of the PACE analysis is that microinsurance programs can deliver value only if they are **Responsive, Simple, Appropriate, Accessible and Affordable.**

Clients' preferences for insurance services

Responsive	Providing a timely response to shocks through prompt claims settlement and accurate answers to client queries so that the poor do not need to resort to expensive but reliable coping mechanisms such as borrowing from moneylenders
Simple	Making it simple to understand and use is an overarching principle in microinsurance product design given low literacy levels of targeted populations
Appropriate	Matching the most important risk-management needs of the target population
Accessible	Providing easy access to products that are explained in a simple language and delivered in the vicinity of the target groups
Affordable	Providing good value for money at a price that the target clientele, with limited capacities to pay, can afford

The four dimensions product, access, cost and experience are all important from the client perspective. One may argue that under certain circumstances some of the four dimensions are more important than others for a specific market segment. Providers can have also good reasons to focus on specific aspects to build their competitive edge. However, it is plausible to assume that from the client's perspective what is ideal is a balanced value proposition, a program that scores well on all four dimensions.

Many of the areas listed in the PACE framework can be also investigated from the business value perspective. For example, when PACE looks at cost structure and controls under the Cost dimension, it is not to see how costs can be further trimmed to generate more profits or lower the price to stimulate demand. Rather it is to see if providers keep costs at reasonable level so that clients do not need to pay for excessive inefficiencies as well as allow the scheme to provide access to services in the long term. In some areas there is an alignment, while in other areas, there are evident trade-offs between client's and provider's perspectives.

While the tool has been designed to be objective and transparent it is important for the user to have the client perspective always in mind when assessing the four key dimensions. A simple question to always keep in mind is "does this provide value for the client?"

STEP 4: Analyze existing data and identify information gaps

Reviewing existing data will help to inform the user of the key dynamics of the program and prompt questions for areas with missing information. This also gives the user a first idea of possible issues regarding the four dimensions. The table in Annex 3 is a useful tool for scanning existing data to see to what extent specific questions under PACE criteria can be answered.

The more data on clients that is available the better. It is important for there to be a reasonable level of client data available (secondary or primary) to feed into the PACE analysis. There will be an element of judgement in assessing what is reasonable but there should be some indications of clients risk management needs, risk management behaviour, client information and education material and ideally client feedback on the program. Client's socio-economic profile and income levels can be often extracted from the management information system, while data on needs, preferences and behaviours should be provided by available market and client studies.

If the client data is not available, then the accuracy of the PACE analysis is undermined. If there is no client information available we suggest that the assessor first conducts market research, which will then enable the user to extract greater insight from the PACE tool.

In general, although the PACE tool is designed to be usable with secondary data there may be occasions when this data is not easily available. This will then require the user to collect this data or formalise informal data. This may take some time but will be a learning process for the organisation and show them the value of collecting such information going forward. Ultimately the better informed the organisation, the more likely it will proactively understand the experience and ideally understand their clients, and their needs, more fully.

Collecting any type of primary data is costly. It is important to assess carefully information gaps and prioritize which data is critical for the analysis and which is just nice to have.

Some criteria/tips to prioritize information gaps include:

- Get back to your specific objectives
- Assess costs of primary data collection
- Evaluate what data is necessary right now and which is nice to have or can be collected for next application of PACE
- Focus on sub-dimensions 1.1, 1.2, 2.1, 2.2, 3.1, 3.2, 4.1 and 4.2 that seem to be more fundamental than others from the client perspective
- Look for alternative (less expensive) sources to get client data. Good understanding of clients is a must but not all data on clients needs to be collected from clients. For example, information regarding income levels or savings patters in a specific area can be obtained from secondary sources such as Government data, World Bank or UN reports.

Step 4 deliverable: existing data sources reviewed and information gaps identified

STEP 5: Collect additional data

The next stage is to conduct interviews and collect first hand data to fill the priority information gaps identified in previous step. The table in Annex 3 is a useful start to identify a list of core questions to be asked during primary data collection. The breakdown of the sub-dimensions is worth careful consideration to assess possible data requirements and potential questions to be used during the data collection process.

The main sources for primary data will include interviews with staff and if it is needed surveys, focus groups or individual interviews with clients.

Make sure you check consistency of answers from different sources on an ongoing basis. Information from different sources can be contradictory. While you still collecting data, you can easily probe more on specific issues to get a more consistent picture. Reflecting regularly on whether the information received makes sense pays off in the next steps of the PACE analysis.

Make sure you stay objective; ask questions and document answers without applying any value judgements. The answers to the questions should be documented in an objective manner with clear reference to their respective data source.

Situations where different questions are used to assess the same sub-dimensions can compromise the PACE tool's effectiveness. It is not only important to apply questions relevant to the situation but to try and apply them consistently to other situations.

Step 5 deliverable: primary data collected

STEP 6: Collate information

All the data collected should be collated in one table. The Excel spreadsheet template provided for client value analysis can be used for this purpose. The data from all the sources should be organized in the first tab called 'data capture'. It is very important to record the data sources when collating data.

Before collating data relevant to analyze the four PACE dimensions, it is key to summarize the program, product and contextual information, which forms the background of the analysis. As explained in Box 5, at this stage it is also important to judge the maturity of the product and quality of data for specific product dimensions.

The program and contextual information should be kept in mind when performing the analysis, in particular the target segments, core risk management needs and outreach. When assessing client value one should always remember and refer back to the target population and their core risk management needs – "Does the microinsurance program meet these needs? Is it built around these needs?"

The Excel spreadsheet 1st tab can be also used in earlier steps 4 and 5 when data is collected.

Box 5: Program and contextual information

Annex 2 details a summary that needs to be completed in order to provide background and contextual information for a given program. The key components are:

- Program details such as product type, provider, country
- Product maturity
- Target segments and core-risk management needs
- Current outreach and other performance data
- Core risk management needs and other financial intermediation needs
- Linkages to basic social security and any potential externalities
- Depth & quality of information available

Secondary sources can be supplemented by data collected during interviews and field visits. Ideally, all the sources of information for this summary will be documented but it is likely there will be some non-documented information that is obtained through meetings and on a verbal level. It is important, however, to attempt to verify such information as rigorously as possible in particular around outreach and profile of the target client segment.

Two particular items that require the judgement of the reviewer or PACE user are the program maturity and the depth and quality of information. These can be rated at three possible levels: low, medium or high, as shown in Figure 6.

