



This edition of the Microinsurance Trilogy focuses on the 6th International Microinsurance Conference in the Philippines and on the issues paper on the regulation and supervision of mutuals, cooperatives and other community-based organisations, which has been prepared by the IAIS-Microinsurance Network Joint Working Group. The paper is directed at the wide range of forms, names, and functions of these organisations. The case study of CARD MBA's experience in the Philippines illustrates how their internal structural changes facilitated the formalisation of the organisation's microinsurance activities.

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## 6<sup>TH</sup> INTERNATIONAL MICROINSURANCE CONFERENCE

From 9 to 11 November 2010, the 6th International Microinsurance Conference took place in Manila, Philippines. The conference was hosted by the Munich Re Foundation and the Microinsurance Network supported by GTZ/BMZ, the Department of Finance of the Philippines and Georgia State University's Center for the Economic Analysis of Risk. The 520 participants from 50 countries discussed how microinsurance will reach the next level.

For three days, over 80 speakers and facilitators discussed innovative and sustainable microinsurance programmes illustrated by the latest case studies and research outcomes. No less than 15 countries were also represented through the regulatory bodies of the insurance industry. This is a clear signal of increasing commitment of insurance commissioners and a success for the initiative to develop guidelines for microinsurance regulation facilitated by the International Association of Insurance Supervisors (IAIS) and the Access to Insurance Initiative (a2ii).

At the conference opening, Cesar V. Purisima, Secretary of Finance of the Philippines, called for inclusive growth of the economy, in which "the microfinance and microinsurance initiative has a big role to play in reaching out to the poorest of the poor". He also reminded that this can only be achieved with "the right regulatory environment. The right support mechanisms and education".

### ROLE MODEL PHILIPPINES

The microinsurance market in the Philippines is unique. It has a huge diversity of stakeholders, models and products, operating together in order to reach scale and sustainability. With approximately 2.9m microinsurance clients so far, this effort is also required to reach the 35m potential client base (including families and

households). The government of the Philippines is truly committed to provide the best possible support and was therefore commended throughout the conference. The Philippines provide a role model for other countries in the world.

To reach scale and sustainability though, more innovative products and creative low-cost distribution channels need to be developed. Experts estimate that 140 million people, mostly in Africa and Asia, are now covered by affordable insurance premiums. Studies show that the potential market is up to 3 billion, but more than half of microinsurance products are focused on life and health while less than 10 percent cover farms.

### CHALLENGES AHEAD

The question of whether microinsurance can really make a difference serving the poor in the event of typhoons, earthquakes, droughts, floods, and other natural disasters is a difficult one to answer as most agriculture programmes are still in pilot phase. However, first covers exist for property and loans being harmed during weather events or earthquakes. A recent study on weather index insurance<sup>1</sup> concluded that "governments and donors will need to intervene more actively by playing important enabling and facilitating roles and supporting the development of the sector". It is important to "create a proposition of real value to the insured, and offer insurance as part of a wider package of services".

The 6<sup>th</sup> International Microinsurance Conference was not only about success stories, but also introduced critical thinking and discussions, well balanced by a mix of practitioners, academics, and industry leaders. The many interactive sessions integrated the participants' experiences and background knowledge to enhance the learning shared by the speakers.

The scientific track, first introduced in 2009, focused on the economic analysis of microinsurance markets and aimed to build a bridge between academic research needs and those of the industry. Common perceptions of consumer behaviour were challenged. The research presented during the academic session can substantially contribute to a better understanding what drives customer behaviour and how we can tap into this.

"Challenges are still ahead like making microinsurance climate change-proof. But there will always be creative solutions emerging for sure and we are already looking forward to the next conference taking place in Brazil" said Dirk Reinhard, Chairman of the Conference Steering committee and Vice Chairman of the Munich Re Foundation during the closing of the conference.

The International Microinsurance Conference 2011 will take place in Rio de Janeiro in November and will be supported by CNSeg, formerly Fenaseg, the Brazilian insurance association.

<sup>1</sup> IFAD and WFP, 2010: The Potential for Scale and Sustainability in Weather Index Insurance for Agriculture and Rural Livelihoods, Rome.

# REGULATION AND SUPERVISION OF MUTUALS, COOPERATIVES AND OTHER COMMUNITY-BASED ORGANISATIONS

The International Association of Insurance Supervisors (IAIS) and the Microinsurance Network released an Issues Paper discussing the regulation and supervision of mutuals, cooperatives and other community-based organisations (MCCOs) in October 2010. The IAIS and the Network have been working together through their Joint Working Group since 2007. This is the second significant Issues Paper as part of the effort to develop regulatory and supervisory approaches consistent with accessible and effective insurance markets. The paper is directed at the wide range of forms, names, and functions of organisation.

