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For low-income households, the impact of adverse events significantly affects household income and consumption levels. When are exposed to financial shocks, households may be forced to make harsh choices, such as reducing food consumption, withdrawing children from school or selling productive assets to cover the expenses related to the risk event. They are the most exposed to risks and the least protected against the consequences.

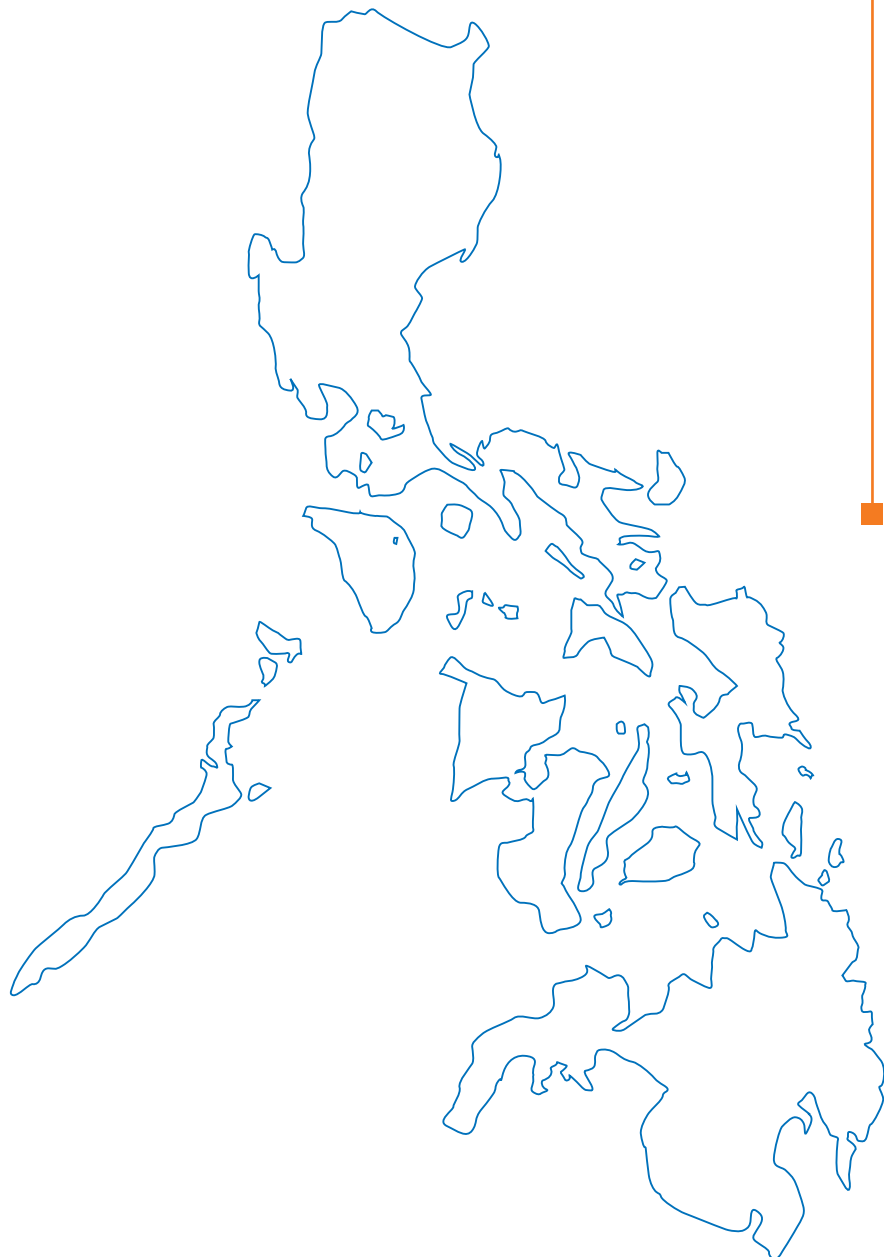
This impact jeopardizes economic and human development, leaving them stuck in a poverty trap. Without protection against adverse events, they also try to avoid risky situations or actions. Reluctant to engage in higher return activities because of the higher risk involved, they often forego potentially valuable new technologies and profitable production choices. Extending microinsurance programs to low-income groups may play a large role supporting resilience in the face of a disaster.