Figure 6: Program maturity and information quality/depth rating

Rating	Program Maturity	Depth & quality of information
Low	less than 1-2 years of experience, in pilot or early roll out stage, product is immature, operational process unstable, and unclear long term potential	very limited or no primary information, limited secondary information, unable to obtain or verify much of the information, largely subjective or anecdotal information
Medium	minimum 2 years experience, has gone through one product review cycle, operational process beginning to stabilise, low/moderate long term potential	some primary/direct information, reasonable secondary information, able to verify majority of the information, less subjective and limited anecdotal information
High	>3 years, has gone through at least 2 product reviews, operational process has stabilised for at least one year, product is maturing and clearly delivering and has good long term potential	reasonable direct information, deep and extensive secondary information, able to verify almost all the information, little or no subjectivity and limited or no reliance on anecdotal information

Step 6 deliverable: All information collated, 1st tab of the Excel template filled in

STEP 7: Perform analysis, benchmarking and scoring

This step is about consolidating all the information and extracting insights that are the most relevant for the specific objectives of the PACE analysis. Output from the final analysis should look like the example in Annex 4 and documented in 2nd tab of the Excel spreadsheet called 'final analysis and scoring'. This automatically generates graphs in the 3rd tab. The 4th tab provides formulas to help calculating scores for sub-dimensions 3.1 and 3.2.

Benchmarking and scoring are at the centre of step 7. However, more technical analysis is often needed before scoring is done, e.g. review of pricing or consumer education materials.

The easiest way to start the analysis is to score the most relevant benchmarks such as informal mechanisms or social security systems. This is in line with a notion that microinsurance products should add value or complement existing risk-management mechanisms.

When core benchmarks are analyzed and scored, then the product in question and other competitive microinsurance offerings should be evaluated. All microinsurance products and risk-management mechanisms are scored on all sixteen sub-dimensions on a scale from 1 to 5 based on the criteria summarized in Figure 7. A score for each of the sub-dimensions is assigned and then aggregated up to a score for the four key dimensions. This scoring will help to simplify the overall effectiveness of the program from a client perspective into a numerical form and make comparing different programs simple.

As shown in Figure 7, while it is plausible to assume that the four dimensions are equally important, not all of the sixteen sub-dimensions carry the same level of importance. For example, one cannot compare the relative weight of claims processing with policy administration. Therefore, under each main dimension, two sub-dimensions with higher importance were identified and contribute 70% of the total score for a given dimension while the two other sub-dimensions contribute the remaining 30%. The Excel spreadsheet calculates the weighted scores. The following table presents each of the four dimensions broken down into their sub-dimensions as well as the corresponding weights.

All the criteria should be adapted to local context and to the specific objectives of an individual PACE analysis. Annex 3 can be useful to identify other relevant criteria.

Figure 7: PACE scoring criteria and sub-dimension weights

Dimension	Weight	Detailed criteria *(positive ranking if the product...)*
1. PRODUCT		
1.1 Coverage, quality of service, exclusions and waiting periods	0.35	• Covers appropriate risks from a client perspective • Integrates appropriate riders to main cover • Provides adequate service quality (for health) • Offers simple cover without many exclusions • Provides limited waiting period
1.2 Sum insured in relation to cost of risk	0.35	• Pays out adequate amount in relation to cost of risk • Does not put many sub-limits on specific covers
1.3 Eligibility criteria	0.15	• Is inclusive, does not exclude groups of people
1.4 Value-added services	0.15	• Offers non-insurance benefits • Offers preventive health services (for health) • Offers value-added agriculture services • Triggers positive behaviour changes
2. ACCESS		
2.1 Choice and enrolment	0.35	• Is voluntary • Offers choices in benefit levels or additional riders • Provides options to opt out • Has simple enrolment process

		• Does not require many documents • Provides enrolment in convenient times • Has efficient way to remind clients to renew policies
2.2 Information and understanding in relation to complexity	0.35	• Provides clear information about the product, its benefits and limitations • Establishes a channel to update the information • Does checks if clients understand the product • Educates clients on broader insurance issues
2.3 Premium payment method	0.15	• Makes it possible for clients to pay in small instalments • Offers premium financing options at fair price • Offers premium subsidies • Offers an option to automatically deduct premiums • Offers a way to pay from savings accounts
2.4 Proximity	0.15	• Offers a close PoS • Does not require frequent travels to PoS • Offers close network of health care providers
3. COST		
3.1 Premium in relation to benefit	0.35	• Offers good value for money coverage (calculated as a ratio of monthly premium per insured member divided by the score on 1.1 coverage and 1 all benefits)
3.2 Premium in relation to client income	0.35	• Offers affordable access, <2% of client income (calculated as a ratio of monthly premium for a household divided by average monthly household income)
3.3 Other costs	0.15	• Limits travel costs • Reduces opportunity costs • Limits co-payments • Does not have any additional fees
3.4 Cost structure and controls	0.15	• Prices fairly • Has claims ratio in a range of 40-90% • Has lean cost structure, explains use of intermediaries and other commissions • Has strong cost controls • Has mechanisms in place to control fraud, adverse selection and moral hazard
4. EXPERIENCE		
4.1 Claim processing procedures	0.35	• Has simple and easy claims procedures • Requires limited documentation to file a claim • Provides a cashless access to health services with a clear authorization process
4.2 Claim processing time and service quality	0.35	• Does not reject claims • Offers quick payments of primary benefits (eg<7 days) • Offers quick turnaround time on other payouts (eg<2 weeks) • Provides cashless access to quality health services
4.3 Policy administration and tangibility	0.15	• Issues policies on the spot or within 2 weeks • Offers a clear policy document • Provides a tangible insurance card
4.4 Customer care	0.15	• Has mechanisms to collect feedback from clients • Has clear first contact information • Provides access to call centre

		• Is offered by competent sales staff • Has a CRM system • Introduces bonuses for loyal clients • Has a systematic approach to build trust • Establishes a clear grievance mechanism

The scoring system is meant to capture the full range of possible product features from poor (rated 1) to strong (rated 5). As a rule of thumb the scoring is approximated as follows:

1	Poor	ineffective and not appropriate to the client needs
2	Below average	broad and not specific to clients needs, will have some limited effectiveness but needs substantial improvement
3	Average	broadly effective and relatively useful in general situations (e.g. 50% of client situations)
4	Above average	effective in many situations, but has moderate room for improvement
5	Strong	effective in almost all situations with limited or no room for improvement

PACE users should be aware that situations may arise where two programs have the same average score but the sub-dimensions scores are different. One program may have similar scores across all four dimensions whereas another program may have high scores for three dimensions but a very low score for one dimension. While such products overall scores might be the same the products are clearly different. The latter case will require further analysis on the dimension with the low score.