## KEY DEFINING CHARACTERISTICS OF MCCOS

Key characteristics are defined as member ownership, democracy, solidarity, the fact that the organisation is created to serve a defined group and purpose, and the membership's entitlement to profits (surpluses). These defining characteristics could be considered to represent key differences between MCCOs and other insurance market participant, and are the fundamental basis of this paper.

The premise is that the defining characteristics should be the basis for any different regulatory or supervisory treatment that might be considered. In general terms, the paper proposes that the regulatory and supervisory treatment of MCCOs should be equivalent to the approach taken to other organisations. However, where there is an adjustment, such adjustments should take account of the defining characteristics. For example, the need to establish adequate technical provisions or invest in assets that are appropriate to the liabilities is not usually impacted by whether or not an organisation is more or less 'democratic' or because it serves a particular 'defined group' of members.

However, there are differences that do arise from these defining characteristics and, in such instances, any regulatory or supervisory approach needs to recognise these differences and their basis in the defining characteristics.

Additionally, there are qualifications to supervisory and regulatory recognition: for example, "defining characteristics" are not always as completely "defining" as first appears, or defining characteristics may be different to other insurers, but can also have both advantages and disadvantages.

## OBSERVATIONS FOR POLICYMAKERS, REGULATORS AND SUPERVISOR

Through the review of the Insurance Core Principles (ICPs) against the various defining characteristics and related MCCO issues, the issues paper makes a number of observations that are instructive for policymakers, regulators and supervisors. Here are just a few of them:

- **Policymaking, regulation and supervision roles are often shared** between a range of government ministries and agencies and can be part of a wide range of social and economic policy areas from agriculture to social welfare, and including financial services. Other agencies may not all be as fully conversant with financial services issues, particularly insurance. Arrangements for effective, complete, and coordinated oversight will probably be more challenging;
- **Including MCCOs in the insurance market may require amendments to laws** to recognise them as insurers and / or distributors. If this step also implies formalising an informal

segment then appropriate transitional arrangements may be needed. Not all MCCOs that are more generally registered or licensed should be automatically licensed with respect to insurance. A separate licensing process to provide insurance services would offer a flexible route and it seems to be practical for an insurance supervisor to be the licensing authority for insurance purposes;

- **To deliver the intended prudential objectives with respect to corporate governance, MCCOs may need different detailed requirements on boards**, given that they are often selected through a broad democratic process but from a defined group. Different approaches may include areas of conflict of interest such as those that arise between owners and policyholders to some extent, coupled with supervisory oversight of democratic processes. Board diversity, expertise and continuity will also have to be considered differently.

Read full summary at [www.microinsurancenet.org/challenge14.php](http://www.microinsurancenet.org/challenge14.php)

### Source:

International Association of Insurance Supervisors and Microinsurance Network, 2010: [Issues Paper on the Regulation and Supervision of Mutuals, Cooperatives and other Community-based Organisations in increasing access to Insurance Markets](#)

## CASE STUDY: THE ROLE OF CARD MBA IN THE PHILIPPINES

The Mutual Benefit Association MBA is the Insurance Commission's vehicle of choice for formalising and developing microinsurance in the Philippines. It is regarded as the most suitable organisational structure for microinsurance, and is the only institutional entity eligible for microinsurer status that enjoys a lower tier of minimum capital requirements. It is argued that this decision is based partly on the success of CARD MBA, one of the MBA pioneers in the Philippines.

CARD MBA showed how the MBA approach can use microfinance social networks, payment flows, financial information and management systems to reach a critical mass of members, reserves and capital.

As of December 2007 it had about 470,000 active members and US\$16.5-million in assets. It paid out US\$1.1-million in claims over the year. This robust current position is, however, the result of a turbulent history.

In 1994, CARD, an MFI, established a Members Mutual Fund (MMF) among its members to cover its exposure on the loans of members in the case of death. In addition, it started offering basic life insurance.

In 1997, it responded to the need to broaden the product offering by including a monthly pension for members older than 65, based on a minimal weekly contribution. All of this was done without registration for insurance purposes, although

registration was mandatory under the Insurance Code. The possible impact on the institution of these in-house insurance services was, however, not adequately assessed. When such an assessment was eventually done, CARD realised that two years of a member's contributions were needed just to cover one month of pension benefits receivable by such a member. This was clearly not sustainable. Fulfilling all its obligations would "decapitalise" CARD and could lead to bankruptcy.

CARD sought advice from the regulator and towards the end of 1999 formed an MBA to manage/replace the MMF. The MBA is registered as a non-stock, non-profit legal entity owned and partially managed by the members. With the

assistance of an actuary, CARD MBA repackaged its existing product lines and developed new ones. It has also started to offer non-financial services.

The MBA was therefore used as a vehicle to rehabilitate CARD's insurance operations and bring it within the formally regulated space. CARD MBA's subsequent success (and advocacy in the sector at large – sharing their learning and providing support to other MBAs) has been instrumental in convincing regulators to provide sufficient regulatory space (through tiered capital requirements) for MBAs engaged in microinsurance. The success of CARD provided an example to other MFIs that want to cater to the risk protection needs of its members.

