icmif

International Cooperative and
Mutual Insurance Federation

5-5-5

Mutual & Cooperative Microinsurance in the Philippines: A Landscape Study

ICMIF country diagnostic on mutual and cooperative microinsurance in the Philippines

May 2018

ACKNOWLEDGEMENT

Date of Study: 2015

The authors wish to recognize the support and cooperation of individuals and organizations without which, this study would not have been completed.

First and foremost, we would like to express our gratitude for the financial assistance of the International Cooperative and Mutual Insurance Federation (ICMIF). Special thanks goes to Sabbir Patel, ICMIF Senior Vice-President for Emerging Markets and Dr Jaime Aristotle Alip, ICMIF Development Committee Chair, who initiated and steered this whole undertaking.

We are indebted to the Board members, managers and staff of all the Microinsurance Mutual Benefit Associations (Mi-MBAs) and cooperatives for their wholehearted cooperation in the conduct of the study.

To the policyholder-members who, despite their busy schedule, gave their valuable time to participate and share their candid opinions during the focus group discussions (FGDs), thank you.

We are extremely grateful to the Insurance Commissioner, Emmanuel F Dooc, for his support and granting us permission to interview members of his staff. We wish to thank Ms Rosalinda Bactol and her staff at the Microinsurance Division, for generously sharing their views on mutual microinsurance.

Our sincerest gratitude to Rachelle Rivas and Lee Malapad, the research associates for this study, who spent long hours trying to make sense out of the voluminous data.

Nevertheless, our heartfelt appreciation of the valuable assistance of all the people whose names we did not mention.

Julio Jose Banzon
Jun Jay Perez

FOREWORD

We are pleased to present the International Cooperative and Mutual Insurance Federation (ICMIF) country diagnostic study on mutual and cooperative microinsurance in the Philippines.

This study is second in the series of ICMIF studies to understand the mutual microinsurance programmes in emerging markets. These studies are part of the *5-5-5 Strategy* of ICMIF which demonstrates the commitment to help improve the resilience of poor people to disasters and to Sustainable Development Goals (SDGs). ICMIF partnered with RIMANSI to undertake this study in the Philippines.

Mutual organizations such as the cooperative insurance societies (CIS) and the Mi-MBAs dominate the microinsurance sector of the Philippines contributing 77% of the total microinsurance coverage. The Philippines is known for industry standards, access-friendly regulation, and financial capability initiatives in the microinsurance sector (CGAP, 2010). As expected, the increased product awareness and sustained economic growth poses challenges and opportunities for the microinsurance sector. In this context, the ICMIF study finds the need for improving organizational governance in the microinsurance sector of the Philippines to ensure the sustainability of mutuals while pursuing their social mission. Furthermore, the study reveals the need for an active involvement of other players in the sector such as RIMANSI, as the network organization and resource centre for mutuals, government agencies, donors and ICMIF, for the sustained long-term growth of the microinsurance sector in the Philippines.

Professor Thankom Arun
Chair of the ICMIF Academic Steering Group on Financial Inclusion (ASC)

Professor Thankom Arun

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

LIST OF APPENDICES

LIST OF ACRONYMS

AAI	Asian Actuaries and Insurance Agency, Inc
ADB	Asian Development Bank
ADD	Accidental Death and Dismemberment
ADReM	Alternative Dispute Resolution Framework for Microinsurance
ARMM	Autonomous Region of Muslim Mindanao
ASEAN	Association of Southeast Asian Nations
ASKI MBA	Alalay sa Kaunlaran, Inc Mutual Benefit Association
BIR	Bureau of Internal Revenue
BSP	Bangko Sentral ng Pilipinas (Central Bank of the Philippines)
BLIP	Basic Life Insurance Plan
CAR	Cordillera Autonomous Region
CARD MBA	Center for Agriculture and Rural Development Mutual Benefit Association
CARE MBA	Cooperative Alliance for Responsive Endeavor Mutual Benefit Association
CDA	Cooperative Development Authority
CGAP	Consultative Group to Assist the Poor
CIS	Cooperative Insurance Society
CISP	Cooperative Insurance System of the Philippines
CLIMBS	CLIMBS Life and General Insurance Cooperative
CLIP	Credit Life Insurance Program

CLSP	Coop Loan Savings Plan
DOF	Department of Finance
FGD	Focus Group Discussion
FICCO MBA	First Community Cooperative Mutual Benefit Association
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Agency for International Cooperation)
GLIP	Golden Life Insurance Plan
GYRT	Group Yearly Renewable Term
HMOs	Health Maintenance Organizations
ICMIF	International Cooperative and Mutual Insurance Federation
IMC	Insurance Memorandum Circular
KCCDFI MBA	KFI Center for Community Development Foundation, Inc Mutual Benefit Association
KGI MBA	Kazama Grameen, Inc Mutual Benefit Association
KMBA	KASAGANA-KA Mutual Benefit Association
NATCCO MBA	National Confederation of Cooperatives Mutual Benefit Association
MBA	Mutual Benefit Association
MFI	Microfinance Institution
Mi-MBA	Microinsurance Mutual Benefit Association
MIPSS	Microinsurance Innovations Program for Social Security
MIS	Management Information System
MVAH	Motor Vehicle Accident Hospitalization
NGO	Non-Government Organization
NIRC	National Internal Revenue Code of 1997
NSA	National Statistical Authority
PBC MBA	Peoples' Bank of CARAGA Mutual Benefit wAssociation
PCIC	Philippine Crop Insurance Corporation
PhilHealth	Philippine Health Insurance Corporation
QPI MBA	Quidan Pag-inupdanay Mutual Benefit Association
SEC	Securities and Exchange Commission
SEDP MBA	Simbag sa Emerhensiya Asin Dagdag Paseguro Mutual Benefit Association
SRCDC MBA	Sto. Rosario Credit and Development Cooperative Mutual Benefit Association
RSF	Retirement Savings Fund
ROA	Return on Assets
TPD	Total Permanent Disability
TSPI MBA	Tulay sa Pag-Unlad, Inc. Mutual Benefit Association

EXECUTIVE SUMMARY

1. The Philippines is considered as one of the countries most vulnerable to natural and man-made disasters in the world. Its location makes it susceptible to earthquakes, typhoons, volcanic eruption and flooding. Decades-old armed conflict continue to linger in many parts of the country, with the low-income and marginalized sector of society often the most at risk.

2. In spite of the impressive growth of the economy in the last few years, poverty and inequity in the Philippines continue to persist. An estimated 25% of the population live below the poverty line and the potential market for microinsurance is estimated at 14 million households. The Philippines Government continues to vigorously pursue an inclusive growth strategy to bring about a more equitable distribution of wealth. Financial inclusion is a vital component of the strategy, which aims to increase access to affordable financial services by the low-income population, of which microinsurance is one.

3. The Philippine microinsurance sector has grown rapidly ever since the Insurance Commission issued circulars introducing a new tier for Microinsurance Mutual Benefit Associations (Mi-MBAs) and defining microinsurance products in 2006. Microinsurance coverage expanded from a mere 3.1 million before 2008 to 31.1 million by the end of 2014.

4. Mutual organizations dominate the microinsurance sector contributing 77% of the total microinsurance coverage. Two types of mutual organization exist in the Philippines: the cooperative insurance societies (CIS) and the Mi-MBAs. CISs have been in existence for four decades even before the formalization of microinsurance. They contribute 26% to the total coverage. The Mi-MBAs are young, with an average age of eight years, and lead the microinsurance field with 51% of the total coverage.

5. The number of Mi-MBAs grew from only one in 2006 to 22 by 2014. On the other hand, the number of CIS has not changed and remained at two. CISs are regulated under the same rules as commercial insurers but are accorded tax benefits as cooperative entities. Mi-MBAs are regulated under a separate tier, and are afforded lower capitalization requirements and tax free benefits as a non-stock not-for-profit organization.

6. Mutual microinsurance organizations are allowed to offer only basic life products bundled with non-life benefits (except for one CIS with a composite license). Mi-MBA's life products have individual policies but are group-based and mandatory. CISs provide both group-based and individual products and are voluntarily offered to institutional (cooperative) members. Institutional members in turn offer these products (group-based in particular) on a mandatory basis to their individual primary members.

7. Credit life insurance is also offered by many mutual organizations on a mandatory basis.

8. Mutual organizations employ a partner-agent model to distribute their products. Mi-MBAs often use their parent microfinance finance institutions (MFIs) as their distribution channel. These MFIs can take the form of a non-government organization (NGO), a rural bank or a cooperative. CISs use their institutional members (cooperative primaries) as their main distribution channels. CISs also directly recruit marketing agents to underwrite their products.

9. Coverage by mutual organizations is spread throughout the entire Philippines. Mi-MBA policyholders are mostly found in Luzon (67%) while CIS policyholders are mostly in the Visayas (39%) and Mindanao (25%) regions. Most of the CIS policyholders are concentrated near the major urban centers. Mi-MBAs are spread out in all provinces and show the capacity to reach the poorer areas. Penetration levels in provinces with high poverty levels remain low due to the lack of partner-agents in these areas and higher servicing costs.

10. The potential for growth of the mutual microinsurance sector remains upbeat in the next five years due to the following factors:

    a. Fifty three percent (53%) of the current microinsurance market remains untapped. At the same time, the market continues to grow with the projected increase in the Philippine population.

    b. The regulators continue to encourage the entry of new players to the microinsurance sector with the regulatory environment supportive to Mi-MBAs.

c. The emergence of RIMANSI, the network association of Mi-MBAs, as a technical services provider ensures continuous advisory support for Mi-MBAs.

d. The desire of the government to eliminate informal insurance providers provides opportunities to create new mutual organizations or expand membership of existing ones.

e. Technology innovations in internet and mobile phone applications provide opportunities to widen reach and lower costs.

11. While growth opportunities are positive, mutual organizations, particularly Mi-MBAs, are faced with many challenges. These include:

    a. The current market served by mutuals remains small and limited to microfinance (credit-based) client segment. The wider market, those who are non-borrowers, are not part of the target market.

    b. The growing number of clients with multiple membership as larger parent MFIs expand into territories traditionally served by local associations. As a consequence, competition among mutuals is increasing in intensity.

    c. The difficulty in reaching poor regions as MFI partner agents tend to focus in areas with higher economic growth.

    d. The regulatory requirement limiting mutuals to offer only life products hindering their ability to respond to the demand for non-life products among member clients.

    e. The lack of awareness and understanding of insurance in general and microinsurance in particular, by the target market.

    f. The need for mutual organizations to be more strategic, improve competencies and operate with greater efficiency as they venture as they venture into new markets and introduce new products.

12. To sustain the growth of the mutual microinsurance sector in the Philippines, the following are recommended:

    a. **Mutuals** need to improve their overall organizational governance to ensure that they remain sustainable while pursuing their social mission. Explore the possibility of deploying mobile technology as a strategy to expand reach at a lower cost.

    b. **Government agencies** need to intensify financial literacy and microinsurance awareness campaigns, step up the drive to formalize non-formal quasi-insurance providers, closely monitor performance of mutuals, develop mandatory accounting standards and study the feasibility of allowing mutuals to offer tax exempt non-life products.

    c. **Donors and ICMIF** can provide financial, technical and training support in developing management competencies, improving data base and management information systems, piloting mobile technology innovations, developing new markets and products and support RIMANSI as the hub of mutual microinsurance development.

INTRODUCTION

Mutual and cooperative organizations (hereafter referred to as "mutuals") have for centuries been one of the dominant players in the global insurance market. They operate in 90 countries across all six continents of the world. Mutuals are more prevalent in North America and Europe, with almost 5,000 mutual insurers in business. The sector employs over 1.1 million people worldwide and serves 920 million members or policyholders (ICMIF, 2015).

The mutual model is the fastest-growing sector of the global insurance market with a 28% growth in premium income from 2007 to 2013 compared to a 12% increase in the global insurance market as a whole. Growth has largely been driven by North America and Europe with 35% and 31% market share, respectively (ICMIF, 2015).

While mutuals in developed countries have reported impressive performance, those in emerging countries struggle to grow. In many of these emerging markets, mutuals were established to provide risk protection to the low-income and marginalized population. This type of insurance, often referred to as microinsurance, has proven to be a valuable tool in reducing the vulnerability of poor households.

Since mutuals are member-owned and operate on the principle of democratic control, they are seen to be more capable of offering products suited to clients' needs, speeding up claims, controlling fraud and creating trust with its members. Unfortunately, mutual microinsurance is not being promoted as one of the better approaches to serve the needs of the poor because of an inability to reach scale. However, in recent years, mutual models have emerged and shown that mutuals can effectively reach the poor, achieve scale and be sustainable.

Inspired by these successes ICMIF, the global representative body of mutuals and cooperatives, is keen to replicate these successful models to accelerate the global growth of mutual organizations in emerging markets. In 2014 the ICMIF Development Committee crafted the *5-5-5 Mutual Microinsurance Strategy*, with the ambition to reach 5 million new households in five countries within five years (equating to 25 million people). The five countries selected for the first phase were the Philippines, India, Kenya, Sri Lanka and Colombia. The selection criteria for each country were largely based on the size of the microinsurance market and opportunities for growth, the in-country presence of leading ICMIF members championing microinsurance, and global representation of countries across continents.

ICMIF intends to formulate country-specific strategies to facilitate the growth of mutual microinsurance in each priority country. In the absence of country-specific aggregate data, a research study on the mutual microinsurance landscape of each country needs to be undertaken, hence this present study.

STUDY PURPOSE & METHODOLOGY

Study Objectives

The study sought to provide an overview of the state of mutual microinsurance in the Philippines. Specifically, it aimed to:

1. Present the profile of mutual microinsurance in the Philippines;
2. Discuss the legal and regulatory environment for mutual microinsurance in the country;
3. Assess the country's microinsurance market with respect to potential demand and supply;
4. Review the performance of mutual microinsurance in the country;
5. Identify challenges faced by mutual microinsurers with respect to growth; and
6. Formulate recommendations for the development and growth of mutual microinsurance in the country.

Study Methodology

RESEARCH DESIGN

A descriptive and conclusive research design was used in this study.

DATA COLLECTION METHODOLOGY

Primary data was collected through surveys, focus group discussions (FGDs), and key informant interviews. Semi-structured questionnaires were sent via email to 15 respondents representing 68% of the total mutual microinsurance providers registered with the Insurance Commission as of 2014. Follow-up through phone calls was conducted to verify information and to complete insufficient data. Thirteen (13) of the responding institutions were registered as non-stock non-profit Mi-MBAs while the remaining two were cooperative-based insurance societies (hereafter referred to as CISs) licensed as commercial firms. Seven (7) mutual microinsurance providers were excluded due to the following reasons: two had yet to start operations, one was under rehabilitation, the management of another one was not interested in participating, two had a very low membership base and the last one was not known to the authors as a microinsurance provider.

Twenty-two (22) FGDs involving 352 policyholder-members from 13 Mi-MBAs (two per Mi-MBA) were conducted. The FGDs were meant to gather information on membership awareness of microinsurance, client satisfaction, issues, needs and recommendations to improve service. The FGDs were also used to validate data generated from the survey.

Separate FGDs and individual interviews were conducted among mutual organizations' staff and management. Fifty seven (57) staff members from 14 Mi-MBAs participated in the FGDs while 20 CEOs/senior managers from 17 CISs and Mi-MBAs were interviewed. Discussions were centered on issues, challenges and recommendations to improve operations.

In addition, interviews were undertaken with key persons from regulators and other players involved in microinsurance including the Insurance Commission Microinsurance Division, Bangko Sentral ng Pilipinas (BSP) (Financial Inclusion Advocacy), Asian Development Bank (ADB), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and RIMANSI. Key officers of microfinance and cooperative network organizations (Microfinance Council of the Philippines, MASS-SPECC Cooperative Center and Visayas Cooperative Center) were also interviewed.

FGDs and interviews took two to three hours per session to complete. Appointments for interviews were arranged with the respondents and they were briefed about the objectives of the study. It was more difficult to set an interview schedule with respondents from the urban areas than with those in the rural areas due to the former's more hectic economic activities.

Secondary data was obtained from a literature review of microinsurance research studies and publications, government statistical reports from the National Statistical Authority (NSA), BSP and the Insurance Commission, news reports and reports submitted by Mi-MBAs to RIMANSI.

ANALYTICAL PROCEDURE

Survey results were encoded using Microsoft Excel spreadsheets. Descriptive and financial ratio tools were the main methods for analysis.

SCOPE & LIMITATIONS OF THE STUDY

The study included the majority (68%) of the Mi-MBAs and 100% of CISs in the Philippines. Primary data used in the analysis covered the years 2012-2014. The key informants were CEOs of their organizations. The FGD participants were identified by the management of the organizations based on the duration of their membership and the location of the centers where they belong.

The study did not include non-members of Mi-MBAs. The size of potential demand was computed from secondary data based on household income strata.

For a better understanding of the preferences of potential microinsurance clients, future research may involve respondents who are not members of Mi-MBAs.

COUNTRY PROFILE: THE PHILIPPINES

The Philippines is an archipelagic country located in Southeast Asia. It is composed of more than 7,000 islands with a total land area of approximately 299,764 square kilometers. Its length measures 1,850 kilometers, starting from the point near the southern tip of Taiwan and ending close to northern Borneo. There are three main bodies of water surrounding the country: the Philippine Sea and the Pacific Ocean on the east, the West Philippine Sea on the west and north, and the Celebes Sea and the coastal waters of Borneo on the south. The archipelago is divided into three major island groups, the largest of which is Luzon, with an area of 141,000 square kilometers, followed by Mindanao covering 102,000 square kilometers, and the Visayas with 57,000 square kilometers (Porcil, J., 2009).

The country is prone to many types of natural hazards due to its geographical location and physical environment. It is situated in the "Pacific Ring of Fire", where frequent earthquakes and volcanic activity occur due to the movements of the Eurasian and Pacific tectonic plates. The country experiences an average of 20 earthquakes per day. There are also about 300 volcanoes, of which 22 are active. The Philippines is also located along the typhoon belt in the Pacific making it vulnerable to extreme weather occurrences. An average of 20 typhoons/tropical cyclones hits the country every year, which brings floods, landslides and heavy monsoon rains. The coastal areas are also vulnerable to tsunamis and rising sea levels (Porcil, J., 2009).

The Philippines has one of the most vibrant economies in East Asia with sound economic fundamentals and a globally recognized competitive workforce (World Bank, 2015). In the last five years (2010-2014), the Philippines achieved an average growth rate of 6.3%, the highest in nearly four decades (Balisacan, A., 2015). The service sector continued to be the main driver of growth but the industry sector, particularly manufacturing, has been the bright spot in the economy. In 2013, the industry sector contributed more than 40% of the GDP, three quarters of which was due to the stepping up of manufacturing activities. In 2014, most sectors exhibited positive growth, except for construction. Agriculture grew by 2.2%, industry by 6.6% and manufacturing and services expanded by 6.4% (Ganapin, B.A., n.d.). On the demand side, growth was driven by an increase in private consumption partially due to the remittances of Overseas Filipino Workers (OFWs). Remittances of Filipinos living abroad represented 9% of GDP (Brooks, K., 2014).

A favorable macroeconomic policy environment kept inflation at manageable levels, interest rates low, decreased non-performing loans and a sustained fiscal and external position. The fiscal deficit remained below target, allowing government flexibility to finance expenditures (Ganapin, B.A., n.d.).

Despite the impressive economic performance, poverty and inequity remains prevalent with 25% of the population living below the poverty line. Recognizing that economic benefits have not trickled down to the majority of Filipinos, the Philippine government vigorously pursues an inclusive growth focus in its five-year development plan. A key component of the strategy is financial inclusion which seeks to increase access of the underserved and low-income segments of society to affordable financial services. Microinsurance is an important financial inclusion service, which is being pushed by the government.