The weighting system can be adapted to the local context and specific clients' preferences. However, it might be hard to make those changes in an objective manner. That is why, the weighting system has been kept simple for the PACE tool.

As explained in Box 6, PACE has certain challenges that should be overcome with more implementations of PACE. Please contact the Facility, with thoughts and ideas how the tool can be further improved at microinsuranceresearch@ilo.org.

Box 6: PACE challenges

- There are certain elements of the PACE process and analysis that are **subjective**. The PACE tool is intended to be used in such a way that a different user with the exact same information will arrive at the same view on the microinsurance product. One way to overcome this challenge is to carefully document data sources and rationale for choosing the specific score for each dimension.
- Actual **criteria and weights** should be adapted to specific PACE implementation objectives, local context and client's preferences. This can be done only if good client data is available and at least two senior analysts agree on the changes. Again, this needs to be documented carefully.
- **Data on competition** might be not as in-depth as it should be. However, there are some techniques like 'mystery shopping' that should help users to get more in-depth data when it is needed for the PACE analysis.
- There may be some element of **overlap** between the sub-dimensions as they are not all independent or mutually exclusive. It is important for the user to be careful with this and to try

and avoid considering the same factor more than once in a different dimension. For example, eligibility is part of the product dimension but also has impact on the access of the insured to services/cover.

Step 7 deliverable: analysis and scoring completed, 2nd tab of the Excel template filled in

Frequently Asked Questions:

Are their cases where one dimension is more important than the other? Does the **balancing** sometimes need adjusting?

- This is exactly what we envision for PACE. Specific market segments in specific contexts will value differently Product, Access, Cost and Experience dimensions. For example, better off clients will pay more attention to better customer service, while poorer clients will look more at cost.
- For the sake of simplicity or lack of client data in PACE pilot test settings, we have kept the framework simple so each dimension carries the same weight. To be able to differentiate weights by clients preferences one would need to have access to good client segmentation data.

Would the client value be substantially lower if the **claims ratio** were 25% instead of 70%?

- This is a broader question that does not apply only to PACE. Some of the reviewed products with lower claims ratios scored better on overall PACE ranking than those with claims ratio at 70-80%. It is because PACE is quite holistic and takes many factors into account so low-claims-ratio product might score well if it excels in other areas (e.g. client education, targeted benefits, etc.). We use claims ratio as an indicator only in sub-dimension 3.4 (cost structure and controls) that carry quite a low weight in the overall analysis. However, actual reasons for low claims ratio are more important from the client perspective than the actual ratio, and those reasons are captured in other dimensions. For example, if the claims ratio is low due to a lack of awareness about being insured, then the product will score very low on information transfer (sub-dimension 2.2). Therefore, it is very unlikely that a product with 25% ratio scores high in the PACE framework.
- A higher claims ratio by itself does not measure client value. However a claims ratio is an overall measure of value to the broader community. If there was a choice of a product with a 25% claim ratio and one with a 75% claim ratio, assuming they are the same benefit. It is likely that the second has a lower premium. In the insurance industry in general there are real examples of insurers with higher claims ratio, with similar products having greater market participation. A consistent low claims ratio demonstrates a lack a value over the long run, and if competitors are present that low paying organization will diminish in size.

How do you assess **policy wording**? Eg for exclusions

- We look at coverage, exclusions and waiting periods to define clearly the area of risk that is covered. And then compare it back to clients needs (if we have access to a good market study) in order to assess appropriateness of the cover.
- We also look at exclusions when we evaluate the access dimension. Here, the more exclusions, the more complex the product and the more difficult it is to explain it to a client.

How can **trust** be incorporated in the PACE framework?

- Trust is implicitly considered in the PACE analysis under the Access dimension as trust enables

access and under the Experience dimension as more trust should result in greater satisfaction. However, we do not consider trust in a very explicit way. Part of the problem is that trust is hard to be measured, and requires tools that go beyond the scope envisioned for PACE.

- However if we have 2 identical products with the same score but for one organisation the clients have lower trust then that product is less likely to succeed. This is where it is important to develop a product that matches clients needs and builds up and maintains client trust over time. Ensuring effective access and experience for the client will help to enhance and develop trust in the organisation and the product (and even the concept of insurance). A simple example will be prompt and efficient approval and settlement of claims. On the contrary a slow and complicated claims process will quickly erode trust in insurance, the product and the delivery organisation.

What are the **ongoing efforts required to educate clients** about the value of a MI program?

- With respect to client education, the experience of many programs shows the need for ongoing education. Client education is often provided during the time of enrolment. While this is useful to improve demand, there is a need to provide education on an ongoing basis to ensure that clients understand the related processes for the product - such as claims disbursement.

5. Results

This stage is crucial to the main goal of the PACE analysis, enhancing the client value of the product and processes.

STEP 8: Share results, collect and incorporate feedback

As soon as the results are ready, a draft should be circulated for review to one or two reviewers. Having an external reviewer with a more objective view is also a good idea.

A clear communication plan should be developed when sharing the results with the management. It should focus on main insights. It might require several meetings to discuss the results first before brainstorming their implications.

All the feedback received during this phase should be incorporated in the final results.

It is better to focus on how to use the results of the PACE analysis to improve client value proposition rather than deliberating over the dimension scores.

Step 8 deliverable: final results validated by relevant people at the organization

STEP 9: Brainstorm on implications and develop action plan

As soon as internal stakeholders are reasonably content with the final results, it is high time to brainstorm the results implications, in other words, identify areas of improvement. Depending on the specific objectives, this can include the following areas:

- Client interaction and feedback process
- Program management
- Product design and features
- Operational process
- Data and information collection
- Monitoring and Evaluation of the product

This is also the time when client value considerations should be included in broader business planning. Understanding client value provides half the answer; striking the right balance between client value and business viability is the other half. The PACE tool can help microinsurance providers make strategic choices in their pursuit of making microinsurance viable and improving client value.

