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5-5-5 Mutual Microinsurance Strategy

Building resilience in vulnerable communities

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Presentation overview

- Microinsurance and resilience
- ICMIF's strategy to develop mutual microinsurance

How is microinsurance linked to resilience?

Microinsurance and building resilience through the SDGs

- **SDG 1 – End Poverty**
- **SDG 2 – End hunger**
- **SDG 3 – Ensure healthy lives**
- **SDG 4 – Education**
- **SDG 5 – Gender equality**
- **SDG 8 – Economic growth**
- **SDG10 – Reduce Inequality**
- **SDG 13 – Climate Change**
- **SDG 16 – Inclusive societies**

Microinsurance & building resilience against climate change

(March 2015) UN Sendai Agreement on Disaster Risk and Resilience explicitly requires all UN countries to promote mechanisms for disaster risk transfer and insurance, risk sharing and retention ...to reduce the financial impact of disasters on Governments and societies in urban and rural areas

(June 2015) - G7 Climate Risk Insurance Initiative 'InsuResilience' to increase the number of people benefiting from direct and indirect insurance covering the negative impacts of climate change induced hazards in low and middle-income countries by up to 400 million by 2020.

(Dec 2015) The Climate Change Agreement (COP 21) on contains provision to establish a clearing house for risk transfer and the implementation of comprehensive risk management strategies

The mutual advantage in microinsurance

- Proximity to policyholder
- Responsive to clients needs
- Member-owned
- Maximize client value
- Insurance-plus approach
- Addressing market failure
- Inclusive and democratic
- Empowering the individual
- Community-based
- Long-term perspective
- Cooperating for the common good



Empowering communities: Decision-making in a claim settlement meeting with Uplift Mutuals in tribal Rajasthan, India

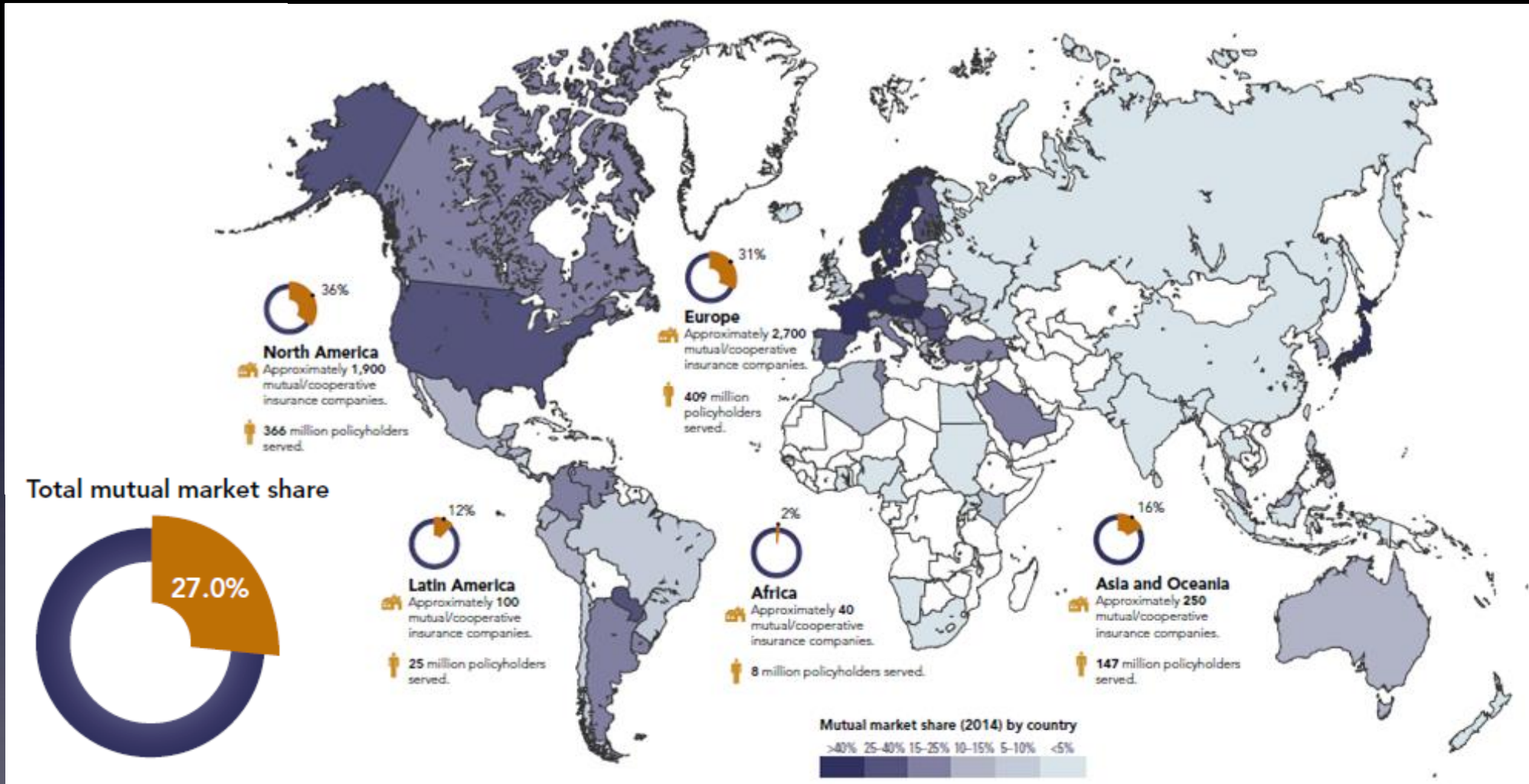
Mutual and cooperative insurers in emerging markets

