

FUNDAÇÃO GETÚLIO VARGAS
ESCOLA DE ADMINISTRAÇÃO DE EMPRESAS DE SÃO PAULO

RODOLFO LORENZO PABLO MADRID

INNOVATIONS IN MICROINSURANCE:
Evidence from the Philippines

SÃO PAULO
2014

FUNDAÇÃO GETÚLIO VARGAS
ESCOLA DE ADMINISTRAÇÃO DE EMPRESAS DE SÃO PAULO

RODOLFO LORENZO PABLO MADRID

INNOVATIONS IN MICROINSURANCE:
Evidence from the Philippines

Dissertação apresentada à Escola de Administração de Empresas de São Paulo da Fundação Getúlio Vargas, como requisito para obtenção do título de Mestre Profissional em Gestão Internacional.

Campo do Conhecimento:
Gestão e Competitividade em Empresas Globais

Orientador Prof. Dr. Lauro Emilio Gonzalez

SÃO PAULO
2014

Madrid, Rodolfo Lorenzo Pablo.

Innovations in Microinsurance: Evidence from the Philippines /
Rodolfo Lorenzo Pablo Madrid. - 2014. 63f.

Orientador: Lauro Emilio Gonzalez
Dissertação (MPGI) - Escola de Administração de Empresas de
São Paulo.

1. Microfinanças. 2. Microseguro - Filipinas. 3. Seguros -
Filipinas. I. Lauro Emilio Gonzalez. II. Dissertação (MPGI) - Escola
de Administração de Empresas de São Paulo. III. Título.

CDU 336.77(1-925.91)

RODOLFO LORENZO PABLO MADRID

INNOVATIONS IN MICROINSURANCE:
Evidence from the Philippines

Dissertação apresentada à Escola de Administração de Empresas de São Paulo da Fundação Getúlio Vargas, como requisito para obtenção do título de Mestre Profissional em Gestão Internacional.

Campo do Conhecimento:
Gestão e Competitividade em Empresas Globais

Data de Aprovação:
22/02/2014.

Banca Examinadora:

Prof. Dr. Lauro Emilio Gonzalez
(ORIENTADOR)

Prof. Dr. Eduardo Henrique Diniz

Prof. Dr. Tania Pereira Christopoulos

Acknowledgement

First of all, I would like to thank the Good Lord and Mother Mary for blessing me all throughout my thesis. Because of their grace and enlightenment, I have been able to finish my thesis.

I would also like to express my sincere gratitude to my thesis professor, Dr. Lauro Emilio Gonzalez of FGV-EAESP (São Paulo, Brasil), for giving me the opportunity to be under his supervision and guiding me throughout this research. He taught me the methodology to carry out this research and present the research work as clearly as possible.

I am also grateful to Profs. Tania Pereira Christopoulos and Eduardo Henrique Diniz for approving my research and appreciating my work. Their feedback was very much appreciated and helpful in improving and revising my research work.

I wouldn't have been able to do this thesis if it weren't for Mr. William Martirez, Country Manager of MicroEnsure Philippines. He and his staff welcomed me without any hesitation into knowing more about MicroEnsure Philippines. I have learned so much about microinsurance thanks to them!

Finally, I am extremely thankful to my parents and family who have supported me in my aspiration to achieve a master's degree. I wouldn't have been able to accomplish my masters if it weren't for their love, prayers and understanding.

ABSTRACT

The popularity and interest in microinsurance especially in developing countries have been increasing in recent years. Part of the success has been due to the innovations developed mainly for the microinsurance industry, which is quite different from traditional insurance. Nonetheless, there is limited information about the real impact of these innovations in terms of increasing the demand for microinsurance is concerned. This study investigates which innovations have indeed helped increase the demand for microinsurance. A qualitative case study method is applied on MicroEnsure Philippines, one of the most successful microinsurance firms in the country. The results show that innovations need to be implemented in various aspects of a microinsurance firm for them to be an effective means of increasing demand for microinsurance. The findings may support microinsurance managers and policy makers in taking steps to creating beneficial microinsurance innovations across the Philippines.

Keywords: microinsurance innovation, multi-level framework, MicroEnsure Philippines, increasing demand, microfinance

RESUMO

A popularidade e o interesse em microsseguro, especialmente nos países em desenvolvimento, tem aumentado nos últimos anos. Parte do sucesso se deve às inovações desenvolvidas principalmente para a indústria de microsseguros, que é bastante diferente do seguro tradicional. No entanto, há pouca informação sobre o impacto real dessas inovações em termos de aumento da demanda por microsseguro. Este estudo investiga quais as inovações de fato ajudaram a aumentar a demanda de microsseguros. Um método de estudo de caso qualitativo é aplicado sobre a MicroEnsure Filipinas, uma das empresas de microsseguro de maior sucesso no país. Os resultados mostram que as inovações precisam ser implementadas em vários aspectos de uma empresa de microsseguros para que elas sejam um meio eficaz de aumentar a demanda por microsseguro. As descobertas podem apoiar os gestores de microsseguros e formuladores de políticas na tomada de medidas para a criação de inovações de microsseguros benéficas em toda a Filipinas.

Palavras-chave: inovação em microsseguros, framework multinível, MicroEnsure Filipinas, demanda crescente, microfinanças

Table of Contents

List of tables, figures and appendixes	8
I. Introduction.....	9
II. Literature Review.....	14
III. Conceptual Framework.....	22
IV. Case Study: MicroEnsure Philippines.....	26
4.1 Innovative Product Design Process.....	31
4.2 Innovative MicroEnsure Philippines Products.....	33
4.3 Innovative MicroEnsure Philippines Claims Process.....	38
V. Methodology.....	40
VI. Analysis and Discussion of Results.....	42
6.1 Interpretative Frames.....	43
6.2 Negotiation Process.....	46
6.3 Methodology-in-practice.....	50
VII. Conclusion.....	55
Appendix.....	59
Bibliography.....	62

List of Tables

Table 1: Types of Intermediary models.....	28
Table 2: Triple 10.....	33
Table 3: Triple 10 Costs and Benefits.....	34
Table 4: HospiCASH.....	35
Table 5: HospiCASH Costs and Benefits.....	36
Table 6: Weather Index Based Agricultural Insurance.....	37
Table 7: Needed Documents for Claims Process.....	38
Table 8: Key-success-factors of microinsurance innovations.....	44
Table 9: Challenges for the creation of microinsurance innovations.....	46
Table 10: Consequences of having innovations in MEP.....	50

List of Figures

Figure 1: The structure and environment of microinsurance.....	14
Figure 2: Multi-level framework guiding the study.....	24
Figure 3: Product Design Process.....	31

List of Appendices

Appendix 1: Sample MEP flier.....	59
Appendix 2: Number of Clients.....	60
Appendix 3: Number of Payouts.....	60
Appendix 4: Triple 10 Contract.....	61

INTRODUCTION

When talking about financial services for the poor (microfinance), the first idea that comes to mind would be microcredit. The practice of microcredit is indeed becoming common in developing countries. Nonetheless, microinsurance, which has the potential to significantly aid millions of poor people, has been receiving quite a lot of attention in the past few years.

According to Dror and Jacquier (2001), “micro” refers to the level of society where the interaction is located. These pertain to interactions smaller than national schemes. On the other hand, “insurance” refers to the economic instrument (Dror & Jacquier, 2001, p. 8). Basically, microinsurance is a “provision of insurance services to low income people” (Liber, McCord & Roth, 2007, p. 1).

According to Vidal & Gonzalez (2012), the concept of microinsurance came out with a single purpose, “to reduce risks that poor people have to face on a daily basis” (Vidal & Gonzalez, 2012, p. 37). At the same time, Liber et al. (2007) offer a simple explanation why microinsurance is beneficial and essential for low-income people.

Because their resources are so limited, poor people can experience great financial disruption when unexpected events befall them. If a breadwinner is injured or falls ill, there is not only the loss of income and labor, but the prospect that without cash in advance, there will be no treatment at all. If a breadwinner dies, not only must funeral expenses be paid, but continued cash for basic needs and education of the family is required. A poor person’s property may be limited to a few animals or crops and a modest shelter, but the destruction of any of these may be a great blow to the family’s economy. Even small sums insured can ensure some protection and peace of mind (and dignity) for a poor person. (p. i)

Microinsurance serves as a financial support for poor people in times of need. Rather than risk being further engulfed in the vicious cycle of poverty when unexpected events occur, microinsurance allows them to overcome these challenges for them to carry on with their lives.

Several commentaries have been made with regard to the similarities and differences of microinsurance to other similar concepts like credit facility/savings account, private insurance, social security and low-cost health insurance.

The main difference between microinsurance and credit facility/savings account is that “savings are intertemporal trade (of current consumption for future consumption) whereas insurance is a trade across states of nature, from a good state of nature to a bad one” (Besley, 1995). This is the reason why microinsurance should be characterized as *insurance* and not be confused with a credit facility/savings account.

At the same time, microinsurance is different from private insurance because private insurance packages may change, depending mostly on the amount of accumulated reserves, and the community-specific perception of priority risks/benefits (Dror et al., 2001, p. 11). In other words, microinsurance schemes do not modify the benefit package to improve profit (or increase market share). Moreover, according to Dror et al. (2009), microinsurance is low-cost insurance based on a community or cooperative model, which makes it distinct from conventional insurance. Contrary to commercial insurers, “affiliation with a microinsurance scheme is voluntary but is often open only to people who are linked with the group in other ways” (Dror et al., 2009, p. 1789). The current policyholders of microinsurance schemes already know the people who join the group. They are most often not strangers to each other.

As for social security, they are not considered insurance because they are “schemes usually funded from taxes rather than premiums from policy holders” (Liber et al., 2007, p. 1).

This being the case, microinsurance is indeed a new concept, which can provide financial protection for poor households.

The goal of the study is to determine what innovations have led to the increase demand for microinsurance. This pertains to how these new and unique innovations have been able to help increase the demand for microinsurance. According to Rogers (1998), innovation is described as “the process of introducing new ideas to the firm which result in increased firm performance... (it) covers an extremely broad range of activities which varies

between firms.” This “increased firm performance” can be translated to the increase demand for microinsurance with regard to microinsurance innovations. On the other hand, the “increase demand” refers to more people buying microinsurance products.

To be able to achieve this goal, the qualitative method seems more appropriate because the aim of this paper is to further understand the microinsurance innovations, which have led and attracted more people to purchase microinsurance products. The purpose is to ascertain the point of view, the perception of a significant microinsurance firm in the Philippines.

There are several benefits of looking into microinsurance innovations. For instance, microinsurance products bridge insurers and policyholders such that products offered in microinsurance are crucial to a sustainable microinsurance market. Without offering innovative products, microinsurance would be unsuccessful. Offering the proper products with affordable premiums according to the need of the potential policyholders will surely help increase the demand for microinsurance. Thus, besides being well administered, microinsurance has to be cost-efficient and delivered on a large scale if it is to benefit the poor, and those who provide it (Liber et al., 2007, p. i).

Interest on this research area stems from the fact that the study would help determine if these microinsurance innovations really do work as far as helping to increase the demand for microinsurance is concerned.

Moreover, several studies have already been written about microinsurance innovations from what kind of products should be offered to the low-income market to how the business model of microinsurance organizations should be (Dror & Jacquier, 2001; Mosley, 2009; Young, 2006). For instance, Dror & Jacquier believe that microinsurance allows the excluded populations – those who are not covered by existing health insurance schemes – to have access to health insurance (Dror & Jacquier, 2001, p. 8). On the other hand, Young explain the Preliminary Impact Casual Model of Insurance developed by the IRIS/Microfinance Opportunities team. It basically illustrated the causal flows that lead from the use of microinsurance to its impact on the individual/household and a person’s enterprise (Young, 2006, p. 4)

Nonetheless, not much has been written on how these innovations have been instrumental in increasing and growing the microinsurance market. Thus, this research studies the relationship of microinsurance innovations and the effect it has on increasing the demand for microinsurance.

Consequently, a recent constructivist framework proposed by Pozzebon, Diniz and Jayo (2008) is the conceptual framework adopted for this study. This framework is useful and applicable when doing empirical investigations within the community of societal levels of analysis. It has also been increasingly adopted by microfinance research through the years (Pozzebon, Lavoie, & Gonzalez, 2010, p. 59). A structured questionnaire was used during the interviews. This was in order to capture the insights of the various relevant social groups about the effect of microinsurance innovations to the demand for it.

The interpretation of the collected data in case-study methodologies plays a significant role in data analysis. It is a critical and major step of the research because it is where the theoretical framework is connected with, in this case, the results of the interviews (Polonsky & Waller, 2005). Therefore, the results of the interviews were classified based on the framework used for this study.

To be able to have a thorough understanding of the study, the paper is divided in to several parts.

Part II contains the literature review about microinsurance innovations. It first looks into the source of demand for microinsurance. It then focuses on microinsurance products where the most number of innovations has happened. The discussion ranges from the challenges of designing microinsurance products to how knowing ones client has led to effective innovations. Two successful microinsurance products are also mentioned. At the same time, the literature review also includes information on microinsurance in the Philippines.

Part III is about the conceptual framework used in this thesis. As aforementioned, it focuses on the Constructivist framework, which articulates that any social research is a process and inherently multilevel.

