

I N T E R N A T I O N A L
F I N A N C I A L
C O N S U L T I N G

**MID-TERM EVALUATION OF THE PERFORMANCE OF
THE OPERATIONS OF MICRO IN HAITI**

Evaluation Report Annexes
21 November 2014

Submitted to:
Caribbean Development Bank

ANNEX A: TERMS OF REFERENCE

Section 7. Terms of Reference

CONSULTANCY SERVICES FOR A MID-TERM EVALUATION OF THE PERFORMANCE OF THE OPERATIONS OF MICRO INSURANCE CATASTROPHE RISK ORGANISATION (MiCRO)

TERMS OF REFERENCE

1. PROGRAM BACKGROUND

1.01 The Borrowing Member Countries (BMCs) of the Caribbean Development Bank (CDB) are among the most vulnerable in the world to economic shocks and natural hazards. The Region has suffered a significant number of natural disasters in the last decade, the most frequent of which has been the repeated incidence, in some countries, of tropical storms and hurricanes. The impact of these events has been devastating. National income is lost through destruction of infrastructure and loss or damage to productive assets with a resulting reduction of production capacity and disruption of social services with particularly severe consequences for low-income persons. The losses do not only affect employment and personal incomes but have adverse implications for government revenues and expenditures.

1.02 The year 2010 was a particularly difficult year for Haiti in the context of natural disaster events. The year was marked by the catastrophic magnitude 7.0 earthquake in Haiti on January 12. Even before the earthquake, Haiti was the poorest country in the Americas, with close to 80 per cent (%) of the population living below the poverty line. According to the World Bank Group's Doing Business 2011, Haiti ranks 162 out of 183 economies in the world and 31 out of 32 economies in Latin America and the Caribbean for its ease of doing business. Unemployment and underemployment are rife, with about 66% of the population working outside of the formal sector and a substantial number being engaged in micro-entrepreneurial activities. The number of micro-enterprises is estimated to be between 600,000 and 900,000.

1.03 In Haiti, microfinance institutions (MFIs) have flourished by providing small loans mainly to self-employed persons. According to the National Association of MFIs, some 17 institutions manage an estimated cumulative loan portfolio of sixty-one million seven hundred thousand United States dollars (USD61.7 mn) and provide financial services to some 130,000 individuals (as of December 2009). This suggests that only 16-25% of micro-entrepreneurs have access to financial services. Most MFIs maintain a loan balance per client of between USD180 and USD1,400, compared to a nominal gross domestic product per capita of USD790 in 2008. Loans are for the most part short term for working capital.

1.04 The 2010 earthquake in Haiti had a devastating impact on micro entrepreneurs who experienced lost assets, suppliers and markets. The microfinance sector, which provides micro-loans to sustain and stimulate many of these businesses, also suffered extensive losses. This resulted in increased risk of providing micro-loans to micro-entrepreneurs. Almost one year

after the earthquake, the United States Agency for International Development estimated that of the USD38 mn in outstanding micro-credit loans across Haiti, 25% could end up in default.

1.05 Following the earthquake, some MFIs' clients were killed or injured. One such MFI that was severely impacted was Fonkoze Financial Services (FFS). All affected members struggled to repay loans. FFS suffered significant capital losses and many loans had to be written-off. This required recapitalisation of FFS by donors to enable it to continue its lending activities. Subsequent to this recapitalisation, and recognising that continual recapitalisation by donors after disasters is not sustainable, FFS and its donors commenced dialogue on the establishment of a catastrophic insurance scheme for its micro-credit clients.

1.06 In a joint venture with Mercy Corps, Fonkoze established the Microinsurance Catastrophe Risk Organisation (MiCRO), a not for commercial profit Insurance company registered in Barbados. The mission of the Company is to provide insurance cover to MFIs and their clients. It was determined that an innovative way of doing so would be to provide modified indemnity insurance to the MFI/MFI clients but to back this with parametric reinsurance, leaving MiCRO to assume the basis risk. The product was developed, and launched in January 2011.

1.07 To support this initiative, at its Two Hundred and Forty-Seventh Meeting held on July 18, 2011, the Board of Directors of CDB considered Papers BD 65/11 and BD 65/11 Corr. 1 entitled "Micro Insurance Catastrophe Risk Organisation (MiCRO) (Haiti) Fund - Haiti" and approved:

- (a) the establishment by CDB of a multi-donor trust fund, the "Micro Insurance Catastrophe Risk Organisation (Haiti) Fund - Haiti" (the Trust Fund) to support the establishment and operations of a micro insurance catastrophe risk facility, with the aim of providing parametric insurance to protect microcredit borrowers in Haiti against losses resulting from natural disasters;
- (b) CDB acting as trustee and administrator of the Trust Fund on the terms and conditions of a Trust Fund Administration, to be entered into between CDB and contributors from time-to-time to the Trust Fund;
- (c) CDB accepting an initial contribution to the Trust Fund from the Government of the United Kingdom of Great Britain and Northern Ireland, acting through the Department for International Development (DfID) in an amount equivalent to nine hundred and fifty-five thousand pounds sterling (GBP955,000) on the terms and conditions set out in the TFAA;
- (d) CDB accepting such other funds as may from time to time be contributed to the Trust Fund in accordance with the provisions of the TFAA; and
- (e) the provision by CDB of the resources of the Trust Fund by way of grant to Micro Insurance Catastrophe Risk Organisation SCC, or other appropriate entity, on CDB's standard terms and conditions with such modifications as management may consider necessary, to give effect to the arrangements contemplated therein.

1.08 The Trust Fund was capitalised with an initial contribution from the Government of the United Kingdom of Great Britain and Northern Ireland, acting through DfID in an amount not exceeding the equivalent of nine hundred and fifty-five thousand pounds sterling (GBP955,000). No further contribution has been received to date.

1.09 The establishment of the Trust Fund as a regional micro-insurance mechanism to mitigate catastrophe risk is closely aligned to DfID's priorities and strategic goals as outlined in its 2011-14 business plan as DfID continues to be actively involved in providing support to disaster risk reduction in the Caribbean. DfID has been at the forefront of developing the initiative giving rise to this proposal, including commissioning the initial feasibility study in 2009. DfID's involvement in this initiative also builds on their experience in establishing and monitoring the Caribbean Catastrophe Risk Insurance Facility (CCRIF). The DfID business case and logframe for this intervention is included in Annex 1. This provides some context for the intervention, the initial assumptions, the theory of change and expected results.

1.10 The primary purposes of the Trust Fund and the operations of MiCRO at the time of approval included:

- (a) providing micro-entrepreneurs and MFIs in Haiti with a risk mitigation tool in the form of cover for natural hazard events based on defined parametric triggers;
- (b) facilitating re-establishment of economic and trading systems in Haiti after a disaster;
- (c) building a more robust and sustainable private sector in Haiti through risk reduction and facilitating access to financial services after a disaster; and
- (d) increasing the viability and sustainability of Haiti's micro-finance sector.

2. OBJECTIVES OF THE CONSULTANCY

2.01 In accordance with the Trust Fund Administration Agreement, CDB's role as trustee and administrator of the Trust Fund includes monitoring and evaluation the performance of MiCRO. In this regard, the objective of this midterm evaluation is to determine, as systematically and objectively as possible, the relevance, efficiency, effectiveness, impact and sustainability of the program. The evaluation will assess the achievements of the program against its stated outcomes, including a re-examination of the relevance of the outcomes and of the program design. It will also identify significant factors that are facilitating or impeding the delivery of outcomes. Whilst a review of the past is in itself important, the evaluation is expected to lead to recommendations and lessons learned for informing the ongoing implementation and for future programming.

2.02 Being a mid-term evaluation/review of an experimental program, the most important objective of the evaluation will be to provide information to support decision-making around the replication of the approach, with other clients (aggregators) /in other countries and at a larger scale. It will be important to identify whether further resources might be required by this current initiative to achieve this objective.