- ✓ Premiums grew by 115% between 2007 – 2014
- ✓ Serve 77 million members (2014 figures)
- ✓ 85,000 people employed (2014 figures)

- In emerging markets there are some very good examples of mutual insurers offering valuable services to low-income households
- However, the majority have been hindered from reaching their full potential scale

ICMIF Global Mutual Market Share 2014, published in March 2016

The mutual and cooperative insurance market



What are the *challenges*?

- Changes in legislation/regulation
- Strict licensing requirements
- Lack of working capital
- Shortage of technological systems
- Lack of technical assistance
- Product dissemination and education
- Reinsurance of high risk microinsurance products
- Low insurance penetration
- Unstable economic conditions
- Political instability

ICMIF's strategy to develop mutual microinsurance

Educate

Enable

Empower

Educate

- **Creation of a Knowledge hub**
 - **Market reports**
 - **Best practices**
 - **Emerging market MMS report**
 - **Dedicated communication strategy**
- **Advocacy strategy**
 - **ICMIF Membership**
 - **Global Forums**
 - **Donor community**
 - **Regulatory authorities**

Enable

The ICMIF 5-5-5 Mutual Microinsurance Strategy

- In January 2015, ICMIF's Development Committee adopted the *5-5-5 Mutual Microinsurance Strategy* to develop mutual insurance in emerging markets
- Over **five** years, ICMIF plans to develop mutual microinsurance in **five** emerging markets, reaching out to **5 million** uninsured low-income households, ie an additional 25 million people