**“Microinsurance is a tool for the protection of low-income people against specific perils in exchange for regular premium payments, proportionate to the likelihood and cost of the risk involved. This definition is essentially the same as one might use for regular insurance except for the clearly prescribed target market: low-income people.”**

Protecting the poor: A microinsurance compendium (ILO, 2012)



	PAG
<b>1. CHARACTERISTICS</b>	<b>4</b>
<b>2. PILOT PROJECT: MICROINSURANCE EXPERIENCE IN PHILIPPINES</b>	<b>5</b>
2.1. ENROLLMENT AND CLAIMING PROCESS	7
2.2. RESULTS	8
<b>3. CONCLUSIONS AND LESSONS LEARNED</b>	<b>8</b>
<b>4. ANNEX 1</b>	<b>9</b>
<b>5. ANNEX 2</b>	<b>11</b>
<b>6. ANNEX 3</b>	<b>11</b>



## CHARACTERISTICS

### 1. CHARACTERISTICS

Microinsurance characteristics are based on the insurance principles. However, some modifications are added in order to make it more accessible, affordable, simple and flexible to reach the low-income household. This table shows the differences between insurance and microinsurance:


	Conventional insurance	Microinsurance
<b>Delivery channels</b>	Sold by licensed agents or brokers to the wealthy, the middle class or companies that typically understand insurance.	Often sold by unlicensed non-traditional agents to low-income persons, preferably in groups, requiring significant product education
<b>Controls</b>	Screening requirements may include a medical examination or other tests.	If there are any screening requirements, they are very limited in order to control costs.
<b>Premium collection</b>	Typically regular annual, quarterly or monthly payments.	Frequent or irregular premium payments. Matches cash flow cycles
<b>Premium calculation</b>	Based on age and other specific risk characteristics.	Group pricing with links to other services. Diverse risk structures.
<b>Policies</b>	Complex policy document, many exclusions, usually annual terms	Simple language, few or no exclusions, terms appropriate to market
<b>Claims</b>	Claims process for large sums insured may be quite difficult	Claims process for small sums insured is simple and fast, yet controls fraud

Selected differences between conventional insurance and microinsurance (IFAD, 2012)

Microinsurance is a highly diversified sector in terms of stakeholders, products and portfolio size. Several actors as commercial insurers, microfinance institutions and governments can be involved. An overview of the supply chain for microinsurance is shown in the next table:

## The Micro insurance Supply Chain

Reinsurer	Insurer	Delivery Channels	Policy Holder	Covered Lives
<p>Insures the insurer against catastrophic risks e.g. Munich Re</p>	<ul style="list-style-type: none"> <li>• Receives premium</li> <li>• Carries risk</li> <li>• Manage regulation</li> <li>• Pays claims</li> </ul> <p>e.g. Insurance companies CBOs, Mutual</p>	<ul style="list-style-type: none"> <li>• Sells the products.</li> <li>• Collects premiums.</li> <li>• Aids the client in settling claims</li> </ul> <p>e.g. MFIs, NGOs, CBOs, retailers, agents</p>	<ul style="list-style-type: none"> <li>• Buys the product</li> <li>• PROPOSER</li> </ul> <p>e.g. Individuals, Groups</p>	<ul style="list-style-type: none"> <li>• Those who have a premium paid to cover them</li> </ul> <p>e.g. family members, group members</p>



Microinsurance supply chain (The Micro Insurance Centre, 2007). CBO's refers to Community based organizations, MFI refers to Microfinance Institutions and NGOS are Non-Governmental Organizations

Microfinance institutions and community based organizations have the capacity to be delivery channels and insurers. They can be excellent delivery channels however are typically classified as poor insurer. That's because they are usually unregulated and run by non-professional staff.

### Microinsurance can cover a wide range of services, such as life, health, invalidity, livestock, crops and assets insurance.

On the other hand microinsurance can act as social protection measure in developing countries for defined markets. Where state social protection

systems are nonexistent or not enough extended, a microinsurance scheme can fill this gap (with its own limitations). Microinsurance as social protection has three key functions:

1. Preventing vulnerability against different risks (creating a safety net);
2. Protecting assets and lives;
3. Promoting engagement in more productive opportunities, due to the presence of a safety net.

