



**EVALUATION OF FIRST-YEAR RESULTS:**  
Fonkoze's Kore W Natural Catastrophe  
Insurance for Haitian Micro-Entrepreneurs



May 2012

# KORE W – EVALUATION OF FIRST-YEAR RESULTS



## EXECUTIVE SUMMARY

### PURPOSE

In 2011, Fonkoze, in partnership with its insurance company MiCRO, introduced *Kore W*—an innovative new product to protect Haitian microloan clients from the devastating effects of natural disasters. Through the cancellation of loan balances and disbursement of emergency payouts, *Kore W* helps clients recover quickly after being impacted by floods, hurricanes, high winds, landslides, or earthquakes. 100% of Fonkoze’s microcredit clients pay a small premium for their coverage which amounts to roughly 55% of the cost of the product to Fonkoze. Now one year since its launch, Fonkoze has commissioned this report to examine how the product performed, what impact the product had on Fonkoze and its clients, how clients perceive the product, and what changes should be made as *Kore W* enters its second year.

### METHODS

The evaluation sought to capture the perspective of both clients and staff, while also examining the effectiveness of internal operations. Numerous evaluative methods were employed and a wide range of data was collected and examined including key performance indicators for *Kore W*, a client value study conducted by the Microinsurance Learning and Knowledge Center, staff and client focus groups conducted by Fonkoze’s Social Impact Department, Fonkoze Call Center feedback, dropout interviews, and institution-wide dropout and growth statistics.

### KEY FINDINGS

1. Damages in 2011 were caused primarily by rain and led to the loss of merchandise more than housing.
2. While still a vital tool in helping clients recover quickly following a disaster, *Kore W* remains a secondary step in the chain of emergency response behind support from friends and family and reduction of spending.
3. Tied to the aforementioned point, the time between event and payout was too long in 2011 (46 days).
4. Overall, client understanding and client satisfaction were high for the first year.
5. Both clients and staff alike have indicated needs for improvements in the damage evaluation meetings.
6. Client and branch staff share similar suggestions for changes to the product including premiums which vary by regional risk, no-claims refunds, and premium payments which are split over a period of time.
7. Dropout rates were at the lowest in history, especially in branches where clients received payouts.

It is clear that *Kore W* has both seen great success in certain areas and has room to improve in other aspects of the program. Through this evaluation, along with continuous review of program operations, *Kore W* will continue to get stronger in the coming months. Likewise, it will ensure that the women micro-entrepreneurs of Fonkoze are able to effectively respond to any bumps along the road as they continue to grow their businesses and forge a better life for themselves and their families.

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## INTRODUCTION

Plagued by tropical cyclones, floods and earthquakes that have killed hundreds of thousands of people and left even more destitute, Haiti has a long history with Mother Nature. Every few years, the country is struck by one or more serious natural disasters. Haiti's poor, already vulnerable, struggle to cope with business assets washed away, housing destroyed, and the challenges of getting back on their feet following these natural catastrophes.

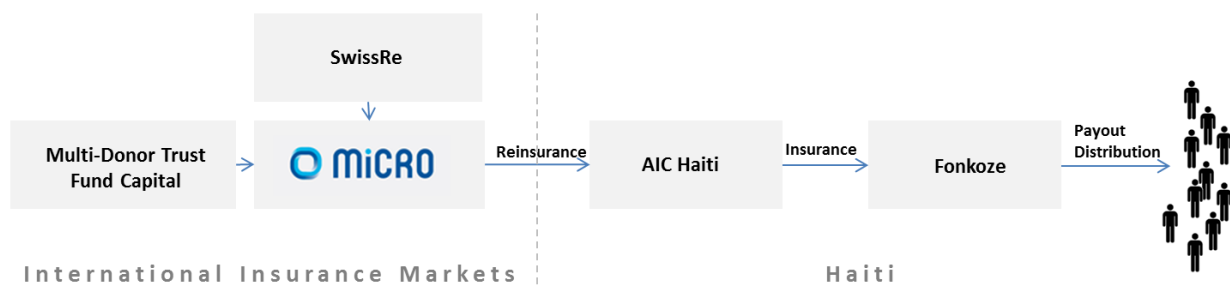
Fonkoze, Haiti's largest microfinance institution, realized several years ago that its members needed tools, like those available in the developed world, to safeguard against devastating risks and maintain their livelihoods. Starting after catastrophic hurricanes in 2008 and continuing after the earthquake in 2010, Fonkoze worked with a network of private-sector and institutional partners to establish an insurance mechanism that provides coverage from catastrophes at a price affordable to our clients. The result was the creation of a brand-new (re)insurance company, the Microinsurance Catastrophe Risk Organisation (MiCRO), to insure the risks of the world's most vulnerable, and the rollout of *Kore W*, Fonkoze's catastrophe recovery product for its clients in Haiti.

## MICRO BACKGROUND

MiCRO, which employs an innovative hybrid insurance solution to reduce the cost of coverage to vulnerable people in a high-risk region, is a strategic collaboration between a number of stakeholders including Fonkoze, Mercy Corps, Swiss Re, Caribbean Risk Managers Limited, Guy Carpenter and Company, LLC, Alternative Insurance Company (AIC), SFRI, the UK Department for International Development (DFID) and the Swiss Agency for Development and Cooperation (SDC). MiCRO's product covers Fonkoze's clients' principal loan balance in the event of a catastrophic loss, as well as a \$125 cash payout, allowing Fonkoze to pay out benefits to its borrowers to assist in their recovery.

The first component of the product is a commercially reinsured "parametric" contract where payments are automatically triggered if objective thresholds are exceeded for rainfall, wind speed, or seismic activity at any Fonkoze location throughout Haiti. The second component is coverage to Fonkoze for the "basis risk" – or the differential between the coverage provided by the parametric payout and the actual benefits payable to borrowers under the *Kore W* program criteria. Currently, the parametric policy is backed by global insurance leader Swiss Re, while funds to pay basis risk claims are provided by MiCRO's risk-bearing cell for Haiti and further backed by a Multi-Donor Trust Fund ("MDTF") managed by the Caribbean Development Bank. Support from the UK Department for International Development as well as the Swiss Agency for Development and Cooperation has contributed both to the MDTF and MiCRO's risk-bearing cell for Haiti.