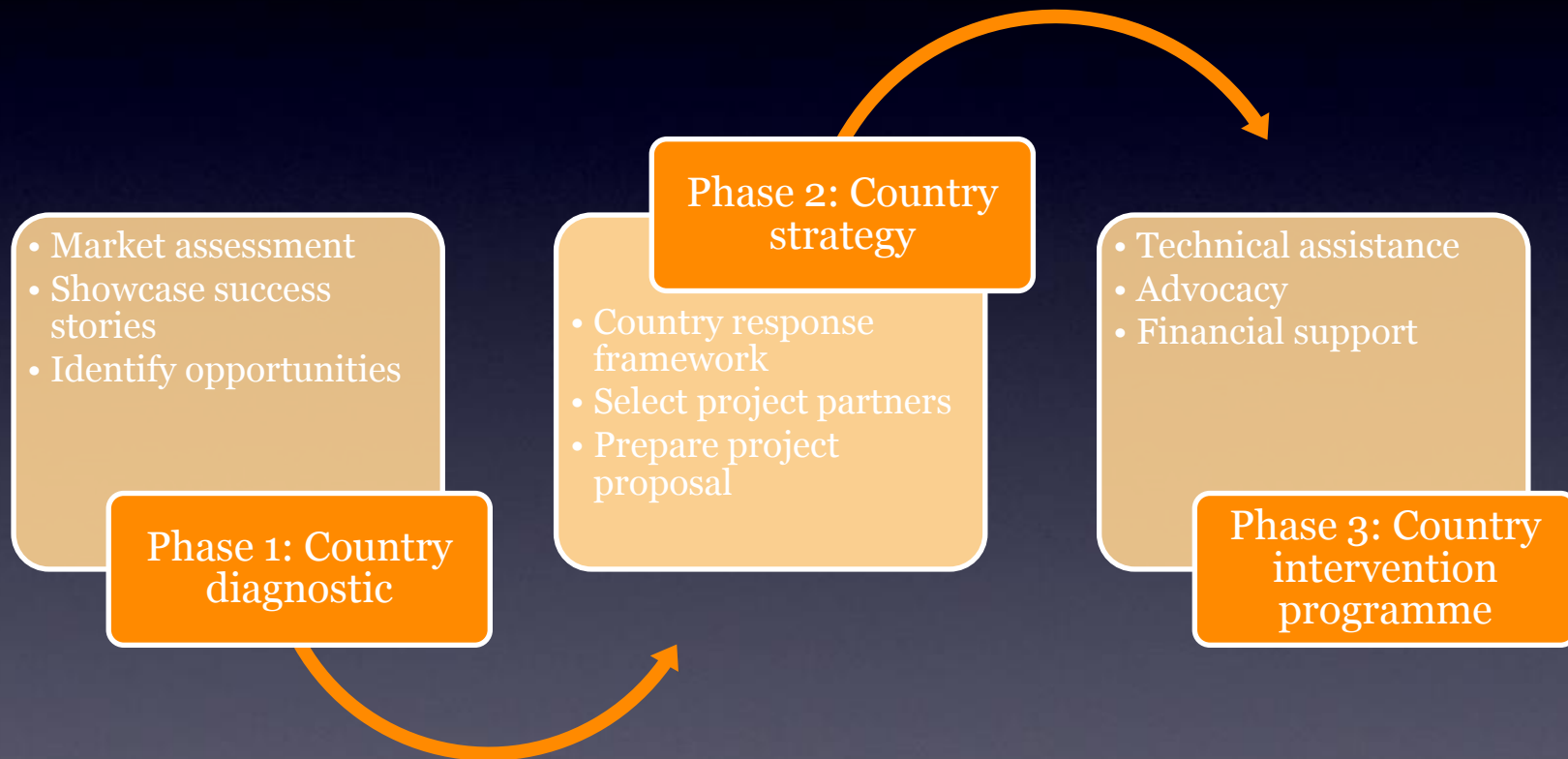
Selection of emerging markets



The five countries taking part in the project (**Colombia, India, Kenya, the Philippines** and **Sri Lanka**) were selected using (amongst others) the following criteria:

- ✓ A country that is a frontrunner in microinsurance
(ie large microinsurance markets, underserved populations and high incidence of poverty)
- ✓ Local ICMIF member(s) has a strong “on-the-ground” presence
- ✓ Local ICMIF member(s) has capacity to develop and implement a country programme
- ✓ Strong local research capacity for collaboration

A three phase approach



Focus on mutual to mutual support



1. It is **in the DNA of the mutual** to address the needs of vulnerable and excluded communities
2. Opportunity to help create a **meaningful, long-term impact**, using member's core expertise of insurance
3. Provides high potential employees with a **challenging and meaningful assignment**
4. Access to innovations which could prove relevant for domestic market business operations
5. Ensure that the 5-5-5 intervention **stays true to its mutual mission** and reaches out to vulnerable communities
6. Develop **long-term partnerships between members**

5-5-5 strategy – project update



In April 2015, the country diagnostic study was launched in both **the Philippines** and **India**. The first country intervention will start in India on 11 August 2016.

The country diagnostic studies in **Kenya**, **Sri Lanka** and **Colombia** were launched in 2016

The Philippines: country diagnostic findings



- The Philippines has the **fastest growing** microinsurance industry in Asia
- Growth has largely been driven by a **favourable regulatory environment** - guaranty fund and capitalization requirements were lowered, providing space for the rise of Mutual Benefit Associations (MBAs)
- **Mutuals played a significant role** in the expansion of microinsurance in the Philippines. Of the 28.1 million lives covered in 2014, almost three fourths (71%) were contributed by mutuals
- **A large portion** of the potential market for microinsurance in the Philippines **remained largely untapped** - 58% (equivalent to 38.7 million low-income Filipinos) remain unserved
- The Philippines is the second most disaster prone country in the world – in recent typhoons (eg Yolanda, 2013), microinsurance provided quick funds for immediate relief work and bridged the gap until other sources were available

*The Philippines: **country strategy***



- ICMIF will work with **RIMANSI**, an association of Microinsurance-MBAs (MI-MBAs)
- RIMANSI in turn will support 3 large MBAs – CARD MBA, K-MBA and ASKI. It will also work on capacity building of 14 smaller MBAs
- **RIMANSI will work with MBAs to build their capacity**, improve products and services and thereby extend the provision of life insurance, credit life and retirement savings to more urban and rural poor across the Philippines
- Through the 5-5-5 project, the MBAs in the Philippines aim to issue **an additional 1 million life insurance policies, covering 5 million people** (beyond their organic growth). The MBAs will use their respective parent MFI for marketing and distribution of services