Source:

Bester, Hennie, Doubell Chamberlain and Christine Hougaard; [Making Insurance Markets Work for the Poor: Microinsurance Policy, Regulation and Supervision](#). Microinsurance Network/IDRC/Gates Foundation/GTZ/BMZ / FinMark Trust, 2009

Download publication: [www.microinsurancenet.org/networkpublication50.php](http://www.microinsurancenet.org/networkpublication50.php)

## NETWORK NEWS

### NEW EXECUTIVE COMMITTEE MEMBERS

The elections for the Microinsurance Network Executive Committee took place last month. Michael McCord from the MicroInsurance Centre and Maria Victoria Saenz from IDB are the two new members that have been elected. Alexia Latortue and Brandon Matthews were re-elected for a second term and the four will serve for 3 years. The Microinsurance Network thanks Sabrina Regent and Sabbir Patel, who served on the Committee for the last two years and provided great input. In addition to their microinsurance expertise and strategic guidance, their support when it came to operational issues was indispensable.

The members of the Microinsurance Network Executive Committee are:

- Craig Churchill, Chair of the Microinsurance Network (ILO's Microinsurance Innovation Facility)
- Brigitte Klein (GTZ)
- Dirk Reinhard (Munich Re Foundation)
- Alexia Latortue (CGAP)
- Brandon Matthew (Zurich Financial Services)
- Michael J. McCord (MicroInsurance Centre)
- Maria Victoria Saenz-Samper (Inter-American Development Bank)

The next Executive Committee meeting will take place in January 2011.

### JUNE MEMBER MEETING

The summary of the discussions from the June Member Meeting are published as two Network notes. The two day meeting brought together around 35 members from 23 different organisations to brainstorm about key issues and challenges in microinsurance. The first note provides a snapshot of **Working Group** meetings, and the second note focuses on the **cross-cutting topics**, which are transversal issues that need to be addressed by several Working Groups.

One of the topics identified and also discussed during the General Assembly, was **consumer protection**. This is a general concern on many different levels and the topic will be taken up by the Regulation, Supervision and Policy Working Group. The need was identified of a structured way to identify issues and good practice solutions, as well as encourage the input of all Working Groups on the topic. A dedicated task force will be constituted by representatives from the different Working Groups to produce a position paper on issues, challenges and policy options related to consumer protection. The topic will also be flagged in the responsible finance debate.

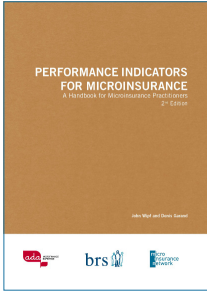
Download notes: [www.microinsurancenet.org/networkpublication45.php](http://www.microinsurancenet.org/networkpublication45.php)



Microinsurance Network General Assembly 2010

# PUBLICATIONS

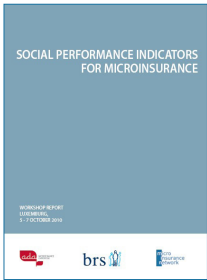
## FINANCIAL PERFORMANCE INDICATORS HANDBOOK – UPDATED VERSION



The Performance Indicators Working Group published a second version of the “Performance Indicators in Microinsurance – A Handbook for Microinsurance Practitioners” with the support of ADA and BRS. This updated version categorises the principles and indicators, elaborates on a number of concepts such as asset-liability matching, and has an expanded glossary. The publication is currently only available in English but French and Spanish versions will be available in spring 2011.

Download publication: [www.microinsurancenet.org/networkpublication49.php](http://www.microinsurancenet.org/networkpublication49.php)

## SOCIAL PERFORMANCE IN MICROINSURANCE



The Performance Indicators Working Group held a workshop on social performance indicators in microinsurance with 15 participants from Africa, Asia and Latin America. The workshop combined the practical knowledge and experience of the microinsurance practitioners with the already established social indicators in microfinance and 8 principles and 11 indicators for social performance management in microinsurance were identified. The workshop report is available in English, and a summary note will soon be available in English, French and Spanish.

Download workshop report: [www.microfact.org/social-performance](http://www.microfact.org/social-performance)

# SOME PHOTOS FROM THE 6<sup>TH</sup> INTERNATIONAL MICROINSURANCE CONFERENCE IN MANILA



Véronique Faber, Microinsurance Network



Cesar V. Purisima, Secretariat of Finance of the Philippines



The Microinsurance Network stand



Press conference (Antonis Malagardis, Josilito Almario, Thomas Loster, Dirk Reinhard and Craig Churchill)



Plenary session

The Microinsurance Network newsletter is published three times per year. The Microinsurance Network is a member-based network and its mission is to promote the development and proliferation of good-value insurance products for low income persons by providing a platform for information sharing and stakeholder coordination with the aim of creating public goods.

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