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Mutual microinsurance and the Sustainable Development Goals

An impact assessment following Typhoon Haiyan

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Executive summary

This report contributes to the growing evidence base demonstrating the potential for mutual microinsurance to deliver economic and social benefits aligned with the United Nations Sustainable Development Goals (SDGs).

As climate risks escalate and policymakers consider urgent adaptation and resilience strategies, there is an increasing emphasis on the role of insurance to support risk management and sustainable development in exposed populations and economies. From an initial focus on macro-level programmes, attention has broadened to microinsurance interventions, with a desire to scale up coverage by hundreds of millions of people across developing economies in the United Nations 2030 Sustainable Development Agenda.

Within microinsurance, little attention has been focused on mutual microinsurance despite mutual insurers representing almost 30 per cent of the global insurance industry by premium volume.[1] This study explores how mutual microinsurance, enabled by adequate regulation, can contribute to the SDGs by increasing the protection and resilience of low-income communities.

The report assesses the operations and outcomes of the Center for Agriculture and Rural Development Mutual Benefit Association (CARD MBA) in the Philippines. In this research:

- We have collected and analysed extensive operational data from CARD MBA to explain how a large mutual microinsurance operation works.
- We have carried out two rounds of field research in communities severely affected by Typhoon Haiyan in November 2013.
- We assess, five years after this major catastrophe, how insured and non-insured communities have recovered. We specifically identify the distinctive elements of those insured by a mutual microinsurance programme.

Key findings

- For the first time, operational insurance functions and outcomes have been assigned to the delivery of SDG targets and aligned with possible insurance-related metrics and indicators. We document that mutual microinsurance has the potential to contribute to targets within ten of the SDGs by building financially literate, insurable, resilient and empowered communities.
- The success of CARD MBA's business model is based on three key elements: the interdependence of microfinance and microinsurance, highly developed community networks and the supportive Philippine regulatory environment.
- Following a disaster, mutual microinsurance is likely to be most effective in combination with other financial mechanisms, such as access to credit and emergency aid.
- The impact of mutual microinsurance on recovery after Typhoon Haiyan illustrates the benefits of robust community networks at times of extreme crisis. Established community structures helped with the efficient validation and payment of claims, despite very difficult circumstances, and the distribution of disaster aid packages to members.

Key recommendations

- Policy: Inclusive insurance policies should be further aligned with national and international SDG targets.
- Regulation: Increased access to effective mutual insurance for low-income communities should be included in regulators' mandates as a distinctive element of inclusive insurance and wider climate resilience interventions. The Philippines provides an established example.
- Insurance industry: There needs to be a willingness to reach out to the low-income sector, involving the community while working with regulators to shape individual countries' needs (in both the mutual and non-mutual sectors).

Foreword

Achim Steiner

Administrator of the United Nations Development Programme and Vice-Chair of the United Nations Development Programme Sustainable Development Group

As the world experiences the growing impact of climate risks to our communities and economies, countries must not only cut greenhouse gas emissions but become more resilient and adapt to the effects of climate change.

Without urgent action, we will continue to sacrifice development gains through a relentlessly rising tragedy of lost lives, livelihoods and resources.

Responding to this pressing need will require both well-established and innovative solutions. These will include a range of areas, from strengthening planning regulations to satellite-based early warning systems to drought resistant crops. It will also require countries to partner across, and beyond traditional frontiers to share solutions. In particular, it will be a challenge for economies and financial systems to work in a way that ensures that the poorest and most vulnerable are afforded the necessary protection from climate risks.

Since 2015, there has been a growing focus on how insurance can support climate resilience and sustainable development for exposed populations and economies. The insurance sector is evolving and it is now being increasingly used to having to measure and communicate climate risks, promote resilient practices, predictably share the costs of losses and harness investment resources.

Insurance and risk financing are increasingly being seen as critical to a country's development - while at the same time, the insurance sector is realising that the viability of countries and communities is critical to their own long-term future.

Governments, donors, international institutions and industry players have mobilised in this area to turn encouraging engagement into practical action, for instance through the InsuResilience Global Partnership, the United Nations Environment Programme's Principles for Sustainable Insurance, the Insurance Development Forum and Ocean Risk and Resilience Action Alliance.

One notable gap in the existing literature is supporting evidence to inform policy and industry interventions at scale - for instance, what benefits can microinsurance bring to affected communities?; how can microinsurance help to achieve the Sustainable Development Goals (SDGs)?; how does microinsurance sit at the community level within a wider set of resilience interventions?; and what are the attributes of effective and successful microinsurance programmes?

This research, led by the University of Cambridge's Institute for Sustainability Leadership, begins to address this gap in knowledge. In particular, it contributes to the growing evidence base that shows how mutual microinsurance can deliver economic and social benefits while also contributing to achievement of the SDGs by increasing the protection and resilience of low-income communities.

The report zeros in on Typhoon Haiyan which battered the Philippines in 2013. The size, speed and impact of the storm on communities was devastating and caused over 6,000 deaths. What is less well known is that the country has one of the largest microinsurance sectors in the world. It is organised mainly in community Mutual Benefit Associations. These groups provided a major element of support to communities in the wake of the disaster, including and beyond insurance pay-outs. Families that had insurance had almost immediate access to resources to provide for their families' healthcare needs; to repair and rebuild their homes; and to restart their businesses. The opportunity to study the relative recovery outcomes of those that had insurance and those that did not, provides us with a unique insight on the roles, characteristics and performance of insurance in the aftermath of a disaster.

This report can guide policymakers and industry on some of the potential, as well as the limitations of such approaches to insurance coverage. It sets out seven concrete recommendations in this area to enhance the overall protection and resilience of low-income communities.

Currently, only 5 per cent of disaster losses are covered by insurance in poor countries, compared with 50 per cent for rich countries. This report provides the private and public sectors, as well as the international community, with new impetus to help end this harshest form of inequality.

Impact assessment: Summary of key results

Relevant SDG	How CARD MBA's activities relate to the SDG targets (expanded in Part 3)
1 NO POVERTY	*Low-income and under the poverty line members *Life-insurance pay-outs to protect the family after loss *Integrated microfinance and microinsurance *Members organised in community centres of up to 30 policyholders (136,830 community centres nationwide)
3 GOOD HEALTH AND WELL-BEING	Available to CARD MBA's members from CARD microfinance: *Free medical check-ups *Discounted medicines *Access to network of trusted healthcare providers *Partnership with government's social health care programme
4 QUALITY EDUCATION	Weekly community centre meetings on various subjects: *Financial literacy and insurance, risk reduction and resilience *Mutuality and governance, credit advice and entrepreneurship *Health topics and 'One family, One graduate programme'
5 GENDER EQUALITY	Empowerment of women by becoming: *Economic participants in their household through access to loans and insurance *Entrepreneurs and recipients of scholarships *Leaders in their community through volunteer positions in the mutual *Participants in institutional governance if elected to board of trustees
8 DECENT WORK AND ECONOMIC GROWTH	*Insurance pay-outs * Non-pay-outs benefits. Although CARD MBA's insurance is compulsory when accessing credit, and benefits of both are intertwined, surveyed policyholders identified the following changes as a result of belonging to the mutual: - Feeling more secure - Increased community support and collaboration - Improving financial knowledge - Improving home and assets - Improving knowledge on health risks - Improving disaster risk knowledge - Investing in business and employment - Paying for children's education - Understanding insurance and mutual sharing
10 REDUCED INEQUALITIES	CARD MBA collaborated with the Philippine regulator to advance a supportive regulatory environment for mutual microinsurance, from formalisation to ongoing improvements.
11 SUSTAINABLE CITIES AND COMMUNITIES	*CARD MBA's solidarity pillar: - Members' education - Disaster Relief Operation - Scholarships - Community Health Day - Cash donations *CARD MBA's "created to serve a defined group" pillar: - Community centre volunteers: centre chief, treasurer and secretary - MBA coordinators (approximately 2,000): community volunteers who validate claims - Other community features identified in the survey were trust and feeling of members' interests being prioritised
13 CLIMATE ACTION	*Typhoon Haiyan interventions: - Pay-outs, fast claims validation - Aid delivered through community networks - Financial advice and claims moratoriums *Disaster preparedness training to members *Early warning messages to members
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	*Member ownership and governance *Members elect the board of trustees *Members participate in policymaking through satisfaction surveys *Members give weekly feedback on products and services in centre meetings
17 PARTNERSHIPS FOR THE GOALS	Partnerships are paramount to CARD MBA's development across regulation, distribution networks and capacity building.

Introduction

Policymakers are increasingly looking at the role that insurance can play to support sustainable development, particularly with rising climate risks and the need for urgent adaptation and resilience strategies. Attention is broadening to microinsurance, with a desire to scale up coverage by millions of people across developing economies.[2]

Despite this interest, fundamental uncertainties hinder the confidence of policymakers and industry to commit to the microinsurance sector and achieve the transformation needed. Many governments, donors, industry players and international institutions are seeking evidence that demonstrates how microinsurance can deliver economic and social benefits aligned with the Sustainable Development Goals (SDGs). They are also seeking to explore how sustainable microinsurance organisations can achieve large-scale coverage and how regulation can support this sector.

In this research we asked the following questions:

- What is mutual microinsurance?
- How does a successful mutual microinsurer operate?
- What makes a regulatory environment supportive?
- What difference does mutual microinsurance make for households?
- How does that impact on the SDGs and are the impacts sufficient for regulators and donors to support mutual microinsurance more extensively?

Within microinsurance, little attention has been focused on mutual microinsurance despite mutual insurers representing almost 30 per cent of the global insurance industry by premium volume.[1] In many jurisdictions around the globe, however, mutual microinsurers operate at the community level in what is known as the 'informal sector', which is not recognised by regulation. This jeopardises both customer protection and business expansion.

Scope of research

This report explores how mutual microinsurance, enabled by adequate regulation, can contribute to inclusive development by increasing the protection and resilience of low-income communities.

The report assesses the operations and outcomes of a large mutual microinsurer, the Center for Agriculture and Rural Development Mutual Benefit Association (CARD MBA) in the Philippines. This insurer provides life insurance to nearly 20 million people, representing almost 20 per cent of the country's population and 80 per cent of the overall Philippine mutual microinsurance sector. Thirty-five per cent of its policyholders live below the poverty line. The organisation received international attention in 2013, in the wake of Typhoon Haiyan, as the mutual provided life insurance cover to almost half a million members in the affected region.

Our research has consisted of extensive operational analysis and two field studies, involving 280 households in Eastern Visayas.

The analysis assessed the recovery outcomes following Typhoon Haiyan of households that had mutual microinsurance and those that did not.

Introduction (continued)

This study builds on our previous report *Insurance Regulation for Sustainable Development* [3], launched at the 2015 UN Intergovernmental Financing for Development Conference in Addis Ababa in advance of the SDGs. The report highlighted the following model of change:

1. Insurance and sustainable development. Closing the risk-protection gap is fundamental to the realisation of the SDGs by enabling financial inclusion, incentivising risk-reduction behaviours and facilitating economic recovery after a disaster.

2. Insurance policy and regulation. Supportive regulation is an essential policy instrument to increase access to insurance around the world (public, private and mutual). Ineffective or non-existent regulations hinder both insurance access and sustainable development.

The Philippines' regulatory environment provides an example of a conducive approach. However, mutual microinsurance regulation is underdeveloped in many countries, and assessing its impact on low-income communities is essential for it to reach the development agendas of policymakers and regulators across emerging markets. To support this process, and as a result of our impact assessment, we have suggested indicators (existing and new) for seven relevant SDGs.

The context of Typhoon Haiyan and the Philippines

In November 2013, one of the most powerful tropical cyclones in history, Typhoon Haiyan (Yolanda), made landfall near the city of Tacloban in the Philippines. Wind gusts in excess of 380kph, extreme rainfall and a storm surge of up to five metres caused severe devastation which was widely reported across the world. There were approximately 7,000 fatalities and 30,000 injured in the Philippines alone.[4]

This study has benefited from the willingness of households to share information relating to the most painful personal experiences. A quarter of the households interviewed had lost one, or more, immediate family members during Typhoon Haiyan. Others had experienced extreme trauma and almost all had lost their homes and most of their possessions.

As we undertook our research, we found that two important contextual factors emerged.

Firstly, that mutual microinsurance exists as part of a financial and social ecosystem. Mutual microinsurance coverage after disaster operates as an important component of a complex, interdependent network of financial services, credit and wider financial support (from government, humanitarian aid and nongovernmental organisations (NGOs)). The distinctive scope, scale and longevity of CARD MBA compared to other providers (both in the Philippines and overseas) is shaped by this reinforcing network. The second contextual factor that emerged was the importance of value and culture, which relates to both the communities in the survey region and CARD MBA as an organisation. Regardless of the precise legal attributes of specific CARD-related services, its mutual culture and alignment with the ways of life in Philippine communities appear to be a distinctive component in the efficiency of the organisation.

Report terminology

Microinsurance:
According to the International Association of Insurance Supervisors (IAIS), microinsurance is "insurance accessed by the low-income population, provided by a variety of different entities, but run in accordance with generally accepted insurance practices, which should include the Insurance Core Principles… and fall within the purview of the relevant domestic insurance regulator/supervisor or any other competent body under the national laws of any jurisdiction".[5] Crucially, "microinsurance is not a specific product or product line. It is not limited to a specific provider type. Microinsurance is servicing a specific income segment".[6]

Inclusive insurance:
This relates "to all insurance products aimed at the excluded or underserved market, while microinsurance is specifically aimed at low-income populations".[7] Therefore, all microinsurance is inclusive insurance, but not all inclusive insurance is microinsurance.

Mutuals:
This report uses the definition of mutuals provided by the International Cooperative and Mutual Insurance Federation (ICMIF). This defines mutuals as "organisations whose legal status may not be classified as such in their national law, but whose structure and values reflect the mutual/cooperative form, i.e. companies which are owned by, governed by and operated in the interests of their member policyholders. These include limited companies owned by people-based organisations, fraternal benefit societies (fraternals), friendly societies, Takaful providers, reciprocals, non-profits, exchanges, discretionary mutuals, protection and indemnity clubs, community organisations and foundations".[8]

Mutuals in the Philippines:
When specifically discussing the Philippines in this report, the term mutual means Microinsurance Mutual Benefit Associations (MBAs), which possess specific attributes and status within Philippines law and insurance regulation, as discussed in Part 2 (Section 4).

Mutual microinsurance:
According to IAIS, "the main factor that sets Mutual, Cooperative, Community-based Organisations (MCCOs) apart is the fact that they are member-owned, which implies principles of democracy and solidarity. They are formed to serve a defined group and purpose and the membership has an entitlement to profits. This enables MCCOs to overcome geographic, cultural, business model, service and product design challenges other more conventional insurers might not be able or willing to in order to provide insurance to low-income population".[9] [10]

Note: This report often refers to amounts in United States Dollars (USD). Precise amounts might vary depending on conversion rates to Philippine Pesos (PHP). All figures related to here have been converted throughout April 2019, at approximately PHP 50 to USD 1.

Part 1: Overview of mutual microinsurance

Mutual insurance companies have existed in their modern form since the 19th century. They have become the fastest growing part of the insurance industry in the last decade since the global financial crisis, with 26.7 per cent of life and non-life premium income (USD 1.31 trillion) and 922 million members worldwide.[1]

Mutual insurance companies vary in size from some of the world's largest insurers, like State Farm in the United States or Zenkyoren in Japan, to small organisations serving communities in remote areas in low-income countries. They tend to operate at a national level, serving the communities that they originated from.[11] Although there is no universal description of mutuals, the International Association of Insurance Supervisors (IAIS) has identified five pillars that differentiate mutual insurers from other types of insurance company:[7]

a) Member ownership. The fundamental principle is that the members of the mutual own the organisation and have powers similar to those held by owners in shareholder organisations.

b) Democracy. The members form the general assembly of the organisation and can exercise democratic rights on ultimate decision-making such as the election of directors to the governing board and participation in formal meetings, including the annual assembly and/or annual general meeting. Democratic influence may also be exercised at lower and local levels of the organisation.

c) Solidarity. Members may support each other through the mutual beyond what may be considered purely commercial terms. For example, in some instances, members of a mutual may receive types of assistance that extend beyond the elements of their insurance coverage.

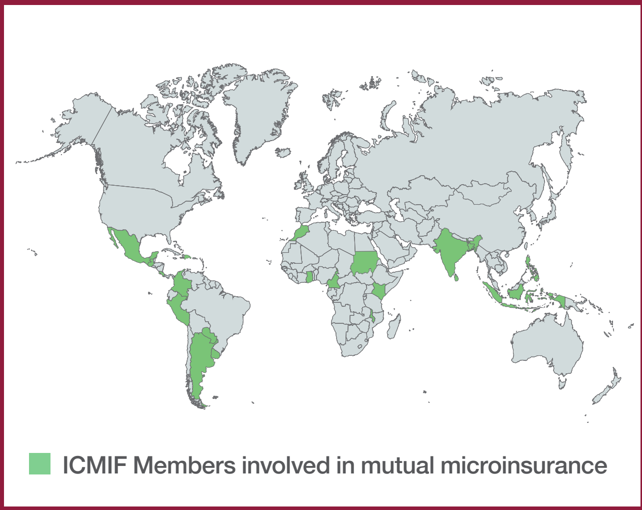
d) Created to serve a defined group and purpose. Members become affiliated with the organisation through a common goal, purpose or characteristic. Mutual insurance organisations are usually formed to help members mitigate shared risks that they are faced with by providing accessible, relevant and affordable insurance.

e) Not for profit. The profit (or surplus) or loss (deficit) is accrued to the members. Surpluses are used to build up reserves and once a sufficient level is achieved, these may be allocated to members via increased coverage or services, premium reductions or distributions (members' dividends). In the case of losses, there can be a variety of treatments depending on the regulation in each jurisdiction.

