



MiMAP (RIMANSI) Focus Note #4

Member Protection Through a Mutual Security Fund

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Background

Seven microinsurance mutual benefit association (Mi-MBA) members of MiMAP², a national network of Mi-MBAs in the Philippines, set-up a Mutual Security Fund (MSF) to provide additional layer of protection for participating Mi-MBA member. The MSF is supported by a rigorous solvency risk protection process that involves regular performance monitoring and risk-based assessment exercise, and provision of technical support. This results to early identification of performance weaknesses, in relation to local industry performance indicators and standards, and enjoins prompt responses from concerned Mi-MBAs. Active participation in the MSF keeps Mi-MBAs alerted and guided on their financial performance to facilitate the delivery of microinsurance in a viable and sustainable manner.

The MSF is part of the campaign by MiMAP for mutual protection among Mi-MBAs to sustain a thriving and inclusive microinsurance sector for the low-income population.

MSF At Work

The MSF was created in 2015 with a target to raise a pooled amount of PhP5.0 million over five years from seven participating Mi-MBAs.³ Eight years later, ending 2022, the MSF has reached PhP5.71 M including investment income based on interim report. It is being managed as a Trust Fund by Union Bank, its Trustee Bank. A Certificate of Deposit is issued by the bank to account for the funds contributed by each participating Mi-MBA.

The MSF brings mutual protection in five (5) aspects:

- Additional layer of financial support
- Early warning system on performance issues
- Access to technical support to strengthen risk management capacity
- Customized regulatory supervision aligned to microinsurance model
- Peer support and accountability

Additional Layer of Financial Support

The pooled fund is held in trust for a single purpose: to be used to satisfy claims, equity value liabilities, and other liabilities to members by a participating Mi-MBA that has become insolvent. Mutual protection, at its core, entails protection of member-policy holders upholding the commitment of microinsurance to be a financial safety net for the marginalized and low-income individuals primarily in cases of death and accident in the family.

The MSF offers a second layer of support on top of the Required Guaranty Fund which the Insurance Commission (IC) prescribes for each MBA to maintain in pursuit of solvency and capital adequacy.

Early Warning System on Performance Issues

A Solvency Risk Protection (SRP) system puts in place a performance measurement framework for early detection and response to performance issues. It involves a regular performance monitoring and financial review process grounded on: a) the enhanced regulatory framework for microinsurance, and b) updated performance benchmarks and targets in line with business goals and products. Under the regulatory framework is a set of performance indicators and standards issued by the IC. It covers six (6) key areas⁴, one of which

¹ The writers thank key informants from Kasagana-ka MBA (K-MBA) and MiMAP Secretariat Program staff.

² MiMAP stands for Microinsurance MBA Association of the Philippines, Inc. It has 18 Mi-MBA members that collectively command more than 50% share of the Philippine microinsurance market; it has 8.16 million members that cover 29.25 million lives based on interim data as of December 2023.

³ The 7 microinsurance-MBAs (Mi-MBAs) that participate in the MSF are as follows: ASKI MBA, CARD MBA, CARE MBA, KGI MBA, K-MBA, SEDP MBA, and PBC MBA.

⁴ SEGURO stands for solvency and stability, efficiency, governance, understanding of the product by the insured, rate of growth and outreach. See IC Circular Letter 2016-63 for details.

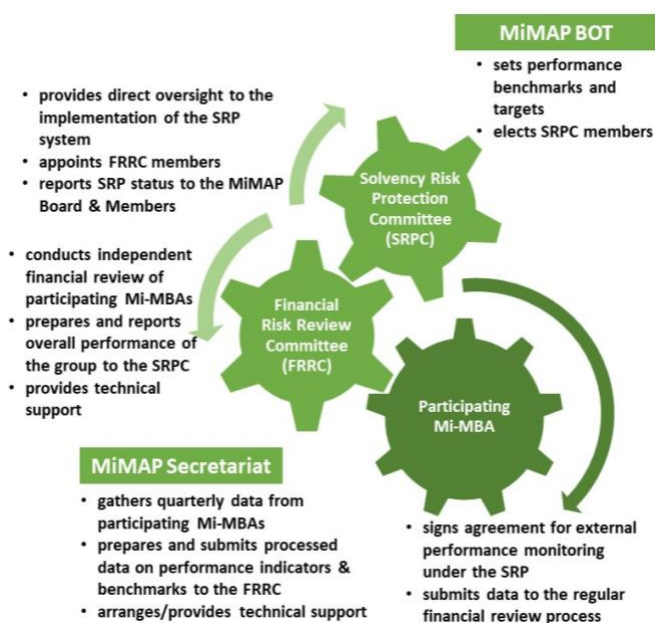
focuses on solvency and stability measurement and monitoring.

