

Helping the poor weather life's storms

Richard Leftley

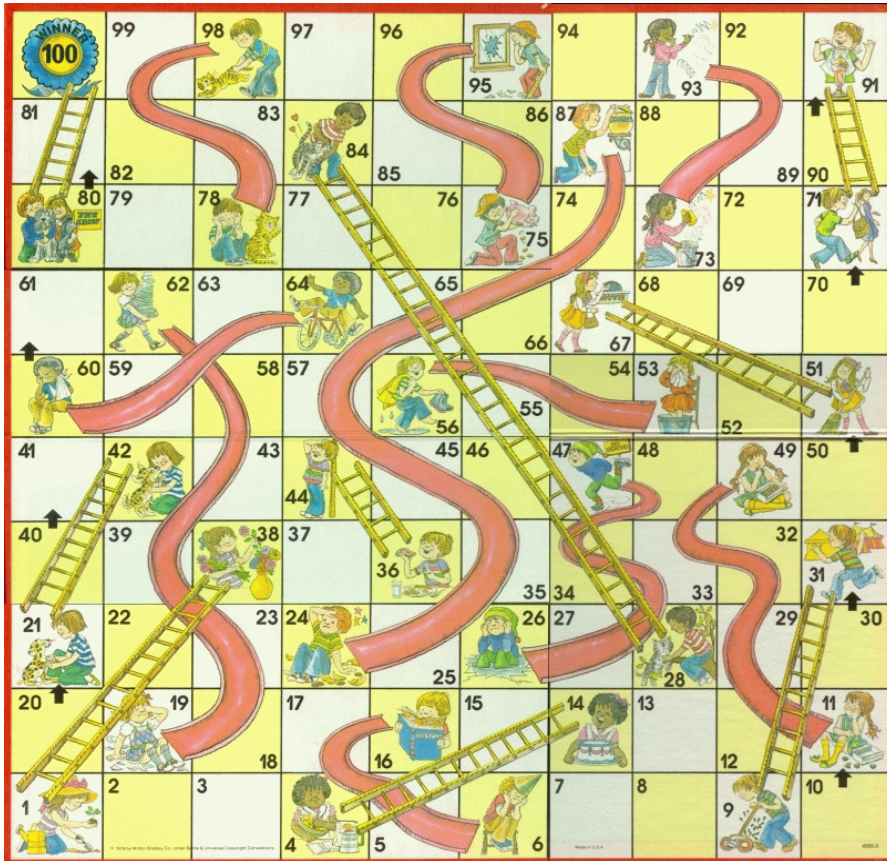
President & CEO

9th November, 2010

The poor do not buy insurance

	Premiums (in USDmn) 2008	Premiums in % of GDP 2008	Premiums per capita (in USD) 2008
North America	\$1,345,816	8.54%	\$3,988
Latin America and Caribbean	\$104,933	2.53%	\$175
Europe	\$1,753,200	7.46%	\$2,043
Asia	\$933,358	5.95%	\$234
Africa	\$54,713	3.57%	\$56
World	\$4,269,737	7.07%	\$634
Industrialised countries	\$3,756,939	8.81%	\$3,655
Emerging markets	\$512,799	2.72%	\$89

Client Demand: Chutes & Ladders



- The poor face huge risk
- They seek to mitigate risk often informally
- Informal mechanisms are poor value and insecure
- Insurance is safety net
- 24% entering hospitals left below the poverty line

Framework for micro insurance

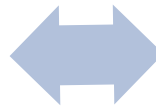
Risk Carrier

- Needs to be a legal entity able to carry the risk in line with regulations



Front Office

- Needs to be trusted (brand)
- Accessible "Point of Sale"
- Low cost way to collect and pay funds to the poor



Back Office

- Design products / processes
- Train sales staff and clients
- Collect, store, report data
- Administrate claims

Mutual Benefit Model

Risk Carrier

- Mutual Benefit Association
- All functions of a normal insurer



Front Office

- Limited to the single entity such as the MFI



Back Office

- Design products / processes
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Partner-Agent Model

