microInsurance Innovation facility
PROTECTING THE WORKING POOR

International Labour Organization

MICROINSURANCE
PAPER No. 15

April 2012

MANAGING MICROINSURANCE PARTNERSHIPS

Kelly Rendek

MICROINSURANCE PAPER No. 15

First published 2012

ILO Cataloguing in Publication Data

Kelly Rendek

Managing Microinsurance Partnerships /Kelly Rendek; International Labour Office. - Geneva: ILO, 2012
56p. (Microinsurance Paper; no. 15)

ISBN: 978-92-2-126330-2 (web pdf)

International Labour Office

microinsurance / partnerships /distribution

11.02.3
ILO Cataloguing in Publication Data

CONTENTS

Contents ii
Acknowledgements iii
Executive Summary iv
1 > Introduction 1
1.1 Methodology 1
1.2 Case Studies 2
2 > The partnership life cycle 8
2.1 Search 8
2.2 Assessment and Selection 10
2.3 Implementation 17
2.4 Maintenance 25
2.5 Evaluation 29
2.6 Termination 32
3 > Concluding Comments 33
3.1 potential deal-breakers 33
3.2 Key Success Factors 33
3.3 Partnership Life Cycle Review 34
References 35
Annex 1 : Interview Template 36
Annex 2: Sample Tools 38

ACKNOWLEDGEMENTS

I would like to thank everyone who participated in the research process, in particular, Roberto Zanchi, Derek Poulton, Barry Maher, Carol Stewart and Oliver Ullrich, all current or former Fellows of the Microinsurance Innovation Facility, who assisted with the case study research, data collection and interviews. I also thank the reviewers who provided useful comments on earlier drafts. The staff of the Facility provided invaluable input through their participation in a mini focus group to help identify potential case studies, as well as review of the results. I would also like to thank Aparna Dalal for her direction and assistance throughout the study.

Most importantly, I would like to thank all those who participated in the case study interviews and generously provided their time and input for this study. Your willingness to share your experiences and insights has been fundamental to the process, and I hope the analysis presented here is valuable both to your organizations and other microinsurance practitioners.

EXECUTIVE SUMMARY

"Good" partnerships have been identified as one of the key factors in the success of a microinsurance programme. Insurers, reluctant to employ the direct sales model in a microinsurance context, need to form partnerships with organizations that can serve as distribution channels. Given cost pressures and the need to reach scale in microinsurance, these partnerships are crucial to the success of the programme. The number of multi-stakeholder partnerships in microinsurance is also growing, as governments and donors become active players. These partnerships are particularly difficult to manage as partners have distinct (sometimes conflicting) priorities and very different organizational cultures.

THE PARTNERSHIP LIFE CYCLE

The Partnership Life Cycle provides a framework to guide microinsurance practitioners in partnership management. Existing partnerships may be at different points in the cycle, but gaining an understanding of the cycle can assist in managing and evaluating partnerships more effectively, and forming new partnerships in the future. Partnership, as defined in this study, includes any structured long-term collaboration or formal legal arrangement between organizations to implement a microinsurance programme.

SEARCH

The cycle begins with the search for a suitable partner to fill a defined need or capacity gap within the microinsurance programme. Initial analysis should identify whether there is a need for a partner organization, and if yes, the rationale for seeking a partnership arrangement. The purpose of the partnership, the requirements for a suitable partner, and the objectives expected from the partnership should be clearly laid out. This analysis forms the groundwork for identifying and assessing potential partners.

ASSESSMENT AND SELECTION

The specific capacities and needs of each potential partner need to be evaluated against the partnership objectives and desired attributes of a partner. Virtually all organizations interviewed identified aligning interests and objectives as a key component of a successful partnership. Objectives need to be aligned at different organizational levels – operational as well as management – in order to ensure effective implementation.

It is crucial to consider what benefits the microinsurance programme will bring to its partners and whether these benefits are sufficient to attract and maintain commitment of a partner to the project. A key insight from the study is that microinsurance partnerships must provide benefits to the distribution channel in addition to commissions in order to be successful in the long term. Commissions from microinsurance policies are generally small, and thus may be insufficient alone to ensure commitment from a distribution partner. The microinsurance programme will need to contribute positively and sufficiently to each partner's core business and objectives in order to be sustainable over the long term.

One approach for organizations is to use an assessment questionnaire during the partner selection process. Such an assessment tool can be used to do a self-assessment (within different areas of the organization and overall), and to guide discussions between partners. A third party can be used to facilitate the process. This can provide a more objective and consistent analysis of the motivations and capacities of the partners that allows for greater dialogue and collaboration.

IMPLEMENTATION

The Implementation stage involves reaching agreement on the partnership terms and establishing the necessary agreements to launch the project. The first part includes designing the partnership and incentive

structures and creating an initial joint business plan. This part may also include developing a preliminary Memorandum of Understanding (MoU) in order to set ground rules for the partnership. Once it is confirmed that the project will proceed, the partners need to work through any remaining steps, including defining roles and responsibilities, resolving operational issues and establishing appropriate communication.

Implementation should include preparing a joint business plan for the microinsurance programme. A business plan will include, among many components, targets for product sales and growth, break-even projections, and marketing plans and expenses. The business plan should outline the contribution of each partner to expenses such as systems development or marketing. A microinsurance business plan should include realistic timeframes and expectations for the programme to become sustainable. The business plan should be prepared jointly in order to manage the expectations of all partners.

Effective implementation of microinsurance partnerships includes a collaborative dialogue between the partners that develops trust, understanding and commitment, and usually concludes with the formalization of the partnership through a contractual agreement. Drafting a contractual agreement can be a technical or legal process, and may not facilitate discussion between operational staff. Therefore, before getting to the contractual process, partners should conduct a dialogue that involves all levels and functions of the organizations to ensure understanding and buy-in from all stakeholders within the organizations.

A formal written agreement is important because the process of drafting it forces all parties to be clear about the partnership objectives, roles and responsibilities and expected outcomes, and it establishes a roadmap to manage the partnership. By itself, however, a written agreement will not automatically lead to a successful partnership. What is more important is the trust and commitment demonstrated in the relationship between the partners, and the outcome of the dialogue and negotiation during the implementation of the partnership. In some situations, a more informal agreement or an agreement that is not very detailed may provide more flexibility and innovation, provided there is sufficient commitment from the partners.

MAINTENANCE

Key success factors at the Maintenance stage include collaborative product development, regular and effective communication, and prompt conflict resolution.

A partnership structured around learning objectives, at least initially, can have a greater chance of successfully retaining commitment. In such a learning partnership, continued commitment depends on recognizing the learning that has taken place, even when financial progress is incremental. The initial objectives are focused on understanding the factors that will lead to a successful program rather than only on specific statistics such as sales or claims. Setting specific learning objectives for a pilot, and documenting results and successes, provides evidence to the partners and other stakeholders that the project is moving forward. If managed well, a learning partnership allows for more flexibility to adapt the project. This may not necessarily prevent problems, but enables a more collaborative problem-solving approach.

A lesson from the study is that multi-stakeholder partnerships require a strong central role to manage the project and resolve potential conflicts. In many cases, bilateral MoUs or agreements are developed separately between the partners in a multi-partner arrangement; a single overarching MoU may be required in order to provide adequate collaboration.

EVALUATION

Evaluation of the microinsurance partnership should encompass both an evaluation of the results of the microinsurance programme, and the partnership relationship itself. This evaluation should be performed

against the original goals and objectives for the partnership, as determined and agreed during the assessment process and initial implementation.

Frequent formal evaluation may not be necessary at the pilot stage unless forced by external events, such as regulatory changes. Informal evaluations to ensure that communication processes are in place and operational challenges are addressed may be sufficient initially, unless clear issues within the partnership management arise. However, even the best relationships can benefit from a periodic formal review, and annual evaluations were recommended by many of the organizations interviewed for the study.

TERMINATION

Termination of a microinsurance partnership should be executed carefully, regardless of the reasons for termination. All partners need to consider the client perspective, and take steps to minimise or avoid misunderstandings with clients and other stakeholders. In particular, existing insurance policies are likely to continue in force beyond the termination of the partnership, therefore systems and resources need to remain in place to administer premiums and claims. Leaving clients without adequate information about coverage or service options may damage the reputation of any or all partners, as well as the concept of microinsurance in the region.

Terms and provisions regarding rights, notice period obligations, responsibilities and procedures to terminate a partnership should be specified within the written partnership agreement, so that all parties know what to expect and what actions need to be taken. Once the decision to terminate a partnership or programme has been taken, good communication is key to ensuring consistent service delivery to clients.

External communications should also be considered carefully. Pilot microinsurance projects are sometimes high profile, and early termination may send a negative or confusing message about microinsurance to the public, including policymakers.

CONCLUSION

As might be expected, partnerships tend to be easier to manage at the beginning when everyone is excited about the new venture, but become more challenging later on, as issues arise and need to be solved. Since, however, trust and commitment develop through solving challenges together, a partnership can grow stronger over time. After some problem-solving, partners should have a better understanding of the areas in which they need to collaborate more. The inevitable challenges of a microinsurance partnership can indeed be viewed not as an obstacle but as a necessary element of a sustained, successful partnership.

1 > INTRODUCTION

Good" partnerships have been identified as one of the key factors in the success of a microinsurance programme, as many programmes involve some type of partnership structure. This is particularly true when it comes to distribution, as insurers, reluctant to employ the direct sales model in a microinsurance context, form partnerships with organizations that can serve as the distribution channel. Given cost pressures and the need to reach scale in microinsurance, these partnerships are crucial to the success of the programme. The number of multi-stakeholder partnerships in microinsurance is also growing, as governments and donors become active players. These partnerships are particularly difficult to manage as partners have distinct (sometimes conflicting) priorities and very different organizational cultures.

This paper aims to analyse microinsurance partnerships and identify key themes that emerge from different areas of practice. The paper provides a framework with which to analyse both new and existing partnerships, and provides recommendations and strategies to monitor and improve them.

Partnership, as defined in this study, includes any structured long-term collaboration between organizations to implement a microinsurance programme, as well as formal legal partnerships arrangements. This definition of "partnership" does not include a purely transactional relationship such as a contract to purchase biometric cards from a technology vendor. The research was primarily focused on partnerships between insurers and distribution channels, although other roles are represented. In particular, a number of lessons emerged for multi-stakeholder partnerships that involved entities other than insurers or distribution partners.

This paper presents a summary of the common themes and challenges identified through a case study research method. It identifies key pitfalls and success factors based on the experience of the case study participants. These factors can be generalized to most microinsurance programmes. The study strives to consider partnerships from all sides, and while examples are given that might be more relevant to an insurer or distribution partner, all partners in a microinsurance programme could benefit from the recommendations and strategies provided.

In addition to the case study examples, the paper provides guidelines and tools to implement successful partnerships. Assessment templates, checklists, and other tools are discussed and samples are provided in Appendix 2. These tools can be customised to fit the specific role of each partner. It is hoped that these will lead to an on-going dialogue among microinsurance practitioners.

1.1 METHODOLOGY

The paper uses a number of case studies to explore key issues. Initial research was conducted using Facility staff, grantees, partners and external microinsurance practitioners, in order to identify themes across a variety of partnership structures, stages, and products. The themes of partnership formation, management and termination were identified as issues to explore in more depth, and case studies were selected to provide insights into these areas.

Case studies were selected to evaluate a wide range of partnership experiences in a search for both common factors and distinct elements relating to these themes. Selection criteria included partnership type, partnership structure, geographic location, products, number of partners involved, and years of operation. The final selection of seven case studies, as described in the following section, includes programmes from South Africa, Philippines, Kenya, Pakistan, India, and Peru, ranging from two to five years of operation, and products that include life, savings, funeral, medical, accident, property and livestock.

A detailed data collection and interview template was constructed to investigate several aspects of these partnerships, including partner selection, partnership formation, management and conflict resolution, and evaluation. Research was conducted using a variety of methods, including in-person and telephone interviews. Given that different interviewers

conducted the research, the use of a standardised interview template assisted in ensuring consistency among the data collected so that responses could be compared across the cases[1].

The primary partner was used as the main source of information for each case study. The term "primary partner" is used to indicate the organization that acts as the primary driver or "owner" of the microinsurance programme, whether that was an insurance company, distribution channel, or other stakeholder. The other partner organizations are referred to as "secondary partners". This designation is certainly not meant to diminish their role, but in some cases means they did not provide material or interviews directly for the study.

The paper outlines a framework for the stages of a partnership, identifies key factors for success at each stage, as well as specific strategies and tools that can be shared with microinsurance practitioners. Supplementary research was conducted with additional microinsurance practitioners through individual interviews and a workshop, in order to complete the analysis and test some of the tools that are presented in Appendix 2.

1.2 CASE STUDIES

This section presents a brief introduction to the seven case studies that were examined in detail for the study, as well as three additional organizations that provided insights from their experience in working with microinsurance partnerships. The cases are summarised in Table 1, and used to illustrate the key elements and stages of partnerships developed further in the paper.

ASSAM TEA WORKERS MICRO-SAVINGS PROJECT, INDIA
This project is a partnership between ICICI Prudential, India's largest private life insurance companies, and tea company McLeod Russell India Limited (MRIL), to provide a unit-linked savings product with life insurance benefits to the workers employed in MRIL's tea gardens in Assam state. Co-funded by a donor grant and involving a secondary partnership with Video Volunteers, the project originally began in 2008. Due to changes in microinsurance legislation in India, the pilot was suspended in 2010, with a new product redeveloped and launched in 2011.

While the product has yet to become financially sustainable, the partners consider this to be a successful partnership based on collaboration and trust. The initial goal of the partnership and pilot was to learn about the tea worker segment – a marginalised ethnic group formally organized in labour clusters by the tea company – as a potential recipient of financial services. The partners had a shared objective to test and evaluate the platforms needed to develop a sustainable microinsurance model that provides value to clients as well as encouraging sound financial habits among tea workers. They continue to work together to achieve those goals and intend to use the lessons to move forward on a larger scale.

BIMA YA JAMI, KENYA
This project is a partnership between the Cooperative Insurance Company of Kenya (CIC) and the government-sponsored National Health Insurance Fund (NHIF), with the aim of delivering a composite insurance product offering life, accidental death and disability and health coverage. The Swedish Cooperative Centre (SCC), an NGO providing services to cooperatives and pro-poor organizations, served as a co-ordinating partner. The distribution partners are member-based organizations in Kenya, including microfinance institutions and SACCOs, which are also the owners of CIC.
The project concept was initiated in 2007, and an initial pilot carried out with the Kenya Women's Finance Trust (2007). A Facility innovation grant was received in 2008, and the product was launched shortly thereafter. The product was redesigned in 2010 following changes to the health care coverage offered by NHIF, and ultimately discontinued, as the revised package was no longer considered commercially viable.

This is a multi-stakeholder partnership that includes several unique factors: a public-private partnership component; ownership of the insurer by the distribution channel; and a third party facilitator/coordinator. In spite of initial successes and ground-breaking efforts, the partnership experienced significant challenges, and was terminated in 2011.

[1] The interview template is provided in Appendix 1.

OFW FAMILY SAVERS AND WELLNESS CLUB, PHILIPPINES

This project is a partnership between Pioneer Life and the Catholic Bishops Conference of the Philippines (CBCP) to combine financial education with a microinsurance product that bundles savings with life and accident coverage. The programme and products are offered through Overseas Filipino Workers (OFW) Wellness Clubs that are set up in schools and churches by the CBCP to assist the families of migrant workers.