Part IV introduces the microinsurance organization to be focused on, MicroEnsure Philippines (MEP). There is a brief introduction on the organization's history and philosophy. Several MicroEnsure innovations are also mentioned like its unique business model and products some of which are the first in the country.

Part V focuses on the methodology used in this paper. It explains why the qualitative case study method was chosen for this study.

Part VI the analysis and discussion of results based on the interviews conducted during the study. The explanation follows the framework from the Interpretative Frame, to the Negotiation Process and ends with Methodology-in-practice.

In the end, several recommendations are given for more innovations to perpetuate the industry, which can consequently increase the demand for microinsurance.

Literature Review

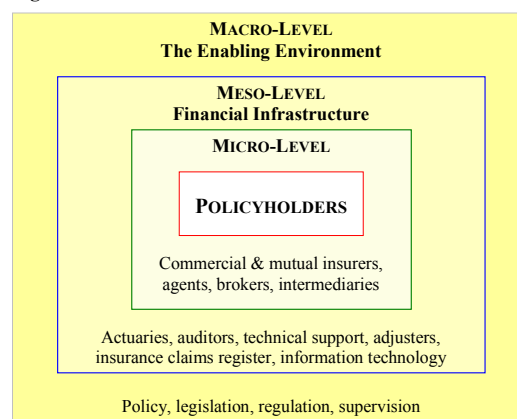
Microinsurance is indeed a relatively new phenomenon. Nonetheless, its beginning can be traced back to almost a century.

According to Liber et al. (2007), the microinsurance of today has a lot to do with the industrial insurance offered at the factory gates on paydays in the early 1900s. In fact, “Industrial insurance was the forerunner of the partnership model that is a feature of today’s commercial microinsurance” (Liber et al, 2007, p. 2). The collection of premiums at factory gates before is now the group policies, which have significantly enhanced the cost-effectiveness of coverage. Group policies have found new delivery channels to reach workers in the informal economy.

This began in the 1990s and continued to the early 2000s when microfinance institutions (MFIs) identified insurable needs among their low-income clients (Liber et al, 2007, p. 2). To find a cost-effective, low risk way to enter the market, MFIs partnered with commercial insurers to act as intermediary agents to allow their clients efficient access to insurance products. This partner-agent model has now become a standard practice by insurers today.

According to Moura (2010), a key characteristic of microinsurance is that it’s a “client-centered product” designed specifically for the low-income market (Moura, 2010, p. 1). Liber et al. (2007) supports this key characteristic as well by saying that at the center of the structure and environment of microinsurance is the policyholder as can be seen in Figure 1:

Figure 1: The structure and environment of microinsurance



Micro-level

This is the very center of the microinsurance system with the policyholder and the microinsurer. The microinsurer can be a single institution or separate organizations. For instance, one institution carries the risk, while the other distributes and another carries out the claims administration.

Meso-level

This level pertains to the “financial infrastructure needed to facilitate the functioning of micro-level activities” (Moura, 2010, p. 3). This involves actuaries who assist the insurer to understand the risks involved with regard to a product and setting the appropriate premiums. Market information gathering is also a key component of this level. It enables insurers to offer the appropriate product/s to the target market.

Macro-level

This level involves the state where insurers operate. Rules and regulations for the insurance industry are created for all insurers to follow. Governments supervise, regulate and enforce these rules and regulations to protect the policyholders.

There is no doubt that there is demand for microinsurance within the low-income market. In fact, according to Cohen and Sebstad (2005), “the demand for microinsurance is high” (Cohen & Sebstad, 2005, p. 402-403). This was also opined by Moura (2010) by saying that “there is significant demand for a range of insurance products, from health and life to agricultural and property insurance. Microinsurance currently covers approximately 135 million people - or around 5 percent of the potential market. In many countries, annual growth rates are 10 percent or higher” (Cohen & Sebstad, 2005, p. 3).

In a recent study done by Accenture, it cites three main trends, which will increase the microinsurance opportunity.

First, the growth of the low-income stratum above the poorest represents a market of roughly 2.3 billion people needing to protect their income and assets. **Second**, a growing convergence of the private, public and social sectors is creating a fertile environment for the provision and distribution of microninsurance, as state and non-governmental agencies seek to collaborate

with private sector organizations to develop insurance solutions for the previously uninsurable.

Finally, the increasingly favorable conditions described above coincide with insurers' exploration of emerging markets as they face a difficult growth environment at home. (O'Donnell, 2012, p. 1)

Nonetheless, the challenge is to be able to respond to this need with flexible and appropriate products and services (Cohen & Sebstad, 2005, p. 402-403). For instance, according to Levin and Reinhard (2007), “although demand for microinsurance solutions for small farmers in developing countries is great, the supply side faces several constraints and challenges which prevent the private sector from becoming involved in these solutions on the large scale” (Levin & Reinhard, 2007, p. 2).

One of the challenges being faced is the lack of innovative microinsurance products for small farmers. This is due to the degree of difficulty in designing such products and the cost developing such a product entails. There is also the cost of administration and claims settlement, which increases the price and makes it eventually unaffordable for low-income farmers. This has led models to have “unaffordable premiums or focus on the national level causing difficulties in measuring the benefits on the ground” (Levin & Reinhard, 2007, p. 3).

Nonetheless, the challenges faced in the microinsurance industry does not stem from the supply side only. The demand side from possible target markets also encounters challenges. One major challenge is about microinsurance or the general microfinance awareness. Most low-income households in the Philippines are unaware of the existence of microinsurance because of their lack of financial literacy. Moreover, low-income households have strong misconceptions about the insurance products. For instance, they think that insurance is for the rich only due to the high premiums of traditional insurance products. These challenges led to a lack of demand for microinsurance products, which has affected the growth of the industry.

Thus, there is a need “to bring supply and demand into line in a way that serves the interests of both the service provider and the poor” (Cohen & Sebstad, 2005, p. 405). This demand of the poor include better-quality products which pay claims quickly to overcome their apprehension about paying up front for an intangible future benefit (Moura, 2009, p. 6). To be able to answer to this

demand accordingly, “it is important to design products with a full picture of how the products will fit into clients’ lives (and possibly affect non-clients too)” (Murdoch, 2004, p. 16).

Eventually, understanding client demand leads to effective product design (Leftley & Mapfumo, n.d., p. 2). One crucial aspect of product design is the pricing of microinsurance products. According Wipf and Garand (2006), “many MI programs underestimate the technical rigor that is required to price products correctly” in the beginning stages. In fact, many institutions offering microinsurance simply duplicate products and rates from the commercial insurance market or from other MI programs without realizing or considering the underlying assumptions and basis of those rates (Wipf & Garand, 2006, p. 1).

The fact is, pricing policies especially for microinsurance is a complex task. There is the lack of statistics to price these products correctly. “Microinsurance clients have unstable incomes and are very price-sensitive” (Moura, 2009, p. 3). Thus, pricing microinsurance products is indeed quite technical and requires assistance from an actuary (Wipf & Garand, 2006, p. 35).

The problem is, “insufficient data are available on the potential participants in microinsurance to calculate their expected claims, their willingness to pay, and their preferred modes of payment” (Moura, 2009, p. 3). Thus, accurate microinsurance pricing begins with a quality database (Wipf & Garand, 2006, p. 35). Inputs from the actuary are necessary to be able to ensure that the correct data captured are relevant for pricing purposes.

Besides pricing policies, offering the appropriate microinsurance products and services to poor households is an enormous challenge. In the paper Reducing Vulnerability by Cohen and Sebstad (2005), they listed several recommendations for product design (Cohen & Sebstad, 2005, p. 462).

- * *Separate out the different risk elements of health or life/funeral/loan insurance.*
- * *Provide differentiated products able to meet different needs.*
- * *Time premium payments to match income flows.*
- * *Match household financial flows to payment cycles.*
- * *Assess the range of formal and informal insurance options until a better understanding of effective demand is gained.*
- * *De-link microcredit and microinsurance.*
- * *Focus on protective mechanisms for property loss rather than ex-post insurance.*

** Learn from the advantages and disadvantages of reciprocity and social obligation in informal group-based mechanisms.*

Cohen and Sebstad list 8 recommendations for product design as aforementioned. The first two points are related to each other emphasizing the importance of differentiation when it comes to product design. Each kind of insurance is a response to various risks. Thus, products should also be different from each other to be an appropriate response to the various risks. The third and fourth points are also connected to each other such that it focuses on the need of premium payments to be in line with the income cycle of the target market. Doing this allows microinsurance products to be affordable because it is not only cheaper than conventional insurance but it also considers the cash flow of low-income households. The fifth point emphasizes the need of microinsurance product designers to understand the market well to be able to offer the appropriate insurance. The sixth point pertains to the need of separating microcredit and microinsurance from each other. They should be treated differently especially in terms of product design. The seventh point recommends designing microinsurance products, which would prevent property loss rather than covering for the loss after an event/incident has occurred. In other words, microinsurance products should incentivize people to protect their respective properties rather than rely on the insurance for protection. Finally, the eighth point recognizes the benefits of looking into the informal community based insurance, which has existed in low-income communities even before the concept of microinsurance. There is much to learn from this informal system since it has already been tried and tested. Creating a microinsurance product in line with this informal system will increase the probability of the product being successful in terms of increasing the demand for microinsurance.

Based on these recommendations, it can be observed that understanding the needs/demands and income cash flow play a crucial role in creating an innovative microinsurance product and service, which can respond to the demand for microinsurance. Arriving at the appropriate design requires understanding both the demand for and supply of microinsurance – formal and informal (Cohen & Sebstad, 2005, p. 462).

An example of a successful innovative product is that of insuring rainfall. Before, insuring farmers against generic crop losses turns out to be full of difficulties due to high transactions costs, moral hazard, and adverse selection (Morduch, 2004, p. 12). Rather than insure against bad crop yields, policymakers have instead created insuring against bad weather directly.

There are several advantages of rainfall insurance. First, it is open to the local cobbler or tailor as well and not just limited to farmers as clients. Secondly, it is also easier to administer which makes the disbursal of funds more efficient from the time the drought is experienced. Thirdly, since the typical microinsurance client commanded rainfall, client behavior and characteristics have no bearing on the probability of adverse events. Thus, the insurer's problem is "simplified to setting prices appropriate for the specified weather patterns" (Morduch, 2004, p. 12).

Another innovative microinsurance product design is selling microinsurance over the phone (Bibby, 2012). Kenya's cooperative insurer Cooperative Insurance Company (CIC), introduced the facility to use mobile phone technology in this way at the end of 2010. According to its Managing Director Nelson Kuria, they knew that the income of the poor generally fluctuates a great deal. Thus, one of the reasons for the cooperative's success was its willingness to adjust to the environment of their potential low-income clients with the use of mobile technology.

In other words, for microinsurance to succeed in Africa, "products and services need to respond to the needs of poor people. They must be appropriate in terms of coverage, timeliness, accessibility and affordability" (Cohen & Sebstad, 2005, p. 397).

As for the Philippines, there is an inadequacy of information and data problems, which make it challenging to give a thorough overview of microinsurance in the country. According to Llanto (2007) who has written about microinsurance in the Philippines, limited data survey has shown that Philippine microfinance institutions trying to develop microinsurance schemes "have basic understanding of customer needs and preferences, and they develop

appropriate delivery mechanisms to reach their target clientele” (Llanto, 2007, p. 70). The challenge is ensuring the sustainability of these services because it is unknown whether they have appropriate risk management techniques or not.

The fact is, microinsurance has a large target clientele in the Philippines coming from the informal sector, which comprises roughly half to three-fourths of the Philippine economy’s labor force. Thus, with a very large informal sector, there is indeed a need for responsive social protection for the various microentrepreneurs and wage earners in the country. Unfortunately, the Philippine government cannot provide the social protection needed by poor households due to the huge fiscal deficit, which has forced the reduction of public expenditures for social services.

Due to this, there is indeed a need for microinsurance in the country. Nonetheless, just like in other parts of the world, the challenge is to develop appropriate products and delivery mechanisms to overcome the problems of adverse selection and moral hazard.

In their study of microinsurance as a social risk management instrument, Siegel, Alwang and Canagarajah (2001), offer conditions for the success of microinsurance based on the limited empirical evidence they have gathered.

1. Simple insurance instruments
 - ◆ Can be assured through contract standardization
 - ◆ Lower premiums increase participation but transactions costs discourage it
2. Low transactions cost
 - ◆ Cost-minimizing monitoring systems
 - ◆ Efficient incentive schemes
3. Affordability
 - ◆ Transparent benefits/payments
 - ◆ Flexible payment schedules improve participation
4. Location
 - ◆ Microinsurance provider located close to the client base to obtain information, build confidence, and be receptive to participant needs.
5. Financial literacy
 - ◆ Can be facilitated through group involvement in management decisions
6. Role of government
 - ◆ Provide information
 - ◆ Provide appropriate regulatory framework for insurance and reinsurance
 - ◆ Promote financial literacy through education
 - ◆ Provide political, technical, and financial support for microinsurance

Source: Siegel et al. (2001).

Offering simple microinsurance products are necessary for the success of the industry. Members of the low-income household who are not highly educated should easily understand the microinsurance products being offered to them. In relation to this, there is a need to educate low-income households about the need and value of being insured. Thus, financial literacy is necessary to help convince low-income household to purchase microinsurance products.