When mutuals serve low-income populations, they enter the space known as mutual microinsurance. Part 2 of the report provides more details on what this entails.

In the overall microinsurance marketplace, with approximately 281 million people insured worldwide,[12] the Access to Insurance Initiative (A2ii) has noted that mutual institutions outnumber commercial insurers. However, their market share is much smaller. For example, in Africa, 77 per cent of providers are community-based organisations, yet they only cover about 12 per cent of the total insured lives and properties in the continent.[13] The mutual protection model in the sense of community self-help has existed for centuries (earliest documents available date back from the 5th century BC in Greece) and is still prevalent amongst low-income communities, in the informal sector, providing support to its members such as housing, household goods, agricultural services, lending or insurance-like activities covering healthcare or funeral expenses.[14 15]

Global data on mutual microinsurance is scarce. This is due, in part, to underdeveloped or non-existent mutual insurance regulation. Therefore, there is a lack of supervision and annual reporting requirements in many countries. The following map shows the countries where ICMIF members have microinsurance activities.[16] ICMIF (The International Cooperative and Mutual Insurance Federation) is the global representative body of the cooperative and mutual insurance sector.



Part 2: Mutual microinsurance regulation and policy

Adequate, supportive insurance regulation is essential to create effective access to insurance.[17] This section locates mutual microinsurance in the wider landscape of insurance regulation and considers its features and general status worldwide.

1. General insurance policy and regulation

Access to insurance is multi-faceted and determined by a combination of factors. These include affordability, poverty, infrastructure, formal documentation of assets, stability of income source, access to banking, financial literacy, cultural dispositions and the ability to price risk.[3] [18] Notwithstanding these challenges, adequate insurance regulation is an essential part of access to insurance.

Insurance is a distinctive business activity, with an inverted production cycle where the payment is made up front. Many of its core functions and operating practices are not addressed within mainstream commercial and trading laws and regulations. Without specific insurance regulation, elements of insurance contracts and the nature of insurance institutions cannot be recognised and enforced by law, including the right to issue insurance policies or to claim on insurance contracts in the event of a loss.

Customers pay in advance for financial protection in case defined loss events occur. The resulting insurance policy needs to specify clearly what risks, assets and interests are being covered, the duration of cover and the geographic scope of the protection. The customer also needs to have confidence that the insurance provider will have the necessary resources to pay valid claims in a prompt manner, even at times of widespread losses. If these attributes are not clear, an insurance contract can be a worthless promise. The primary role of insurance regulators and supervisors is to ensure that consumers can count on the written commitments of insurers to protect them.

Insurance regulators do not operate in isolation. They are subject to, empowered and guided by insurance legislation incorporated within statutory acts and related legislation. This legislation is, in turn, the product of public policy that seeks to establish fair and effective ways to understand, manage and share economic and wider risks across societies. Usually, insurance law and regulation are developed and applied at a national level.

Since 1994, insurance regulators have convened globally through the International Association of Insurance Supervisors (IAIS) to develop shared principles and regulatory thresholds and standards, particularly the Insurance Core Principles (ICPs).[19] They were first issued in 2000 and subsequently updated, expanded and consolidated. The 26 ICPs cover all areas of insurance function including corporate governance (ICP7), capital adequacy (ICP17) and conduct of business (ICP19). The principles are reinforced by a hierarchy of statements, standards and guidance to support effective implementation by its members.

The IAIS has an established protocol of official publications to support regulatory and supervisory developments, including Issues Papers and Application Papers that are referred to throughout this report. Issues Papers provide background on a particular topic and identify related regulatory and supervisory challenges. They often form part of the preparatory work for developing standards. Application Papers represent a later stage of the regulatory process and provide additional material on existing principles and standards, such as further advice, or examples of good practice to help supervisors.[20]

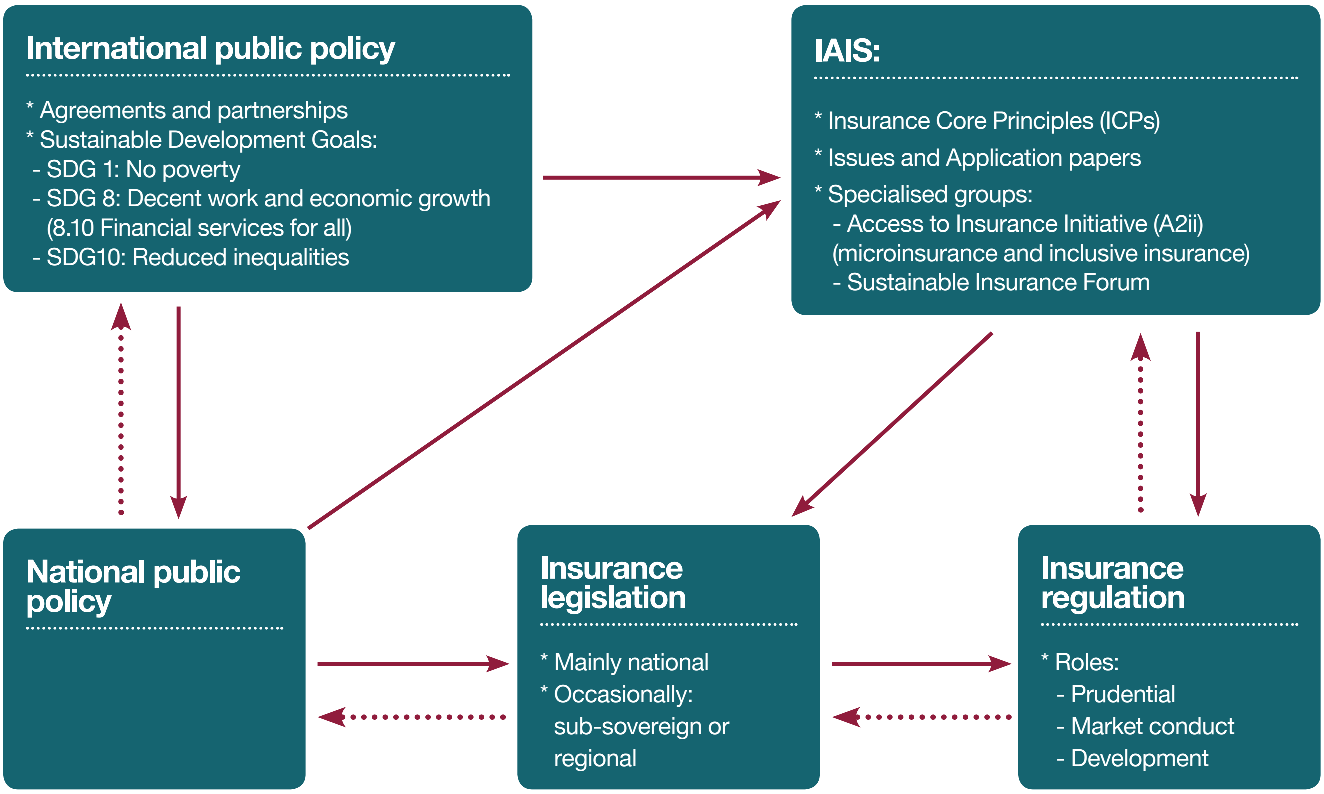
The pace of this global coordination has grown since the financial crisis of 2007–08 which highlighted the interconnectivity of risks and markets, including insurance. The Access to Insurance Initiative (A2ii) was formed in 2009 as the outcome of a joint working group of the IAIS and the Microinsurance Network to support the growth of insurance for low-income populations in developing economies. Its mission is to "strengthen the capacity and understanding of supervisors to facilitate the promotion of inclusive and responsible insurance, thereby reducing vulnerability".[21]

The Sustainable Insurance Forum was formed in 2016 in response to the growing attention of the role of insurance regulation in climate resilience and sustainability. It operates under a voluntary leadership group of insurance supervisors and regulators, with a secretariat provided by the United Nations Environment Programme. It collaborates closely with the IAIS, arranging coordinated meeting schedules and producing joint outputs.

These developments within global insurance regulation have coincided with a growing recognition of the role of financial markets and regulation in supporting the delivery of a series of United Nations agreements which were finalised in 2015. These include the SDGs, the Sendai Framework for Disaster Risk Reduction and the Paris Climate Agreement. The G20 InsuResilience Global Partnership of G20 and V20 countries was launched in 2017 with the aim of covering an extra 400 million people with insurance, including with microinsurance by 2020.[22] "Together with private insurance companies, microinsurance schemes offered by mutuals and cooperatives can help in coping with the consequences of extreme weather events at the community level, under an enabling regulatory environment".[23]

Part 2: Mutual microinsurance regulation and policy *continued*

Interaction of policy, law and regulation



The lack of reliable regulatory structures can pose a strong disincentive for insurers to operate and grow. In the most underdeveloped jurisdictions, these challenges can affect all types of insurance. In other areas, this can particularly affect specific types of insurance carriers (eg public, private or mutual) or certain classes of insurance (eg health, agricultural or earthquake).

2. Microinsurance regulation

Specific microinsurance regulations were first created in India in 2005, and shortly after in the Philippines, Peru, Mexico, Brazil, West Africa and Tanzania. Over the last decade, at least 18 insurance supervisors have adopted a microinsurance-specific regulatory framework, with approximately another 23 countries in the process of developing some form of microinsurance-specific regulations.[13]

The first major official reference work on inclusive insurance regulation, *Issues in Regulation and Supervision of Microinsurance,*[6] was published in June 2007 by the IAIS in a Joint Working Group with the Consultative Group to Assist the Poor (CGAP) Working Group on Microinsurance, (Sub-group on Regulation, Supervision and Policy Issues).

Further regulatory guidelines for microinsurance consolidated the following tenets for inclusive insurance:[5 10 24]

a) Supervision. Entities, including mutuals, which provide insurance services should be registered, licensed and regulated.

b) Formalisation. Specific insurance-focused entities should be formed, and the 'informal' sector should be formalised, via the appropriate transitional arrangements. The issues paper also highlighted that there should be "absolute minimum requirements" below which entities should not retain insurance risk. Specific regulations could be developed for microinsurance entities to serve that market more effectively, such as appropriate and proportionate forms of governance, minimum capital, coverage standards and limits, supervision and relationships with agents and distribution partners.

c) Insurance Core Principles (ICPs). These are universal and should be applied to inclusive insurance operations in a proportionate manner.

d) The principle of proportionality. This concerns the proportionate application of the ICPs, balancing an effective and sustainable supervision that protects vulnerable consumers with the operational needs of inclusive insurance providers to create enabling business environments. This approach promotes financial inclusion and market development objectives. Microinsurance regulatory frameworks today are generally founded on this concept, even though they may not explicitly mention 'proportionality'.[13]

e) Innovation. The IAIS Issues Paper recognised that as coverage among poor communities is so low, existing insurance business models and operating systems are not effective in reaching them. Therefore, innovation is required across the insurance supply chain to reduce costs, increase value and optimise service attraction. Regulation should foster and enable such technical and business innovation.

Regulators use two main approaches (which are not mutually exclusive) in licensing and supervising microinsurance, with the main objectives of establishing an enabling business environment and protecting vulnerable customers.[13] These are:

1. Functional or business line approach. Defining what can be done.

2. Institutional approach. Defining the attributes of *institutions* that can do them.

Arising from those two approaches, microinsurance regulation presents the following specificities across a variety of factors in the table overleaf:

Part 2: Mutual microinsurance regulation and policy *continued*

Specificities of microinsurance regulation

Insurance themes	Microinsurance regulatory treatment
Risk carrier permitted	• Allow a wider range of entities to underwrite microinsurance via licensing, creating a regime for functional supervision or formalisation
Product development	• Product standards for microinsurance, either based on principles such as simplicity, or by specifying product features such as policy duration, minimum covers, exclusions, premium payments, simple underwriting and a specific logo • Flexibility in product design such as permission to bundle life and non-life cover
Distribution	• Ability to use a wider range of intermediaries, including non-traditional ones • Ability for intermediaries to perform a wider range of roles • Lower registration, training or qualification requirements for specialised microinsurance intermediaries • Stronger oversight of microinsurance distribution channels, including commercialisation agreement approval
Disclosure and documentation	• Permission to use alternative forms of contracts, disclosure or documentation such as electronic policies, shorter documents, graphics, etc • Minimum requirements for disclosure to consumers • Standard policy formats with a focus on simplicity and clarity
Premium collection	• Ability to use alternative means of payment and transactions • The point at which the premium is considered paid (eg when paid to intermediary or when received by insurer) • Grace periods or cooling-off periods
Claims settlement	• Shorter claims timeline • Ability to use / requirement to accept alternative forms of documentation for verification
Complaints handling	• Shorter response or resolution timeline
Other regulatory treatment	• Lighter regulatory fee structure • More thorough supervision of the business and providers
Adapted supervisory tools and techniques	• Specific reporting requirements for microinsurance business • Adapted product registration requirements • Faster product approval

A2ii. (2016). Proportionate Regulatory Frameworks in Inclusive Insurance: Lessons from a Decade in Microinsurance Regulation.[13]

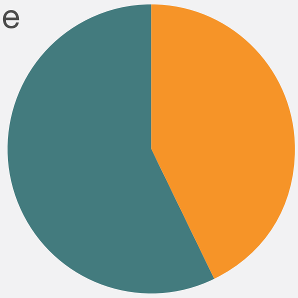
3. Distinctiveness of mutual microinsurance regulation

The evolution of mutual microinsurance regulation is linked to the development of the wider microinsurance regulatory standards, highlighted above. The Philippines created the first specific mutual microinsurance regulations in 2006 (explained in Part 2, (Section 4)), and its experiences in microinsurance contributed to the first IAIS microinsurance Issues Paper in 2007.

As well as displaying microinsurance regulatory features, mutual microinsurance is also dependent on how mutuals are regulated. Legislation and regulation of mutual insurers contrasts strongly country by country, from well-developed, supportive regulation to restricted regulation or no regulatory recognition at all. This leads to mutual microinsurers not existing in some jurisdictions or existing in a legal vacuum. ICMIF has calculated that 63 per cent of low-income countries and 46 per cent of lower middle-income countries do not have mutual-cooperative insurance law, hindering the development of mutual microinsurance.[8]

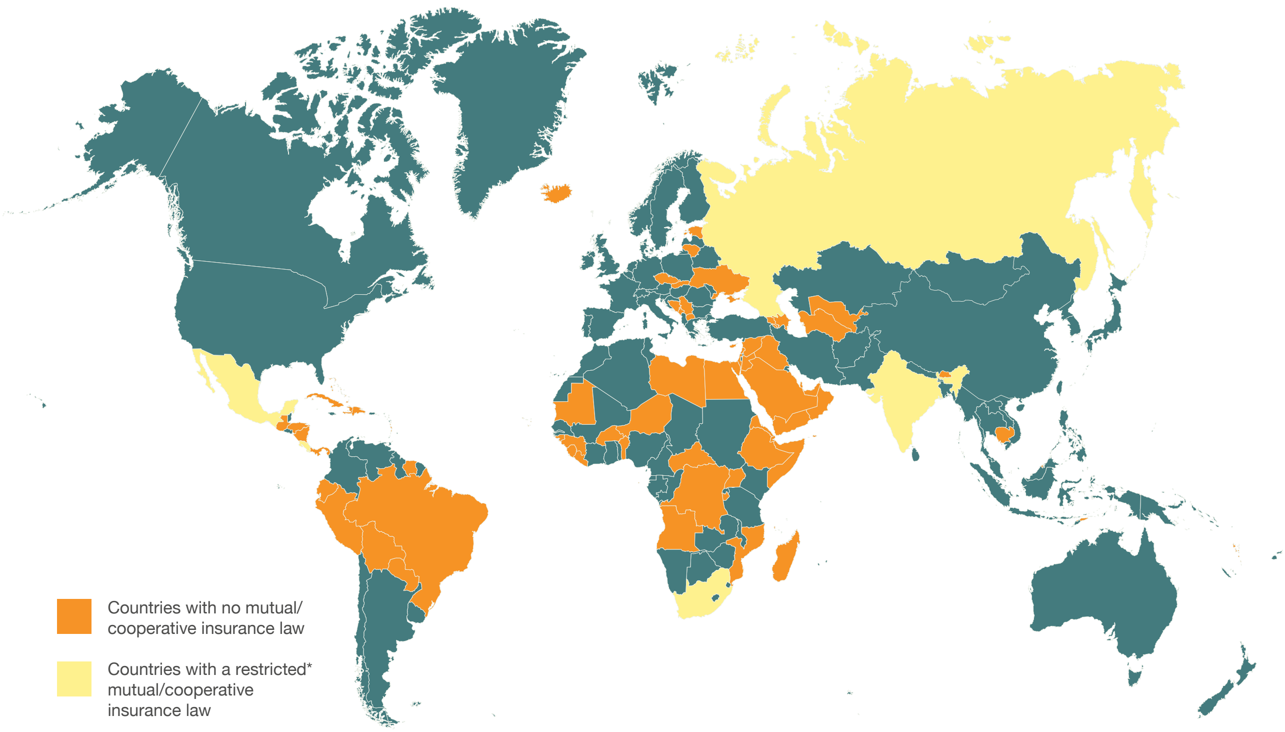
ACCESS TO MUTUAL/COOPERATIVE INSURANCE

In 45 per cent of the world's countries, local law does not allow mutual/ cooperative insurance



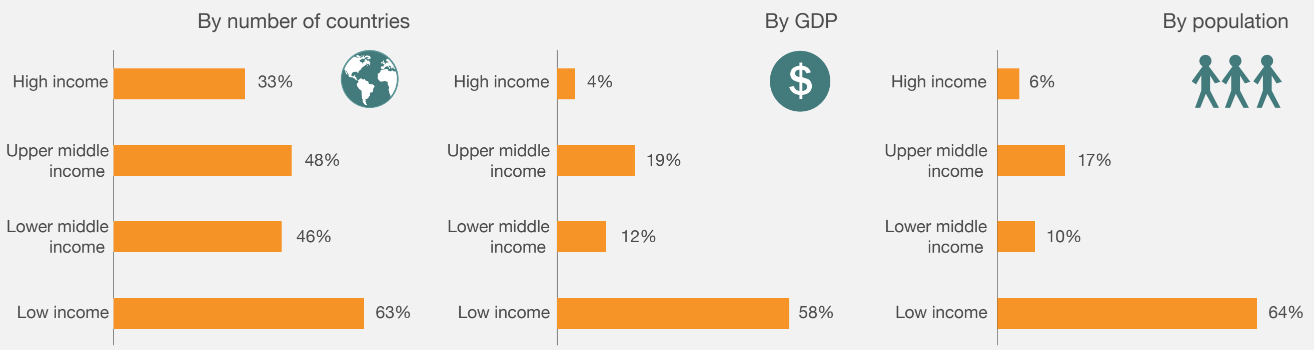
...these countries represent 9 per cent of the world's GDP...