The relationship between the partners was initiated in 2006 with the financial education programme. The microinsurance product was launched in 2009 with the assistance of an innovation grant from the Facility to Pioneer Life. The programme is managed at the diocesan level, and the product is sold through church volunteers. Commissions are paid to the CBCP, and volunteers do not receive incentives or compensation directly.

The partnership is on-going, although it has experienced challenges with communications, decentralized structures and product acceptance. Revisions to the product, incentive structure, and program support have been proposed in order to increase take-up and improve efficiency.

LA POSITIVA SEGUROS, PERU

This project is a partnership between La Positiva Seguros, an insurer in Peru, with the National Board of Users of Irrigation Districts of Peru, formed to take advantage of the irrigation delivery system to deliver life insurance products to rural farmers. La Postivia initiated the project in 2008 as it was seeking alternative distribution channels to reach rural microinsurance customers. Two life insurance products were developed based on market research conducted by a third party, and a pilot rolled out in 2009. Premiums are bundled with water payments, with the required technology developed through a contracted IT provider.

The structure of the rural water associations is decentralized and complex and the partnership experienced significant challenges early on with respect to aligning interests and incentives at the right levels of the organization. While the pilot has been completed, the project is under evaluation with a view to refocusing both the product and the incentive structure.

IMBIZO, SOUTH AFRICA

The Imbizo initiative is a multi-stakeholder project undertaken by Old Mutual in partnership with its Black Empowerment partner Wiphold, and financial services companies Nedbank and Mutual & Federal, to provide comprehensive financial services to low income rural communities in South Africa. The project was initiated in 2008 and a pilot community selected to develop an innovative and integrated approach to providing financial services and community development. The three financial services partners (Old Mutual, Nedbank, and Mutual & Federal) provide a full range of financial products including banking services, small group loans, livestock insurance and funeral cover, while Wiphold provides leadership and community access, as well as local project management. The overall objective of the project is to develop a sustainable client base for all of the partners among the low-income market by providing integrated financial services at the different stages of community development.

As a new business model, the learning curve for the Imbizo partners has been steep, and not without its challenges. Nevertheless, the partnership retains a high level of trust and commitment from all partners, and is starting to show results. The project has moved from the pilot stage to launches in several new communities. The lessons are being documented to create a business case to move forward on a larger scale.

OLD MUTUAL AND SHOPRITE, SOUTH AFRICA

Old Mutual, a leading life insurer in South Africa, and Shoprite, a large national grocery chain, entered into a partnership in 2007 to sell funeral coverage to low-income clients through Shoprite's retail stores. The initial product was unsuccessful, and the partnership experienced significant challenges. Old Mutual persevered by redesigning the product and rebuilding the partnership with Shoprite, re-launching their Pay When You Can product in early 2011.

The new product required considerable collaboration between the partners on the technology and procedural sides, and both partners now consider the relationship to be on a healthy basis. However, the product itself has not yet shown sufficient

growth to be sustainable, and it is still open to question whether this collaboration can effectively leverage a retail distribution channel for the low-income market.

AGA KHAN AGENCY FOR MICROFINANCE (AKAM)/FIRST MICROINSURANCE AGENCY (FMIA), PAKISTAN

A part of the Aga Khan Development Network (AKDN), AKAM received a grant from the Gates Foundation in 2005 to develop and pilot microinsurance programmes in Pakistan and Tanzania. In Pakistan, AKAM incorporated an independent microinsurance agency, FMiA, in 2007, which partnered with New Jubilee Insurance to offer life and health microinsurance products. Distribution channels included village level organizations, and First Micro Finance Bank (FMFB), as well as other microfinance institutions (MFIs). Both New Jubilee Insurance and FMFB are affiliated with the AKDN.

Despite partnering with organizations within the AKDN, this multi-stakeholder partnership proved challenging to manage and maintain on the desired level. The local entities were not in the habit of close cooperation and had each their own objectives to achieve. These objectives were challenged by the very difficult times that Pakistan was experiencing during the project, most notably the consequences of the global financial crisis that led to increasing food prices and inflation as well as reduced sources of FMFB refinancing, and major natural calamities. The microinsurance partnership faced all the obstacles of similar ventures, including the total lack of insurance awareness and limited purchasing power of the target market.

Although innovative products were developed and distributed, contributing to significant market development for microinsurance in Pakistan, the programme had not achieved sustainability within the projected period of three to four years. While possibly not a realistic timeframe to develop a new market, AKAM decided to end its active participation in microinsurance and to return a portion of the grant. The operations of FMiA were discontinued in early 2011, and the microinsurance unit of AKAM wound down. The existing microinsurance products continue to be serviced through the remaining partners in Pakistan, and some also continue to be sold.

RURAL BANKERS ASSOCIATION OF THE PHILIPPINES

The Rural Bankers Association of the Philippines (RBAP) set up the Microenterprise Access to Banking Services programme (MABS) to enable rural banks to offer financial services to the low-income market in the Philippines. With respect to microinsurance, RBAP/MABS performs a number of intermediary functions with both rural banks and insurers to develop microinsurance programmes. It assists with licensing, product support, partnership formation and coordination, and training.

As a microinsurance "partnership broker", RBAP/MABS has unique insights into forming successful microinsurance partnerships in the Philippines, and has also made available some of their templates for assessing potential microinsurance partners and creating MoUs.

HOLLARD INSURANCE, SOUTH AFRICA

Hollard is a diversified insurance company that has been operating in the South African market for over 30 years, including several innovative microinsurance ventures. Its primary approach to the market is through partnerships, ranging from simple collaborations to complex joint venture arrangements. Consequently, it has a strong partner focus in both the product development and operations functions. A key component to Hollard's success is flexibility, treating each partnership as a unique entity, with its own requirements for products, structure and management. As part of the research for this study, it shared insights on successful partnership assessment and management.

MICROENSURE, GHANA

MicroEnsure is an organization that serves as an intermediary in microinsurance programmes, typically brokering partnerships between insurers and distribution channels, as well as other service providers. It also offers third party administration services for microinsurance programmes. In Ghana, MicroEnsure is currently working with six insurers and nine different distribution channels. Its approach is to focus on developing scale and providing value to the distribution channel. MicroEnsure has also shared its insights on successes and pitfalls for successful partnerships in microinsurance.

Box 1: Definitions of Success

As part of the interview process, case study participants were asked to define a successful microinsurance partnership. Responses were often similar regardless of partnership type, country or product, and highlighted the need for a good working relationship, and a product that meets objectives of both the partners and their clients.

Definitions and comments shared:

"Success is a lasting and sustainable partnership with a product that is successfully sold in the market."

"Contribution by all partners towards the achievement of shared goals."

"All partners have to achieve their goals/objectives. It's not enough to have a good relationship; the product also has to be successful."

"Success in a relationship is defined by the ability to continue to innovate within the partnership or change as needed."

"Commitment to the same vision; collaborative, creative, and sustainable."

Table 1: Summary of Case Studies

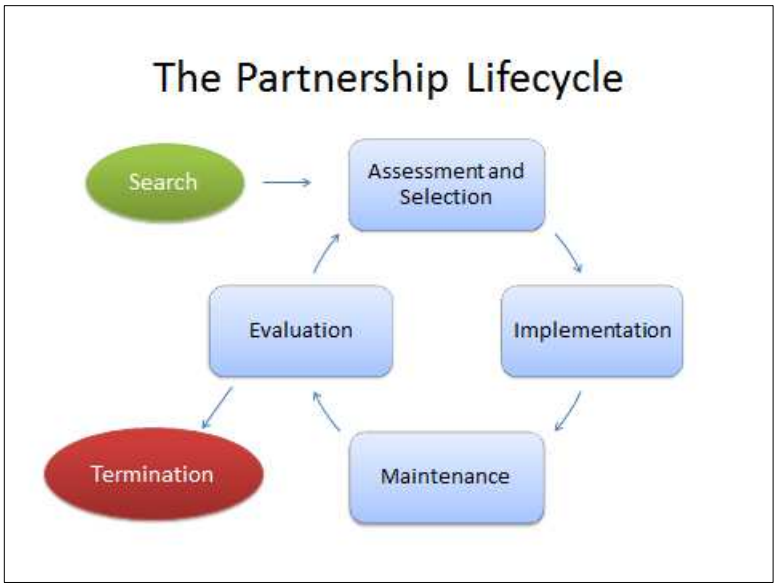
Case Study	Assam Tea Workers Micro-Savings	BIMA YA JAMI	OFW Family Savers and Wellness Club	La Positiva Seguros	Imbizo	Old Mutual and Shoprite	AKAM / FMiA
Country	India	Kenya	Philippines	Peru	South Africa	South Africa	Pakistan
Primary Partner	ICICI Prudential Life Insurance Company - insurer	Cooperative Insurance Company - insurer	Pioneer Life - insurer	La Positiva Seguros - insurer	Wiphold - independent stakeholder	Old Mutual - insurer	AKAM - grant manager
Secondary Partners	McLeod Russell India Limited tea company - distributor	Swedish Cooperative Centre - grant manager; National Health Insurance Fund - insurer; MFIs, member-based organizations – distributor	Catholic Bishops Conference of the Philippines - distributor	National Board of Users of Irrigation Districts of Peru - distributor	Old Mutual - life insurer; Nedbank - banking and credit services; Mutual and Federal – non-life insurer	Shoprite - retail distributor	FMiA -intermediary; FMFB (MFI) - distributor; New Jubilee Life Insurance - insurer; Hospitals - service provider
Description of Microinsurance Program	A partnership to sell microinsurance to workers employed by the tea company in its Assam tea gardens	A partnership between to deliver a composite product through member-based organizations	Financial and risk management education combined with a product that bundles savings and insurance, offered through schools and churches	A partnership to distribute insurance by bundling premium payments with water bills	An approach to community development where organizations work jointly to provide a range of financial services at the community level	Microinsurance products offered through a retail market - designed as a "starter pack" plus top-ups, similar to cell phone retail products	Multiple stakeholders from Agha Khan involved in pilot in Pakistan, including an independent microinsurance agency
Microinsurance products	Term life with savings component	Composite product - health, AD&D, funeral coverage	Life - savings bundled with life and accident	Individual term life and voluntary group life	Funeral cover; funeral cover with savings; other financial services	Family funeral cover	Credit life; hospital indemnity; savings completion product
Current status	New product launched in 2011	Partnership terminated; product being phased out	Pilot stage; new products under development	Pilot completed; unsuccessful roll-out led to evaluation and new strategy	Expansion stage	Pilot launched; rollout under evaluation	AKAM MI unit and FMiA in Pakistan wound down; products continued through insurer
Type of partnership	Strategic Alliance	Public Private Partnership	Partner-Agent	Partner-Agent	Strategic Alliance; multi-stakeholder partnership	Partner-Agent	Strategic Alliance; multi-stakeholder partnership

Key Success Factors	Strong alignment of interests; involvement of both partners in product design and process; good communication at all levels; proactive problem resolution	Willingness to take risks and pilot an unprecedented public private partnership; design and launch of an innovative and affordable product	Willing to learn from the program; flexibility to make changes to find what works; good interpersonal relationships; recognition of need to redesign incentive structure	Innovative approach to distribution - recognised strategic value of this channel to reach rural areas; willingness to evaluate and learn from experience; worked to improve communication issues	Alignment of objectives; commitment from all partners; shared program manager at community sites; learning objectives; long-term approach to developing client base; shared understanding that partnership will evolve over time	Trust, open lines of communication, commitment, and joint purpose; admitting past mistakes in order to restore relationship; collaboration at functional levels, especially IT; willing to learn from experience	Products that provide real value to clients; good working relationships at operational level; created awareness of microinsurance in Pakistan; transferable lessons in partnership management
Issues/ Challenges	Needed to rebuild partnership after previous failure; project still needs to reach scale to be sustainable	Irregular communication; project agreed at senior level, but not operational level; failure to gain commitment of distribution channel; low take-up caused one party to make unilateral changes that threatened viability; no shared negotiation or problem solving	Inadequate incentive scheme for distribution channel; distribution channel did not fully understand needs or market, and did not have skills or capacities to market insurance or collect premiums effectively; objectives not clear or shared at outset of partnership	Interests and incentives not aligned, especially at regional and rural levels; insurer did not understand structure of partner in the beginning; difficult to assess ability of partner to act as intermediary; not enough communication and training at agent level	Ensuring adequate resources; competitive issues between partners - overlapping products and conflicts; maintaining commitment from management because Imbizo contributes less to bottom line; scale not yet sufficient to be sustainable	Low product take-up/growth; not enough incentive at individual level to ensure good visibility or placement; processes on retail side not flexible or open for negotiation	Difficult to leverage network of Aga Khan organizations; limited alignment of interests and objectives - balance of social responsibility objectives with sustainability; business case for distribution channel not strong enough; lack of clarity around roles and processes

2 > THE PARTNERSHIP LIFE CYCLE

The concept of a "Partnership Life Cycle", as illustrated in Figure 1, is used to structure the analysis of the case studies.[2] The life cycle concept is not unique to either partnership management or microinsurance, but provides a useful framework to guide microinsurance practitioners in partnership management. Existing partnerships may be at different points in the cycle, but gaining an understanding of the cycle may assist in managing and evaluating partnerships more effectively, and forming new partnerships in the future.

Figure 1: Partnership Life Cycle



2.1 SEARCH

The cycle begins with the search for a suitable partner or partners to fill a defined need or capacity gap within the organization or the microinsurance programme. Initial analysis should identify whether there is a need for a partner organization, and, if yes, the rationale for seeking a partnership arrangement. The purpose of the partnership, the requirements for a suitable partner, and the objectives expected from the partnership should be clearly laid out. This analysis forms the groundwork for identifying and assessing potential partners.

PARTNERSHIP RATIONALE

Partnerships in microinsurance are most commonly formed to address challenges of distribution and achieving scale: a typical example is that of an insurer as the risk carrier and a microfinance institution (MFI) as the distribution channel, organised as a "partner-agent" structure. The capacity gap for the insurer is the difficulty in reaching the low-income market through its existing distribution methods, while a corresponding gap for the MFI is the inability to manage the risk internally. Distribution partners may also wish to add insurance products to add value to their core client offerings. An insurer or intermediary can identify the business needs of a non-insurance organization for which it can provide a solution. Other capacity gaps or business needs may exist for insurers and distribution partners, as well as other stakeholders, and will influence the decision to choose a partnership as the means to address those needs. The section on Partner Motivation discusses this area in more detail relating to the partnership assessment stage.

[2] I would like to thank Jaco Vlok, an independent management consultant in Cape Town, South Africa, for his version of this framework and our subsequent discussions around it.

It is important to note that the search process, as well as the subsequent assessment stage, applies to all partners. Each partner should have some sort of gap or need that is addressed by the partnership otherwise they would not need to look for one, or have sufficient interest to participate in the microinsurance programme.

For all of the case studies considered, the primary purpose of the partnership from the insurer's perspective was to increase or gain access to the target market, although this was accomplished in different ways. The primary motivation for the distribution partners differed across the case studies.

ICICI Prudential wanted a partner to help it build a sustainable microinsurance model and to learn from it in order to expand in the future. The organization therefore focused on identifying a specific location and partner that was likely to enable this, eventually choosing to pilot in the tea cultivation industry in Assam state, where a tea company could serve as the channel to access the client pool as well as act as a financial intermediary.