3. AUDIENCE

3.01 The immediate audiences (key partners) for this evaluation are:

- (a) **DfID** – In its role as funder for the project, this evaluation is an essential tool in understanding whether the intervention worked as expected and what clearly understanding the outlook for sustainability; the DfID business case notes that “evidence and data collection will be of a depth and standard to justify any expansion or scale up of this pilot initiative.” This evaluation will be a crucial piece of the evidence to inform a decision as to whether further investment by DfID is warranted.
- (b) **CDB** – In its role as trustee and administrator of the Trust Fund, this evaluation is an essential tool for monitoring the performance of MiCRO during the period of disbursement of the Fund Resources.

3.02 The findings are also expected to be of interest to wider number of partners and stakeholders. This includes development partners undertaking or planning related initiatives in other parts of the world.

3.03 Dissemination will be primarily through key partner’s websites and networks.

4. SCOPE OF SERVICES

1.01 The scope of the work for the assignment includes all activities necessary to accomplish the stated objectives of the Project.

4.02 The Consultant will be required to assess the following design, implementation and outcome aspects of the program:

5. DESIGN

- (a) The suitability of the program design as an experiment/a social endeavour to alleviate poverty in Haiti.
- (b) The capitalisation and structuring of the Haiti cell and its relationship to the rest of MiCRO.
- (c) Review the choice of aggregator/distributor – were there other possible candidates apart from Fonkoze?
- (d) The number of clients/beneficiaries to be covered.
- (e) The product offered by the aggregator to its clients – financial value and other benefits to clients in the event of a claim – nature of claims covered/not covered (for example, business property destruction covered but no personal injury coverage), the mandatory requirement of the product.

- (f) Pricing of product as percentage of discretionary income and therefore affordability.
- (g) The quantity of premium subsidy extended to clients.
- (h) Limits to clients' claims, multiple hazards, and multiple events in any one policy year.
- (i) The maximum exposure of the aggregator to claims by its clients in any one policy year.
- (j) The coverage offered to the aggregator by MiCRO – policy limits, multiple hazards, multiple events in any one policy year.
- (k) The pricing of MiCRO to the aggregator for the coverage in a policy year.
- (l) The choice of reinsurer and the reinsurance arrangements providing parametric cover to MiCRO –policy limits, multiple hazards, multiple events in any one policy year.
- (m) The pricing of the parametric cover by the insurer.
- (n) The assumption of maximum basis risk exposure of MiCRO in any one policy year.
- (o) The level of MiCRO Haiti cell capital supporting this exposure and its adequacy.
- (p) The choice of the technical assistance providers to MiCRO (CaribRM, GC; - skill sets, experience) and the contractual arrangements with them; the contractual arrangements with the local insurance agent (AIC).
- (q) The choice of the technical assistance providers to Fonkoze (ILO).
- (r) The choice of housing administrative functions in Fonkoze versus alternatives (primary insurer, third-party administrator, *etcetera*).
- (s) The requirements of the regulator.
- (t) The structuring of the Haiti Cell and that of the core MiCRO cell to the extent of supporting the Haiti cell.
- (u) The basic assumptions/anticipated outcomes of the program design.
- (v) The stated objectives and key performance indicators of the program design, noting any difference with those indicated in CDB Board Paper (Para. 5.01) and CDB-MiCRO Grant Agreement [Section 5.03 (b)].

6. **IMPLEMENTATION:**

- (a) Putting the program design and coverage in place.
- (b) Organisational obstacles and challenges (including availability of adequate staffing of Fonkoze/AIC/MiCRO).
- (c) Existing and new information systems required (Fonkoze, AIC, MiCRO, CaribRM).
- (d) Marketing program by aggregator/local distributor.
- (e) Contractual arrangements, including the choice of AIC as the local insurance distributor.
- (f) Behavioural aspects of clients.
- (g) Physical environment.
- (h) Financial/budget limitations.
- (i) Legal/government requirements.
- (j) What was easier than expected, what was more difficult than expected?
- (k) Unexpected obstacles and challenges encountered.
- (l) Accompanying disaster risk reduction/claims mitigation regime; what would have been ideal?
- (m) What modifications need to be made to the program as it goes forward in order for it to be implemented more effectively?

7. **OUTCOMES**

7.01 The Consultants will **describe** the principal events and program outcomes, quantifying outcomes wherever appropriate:

- (a) the earthquake/weather (wind and rain) events (by regional severity) in two years of program, their relationship to long-run average norms;
- (b) to the extent possible the expected topographical impact of these events – instances, location and extent of flooding/mudslides;
- (c) to the extent possible the realised topographical impact of these events – instances, location and extent of flooding and mudslides;
- (d) the claims made by aggregator clients for each event by region/month – number of claims/value of claims;

- (e) claims paid by aggregator to clients – speed of payment to clients;
- (f) satisfaction of clients with quantum of claims payment, speed of payment;
- (g) gauging of clients’ wishes for continuation of coverage- how many would enroll if program continued on voluntary basis;
- (h) claims rejected by aggregator;
- (i) evidence or not of fraud by clients; evidence of collusion by aggregator loan officers and claims administrators;
- (j) claims paid by MiCRO to the aggregator Fonkoze;
- (k) reinsurance (parametric) claims made by MiCRO and parametric payouts received by MiCRO from reinsurer; and
- (l) evaluate the unanticipated outcomes and any other outcomes of relevance to the program.

8. ANALYSIS OF OUTCOMES

8.01 The Consultants shall evaluate these outcomes in terms of:

- (a) the stated objectives of the program design;
- (b) the extent to which the outcomes deviated from the objectives at the outset In the light of the operational experience, to what extent were the objectives in the program design and CDB Board paper relevant/specific enough?
- (c) any evidence that MFI clients as a result of the program were more ‘resilient’ than without the program – in particular the ability of clients to maintain livelihoods post-disaster;
- (d) the extent to which key indicators deviated from those in the program design (see DFID logframe) and in the light of operational experience the extent to which key indicators were relevant;
- (e) whether the program design was appropriate as an experiment. Was there adequate awareness on the part of MiCRO of the extent to which the program was/is an experiment where the risks/unknowns were substantially greater than in a normal donor program designed to enhance protection of vulnerable sections of the population? Were CDB and MiCRO’s other partners sufficiently aware of the implicit experimental nature of the program? Did different actors in the program have different expectations in terms of outcomes and results? and
- (f) on the basis of the outcomes so far, what are the implications for further experimentation going forward?

9. LESSONS LEARNED/HELPFUL OBSERVATIONS AND ECOMMENDATIONS FOR MOVING FORWARD

This, the concluding Section of the Review/Evaluation study, will synthesise the most important findings of the preceding Sections 4-7.

With regard to Lessons Learned and Helpful Observations they will include:-

- (a) The features of the program design and implementation that so far have worked well? – in order of importance for MiCRO, for Aggregator(Fonkoze), MFI (Fonkoze) clients, for other participants/partners? Why did they work well?
- (b) The features of the program design and implementation that have not worked well in order of importance for MiCRO, for Aggregator (Fonkoze), MFI clients, for other Participants/partners? Where were the shortcomings?
- (c) The governance and Board constitution of MICRO in managing the program, including the capitalisation and funding of the MICRO core cell in so far as its supports for the operations of the Haiti cell.
- (d) How well did the existing and required information systems of (i) MiCRO and Fonkoze serve the program.
- (e) The issue of determining the prudent amount of capital required to cover basis risk.
- (f) The role of CDB and other partners' oversight and supervision of the program.

Recommendations provided by the Consultants shall include:-

- (a) the modifications required to make the program work better (product changes, marketing and education of clients, information systems *etcetera*);
- (b) the further experimentation (including the duration of such experimentation) that will be required before the program can be judged with regard to its replicability with other clients (aggregators) /in other countries and at a larger scale; and
- (c) the approach to establishing a methodology for establishing an adequate and prudent amount of capital in the Haiti cell to cover the lack of correlation between observed parametric events and payouts and client indemnity payouts – that is, MiCRO's basis risk.

