



Promoting the Mutuality Approach to Microinsurance in Asia and the Pacific

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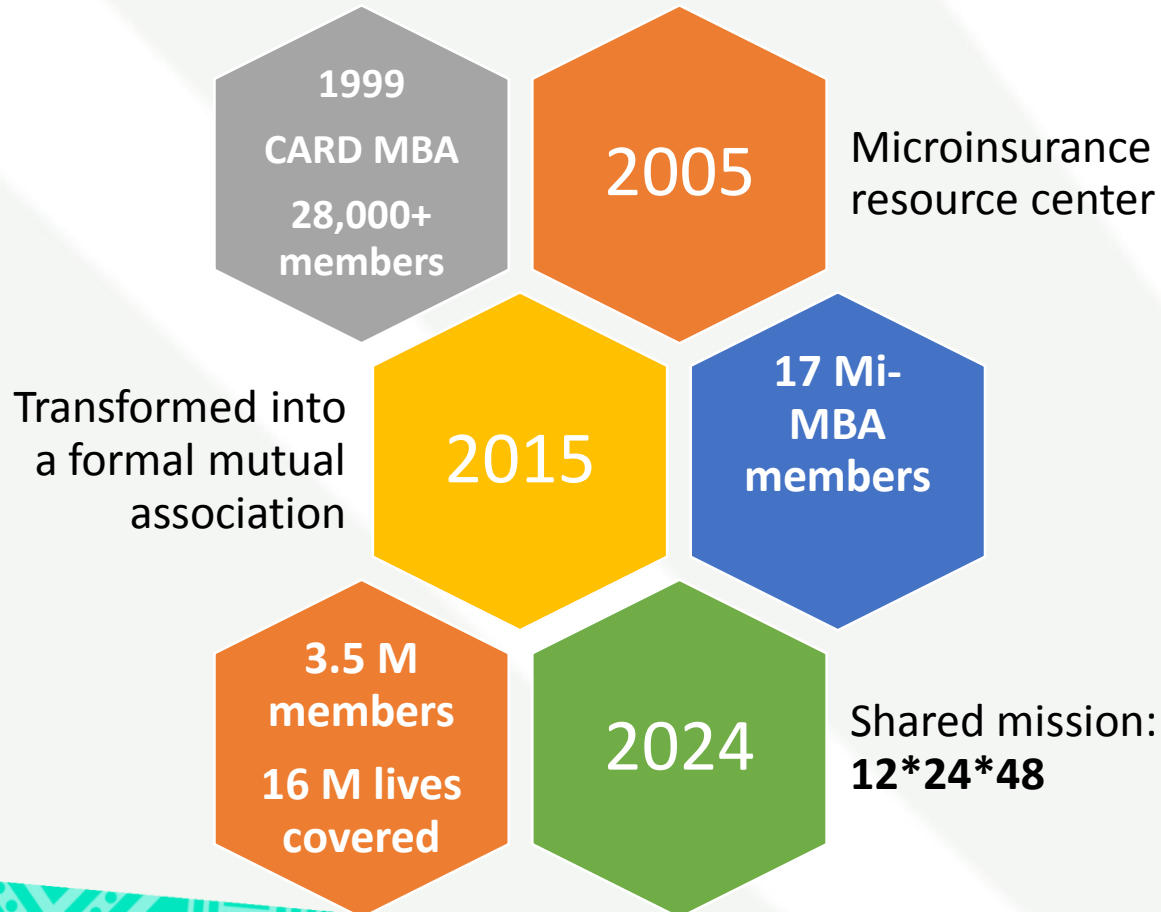
Executive Director

Microinsurance MBA Association of the Philippines (RIMANSI)

Brief Profile: Philippines

- Population: 100.98 million
- Poverty Incidence (Population): 26.3%
- GDP: 6.9% (2016Q1)
- 7,107+ islands
- Average of 20 typhoons a year
- No. 3 most natural hazard-prone country
- 74% of the population is vulnerable to natural disasters
- Among the top 20 countries likely to be most adversely affected by climate change

The Association (RIMANSI)