...and 16 per cent of the world's population...



* Restricted cooperative/mutual law refers to countries which despite having an insurance law recognizing cooperative and/or mutual insurance, still in practice contain legal or regulatory barriers for mutual/cooperative insurers to compete on a level playing field

Countries with no mutual/cooperative insurance law (in terms of country income classification*)



*Income classification as per the World Bank (2016)

ICMIF 2016[8]

Part 2: Mutual microinsurance regulation and policy *continued*

The consequences of regulatory deficiencies can lead to:

- Policyholders not being protected by the wider benefits of prudential supervision, customer protection and contract law. They depend on the quality of governance of the particular mutual to which they belong. Without legal recognition and frameworks, the ability of mutual insurers to serve their customers is significantly hindered.

- Mutual microinsurance operations being limited to small communities and unable to achieve scale, formal status or wider resources. This includes reinsurance, which allows risks to be transferred onto national and international markets, protecting communities that would not be able to share the risk amongst themselves.[3]

- A lack of accountability and transparent governance in instances where mutuals operate in a regulatory vacuum. This damages policyholders and other mutual enterprises that are operating responsibly.

- Decreased consumer choice and competition. Mutuals can be among the few support networks available for marginalised and remote communities. This is the case in India, where insurance regulation does not presently recognise mutual insurers, despite having done so historically under the Insurance Act in 1932. In subsequent Insurance Acts (1972 and 2015), recognition of mutuals became diluted and ultimately removed. India has a strong cultural affinity with community arrangements and pioneered wider microinsurance regulations.[25] The high degree of rural poverty, remoteness and costs of access means that many cannot be served, even to meet the mandatory regulatory conditions on private insurers to cover a percentage of the low-income market in their operations. Mutual microinsurers offer one of the few potential avenues to these disadvantaged groups.

In recent years the IAIS has sought to encourage global norms to balance the needs of mutuals operating in developing markets and address the challenges of under-regulation. This culminated in the publication of an Application Paper on Mutual, Copperative, Community-based Organisations (MCCOs) in September 2017, which provides guidance to insurance supervisors in two key areas:

1. The way that Insurance Core Principles of the IAIS can be applied to the mutual model in a proportionate manner to support access to insurance while ensuring policyholder protection.

2. Identifying and removing barriers on MCCOs to enhance financial inclusion in developing markets.[7] Part 3 of this report specifically assesses how mutual microinsurance can contribute to financial inclusion.

The Application Paper does not imply preferential treatment to the mutual model. It suggests that "when seeking to enhance access to insurance all avenues should be explored, including using MCCOs".[7] This is the approach followed by China, where the first licences for mutual insurers were issued in June 2016 with the view to balancing the market. As part of the economic development objectives of the country, mutual insurance has been adopted to contribute to the extension of agriculture and health insurance to enhance basic social security programmes.[26]

The Access to Insurance Initiative has observed an interest in the establishment of MCCOs in a number of jurisdictions that do not currently allow them. This is based on the aim to increase access to insurance for low-income consumers and/or to formalise informal providers.[27] Among those that are seeking to support the specific needs of mutual microinsurers, the following themes have been identified:

a) Regulatory and supervisory capacity
A well-known aphorism among practitioners is "don't regulate what you can't supervise". As modestly resourced regulators seek to establish the right balance, one of their challenges is the resources needed to adequately supervise mutuals that may be large in number, small in size, informal and remote.

In addition, regulators and supervisors of mutuals and the wider market have resource challenges created by new business models and technology, including new forms of distribution and intermediation by mobile communications providers, retailers and affinity groups.

b) Formalisation of insurance activities
The IAIS *Application Paper on Regulation and Supervision supporting Inclusive Insurance Markets* recommends that all entities that act as insurers should be subject to licensing. This provides a clear formalisation imperative. However, supervisors should consider "the proportionate nature of the licensing method and process, the possibility of using a registration option and the potential for the license to be restricted or limited in scope".[5]

MCCOs often have informal insurance-like services that are difficult for insurance supervisors to identify or monitor, creating challenges for supervisors to formalise and operate a process of registration, licensing and full regulation. MCCOs are often formed for a purpose other than insurance and might not be under the aegis of the insurance supervisor but another agency (such as the cooperatives regulator or government department). In these circumstances the insurance supervisor may act to ensure appropriate oversight occurs.

c) Governance
Mutual insurers do not have the same reporting requirements as those firms listed on public markets, with accountability to investors, analysts and related stakeholders. It is also more difficult for mutual insurers to be taken over by competitors. Mutuals, including smaller, local insurers, can lack effective oversight and the competitive pressures to spur innovation. The result is that while mutuals are member-owned, the management may exert greater strategic and operational control with less effective accountability.

d) Prudential management (capital requirements)
In principle, solvency requirements should be similar for all insurance providers regardless of their institutional form because they are all managing the policyholders' funds. However, where risks are lower, it can be appropriate to reduce the necessary capital and other solvency requirements in a proportionate manner to establish and thereafter operate a mutual microinsurance entity.[27] The treatment of the Philippines microinsurance MBAs provides an example of this approach.

4. The mutual regulatory environment in the Philippines

The IAIS Application Paper on MCCOs in 2017 included a case study of the Microinsurance Mutual Benefit Association sector in the Philippines. It highlighted that "MI-MBAs have been a prominent driving force for microinsurance, showing commercial insurers the potential of microinsurance. In particular CARD MBA, the first to be licensed in 2001, fulfilled an important role as a franchise model for nascent MI-MBAs".[7]

CARD Inc became a significant microfinance provider by the mid-1990s and created an informal insurance-like activity called 'Members' Mutual Fund' in 1994 to pay off loan obligations in the event of a member's death.[28] CARD, operating as a microfinance institution (MFI), also created a basic life insurance product and a pension scheme for members in 1997. An internal actuarial assessment highlighted the potential risk of future contingent liabilities of these obligations on the solvency of CARD. A decision was taken to establish an insurance entity in 1999 and CARD was licensed as an insuring Mutual Benefit Association, forming CARD MBA under the pre-existing mutual insurance regulation, detached from the capital of the microfinance institution.

CARD's journey, along with the experience of the wider microfinance sector, highlighted the need for specific microinsurance regulation and supervision to reflect the economic realities and operating needs of that market.[29] The following graphic syntheses the Philippine mutual microinsurance regulatory journey and the interplay between policy, law and regulation.

Part 2: Mutual microinsurance regulation and policy *continued*

The development of Philippine mutual microinsurance regulation

Policy:

- Philippine Development plan 2004-2010: poverty alleviation and financial inclusion.[30]
- National Strategy on Microinsurance [31]

+

Legislation:

Existing Insurance Law (including MBA) provisions

and

Taxation Law: Section 30 of the National Internal Revenue Code of 1997 (tax exempt status for MBAs)[36]

Microinsurance regulation:

- Insurance Memorandum Circular 9-2006: "To all insurance companies and MBAs: Microinsurance Regulation and Declaration of Policy Objectives." The Memorandum creates the regulatory cluster Microinsurance Mutual Benefit Associations (MI-MBAs), differentiated from regular MBAs, as those that provide microinsurance only.[32]
- Insurance Memorandum Circular 1-2010: Regulations for the Provision of Microinsurance Products and Services.[33]
- 2011: Roadmap to Financial Literacy on Microinsurance.[34]
- 2013: Alternative Dispute Resolution Mechanisms Framework for Microinsurance.[35]

Insurance law: new Insurance Code 2013 Congress Act 10607 [37]

Comprehensive insurance legislation including:

- Provisions on Microinsurance
- Provisions reinforcing authority of Insurance Commission over Microinsurance
- Provisions on MBAs

MBA regulation:

- 2014: Circular letter 41: Revised standard of accounting and reporting for MBAs[38]
- 2014: Circular letter 42: Rules and Regulations on Reinsurance Transactions (including MBAs)[39]

Microinsurance regulation:

- 2015: Circular Letter 54: Adoption and Implementation of Enhanced Microinsurance Regulatory Framework[40]
- 2016: Microinsurance Distribution Channels Regulatory Framework[41]

Current policy:

- National Development Plan 2017-2022 (aligned with the SDGs)[42]
- National Disaster Risk reduction and Management Plan 2011-2028[43]

Current mutual microinsurance regulation:

- MI-MBA has minimum 5,000 members
- Life products only
- Products for members only
- Member refundable equity value: 50 per cent of contribution
- May return portion of unassigned surplus to members

Taxation:
- MI-MBAs have tax exempt status

Table illustrating current features of Philippine mutual microinsurance regulation and how it differs from commercial insurance and microinsurance.

Insurance regulatory attribute	Regular commercial insurers	Microinsurance commercial	Microinsurance MBA
Institutions			
Insurance Commission (IC) Register	Yes	Yes	Yes
Minimum capital requirements	PHP 1 billion	PHP 1 billion	PHP 5 million
Supervisory fees	Yes	Reduced Fee	Reduced Fee
Taxation (life)	2%	2%	Exempt
Taxation (non-life)	26.5%	26.5%	N/A
Product			
Scope	Life / Non-life	Life / Non-life	Life only
Max premium	None	7.5% daily wage benchmark*	7.5% daily wage benchmark*
Max coverage	None	1,000 times daily wage benchmark*	1,000 times daily wage benchmark*
Policy contracts	No requirements	Simple to understand	Simple to understand
Product bundling subject to IC approval	Yes	Yes	Yes
Premium collection	Monthly to Annually	Plus daily/ weekly	Plus daily/ weekly
Claims settlement	Within 60 days	Within 10 days	Within 10 days
Member equity value	No	No	Yes

Sources: Insurance Commission Circulars[33 35], ICMIF 2018[44], A2ii & ILO 2017[45], Insurance Law 2013[37]
*Daily non-agricultural wage in Metro Manila

The Access to Insurance Initiative and the International Labour Organization (ILO) conducted a regulatory impact assessment (RIA) of inclusive insurance on the Philippines which was published in 2017. As a result, the RIA defined a set of five quantitative indicators to evaluate inclusive insurance levels in a jurisdiction:

1. Access: number of insured persons or certificates

2. Insurers: number and diversity of insurers engaged and premium volumes generated

3. Products: microinsurance products registered and product diversity

4. Intermediaries: number and diversity of intermediaries used

5. Client value: claims ratios[45]

The assessment of the Philippines reported an increase in active microinsurance coverage from 2.9 million people in 2007 to almost 40 million in 2018.[47] This was delivered partly via formalisation of informal sectors and a significant growth in carriers, intermediaries and products. The impact assessment concluded that “available data shows a market that has matured from being largely informal and MFI-driven to one that includes dedicated MI-MBAs, commercial and cooperative insurers across various product lines, sold by diverse microinsurance intermediaries”.[45]

The current national policy environment is conducive to further microinsurance development to support climate resilience in the Philippines. In 2011 the Philippine government issued the National Disaster Risk Reduction and Management Plan 2011–2028 (NDRRMP)[43] that integrates federal and local government agencies to deliver in four areas: disaster prevention and mitigation, disaster preparedness, disaster response, and disaster rehabilitation and recovery.[46] The plan stated that “risk transfer mechanisms through disaster risk financing and insurance contribute to the prevention and mitigation of disasters, especially at the community level”.[43]

Disaster resilience and insurance measures were further embedded and prioritised within the SDG-aligned Philippine Development Plan 2017-2022 including:

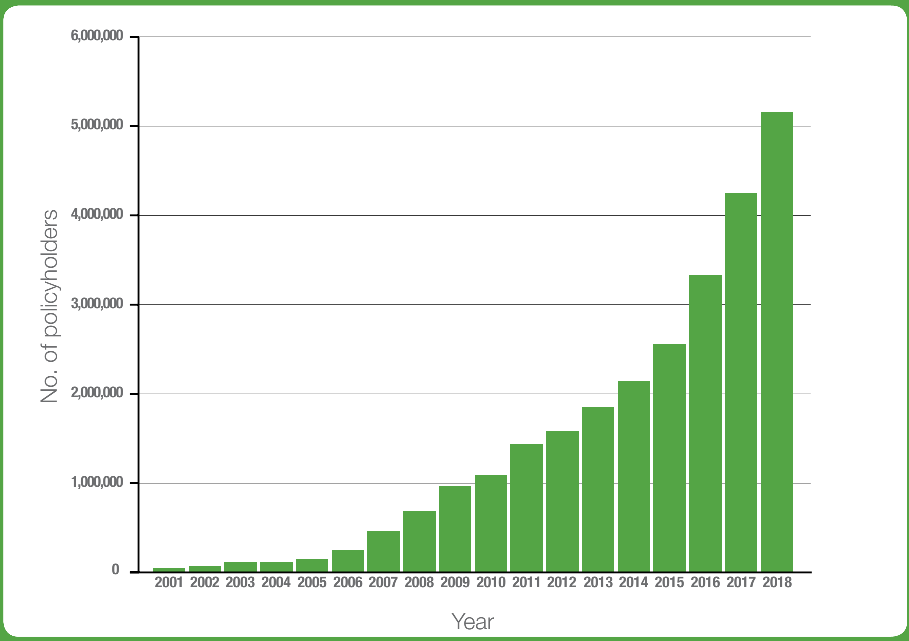
- Develop facilities for [natural hazard] adaptation in local communities including risk transfer mechanisms.
- Strengthen the effectiveness of financial inclusion initiatives through the efficient delivery of microfinance and microinsurance products.
- Encourage efficiency and innovation in microfinance and microinsurance for the domestic market.[42]

Part 3: Case study: CARD MBA and the SDGs

Focusing on the mutual microinsurance sector and its potential contributions to inclusive development, this section examines various operational mechanisms of microinsurance provision in the Philippines and its impacts on vulnerable households.

The case study is based on the most prolific microinsurer in the Philippines, the Center for Agriculture and Rural Development Mutual Benefit Association (CARD MBA) and examines the impact on household recovery after the major losses incurred as a result of Typhoon Haiyan in 2013. CARD MBA was founded in 1999 as a mutual microinsurer. It has grown to become the largest mutual microinsurance provider in the Philippines with 83 per cent of the MBA market share and approximately 50 per cent of the total microinsurance market.[47]

In January 2019, CARD MBA had over five million members, providing life insurance to over 18 million individuals across family dependants of members.[48] This represents approximately 17 per cent of the Philippines' national population. The organisation has in place a 5-8-40 strategy that was launched in 2016. Within five years it aims to reach eight million microfinance clients and insure 40 million individuals.[9]



Source: CARD MBA 2019[72]

CARD MBA provides family life insurance for 15 pesos per week (USD 0.28) covering the member and their dependants. It aims at paying claims in under 24 hours, assisted by a network of almost 2,000 volunteer coordinators within the communities it serves. These volunteers validate the claims. Around 35 per cent of CARD MBA's members earn less than USD 2.50 per day (the Philippine poverty level).[50]

1. Rationale for using the Philippines as a case study

As a lower middle income country (World Bank index) the Philippines is steadily increasing its Human Development indicators in relation to life expectancy, schooling and gross national income (GNI) per capita. While this progress is facilitated by strong social and economic policies, the archipelago is one of the world's disaster risk hotspots. Its 105 million people have a relatively high mortality risk from multiple hazards as 76 per cent of the total area, inhabited by 89 per cent of its population, is at risk from typhoons, earthquakes, floods, tsunamis and volcanic eruptions.[51 52]

Typhoon Haiyan (also known as Yolanda) struck in November 2013 and made landfall near the city of Tacloban on the Philippine island of Leyte. Wind gusts exceeded 380kph, extreme rainfall and storm surges of up to five metres caused severe devastation to infrastructure and loss of life. Throughout the Philippines, approximately 7,000 people lost their life and 30,000 people were injured.[4]

Typhoon Haiyan caused USD 13 billion in total economic losses in Southeast Asia, of which only USD 1.5 billion were insured.[53] In the Philippines, the National Disaster Risk Reduction and Management Council confirmed the final estimate of total direct damages at USD 3.64 billion.[4] Affected areas received USD 865 million in aid from international organisations, in addition to the USD 1.8 billion from the Philippine government for aid and recovery programmes.[54]

An immediate post-Haiyan study carried out in cooperation with the Philippine Insurance Commission found that 111,000 microinsurance claims were paid, totalling approximately USD 12 million with an average pay-out of USD 108.[55] CARD MBA had almost half a million members in the affected provinces of Leyte, Samar, Capiz, Oriental and Occidental Mindoro, Iloilo, Cebu, Masbate, Agusan del Norte and Palawan. CARD MBA estimates that it provided services to almost 180,000 highly affected members through insurance payments and emergency relief goods.[9]

2. Operational overview of CARD MBA

CARD MBA belongs to a group of companies promoting financial inclusion called CARD Mutually Reinforcing Institutions (CARD MRI).[56] This comprises 20 institutions and 17,000 staff delivering microfinance credit, life and non-life insurance, banking, financial education, investment, healthcare, publishing and aid. CARD MRI has supported over two million families with its Disaster Relief Operations since inception in 2006, which provides an aid package of food and medicines immediately after a natural hazard occurs.