The price/premiums of microinsurance products is also an important point to consider. Certainly, microinsurance products need to be affordable. This affordability not only pertains to the price but should also consider the flow of income of these households. There should be flexibility when it comes to the payment terms.

At the same time, to be able to offer affordable microinsurance products, transaction costs should be kept at a minimum. This can be achieved with the use of technological advancements and having efficient processes with the help of incentive schemes.

Location also plays a crucial role in the success of microinsurance. Microinsurance products should be accessible to low-income households for them, not only to buy the product, but also be able to know more information and seek advice easily from microinsurance firms without the feeling of apprehension.

Finally, microinsurance would not be successful if there is no support from the government. It is the government, which regulates microinsurance firms. Thus, the regulatory framework should be conducive and supportive to the needs of the industry for it to flourish and be successful.

Based on these conditions, it can be observed that the success of microinsurance does not only depend on the microinsurance institution and the insured; rather, its success also involves the macroeconomic environment through which the active participation and support of the government is indispensable.

CONCEPTUAL FRAMEWORK

The conceptual framework used in this study is based on a constructivist framework proposed by Pozzebon et al. (2008). It is “particularly useful for research involving complex and multilevel interactions (i.e., interactions involving individuals, groups, organizations and networks at the community, regional or societal levels)” (Pozzebon et al., 2008, p. 18). It is a framework, which states that any social research is inherently multilevel and process based (Pozzebon et al., 2010). At the same time, the framework is based on two theoretical perspectives: the social shaping of technology (SST) and the structurationist view of technology.

According to Lievrouw & Livingstone (2002), the social shaping of technology (SST) emphasizes the importance of human choices and action in technological change. These changes in technology can be analyzed socially, and pertains to technology as not an independent force with its own inevitable logic and motives (Lievrouw & Livingstone, 2002, p. 185). Moreover, SST is aimed to “formulate policies to guide technology so that its benefits are more ‘human-centered,’ usable, equitable, appropriate, and responsive to everyday culture and practice” (Williams & Edge, 1996, p. 185).

Three SST concepts are integrated to the framework of this study: (1) relevant social groups, (2) interpretive frames and (3) technology implementation as a negotiation process.

Relevant social groups, the first concept, refers to “a group of individuals pertaining to a common functional, geographical or virtual space who share a number of values and positions on a particular subject of interest” (Pozzebon et al., 2010, p. 59). Interactions within these groups lead to the creation of social spaces and play a crucial role. In this paper, the relevant social groups involved are those related to the creation and use of microinsurance innovations under investigation, including managers, sales agents of microinsurance and their clients as well.

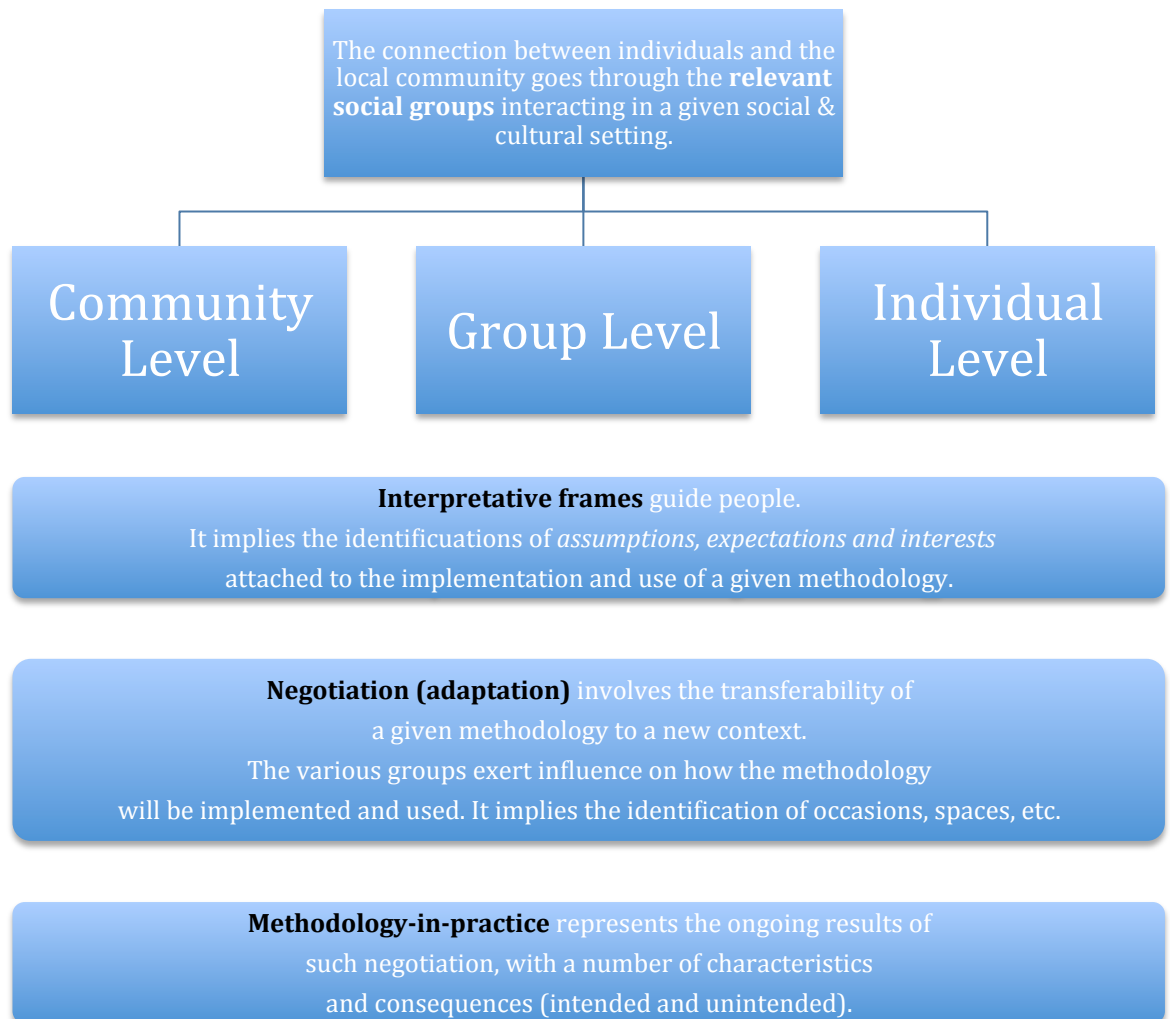
The second concept – **interpretive frames** – corresponds to interests, expectations and assumptions individuals might have as far as the creation and implementation of microinsurance products are concerned. It believes that relevant social groups are likely to share a set of assumptions, values, positions, beliefs or objectives (Pozzebon et al., 2010). At the same time, in this study, it refers to the application, replication, and adaptation of a particular methodology as far as microinsurance innovations are concerned. People involved in the creation and use of microinsurance innovations are likely to share similar expectations.

The third concept – **negotiation process** – refers to the process of adapting, transferring or replicating a given process. Different groups will bring various interests, stakes and visions to the negotiation process (Clausen & Koch, 1999). Various groups have an influence in dealing with microinsurance innovations.

As for the **structurationist view of technology**, it is based on a *duality of structure* according to Jackson, Poole and Kuhn (2002). This means that human actions simultaneously create structures of social systems & are shaped by such structures. It “emphasizes the interaction of technology and organization in creating these systems” (Jackson, Poole & Kuhn, 2002, p. 238).

The most influential researcher employing this theory is Orlikowski (Pozzebon et al., 2010). He developed an influential concept, which addresses the “role of emergence and improvisation in technology-related implementations, called *technology-in-use* or *technology-in-practice*” (Pozzebon et al., 2010, p. 61). This concept has been adapted in this study to formulate the concept of *methodology-in-practice*.

Figure 2: Multi-level framework guiding the study



Source: Lavoie, Pozzebon & Gonzalez, 2010, p. 60

The concept of **methodology-in-practice** concerns the potential consequences (indirect or direct) of the implementation of microinsurance services, as well as the potential tools that could be part of its development. It refers to the consequences of the implementation or results of the process of redefining and adapting a methodology to a new context (Pozzebon et al., 2010).

The framework used in this study is illustrated through Figure 2. It is from the paper entitled Challenges for Inclusive Finance Expansion: the Case of Crediamigo, a Brazilian MFI by Lavoie, Pozzebon and Gonzalez. It explains how such a framework becomes useful and helpful when trying to understand a certain community or organization.

The framework is taken as an integrated conceptual model. The various components are connected to each other but not in a sequential order. The concept of *relevant social groups* represents group level and bridges the gap between macro and micro levels (eg. Individuals and their communities). The components influence each other towards a better understanding of the interactions within a certain community.

The conceptual framework used in this study is “multi-level” because of the interlinked levels of analysis (individual, group, and local community). Moreover, there is a crossover of interactions between the macro- and micro-levels. The initiation of changes can either begin at the community/ societal level, or from the individual/group level (Pozzebon et al., 2010).

CASE STUDY: MicroEnsure Philippines

“Microfinance institutions (MFIs) are no longer satisfied with just life insurance. They want more innovative products immediately, specifically for the MFIs target market. It takes time for these products to be developed and cannot just be taken off the shelf. “

– William Martirez, MicroEnsure Philippines Country Manager

MicroEnsure Philippines (MEP) began its operations in Ilo-ilo in 2007. It is part of the MicroEnsure group, which started in the UK by Richard Leftley. Being globally present, MicroEnsure is indeed the world’s first and largest organization whose focus is to address the poor’s need to mitigate risk being present in 13 countries.

Ilo-ilo, a city one hour away by plane from the capital Manila, hometown of William Martirez, country manager and concurrently president of MEP, is where the head office of MEP is located due to its being centrally located in the Philippines. He also believed that people who hail from the central and southern parts of the Philippines are more open to the idea of microinsurance than those from the north.

What is MicroEnsure (ME)?

MicroEnsure is an “insurance intermediary dedicated to serving the poor throughout the developing world” (Martirez, 2013). It serves as an insurance broker and not a complete insurance company. It currently operates in 13 countries serving millions of people and helping the poor weather life’s storms. It offers affordable and innovative microinsurance products, which cover life, personal accident, health, disability, calamity, property, disability and weather index insurances.

ME’s mission is to empower the poor by insuring them against financial risks and its consequence. Offering the materially poor affordable insurance provides them a safety net to reduce economic setbacks. They can avoid being pushed back to poverty by having microinsurance, which serves as financial protection.

Due to its success, ME has won numerous awards including the Financial Times/IFC Sustainable Finance Award in 2009 and 2011, has been named as one of Africa's 20 Most Innovative Companies in 2011, and Ghana's Most Innovative Mobile Product of the Year 2012.

MicroEnsure in the Philippines

MEP started with just 14 pioneer employees. Today, after six years of operations, it has grown to 68 employees. Its number of clients has ballooned to over 1,149,633 as of the year 2012 from just 53,976 in its first year of operations (*see Appendix 2*). It has already issued more than nine million policies since 2007. As of December 2012, it has around 535,700 active policies and a little over 1.7 million lives insured. Approximately US\$137 million of claims have been paid since 2007, which represents around 18,000 claims. This impressive growth has earned MEP the title of being one of the most successful microinsurance providers in the country.

Due to Super-typhoon Haiyan, which devastated the central Philippines last November 2013, the expected payout just for the victims affected by the super-typhoon is expected to be around US\$100 million from the 50,000 claims. Nonetheless, due to MEP's unique business model, the company is confident of being able to pay all the claims.

The Business Model

MEP advocates a unique business model. Aside from being a mere licensed broker, it emphasizes the uniqueness of an intermediary model that adheres to its definition of microinsurance: providing the poor access to a basket of insurance, support and services in pursuit of poverty reduction. There are several kinds of intermediary models as far as microinsurance is concerned.

Table 1: Types of Intermediary Models

Brokerage Model	Partner-Agent Model	Mutual Benefit Associations (MBAs)
<p>1. Focus is on microinsurance</p> <p>2. Acts on behalf of the clients in the purchase of insurance products</p> <p>3. Spreads its risks well</p> <p>4. The MFI does not need to get a license as a Microinsurance agent</p> <p>5. Not limited to one insurance partner; brokers negotiate with insurance companies on behalf of the clients to have a better product package and keep premiums to a minimum</p> <p>4. Provides claims servicing</p> <p>5. Value added services: include client education, staff and client training, automated reports thru sophisticated MIS</p> <p>6. Provides an enrolment to process claims.</p>	<p>1. Microinsurance is part of the core business</p> <p>2. The MFI acts as agent, marketing and selling the product to its existing clientele through a distribution network it has already established for its other financial service</p> <p>3. Insurance provider acts as the partner, providing actuarial, financial, and claims processing expertise, and the capital required for the initial investments and reserves.</p> <p>4. Still explores processes and systems for the micro insurance market</p>	<p>1. MBAs are only allowed to provide insurance coverage to their members and their immediate family members.</p> <p>2. There is a guarantee fund requirement for MBA's wholly engaged in micro-insurance. The fund shall be fully funded by the members.</p>

* Source: Martirez, W. *MicroEnsure Philippines* [PowerPoint presentation]

Focusing on MEP's intermediary advocacy, part of its task is to "serve as a bridge between clients and insurance companies. It facilitates the provision of microinsurance products and services to clients through effective information dissemination, educational activities and reliable services including claims (MicroInsurance Regulatory Framework, 2010).

