



# MiMAP (RIMANSI) Focus Note #1

## Investment Pooling for Higher Returns Among Philippine Mutual Microinsurers

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March 2020

### Background

Microinsurance MBA Association of the Philippines, Inc. or MiMAP, also known as RIMANSI, is a technical resource center and association of eighteen Microinsurance Mutual Benefit Associations (Mi-MBAs) in the Philippines. This network organization provides these mutual microinsurers with the avenue to extend mutual support towards pursuit of a shared vision to widely bring microinsurance access and benefits to poor and low-income individuals in the Philippines.

MiMAP has adopted a 10-year goal to serve 12 million members by 2024, a giant leap from its outreach of 2.70 million members in 2014<sup>1</sup>. This membership target translates to an even bigger collective outreach of 48 million individuals with the inclusion of family members for microinsurance coverage. Spurred by a firm commitment and belief in this goal, MiMAP launched a five-year capacity building program entitled Building Microinsurers Capacities for Greater Financial Inclusion. Citi Foundation came on board as funder of the program, convinced of its feasibility and merit to reduce social inequality. The program began in the second semester of 2016 with three components for its development pillars: (1) Professional Training involves the development and conduct of training courses in good governance, strategic management and financial management; (2) Product Development includes the design and pilot test of new products or enhancement of existing products, and; (3) Investment Management Support entails technical assistance to strengthen the investment policy framework of Mi-MBAs and to develop a mechanism for investment pooling. This MiMAP (RIMANSI) Focus Note #1 features the experiences and lessons gained from the investment pooling initiative.

### Sound Investment Mandate

Mi-MBAs are regulated entities by the Insurance Commission (IC). Its operations are guided by the rules and regulations as contained in the Amended

Insurance Code (RA 10607 An Act Strengthening the Insurance Industry) and supporting IC issuances. The Code enjoins Mi-MBAs to maintain a reserve fund to adequately provide for prospective claims and other obligations. This reserve may be invested in securities and other IC and Bangko Sentral ng Pilipinas (BSP)-approved financial instruments to earn income and hold its value against inflation, including capital protection.

In mid-2015, MiMAP hosted a study on Philippine microinsurance by the International Cooperative and Mutual Insurance Federation (ICMIF). The country study identified investment management as an area where MiMAP can support its members. MiMAP responded by doing a follow-up study on investment practices and earnings of its members. The study showed average investment earnings in 2015 at 2.0% primarily from long-term government securities and bank deposits. The investment income was found to be lower than the average inflation rate of 2.5% from 2015-2019<sup>2</sup>. This spurred the idea to embark on a network-wide investment pooling mechanism to make available higher yielding financial instruments for Mi-MBAs.

### Pooled Investment Fund

MiMAP went about the design and implementation of investment pooling by drawing on the strength of solidarity among the Mi-MBA members and its network of partners and allies.

*Mutuality upheld.* MiMAP ensured the active participation of its members in the design and implementation of investment pooling. A workshop on investment for board members and senior managers of member Mi-MBAs was organized and facilitated by MiMAP to bring concerned stakeholders to a deeper level of knowledge and understanding on investment. Among the outcomes from the workshop include the adoption or refinement of investment policy frameworks by Mi-MBAs. These frameworks now guide Mi-MBAs when making informed decisions about investment pooling such as their levels of financial exposure.

<sup>1</sup> As of June 2019, collective membership has more than doubled to 6.43 million individuals.

<sup>2</sup> Source: Philippine Statistics Office

**From an initial pooled investment of PhP35.5 million in July 2018, the fund has increased to PhP190 million by 31 December 2019 with the participation of 12 Mi-MBAs and MiMAP.**

While investment pooling draws on the power of collective numbers and size to attract key players, it upholds the individual right of Mi-MBA members to make their own investment decisions and determine their level of participation. For example, each Mi-MBA determines how much they are allowed and are capable to place in the pooled investment fund.

The MiMAP board also created an Investment Committee to oversee the implementation of the approved business plan on investment pooling. The 7-member committee and MiMAP board are provided quarterly briefing on fund status supported with monthly fund statements thereby activating mutual stewardship.

*Strategic partnerships established.* MiMAP, with technical support from an investment consultant, launched a search for an Investment Manager to design and manage the investment pool. Four seasoned investment companies responded to the call made in 2017. BPI Asset Management and Trust Corporation (BPI AMTC) was selected as the Investment Manager for having come up with a proposal that best responds to the MiMAP investment requirements pertaining to capital protection, optimal return, and investment diversification calibrated to risk tolerance levels associated with Mi-MBAs. BPI AMTC also provided the most socialized investment management fee of 0.30% as part of their financial inclusion thrust.

MiMAP and BPI AMTC actively consulted with regulatory agencies such as IC and the BSP for needed guidance and approvals. By 28 February 2018, the BSP gave the final nod on a Unit Investment Trust Fund (UITF) that BPI AMTC specifically designed for Mi-MBA members of MiMAP.

*Customized investment instrument and mechanism made available.* The approved UITF made investment pooling a reality for Philippine Mi-MBAs. Going by the name, BPI Bayanihan Balanced Fund or BBBF, it highlights the principle of mutuality (aka “bayanihan” in Filipino) as key driver to the realization and prospective success in investment pooling. Its key features include:

- Amount: Maximum investment per Mi-MBA is 10% of its total admitted assets.