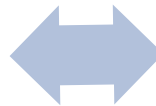
Risk Carrier

- Country Bankers Insurance Co



Front Office

- Rural Banks
- MFI's



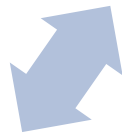
Back Office

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MicroEnsure Model - Philippines

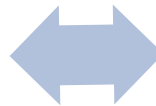
Risk Carrier

- GREPA Life Insurance Co
- Malayan General Insurance Co
- External Reinsurers



Front Office

- MFI's - TSKI, ASHI, K Bank etc
- NGO's - Habitat for Humanity
- BPO - for MBA's and mutuals



Back Office

- Design products / processes
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- Collect, store, report data
- Administrate claims

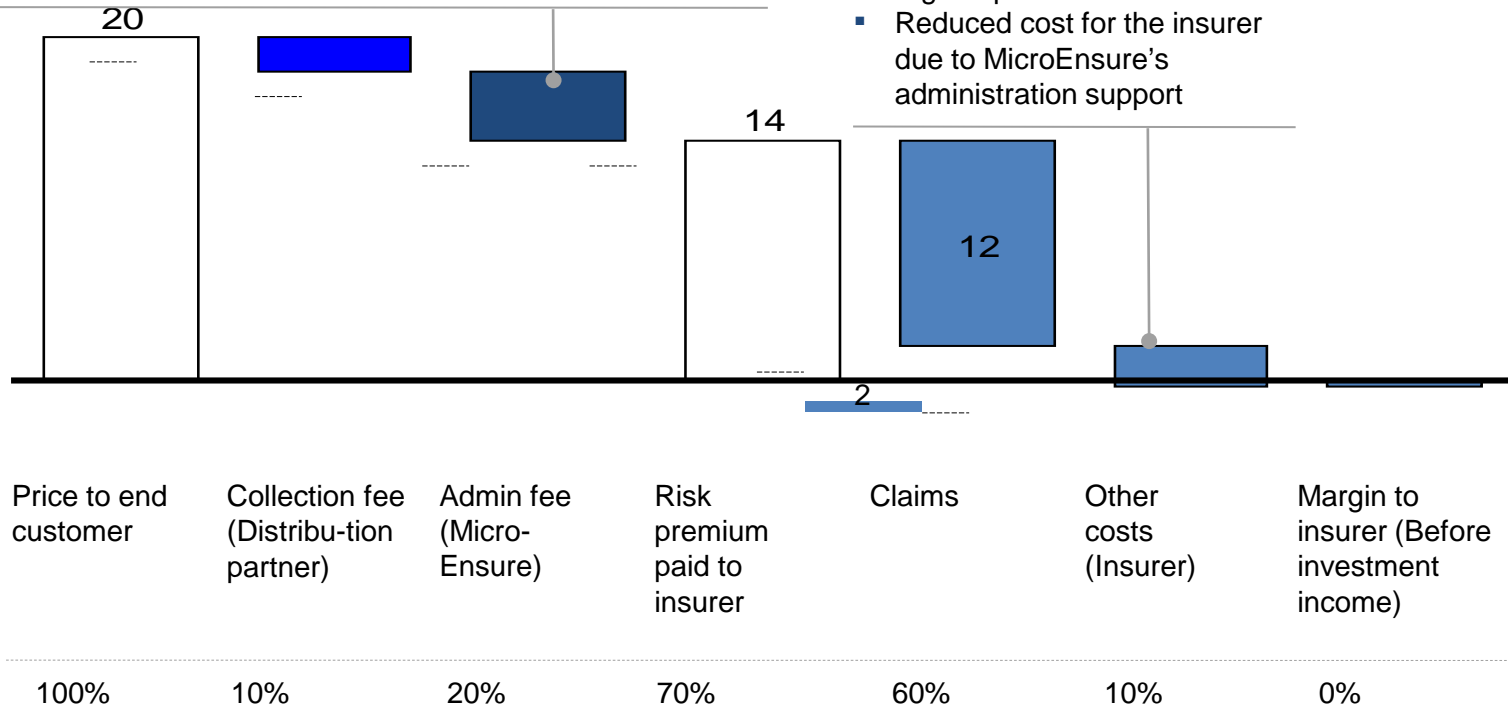
MicroEnsure Philippines

- Established in 2006 by MicroEnsure LLC
- Works with 6 MFI partners, 3 insurers
- Sells a wide range of products
- Serves over 3m people annually, 1.2m active at any point in time
- Represents largest group life account
- Sustainable business (150%+)
- 49 full time employees