MEP provides the following:

- * Designs innovative microinsurance products depending on the needs of the client
- * Negotiates the innovative product with an underwriter and reinsurer
- * Trains loan officers
- * Provides financial and insurance education to the poor
- * Collects and handles all data entry and reporting
- * Provides claims servicing

Consequently, this has led MEP the following advantages compared to its competitors:

Ten advantages of MicroEnsure Philippines

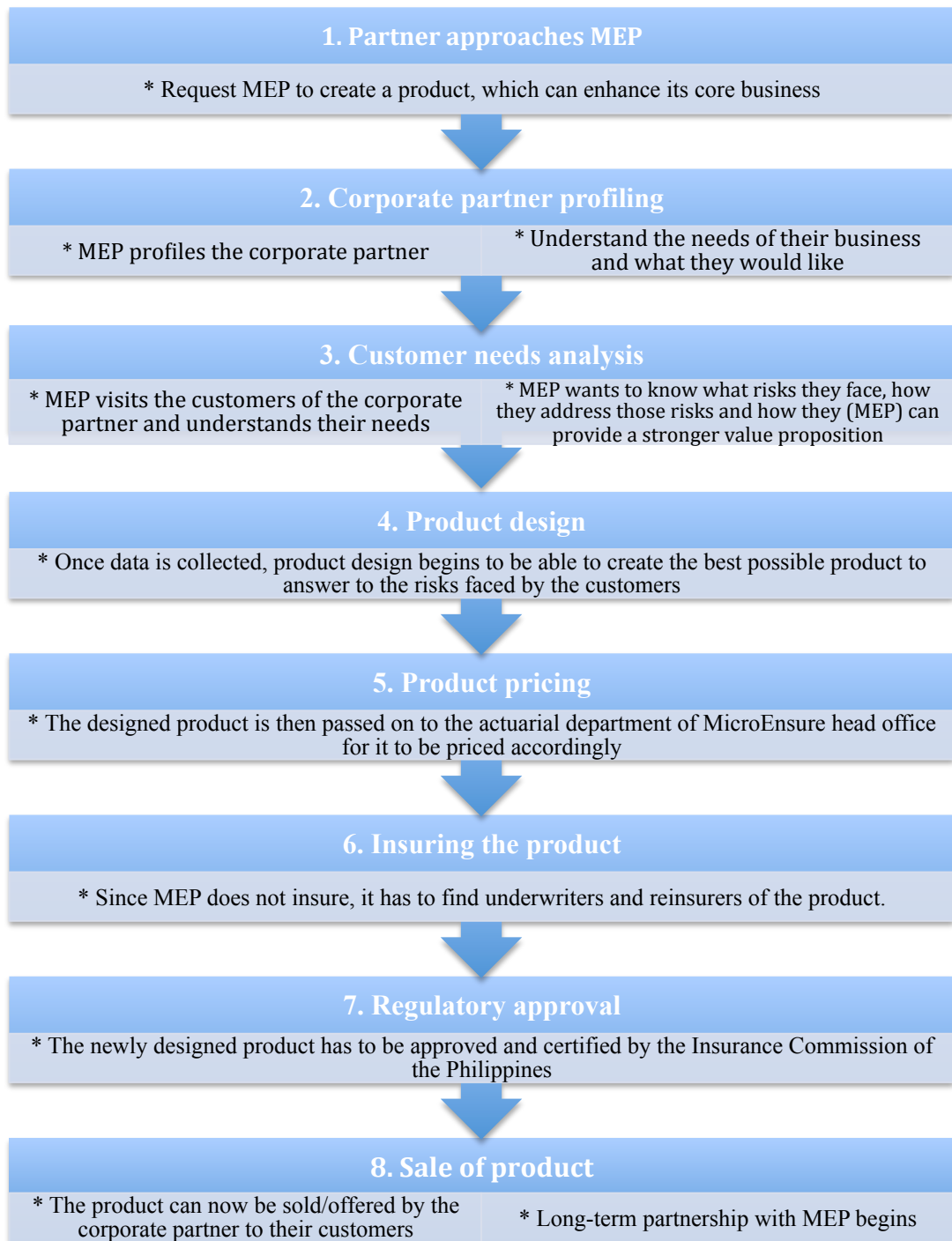
1. Ability to design and offer innovative products
 - * Understands the needs of its target market well
 - * Understands how MFIs operate
 - * Offers products which are suitable and affordable to all parties
2. Low Transaction Costs
 - * Uses technology to conduct the business of insurance
 - * Benefits from its wide client base
 - * MEP is part of a global institution, which can offer overhead funding
 - * Operates efficiently
3. Administration
 - * Well-trained, dedicated and passionate about providing microinsurance to the poor
 - * Equipped to handle the challenges of microinsurance
4. Various Sales Approaches
 - * Sales through partners (MFIs, rural banks, cooperatives & credit unions, church groups, etc.)
 - * Direct sales since 2011

5. Excellent staff training and client education
 - * MEP has training specialists to orient the staff and educate clients
 - * MEP staff share, understand, and live out the same mission and vision
6. Range of sustainable products
 - * Simple and affordable
 - * Carefully studied and designed
7. Distribution Network/Linkages
 - * Extensive distribution network through partners
 - * Work with other companies that would increase the sales of the company by bundling it with a microinsurance product
8. Technological enhancement
 - * MEP is open to the usage of new technology to be able to design and offer products, which will answer the need of the clients
 - * Use of technology to remove the risk of moral hazard (Ex. Use of parameters as basis for weather index insurance)
9. Expertise and experience in insurance and microfinance
 - * Constant exchange of ideas and support between the various subsidiaries of MicroEnsure
 - * Has been in the microinsurance business for the past six years
10. No capital outlay required on the part of the MFI
 - * If the MFI is interested in offering a microinsurance product through MEP, it does not have to pay for a customized product to be designed

Innovative Product Design Process

Microinsurance product customization is what makes MicroEnsure stand out from the rest. It does not simply offer the same set of products to all its partners; instead, it goes through careful process of creation to be able to offer the most innovative products in the market.

Figure 3 Product Design Process



During the whole process, the corporate partner is involved and works together with MEP. Continuous discussions happen to resolve concerns and disagreements about the product.

The result of this innovative process is a new suite of tools, which protect low-income households. These customized products are full of features MEP partners and customers appreciate due to their affordability, limited restrictions and the use of terms and conditions, which are easy and simple to understand.

Corollary, MEP products are not shelf products. They are not simply replicated and offered to everyone. Each product is especially designed to cater to a certain purpose and market. MEP specializes on the customization of microinsurance products depending on the requirements of the partner.

Even if MicroEnsure is the largest microinsurance firm in the world, not all countries offer the same product. Each country offers different kinds of product depending on the need of low-income households in the country.

This customization of microinsurance products has indeed helped the firm become more successful compared to its competitors. Moreover, some competitors of MEP have even replicated their products. Of course, they have been unsuccessful in doing so because they do not have the same model MEP has. Therefore, it is important to take note that MEP has been successful in its product customization because its business model supports such a process. Thus, its competitors are wrong to assume that by selling the same kind of product, they too will also be as successful as MEP.

Nonetheless, not all product customization requests by their partners are feasible. There have been times that MEP needed to explain to their clients that such a product is not feasible due to various reasons like premiums becoming too expensive, technological limitations, lack of regulatory framework to support such a product, etc. Thus, MEP's product design process is innovative but it does not necessarily translate to being able to offer all sorts of microinsurance products. It also has its limitations, which determine whether a customized microinsurance product is viable to be offered or not.

Innovative MicroEnsure Philippines Products
(US\$1 = Php44)

MEP’s innovative products are based on MEP’s extensive research and data gathering regarding the needs of the low-income clientele it caters to. These products have led them to become one of the most successful microinsurance firms in the Philippines.

In fact, their products are quite innovative so much so that other traditional insurance companies in the country have partnered with them just to be able to offer the product under their name.

Below are three of the most successful and innovative products of MEP.

1st innovative product

Triple 10 is currently MEP’s most in demand product. It is a bundled microinsurance product, which covers several risks as mentioned below. It is extremely popular mainly due to its simplicity and affordability.

Table 2

TRIPLE 10		
<i>Coverage</i>	<i>Innovative features</i>	<i>Terms & Conditions (see Appendix IV)</i>
* Personal Accident Cover	* Base cost of Php250 (US\$ 5.7)	* A five day waiting period applies to all products
* Burial Assistance	* Flexible cover which allows the increase of coverage (per unit) depending on how much the client can afford	* Period of coverage is for one year
* Fire and Calamity Assistance	* Possibility to add family members	* Members, spouses and children must be aged between 18 and 65 years old
* Medical Reimbursement	* Only insurance in the Philippines to cover 8 perils of calamity assistance (Typhoon, Earthquake, Volcanic eruption, landslide, Tusnami, lightning/ tornado, landslide and flood) * Easy and efficient claims process	* A maximum payout of Php 5,000 (US\$115) applies per event for the Triple 10 Fire and calamity assistance * Medical Reimbursement covers medical treatment expenses due to sickness or accident.

Table 3

Triple 10 Costs and Benefits			
<i>Options</i>	<i>Unit Cost</i>	<i>Number of units</i>	<i>Benefits</i>
Triple 10 (required)	Php 250 (US\$ 15.7)	1	* Personal accident – Php 10,000 (US\$230) * Burial Assistance – Php 10,000 (US\$230) * Fire & Calamity assistance – Php 10,000 (US\$230)
Personal Accident & Burial Assistance	Php 200 (US\$ 4.6)	Up to 19 units	* Personal accident – Php 10,000 (US\$230) x # of units purchased * Burial Assistance – Php 10,000 (US\$230) x # of units purchased * Fire & Calamity assistance – Php 10,000 (US\$230) x # of units purchased
Fire Assistance	Php150 (US\$ 3.5)	Up to 4 units	* Php10,000 (US\$230) x # of units purchased
Family cover (cover for three dependents)	Php 250 (US\$ 15.7)	Up to 19 units	* Personal accident – Php 10,000 (US\$230) x # of units purchased * Burial Assistance – Php 10,000 (US\$230) x # of units purchased
Medical Reimbursement Cover (Only available WITH Family cover)	Php450 (US\$10.3)	Up to 5 units	* Php 2,500 per person (US\$57)

2nd innovative product

HospicASH is MEP's main health insurance product. It offers unique benefits no other health insurance offer like transportation and companion allowances. It also covers the lost income the patient is in the hospital rather than at work. It truly answers the needs of low-income households as far as being hospitalized is concerned.

Table 4

HospicASH		
<i>Coverage</i>	<i>Innovative features</i>	<i>Terms & Conditions</i>
<p>* Medical reimbursement - Includes medicines, laboratory, diagnostics and professional fees arising from illness or accident</p> <p>* Daily Hospitalization Income Benefit - Provides fixed amount of benefit to the insured for every 24-hour hospitalization due to illness or injury. It can be availed up to 30 days per person per year</p> <p>* Transportation Allowance - Provides fixed amount of allowance for transportation to the hospital and can be availed once per hospitalization</p> <p>* Companion Allowance - Provides fixed amount of allowance for the companion who looks after the patient</p> <p>* Supplementary Cash Assistance - Provides additional cash assistance for hospital confinement beyond 10 days</p>	<p>* Covers a family of four</p> <p>* Complements the government's health insurance and supplements other health insurances</p> <p>* Addresses out-of-pocket expense (provides daily cash on hand)</p> <p>* Covers pre-existing illness/es</p> <p>* No medical examination required</p> <p>* Covers up to 80years old</p> <p>* Coverage can be increased up to ten times depending on the client's affordability</p> <p>* Same benefit for every family member</p> <p>* Pays out directly to the insured</p>	<p>* 30day waiting period from the date of affectivity of cover</p> <p>* The period of coverage is for one year</p> <p>* Some illnesses cannot be covered within the first year OR 6 months of coverage depending on the illness</p>

Table 5

HospiCASH Costs and Benefits			
<i>Options</i>	<i>Unit Cost</i>	<i>Number of units</i>	<i>Benefits</i>
HospiCASH	Php 1800 (US\$ 41) (for a family of four)	(Up to ten units)	<p>*Medical reimbursement - Php2,500/ person per unit (US\$ 58)</p> <p>*Daily Hospitalization Income Benefit -Php250/ unit, person and day (US\$ 15.7)</p> <p>* Transportation Allowance -Php50/ unit, person and day (US\$ 1.15)</p> <p>* Bantay Allowance - Php100/ unit, person and day (US\$ 2.3)</p> <p>* Supplementary Cash Assistance -Php1,250/ unit, person and day (US\$ 29)</p>

3rd innovative product

MEP is the first insurance firm in the country to offer the **Weather Index Based Agricultural Insurance**. It is a product based on weather index or parameters such as deficit or excess of rainfall, fluctuations of temperature, high wind speeds and/or combination of the above. At the same time, it is a parametric but non-indemnity product.

It is a product mainly for the protection of farmers during typhoons and periods of drought and/or flooding. These are consequences of climate change, which affect the lives of farmers.