### Flow of Insurance Benefits from International Markets to Haitian Micro-Entrepreneurs



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## KORE W BACKGROUND

Fonkoze’s implementation of catastrophe insurance through its program, *Kore W*, was designed to be affordable, effective, and comprehensible for the extremely vulnerable clients that Fonkoze serves. The cost of the insurance to most “solidarity” loan clients is currently 3% of their loan value, paid at the time of disbursement. These clients typically have loans between 5,000 and 50,000 HTG (\$125 - \$1,250 USD). For first-time solidarity loan clients who receive loans of 3,000 HTG (\$75 USD), this premium cost to clients is 1.5%. For those clients who are in Fonkoze’s Ti Kredi (“Little Credit”) program, the premium is a flat fee of 5, 15, or 40 HTG, depending on a loan size of 1,000HTG, 1,500 HTG, or 2,500 HTG (\$25, \$38, or \$63 USD, respectively). The premiums paid by the clients constitute about 55% of the full premium cost to Fonkoze.



Starting in January 2011, Fonkoze began enrolling every microloan client in *Kore W* as they took new credit. By July, 100% of Fonkoze’s microfinance clients (about 56,000 at the time) were enrolled in the product, a number rising to near 59,000 by December.

*Kore W* is designed to provide rapid relief to victims of natural disasters through a predictable response, thereby increasing their chances of quick stabilization and long-term recovery. The program leverages Fonkoze’s existing network and infrastructure to apply a unique model of determining payout eligibility among its clients. Clients meet with their Solidarity groups (five clients who work together to borrow money, build their businesses, and work out of poverty) twice a month with six to ten other groups in “centers”. Each center elects a client to serve as “center chief”. Immediately after a disaster occurs and it is safe, center chiefs are charged with visiting all of the members of their respective centers to assess losses. All of the members of the center then meet. Using the findings of the center chief, a trained Fonkoze staff member facilitates a discussion of the losses to determine those who are eligible under the *Kore W* criteria. Losses are selectively audited and disputes are resolved by trained Fonkoze staff.

The payout under *Kore W* is structured to assist client recovery in the short- and long-term. If a client’s home, merchandise or business premises are assessed to have sustained a high-level of damage by a natural disaster such that the client cannot continue to transact the business supporting their loan repayment, then they will receive:

- Cancellation of their outstanding Fonkoze loan
- A cash payout of 5,000 HTG (approximately \$125) to assist with emergency needs
- Pre-approval for a new loan to recapitalize their business—when they are ready

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## FIRST-YEAR EVALUATION

Similar to many years in the past, 2011 brought devastating floods to certain parts of the country, wiping out marketplaces, inundating merchandise, and destroying homes. In 2011, however, Fonkoze clients turned to *Kore W* to get back on their feet following the disasters. In total, between January 2011 and February 2012, 6,794 clients directly benefitted from the insurance coverage—receiving both an emergency payout and the cancellation of their loans.

From February through May 2012, Fonkoze began the process of taking a closer look at both the achievements and shortcomings of *Kore W*'s first year in order to make positive changes for the second year. The evaluation sought to capture the perspective of both clients and staff, while also examining the effectiveness of internal operations. Numerous evaluative methods were employed and a wide range of data was collected and examined including:

- Departmental key performance indicators for *Kore W*
- A client value study conducted by the Microinsurance Learning and Knowledge Center
- Staff and client focus groups conducted by Fonkoze's Social Impact Department
- Fonkoze Call Center feedback
- Dropout Interviews conducted by Fonkoze's Social Impact Department
- Institution-wide dropout and growth statistics

This report shares the findings from the aforementioned data, studies, and tools. It concludes with key findings and recommendations which have already begun to be implemented ahead of the 2012 hurricane season.

As with every new program, *Kore W* had its challenges to overcome, but on the whole, Fonkoze can say that the insurance product was a success in the first year of operations. Tens of thousands of clients have taken the first steps to protect themselves by participating in *Kore W*. And as 2011 proved, they discovered that once again Fonkoze will be standing shoulder to shoulder with them—through sunshine or storms—to accompany them as they make progress out of poverty.

## EVALUATION FINDINGS

### KORE W 2011 STATISTICS AND INDICATORS

#### OVERVIEW OF PAYOUTS

In its first year of operation from January 2011- February 2012, Fonkoze's *Kore W* Catastrophe Insurance product paid out 6,794 clients as a result of fourteen events that struck the country. The table below details these claims as well as amounts received from MiCRO.

Event	Date	Number of Clients Paid	Amount Paid to Clients by <i>Kore W</i>	Amount Received from MiCRO	Parametric Trigger?
Localized Rains	May 2011	--	--	\$ 22,635	Yes
Heavy Rains in South	May/June 2011	3,815	\$ 1,029,702	\$ 1,049,435	Yes
Tropical Storm Emily	August 2011	217	\$ 91,773	\$ 56,908	No
Hurricane Irene	August 2011	548	\$ 164,092	\$ 101,753	No
Janrabel Rains	August 2011	11	\$ 2,912	--	No
Wanamant Rains	September 2011	31	\$ 10,210	\$ 6,331	No
Ench Rains	September 2011	21	\$ 11,938	\$ 3,503	No
Random Individual Claims	September 2011	3	\$375	--	No
Mibale Rains	October 2011	15	\$5,483	\$1,925	No
Okay/Okoto Rains	October 2011	2,074	\$586,974	\$ 393,916	Yes
Lenbe Rains	October 2011	5	\$ 1,149	--	No
Pomago Rains	Oct/Dec 2011,	36	\$10,826	--	No
Mibale Case	October 2011	1	\$500	--	No
Milo Cases	Nov2011, Jan 2012	2	\$250	--	No
Senmichel Case	Feb 2012	1	\$200	--	No
<b>TOTAL</b>		<b>6,794</b>	<b>\$ 1,906,753</b>	<b>\$ 1,636,406</b>	

#### MAY/JUNE RAINS

Late May and early June 2011 saw the first, and largest, event, of the season when heavy rains settled over Southern Haiti for a period of over seven days. As water rushed down the mountains, floods and swollen rivers ensued and thousands of Fonkoze clients lost their merchandise or homes as a result. In total, 5,822 clients were assessed at Fonkoze center meetings by the *Kore W* insurance team and other certified damage facilitators pulled from various departments within the organization. Of these clients, **3,815** claims were accepted and paid out for a total loss of **41,188,095 HTG** (or **\$1,029,702 USD** converted at 40 HTG/USD).