The backbone of all the CARD MRI operations is the original CARD institution, CARD Inc, which is a microfinance NGO that started in 1986 and has now become the Philippines' largest microfinance institution. It provides loans to support the livelihoods of low-income segments of society.

CARD MBA membership, and therefore life insurance coverage, is not a standalone product. People become members of CARD MBA as a compulsory requirement when acquiring a microfinance product in one of the four finance institutions of the CARD Group (as detailed below). In order to maintain their CARD MBA membership and insurance coverage, members need to have an active loan or a savings product. Once a loan is repaid, members are allowed to continue paying for their CARD MBA insurance coverage for a maximum of six months. In order to continue with their life insurance, members are required to take out another loan or a savings product.

Number of CARD MBA members who joined as a result of accessing products from different CARD Mutually Reinforcing Institutions (MRIs)

Finance institution	Products	Members of CARD MBA from each institution (March 2019)
CARD Inc (=CARD NGO)	All microfinance: * First loan USD 100 over 3-12 months. Subsequent loans: up to maximum USD 3,000 * Calamity loans: USD 200 over 1-2 years	1,840,472
CARD Bank	Microfinance and non-microfinance: * Saving products * Microfinance loans up to USD 6,000	2,220,207
CARD Rizal Bank	Microfinance and non-microfinance: * Saving products * Microfinance loans up to USD 6,000	391,315
CARD SME Bank	Microfinance and non-microfinance, particularly for small businesses: * Saving products * Microfinance loans up to USD 6000	764,495

CARD MRI 2019:[57]

Part 3: Case study: CARD MBA and SDGs *continued*

Loans are taken out for a variety of purposes: business investment, home building, education, or servicing the government's social security plan weekly rather than in a lump sum. Some members take out a loan to pay for their non-life insurance products.[58]

Interest rates vary depending on the exact type and purpose of a loan. According to a CARD microfinance loan rate schedule, annual nominal interest rates for most products range between 24 and 28 per cent with no collateral required.[58] Repayments are made on a weekly basis and the organisation, as a whole, reports a repayment rate of 99.64 per cent.[59] For example, a starting loan of USD 100 at an annual interest rate of 28 per cent would cost USD 4.95 per week if repaid over six months or USD 2.78 per week if repaid over twelve months.

Annual interest rates for comparable loans taken out with other Philippine providers range from 25 to 40 per cent.[60] An interest rate of 28 per cent is considered reasonable by independent studies given the high administrative and distribution costs involved in microlending.[61] Advancements in technology offer the possibility of reducing these expenses, although transition costs and capacity building are in themselves a challenge.[62]

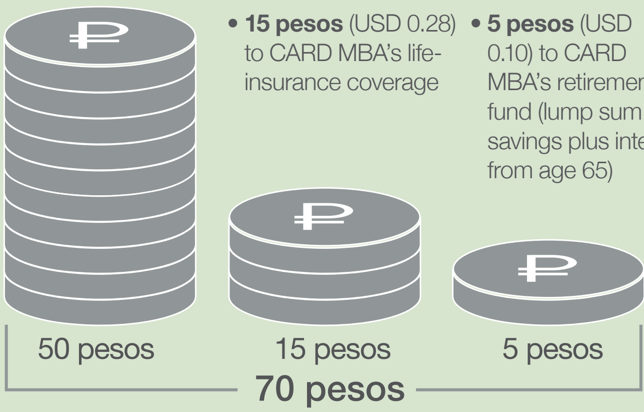
Special classes of loans have lower interest rates. Calamity loans can be accessed after a disaster, for a maximum amount of USD 200, during a term of approximately two years with an interest rate of 9 per cent and a processing fee of 2 per cent. Education loans, with up to 18 per cent interest rates, respond to CARD MRI's social development vision of "one family, one graduate".[58]

In 2007, following Typhoon Durian, the CARD MRI Insurance Agency (CAMIA) was created to provide non-life products to members and overcome the regulatory limitations on mutual microinsurers. In 2013, CAMIA (as the insurance agent) partnered with the private sector Pioneer Insurance Company (the underwriter) to create CARD Pioneer. CARD MBA holds a 46 per cent share in CARD Pioneer Microinsurance Inc (CPMI).

CARD microfinance member weekly payments

A fixed amount of 70 pesos (approximately USD 1.33), of which:

- **50 pesos** (USD 0.95) to CARD Inc in the form of compulsory savings known as capital build up. Access to the weekly 50 pesos savings is flexible, the requirement is to keep 15 per cent of the loan in savings.
- **15 pesos** (USD 0.28) to CARD MBA's life-insurance coverage
- **5 pesos** (USD 0.10) to CARD MBA's retirement fund (lump sum of savings plus interest from age 65)



Other weekly payments:

- Loan repayment, including Credit Life Insurance of 0.38 to 1.5 per cent depending on loan term.
- Other loan and insurance products of CARD group, such as CARD Pioneer insurance.

CARD MBA: life insurance benefits

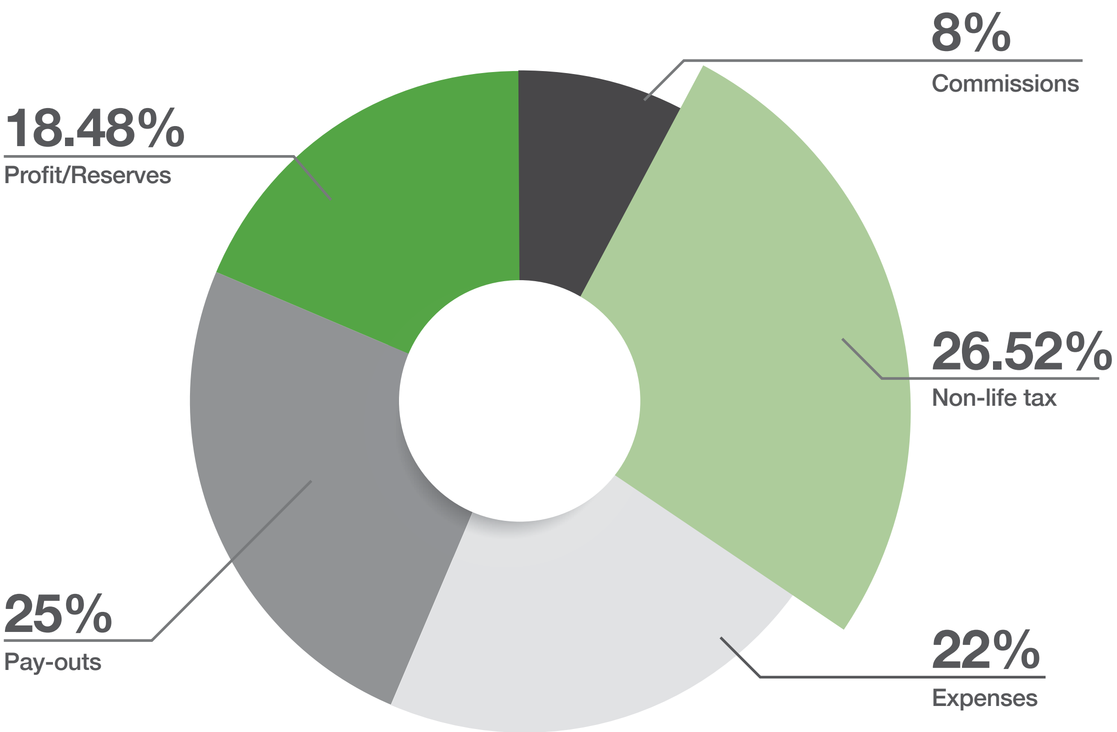
Length of membership	Cause of death or total and permanent disability	Amount of benefit	
		Member	Legal dependent
Less than one year	Due to pre-existing condition	PHP2,000 (USD 38)	Spouse - PHP2,000: (USD 38) Children – None Parents – None
	Due to natural cause but not pre-existing	PHP10,000 (USD 190)	PHP5,000 (USD 95)
	Due to accident	PHP20,000 (USD 380)	
One year to two years	Due to natural cause	PHP20,000 (USD 380)	PHP5,000 (USD 95)
	Due to accident	PHP40,000 (USD 760)	
Two years to three years	Due to natural cause	PHP30,000 (USD 570)	PHP10,000 (USD 190)
	Due to accident	PHP60,000 (USD 1,140)	
Three years or more	Due to natural cause	PHP50,000 (USD 950)	PHP10,000 (USD 190)
	Due to accident	PHP100,000 (USD 1900)	

*Source: CARD MBA 2019[63]
*Natural cause includes natural hazards

Part 3: Case study: CARD MBA and SDGs *continued*

To overcome the regulatory limitations on mutual microinsurers, which, under the current Philippine regulatory framework are not permitted to provide independent non-life insurance products[42], CARD partnered with the private Pioneer Insurance Company to offer non-life products through CARD Pioneer. CARD MBA's community networks act as distribution channels for CARD Pioneer's non-life products. CARD Pioneer collects the premium from CARD Inc and banks annually in a lump sum, while members tend to pay their premium weekly through a loan from the financial institutions of the CARD Group.

CARD Pioneer: how every USD 1 of premium was distributed in 2018[64]



The sustainability of CARD Pioneer's products is affected by two major legal and regulatory conditions on non-life products:

1. Mutuals are not allowed by regulation to underwrite non-life products, resulting in approximately 8 per cent of premia being allocated to commissions for partnership arrangements

2. Although MI-MBAs in the Philippines are granted tax-exempt status in their life insurance products, general taxation for the non-life sector is among the highest in the Association of Southeast Asian Nations (ASEAN) at approximately 26.5 per cent.[65] There is a growing sense that this tax burden is disproportionate and hampering market development.[66] Under the Tax Reform for Acceleration and Inclusion Act, the Philippine government announced plans to reduce non-life insurance taxes.[67] There is no evidence to suggest that MI-MBAs will be able to directly offer non-life insurance. However, these reforms, if enacted, will reduce overhead costs for non-life products delivered with commercial insurance partners.

CARD Pioneer

Products	Payments	Benefit
Sagip (disaster insurance)	Annual: USD 40 per family/ USD 37 per individual Weekly through loan: USD 1	Personal accident: USD 3,000 Funeral: USD 300 Fire: USD 600 Typhoon-flood: USD 100 Earthquake: USD 20
Kabuklod (group insurance)	Annual: USD 9.50 Weekly through loan: USD 0.25	Personal accident: USD 1,000 Funeral: USD 200 Fire: USD 200
CARD Care (healthcare)	Annual: USD 4.80 Weekly through loan: USD 0.12	15 days' hospitalisation (USD 4 per day) Personal accident: USD 100
Binhi (crop insurance)	10% of loan (maximum loan USD 200)	Maximum benefit: $200

Source: CARD MRI, 2019[64]

CARD Pioneer product uptake (number of policies)

Product	2015	2016	2017	2018
Sagip (disaster insurance)	68,468	170,328	240,025	357,034
Kabuklod (group insurance)	N/A	273,039	498,686	539,348
CARD Care (healthcare)	116,308	377,681	637,627	745,712
Binhi (crop insurance)	4,670	Pricing assessment	1,451	4,087
Total	189,446	821,048	1,377,789	1,646,181

Source: CAMIA, 2018[68]

Part 3: Case study: CARD MBA and SDGs *continued*

CARD MBA's mutuality
CARD MBA is the only mutual of the CARD Group fully owned by its members (with the exception of CARD EMPC an employee-only cooperative for savings and credit services).

Elements of mutuality and non-mutuality are self-reinforcing in the CARD MRI model. The following diagram shows how the principle of mutuality operates in practice in CARD MBA and CARD MRI's model.

CARD MBA

Step 1: Non-mutual

New customers join through the microfinance business (NGO or banks) and become CARD MRI members.

The microfinance business pays for the network of local offices and staff across the country (3,415 in February 2019).

Step 2: Mutual builds on business networks

CARD MRI members join the mutual, CARD MBA, through compulsory life insurance.

* CARD MBA members are organised in community centres of up to 30 policyholders where transactions are made weekly. Each community centre is supervised by an account officer employed by the local CARD NGO or bank office.

Step 3: Mutual behaviour

Thriving community networks benefit policyholders and the business (mutual and non-mutual products).

For policyholders:
* Members own the insurance pool
* Community centres, usually the house of a member: easy to get to weekly and close ties of support (product information, disaster risk reduction, disaster relief….)
* Participation in governance of CARD MBA:
  - Local: community centre administration and MBA coordinator volunteers
  - National: Board of Trustees
* Regular feedback on products and needs

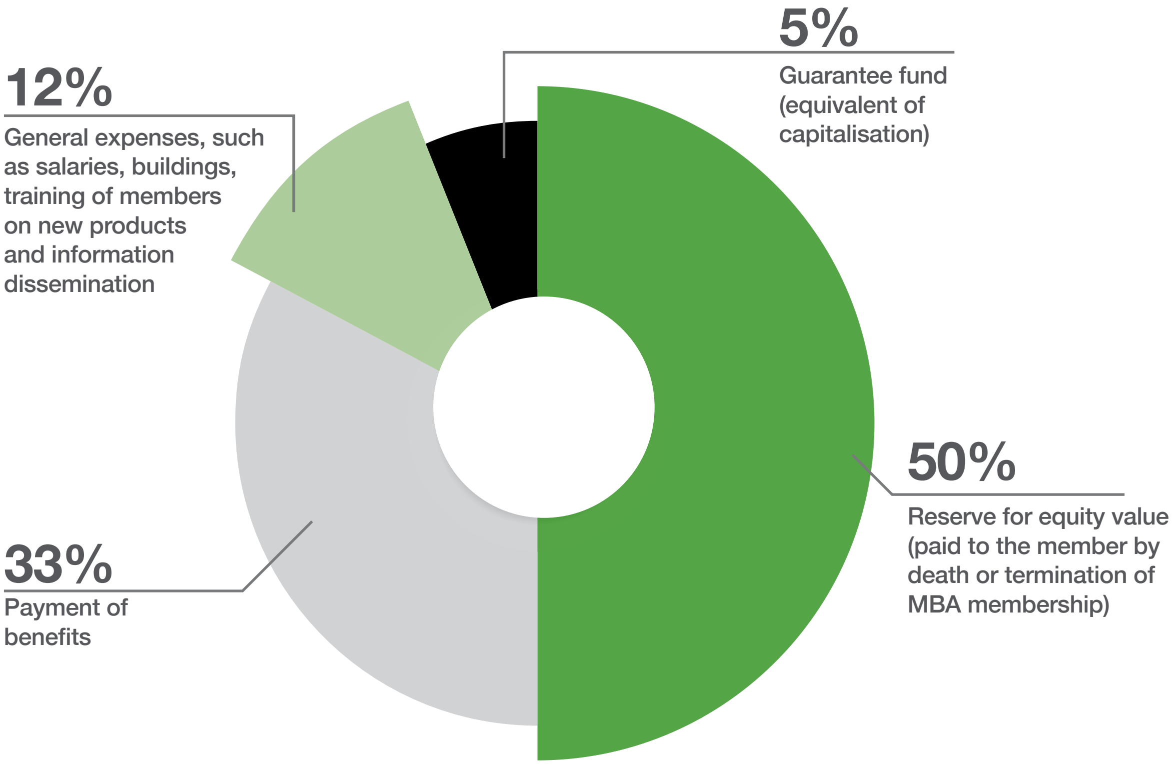
For the business:
* Community centres: collection of loans and insurance weekly payments and dissemination of information - done by microfinance member of staff
* Claim validation by MBA coordinators (volunteers)
* Building networks of loyal financially literate and insurable populations
* Accurate product design built on regular feedback

Step 4: Hybrid

Mutuality permeates CARD MRI as CARD MBA owns shares across the group, for example:

* CARD Bank: 58 per cent of preferred shares
* CARD Rizal Bank: 64 per cent of preferred shares
* CARD Information Technology: 40 per cent
* CARD MRI Holdings: 25 per cent
* CARD MRI Property Holdings: 40 per cent
* CARD Pioneer: 46 per cent
* Boticard: 30 per cent
* CARD MRI Publishing House: 30 per cent

Financial sustainability and Key Performance Indicators
According to CARD MBA's own analysis, the USD 0.28 weekly premium for life insurance coverage is consumed, on average since 2016, in the following proportions:[69]



CARD MBA's Disaster Relief Operation is paid by the surplus

Part 3: Case study: CARD MBA and SDGs *continued*

In a country where other mutual microinsurance organisations have been unable to scale up[44], CARD MBA attributes the success of its business model to a combination of the following elements

1	2	3	4	5	6
• The majority of the administration and operational expenses are integrated with CARD microfinance operations.	• The CARD Group has led the microfinance and microinsurance space in the Philippines.	• Accurate modelling of mortality rates after two decades of experience keeps premiums low.	• Extensive presence across the country.	• Community volunteers carry out validation of claims.	• Community volunteers help with administration responsibilities at the community centre level, including positions such as chief, treasurer and secretary.

