

## Comparison of premium rates for four microinsurance programs in the Philippines

In USD	Annual Premium	Combined Coverage Volume	Annual Rate / 1,000	Life Cover Value	AD&D Cover Value	Disability Cover Value	Weighted Cover Value	Rate / 1,000 Weighted Cover
TSPI	2.75	1,420	1.94	524	731	164	614	4.48
CARD	8.56	3,968	2.16	1,072	1,569	1,327	1,362	6.29
PPLIC	6.62	3,779	1.75	1,826	1,952	None	2,022	3.27
CLIMBS	11.42	5,936	1.92	685	2,968	2,283	1,210	9.43
<b>Median</b>	<b>7.59</b>	<b>3,873</b>	<b>1.93</b>	<b>879</b>	<b>1,761</b>	<b>746</b>	<b>1,286</b>	<b>5.38</b>

## CONDENSED MILK #14

### The Business Case for Life Microinsurance in the Philippines: Initial Findings

#### Analyzing the financial results of five life microinsurance programs

Life microinsurance has grown quickly and is well established throughout the Philippines. As a result, the business case is widely assumed to be strong. The MILK project is assessing the accuracy of this assumption through a careful exploration of the programs and products in the market. In an effort to shed greater light on the financial successes, challenges, and trends in this market, we are examining a cluster of five life microinsurance programs in the Philippines: CARD-MBA (MFI affiliated), TSPI-MBA (MFI affiliated), CLIMBS (cooperative insurer), PPLIC (commercial carrier), and MicroEnsure (intermediary). The initial findings are discussed in MILK Brief #14 and provide direction for a more comprehensive report with complete data and findings, which will be published in late 2013.

#### What did we learn?

⇒ All of the programs studied experienced vigorous growth rates in their life insurance portfolios, and four of five were profitable.

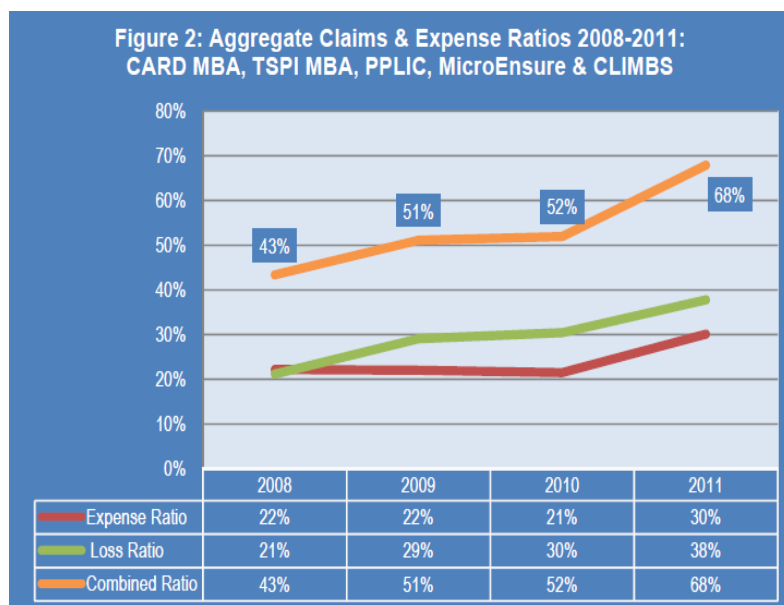
⇒ Despite robust growth in premiums written and lives covered over the study period (more than doubling between 2008 and 2011), four of five programs experienced increased loss ratios in each year. Loss ratios varied significantly across firms, ranging from a low of 14% to a high of 92%.

⇒ The examination of the underlying rates offered by the four life microinsurance programs reveals how complex pricing can be for what most would regard as a simple product. Median coverage for popular selected plans is USD 3,873 and median premium charged is USD 7.59 per year. Business models, such as cooperative vs. commercial carrier, seem to dictate pricing differentials as much as anything.

⇒ The success of life microinsurance programs in the Philippines is significantly influenced by underlying distribution systems and is less a function of supply and/or demand.

⇒ The two MBAs thrive despite carrying a 50% load in their pricing for a member equity contribution, which has the effect of making upfront premiums more expensive (though the deposit is refundable after three years of participation). Commercial insurer PPLIC entered the MI market with aggressive pricing in order to increase its market share but to date, it has not made significant sales even with a price point lower than its competitors. The cooperative CLIMBS exhibits higher prices and higher loss ratios than the others in the study group, reflecting a different business model with primarily voluntary enrollments.

Figure 2: Aggregate Claims & Expense Ratios 2008-2011: CARD MBA, TSPI MBA, PPLIC, MicroEnsure & CLIMBS





**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 <http://www.microinsurancecentre.org/milk-project/milk-docs.html>

### 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

### 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