Losses occurred primarily in the South, Southeast, Nippes, and Grand Anse departments and affected clients from 23 Fonkoze branches in total.

Although mandatory insurance premium collection began in January 2011, a small percentage of clients still had not been enrolled as of the first of June. The decision was made internally to assess these clients as if they had been enrolled as of June 1<sup>st</sup> and remove the premium costs from their indemnity payouts.

As a result of the parametric policy, Fonkoze received a payout from Swiss Re of \$1,049,435 for the event. Coupled with a parametric payout of \$22,635 for a May event which saw no victims on the ground, Fonkoze had \$1,072,070. When converting this figure to Haitian Gourdes and subtracting payouts made to individual clients for the event, Fonkoze was left with an accumulated negative basis risk of 2,028,613 HTG—money received by Fonkoze but not needed to pay out clients.

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## TROPICAL STORM EMILY

With the beginning of August, Haiti braced itself for the first tropical storm of the season which was expected to directly make landfall on August 3. Just hours before impact, the storm stalled and essentially dissipated in the coming days. Nevertheless, rain bands from the system affected a number of Fonkoze clients. In total, **217** clients were paid out from 238 total claim submitted. Total losses from this event equaled **3,670,920 HTG** (or **\$91,773 USD** converted at 40HTG/USD).

Affected branches were located in various parts of the country with the heaviest impact in the Central Plateau.

A basis risk claim was submitted in October to MiCRO and \$56,908 was received by Fonkoze in response to the event.

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## HURRICANE IRENE

Roughly three weeks after Tropical Storm Emily, Hurricane Irene passed just north of Haiti again leading to heavy rains and flooding for many Fonkoze clients located in Northern Haiti. After Fonkoze's insurance facilitators finished visiting impacted credit centers, **548** claims were deemed to be valid under the terms of the insurance out of a total of 752 damage reports. Total losses for the event totaled **6,563,680 HTG (\$164,092 USD** converted at 40HTG/USD).

Though damage from the flooding rains was reported at 17 different Fonkoze offices, branches in the North and Northwest were most heavily affected. Specifically 71% of accepted claims originated from four branches—Gwomon, Podpe, Senmichel, and Fondeblan.

With no trigger occurring in the parametric policy, Fonkoze submitted a basis risk claim in October and received \$101,753 from MiCRO in order to help cover losses.

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## OKAY/OKOTO RAINS

During the second week of October, a low pressure system again settled over Southern Haiti much in the same way that occurred during the large June rain event. A number of straight days of rain again led to heavy flooding primarily impacting Fonkoze clients in the branches of Okay and Okoto. Upon speaking with clients in the region, many reported being surprised by the flooding as rains were occurring higher in the mountains and then causing rivers to quickly swell in the villages below. Many clients had little warning that houses and business were going to be inundated. In total, **2,074** claims were approved out of 3,711 submitted. The total resulting payout was **22,612,961 HTG (\$586,984 USD** converted at 40HTG/USD).

With a rate of 56% of claims approved for the event which struck Southern Haiti in October, the Fonkoze Insurance Department denied a large number of claims. This was due in part to a few different factors:



1. The insurance team worked diligently to prevent clients who were paid out during the June 2011 rain event from receiving a second payout for the same damage. For clients who had damage to their house in both June and October, records were double checked to make sure that the client had not already received money in June for the same damage. For clients who lost merchandise in both June and October, records were double checked to ensure clients were not reporting the same merchandise lost and had taken out a new loan (and subsequently purchased new merchandise) since the June event.
2. The insurance team also strove to ensure that clients had taken preventative measures since the June rain event in order to avoid preventable losses from happening for the second time. For example, if a group of clients were storing their merchandise in a depot near a riverbed in June, education was provided to those clients about the risk and the clients were informed that damage incurred at this depot would no longer be covered. Thus, some clients did not receive payouts in October because the insurance department decided negligence was the cause of the loss.

Fonkoze received \$228,024 from triggers of the parametric policy. When converted into Haitian Gourdes and netted with actual assessed losses, a positive basis risk of 13,248,974 HTG resulted—money that Fonkoze has paid out to clients, but could not cover through the parametric policy. A basis risk claim was submitted for the remaining balance, and Fonkoze received \$393,916 in total for the event (including the parametric trigger amount).

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#### BASIS RISK LIMITS

Fonkoze’s contract with MiCRO has yearly rain, wind, and earthquake coverage limits both for parametric and basis-risk coverage. Due to the high number of claims caused by floods in 2011, Fonkoze surpassed its \$372,500 limit for rainfall with the October rains in Okay and Okoto. This prevented Fonkoze from recovering all of the individual payouts submitted in the final basis risk claim. For 2012, the policy has been amended to increase the basis risk limit to \$500,000 for rain events.

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#### CLIENT COVERAGE

100% of Fonkoze microcredit clients—those in the Solidarity and Ti Kredi programs—were covered during 2011. Premium collection began in mid-January 2011. With an average credit cycle of 6 months or less, by July 2011 all clients had paid premiums and were eligible to receive benefits. The table below indicates the number of loans that were disbursed by month as well as the total loan amounts for 2011.