To be able to use PACE results to improve a client value proposition while at the same time balancing the business objectives, there is a need to link the PACE results to relevant functions and strategic or operational frameworks, as it is shown in Box 7.

Box 7: Opportunities to act on PACE results by linking to existing work streams

1. Define performance objectives, targets, activities to strengthen areas of weakness
2. Craft marketing materials that focus on areas of strength
3. Incorporate PACE results into the analysis of your marketing mix (Figure 8 below)

4. Use the results to inform your strategic planning
    a) As an input for your SWOT analysis
    b) To develop the customer component of your strategic planning tool
    c) To analyse your competitive strategy (Figure 9 below)
    d) To guide product review and repositioning

Figure 8: Integrating PACE with marketing mix

8Ps	C s	Corresponding PACE dimensions
Product design	Customer solution	1.1-1.4
Price	Cost	3.1-3.4
Physical evidence	Credibility	4.3
Promotion	Communication	2.2
Place	Convenience, Comfort	2.4
Positioning	Commitment, Consistency	
People	Competent, Courteous Care	4.4
Process	Concise, Confidential	2.1, 2.3, 4.1, 4.2, 4.4

Figure 9: Integrating PACE into value disciplines framework

Value Discipline	Provider Characteristics	Client Value Proposition	Corresponding PACE Dimensions
Product Leadership	Unique benefits provided Design-driven Innovative, state of the art, latest technology Short time to market Reliability	Innovative products that push performance boundaries	1.1-1.4
Customer Intimacy	Highly customer-focused, in pursuit of a long-term relationship More options/variations for tailoring to customer Emphasis on service	Delivering what specific customers want	2.1-2.3, 4.3, 4.4
Operational Excellence	Efficient and streamlined Outstanding execution Limited options or variations	Low-price and hassle-free service	3.1-3.4, 4.1, 4.2, 2.4

The trick is to strike the right balance between client value that will pay off in the medium- or long-term for both the provider and the client. There is no simple answer to which business strategy makes the most sense but what is obvious is that incorporating clients' feedback in strategic decisions is vital, especially with growing competition. PACE and other client value assessment tools can act as the medium to accomplish this.

It is important to design and implement an action plan, which identifies the resources required and timelines to action as well as remedy the areas identified that require improvement.

To integrate PACE into ongoing operations, it is important to use it as one of internal audit tools. It is also wise to set a date for the next PACE review, at least 6 months hence, as soon as the current review is completed. The tool is meant to be used on an ongoing basis and if improvements are made to the program this will be seen in the results of the next PACE scoring and review exercise.

Step 9 deliverable: clear implications and action plan

Frequently Asked Questions:

How to **balance** client and business value for an insurer? Is this a zero sum situation?

- There are obvious trade-offs between improvements in client value and costs for the insurer, especially in the short term. In the long term, it's probably not a zero sum game, should be rather a win-win situation. In a competitive market, only those products that provide competitive value will survive. The problem is that in microinsurance, there are not so many competitive markets yet. The challenge is to find the right balance in the long-term without a pressure by competitive forces. Many of the mature schemes we reviewed were either very close to break even or were profitable, while at the same time providing added value to their clients. It's still probably a long way for microinsurance to mature in different countries, but just based on those case studies, it looks like finding the right balance between client and business value is possible.
- There is another dimension to this question, a **strategic choice** by insurers. In most competitive markets, providers need to decide on their niche. They can't be all to everyone. PACE analysis is just done from a client perspective. But it's not a coincidence that we developed this tool to be compatible with well recognized business tools such as six sigma strategic model or on the marketing 4Ps. We believe that the PACE analysis talks to those business frameworks and that's why it's easy to integrate PACE results into strategic planning. It's a way to be more client-centred when making strategic choices and designing marketing strategies. The balanced client value makes sense to the clients but I think providers can have good reason to invest more in one or two of the dimensions and fortify their niche there.

What about the **impact of time** and how long it will take to attain optimal client value?

- Product maturity matters. Mature products scored consistently better on PACE than the new offerings.
- One of the dimensions to the question is **time**, but it goes in both directions. If insurers are willing to be patient, they will be able to create business value over time as they reach economies of scale, and figure out how to be more efficient and then they will be able to be profitable while providing client value.
- However the opposite should also be true for products that already are profitable, where perhaps insurers should think about how they can be adjusted so that they remain profitable and start providing better client value...not because they are being altruistic (necessarily) but because they want the market to have a positive experience with insurance, so that they start considering other types of risks that they might be interest in covering (cross selling opportunities). This is particularly applicable to mandatory or member benefit products, like credit life, which are often quite profitable and provide questionable value.

How can **technology** improve client value?

- We need to understand that technology by itself may not be able to offer or enhance Client Value. It is at best a means to an end and the real test is when the customer accesses the core value of insurance: at the time of claims. Enrolments through mobile phones may be a "feel good" but what it does at the time of claim is critical...does it help in quicker identification, faster approval, better assessment, smoother transactions and receipt of claim payment which puts the beneficiary back on his/her feet quickly...these are issues to be looked at.
- The other issue is that of value from whose perspective...the insurer, the delivery channel or the customer and how are they linked...if the use of mobile technology can lead to cost efficiencies and quicker receipts for the insurers with better quality of information dissemination and enrolment process which lowers delivery channel costs which further results in a better claims experience and premium rationalization brought about by reduced cost structures on the supply side...that would be great...and it will still be delivery of a promise that insurance offers, traditional or otherwise

STEP 10: Document analysis and results

Finally, it is very important for the organisational memory to fully document the PACE review by listing all data sources, data limitations, analysis, results, areas for improvement and the action plan.

Step 10 deliverable: full documentation of the PACE process

6. Annexes

Annex 1: PACE work plan sample

Provider's name and geographic area of operation:
MICRO Foundation, Bangladesh. Operates mostly in urban and peri-urban parts of Dhaka and Chittagong.

Purpose of PACE review:
1) To assess the client value of the existing microinsurance product in comparison to other insurance and non-insurance products/services.
2) To assess the change in client value (in comparison to existing product) as a result of repricing and change in product design (both of which are currently work in progress).
3) To assess the change in client value if and when product is sold on a voluntary basis. MICRO management wants to look into implementing the voluntary product on a pilot basis in early 2012.