10. CONSULTANCY METHODOLOGY

10.01 The evaluation methodology must at a minimum include the following activities. The Consultant/Team will elaborate the methodology in the Inception Report. The Consultant will:

- A. Review all relevant existing documentation including:**
- (i) all CDB project documentation, including the Board Paper and project status reports;
 - (ii) MiCRO's formation documentation, MiCRO's reports including Board Reports and Minutes; reports submitted to MiCRO by its technical partners and participating donors;
 - (iii) MiCRO's contractual arrangements with its MFI client/aggregator, local insurance agent, reinsurer, technical partners, CDB and other contributors to the Trust Fund;
 - (iv) similar Micro insurance programmes elsewhere in the world, especially those of a similar experimental nature;
 - (v) work product of the contractors and stakeholders key to the design and management of the product; and
 - (vi) existing studies and analysis of the program as conducted by other third-parties.
- B. Conduct field visits and interviews including:**
- (i) interviews with staff of Fonkoze and Mercy Corps with responsibility for founding, conduct and progress of MiCRO;
 - (ii) interviews with MiCRO principals and Directors;
 - (iii) interviews with key partners of MiCRO:- MFIs/aggregators, technical partners, local insurance agent, reinsurance broker, reinsure(s), CDB and other contributors to the Trust Fund; and
 - (iv) field interviews in Haiti, of key aggregator staff, regional heads, loan officers and clients. The Consultants will select a representative sample of the latter three. Where representative samples are to be interviewed, a standardised questionnaire shall be used. Clients interviewed shall be an appropriate mix of those who were paid claims (affected area), those denied claims, and those who did not make claims (unaffected area).

11. INPUTS

11.01 CDB will provide the consultants with all relevant documentation to facilitate the completion of the consultancy, as well as access to the relevant members of staff and management.

11.02 CDB will also provide the consultant with contact information for relevant personnel within MiCRO and Fonkoze to facilitate the completion of the consultancy.

11.03 Consultants are responsible for other logistics including organisation of interviews with clients and duty of care for individuals undertaking the work.

12. CONSULTANT'S QUALIFICATIONS AND EXPERIENCE

The Consultant (or Team) should possess these qualifications:

- (a) Demonstrated knowledge of current evaluation theory and practice and at least 10 years professional experience in performance monitoring and evaluation of complex programmes. Previous evaluation experience with multilateral institutions, international finance institutions (IFIs) or bilateral donors is preferable.
- (b) Undergraduate degree(s) in Business Administration, Economics, Public Administration, Public Policy, Statistics, or other relevant field. A Master's degree or higher in a relevant field is desirable.
- (c) Professional experience or training in M&E processes of international development agencies, such as the logical framework, monitoring and evaluation frameworks and other performance monitoring tools.
- (d) In depth knowledge of the insurance industry and preferably, a good understanding of the Caribbean region. Previous evaluation assignments in the Caribbean would be desirable.
- (e) The ability to work independently and manage multiple tasks effectively. Excellent written and oral communication skills are required, including the ability to synthesise key issues, draw lessons and make evaluative assessments to inform management decision-making.
- (f) Fluency in English is required. Professional experience in working with diverse, multicultural teams desirable. Working knowledge of French would be an asset.

13. DELIVERABLES AND REPORTING REQUIREMENTS

CDB will manage the contract with the successful Consultants and be the first point of contact for the Consultants. Contact details for CDB and DfID will be provided to the successful applicants.

The Consultants will be required to submit the following reports:

- (a) Two (2) electronic copies of an Inception Report, within one (1) week of commencement of the consultancy providing details of any revisions to the method of approach, work plan and schedule for the consultancy. After a teleconference to discuss Inception Report, representatives from CDB and DfID will provide comments on the Inception Report within one (1) week of receipt and the Consultant will adjust the work plan work according to the comments received.
- (b) Two (2) electronic copies of a draft Evaluation Report, with key findings, issues and recommendations after the completion of the required research and travel to the assigned countries within six (6) weeks of commencement of the consultancy documenting their findings. Representatives from CDB and DfID will provide written comments on the draft Evaluation Report within two (2) weeks of receipt. These comments will be discussed and agreed verbally during a teleconference.
- (c) Two (2) electronic copies of a Final Evaluation Report, with key findings, issues and recommendations after the completion of the required research and travel to the assigned countries within eleven (11) weeks of commencement of the consultancy incorporating all required amendments provided by representatives of CDB and DfID after review of the draft Evaluation Report.
- (d) Intellectual Property:
 - (i) All reports, working papers, notes, maps, drawings, plans, specifications, statistics and technical data, compiled or prepared in carrying out the Services shall be drawn up in the English Language and shall be the property of the Bank but the Consultant shall be permitted to retain copies thereof, provided, however, that such material shall not be used by the Consultant for purposes unrelated to the Services without the prior approval of the Bank; and
 - (ii) The Bank shall be entitled to make use of the aforementioned documents for any purpose whatsoever whether or not connected with the Services.

ANNEX B: STAKEHOLDERS INTERVIEWED

Name	Title	Company/Agency
Amilcar, Jonas	Branch Manager	Sévis Finansye Fonkoze
Bannister, Simone	Climate Change Adviser	UK Department for International Development
Barrau, Olivier	Chief Executive Officer	Alternative Insurance Company
Bernhardt, Alex	Senior Vice President	Guy Carpenter
Boyer, Dominique	Chief Operations Officer	Sévis Finansye Fonkoze
Brown, Matt	Chief Executive Officer	Sévis Finansye Fonkoze
Center Chiefs (2)		
Charles, Esthebe	Internal Control	Sévis Finansye Fonkoze
Crichlow, Nicholas	Head of Office	Marsh
Crosskill, Dominic	Head of Catastrophe Modeling	CaribRM
Drolet, Jean-Yves	Coordinator	Système de Financement et d'Assurances Agricoles en Haïti (SYFAAH)
Ferreira, Andrew	Head, Commercial & Tax	Chancery Chambers
Fuller, Rob		Sévis Finansye Fonkoze (former)
Gerard, Marie	Chief Executive Officer	FINCA Haiti
Grant, Simone	Account Manager	Marsh
Harding, Lisa	Operations Officer	Caribbean Development Bank
Harvey, Alex	Team Leader, Climate Change and Disaster Risk Reduction	UK Department for International Development
Hastings, Anne	Representative of Fonkoze	MiCRO Board of Directors
Hector, Alexandre	Zonal Operations Manager	Sévis Finansye Fonkoze
Jenns, Nicola	Climate Change Adviser	UK Department for International Development
Kurz, James	Manager, Financial Services	Mercy Corps
La Bennett, Monica	Deputy Director, Corporate Planning	Caribbean Development Bank
Laguerre, James	Database Manager	Sévis Finansye Fonkoze
Lending Clients with <i>Kore W</i> Coverage (35)		
Ollivier, Francis	Chief Information Officer	Sévis Finansye Fonkoze
Pagniez, Paula	Senior Microinsurance Specialist	SwissRe
Pekmezi, Mariela	Chief Finance Officer	FINCA Haiti
Pelex, Flereme	Security Manager; Legal/Compliance	Sévis Finansye Fonkoze
Petit De, Lissa	Finance Manager	Sévis Finansye Fonkoze
Philippe, Joseph	Founder	Fondasyon Kole Zepòl & Sévis

		Finansye Fonkoze
Pinder, Shane	Assistant Vice President, GIS	CaribRM
Pott, C. John	External Appointee	MiCRO Board of Directors
Ramm, Johann-Friedrich	Senior Policy Advisor - Financial & Private Sector Department	Swiss Agency for Development and Cooperation
Reid, Akiba	Managing Director	CaribRM
Reusche, Gary	Senior Program Manager	International Finance Corporation
Roenen, Carine	Director	Fondasyon Kole Zepòl
Tappendorf, Tyler		Sévis Finansye Fonkoze (former)
Waithe, Dave	Legal Counsel	Caribbean Development Bank
Young, Simon		CaribRM (former)
Zaripov, Andrey	Operations Officer - Global Index Insurance Facility	International Finance Corporation

ANNEX C: STAKEHOLDER RESEARCH GUIDES

1.1 RESEARCH METHODS

Primary Research:

The team will primarily rely on direct interviews and follow up with stakeholders when undertaking primary research mainly in the governance or operations groups. These interviews will be open-ended, and the team will be guided by the parameters and evaluation questions relevant to the stakeholder being interviewed. Interviews are the preferred method for these stakeholders, as each representative will have a deep and unique knowledge of the MiCRO program and, from a statistical perspective, the sample size will be negligible.