Pioneer Life wanted to find a partner that was able to bring large groups together, especially in rural areas, in order to achieve scale in its microinsurance operations. The Catholic Bishops Conference presented itself as a candidate with extensive reach in rural areas, and an ability to gather people together at churches or schools. Conversely, the Catholic Bishops were looking for an organization to provide financial education to their membership, in addition to financial service; Pioneer Life was well placed to fill that need. While these organizations are still seeking an effective way to leverage this partnership, they acknowledge that each partner has a capacity that the other needs, but does not currently have.

The intended partnership should support meeting the strategic objectives of the partners, and, given the low premiums inherent in microinsurance, should improve the programme's potential, either through **expanding value for clients and/or contributing to viability**. Defining a clear rationale and specific objectives for the partnership at the initial stage sets the foundation for an unbiased assessment phase and easier implementation.

SEARCH PROCESS

In many of our case studies, as in many microinsurance programmes, the search process was either shortened or skipped altogether, as programmes were developed with specific partners already in place, and alternate options were not considered. This can be the case when the range of potential partners is very limited or when the organization belongs to a larger network or group of companies, such as with Imbizo or AKAM. Even, or perhaps especially, in this situation, it is important to clarify the purpose and objectives of the partnership in order to assess whether or not the proposed arrangement will satisfy them. There may be an underlying assumption by one or more stakeholders that existing networks can be leveraged effectively and yet, in practice this may turn out not to be the case. Networks created to sell other services may not be well suited to selling insurance.

Experiences of related organizations, such as the Imbizo initiative through Old Mutual companies, CIC Kenya with its credit union owners, and AKAM through the Aga Khan Development Network indicate that it is still important to thoroughly assess the partner for suitability rather than assuming related ownership translates into shared objectives and complementary skill sets or strengths.

There are a number of possible approaches to the search process, ranging from informal, opportunistic methods, to a formal request for proposals circulated to a number of recipients. A potential partner may approach with an unsolicited proposal, or a third party might be employed to assist in the search. Box 2 outlines the series of steps for this process.

Box 2: Search Process

1. Identify need or capacity gap in organization or microinsurance program
2. Clarify purpose and objectives of partnership
3. Outline requirements for suitable partner
4. Determine approach to search process
5. Develop shortlist of potential partners

Old Mutual and Shoprite had been involved in a market search for a suitable partner. Old Mutual was looking for a partner in the retail sector to develop a new product, and Shoprite had been considering options for expanding its financial services products to customers. While this was a more structured approach to analysing needs and potential candidates, the partnership itself was initiated through personal contacts rather than a formal proposal process.

Previously unsuccessful partnerships should not automatically be discarded – choosing to repair an existing relationship in order to move forward may ultimately generate higher levels of trust and commitment, especially if more attention is paid to areas that were originally problematic. Good examples of this from the case studies are ICICI Prudential with MRIL, and Old Mutual with Shoprite.

The regulatory environment may affect the type of partner that can be considered for a microinsurance program, and this should be taken into account in the search phase. For example, privacy regulation such as that in South Africa may prevent sharing client data between organizations limiting the potential synergy of partnering with a related company; in many countries, banks are prohibited from acting as an agent for a related-party insurer; and in some countries, such as Peru, there are restrictions on the types of persons or entities that can be paid commissions.

Regardless of whether the process is informal or formal, immediate or lengthy, the key task at this stage of the partnership life cycle is to formulate the purpose and objectives of the proposed partnership, and the required attributes of a potential partner.

2.2 ASSESSMENT AND SELECTION

At this stage the specific capacities and needs of each potential partner need to be evaluated against the partnership objectives and desired attributes for a partner organization.

There are a number of areas that could be considered when assessing a potential partner for a microinsurance programme. The case study analysis suggests that more effort expended at this stage has significant benefits further on, including greater commitment from all partners, fewer operational conflicts, and more flexible responses to challenges.

This stage of the partnership cycle appears to be the one most often rushed or neglected, and yet also the area where participants identified the most critical factors for success.
Even when the search process is limited, or the choice already a given, a thorough assessment of potential partners and what they bring to the partnership can set realistic expectations, identify potential conflicts, and lay solid foundations for moving forward.

INITIAL SELECTION CRITERIA

The core business of the partner needs to lend itself to development of a microinsurance programme. A good understanding of the partner's core business, and the factors that contribute to the success of that business, are necessary to evaluate if microinsurance will contribute to the partner's objectives.

From an insurer's perspective, evaluating the core business of a potential distribution partner includes objective criteria, such as outreach, number of clients, size of business, and systems capacity as a starting point. Defining its own **capacity gaps** earlier allows for a clear assessment of whether the potential partner has the capacity that it needs.

Box 1: Assessment Process

1. Decide initial selection criteria, and develop self-assessment checklist
2. Evaluate potential partners against initial selection criteria
3. Have partners conduct self-assessment, using checklist
4. Hold joint discussion on results of self-assessment, using external facilitator if possible
5. Identify any issues and potential solutions
6. Have preliminary agreement to proceed with most suitable partner

Conversely, for a distribution channel, an insurer needs to meet similar objective criteria, and their core insurance business should be compatible with microinsurance. For example, an insurer whose primary business is corporate liability insurance may not have the necessary infrastructure or ability to successfully adapt to the retail microinsurance market.

The **mission and values** of the partner organization need to be compatible with microinsurance development. While a microinsurance programme ultimately needs to be profitable in order to be sustainable, such programmes frequently have a longer start-up period than other ventures, and may have a component of social protection or corporate social responsibility. This orientation may be incompatible with an organization driven primarily by immediate profits and shareholder returns.

Selecting a distribution partner requires a careful analysis of the potential partner's **client base** and its **relationship with the client**. The distribution channel may have greater access to the target market than the insurer, but this may not translate into access for selling insurance products. Some questions to consider include:

- What type of client data is currently collected? Is this data useful for designing and marketing insurance?
- Does the interaction with the client already include financial transactions?
- How frequent is direct personal interaction with the client? Is there strong brand loyalty?
- How will the core business of the distribution partner affect the design and delivery of the microinsurance product? Will it hinder or overshadow microinsurance in any way?

The capacity of the distribution partner to interact with potential clients for microinsurance purposes needs to be evaluated: is it something it has time and resources for or will microinsurance take resources away from other activities? If there is direct client interaction, what sales skills will need to be developed? Ease and efficiency of premium and claims payments is often a key factor in microinsurance success: are processes or systems are already in place that could facilitate this, such as loan payments or employer deductions from payroll?

Old Mutual's partnership with Shoprite came about because both partners were interested in exploring the possibility of using a retail platform as a microinsurance delivery channel. The outreach and potential market are quite large, and Shoprite's relationship with the client already encompasses financial transactions, including some of a fairly complex nature through their Money Mart counters. However, these advantages have not yet translated into high insurance sales. Possible explanations put forward by Old Mutual's marketing division include the lack of a personal relationship between Shoprite and its clients, and the fact that using a retail channel dictates a passive sales approach that might not be enough to attract new insurance purchasers. And while Shoprite does collect considerable data on the purchasing habits of its customers, this type of data is not conducive to assessing the insurance needs of the market, or identifying the reasons for low sales.

The partnership between Pioneer Life and CBCP in the Philippines experiences different distribution challenges. While the outreach and membership of CBCP provides a potentially large target market, the relationship with church members at the local diocesan level is not based on financial transactions. The church provides a venue to gather members together, but all of the sales and financial transactions need to be conducted by Pioneer Life agents or staff, which is less cost effective. The microinsurance product was developed after the initial training programmes on financial literacy were conducted by Pioneer

Life at the local club level. These initial training programmes were requested by the Church, and provided free of charge by Pioneer Life, and served to establish the initial relationship.

The Indian life insurer ICICI Prudential pursued a partnership with tea company MRIL, currently the largest tea producer in India, as the latter provided a platform to access and engage a large pool of plantation and factory workers and their families. By piggybacking on the tea company's physical infrastructure and its accounting processes for salary payments, ICICI Prudential was able to kick-start product distribution and operate in a more cost efficient way.

The **management structure** of the partner needs to be analysed, and decision-making hierarchies clarified. If the organizations have significantly different approaches to management, this will impact communications and operational roles between the partners, as well as internally. A small tightly knit insurance head office will have a different management approach than a large, decentralised member-based organization. If the partners are related organizations under an umbrella organization, such as a bank and insurer under a common parent company, decision-making responsibilities need to be made clear. A commercial insurer and a parastatal organization, such as in the case of CIC and NHIF, may have very different organizational cultures that can impact the project's success. In a case of such different organizational cultures, which is common in microinsurance partnerships, it is important to be clear about objectives and expectations so that everyone starts on the same page. The effects of different cultures may not become apparent until the project is well under way, but recognizing that differences do exist provides a foundation to resolve conflicts that might arise later on.

Existing systems, available technology, and the potential need for integration or development should be part of the assessment process. If systems are missing, the partnership may still be possible, but during the process the partners will have identified a requirement for systems development that can be built into the implementation process and partnership agreement.

The partnership between Old Mutual and Shoprite required significant development of integrated IT systems, in order to accommodate the unique automated approach to purchasing and activating the insurance coverage. As this was a key element in the proposed product redesign, this need was identified at the very outset of the partnership. This required the partners to work closely together for many months prior to the product launch, and appropriate communications and decision-making processes were needed, as well as specific provisions for the IT development and testing within the partnership contract.

Finally, the **financial viability** of all potential partners must be taken into consideration. Microinsurance programmes require a long-term commitment, and the operations of each partner need to be solvent and sustainable on their own in order to make that commitment.

PARTNER MOTIVATION

At this point, it is crucial to consider what benefits the microinsurance programme will bring to each partner and whether they are sufficient to gain their time and commitment to the project. Each partner must see sufficient advantages from the microinsurance programme to invest time and energy in the development stage, and also to be patient during initial development.

A key insight from the study is that microinsurance partnerships must provide benefits to the distribution channel in addition to commissions in order to be successful in the long term. This is true even when the distribution channel is the prime driver for the microinsurance programme. Commissions from microinsurance policies are generally small, and in themselves may be unlikely to be sufficient to ensure commitment from distribution partner. The insurance products will be viewed as a side benefit to the clients, and easy to discard if seen as threatening to the core business. In this section, the case studies are used to illustrate a range of potential incentives for organizations to participate in microinsurance development, although there may be others.

In general, a microinsurance programme will need to contribute positively and sufficiently to each partner's core business and objectives in order to be sustainable over the long term. Even when the distribution partner has initiated the program, it is frequently up to the insurer or risk carrier to make a good business case to demonstrate the viability of the partnership.

Commissions and Sales Incentives

Tangible benefits need to be apparent at all levels of the organization: management may see strategic value in the partnership, but operational staff or sales agents will need more direct compensation or incentives (financial or non-financial) to ensure engagement. While they may be insufficient on their own to guarantee buy-in from a distribution channel, commissions and other sales incentives are still a very important motivating factor, and the partnership will need to implement an appropriate incentive structure. As they are a core part of most partnership agreements, the design of incentive structures and allocation of commissions is discussed in more detail in a section on Sales Incentives.

Risk Mitigation

Incorporating a microinsurance programme may provide valuable risk mitigation benefits to the business of the non-insurance partner. Credit life, the current most widely used form of microinsurance, is built on the premise that the insurance coverage benefits the distribution channel – the MFI – as much, or more than, the borrower. Often the coverage is mandatory, which eliminates the need for active selling on the part of the distribution channel, thus minimising time and costs. These benefits may provide stronger motivation for the distribution partner than commissions, depending on the structure of the arrangement with the insurer.

Conversely, the insurance partner needs to have sufficient risk and reward incentive to participate actively in product design and pricing, as well as claims management. Excessive risk mitigation on the part of the insurer, such as reinsurance, that eliminates too much of the risk from the bottom line, may serve to remove this incentive. Without enough at stake, the insurance partner may not be sufficiently committed to the programme to ensure its sustainability.

Added value to existing business

Microinsurance may not be directly related to the distribution partner's core business, but may serve to add value to its operations. For example, providing microinsurance benefits may attract new members or clients, or help with client satisfaction and retention. If the partner provides other financial services such as loans or banking services, insurance products may be perceived as added value to its clients, and provide a competitive advantage. This is often the motivation for MFIs to offer voluntary microinsurance products to their clients.

Other drivers include improving customer loyalty, reducing customer churn, serving as a loss leader for other products, or increased usage of other services.

Another example is that providing microinsurance benefits may assist an organization to achieve greater acceptance by official institutions or government, perhaps leading to tax or other exemptions. Regulation in some countries is geared to providing such incentives for insurers and other organizations to develop microinsurance programmes.

The Imbizo partnership works on the principle that financial services are provided by the partner organizations to the community in an integrated fashion, so that the financial capacity of the community grows as a whole. Over time, this leads to demand for more complex financial services and sustainable economic development, from which all of the Imbizo partners stand to benefit.

A retail approach to offering microinsurance, such as that in the partnership between Old Mutual and Shoprite, is based on the premise that the retailer will benefit not only from the increased revenue, but also from the increased visibility and enhanced reputation from offering the product. One of Shoprite's goals is to increase its reputation as a provider of a broad range of services for their customers, including financial services, and offering insurance products is seen as contributing to that objective. The sales commissions need to be sufficient to offset the direct costs, but the strategic goal is to increase customer traffic in the stores, which ultimately leads to greater profitability.

Microinsurance may also serve to increase use of existing services for non-financial organizations, for example, a hospital participating in a health microinsurance scheme may experience higher inpatient admissions, thus increasing its revenue; a mobile phone provider adding a microinsurance product through its SMS services may see increased transactions, providing additional revenue.
A key element in ensuring that microinsurance adds value to the distribution partner is that product development is a collaborative joint effort. In a distribution partnership, it is the distribution channel that knows and interacts with the clients. Only products that its clients want or need are likely to be successful in providing the competitive advantage it is looking for.

Box 4 highlights the lessons from MicroEnsure Ghana on selecting distribution partners.

Box 2: Lessons from MicroEnsure Ghana

MicroEnsure is an organization that serves as an intermediary in microinsurance programmes in several different countries, typically brokering partnerships between insurers and distribution channels. It also provides third party administration services, such as assisting with policy and claims administration. In Ghana, MicroEnsure is currently working with six insurers and nine distribution channels. Its approach is to focus on developing scale and providing value to the distribution channel.

MicroEnsure Ghana believes that the first and most important question to ask a potential distribution partner is "what are your goals?" The insurance product needs to help the organizations achieve its own goals, otherwise insurance is always a side game, and the distribution channel will always be arguing for better prices or more concessions. In addition, the distribution partner needs to provide a clear opportunity for the insurance program, with sufficient scale and outreach to maximise sales volumes.

Product development should be based around the needs and goals of the distribution partner, as well as the needs of its clients, which helps to create a unique product offering for its customers. Critical factors to consider at the start of a microinsurance partnership are developing a full project plan, agreeing on expectations and performance requirements, and ensuring commitment from all sides.

Monitoring performance, especially at the beginning of a program, provides input for both product and process adjustments. Partners should ensure that programme changes benefit everyone involved. Cost-effective and integrated systems that can handle high volumes are also a key factor, and can be outsourced if capacity does not exist in-house with either partner.

Social or non-financial objectives

Non-insurance partners in a microinsurance programme may have social or non-financial objectives that they are trying to achieve through their involvement. Indirect partners or stakeholders such as donor organizations may take this approach, but it can be true of direct partners as well.

The case studies show that social goals tend to have a longer term focus and may result in more realistic expectations from the microinsurance program, which is beneficial overall to a partnership.