THE INSURANCE SECTOR: AN OVERVIEW

Sector Structure

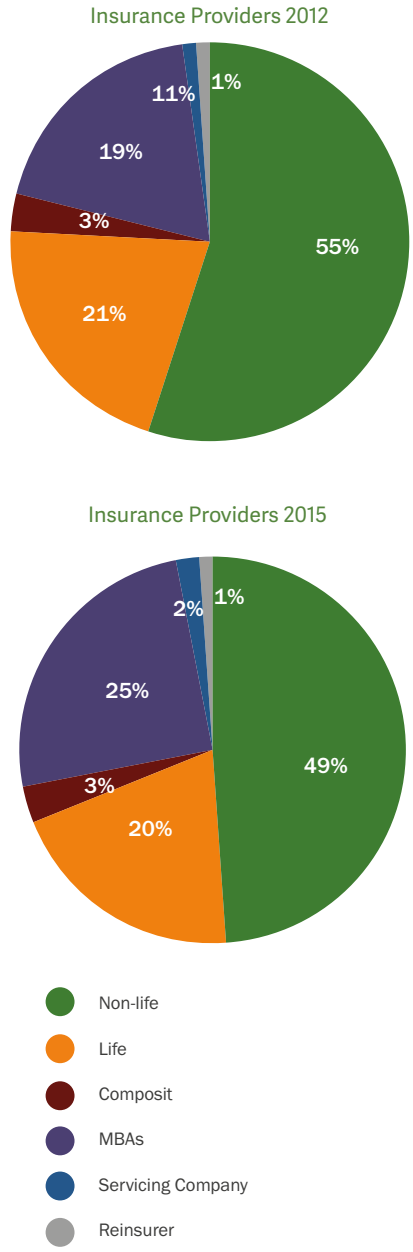
The Insurance Commission is the Government body mandated to regulate and supervise the insurance industry in accordance with the provisions of the Insurance Code of the Philippines. All entities who wish to provide insurance must obtain a license from the Insurance Commission. These include life, non-life and composite insurance companies and their intermediaries, reinsurance companies, trusts for charitable uses and mutual benefit associations (MBAs). More recently health maintenance organizations (HMOs) and pre-need companies that carry educational, pension and funeral plans have been included. The Commission is under the administrative supervision of the Philippine Department of Finance (DOF) (Insurance Commission, n.d.).

The Insurance Commission classifies insurance providers into: 1) composite (life and non-life); 2) life; 3) non-life; 4) professional reinsurers; 5) servicing insurance companies; and 6) MBAs. As of 15 May 2015, there were 136 companies whose certificates of authority were extended by the Insurance Commission. Of these, four were composite companies, 27 were life, 67 were non-life, one was a professional reinsurer, three were service companies and 34 were MBAs (Figure 1).

Comparing with November 2012 figures, there was a 12% decrease in the number of non-life companies (from 76 to 67) and a 7% decrease in the number of life companies (from 29 to 27). On the other hand, the number of MBAs increased by 31% (26 to 34) and insurance servicing companies increased by 200% (from one to three).

The decrease in the number of life and non-life companies is an indication of the continuing consolidation of the insurance sector as smaller companies are forced to exit due to the increase in minimum capital requirements and higher reinsurance costs (PwC, 2013). The increase in the number of MBAs is due to the rise in the number of Mi-MBAs (Insurance Commission, 2015).

Figure 1. Number of licensed insurance companies, November 2012 versus May 2015



Source: Insurance Commission, 2012; Insurance Commission, 2015

Sector Performance

The Philippine insurance sector remains relatively undeveloped as reflected in the common measures of insurance development: the insurance penetration and density rates. The insurance penetration rate is the total amount of premiums paid in relation to the GDP while the insurance density rate is the amount of premiums per capita.

INSURANCE PENETRATION

The penetration rate rose from 1.09% in 2010 to 1.78% in 2013 (Insurance Commission, 2014). However, preliminary figures released by the Insurance Commission for 2014 indicate a decline to 1.56%. In the life segment, the Philippines was ranked fifth in life insurance penetration among seven Association of Southeast Asian Nations (ASEAN) member countries with Singapore having the highest penetration at 5.3% (Business World Online, 2015). Thailand, Malaysia and Indonesia were the other countries which had a higher penetration rate.

INSURANCE DENSITY

Insurance density grew significantly from PHP 1,058 (USD 22.5[1]) in 2010 to PHP 2,084 (USD 44.3) in 2013. Preliminary figures for 2014 indicate a 5% decline in density to PHP 1,974 (USD 42). Life insurance density decreased from 86% in 2013 to 84% in 2014 while non-life density increased from 14% in 2013 to 16% in 2014 (Insurance Commission, 2014). The decrease in life insurance density may be due to the decrease in the number of life insurance companies. This is not the case though for non-life where density has increased despite the decline in the number of non-life companies.

[1] Exchange rate used throughout the report (USD 1 = PHP 47)

Industry Status

The insurance industry continued to grow despite the decline in the number of non-life and life insurers. Total assets reached PHP 1.073 trillion (USD 22.8 billion) in the second quarter of 2015, an increase by 13% (PHP 122 billion or USD 2.6 billion) from the same period in 2014. Eighty-five percent (85%) of the total asset value were contributed by life insurers. Total premiums rebounded from a 24% decline in 2014 and registered a 42% increase in the second quarter of 2015 to reach PHP 116 billion (USD 2.47 billion). Total net income also recovered from a 13% dip in 2014 posting a gain of PHP 10.86 billion (USD 231 million). Investments recorded a 17% increase from the 2014 level reaching PHP 930 billion (USD 19.8 billion) in 2015 (Insurance Commission, 2015; Insurance Commission, 2014).

The growth of the non-life sector was slower due to higher claims from catastrophic losses and high tax burden. The insurance tax rate in the Philippines is one of the highest among the ASEAN countries (Oxford Business Group, 2015).

The liberalization of the ASEAN financial market is expected to lead to the entry of insurance firms from ASEAN member countries. The intensification of competition is expected to lead to further streamlining and consolidation of the sector resulting in fewer but bigger players.

THE MUTUAL MICROINSURANCE SUB-SECTOR

ICMIF's Definition of Mutuals

The International Cooperative and Mutual Federation (ICMIF) defines "mutual" and "cooperative" as any form of organization whose structure and values reflect the mutual/cooperative form, that is, companies which are owned by, governed by and operated in the interests of their member policyholders. These include limited companies owned by people-based organizations, fraternal benefit societies, cooperatives, MBA associations, friendly societies, Takaful providers, non-profits, community organizations and foundations (ICMIF, 2014). In essence, any organization which operates on mutual/cooperative principles, without being restricted by legal definitions, is classified as a mutual or a cooperative. ICMIF adopts the key principles of Mutuals, Cooperatives and other Community-based Organizations (MCCOs) as described by the International Association of Insurance Supervisors (IAIS):

- **Member ownership:** Some if not all beneficiaries of the services provided by the organization are, by virtue of their membership, also owners of the organization or have powers similar to those held by owners in shareholder organizations.
- **Democracy:** Members form the general assembly of the organization and can exercise democratic rights on ultimate decision-making, such as the election of directors to the governing board.
- **Solidarity:** Members seek a beneficial outcome where this beneficial outcome is reliant on the membership of the group.
- **Created to serve a defined group and purpose:** The organization is established, and members become affiliated with the organization, through a common goal, purpose, or characteristic.
- **Entitlement to profit:** The profit (or surplus) or loss (deficit) accrue to the members.

ICMIF's Definition of Mutual Microinsurance

ICMIF defines mutual microinsurance as "inclusive" mutual insurance. It is a mechanism to protect people against risk in exchange for payments tailored to their needs, and in a manner where they participate in the design, development, management and governance of such product, services or institutions. Mutual microinsurance is deemed to be inclusive as it encompasses all types of low-income or marginalized groups which may not fall under the conventional microinsurance definition.

The Definition of Microinsurance in the Philippines

Varied definitions of microinsurance have emerged in the last decade from various stakeholders specifically, donors, regulators and academics. A review of the definitions pointed to three major groupings. The first grouping used "level of society" based definitions. These definitions looked at "micro" with respect to the suppliers of microinsurance (ie community-based or local versus government). Dror and Jacquier (1999) defined "micro" as the level of society where the interaction is located and "insurance" as the economic instrument.

The second grouping took a more consumer-oriented approach. This definition was cemented in 2003 by the Consultative Group to Assist the Poor (CGAP) Working Group on Microinsurance (now known as Microinsurance Network). The CGAP definition indicated that microinsurance is for "the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved" (McCord, M. J., Qureshi, Z., Patel, S. and Wohlner, E., 2003).

The third grouping employed product-based definitions. They related the term "micro" to the characteristics of the products (eg low premiums, low levels of coverage, affordability and accessibility). They are mainly used by countries as part of microinsurance regulation.

The Philippines adopts a product-based or regulatory definition to microinsurance. Under Insurance Memorandum Circular (IMC) 9, 2006, microinsurance is defined as "an activity providing specific insurance, insurance-like and other similar products and services that meet the needs of the low-income sector for risk protection and relief against distress, misfortune and other contingent events". Similar formal and informal microinsurance-like activities shall fall under Insurance Commission rules and regulations if premiums, contributions, fees or charges are collected/deducted prior to the occurrence of a contingent event; and guaranteed benefits are provided upon occurrence of a contingent event.

Regulations also state that microinsurance policies should be easy to understand, documentation requirements should be simple and the manner and frequency of premium collections should not be burdensome and should coincide with the cash-flow of the policyholder.

The Formalization of Mutual Microinsurance in the Philippines

The concept of mutual microinsurance is not a new phenomenon in the Philippines. For hundreds of years, local communities have practiced indigenous risk sharing and risk management solidarity schemes to cope with the recurring crises caused by both natural and man-made disasters. This scheme, known in the local vernacular as "damayan" (meaning mutual aid or helping each other), is considered as the forerunner of formal microinsurance in the Philippines. It continues to be widely practiced by many Filipinos (Barbin, E., Lomboy, C. and Soriano, E. , 2002).

The beginning of microinsurance and mutual microinsurance was an offshoot of the success of the microfinance industry in the Philippines. It started with CARD NGO, the largest MFI in the Philippines, establishing an informal insurance scheme in 1994 to cover loan default risk caused by the death of a client member. After a few years of implementation the scheme was deemed as unsustainable and would lead to bankruptcy. CARD sought guidance from the regulator and upon their advice, re-organized and formalized the scheme into a legal entity known as an MBA. The Center for Agriculture and Rural Development (CARD) MBA proved to be a success and this convinced the regulator to allow MBAs to legally engage as microinsurance providers.

CARD Inc led a group of MFIs to create a resource center (RIMANSI) in 2005 to replicate the CARD MBA model with other MFIs.

The Key Players in Mutual Microinsurance

The mutual microinsurance landscape is shaped by government regulators, with the Insurance Commission as the main regulatory body (Figure 2). Other key bodies are the BSP which supervises and regulates all banks that sell microinsurance products; the Cooperative Development Authority (CDA) which registers, regulates and supervises all cooperatives; and the Securities and Exchange Commission (SEC) which registers all commercial insurance providers and MBAs as a legal entity.

Figure 2. Key players in mutual microinsurance

The Regulatory Environment

- Main regulatory body: Insurance Commission
- Other key government bodies: SEC, CDA, BSP

Formal and Informal Mutual Microinsurance Providers	Distribution Channel	Policyholders
► CISs ► Mi-MBAs ► Informal providers	► Primary cooperatives ► MFIs ► Community-based organizations	*Low-income members of:* ► Cooperative primaries ► MFIs ► Community groups

Support Institutions

- Actuarial services: Asian Actuaries
- Reinsurer: National Reinsurance Corporation of the Philippines; domestic insurance companies
- Microinsurance MBA Association of the Philippines (RIMANSI)

The formal institutions and informal groups are the main providers of mutual microinsurance. The study focused only on two types of formal providers: Mi-MBAs and CISs.

The distribution channels used are typically group-based relying mainly on MFIs, cooperative primaries and community groups to deliver their products.

The buyers of the products (the policyholders) are members of cooperative primaries, community groups and MFIs.

RIMANSI, the formal association of mutual microinsurance providers in the Philippines, is a key support institution involved in mutual microinsurance development. It offers technical services including performance and compliance management services, capacity building, research and development, and policy advocacy work.

The Asian Actuaries and Insurance Agency, Inc (AAI) is another key player involved in product development and enhancement, actuarial valuation and product reviews.

The National Reinsurance Corporation of the Philippines serves as the reinsurance provider for mutual organizations.

The Mutual Microinsurance Regulatory Environment

Microinsurance is one of the cornerstones of the Philippine Government's financial inclusion policy. The recognition of the need to provide appropriate risk protection for the low-income segment of the population provided the impetus for the Philippine Government to formulate policies on microinsurance. The proactive support of the government has led to a well-developed microinsurance regulatory regime with clear parameters for mutual and cooperative organizations.

The Philippine Insurance Code as amended in 2013 provides the legal basis for microinsurance. It spells out the definition of microinsurance, the capital requirements for new and existing microinsurance entities and the reporting requirements. Prior to the passing into law of the 2013 Insurance Code, several policy initiatives on microinsurance were issued by the Insurance Commission among which were: a) the Regulatory Framework for Microinsurance in 2010; b) the National Strategy on Microinsurance also in 2010; c) the Roadmap to Financial Literacy on Microinsurance in 2011; and d) the Alternative Dispute Resolution Framework for Microinsurance (ADReM) in 2012.

The Regulatory Framework for Microinsurance outlined the government's policy aims and direction for establishing a regulatory environment that will encourage, enhance and facilitate the safe and sound provision of microinsurance products and services with the private sector as the main driver. It also identified and promoted a system that will protect the rights and privileges of those who are insured.

The National Strategy on Microinsurance defined the objectives, the roles of the various stakeholders and the key strategies to be pursued in enhancing access to insurance for the poor. It encouraged complementation of the products of social health insurance by the private sector. In addition, it provided directions towards mainstreaming informal insurance and insurance-like activities, and the promotion of public awareness and financial literacy.

The Roadmap to Financial Literacy on Microinsurance spelled out the key strategies and measures to be adopted for institutionalizing financial literacy on microinsurance. It provided guidelines, and specific directions on how to promote and influence behavior for the adoption of microinsurance among the low-income sector.

ADReM required all insurance entities, agents and brokers engaged in microinsurance to follow mediation-conciliation processes of claims dispute based on parameters offset under the banner; Least Cost, Accessible, Practical, Effective and Timely, or "LAPET". The framework is expected to make mechanisms more accessible to conflicting parties without going through the legal process.

INSTITUTIONAL REGULATIONS PERTAINING TO MUTUAL MICROINSURERS

Mutual organizations engaged in microinsurance are governed by a set of institutional regulations separate and distinct from that of cooperatives and commercial providers.

All microinsurance providers need to obtain a certificate of authority from the Insurance Commission before engaging in the practice of microinsurance. Before applying for a certificate of authority, mutual insurance entities need to be duly registered with the SEC except for cooperatives which need to register with the CDA.

MBAs

The law defines MBAs as "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 whether such aim or purpose is carried out by means of fixed dues or assessments collected regularly from the members, or of providing, by the issuance of certificates of insurance, payment of its members of accident or life insurance benefits out of such fixed and regular dues or assessments, but in no case shall include any society, association, or corporation with such mutual benefit features and which shall be carried out purely from voluntary contributions collected not regularly and/or no fixed amount from whomsoever may contribute".

Under IMC 9-2006, Mi-MBAs are distinctly differentiated from regular MBAs. An MBA can only be considered as an Mi-MBA if it meets two conditions: 1) it must only provide microinsurance policies to its members; and 2) it must have at least 5,000 member-clients.

Cooperatives

The Philippine Cooperative Code of 2008 allows for the registration of an insurance cooperative with the purpose of providing members of its constituent cooperatives with life and non-life insurance in the form of either microfinance or regular insurance products. Membership in an insurance cooperative is open to all duly registered cooperatives of all types and categories. CISs are not allowed to serve the insurance needs of other cooperatives that are not member-owners of the CIS. A CIS serving the insurance needs of non-member cooperatives and the general public is required to secure a commercial insurance license from the Insurance Commission.

For regulatory purposes, the Insurance Code does not have any separate classification for cooperative insurers. It only classifies insurance providers as either (commercial) insurance companies or MBAs. The Insurance Code of 2013 explicitly includes cooperatives as part of the definition of insurance companies and thus fall under its regulatory regime. Section 190 states that "For purposes of this Code, the term insurer or insurance company shall include all partnerships, associations, cooperatives or corporations, including government-owned or controlled corporations or entities, engaged as principals in the insurance business, excepting mutual benefit associations".

CAPITAL & INVESTMENT REGULATIONS

Institutional regulations in the Philippines provide for different levels of capitalization requirements supporting the growth of the mutual microinsurance entities.

Mi-MBAS

The initial capital requirements to start an Mi-MBA are lower compared to a regular MBA. A new regular MBA must have a capital of PHP 125 million (USD 2.6 million) to acquire a license. The new capital requirement for an existing regular MBA has been raised to PHP 12.5 million (USD 266,000).

An Mi-MBA is only required to deposit a minimum amount of PHP 5 million (USD 106,383) as a guaranty fund to acquire a license to operate compared to PHP 125 million (USD 2.66 million) capital required for new regular MBAs. This fund will be held in reserve by the Insurance Commission in case there is a need to resolve any future valid benefit claim of members. The guaranty fund must increase annually by 5% of premiums until it reaches the amount equivalent to 12.5% of the minimum paid up capital of a local insurer.

MBAs are also required to maintain free and unassigned surplus of not more than 20% of its total liabilities. Any amount in excess shall be returned to the members through dividends, enhanced equity value, in-kind benefits and other relevant services. MBAs may also be allowed to allocate a portion for capacity building and research and development including developing new products and services, upgrading and improving operating systems and equipment, and continuing member education, subject to the approval of the Insurance Commission.

A key provision of the Code distinct to Mi-MBAs pertains to the concept of “equity value”. It stipulates that every outstanding membership certificate must have an equity value equivalent of at least 50% of the total contributions collected. The equity value only applies to basic life insurance products and excludes optional products. MBAs are also required to maintain sufficient reserves for the payment of claims or obligations and hold funds in financial instruments as approved by the Insurance Commission.

Mi-MBAs are allowed to invest their surplus funds in the same classes of investments or types of securities which life insurance companies in the Philippines are allowed to invest in. They are also allowed to grant loans to members, secured by chattel mortgage of personal properties of the borrowers, or should there be none, on the security of the membership certificate of the borrowing members.

While entry barriers are low for Mi-MBAs to engage in microinsurance, exit barriers are high. Mi-MBAs can only be dissolved subject to the approval of the Insurance Commission. The Commissioner must be notified and furnished with a copy of the resolution authorizing the dissolution, duly with an affirmative vote of two-thirds of the membership. An MBA can only be officially dissolved after the Commissioner certifies that all outstanding claims against the association have been duly settled and liquidated.

Cooperatives

As mentioned earlier, cooperatives fall under the regulatory regime of commercial insurance providers. Under the amended Insurance Code, the paid-up capital requirement for new domestic life and non-life insurers has been increased from PHP 5 million (USD 106,383) to PHP 1 billion (USD 21.3 million). Insurance companies established prior to the passage of the new code are required to gradually increase their paid-up capital within specific timelines. These companies must have a net worth of PHP 250 million (USD 5.32 million) by 2013; increasing to PHP 550 million (USD 11.7 million) by December 2016; PHP 900 million (USD 19.15 million) by December 2019; and PHP 1.3 billion (USD 27.7 million) by December 2022.

The Insurance Commission has the discretion to reduce the capital requirements of cooperative insurers by up to 50% if at least half of the portfolio is in microinsurance. However, this provision has not been implemented as specific guidelines for the implementation of this provision have not been spelled out.

Cooperative insurers are under the same rules as commercial insurers and are therefore allowed to invest their premiums in a wider variety of investment instruments as allowed by the Insurance Code of 2013. The old Insurance Code allowed funds to be placed in secured investments with certain limitations. The new Insurance Code allows life insurance companies to invest in equities of other financial institutions as well as acquire or construct housing projects.

As with other insurance companies, cooperative insurers are also now allowed to extend loans to their policyholders but must be secured by properties and instruments mentioned in the new code.