It took quite some time for the product to be approved by the Insurance Commission of the Philippines due to it's being the first weather index based insurance in the country. After being launched, other companies have tried to follow offer similar index based weather insurance.

This insurance is in partnership with a fertilizer company. Once a farmer buys one sack of fertilizer from the partner company of MEP, the farmer just has to add and pay Php35 (US\$ 0.80) to be protected with this unique insurance.

Table 6

Weather Index Based Agricultural Insurance		
<i>Coverage</i>	<i>Innovative features</i>	<i>Terms & Conditions</i>
<p>* Accident Insurance</p> <p>* Weather index insurance</p>	<p>* In case of death due to an accident, the family of the insured farmer receives monetary benefits.</p> <p>* Parameter based weather insurance based on scientific weather measurement and data by government weather agencies</p> <p>* Removes the risk of moral hazard because the insurance is not based on the actual damage.</p> <p>* If the parameter reaches a certain measurement, MEP automatically pays out the corresponding monetary benefit regardless of weather there is damage or not.</p> <p>* MEP and the dealer selling the product (ex. Fertilizer) shall inform the insured farmer if there is a pay out to be expected and received.</p>	<p>* One sack of fertilizer is equivalent to one unit of Weather Index Based insurance</p> <p>* A farmer can have up to 200 units of within one farming season</p> <p>* Accident Insurance covers farmers who are from 18 to 70 years old. The insurance term is from 140 days from the day fertilizer was bought.</p> <p>* Weather Index Insurance is effective 14 days after the fertilizer was bought. The insurance term is 120 days from the day the fertilizer was bought.</p>

Innovative MicroEnsure Philippines Claims Process

Being a microinsurance institution, which caters to low-income households, MEP's claims process is one of the simplest and most efficient in the industry. The documents necessary to be able to file for a claim are quite simple and easy to produce.

For instance, after the onslaught of Super-typhoon Haiyan, while other insurance companies were avoiding their policyholders due to the extent of the damage, MEP sent a team to the worst hit areas of the super-typhoon to assist MEP clients in filing the appropriate claims.

Below is the table summary containing the necessary documents needed to make a claim.

Table 7

Needed Documents for Claims Process (See Appendix IV)	
Basic Documents	a. Claimant statement b. Valid ID of claimant
Death claims (Accidental death/or burial assistance)	a. Death Certificate (certified by the Local Civil Registrar)
Fire assistance claims	a. Barangay (community) certification b. Photos of the damaged or affected insured property
Calamity assistance claims	a. Barangay (community) certification b. Photos of the damaged or affected insured property c. Certification from the locally accredited Disaster Coordinating Council confirming that the area was affected by the calamity.
Medical reimbursement claims	a. Medical certificate from the attending physician or surgeon b. Original or photocopy of the medical treatment or procedure c. Statement of account issued by the hospital showing dates of confinement
Index based claims	Automatic payout once parameters are met

Once the documents are complete, the claimant just has to wait for a couple of days (not months) for the claim to be processed and be able to get hold of the benefit. MEP understands the immediate need of the claimants. Thus, it tries its best to release payouts immediately.

Nonetheless, MEP reserves the right to check and validate if the claims are indeed true or not. This is done randomly and if MEP feels that there is a discrepancy with regard to the documents submitted.

As of now, payouts are done through cheques. MEP hands the cheques directly to the claimants or through the MFI from where the microinsurance was bought.

Nevertheless, another innovation MEP plans to launch soon is the use of an e-Card for all policyholders. This e-Card functions like an ATM. Instead of receiving cheques, policyholders can just withdraw money from any ATM machine in the country. The payout shall just be deposited to the account of the policyholder, which makes the process more efficient and secure.

METHODOLOGY

Qualitative and quantitative are two methods traditionally used when conducting research. According to Welch and Piekkeri (2005), the qualitative approach “generally examines people’s words and actions in narrative or descriptive ways more closely representing the situation as experienced by the participants.” On the other hand, the quantitative approach is based on “observations that are converted into discrete units that can be compared to other units by using statistical analysis.” This basically means that the qualitative approach is based on words while the quantitative approach is based on figures and numbers. For this reason, even if it has been proven that the interpretivist framework offers different methods to assess the dependability of such data like structural corroboration and triangulation, some experts still have challenged the reliability of qualitative data (Daniel and Onwuegbuzie, 2002).

Moreover, Vidal & Gonzalez (2012) speak of several advantages of using the qualitative method when it comes to developing countries like the Philippines:

- * Due to the lack of relevant data, a qualitative approach is more suitable for developing countries
- * The qualitative method is suited to Latin-American cultures where personal relationships and face-to-face contacts are common features.
- * The qualitative approach enables a more accurate cross-cultural understanding of the topic and the researcher is less likely to follow cultural and ethnocentric assumptions.
- * Finally, the qualitative method is a great way to identify complex issues, related to cultural traits and customs that would not appear in numerical data.

All of these points are valid and applicable to the Philippine context because even if the country is in Asia, it is culturally similar to a Latin-American country after being a colony of Spain for more than 350 years.

The case study method is utilized to further look into these microinsurance innovations and discover its effects within the Philippine context. A case study catches the complexity of a single case, and when it is of a very special interest. The detail of the interaction within its contexts is looked for (Stake, 1995). Moreover, Stake (1995) mentions that one always looks for both the commonality and uniqueness of the case chosen when using the case study method. At the same time, the case study method is a suitable method for new areas of research like microinsurance.

A well-known and successful microinsurance institution in the Philippines, MicroEnsure Philippines, has been selected as basis for the case study. Individual interviews were conducted from relevant social groups – management, sales and clients of the institution. The aim of these interviews was to acquire and gather different points of view to have a better understanding and broader perspective of the effects of microinsurance innovations.

Data collection was primarily done during the interviews, which were recorded. The relevant social groups are as follows: management, sales and clients. For the management and sales groups, each individual holds different positions from each other.

The management interviewees were composed of the country manager and three senior managers out of the seven senior managers of MEP who have been with MEP since it was established in 2007. The sales group includes the head of the sales arm of MEP and a sales agent. Finally, the clients include four MEP clients who have already experienced receiving payouts from MEP.

Being a relatively recent industry, there were only a few qualified people interviewed who are knowledgeable enough to share their views and experiences with regard to microinsurance innovations. Thus, the individuals interviewed were carefully selected and represent the important areas where microinsurance innovations are created and experienced.

The selection of interviewees was done by MEP. They selected persons with the most experience with MEP. For instance, the client interviewees have already experienced the whole process of sales from the pre-sales, to sales, to the post sales. Thus, they can truly give a thorough feedback with regard to their experience of being MEP clients. On the other hand, the sales agent interviewed is one of the most successful sales agents of MEP. She has been in the company for several years now. Consequently, she is the sales agent of two of the clients interviewed as well.

Through the interviews, a broader perspective and understanding about the effects and benefits of microinsurance innovations was gained. Both structured and open-ended interviews were utilized to give the interviewees the opportunity to express themselves freely and share deeper insights about their experiences. Structured questions served just as means to begin discussions and open-up other relevant concerns/issues, which depended on the flow of the interviews. Thus, the interviews were not limited to structured questions.

The interviewees also shared their various perspectives of other relevant social groups besides the ones from MicroEnsure. This includes the experiences and challenges faced by their partners and other related government agencies, which they work closely with.

It is also important to take note that adjustments during the interviews had to take place due to the different cultural and educational backgrounds of the interviewees. For instance, the interviews with the management and sales groups were conducted in English and Filipino. On the other hand, the interviews with the client group were done in Filipino and Ilonggo, which is the dialect in the area where the interviews took place. Thus, a cross-cultural environment was observed during the interview process.

ANALYSIS & DISCUSSION OF RESULTS

This section contains the results of the data analysis in terms of the main concepts of the theoretical framework used in this paper: *interpretative frames, negotiation process and methodologies-in-practice*. The perspectives, which emerged from the three relevant social groups – management, sales and clients – were compiled and compared. This was done to be able to build a plausible answer to the research question concerning which innovations have increased the demand for microinsurance.

The paper of Lavoie, Pozzebon and Gonzalez (2010) entitled Challenges for Inclusive Finance Expansion: the Case of CrediAmigo, a Brazilian MFI inspired this analysis. In their paper, they analyzed and looked into the answer of the interviews from the main concepts of the theoretical framework. The answers they discussed were chosen based on the most prevalent answers coming from the interviewees.

In this paper, a similar method is applied. Nonetheless, rather than basing the discussion on the most prevalent answers from the interviewees, the more relevant and important answer were taken into consideration for analysis. This is in line with the qualitative approach of this paper due to the limited number of interviewees.

Interpretative Frames:

The most important success factors of microinsurance innovations

The main question asked to capture the respondent's interpretative frames was: *what are the key-success-factors of microinsurance innovations?* **Table 8** on the next page shows the prevalent key-success-factors deemed by the relevant social groups.

Table 8 Key-success-factors of microinsurance innovations

Key-success-factors/ Relative social group
Identify & understand the needs of clients
Be able to support clients (file claims, give continuous education)
Offer simple, unique, and affordable MI products

Three key-success-factors emerged from the interviews and were common answers in all three relative social groups.

The first key-success-factor mentioned by all interviewees was being able to *identify and understand the needs of clients*. To be able to create innovations in microinsurance, it is necessary to identify and understand the needs of poor income households first. This can be done by interacting with the poor, knowing the daytoday challenges they face, and understanding their income cash flow.

The founder (of MicroEnsure Philippines) knows the clients very well and has studied the needs of the potential market. Our institution has identified the four risks, which could lead Filipinos to being in debt, and the three most common ways on how Filipinos typically overcome these risks. – Linda, sales

The second key-success-factor is MEP's *continuous support* for its clients. The support is present during the whole process. In the beginning, clients are supported by making them understand the need for microinsurance in their lives. Free seminars are given to help them overcome the challenges poor income households face. Nonetheless, this support does not end when they purchase one of MEP's products. The support is also present during after sales. For instance, when a calamity strikes, MEP staff is sent to the area/s affected to help clients in the claims process. Clients are also advised on how to make the most of the payouts they are to receive.

The third major key-success-factor is the kind of microinsurance products MEP offers. They are simple, unique and affordable. They are simple in the sense that the products are easy to understand. Complicated terms and

processes are taken out. At the same time, the products are unique because life and non-life policies are combined which is unlikely to be offered through traditional insurance. Finally, MEP products are designed to be affordable by pricing the products based on the income cash flow of its clients. The products can be bought in units, which depend on the client's budget. This allows the client to be directly involved to the kind of microinsurance he/she would like. The possibility of customizing ones insurance is indeed something innovative in the insurance industry.

MEP offers various products because they are tailor made for our clients. It is linked to their needs and the cash flow as well. – Melody, Management

The aforementioned results validate what is mentioned in the literature such that the key to the creation of innovations in microinsurance is understanding the client demand. This is necessary to overcome the challenge of being able to respond to the needs of the low-income households with flexible and appropriate products and services like what was stated by Cohen & Sebstad (2005).

The success of MEP in creating innovative products and services validates the statement of Leftley and Mapfumo (n.d.) that understanding client demand leads to effective product design. MEP has been successful in increasing its number of clients because of the range of microinsurance products it offers from health and life to agricultural and property insurance. This again validates Moura's (2010) statement that there is significant demand for a range of insurance products. The key is to offer innovations, which respond to the needs of the clients. This will eventually lead to the increased demand for microinsurance just like what MEP has experienced.

Knowing and understanding the needs of clients also include data collection about the potential market's willingness to pay and their preferred modes of payment. This sufficient data has been a crucial component of MEP in being able to offer simple, unique and affordable microinsurance products. It has helped MEP price its products accordingly and effectively such that it would still remain affordable and attractive to low income households. MEP has been successful in overcoming one crucial aspect of product design, which

is the pricing. MEP is unlike other microinsurance institutions, which, according to Wipf and Garand (2006), underestimate the technical rigor that is required to price products correctly.

MEP’s product pricing methodology is in line with the advice opined by Wipf and Garand (2006) that pricing microinsurance is quite technical and requires assistance from an actuary. The fact is, several times a year, an actuary from MicroEnsure’s head office in London flies in to the Philippines and validates what prices are suitable for the products being offered, not only for the clients, but for the financial viability and stability of MEP as well in the long run. They are directly involved but not the only persons involved with the pricing of the products.

Unfortunately, what seems to be missing in the literature is the support needed to be given by microinsurance institutions to its clients from the beginning of the sales process up to the after sales. What MEP has done is to show its clients that it truly cares for them. This kind of service innovation has resulted to the increased demand for MEP’s products. Therefore, it can be said that understanding the needs of the client and offering innovative microinsurance products would not suffice; instead, giving outstanding service as well to clients helps maintain clients and convince non-clients to purchase microinsurance products.

Negotiation Process:

The challenges faced in developing innovations for microinsurance

The creation of microinsurance innovations only involves the relevant social groups of the management and sales because clients are uninvolved in the creation of microinsurance innovations. Thus, the following question was asked to them: *what are the challenges in developing innovations for microinsurance?*

Table 9 Challenges for the creation of microinsurance innovations

Challenges
Misconceptions about insurance
Unequal regulatory framework
How to create a simple, acceptable and understandable product for the poor
Being able to think of a product to cover a lot of needs

The challenges mentioned in **Table 9** are those that emerged with greater frequency and plausibility based on the interviews of the respondents. Although all the challenges mentioned in **Table 9** are valid and merit particular attention, two challenges stand out in being different compared to what is normally mentioned in the literature. They are the first two: (1) Misconceptions about insurance and (2) unequal regulatory framework.