However, when researching at the beneficiary level, the team will primarily utilize focus groups. As possible, and with the support of Fonkoze, the team will convene focus groups with a random sample of active and insured clients in a selection of departments that have experienced natural disasters significant enough to trigger payouts through MiCRO. The same approach, as well as the research questions, will be executed with focus groups covered by MiCRO in departments where payouts have not been triggered as well as with non-beneficiaries (clients of MFIs other than Fonkoze).

Secondary Research Methods/Sources:

The team will gather, with the support of both governance and operations stakeholders, all secondary resources available. Additional resources may be gathered in the process. All of these resources will be analyzed. Where possible and applicable, the team will undertake quantitative assessment as well as critical analysis of the documents, particularly related to the portfolio of loans and insurance policies managed at the level of Fonkoze.

Comparators & “Soft” Benchmarking:

The team will also look into other programs, such as the Caribbean Catastrophe Risk Insurance Facility (CCRIF) and relevant sub programs, such as that undertaken through a partnership of Munich Re, the Munich Climate Insurance Initiative and Microensure, to ensure that the team’s analysis also takes a relative perspective against similar programs and experiments. The team will reach out to knowledgeable representatives of these programs to gain a comprehensive understanding of their approach. The team will also undertake background research on comparator programs.

At the operational level, the team is also in the process of establishing meetings with counterpart MFIs active in Haiti to understand how they approach catastrophic risk management and how they have managed their own portfolios through recent years despite the large risk events plaguing Haiti. Currently, the team is engaging with *Action pour la Coopération avec la Micro Entreprise* (ACME SA) and will also reach out to other MFIs as necessary.

1.2 STAKEHOLDER RESEARCH GUIDES

Governance Stakeholders

CDB/DFID Research Guide

CDB and DFID are the core stakeholders related to the governance level of the MiCRO program. They are combined because of the mutuality of their relationship in funding and managing the trust that capitalizes MiCRO through a grant agreement. Through interviews of key representatives from both institutions, the team will focus primarily on design and analysis of outcomes aspects of the evaluation with these stakeholders. A review of governing documentation, appraisal documents and grant agreements made by CDB as trustee of the MiCRO trust fund will augment the team's understanding of aspects to be evaluated, but direct interviews will play a major role in data collection and analysis. The following documents have been collected from these stakeholders:

- DFID appraisal/project proposal document
- Trust fund cooperation agreement
- Grant agreement between Trust Fund and MiCRO (company)
- Corrigenda and addenda to above documents
- Documentation covering related donor-supported programs in the country/region

Additional documentation covering the following issues will be relevant:

- Periodic progress reports and assessments

Key research issues pertaining to these stakeholders include:

- The role of CDB and of 'her partners' oversight and supervision of the program
- The evaluation and structuring of the Haiti cell and its relationship to the rest of MiCRO.
- The basic assumptions anticipated outcomes of the program design
- The stated objectives and key performance indicators of the program design, noting any difference with those indicated in CDB Board Paper (Para. 5.01) and CDB-MiCRO Grant Agreement [Section 5.03 (b)]
- The suitability of the program design as an experiment/a social endeavor to alleviate poverty in Haiti.
- The extent to which the outcomes deviated from the objectives at the outset and the accuracy of the initial program design
- The extent to which key indicators deviated from those in the program and the extent to which key indicators were relevant
- Whether the experimental program design was appropriate
- Implications for further experimentation going forward
- The role of CDB and of 'her partners' oversight and supervision of the program

In addition, there are key research areas that apply specifically through the program documentation. While not a stakeholder, this secondary source represents a significant body of research required to execute the evaluation. Key research areas to be addressed through examination of program documentation include:

- The suitability of the program design as an experiment/a social program to alleviate poverty in Haiti.
- The basic assumptions anticipated outcomes of the program design

- The stated objectives and key performance indicators of the program design, noting any difference with those indicated in CDB Board Paper (Para. 5.01) and CDB-MiCRO Grant Agreement [Section 5.03 (b)]
- The extent to which the outcomes deviated from the objectives at the outset and the accuracy of the initial program design
- The extent to which key indicators deviated from those in the program and the extent to which key indicators were relevant
- Whether the experimental program design was appropriate
- Implications for further experimentation going forward
- The governance and Board constitution of MiCRO in managing the program, including the capitalization and funding of the MiCRO core cell in so far as its supports for the operations of the Haiti cell.

ILO/Microinsurance Innovation Facility Research Guide

The ILO, through the Microinsurance Innovation Facility, has a history of engaging with Fonkoze and AIC on the development of tailored insurance products in Haiti. They also played a key role in developing the concept for MiCRO through the Kore W technical assistance program. The team will engage with them through direct interviews. Key research issues pertaining to this stakeholder include:

- The choice of the technical assistance providers to Fonkoze

Mercy Corps Research Guide

Mercy Corps played a key role in the design of Microinsurance products for disaster resilience and recovery in Haiti, and was a key founding partner for the concept that became MiCRO. As such, they are a critical stakeholder in assessing the adequacy of design of the program, and they also may offer interesting insights to comparison programs with which they have worked.

Key research issues pertaining to this stakeholder include:

- The suitability of the program design as an experiment/a social program to alleviate poverty in Haiti.
- The basic assumptions anticipated outcomes of the program design
- The extent to which the outcomes deviated from the objectives at the outset and the accuracy of the initial program design
- The extent to which key indicators deviated from those in the program and the extent to which key indicators were relevant
- Whether the experimental program design was appropriate
- Implications for further experimentation going forward

MiCRO BOD Research Guide

The MiCRO board of directors (BOD) crafts organizational strategy for MiCRO and is also ultimately accountable for MiCRO's performance. As such, the interviews undertaken with representatives of the BOD will be primarily open form, based on open discussion rather than a specific set of questions. This will help the team to understand the wider strategic thinking of BOD members and to enable BOD members to share a wide range of insight with the team, which can be used to guide other channels of research. However, from a lessons learned perspective, it will be critical to seek the insight of each BOD member on the BOD's efficacy in

managing the MiCRO program, particularly focusing on the capitalization and planned shareholder engagement of MiCRO vis-à-vis the program's long-term sustainability. Key research issues pertaining to this stakeholder include:

- The governance and Board constitution of MiCRO in managing the program, including the capitalization and funding of the MiCRO core cell in so far as its supports for the operations of the Haiti cell

Operational Stakeholders

Fonkoze Research Guide

Fonkoze is the anchor stakeholder in the operational group, and as such is one of the primary stakeholders to be engaged through this evaluation. They are the primary distribution channel for coverage provided by MiCRO to the women-owned microenterprises in Haiti, and they are also therefore one of the key stakeholders to provide data on the real impact to these end beneficiaries. The team will engage them both through review of documentation as well as through interviews, and the team will rely on their support to establish focus groups with their clients benefitting from insurance through the program. Among others, the following documents will be collected from Fonkoze:

- Loan portfolio including details on coverage
- Claim payments history, processing times, etc.
- Policy documentation for insurance to borrowers
- Policy documentation for coverage received from/through MiCRO

Key research issues pertaining to this stakeholder include:

- The suitability of the program design as an experiment/a social endeavor to alleviate poverty in Haiti.
- The product offered by the SFF to its clients in terms of financial value and other benefits to clients in the event of a claim, as well as the nature of claims covered/not covered
- Pricing of product affordability as percentage of discretionary income and therefore affordability
- The coverage offered to the aggregator by MiCRO-policy limits, multiple hazards, multiple events in any one policy year
- The pricing of MiCRO of the aggregator for the coverage in a policy year
- The relationship and any agreements with the insurance agent (AIC).
- The choice of housing administrative functions in Fonkoze versus alternatives (primary insurer, third- party administrator, etcetera)
- Organizational obstacles and challenges (including availability of adequate staffing of Fonkoze/AIC/MiCRO)
- Existing and new information systems required (Fonkoze, AIC, MiCRO, CaribRM)
- Contractual arrangements, including the choice of AIC as the local insurance distributor
- Financial/budget limitations
- What was easier than expected, what was more difficult than expected
- Unexpected obstacles and challenges encountered
- Necessary modifications to be made to the program as it goes forward in order for it to be implemented more effectively

- The claims made by aggregator clients for each event by region/month - number of claims/value of claims, as well as source of claim payment (Fonkoze own resources, MiCRO insurance, etc.)
- Claims paid by aggregator to clients- speed of payment to clients
- Evidence or not of fraud by clients; evidence of collusion by aggregator loan officers and claims administrators
- The unanticipated outcomes and any other outcomes of relevance to the program
- The features of the program design and implementation that so far have worked well? - In order of importance for MiCRO, for Aggregator (Fonkoze), MFI (Fonkoze) clients, for other participants/partners? Why did they work well?
- The features of the program design and implementation that have not worked well in order of importance for MiCRO, for Aggregator (Fonkoze), MFI clients, for other participants/partners? Where were the shortcomings?
- How well did the existing and required information systems of MiCRO and Fonkoze serve the program
- The choice of service aggregator through SFF
- The number of clients/beneficiaries covered
- The quantity of subsidy extended to clients.
- The maximum exposure of the aggregator to claims by its clients in any one policy year
- The choice of the technical assistance providers to Fonkoze (ILO).
- Marketing program by aggregator/local distributor
- Legal/government requirements
- Claims rejected by aggregator
- Claims paid by micro to the aggregator Fonkoze
- The role of CDB and of 'her partners' oversight and supervision of the program

MiCRO/Marsh Capital Research Guide

MiCRO as a company, supported by Marsh Capital as the administrator, is the key operations stakeholder in packaging and delivering insurance to Fonkoze for distribution to its borrowers. They manage all day-to-day business processes required to keep MiCRO operational, and they are therefore an essential stakeholder in this evaluation. The team will engage with these stakeholders through direct interviews, supplemented by key documentation. Among others, the following documents will be required from MiCRO/Marsh:

- Reinsurance treaty documentation
- Claims payment history
- Policy documentation/wording for all products issued
- Semi-annual performance reports

Key research aspects relevant to this stakeholder include:

- The governance and Board constitution of MiCRO in managing the program, including the capitalization and funding of the MiCRO core cell in so far as its supports for the operations of the Haiti cell.
- The suitability of the program design as an experiment/a social program to alleviate poverty in Haiti.
- Limits to clients' claims, multiple hazards, and multiple events in any one policy year
- The maximum exposure of the aggregator to claims by its clients in any one policy year

- The choice of reinsurer and the reinsurance arrangements providing parametric cover to MiCRO –policy limits, multiple hazards, multiple events in any one policy year
- The pricing of the parametric cover by the insurer
- The relationship and any agreements with the insurance agent (AIC).
- The structuring of the Haiti Cell and that of the core MiCRO cell to the extent of supporting the Haiti cell
- Putting the program design and coverage in place
- Organizational obstacles and challenges (including availability of adequate staffing of Fonkoze/AIC/MiCRO)
- Existing and new information systems required (Fonkoze, AIC, MiCRO, CaribRM)
- What was easier than expected, what was more difficult than expected
- Unexpected obstacles and challenges encountered
- Accompanying disaster risk reduction/claims mitigation regime; what would have been ideal?
- Necessary modifications to be made to the program as it goes forward in order for it to be implemented more effectively
- Earthquake/weather (wind and rain) events (by regional severity) in two years of program, their relationship to long-run average norms
- Expected topographical impact of these events-instances, location and extent of flooding/mudslides
- Realized topographical impact of these events- instances, location and extent of flooding and mudslides
- The claims made by aggregator clients for each event by region/month – number of claims/value of claims
- Evidence or not of fraud by clients; evidence of collusion by aggregator loan officers and claims administrators
- Claims paid by micro to the aggregator Fonkoze
- Reinsurance (parametric claims made by micro and parametric payouts received by micro from reinsurer
- The unanticipated outcomes and any other outcomes of relevance to the program
- The features of the program design and implementation that so far have worked well? - In order of importance for MiCRO, for Aggregator (Fonkoze), MFI (Fonkoze) clients, for other participants/partners? Why did they work well?
- The features of the program design and implementation that have not worked well in order of importance for MiCRO, for Aggregator (Fonkoze), MFI clients, for other participants/partners? Where were the shortcomings?
- How well did the existing and required information systems of MiCRO and Fonkoze serve the program
- The issue of determining the prudent amount of capital required to cover basis risk
- The role of CDB and of 'her partners' oversight and supervision of the program
- The Capitalization and structuring of the Haiti cell and its relationship to the rest of MiCRO.
- The quantity of subsidy extended to clients.
- The level of MiCRO Haiti cell capital supporting this exposure and its adequacy
- The choice of the technical assistance providers to MiCRO (CaribRM, GC; - skill sets, experience) and the contractual arrangements with them
- The choice of housing administrative functions in Fonkoze versus alternatives (primary insurer, third- party administrator, etcetera)

- The requirements of the regulator

CaribRM Research Guide

CaribRM are the outsourced technical experts that support the management of MiCRO, particularly around risk modeling, establishment of payout triggers and assurance of capital adequacy. As such, CaribRM is a key stakeholder in terms of both design and implementation of the MiCRO program, and their input is required to understand a number of key issues related to both quantitative and qualitative data. Through their support and guidance on risk and financial models, the team will endeavor to determine the quantity of subsidy extended to Fonkoze's clients, as well as the adequacy of underlying pricing both to clients and to reinsurers of MiCRO. The team will also undertake interviews with CaribRM to ensure its understanding and approach to the analysis of CaribRM documentation, as well as other key issues like the adequacy of process sharing between CaribRM and other operations stakeholders through MIS systems. The following documents will be required from CaribRM:

- Risk modeling for MiCRO, particularly those that relate to capital adequacy
- Pricing model(s) used to determine pricing of (a) cover provided to Fonkoze/clients and (b) pricing arrangements with reinsurers
- Descriptions of internal operating procedures and procedural manuals for dealing with other operational stakeholders, as available

Key research issues pertaining to this stakeholder include:

- The quantity of subsidy extended to clients.
- The pricing of MiCRO of the aggregator for the coverage in a policy year
- The pricing of the parametric cover by the insurer
- The choice of the technical assistance providers to MiCRO (CaribRM, GC; - skill sets, experience) and the contractual arrangements with them
- Existing and new information systems required (Fonkoze, AIC, MiCRO, CaribRM)
- The issue of determining the prudent amount of capital required to cover basis risk

AIC Research Guide

AIC is described as the local insurance agent and also a local insurance company that plays a role key in developing and distributing the insurance product provided to Fonkoze clients. However, the team requires further clarity on the

Through direct interviews, the team will mostly focus on understanding the nature of the relationship of AIC to the MiCRO program and Fonkoze, including the underlying efficiency of these relationships from both organizational analysis and contractual perspectives. Furthermore, the team will mostly focus AIC's contributions to implementation and execution of MiCRO, particularly any organizational obstacles or challenges arising from both internal capacity and inter-stakeholder relationships/working processes. Finally, the team will undertake a mix of interviews and stakeholder analysis to assess the choice of AIC as the local insurance distributor. Key research issues pertaining to this stakeholder include:

- The relationship and any agreements with the insurance agent (AIC).
- Organizational obstacles and challenges (including availability of adequate staffing of Fonkoze/AIC/MiCRO)
- Existing and new information systems required (Fonkoze, AIC, MiCRO, CaribRM)

- Contractual arrangements, including the choice of AIC as the local insurance distributor

Swiss Re Research Guide

Swiss Re is the reinsurer backing MiCRO, facilitating greater impact-for-money through leverage of MiCRO's own capital base and also playing a key role in the management of MiCRO through pro-bono secondment of the organization's CEO. As such, Swiss Re has a multidimensional relevance to the operations of MiCRO. The team will primarily engage Swiss Re through direct interviews, as well as the provision of some quantitative data that may be provided at Swiss Re's discretion related to risk modeling and capital adequacy. Key research issues pertaining to this stakeholder include:

- The assumption of maximum basis risk exposure of MiCRO in any one policy year
- Earthquake/weather (wind and rain) events (by regional severity) in two years of program, their relationship to long-run average norms
- Expected topographical impact of these events-instances, location and extent of flooding/mudslides
- Realized topographical impact of these events- instances, location and extent of flooding and mudslides
- Reinsurance (parametric claims made by micro and parametric payouts received by micro from reinsurer
- The issue of determining the prudent amount of capital required to cover basis risk
- The coverage offered to the aggregator by MiCRO-policy limits, multiple hazards, multiple events in any one policy year
- The pricing of MiCRO of the aggregator for the coverage in a policy year
- The choice of reinsurer and the reinsurance arrangements providing parametric cover to MiCRO -policy limits, multiple hazards, multiple events in any one policy year
- The pricing of the parametric cover by the insurer
- The structuring of the Haiti Cell and that of the core MiCRO cell to the extent of supporting the Haiti cell
- Accompanying disaster risk reduction/claims mitigation regime; what would have been ideal?

Beneficiary Stakeholders

Fonkoze Client Research Guide

Fonkoze's clients, as the target beneficiaries of the MiCRO experiment, are perhaps the cornerstone stakeholders of the entire evaluation. The underlying purpose of MiCRO is to enhance their resilience to environmental disasters, thereby ensuring better livelihoods and mitigating the blight of poverty on Haitian small businesses. As such, the team will focus a great deal of effort on teasing out the nuance of client experience in terms of the stated objectives of MiCRO on their resilience. Through focus groups, the team will work to address key research questions. Specific questions and research methods for these focus groups will be developed in advance, guided by the key research focal areas for this stakeholder group. Key research issues pertaining to these stakeholders include:

- The product offered by the SFF to its clients in terms of financial value and other benefits to clients in the event of a claim, as well as the nature of claims covered/not covered
- Marketing program by aggregator/local distributor

- Behavioral aspects of clients
- The unanticipated outcomes and any other outcomes of relevance to the program
- Evidence that MFI clients as a result of the program were more 'resilient' than without the program, in particular the ability of clients to maintain livelihoods post-disaster
- The features of the program design and implementation that so far have worked well? - In order of importance for MiCRO, for Aggregator (Fonkoze), MFI (Fonkoze) clients, for other participants/partners? Why did they work well?
- The features of the program design and implementation that have not worked well in order of importance for MiCRO, for Aggregator (Fonkoze), MFI clients, for other participants/partners? Where were the shortcomings?
- The suitability of the program design as an experiment/a social endeavor to alleviate poverty in Haiti.
- Pricing of product affordability as percentage of discretionary income and therefore affordability
- Physical environment
- Financial/budget limitations
- Necessary modifications to be made to the program as it goes forward in order for it to be implemented more effectively
- Claims paid by aggregator to clients- speed of payment to clients
- Satisfaction of clients with amount of claims payment, speed of payment
- Clients' wishes for continuation of coverage – how many would enroll if program continued on voluntary basis

ANNEX D: BIBLIOGRAPHY

2011 Fonkoze Catastrophic Insurance Report to MiCRO

Agreement Amending Grant Agreement between Caribbean Development Bank and Microinsurance Catastrophe Risk Organization SCC. Grant Number GA 9/HAI. Caribbean Development Bank. July 12, 2013.

Audited Financial Statements and Independent Auditor's Report for The Year Ended September 30, 2013 and The Nine Months Ended September 30, 2012. Fonkoze S.A and Subsidiary. Port Au Prince, Haiti.

Board Meeting Minutes. MiCRO Board of Directors. Multiple dates [2011-2014].

Catastrophic Event: Following the claims process from the Client perspective (Fonkoze)

Catastrophic Event: Following the claims process from the Client Perspective (Fonkoze). PowerPoint Slide.

Claims Committee Regulations. MiCRO Insurance Catastrophe Risk Organisation SCC

DFID: Haiti Micro-Insurance Risk Transfer Support Project. Report 1: Scenario analysis of 12 January earthquake impact on Fonkoze portfolio. CaribRM. 9 March 2010

DFID: Haiti Micro-Insurance Risk Transfer Support Project. Report 2: Summary Report and Recommendations. CaribRM. 25 June 2010

DFID: Haiti Micro-Insurance Risk Transfer Support Project. Summary Report. CaribRM. 6 August 2010

Dlugolecki, Andrew, Ripin Kalra and Reinhard Mechler. Caribbean Catastrophe Risk Insurance Facility (CCRIF): An independent review in 2012 commissioned by DFID and CIDA.

Elements of Kore W & Reinsurance Redesign. August 7, 2014

Evaluation of First-Year Results: Fonkoze's Kore W Natural Catastrophe Insurance for Haitian Micro-Entrepreneurs. Fonkoze. May 2012.

Fonkoze Portfolio Data as reported to Microfinance Exchange. Database Downloaded from MIX Market. 2000-2010.

Fonkoze Rainfall Parametric. Data, Rating, Discussion and Ideas for Improvement.

Fonkoze, Our History. A Bank the Poor can Call their Own: A history of Fonkoze - Haiti's Alternative Bank for the Organized Poor.

Grant Agreement between Caribbean Development Bank and Microinsurance Catastrophe Risk Organization SCC. Grant Number GA 9/HAI. Caribbean Development Bank. November 1, 2011.

Grant Agreement between Microinsurance Catastrophe Risk Organization and International Finance Corporation. Dated: December 21, 2012. Project No. 599059.

Grant Agreement Corrigendum #1 to Grant Agreement between Caribbean Development Bank and Microinsurance Catastrophe Risk Organization SCC. Grant Number GA 9/HAI. Caribbean Development Bank. July 12 2012.

Grant Agreement Corrigendum #2 to Grant Agreement between Caribbean Development Bank and Microinsurance Catastrophe Risk Organization SCC. Grant Number GA 9/HAI. Caribbean Development Bank. July 12, 2013.

Haiti: Catastrophe Microfinance Facility. Hazard EP Data and Pricing Estimate. CaribRM. 10 October 2010

Hastings, Anne H. and Tappendorf Tyler, Fonkoze Financial Services, Haiti. Standing Firm with Clients When Disaster Hits: Fonkoze's Catastrophe Microinsurance Program. April 2013

Hastings, Anne H.: Shocks in the lives of the Most Vulnerable: Protecting Assets, Preventing Over-Indebtedness, Fonkoze. March 2013.

Hazell, Peter, Jamie Anderson, Niels Balzer, Andreas Hastrup Clemmensen, Ulrich Hess and Francesco Rispoli. The Potential for Scale and Sustainability in Weather Index Insurance for Agriculture and Rural Livelihoods. World Food Program & International Fund for Agricultural Development. March 2010.

Implementation Completion and Results Report on a Grant...to the Caribbean Catastrophe Risk Insurance Facility. Document of the World Bank. July 12, 2012.

Innovation Grant - Final Report. Fonkoze. Kore W - Catastrophe insurance for microfinance clients.

Insurance for smallholder farmers and vulnerable households against catastrophic events: Guiding principles for donors and governments. Swiss Agency for Development and Cooperation.

