

Factsheet microinsurance business model

Delivering Microinsurance in the Philippines through Cooperatives

The challenge

Different kinds of risks are present in our everyday life. Low-income people especially are highly vulnerable when it comes to health problems, the destruction of their house, assets, harvest or livestock due to natural catastrophes or to losing the breadwinner of the family in an accident. Although there is the theoretical possibility of purchasing an insurance policy to become capable of dealing with financial shocks, this option remains little appreciated. On the one side, low income people and small and medium-sized enterprises (SMEs) often lack access to affordable and responsive insurance. On the other side, insurance entities remain skeptical when it comes to the low-income market segment where they lack experiences and that implies high delivery costs.

Enabling policies and regulations

In order to tackle the problem, the Philippine government, supported by GIZ RFPI Asia and other development agency, promotes the market development of microinsurance (MI).

Section 187 of the Insurance Code of the Philippines (RA No.10607) defines “Microinsurance is a financial product or service that meets the risk protection needs of the poor where: (a) The amount of contributions, premiums, fees or charges, computed on a daily basis, does not exceed seven and a half percent (7.5%) of the current daily minimum wage rate for nonagricultural workers in Metro Manila; and (b) The maximum sum of guaranteed benefits is not more than one thousand (1,000) times of the current daily minimum wage rate for nonagricultural workers in Metro Manila.”

Insurance Memorandum Circular 1-2010 mandates that “All microinsurance contracts shall clearly state the benefits and

terms of coverage.” The microinsurance providers shall ensure the contract shall bear the microinsurance logo, contract provisions can be easily understood by the insured, documentation requirements are simple, and the manner of collection of premiums or contributions coincides with the cashflow of the insured and are not onerous.

Microinsurance can be provided by entities that are registered and licensed by the Insurance Commission (IC) such as commercial Life and Non-Life Insurance Companies, Mutual Benefit Associations, Cooperative Insurance Societies (CIS), Pre-need companies and Health Maintenance Organizations. The products can only be sold by licensed providers, agents and brokers.

Cooperative Insurance Societies

As of end-2014, the Cooperative Development Authority has reported 24,652 registered coops, of which 44% are active and have reported a combined membership of 7.7 million and business volume of Php 314 Billion. Most of the coops are multi-purpose (60%), credit (13%), and producers (7%).

The Cooperative Code of the Philippines (RA 9520) allows primary cooperatives to organize a CIS “for the purpose of engaging in the business of insuring life and property of cooperatives and their members”. There are two CISs in the Philippines, the Cooperative Insurance System of the Philippines (CISP) and CLIMBS Life and General Insurance Cooperative. Both operate nationwide.

	CISP	CLIMBS
Date founded	1974	1971
Business lines	Life	Composite
# of coop owners	2,050	2,347
Asset Php (rank), IC, 2014	400.7 Million (28/31) 559 M (end-2015)	1.4 Billion (life, 21/31) 257.8 Million (non-life, 69/70)
# MI coverage	25,802	2.24 Million



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CISP products and the KIN model

The microinsurance products of CISP include life and accident for coop members and their family, health, loan payment protection plan, and student insurance plan.

CISP uses the Koop Insurance Network (KIN) model where its coop member-owners and cooperative banks that are located across the country are the main distribution channels.

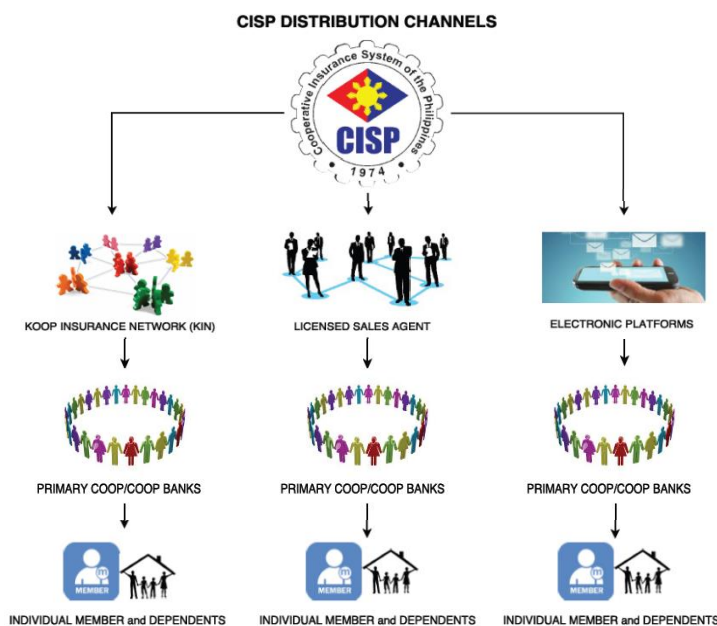
KIN provides a win-win solution. It enables CISP to distribute products in a most efficient manner. It also can provide financial literacy to the members thereby increasing the value of its services and also enhances risk mitigation. The primary coop on the other hand is able to facilitate access of its members to affordable MI products, and in doing so is able to earn additional income as incentive from CISP. At the end of the year, the cooperatives earn more from patronage refund and dividends.

CISP's member-clients include different groups composed of professionals whose members are employees of governments and private institutions, government retirees, women's group, students down to the underprivileged sector such as farmers, laborers, drivers, union groups, household workers and other underserved groups who belong to different types of cooperatives.

CLIMBS CoopAssurance model

CoopAssurance is a distribution channel of CLIMBS with a trademark license from IPOPHIL in bringing insurance protection to the doorsteps of the coops. This model provides value of ownership to the coop members/ owners of CLIMBS. Like bancassurance for banks, coop assurance creates business opportunities for the coops through income from commissions. The primary coops establish the coop assurance centers (CACs) then CLIMBS provides the training of agents

Koop Insurance Network (KIN)



and also organizes insurance awareness for the coop members.

CLIMBS both underwrites life and non-life products. Its microinsurance products include credit-life, loan savings plans, personal accident, health, and natural catastrophe protection.

CLIMBS has recently established the CLIMBS Institute for Financial Literacy (CIFL). The Institute, which is envisioned to be a cooperative academy in the future, organizes management trainings for officers of cooperatives, It also conducts training on microinsurance agent licensing with modules approved by the IC.

Mainstreaming informal insurance

Both KIN and the CoopAssurance models in distributing micro/insurance products require formal agreement between the coop and the CIS. In order to establish its KIN center or CAC the coop should have soliciting agents duly licensed by the IC. For microinsurance, the IC has issued in 2011 insurance circular No.6 which simplified the requirements and procedures for licensing of agents who can sell microinsurance products only. The circular allows both individual and institutional MI agents. This is an example of proportionality in regulations which also contributes to mainstreaming of informal insurance activities.

CoopAssurance

