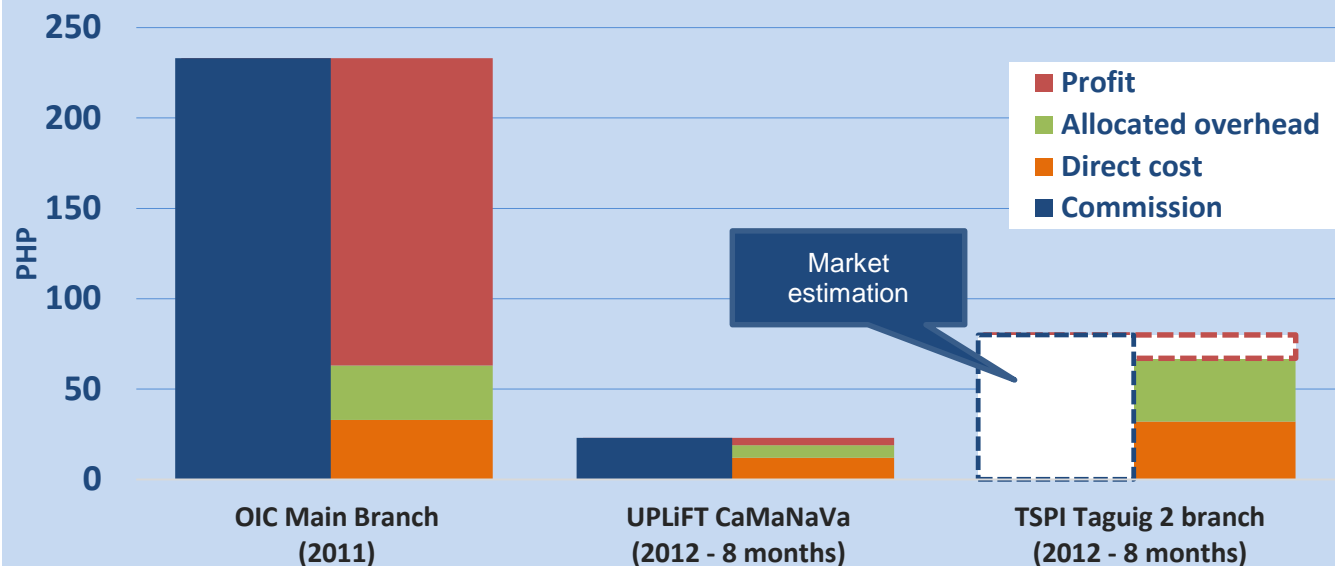


Profitability breakdown for Philippines distributors (PHP, per member)



CONDENSED MILK: WIN – WIN – WIN

Profitability and client value along the life microinsurance value chain in the Philippines

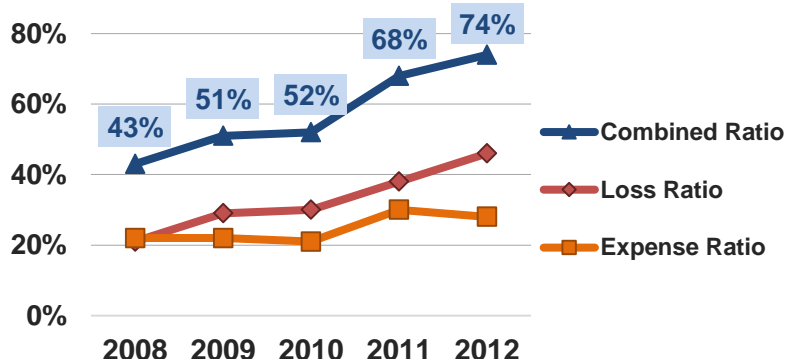
Studying life microinsurance programs in the Philippines

The MicroInsurance Centre's MILK team has worked to understand the business case for life microinsurance in the Philippines from various perspectives since 2011. The analysis principally focuses on distributors and insurers and is complemented with a discussion of value and how an understanding of value can inform and even enhance an insurer or distributor's business case. We analyze the business case for three distributors (TSPI-MFI, OIC, and UPLiFT) and their three partner insurers (TSPI-MBA, CLIMBS, and PPLIC, respectively), as well as one broker (MicroEnsure) and one other insurer (CARD MBA). While the findings support a business case for a wide variety of insurers and distributors in this market, the relative strength of business case and the ways in which it emerges vary considerably.

What did we learn?