### Acción contra el hambre: Interests

Promotion of microinsurance schemes is important for Acción contra el Hambre in order to enhance the resilience of communities and their disaster risk management strategies. Some interesting microinsurance schemes can reinforce our work:

-Life & health microinsurance

-Goods and productive assets microinsurances: Securing the productive goods that a household possess will facilitate the recovery from a crisis or disaster.

-Agriculture microinsurance: For example, weather index based insurance secures the incomes of the farmers when weather hazards affect agricultural production.

## PILOT PROJECT: MICROINSURANCE EXPERIENCE IN PHILIPPINES

### 2. PILOT PROJECT: MICROINSURANCE EXPERIENCE IN PHILIPPINES

In the wake of response to typhoon Haiyan, an interesting and successful experience on microinsurance in Philippines was developed in 2014 by Acción contra el hambre in a partnership with Cebuana Lhuillier's (as insurer), Philippines' Department of Social Welfare and Development (DSWD) and funded by Department of Foreign Affairs, Trade and Development (DFATD, Canada). After this successful first contact and a positive impact on the microinsurance concept by Cebuana Lhuillier's, Acción contra el hambre decided to replicate it in Kindernothilfe (KNH) funded project area. Project aims the awareness raising and microinsurance promotion among the beneficiaries of Acción contra el hambre programs (Hereinafter ACF-Beneficiaries).

Besides the previous positive experiences, Cebuana Lhuillier was again chosen due to its accessibility in the area, it's flexibility in terms of conditions and extent of beneficiaries. Additionally, they designed a microinsurance coverage plan for ACF beneficiaries, which have more benefits than their usual microinsurance products.

Main activity was to carry out seminars in order to promote the awareness and benefits of microinsurance among the ACF program beneficiaries (see picture). In addition, monitoring microinsurance applications and follow up of claims was also driven.

The results of these activities are useful to evaluate the microinsurance performance, determine the interest of beneficiaries in the microinsurances and may serve as start point to improve future microinsurance projects.



#### ACF beneficiaries Insurance: general characteristics

The insurance is only availed for ACF beneficiaries. It is restricted by the age; primary beneficiary shall be between 18 and 65 years old. However, it can be transferred to any member of the family. Insurance is effective since primary beneficiary received its certificate of insurance, having validity during 1 year. Annual premium costs 400 Philippine Pesos (8.3 €).

This insurance covers the beneficiary, spouse and their legal children, regardless the number of children and as long as they are considered dependents by the time they availed the insurance. Dependents are defined as children, up to 18 years old, not married and still living together with the primary beneficiary and the spouse. Grandchildren are not included.

Details can be consulted at annex 1.



## MICROINSURANCE IN ACF: PHILIPPINES CASE STUDY

The role and activities developed by each partner are described as follows:

Cebuana Lhuillier's		Acción contra el Hambre team
Role	Insurer	Delivery channel
Activities	Design a customized microinsurance coverage plan for ACF beneficiaries	Identification & monitoring beneficiaries (especially who had conditional cash transfers)
Prepare materials for seminars and conduct them.		Choose the venue & disseminate location & schedule of seminars.
Coordination, monitoring and follow up.		

Seminars were provided at a Barangay level (village). They were conducted in a comfortable and conducive for learning environment. Acción contra el Hambre Team was responsible to disseminate information about the location and schedule of the seminars. Beneficiaries from barangays were mostly receivers of conditional cash transfers and market vendors.

On the other hand, Cebuana Lhuillier team was responsible to conduct the seminars. Materials as flyers and visual aids (consistent in videos of testimonies from microinsurance recipients) were utilized disseminate their information. Cebuana Lhuillier not only provided information and answers questions about the special coverage for ACF beneficiaries (which details can be consulted at the **annex 1**), they were also promoting their own microinsurance products (see **annex 2**). They offered to implement the ACF beneficiaries coverage plan always exist at least 20 enrollees in each barangay.