The SRP is provided oversight at the highest governing level – the MiMAP Board of Trustees (BOT), through the Solvency Risk Protection Committee or SRPC. It is supported by a technical committee referred to as the Financial Risk Review Committee (FRRC) which conducts an independent review of the financial performance of participating Mi-MBAs.

The FRRC meets twice a year to conduct the financial review ending June and December. It is composed of five members who are independent professionals with proven track record in one or more of the following fields- regulation and supervision examination, actuary, legal and accounting. The current Chairperson of the FRRC is a former Deputy Commissioner of the IC.⁵

The FRRC also comes out with an overall SRP performance report which identifies and flags performance gaps and causes. The report also offers recommendations to address any threats to the MSF and participating Mi-MBAs. This report is elevated by the SRPC to the MiMAP Board of Trustees (BOT) for consideration and action.

The following diagram features the key activities and movers of the SRP system.



Along with financial performance data, a Risk Registry from the experiences of a sample Mi-MBAs is also prepared and updated regularly by the MiMAP Secretariat. The latest Registry identifies 20 external and internal risks rated as to probability of

occurrence and extent of impact to operations. This Registry, which also offers mitigating strategies, provides a guide to stakeholders on specific performance indicators that merit closer attention.

Access to Technical Support (TA) to Strengthen Risk Management Capacity

A participating Mi-MBA can draw on FRRC expertise. The TA engagement involves a half-day Problem -Solving Workshop where members of the FRRC, the MiMAP Secretariat, and the General Manager and key officers of the concerned Mi-MBA discuss the performance issue, identify causes and extent of the problem, and come up with possible courses of action. Regular monitoring will then look out for improving performance on the subject.

Based on the eight-year experience of the MSF, the identified common weak areas in financial performance among Mi-MBAs are as follows: over-liquidity, investment yield, membership retention and participation, and efficiency (operating expenses ratio).

To provide further technical support, MiMAP also extends Service Packages for member Mi-MBAs to avail. Service Package 2 specializes on compliance and performance management which includes risk management support; a recovery and rehabilitation planning may also be conducted upon request.

Box 1. Kasagana-Ka MBA (KMBA) Avails TA

A Problem-Solving Workshop was conducted by the FRRC with KMBA officers to address efficiency. Since the pandemic started in 2020, KMBA's Operating Expense Ratio (OpEx) for all products has consistently been unable to meet the performance standard of not more than 20%. By end of 2022, it was at 23%. Even if the KMBA ratio is lower than the 30% average OpEx of MiMAP members, both KMBA and the FRRC are committed to operate at par or above performance standards.

Two aspects stood out as possible areas for action. The first aspect involves membership; many policies were not renewed during the pandemic period. There were 52,902 members in 2020; it dipped to 42,735 by 2021. The second aspect relates to product pricing.

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⁵FRRC members in 2022 are: Vida Chiong, Committee Chairperson, Former Deputy Insurance Commissioner; Robert Abao, MiMAP Internal Auditor; Camilo Casals, MiMAP Independent Trustee;

Wilfredo Llanto, MiMAP Independent Trustee; and Mae Lungay, Actuarial Consultant of MiMAP.

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The FRRC recommended action around member recruitment, revisit pricing of the core product, and negotiate fees on optional products. KMBA opted to focus on member recruitment. Aggressive promotion of products and benefits of microinsurance to existing communities, opening of new markets to non-traditional groups such as poorest of the poor, and closer collaboration with other institutional partners, have brought good results. By December 2022, membership has reached 48,580, a step closer to its 50K target outreach. ◇

We share the FRRC advocacy for vigilance and conformity to performance standards. What drives us to always be at our best is our commitment to the members to protect and grow their funds, and sustain the products and services being delivered to them.