There are two types of established Key Performance Indicators: financial and social. Financial indicators are very similar in any insurance operation, with some national variations. These are required annually by regulatory supervision protocols. Social Key Performance Indicators were developed in 2013 in consultation with the microinsurance sector.[49] We incorporate them in this report for two reasons:

1. They measure some key targets in the SDGs.

2. They quantify how CARD's mutual microinsurance invests in the communities it serves.

CARD MBA Financial Key Performance Indicators 2018	
Product value	Average expense ratio: 15.04%
	Average claims ratio: 26.13%
Product awareness and client satisfaction	Renewal ratio: 93.62%
	Annual growth ratio of active members (2017 to 2018): 19.39%
	Annual growth ratio of number of insured (2017 to 2018): 21.08%
Service quality	Promptness of claims settlements: 1-3-5 day / 8–24-hour payment target: 98.13%
	Claims rejection ratio: 2.09%
Financial prudence	Risk-based capital ratio: 473.59%
	Solvency Ratio (total assets / total liabilities): 128.51%

Source: CARD MBA's 2018 KPIs (12-year KPIs table in Annex 1)[70] plus *KPIs for Microinsurance* published by ADA (2010) in collaboration with BRS and the Microinsurance Network.[71]

Annex 1 shows CARD MBA's financial sustainability from 2006 to 2018.

Microinsurance Social KPIs / CARD MBA
(Indicators: Published by ADA (2013) in collaboration with BMZ, BRS, CA, GIZ and the Microinsurance Network)

1. Percentage of those insured below the poverty line. CARD MRI registers the poverty level of members using the 2005 Philippine Purchasing Power Parity Line of USD 2.50 earnings per day. Across the Group, 35 per cent of members were below the poverty line in 2018. The highest percentage came from the microfinance NGO (CARD Inc), which in December 2018 had enrolled 45 per cent of new members under the USD 2.50 mark.[50]

2. Complaints ratio. This indicator cannot generally be measured accurately without specific technology. CARD MRI has now installed a chat tool that responds to complaints channelled through their social media accounts. CARD MBA has also recently set up a customer relations call centre that deals with complaints. In the first quarter of 2019 it received 43 complaints.[72] This is in addition to the fact that most CARD MBA members, as documented in our survey, prefer to express their complaints personally to their account officer during the weekly meetings.

3. Percentage of females insured. As of March 2019, this was 75.9 per cent. This indicator reflects the contribution of insurance to gender equality, as addressed explicitly in SDG 5 (which we explore in the research).

4. Percentage of insured above retirement age. This group is often excluded from insurance services and more likely to fall into poverty after a disaster due to difficulty in finding work. Upon retirement, members move from Basic Life to Golden Life. They pay this for ten years, giving them cover up to the age of 100. This insurance coverage is not linked to loans, only to mandatory savings. No dependants are included in this policy. Around 0.3 per cent of the membership holds this product.[73]

5. Social investment ratio. This is approximately 1.13 per cent of CARD MRI's gross income. It "measures the amount of resources the microinsurance provider dedicates to information, education, communication and prevention in the local community for which no direct financial returns are expected".[49]

Social investment ratio (based on CARD MRI's 2019 projected gross income of $480.5 million)

	CARD MRI Total budget allocated	**% of CARD MRI's projected gross income**	**CARD MBA's contribution to the total CARD MRI budget**
Members' training (financial, disaster risk, health, food safety…)	USD 2.1 million	0.44%	USD 132,000
Disaster Relief Operation	USD 1.5 million	0.32%	USD 1.5 million
Scholarships	USD 1.4 million	0.29%	USD 30,000
Community Health Day	USD 330,000	0.07%	
Cash donations	USD 47,000	0.01%	USD 47,000
Total	USD 5.33 million	1.13%	USD 1.70 million

Part 3: Case study: CARD MBA and SDGs *continued*

3. Impact assessment overview

The aim of the impact assessment is to identify the impact of CARD MBA's products on its members. The assessment is built on field research in Typhoon Haiyan affected areas and complemented with secondary data. (see Box: survey methodology). Questions relate to the reasons for insurance uptake, the impact that insurance products can have on people's capacity to recover after a disaster and member attitudes towards mutual and other micro insurance products. Case studies help to explore the processes and contextual factors shaping consumer behaviour. The case study presented here provides a comparison between policy holders and non-policy holders to enhance our understanding of how life-insurance can affect households during and after a disaster in a particular location and context. The aim of this case study is to explore how mutual microinsurance can contribute to meeting the SDGs, by documenting how households make choices vis a vis insurance products and how these are shaped by social and economic variables.

In our report, *Insurance Regulation for Sustainable Development,*[3] we introduced the connection between insurance and ten SDGs. Further work has been published recently from other sources (eg GIZ, ILO, UNEP PSI).[74 75 76]

Different insurance programmes share a common thread across the SDGs, with the type of programme implemented influencing which particular goals are impacted.

Survey methodology

Both background research and a pilot survey of 120 households were conducted between January and May 2018 identifying the operational variables that mutual microinsurance can have on policy holders in a region that was affected by a major disaster. In February 2019, RIMANSI, conducted a final structured questionnaire survey to a different sample of 160 households in Samar and Leyte with the help of a team of local researchers funded by ICMIF. The design of the questionnaire was based on the initial pilot survey and considered common features of impact studies in microinsurance and established microinsurance data collection and assessment techniques.[77 78 79 80 81 82 83 84 85] Risk Management Solutions Inc (RIMANSI) is a microinsurance technical resource centre for MBAs in Asia and the Pacific.

The analytical framework includes three specific areas of concern for both insurance regulation and insurance policy holders and these are mapped against the relevant SDGs: A) lessons learned post disaster; B) CARD MBA operations and products; and C) the mutual system. The table on page 32 outlines the topics covered in different parts of the questionnaire survey.

The target population for this study is composed of households affected by Typhoon Haiyan and was purposefully selected to include CARD MBA members and non-members. Survey participants were identified by means of CARD MBA's database covering the two Haiyan affected areas of Samar and Leyte. The selection included a mix of both male and female policyholders, and captured households who lived in different environments by avoiding respondents who are neighbours or relatives and made no attempt to select specifically for economic status and income. Non-insured households were recommended by existing policyholders, ensuring that we sampled households who were more likely to be exposed to similar networks and insurance products as their insured counterparts.

The sample included 160 in-depth interviews composed of:
- A1 - 40 households who made a Haiyan related claim 40 households who were insured but did not make a claim
- A2 - 40 households who were insured but did not make a claim 40 households who were not insured at the time of Haiyan but have become CARD MBA members since then
- B1 - 40 households who were not insured at the time of Haiyan but have become CARD MBA members since then 40 households who have no insurance and were not insured during Haiyan
- B2 - 40 households who have no insurance and were not insured during Haiyan

Each sub-group was asked up to 125 questions and the analysis is based on frequency tables.
Correlations between the responses captured in different RIMANSI's frequency tables are not in the scope of this study. The full questionnaire and frequency tables are available online https://www.cisl.cam.ac.uk/resources/sustainable-finance-publications/mutual-microinsurance-inclusive-development

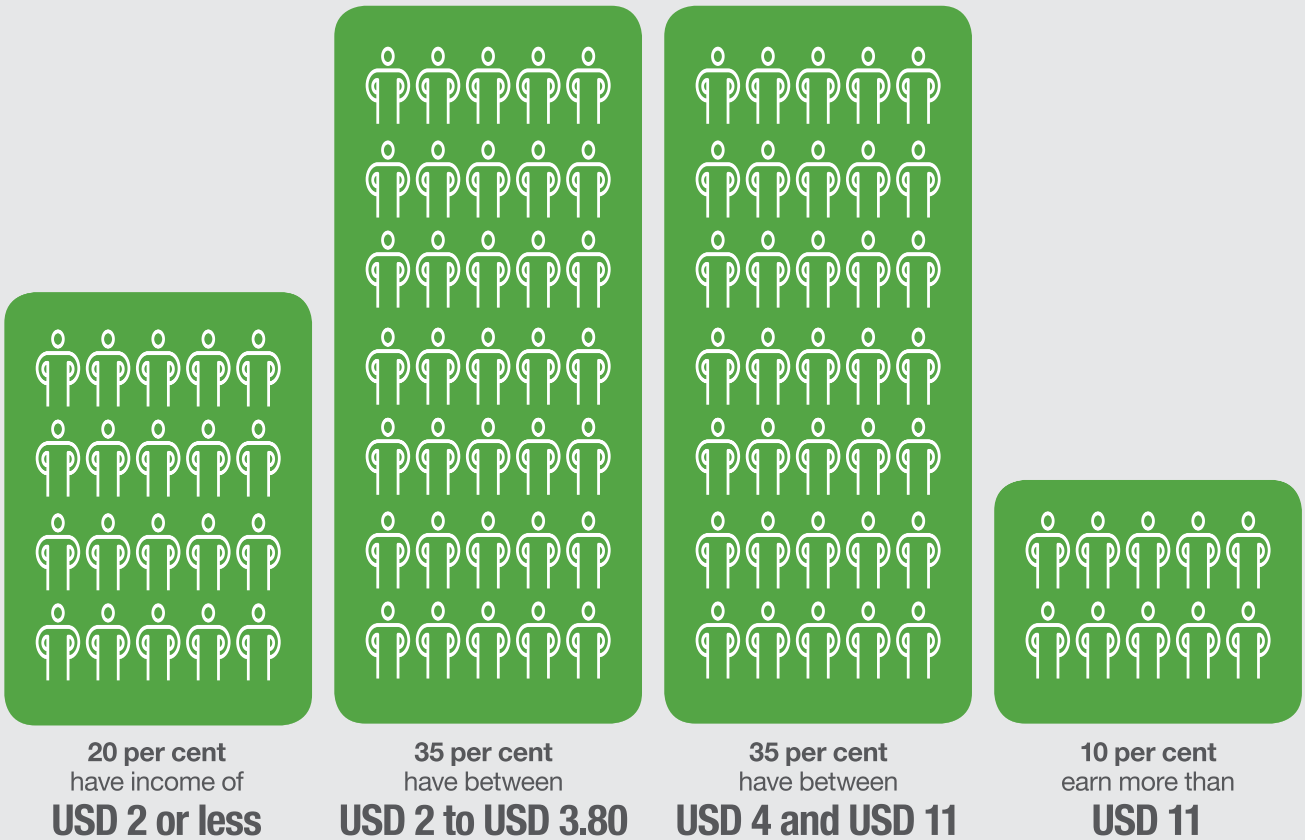
Primary research of insured and non-insured families who were affected by Typhoon Haiyan examines the way in which mutual microinsurance intersects with the social and economic indicators and emphasizes where regulation can play a key role. The analysis of these impacts of mutual microinsurance is discussed for each relevant SDG and a summary is provided in Part 4.

Households interviewed included four to six people, with two-four dependents (children and elderly), on average. The majority of respondents are female (80 per cent) and have an income at or below the Philippine poverty line (at USD 2.50). A fifth of households interviewed earn an income of USD 2 or less. Approximately 35 per cent earn between USD 2 and USD 3.8 per day, and another 35 per cent in a range of incomes between USD 4 and USD 11. The remaining 10 per cent have indicated to earn more than USD 11 per day. Regulation does not limit how much the customer can earn daily to qualify for these products. Around fifty per cent of households have a primary income earner who owns a business, mainly in the form of small shops, followed by agricultural production and a variety of enterprises such as fishing, taxi services and barbers. The other half are employed mainly in the construction and domestic services sectors, followed by transportation, retail, education and farming. Some reported additional income from gifts or migrant remittances.

Household monthly income (PHP) for each surveyed group

Survey group	Minimum	Maximum	Mean	Std. Deviation
A1	2,000	30,000	7,616	5,881
A2	1,000	36,000	8,230	8,840
B1	1,500	50,000	12,025	11,530
B2	1,000	29,750	7,581	6,227

Household daily income (USD) across combined surveyed groups



Part 3: Case study: CARD MBA and SDGs *continued*

The following table shows the structure of the field questionnaire, topics covered and relevant SDGs. The full questionnaire and frequency tables of response are available online https://www.cisl.cam.ac.uk/resources/sustainable-finance-publications/mutual-microinsurance-inclusive-development.

The questionnaire design was based on a thorough review of existing microinsurance impact assessments.

Impact assessment framework	
A: Prospects of recovery: CARD MBA and Typhoon Haiyan (SDGS 1, 11, 13)	
Questionnaire sections	**Topics covered**
General	Losses during Typhoon Haiyan, type of insurance product at the time, purchase power with pay-out, help available
Claims process	Difficulty in making the claim, length of the payment, clarity in what the claim could be made for, satisfaction
Resilience	Back in pre-Haiyan economic levels or not, role of insurance, any other help, NGO intervention, loan repayment, contribution of CARD MBA's networks, accommodation, children going back to school, recovery methods if loss but no pay-out
Value of insurance	Interest in insurance or more insurance products since Typhoon Haiyan, other advantages of insurance if no pay-out
B: Trust in microinsurance: CARD MBA and its members (SDGS 1,4,5,8)	
Questionnaire sections	**Topics covered**
General	Length of membership, type of financial product, insurance coverage, knowledge of the insurance part before joining the MFI, present knowledge, differentiation between insurance part and loans part, trust, opportunity cost of insurance, difficulties to pay the premium
Policy	Understanding of the document, confidence in where to get more information, exemptions, claims experience
Risk behaviour and Resilience	Improvements since joining the organisation: house and assets, business, children's education, financial knowledge, food, sense of security, gender empowerment Specific improvements in reducing risk exposure
C: Networks and services: added values of a mutual microinsurance system (SDGS 11,16)	
Questionnaire sections	**Topics covered**
Membership	Knowledge on who owns CARD MBA, meaning to policyholder's interests, sense of ownership, leadership, fraudulence, referring CARD MBA to friends and family
Democracy	Participation in policymaking and decisions on products offered, elections to the board, channels to express views, importance of one's opinion, complaints mechanisms
Created to serve a defined group[9]	Networks of volunteers, access to new opportunities, perceptions of value
Solidarity	Experience of being helped beyond the insurance product, community support
Not for profit[2]	Awareness on how finance works, administration of premiums

4. Findings

A. Prospects of recovery: CARD MBA and Typhoon Haiyan

SDG 1: No poverty
Target 1.5 - By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters

SDG 11: Sustainable cities and communities
Target 11.5 – By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations.

SDG 13: Climate action
Target 13.1 – Strengthen resilience and adaptive capacity to climate related hazards and natural disasters in all countries.

Target 13.3: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning

CARD MBA paid 603 life insurance claims (policyholder and/or dependants) and 125 credit life insurance repayments following the death of the policyholder. In addition, CARD MBA provided help with the settlement of 8,296 claims, mainly re-housing, of CAMIA's Disaster Insurance (the predecessor from CARD Pioneer's Disaster Insurance). Other members were helped through solidarity (CARD MRI Relief Operation Programme) and calamity loans. CARD MRI distributed almost 180,000 emergency family packs consisting of food and medicine.

CARD MRI Haiyan expenses (in USD)	
CARD MBA claims	USD 257,510 of which: - Life insurance: USD 220,798 - Credit life: USD 28,522 - Refund of mandatory savings: USD 8,190
CAMIA Claims	USD 1,592,328
CARD MRI Relief Assistance	USD 1,377,197
Total	USD 3,227,035

Source: CARD MBA 2018[9] and 2019[86]

The cost of the relief assistance operation was shared across the Group. CARD MBA[9] donated 25 per cent and the three financial institutions contributed the remaining 75 per cent. There were several major typhoons in 2013 and CARD MBA paid 54 per cent of the total costs of the relief operations for the whole year.[86]

Although CARD MRI's relief assistance has been in place since 2006, the extreme experience of Typhoon Haiyan enhanced the forward planning in preparing a budget for relief operations, as well as strengthening the reinsurance facilities for the mutual's financial resilience.[9]

CARD MRI also contributes to Climate Action (Goal 13) through preventative actions. The organisation provides training and education about risk management and response during severe climate events. Warnings are communicated from Head Office to community members via community centre leaders and account officers.[87]

Part 3: Case study: CARD MBA and SDGs *continued*

CARD MBA's growth rate in Haiyan-affected areas has suffered as a result of the devastation. The annual growth rate of 29 per cent between 2012 to 2013 experienced a decline of 7.5 per cent after Typhoon Haiyan. The number of members increased from 488,000 in 2013 to 605,956 in 2016.[9,86,69]

It is important to acknowledge that all of CARD MBA's activities are entwined with CARD MRI Group's activities and policies. This survey focuses on CARD MBA's specific role where possible. Given the extreme nature of Typhoon Haiyan, several exceptional circumstances need to be highlighted:

• Help from a variety of aid organisations (both governmental and non-governmental) was available immediately after Typhoon Haiyan and used by most respondents in this survey. This help consisted mainly of cash donations or materials for rebuilding their homes, as well as emergency provision of food and medicines.

• All four surveyed groups considered aid organisations as the most helpful networks to them immediately after Typhoon Haiyan. Both those in the insured and non-insured groups felt they were equally helped.

• Around three quarters of policyholders identified the early warning mechanisms employed by CARD MBA as essential activities that other insurers in their area do not perform.

• The usually high expenses related to funerals were not a major priority as many of the deceased were buried in mass graves immediately after Typhoon Haiyan.

• The majority of respondents, across the four groups, experienced damage or loss of both their houses and their businesses as a result of Typhoon Haiyan.

• Most people across the four groups came back to the same plot of land to rebuild their homes, and relied on relatives and temporary shelter provided by aid organisations while their home was being rebuilt.

The following discussion of results is based on the analysis of each of the four sub-groups interviewed for this survey. Where appropriate, comparisons and linkages between observations are highlighted.

Households who were insured and made a claim (A1)
Each member of this group lost at least one insured life in the events of Typhoon Haiyan. The average life insurance payment for principal members was PHP 50,000 (USD 950) and for their legal dependants PHP 10,000 (USD 190). Credit life varied depending on the loan amount of the member.[9]

According to CARD MBA no claims were rejected. 52 per cent were paid, in cash, within one day, six per cent paid within two to five days and about 42 per cent paid after five days as beneficiaries had temporarily relocated to other provinces.[9] Half of the respondents filed their claims in the first week after Typhoon Haiyan and were largely satisfied with the speed of the payment. All claimants were aware they could only claim for loss of life and not any other expenses.