Wiphold's role in the Imbizo partnership is one example where the primary goal of the partner is not financial. Wiphold is an investment and operating company that is also the Black Empowerment partner to the Old Mutual group of companies. Wiphold's overall objective is financial empowerment of black disadvantaged women in South Africa, and its partnership activities with the various Old Mutual companies, including the Imbizo initiative, are structured to help it achieve this objective. Wiphold has a long-term vision of success and sustainability, and a strong community focus, which lends itself to a flexible and collaborative approach to partnership.

MRIL, the tea company partnering with ICICI Prudential in Assam, India, takes a similarly long-term view and holistic focus with its microinsurance project. It has a long-term relationship with its employees, typically extending over more than one

generation, and its guiding objective for the partnership is to improve the savings habits and financial health of its employees. Better financial discipline and the consequent effects on household welfare are welcome developments in a context of bonded labour such as the tea estates. The hope is that better financial discipline will reduce absenteeism, alcoholism and other social ills among the worker population, thus contributing to employee welfare and increasing productivity. MRIL is very active in giving input and feedback on product design and promoting the microinsurance scheme to ensure it meets these goals as well as facilitating the payment of premiums from its payroll system.

Wiphold and MRIL contribute financially to the operating of the programme in order to further its success. However, neither organization receives any direct compensation from the microinsurance scheme. In both cases, all the partners consider the partnership to be strong and successful. From the insurer's point of view, it has a long-term commitment from an active, engaged partner. From the partner's point of view, microinsurance is a means to help it achieve goals from a long-term, holistic perspective, rather than an end in itself.

ALIGNING INTERESTS AND OBJECTIVES

Virtually all case study participants identified aligning interests and objectives as a crucial component of a successful partnership. Aligning objectives does not imply the organizations need to have the *same* objectives; it means that the microinsurance programme needs to be aligned with and add value to the core business of each partner. Objectives need to be aligned at different organizational levels – operational as well as management – in order to ensure effective implementation.

Clearly identifying the values, motivations and objectives of each partner, as described earlier, provides a roadmap to evaluate whether the microinsurance partnership has the potential to meet these goals. Box 5 provides questions that can be used to clarify objectives.

Box 3: Alignment of Interests

Do the partners understand each other and their core businesses?

Is there a shared vision or purpose?

Will this partnership add sufficient value to the core business of each partner?

Could this partnership harm the core business of any partner, even inadvertently?

Do the partners have the same expectations for growth and profitability?

Having identified areas of mutual benefit or synergy, it is also important to look for areas of potential conflict, or misalignment. Different implementation approaches from the partners can lead to conflicts if not identified ahead of time. Partners should scope out the potential for hidden agendas, either at the organizational or individual level, and evaluate the possible impact on the project. For example, one partner may be pushing to launch a microinsurance programme before it is ready, with a goal of creating a marketing advantage as an early mover, or with a view to increasing personal visibility, even though this hasty strategy may jeopardise the success of the programme.

Be aware that partnerships chosen to leverage synergy within related company organizations are not necessarily easier to manage, more cost-effective or more successful: related companies may in fact have competing or opposing interests, and previous mergers may have brought legacy systems that are incompatible.

The AKAM case study provides an example where a common social mission and organizational network hid the fact that the organizations involved were not always aligned with the objectives of the microinsurance programme. The insurer did not have sufficient incentive to police and enforce underwriting sustainability, as the product development was done elsewhere and the reinsurance stop loss facility removed a large portion of the risk from the insurer. Participating hospitals had an incentive to maximise services to their patients, in direct opposition to the risk carrier and claims adjudicator, whose objectives including managing claims costs. For the MFI, initially the product was mandatory for its borrowers, which instead of providing a competitive advantage was used by competing MFIs to draw clients away by promising lower loan costs. This decision was made jointly by the partners in order to address adverse selection and increase scale, and while the risks were identified, neither FMiA (the microinsurance agency) nor the MFI anticipated the backlash from loan officers who reported erosion of

their loan books due to rejection of the mandatory insurance coverage. In order to address the issue, the MFI pressed for a premium reduction, which in turn generated underwriting losses that were unacceptable to the insurer.

Setting realistic objectives and timeframes is a key component in the assessment process. Each partner must acknowledge the longer timeframes required for microinsurance programmes to become sustainable, and be clear about expectations. If the project is a pilot, then the learning objectives must be clear on all sides. Especially if the project might not be continued past the pilot stage, the expectations and goals for the pilot need to be clear and achievable, and the partners sufficiently engaged in the process for the results of the pilot to be used as a basis for future development. Case studies such as that of ICICI Prudential and Imbizo demonstrate that common objectives related to learning in the pilot stage provide a good grounding for a flexible and collaborative partnership.

Box 4: Trust and Commitment

What is the current level of trust between our organizations?

What specific experiences in the past have influenced feelings of trust or distrust?

Is the level of trust high enough to encourage risk-taking?

Do we recognize our obligation to be accountable to the partnership and to each other?

Is the need to review and renew the partnership's vision in response to progress, change and development built into the partnership thinking?

TRUST AND COMMITMENT

Trust and commitment are the foundation of any good partnership, whether personal or organizational, and microinsurance programmes are no exception. Yet, while these are arguably the most important elements, they are also the most difficult to measure and build. Box 6 lists questions that can be used to have a dialogue amongst partners.

Being transparent about objectives and processes is one way to secure trust amongst partners. Previous experience with the partner, in any capacity, can help to evaluate its willingness to work in a collaborative fashion. In fact, how a partner reacts to problem situations is a good indication of its commitment and trustworthiness, and hence previously problematic relationships should not be automatically discarded. Recommendations from other organizations or clients can be used to verify a partner's reputation and trustworthiness. Some organizations work hard to develop a reputation in the industry as being a good partner in order to develop future potential partnerships.

In the cases of ICICI Prudential/MRIL and Old Mutual/Shoprite, successful relationships resulted from partnerships that had previously experienced problems. In the two cases, the primary partner made a significant effort to repair the relationship and work through the issues in order to move forward. This effort to acknowledge past mistakes and work differently after a failure improved the level of trust and communication between the partners, which engendered renewed commitment on both sides.

Trust and commitment need to be present at all levels of the organizations, from leadership and management to operational staff. Problem resolution becomes difficult if all levels of staff are not committed to the partnership. This is especially important with multi-stakeholder partnerships, where lines of responsibility can be less clear. It is challenging to evaluate the commitment of a large institutional partner, such as a government body, where the levels of bureaucracy and hierarchy may be difficult to navigate.

In the partnership between CIC and the NHIF in Kenya, the various levels of hierarchy within the government organization and the lack of sufficient communication between them meant that commitment from the management level did not translate into commitment at the operational level.

Similarly, commitment from the leaders of the CBCP to the Pioneer Life programme in the Philippines did not translate into commitment from the volunteers working in the rural churches to promote financial education and microinsurance products. This may be a result of the lack of appropriate incentives at the local level.

ASSESSMENT PROCESS

Depending on the scale of the project and the partners involved, the assessment process can be more or less formal or structured. One approach is to use a template or questionnaire, such as the one provided in Appendix 2, to work through the process. Such an assessment tool can be used to do a self-assessment within each organization (or within different levels of the organization), or to guide discussions between partners during the assessment process. A third party can be used to facilitate the process. This can provide a more neutral analysis of the objectives and capacities of the partners that allows for greater dialogue and collaboration.[3]

A formal selection process cannot guarantee success, any more than the lack of a formal process will predict failure. The process itself will not create alignment of interests if it is not there already, although it can help in generating a shared sense of commitment and understanding. If the preconditions for a successful partnership are in place, an assessment will serve to confirm them. If they are not, a good assessment can help to identify deficiencies and design strategies to repair them. In some cases, the assessment may point to finding a more suitable partner rather than proceeding with the existing candidate.
A structured approach to assessment can be useful to lay the groundwork for developing a partnership agreement and facilitating implementation. However, it is important to remember that objective criteria such as outreach, number of clients, and systems capacity, while important, are not sufficient if alignment of objectives, shared purpose, flexibility and collaborative management are not also present. Fortunately, these factors are not set in stone, and can be developed collaboratively by the partners over time if the initiative and willingness is there.

2.3 IMPLEMENTATION

The Implementation stage involves working through the process to agree on the partnership structure and put the necessary agreements in place, as well as launch the project. However, moving from the Assessment and Selection phase to that of Implementation can be more of a continuum rather than a clearly defined jump. For example, having agreed to work with a partner, it can take many months to put together an appropriate partnership structure that everyone agrees with, before moving to full implementation of the partnership. This interim process may not result in implementation at all, as it may become apparent over time that it does not make sense to move the partnership forward.

Box 5: Implementation Process

PART 1: (may include preliminary MoU)

1. Decide partnership structure
2. Develop appropriate incentive structure for all partners
3. Create preliminary joint business plan

PART 2:

1. Clearly define roles and responsibilities
2. Finalise business plan
3. Develop systems integration and reporting requirements
4. Formalise in final contract/ legal agreement

Box 7 illustrates this concept by splitting implementation into two parts. The first part includes designing the partnership and incentive structures, as well as creating an initial joint business plan. This part may also include developing a preliminary Memorandum of Understanding (MoU) in order to set ground rules for the partnership. Once it is confirmed that the project will proceed, the partners need to work through any remaining steps, including devoting adequate attention to operational issues and communication processes. The transition speed through the various steps will depend on the complexity of the proposed partnership and the number of stakeholders involved.

The implementation process should be a collaborative dialogue between the partners that continues to develop trust, understanding and commitment, and usually concludes with the formalisation of the partnership in a contractual agreement.

PRE-AGREEMENT PROCESS

Drafting the contractual agreement can be a technical or legal task, and may not facilitate discussion between the operational staff. Therefore, before getting to the contractual process, partners should conduct a dialogue that involves all

[3] The sample partnership assessment questionnaire provided in Appendix 2 was used in Fiji to facilitate a discussion between potential microinsurance partners. The feedback from this experience was that having a third party facilitate the discussion made a significant difference in the partners' willingness to discuss issues openly.

levels of the organizations to ensure understanding and buy-in from all stakeholders in the organization. The case studies illustrate that agreement at the top management level is not sufficient for programme success; operational staff also need to be involved.

In rebuilding its previous relationship with the tea company (MRIL), ICICI Prudential focused significant efforts at the initial stage of the partnership. The pre-agreement process was lengthy and included all levels of management within the team company, and had as its primary objective building trust between the partners. The financial outcomes were considered as long-term goals, while the immediate goal was to create a solid foundation on which to build the microinsurance programme. This approach has been successful and the partnership is one of collaboration and communication at all levels of both organizations. Absorbing the impact of changing regulation and investing in product redesign have been possible due to the strong foundation that was created at the start of the relationship.

Similarly, the Imbizo initiative focused significant effort upfront to determine the purpose and scope of the partnership in a collaborative fashion, before moving to project implementation. Even though the partners themselves were fixed at the outset, the initiative was an innovative approach to reaching the market, and required the creation of a strong central vision before moving forward. Rather uniquely, one of the features of Imbizo is that it also involves the community as a collaborative partner in the project, and one of the first activities of the project was a widespread community consultation process. Only after the consultation process was completed were specific programme goals developed. Agreement on roles, responsibilities and funding were negotiated among the partners throughout this initial implementation stage as the scope of the initiative became clearer.

As a contrary example, the partnership between CIC and the government's NHIF in Kenya did not follow an intensive pre-agreement process. With the assistance of SCC, the idea was brought to the top management of the organizations, and agreement was reached at this level. Dialogue with the operational levels within the NHIF was not conducted at this stage, and significant challenges were encountered after the product was launched. In addition, the distribution partners (the credit union owners of CIC) were not included in this stage of the process, but were brought in only after the project had been launched and the product developed. Without a significant role early on in the project, the distribution partners were generally not supportive of the product, and not motivated to pursue sales.

PARTNERSHIP STRUCTURE

The partners need to define the legal structure of the partnership as well as the type of relationship expected: Is it a contractual agreement to provide specific services? Or is it a strategic alliance, where the goal of the relationship is to build common interests, where learning and sharing are the driving forces?

Partnerships can take a variety of forms depending on the context, the objective of the program, and the regulatory environment. The case studies provide examples of a range of partnerships structures that are prevalent in microinsurance. While not an exhaustive list, they cover most of the common types of partnership arrangements found in the sector today. These examples can be considered as representing a continuum of possible partnership structures, defined by the term of the partnership and the level of financial and administrative integration between the partners.[4]

Partner-agent (commission or fee based): These are longer-term partnerships where one of the parties acts as an agent for the other party. Many of the cases covered in this study, and the majority of the partnerships in the sector, fall under this category. In most cases, this type of partnership will require an agency agreement between the partners that specifies the services to be rendered by the agent and the corresponding compensation. In such a partnership between an insurer and a distribution channel, the distribution agent bears no insurance risk and is compensated for services provided including sales of insurance policies, marketing, and client service.

[4] Programmes also often include a number of one-off partnerships that are short-term in nature and tied to specific transactions. The partnership ends with the completion of the transaction; for example, the purchase of smart cards from a technology vendor. This study does not cover transactional relationships, as it focuses on long-term partnerships.

Profit sharing: Partners can create a profit-sharing partnership where all parties bear some portion of the insurance risk. Such an agreement between an insurer and distribution partner may mean that the distributor is more vested in the program, leading to better alignment of interests between the two parties. A well-designed profit sharing arrangement can encourage sales intermediaries to focus not only on increasing sales but also on other areas that affect profitability, such as ensuring sufficient diversity in the client base to reduce anti-selection, or improving processes to reduce expenses. However, in some jurisdictions, regulations on insurance intermediaries prohibit profit-sharing arrangements.

Joint venture: Forming a joint venture entails creating a separate legal entity that is owned by the partners. The new entity has its own management and Board, and revenues and expenses are recorded separately. A joint venture created for the purpose of implementing a microinsurance programme will have an explicit allocation of financial contributions and compensation among the partners. This approach makes sense when the partnership is meant to be long-term and requires some autonomy from the sponsoring organizations.

Many of Hollard's partnerships are formed as joint ventures because they give Hollard flexibility to treat each partnership as a unique entity, with its own requirements for products, structure and management.

Strategic alliance: This terms covers a broad range of collaborations in which partners combine their core competencies to accomplish social change and meet business objectives. Strategic alliances are unique in that they tend to be long-term and multi-faceted, but may not include a direct financial relationship between the partners. It is possible that no money changes hands, yet the partners often develop a shared strategy and rely on each other to meet their business or mission goals. Multi-stakeholder partnerships quite often fall into this category, although they may include bilateral contractual arrangements as well.

The Imbizo partnership is an example of a strategic alliance where multiple financial services providers and Wiphold collaborated to achieve their common objective of developing a sustainable client base by providing integrated financial services. Individual partners carry their own risk and keep profits separate, but contribute funds for joint expenses.

The structure of the partnership should match the agreed objectives of the partnership as previously defined, and also support the individual organizations in achieving their own objectives. The assessment analysis should lead to an understanding of the appropriate levels of financial or other sales incentives that are required, and at what organizational levels they are appropriate. The incentive structure is closely linked to the type of partnership structure and the options differ mainly based on the division of risk and return among partners. Details of the commission structure, any specific calculations such as bonuses, and frequency of payment should be agreed. In a partner-agent model, financial compensation mainly consists of commissions or other sales-based compensation. However, distribution channels often make some sort of upfront investment, either in training staff or procuring the product upfront, as is the case for some retailers.