Misconceptions about insurance is, unfortunately, very much prevalent in the Philippines. In the past years, several major insurance companies have become insolvent and could no longer live up to their obligations. This has hurt the image of the insurance industry in the country. A lot of people no longer want to invest in insurance because they feel that they could no longer trust insurance companies in spite of the fact that insurance is a need for everyone. People fear that they will just lose their money if they invest in insurance policies and not be able to receive the payouts they deserve in the future.

Moreover, a lot of low-income households have been taken advantage of and victimized by insurance scams and fake insurance agents. Since most members of low-income families have low levels of education, they are easily targeted and victimized. The effect of this has negatively affected legal and regulated microinsurance firms like MEP. Besides trying to offer MEP products, MEP sales agents first have to convince potential clients that MEP is legal and not a fly by night scheme.

When we try to get an appointment with potential clients or explain what microinsurance is all about, we try to avoid the word insurance because it tends to connote a negative understanding especially to low-income households. We are also often confronted with suspecting questions such as “are you a legal entity? If such an insurance company which already has a building failed to live up to its obligations, how can you assure me that you will?” All these questions are part of my days work. – Fatima, Sales

There is also the challenge of changing the belief of low-income households that insurance is only for the rich or those who can afford. When they learn about microinsurance and know how affordable it is, low-income households begin to doubt its ability to live up to its obligations. For them, the price is just too good to be true which makes them even more hesitant to purchase a microinsurance product. This hesitation all changes as soon as they or one member in their community receive a payout from MEP.

Unequal regulatory framework is mainly due to microinsurance being a recent phenomenon. Since the concept of microinsurance has been in existence for just a couple of years, insurance regulators like the Insurance Commission of the Philippines tend to categorize microinsurance and conventional insurance as the same. Thus, the playing field tends to be unequal. For instance, taxation in non-life for both microinsurance and conventional insurance are the same at 24%. This is quite high for microinsurance.

The current framework is not only unequal but it is also lacking. For instance, one of the challenges of weather index insurance is the lack of regulatory framework due to its novelty. Thus, it takes some time for weather index related products to be approved by the insurance commission.

Nonetheless, even if a lot of rules for conventional insurance products are applied to microinsurance, it is gradually changing. For example, the tax for life insurance of microinsurance has been lowered to just 2% from 5%. In spite of this, much still has to be done as far as creating an equal regulatory framework for microinsurance is concerned. It is a challenge.

Correlating these insights with the literature review, it is necessary to overcome these challenges to be able for microinsurance to succeed. Alwang and Canagarajah (2001) mention six important factors to consider for microinsurance to succeed. The fifth and sixth factors involve financial literacy and the role of government respectively.

Being financially literate overcomes the challenge of having misconceptions about insurance. It is therefore necessary for microinsurance institutions like MEP to educate its clients thoroughly and accordingly to remove their biases and apprehensions about microinsurance and insurance in general. Corollary, educating low-income households involves the use of simple language and layman's terms for them to easily understand the concepts being taught. The use of comics, drawings and the local vernacular are quite helpful in making the concept of microinsurance and its products more understandable. The use of comics, pictures and the local vernacular has been

deemed effective by MEP to educate low-income households as can be seen in the sample image below.

<See Appendix I Sample MEP flier>

On the other hand, being a regulated industry, insurance institutions cannot do what they please and function by themselves. Rather, the government plays a crucial part in protecting the interests of the general public to ensure that these insurance institutions do not take advantage of the people.

Nonetheless, it is important for the government to realize and recognize that traditional insurance and microinsurance are different from each other. They cannot be regulated in the same way because microinsurance targets low-income households, which need to be supported by government to help them overcome poverty.

If microinsurance is regulated differently from traditional insurance, the prices of microinsurance products would become more affordable. Moreover, having the proper regulatory framework for microinsurance would lessen the number of people being taken advantage of by fake and illegal microinsurance firms. These kinds of firms would be deterred if they know that the government is closely monitoring the industry and that they will be prosecuted if caught. The results of the interview validate the claim that success of microinsurance involves the macroeconomic environment through which the active participation and support of the government is simply indispensable.

There is a need for microinsurance in the Philippines to be regulated differently from traditional insurance products. – Heidi, Management

Besides the people interviewed, another beneficial perspective to take into consideration is from the point of view of regulators. One challenge they encounter is spreading the word about microinsurance. In spite of the fact that microinsurance has been in existence in the Philippines for quite some time now, many Filipinos are still unaware of microinsurance products. One possible reason is the lack of educational attainment of low-income households in the Philippines.

To overcome this challenge, the Insurance Commission of the Philippines together with the Department of Finance have been conducting seminars all over the country for low-income households to become aware of the existence of microinsurance. Financial literacy is indeed one effective tool on making low-income households understand the need for insurance and the benefits being insured entails.

Methodology-in-practice:

The consequences of having innovations in microinsurance

To better understand the consequences of the negotiation process that occurs in the course of the creation of innovations in microinsurance, the interviewees were asked about *the consequences of having innovations for microinsurance and if it has led to an increase demand for microinsurance.*

Table 10 shows the consequences of having innovations in MEP.

Table 10 Consequences of having innovations in MEP

Consequences
Increased and continuous demand for microinsurance
Protect the poor from risks
Marketing of MEP products by clients
Being copied by other microinsurance institutions

There were the most prevalent consequences answered across the relevant social groups. In this analysis, three valuable consequences will be discussed: (1) Increased and continuous demand for microinsurance, (2) protect the poor from risks and (3) marketing of MEP products by clients.

Increased and continuous demand for microinsurance

This consequence of having innovations in MEP can be perceived to be biased especially from the point of view of management and sales. They are part of, and work for MEP so they can become subjective when it comes to this consequence.

Nonetheless, to objectify this consequence, it would be best to look at the data with regard to the number of policies and payouts MEP has processed since it began its operations.

<See Appendix II No. of policies & Appendix III No. of payouts>

Based on the figures, the total number of policies purchased every year since 2007 to 2012 has been increasing. It started with just 53,976 policies sold in 2007 when it began and has ballooned to 1,149,633 policies sold in 2012. These figures result to a growth rate of 2,029.89% in the course of 5 years with an average annual growth rate of 405.98%.

This of course accounts for the increase in the number of innovative products MEP offered through the years as well as the increase in partners selling MEP products. If it weren't for MEP's innovations, it would not have been able to achieve a staggering growth rate in just a span of 5 years.

As for the number of claims, it is proportionally correlated with the increase in the number of policies purchased. Except for the years 2007 to 2008, the number of claims has been increasing since MEP began operating. There's a large spike between the years 2011 and 2012 due the powerful storms and monsoon rains the country experienced in 2012, which affected the countryside areas where a lot of MEP clients reside.

Besides this data, the perspective of the clients interviewed who have received payouts is a credible basis whether or not the innovations MEP have implemented has indeed increased the demand for microinsurance.

When I bought microinsurance from MEP, not all members in the cooperative I belong to bought when MEP first offered their products because they didn't believe in it. Nonetheless, when I received the payout from the calamity insurance claim, they saw that MEP is not a scam and the insurance they offer is indeed beneficial to us poor. - Lorenzo, Client

It cannot be denied that there are low-income households who are skeptics when it comes to microinsurance. This stems from the misconceptions of insurance, which was aforementioned to be a challenge. Nonetheless, a very potent way to overcome this challenge is when they, the skeptics, see the

payout being received by one of the members in their community. Once they do so, they consequently become clients of MEP as well.

At the same time, when asked whether they would continuously purchase MEP products after receiving the payouts, all of the clients interviewed answered affirmatively. Moreover, besides the life, non-life and calamity insurances MEP offer, they also aspire for an innovative product, which is related to education.

Protect the poor from risks

One of the goals of MEP is to protect the poor from the risks they face in their lives.

There are four risks that lead Filipinos to being in debt. They are as follows: (1) when someone gets sick, (2) when someone dies in the family, (3) when a calamity occurs and (4) education. The first three are uncertain risks while the last one is certain since you know when you have to pay for the tuition. – Linda, Sales

In the Philippines, if there is no microinsurance, there are three common ways low-income households cope with these risks. First, they withdraw all the savings they have if ever they have. Secondly, borrow money from loan sharks with high interest rates. Thirdly, they pawn whatever possession possible. Unfortunately, all these three options push them further down into the vicious cycle of poverty.

On the other hand, this is exactly what microinsurance tries to protect them from. Microinsurance serves as a safety net for low-income households not fall back into the vicious cycle of poverty. Nonetheless, it has to be clarified that the payouts received is not meant to cover all expenses when the risk occurs. Rather, it is meant as a means for low-income households to bounce back, recover and not be in deep debt, which further worsens their situation.

I have already claimed from MEP thrice. The payout I get always helps me to bounce back and pay for the damages brought about by the flooding. The claims process is easy. I just have to take pictures of the damages, get a certificate from the Department of Social Welfare and Development, and a community certificate. – Leticia, Client

Marketing of MEP products by clients

Just like in other levels of society, word of mouth marketing is quite prevalent in low-income households. In spite of all the educational seminars and workshops MEP conducts about microinsurance, nothing compares to the convincing power of being endorsed by people within the community the low-income household belongs to.

Thus, if MEP would like to penetrate a certain community or cooperative, they first have to convince the leaders/heads of these communities about the benefits of microinsurance before they can effectively market to the other members. The fact is, the members rely and trust their leaders a lot such that the members easily believe them.

As for the clients who have been interviewed for this research, all of them have received payouts already. Since they have gone through the cycle of microinsurance already from being educated by MEP about the benefits of microinsurance, to purchasing their innovative products, to receiving a payout, these low-income households are now very much convinced about the need and necessity for microinsurance. In return, they are the ones who market for MEP to other members in their community.

I was immediately convinced to purchase microinsurance from MEP because other members in the tricycle cooperative I belong to already purchased. I had no doubt and was confident in purchasing a MEP microinsurance product. – Earl, Client

I would encourage other members in our cooperative to purchase microinsurance for their protection. I never thought that a tornado would hit our home. Nonetheless, I am just glad that I had microinsurance to help me recover from the damages. – Lorenzo, Client

The final consequence of having innovations copied by other microinsurance firms is unknown by MEP clients. This is mainly because they have a micro perspective of what is happening in microinsurance rather than a macro one. Only the people involved in the sales and marketing of microinsurance would notice what others firms are doing.

In the case of MEP, it is indeed true that other companies are trying to copy the innovative products they have introduced. Nonetheless, no other microinsurance firm in the Philippines has been successful in doing so. Other firms think and believe that selling innovative products like what MEP has would be enough. What they do not know is that the innovation in the product is just part of it. Other innovations need to exist like in the business model, sales model, etc., for an innovative product to emerge and become successful.

The responses with regard to the consequences of having innovations in microinsurance are different by relevant social group because of the difference in perception. Each social group perceives a consequence unknown to another group. For instance, the sales group interacts more with the clients than that of the management who stay in the office most of the time. They are more aware of how concretely microinsurance helps low-income households when they experience risks microinsurance products protect them from.

CONCLUSION

This paper seeks to investigate and understand innovations, which have led to the increase in demand for microinsurance. This was conducted in cooperation with a major microinsurance firm in the country – MicroEnsure Philippines. A theoretical framework guided the analysis of the empirical material integrating four main concepts: relevant social groups, interpretative frames, negotiation process and methodologies-in-practice. The results were compared to the literature review. At the same time, the results by relevant social groups were also compared, as the perception of the management, sales agents and clients differ from each other.

Based on the information derived from studying the operations of MEP, and the answers of the relevant social groups, the findings corroborate that with the proper innovations in microinsurance, it can lead to an increased demand for it. In other words, there needs to be a synergy of innovations coming from the different aspects of doing microinsurance. For instance, offering just an innovative microinsurance product like weather index insurance will not be enough to increase the demand. Innovative products should also be partnered with an innovative business and sales models to satisfy and incentivize the client continuously to purchase microinsurance products.

It can be observed from the response of the different social groups that they have converging and/or diverging views with regard to the key success factors of microinsurance and the challenges in creating innovations. Nonetheless, all relevant social groups agree that the innovations MEP has implemented through the years have increased the demand for their innovative products. The figures given also support this claim.

As for the concrete practical contribution for microinsurance practitioners, the results of our study have the potential to help microinsurance firms in the country and even Philippine policy-makers. Below are three recommendations, which may help create innovations and consequently increase the demand for microinsurance. Even if these recommendations are based on the experience of MEP, there is the possibility of other

microinsurance firms replicating them to further increase the demand for their respective products as well.

In the case of MEP, the essential principle to remember is the existence of a synergy of innovations, which complement each other. This synergy allows MEP to formulate affordable microinsurance products while providing the best service possible to its clients from pre-sales, sales to the after-sales. This principle is important to remember for other microinsurance firms to be able to create innovations, which will increase the demand for microinsurance

Recommendation 1: *Know and understand your market*

The literature about microinsurance places a lot of emphasis about knowing one's target market. Through enough, the success story of MEP validates this necessity.