PRODUCT REGULATIONS

The Insurance Commission regulates the type of insurance products offered by mutuals and cooperatives. Mi-MBAs are not allowed to provide non-life products and can only offer basic and optional life insurance products to their members. As a general rule, subscription to the basic life insurance plan is the basis for membership in the MBA. The optional life plans can only be availed by qualified members of the MBA. The maximum operating expense that may be allowed for a basic life plan equivalent is 20% of total contribution.

Cooperative insurers are allowed to offer life, non-life or both depending on the type of license approved by the Insurance Commission.

The Insurance Code of 2013 under Section 187 clearly outlines the regulatory requirements of a microinsurance product. These are:

a. The amount of contributions, premiums, fees or charges, computed on a daily basis, does not exceed 7.5% of the current daily minimum wage rate for non-agricultural workers in Metro Manila; and

b. The maximum sum of guaranteed benefits is not more than one 1,000 times of the current daily minimum wage rate for non-agricultural workers in Metro Manila.

Under IMC 1-2010, a microinsurance contract covers the insured with the option to include immediate family members (ie his/her spouse, children, and in the case of single persons, parents and siblings). The period of cover shall be determined by the provider and shall depend on type of coverage.

A microinsurance contract may cover any of the following risk and contingent events:

a. death (may be bundled with a memorial plan, mortuary or burial benefits);

b. accident and illness;

c. fire and other extended perils;

d. calamities/disasters and other catastrophic events (eg typhoons, earthquakes, infestation and other natural calamities);

e. casualty (eg personal accident, motor vehicle, money security and payroll robbery); and

f. other contingent events as may be determined by the concerned regulator.

Regulations also require that a microinsurance contract clearly stipulates the face amount, benefits and terms of insurance coverage and the provisions clearly stated in simple terms. The manner and frequency of premium collections shall, if possible, coincide with the cash flow of the insured and may be collected daily, weekly, monthly, quarterly, semi-annually, and annually whichever is applicable.

A microinsurance contract becomes immediately effective only upon full payment of the first premium, contribution, fees or charges. Claims for a microinsurance contract must be settled within 10 working days upon receipt of complete documents by the provider.

MARKET CONDUCT REGULATIONS

Microinsurance providers can engage the services of insurance agents and brokers to distribute microinsurance products. Agents and brokers must obtain a license from the Insurance Commission which is renewable every three years.

Under IMC 1-2010, microinsurance agents and brokers are not required to take the regular licensure examination. Instead they must undergo a duly approved and prescribed microinsurance training program, and pass a qualifying examination at the end of the training program. Those agents and brokers who qualify are allowed to sell only microinsurance products. Microinsurance agents/brokers have a lower capitalization requirement, which is equivalent to half of what is required for regular agents/brokers.

MFIs or institutions engaged in microfinance operations can be licensed as a microinsurance agent, on condition that: a) a soliciting agent is identified by the institution and b) the MFI sells microinsurance products only to its microfinance clients.

Primary cooperative member-owners of a CIS can also be licensed as a microinsurance agent provided that the primary cooperative sells microinsurance products only to the individual members of the primary cooperative.

In the case of Mi-MBAs, microinsurance products can only be issued to its members through identified distribution channels where licensing is not necessary.

TAXATION REGULATIONS

Mi-MBAs and CISs are granted tax exempt status by law. Section 30 of the National Internal Revenue Code of 1997 (NIRC) exempts non-stock non-profit associations from paying tax on income they receive. Tax exemption status is not granted automatically and Mi-MBAs must apply with the Bureau of Internal Revenue (BIR) for a certificate of tax-exemption. Upon approval, a Mi-MBA is provided a tax exemption status renewable every three years.

The Philippine Cooperative Code of 2008 provides for tax exemptions for registered cooperative insurance providers. Under Article 60, cooperatives who do not transact business with non-members or the general public are not subject to any taxes and fees imposed under internal revenue laws and other tax laws.

OTHER MUTUAL MICROINSURANCE RELATED REGULATIONS & GUIDELINES

Performance standards. Circular Letter 5-2011 provides for a set of performance standards as a basis for evaluating the performance of microinsurance entities including commercial companies, CISs and Mi-MBAs. The set of performance standards covers the areas of solvency and stability, efficiency, governance, understanding of the product by the client, and risk-based capital and outreach deemed by the Insurance Commission as critical in assessing the growth and health of the microinsurance industry. The Insurance Commission prescribes the calculations of prudential and performance ratios according to a set of performance standards known as SEGURO (Solvency, Efficiency, Governance, Understanding of Microinsurance, Risk Management and Outreach of Clients).

Standard Chart of Accounts for MBAs. Insurance Commission Circular Letter 2014-41 prescribes a revised standard chart of accounts for MBAs with a uniform system of account numbers categorized based on MBAs' revenue, expenses, assets, liabilities and fund value for similar transactions and events, in compliance with the latest Philippine Accounting Standards (PAS) and Philippine Financial Reporting Standards (PFRS).

Reinsurance. Insurance Commission Circular Letter 2014-42 prescribes the reinsurance rules and regulations for MBAs. It allows MBAs to concede any individual risk or risks under certificates only to a life insurance company or to a professional reinsurer authorized to accept life risks in the Philippines.

ADReM for Cooperatives and MBAs. Insurance Commission Circular Letter 16 and 17-2013 provides guidelines and describes the principles and procedures for claims-related dispute resolution mechanisms at least cost, accessible, practical, effective and timely. It emphasizes consumer protection and also protection of the insurance industry against illegitimate claims.

Informal microinsurance. The Joint IC-CDA-SEC Memorandum Circular 01-2010 provides the regulatory policies on informal insurance activities. It defines insurance activities that do need and those that do not need not be formalized. All activities with regular contributions or premium payment prior to the occurrence of a contingent event and with guaranteed benefits upon the occurrence of a contingent event are considered as insurance and must be licensed. Risk pooling practices where individuals voluntarily pledge and contribute a certain amount of money to a fund and the benefits are not predetermined but are contingent on the amount collected are excluded.

Entities involved in insurance-like activities, including cooperatives and NGOs, must terminate their operations or otherwise formalize their activities with the option of either organizing their own microinsurance entity, having their members join registered Mi-MBAs or CISs, or partnering with commercial companies.

Joint IC-CDA-SEC Memorandum Circular 02-2010 provides the guidelines on the treatment of funds collected from informal insurance activities. It requires that funds accumulated from the contributions of informal insurance activities be used exclusively for the benefits of the contributors. It also emphasizes that excess monies, after the formalization of the informal insurance schemes, shall be returned to or be used for the benefit of the contributors.

The Profile Of Mutual Microinsurance Providers

Two types of mutual microinsurance entities conform to ICMIF's definition of a "mutual": CISs and Mi-MBAs. Mi-MBAs are the dominant force in the mutual sector. Numbering only six in 2006, Mi-MBAs had grown to 22 by 2014 (Table 1). Only two CISs are legally registered and the number has remained constant over recent decades. Plans have long been made to merge these two entities into one cooperative insurance provider, but little progress has been made to make this a reality.

Mi-MBAs are the creation of a parent sponsoring financial institution. There are three general variants of Mi-MBAs: 1) the MFI-sponsored variant being the most common; 2) the cooperative-based variant; and 3) the rural bank-based variants.

While both Mi-MBAs and CIS are considered mutual organizations, major differences exist between these two types of organization. Mi-MBAs are not-for-profit organizations with a homogeneous low-income individual membership. CISs are for profit organizations with institutional (primary cooperative) membership. Individual members of the primary cooperatives are predominantly from the middle and low-income classes.

Table 1. List of registered Mi-MBAs and CISs, 2014

Mi-MBAs	CISs
1. Ad Jesum MBA 2. ARDCI MBA 3. Alalay sa Kaunlaran (ASKI) MBA 4. Center for Agriculture and Rural Development (CARD) MBA 5. Cooperative Alliance for Responsive Endeavor (CARE) MBA 6. First Community Cooperative (FICCO) MBA 7. Kasagana-Ka MBA (KMBA) 8. Kazama Grameen (KGI) MBA 9. KFI Center for Community Development Foundation, Inc (KCCDFI) MBA 10. Manila Public Schools Teachers Association (MPSTA), Inc. MBA 11. Mindanao Educators MBA 12. Mt. Province MBA 13. National Confederation of Cooperatives (NATCCO) MBA 14. Pag-ASA ng Pinoy MBA 15. Paglaum MBA 16. People's Bank of Caraga MBA 17. Quidan Pag-Inupdanay MBA 18. 4K MBA 19. Serviamus MBA 20. Simbag sa Emerhensiy a Asin Dagdag Paseguro (SEDP) MBA 21. Sto. Rosario Credit and Development Cooperative (SRCDC) MBA 22. Tulay sa Pag-Unlad, Inc (TSPI) MBA	1. CLIMBS Life and General Insurance Cooperative (CLIMBS) 2. Cooperative Insurance System of the Philippines (CISP)

Source: Insurance Commission

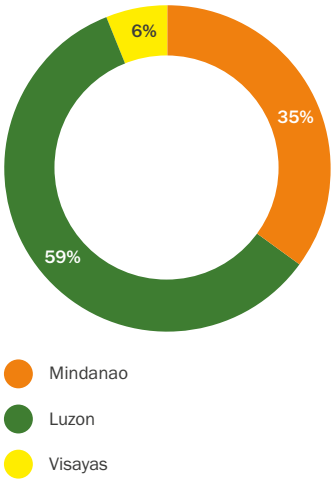
The unique features of Mi-MBAs and CISs have already been discussed in the regulatory environment section. Table 2 summarizes the key differences between the two types of organization.

Table 2. Comparison of Mi-MBAs and CISs

Particulars	CISs	Mi-MBAs
Membership	Institutional (cooperative primaries)	Poor and low-income individuals (mostly women)
Registration	CDA	SEC
Type of organization	Cooperative	Non-stock, non-profit community-based association
Insurance license	Commercial	MBA
Products	Life and non-life (depending on license)	Basic life and optional life
Statutory equity value requirement	None	50% of contribution (other 50% is the premium value)
Claims settlement	10 days (Insurance Commission standard)	10 days (Insurance Commission standard) 1-3-5 days (MBA standard)
Start-up capital		
Life	PHP 1 billion (USD 21,276,596)	PHP 5 million (USD 106,383)
Composite	PHP 2 billion (USD 42,553,191)	

Informal mutual fund schemes continue to be operated by cooperatives and community groups. Cooperative network leaders interviewed estimate that out of the 977 CDA registered cooperatives, around 70% were engaged in some form of insurance-like activity.

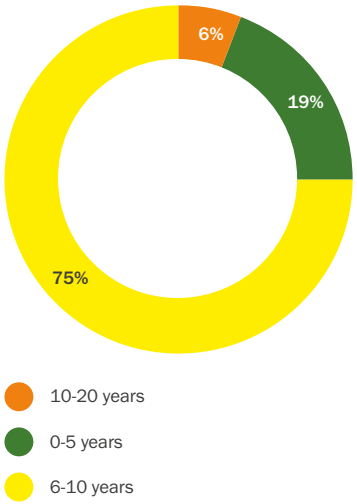
Figure 3. Geographic distribution of mutual organizations in the Philippines



GEOGRAPHIC LOCATION OF MUTUALS

The majority of mutual organizations are based in the main islands of Luzon (59%) and Mindanao (35%). Only 6% are in the Visayas (Figure 3). This skewed distribution does not mean however that Visayas is the least served considering that the biggest Mi-MBA, CARD MBA, has an extensive branch network not only in the area but all over the Philippines. Likewise CISs, particularly CLIMBs, have a strong network of member primary cooperatives operating in the Visayas and Mindanao.

Figure 4. Age distribution of mutual organizations



AVERAGE AGE OF MUTUAL ORGANIZATIONS

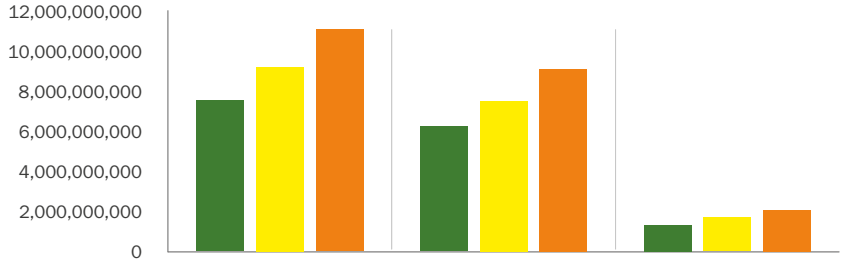
CISs are considerably older organizations having been established even before the term microinsurance was coined. The average age of CISs was 42.5 years. CLIMBs was the oldest CIS at 44 years.

On the other hand, Mi-MBAs are a new phenomenon which have emerged in the last decade from the success of the MFI-led microfinance industry. The average age of Mi-MBAs is eight years. Most of the Mi-MBAs (75%) are between six to 10 years old, while 19% are five years and below. Only 6% are older than 10 years (Figure 4). CARD MBA, the pioneer Mi-MBA, is the oldest at 16 years.

ASSET GROWTH

The combined assets of mutual organizations in 2014 was valued at PHP 11 billion (USD 234 million), of which 82% were contributed by Mi-MBAs and 18% by CISs. Assets grew by 22% in 2013 and 21% in 2014 (Figure 5).

Figure 5. Asset growth, 2012-2014



	Total	MBA	CIS
2012	7,466,758,367	6,179,266,107	1,287,492,260
2013	9,145,045,224	7,474,715,063	1,670,330,161
2014	11,070,269,360	9,025,205,306	2,045,064,054

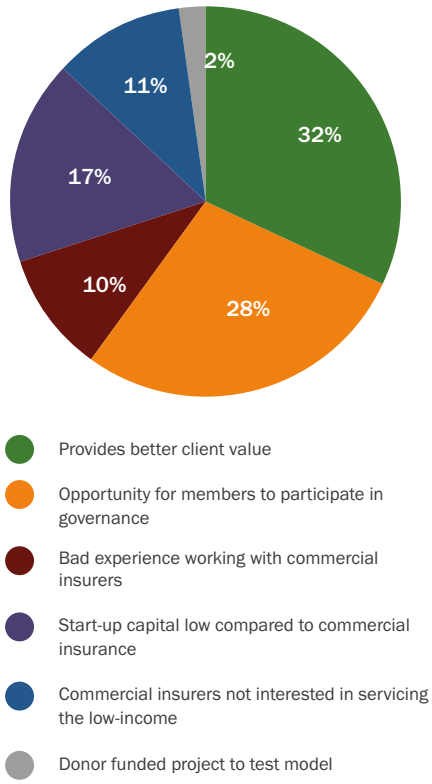
Mi-MBA assets continue to exhibit growth (21% in 2013 and 20% in 2014). CARD MBA is the largest contributing PHP 6.9 billion (USD 146.8 million) equivalent to 76% of total Mi-MBA assets while the smallest Mi-MBA contributes only 0.15% or 17.3 million (USD 0.36 million).

CIS assets grew by 30% in 2013 and 22% in 2014. CLIMBs is the biggest CIS with assets valued at PHP 1.6 billion (USD 34 million) equivalent to 80% of the total CIS assets.

PURPOSE FOR STARTING MUTUAL MICROINSURANCE

Mi-MBAs and CISs share the same reasons for setting up a mutual microinsurance organization. Both aimed to provide better client value in terms of lower premium, maximum coverage and faster claims settlement than those provided by commercial insurers. Both provided an opportunity for policyholders to be owners and participate in the governance of the organization. Among the other key factors that encouraged the formation of Mi-MBAs was the low start-up capital requirement plus the lack of interest from commercial insurers, at that time, to serve the low-income sector. For some, the negative experience dealing with commercial insurers was a prime motivator to start their own insurance provider. Figure 6 summarizes the major reasons for starting a mutual microinsurance organization.

Figure 6. Reasons for starting a mutual organization



ROLE OF MEMBERS

Mi-MBAs and CISs have similarities as well as distinctively diverse membership functions given the difference in the membership base (one being individual members and the other institutional).

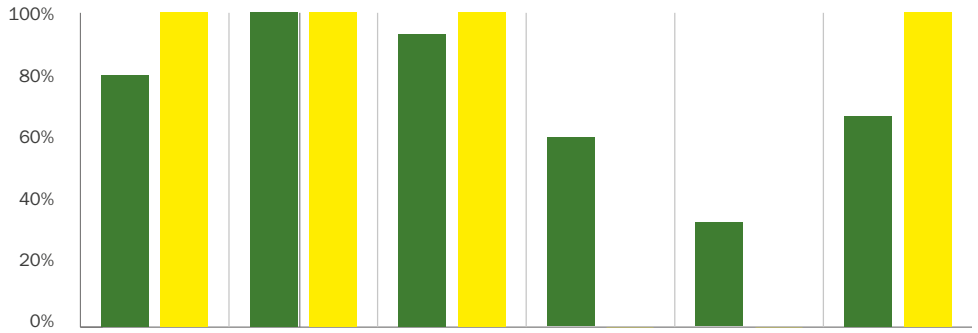
Role of members in governance and management

Respondents from Mi-MBAs perceive that the main role of their members in governance is in selecting member-representatives to the board. Ninety-three percent (93%) of the respondents believe that members have a major representation to the board while 80% consider policyholders as the shareholders of the organization (Figure 7). FGD results support these findings as a number of members of some Mi-MBAs are not clear about the ownership of the association and the members' role in governance.

Survey responses point out the unique feature of Mi-MBAs, which is membership involvement in microinsurance operations. Sixty percent (60%) of the responses state that the members are involved in the claims approval and settlement process while 33% claim members' involvement in day to day operations. The active involvement of membership is encouraged not only to lower the cost of the service but also to instill a sense of ownership. It also taps into the intimate knowledge of the community reducing fraudulent claims and fast tracking claims processing.

All of the respondents from CISs are aware that the members are the owners of the organization and are involved in selecting member-representatives to the board, with the members having the majority board representation (Figure 7). On the other hand, responses indicate that members are not involved in operational matters.

Figure 7. Members' role in governance (perceptions from FGDs)



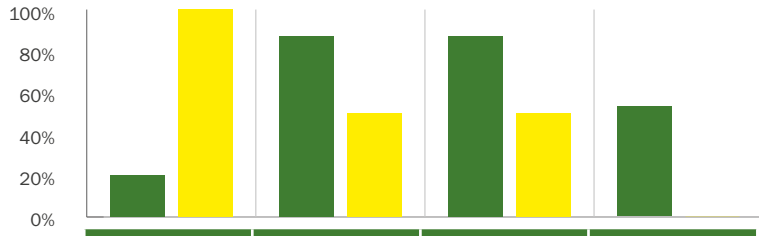
	Policyholders are shareholders in the organization	Involved in the process of selecting member representative to the Board	Have majority in representation in the Board	Involved in claims approval and settlement	Involved in day to day operations as staff	Receive a fair return on their equity
Mi-MBA	80%	100%	93%	60%	33%	67%
CIS	100%	100%	100%	0%	0%	100%

Role of members in product design

Most respondents (87%) from Mi-MBAs claim that members are involved in crafting rules and regulations for products and in enhancing existing products. However, more than half (53%) of the respondents stated that Mi-MBAs prefer not to involve members in designing new insurance products. Twenty percent (20%) of the responses indicate that members are involved in product need and demand assessment (Figure 8).

In contrast, all respondents from CISs indicate that members participate in product need and demand assessment but do not participate in product design. Half of the respondents (50%) said that members are involved in crafting rules and regulations for products and enhancing existing products.

Figure 8. Members' role in product design (perceptions from FGDs)

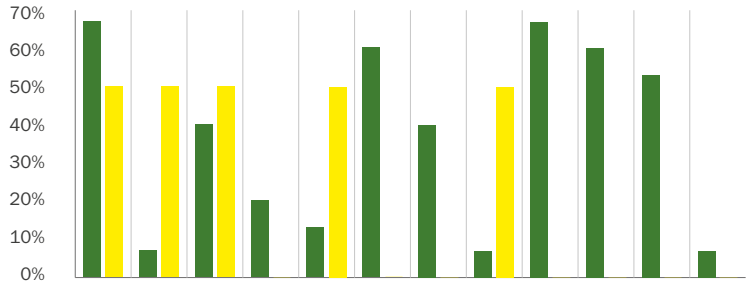


	Participate in product need and demand assessment	Participate in enhancing existing products	Participate in crafting rules and regulations for products	Do not participate in product design
MBA	20%	87%	87%	53%
CIS	100%	50%	50%	0%

TECHNICAL AND FINANCIAL SUPPORT RECEIVED BY MUTUAL MICROINSURERS

Mi-MBAs and CISs received technical and financial support for start-up and operations. Mi-MBAs reported that the most frequently provided forms of technical assistance (Figure 9) were in the areas of product development (67%), regulatory compliance requirements (67%), performance evaluation (60%), MBA governance and management (60%), and organizing an MBA (53%).

