



MiMAP (RIMANSI) Focus Note #5

Good Governance Anchored on Mutuality Principles

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August 2023

Background

In 2012, the Insurance Commission (IC) of the Philippines adopted the ASEAN¹ standards on corporate governance to elevate the stewardship of IC Regulated Companies (ICRCs) to a level at par with international governance standards and practices. Subsequent Circular Letters were issued by IC from 2013 -2020 to strengthen governance in all insurance companies including Mutual Benefit Associations (MBAs) operating in the country.² This entails ICRCs to be fully transparent with their governance practices and compliance, by accomplishing an Annual Corporate Governance Report (ACGR), and uploading it, along with the supporting documents, to their respective company websites.

The drive for excellence in governance is complemented with an awards and recognition mechanism. In 2017, the IC released and recognized the top 10 ICRCs that garnered the highest corporate governance scores. An MBA, the Kasagana-Ka MBA (KMBA) was included in the list, taking the 9th spot, and sharing limelight with the well-established insurance companies like Prulife UK and Insular Life. Ms. Silvida (Salve) Antiquera, General Manager of KMBA, observed that many stakeholders in the insurance industry took notice of this accomplishment, and began to better appreciate the MBA. As a distinct type of insurance company dedicated to serving and reaching out to the low-income and underserved groups, the MBA not only advances financial inclusion; it can also excel in governance practices which augurs well for growth and sustainability of the industry.

This Focus Note highlights the importance of corporate governance as key to the long-term success of MBAs, and features experiences and

insights from two MBA members of the Microinsurance MBA Association of the Philippines, Inc. (MiMAP) — KMBA and CARD MBA. Both MBAs took on the challenge to strengthen their level of governance, attained recognition and honor on their governance practices along the way, and more importantly, found it easy to manage their respective MBAs. Ms. Antiquera

shares, “we initially gave attention to governance for compliance purposes. As we strengthened our corporate governance practices guided by relevant principles and best practices, we found it easier to manage our operations, including mitigate risks. When

the COVID pandemic hit in 2020, we were better prepared with policies and processes. We also had in place a team of capable leaders who knew what to do to steer the institution out of the difficulties associated with COVID restrictions and health uncertainties.”

Corporate Governance At Its Best

The Revised Code of Corporate Governance for ICRCs released by the IC in 2020 defines corporate governance as a system of direction, feedback and control using regulations, performance standards and ethical guidelines to hold the Board and senior management accountable for ensuring ethical behavior, reconciling long-term customer satisfaction with shareholder value, to the benefit of all stakeholders and society. The Code provides a solid grounding on what makes good governance through 16 principles and a set of recommended

¹ Association of South East Asian Nations (ASEAN)

² Among these are: Circular Letters 14-2013 (ASEAN Corporate Governance Scorecard (ACGS) and its uploading to company websites), 2015-23 (Guidelines on Compliance to ACGS), 2020-71 (Revised Code of Corporate Governance for ICRCs) and 2020-72 (Submission of the ACGR).

items based on updated international good governance framework and best practices. There are 179 recommended items for compliance that are applicable to MBAs.³

The IC has accredited the Institute of Corporate Directors (ICD) to conduct independent annual governance assessment of covered ICRCs since 2015. The ICD uses the ASEAN Corporate Governance Scorecard (ACGS) as its tool for assessment. The ACGS has five areas that correspond to the G20/OECD⁴ Principles of Good Governance, as follows:

1. Rights of Shareholders. This area protects and facilitates the exercise of all shareholders' rights.
2. Equitable Treatment of Shareholders. This area ensures fair treatment of all shareholders especially those in the minority.
3. Role of Shareholders in Governance. This area instills shareholders with the responsibility to respect, defend and protect the rights of other stakeholders such as customers, employees, suppliers, etc.
4. Disclosure and Transparency. This area upholds disclosure and transparency as main deterrent against governance malpractices.
5. Responsibilities of the Board. This area highlights the fiduciary duties and responsibilities of the Board of Directors/Trustees to manage the company, subject to the industry laws and regulations.

Good governance embraces the shared understanding that a high level of transparency, accountability, board oversight, and respect for the rights of shareholders and stakeholders, is key to a well-functioning system.⁵

“As we increased our level of compliance to regulations and adopted best practices in governance, we can attest to having a stronger governance system by the ease at which we can make decisions, execute, monitor and adjust them as needed. So, at CARD MBA, we welcome the practice of annual review and reporting on corporate governance. **Once the report is completed, our work is far from over as we focus on two aspects for our next steps: 1) what else can we improve on, and 2) what should we sustain and further refine?**”, shares Ms. Jocelyn

(Joy) Dequito, CEO of CARD MBA. Such commitment to good governance, coupled by concrete and responsive action, have not only helped Ms. Dequito and her team to better run the CARD MBA, it has also garnered for them a Golden Arrow Award⁶ – 2 Arrows Category, for two consecutive years from 2020-2021. Among the 18 MiMAP MBA members, another Golden Arrow awardee is KMBA, also securing 2 Arrows in 2021.