Typical economics for a yearly life insurance policy from MicroEnsure for a family USD

- Services incl. product dvpt, education of front line and customers, enrollment administration, claim pre-administration

- Uses same systems as for regular policies
- Reduced cost for the insurer due to MicroEnsure's administration support



SOURCE: McKinsey Report based on interviews



Innovative insurance products

- ✓ **Group family life**
- ✓ **Todo Pamilya Sigurado**
 - Security/insurance for the entire family
- ✓ **Loan redemption**
 - fire and calamity assistance
 - unemployment insurance
 - daily hospital income benefit
- ✓ **Micro housing insurance**
 - fire, lightning, typhoon, flood, earthquake, volcanic eruption, landslide
 - evacuation assistance and family personal accident insurance
- ✓ **Protection to micro entrepreneurs and their tools of trade**
 - property insurance
 - burglary/housebreaking
 - personal accident insurance
- ✓ **Climate responsive index products**
 - weather index based crop insurance for drought/dry spell, excess rain, and typhoon wind speed

Group Life Insurance with Funeral Benefit and Personal Accident and Dismemberment

This products provides a fixed payout upon the death of the client or any in his family. The payout is normally designed to pay for the cost of a funeral and provide a sum to the bereaved family to provide for their immediate needs.

It also protects the lending institution against the inability of the borrower to repay the loan as a result of death, accident or sickness in the family.

Burial benefit is automatically assured.

Benefits and Premium

Benefits	Member	Spouse	Parents/Child/ Siblings
Life	Php40,000	Php20,000	Php10,000
Burial	Php10,000	Php10,000	Php5,000
Personal Accident	Php40,000	Php20,000	Php10,000
Burial (Accident)	Php10,000	Php10,000	Php5,000

Total Benefit for married client with 2 children:

Life with Funeral	Personal Accident with Funeral
Php110,000	Php110,000

Premium

	Premium
Annual	Php770
Monthly	Php77
Weekly	Php 20

Todo Pamilya Sigurado

- ✓ an insurance for the entire family of the cooperative members
- ✓ It provides protection to the family in the event of death of the member or any in his family, due to natural cause or accident
- ✓ Provides assistance for burial expenses

Todo Todo Pamilya Sigurado

Plan 1

	Life	Funeral	PA	Funeral
PRINCIPAL	160,000	40,000	160,000	40,000
SPOUSE	80,000	20,000	80,000	20,000
CHILD/PARENT/SIB	40,000	10,000	40,000	10,000
FAMILY (1:4)	400,000		400,000	

Plan 2

	Life	Funeral	PA	Funeral
PRINCIPAL	400,000	100,000	400,000	100,000
SPOUSE	80,000	20,000	80,000	20,000
CHILD/PARENT/SIB	40,000	10,000	40,000	10,000
FAMILY (1:4)	700,000		700,000	

Plan 3

	Life	Funeral	PA	Funeral
PRINCIPAL	800,000	200,000	800,000	200,000
SPOUSE	160,000	40,000	160,000	40,000
CHILD/PARENT/SIB	80,000	20,000	80,000	20,000
FAMILY (1:4)	1,400,000		1,400,000	

Todo Todo Pamilya Sigurado

	TOTAL BENEFIT	ANNUAL	MONTHLY	ADDITIONAL DEPENDENT
PLAN 1	Php800,000	Php2,800	Php280	Php37.5
PLAN 2	Php1,400,000	Php4,900	Php490	Php37.5
PLAN 3	Php2,800,000	Php9,800	Php980	Php75

Loan Redemption Insurance

- ✓ pays the outstanding loan of the borrower in the event of his death
- ✓ guarantees the loan amortization in the event that any member in the family
 - meets an accident or is hospitalized
 - in event of calamities such as fire, lightning, typhoon, flood, and earthquake or when the borrower and/or his spouse get unemployed.