Figure 9. Technical assistance and financial support received



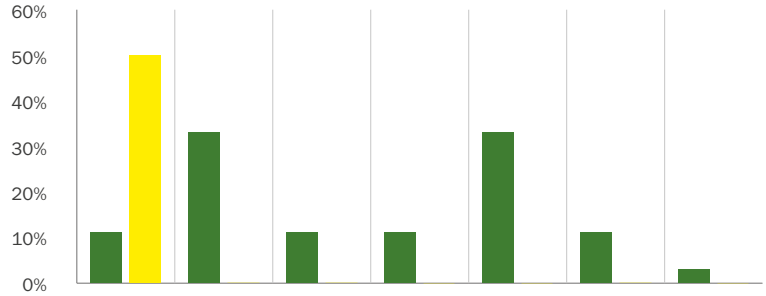
	Product development	Technical innovation	Automation of MIS	Market development	Systems development	Governance and management	Accounting and finance	Human resource management	Compliance requirements	Performance evaluation	Organizing of MBAs	Other
MBAs	67%	7%	40%	20%	13%	60%	40%	7%	67%	60%	53%	7%
CISs	50%	50%	50%	0%	50%	0%	0%	50%	0%	0%	0%	0%

Technical assistance received by Mi-MBAs was mainly self-financed or funded through small grants. RIMANSI, the formal network association of member Mi-MBAs, was the principal technical assistance provider for Mi-MBAs. CISs' staff interviews reveal that technical assistance received were in the areas of product development, technology innovation, MIS automation, systems development and human resource management.

Mi-MBAs and CISs had intermittent small grant funding from international aid organizations and donors. The Canadian Cooperative Association (CCA), AGRITERRA and Stichtung SMF were some of the international donors mentioned by respondents. No funding support was received from multilateral/bilateral donors nor from government agencies.

Grant support received by Mi-MBAs was mostly for staff capacity building (33%), technology innovation (33%) and product development (33%). On the other hand, only one CIS received grant support for working capital (Figure 10).

Figure 10. Grant support received

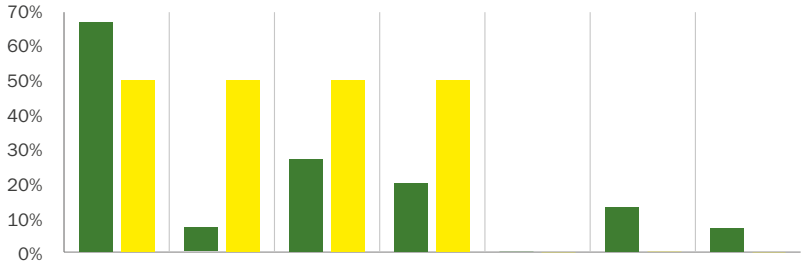


	Working capital	Capacity building	Research	Insurance awareness/ literacy	Technology innovation	Automation of MI	Product development
MBA	11%	33%	11%	11%	33%	11%	33%
CIS	50%	0%	0%	0%	0%	0%	0%

USE OF TECHNOLOGY

Both CISs and MBAs employed technology in their operations. Figure 11 shows the results of the survey on the use of technology. An automated MIS is the most widely used technology application. Overall, technology usage remains low with only 67% of Mi-MBAs and 50% of CISs using automated technology for data management.

Figure 11. Technology usage



	Customized/ automated MIS	Mobile phone used for premium collection	Mobile phone used to send reminder about premium payment	Mobile phone for insurance awareness	Point of sale device for premium payment	Others	None
MBA	67%	7%	27%	20%	0%	13%	7%
CIS	50%	50%	50%	50%	0%	0%	0%

The use of mobile phone technology is still at a very early stage with few mutuals applying the technology for premium collection and insurance awareness. The main constraint faced in the use of this type of technology is the lack of seamless connectivity.

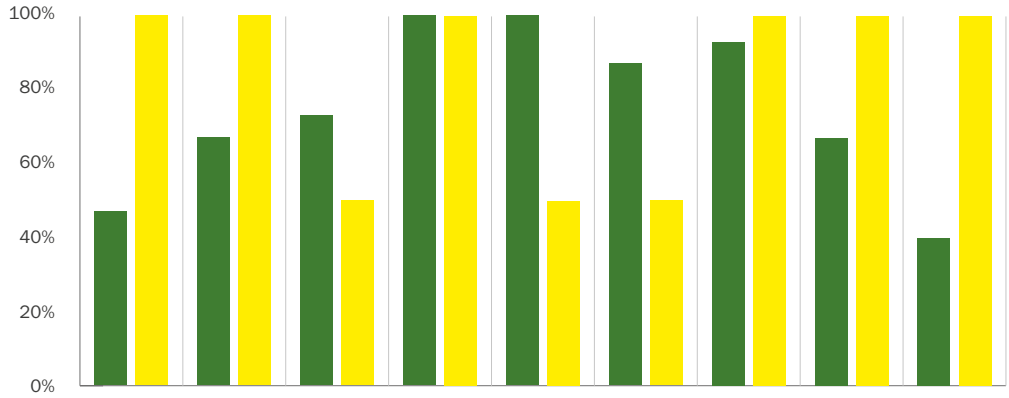
A responsive and dynamic data capture and management information technology is considered as the most crucial need by almost all the respondents.

INSURANCE AWARENESS ACTIVITIES

Both CISs and Mi-MBAs provide continuous insurance awareness education to their members (Figure 12). The topics discussed by Mi-MBAs are tailored to their members who are also the policyholders. The most widely discussed topics are the following: how to become a member (100%), product education (100%), claims settlement process (93%), members' rights and obligations (87%), and the concept of mutual insurance (73%). The topic on insurance awareness was discussed upon enrollment. Mi-MBAs employed seminars (100%), brochures (87%) and posters (53%) to raise insurance awareness among potential members.

The topics discussed by CISs are directed towards educating institutional members. The most frequently discussed topics are: risk identification and prioritization, the concept of insurance, product education, claims settlement process, renewal process and dispute resolution. CISs rely mainly on seminars and printed materials for their insurance awareness activities.

Figure 12. Insurance awareness activities



	Risk identification/ prioritization	Concept of insurance	Concept of mutual insurance	Product education	How to become a member	Members' rights and obligations	Claims settlement process	Renewal process	Dispute resolution
MBAs	47%	67%	73%	100%	100%	87%	93%	67%	40%
CISs	100%	100%	50%	100%	50%	50%	100%	100%	100%

The Demand and Supply Of Microinsurance

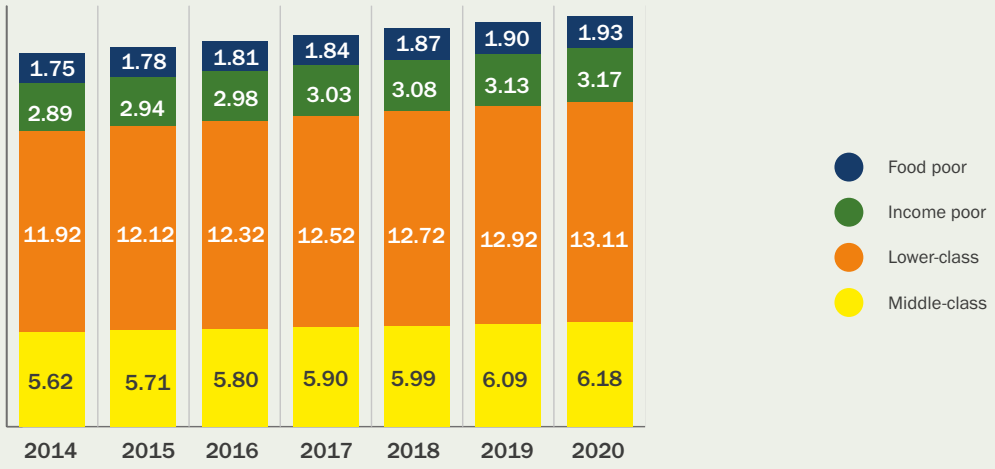
THE POTENTIAL MARKET

The potential market for microinsurance in the Philippines remains huge with predicted population growth which corresponds to an increase in the number of poor and low-income Filipinos.

The Philippine population was estimated at 99.9 million in 2014 and expected to increase to 101.5 million by 2015. By 2020, the population is projected to reach 109.9 million (Bersales, 2014). With an average household size of 4.5, the projected number of households are 23 million in 2015 and 25 million in 2020).

A study presented in 2013 (Virola, Encarnacion, Balamban, Addawe, & Viernes, 2013) categorized and distributed households in the Philippines into three income classes: upper, middle and low. Three quarters (74.7%) were classified as low-income class, 25.2% as middle-class and 0.1% as upper-class. The low-income class was further segregated into low-income (53.8%) and the poor (20.9%). The poor was further classified into income poor (13%) and food poor (7.9%). Figure 13 presents the estimated number of poor and low-income households from 2014 to 2020.

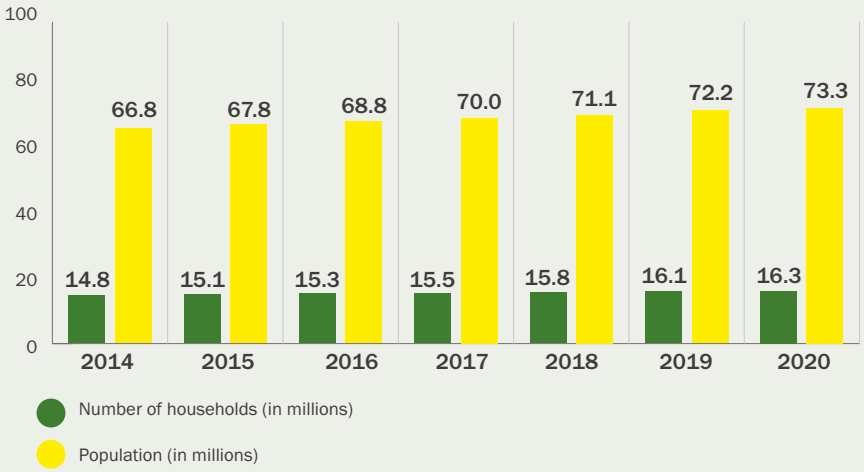
Figure 13. Number of Philippine households by income classification (millions), 2014-2020



The target market segments for microinsurance are those classified as low-income and poor. Those classified as “food poor” are excluded due to their obvious lack of purchasing capacity.

The potential size of the microinsurance market in 2014 was estimated at 14.8 million households (or 66.6 million Filipinos). The market is estimated to increase to 15.1 million households (67.8 million Filipinos) by 2015 and will expand to 16.3 million households (73.3 million Filipinos) by 2020. Figure 14 below shows the potential size of the market from 2014 to 2020.

Figure 14. Projected microinsurance market, Philippines, 2014-2020



FACTORS INFLUENCING DEMAND FOR MICROINSURANCE

Numerous studies have shown that various factors influence the demand for microinsurance. These include economic factors such as price and wealth (credit and liquidity); socio-cultural factors such as risk aversion, trust and peer effect; and structural factors such as informal risk sharing mechanisms, quality of service and risk exposure.

In the Philippine context, a study (GTZ, 2009) found the following factors influencing the demand for microinsurance:

1. **Insurance awareness.** Insurance awareness plays a major factor in insurance uptake. The study revealed that the number of insurance takers is directly proportional to the level of their insurance awareness. It revealed that more than half of those who were insurance aware availed of insurance. In addition, those who have higher expenditure (a proxy indicator of income) were more aware and availed of insurance. This was attributed to the ability to afford premium payments due to higher income. Awareness in urban areas was relatively higher than in rural areas because of easier access to information and financial services. MFIs and their staff were cited as the main source of information.

2. **Price.** The affordability of insurance was also a major determinant factor. The study showed that price was a major constraint for those who were aware but did not avail of insurance. The affordability and the frequency of payment varied across areas depending on the relative wealth of the regions and respondents. According to the study the price of affordable insurance low-income respondents were willing to pay was at 20 to 25 pesos payable weekly or monthly.

3. **Availability and accessibility.** The presence (or absence) of an insurance provider and access (or lack of) to information on how to avail of insurance were also cited as factors for non-purchase by those who were aware of insurance but remained uninsured. A strong relationship was found between insurance enrolment and affiliation/membership with organized groups or MFIs in the area. These MFIs, aside from being sources of information also offer microinsurance services. Accessibility to insurance services is facilitated since they operate locally and are trusted by the local community.

4. **Quality of service.** The quality of service was also a determinant of demand. According to the study, the qualities potential clients looked for in an insurance provider were a) fast and easy claims settlement, b) ease of becoming members and c) ease in paying their premiums.

5. **Exposure to risk events.** The study also found a correlation between frequency and impact of risk events and the need for risk protection. Protection against medical costs were favored over protection of assets by households who had experienced frequent natural calamities and illness.

6. **Risk sharing mechanisms.** The presence of risk coping and mitigating mechanisms through family kinship and informal mutual help groups was seen to diminish the demand for insurance. Informal community support appeared to play an important role in filling gaps in risk protection.

MAJOR RISKS FACED BY LOW-INCOME HOUSEHOLDS

Low-income households in the Philippines are faced with two types of risks, predictable and unpredictable. Predictable risks are those related with life cycle events while unpredictable risks are those related with illness, injury, death of a family member and man-made and natural catastrophes. Households are more vulnerable to unpredictable risks because they do not have adequate resources to mitigate these risks.

Among the most important unpredictable risks faced by low-income households in the Philippines are the following:

1. **Health risks** - FGD responses revealed that health related issues are the foremost need of households. This corroborates the results of the demand study conducted by GTZ (GTZ, 2009) indicating that sickness was not only considered as the major risk but also the most frequently occurring and the most expensive.

2. **Natural calamity risks** - loss of assets and business/livelihood activities as a result of natural calamities was also perceived by households in calamity prone areas as a major risk (GTZ, 2009). The frequency and magnitude of this risk is reflected in the Philippine MDG Report of 2014, with a reported 471 disasters occurring in 2012 which led to 1,612 lives lost, affecting 12 million people and causing PHP 39.9 billion (USD 849 million) in economic damages.

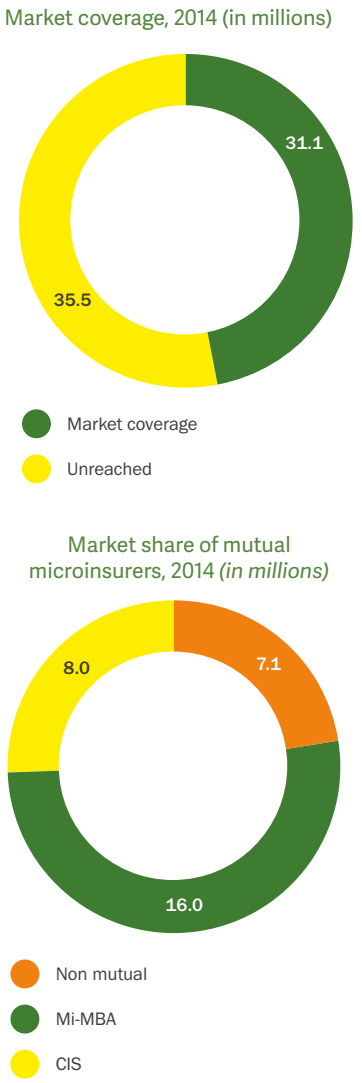
3. **Accident and death risks** - were also found as frequently occurring unpredictable risks in the Philippines in the GTZ study. Accidents of all types rank fourth as a major cause of death. Road accidents are the second leading cause of death with an estimated 10,375 road traffic fatalities in 2013 (WHO 2015 Global Status Report on Road Safety). Thousands more are injured and disabled.

The Coverage of the Mutual Microinsurance Market

Over the years, microinsurance coverage has grown tremendously from 3.1 million lives covered in 2008 (Asian Development Bank, 2013) to 31.1 million in 2014 (GIZ RFPI Asia, 2015). The 2014 figure covered 47% of the potential market of 66.6 million. The remaining 53% (35.5 million) remained untouched and present an opportunity for mutual organizations to expand their market coverage (Figure 15).

Mutual organizations dominated the 2014 microinsurance market with 51% (16 million lives) coverage contributed by Mi-MBAs and 26% (8 million lives) covered by CISs. The remaining 23% (7.3 million lives) was assumed to be covered by non-mutual microinsurance providers (Figure 15).

Figure 15. Market coverage and mutual microinsurance market share, 2014



(Mi-MBAs' coverage was based on the policies issued to client members at an average of four family members covered per policy. CIS coverage was based on their reported clients although further validation may need to be done to check whether all are microinsurance clients as per the regulatory definition).

The Profile of the Market

The market for microinsurance is generally described as those involved in the informal sector, often in the provision of services. This is consistent with Philippine labor and employment statistics where 52% of the labor force is involved in the service sector with only 33% in agriculture and 13% in industry (Philippine Statistical Authority, 2015). The largest occupational groups are laborers and unskilled workers (52%), government employees (16%), farmers, fishermen and forestry workers (13%), and service workers and shop and market sales workers (12%). An estimated 43% of workers are found in the informal economy (Danish Trade Union Council for International Cooperation, 2014).

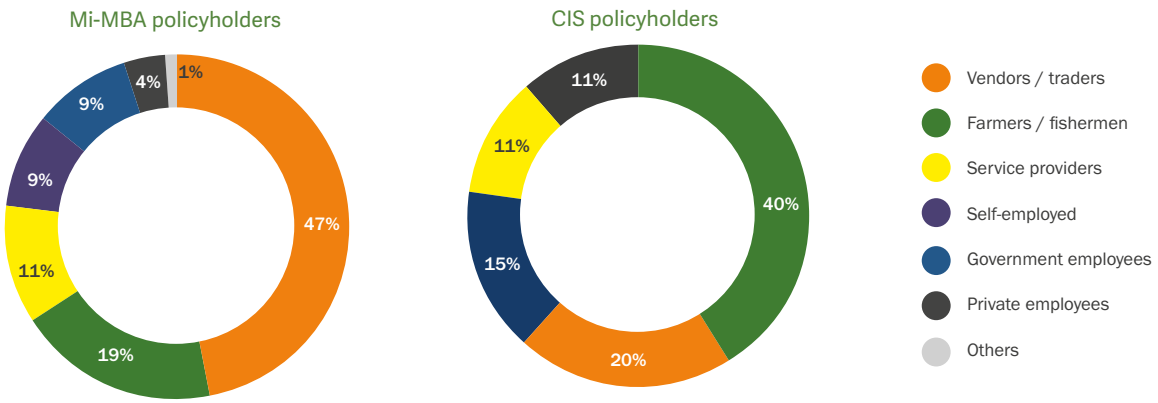
OCCUPATION OF CURRENT POLICYHOLDERS

An attempt was made to determine the occupation of Mi-MBA and CIS policyholders. It was difficult to gather information from CISs because their records were lodged with partner cooperative primaries which were spread all over the county. Therefore, only rough estimations were given. Mi-MBAs had better access to this information given their proximity to their parent MFI.

Survey results indicated that policyholders were mostly engaged in selling/vending and trading activities. The second highest occupational grouping was farming and fishing followed by government service (Figure 16).

A point of interest is the difference in the occupational grouping of Mi-MBA and CIS policyholders. Most of MI-MBA clients are vendors/traders (47%), farmers/fishermen (19%) and service providers (11%). In contrast, many of the CIS policyholders are farmers/fishermen (40%), vendors/traders (20%) and government employees (15%). It is difficult to ascertain whether some of these policyholders are microinsurance clients as per the regulatory definition due to absence of more in-depth information.