In its arrangement with Old Mutual, Shoprite receives 10 per cent sales commission on the purchase price (premium) of each starter pack (policy) or top-up sold through its stores. Shoprite also invested significantly in IT development in order to support the innovative design of the product, and shares some marketing costs on a contractually agreed basis. While Shoprite bears no underwriting risk, it faces some financial risk since it buys the starter packs (policies) upfront.

SALES INCENTIVES

In a distribution partnership, commissions are frequently paid by the insurer to the organization, rather than the individual, and it is the distribution channel that decides how to split the compensation between the organization and individual sales agents. It can be difficult to motivate local sales agents without direct financial compensation. Some microinsurance programmes use informal "agents" or volunteers at the local level to interact with clients, and as these are not licensed agents, they are ineligible to receive commissions due to regulatory restrictions. In other cases, the decision to use only non-financial incentives

at the sales level is made by the organization. Such issues need to be identified and resolved in the initial assessment of the partnership.[5]

In the case of an MFI, loan officers are compensated on the performance of their loan book, and are likely to be more concerned with meeting their loan targets than selling microinsurance policies. This was the case with the MFI involved in the AKAM project. Initially, dedicated microinsurance officers were hired on a salaried basis to sell a savings-linked insurance product, but encountered conflicts with the loan officers due to targeting existing loan clients. When the distribution approach was changed to use the loan officers directly for microinsurance sales, they showed a strong tendency to protect their loan portfolio rather than spend time selling microinsurance. In addition to the difficulties of cross-selling products, the loan officers expressed reluctance to sell a product for another organization (the insurance company), without perceived benefits to the MFI. The MFI had to work to develop understanding of the benefits of the insurance product among its employees and regional staff.

La Positiva experienced challenges working with the water boards in Peru because commissions were paid to the national board. Agents at the local level did not receive direct compensation based on their sales or support activities. Coupled with inadequate communication between the insurer and agents at the local level, this resulted in a number of operational challenges including low take-up and miscommunication with clients.

ROLES AND RESPONSIBILITIES

The specific roles and responsibilities of each partner should be clearly defined. This includes operational roles related to functional responsibilities, such as premium collection or claims assessment, but also decision-making responsibilities, such as approving the final product or the annual programme budget. Specific responsibilities relating to client service should be clearly understood and agreed.

During this step of the process, the partners need to outline which partner will provide resources to fill the required roles, as well as define requirements for staffing levels from each partner. HR issues such as procedures for changes or departures should also be agreed. This leads to clear allocation of responsibilities that can reduce potential confusion and misunderstanding later on.

As a referral partner, under the regulations in India, the tea company MRIL is not allowed to be involved in sales, and is only permitted to provide client data and marketing opportunities. Therefore, as the insurer, ICICI Prudential is required to do most of the work in terms of sales and operational functions. However, the tea company has chosen to go well beyond a passive role by organising employee meetings, staying actively involved in product development discussions, and bearing some of the marketing costs. This more active role was negotiated with its partner during initial discussions, and is an important factor in the success of the programme.

In the partnership between Old Mutual and Shoprite, the specific functions, roles and responsibilities of each partner, both operational and financial, are clearly spelled out in their contractual agreement. These were negotiated during the project implementation stage, and the contract was finalised at the time of the product launch. Having clear responsibilities allows each partner to invest its resources in an effective way to move the project forward. When flexibility around roles or responsibilities is required, which does happen in a pilot, the written agreement provides the foundation for the needed negotiations.

Claims processing is an important function that needs to be defined and clarified in the initial stages of a microinsurance project. Often a distribution partner plays a role in the claims process, such as receiving the initial claim and checking the documentation before forwarding it to the insurer. This can entail a level of client service and responding to claimant enquiries that might not be anticipated at the outset. Frequently the distribution partner plays a more active role in the claims processes, including making the claim payments directly to clients, either after approval from the insurer, or with a specified pre-approval

[5] For a detailed discussion on different types of incentive structures for frontline staff, see Microinsurance Innovation Facility's Microinsurance Paper no. 16 "Selling more, selling better: a microinsurance sales force development study", Guarnaschelli, Cassar, & Dalal, 2012.

authority. Conversely, sometimes the insurer retains complete control over the claims process. In either case, not only do the specific roles need to be defined, but service standards be agreed upon. As the distribution partner is often the "face" of the product, slow or unfair claims processing by the insurer can damage its reputation with its clients. This reputational risk can outweigh the financial compensation received.

Multi-stakeholder partnerships in particular require a clear definition of leadership roles and responsibilities, as discussed in Box 8.

Box 6: Multi-Stakeholder Partnerships

Multi-stakeholder partnerships need to consider the question of partnership structure carefully, and ensure that the expected roles of each partner are reflected appropriately in the final structure. A key lesson from the case studies is that multi-stakeholder partnerships require a strong central role to manage the project and resolve potential conflicts. In many cases, bilateral MoUs or agreements are developed separately between the partners in a multi-partner arrangement; a single overarching MoU may be required in order to provide adequate collaboration.

In the Imbizo partnership, Wiphold holds the central function of managing the partnership, providing direction as well as project management on the ground at the community level. Wiphold has performance agreements with each of the three operating partners, although there is no specific agreement for the microinsurance programme. Wiphold acts as the driving force for the Imbizo project, ensuring collaboration between the partners, and exerting "moral suasion" as needed to mediate conflicts.

With CIC in Kenya, SCC held a co-ordinating role in the development of the composite microinsurance programme and led the initial project, however, the relationship was primarily with CIC rather than all of the related partners, including NHIF and the distribution channels. Consequently, the role of SCC was not strong enough to provide leadership in terms of negotiating operational requirements and communication between the partners, an area where the project experienced significant challenges.

Similarly in the case of AKAM, although all of the partners were members of the Aga Khan Development Network, none of them, with the exception of FMiA, held a sufficiently dedicated central role in the project to ensure collaboration and compromise on critical points where organizational objectives may have differed. Despite its full-time dedication to the management of the microinsurance partnership, this AKAM subsidiary was too small and new to effectively orchestrate all the players.

It is tempting to suggest that a third party should always be contracted to provide a coordinating role for a multi-stakeholder partnership, particularly with public-private partnerships. However, from the case studies above, it appears that it is challenging for a third party to act as an effective central facilitator unless it has sufficient vested interest in the project and appropriate leverage with each of the partners. A joint project steering committee, with representation from all partners, might be a more effective approach.

Public-private partnerships (discussed in Box 9) also have unique challenges to consider when allocating roles and responsibilities, and these should be carefully defined and included in the MoU.

Box 7: Public-Private Partnerships

CIC Kenya provided the following comments on its public-private partnership with NHIF:

In hindsight, the two most important strategies to ensure a successful public-private partnership are to widen the scope of stakeholders involved during the scoping phase of the project, and the use of hard facts to define the gains for each partner from participating in the partnership.

All key stakeholders need to be involved from the beginning, so that they can internally drive the project. In the case of Bima Ya Jami it would have been very helpful to involve the Ministry of Health as they control NHIF.

Empirical research ought to be carried out to back up the soft (qualitative) arguments for the partnership. Based on this research, a detailed business case should be developed that identifies a return on investment for all partners involved.

JOINT BUSINESS PLAN

Implementation should include the preparation of a joint business plan for the microinsurance programme. This will summarise the agreements on the financial expectations and projections for the programme. A business plan will include, among many components, targets for product sales and growth, break-even projections, and marketing plans and expenses. The business plan should outline the contribution of each partner to expenses such as systems development or marketing.

A microinsurance business plan should include realistic timeframes and expectations for the programme to become sustainable. An important aspect of the business plan should be to set specific timeframes to monitor and report on progress, including appropriate decision points and evaluation triggers. It should also set out the performance indicators that will be measured, including frequency, method and targets, which lays the foundation for the Evaluation stage. The business plan should be prepared jointly in order to manage the expectations of all partners. A guide to preparing business plans for microinsurance as well as a handbook on key performance indicators for microinsurance are available through the Microinsurance Network.[6]

Our analysis of the case studies indicated that for most of the projects, the partners did not develop the business plan jointly, and in some cases there was no business plan at all. This frequently caused problems with the partnership later on, usually because of unrealistic expectations and unclear programme objectives. In particular, growth expectations were often out of line from one partner's perspective. A business plan does not need to be exhaustive, but does need to be realistic and done in collaboration, in order to ensure buy-in from all partners.

SYSTEMS INTEGRATION

Cost-effective administration systems and efficient data sharing mechanisms are important components of successful microinsurance programmes. IT systems may be needed for sales and policy administration, claims administration and financial management, and a lack of integration between systems either internally or between the partners can cause problems. Requirements for systems development or integration should be identified at the initial stages of the partnership, in order to include specifications within the partnership agreement. In particular, details on the nature and scope of systems development, management of IT and other systems resources, and allocation of technology costs (both development and maintenance) need to be agreed by the partners.

In many situations, the exact requirements for systems development and integration may be unknown at the initial stages of the project. In this case, the partnership agreement should include parameters and principles for decision-making in this area rather than detailed requirements. This allows for flexibility within the partnership to accommodate systems needs that may not be apparent at the outset.

[6] Business Planning for Microinsurance; by John Wipf and Denis Garand; funded by the GIZ Sector Initiative – Systems of Social Protection, in collaboration with the Capacity Building Working Group of the Microinsurance Network; available at http://www.microinsurancenetwork.org/networkpublication54.php
Performance indicators for Microinsurance: A Handbook for Microinsurance Practitioners, 2nd edition; by John Wipf and Denis Garand, ADA/BRS/Microinsurance Network; available at http://www.microinsurancenetwork.org/networkpublication49.php

The development and implementation of product between Old Mutual and Shoprite required extensive integration of IT systems. The original MoU for the product included explicit details on the technology requirements and development of the interfaces, including technical specifications, roles and responsibilities, and testing procedures. In this situation, joint financing and development of a system that allowed the partners to work together created not only more effective and integrated operations, but greater commitment to the partnership.

LEGAL CONTRACT OR MEMORANDUM OF UNDERSTANDING

The implementation stage will normally conclude with formalising the terms of the partnership in a written agreement. The type of agreement required will depend on the partnership structure as negotiated at the outset, and may also depend on regulations. If a Letter of Intent or MoU was created during the initial stages of development, then it may be replaced by a legally binding contract at this point. Common forms of partnership agreements include:

- Sealed with a Handshake: informal agreement, based on trust in existing relationships, possibly no formal document.
- MoU or Letter of Intent: includes guidelines for project and partnership management but may not necessarily be legally enforceable. Usually time-bound.
- Legally Binding Contract: used for contractual services agreements, joint ventures, limited liability companies, management services agreement, mergers, etc.

In most situations, the partners will need a written agreement, although the level of detail will depend on the partnership structure, and the partners themselves. For example, a joint venture will need a legal agreement to put it into place, but does not require as much detail on the operating roles and responsibilities, as these will be decided by the management of the new organization that has been created. On the other hand, for a public-private partnership, the MoU should be detailed and outline roles and responsibilities at various levels of each organization.

The case studies illustrate very different experiences with respect to the use of a legal contract or MoU:

ICICI Prudential's initial arrangement with the tea company partner MRIL, prior to the changes in regulation, was structured as a "referral partnership", a specific type of arrangement allowed in India that required an MoU between the partners. However, the new product introduced is a group product and does not carry the same requirements, so a formal MoU is not needed for the current programme implementation. The partnership currently operates without a MoU or legal contract and the partners do not feel it is necessary; the working relationship is strong, and the original MoU was not a main driver of the partnership.

The Imbizo partnership also operates without a specific legal agreement. Wiphold has performance agreements and contracts in place with each of the three operating partners, but these are broad, long-term contracts that cover all of its activities with these organizations. The three operating partners are related through a common ownership structure, but are managed independently. Changes and amendments to the programme or partnership terms are managed through communication and agreed through the Imbizo steering committee rather than through a written partnership agreement. The Head of Business Transformation and Public Services at Wiphold commented that working without a written agreement has actually been very beneficial to the project: it has provided a lot of flexibility and a greater ability to collaborate and innovate within the partnership. This was especially important in working with the large bureaucracies of the established partner companies.

Conversely, CIC has expressed the opinion that the MoU between themselves and NHIF was not only very necessary but not detailed enough, particularly with respect to the roles and responsibilities of the partners. Operational issues and lack of clear lines of responsibility slowed down decision-making processes and created issues with client service. The terms also were not clear with respect to how products could be amended or by which party. In this situation, NHIF unilaterally modified the health benefits included in the composite product, which made the overall cost unsustainable from CIC's point of view, and ultimately led to termination of the partnership.

Within the AKAM microinsurance program, FMiA had detailed MoUs with all related parties. It was determined that MoUs were more appropriate than legal contracts as the organizations were related parties through the Aga Khan Development Network. The process was legalistic and did not promote discussion between the management and operational staff within the

organizations themselves. Ultimately, the terms of the various MoUs were insufficient to ensure sustainable collaboration in the face of significant external challenges.

Given this wide range of results, it is evident that a formal written agreement is important because the process of drafting it forces all parties to be clear about the partnership objectives, roles and responsibilities and expected outcomes, and it establishes a roadmap to manage the partnership. By itself, however, a written agreement will not automatically lead to a successful partnership. What is more important is the trust and commitment demonstrated in the relationship between the partners, and the outcome of the dialogue and negotiation during the implementation of the partnership. In some situations, a more informal agreement or an agreement that is not very detailed may provide more flexibility and innovation, provided there is sufficient commitment from the partners. On the other hand, general and vague MoUs provide little guidance for partners to resolve conflicts when they arise, as they almost inevitably do.

A number of resources are available to guide a microinsurance programme in creating a partnership agreement. Appendix 2 includes a list of elements to consider in creating a partnership agreement, some of which are summarised in the Box 10. Appendix 3 includes a template for a MoU for a microinsurance partnership that is being used by RBAP in the Philippines (Box 11 provides an overview of related tools available from RBAP). The MicroInsurance Centre has recently produced a manual on microinsurance product development for the IFAD project "Facilitating Widespread Access to Microinsurance Services" that includes additional tools and templates for implementing microinsurance partnerships[7].

Box 8: Key Elements in a Partnership Agreement

- Purpose of the partnership
- Well defined operational roles and responsibilities for each partner
- Specific objectives, timeframes, and budget
- Financial participation of each partner, including contributions or revenue
- Specific outputs and consequences if not met
- Governance principles: lines of authority; decision-making process; communications
- Change management, and an greed approach to handle conflicts
- Reporting requirements, including monitoring and evaluation procedures
- Duration of the agreement, and conditions for termination

[7] http://www.microinsurancecentre.org/resources/documents/doc_details/834-microinsurance-product-development-for-microfinance-providers.html. Appendices 2, 4, 6A, 6B, and 7 of the manual are particularly relevant in this context.

2.4 MAINTENANCE

Effective partnership assessment and implementation goes a long way towards developing a partnership that can withstand the challenges inevitable in a microinsurance programme. Key success factors at this stage include collaborative product development, regular and effective communication, and prompt conflict resolution.

NEGOTIATING PRODUCT FEATURES

Collaboration between the partners on product development can significantly improve buy-in and commitment from the partners, even if the insurance risk is borne by only one party. Particularly in a multi-stakeholder partnership, involvement in product development from an early stage appears to be a key factor in the success of the product launch. Distribution partners interviewed concurred that greater participation in the product development process improved their understanding and commitment to the microinsurance product.