Nonetheless, knowing the market doesn't simply mean just knowing and understanding the low-income households microinsurance is meant for. It is also necessary to know and understand the micro- and macro-environments these low-income households are currently situated.

The microenvironment pertains to the dynamics of how low-income families cope when they experience financial problems brought about by the risks day face daily. This also involves how people in communities interact with each other. On the other hand, macro-environment pertains to how culture, tradition and regulations of a country affect the mentality and decision making of a certain target market.

MEP is successful in increasing the demand for microinsurance because it knows very well the target market and the environment it lives in. This has enabled MEP to come up with a sales approach, which would make low-income households realize the need for microinsurance. It has also allowed MEP to design affordable products in line with the target market's cash flow.

If other insurance firms have this kind of extensive data gathering and market research, they will be able to offer the appropriate products demanded and needed by the market. At the same time, paying attention to the local

conditions will help microinsurance firms create innovations for the localities where they operate.

Recommendation 2: *Explore the possibility of following the brokerage model*

One innovation that sets MEP apart from other microinsurance firms in the country is the type of intermediary model. It follows a brokerage model, which has been discussed earlier.

Having a Brokerage Model allows MEP to become more stable than the others because only 10% of the risk is held within MEP. The rest is spread with insurance and reinsurance firms. This means that MEP is able to stay solvent in spite of the possibility of having a lot of claims processed especially when a huge calamity strikes the country. The fact is, MEP's risks are with the underwriter. Thus, it can offer higher covers to clients.

Following the brokerage model has served as a stable platform for MEP to create innovations for their clients. This has also enabled them to have various insurance partners who help them promote and sell their innovative products. They have also been able to offer value added services, which attract current clients to renew their policies while enticing new clients to purchase as well.

It is, therefore, highly suggested for microinsurance firms to check the possibility of shifting to, and doing the brokerage model as well, which focuses on microinsurance. Having an appropriate business model allows microinsurance firms to become more innovative and provide the best service possible to clients.

Recommendation 3: *The importance of people in microinsurance firms*

When asked what makes MEP different from the rest, Mr. Martinez (MEP founder and country manager) simply answers, "its people." He highly regards his staff and believes that the strength of MEP comes from the people who have helped him establish MEP to what it is today. He considers his staff an extension of his family. Thus, he makes sure that everyone in the MEP

family has the same vision and mission towards working with and for low-income households.

Employees of microinsurance firms should be given importance due to their significant role in making microinsurance a success. They should be trained and motivated accordingly for them to be able to create innovations in the industry. If it weren't for the people, there wouldn't be any innovation at all in microinsurance.

In the end, microinsurance is all about people helping each other to make a difference. Employees of microinsurance firms think of innovations to help improve and financially protect the lives of the poor. On the other hand, low-income households support microinsurance firms by purchasing their respective products. Without the premiums, microinsurance firms will not be fulfill its obligations to its people.

These three recommendations represent the main contributions of the study for practice. The results of the analysis bring new light to the literature on innovations in microinsurance since not much has been written about it. A number of assertions have been confirmed while new ones are also being suggested.

For instance, the number one key-success-factor of MEP based on the interview is its extensive needs analysis of clients. This confirms what is stated in the literature. On the other hand, the most challenging aspect of creating innovations for MEP is the misconceptions Filipinos have about insurance. The possibility of this challenge occurring in other microinsurance cases is something novel in the literature.

These new considerations enrich the literature and help microinsurance firms and policy makers come up with strategies and practices to motivate people think and create innovations for the improvement of the microinsurance industry in the Philippines.

APPENDIX

Appendix I: Sample MEP flier



MICROENSURE
Helping the poor weather life's storms

SWIRE
46-0-0
UREA

CRYSTALLINE
SWIRE
21-0-0-24S
AMMOSUL

Sunrise
Planters
16-20-0
AMMOPHOS

Sunrise
Planters
14-14-14
COMPLETE

Alano Seguro

**SA 35.00 PESOS LANG,
INSURED KA NA!**

₱2,000.00 hanggang ₱ 400,000.00
Accident Insurance
at
₱50.00 hanggang ₱ 50,000.00
Weather index insurance
(Proteksyon ng mga magsasaka sa panahon ng
mapinsalang bagyo, tagtuyot at sobrang pag-ulan)

In partnership with:
SECURITY FARM SUPPLY
City Road, Centro West, Santiago City
Contact #s: 0917-800-6407

Appendix II: Number of Policies

Line of Business	Number of Clients						
	2007	2008	2009	2010	2011	2012	TOTAL
Life insurance with burial	53,976	96,190	401,075	450,819	482,127	405,197	1,889,384
Accidental death dismemberment & disability				179,601	296,546	322,623	798,770
Fire and Calamity Assistance insurance					223,496	396,260	619,756
Health insurance					16,030	24,106	40,136
MicroHousing insurance		1,168	1,752	341	170	383	3,814
Weather index insurance			467			1,064	1,531
TOTAL	53,976	97,358	403,294	630,761	1,018,369	1,149,633	3,353,391

Appendix III: Number of Claims

Line of Business	Number of Claims						
	2007	2008	2009	2010	2011	2012	TOTAL
Life insurance with burial	1,274	843	1,190	1,862	1,776	1,579	8,524
Accidental death dismemberment & disability				68	143	150	361
Fire and Calamity Assistance insurance					2,229	10,289	12,518
Health insurance					26	33	59
MicroHousing insurance			2			33	35
Weather index insurance						277	277
TOTAL	1,274	843	1,192	1,930	4,174	12,361	21,774