Figure 16. Occupation of policyholders



GENDER COMPOSITION OF POLICYHOLDERS/MEMBERS

No data on gender composition of policyholders was available for CISs. For Mi-MBAs, 90% of member policyholders in 2014 are women according to data compiled by RIMANSI (Figure 17). A decreasing trend was perceptible over the last three years in female membership as more males were allowed to join.

Figure 17. Mi-MBA membership composition by gender

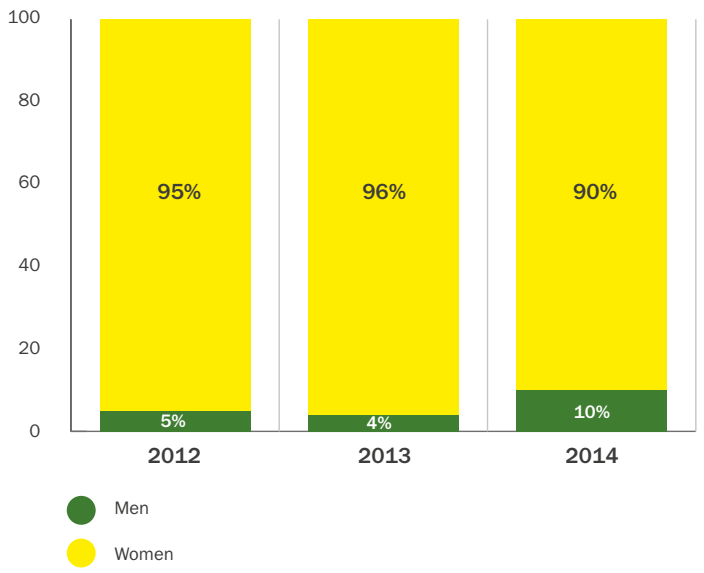
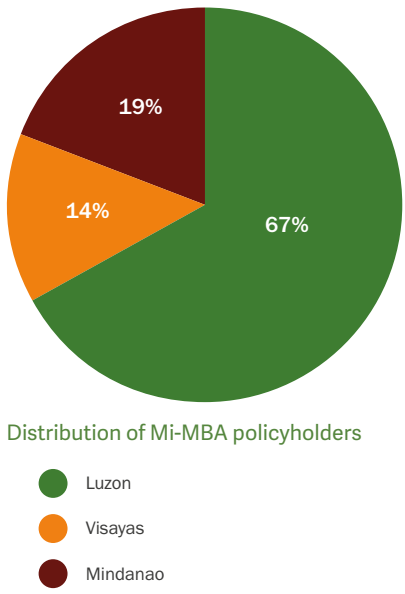
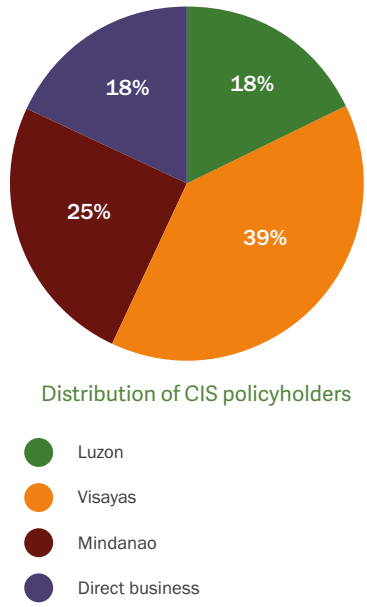


Figure 18. Geographic location of policyholders



GEOGRAPHIC DISTRIBUTION OF POLICYHOLDERS

The majority of Mi-MBA policyholders are in Luzon (67%) while CISs had a bigger presence in Visayas (39%) and Mindanao (Figure 18). CISs had a category for direct business for which data could not be disaggregated.

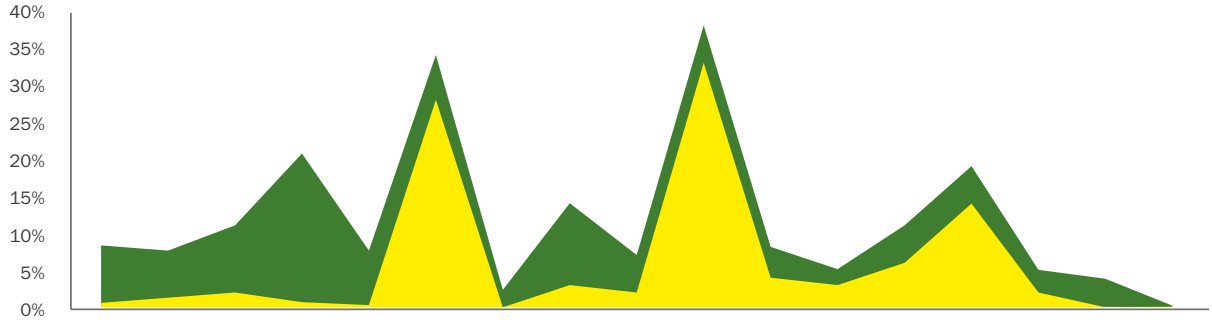


DISTRIBUTION BY REGIONS

By regional distribution, CIS policyholders are located in the major economic hubs of Manila, Cebu and Davao; Region VII (33%), NCR (28%) and Region XI (14%). This is due to the fact that bigger cooperative primaries are located in urban and suburban areas. In comparison, Mi-MBA policyholders are mostly located in Region IV-A (20%), Region V (11%), Region III (9%) Region IV-B (7%) and Region I (7%).

The five regions with the least number of CIS policyholders are CARAGA, Cordillera Autonomous Region (CAR), Autonomous Region of Muslim Mindanao (ARMM), Region IV-A and Region I (0.6%). For Mi-MBAs, these areas are ARMM (0.1%), Region IX (2%), CAR (2%), Region XII (3%) and CARAGA (4%) (Figure 19).

Figure 19. Regional distribution of policyholders



	I	II	III	IV-A	IV-B	NCR	CAR	V	VI	VII	VIII	IX	X	XI	XII	CARAGA	ARMM
MBAs	7.1%	5%	9%	20%	7.30%	6%	2.30%	11%	5%	5%	4.1%	2.1%	5%	5%	3%	3.8%	0.1%
CISs	0.60%	1.30%	2.00%	0.70%	0.30%	28%	0%	3%	2%	33%	4%	3%	6%	14%	2%	0%	0.07%

Mi-MBAs provided data on policyholder distribution at the provincial level. The concentration of MBA policyholders is highest in Quezon (9%), Laguna (5%), Batangas (5%), Oriental Mindoro (4%), Cavite (3.3%), Masbate (3.1%), Pangasinan (3.2%), Misamis Oriental (3%), Camarines Sur (2.9%) and Cebu (2.6%).

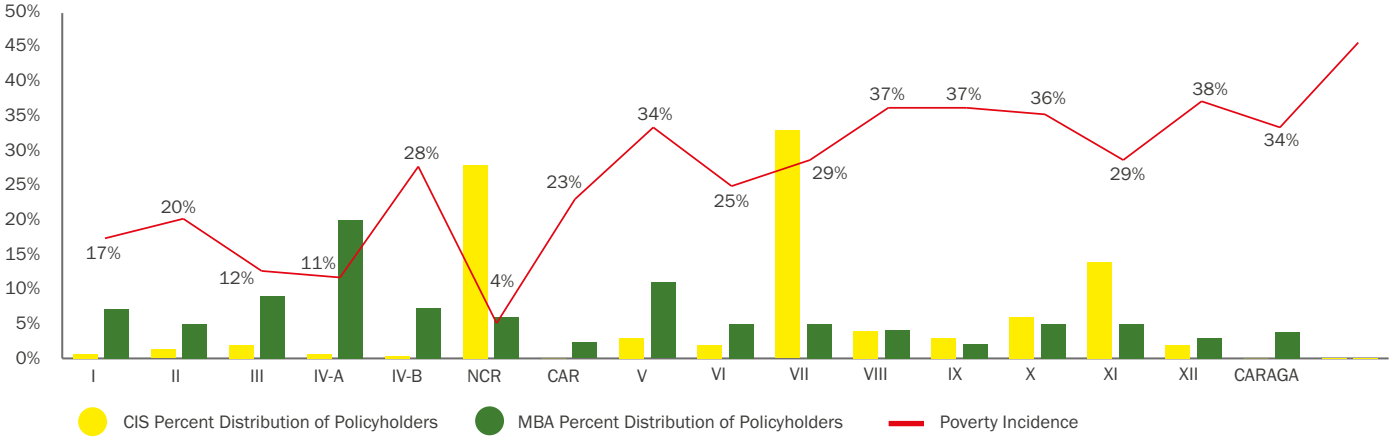
The lowest policyholder concentration is in Lanao Del Sur (0.01%), Zamboanga Sibugay (.03%) Siquijor (0.07%), Camiguin (0.07%), Sulu (0.08%), Basilan (0.08%), Tawi-Tawi (0.09%), Catanduanes (0.10%), Romblon, (0.13%) and Dinagat Islands (0.16%). These places are either hard to reach island provinces, conflict-affected areas or a combination of both.

LOCATION OF POLICYHOLDERS IN POVERTY AREAS

It is evident that both Mi-MBAs and CISs have less presence in areas with higher poverty incidences (Figure 20). This is due to member cooperatives and partner MFIs operating in economic areas providing better operational viability. Region VII seemed to be the only area with a high poverty incidence and a high percentage of CIS policyholders.

Province level data provided by Mi-MBAs indicate that among the poorest province, only Masbate had a significant concentration of policyholders relative to incidence of poverty. Reaching the poorer areas without sacrificing operational viability remains a major challenge.

Figure 20. Poverty incidence and distribution of policyholders



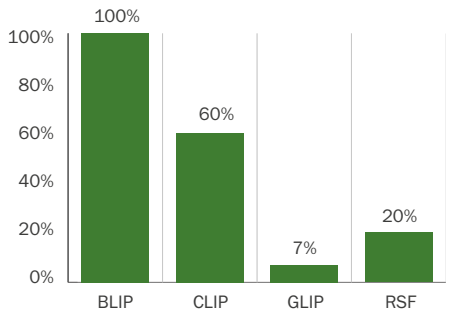
Mutual Microinsurance Products

Mutual and cooperative microinsurers are allowed to carry only life products, with the exception of one CIS (CLIMBS) which is licensed to carry both life and non-life products. Mi-MBA products are simpler and straight forward while CIS products are more diverse and complex making comparison among the different products difficult.

MI-MBA PRODUCTS

Two (2) life insurance products are offered by Mi-MBAs; a basic life insurance plan (BLIP) and credit life insurance plan (CLIP). BLIP is the basis for membership for an MBA. BLIP and CLIP are group-based products and mandatory. A new product recently introduced and solely offered by CARD MBA is the golden life insurance plan (GLIP). GLIP provides continuing insurance coverage to clients who have exceeded the maximum age limit under BLIP. A retirement savings fund (RSF) is provided as a rider to BLIP. Survey results show that while all Mi-MBAs offered BLIP, only 60% provided CLIP, 7% GLIP and 20% RSF (Figure 21).

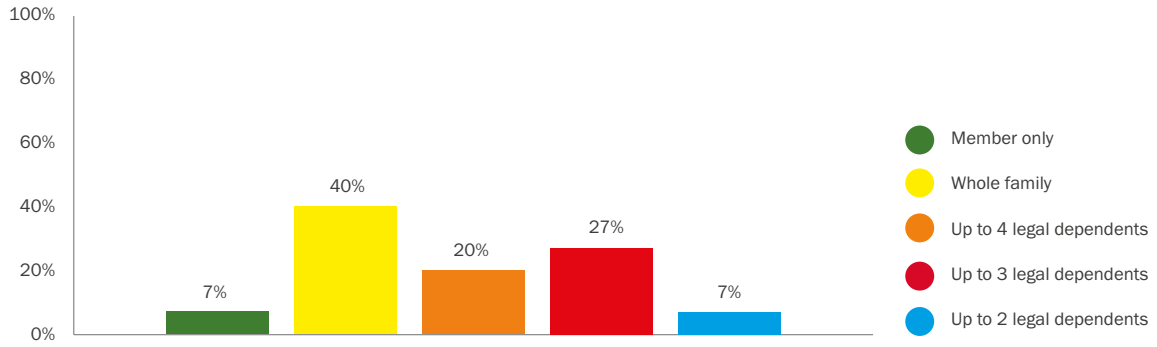
Figure 21. Mi-MBA life products



Basic Life Insurance

BLIP provides insurance cover for the death of the policyholder and qualified members of his/her immediate family (the spouse and legal dependents below the age of 21 years) while paying only for a single premium. The number of family members covered under BLIP varies. Forty percent (40%) of the Mi-MBAs provide cover for all qualified family members without any limit to the number of qualified children/dependents. Other Mi-MBAs set limits to the number of dependents ranging from two to four persons (Figure 22).

Figure 22. Number of family members covered by BLIP



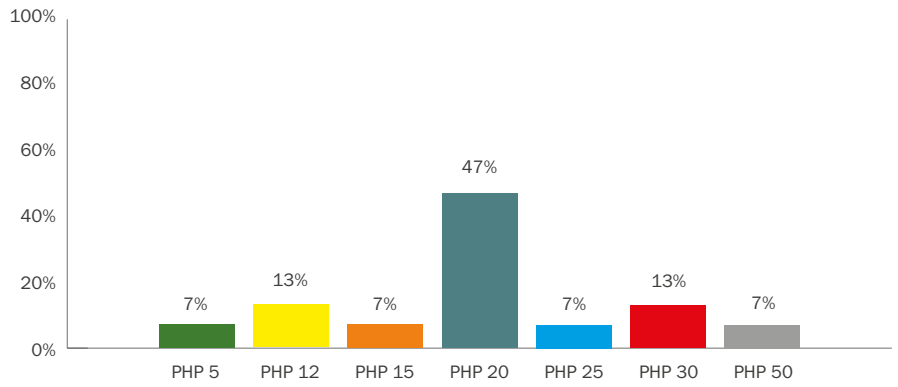
As mentioned in the previous sections, BLIP has a statutory component of equity value (similar to forced savings schemes) equivalent to 50% of the members' contribution. The other 50% represents the premium value of the insurance. The equity value is retained by the MBA and returned upon termination of membership (either through resignation, exit age and death). In addition 5% of the BLIP contribution is set aside as a reserve fund to increase the guaranty fund.

BLIP Membership Contribution

Members enrolled in BLIP pay a weekly contribution over 52 weeks (except in the case of one Mi-MBA where members pay over 48 weeks). Weekly contributions range from a low of PHP 5 (USD 0.11) to a high of PHP 50 (USD 1.06). Almost half of the Mi-MBAs have a fixed weekly contribution of PHP 20 (USD 0.43) (Figure 23).

The average membership contribution for BLIP is PHP 21 (USD 0.45) per week or PHP 1,209 (USD 26) per year.

Figure 23. Weekly membership contribution



BLIP Maximum Amount of Coverage

The amount of coverage under BLIP varied among Mi-MBAs depending on the clients' years of continuous membership and the cause of death. The maximum payout for each MBA is based on the actuarial study undertaken during product development. Forty percent (40%) of the Mi-MBAs paid PHP 50,000 or USD 1,064 for a member's death due to natural causes (Figure 24). The highest maximum benefit is PHP 120,000 (USD 2,553) while the lowest is PHP 10,000 (USD 213).

Only 87% of Mi-MBAs provided cover for natural death to spouses and dependents of members with PHP 10,000 (USD 212) as the maximum cover. The range of coverage is shown in Figure 25.

An accidental death coverage of PHP 100,000 (USD 2,128) is the most frequent amount provided by Mi-MBAs (40%) to members. The highest maximum benefit is PHP 120,000 (USD 2,553) while the lowest is PHP 20,000 (USD 426) (Figure 26).

Figure 26. Accidental death coverage for members (PHP)

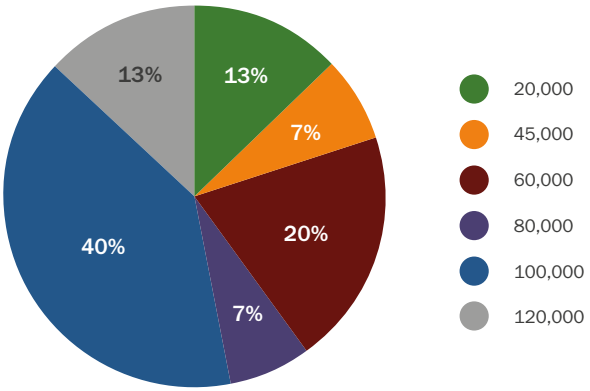


Figure 24. Amount of maximum cover for members and dependents, natural death (PHP)

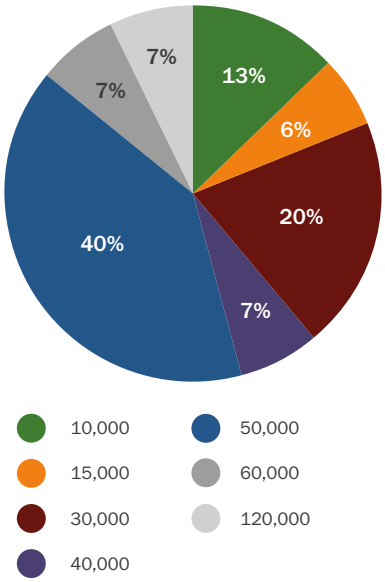
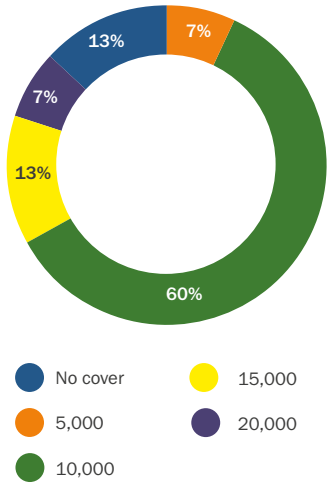
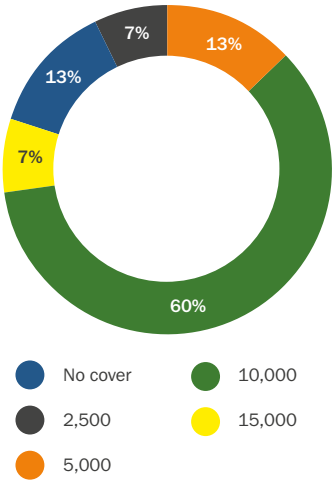


Figure 25. Death insurance coverage for policyholders' dependents (PHP)

Coverage for spouse (PHP)



Coverage for other dependents (PHP)

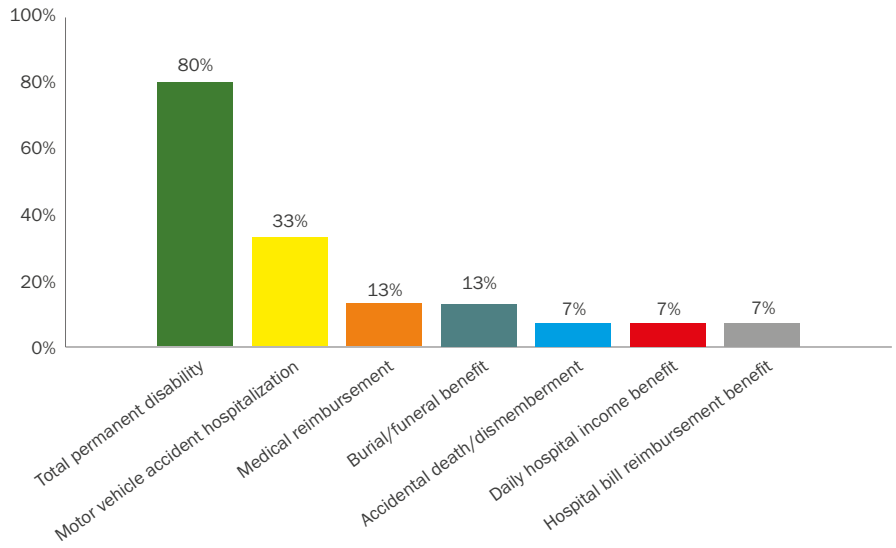


Only 87% of Mi-MBA respondents provide accidental death benefits for spouses and 80% provide benefits for dependents. The usual amount of coverage for those who provide benefits is PHP 20,000 (USD 426) for spouses and PHP 10,000 (USD 213) for dependents. Figure 27 shows the range in the amount of benefits for spouses and dependents.