Basic description of product(s) to be assessed:
MICRO has been running a packaged insurance product called HELP, which is linked to microfinance loans and is currently being sold on a mandatory basis to members of MICRO. Insurance covers the entire family of up to 5 members with additional members allowed for an extra premium. Insurance classes includes Life cover (loan waiver and cash benefit) for member and spouse, Fixed Benefit Health cover, Fire cover, Education Scholarship paid to children of member and Legal support.
The proposed changes in the product design include changing the Health cover benefits, changing criteria for scholarships and incorporating a community health program within the insurance scheme. There is a wish to look at more tailor-made products for the rural market, such as incorporating livestock insurance within the HELP insurance package.

Basic description of target market:
The significant majority of MICRO's members are low-income women, working in urban or peri-urban areas, with a small percentage of members being men and people living in rural Bangladesh. The market is primarily 100,000 female microfinance customers. With their families being covered as well, around half a million adults and children are being currently covered by the existing insurance product. The target market for the voluntary product will also be members of MICRO (in the pilot stage) and other markets can be considered going forward. The target market for the tailor-made solutions would usually be members of MICRO living in rural areas, some of whom are in the 'ultra-poor' category.

Who will conduct and manage review?
An External Consultant will give training on PACE and manage the review process.
MICRO's Microinsurance Coordinator will coordinate and document the process.
MICRO's Data team members will help collect secondary data and learn about product design from this process.

Secondary data sources:
- Policy documentation and design details
- Feedback from clients via interviews and focus groups
- Understanding of entire customer journey from point of taking out microfinance loan to end of loan term and claiming
- Workshop with community health workers

- Additional interviews with head office and branch office staff
- Data on updated actual costs of healthcare and other actual expenses e.g. education, funeral.
- Data on other microinsurance products
- Data on alternative non-insurance services

Timeline:

We aim to spend 6-7 days carrying out the PACE review but due to constraints of human resources and other work priorities, the work on PACE will be carried out over a month at least. Hence, we aim to complete the PACE analysis by 26 December 2011, subject to enough internal staff being available.

One of the main intentions in carrying out the PACE review is to pro-actively train internal staff on the considerations, which need to be kept in mind during the product design stage and in setting up processes. Hence, it is important that internal staff members are pro-actively involved throughout the process.

Budget:

There is no explicit budget for this analysis as this work will be carried out in-house and will be led by the external consultant. The effective costs will be the time spent by in house staff members. We do not have exact estimates of how much time is needed per staff member, but we aim to complete the review in 6-7 days, spread over a month.

Template for the work plan table

STEP	Target Completion Date	Responsible person	Other people and resources required	Potential challenges and mitigation strategies
1. Agree on purpose and scope and of analysis				
2. Develop work plan				
3. Collect and organize existing data				
4. Analyse existing data and identify information gaps				
5. Collect additional information				
6. Collate information				
7. Perform analysis, benchmarking and scoring				
8. Share results, collect and incorporate feedback				
9. Brainstorm on implications and develop an action plan				
10. Document analysis, results and actions				

Annex 2: Program and contextual information

Basic descriptive information on the program and the context is collected, as detailed in the table below:

Basic information on provider, market served, product and its performance

Program name	
Product type	
Provider	
Country	
Date of program review	
Product maturity (low, medium, high)	***[Note (a)]***
Depth of information assessment	P – A – C – E ***[Note (b)]***
Short description	Program and key distribution channels
Current outreach and other performance data (claims, renewals, etc.)	***[Note (c)]***
Targeted segments	Capture key characteristics of the target group – income, location, gender, economic activity, etc. Discuss if the scheme is open to all or just members of organized groups.
Core risk-management needs	Discuss how appropriate is the main cover based on the secondary data in relation to risk-management needs (of the served market segment); review secondary client/market studies
Other financial intermediation needs	If bundled with savings, other services
Linkages to basic social security	How the coverage of the reviewed product compares to what is already covered by social security for the served segment
Potential externalities	Can the product have negative effects, e.g. for the poorest in the same communities who can't afford it

Notes:

a) The effective maturity of the product. Typically rating as follows
   a. Low: less than 1-2 years of experience, in pilot or early roll out stage, product is immature, operational process unstable, and unclear long term potential
   b. Medium: minimum 2 years experience, has gone through one product review cycle, operational process beginning to stabilise, low/moderate long term potential
   c. High: >3 years, has gone through at least 2 product reviews, operational process has stabilised for at least one year, product is maturing and clearly delivering and has good long term potential

b) Assessment of the depth and veracity of the source information
   a. Low: very limited or no primary information, limited secondary information, unable to obtain or verify much of the information, largely subjective or anecdotal information.
   b. Medium: some primary/direct information, reasonable secondary information, able to verify majority of the information, less subjective and limited anecdotal information
   c. High: reasonable direct information, deep and extensive secondary information, able to verify almost all the information, little or no subjectivity and limited or no reliance on anecdotal information

c) Outreach and performance information: this will be largely the information and results of the microinsurance key performance indicators.

Annex 3: Four dimensions questions and hints for analysis

Dimension	*Questions*	*Hints for analysis*	*Key Data Sources*
1. PRODUCT	Focus = appropriateness, simplicity		
1.1 Coverage, quality of service, exclusions and waiting periods	• What is covered? • Why this particular cover was developed? How have they surveyed clients needs for risk management? • What are exclusions? Are there any exceptions of paying non-eligible claims? • What is the waiting period for specific covers? • For health insurance, what is the quality of health care received within the specific cover? • What has changed over the last three years and why?	• Check appropriateness of additional riders. o Identify main cover and then list all riders o Unpack the composite products. Do additional riders make sense or these are just 'window-dressing' benefits? • Review studies on risk-management needs in the given setting; compare it to the cover provided. • Check if the insurance covers the costs of typical shocks related to the risks the insured faces • Analyze simplicity and relevance of the exclusions/waiting periods (e.g. for adverse selection risk with voluntary products); is there a good balance between insurer's controls and simplicity for the client?	• Product specifications • Policy documents • Underwriting rules • Studies on risk-management needs of the clients • Interview with the microinsurance product/program manager
1.2 Sum insured in relation to cost of risk	• What is sum insured for specific covers? Limits? Are there any sub-limits? • Why sum insured was set at this level? What are the costs of specific shock for a typical household? • What are the costs of shocks, both immediate shocks (e.g. funeral) and amount need to recover fully from a shock (e.g. loan repayment)? • What has changed over the last three years and why?	• Review studies on risk-management needs in the given setting; compare costs of the risk to provided cover. • For health insurance, analyze if specific sub-limits provide a good balance between insurer's controls and simplicity for the client?	
1.3 Eligibility criteria	• Who is eligible to be covered? • Who can buy the policy? • What has changed over the last three years and why?	• Review simplicity and ease of access for all potential insureds	
1.4 Value-added services	• Are there any non-insurance benefits? • Who is eligible to receive the non-insurance benefits? • What is the frequency of service provision? • Is the product linked to saving or money transfer services? • How much do the additional services cost? To what extent clients bear those costs?	• Review all potential services, e.g.: health camps, mosquito nets, health preventive services, drug discounts, weather advisory for farmers, retail discounts • Probe on eligibility; is this just for policyholders? Or also for their family members, broader community?	