In its partnership with ICICI Prudential, MRIL is an engaged partner that participates actively in the product development

Box 9: Lessons from Rural Bankers Association of the Philippines

In the Philippines, RBAP works to assist rural banks and insurers to create microinsurance partnerships. The Microenterprise Access to Banking Services (MABS) programme within RBAP provides a number of services to facilitate the development of microinsurance, including demand research, focus groups, interacting with regulators, providing training, and assisting with licensing applications. It functions somewhat like a "better business bureau" for microinsurance.

RBAP/MABS provides tools and templates for rural banks and insurers to facilitate the assessment and implementation stages of microinsurance partnership formation*.

- The The Rural Bank Institutional Checklist is a scorecard format that analyses the readiness and capacity of a microbank to be involved in providing microinsurance. This checklist could also be adapted for other types of distribution channel.
- The Insurer Institutional Checklist is an assessment tool to evaluate the capacity of the insurer to offer microinsurance products.
- The template Partnership Agreement provides a sample contract between an insurer and rural bank to offer microinsurance products.

RBAP identified a number of critical areas for partnerships in microinsurance from its experience with the MABS programme:

- A clear, appropriate MoU between the bank and the insurer
- Simple clear procedures for claims processing
- Efficiently paying out the claims with the least amount of hassle
- Insurers must be sensitive to the reputational risk of bank

In the past, failure of some insurers to pay claims, or to pay them in a timely manner, had harmed the relationship of the rural banks with their clients, damaging the reputation of the rural bankers as well as microinsurance in general. A concerted effort to make insurers aware of this reputational risk, as well as competition within the industry, has improved the performance of insurers with respect to paying claims. MABS/RBAP is currently developing a standard metric to compare insurers and products in an effort to assist banks in making make informed decisions about partnering with insurers.

** These tools and the MABS programme were developed with financial support from USAID and with assistance from the MicroInsurance Centre. Copies are available on the Facility website. For more information or permission to use within your own organization, please contact microinsurance@rbapmabs.org.*

process. As its primary objective is to improve the financial habits of its employees, its interest is to design and promote products that will help achieve that goal. MRIL worked collaboratively with the insurer to redesign the microinsurance offering once the initial product was discontinued due to regulatory constraints. Both partners feel that this cooperation contributes significantly to the success of the project.

In its initial pilot of a composite life and health insurance product, CIC involved one of its partners, KWFT, directly in the product development. KWFT is a leading MFI in Kenya offering microfinance services to over 300,000 women in the country, and was an active participant in developing and testing the pilot product. When CIC and NHIF launched the full rollout, which included several other distribution partners, only KWFT was successful in distributing the product and achieving high sales, due to its understanding of the value of the product to its clients. This experience suggests that active involvement in the development and testing process increases buy-in from the distribution channel.

La Positiva did not involve its distribution partners, the rural water associations, in the design of its microinsurance product. One of the challenges experienced by this programme was a lack of understanding of the product by the water boards, and the potential benefits to their clients. This made it difficult for them to serve as effective agents in the sales process.

Microinsurance often requires an iterative approach to product development and pricing. New and innovative products take time to be accepted, and initial pricing is frequently based on limited data. Regular monitoring can identify potential problems or needed modifications, but this process needs to be managed carefully. Too frequent product changes can confuse not only the market, but the distribution partners and service providers. Product revisions and price changes implemented without consultation with the partners can have negative consequences. In order to facilitate effective product change, the partnership should allow for regular feedback from pilots and field tests, and inputs from distribution partners in particular.

EFFECTIVE COMMUNICATION

As in any relationship, effective communication in a microinsurance partnership is a crucial success factor. The partnership arrangement should have some form of "communication protocol", whether formal or otherwise. Effective communication includes both formal and informal communications, and is both "top-down" and "bottom-up", in order to ensure that all levels of management and operations are able to provide and receive input.

A formal protocol might be included in the partnership agreement and indicate the frequency of partnership meetings, who the contact persons are within each organization, minutes and reporting requirements, and limitations on communications with third parties without the partners consent. For multi-stakeholder partnerships with donors involved, a communications protocol with respect to releasing information or giving press releases should be adopted. However, reporting requirements should be balanced with the amount of time available to prepare the documentation.

The partners should agree on the main lines of communication, and the frequency of regularly scheduled meetings. Scheduled meetings should be followed by minutes circulated to all relevant people, to ensure that everyone is aware of the decisions made, and any follow up actions required. Clear communication also needs to exist *within* each partner organization, so that management decisions are appropriately communicated to the operational level.

Some partnerships are structured so that communications between the partners are funnelled through a single contact person in each organization. This can have mixed success: in the case of Old Mutual and Shoprite, their second attempt at partnership was much more successful when they opened lines of communication so that different functional levels could speak directly to each other to resolve issues. This was particularly relevant for their IT departments, as much of the project implementation focused on technology solutions, and it was much faster and more effective to communicate the details directly.

An organization may assign a relationship manager from its side to specifically work with the partner and partnership on the implementation of the project. The relationship manager serves as a communication focal point, and handles all issues from

their side. Feedback from the case study participants suggests that a relationship manager may be more successful if it is a dedicated resource, rather than a shared resource with other client or bottom line responsibilities.

Partnerships involving a widely decentralised partner pose particular communication issues. Both Pioneer Life and La Positiva experienced problems in connection with their microinsurance initiatives. While the partners involved provide a wide reach into the rural low-income market, without a clear and effective communication process, the relationship cannot be leveraged effectively. Misunderstanding about roles and product features can lead to mis-selling as lack of follow up with agents can cause problems with policies and claims. Both of these organizations have identified improved communications as a key area in moving forward successfully.

Suggestions for developing a communications protocol are provided in Appendix 2. Additional resources and toolkits for developing both internal and external communications strategies can be found online[8].

RETAINING COMMITMENT

The case study analysis suggests that spending more time initially on partner selection, assessment and implementation will result in greater commitment from the partners overall, and for a longer time period. Frequent and clear communication is a key element. Setting realistic expectations up front, for all of the partners, including any donor organizations, results in fewer unpleasant surprises down the line. Unrealistic financial goals can have negative results. It may lead to increased pressure to take on inappropriate risks, or too much flexibility with respect to benefits or services, which may not be adequately covered by the premiums charged. The ability to appropriately assess both clients and partners can be diminished with increased pressure from owners or donors to demonstrate early financial success. As well, unrealistic expectations that are not met can "poison" the original atmosphere of innovation and excitement that accompanies a new project.

From the opposite side, slow growth can also challenge a partnership unless the objectives and goals of the partners are in line with it. A partnership structured around learning objectives, at least initially, appears to have a greater chance of successfully retaining commitment. For example, a business plan will include sales projections but is unlikely to capture less tangible measures of client satisfaction such as understanding the policy benefits or the process for making a claim. Requiring qualitative assessments as an explicit deliverable from the project ensures that the partners consider how to structure their collaboration in such a way as to learn from it before committing more resources. A pilot can be designed as an experimental process to test different product features, premium levels, or communication materials. A pilot can also be used to test the effectiveness of the enrolment and claims processes between a distribution partner and insurer. Similarly, if a goal of the distribution partner is to increase customer loyalty, part of the process can include surveying existing customers for their opinions, as well as measuring client turnover. The initial objectives are then focused on understanding the factors that will lead to a successful program rather than only on specific statistics such as sales or claims. This approach can be considered a "learning partnership" such as that of ICICI Prudential and MRIL, which is focused on developing a good product and process before going to scale. Taking the time to understand both the market and the partnership up front improves the ability of the partners to develop and launch sustainable products in the future.

In such a learning partnership, continued commitment depends on recognising the learning that has taken place, even when financial progress appears to be incremental. It can be a challenge to maintain commitment from senior management, who may demand faster or more measurable results. Setting specific learning objectives for a pilot, and documenting results and successes, provides evidence to the partners and other stakeholders that the project is moving forward as expected. Documenting the experiences of implementing a new partnership can also provide useful information both to improve the current collaboration as well as guide future programs. If managed well, a learning partnership allows for more flexibility and adaptation through the project, which may not necessarily prevent problems, but enables a more collaborative problem-solving approach.

[8] One example is http://www.civicus.org/news-and-resources/toolkits/265-internal-communication-toolkit. While Civicus works primarily with civil society organizations, the principles are quite adaptable to microinsurance projects.

Box 10: Lessons from Old Mutual

The two case studies involving Old Mutual provide an interesting contrast in their approach to microinsurance partnerships.

Imbizo is a multi-stakeholder partnership involving both non-insurance partners and the community, with a specific objective to extract learnings from the process that can be used to build a sustainable model to provide financial services to the low-income market. Collaboration and flexibility in combination with long term objectives has helped maintain commitment from all partners over several years, even though initial results were slow in materialising.

The Imbizo partners also use a number of innovative approaches to manage potential issues, including a shared program manager at the community level and recruitment of local staff. The program manager acts as a single "voice" for the Imbizo program and therefore delivers a consistent message to the community, as well as being present on the ground to resolve issues between the local offices of the partners as quickly as possible.

In contrast, Old Mutual's partnership with Shoprite has undergone a number of challenges, requiring significant efforts to rebuild the relationship after an initial failure. Commitment at this stage remains high due to such efforts. However, microinsurance is not a core product for Shoprite, and sales need to significantly increase in order to generate sufficient income for it to continue to carry it in its stores. The low-margin/high-volume nature of the retail business allows for little flexibility, and requires a shorter timeframe to achieve profitability. Therefore, in spite of the initial investment, and a good partner relationship, the partnership is unlikely to be maintained if the product does not demonstrate that it can deliver value to the bottom line.

PROBLEM RESOLUTION

As already stressed, flexibility and collaboration are key elements in managing challenges in a microinsurance partnership. Conflicts or issues should be addressed as soon as possible, preferably at the ground or community level. Issues should be escalated to higher management only if necessary. A collaborative approach, where compromises are not always one-sided, is more successful.

Taking ownership of mistakes, and working to improve communication and processes can maintain trust in a partnership that is experiencing problems. Willingness to listen to other partners and stakeholders and to change as necessary is a key factor in resolving conflicts (Box 12 outlines Old Mutual's experience with problem resolution). A number of participants mentioned that going beyond the letter of the agreement to facilitate progress and to solve problems, in person if necessary, as important elements in maintaining their partnership.

An agreed process to raise and resolve issues and conflicts can help. For example, regular scheduled partnership meetings can include discussion of current issues, and generate agreement on solutions. Persistent problems raised in such meetings can point to larger issues such as misalignment of interests or inadequate sales incentives that might require evaluation and action at a higher level. For multi-stakeholder partnerships, a strong central partner can mediate bilaterally if the issues are between other partners – it can serve as a neutral force to defuse the situation.

ICICI Prudential's approach to managing its relationship with MRIL and their microinsurance pilot was to try to minimise or prevent problems through active involvement of personnel from both partners, as well as for management to respond quickly and personally to issues that did arise. The strategy was to understand the environment first: the community, the managers, and the dynamics between the levels of hierarchy in the company. It also worked to channel personal goals in a positive way, for example assigning a role in the design stage to a staff member who expressed particular interest in being involved. These actions worked to maximise involvement and interest in the project within the organization.

2.5 EVALUATION

Monitoring and evaluation activities are needed to measure the quality and impact of the microinsurance programme against the business plan and project objectives. With respect to a microinsurance partnership, it is important to evaluate the success of the partnership itself, in addition to the experience of the microinsurance programme.

While monitoring and evaluation are typically discussed together, they are two different activities. Monitoring is an on-going activity to collect data and information about the programme and compare it against targets and indicators that were developed during the planning stage. Evaluation is an analysis of the programme in terms of the overall objectives and desired impact.

Monitoring is a key element to measure the success of the underlying microinsurance programme against the project objectives: target sales, growth, claims ratios, service levels, etc. Setting up a monitoring system involves deciding what information is to be collected and how often, as well as what benchmarks the data will be compared to and what indicators will be used to measure performance. These should be decided during the project planning and agreed to jointly by the partners, as recommended in the Implementation section. Regular reporting to all partners and collaborative discussions on the results will facilitate on-going management of the project, including any changes that become necessary.

Box 11: When to Evaluate

At agreed timeframes for review, such as annually

Due to a sudden external event, such as regulatory changes

Upon unilateral action from one partner

If experience significantly varies from business plan or expected targets, such as low sales or high claims

Evaluation of the microinsurance partnership will encompass both an evaluation of the results of the microinsurance project or programme, and the partnership relationship itself. This evaluation should be performed against the original goals and objectives for the partnership, as determined and agreed during the assessment process and initial implementation.

In the case of Shoprite and Old Mutual, one of Shoprite's goals was to increase customer traffic and loyalty due to providing financial services in its stores. However, the project team did not put in place a means by which to capture this data in order to evaluate if it was achieving this goal with the microinsurance partnership. Shoprite had a system to track sales and growth at a specific product level, but this did not enable it to measure whether or not the insurance products had an impact on customer behaviour or actually attracted more customers to its stores.

WHEN TO EVALUATE

Microinsurance programmes typically start out as pilots, and product or process changes are a frequent necessity in the early stages. Experience suggests that the ability for a partnership to evolve organically as products are revised or the scale of the project grows will help sustain the programme through the pilot stage. Frequent formal evaluation may not be necessary at this point unless forced by external events, such as regulatory changes. Informal evaluations to ensure that communication processes are in place and operational challenges are addressed may be sufficient initially, unless clear issues within the partnership management arise. However, even the best relationships can benefit from a periodic formal review, and annual evaluations were recommended by many of the case study participants. Box 13 lists the most common triggers to conduct an evaluation.

Circumstances may arise that force one or more partners to re-evaluate the partnership outside of a planned review. With our case studies, this primarily occurred when the experience of the microinsurance product was worse than expected. Poor sales, low renewals or high claims may point to problems with product design and distribution channels, among other issues. In addition to the need to find solutions to improve the programme, these problems tend to put stress on the partnership, particularly if original expectations were not realistic or developed through a joint business plan. If a partnership was not originally well-formed and implemented, this lack will quickly become apparent if the microinsurance programme itself is not demonstrating adequate success.

HOW TO EVALUATE

Partnership evaluation can be conducted in several ways. A self-assessment process can be a helpful way for an organization to review its partnership arrangements internally and evaluate whether or not they continue to meet the original objectives of forming a partnership. An assessment checklist can again be a useful tool to facilitate this process; the sample assessment questionnaire provided in Appendix 2 can be used throughout the partnership cycle, modified as necessary to reflect current circumstances.

A participatory meeting or workshop between the partners can also be an effective way to evaluate the partnership, particularly with a third party facilitator to help guide the discussion. A self-assessment checklist used by each partner in advance of the joint meeting can also identify issues that need to be discussed during the evaluation process.

An external third party can be contracted to provide an independent evaluation of the partnership. This might involve interviews with relevant parties in all organizations, as well as review of pertinent programme data and documentation. This type of evaluation is more intensive, but has the potential to provide more objective results and recommendations.

Hollard Insurance in South Africa has extensive experience with forming and evaluating partnerships. Lessons from these experiences are outlined in Box 14.

There are many resources and toolkits available that provide templates and recommendations for monitoring and evaluation purposes. A useful online toolkit that can be easily adapted for microinsurance programmes is available on the Civicus website.[9]

[9] http://www.civicus.org/news-and-resources/toolkits/228-monitoring-and-evaluation

Box 12: Lessons from Hollard

Hollard Insurance has been using partnerships as its strategic approach to the market since it was founded over 30 years ago. Hollard believes that the partner knows the client better than the insurer and may also have stronger brand recognition with the client – but that Hollard can bring its expertise or intellectual capital to support them in a unique product offering.