- Portfolio Mix: 90% in fixed income securities, 10% in equities;
- Risk Tolerance Profile: Moderately aggressive; As a UITF, the principal amount invested is exposed to risk of loss.
- Investment Horizon: Preferably more than 5 years; Participants to the Fund may redeem their investments daily. The Fund does not have a minimum holding period, and thus there are no exit fees.
- Fund Currency: Philippine Peso;
- Expected Return: The Fund aims to provide absolute returns in excess of the return of the composite benchmark, 90% BPI Philippine 1-3 Year Index and 10% Philippine Stock Exchange Index net of tax.
- Realization of Gains or Losses: Realizable upon actual redemption of shares from the Fund.
- Regulatory Provisions: IC allows up to 10% of total admitted assets of Mi-MBA to be invested in UITF provided that the: a) UITF is approved by BSP, and b) UITF be placed in 1) fixed income securities, 2) equities, and/or 3) combination of 1 and 2.

Among the 18 active Mi-MBA members, 5 Mi-MBAs invested in BBBF at its initial offering in July 2018 involving a collective amount of PhP 35.5 million. Buoyed by the impressive initial performance of BBBF placement, the pooled investment fund has since increased to PhP 190 million by 31 December 2019 with the participation of 12 Mi-MBAs and MiMAP.

**During the first five months of the BBBF, the absolute return on investment (ROI) hit 6.95% which increased to 8.03% by end of December 2019.**



For fund management and administrative services and expertise provided to investment pooling, Mi-MBAs cover 0.30% of annual earnings as Fund management fee to BPI AMTC. The Mi-MBAs also provide modest support to MiMAP for continuing research and development work on investment management.

## Learnings from Experience

Cooperation among equals to pursue and achieve a goal for the greater and common good is what fuels mutuals. However, being a mutual at the core does not automatically lead to smooth cooperation or ensure success in every cooperative endeavor. To reap the benefits of cooperation, much effort, time and resources are still required. MiMAP did what was needed, aided during implementation by the following five elements:

The program took the effort to **define the common and important need** among Mi-MBAs. A formal country study on microinsurance followed by a focused study on investment practices helped to identify and quantify the need, present the opportunities, and guide the way to its satisfaction.

It educated the stakeholders to **imbibe relevant knowledge**. Concepts and financial instruments became clearer from short practical talks given by experts. Sharing of investment experiences by Mi-MBA members made discussions meaningful. The investment challenge became less daunting; its potential financial returns, found to be quite enticing, worthy of pursuit with enthusiasm and serious intent.

***“BBBF has made investment easy for us. Clear terms are set upfront so we can decide and invest following appropriate processes and timing.”***

*– Emie Quijano of ASKI MBA*

Having a good understanding of the subject and appreciation of the common need developed in MiMAP a **strong sense of ownership and confidence to act**. A network – level Investment

### About MiMAP (RIMANSI):

The Microinsurance MBA Association of the Philippines Inc. (MiMAP) or RIMANSI helps professionalize the management of microinsurance mutual benefit associations (Mi-MBAs) and microinsurance programs to provide affordable, comprehensive, and quality risk protection to millions of poor people in Asia and the Pacific. Towards this purpose, MiMAP assists Mi-MBAs in developing risk management solutions, building capacities, advocating for appropriate policy environment and pursuing research & development agenda.

Committee provides stewardship that always upholds the interest of members. MiMAP implements the program with active members' engagement, and an approved business plan as guide.

***“We have met the network investment objectives early on in the project life. The MiMAP through the Investment Committee is even more committed to support the Mi-MBAs attain their investment goals.”***

*– May Dawat of CARD MBA*

It also reached out to a **wide network of partners and allies to mobilize additional resources** such as funds and expertise. The undertaking presented a substantial potential size in pooled investment as well as scale of outreach by the millions, enough to attract investment companies and make them want to be part of a **business model that meets two bottom lines**—financial viability and social responsibility. MiMAP, in turn, had the opportunity to select from a good number of highly capable and seasoned investment companies for its Investment Manager.

***“Compared to the regular investment instruments we deal with, the BBBF has given us a higher return and a more diversified portfolio mix.”*** – Obet Dalit of SEDP MBA

Regulatory agencies such as IC and BSP, which also actively encourage social responsibility among financial service providers, give their full support to MiMAP's initiatives by extending prompt attention and provision of needed advice and approvals. With the regulatory support in place, it took less than six months for the BBBF to be designed, approved and offered to the Mi-MBAs.

The initial years and experiences in investment pooling have succeeded to bring higher yields on investment for Mi-MBAs --- a boost to MiMAP on its onward journey to serve 48 million poor and low-income Filipinos. ◇

### About Citi Foundation:

The Citi Foundation works to promote economic progress and improve the lives of people in low-income communities around the world. We invest in efforts that increase financial inclusion, catalyze job opportunities for youth, and reimagine approaches to building economically vibrant cities. The Citi Foundation's "More than Philanthropy" approach leverages the enormous expertise of Citi and its people to fulfill our mission and drive thought leadership and innovation.