### 2.1. ENROLLMENT AND CLAIMING PROCESS

Enrollment in the microinsurance is a procedure driven through a parent leader (there are 2 or

3 in each barangay). A parent leader is the responsible to: provide a form to fill up by the interested beneficiaries with personal information and to collect the cash. Then cash, list and the information of the enrollees is remitted to Cebuana Lhuillier branch in the municipality. Certificate of insurance/policy will be provided for each enrollee. The enrolled beneficiaries are advised to follow-up their certificate of insurance in 2 weeks. That's recommended in order to avoid misconception and deception between parent leader and beneficiaries. All policyholders can claim the microinsurance based on the coverage. To avail the insurance benefits in covered events, claiming procedure is carried out through the nearest Cebuana Lhuillier branch (mostly is by Cebuana Lhuillier Pawnshop). Beneficiaries shall contact immediately the branch, fill up all the needed forms and submit required documents. The time consumed for claiming procedure depends on the time needed by beneficiaries to submit all the documents required by Cebuana Lhuillier. Generally, as long as requirements claimed from beneficiaries are legal, the documents are correctly submitted and without any further anomalies, claiming procedure can take from 1 to 2 months, taken since the complete submission of the documents. Whole claim procedure is shown at the **annex 3**.

## RESULTS

### 2.2. RESULTS

Seminars were successfully delivered from 17 to 20 of November 2014 with attendance reaching 90% from the target beneficiaries (2070 out of 2300) belonging from 9 different Barangays. Questions were addressed after the seminars by the Cebuana Lhuillier expert who conducted it; common questions were how fast is the claiming, who the covered dependents are and if they can still renew the insurance after a year. Most of attendants are now aware of the micro-insurance concept and considered the sessions very interesting and helpful. Data monitored reveal that 306 beneficiaries acquired the ACF-beneficiary plan. Most of the enrollments were registered right after the release of cash transfers (first tranche in November 2014 and second one in February 2015), while some beneficiaries filled up the enrollment form just after the seminars. On the other hand, several beneficiaries express their interest in other products offered by Cebuana (**Annex 2**).

Most frequent reasons provided to don't enroll in the microinsurance schemes were: the age limitations (senior citizens), the current enrollment within other microinsurance schemes and, among those who live

alone, the lack of descendants to claim benefits in case of death.

Acción contra el Hambre-Team also made a follow-up monitoring of the number claimants from the ACF beneficiary plan (in collaboration with Cebuana Lhuillier). According to the data (May, 2015), total number of claims registered was 59 of which:

- 21 beneficiaries were paid out.
- 9 beneficiaries were denied (No details were facilitated about reason).
- 29 beneficiaries were pending to be assessed, evaluated and approved/denied.

Problems and complaints were monitored by Acción contra el Hambre-Team, mostly of them were regarding the claiming process. Complaints were related to the long time required to receive the benefits among the claimants, especially, among the hospitalized beneficiaries. Cebuana Lhuillier was informed about the complaints in order to enhance the process; they acknowledged these issues and committed to advise their local branch to clarify and speed up these procedures.

## 3. CONCLUSIONS AND LESSONS LEARNED

This recent experience is the first exposure for Acción contra el Hambre - Philippines to introduce microinsurance schemes in order to enhance the disaster risk management and building resilience.

Acción contra el Hambre must be an enhancer, coordinator and facilitator of microinsurance schemes among its beneficiaries. Future implementation of similar

activities will require a clear agreement with insurance service providers to ensure the claims are processed on time to avoid people waiting for claims long time. Additionally, it's interesting to establish a feedback mechanism with the beneficiaries in order to follow-up issues & concerns directly with them. Consequently, these experiences and good practices can be documented and shared with broader audience and stakeholders.





### 4. ANNEX 1:

The insurance coverage plan for ACF-Beneficiaries offered by Cebuana Lhuillier:

Schedule of Benefits	Principal Limits (Php)	Spouse (Php)	Per Child (Php)
Accidental Death & Disablement	100000	50000	25000
Unprovoked Murder & Assault	100000	50000	25000
Medical Reimbursement (Accident Related Only)	10000	5000	2500
Burial Benefit (accident/natural death)	10000	5000	2500
Hospital Daily Income Benefit	200 Php/day		
Emergency Cash Assistance per family	5000 Php		
Annual Premium per Family (w/ Spouse & Children)	400 Php		