Claimants used their insurance pay-out for rebuilding or repairing their damaged homes, re-investing into their businesses and for covering immediate survival needs such as medicines, daily expenses, food and appliances.

Payments to households who lost a family member during the disaster are different according to whether the policyholder died or one of their dependents. In 50 per cent of households in this sample the policy holder died as a result of the disaster. Their dependents benefitted from both a life insurance pay-out as well as an immediate payback of their microfinance loan.
Those who lost a dependent and not the policyholder (50 per cent) had to repay their loans despite having experienced a death in the family. According to the interviews, most claimants paid off their loan within the first month after Typhoon Haiyan struck. This indicates that part of the insurance pay-out was used to clear their debt. Several of those surveyed told how they knew of friends and family who had problems paying off their loans and were given a moratorium until their situation improved.

Almost all people in this group owned their own houses, were displaced during Typhoon Haiyan and were able to return to the same plot. They asserted that insurance helped them in doing so. They also suggested that those friends and neighbours who were displaced and unable to return would have done so if they had insurance. As well as the insurance pay-out, more than half of those who lost a dependent took loans to recover from Typhoon Haiyan. This group rarely reached out to family and friends for help, although they mentioned that they would do so if they had had no insurance.

Three quarters consider themselves to be back financially to pre-Haiyan levels. By 'financial' respondents seemed to understand 'savings'. When asked specifically about recovery of their homes and livelihoods, all respondents replied that the condition of their house is back to pre-Haiyan levels, and almost two thirds have been able to restart their business.

As well as overall satisfaction with the speed of payments, most responded that they have been helped through the solidarity network fostered through CARD MBA membership structures. Services mainly involved relief packages and visits from members and staff. These were also the two reasons people gave when asked how CARD MBA showed concern for their policyholders in ways that other insurers in the area did not.

Paquito's story

Paquito Sabido, Barangay Salazar, Tacloban City.

Paquito's wife died in the typhoon. He was left unconscious during the event. He regained consciousness and woke up to the devastation, with no wife and children in sight. Two days later Paquito found his children, alive, on the second floor of a building. He and his children were admitted to a hospital in Cebu to recover from their injuries and came back to Tacloban a month after the typhoon.

At that point he claimed the insurance. As his wife was the policyholder, he obtained a benefit of USD 950 from CARD MBA. He used the insurance pay-out to recover his banana wholesale business and joined CARD Bank to access loans for rebuilding his house. His house is made of concrete and to a much higher standard than others in his street. He has completed several loan cycles and is planning to take out more to invest further in his house.

Part 3: Case study: CARD MBA and SDGs *continued*

Households who were insured but did not make a claim (no insured deaths) (A2)
This group had CARD MBA's life insurance, yet despite suffering severe material losses, mainly their houses and businesses, this group of policyholders could not benefit from an insurance pay-out after Typhoon Haiyan struck.

This particular group of households provides important insights in how affected households recover without a direct insurance pay-out, whether they benefitted from their insurance membership in other ways and how they perceive the costs and benefits of mutual microinsurance when compared to those who received a pay-out.

Most respondents speak favourably about CARD MBA's solidarity networks, which are perceived to have helped them in ways beyond what other insurers did to support their policyholders. This was mainly through the provision of disaster relief packs and checking on members immediately after the typhoon struck.

Three quarters took a loan to recover, a similar number to those who had a pay-out (A1). The lack of an insurance pay-out seemed to have been compensated by withdrawal of savings and help from family and friends. This group probably benefitted from the social capital that the close-knit community CARD MBA membership supports. People build a strong bond in their weekly community centre meetings where members meet for about 45 minutes, share prayers, songs and make premium payments and claims.

Those households with existing loans (50 per cent) took a two- to three- month moratorium (CARD MRI offered up to six months) while they restarted their businesses or employment. Ultimately, they managed to pay off their loan with newly earned income, savings, cash from NGOs and some with a calamity loan from CARD.

Households who were not insured before Typhoon Haiyan, but are insured now (B1)
This particular sub-group decided to take out a loan, and therefore also access life insurance after Typhoon Haiyan. None of the respondents in this group had any microfinance or insurance products before the event in 2013. Immediately after Typhoon Haiyan, this group resorted to a variety of coping mechanisms, mainly by receiving aid, using savings and selling their assets. Some joined CARD MRI in the aftermath of the catastrophe to acquire loans to help them in their immediate recovery. Most became members of the organisation gradually over the following two to four years in order to obtain credit to invest mainly in their businesses.

A significant number replied that they were not able to recover their businesses after Haiyan, although they reported, with a larger majority than A1 and A2, that they are back financially to pre-Haiyan levels or better. It should be noted that their pre-Haiyan baseline was lower than the insured groups, since they were not part of a financial infrastructure before the typhoon. By 'financial recovery' people generally interpreted having some savings and access to a financial network of credit and insurance.

The majority of respondents in this sub-group stated that they wished they had been insured for the expenses they incurred as a consequence of Typhoon Haiyan. This motivated them to become members of CARD MBA. Feeling safe against new possible perils is the biggest change they have seen, as a result of the insurance benefits provided through their loan package.

Flocerfina's story

Flocerfina's

When Typhoon Haiyan struck, 21 people sought refuge in Flocerfina's house. As the water levels rose rapidly, bringing with them debris and snakes, they climbed up the wall that Flocerfina is pointing at in the photo. The typhoon destroyed the rest of the house but the wall stood firm. All managed to save their lives by sitting on it.

The family spent a night at the shelter centre. To avoid catching diseases, they came back to their plot the day after and built their own emergency shelter with any materials they could find. Flocerfina was given USD 10 worth of wood by an NGO and acquired a CARD calamity loan of 10,000 pesos (almost USD 200) at a very low interest rate over two years to buy more wood, strong materials for the roof and a gas stove. Since Typhoon Haiyan struck, Flocerfina decided to purchase disaster insurance (Sagip plan).

Part 3: Case study: CARD MBA and SDGs *continued*

Households who were not insured and remain uninsured (B2)

This sub-group of uninsured households was purposefully selected in order to compare both means and levels of recovery between insured and non-insured respondents (see: Survey Methodology on page 30). Given the operational structure of CARD MBA, the fundamental added variable is access to loans.

Uninsured households surveyed in this case study showed no difference compared to the other groups in how quickly they were able to repair their houses. They have used the same types of strong-material roofs but generally weaker materials in the outer walls of their houses and more open fire stoves than those households who were insured. Insurance policy holders (A1, A2 and B1), on the other hand, frequently mentioned having taken out loans to acquire material to strengthen the walls of their houses.

Data indicated that this sub- group was originally as entrepreneurial as the other groups. The main difference identifiable is that they are not part of any financial network (such as CARD MRI or similar).

Most of this group are now earning wages or commissions, but three quarters used to have businesses that they lost during the Typhoon and were not able to recover since. Three quarters also claimed they are not back to pre-Haiyan financial levels. This group took no loans and rarely requested any help from family and friends.

It can be assumed that once households in this un-insured sub-group resorted to wages or commissions as their primary source of income, their prospects of recovering their businesses were reduced further. It is likely that wage income is mainly earned in the informal sector, without contractual protection or access to social benefits. The decision not to take a loan to improve their house, for example, might be the result of risk management in a context of insecure future income.

Most households in this sub-group identified government help as their main means for recovery. Based on conversations during the field research, there were two types of government programme. These were short-term (immediate emergency help that all groups accessed to some degree) and medium- to long-term help in the form of social security programmes. Accessing help from family and friends did not feature as an important means for recovery.

Perceptions about the importance of insurance amongst households who have no insurance are contradictory. The majority reported that were able to cope without insurance, but also mentioned that they noticed a difference between how they coped and how their neighbours with insurance coped. About half of the respondents would like to have insurance moving forward and a mutual is considered preferable. Lack of affordability is the main reason given for not acquiring insurance. It is important to note that none of the other households in this case study has bought their life insurance actively as it is a mandatory component of taking out a loan. Affordability of insurance is not independent of affordability of a loan.

Key findings across the four groups (results of a significant majority)				
	A1 (Households who were insured and made a claim)	**A2 (Households who were insured but did not make a claim)**	**B1 (Households who were not insured before Haiyan but are insured now)**	**B2 (Households who were not insured and remain uninsured)**
Recovery:				
Housing	Yes (1-6 months)	Yes (1-6 months)	Yes (1-6 months)	Yes (1-12 months)
Business	Yes (1-6 months)	Yes (1-3 months)	No	No
Financial Recovery	Yes	Yes	Yes	No
Means of recovery (in addition to work)	* Aid organisations * Loans **Observations**: • No significant help from family and friends • Hardly any withdrawal of savings. • High numbers took loans • Some help from the government	* Aid organisations * Loans * Savings * Family and friends **Observations**: • Similar high number of loans as A1 • Significant help from family and friends (access to their community networks of financially empowered people) • Withdrawal of savings • More help from the government than A1	* Aid organisations * Savings * Selling assets **Observations**: • Very low borrowing from family and friends • Combination of immediate coping mechanisms • They joined CARD MRI to access loans for their businesses and houses • Some help from the government	* Aid organisations * Government **Observations**: • Almost all resorted to government help • No loans, no savings and no borrowing from family and friends • Higher numbers of houses' walls built with light materials and more open fires for cooking
House materials:				
Strong Roof	Yes	Yes	Yes	Yes
Strong Walls	Yes	Yes	Yes	No
Stoves	Gas	Gas	Gas	Open fire
Children back to school	Yes (1-3 months)	Yes (1 month)	Yes (1 month)	Yes (1 month)

Part 3: Case study: CARD MBA and SDGs *continued*

Summary

Analysing the prospects of recovery, this research in Leyte and Samar found the following:

1. Emergency aid plays a fundamental role in recovery and all respondents, insured and non-insured, managed to access it equally for help with food, medicines and shelter immediately after the disaster.

2. There is a fundamental difference between the two groups insured at the time of Typhoon Haiyan. A1 benefited from the insurance pay-out, not needing either their savings or significant help from family and friends to recover from the immediate impact. Respondents in A1 used their insurance money mainly to rebuild their homes, fully or partially, depending on their pay-out, and to a lesser degree to restart their businesses. In the absence of an insurance pay-out, those surveyed in group A2 had to get a loan or ask for help from family and friends to deal with the immediate repairs or rebuilding of their house. In both groups, this was in addition to the aid they received towards rebuilding their homes.

3. In A1 and A2, one month for restarting the businesses indicates elemental functional levels of recovery. Improving is a longer-term process, for which the majority people in these groups are still taking business loans.

4. The majority of people in A2 restarted their businesses and sent their children back to school quicker than most in A1. This is probably because they had no deaths and therefore less personal turmoil to confront.

5. People in B1 applied, immediately after Typhoon Haiyan, a combination of coping mechanisms to rebuild their houses, such as aid, savings and selling assets. Their capacity to recover their businesses straight after the catastrophe was lower than A1 and A2. Most respondents in this group have joined CARD MRI gradually over the years following Typhoon Haiyan to access credit, mainly in the form of business loans. Feeling safer against new possible perils is the biggest change they have seen since accessing credit and insurance.

6. The entrepreneurial composition of households belonging to A1, A2 and B1 has developed similarly, with approximately half of the participants in the survey having their own businesses back. Most of those who did not have access to credit (B2) were not able to recover their businesses and their income structure is significantly different, with the majority earning their livelihoods through wage work.

B. Trust in microinsurance: CARD MBA and its members

Goal 1. End poverty in all its forms everywhere.

*Target 1.4: By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and **financial services**, including microfinance.*

CARD MBA aims to prevent policy-holders from suffering negative economic consequences after disaster by offering life insurance programmes for both death and disability to low income households. On average, CARD MBA pays claims for 131 deaths per day in the Philippines (2018 figures).

CARD MBA cannot be detached from the wider CARD MRI Group due to the inseparable relationship between microfinance and microinsurance. CARD MRI measures its own poverty outreach in the application stages of new clients and, as of December 2018, 44 per cent of its new members earned below USD 2.50 per day.[50]

Although no data is available on policyholders improving their poverty status over time, improvements in the quality of life of clients are measured by CARD MRI through specific indicators. These include maximising the microfinance loan cycle and becoming a non-microfinance client (loans above USD 6,000), taking out loans for more expensive products that help increase their productive assets or sending their children to college.[9]

As of September 2017, 5 per cent of policyholders stopped renewing their policies. The most common reasons were repayment problems, transfer of residence or loss of business.[88]

Even though 91 per cent of CARD MBA's members reside in rural areas, most members' primary income sources are based on merchandising, mainly small shops (48 per cent) and on agricultural activities (25 per cent), with the remaining mainly in services (repairs shop, salon, photocopying, computer shop, etc).

Independently of levels of income, literacy rates are very high in the areas where CARD MBA operates, with 47 per cent of members across all CARD institutions having completed high school.[50] Based on CARD MBA's staff experience, the assumption can be made that the 21 per cent at the more basic level of education (elementary school or less) can read.[69]

Most respondents in the insured groups (A1, A2 and B1) replied that the premium is affordable. They indicated that if they were not buying insurance, they would use the money allocated to the premium for daily consumption expenses, including food, followed by savings. The non-insured group (B2), however, were unanimous that the premium is not affordable. As discussed earlier, affordability of insurance in the CARD MRI context is not necessarily related to income levels, but to taking out a loan and related reasons (such as income sources and security as well as financial knowledge).

All respondents who are insured (A1, A2 and B1) consider they are getting good value for what they pay. Policyholders who made a claim tend to identify receiving a benefit as their main reason, whilst people who have not received a payment value the affordability and CARD MBA's services to the community. These include relief assistance and mass weddings for non-married partners to be covered by the insurance policy.

Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Target 4.7: By 2030, ensure that all learners acquire knowledge and skills to promote sustainable development.

Insurance policies generate opportunities for education on a variety of themes, mainly risk-reducing measures and financial empowerment. Education is also a mission allocated to the 'development duties' that insurance regulators have. It is viewed as crucial for generating insurance expansion.

CARD MBA members benefit from a total budget of USD 2.1 million from CARD MRI for education. This covers a variety of themes, mainly under the overarching programme 'Credit with Education' distributed in the weekly community centre meetings. The table below details the content of the Credit with Education programme.

Credit with Education programme

Theme of education	Content
General financial	Loans, saving products
Insurance	Policy, premium, coverage, claims process, timing of final payment, policy renewal
Mutuality	Ownership and Governance responsibilities: election of Centre Chiefs and Board of Trustees members Participation in product development
Risk reduction and resilience	Disaster preparedness Stress debriefing Fire and earthquake drill
Health	Food safety General health topics
Wider education	CARD Scholarship Programme: USD 58 to USD 230 per year up to four years of college. Twelve thousand scholarships were granted as of February 2019 'One family, one graduate' programme: 4.22 per cent of members have college education loan Over 900,000 members have elementary and high school loans for school food and transport

Sources: CARD MRI, 2019[89] and 2019[90]

Part 3: Case study: CARD MBA and SDGs *continued*

CARD MRI also contributes to Goal 4 in helping members to send their children to school. Free schooling is generally available throughout the Philipines however long distances in reaching schools means that some families struggle to afford both transport and food expenses. CARD MRI offers a lower-interest loan (at 12 per cent per annum) for families to meet these costs.[57]

Financial education is one of the well-known challenges of insurance expansion, and it is the CARD Group's highest priority in the allocation of its social investment budget. Most who have insurance (A1, A2, B1) expressed the view that CARD MRI's networks give them opportunities they would not have otherwise, with new ideas on how to improve their financial wellbeing through discussions on business opportunities, loans, savings and insurance. Most members asserted their financial knowledge improved since they joined CARD and this knowledge makes a difference when it is time to renew their policy.

Policyholders in the longest-insured groups (A1 and A2) were more likely to differentiate between CARD MBA, which provides their life insurance, and other parts of the CARD Group that provide loans, savings and non-life products when compared to the newly insured group (B1).

All households in the insured groups knew that they have life insurance coverage but hardly anybody identified credit life insurance. This is included in the loan repayment fee and not as a separate item in their weekly bill. Some lack of clarity was also registered in the policy exemption items. Yet, many policyholders feel that their understanding of insurance and mutual sharing has significantly improved since they became members of CARD MBA.

Goal 5. Achieve gender equality and empower all women and girls.

Target 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.

Target 5.a: Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws.

As a common practice across microinsurance, especially in the mutual and cooperative sector, policies are mostly owned by women, through whom the rest of the family is protected.

CARD defines itself as specifically orientated to women. It states that it supports "community-based social development that improves the quality of life of socially-and-economically challenged women and families towards nation building".[91]

Out of the over 4 million CARD MBA members in the Philippines, 75.9 per cent are women and can take out insurance as the principal member, insuring their whole family through their policy. As well as facilitating credit to invest in their businesses and homes, CARD MRI invests in enhancing the entrepreneurial and managerial capacity of women as part of its education and community development programmes.[62]

CARD MBA also supports women by giving them the opportunity to become decision-makers in their community and institutional leaders if they wish to volunteer for governance positions in the mutual. The first level of leadership starts when they are appointed as centre chief. Based on their performance, they can be elected as MBA coordinator or as a member of the board of trustees.[9]

The sample population for this study included 80 per cent women, reflecting the overall aim of microcredit and other loan schemes to improve participation of women in business ventures and savings schemes. The benefits accruing to gender empowerment are that women in these communities are more likely to be actively engaged in the management and learning activities related to disaster preparedness.

Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Target 8.10: Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

Goal 8 is the one SDG that specifically refers to insurance, with mutual microinsurance being one of the systems available to expand access to insurance coverage to all. CARD MRI provides all of the activities outlined in Target 8.10. In relation to CARD MBA, much of the relevant content has already been explored in the section on operational overview, particularly the financial KPIs that demonstrate the viability of microinsurance. The specificities of CARD MBA as a mutual will be discussed in relation to Goal 11 and Goal 16.