This approach requires a high level of compatibility and similar values as well as full commitment from all levels in the partner's corporate structure. Collaboration on product development is a key success factor in order to arrive at a product that the partner needs and supports, and is attractive to the client. This process can be slower, and may require tweaking and adjustments during the process, which can make it harder to move to scale as quickly, however the result is a better product and more invested partner.

Over the years Hollard has use this approach to develop relationships with a variety of partners, including:

- low-income focused retailers such as JET and PEP stores that offer funeral insurance and other products
- MFIs such as Bayport, Blue Financial Services, Opportunity International (Mozambique), Beehive, and the Savings and Credit Co-operatives League (SACCOL) that offer credit life and funeral insurance
- providers of legal services such as Legalwise
- affinity groups such as football clubs
- direct marketing agencies such as Amway
- burial societies and workers' unions

Initial assessment of a potential partner is important, but assessment is an on-going process, particularly at the execution stage. If it becomes clear that the partnership is not going to serve the joint interests of the partners, or if commercial interests are not aligned, then it might be better to pull out early than to continue.

Hollard has built change management into its relationship structure, and every account has a relationship manager that oversees all aspects of the partnership arrangement. Relationships are managed at every level, from CEO to operational departments, to ensure consistency throughout.

Monitoring and evaluation are conducted regularly, both informally and formally. Monthly reports and financial indicators are reviewed, and feedback on any issues is extracted during face-to-face discussions. Additionally, Hollard contracts a third party organization to conduct a formal survey of all its partners on an annual basis. Results of the survey are discussed at board and division levels, and actions taken as necessary to resolve outstanding issues. Hollard also regularly reviews its own mission, vision and strategic focus, in order to ensure consistency in its partnership approach.

MANAGING CHANGE

Whether a regular process or occasioned by an unexpected event, a partnership evaluation is similar to the initial assessment stage. The evaluation should reveal whether or not the microinsurance partnership continues to add sufficient value to all partners. It may indicate that changes are required; some may be minor revisions to the agreement that can be easily accommodated, others may be more complex. Evolution in the underlying microinsurance programme may engender corresponding effects in the partnership. Whatever the situation, the partners first need to decide whether to continue the partnership or to terminate it.

Assuming the decision is to go forward together, the partnership cycle continues by revisiting the implementation stage. The evaluation/reassessment will have indicated any need for changes to the existing arrangements, such as operational or communications issues. The business plans may need to be amended and new targets agreed to. Operational roles and responsibilities may be reviewed and possibly reassigned. Incentive structures and sales compensation may be revised. Depending on the level of detail in the written agreement, the MoU or contract may also require corresponding amendments.

In some situations the partnership structure may need to change, and one or more partners may be replaced. In other cases, termination of the partnership may be the best option. This may in turn lead to the search for a new partner.

2.6 TERMINATION

Termination of a microinsurance partnership should be executed carefully, regardless of the reasons for termination. All partners need to consider the client perspective, and ensure that all steps are taken to minimise or avoid misunderstandings with clients and other stakeholders. In particular, existing insurance policies are likely to continue in force beyond the termination of the partnership, therefore systems and resources need to continue to be in place to administer premiums and claims. If the insurance coverage is to be transferred to another carrier, the transfer process needs to be efficient and transparent to clients and other partners. If it is the distribution that is being terminated or changed within the microinsurance programme, then clients need information on who to contact regarding their policy or claim. Leaving clients without adequate information about coverage or service options may damage the reputation of any or all organizations, as well as the concept of microinsurance in the region.

Terms and provisions regarding rights, notice period obligations, responsibilities and procedures upon termination should be specified within the written partnership agreement, so that all sides know what to expect and what actions need to be taken. Once the decision to terminate a partnership or programme has been taken, good communication is key to ensuring consistent service delivery to clients.

External communications should also be considered carefully. Pilot microinsurance projects are sometimes high profile, and early termination may send a negative or confusing message about microinsurance to the public, including policymakers. The two terminated cases included in our study were both quite innovative in pushing the boundaries of microinsurance in their respective countries and while coverage and service continued to be provided to clients, the terminated partnerships left a number of questions in their wake.

In the case of CIC, the unilateral action of NHIF lead to an unaffordable product that CIC was forced to discontinue. Prior to this material change were a number of other process and communication conflicts, such as long delays by NHIF in issuing health coverage cards, and different processes for the composite product versus an NHIF health-only product, which damaged the reputation of CIC with its clients. In such a situation, ensuring appropriate client communication as well as adequate service levels for in force policies is crucial. The difficult relationship between the partners made this a challenge, and inadequate terms within the MoU did not provide sufficient guidance.

In the case of AKAM, FMiA was wound down because AKAM, as the primary shareholder, felt it was not sustainable as a separate entity and the roles were transferred to a sub-unit at the insurer instead. The AKDN continues to have a mandate to support microinsurance, and coverage was automatically continued as the insurer in the microinsurance programme in Pakistan had not changed. The staff of FMiA were also asked to transfer to the insurer, but not all of them did so. One of the distribution partners expressed concern about the future of the programme, including uncertainty about the communications process with the insurer, and whether or not it would be as committed to active product development. Concern was also voiced that closing the agency sent a "wrong message" about the viability of microinsurance in Pakistan to the industry and the regulator, as FMiA had been very involved in promoting microinsurance in the region. Without knowledge of the specific financial objectives and the shareholders' decision-making process, negative assumptions could be drawn by the public. With the benefit of hindsight, a long-term view of industry and regulator engagement in the microinsurance sector could have lead to a different decision at inception, such as providing more funds for a higher capitalisation of FMiA and less funds for the compensation of underwriting losses through the reinsurance arrangement. On the whole, given the significant external challenges and the newness of microinsurance in Pakistan, the initiative may have been implemented for too short a time to adequately evaluate its potential success or failure.

3 > CONCLUDING COMMENTS

3.1 POTENTIAL DEAL-BREAKERS

Partnerships in microinsurance can be formed in a number of different ways, and the approaches discussed in the study provide a guide to the different stages of a partnership. However, the case studies suggest that there is no one prescribed "recipe" for success, but rather, many different pitfalls to be avoided. Potential deal-breakers include:

Unilateral change by one partner that results in an unsustainable product: the experience of CIC and NHIF indicates that if one partner acts on its own without ensuring the other will not be adversely affected, it can cause irredeemable damage to a partnership.

Features of the microinsurance product or programme that harm the core business or reputation of a partner rather than adding value: the experience of AKAM illustrates that introducing mandatory products without paying adequate attention to the decision-making process of clients, can cause the distribution partner to lose existing customers.

An unsustainable product design or price or losses that are too high for the programme to continue: in the end, a partnership can only be successful if the programme is sustainable. While it is possible to adopt a learning approach to get through the initial phase, if the product is not sustainable within a certain amount of time, the partnership is likely to be terminated. Very high losses at an early stage may also cause a programme to be unsustainable if the partners do not have sufficient capital or other financial support to continue. AKAM experienced these challenges with its health product in Pakistan, and ultimately was unable to negotiate sufficient premium increases to make the product sustainable.

Persistent low take-up in spite of significant marketing efforts: microinsurance does have distribution challenges. Consequently, microinsurance programmes have increasingly sought innovative distribution approaches, but in some cases the selected distribution channel is unable to be effective in reaching the target market. The experience of Shoprite and Old Mutual has led them to evaluate their current retail approach to insurance, and, although the relationship is successful, without a demonstrated increase in take-up, both partners will likely seek other avenues to reach their objectives.

Unacceptable service levels or other operational or communication issues that persist over time: for a distribution channel, one of the greatest reputational risks is non-payment or untimely payment of claims by the insurer. Conversely, problems with the sales process or submitting premiums to the insurer can have negative consequences for a partnership. La Positiva experienced some issues with mis-selling in the field by water board agents that it needed to quickly address through improved communication and training in order to avoid financial losses.

3.2 KEY SUCCESS FACTORS

Table 2 summarises the most important success factors for each stage of the partnership life cycle, as evidenced from the analysis of our case studies. Overall, given the comments provided by the case study participants, the most successful microinsurance partnerships appear to be those that:

- Have a strong alignment of interests and objectives, where the microinsurance programme contributes to the core business of each partner
- Approach the initial phase as a learning environment, with a long term commitment to developing sustainability
- Set realistic goals and expectations, in a joint process
- Collaborate at some level in all areas of programme development and implementation
- Are flexible, especially around problem resolution and change

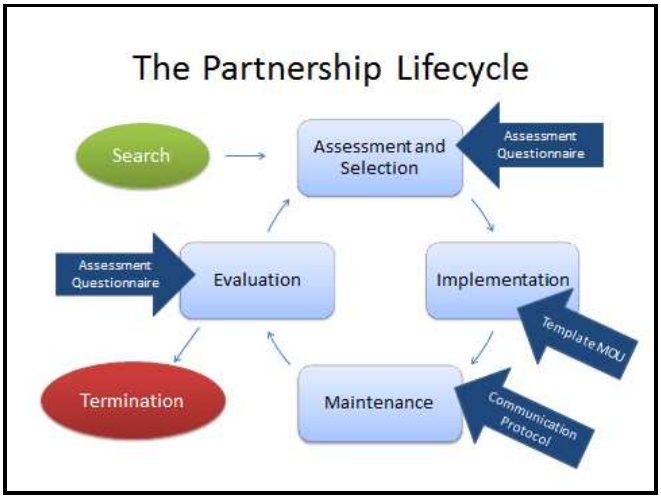
Table 2: Key Success Factors

LIFE CYCLE STAGE	SUCCESS FACTORS PER STAGE	OVERALL SUCCESS FACTORS
SEARCH	Objective selection criteria	Clear understanding of business problem Alignment of interests Trust and commitment Good product that provides value to clients
ASSESSMENT and SELECTION	Alignment of objectives Clear understanding of core business of partners Microinsurance contributes to core business of each partner and does not threaten it	
IMPLMENTATION (1)	Clear understanding of core business of partners Appropriate incentives for distribution partners, at the right levels	
IMPLEMENTATION (2)	Balance between sharing of benefits and responsibilities Alignment of systems and procedures to reduce costs Realistic expectations and business plan Clear MoU or agreement between partners Timely service delivery, including a clear and simple claims process	
MAINTENANCE	Good communication practices, including both formal and informal Collaboration on product development Flexible approach to product redesign and experimentation Coordination between staff at all levels	
EVALUATION	Appropriate evaluation mechanisms	
TERMINATION	Careful execution Client perspective considered	

3.3 PARTNERSHIP LIFE CYCLE REVIEW

Managing partnerships is not easy, but is a crucial component in developing a successful microinsurance programme. The partnership life cycle provides a useful framework to analyse and improve existing and future partnerships in microinsurance. A number of tools were discussed that can facilitate the activities of each stage in the cycle, and samples have been provided within the study and the Appendices. The enhanced life cycle diagram below suggests which tools might be most appropriate at each point.

Figure 2: Partnership Life cycle including Suggested Tools



As might be expected, partnerships tend to be easier to manage at the beginning when everyone is excited about the new venture, but become more challenging later on, as issues arise and need to be solved. Since, however, trust and commitment develop through solving challenges together, a partnership can grow stronger over time. After some problem-solving, partners should have a better understanding of the areas in which they need to collaborate more. The inevitable challenges of a microinsurance partnership can indeed be viewed not as an obstacle but as a necessary element of a sustained, successful partnership.

REFERENCES

African Liaison Program Initiative (ALPI). (2010). Ensuring Successful Partnerships: A Toolkit. From http://www.interaction.org/document/ensuring-successful-partners-toolkit

Angove, J., Herrndorf, M., & Mathews, B. (2012). Teaching elephants to dance: the experiences of commercial insurers in low-income markets. In Churchill, & Matul, Protecting the poor: a microinsurance compendium (Vol. II). ILO.

Canada - North West Territories Municipal Rural Infrastructure Fund. (2005). Communication Protocol Guideline. From http://www.maca.gov.nt.ca/operations/mrif/mrifdocs/Canada-NWT_MRIF_Communication_Protocol_Guideline.pdf

Churchill, C., & Frankiewicz, C. (2006). Making Microfinance Work. ILO.

Garand, D., & Wipf, J. (2011). Business Planning for Microinsurance. Eschborn, Germany: GIZ Sector Initiative - Systems of Social Protection, in collaboration with the Microinsurance Network.

Garand, D., & Wipf, J. (2010). Key Performance Indicators for Microinsurance: A Handbook for Microinsurance Practitioners, 2nd edition. Luxembourg: ADA asbl, in collaboration with the Luxembourg Development Cooperation, BRS, and the Microinsurance Network.

Guarnaschelli, S., Cassar, G., & Dalal, A. (2012). Selling more, selling better: a microinsurance sales force development study. Geneva: ILO.

Hoover, L. (2003). Developing Departmental Communication Protocols. From http://www.campus-adr.org: http://www.campus-adr.org/CMHER/ReportARticles/Edition4_1/hoover4_1a.html

La Piana, D. (2000). The Nonprofit Mergers Workbook, Part 1. Fieldstone Alliance.

Makesfive Ltd. (n.d.). Partnership Self-assessment Tool - Vision. Retrieved 2011 from www.makesfive.com

McCord, M. J. (2011). Microinsurance Product Development for Microfinance Providers. From The MicroInsurance Centre: http://www.microinsurancecentre.org/resources/documents/doc_details/834-microinsurance-product-development-for-microfinance-providers.html.

NorthSky Nonprofit Network. (2011). Partnership Screening Matrix.

Office of the Deputy Prime Minister, UK, with the Nuffield Institute, University of Leeds. (Crown copyright 2003). Assessing Strategic Partnership - the Partnership Assessment Tool. From http://www.communities.gov.uk/documents/localgovernment/pdf/135112.pdf

Smith, A., Chamberlain, D., & Smit, H. (2011). Beyond Sales: New Frontiers in Microinsurance Distribution: Lessons for the next wave of microinsurance distribution innovation. ILO.

The Conference Board, Council on Foundations, National Academy of Public Administration, National Alliance of Business, National Governors' Association. (2000). Changing Roles, Changing Relationships: The New Challenge for Business, Nonprofit Organisations, and Government.