– Salvie Reyes-Antiquera, KMBA General Manager

Customized Regulatory Supervision Aligned to Microinsurance Model

MiMAP represents Mi-MBAs to negotiate with the IC for conducive regulatory environment. It prepares Position Papers to present the collective and solid 'voice' of Mi-MBAs in the country, and lobbies for customized standards and guidelines aligned to the distinct practices associated with microinsurance.

Among its recent advocacies involves the creation of a Self-Regulatory Organization (SRO) specific to Mi-MBAs, as a sub-sector within the MBA group. To have such a specialized SRO will facilitate higher degree of transparency and uniformity in risk and performance management reporting that is customized to the microinsurance MBA business model. Already in place is the MiMAP-initiated solvency and risk protection (SRP) system that showcases the Mi-MBA group's ability to design and implement an independent performance assessment and monitoring process aligned to the SEGURO regulatory framework.

Peer Support and Accountability

Participation in a pooled risk protection Fund such as the MSF exercises peer accountability and support among Mi-MBAs. The MSF showcases the willingness of Mi-MBAs to share funds for the common good.

More than funds, MiMAP also provides several opportunities to share best practices in risk management. The most awaited event by the members is the Annual Management Forum, of 2-3 days, which features Mi-MBA learnings from work experiences and innovative practices.

Conclusion

The MSF highlights member protection through vigilance and strong adherence to financial performance standards. Seven Mi-MBAs have so far participated and benefited from it in various ways. More Mi-MBAs to join the MSF can further spread confidence about microinsurance as a viable safety net for the low-income market. ◇

About MiMAP (RIMANSI):

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

MiMAP (RIMANSI) Regular Members

1. Alalay Sa Kaunlaran Inc. MBA (ASKI MBA)
2. Center for Agriculture and Rural Development Inc. MBA (CARD MBA)
3. Cooperative Alliance for Responsive Endeavour Inc. MBA (CARE MBA)
4. KFI Center for Community Development Foundation Inc. MBA (KCCDFI MBA)
5. Kasagana-Ka MBA Inc. (KMBA)
6. Kazama Grameen Inc. MBA (KGI MBA)
7. Nueva Segovia Consortium of Cooperatives MBA Inc. (NSCC MBA)
8. Paglaum MBA
9. Peoples' Bank of Caraga MBA Inc. (PBC MBA)
10. Simbag sa Emerhensya Asin Dagdag Paseguro MBA Inc. (SEDP MBA)
11. Tulay sa Pag-unlad MBA Inc. (TSPI MBA)

MiMAP (RIMANSI) Associate Members

1. Center for Community Transformation MBA Inc. (CCT MBA)
2. Katilingbanong Kaangayan para sa Kasegurohan ug Kalaambuan MBA Inc. (4K MBA)
3. National Confederation of Cooperatives MBA Inc. (NATCCO MBA)
4. Pag-Asa ng Pinoy MBA Inc. (PPMBA)
5. Quidan Pag-inupdanay MBA Inc. (QPI MBA)
6. Serviamus MBA Inc. (SMBA)

Code of Conduct for Mi-MBAs

1. We have the member's interest above all else.
2. We commit to pay claims within 1-3-5 days from the time of claim's notice.
3. We foster policies and processes that promote open communication, transparency, and arms-length transactions in our dealing with partner-implementers.
4. We hold ourselves accountable as stewards of the Association's resources; therefore, we commit ourselves to the highest ethical and professional standards in our dealings.
5. Board membership is a volunteer position; hence we perform services willingly without pay.
6. We shall explore ways to engage our members to participate in the ownership, authority, and business results of the Association.
7. We are proud to be regulated, so we will work with our regulators to advance growth, quality service, and sustainability agenda.
8. We honor the member's right to choose an affiliation based on informed decision.
9. We advance products and services without regards of any religious or political standpoint.
10. We shall promote mutuality.



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