Bundled Benefits

Mi-MBAs often bundle BLIPs with additional benefits. The most common benefits included are total permanent disability (TPD) and motor vehicle accident hospitalization (MVAH). Twenty-seven percent (27%) of the respondents provide benefits that addressed the health and medical needs of members. Figure 28 shows the frequently provided benefits to members.

Figure 28. Bundled benefits



Credit Life Insurance

The Credit Life Insurance Program (CLIP) is designed to provide loan protection to the members' families in case of death or disability. Not all Mi-MBAs provide CLIP to members. The majority of those who did not provide this type of products are cooperative-based organizations and presumably avail of the credit life insurance products from the CISs.

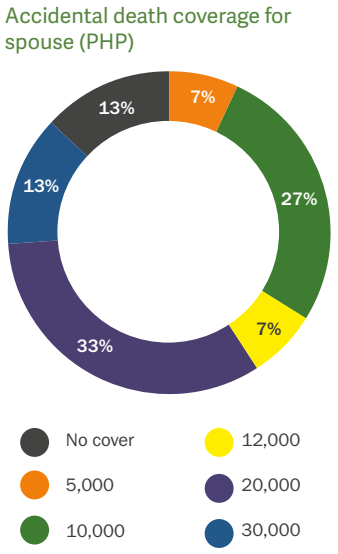
The average premium paid by members is PHP 13 for every PHP 1,000 loan per year (USD 0.28 per USD 21.3 loan per year). The lowest premium is at PHP 8.5 (USD 0.18) and the highest at PHP 15 (USD 0.32).

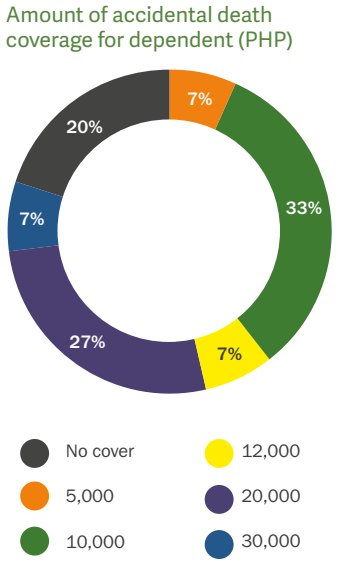
The amount of cover varied widely with 70% ranging from PHP 120,000 (USD 2,553) to PHP 200, 000 (USD 4,255). The standard practice is to cover the whole loan amount including the paid portion.

Golden Life Insurance Plan (GLIP)

GLIP is intended to provide continuous insurance coverage for members who have reached the exit age of 70 years. GLIP allows the extension of coverage to 100 years old. Members have the option to choose between a weekly contribution of PHP 50 (USD 1.1) or PHP 100 (USD 2.1) for a coverage of PHP 25,000 (USD 532) and PHP 50,000 (USD 1,064) respectively. There are no riders included under this product. A member has the option to discontinue the policy with a cash surrender value of 50% of the paid premium.
The product is offered only by CARD MBA. Other Mi-MBAs have expressed interest in developing similar GLIP products.

Figure 27. Accidental death coverage for policyholders' dependents (PHP)





CIS MICROINSURANCE PRODUCTS

CISs have a more diverse range of products, offering both individual and group-based insurance. Product coverage is voluntary to institutional members but group-based products are often passed-on to cooperative primary members as a mandatory cover. In general, CIS products are more expensive relative to those offered by Mi-MBAs. This may be due to the different income levels of their target market, with CIS clients having a comparatively higher income than Mi-MBA members.

Life Insurance

Based on Insurance Commission data, CLIMBS has three approved microinsurance life insurance products while CISP has eight. Group-based insurance includes CISP's GBLISS (Group Basic Life Insurance Security System), a one year renewable cover for individuals with an annual per capita contribution of PHP 182.5 (USD 3.9). The plan provides a maximum benefit of PHP 15,000 (USD 319) for accidental death and dismemberment (ADD), TPD and natural death. It also provides PHP 5,000 (USD 106) to cover burial expenses.

Both CLIMBS and CISP offer a group yearly renewable term (GYRT) credit life insurance product that are made mandatory by a primary cooperative to all eligible borrower-members. The plan includes an optional accidental death and dismemberment benefit. A comparison of the products offered is shown in Table 3.

Table 3. Comparison of CLIMBS and CISP credit life products

Provider	Policyholder contribution	Amount of benefit
CLIMBS credit life product	PHP 1.25 (USD 0.03) plus PHP 10 (USD 0.21) per PHP 1,000 (USD 21) loan per month	Amount of loan borrowed
CISP credit life product	PHP 0.50 (USD 0.01) per PHP 1,000 (USD 21) loan per month	Amount of loan borrowed

CLIMBs also has a Life Savings Plan (CLSP) with a premium of 1% of the total share capital and savings of the cooperative primary. The life insurance of a cooperative member is equivalent to the insured loan of the member. CISP offers a similar product called the Savings Incentive Insurance (SII) with an annual premium of 1% of risk cover or PHP 10 for every 1,000 savings per year. Life insurance benefit is based on the outstanding balance and/or share capital.

Both CLIMBS and CISP offer individual microinsurance products including the EZ Protect Plus and Insurance CARD and Student Insurance Plan (SIP). These products are bundled with TPD, ADD and Pure Endowment. A comparison of these products is shown in Table 4.

Table 4. Comparison of CLIMBS and CISP life savings plans

Provider	Product	Monthly contribution	Maximum benefit
CLIMBS	EZ Protect Plus (five years to pay, 15 year term)	PHP 175 to PHP 200 (USD 3.7 to USD 4.3)	▶ LIFE - PHP 30,000 (USD 638) ▶ ADD - PHP 30,000 (USD 638) ▶ Pure Endowment - PHP 12,000 (USD 255)
CISP	Student Insurance Plan (SIP)		▶ ADD - PHP 50,000 (USD 1,063) ▶ TPD - PHP 50,000 (USD 1 ,063) ▶ Burial - PHP 5,000 (USD 106)

Non-life Insurance

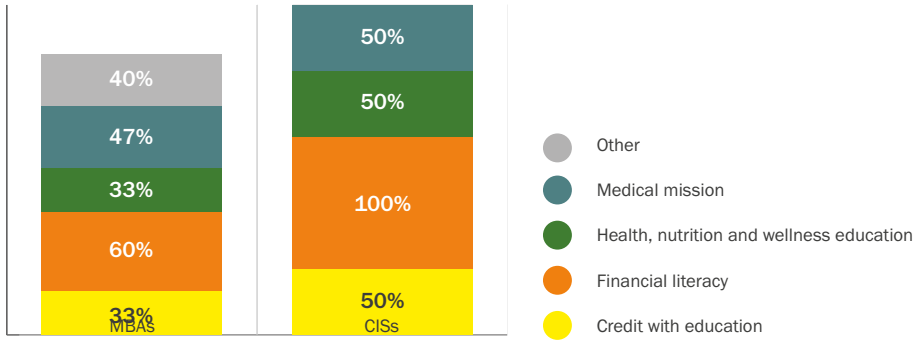
As a composite license holder, CLIMBS is the only mutual organization allowed to offer both life and non-life products including a home protection package against damages and losses caused by fire, lightning, earthquake, typhoon, flood, explosion, plane crash, etc. CLIMBS also provides a package for motor vehicle protection against accident, fire, burglary and other malicious causes of damage.

CLIMBS also piloted the National Catastrophe Insurance, a wind-speed and rainfall index-based insurance in partnership with Munich Re but has since suspended offering this product after incurring massive losses in the aftermath of Typhoon Haiyan (Yolanda).

VALUE-ADDED SERVICES

Mi-MBAs and CISs also provide other non-insurance services to existing policyholders and potential clients. These services include financial literacy seminars, medical missions, credit with education, health nutrition and wellness education. Figure 29 presents the types of value-added services provided. In addition, Mi-MBAs also provide mass wedding services for members and relief assistance during the occurrence of catastrophic events.

Figure 29. Value-added services provided

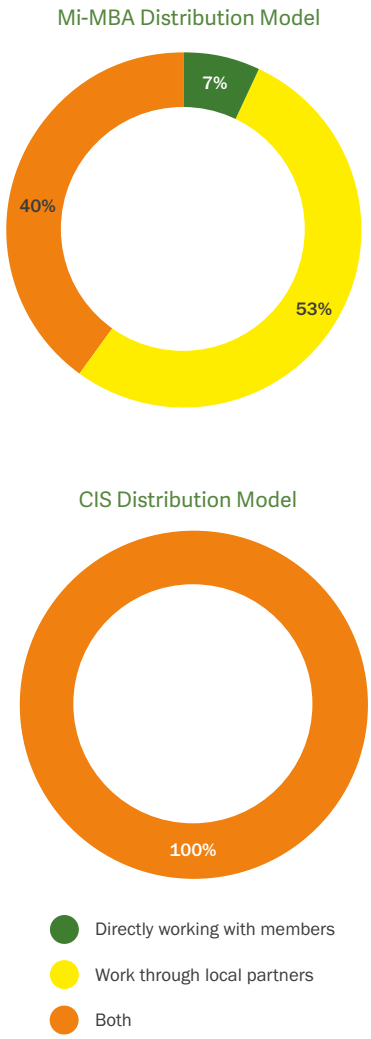


PRODUCT DISTRIBUTION CHANNELS

The partner-agent model is the predominant model used by both CISs and Mi-MBAs (Figure 30). The main distribution channel for Mi-MBAs is their sponsoring MFIs. Mi-MBAs piggyback on the MFI distribution system specifically in relation to premium collection, claims processing and member education. MFIs receive a small fee for services rendered, usually a percentage of the member contributions collected.

Member cooperatives are the main distribution channel of CISs. These cooperative primaries are paid commissions by the CISs to underwrite their microinsurance policies. CISs also employ marketing agents to directly underwrite their products.

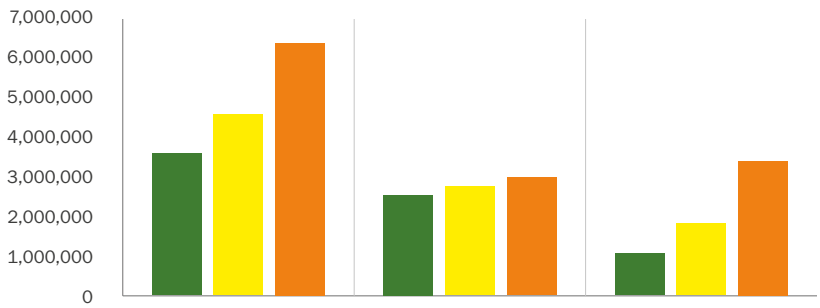
Figure 30. Mi-MBA and CIS distribution channels



Growth in Microinsurance Policies/Policyholders

Total policies underwritten by mutuals reached 6.4 million in 2014 with Mi-MBAs contributing 47% and CISs 53% (Figure 31). However, the reported CIS data does not clearly distinguish micro and non-microinsurance policies. This study makes the assumption that all are microinsurance policies.

Figure 31. Growth in the number of policies/policyholders, 2012-2014



	Total	MBA	CIS
2012	3,590,935	2,530,879	1,060,056
2013	4,575,741	2,751,365	1,824,376
2014	6,377,459	2,971,791	3,405,668

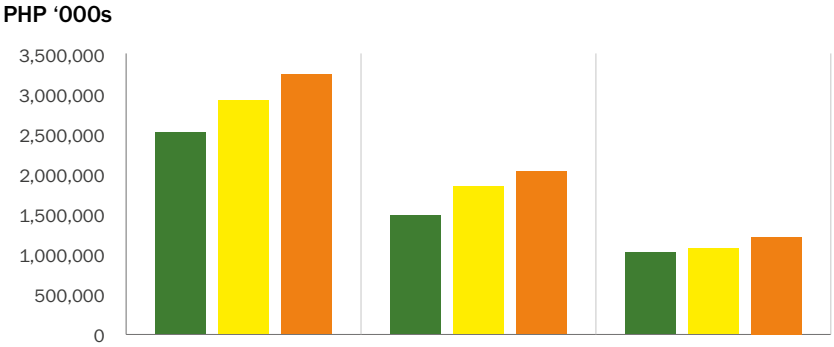
The number of policies issued by Mi-MBAs continue to grow at a slow pace at 9% in 2013 and 8% in 2014. CARD has the highest number of policies issued (8.5 million) representing 72% of total Mi-MBA policies. Although overall growth increased, the percentage of Mi-MBAs with negative growth rose from 36% in 2013 to 43% in 2014. This indicates difficulties in membership retention and attracting new members.

The number of policies issued by CISs increased by an impressive 72% in 2013 and 87% in 2014. CLIMBS was the biggest CIS in terms of policies issued with 2.7 million or 78% of all CIS policyholders.

Growth In Premiums/Membership Contribution

The combined premium value/membership contribution of the CISs and MBAs in 2014 amounts to USD 69 million (PHP 3.2 billion), of which, 62% (PHP 2 billion/USD 43 million) were contributed by Mi-MBAs and 38% (PHP 1.2 billion/USD 26 million) by CISs. Premiums grew by 16% in 2013 and by 11% in 2014 (Figure 32).

Figure 32. Growth in premiums, 2012-2014



	Total	MBA	CIS
2012	2,507,193,331	1,474,828,731	1,032,364,600
2013	2,902,256,106	1,837,972,500	1,064,283,606
2014	3,232,393,622	2,016,973,333	1,215,420,289

Mi-MBAs' membership contribution/premiums grew by 25% in 2013 and 10% in 2014. Growth was driven by only a few Mi-MBAs with the majority exhibiting a decline in premium growth. In absolute amount, CARD MBA remains the leader with PHP 1.55 billion (USD 33 million) equivalent to a 77% share of the total Mi-MBA premiums. The percentage of Mi-MBAs exhibiting negative growth increased from 38.5% in 2013 to 64.3% in 2014, consistent with the deterioration of policyholder growth.

Of the total Mi-MBA membership contribution of PHP 2 billion (USD 43 million) in 2014, 81% was contributed by BLIP membership and 19% from CLIP.

For CISs, premiums grew by 3% in 2013 and 14% in 2014, fueled mainly by a resurgence in CISP operations. CLIMBS continue to be the leading CIS contributing PHP 916 million (USD 19 million) equivalent to 75% of total CIS premiums in 2014.

Mi-MBAs had a higher average membership contribution per policyholder at PHP 679 (USD 14) compared to a premium contribution per member of PHP 357 (USD 7.6) for CISs. However, the calculation for Mi-MBAs does not take into consideration the allocation for the equity value and reserve fund, leaving only 45% of the membership contribution as the premium value. Using only this value the premium per policyholder of Mi-MBAs decreased to PHP 305 (USD 6.5).

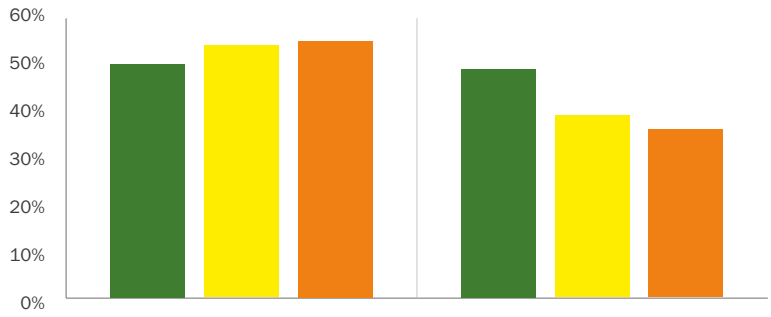
Claims Ratio

The claims or loss ratio indicates the proportion of the premium that goes to the benefits paid to the insured. The formula prescribed by the Insurance Commission differs for Mi-MBAs and CISs.

For Mi-MBAs the formula used is: death claims over 25% of basic contribution plus 80% optional contribution plus beginning reserves for permanent life plans. For CISs, the Insurance Commission provides separate formulas for life (death claims over beginning reserves plus gross premiums) and for non-life (losses incurred over premiums earned).

Figure 33 shows the claims ratio for Mi-MBAs increasing over the past three years (2012-2014), indicative that more claims are being paid out. Only one CIS (CLIMBS) provided information on claims ratios revealing a decreasing trend for the same period.

Figure 33. Claims ratio, 2012-2014



	MBA average	CIS average
2012	50%	49%
2013	54%	39%
2014	55%	36%

The Insurance Commission standard for claims ratio was at 75% to 100% for Mi-MBAs and 40% to 50% for life and non-life companies. The computed average claims ratio performance of Mi-MBAs and CISs over the last three years were both below the Insurance Commission standard (except for 2012 when the CIS ratio was within the standard).

Individually, only 15% of Mi-MBAs passed the Insurance Commission standard in 2012. In 2013 and 2014, 27% were able to meet the standard (Figure 34). The claims formula and standard need to be reviewed to find the usefulness of the ratio among Mi-MBAs in assessing performance.

Figure 34. Mi-MBA claims ratio performance

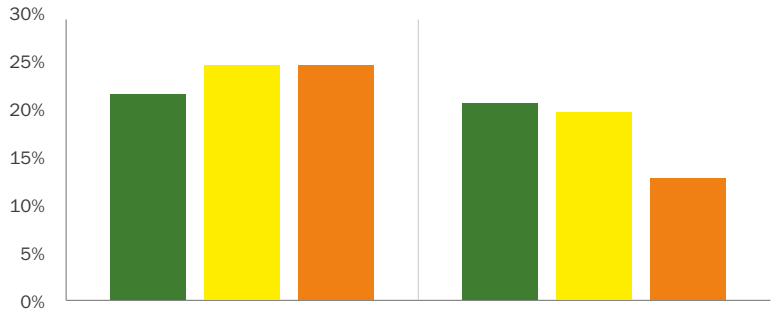
Mi-MBA Insurance Commission standard =75%			
CLAIMS RATIO	2012	2013	2014
Higher than standard	15%	27%	27%
Equal to or lower than standard	85%	73%	73%

Operating Cost Ratio

The calculation for the operating cost ratio as prescribed by the Insurance Commission varies depending on the type of institution. For MBAs, the ratio is computed as operating expenses over gross contributions. For life and non-life companies, the ratio is calculated as operating expense over gross premiums.

Figure 35 reveals a contrasting performance between Mi-MBAs and CISs. While CIS ratios display a lower cost ratio, Mi-MBA ratios show an increased cost of doing business. The decreasing cost of CISs is largely attributable to major improvements in the operational efficiency of CISP.

Figure 35. Operating cost, 2012-2014



	MBA average	CIS average
2012	22%	21%
2013	25%	20%
2014	25%	13%

The Insurance Commission has likewise established standards for operating cost ratio at a maximum of 20% for MBAs and 50% for life and non-life companies. The average cost ratio of CISs is within the Insurance Commission standard but MBAs exceed the standard. Figure 36 shows an increasing trend of the percentage of Mi-MBAs surpassing the standard set by the Insurance Commission.

Figure 36. Mi-MBAs operating cost ratio performance

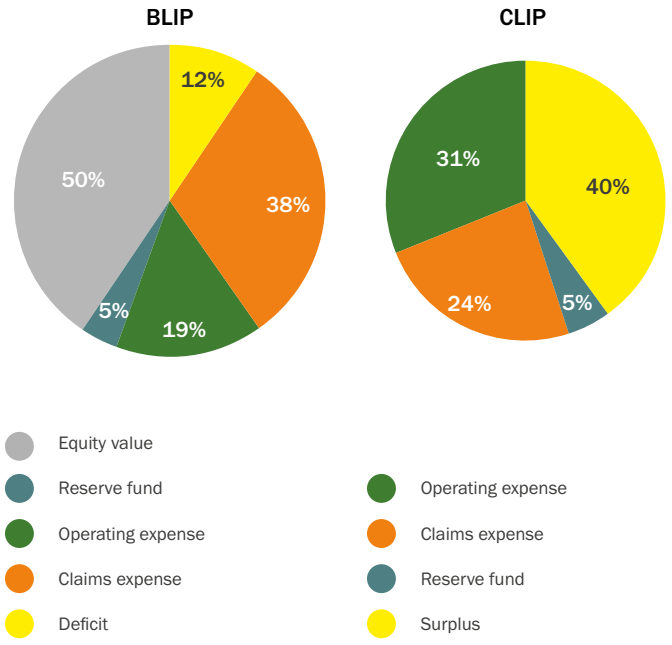
Insurance Commission Standard less than or equal to 20%			
OPERATING COST RATIO	2012	2013	2014
Exceed standard	54%	60%	66%
Equal to or lower than standard	46%	40%	40%

Mi-MBAs Costs By Product

The cost structure of the two main products, BLIP and CLIP, was reviewed. All Mi-MBAs offer BLIP while 60% provide for CLIP. Of those offering CLIP, less than half practice allocating costs by product. Those who practice cost allocation charge only direct costs (underwriting and service fee costs) to CLIP. All other costs are charged to BLIP. This practice contributes to BLIP exceeding the product cost limit while CLIP had comparatively minimal costs resulting in a huge surplus margin.