Month	Number of Loans Disbursed	Amount of Loans Disbursed
January 2011	4,477	17,236,600 HTG
February 2011	7,263	48,743,700 HTG
March 2011	12,211	87,795,000 HTG
April 2011	8,058	56,720,500 HTG
May 2011	9,947	90,880,000 HTG
June 2011	17,329	167,057,500 HTG
July 2011	6,712	46,621,000 HTG

<b>August 2011</b>	7,004	52,098,500 HTG
<b>September 2011</b>	11,176	86,591,000 HTG
<b>October 2011</b>	7,421	51,885,000 HTG
<b>November 2011</b>	10,565	90,638,500 HTG
<b>December 2011</b>	4,815	204,829,051 HTG

By December 31, 2011, Fonkoze’s microloan portfolio had grown to 58,737 clients. 100% of these clients are women and the overwhelming majority live in rural areas surrounding Fonkoze’s 46 branches. Average loan balance covered is approximately \$180.

#### CLAIM ACCEPTANCE RATE

During 2012, 63% of claims reported by clients were accepted as valid by the *Kore W* damage facilitation staff. Conversely, 37% of claims were deemed as not eligible based on the payout criteria.

#### TIME ELAPSED FOR PAYOUTS

The average time elapsed for clients to be paid during 2011 was 46 days. For smaller events, this time frame tended to be shorter. A few “outlier” events are responsible for some of the higher numbers, including the event in Mibale and Pomago which were not reported to the Central Office until over a month after the event. The full table for major events is below. It is expected that these times can be substantially shortened in the second year.

<b>Event</b>	<b>Date</b>	<b>Average Time Elapsed for Payouts</b>
<b>Heavy Rains in South</b>	May/June 2011	45 days
<b>Tropical Storm Emily</b>	August 2011	48 days
<b>Hurricane Irene</b>	August 2011	39 days
<b>Wanamant Rains</b>	September 2011	19 days
<b>Ench Rains</b>	September 2011	24 days
<b>Mibale Rains</b>	October 2011	56 days
<b>Okay/Okoto Rains</b>	October 2011	51 days
<b>Lenbe Rains</b>	October 2011	25 days
<b>Pomago Rains</b>	Oct/Dec 2011	64 days
<b>TOTAL AVERAGE TIME ELAPSED FOR PAYOUTS</b>		<b>46 days</b>

#### PREMIUMS PAID VS. PREMIUM COST

As Fonkoze clients realize the need to help cover the costs of insurance premiums, the majority of clients currently pay 3% of their loan amounts toward insurance while the cost of the product to Fonkoze remains around 5.5% of loan values. By not pushing the entire premium cost onto the client, this has allowed Fonkoze’s women micro-entrepreneurs sufficient time to come to trust the product, gain confidence that it will pay out as required, and better understand the previously foreign concept of insurance. Total premiums collected through December 2011 are balanced with insurance costs below.

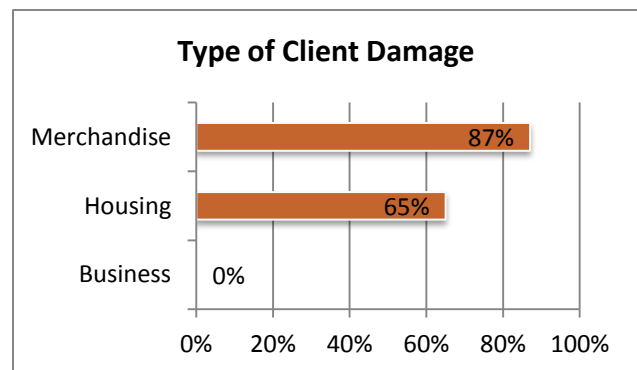
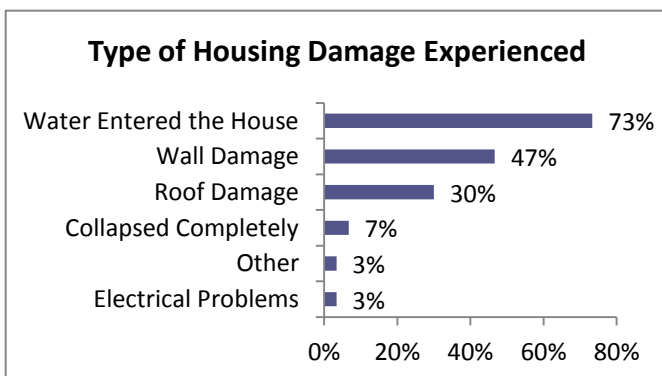
Month	Premiums Collected (HTG)	Premiums Collected (USD) (40HTG/USD)	Premium Cost to Fonkoze (USD)	% Covered by Clients
Jan-11	276,030.00	6,900.75		
Feb-11	1,098,743.00	27,468.58	47,916.67	
Mar-11	2,155,744.00	53,893.60	95,833.33	
Apr-11	1,627,618.00	40,690.45	95,833.33	
May-11	2,571,334.00	64,283.35	95,833.33	
Jun-11	4,425,247.00	110,631.18	95,833.33	
Jul-11	1,633,416.50	40,835.41	135,833.33	
Aug-11	1,414,930.50	35,373.26	135,833.33	
Sep-11	2,411,967.50	60,299.19	135,833.33	
Oct-11	1,487,498.50	37,187.46	135,833.33	
Nov-11	2,543,398.30	63,584.96	135,833.33	
Dec-11	5,777,091.95	144,427.30	135,833.33	
<b>TOTAL</b>		<b>685,575.49</b>	<b>1,246,249.98</b>	<b>55%</b>

## MICROINSURANCE CENTER - CLIENT VALUE STUDY

In March 2012, in coordination with the Microinsurance Learning and Knowledge Center, Fonkoze conducted in-depth surveys with 46 clients who were affected by floodings rains in October 2011. 36 of these clients received payouts for their damage while 10 made claims which did not merit a payout according to the guidelines. The section below reflects responses to a select number of questions which provide some insight in terms of natural disaster impact and client coping mechanisms, as well as client understanding and satisfaction with the product.