Our previous study[3] argued that there are two sides to insurance provision: insurance coverage and the risk- reduction, resilience-building component. Their relevance to the present data will be discussed below.

Generally, all insured respondents seemed comfortable with the policy, content with its clarity and understood the exemptions. They also feel confident that CARD MBA will pay for insured deaths and are satisfied that the mutual gives them information on how to claim.

Risk-reduction exemptions include death caused by an accident while drink-driving or driving without a licence. Those exemptions, in turn, should highlight the dangers of driving under those conditions and protect lives. Survey results indicated that only about a quarter of policyholders knew about this exemption. Policyholders are clearer on who is covered in their policy, and up to what ages in the case of children.

As a life insurer, keeping claims down means informing people on how to protect their lives, as per the dedicated disaster preparedness programmes referred to in Goal 4. The majority of respondents feel satisfied that CARD staff spend time explaining disaster preparedness and what to do when natural hazards strike, as well as providing relief goods.

Regardless of the fact that their insurance policy is mandatory to their loan or saving product, the greatest majority of insured respondents asserted feeling protected for unexpected events as their main motivation to continue paying for their policy.

Policyholders listed the following positive changes in their lives as a result of being a member of CARD MBA:

- Ability to take a loan
- Feeling more secure
- Investing in business and employment
- Improving home and assets
- Ability to buy more food
- Increased community support and collaboration
- Improving financial knowledge
- Improving knowledge on health risks
- Improving disaster risk knowledge
- Paying for children's education
- Understanding insurance and mutual sharing

Most insured respondents feel they are better off than their friends and relatives who are not insured. Those who made a claim previsouly stated they would buy life insurance if CARD MBA did not provide it conjunction with their financial product. Those who have not made a claim are not likely to buy insurance.

Summary

The following findings have been drawn from our examination of CARD MBA members in terms of trust and benefits as a result of having microinsurance:

1. Affordability of both microfinance and microinsurance products is an issue. Policyholders consider mutual microinsurance (A1, A2, B1) as affordable and worthwhile. Those who do not have insurance (B2) consider the premium as unaffordable. Respondents without insurance are less likely to be business owners and are more likely to rely on wage labour. Insecurity of income for this group may be related to uptake of microfinance products and vice versa.
2. CARD's network provides improved financial education and policy holders in this sample also benefit from risk management training offered to members.
3. Trust in CARD MBAs products is high among policy holders (A1, A2, B1) and policies are well understood.
4. Microfinance products are largely targeted at women, they are therefore more likely to be the primary mutual microinsurance policyholders in their families.

Part 3: Case study: CARD MBA and SDGs *continued*

C. Networks and services: added values of a mutual microinsurance system

Goal 11. Sustainable cities and communities: Make cities and human settlements inclusive, safe, resilient and sustainable.

Target 11.1: By 2030, ensure access for all to adequate, safe and affordable housing and basic services.

Two of the five pillars of mutual microinsurance contribute to sustainable communities through a focus of serving a defined group and its emphasis on community solidarity.

Serving a defined group
Providing services to a defined group is intended "to promote the welfare of marginalised sectors of Philippine society"[28]. It is also highlighted by the numbers of people prepared to help the mutual by filling in voluntary positions in their community: centre chiefs, treasurers, secretaries and community coordinators (MBA coordinators).

As communities are organised in centres of approximately 30 policyholders, the members of each centre elect a centre chief, a treasurer and secretary. Their main role is to help the CARD MRI account officer in the weekly meetings. The centre chief performs duties of dissemination of information from CARD MBA, for which they receive specific training. In the same way, the centre chief collects members' feedback to transmit back to CARD. In total, the Group has 136,830 community centres nationwide.[87]

Community networks are crucial for weekly premium collection. If the payment is not made by the end of the week (personally by the member or by a family representative), it is noted at the centre meeting, and the member will be reminded in person that afternoon by a member of staff.

Account officers and unit managers of the finance institutions select MBA coordinators from amongst the best performing centre chiefs, following a set of established criteria. MBA coordinators oversee approximately six centres and their key role is to validate claims. As of May 2019, there were almost 2,000 MBA coordinators (all volunteers) across the Philippines. They are compensated through modest fees and free insurance cover.[72]

These strong networks embedded in the community are necessary to avoid fraudulent claims. CARD MBA sees them as essential to its business model and does not envisage them changing in the light of technological changes (such as the adoption of mobile phone technology to simplify its processes). New technologies will simplify enrolment, premium collection, claims settlement and underwriting requirements, reducing administration expenses and making products cheaper and the payment of claims quicker. However, no loss of human presence on the ground is predicted.[9]

The majority of policyholders answered that when they became a microfinance member, they knew they had to join the mutual and that knowledge helped them to decide to take a loan with CARD MRI. When asked what is distinctive about their mutual insurance, most respondents in all three insured groups (A1, A2, B1) stated that "members' interests come first" or "members' interests are prioritised".

All policyholders interviewed affirmed that they trust CARD MBA because they perceive that the organisation "will be there when needed" and because of its wide range of programmes and benefits as more important than either networks or member ownership.

Respondents identified the introduction of more types of affordable products to cover their health and education needs as a desirable area for expansion of CARD MBA products. Needing more education on mutuality was also mentioned as a measure to increase trust amongst CARD MBA members.

When asked specifically who they trust more, MBA coordinators (volunteers) or their account officer (CARD MRI staff member), a slight majority chose their community volunteers. However, when questioned about who they contact to request any information about their insurance policy, a clear majority chose their account officer, who visits their community centre on a weekly basis. Account officers are also the favoured way in which people express their opinions, as well as naming them their immediate point of contact at CARD MBA. Respondents prefer to contact the account officer personally during community meetings over any other means.

Solidarity
Solidarity has great significance for CARD MBA (and overall CARD MRI's vision). Solidarity is captured in the social investment ratio documented on page 29.

Findings related to CARD MBA's impact on solidarity have been discussed as part of the Typhoon Haiyan case study. In summary, people identified the following actions as solidarity they received from CARD MBA: visits by CARD staff during times of crisis, provision of medicines and other emergency goods.

The survey shows that beyond the insurance pay-out itself, members trust they will be helped at times of need, both by CARD MBA as an organisation and fellow members in their community. The kind of help expected ranges from the Disaster Relief Operation to companionship and emotional support provided through the wider network.

Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

Target 16.5: Substantially reduce corruption and bribery in all their forms.

Target 16.6: Develop effective, accountable and transparent institutions at all levels.

Target 16.7: Ensure responsive, inclusive, participatory and representative decision- making at all levels.

Target 16.b: Promote and enforce non-discriminatory laws and policies for sustainable development.

The targets for Goal 16 are encapsulated in the remaining three pillars of mutual microinsurance: member ownership, democracy and not for profit.

Member ownership

Although CARD MBA's membership flows from the acquisition of loans and the mandatory nature of insurance, the community networks developed through the mutual result in further recommendations amongst family and neighbours that feed back into CARD MRI's business model. As a key part of the CARD Group's business strategy, CARD MBA nurtures the formation of community networks to build reliable, sustainable and insurable populations. This helps it to overcome one of the biggest challenges to insurance expansion.

Members are consulted, before implementation, on all major changes in CARD MBA's policies, rules and regulations, as well as on the introduction of new products and changes in premiums and benefits. Business plans are developed by CARD MBA's staff, approved by the Board and are open to member viewing.[88]

Communication channels to members are by letters, brochures, leaflets and a mobile app (to be launched shortly). There are monthly updates on the website, training for centre chiefs to disseminate information, and interaction with staff members in the weekly centre meeting.[88]

The majority of people know that CARD is owned by its members, only approximately 10 per cent were not aware. To CARD MBA members amongst the respondents, ownership means that "members' interests are prioritised". The newly insured group (B1) specifically identified that participating in policymaking through the election of representatives and being involved in the development of products is of great importance too. A high number appreciate their certificate of ownership as an important component of feeling they are members.

Around three quarters of policyholders said they have referred their friends and relatives to CARD MBA. The ones who have not done so say this was for personal reasons, such as fearing that their recommended person will default on payments and burden them with the payments.

Similarly, of all the recommended people, 91 per cent have joined. The rest have not due to a variety of financial related reasons, such as not having a regular income and being afraid of defaulting. Not trusting insurance or not wanting insurance did not emerge as reasons. These results coincide with those in the survey group who were not insured at the time of Typhoon Haiyan and remain uninsured now.

As members and owners, all respondents showed no tolerance of corruption. When asked what they would do if they became aware that someone was making a fraudulent claim, they affirmed that they would report it immediately to their account officer or any member of CARD staff.

Democracy

There are two main ways in which policyholders contribute democratically to run the organsiation: by electing the board and though product development.

The main role of the board is to approve the business plans and any other changes in regulations, governance and strategic decision. It is formed of 15 members, 13 of these must be policyholders who have been members for at least three years and have served as MBA coordinators.

Board member candidates are chosen from a pool of the best performing MBA coordinators by a committee formed of regional directors, area managers, former board of trustee members, deputy directors of operations and cluster managers. Once they are shortlisted by background checks and interviews, a central nomination committee releases a final list of candidates to the community centres. At this point, every member has the chance of voting personally. In turn, trustees vote on the board in proportion to the members they represent in their region of the Philippines. This varies from almost one million to two million votes each.[88 92]

All details involved in the transparency of CARD MBA's governance are described in the mutual's *Corporate Governance Manual*[28]. This follows the national regulatory framework to build accountable and sustainable institutions.

Part 3: Case study: CARD MBA and SDGs *continued*

Staff are hired in standardised ways. CARD MRI has a centralised Human Resources Unit that serves all the entities. Depending on the position applied to, candidates go through an interview, written exam and other requirements specific to the vacant position. Remuneration is aligned to their position and reviewed annually based on a performance assessment, including a performance-based incentive system connected to achieving the business plan. CARD MBA reports that its staff are paid market prices for its industry, based on Manila and provincial rates. There is no difference between CARD MBA and a non-mutual. It has disciplinary procedures for staff in place, including non-performance measures.[88]

Members participate in policymaking and direction-setting through the selection of the board members and participation in satisfaction surveys. These surveys also give members the opportunity to be involved in the development and improvement of products and services, in addition to their weekly feedback in the centre meetings.

The majority of policyholders replied that their views are taken into consideration and that they are listened to if they have complaints about CARD MBA. Interviewees were clear in the variety of ways they can express their views, choosing account officers during weekly meetings as their favoured channel of communication.

There is a slight difference in how policyholders responded. Almost everybody replied enthusiastically about being listened to, both in terms of general views and on complaints. This does not translate at equally high levels to people feeling that they are taking part in the decisions of the products offered (even if a majority feel they still can).

In terms of choosing their representatives, three quarters of people recall participating in the election of their immediate community representatives. Only around a quarter recall having participated in the election on the board of trustees.

Not for profit

Financial statements are accredited by an external auditor annually, as required by the Insurance Commission. The use of members' premiums is reported to the members in the Annual Membership Meeting and reflected in the Financial Statements posted on the website and in the Annual Report.[88]

Nearly all policyholders said they are aware and satisfied with how finances work and how premiums are administered.

Summary

In relation to both networks and services the data showed the following added values of a mutual microinsurance system:

1. Mutuality aspects of CARD MBA increase trust in its products amongst all policy holders in this survey (A1, A2, B1) but knowledge about the availability of help and range of benefits during times of crises are the most important aspects in trusting the organisation.
2. Positive attitudes prevail and additional mutual products relating to health and education are desired by existing policy holders. More information about mutual aspects of microinsurance is considered beneficial for building trust amongst members.
3. According to policy holders, both community volunteers and account officers are the most trusted members amongst the CARD MBA networks. Personal contact to account officers during community meetings is the preferred way to communicate for most policyholders.
4. Solidarity is reinforced through direct help by CARD staff during and after disasters, mainly in terms of distributing medical help and emergency goods.
5. Member ownership of CARD is appreciated by most policy holders as they feel that their interests are prioritised. Three quarters have referred their friends and relatives to CARD MBA and those who have not so were mindful of contact's lack of secure income.

The findings from this case study are intended to provide an overview and specific examples for each part of the mutual micro insurance operation and how it can contribute to particular SDGs. The following chapter, Part 4, provides summary table of insurance sector specific indicators and the potential to deliver inclusive development.

SDGs where CARD MBA registers activity (not in the survey)
CARD MBA registers activity relating to two further SDGs that are not included in the survey. This is because either they do not involve policyholders directly (SDG 17) or they refer to a different section of CARD MRI that is not strictly related to its microinsurance operations (SDG 3).

Goal 3. Ensure healthy lives and promote well-being for all at all ages.

Target 3.8: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

CARD MBA members have access to CARD MRI's health umbrella programme called MaHP (Microfinance and Health Protection Programme). This delivers a number of initiatives across the country and has provided some kind of healthcare access to over four million members since 2009.[89 87 93] Key features include:

a) CARD MRI Clinics. These provide free check-ups to members. The group has 13 clinics. From January 2018 to March 2019, they were able to offer their services to over 300,000 members.[87]

b) Preferred Provider Programme (PPP). These are outpatient consultations that CARD MRI members can access through partner Health Service Providers at a discount of 10 to 20 per cent on a bill of USD 4 to USD 8 per check-up.

c) CARD- PhilHealth Programme. PhilHealth is the government's social health insurance programme. It gives unlimited coverage to patients in the scheme. Through a public–private partnership, CARD distributes the government's insurance programme through a loan that members can pay on a weekly basis rather than the full PHP 2,400 annual fee in a lump sum. With a PhilHealth loan through CARD, members pay around USD 1.15 weekly.

d) Boticard. CARD MRI has 13 pharmacies that provide generic medicines at 15 to 20 per cent lower prices than standard pharmacies.

e) Community Health Day and CARD Community Clinics. This programme reaches out to CARD MRI members in remote areas where no other medical support is available. It offers free medical, dental and optical consultations. Members pay for their medicines from Boticard. CARD MRI's budget for 2019 Community Clinics is USD 330,000. This covers 571 Community Health Days.[90]

f) MFIs for Health. CARD MRI started this programme in 2012 with the vision of offering affordable access to health to poor communities across 21 microfinance partner institutions, sharing technologies and capacity building.

Goal 17. Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development.

Target 17.16: Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilise and share knowledge, expertise, technology and financial resources, to support the achievement of the SDGs in all countries, in particular developing countries.

Target 17.17: Encourage and promote effective public, public–private and civil society partnerships, building on the experience and resourcing strategies of partnerships.

Partnerships have been paramount in the development of CARD MBA across a range of topics. These include:

- **Regulatory.** Both national and regional regulatory bodies.
- **Creation of distribution networks.** These include partner microfinance institutions, banks, schools and healthcare providers.
- **Internal capacity building**. These include technology, education, donors (both corporate and individual) and international funding agencies.
- **External capacity building**. CARD MBA has created the BOAT Programme (Build-Operate-And-Transfer) with the objective of transferring microinsurance technology to small microfinance institutions and cooperatives that have no insurance facilities for their members. After a period of three years, and once the new networks have the required technical expertise, they can disengage and create their own MBA.
- **International expansion.** The Group is extending its operations to Cambodia, Indonesia, Myanmar, Laos and Vietnam. Two areas where the mutual welcomes further partnerships are its international outreach and the development of its technology infrastructure to reduce administration costs in favour of cheaper products for its members.[62]

Part 4:
Mutual microinsurance and the SDGs:
An impact assessment framework

(Impact rational based on report's case study)

The impact study of CARD MBA through the SDGs has shown how an insurance operation can quantitatively contribute to the SDGs. Based on the lessons learnt in the assessment of CARD MBA's operations, this section suggests indicators that can be used for insurance organisations to demonstrate their practical contribution to the delivery of SDG targets.

Indicators in the following table derive from different sources:
a) Financial Key Performance Indicators.
These are outlined on page 28 and referenced as FPIfM (Financial Performance Indicators for Microinsurance).[71 94]
b) Social Key Performance Indicators.
These are outlined on page 29 and referenced as SPIfM (Social Performance Indicators for Microinsurance).[49]
c) Mutual operations.
Specific indicators for mutual operations based on the five pillars of mutual insurance identified by the IAIS and also from ICMIF's 555 Programme.[95]
d) Observations.
These were developed during the study.

The analysis that has led to each selected indicator is developed in Part 3 under the corresponding SDG.

Indicators for insurance operations to demonstrate their contribution to relevant SDGs

SDG	INDICATOR		CARD MRI-CARD MBA
	SOURCE	IMPACT INDICATOR	
1 NO POVERTY	SPIfM	% insured below the poverty line % insured above retirement age	35% 0.3%
4 QUALITY EDUCATION	ICMIF 555	% attending customer Education Meetings	80–90% (as monitored by the CARD MRI's training Institute in charge of coordinating Credit with Education) – CARD MRI, 2019i
5 GENDER EQUALITY	SPIfM	% females insured (policyholders)	75.9%
8 DECENT WORK AND ECONOMIC GROWTH	FPIfM and CARD MBA's data classification	* Average expense ratio * Average claims ratio * Renewal ratio * Annual growth ratio of active members * Annual growth ratio of insured * Promptness of claims settlements * Claims rejection ratio * Risk-based capital ratio * Solvency ratio	(data in table in page 28 and Annex 1)
11 SUSTAINABLE CITIES AND COMMUNITIES	SPIfM	(Measuring mutuals' pillars of solidarity and created to serve a defined group) Social investment ratio % of volunteers contributing to the business (MBA coordinators, community centre chiefs/treasurers/ secretaries)	1.18% of CARD MRI gross income 7% of total CARD MBA membership
13 CLIMATE ACTION	N/A	Early warning texts	Cascade system (page 33)
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	-- SPIfM	(Measuring mutuals' pillars of democracy, member ownership and not for profit) % of the organisation owned by the members -- Complaints ratio	CARD MBA:100% CARD MRI: Total % of CARD MRI owned by CARD MBA (figures in page 26) ---------------------------- Newly created Customer Relations Unit and weekly centre meetings

To support national regulatory development and implementation, indicators have been developed by the A2ii and ILO via regulatory impact studies in the Philippines and Peru (page 19 of this report). CARD MBA's work with the Philippine Insurance Commission was also covered in the study. These indicators could be placed in SDG 10, for the measurement of effective financial regulation (*Target 10.5: Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations).*

Conclusions

The following conclusions have been made, which are based on the impact assessment of CARD MBA's operations carried out in this report:

1. For the first time, operational insurance functions and outcomes have been assigned to the delivery of SDG targets and aligned with possible insurance-related indicators. We document that mutual microinsurance has the potential to contribute to ten SDGs by building financially literate, insurable, resilient and empowered communities. CARD MBA's contribution to the SDGs is summarised in Table 1 (page 4) and documented in detail in Part 3. Alignment with insurance indicators is illustrated in Part 4 (page 49).