Figure 37 shows the average cost distribution of all the Mi-MBAs. Based on 2014 data, BLIP operating and claims expenses reached 57%. Since 50% of membership contribution is mandated to be set aside as members' equity value in addition to 5% as reserve fund, only 45% is considered as the premium value. Thus, total claims and operating expenses exceed premium value by 12%. This shows that on average, many Mi-MBAs do not make any money on BLIP and rely on other sources of income (CLIP and investments) to improve their bottom line. Data reveals that on an individual basis, 80% of Mi-MBAs surveyed had claims and operating expenses exceeding the 45% limit.

Figure 37. Cost distribution in relation to membership contribution/premium per product



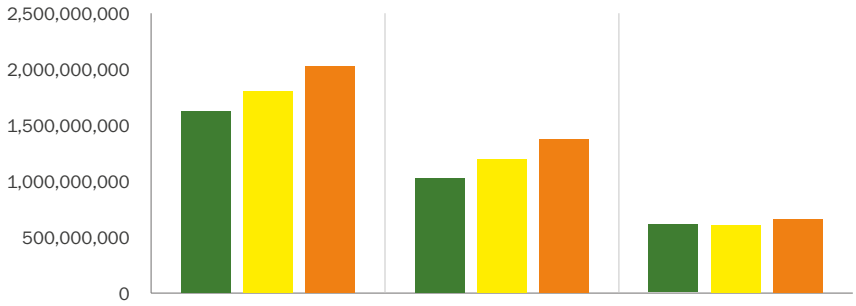
In comparison, CLIP operating and claims costs reached 55%. Mi-MBAs were able to generate a 40% surplus on average since the product only had to provide for a reserve fund of 5% (due to no equity value requirement).

The real cost of CLIP is probably much higher since Mi-MBAs do not seem to proportionally allocate general costs and simply charge most of the expenses to BLIP. It will be helpful if Mi-MBAs could come up with a common practice in product cost allocation.

Benefit Payouts

Total benefits paid out by the CISs and Mi-MBAs in 2014 amounted to PHP 2 billion (USD 43 million) with 67% contributed by the Mi-MBAs and 33% by the CISs. The total amount of benefits paid out grew by 11% in 2013 and by 13% in 2014 (Figure 38).

Figure 38. Benefits paid to members



	Total	MBA	CIS
2012	1,623,035,373	1,015,914,238	607,121,135
2013	1,795,148,110	1,194,415,874	600,732,236
2014	2,024,542,022	1,366,155,886	658,386,136

The total benefits paid out by Mi-MBAs increased by 18% in 2013 and by 14% in 2014. In aggregate amounts, CARD MBA provides the bulk of the Mi-MBA benefits paid out contributing 85% of total in 2013 and 86% in 2014. This is due to deaths when Typhoon Haiyan struck.

While a few Mi-MBAs (13%) showed an increase in benefit payout, the remainder had declining payout rates. The percentage of Mi-MBAs with negative growth of benefits paid out increased from 21.4% in 2013 to 66.7% in 2014.

For CISs, benefits paid out decreased by 1% in 2013 but recovered in 2014 to a 10% growth. CLIMBS had the highest benefit payout for CISs contributing 78% of total CIS benefit payout.

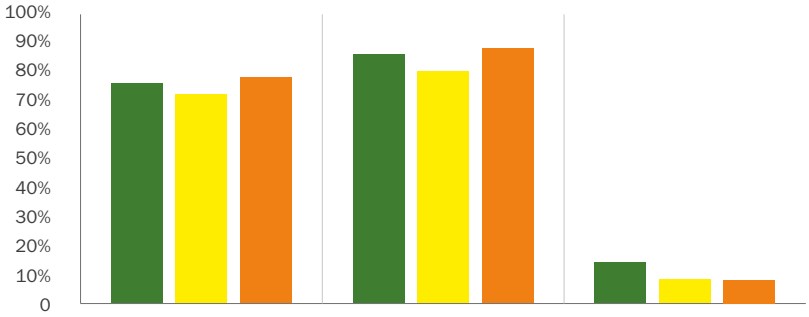
The average benefit paid per policyholder was significantly higher for Mi-MBAs at PHP 460 (USD 9.8) compared to PHP 103 (USD 2.2) for CISs.

Time To Payout Ratio

The time to pay-out ratio indicates the percentage of claims paid within 10 days upon receipt of all required claims documents.

Mi-MBAs time to payout ratio was significantly faster than CISs in the last three years (Figure 39). In 2014, Mi-MBAs settled 88% of claims within 10 days while CISs were only able to settle 8% of claims.

Figure 39. Time to pay-out ratio, 2012-2014



	Total	MBA average	CIS average
2012	76%	86%	14%
2013	72%	80%	8%
2014	78%	88%	8%

In spite of the fast payout, 53% of Mi-MBAs fell below the 100% standard set by the Insurance Commission in 2014 (Figure 40).

Figure 40. Mi-MBAs time to payout performance

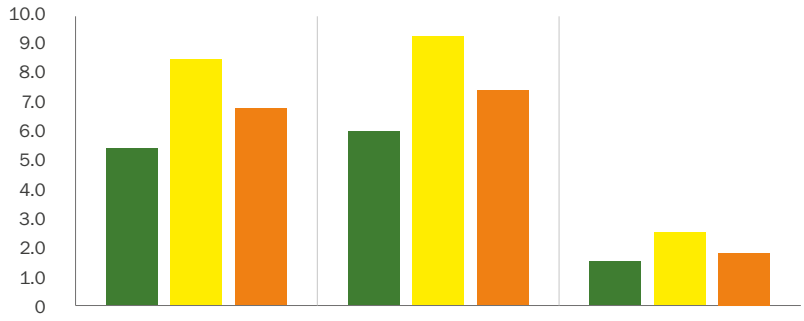
Insurance Commission Standard =100%			
TIME TO PAY OUT	2012	2013	2014
Meets the standard	38%	27%	47%
Lower than standard	62%	73%	53%

Liquidity Ratio

The liquidity ratio determines the ability of the microinsurance provider to pay claims and meet current obligations. The Insurance Commission prescribes the calculation of liquidity ratio as current assets over current liabilities.

Mi-MBAs were extremely liquid compared to CISs (Figure 41). From a ratio of 6:1 in 2012, liquidity increased to 9:1 in 2013 and 7:1 in 2014. CISs were better in managing their liquidity with an average ratio of 1.5:1 in 2012 to 2.5:1 in 2013 and 1.8 in 2014.

Figure 41. Liquidity ratio, 2012-2014



	Total	MBA average	CIS average
2012	5.4	6.0	1.5
2013	8.5	9.3	2.5
2014	6.8	7.4	1.8

The percentage of Mi-MBAs exceeding a 2:1 ratio was at 40% with the highest at 41:1, indicative of inefficient use of liquid assets.

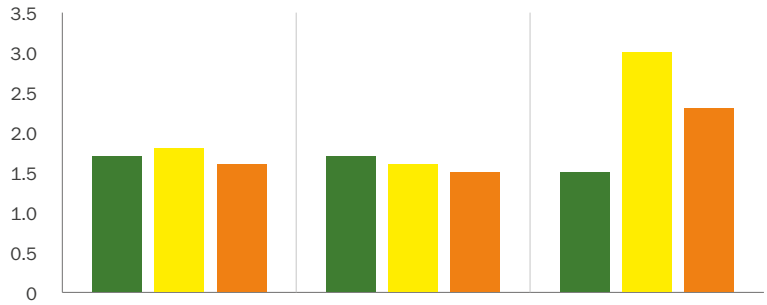
Solvency

The margin of solvency, as defined by the Insurance Commission, is the ability of the insurance provider to cover all liabilities including claims of clients with its available assets after satisfying the margin of solvency requirements (MOS). The MOS is the minimum guaranty requirement or 0.1% of the total insurance in force less aggregate reserve, whichever is higher (Insurance Commission circular letter 5-2011).

The Mi-MBAs' margin of solvency shows a decreasing trend from 2012 to 2014 but was still more than adequate to cover outstanding liabilities (Figure 42). CISs had higher ratios than Mi-MBAs improving in 2013, and slightly dipping in 2014.

All mutuals passed the Insurance Commission solvency ratio standard of 1:1 ratio.

Figure 42. Solvency ratio, 2012-2014



	Total	MBA average	CIS average
2012	1.7	1.7	1.5
2013	1.8	1.6	3.0
2014	1.6	1.5	2.3

Return On Assets (ROA)

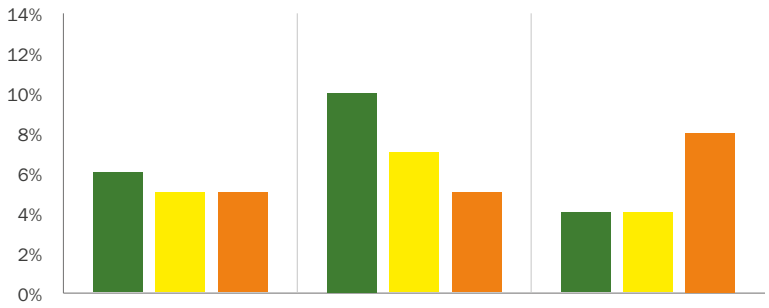
ROA measures the efficiency in managing assets to produce a profit/net surplus. Given the limited set of data, a simplified formula was used (net profit/surplus over total assets for the same year).

Mi-MBAs and CISs displayed contrasting ROA trends over the last three years with Mi-MBAs ratios on the decline while CISs ratio improving (Figure 43). ROA performance was consistent with the growth of policyholders, premiums, claims ratio, liquidity and the operating cost ratio.

The decline in ROA among Mi-MBAs can be traced to the sluggish premium growth while operating costs and claims were increasing at a faster rate. A high level of liquidity also contributed to the decline as funds which could have been invested to generate additional income were left idle.

For CISs, the doubling of ROA in 2014 was attributed to the remarkable performance of CISP operations which exhibited a 15% ROA for the said year.

Figure 43. Return on assets, 2012-2014



	Total	MBA average	CIS average
2012	6%	10%	4%
2013	5%	7%	4%
2014	5%	5%	8%

PROPECTS, ISSUES AND CHALLENGES

PROSPECTS

The prospects for continued growth of mutual-based microinsurance continue to be favorable because of the following factors:

1. **An enabling regulatory environment for mutual organizations.** The regulatory environment remains to be supportive of the entry of new Mi-MBAs as demonstrated by the increase in the number of Mi-MBAs. Lower capitalization requirements and tax-free privileges continue to be an attractive proposition to enter the playing field for new mutual microinsurance providers.

2. **A friendly regulator.** The Insurance Commission continues to be a supportive regulator and a valued partner of mutual organizations in expanding the reach of microinsurance.

3. **A huge untapped market.** A large portion of the potential market (53%) remains unserved. The potential market is expected to grow in size in the next five years, further increasing the size of the untapped market.

4. **An active support network organization.** RIMANSI, the network association of Mi-MBAs, has emerged as an important provider of technical services and as a vehicle to strengthen and unify Mi-MBAs towards a common direction.

5. **Government's drive to formalize the informal providers.** Formalization allows existing informal organizations opportunities to establish new mutual associations or otherwise join with existing ones.

6. **Availability of technology-based applications for microinsurance.** Evolving internet and mobile phone-based technologies present opportunities to widen coverage at reduced costs.

CHALLENGES

While prospects for growth are bright, mutual organizations, particularly Mi-MBAs, are faced with major challenges. These include the following:

1. **Mutuals operate in a small and limited market resulting in increasing competition among themselves.** The mutuals market remains limited to microfinance (credit-based) clients with the wider market, the non-borrowers, largely unserved. With the larger MFIs expanding coverage into territories already covered by local institutions, clients are either switching membership or opting for multiple membership. As a consequence, competition among mutuals is increasing in intensity.

2. **Mutuals, particularly Mi-MBAs, are limited by law, to offer only life insurance to its clients.** Existing regulations prohibit Mi-MBAs from offering non-life products hindering their ability to respond to the non-life requirements of their member clients.

3. **The lack of microinsurance awareness of the target market and the general public.** Many Filipinos still do not understand the concept of insurance or continue to have negative perceptions about it. Mutual organizations consider insurance awareness activities as important to expanding their market. Although mutual organizations undertake insurance awareness as a regular activity, all feel it is still insufficient.

4. **The need for mutual organizations to be more strategic in their approach**, improve their competencies and operate with greater efficiency as they venture into new competitive markets and introduce new products.

CONCLUSIONS & RECOMMENDATIONS

The following are the recommendations to sustain the growth of the mutual microinsurance sector in the Philippines:

a. **For mutual organizations.** Mutuals will need to improve their overall organizational governance to ensure that they remain sustainable while pursuing their social mission. The key areas that need priority attention to improve their efficiency and effectiveness are the following:

   i. Operations. The efficiency of management processes most particularly claims, cost control and financial management.

   ii. Marketing. A clear strategy on how it plans to retain its current clients, increase market penetration and expand into new geographic areas or new market segments. The strategy must include new partner-agents it wants to engage and how it plans to engage them.

   iii. Product. A review of the current product offering, its viability and the possible need to modify/enhance the existing product(s) or develop a new one(s).

   iv. Technology. Improve the robustness of the existing database and management information systems to capture, store, process and report information in a timely and accurate manner. Explore the possibility of deploying mobile technology as a strategy to expand reach at a lower cost.

   v. Investment management. Develop a mechanism to widen investment opportunities and provide better investment yields and address the high liquidity levels

b. **For the Government**

   i. Intensify its financial literacy and microinsurance campaign using various media focusing on geographic area with the presence or potential presence of mutuals.

   ii. Step up the drive to either formalize or stop operation of informal quasi-insurance risk sharing mechanisms.

   iii. Closely monitor the performance of mutuals (in collaboration with RIMANSI) based on pre-set standards and provide appropriate incentives/ penalties.

   iv. Formulate regulatory provisions regarding mergers of mutuals in anticipation of the possible scenario of a bigger mutual organization absorbing a smaller association.

   v. Develop mandatory accounting standards for mutuals to ensure consistency and comparability of financial reports.

   vi. Explore the feasibility of allowing mutuals to offer non-life products on a tax exempt basis.

c. **For ICMIF and other donors.** Provide financial, technical and training support in the following areas:

i. Capacity development of mutual organizations

- ►Good governance
- ►Strategic and operations management
- ►Enterprise risk management
- ►Marketing management
- ►Operating systems development
- ►Product design and development
- ►Investment management

ii. Improving the MIS technology of Mi-MBAs.

iii. Piloting technology-based innovations such as the use of mobile phones.

iv. Review and testing of products (old and new).

v. Microinsurance awareness/education activities.

vi. Promoting new MBAs.

vii. Testing new marketing distribution systems

APPENDICES

Appendix 1. List of respondents

Association, Inc.	Address	Date interviewed
REGULATORS/POLICY MAKERS		
Insurance Commission (Microinsurance Division)	IC Building 1071 United Nations Avenue, Manila, 1004, Philippines, P.O.Box 3589, Manila	3 September 2015
Bangko Sentral ng Pilipinas (Financial Inclusion Advocacy)	Office of the Deputy Governor Supervision and Examination Sector 10F Multi-Storey Building BSP Mabini Street Manila Philippines	10 August 2015
INDUSTRY ASSOCIATIONS		
Microfinance Council of the Philippines	Unit 1909 Jollibee Plaza, Pasig, 1600 Metro Manila, Philippines	19 August 2015
DONORS		
Asian Development Bank	6 ADB Avenue, Mandaluyong City 1550, Metro Manila, Philippines	13 July 2015
GIZ-German Technical Cooperation	GIZ-MIPSS Office, Insurance Commission Complex, 1071 UN Avenue, Ermita, Manila	14 July 2015
COOP INSURANCE		
Cooperative Insurance System of the Philippines	No. 80 Malakas St. Central District, Pinyahan 1101 Philippines	23 June 2015 24 July 2015
CLIMBS Life and General Insurance Cooperative	CLIMBS Bldg., Upper Zone 5, National Highway, Bulua Cagayan de Oro City Philippines 9000	28 July 2015

Association, Inc.	Address	Date interviewed
MI-MBAS		
ASKI MBA	105 Maharlika Highway Cabanatuan City 3100	17 June 2015
CARD MBA	Colago Ave., Bgy. 1E San Pablo City Laguna 4400	21 July 2015 26 June 2015
CARE MBA	Cooperative Alliance for Responsive Endeavor (CARE) MBA, Inc, 3F LSC Bldg. Quezon Ave. Cor. Ravanso St Lucena City 4301	22 July 2015 25 June 2015
FICCO MBA	First Community Cooperative MBA, Inc. Fernandez-Corrales Sts, Cagayan de Oro City 9000	27 July 2015
KMBA	5 Don Francisco St, Don Enrique Heights, Bgy. Holy Spirit Commonwealth, Quezon City 1127	22 June 2015
KGI MBA	Kazama Grameen MBA, Inc Block 12 Lot 25 Sta Monica Subd Subic Zambales	16 June 2015
KCCDFI MBA	Annex KCCDFI Bldg. MCLL Highway, Guiwan, Zamboanga City 7000	18 August 2015
PAGLAUM MBA	Coop. Assurance Center, Eastern Looc, Plaridel, Misamis Occidental	5 August 2015
PBC MBA	People's Bank of Caraga, Inc. MBA, National Highway, Barangay 5, San Francisco, Agusan del Sur 8501	12 August 2015

Association, Inc.	Address	Date interviewed
QPI MBA	Quidan Pag-Inupdanay MBA, Inc. Room 320, 3F VSB Bldg, 6th Lacson St. Bacolod City 6100	16 July 2015
(4K) RBT MBA	Rural Bank of Talisayan MBA, Inc. 2F Foronda Bldg., North Abellanosa St. Cagayan de Oro City 9000	31 July 2015
SEDP MBA	Simbag sa Emerhensya Asin Dagdag Paseguro MBA, Inc, 2F Social Action Center Bldg Cathedral Compound Albay District	7 July 2015
TSPI MBA	3rd Floor TSPI Bldg., #2363 Antipolo Street, Guadalupe, Nuevo, Makati City	3 July 2015
NATCCO MBA	227 J.P. Rizal St Project 4, 1109 Quezon City	24 July 2015

TECHNICAL PARTNERS

Asian Actuaries, Inc	3/F VGP Center, Ayala Avenue Makati City	15 July 2015

COOPERATIVE FEDERATIONS

Visayas Cooperative Development Center	VICTO National Beverly Hills, Cebu City	15 July 2015
MASS-SPECC Cooperative Development Center	MASS-SPECC Cooperative Development Center, Tiano-Yacapin Streets, Cagayan de Oro City Misamis Oriental, Phils.	29 July 2015

Appendix 2. List of Mi-MBA Microinsurance Products approved by the Insurance Commissions as of July 2013