Appendix IV: Triple 10 Terms and Conditions

NOTICE OF CLAIM	DISCLAIMER	
<p>Written notice of injury must be given to the Company within thirty (30) days after the date of the incident causing the claim. In the event of death, immediate notice thereof must be given to the Company in any of its branches.</p>	<p>This Proof of Cover is intended to be a general summary. For full details on terms, conditions, exclusions and provisions of your coverage, you may request for a copy of the Master Policy.</p>	<p>7. Single Principal Members can insure their Child, Parents and/or Siblings.</p>
<p>DEATH COVER</p> <p>Accidental Death Subject to the terms, provisions and conditions endorsed in this Policy, the Company will indemnify the beneficiary of the insured named in the Proof of Cover, the sum of money herein specified, in the event of accidental death of the insured during the period of insurance.</p> <p>Burial Assistance In the event of death of the insured, the Company shall provide financial assistance to the executors of the insured for burial expenses, up to the amount stated in the Schedule of Cover.</p> <p>FIRE/CALAMITY ASSISTANCE COVER</p> <p>Fire Assistance The Company will provide financial assistance to the insured, up to the amount stated in the Proof of Cover, in the event of direct loss of or damage to the insured property due to fire and/or lightning.</p> <p>Conditions (Specific to Fire Assistance):</p> <ol style="list-style-type: none"> All losses caused by FIRE (whether continuous or sporadic and whether or not due to the same conditions) during each period of 48 consecutive hours commencing from the first event shall be considered as arising out of one occurrence. It is a condition of this insurance that the insured undertakes to exercise all ordinary and reasonable precautions for the maintenance and safety of the property. If there be any misdescription, misrepresentation or omission of the insured property material to be known for accepting the risk, the Company shall not be liable upon this Policy so far as it relates to property affected by any such misdescription, misrepresentation or omission. <p>Exclusions (Specific to Fire Assistance): This Policy does not cover:</p> <ol style="list-style-type: none"> Loss by Arson. The following provision of Section 6 of the Arson Law shall form an integral part of this Policy: PRIMA FACIE EVIDENCE OF ARSON – Any of the following circumstances shall constitute prima facie evidence of arson: <ul style="list-style-type: none"> If the fire started simultaneously in more than one part of the insured residence. If substantial amount of flammable substances or materials are stored within the insured residence not necessary for household use. If gasoline, kerosene, petroleum or other flammable or combustible substances or materials soaked therein or contained therein, or any mechanical, electrical, chemical, or electronic contrivance designed to start a fire, or ashes or traces of any of the foregoing are found in the ruins or premises of the burned building or property. If during the lifetime of the corresponding fire insurance policy more than two fires have occurred in the same or other premises owned or under the control of the offender and/or ASSURED. If shortly before the fire, a substantial portion of the effects insured and stored in the insured residence had been withdrawn from the premises. Loss or damage occasioned by or through, or in consequence of the burning of property by action or order of any government or public authority. Any legal liability of whatsoever nature. <p>Calamity Assistance The Company will provide financial assistance to the insured, up to the amount stated in the Schedule of Cover (Calamity Assistance) in the event of direct loss or damage to the insured property occurring within the period of insurance due to the perils defined herein: "Typhoon". The term "Typhoon" as used in this endorsement shall be understood to mean a Typhoon or Storm as recorded by the Weather Bureau. Typhoon cover shall be specified only as losses arising from Typhoon, Cyclone, and/or Windstorm as recorded by the Weather Bureau.</p> <p>Flood: Flood cover shall be specified only as losses arising from the entry of water into</p>	<p>DEFINITION OF TERMS</p> <p>Accidental Death refers to loss of life or death resulting directly from accidental bodily injuries.</p> <p>Sickness as used in this endorsement shall mean illness or disease contracted within the period of insurance, which results in medical treatment and expenses of the insured.</p> <p>Physician or Surgeon as used in this endorsement shall mean a person legally licensed to practice medicine and/or surgery.</p> <p>Hospital Confinement as used in this endorsement shall mean "Admission" for at least 24 hours within a licensed medical facility, as an in-patient under the professional care of a legally qualified physician or surgeon.</p> <p>Hospital as used in this endorsement shall mean an establishment which meets the following:</p> <ol style="list-style-type: none"> Holds a license as a hospital. Operates primarily for the reception, care and treatment of sick, ailing or injured persons as in-patients. Provides 24-Hour-a-day nursing service by registered nurses. Has a staff of one or more licensed physician available at all times. Is not primarily a clinic, nurse, rest or convalescent home or similar establishment and is not other than incidentally a place for alcoholic or drug addicts. <p>Fire shall mean a release of heat and light caused by a flame during the process of combustion.</p> <p>Flame shall mean a hot-glowing mass of burning gas or vapor associated with rapid combustion.</p> <p>Combustion shall mean a chemical change accompanied by the production of heat and light.</p> <p>Insured Property: The property insured as shown in the Proof of Cover.</p> <p>CLAIMS PROCEDURE IN CASE OF A CLAIM, the insured or Beneficiary shall submit the following claim documents to the nearest MicroEnsure Office for endorsement to Bankers Assurance Corporation (BAC):</p> <ol style="list-style-type: none"> Basic Documents <ol style="list-style-type: none"> Claimant Statement Valid ID of claimant (as applicable) Other necessary documents that may be required by MicroEnsure and/or BAC For Death Claims (Accidental Death and/or Burial Assistance): <ol style="list-style-type: none"> Death Certificate (Certified by Local Civil Registrar) For Fire Assistance Claims: <ol style="list-style-type: none"> Barangay Certification. Barangay Certification must clearly indicate address of damaged property, cause of loss or damage and that the insured is a resident of the damaged property Photos of damaged or affected insured property For Calamity Assistance Claims <ol style="list-style-type: none"> Barangay Certification. Barangay Certification must clearly indicate address of damaged property, cause of loss or damage and that the insured is a resident of the damaged property. Photos of damaged or affected insured property Certification from the locally-accredited Disaster Coordinating Council confirming area was affected by calamity For Medical Reimbursement Claims: <ol style="list-style-type: none"> Medical Certificate from attending Physician or Surgeon (stating medical condition and dates of confinement as applicable) Original or Photocopy of the Official Receipts of the medical treatment or expenses Statement of Account issued by the hospital showing dates of confinement (as applicable) 	
<p>the insured premises, (a) following a Typhoon, Cyclone, and/or Windstorm or (b) due to the bursting or overflowing of rivers, reservoirs, canals and the like.</p> <p>Earthquake: The term "Earthquake" as used in this endorsement shall be understood to mean an Earthquake as recorded by Philippine Institute of Volcanology & Seismology.</p> <p>Earthquake cover shall be specified only as losses arising from the shaking and vibration of the surface of the earth resulting from underground seismic activity as recorded by the Philippine Institute of Volcanology & Seismology.</p> <p>Volcanic Eruption: The term "Volcanic Eruption" as used in this endorsement shall be understood to mean Volcanic Eruption as recorded by the Philippine Institute of Volcanology & Seismology. Volcanic eruption cover shall be specified only as losses arising from lava flow, pyroclastic ejects, glowing clouds and ashfall caused by the eruption of a volcano as recorded by the Philippine Institute of Volcanology & Seismology.</p> <p>Landslide: Landslide cover shall be specified only as losses arising from the sliding down of mass soil or rock on a steep slope caused by Typhoon, Flood, Earthquake and/or Volcanic Eruption.</p> <p>Tsunami: The term "Tsunami" as used in this endorsement shall be understood to mean Tsunami as recorded by the Philippine Institute of Volcanology & Seismology. Tsunami is a series of ocean waves generated by earthquake, landslide or volcanic eruption that builds in height and causes devastation to properties.</p> <p>Evaluation of loss or damage shall be based on the claim documents, proof and/or evidence of loss submitted to the Company.</p> <p>Special Conditions specific to Calamity Assistance</p> <ol style="list-style-type: none"> All losses caused by the above-mentioned perils (whether continuous or sporadic and whether or not due to the same conditions) during each period of 48 consecutive hours commencing from the first event shall be considered as arising out of one occurrence. It is a condition of this insurance that the insured undertakes to exercise all ordinary and reasonable precautions for the maintenance and safety of the insured property. <p>Exclusion Specific to Calamity Assistance The Company shall not be liable for:</p> <ol style="list-style-type: none"> Loss or damage caused by theft, occurring during any of the covered perils under Calamity Assistance nor by the neglect of the insured to use all reasonable means to save and preserve the property during and after these covered perils. Loss or damage due to ordinary wear and tear, gradual deterioration or normal exposure to the weather Consequential loss or damage of any kind or description whatsoever. <p>MEDICAL REIMBURSEMENT COVER</p> <p>Medical Reimbursement The Company shall reimburse the insured for actual expenses incurred for medical treatment arising from accidents or sickness, occurring within the period of insurance, up to the amount stated in the Schedule of Cover.</p> <p>Medical Reimbursement for sickness shall be limited to medical treatment due to hospital confinement.</p> <p>SPECIAL CONDITIONS</p> <ol style="list-style-type: none"> Benefits of dependents for PA must not exceed benefit of the Principal Member. Date of effectivity shall be based on the date of validation of MicroEnsure Philippines insurance benefits (Accidental Death, Burial Assistance, Medical Reimbursement, and Fire/Calamity Assistance) shall be subject to five (5) day Exclusion Period starting from the effectivity date of coverage. Age Eligibility: Insured Principal Member, Spouse and/or Parent: 18 to 65 years old Child and/or Siblings: 6 months to 21 years old Principal Member warrants that insured members enrolled for coverage under the Triple 10 Insurance Program are in good health at the time of enrollment. Married Principal Members can insure their Spouse and Children only. 	<p>8. Single Principal Members can insure their Spouse and Children only.</p> <p>9. Single Principal Members can insure their Spouse and Children only.</p> <p>10. Single Principal Members can insure their Spouse and Children only.</p> <p>11. Single Principal Members can insure their Spouse and Children only.</p> <p>12. Single Principal Members can insure their Spouse and Children only.</p> <p>13. Single Principal Members can insure their Spouse and Children only.</p> <p>14. Single Principal Members can insure their Spouse and Children only.</p> <p>15. Single Principal Members can insure their Spouse and Children only.</p> <p>16. Single Principal Members can insure their Spouse and Children only.</p> <p>17. Single Principal Members can insure their Spouse and Children only.</p> <p>18. Single Principal Members can insure their Spouse and Children only.</p> <p>19. Single Principal Members can insure their Spouse and Children only.</p> <p>20. Single Principal Members can insure their Spouse and Children only.</p> <p>21. Single Principal Members can insure their Spouse and Children only.</p> <p>22. Single Principal Members can insure their Spouse and Children only.</p> <p>23. Single Principal Members can insure their Spouse and Children only.</p> <p>24. Single Principal Members can insure their Spouse and Children only.</p> <p>25. Single Principal Members can insure their Spouse and Children only.</p> <p>26. Single Principal Members can insure their Spouse and Children only.</p> <p>27. Single Principal Members can insure their Spouse and Children only.</p> <p>28. Single Principal Members can insure their Spouse and Children only.</p> <p>29. Single Principal Members can insure their Spouse and Children only.</p> <p>30. Single Principal Members can insure their Spouse and Children only.</p> <p>31. Single Principal Members can insure their Spouse and Children only.</p> <p>32. Single Principal Members can insure their Spouse and Children only.</p> <p>33. Single Principal Members can insure their Spouse and Children only.</p> <p>34. Single Principal Members can insure their Spouse and Children only.</p> <p>35. Single Principal Members can insure their Spouse and Children only.</p> <p>36. Single Principal Members can insure their Spouse and Children only.</p> <p>37. Single Principal Members can insure their Spouse and Children only.</p> <p>38. Single Principal Members can insure their Spouse and Children only.</p> <p>39. Single Principal Members can insure their Spouse and Children only.</p> <p>40. Single Principal Members can insure their Spouse and Children only.</p> <p>41. Single Principal Members can insure their Spouse and Children only.</p> <p>42. Single Principal Members can insure their Spouse and Children only.</p> <p>43. Single Principal Members can insure their Spouse and Children only.</p> <p>44. Single Principal Members can insure their Spouse and Children only.</p> <p>45. Single Principal Members can insure their Spouse and Children only.</p> <p>46. Single Principal Members can insure their Spouse and Children only.</p> <p>47. Single Principal Members can insure their Spouse and Children only.</p> <p>48. Single Principal Members can insure their Spouse and Children only.</p> <p>49. Single Principal Members can insure their Spouse and Children only.</p> <p>50. Single Principal Members can insure their Spouse and Children only.</p> <p>51. Single Principal Members can insure their Spouse and Children only.</p> <p>52. Single Principal Members can insure their Spouse and Children only.</p> <p>53. Single Principal Members can insure their Spouse and Children only.</p> <p>54. Single Principal Members can insure their Spouse and Children only.</p> <p>55. Single Principal Members can insure their Spouse and Children only.</p> <p>56. Single Principal Members can insure their Spouse and Children only.</p> <p>57. Single Principal Members can insure their Spouse and Children only.</p> <p>58. Single Principal Members can insure their Spouse and Children only.</p> <p>59. Single Principal Members can insure their Spouse and Children only.</p> <p>60. Single Principal Members can insure their Spouse and Children only.</p> <p>61. Single Principal Members can insure their Spouse and Children only.</p> <p>62. Single Principal Members can insure their Spouse and Children only.</p> <p>63. Single Principal Members can insure their Spouse and Children only.</p> <p>64. Single Principal Members can insure their Spouse and Children only.</p> <p>65. Single Principal Members can insure their Spouse and Children only.</p> <p>66. Single Principal Members can insure their Spouse and Children only.</p> <p>67. Single Principal Members can insure their Spouse and Children only.</p> <p>68. Single Principal Members can insure their Spouse and Children only.</p> <p>69. Single Principal Members can insure their Spouse and Children only.</p> <p>70. Single Principal Members can insure their Spouse and Children only.</p> <p>71. Single Principal Members can insure their Spouse and Children only.</p> <p>72. Single Principal Members can insure their Spouse and Children only.</p> <p>73. Single Principal Members can insure their Spouse and Children only.</p> <p>74. Single Principal Members can insure their Spouse and Children only.</p> <p>75. Single Principal Members can insure their Spouse and Children only.</p> <p>76. Single Principal Members can insure their Spouse and Children only.</p> <p>77. Single Principal Members can insure their Spouse and Children only.</p> <p>78. Single Principal Members can insure their Spouse and Children only.</p> <p>79. Single Principal Members can insure their Spouse and Children only.</p> <p>80. Single Principal Members can insure their Spouse and Children only.</p> <p>81. Single Principal Members can insure their Spouse and Children only.</p> <p>82. Single Principal Members can insure their Spouse and Children only.</p> <p>83. Single Principal Members can insure their Spouse and Children only.</p> <p>84. Single Principal Members can insure their Spouse and Children only.</p> <p>85. Single Principal Members can insure their Spouse and Children only.</p> <p>86. Single Principal Members can insure their Spouse and Children only.</p> <p>87. Single Principal Members can insure their Spouse and Children only.</p> <p>88. Single Principal Members can insure their Spouse and Children only.</p> <p>89. Single Principal Members can insure their Spouse and Children only.</p> <p>90. Single Principal Members can insure their Spouse and Children only.</p> <p>91. Single Principal Members can insure their Spouse and Children only.</p> <p>92. Single Principal Members can insure their Spouse and Children only.</p> <p>93. Single Principal Members can insure their Spouse and Children only.</p> <p>94. Single Principal Members can insure their Spouse and Children only.</p> <p>95. Single Principal Members can insure their Spouse and Children only.</p> <p>96. Single Principal Members can insure their Spouse and Children only.</p> <p>97. Single Principal Members can insure their Spouse and Children only.</p> <p>98. Single Principal Members can insure their Spouse and Children only.</p> <p>99. Single Principal Members can insure their Spouse and Children only.</p> <p>100. Single Principal Members can insure their Spouse and Children only.</p>	

Bibliography

- Besley, T. 1995. "Savings, credit and insurance", in Handbook of development economics, Vol. 3A, 2123-2207. *Handbooks in Economics*, No. 9.
- Bibby, A. (2012). Kenyan cooperative sells microinsurance over the phone. *General Articles*, 74, 35-27.
- Cohen, M., & Sebstad, J. (2005). Reducing Vulnerability: The Demand for microinsurance. *Journal of International Development*, 17, 397-474.
- Dror, D., & Jacquier, C. (2001). Micro-Insurance: Extending Health Insurance to the Excluded. *Asia and Pacific Forum on Poverty*, , 26.
- Dror, D., Khadlikar, S., Koren, R., Hay, F., Radermacher, R., Schout, P., & Singh, A. (2009). Microinsurance: Innovations in Low-Cost Health Insurance. *Market Watch*, 28(6), 1788-1898. Retrieved from <http://content.healthaffairs.org/content/28/6/1788.full>
- Garand, D., & Wipf, J. (2006) Pricing Micro-insurance Products. 8th *Global Conference of Actuaries*, , 27-36.
- Goldberg, M., & Ramanathan, C. (2008). Microinsurance matters in Latin America. *En Breve*, 138(47528), 4.
- Leftley, R., & Mapfumo, S. (n. d.). Effective Micro-Insurance Programs to Reduce Vulnerability. *Opportunity International Network*, , 1-47.
- Levin, T., & Reinhard, D. (2007). Microinsurance aspects in agriculture. *Munich RE Foundation From Knowledge to Action*, , 1-17.
- Liber, D., McCord, M., & Roth, J. (2007). The Landscape of Microinsurance in the World's 100 Poorest Countries. *The MicroInsurance Centre, LLC*, , 53. Retrieved , from www.MicroInsuranceCentre.org
- Lievrouw, L. A. & Livingstone, S. (2002), *Handbook of New Media Social Shaping and Consequences of ICTs* (Ed.). London: Sage Publications.
- Llanto, G. (2007) Policy and Regulatory Issues & Challenges in Microinsurance: A Philippine Case. *Philippine Journal of Development*, 34(1), 61-85.
- Martirez, W. (2013) *MicroEnsure Philippines* [Powerpoint presentation]
- McCord Michael. 2007. Presentation on Microinsurance Products and Delivery Channels. Access to Insurance for the poor, Rio de Janeiro, Brazil
- Mosley, P. (2009). Assessing the success of microinsurance programmes in meeting the insurance needs of the poor. *DESA Working Paper*, 84.
- Moura, C. (2010). Beyond Social Responsibility: Microinsurance: Reaching the Poorest of the Poor. *LIMRA's MarketFacts Quarterly* , 29(3), 54-63.

- Murdoch, J. (2004). Micro-insurance: The Next Revolution?. *Financial Access Initiative*, 1-19.
- O'Donnell, A. (2012). Microinsurance a growth opportunity for carriers says Accenture study. *Insurance & Technology - Online*, Retrieved from 444 <http://search.proquest.com/docview/940850792?accountid=28962>
- Polonsky, M. & Waller, D. (2005). Designing and managing a research project: a business student's guide. *Thousand Oaks: Sage Publications*, 232.
- Pozzebon, M., Diniz E., & Jayo, M. (2008). "Adapting the Structurationist View of Technology for studies at the Community/Societal Levels" in *Handbook of Research on Contemporary Theoretical models in Information Systems*, Information Science Reference, 18-33.
- Pozzebon, M., Lavoie, F., & Gonzalez, L. (2010). Challenges for Inclusive Finance Expansion: the Case of CrediAmigo, a Brazilian MFI. *Management International*, 15(3), 57-69
- Rogers, M. (1998). *The definition and measurement of innovation*. Melbourne: Melbourne Institute of Applied Economic and Social Research, 10(98).
- Siegel, P. B., Alwang, J. & Canagarajah, S. (2001). Viewing microinsurance as asocial risk management instrument. *Social Protection Discussion Paper Series*, 116,.
- Stake, R. (1995). *The Art of Case Study Research*. California, USA: SAGE Publications.
- Technical Working Group by the Department of Finance (2010). MicroInsurance Regulatory Framework. *Microinsurance Innovations Program for Social Security*. Retrieved from http://www.microinsurance.ph/data/uploads/resources/ph_mi_regulatory_framework.pdf
- Valentin, V., & Gonzalez, L. (2012). *Microinsurance in Brazil: Current Situation and Outlook* (Vol. 5). São Paulo: Editora Quartier Latin do Brasil.
- Welch, C. & Piekkeri, R. (2005). Crossing language boundaries: Qualitative interviewing in international business. *Management International Review*.
- Young, P. (2006). Microinsurance – Exploring ways to assess its impact. *Financial Services Assessment*. Retrieved from <http://www.fsassessment.umd.edu/publications/pdfs/Microinsurance-Impact.pdf>