- ⇒ Even without collecting any commission, TSPI-MFI's management perceives indirect benefits from offering microinsurance to its members – such as increased competitiveness and higher retention rates – although such benefits are difficult to measure.
- ⇒ Distributors' commission revenue can easily exceed related costs. The two distributors that charge commissions achieve comfortable profit margins (one moderate, and one quite large). TSPI, which does not charge a commission, *could* be profitable if it charged a market-rate commission for its distribution.
- ⇒ Both mandatory and voluntary products can yield positive financial outcomes for distributors. The mandatory CLPP product offered by CLIMBS through OIC is responsible for much of the scale and profitability that CLIMBS and OIC have reached. Voluntary products typically entail higher distribution costs than mandatory products. They can, nonetheless, be profitable, especially when combined with some mandatory cover, as the distributor UPLiFT demonstrates.
- ⇒ There is continued robust growth among the insurers, with premiums written and lives covered more than doubling over the 2008-2012 study period and a compound annual growth rate (CAGR) of over 35%. Insurers also continue to experience increasing loss ratios, averaging 36% over the five-year period.
- ⇒ Competition shapes the market profoundly. In the early stages of the market, it led to escalating commissions, as insurers competed for the business of delivery channels. As the market has matured, competition for end clients has exerted downward pressure on prices, and in some cases may be driving value improvements to products.
- ⇒ The competitive pressure has been particularly significant for MBAs, as it is compounded by slowing growth of their sponsor MFI's memberships. However, MBAs dominate the market and are more profitable than their commercial or cooperative counterparts.

Loss & expense ratios, 2008-2012 (CARD, CLIMBS, PPLIC, TSPI, MicroEnsure)





Microinsurance Learning and Knowledge (MILK) is an initiative of the MicroInsurance Centre that is working to gain insight into two questions:

Is there a **business case** for microinsurance among insurers and delivery channels?

- Detailed financial case studies of insurers, intermediaries, and distributors
- Leveraging and updating existing case studies
- Alliances with other data collection efforts
- Analysis of large intermediaries
- Industry-wide analysis

explore connection

Do clients get **value** from microinsurance?

- “Building blocks” drawing together lessons from existing work
- Client Math studies
- Randomized control trial exploring links between demand and value
- Additional original research
- Collaborative efforts with other researchers

MILK Publications

Available on the MILK website at www.microinsurancecentre.org/milk-project/milk-docs

MILK Briefs

- MILK Brief #1: What is MILK?
- MILK Brief #2: Client Value Landscape Study
- MILK Brief #3: Business Case Landscape Study
- MILK Brief #4: What We Know About the Financial Value of Microinsurance for Poor Clients: A Snapshot
- MILK Brief #5: Changing Role of Family Networks in Coping with Risk
- MILK Brief #6: Research Design for Measuring the Client Value of Microinsurance
- MILK Brief #7: A Microinsurance Puzzle: How do Demand Factors link to Client Value?
- MILK Brief #8: "Doing the Math" - Cashless Funeral Microinsurance in Colombia
- MILK Brief #9: What is "Client Math"?
- MILK Brief #10: "Doing the Math" - Property Insurance in Ghana
- MILK Brief #11: "Doing the Math" - Health Microinsurance in Maharashtra, India
- MILK Brief #12: "Doing the Math" - Health Microinsurance in Karnataka, India
- MILK Brief #13: "Doing the Math" - Funeral and Life Microinsurance in the Philippines
- MILK Brief #14: The Business Case for Life Microinsurance in the Philippines: Initial Findings
- MILK Brief #15: "Doing the Math" - Catastrophe Insurance in Haiti
- MILK Brief #16: "Doing the Math" - Life Microinsurance in Mexico
- MILK Brief #17: "Doing the Math" – Calamity Microinsurance in the Philippines
- MILK Brief #18: "Doing the Math" – Property Microinsurance in Coastal Colombia
- MILK Brief #19: Multinational Microinsurance-only Intermediaries: Is there a Business Case? The Early Years

- MILK Brief #20: "Doing the Math" – Loan Protection Insurance in Cambodia
- MILK Brief #21: Colombian Life Microinsurance: An Emerging Success Story
- MILK Brief #22: "Doing the Math" – Outpatient Health Insurance in Tanzania
- MILK Brief #23: Getting better at improving client value: the case of Fonkoze’s Kore W microinsurance product
- MILK Brief #24: Doing the Math - Health Insurance and Chronic Disease in Nigeria
- MILK Brief #25: Keep Your Insurance Close, and Your Friends and Family Closer
- MILK Brief #26: The Business Case for Health Microinsurance in India: The Long and Winding Road to Scale and Sustainability
- MILK Brief #27: Doing the Math - Funeral Insurance and Speedy Claims in the Philippines
- MILK Brief #28: Doing the Math – Women’s Health Microinsurance in Guatemala
- Microinsurance Lessons from History

Literature Reviews

- Is There a Business Case for Microinsurance? A review of recent literature
- Do Clients Get Value from Microinsurance? A systematic review of recent and current research

Discussion Notes

- MILK Discussion Note #1: Doing the Math: Can Delayed Payment of Claims Erode the Value of Life Microinsurance?
- MILK Discussion Note #2: Are Existing Health Financing Mechanisms Sufficient for Poor Women in Guatemala?
- MILK Discussion Note #3: Counting Lives Covered: Getting it Right

Randomized Control Trial

- Protecting those Left Behind: An Experimental Study of Life Microinsurance Purchase Decisions of Compartamos Banco’s Borrowers in Mexico