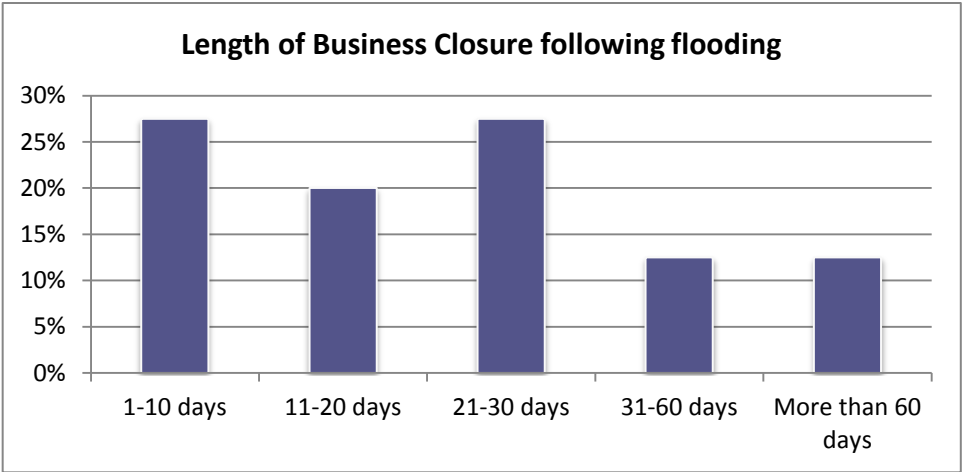
### DAMAGE AND LOSSES

Of those Fonkoze clients surveyed (both with claims accepted and rejected), 87% reported losing merchandise while 65% reported having housing damage as a results of the flooding in October.



Of those clients who suffered housing losses, 73% reported water entering their house. 47% reported having portions of their walls collapsing and 30% of clients reported losing their roof of a portion of their roof.

Beyond just measuring the loss of merchandise and housing, the survey also asked clients whether the natural disaster caused them to have to stop their businesses for a portion of time. 87% of clients reported having to close their businesses as a result of the flooding, although the time needed to reopen following the event varied widely. 28% reported restarting their business within 10 days while 13% said it took more than 60 days to recommence business activities. The median length of closure for a business was **22 days**. Complete results are shown in the graph below.



**COPING MECHANISMS**

Along with damage, the surveys specifically sought to examine how clients cope with their losses following an event. When asked whether clients did some other sort of activity apart from their normal business in order to make money following the event, 78% of respondents said no. Only 20% reported engaging in other business activities to earn money.

Generally, responses from those clients who received a payout and those who did not were similar. This can be expected as both groups submitted claims and neither knew whether their claims would be accepted until 30-60 days after the event.

About half (48%) reported borrowing money after the damage, while an almost equal amount (52%) said they did not borrow. Apart from borrowing, 67% said they found no other financial support following the disaster. 30% said that they did receive other financial support.

Coping Mechanisms after Event	
Spent less	65%
Sold off assets	43%
Borrow from Friends/Family	41%
Gifts from Friends/Family	20%
Borrow from Moneylender	20%
Use Savings	17%
Received money from other countries	13%
Borrow from other finance institutions	11%
Received money from other towns	9%
Donors	9%
None	7%
Gambling/Lotto	4%
Managed by myself	2%
Just money from Fonkoze	2%

A majority of clients (65%) reduced their spending due to the flooding rains, while about 43% of clients resorted to selling off assets to help cover expenses and damages following the storm. The full table of results of how clients coped is on the right.

## USE OF PAYOUT

Of those clients that benefitted, the surveys sought to parse out exactly how they were using their payouts. Not surprisingly based on the coping mechanisms listed above, 54% of clients used their 5,000 HTG emergency payout to pay off debt to friends, family, or in some cases, moneylenders. Fairly small percentages of clients used the payout to work less or to repair their house. A large majority of clients (69%) used their payout to increase their savings or to invest in their business. Full results are shown in the table below.

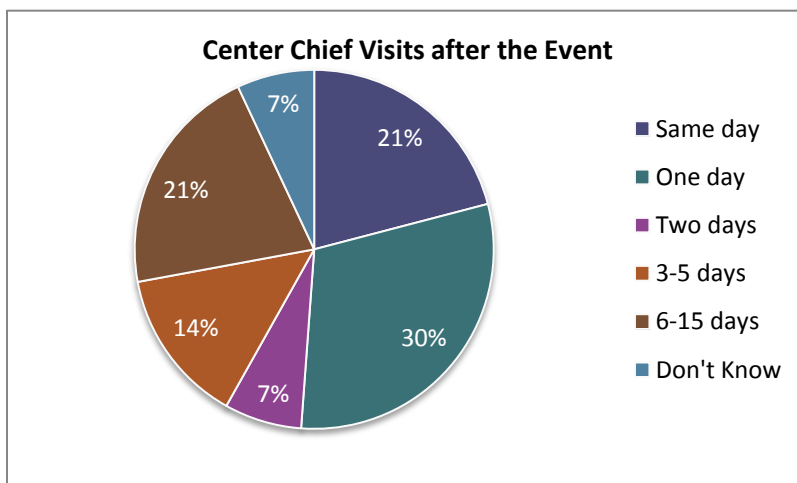
Did you use your payout to...	Pay off Debt?	Work Less?	Fix or buy new things for your house?	Save or invest in your business?
<b>Yes</b>	54%	29%	26%	69%
<b>No</b>	46%	63%	71%	31%
<b>Don't Know</b>	0%	9%	3%	0%

## INSURANCE PROCESSES

Clients were asked both about their understanding of the insurance product as well as their feedback on how the process worked during the October 2011 rains.

58% of clients indicated they knew how to obtain a payout in 2011, while 31% said they did not understand what steps were necessary to receive a payout.