2. Supportive insurance regulation is fundamental for financial inclusion and economic resilience. The supportive legal and regulatory environment in the Philippines has been crucial for the development of the microinsurance sector over the past two decades. The sector is capable of reaching poor and deprived communities across the country at scale. This has enabled an insurance organisation such as CARD MBA, in combination with an integrated microfinance institution under the CARD Group, to provide financial and wider benefits to members in normal conditions and at times of catastrophe. It is evident that:

- Formalisation became a necessity for CARD MBA to grow and be sustainable while retaining its mutual values and practices.
- The Philippine insurance regulator worked in partnership with informal providers to develop a supportive regulatory environment beneficial to all, under the principle of proportionality. This ultimately placed the Philippines as a global leader in microinsurance regulation.
- The Philippines illustrates how a constructive long-term partnership between insurers, policymakers and regulators is necessary for an effective, inclusive insurance system to develop.

3. The Mutual Benefit Associations model in the Philippines, as per CARD MBA, enhances long-term resilience. CARD MBA describes its target markets as the marginalised. These communities have proven an ongoing need for access to credit to build their wealth and livelihoods, supported by programmes to develop their financial knowledge. CARD microfinance introduced compulsory insurance to its credit operations and made it mutual, with the help of regulation, encouraging community involvement through:

- member ownership
- trust
- product development
- distribution networks
- claims and validation processes
- governance
- empowerment of women
- financial and risk management education
- solidarity and aid at times of catastrophe

4. The CARD Group's interdependence of microfinance and microinsurance generates sustainability. The case study has considered elements of microfinance and microinsurance in general, and mutual microinsurance in particular. CARD MBA, integrated within the microfinance operation of the CARD Group, exhibits these interdependencies. Key features are as follows:

- CARD MBA's mutual life insurance operation is dependent on CARD microfinance.
- In turn, CARD's microfinance thrives on the mutual's nationwide community networks and local groups to distribute services, operate effectively and build financially literate populations to expand products further (including non-life insurance products). The contribution made by community members offers specific economic and cultural value to the operation (as per conclusion two).
- The operational benefits of the CARD MBA–CARD MRI structure are also reflected in field results. Respondents were equally balanced in valuing their CARD MBA mutual community networks and the dedication of the wider CARD MRI Group's members of staff.

5. CARD MBA, as a microinsurance mutual, displayed some distinctive attributes at times of extreme events (such as Typhoon Haiyan). In the recovery following Typhoon Haiyan, field data identified that the key difference amongst groups is mostly between being insured or not, and between having access to microfinance (credit) and not having access to credit. Within this, there are some results which are specific to mutual microinsurance:

- Well-established mutual community structures made the validation and payment of claims more efficient in very difficult circumstances. This included both life claims (mutual) and non-life claims (non-mutual). As well as its own 728 life claims, CARD MBA provided help with the settlement of 8,296 non-life claims.
- Solidarity of the mutual through disaster aid packages was particularly noticed by all affected members. Robust community networks made the delivery more effective.
- The mutual value of solidarity and community-building that permeates the entire CARD Group was also perceived by members through loan moratoriums, calamity loans and financial advice to rebuild their lives.

6. Recovery after Typhoon Haiyan illustrates the interdependence of aid, credit and insurance:

- Insurance pay-outs were particularly helpful in short- to medium-term recovery. This allowed policyholders to avoid cashing in their remaining assets or needing the help of family and friends.
- For sustainable development, access to credit proved itself necessary. After Typhoon Haiyan, access to credit was fundamental as a means for households to achieve long-term, sustainable recovery.
- In the medium- to long-term recovery, insurance and credit customers were less dependent on government assistance.
- Emergency aid from a variety of sources played a fundamental role. All respondents, insured and non-insured, accessed it equally immediately after the disaster.

Recommendations

1. Inclusive insurance policies should be further aligned with national and international SDG targets. Effective inclusive insurance systems, including mutual microinsurance, deliver outcomes that contribute to achieving SDG targets. Policymakers can further enhance this agenda by:

a) Specific, supportive mandates for legislators and regulators to work within, based on national markets and needs.

b) The integration of microinsurance into the delivery of national and international SDG commitments across all relevant government departments and agencies (eg SDG targets integrated with microinsurance regulatory departments for favourable frameworks and with insurance-related fiscal departments to ensure the poor do not pay unaffordable taxes on their premiums).

c) Economic development and disaster risk reduction budgets need to be integrated with insurance capacity building, such as risk assessment, technology or financial education.

2. Indicators (existing and new) highlighted in this report can measure specific SDG impact. This can help to evaluate the impact of individual insurance organisations or wider regulatory structures to help inform institutions, policymakers and donors.

3. Policy support is needed to increase access to mutual microinsurance and its specific regulatory needs. Well-functioning mutual microinsurance contributes towards several SDGs and is a tool to develop financially literate, insurable, resilient and empowered communities. Policy recommendations include:

a) Regulatory changes along the lines of the IAIS' Application Paper on Mutual, Cooperative and Community-based Organisations (MCCOs) and related work of the Access to Insurance Initiative. The mutual model must be part of a healthy ecosystem of consumer options, although in some communities it is the only option.

b) Technical and financial support is required for the development of appropriate regulatory and supervisory capacity. Adequate regulation and supervising capacity for regulators is also essential to formalise community mutual programmes and filter out of the marketplace suboptimal operations. Ineffective or non-existent regulation hinders both insurance access and sustainable development.

c) Regulatory support of digital technology is required for building inclusive insurance markets, in line with the IAIS' Application Paper on the subject (2018).[96]

4. Insights from this report's case study are relevant to the insurance industry (mutual and non-mutual) and servicing the protection gap. Key features are as follows:

a) Involvement of the community is essential to achieve financial literacy and resilience, as well as a sense of the ongoing value of insurance and the building of networks to continue spreading products specifically needed in each community's development. Technology is seen as an important tool for lowering costs but not a substitute for community interaction.

b) As part of community building, adhesion of the insurance product to an existing financial product or service has proven essential to share distribution costs, make insurance sustainable as a business, achieve scale and offer a variety of value opportunities to low-income customers. Mutual and non-mutual partnerships have proven successful in our case study.

c) There must be a willingness to work with the regulator and to reach out to the low-income sector.

5. Despite the pioneering success of the Philippine regulatory environment, there is potential for the expansion and further development of the mutual microinsurance sector in the Philippines. This may depend upon:

a) Regulation/non-life products. This includes the potential expansion of the scope of mutual microinsurance to include non-life insurance products. Regarding minimum capital requirements, there could be a scenario where an MBA that achieves the USD 2.4 million capital requirement for commercial microinsurers is also allowed to underwrite non-life products.

b) Regulation/improving mutuality for members. Consideration of how the distribution to members of Mutual Benefit Association unassigned surplus may be authorised on a more regular basis to MI-MBAs. This would be along the lines of a regular annual provision, subject to prudential rules and oversight. At the moment, these kinds of payments to members are authorised sporadically by the Insurance Commission.

c) Taxation. Reduction of the 26.5 per cent non-life insurance tax to bring it into line with the lower rates of life insurance. This would encourage household resilience in alignment with poverty reduction targets of the SDGs.

d) Policy. Enhanced implementation of microinsurance objectives within the National Development Plan and National Disaster Risk Reduction and Management framework.

6. Employ existing specialised facilities at an international scale. This would include the facilitation of further partnerships, knowledge exchange, policy development and research by microinsurance regulatory bodies (eg A2ii, RFPI), international and regional mutual bodies (eg ICMIF, RIMANSI) and the Insurance Development Forum.

7. Further work is needed to identify how inclusive insurance systems might operate at a greater scope and scale. This includes analysis on how adequate regulation can further support individuals after disasters and in their wider economic and social recovery.

Annex 1

(CARD MBA 12 year KPIs table)

PERFORMANCE INDICATORS	2006	2007	2008	2009	2010	2011
No. of Insured	1,239,250	2,297,190	3,439,670	4,839,815	5,436,440	7,166,200
No. of Active Members	247,850	459,438	687,934	967,963	1,087,288	1,433,240
Amount of Premiums	173,085,279.62	348,298,095.21	613,463,906.27	834,353,389.41	1,087,631,788.90	1,388,803,404.57
Basic Life Insurance	102,764,685.00	229,061,635.00	405,448,915.00	553,573,160.00	725,028,990.00	917,340,375.00
Credit Life Insurance	27,520,159.62	41,840,575.21	72,659,691.27	96,238,524.41	120,928,758.90	165,592,784.57
Retirement Fund	42,800,435.00	77,395,885.00	135,355,300.00	184,541,705.00	241,674,040.00	305,870,245.00
Golden Life Insurance	-	-	-	-	-	-
KATUPARAN						
BLIPEX						
REMITTER PROTEK PLAN						
Amount of Claims	**24,006,089.51**	**41,407,616.74**	**62,745,918.32**	**98,686,471.89**	**144,468,851.00**	**218,099,835.00**
Basic Life Insurance	20,272,282.80	35,188,064.68	53,351,194.31	85,334,154.10	125,813,839.00	190,289,125.00
Credit Life Insurance	3,733,806.71	6,219,552.06	9,394,724.01	13,352,317.79	18,655,012.00	27,810,710.00
Golden Life Insurance	-	-	-	-	-	-
KATUPARAN						
BLIPEX						
REMITTER PROTEK PLAN						
Expenses	22,915,371.00	29,935,334.40	79,731,841.41	107,191,716.75	134,991,055.46	215,494,888.74
Excess of Revenues Over Exp. (net surplus)	31,290,277.00	88,079,940.33	87,826,638.85	156,349,350.89	223,929,372.00	161,056,863.17
Total Asset	382,861,128.00	672,823,949.98	1,166,756,543.42	1,799,284,816.34	2,665,218,083.00	3,643,678,939.24
Total Liabilities/Reserves	276,997,786.00	479,210,594.90	884,986,621.52	1,352,516,689.02	1,981,270,848.53	2,784,012,943.66
Total Fund Balance (Equity)	**105,863,342.00**	**193,613,355.08**	**281,769,921.90**	**446,768,127.32**	**683,947,234.47**	**859,665,995.58**
1-3-5 Target/8-24-Member	88%	91%	98.67%	98.33%	99.54%	97.16%
1-3-5 Target/8-24-Dependents			91.04%	93.18%	94.05%	92.94%
Reserve Ratio	60%	60%	60%	60%	60%	60%
Investment Yield	7.54%	6.88%	2.57%	2.44%	4.23%	3.27%
Average Expense Ratio	17.59%	11.05%	16.68%	16.50%	15.96%	19.90%
Average Claims Ratio	18.43%	15.29%	13.12%	15.19%	17.08%	20.14%
Combined Ratio	36.01%	26.34%	29.80%	31.68%	33.03%	40.04%
Risk-Based Capital Ratio	not yet required	340%	399%	394%	267%	277%
No. of PO	5	10	13	17	26	36
No. of Cluster						
No. of Region						
No. of BOAT Partner	2	4	6	14	15	14
No. of MBA Coordinator	171	295	468	545	694	801
No. of Staff	26	45	67	85	110	191

2012	2013	2014	2015	2016	2017	2018
7,916,630	9,253,075	10,694,765	12,802,010	12,262,672	15,321,881	18,291,746
1,583,326	1,850,615	2,138,953	2,560,402	3,327,379	4,255,804	5,152,722
1,501,930,616.44	1,722,799,975.99	1,985,210,821.67	2,349,669,571.84	2,971,682,128.11	4,116,928,365.49	5,939,412,737.54
998,775,000.00	1,139,378,850.00	1,298,105,325.00	1,528,994,512.48	1,927,522,532.50	2,474,252,868.42	3,089,402,073.93
170,354,128.96	203,623,723.99	254,100,084.04	307,803,645.68	390,835,469.78	502,141,755.29	643,493,197.29
332,801,487.48	379,797,402.00	432,864,022.63	509,884,403.68	642,507,510.83	1,114,704,871.78	2,149,157,729.85
-	-	141,390.00	2,987,010.00	10,816,615.00	24,628,870.00	48,817,782.30
						87,188.00
					1,200,000.00	7,097,150.00
						1,357,616.17
278,785,087.11	**383,415,833.00**	**472,963,000.37**	**554,660,817.30**	**677,462,581.90**	**787,387,569.19**	**990,190,451.35**
245,022,987.66	342,858,505.00	418,302,616.86	486,584,087.22	595,032,590.56	683,833,017.53	849,097,737.58
33,762,099.45	40,557,328.00	54,610,383.51	67,426,730.08	79,654,991.34	96,853,551.66	130,565,591.35
-	-	50,000.00	650,000.00	2,775,000.00	6,700,000.00	10,425,000.00
					1,000.00	89,800.42
						12,322.00
257,175,971.54	260,075,123.43	271,869,642.15	336,521,487.55	390,057,993.06	504,337,748.85	569,938,580.53
205,942,802.48	245,974,546.00	271,220,873.06	444,943,273.32	433,022,265.32	643,635,438.24	751,316,246.82
4,703,816,522.67	5,654,616,504.00	6,876,763,945.03	8,346,975,183.85	10,319,580,939.16	13,041,530,763.03	16,437,052,399.96
3,648,687,223.49	4,436,670,829.44	5,394,095,107.46	6,453,419,101.53	7,966,064,991.06	10,052,159,513.41	12,790,750,625.42
1,055,129,299.18	**1,217,945,674.55**	**1,482,668,837.57**	**1,893,556,082.32**	**2,353,515,948.10**	**2,989,371,249.62**	**3,646,301,774.54**
95.44%	97.26%	96.98%	97.63%	97.92%	98.22%	98.13%
92.07%	95.71%	95.55%	96.71%	97.18%	97.77%	97.90%
60%	60%	60%	60%	60%	60%	60%
3.93%	3.74%	2.49%	2.50%	2.51%	3.61%	4.41%
22.00%	19.37%	17.51%	18.29%	16.75%	16.80%	15.04%
23.85%	28.55%	30.47%	30.15%	23.22%	26.86%	26.13%
45.84%	47.91%	47.98%	48.44%	39.97%	43.66%	41.17%
486%	215%	304.90%	350.92%	329%	415.86%	473.59%
41	42	45	49	49	54	60
		8	8	10	10	12
			4	4	4	4
13	11	20	22	21	18	17
945	922	1,002	1,160	1,483	1,745	1,792
260	274	320	359	317	333	389

Table of acronyms

A2ii: Access to Insurance Initiative

ADA: Appui au Développement Autonome (Support for Autonomous Development)

ARC: African Risk Capacity

ASEAN: Association of Southeast Asian Nations

BMZ: German Federal Ministry of Economic Cooperation and Development

BRS: Belgian Raiffeisen Foundation

CA: Grameen Credit Agricole

CAMIA: CARD MRI Insurance Agency

CARD: Center for Agriculture and Rural Development

CARD MBA: Center for Agriculture and Rural Development Mutual Benefit Association

CARD MRI: Center for Agriculture and Rural Development Mutually Reinforcing Institutions

CGAP: Consultative Group to Assist the Poor

CIRC: China Insurance Regulatory Commission

CPMI: CARD Pioneer Microinsurance Inc

DSD: Department for Sustainable Development

GFDRR: Global Facility for Disaster Reduction and Recovery

GIZ: Deutsche Gesellchaft für Internationale Zusammenarbeit

ICMIF: International Cooperative and Mutual Insurance Federation

ICPs: Insurance Core Principles

IDRIM: International Society for Integrated Disaster Risk Management

iii: Insurance Information Institute

III: Insurance Institute of India

IIASA: International Institute for Applied Systems Analysis

ILO: International Labour Organisation

LAC: Latin America and the Caribbean

MaHP: Microfinance and Health Protection Programme

MBA: Mutual Benefit Association

MCCOs: Mutual, Copperative, Community-based Organisations

MIA: Microinsurance Academy

MILK: Microinsurance Learning and Knowledge Project

MoSPI: Ministry of Statistics and Programme Implementation (India)

NDRRMC: National Disaster Risk Reduction Management Council

NGO: Nongovernmental Organisation

OCHA: United Nations Office for the Coordination of Humanitarian Affairs

ODI: Overseas Development Institute

PIDS: Philippine Institute for Development Studies

PACE: Product, Access, Cost, Experience

PPP: Preferred Provider Programme

RFPI: Regulatory Framework Promotion of Pro-poor Insurance

RIMANSI: Risk Management Solutions Inc

RIA: Regulatory Impact Assessment

RRTI: Regional Risk Transfer Initiative

SDG: Sustainable Development Goal

STEP: Strategies and Tools against social Exclusion and Poverty

SUAVE: Simple, Understood, Accessible, Valuable, Efficient

UNEP PSI: United Nations Environmental Programme Principles for Sustainable Insurance

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