Mutual Microinsurance Sector Development

- Developed business development support services: MBA establishment, performance management, R&D, pooled services
- Established partnerships: Technical & financial
- Policy and advocacy work: regulators, social entrepreneurs, general public
- Meet market's effective demand: highly iterative product development process

• ***R.A. No. 10607 (2013): Chapter VII, Title 1, Sec. 403 of the Insurance Code of the Philippines***

Mutual Benefit Associations

“Any society, association or corporation, without capital stock, **formed or organized not for profit** but mainly for the purpose of **paying sick benefits to members**, or of **furnishing financial support to members while out of employment**, or of **paying to relatives of deceased members of fixed or any sum of money**, irrespective of such aim or purpose is carried out by means of **fixed dues or assessments collected regularly** from the members, or of providing, by issuance of the certificates of insurance payment of its members of accident or life insurance benefits out of such fixed and regular dues or assessments ...”

Mi-MBA Legal Framework

Elements of the Microinsurance MBA Business Model

Condition for Business Success	Our Basic Business Model
<p>1. Superior Value for Customer leads to:</p> <p>Customers buy in Customers stay loyal</p>	<p>Easy access 1-3-5 Affordable premiums</p>
<p>2. Better Resources Business has the resources to offer superior customer value</p>	<p>Partner Agent relationship with MFI/Credit Co-op Trust of members</p>
<p>3. Better Operations Business operations use resources to deliver better services and products</p>	<p>Member recruitment, Claims processing, easy collection, MIS, good governance and management that may be performed by 3 staff</p>
<p>4. Profit/Surplus Formula</p>	<p>Low overhead</p>

Source: Casals, C. 2011

RIMANSI Network of Mi-MBAs and Microinsurance Providers in Asia Pacific



The Mutuality Advantage

Key Areas	Mutual Model	Commercial Model
Governance	Member owned, governed	Majority stockholders rule
Orientation	Maximize benefit	Maximize profit
Market	Low-income households, common bond	General public
Price-benefit	Level contribution, benefit	Based on price, desired coverage
Claims settlement	Capacity to pay claims within 1-3-5 days from notice	Claims payment within 10 days after completion of required documents

Risk-managing Financial Services

- A bundle of services designed to protect members and cushion the impact of loss due to risk exposure
- Reducing vulnerability, improve ability to deal with risks
- Easy access to lump sum funds

Risk-managing Financial Services

Financial service	Risk-managing feature	Used to finance...
Regular Savings Flexible CBU	Disciplined fund build-up Withdrawable for easy access	Emergencies requiring small money Supplement unforeseen expenses
Microfinance loan	Quick access to additional funds	Emergencies Supplement unforeseen expenses Additional capital
Retirement savings	Source of cash after termination of membership	Old age expenditures Income loss
Equity value savings	Source of cash after termination of membership	Old age expenditures Income loss Buy extended insurance cover

...for more predictable risks

Risk-managing Financial Services

Financial service	Risk-managing feature	Used to finance...
Basic life insurance plan	Income replacement for death, disability	Funeral expenses Income loss Continue, re-start business
Credit life insurance plan	Risk coverage for taking a loan	Outstanding loan balance Funeral expenses
Over-aged insurance plan	Covers after exit from basic life plan to age 100	Funeral expenses
Daily hospital income benefit plan	Source of cash for hospital confinement	Hospital-related expenses Income loss
Non-life insurance	Residential house coverage Accidental death, funeral benefit	Rebuilding house after calamity Funeral expenditures

...for more unpredictable risks.

Mi-MBA Risk Pooling

CatXoL Reinsurance

- Ceed catastrophe risks to Reinsurer
- Group treaty, cheaper
- Trigger – 30 deaths and Php 1 million amount of claim for a single event
- Reinsurance claim up to Php 20 million per event

Mutual Security Fund

- Mi-MBAs contribute to a trust fund
- Trigger – bankruptcy of participant Mi-MBA
- The Fund will pay unpaid claims obligations
- Ensuring not to use Fund – early warning performance monitoring by FRRC

Moving Forward

- Policy to reduce non-life insurance tax
- Develop new distribution channels within villages – Sari-Sari Stores
- Investment management support services
- Technical assistance for appropriate management information systems
- Strengthen credit with education program

Supported by:



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