The vital role of the center chief in the insurance program was highlighted by responses to three different questions asked during the survey. 52% of clients reported being informed about the insurance processes by their Center Chief, while 22% were informed by the branch when they received credit, and 20% were informed by their credit agent. 13% did not recall how they were informed about the claims process. Secondly, as center chiefs are the first point of contact with the client following a natural disaster, the question was posed to clients

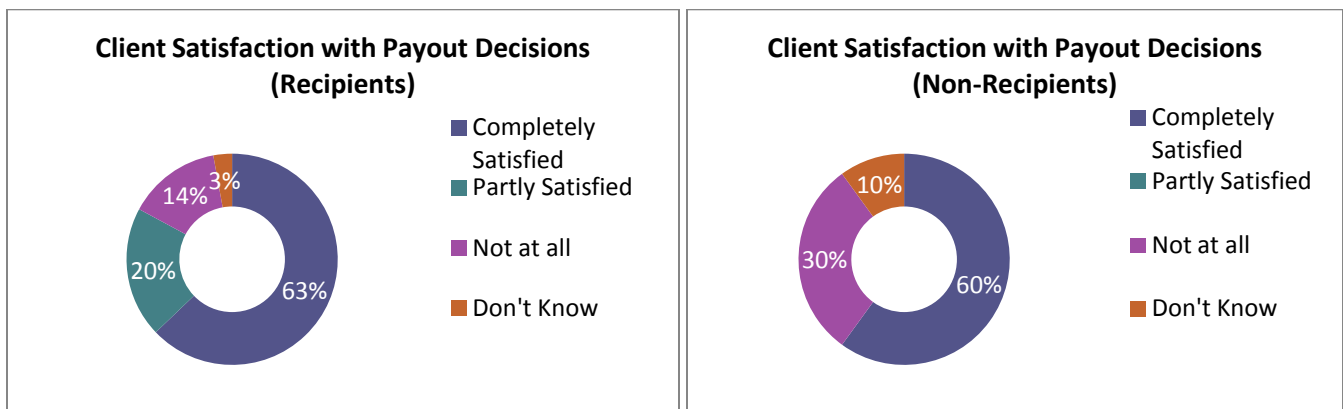


to gauge the amount of time it took for their center chief to visit for a damage assessment. In total, 72% of center chiefs visited during the first 5 days following a disaster—a strong indication of center chief’s understanding and willingness to participate in the process. Similarly 93% of center chiefs had visited in the first 15 days. Results are shown in the pie chart on the left. Finally, clients who received payouts were asked how they were notified with 69% finding out from center chiefs.

Clients were asked to recall the amount of time it took for a *Kore W* damage facilitator to visit their center following an event. Although 47% of clients said they could not recall, the rest of the responses generally fall in line with the actual amount of time it took *Kore W* to reach clients with an average of 20 days.

Clients who benefitted were also asked how many days after the center meeting until they received their *Kore W* payout. The average response to this question was just under 60 days whereas, in reality, average payouts were processed 21-30 days following the meetings. These responses indicate the perception of the clients that the payouts were taking too long and the need for the department to focus its efforts on speeding up the time between center meetings and payouts. The department is already taking steps to invest in data collection devices which should greatly speed up the payout process.

When asked about whether they were satisfied with the payout decisions in their centers, 63% of people that benefitted were “completely satisfied” while 60% of people who did not benefit were “completely satisfied”. The percentage of clients who were “not satisfied at all” was 14% of client who received payouts and 30% of clients who did not receive a payout.



A stark difference exists between clients who received a payout and those who did not receive a payout in terms of perception about the ease of the claims process. For those clients that received a payout, 62% said the process was “easy” or “very easy”, whereas only 20% of those clients who did not receive a payout said the same thing. Among clients that benefitted, 35% said the process was “a little difficult” or “very difficult”. 60% of non-beneficiary clients said the same thing. These numbers indicate an area of potential improvement for the program during its second year.

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#### OVERALL CLIENT SATISFACTION

Finally, the Microinsurance Center survey sought to gauge overall satisfaction among both clients who received payouts in 2011 and those who did not.

In terms of pricing paid by clients for premiums, 58% of those clients who benefitted said the premiums were “cheap” or “reasonably priced”, 9% said it was “expensive”, and 33% answered “don’t know”. Those numbers change slightly for clients who claims were not accepted: 40% said the cost was “cheap” or “reasonable”, 20% said it was “expensive”, and 40% said they were not sure.

Clients were asked “Do you think the insurance product is a good addition to Fonkoze’s loan products”? Of clients who benefitted, 97% responded affirmatively, as did 90% of those clients who did not receive a payout. Similarly, clients were asked whether they would recommend Fonkoze to a friend because of the insurance product. 85% of clients who received a payout indicated that they would, while 70% of clients who did not receive a payout indicated the same.

When asked what effect the insurance product has had on clients’ savings accounts, 84% of clients who received a payout indicated the product has allowed them to increase their savings. This, most likely, is the results of direct deposit into savings accounts that occurs with the approved claims.

Finally, clients were asked whether they would continue to purchase the product if it were not mandatory. Of those clients who received a payout, 69% indicated they would continue to purchase it while 28% percent said they would not. Of those clients who did not receive a payout, 50% indicated they would continue to purchase a non-mandatory product while 40% said they would not. These numbers are positive for Fonkoze in that a majority of clients surveyed overall feel the value of the product merits purchase even without requirement. At the same time, however, a large percentage of clients still don’t feel the product is valuable enough to purchase on their own—indicating an area where Fonkoze can both improve services and marketing in order to increase client value perception amongst members.



**97%** of clients who received a payout and **90%** of clients who did not receive a payout indicated the insurance product was a **“good addition”** to Fonkoze.

## CLIENT AND STAFF FOCUS GROUPS

Fonkoze's Social Impact Department conducted 25 focus groups in 8 branches including members who were affected by natural disasters in 2011, members who were not affected, as well as center chiefs and branch staff. The findings below highlight the main points of these focus groups.

### CLIENT TRAINING AND UNDERSTANDING

Members were first asked about their understanding of the product. It was generally found that clients understand *Kore W* is a natural disaster insurance product, and they understand what benefits they could receive if they have damage. More influential center members also knew the specific criteria which qualifies a member for a payout. At the same time, branch staff report that *Kore W*'s weakness was in the initial training that clients received--saying it was not well executed. Focus groups with center chiefs also found that a number of center chiefs do not understand their role after a natural disaster, nor do many of them know that they are supposed to be compensated for their work with *Kore W*. These findings become especially concerning considering center chiefs have undergone at least two trainings on *Kore W*--both when the program began and again during departmental assemblies held in October and November 2011.