*The Philippines: **project requirements***



Total project costs	USD 1,428,936
<i>Total financial assistance required</i>	<i>USD 656,436</i>
<i>Value of technical assistance required</i>	<i>USD 534,344</i>
<i>In-kind contribution from RIMANSI</i>	<i>USD 238,156</i> <i>(16.7% of total project costs)</i>

To commence the project:

USD 308, 341 (first year's financial assistance of USD 162,279 and USD 146,062 of technical assistance)

Project outreach:

1 million new polices covering 5 million lives over 5 years

India: country diagnostic findings



- **Microinsurance is still in its infancy in India**; only 9% of the population is covered under microinsurance and the sector has been able to tap only 14.7% of the potential market for microinsurance
- **Mutual insurance is not regulated** by the insurance regulator in India. The Mutual, Cooperative and Community Organization (MCCO) space is still very small. There are 15 mutuals and cooperatives, across 13 States, providing insurance services to more than 1 million people
- **Most work with poor communities**, building an inclusive, bottoms-up risk reduction model where low-income families get a say in design and delivery
- **The potential of developing mutuals is huge in India** with about 600,000 cooperatives in the country and a membership of over 250 million
- The country intervention will be implemented in India in a phased approach

India: *country strategy*



- **In the first phase**, ICMIF will support **Uplift Mutuals** to set-up its health network and expand its outreach to new communities. Uplift is the only full mutual in India with a sustainable business model
- Through the 5-5-5 project, Uplift proposes to create an **entire health ecosystem** to provide health insurance and access to affordable and quality healthcare.
- The project will become financially sustainable from Year 5 and cover over half a million individuals
- The benefits of this ecosystem will have an impact beyond the five-year project horizon and be able to provide health insurance to **an additional 1.4 million poor individuals between years five and ten**
- The India intervention also includes formulation of a clear and comprehensive **advocacy strategy** to create an enabling policy environment for mutual
- The **project** is due to commence on **11 August 2016**

India: Project Partner

- Uplift Mutuals has provided **health insurance** to over **200,000 urban and rural poor** in India in a sustainable manner
- In 2014, 3 million INR was saved in claims due to Uplifts system
- Uplift's current policyholders comprise of the low-income population who earn around **USD 2-6 per day** and are increasingly vulnerable to the impact of climate change
- Uplift has invested in setting up a **multi-tier healthcare access system** which includes dedicated outpatient services and a **24x7 helpline managed by doctors**



Uplift Mutuals health awareness session in progress

India: requirements phase 1



Total project costs (financial + technical assistance + in kind support from Uplift)

USD 1,446,236

Total financial assistance required

USD 913,736

Value of technical assistance required

USD 295,500

In-kind contribution from UPLIFT

USD 237,000

(16.4% of the total project costs)

To commence the project:

USD 502, 950 (first year's financial assistance of USD 389,450 and USD 113,500 of technical assistance)

Project outreach:

202,198 policies providing health insurance to 525,700 low-income people over five years

India: *country strategy phase 2*



In the second phase, ICMIF will support **DHAN Foundation** and **The Goat Trust**:

- **DHAN Foundation: projection over five years**
 - **Life Insurance:** 750,000 policyholders
 - **Livestock Insurance:** 20,000 policyholders
 - **Yield indexed crop insurance:** 50,000 policyholders
 - **Health insurance:** 350,000 policyholders
 - **TOTAL:** 950,000 policyholders (1,170,000 insured individuals)
- **The Goat Trust Pilot: projection over five years**
 - Will reach up to 125,000 livestock farmers in 4th and 5th year
 - Development of a tested SoP for cost effective mutuals for livestock
 - Policy influence of Government Animal Husbandry department (Govt of India)
 - Working in partnership with State and central government to showcase the model

Empower

- **People at the bottom of the pyramid with a daily income of USD 2-10.** They have no social security mechanisms and their risks are typically not covered by commercial insurers
- **Communities most vulnerable to disasters and climate change.** With alarming increase in floods, droughts, typhoons and storms, the poor are increasingly at risk of losing lives and livelihoods
- **Women in remote rural areas and urban slums,** who are the primary policyholders. Gender sensitive microinsurance where women's needs (such as health, death or sickness of spouse) are taken into account



“When my husband became seriously ill and required hospitalization, on showing our Uplift insurance card, the treatment which otherwise would have cost us USD 1,200 actually cost us USD 300. We saved money but more importantly we saved his life.”
Mumbai 2015