	• What has changed over the last three years and why?	• Linkages to savings and remittances. • Discuss how all those services can benefit clients and how much do they cost. Do they benefit at all? Or they are added just to stimulate demand. Can they have negative effects at the client level, e.g. spending more, saving less?	
Dimension	*Questions*	*Hints for analysis*	*Key Data Sources*
2. ACCESS	Focus = accessibility, simplicity		
2.1 Choice and enrolment	• Is the product voluntary or mandatory? • Can clients opt-in, opt-out? • Do clients have any choice in relation to different covers or benefit levels? • What is the standard enrolment process? • Is there are window for enrolment (i.e. specific time)? • How do enrolment forms look like? • What documents are required from clients? • How those documents were developed? Were they pilot tested? • What is a mechanism to inform clients to renew their policies? • What has changed over the last three years and why?	• Review choice options in relation to simplicity (too much choice complicates decisions) • Review all the enrolment processes and forms, analyze their simplicity/transparency, clarity of requirements, contracts, application forms • Analyze if there are any costs associated with opting-out (more for endowment products) • Check if renewal process is simple and effective	• Operational manual • Underwriting rules • Process flow charts for enrolment, premium collection • Key forms: enrolment form, renewal form • Marketing and consumer education materials • Studies on risk-management needs of the clients • Organizational structure, branch network, provider network • Interview with front-life staff • Interview with branch managers • Interview with provider network • Interview with
2.2 Information and understanding	• What information do you provide during promotion and sales? • What information do you provide at later stages? • How do you provide information? • Do you have mechanisms to check if clients understand the product? If so, how you do it and what are the statistics? • Do you have a systematic way to provide broader insurance and risk-management education to the target market? If so, how do you do it? What is the content and how you deliver it, at which frequency? How many people were educated? How do you track and evaluate effectiveness of your education efforts? What can you tell about their effectiveness? • What is a mechanism to remind clients to renew their policies? • What has changed over the last three years and why?	• Review all information materials developed for target market • Focus on promotion, sales and customer care processes to understand what is done to transfer information • Examine front line staff knowledge and capacity to transfer information • Review all client education efforts (initiatives that go beyond transferring information about the product but aim at improving knowledge and skills to make the right choices) • Review all client studies to get an idea to what extent clients understand key product features. If possible, try to meet with clients to draw broad conclusions (remember that the sample is not representative).	
2.3 Premium	• Do clients need to pay the premium upfront or can they pay in	• Review how convenient is the payment option to	

payment method	installments? • Do clients have access to any premium financing options? At which cost? Are they aware of this extra cost? • Are premiums subsidized? If so, how much and to what extent the subsidy is permanent/sustainable? • How convenient is access to premium financing options? • What has changed over the last three years and why?	clients • Analyze the additional transaction costs and costs of premium financing; Cost of premium financing should be reflected in 3.3 (other costs)	marketers, trainers (if communication with clients is outsourced)
2.4 Proximity	• How close is point of sale to clients? • How often do clients need to travel to the Point of Sale? • How can clients' questions be answered? • How close is the network of healthcare providers or other services to avail the insurance benefits? Current number of hospitals registered? Member's usage of these Hospitals? Location of Branches relative to client's homes? Access when claiming? • What has changed over the last three years and why?	• Draw a map of branch, agent, provider network • Segment the market by geographies to see if there are any differences in proximity for clients in various locations	
Dimension	*Questions*	*Hints for analysis*	*Key Data Sources*
3. COST	Focus = affordability, simplicity		
3.1 Premium in relation to benefit	• How do you feel about the value for money to clients from your product? • What has changed over the last three years and why?	• Compare price per beneficiary to received benefits (all as summarized under Product dimension) • Use data collected in 1.1 to challenge provider's staff and get clarifications	• Product specifications • Income, economic activity, affordability, client willingness to pay studies • Actuarial analysis • Technical performance analysis • Microinsurance KPI results • Operational Cost analysis, commission structure • Protocols for
3.2 Premium in relation to client income	• What is the premium level? Is there a unique premium or there are variations depending on the cover? • How does it compare to average monthly/yearly income of target population? Is target population homogenous in terms of income? If not, what the segments are? Are there different prices for different segments? • What has changed over the last three years and why?	• Unpack if composite product or in case of many riders • Collect detailed information on income and economic activities of target population • Screen existing studies for any hints for willingness to pay of the target market • Challenge provider if the ratio premium to income is higher than 2%. Get their explanations.	
3.3 Other costs	• What are other costs that clients bear? What else do they pay to you, to delivery channel, to service providers? • Do they need to cover some costs themselves, e.g. travel? • What are the opportunity costs for clients (e.g. need to leave their work place to settle a claim)? • What has changed over the last three years and why?	• Review all potential additional costs: fees, financing costs, out-of-pocket (copayments), opportunity costs, transaction costs (travel)	