Kore W Procedure: Loan Cancellation [translated]

Kore W: 2012/13 Coverage Overview

Learning Journey. Fonkoze. Kore W - Catastrophe insurance for microfinance clients. September 2013

Martín Xavier, Barbara Magnoni, and Laura Budzyna of EA Consultants, with support from the ILO's Microinsurance Innovation Facility. A Cost-Benefit Analysis of Fonkoze's Kore W Product. January 15, 2013.

Memorandum for Fonkoze S.A. and SFF Board of Directors from MiCRO Subcommittee through the CEO: Parametric Insurance Policy Renewal. 18 April 2014.

Mercy Core Product Redesign Proposal

MiCRO Basis Risk Analytics, Summary, 14 February 2011

Micro Insurance Catastrophe Risk Organisation (Haiti) Fund – Haiti including Corrigendum. Caribbean Development Bank Board Paper #BD 65/11. Caribbean Development Bank. July 18, 2011.

Micro Insurance Catastrophe Risk Organisation (Haiti) Fund – Haiti. Caribbean Development Bank Board Paper #BD 65/11 add 1. Caribbean Development Bank. December 12, 2012.

MiCRO Novation Agreement. 15 February 2011

MiCRO Parametric Coverage: Calculation Definitions & Methodology. 8 February 2011

MiCRO Parametric Risk Analytics, Summary, 31 January 2011

MiCRO Quarterly Reports. Marsh Management Services (Barbados) Limited, Administrative Manager, MiCRO. 2012, 2013 and 2014

MiCRO Results Logical Framework. DFID Program Documentation. DFID.

MiCRO: Description of Basis Risk Treatment. 14 February 2011

Microinsurance Catastrophe Risk Organisation (MiCRO - Haiti). Program Brief for Website. International Finance Corporation.

<http://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/industries/financial+markets/retail+finance/insurance/micro>

MILK Brief #15: "Doing the Math" - Catastrophe Insurance in Haiti. Microinsurance Learning and Knowledge.

Minutes of a meeting of the board of directors of MiCRO Insurance Catastrophe Risk Organisation SCC ("the Company"). 18 July 2011 up to 18 December 2013.

Minutes of first organisational meeting of the board of directors of MiCRO Insurance Catastrophe Risk Organisation SCC ("the Company"). March 29, 2011.

Minutes of the second organisational meeting of the board of directors of MiCRO Insurance Catastrophe Risk Organisation SCC ("the Company"). March 29, 2011.

Operations Manual: MiCRO Insurance Catastrophe Risk Organisation SCC

Operations Protocol: MiCRO Basis Risk Claims Committee.

Parametric Catastrophe Insurance Policy issued to Sèvis Finansye Fonkoze, S.A., Port-au-Prince, Haiti by Alternative Insurance Company S A (AIC).

Parametric Catastrophe Reinsurance Agreement, effective February 15, 2011 issued to Alternative Insurance Company S A, Port-au-Prince, Haiti by Microinsurance Catastrophe Risk Organization SCC. Addendums 1, 2 & 3.

Parametric Catastrophe Retrocession Agreement issued to Microinsurance Catastrophe Risk Organization SCC by SwissRe Reinsurance Company, Ltd (Canadian Branch). July 14, 2011

Parametric Claim Guidelines: MiCRO Claims Guidelines

Pierro, Rachele. Does Disaster Insurance Have a Role in Climate Change Adaptation? Article published by Christian Aid. June 2010.

Pierro, Rachele. Micro-Insurance & DRR: Challenges and Opportunities in the Context of Climate Change. Christian Aid. 2008.

Proposal to Redesign Kore W Program and Related Reinsurance.

Reducing Disaster Risks by providing catastrophe insurance for Fonkoze's Micro credit clients in Haiti. DFID Intervention Summary [as Annex to Board Document]. DFID.

Reducing Disaster Risks by Providing catastrophe insurance for Fonkoze's Micro credit clients in Haiti (ARIES Project 202172). Project Completion Review (EDRM#: 4288578). Internal Document. Department for International Cooperation. April 2014.

Results and Impact Report - December 31, 2013. Marsh Management Services (Barbados) Limited, Administrative Manager, MiCRO. July 1, 2014

Reusche Gary, Andriy Zaripov: GIFF Mission Report. February 2013

Review of 2011 TRMM Raw Rainfall and Rain-related Claims Data. CaribRM, 24 January 2012

Semiannual Report June-November 2013. The Caribbean Catastrophe Risk Insurance Facility.

Sèvis Finansye Fonkoze, S.A. - Organizational Structure. May 2014

Share Register. MiCRO Catastrophe Risk Organization SCC.

Solana, Miguel and Alice Merry. Case Brief: Fonkoze. Microinsurance Innovation Facility, International Labour Organization.

Success Story: AIC and Fonkoze Invest in the Microinsurance Sector in Haiti. United States Agency for International Development.

Suggested KoreW Redesign Options. MiCRO|Fonkoze|April 1, 2013 Renewal. February 13, 2013

Trust Fund Administration Agreement between the United Kingdom of Great Britain and Northern Ireland, Acting through the Department for International Development (DFID) and the Caribbean Development Bank concerning the Micro Insurance Catastrophe Risk Organization (Haiti) Fund. Letter and Trust Agreement. Caribbean Development Bank. September 30, 2011.

Unaudited Financial Statements. MiCRO Insurance Catastrophe Risk Organisation SCC - Cell A.
Marsh Management Services (Barbados) Limited. September 12, 2012 to June 30, 2013.

ANNEX E: SUMMARY OF OTHER STAKEHOLDERS

1.1 Reinsurance Stakeholders

1.1.1 The Microinsurance Catastrophe Risk Organization

MiCRO was established as a segregated cell company (SCC) under the Companies Act, Cap 308, of Barbados. The essential characteristic of an SCC is the segregation of multiple accounts or cells, as applicable, so that assets and liabilities designated or attributable to a particular account or cell can be kept separate from those designated to any other account or cell and from the general assets of the company. As a result, investors can benefit from having one or more companies within a company – a structure that can afford significant advantages in the context of insurance.

The underlying logic in favour of using an SCC is that a single legal entity can be used for multiple investments, but with the facility to ring-fence each investment as to underlying assets, income and exposure to liability. This provides a safer investment environment but keeps costs down (as compared with the method of ring-fencing investments by putting each one into a separate vehicle). These structures are therefore ideal for asset pooling in insurance business. In addition where the structure is utilized by entities intended to be engaged in an insurance business, such entities must be licensed in each case by the relevant regulatory authority in Barbados. In so doing they benefit from Barbados' reputation as a well regulated, transparent jurisdiction which has been recently endorsed by the OECD as compliant with the internationally agreed tax standard on exchange of information.

1.1.2 Marsh

Marsh is an international company that specializes in insurance broking and risk management around the world. Marsh was founded in 1871 and has a strong reputation for competence in insurance management. Within the MiCRO program, Marsh's role was that of the Administrative Manager. The following excerpt from terms of reference¹ broadly summarizes this role:

The Administrative Manager, licensed and recognised as a Captive Manager under Barbados Law, reports to the Board regarding the corporate governance, financial management and regulatory requirements of MiCRO. The Administrative Manager will be the member of MiCRO's operations team responsible for accounting, regulatory compliance and company secretarial services to the Board.

1.1.3 CaribRM

¹ Terms of Reference, Administrative Manager. Operations Manual: Annex 1 – Terms of Reference for Service Providers. MiCRO Operations Manual. v1.0, 12 February 2012 by CaribRM.

CaribRM is a regional expert in hazard and risk modeling, business analytics, GIS-based data management systems and risk surveying. They have worked extensively on disaster modeling and risk mitigation programmes throughout the Caribbean, and they often work hand-in-hand to design risk transfer schemes with (re)insurance brokerages, governments, development agencies and regionally prominent companies.