Name of MBAs	Name of Plan	Benefits	Date Approved
I. MICROINSURANCE PRODUCTS APPROVED UNDER INSURANCE MEMORANDUM CIRCULAR (IMC) NO. 9-2006			
1. Alalay sa Kaunlaran (ASKI) Mutual Benefit Association Inc.	Basic Insurance Plan (GYRT)	IC Building 1071 United Nations Avenue, Manila, 1004, Philippines, P.O.Box 3589, Manila	5 October 2006
2. Bangko Sentral ng Pilipinas (Financial Inclusion Advocacy)	Basic Insurance Plan (GYRT)	Office of the Deputy Governor Supervision and Examination Sector 10F Multi-Storey Building BSP Mabini Street Manila Philippines	15 September 2006
3. Kasagana-Ka Mutual Benefit Association, Inc.	Basic Insurance Plan (GYRT)	Death/TPD - natural Death/TPD - accident Death/TPD - natural/ accident Motor Vehicle Accidental Hospitalization Benefit Retirement Savings Fund	19 April 2007
4. Ad Jesum Mutual Association, Inc	Basic Insurance Plan (GYRT)	Death/TPO -natural Death/TPD -accident Death/TPD - natural/ accident Hospital Assistance Benefit per day Accidental Medical Reimbursement Accidental Weekly Indemnity	9 August 2007
5. Center for Agriculture & Rural Development (CARD} Mutual Benefit	Group Credit Life Ins. Plan (GCLIP}	Payment of outstanding loan balance	18 December 2007
6. Santo Rosario Credit & Dev't. Cooperative (SRCDC) Mutual Benefit	Basic Insurance Plan	Death/TPD - natural/ accident	9 October 2008
7. Tulay sa Pag-Unlad Inc. (TSPI) Mutual Benefit Association	Basic Insurance Plan Term Life Benefit Loan Availment Benefit	Death - natural Accidental, Death, Dismemberment & Disablement ADD&D} Total Permanent Disability Payment of outstanding loan balance Funeral benefit	5 August 2009

Name of MBAs	Name of Plan	Benefits	Date Approved
II. MICROINSURANCE PRODUCTS APPROVED UNDER IMC NO. 1-2010			
8. Rural Bank ofTalisayan Mutual Benefit Association (R BT-MBAI)	Group Credit Life Ins. Plan (GCLIP}	Payment of outstanding loan balance	19 October 2010
9. Simbag sa Emerhensya Asin Dagdag Paseguro (SEDP) Mutual Benefit Asso. Inc.	Basic Insurance Plan	Death ▶natural ▶accident Total Permanent Disability (TPD)	1 February 2010
	Credit Life Insurance Plan (CLIP)	Payment of outstanding loan balance	17 August 2012
10. Cooperative Alliance for Responsive Endeavor (CARE) Mutual Benefit	Basic Insurance Plan Group Credit Lffe Ins. Plan (GCLIP)	Death ▶natural ▶accident	3 February 2010
	Credit Life Insurance Plan (CLIP)	Payment of outstanding loan balance	19 October 2010
11. Quidan Pag-Inupdanay (QPI) Mutual Benefit Asso., Inc.	Basic Insurance Plan	Death ▶natural ▶accident Motor Vehicle Accidental Bacolod City Hospitalization Benefit Retirement Savings Fund	3 February 2010
	Credit Life Insurance Plan (CLIP)	Payment of outstanding loan balance	17 August 2012
12. Katipunan Bank Mutual Benefit Association. Inc. (KB-MBA!)	Basic Insurance Plan	Death ▶natural ▶accident	7 June 2010
13. KCCDFI Mutual Benefit Association, Inc.	Basic Insurance Plan	Death ▶natural ▶accident ▶natural/accident Motor Vehicle Accidental Hospitalization Benefit Retirement Savings Fund	29 October 2010
	Credit Life Insurance Plan (CLIP)	Payment of outstanding loan balance	17 August 2012

Name of MBAs	Name of Plan	Benefits	Date Approved
14. Peoples Bank of Caraga Mutual Benefit Association, Inc.	Basic Insurance Plan	Death ▶natural ▶accident Accidental Burial Benefit Hospitalization Benefit	5 October 2010
15. Ad Jesum Mutual Association, Inc	Group Credit Lffe Ins. Plan (GCLIP)	Payment of outstanding loan balance	15 March 2011
16. Santo Rosario Credit & Dev't. Cooperative (SRCDC) Mutual Benefit	Credit Life Insurance Plan (CLIP)	Payment of outstanding loan balance	26 December 2011
17. National Confederation of Cooperatives (NATCOO)	Mutual Benefit System	Death ▶natural ▶accident	28 May 2012
	Group Micro Credit Insurance Plan	Payment of outstanding loan balance	14 December 2012
18. Mindanao Educators Mutual Benefit Association, Inc.	Mutual Benefit Plan (MBP)	Death ▶natural	4 June 2012
19. Tulay sa Pag-Unlad Inc. (TSPI) Mutual Benefit Association	Amended Basic Insurance Plan Temi Life Benefit	Death ▶natural Accidental, Death, Dismembemient & Disablement ADD&D) Total Pemianent Disability	
		Payment of outstanding loan balance Funeral benefit	
20. Alalay sa Kaunlaran (ASKI) Mutual Benefit Association, Inc.	Credit Life Insurance Plan (CLIP)	Payment of outstanding loan balance	15 August 2012
21. Kasagana-Ka Mutual Benefit Association, Inc.	Credit Life Insurance Plan (CLIP)	Payment of outstanding loan balance	17 August 2012
22. Kazama Grameen (KGI) Mutual Benefit Association	Basic Insurance Plan for Microinsurance	Death/TPD ▶natural ▶accident Hospital Reimbursement Benefit	6 November 2012

Name of MBAs	Name of Plan	Benefits	Date Approved
23. FICCO Mutual Benefit Association	Basic Insurance Plan for Microinsurance	Death/TPD ▶natural ▶accident	6 November 2012
24. Paglaum Mutual Benefit Association, Inc.	Basic Insurance Plan for Microinsurance	Death/TPD ▶natural ▶accident Motor Vehicle Accidental Hospitalization Benefits Retirement Savings Fund	16 November 2012
25. CARD Mutual Benefit Association, Inc.	Revised Basic Life Insurance Plan for Microinsurance	Death/TPD ▶natural ▶accident Motor Vehicle Accidental Hospitalization Benefits Retirement Savings Fund	19 November 2012
26. Manila Public School Teachers Association Inc. (MPSTA)	MPSTA-Mutual Benefit System Microinsurance Plan	Death ▶natural ▶accident Hospital Confinement Daily Benefit	8 May 2013
27. Pag-Asa ng Piney Mutual Benefit Association, Inc. (PPM BAI)	Basic Insurance Plan for Microinsurance Credit Life Insurance Plan (CLIP)	Death/TPD ▶natural ▶accident Payment of outstanding loan balance	

** includes illegitimate children*
*** includes common law spouse*

Appendix 3. Life insurance companies approved list of microinsurance products in 2013

Documents can be found on the Insurance Commission website:
www.insurance.gov.ph

Appendix 4. Non-life insurance companies approved list of microinsurance products 2013

Documents can be found on the Insurance Commission website:
www.insurance.gov.ph

Appendix 5. Insurance Commission and Bangko Sentral ng Plipinas Circular Letters, Insurance Memorandum Circulars

6.1. Insurance Commission Circular Letter 29 - 2010

6.2. Insurance Commission Circular Letter 05 - 2011

6.3. Insurance Commission Circular Letter 06 - 2011

6.4. Insurance Commission Circular Letter 15 - 2013

6.5. Insurance Commission Circular Letter 16 - 2013

6.6. Insurance Commission Circular Letter 17 - 2013

6.7. Insurance Commission Circular Letter 18 - 2013

6.8. Insurance Commission Circular Letter 17 - 2014

6.9. Insurance Commission Circular Letter 29 - 2014

6.10. Insurance Commission Circular Letter 41 - 2014

6.11. Insurance Commission Circular Letter 42 - 2014

6.12. Insurance Commission Circular Letter 46 - 2015

6.13. Insurance Commission Circular Letter 53 - 2015

6.14. Insurance Commission Circular Letter 54 - 2015

6.15. Insurance Commission Insurance Memorandum Circular 9 - 2006

6.17. Insurance Commission Insurance Memorandum Circular 11 - 2006

6.18. Insurance Commission Insurance Memorandum Circular 1 - 2010

6.19. Joint Insurance Commission - CDA - SEC Memorandum Circular 01 - 2010

6.20. Joint Insurance Commission - CDA - SEC Memorandum Circular 02 - 2010

6.21. BIR Memorandum Order 20 - 2013

BIBLIOGRAPHY

(n.d.). Retrieved from Philippine Statistical Authority: http://www.nscb.gov.ph/secstat/d_accounts.asp

(n.d.). Retrieved from Insurance Commission: http://www.insurance.gov.ph/htm/_about_mandate.asp

(2014). Retrieved from PhilHealth: http://www.philhealth.gov.ph/about_us/mandate.html

(2015). Retrieved from ICMIF: https://www.icmif.org/global-mutual-and-cooperative-market-infographic-2014

Africa, T. (2011, March 18). SWS. Retrieved from Family Income Distribution in thePhilippines, 1985-2009:Essentially the Same: https://www.sws.org.ph/pr20110321%20-%20Family%20Income%20Distribution%20by%20Mr%20Tomas%20Africa_FINAL.pdf

Aquino, R. B. (2015, February 2). Nontraditional channels being tapped to distribute microinsurance. Retrieved from Business World Online: http://bworldonline.com/content.php?section=Economy&title=nontraditional-channels-being-tapped-to-distribute-microinsurance&id=101977

Asian Development Bank. (2013). Assessment of Microinsurance as an Emerging Microfinance Service for the Poor, The Case of the Philippines. Mandaluyong City: Asian Development Bank. Retrieved from . http://www.adb.org/sites/default/files/publication/30206/assessment-microinsurance-service-poor.pdf

Bactol, R. (July 2015). The Status of Microinsurance in the Philippines, A Presentation to the Microfinance Council. A presentation to the Microfinance Council of the Philippines, Insurance Commission, Manila. Retrieved from http://www.microfinancecouncil.org/wp-content/uploads/2015/08/Breakout-Session-1_Microinsurance_Hon.-Emmanuel-Dooc_Rosalina-Bactol.pdf

Balisacan, A. (2015, July 28). Speech of Secretary Balisacan on the Philippine Economic Growth and the Growth in the Property Sector at Tops-LRA Summit 2015. Retrieved from National Economic and Development Authority: http://www.neda.gov.ph/2015/07/28/speech-secretary-balisacan-philippine-economic-growth-growth-property-sector-tops-lra-summit-2015/

Barbin, E. A., Lomboy,C. and Soriano, E. S. (2002). A field study of microinsurance in the Philippines. International Labour Organization. Retrieved from http://www.ilo.org/dyn/infoecon/docs/456/F1395335183/SFU%20A%20field%20study%20of%20microinsurance%20in%20the%20Phili.pdf

Bersales, G. (2014, July 28). A 142 million Philippine population by 2045? Retrieved from Philippine Statistical Authority: https://psa.gov.ph/content/142-million-philippine-population-2045

Brooks, K. (2014, January/February). Six Markets to Watch: Indonesia and the Philippines A Tale of Two Archipelagoes. Retrieved from Foreign Affairs The Magazine: https://www.foreignaffairs.com/articles/indonesia/2013-12-06/six-markets-watch-indonesia-and-philippines

Business News Asia. (2015, August 20). This Asian Country Has World's Highest Insurance Penetration. Retrieved from Business News Asia: http://www.businessnewsasia.com/201508205231887-this-asian-country-has-worlds-highest-insurance-penetration/

Business World Online. (2015, August 19). Retrieved from Philippine Life Insurance Market one of the Most Liberalized in Southeast Asia: http://www.bworldonline.com/content.php?section=Finance&title=phl-life-insurance-market-among-most-liberalized-in-southeast-asia&id=113759

CNN. (2015). Retrieved from http://cnnphilippines.com/business/2015/06/02/ph-bests-apec-peers-microinsurance-2015.html

Congress of the Philippines. (2013). Insurance Code.

Cooperative Development Authority. (n.d.). Cooperative Code of 2008. Retrieved from Republic Act 9520: http://www.cda.gov.ph/resources/issuances/philippine-cooperative-code-of-2008/republic-act-9520

Danish Trade Union Council for International Cooperation. (2014). Retrieved from The Philippines, Labor Market Profile: http://www.ulandssekretariatet.dk/sites/default/files/uploads/public/PDF/LMP/lmp_philippines_2014_final_draft.pdf

Dror, D. M., and Jacquier, C. (1999). Micro-insurance: Extending Health Insurance to the Excluded. International Social Security Review, 52, 71-97.

Economist Inteligence Unit. (2014). Global Microscope 2014. Retrieved from The enabling environment for financial inclusion: http://www.citi.com/latinamerica/en/community/data/2014_Global_Microscope-EN.pdf

Ganapin, B. A. (n.d.). Philippine Economy Performance, Challenge and Outlook. Retrieved from https://www.rotman.utoronto.ca/-/media/Files/Programs-and-Areas/RIIB/LINK14%20Country%20Reports/Philippines.pdf

GIZ RFPI Asia. (2015). Regulatory Impact Assessment of Microinsurance Philippines. Manila: GIZ.

GTZ. (2009). Demand Study of Microinsurance in the Philippines. Manila: GTZ.

ICMIF. (2014, April 9). http://www.icmif.org/news/mutual-and-cooperative-insurers-continue-outperform-rest-insurance-market-0. Retrieved from Mutual and cooperative insurers continue to outperform the rest of the insurance market.

Inquirer.net. (2015, January 24). Retrieved from : More Filipinos Now Covered by Insurance: . http://business.inquirer.net/185476/more-filipinos-now-covered-by-insurance

Insurance Commission . (2015, May). Retrieved from Insurance Commission Statistics: http://www.insurance.gov.ph/_@dmin/upload/statistics/CA_Ext2014-2015May.pdf

Insurance Commission . (2015, October). Retrieved from Insurance Commission Statistics: http://www.insurance.gov.ph/_@dmin/upload/statistics/IIP30Sept2015.pdf

Insurance Commission. (2012, November). Retrieved from Insurance Commission Statistics: http://www.insurance.gov.ph/_@dmin/upload/statistics/CA_Ext2014-2015May.pdf

Insurance Commission. (2013). Retrieved from Key Statistical Information 2009-2013: http://www.insurance.gov.ph/_@dmin/upload/statistics/Key_Data_2013.pdf

Insurance Commission. (2014, June). Retrieved from Insurance Industry Statistics: http://www.insurance.gov.ph/_@dmin/upload/statistics/IIP30june2014.pdf

Insurance Commission. (2014). http://www.insurance.gov.ph. Retrieved from Key Statistical Data 2010 to 2014: http://www.insurance.gov.ph/_@dmin/upload/statistics/Key_Data_2014.pdf

Insurance Commission. (2015, May). Retrieved from Insurance Commission Statistics: http://www.insurance.gov.ph/_@dmin/upload/statistics/CA_Ext2014-2015May.pdf

Insurance Commission. (n.d.). Granting of Certificate of Authority as Mutual Benefit Association. Retrieved November 16, 2015, from http://www.insurance.gov.ph/_@dmin/upload/reports/licensingPDFServ/7.pdf

Insurance Commission Reports. (n.d.). Retrieved from Memorandum Circular 9-2006, October 2006, Microinsurance Regulation and Declaration of Policy Objectives: http://www.insurance.gov.ph/_@dmin/upload/reports/IMC%209-2006%20microinsurance.pdf

Insurance Commission Reports. (2010, January). Retrieved from Memorandum Circular 1-2010: http://www.insurance.gov.ph/_@dmin/upload/reports/IMC%201-2010.pdf

International Futures at the Pardee Center. (2015). Country Profile - Philippines IFs Version 7.15. Retrieved from International Futures at the Pardee Center: http://www.ifs.du.edu/ifs/frm_CountryProfile.aspx?Country=PH

International Labour Organization. (n.d.). Retrieved from Informal Sector: http://www.ilo.org/manila/areasofwork/informal-economy/lang--en/index.htm

Llanto, G. M. (2007). Policy and Regulatory Issues and Challenges in Microinsurance: A Philippine Case. Philippine Journal of Development, XXXIV(1), 62-86.

llanto, G., Geron, M., Almario, J. (2008, May). Making Insurance Markets Work for the Poor: Microinsurance policy, regulation and supervision.

McCord, M. J., Qureshi, Z., Patel, S. and Wohlner, E. (2003). Preliminary Donor Guidelines for Supporting Microinsurance. CGAP Working Group on Microinsurance. Retrieved from http://www.askmi.in/docs/Research%20and%20studies/CGAP%20Draft%20Donor%20Guidelines.pdf

Mendoza, R. U. and Gloria E. (2014, November 1). Is the Filipino middle class over-taxed? Retrieved September 20, 2015, from Rappler: http://www.rappler.com/thought-leaders/65114-filipino-middle-class-over-taxed

Mosveldtt. (2013). Revised Insurance Code Takes Effect. Retrieved from info@mosveldttlaw.com: http://www.mosveldttlaw.com/index.php/information-center-4/23-legal-updates/53-new-insurance-law

Oxford Business Group. (2015). The Philippine insurance industry expands despite the effects of natural disasters. Retrieved from Oxford Business Group: http://www.oxfordbusinessgroup.com/overview/philippine-insurance-industry-expands-despite-effects-natural-disasters

Philhealth. (2012). Retrieved from PhilHealth Circular No.44: http://www.philhealth.gov.ph/circulars/2012/circ44_2012.pdf

Philippine Crop Insurance Corporation. (n.d.). Retrieved from http://pcic.gov.ph/about-us/

Philippine Statistical Authority. (2015, November). Economic Accounts. Retrieved from http://www.nscb.gov.ph/secstat/d_accounts.asp

Philippine Statistical Authority. (2015, August). Statistics. Retrieved from Labor and Employment.

Porcil, Josefina Tan. (2009). Retrieved from www.adrc.asia: http://www.adrc.asia/countryreport/PHL/2009/PHL2009.pdf

Portula, D., Vergara, R. (2013, August). The Philippine experience on Microinsurance Market Development. Retrieved from https://a2ii.org/fileadmin/data_storage/documents/internal_documents/Case_Study_Philippines_on_Microinsurance_market_development_FINAL.pdf

PwC. (2013). Insurance Facts and Figures Asian Region 2013. PricewaterhouseCoopers. Retrieved from http://www.pwccn.com/webmedia/doc/635138995117955140_Asia_Insurance_Facts_Figures.pdf

Relampagos, J. e. (1990, November). Philippine Institute for Development Studies. Retrieved from A Study of the Operations and Performance of Selected Credit Cooperatives in the Philippines: http://dirp3.pids.gov.ph/ris/wp/pidswp9023.pdf

Virola, R. e. (2013, October). Will the Recent Robust Economic Growth Create a Burgeoning Middle Class In The Philippines? Retrieved from http://www.nscb.gov.ph/ncs/12thncs/papers/INVITED/IPS-24%20Poverty%20and%20Inequality%20I/IPS-24_1%20Will%20the%20Recent%20Robust%20Economic%20Growth%20Create%20a%20Burgeoning%20Middle%20Income%20Class%20in%20the%20Philippines.pdf

Virola, R., Encarnacion, J., Balamban, B., Viernes, M. (2013). Will the Recent Robust Economic Growth Create a Burgeoning Middle Class? Retrieved from http://www.nscb.gov.ph/ncs/12thncs/papers/INVITED/IPS-24%20Poverty%20and%20Inequality%20I/IPS-24_1%20Will%20the%20Recent%20Robust%20Economic%20Growth%20Create%20a%20Burgeoning%20Middle%20Income%20Class%20in%20the%20Philippines.pdf

World Bank. (2015, October). Retrieved from http://www.worldbank.org/en/country/philippines/overview.

NOTES

NOTES

NOTES

The International Cooperative and Mutual Insurance Federation (ICMIF) is a best practice organization committed to giving its members from around the world a competitive advantage. ICMIF helps to grow its mutual and cooperative insurance member organizations by sharing strategies and the latest market intelligence.

ICMIF

Denzell House, Dunham Road, Bowdon, Cheshire, WA14 4QE, UK

Tel: +44 161 929 5090 Fax: +44 161 929 5163

Follow us on Twitter @icmif_micro
Watch our videos on Youtube - youtube.com/ICMIFmicroinsurance

Date published: May 2018

Date of Study: 2015

www.icmif555.org

icmif
International Cooperative and Mutual Insurance Federation