3.4 Cost structure and controls	• What are pricing assumptions? Is it community (group) pricing? Does the product pricing take into account age/gender/regional or group data if the target population is an organized group? • What is current claims ratio? Trends over last 3-5 years. • What is the cost structure (risk premium, admin, profit)? • What is the commission structure to delivery channels and sales staff? • What controls are in place to keep the overall scheme costs down? In case of health insurance, how the providers' network is managed? Are there any protocols, prices set for common services? • How do you prevent and manage fraud? • What has changed over the last three years and why?	• Identify all parties involved in the product provision • Review cost structure (commissions, expenses) and controls (e.g. protocols for healthcare providers) • Discuss price vs risk premium; discussion of actuarial assumptions • Unpack KPIs: claims ratio and expense ratio.	health care providers • Interview with actuary, financial manager • Interview with front-line staff
Dimension	*Questions*	*Hints for analysis*	*Key Data Sources*
4. EXPERIENCE	Focus = responsiveness, simplicity		
4.1 Claim processing procedures	• What is the process to service claims? What clients need to do? What documents are required? • How often claims are rejected and what are key reasons? How do you identify fraudulent claims? • For health insurance, if claims are 'cashless' how efficient is the system? Does it work in all the hospitals? What is the authorization process? • What has changed over the last three years and why?	• Analyze the full process for claims. • Review claims forms. • Discuss simplicity vs controls • Probe on rejections (rate and reasons); check if there is good system to identify fraudulent claims.	• Operational manual • Claims forms and process flowchart • Technical performance analysis • Documented client feedback and satisfaction survey • Documented staff feedback • Authorization protocol for health care providers • Call centre
4.2 Claim processing time and service quality	• How quickly claims are settled? What is done to improve promptness of claims? • Is there an option to pay part of benefits quickly and the rest after the loss verification process is over? • What has changed over the last three years and why?	• Probe on promptness of claims settlement (KPI). Get as many details as possible and clarify how it is calculated. • Verify if some or part of benefits can be paid quickly	
4.3 Policy administration and tangibility	• What is the process of issuing the policy certificate and insurance card (if applicable)? • What other measures are taken to effectively administer policies? • How quickly clients receive policy documents?	• Review the policy administration process • Review all tangible elements (cards, passbooks, etc)	

	• What efforts are made to make the insurance tangible? • What has changed over the last three years and why?		systems and processes • Interview with front-line staff • Interview with call centre staff • Interview with claims department
4.4 Customer care	• What mechanisms are put in place to collect feedback from clients and answer their questions? • Who is the first contact for clients (e.g. delivery channel, call centre, etc.)? • If there is a call centre, could you please explain how it operates? Is it accessible from all the operators? Is it toll free? • How knowledgeable is front staff to respond to clients' inquiries? How often are they trained, by whom and on what? What is the front line staff turnover? • What are grievance mechanisms? • How relationships with clients are managed? Is there any CRM system? • Are there any incentives/bonuses for loyal customers? • What efforts are made to create trust among policy holders? • Are there any other mechanisms that create a sense of ownership, empower clients or improve social networks (e.g. group meetings) • What has changed over the last three years and why?	• Probe on the following questions: How client focused is the organization? How client focused are the various processes in place, especially enrolment and claims administration? • Probe to what extent call centre staff is trained to handle queries from low-income clients.	

Annex 4: Sample of the final analysis

	Informal	NHIF	CIC	Pioneer/Faulu	Britak	Jamii Bora Trust
1. PRODUCT	2.3	2.6	3.3	4.4	1.9	3.2
1.1 Coverage, service quality, exclusions and waiting periods	1.5-> mostly life cover; ad-hoc, ex-post coverage for major health risks, group decisions on health risks	2.5-> full hospitalization in public hospitals; low service quality, limits in other facilities; no life cover, typical exclusions	3.5-> health as for NHIF plus hospital cash; low funeral cover; inappropriate AD&D, typical exclusions	5.0-> very comprehensive health; good health-care quality; appropriate life cover, typical exclusions	2.0-> life cover; very limited health cover, typical exclusions	3.0-> full in-patient cover in good missionary hospitals, only credit life cover, typical exclusions
1.2 Sum insured in relation to cost of risk	1.5-> KES 20-50,000 for life; low health cover	3.0-> 340,000 for hospitalization, no life cover	4.0-> 340,000 for hospitalization, 50,000 hospital cash, 100,000 for AD&D, 30,000 for funeral	5.0-> 200,000 for hospitalization, unlimited out-patient, full maternity, HIV/AIDS, critical illness, 100,000 for life, disability based on tables	2.0-> 100,000 for life, 20% for hospitalization	3.5-> unlimited hospitalization, outstanding loan life cover
1.3 Eligibility criteria	4.0-> very inclusive	3.5-> inclusive family cover	3.5-> inclusive family cover	4.0-> very inclusive family cover	2.0-> only adults	3.0-> for borrowers only, inclusive family offer
1.4 Value-added services	4.0-> social network, mutual help	1.0-> none	1.0-> none	2.0-> wedding benefit	1.0-> none	4.0-> access to JBT social services
2. ACCESS	4.3	2.2	2.3	2.7	3.7	3.3
2.1 Choice and enrolment	4.0-> voluntary, very accessible for most, simple enrolment, restricted choice	2.0-> voluntary, many documents required, limited help from NHIF staff	2.0-> voluntary, many documents required, limited added-value from sales staff, no choice in a composite product	3.0-> voluntary, simplified enrolment process supported by Faulu loan officers, no choice in a composite product but possibility to select from three cover levels	3.5-> voluntary, opt-out option	3.0-> mandatory, linked to loan, very easy enrolment leveraging microcredit operations
2.2 Information and understanding in relation to complexity	4.0-> simple, easy-to-follow rules, only oral, subject to manipulation	1.5-> limited information available to the public, confusions about empanelled hospitals	2.0-> marketing sessions with no follow up, limited knowledge of sales staff, confusions about empanelled	2.0-> well-designed brochure for clients, marketing efforts with visual support and FAQ sessions, confusions	3.5-> simple product, high usage, some confusion about empanelled hospitals, no	3.5-> simple product, most of staff had or has same policy so explain well, simplified list of hospitals, no specific