- The plan provides Death Benefit if death is a result of bodily injury caused by violent accidental external and visible means. On top of the accidental death benefit, the beneficiaries will be receiving an additional bereavement benefit up to the limit of the plan.
  - An insured person is entitled for benefits due to total Permanent Disablement or loss of use of a body part including actual severance or dismemberment arising from an accident, up to the limit of the plan.
  - Actual medical expenses incurred as a result of accident are covered. This applies regardless whether treatment was done on an in-patient or out-patient basis subject to submission of original receipts.
  - Emergency Cash Assistance: Pays to indemnify the insured up to plan limit. This benefit pays the insured in the event of direct total loss or destruction of personal property by the perils of fire, earthquake, typhoon & flood affecting the Insured residence.
  - In case of confinement, the insured person is entitled to daily cash benefit for each day in the hospital up to a maximum of 30 days if accident related & up to 15 days if natural illness.
  - Plan provides protection to an Insured Person 24 hours a day and not to exceed 12 months.
  - Covered children are from 15 days old to 18 years old, unmarried, unemployed. Principal insured and or his/or her spouse must be at least at the age between 18 years to 64 years old.
- The plan includes the following coverage:
- a.) 100% Unprovoked Murder & Assault (UMA)
  - b.) Acts of nature
  - c.) Accidental food Poisoning
  - d.) Snake or dog bite
  - e.) Motorcycling Inclusion Clause -except for racing & other hazardous sports-
  - f.) Miscarriage/abortion secondary to or brought about by accidents

## ANNEX

The table below provided the percentages of benefits a beneficiary can claim for a specific condition of disablement:

TABLE OF BENEFITS - PERMANENT DISABLEMENT	
Description of disablement	Percentage of benefits
Death	
Loss of two limbs	100%
Loss of both hands, or of all fingers and both thumbs	
Loss of both feet	
Total loss of sight of both eyes	
Injuries resulting in being permanently bedridden	
Any other injury causing permanent or total disablement	Percentage of benefits
Loss of arm at or above elbow	70%
Loss of arm between elbow and wrist	60%
Loss of hand	50%
Loss of four fingers and thumb of one hand	42.5%
Loss of four fingers and thumb of one hand	35%
Loss of thumb	15%
Loss of index finger	10%
Loss of middle finger	6%
Loss of ring finger	5%
Loss of little finger	4%
Loss of metacarpals - first or second (additional)	3%
- third, fourth or fifth	2%
Loss of leg at or above knee	60%
Loss of leg below knee	40%
Loss of one foot	50%
Loss of toes - all of one foot	15%
Loss of big toe	5%
Loss of any toe other than big toe, each	1%
Loss of sight of one eye	50%
Loss of hearing - both ears	50%
- one ear	25%

### 5. ANNEX 2:

Other microinsurance plans were offered during seminars by Cebuana Lhuillier, beneficiaries expressed a high interest in the following ACP 72/25 premium:

Alagang Cebuana Plus (ACP) is insured by Malayan Insurance Company, the largest non-life insurance group in the Philippines. Malayan Insurance was established in 1930 and is now 80 years in service. ACP varies on Premium coverage, can be for 4 months and 1 year.

- ACP Valid for 4 months is 24/7 Personal Accident Insurance, anywhere in the world coverage
- For ACP with One Year Coverage, the benefits are:

ACP Premium	Coverage
Php75	Php 20,000 ADD
	5,000 cash fire assistance
	5,000 UMA
Php150	Php 40,000 ADD
	10,000 cash fire assistance
	10,000 UMA
Php225	Php 60,000 ADD
	15,000 cash fire assistance
	15,000 UMA
Php300	Php 80,000 ADD
	20,000 cash fire assistance
	20,000 UMA
Php375	Php 100,000 ADD
	25,000 cash fire assistance
	25,000 UMA

### 6. ANNEX 3:

Claims procedure:

1. Claimants must submit the necessary documents to the nearest Pawnshop (CLP). The documents depend on the type of claim and will be provided in the office.
2. CLP Branch scans and sends the documents to Cebuana Lhuillier Insurance Solutions (CLIS) claims unit for initial evaluation and forwards same the hard copies.
3. CLIS advises the CLP personnel and/or the claimants if there are lacking documents.
4. Claims will be processed once the all documents are completed.
5. CLIS submits the foregoing documents to Insurer.
6. Insurer evaluates the documents.
7. If claim is valid, insurer to provide letter of authority to CLIS.
8. CLIS advances the claim.
9. CLIS claims unit advises the CLP branch or the claimant to claim the proceeds.
10. Claims up to 50000 Php are paid in cash via CLP Remittance Facility.
11. Claims above 50000 Php will be issued with claim check



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