Loan Redemption Insurance

COVERAGE		BENEFIT
FIRE ASSISTANCE		Php50,000
CALAMITY ASSISTANCE		Php50,000
DAILY HOSPITAL INCOME BENEFIT		
- covers spouse and its dependents		Php50,000
- Php500 per day or 100 days per family per year		
UNEMPLOYMENT INSURANCE		
MEMBER		Php30,000
SPOUSE		Php30,000
PREMIUM	The premium is 0.57% of the total benefit or Php5.71 per thousand per annum.	

Micro Housing (Bahay Asenso)

- ✓ is a product that secures the homes of the poor against fire, lightning, typhoon, flood, earthquake, landslide, volcanic eruption and tsunami.
- ✓ bundled with Php100, 000 personal accident cover
- ✓ provides a daily allowance in case of calamities.
- ✓ covers homes constructed of concrete, thatch, and light materials or a combination of all as it also applies to squatters.

Benefits

A. Fire & Lightning 1. Applicable to Home Owners & Home Renters	Php50, 000
B. Calamity Assistance 1. Typhoon 2. Flood 3. Earthquake 4. Volcanic Eruption 5. Landslide	Php10, 000
C. Evacuation Assistance	Php200/day Maximum of 5 days
D. Family Personal Accident Principal Insured/Spouse 50% (Php50,000) Children/Siblings 25% (Php25,000)	Php100,000 Maximum allocated limit

Annual Premium

Php500

Negosyo Asenso

- ✓ Provides protection to the business of the micro entrepreneurs
- ✓ Covers the structure, stocks of merchandise, tools of trade in event of fire, lightning, typhoon, flood, earthquake, riot, strike, malicious damage, and vehicle impact.
- ✓ Also insures against burglary for up to Php100,000
- ✓ Provides accident insurance benefits to the employee
- ✓ Can provide additional coverage to fit the needs of the business.

Negosyo Asenso

Basic Coverage	Benefits
Property Insurance -covers fire, lightning, typhoon, flood, earthquake, riots, strikes, & malicious damage	Php200,000
Burglary/Housebreaking	Php100,000
Personal Accident per Employee Accidental Death & Dismemberment Accident Medical Reimbursement	Php50,000 Php5,000
Money, Securities, & Payroll	Php50,000

Premium Php3,500/annum

Optional Covers	Benefits
Electronic Equipment Insurance	Php50,000
Fidelity Guarantee	Php25,000

Add'l Premium Php2,500/annum

- **Drought: Dry day index insurance**
 - Dry day = less than 2.55mm of rain recorded
 - Trigger 1 = 18 consecutive “dry days”
 - Trigger 2 = less than required rainfall over 21 day block of days
- **Excess rain: index insurance**
 - Rainfall over 3 days is cumulative
 - If rain over any 3 day block exceeds optimal amount payment triggered
- **Typhoon: wind speed index insurance**
 - Farmers location fixed with GPS
 - Payout triggered by wind speed and distance of storm from farmer

Conclusions

- Intermediaries have a role to play in providing insurance to the poor
- By aggregating numerous accounts scale can be used to negotiate better products from insurers
- Intermediaries bring imagination - look at the range of products
- We charge a commission to cover costs but this is good value
 - Its cheaper than a consultants fee to the MFI
 - We are specialists in this area so do the work at a lower cost than the insurer
 - Net result; cost of intermediary not passed on by insurer
- **New regulations in Philippines open areas of possibility**
 - Interested in working with existing MBA's to provide Back Office Processing
 - Link MBA's into formalized risk carriers
- **Future horizon? Interested in a simple health product that fits alongside PhilHealth**

THANK YOU



MICROENSURE PHILIPPINES

Website: www.microensure.com
Email: william.martirez@microensure.com
Phone: (033) 329 0729; (033) 320 0387
(02) 893 9752