The Journey to Excellence

Govern with a System

“Good governance is not a one-time activity in a year; it should be done every working day throughout the year.” This is how Ms. Jennifer (Ypher) Redublo, Director for Compliance of CARD MBA, describes the path to having a strong governance system. At the top, CARD MBA has established a Governance Committee at the Board that focuses on strengthening governance including internal control. At the executive level, it has a full-time Compliance Officer, at Director level, to ensure that the MBA operates within the parameters of the law and regulations through regular monitoring of its key decisions and day-to-day activities.

Being a small MBA, in terms of reach and manpower, but part of a network of supporting institutions, including a development foundation

³ Institute of Corporate Directors, 2021 CARD MBA Corporate Governance Scorecard Company Report

⁴ Organization for Economic Cooperation and Development (OECD). First published in 1999, the OECD Principles of Good Governance have since become an international benchmark for policy makers, investors, corporations and other stakeholders worldwide. The Governance Principles have been adopted by the G20 at the G20 Leaders Summit in November 2015.

⁵ G20/OECD Principles of Corporate Governance, OECD 2015

⁶ Golden Arrows Award is the official awards program for good governance sponsored by the IC. It is based on the ACGS scores from the ICD external assessment. In 2021, a total of 112 insurance companies and MBAs were covered in the assessment which yielded an average industry score of 51.56%; the average score is slightly higher for 30 MBAs at 52.56%. CARD MBA received a score of 94.68% (ICD, 2021 CARD MBA Corporate Governance Scorecard Company Report) while KMBA got 93.32% (KMBA General Manager).

and a cooperative, the KMBA sought help from its allied institutions to create a team to formulate and write-up the corporate governance manual and other related policies (in areas such as investment and risk-protection), processes and activities. “We worked hard at the start. We realized that we have most of the governance policies and processes in action but not in words. So, we had to devote time to writing and to make a system for documenting our activities. We made it happen because we did not want to just comply; we really want to provide sustainable and high-quality services to our members and we affirm that this entails having good governance practices at par with international standards. We did not want to settle for anything less,” shares Ms. Antiquera.

Govern with Trust

At KMBA, “good governance is all about transparency; nothing is hidden. We even hold not just an annual review but a semi-annual review of our performance including compliance to governance standards. This is done at the individual and group levels by the Board of Trustees and management. It helps us to identify areas that need improvement; we can then choose to address one or two weaknesses at a time. This practice gives us time to make needed adjustments and stay on track with our plans and targets for the year.”

At CARD MBA, “the Board is actively involved in direction -setting grounded on the pulse of the members. Twelve of the 15 Board of Trustees are MBA members. Each Trustee commits to visit a set number of members’ communities every year.

During the visit, they share relevant information, and get feedback and suggestions about the MBA. Insights from the ground are shared at board meetings, discussed and responded, as needed.

Govern with a Capable Team

At CARD MBA, governance does not just rest with the board and management, it actively involves the communities as well. “We strongly advocate for and allocate resources to build capacities of local

leaders and members. Out of this effort, we select MBA Coordinators who represent the MBA in the communities being served. They provide the key link and voice of members to management and vice-versa; they also ensure that the MBA operates well in their respective communities. Majority of our Trustees come from the pool of MBA Coordinators who have amassed years of leadership experience and familiarity with MBA operations. We take board selection very seriously to ensure that our Board has the required expertise, diversity and commitment to direct the MBA every year. We also provide regular training to further strengthen their capacities. The 3-day training on Governance and Anti-Money Laundering Act or AMLA that MiMAP conducts is the most appreciated and relevant board governance training that we regularly avail.”

At KMBA, “we operate smoothly because we have in place a well-laid set of directions and processes being implemented and monitored by a team of well-trained and highly committed individuals. Each

one has a clear knowledge and understanding of his/her role and responsibilities in accordance with the strategies and plan set out for the year. There is strong collaboration and support between the board, management and staff.”

The experiences gained by both CARD MBA and KMBA in the dedicated pursuit and practice of good governance have brought numerous benefits for themselves and the communities they serve. They affirm the value of corporate governance at helping build an environment of trust, transparency and accountability that is necessary to foster long -term investment, financial stability and business integrity for stronger growth and more inclusive societies.⁷ Good governance by MBAs is indeed key to wider and sustained delivery of micro insurance services to low-income and marginalized Filipinos. ◇

Note: The authors sincerely thank key informants from CARD MBA and KMBA.

⁷ OECD Principles of Corporate Governance

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. Serviamus MBA Inc. (SMBA)
11. Simbag sa Emerhensya Asin Dagdag Paseguro MBA Inc. (SEDP MBA)
12. 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)

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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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.