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## CLIENT SATISFACTION

In general, clients reported being satisfied with the potential benefits of *Kore W*, including the 5,000 HTG emergency payout and the loan cancellation. Clients who benefitted in 2011 especially noted that it truly was *Kore W* which helped them get back on their feet following flooding rains. Many clients indicated the loan cancellation portion was actually more important than the cash in getting back on their feet.

At the same time, clients also logged a number of complaints about the program. As has been the case since the onset of the program, a number of clients still complain about the premium fee being too high. Likewise, a large number of clients also had complaints about how the evaluations were conducted in their centers. Many of these complaints conclude that members who should have received benefits were denied because of a number of reasons including:

1. Members have a hard time remembering exactly what they lost. When they report the total losses and then give a breakdown of losses, the numbers often don't add up. This often leads the *Kore W* Damage Facilitator to believe the client is lying.
2. Members who live far away from the center meeting often don't get individually visited and have a harder time getting the evaluators to believe their damage reports. It is difficult for evaluators to get a true picture of losses when they just come to the center meetings.
3. Members give the center chief different information than they give the *Kore W* Damage Facilitator.

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## CLIENT SUGGESTIONS

Clients also came to the focus groups with a number of suggestions on ways to improve *Kore W* including:

- Extending coverage beyond housing and merchandise to include gardens, crops, and livestock
- Extending coverage to include car accidents
- Lowering the premium or allowing clients to pay in monthly installments along with credit repayments
- Rewarding clients and centers who go a certain period of time without having any claims
- Charging clients more in risky areas and less in areas where natural disasters are not as likely to occur
- Increasing the use of center chiefs' damage evaluation reports during the center evaluations
- Giving 5,000 HTG to everyone in affected centers, but only eliminating the debt of the most heavily affected clients

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## STAFF FEEDBACK AND SUGGESTIONS

Feedback from the branches indicates that one main concern is the difficulty in dealing with Fonkoze's MIS, eMerge. This software, as it currently stands, does not allow for the easy retrieval of individual client loan repayments and loan cancellations. Loan cancellations often take a number of weeks to complete and errors often have to be corrected. Staff also noted difficulties in managing centers where some clients received payouts and others did not, citing that jealousy often caused issues among members. Finally, staff expressed concerns about those clients whose claims were rejected and the time it takes the central office to react after an event.



At the same time, branch directors and credit agents alike lauded *Kore W* for its role in helping them control delinquencies following natural disasters. Staff noted a large change in client ability to recover following damage as compared to past years.

A number of suggestions also came out of the roundtable discussions held with branch staff, many of which aligned with client suggestions. These included:

- Charging different premiums for clients in more risky zones
- Ensuring branches have adequate liquidity to pay out clients after a disaster
- Returning a portion of the premium if clients do not register damage during a certain period of time
- Paying credit agents for supplemental work they do for *Kore W*
- Improving eMerge so that credit can be cancelled more easily
- Providing more training to the clients and center chiefs

## CALL CENTER FEEDBACK

In addition to the rollout of the *Kore W* product, 2011 was also the first year of operations for Fonkoze's call center helpline "Rele Anmwe". Meaning "Call for Help" in Haitian Creole, this toll-free number allows any clients (or potential clients) to find answers to questions, concerns, or problems that they may have experienced with Fonkoze. This service proved a vital tool in helping collect feedback about the new insurance product as well as providing individualized solutions to clients who experienced issues with payouts.

In total, 294 calls related to *Kore W* were logged during 2011. The majority of these calls were related to clients whose claims were rejected. For this type of call, a *Kore W* staff member responded to the client with the detailed reason of why her claim did not merit a payout.

Other reasons for calls included:

- Client loan reimbursements after an event that were not correctly refunded
- Complaints about premium amounts being too high
- Thanks to Fonkoze for the *Kore W* coverage

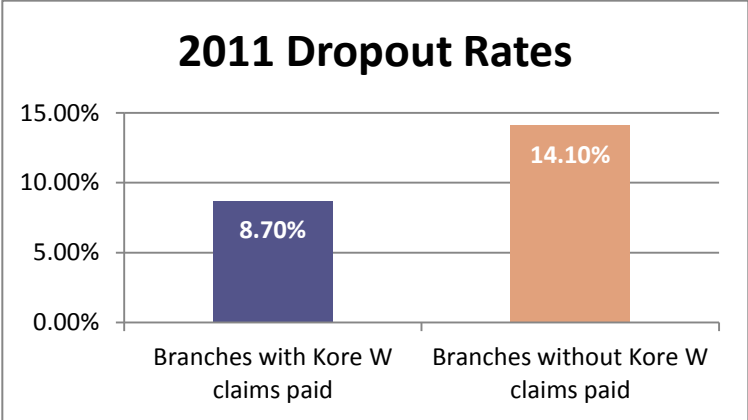
## DROPOUT INTERVIEWS

Fonkoze's Social Impact Department is charged with interviewing as many clients who leave the institution as possible. During these "exit interviews", Fonkoze seeks to gain a better understanding of the reasons behind clients leaving. In general in 2011, there was not widespread evidence of large numbers of clients leaving due to *Kore W*. Reports from Social Impact Monitors (SIMs) in Wanament, Tirivye Latibonit, Marigo indicate that they have yet to see any cases where clients are leaving because of *Kore W*. Monitors in Montoganize and Lavale report that a few clients have threatened to leave because of *Kore W* in late 2011, but as of now no one has actually left. In Lenbe, one entire center decided to leave Fonkoze in early 2011 as a result of *Kore W* and at the advice of the center chief. However, by late 2011, the center members had returned to Fonkoze saying that they could not find another institution which offered the same services and interest rates as Fonkoze. Most recently, a report of 10 groups (50 clients) leaving in Jacmel was received in late March 2012 via a client call to the Call Center, although the Social Impact monitor in Jacmel says these are just threats rather actual clients leaving.