CaribRM played a key role in the initial design of the MiCRO program, particularly in terms of the risk modeling and recommendations for the pricing structure for the hybrid product issued by MiCRO that is further described in Section **Error! Reference source not found..**

1.1.4 Guy Carpenter

Guy Carpenter is a globally recognized risk analytics and reinsurance brokerag firm that has been actively providing such services since 1922. Among other areas, they are active in the appraisal of business potential in microinsurance, and they identify themselves as playing a five-part role in the expansion of microinsurance provision around the globe; of particular relevance to MiCRO are their self-identified roles in improving stability and sustainability of microinsurance operations and their spearheading of new product development for microinsurance markets.²

Guy Carpenter also played a role in the initial design of the program, and they were retained as the reinsurance broker for MiCRO. The MiCRO operations manual also provides terms of reference³ for the reinsurance broker, which outline the basic role of any broker engaged by a reinsurer with the exception that they allow for securing cover either through the traditional reinsurance market or through alternative risk transfer markets. The terms or reference also state that the broker is expected to support premium processing and analytical support for risk modeling, as necessary.

1.1.5 SwissRE

SwissRe is one of the largest international reinsurance companies in the world, and has been in operation since 1863. With 28 billion in premiums earned and fee income in 2013,⁴ SwissRe represents a substantial amount of global capital oriented towards insurance. SwissRe is also actively pursuing the expansion of microinsurance both as a new market and as an opportunity to leverage its global expertise for corporate social responsibility.

As the reinsurer, SwissRe assumed the risk within the parametric portion of the hybrid product provided by MiCRO. Stakeholders report that SwissRe did not develop independent risk models but rather applied their own pricing methodology to the original parametric coverage provided

² What is the Real Potential of Microinsurance. Guy Carpenter. Via Guy Carpenter Website <<http://www.guycarp.com/content/guycarp/en/home/business-growth/microinsurance.html>>

³ Terms of Reference, Placing Broker. Operations Manual: Annex 1 – Terms of Reference for Service Providers. MiCRO Operations Manual. v1.0, 12 February 2012 by CaribRM.

⁴ 2013 Key Figures Comparison – 2013 in Review. SwissRe. Via SwissRe website <<http://reports.swissre.com/2013/servicepages/keyfigurescomparison.html>>

to MiCRO. Under the current structure, SwissRe reinsures the full parametric policy, which is discussed in detail in Section **Error! Reference source not found.**

1.2 Donor Stakeholders

The donors engaged in the MiCRO program are numerous given the scale of the operation. Only one donor—Mercy Corps—has provided substantial capital directly to the MiCRO program. Other donors have engaged through operational stakeholders or other structures, such as trust funds, in order to provide support to the program. All donors have supported or directly provided some measure of technical assistance as well.

1.2.1 Department for International Development

The Department for International Development (DFID) is the UK's bilateral development agency, charged with undertaking development programmes in line with the UK government's international development policies. In the wake of the 2010 earthquake, the UK sought to provide substantial support to Haiti's recovery both in terms of disaster recovery aid as well as support to building resilience to the effects of catastrophes for Haitians, particularly those most vulnerable to the effects; DFID provided GBP 20 million to emergency humanitarian assistance and GBP 2 million to disaster risk reduction (DRR), GBP 955,000 of which was allocated to a multi-donor trust fund in support of the MiCRO program, with the underlying beneficiaries being SFF's microfinance clients.⁵ DFID has provided no follow-on support to the program, and their role in the governance mechanisms of the MiCRO program have been deferred to the CDB acting as trustee of the resources DFID contributed to the multi-donor trust fund.

1.2.2 Mercy Corps

Mercy Corps was founded in 1979 and later re-incorporated in 1981 to provide emergency support to people in hardship situations, particularly natural disasters, war and systemic persecution. Mercy Corps is based in the US but serves causes globally. Mercy Corps first engaged in microfinance in 1989, which has evolved into a global program that has loaned up to "USD 1.5 billion to help low income customers build small businesses and support their families."⁶

Mercy Corps was the original technical partner with SFF in the creation of an insurance scheme to support SFF's clients. This insurance scheme was piloted to 500 women on a retroactive cover basis after the 2010 earthquakes, and they received a full pardon from outstanding debts along with access to a new loan and HTG 5,000 (USD 124 at the time) for immediate family needs.⁷ This model became the template for *Kore W* once additional partners were brought to the program. Mercy Corps is also the co-owner of the MiCRO SCC, the details of which are

⁵ Reducing Disaster Risks by Providing Catastrophe Insurance for Fonkoze's Micro Credit Clients in Haiti (ARIES project 202172). Project Completion Review (EDRM #: 4288578), April 2014.

⁶ Our History. Via Mercy Corps website <<http://www.mercycorps.org/about-us/our-history>>

⁷ Wildermuth, Erin. "Insuring Haiti's Small Businesses," 19 April 2011. Via Mercy Corps website <<http://www.mercycorps.org/articles/haiti/insuring-haitis-small-businesses>>

presented in Section **Error! Reference source not found.**. In addition to their role as co-owner, Mercy Corps provides ongoing pro-bono organizational support in the form of a seconded technical representative.

1.2.3 Caribbean Development Bank

With regard to the MiCRO program, the CDB's initial role was to serve as the trustee of the multi-donor trust fund established to support the establishment of MiCRO, to which DFID was the sole initial contributor. Among other things, the role of trustee included fiduciary oversight of the contribution made by DFID, including engagement with MiCRO in a grant agreement to provide grant resources against specific needs faced by MiCRO. The primary intended use of the trust fund resources was a capital base to support MiCRO's assumption of basis risk within the hybrid product provided to SFF.

1.2.4 The Swiss Agency for Development and Cooperation

The Swiss Agency for Development and Cooperation (SDC) is the bilateral aid agency of Switzerland that coordinates development activities and cooperation outside of the Swiss Federation. In 2011, SDC mobilized CHF 1.7 billion for various development programmes, the majority of which went to development cooperation.⁸

In terms of MiCRO, SDC sought to support the development of the program through provision of grant resources. Stakeholders indicated that SDC had a strong preference to engage directly in Haiti rather than operating through out-of-country mechanisms, so SDC's initial support was provided as a grant to FKZ in order to facilitate acquisition of preference and common shares in MiCRO SCC, following a small preceding grant from USAID that provided the initial investment capital for FKZ to invest in MiCRO. Part of the reason that SDC used to justify direct support to MiCRO through SFF and FKZ was because of an inability to develop a coordinated approach with other donors through the multi-donor trust fund managed by CDB.

1.2.5 Microinsurance Innovation Facility

The Microinsurance Innovation Facility is a special resource pool that supports innovation in microinsurance around the globe. The Facility is housed at the International Labour Organizations Social Finance Program. The Facility was launched in 2008 by support provided by the Gates Foundation; following contributions have been provided by a number of donors.

The Facility has provided technical assistance to the development and further examination of the *Kore W* product, interacting directly with SFF. A small grant from them supported initial operationalization of *Kore W* in 2011, and the provision of a consulting team in 2012 supported a detailed examination of costs and benefits of *Kore W* from the SFF perspective.⁹

⁸ Overview of SDC Expenditures 2009-2013. Via SDC website <http://www.sdc.admin.ch/en/Home/About_SDC/Facts_and_figures/SDC_expenditures>

⁹ Martin, Xavier, Barbara Magnoni and Laura Budzyna. A Cost-Benefit Analysis of Fonkoze's *Kore W* Product. For Anne Hastings of Fonkoze, 15 January 2013.

1.2.6 International Finance Corporation

The IFC, a member of the World Bank Group, was not initially engaged in the MiCRO program when it started, but joined the MiCRO stakeholder network in late 2012 through its Global Insurance Index Facility to provide a premium subsidy to reduce the direct cost of parametric cover provided to SFF by MiCRO. This subsidy covers approximately 50% of the premium charged to SFF. Through this support, IFC has further engaged with MiCRO stakeholders, particularly with SFF, to explore more robust portfolio risk modeling techniques.