			hospitals, complex product	about empanelled hospitals, complex product	specific education	education
2.3 Premium payment method	5.0-> frequent payments, flexibility	3.5-> monthly payments possible	2.0-> annual premium payment, possibility of credit facility to pay premium	2.0-> annual premium payment, possibility of credit facility to pay premium	5.0-> deducted from monthly pay check at tea collection centre, 3-month grace period	2.5-> annual premium payment, possibility of credit facility to pay premium, lower amount and lower interest rate
2.4 Proximity	5.0-> close community, no restrictions on use of health care facilities	3.0-> offices only in major and secondary towns, good network of hospitals	4.0-> close contact by the sales staff	4.0-> close contact by Faulu staff, effort to develop dense network of health care providers	3.5-> tea collection centres are close but not all of them are staffed with insurance reps	4.0-> close contact with JBT staff, close network of hospitals in urban areas
3. COST	2.2	4.2	3.4	2.4	3.2	3.8
3.1 Premium in relation to benefit	2.5-> ratio to risk coverage= 40; ratio to all benefits= 27 [average monthly premium per beneficiary= KES 60]	4.5-> ratio to risk coverage= 13; ratio to all benefits= 12 [average monthly premium per beneficiary= KES 32]	4.0-> ratio to risk coverage= 17; ratio to all benefits= 18 [average monthly premium per beneficiary = KES 61]	3.0-> ratio to risk coverage= 29; ratio to all benefits= 33 [average monthly premium per beneficiary= KES 145]	2.0-> ratio to risk coverage= 39; ratio to all benefits= 42 [average monthly premium per beneficiary= KES 77]	4.5-> ratio to risk coverage= 11; ratio to all benefits= 10 [average monthly premium per beneficiary= KES 33]
3.2 Premium in relation to client income	2.5-> 2.3% of monthly income in rural and 1.5% in urban areas [average monthly premium per family = KES 300][2]	4.0-> 1.2% in rural and 0.8% in urban [average monthly premium per family = KES 160]	3.0-> 2.3% in rural and 1.5% in urban [average monthly premium per family = KES 304]	2.0-> 2.9% in urban [average monthly premium per family = KES 583]	4.0-> 1.2% in rural [average monthly premium per family = KES 155]	3.0->1.4% in urban [average monthly premium per family = KES 200]
3.3 Other costs	1.5-> high transaction costs of patching multiple strategies	4.0-> limited other or transaction costs	3.0-> same as NHIF but additional premium financing costs	2.5-> copayment for out-patient and premium financing costs	3.5-> copayments for hospital admission; limited other costs	3.5-> premium financing costs (lower base), limited other costs in urban areas
3.4 Cost structure and controls	1.5-> health cover is ex-post, ineffective if many members affected, no stop-loss arrangement	4.0-> less of an issue for government scheme (from client's perspective)	3.5-> lean structure with limited number of intermediaries, life component, slightly	1.5-> broker involvement increases costs without clear benefits, lack of adequate adverse	3.5-> reasonable cost structure and pricing for this segment, no fraud	4.0-> skilled claims team and good fraud controls, good management of health care providers,

[2] Assuming KES 200 per month for life and average KES 100 per month for health.

			overpriced, some good adverse selection controls and health risk covered by NHIF	selection measures, unlimited outpatient cover	controls for hospitalization cover	likely cross-subsidy option in case of excessive claims, some adverse selection from pregnant women
4. EXPERIENCE	3.3	3.0	2.7	3.1	2.9	4.0
4.1 Claim processing procedures	4.0-> Simple but gets complicated with ad-hoc health claims. Much efficient in urban areas where groups are more organized.	3.0-> NHIF cards are recognized in government hospitals, however, those have customer care standards. More confusion expected in private hospitals.	2.0-> Bima ya Jamii card not recognized in all facilities. Additional document needed, which complicates emergency situations. Typical documents for life claims.	3.0-> Good sms system to validate eligibility at hospital. Too early to judge client satisfaction.	3.0-> Simple for health but cumbersome for life claims.	4.0-> Additional letter needed. But JBT members are recognized in hospitals.
4.2 Claim processing time and/or quality of service provided	2.0-> In most cases, this works for life claims in urban areas. Health claims are ex-post, same for life claims in rural areas. This results in 1-2 month delays on claims settlement.	3.0-> Cashless but low quality of core provider network.	3.0-> Same as NHIF for health. Quick funeral pay outs.	3.0-> Cashless for health. Some rejections. In theory, should be a better quality of care.	3.0-> Cashless for health. No actual TAT data for life claims.	4.0-> Cashless for health. Good quality of care.
4.3 Policy administration and tangibility	4.0-> Tangible because of frequent meetings. No written proof.	4.0-> NHIF card is widely recognized. Limited information to judge any problems in this area.	3.0-> One month to get a Bima ya Jamii card, which is not widely recognized. Inefficient way to process uncompleted registrations.	3.0-> 3 weeks to get the insurance card.	2.5-> Policy document is the only proof (can be reissued at the factory level). 2 month to get policies to clients.	4.0-> Efficient process as integrated with microcredit processes and smart card system.
4.4 Customer care	4.0-> small groups managed by members. Potential risk of being dominated by some members.	2.0-> As in other countries, this is a level of service one can get from a government agency.	3.0-> Weak customer care at the field level, much better at the head office level. Call centre.	3.5-> Good loan officers that need be further trained. Planned call centre at Faulu head office to support the field.	2.5-> Reduced field network.	4.0-> Expected high customer care inbuilt in organizational culture. But not many institutionalized elements for insurance.

Annex 5: Other client value assessment approaches

The following table provides an overview of other approaches to assessing client value:

Annex 5 Table: PACE in relation to other client value assessment approaches

	*Key performance indicators**	*PACE*	*Market study*	*Client satisfaction study*	*MILK client math***	*Impact study*
Rationale	Raise red flags about current client value performance; Help set priorities for improvement	Identify value creation opportunities; Explore strengths and weaknesses of current design in relation to alternatives	Understand needs and preferences of target population	Understand client satisfaction, renewal behaviours and client loyalty	Understand the financial value at the time of a claim of products in comparison to alternatives	Assess outcomes/ impacts on indicators related to behaviour change or wellbeing of households / communities
Key audience	Practitioners	Practitioners and enablers	Practitioners and enablers	Practitioners	Practitioners, and enablers	Enablers
Type	Ongoing monitoring	Ad-hoc audit	Ad-hoc study	Ad-hoc study, ongoing monitoring	Ad-hoc study	Ad-hoc, longitudinal study
Stage	After product launch	Product development or refinement	Product development	Product refinement	For more mature products	For more mature products
Data source	MIS	Secondary data on current design and clients	Primary and secondary data on current and prospective clients	Primary and secondary data on current clients, MIS	Primary client interviews and MIS data	Primary and secondary data, at least two rounds of data collection
Complexity/ costs	Low	Low to medium	Medium to high	Medium	Medium	High

** See http://www.microfact.org/microinsurance-tools/ for more on KPIs.*

*** See www.microinsurancecentre.org for more on MILK client math methodology.*