ANNEX 1 : INTERVIEW TEMPLATE

Category	Information	Interview Questions
Partnership Background	Purpose of partnership	What was the rationale for having a partnership in this MI programme? What goals of the programme are met through the partnership?
	Partnership Structure	Can you categorize your partnership/collaboration? Why was the partnership structured in this way? Have you considered alternate structures? Why or why not?
	Allocation/sharing of risk and return	Which partners benefit directly in the case of increased sales? Which partners benefit/lose in the case of increased claims? Do you think that partners with a direct benefit based on profitability are more invested in the success of the programme?
	Which partner has "ownership" of project/MI product?	Is there clear "ownership" of the product by one party? If so, which one? If not, how is shared ownership managed? Can any of the partners unilaterally make decisions about the product or programme (e.g. to modify or terminate)? Is there a "controlling" partner? If not, what process is used to make product or distribution decisions?
	Unique features/structure	Please briefly describe any unique structures or features of this programme that you believe are relevant to its success or the success of the partnership.
	Initiative to forge partnership	Which partner initiated the relationship? What were the selection criteria for a partner? (either formal or informal). What format did the selection process take - did potential partners have to submit a proposal?
	Partner selection process	How did the partnership come about (through a formal planning process, informal evolution, etc.)? If you were to do this over again or for a new project, would you go about it differently? What do you feel is the best way to select partners for a MI project?
Programme Information	MI product (s)	Can you comment on your (current or new) product(s)? If using different partners, why, and what will be different?
	Product Development	What are the roles of each partner in product development? How did you negotiate the features of the existing product(s) between the partners? Do you think the responsibility for product development is appropriately allocated between the partners? Would you do it differently in the future?
	Distribution channels	Can you describe the role of your distribution channel? Do you feel the distribution process is effective? If yes, why? If not, why, and what would you change?
	Progress/current status	Can you describe the current phase of the project? What's coming up next? Do you feel that your progress is as expected? If not, why not?
	Regulatory environment	Are there any barriers or regulatory issues that you have encountered in the process of implementing your programme? Do any of these relate to the partnership structure that you have in place?
	How does communication happen in practice?	Is the communications protocol followed? When is it not? Do you feel that the communication process is effective? If not, what would you change?
	Formal communication in practice	How frequently do the partners hold meetings, what is on the agenda, who chairs?
	How is conflict resolution or change management handled?	What strategies have you used when the partnership has gotten into trouble? If the project has gotten off track, what happened to the partnership itself?
	Data communication and sharing	What processes are in place for data sharing, claims processing, etc.? Is there a technology link between the partners, i.e. any sort of IT/MIS link? Who has responsibility for these? Do you feel these processes are effective? What would you change?
Partner Information	Role in partnership (risk carrier, distribution channel, TPA, etc.)	What is your current role in this partnership? Do you have multiple roles (such as distribution and claims handling)? Has your role in the partnership evolved over time? If yes, please describe how it has changed. Is this a positive or negative change?
	Microinsurance capabilities	What assets or aspects of your business make it a possible for you to successfully engage in a MI project? (e.g., scale/presence, infrastructure, systems, personnel, strategic focus, human resources at field or management level)
	Pre-partnership motivation for the project	What is your primary interest in MI and in this project? How did you initially get involved in the project?
	Financial compensation/incentives	Are you receiving any compensation from your partners? In what form (i.e. net profit, reinsurance premium, commission, fixed fee, etc.)? Are you receiving other tangible or intangible incentives or benefits? Are you offering any compensation to your partners? Are you giving other tangible or intangible incentives or benefits? Do you feel the financial incentives are sufficient?
	Objectives/expectations of partnership	What are your expectations from the partnership arrangement? How do you define a successful partnership? Do you feel the programme/partnership is currently meeting your objectives? If not, why not, and what would you like to change?

Category	Information	Interview Questions
	Understanding of partner organization	What aspects of the partner's business make it a desirable partner for the MI project? What is the partner's interest in MI and in this project? How did this partner initially get involved in the project? What do you think are your partner's expectations from the partnership arrangement?
	What is the partnership structure for multiple partners?	Is there a "controlling" partner, or are all partners equally involved (if not in risk-sharing, possibly in management and decision-making)? Are there separate agreements (formal or otherwise) between the Primary partner and each of the other partners? Or, is there one shared agreement that covers all of the partners?
	Changes in partners	Has there been a change in the participating partners at any time during programme? If yes, why? Which partner? Who initiated the change? What was the process? What was the outcome? Was it a good decision?
Partnership Agreement	Type of arrangement	What specific kind of institutional arrangement is the main partnership based upon? Is this arrangement customary or prescribed by regulation? Is it MI-specific or not?
	Partnership agreement (formal or informal) and terms	Is there a formal partnership agreement or MoU? If not a formal legal agreement or MoU, what type of agreement outlines the partnership? Does the partnership agreement have an expiry or termination date? What are the terms?
	Pre-agreement process	How was the agreement arrived at? What process was followed at the start of the partnership to set expectations and objectives, roles and responsibilities? Do you feel the process was effective? What would you do differently? What do you think are the most important factors to agree on at the very beginning?
	Satisfaction with partnership agreement	Are you satisfied with the partnership arrangement and the type of agreement in place? What would you change? Was the process consultative? Did all of the parties understand their roles in the partnership as specified under the MoU?
	Changes in partnership agreement	Has partnership agreement or arrangement ever been amended or terminated? If yes, how and why?
Operational Structure	Operational roles in partnership	How are the operational roles defined for the project?
	What is the agreed upon communication process?	Is there an agreed upon communications protocol between the partners?
	Communication in practice	Is the communications protocol followed? When is it not? Do you feel that the communication process is effective? If not, what would you change?
	Formal communication in practice	How frequently do the partners hold meetings, what is on the agenda, who chairs?
	Conflict resolution or change management	What strategies have you used when the partnership has gotten into trouble? If the project has gotten off track, what happened to the partnership itself?
	Data communication and sharing	What processes are in place for data sharing, claims processing, etc.? Is there a technology link between the partners, i.e. any sort of IT/MIS link? Who has responsibility for these? Do you feel these processes are effective? What would you change?
Open-ended Questions	Characterisation of partnership	How would you characterise or define this partnership (in your own words)? What does that definition mean to you in this case?
	Definition of "success"/"failure"	How would you define "success" in the context of a microinsurance partnership? What criteria should we use to evaluate success or failure? What timeframe should we use for evaluation?
	Critical success factors	What are the critical success factors that should be in place for any MI partnership?
	Issues/challenges for this partnership	Based on your experience to date, is there anything you would do differently if you were approaching this partnership or using a partnership agreement for the first time? If so, what?
	Management strategies and tools	What are your most important strategies you use to ensure a successful partnership? Do you measure the success of your partnership by using any tools?
	Risk	Do you perceive any risks to the project or to your own business or to your partners' business from engaging in this partnership?

ANNEX 2: SAMPLE TOOLS

The sample tools are included in the following pages and are formatted so that they can be printed as stand-alone documents for use by practitioners:

- Partnership Assessment Questionnaire
- Elements to Consider in a Partnership Agreement
- Developing a Communications Protocol

Partnership Assessment Questionnaire

PARTNERSHIP RATIONALE

- What process did we use to select the partner for this project?
- Is this a new partnership or have we already experienced some significant achievements through this partnership?
- Do we have a clear understanding of areas where we are dependent on the partnership to achieve our goals, and areas where we can achieve them better by working independently?
- What are the risks to either organization in this partnership?

VALUES

- Have we shared our individual organizational values, purposes, and priorities with each other? Are they complementary and compatible?
- How does this partnership fit with our respective organizational missions and long-term goals?
- How does the partnership benefit our prospective clients or beneficiaries?
- Partnership Purpose and Objectives
- What is the purpose of the partnership? Do we have a common goal?
- Define the specific joint aims and objectives of the partnership. Are these realistic and measurable?
- What form does this partnership have? Is it a network, a strategic alliance, a joint venture, a partner-agent contract, or some other form of collaboration?
- Define success for this partnership. Do we have the same expectations of where early success in this partnership is most likely?

TRUST, COMMITMENT, AND OWNERSHIP

- What is the current level of trust between our organizations? What specific experiences in the past have influenced feelings of trust or distrust?
- Is the level of trust high enough to encourage risk-taking?
- Are the purposes, vision, aims and objectives of the partnership fully shared by all levels of senior and operational management and are they firmly committed to them?

ROLES AND RESPONSIBILITIES

- Clearly and jointly define and agree on the roles and responsibilities of each organization in the partnership, ensuring all critical activities are covered.
- Decide the frequency of monitoring of the partnership, to ensure accountability of each partner.
- When will you need to modify projects and programmes in response to actual experience?
- Jointly define the protocol used to identify when changes are necessary and ensure that modifications are adopted.

PARTNERSHIP STRATEGY/IMPLEMENTATION

- Who provides leadership for the project?
- How will we work as partners on a practical level? Do we have the same understanding about the frequency, level and nature of the work?
- Do we have a clear awareness of any geographical or regional differences in the scope or operations of each partner and how this may affect the partnership? (For example, one partner may be a local organization and the other a multi-national).
- Have we defined clear service outcomes for each partner to other stakeholders?
- Who will be providing client service under the partnership?
- How will the key roles or functions of the partnership be filled to ensure it is successful?

This tool was developed as part of the Managing Microinsurance Partnerships study commissioned by the ILO's Microinsurance Innovation Facility.

- Are there clear lines of accountability for the performance of the partnership?
- Do we have similar views about the need to modify projects and programmes in response to actual experience? What protocol will we use to identify when changes are necessary and ensure that modifications are adopted?

CONTRIBUTIONS AND INCENTIVES

- What is the financial participation/contribution of each partner?
- What are the financial incentives or rewards offered to each partner?
- How is the risk and return of the project shared?
- What are the non-financial contributions of each partner?
- What are the technical skills or assets used in the partnership that each organization brings to ensure success?

COMMUNICATION

- Do we feel able to communicate well with each other? Do we share a common vocabulary?
- Do we respect each other's differences and try to find mutually acceptable way to adapt to our differences?
- Do all project members, including all levels of management, participate in all critical decisions made in the partnership?
- Have we incorporated agreed forms of decision-making that are used to guide discussions?
- How do we communicate and publicise our partnership successes outside of the partnership itself?

REPORTING

- Clearly define the process and frequency of assessment and reporting for the project and partnership. What systems will we use for monitoring and evaluation of the programme?
- How regularly will we schedule meetings to discuss the partnership activities?
- Do we share all monitoring and evaluation reports relevant to our partnership activities? Do we provide each other with open access to data, documents, programmematic reports, donor communications and other partnership records?
- Do we report to each other on all occasional and planned communications with our donors?

TERMINATION

- What circumstances will lead to termination of the partnership?
- What is the process for termination?
- How will service to clients be maintained after termination?

Elements to Consider in a Partnership Agreement

IDENTIFY THE PARTNERS

- Provide names, locations, size, and purpose or business of the organizations
- Names and details of contact persons

TYPE OF PARTNERSHIP AGREEMENT

- Clarify the type of relationship expected between the partners: Is it a contractual agreement to provide specific services? Or is it more like a strategic alliance, where the goal of the relationship is to build common interests and learning/sharing are the driving forces?
- Define the legal format of the Agreement, for example:
    - "Sealed with a Handshake": informal, based on trust in existing relationships, maybe no formal document
    - Memorandum of Understanding: guidelines for project/partnership management but may not necessarily be legally enforceable

- Letter of Intent: usually time-bound and may be followed by a legal contract
- Legally Binding Contract, used for: contractual services agreements; joint ventures, limited liability company, management services agreement, mergers, etc.

PURPOSE

- State the purpose of the partnership and what it is intended to accomplish.
- Include background of organizations and previous collaboration, if applicable.
- Include a statement of mission, vision and goals for the project (as distinct from the individual organizations).
- Identify specific activities or objectives for the partnership.
- Clearly articulate what each partner brings to the table, for example:

  - Programme models and expertise
  - Research expertise
  - Administrative systems (MIS, financial accounting, grants management, etc.)
  - Funding or donor support
  - Community involvement
  - Government relations

ROLES AND RESPONSIBILITIES

- Answers the question: how are we going to implement the partnership?
- Define the specific responsibilities of each partner
- Outline the roles or functions involved in the partnership and which partner will provide resources to fill those roles
- Define requirements for staffing levels from each partner and procedures for changes/departures

FINANCIAL CONSIDERATIONS

- Define the financial participation/contribution of each partner
- Define the distribution of revenue/loss from the partnership
- Specify any incentives or compensation to be paid to any partner, such as commissions, and the basis and frequency of the payments
- Clarify ownership of any assets or intellectual property
- Include a project budget, as well as definition of budget oversight responsibilities

OUTPUTS

- Define any specific outputs from the partnership, including timeframes and expected quality
- Outline actions or consequences if agreed outputs are not met

GOVERNANCE AND STRUCTURE

- Define accountability for results and lines of authority
- Outline a clear process for decision-making: "what rules are we going to use?"
- Outline agreed communication procedures, whether formal or informal
- Include requirements for professional conduct and respectful communication from all partners
- Define procedures for termination or cancellation of the partnership
- Include procedures for giving notice of any organizational factors that may affect the partnership (e.g. change in management or ownership)

This tool was developed as part of the Managing Microinsurance Partnerships study commissioned by the ILO's Microinsurance Innovation Facility.

MONITORING AND EVALUATION

- Include a schedule of expected reporting: what, how often, and to whom (for example, not only internal but to external donors)
- Define performance criteria for each partner (separate evaluations)
- Define performance criteria for the partnership (jointly) – i.e. what does success look like for the partnership? Document challenges as well as successes.
- How often will performance evaluation be done? Quarterly, semi-annually?
- Include a process to review and renew the partnership's vision and objectives in response to progress, change and development

TIMEFRAMES

- Define duration of the agreement (include effective and expiry dates, if applicable)
- Define the duration of the project, if different
- Outline the time frames for deliverables under the project, if applicable

LEGAL CONSIDERATIONS

- Confidentiality
- Non-competition
- The degree to which one partner can obligate the partnership without specific consent from the other partners
- How and when partners can be added or removed
- Relationships with third parties (such as donors)
- Insurance requirements (liability insurance)
- Public announcements and communications
- Governing Law
- Signatures and Dates

Developing a Communications Protocol

STATEMENT OF COMMUNICATION PRINCIPLES

For example:

- We honour our commitment to have regularly scheduled meeting and discussions about partnership activities.
- We understand our diverse approaches and try to find mutually acceptable ways to adapt to our differences. When differences negatively affect our work, we discuss the subject openly and deal with the issues involved.
- We have open access to data, documents, programmatic reports, donor communications and other partnership records.
- We are open about our discussions of this partnership with third parties, and any criticisms of the partnership are first raised with our partners before they are discussed outside of the partnership.
- We report to each other on all occasional and planned communications with our donors.

FREQUENCY AND FORMAT COMMUNICATION

- Specify primary contacts at each partner organization for requesting meetings, calls or information.
- Agree on a schedule of formal partnership meetings (at senior management or steering committee level) – how often will they be held, who should attend, what location, who will chair, who will take minutes, how much notice is required in advance, who will prepare agenda, how far in advance documents for discussion need to be made available
- Agree on a schedule of project team/work group meetings - how often will they be held, who should attend, what location, who will chair, who will take minutes, whether in person or by conference call, etc.

- Specify what written documentation on partnership activities, including progress reports, evaluation reports, and external communications are to be shared with partners.
- List of events or activities that would give rise to an ad hoc meeting – such as significant challenges in the project, or unforeseen developments with any partner
- Outline expectations as to how conflicts will be dealt with.

DOCUMENTATION

- Minutes of formal meetings and conference calls – document results of discussions, decisions reached, and agreed action plans or follow up activities; for specific actions include person responsible and expected timeframe for completion; specify timeframe for which minutes should be available after each meeting and process for comments and revision
- Critical decisions relative to the partnership should be shared in writing with all stakeholders in the project
- Responding to requests for data or other information (internal or external to the partnership) – timeliness, professional, respectful, etc.

EXTERNAL OR PUBLIC COMMUNICATION

- Specify communications that require approval of all partners, and which do not.
- Specify requirements for logos, partnership references, donor references, etc.
- Outline who will pay any associated costs related to external communications; whether they are covered by one partner or directly through the partnership budget

This tool was developed as part of the Managing Microinsurance Partnerships study commissioned by the ILO's Microinsurance Innovation Facility.

MICROINSURANCE INNOVATION FACILITY

Housed at the International Labour Organization's Social Finance Programme, the Microinsurance Innovation Facility seeks to increase the availability of quality insurance for the developing world's low income families to help them guard against risk and overcome poverty. The Facility was launched in 2008 with the support of a grant from the Bill & Melinda Gates Foundation.

See more at: www.ilo.org/microinsurance