While not reporting large numbers of clients leaving Fonkoze due to the insurance program, the SIMs also report a difference in perception between veteran and new clients to Fonkoze. Those clients who have been with Fonkoze for longer periods of time tend to be the ones logging the most complaints, while those clients who have joined more recently—especially since the launch of *Kore W*—tend to accept the premiums for insurance without much hesitation. Further anecdotal feedback received from various SIMs in late 2011 can be found in Annex 1.

**DROPOUT AND GROWTH STATISTICS**

Each year, Fonkoze calculates dropout rates in order to determine the number of clients who leave the institution on their own accord. In 2011, the first year of *Kore W*, the institution-wide dropout rate was the lowest in history at 10%. Further breaking branches down into those that had clients paid out by *Kore W* and those who did not in 2011, it becomes apparent that *Kore W* payouts are a factor in helping the institution retain clients. In branches with no clients paid as a result of the *Kore W* product, the dropout rate was 14.1% whereas in branches where a portion of the clients received payouts, the dropout rate fell to only 8.7%.



At the same time that dropout rates have been declining, Fonkoze has also been growing. As of December 31, 2010 when the original pricing was conducted for the launch of the *Kore W*, Fonkoze had 49,581 members in its Solidarity and Ti Kredi loan programs. As of December 31, 2011, the numbers of clients in these programs had grown to 58,737—a growth rate of over 18%. This growth was seen both in branches that were highly affected like Okay, Okoto, and Jeremi, as well as branches that were not affected much at all like Ench, Lagonav, and Wanament.

Finally, in order to examine whether claim rejections were negatively impacting the clients, a brief analysis was done to look at retention rates among clients who submitted a claim but were refused. Overall, 84% of refused clients took out another loan following the loan they held when natural disasters affected their centers. Full results are shown in the table below.

Date of Event	% of refused clients taking out new credit after event
June	90%
August	93%
October	74%
<b>TOTAL</b>	<b>84%</b>

- 1. Damages in 2011 were caused primarily by rain and led to the loss of merchandise more than housing.** *Kore W* is already in the process of researching and rolling out a Disaster Risk Reduction plan that will specifically focus on reducing merchandise losses caused by flooding rains. In collaboration with MiCRO, it is hoped a pilot of waterproof merchandise storage boxes will be implemented by early hurricane season.
- 2. While still a vital tool in helping clients recover quickly following a disaster, *Kore W* remains a secondary step in the chain of emergency response.** Immediately following an event, clients turned to friends and family for help, while simultaneously reducing spending. *Kore W* payouts were then used to reinforce the first wave of help. Clients similarly say the loan cancellation was of vital importance to helping them get back on their feet.
- 3. Tied to the aforementioned point, the time between event and payout was too long in 2011.** Although large events put a strain on the department's resources and make it difficult to respond to all clients immediately, there is still vast room for improvement in payout time. Already in 2012 through the introduction of 3G wireless technology which allows quicker sharing of damage evaluations in the field, the average payout time has been reduced to 24 days from 45 days in 2011. Further mobile data collection tools are currently being researched.
- 4. Overall, client understanding and client satisfaction were high for the first year.** Both the Microinsurance Center study and the Social Impact focus groups show that clients generally understand the product and feel it was a good addition to Fonkoze. The importance of ongoing training remains vital, however, to ensure that client understanding is continually refreshed and new clients feel fully comfortable with the product.
- 5. Both clients and staff alike have logged some complaints about the meetings when damage evaluation information is collected.** Some clients feel their claims were unfairly rejected, while some staff feel the decisions have caused jealousy. Clients did not always feel the decisions were transparent. A high-level brainstorming session among Fonkoze leadership has already helped produce tweaks to the process which should help increase client satisfaction while ensuring Fonkoze is protected from fraudulent claims.
- 6. Client and branch staff share similar suggestions for making changes to the product including premiums which vary by regional risk, no-claims refunds, and premium payments which are split over a period of time.** These changes would involve in-depth modifications to the policy Fonkoze has with MiCRO and are thus being explored for future policy years.
- 7. Dropout rates were at the lowest in history, especially in branches where clients received payouts.** Similarly growth in 2011 was high and interviews with clients who left the institution did not indicate *Kore W* was a widespread factor in their decisions to leave.

## CONCLUSION

It is clear that *Kore W* has both seen great success in certain areas and has room to improve in other aspects of the program. Simply paying out over 6,000 clients in 2011 has shown the need on the ground for such a program to help clients recover following natural disasters. Similarly, reduced dropout rates and higher growth rates have shown that the insurance product is also benefitting the institution. Feedback from clients has shown that center chiefs have played a vital role in the program's success and that clients who receive payout overwhelmingly attribute their ability to get back on their feet after a catastrophe to *Kore W*.

At the same time, however, it is clear that certain changes must be made in 2012 in order to continue shaping the best program possible. The time period for payouts to reach client accounts is most definitely too long. While it would be quite difficult to get the average payout to much less than 30 days, the introduction of technology into the data collection process has the potential to shave a week or two off the average payout time in 2012. At the same time, the need for ongoing training continued to be emphasized through this evaluation. Better training of credit agents, center chiefs, and branch staff will continue to improve the understanding and confidence in the product for all of Fonkoze's clients. Finally, this evaluation emphasized the need for greater transparency and consensus around how the payout decisions are made in the credit centers. Tweaks to the processes used by the damage facilitation team should establish greater client approval of the decisions—thereby reducing tension and jealousy that has at time been seen in some centers following payouts in 2011.

Since the beginning of the new policy year in 2012, *Kore W* has already begun to make a number of payouts to clients for heavy rains that caused significant damage in the country in April. Through this evaluation along with ongoing review of program operations, *Kore W* will continue to get stronger in the coming months. Likewise, it will ensure that the women micro-entrepreneurs of Fonkoze are able to effectively respond to any bumps along the road as they continue to grow their businesses and forge a better life for themselves and their families.

ANNEX 1: LATE-2011 FEEDBACK ON KORE W FROM FONKOZE'S SOCIAL IMPACT MONITORS' HOME BRANCHES

