

## MILK Brief #13:

# “Doing the Math” - Funeral and Life Microinsurance in the Philippines<sup>1</sup>

## Studying MicroEnsure’s Life/Funeral Insurance in Iloilo

Funerals in the Philippines, as in many other countries, are elaborate affairs, typically including an extended wake and large ceremony. They are attended by large numbers of family, friends, and acquaintances from within the community and relatives from far away. The size and complexity of these funerals can lead to costs that are difficult for a low-income family to shoulder, especially when they are left vulnerable by the loss of income earned by the deceased. Traditional practices such as the *abuloy* (financial contribution or donation by attendees of the wake and funeral) help to relieve this burden, but may not always be enough. Though it is still relatively uncommon in the Philippines,<sup>2</sup> microinsurance has great promise as a valuable complement to these informal tools, but little is known about its value to clients.

The MILK team partnered with the global microinsurance broker MicroEnsure and the microfinance institution Taytay Sa Kauswagan Inc. (TSKI) in the Iloilo province of Panay island in the Philippines, using its Client Math methodology to explore some of the open questions about the value of a combined funeral and life insurance product for low-income clients. The study explored the role of microinsurance in helping low income families cope with the financial consequences of a death, seeking to understand how the insurance product fit into the range of tools available to those families.



A female respondent (TSKI client), who was recently widowed with one of her four children and our surveyor.

Life and funeral products are the most common types of microinsurance both worldwide (Roth et al., 2007) and in the Philippines (Llanto et al., 2008). Nonetheless, very little is known about how these products work in the lives of low-income clients.<sup>3</sup> Hintz (2010), a qualitative study of a credit-life product that paid off clients’ loan balances and provided an additional cash payout, is one of very few existing studies of the value of life microinsurance. It suggests that insurance payouts may crowd out traditional forms of assistance from families and communities, and finds little evidence that the product provided economic relief. Against this backdrop, MILK is working to better understand the value of life and funeral microinsurance through a series of Client Math studies of different types of products covering these risks.

MILK’s study of a cashless funeral microinsurance product in Colombia<sup>4</sup> found substantial value in the way the product made coping with the death seamless. The present study helps to shed light on the differences in value that may arise when a benefit is provided in cash, which families may need to wait for some time to receive.

<sup>1</sup> This brief was written by Barbara Magnoni, Derek Poulton and Emily Zimmerman (August 2012).

<sup>2</sup> Llanto et al. (2008) estimates insurance penetration at 5.4% in 2008, including informal products.

<sup>3</sup> Life insurance and other products covering low-frequency events are particularly difficult to study using experimental techniques, because they require very large sample sizes and/or long time periods for enough people to have experienced the shock. See [MILK Brief #6: Research design for measuring the client value of microinsurance](#).

<sup>4</sup> [MILK Brief #8: Doing the Math: Cashless funeral microinsurance in Colombia](#).



**Overall, the product offered benefits to beneficiaries, but not soon enough to cover funeral needs. These were largely met by very important community support that is common in this area of the Philippines. Where the product succeeded was in filling a much-needed financing gap that covered lost income of the deceased, who in many cases was an important household income earner.** Insurance appears to have helped insured families recover from the financial consequences of the death. Yet, some clients benefitted more than others, in part because of the extremely complex design of the product. Our study findings also suggest that the claim processing time significantly affected the value of the funeral component of the insurance product, an issue we are exploring further with a second round of surveys. However, we also find evidence that some of the insurance benefit may have encouraged beneficiaries to organize a more costly funeral than the family would have otherwise had in advance of an expected claim, suggesting that funeral coverage per se may not have been an ideal use of funds for this population. We find instead that part of the insurance benefit was used to replace lost income or for productive investment which may have helped those families recover more easily from the financial consequences of the loss. The delay in paying one component of the insurance benefit may have incentivized this behavior.

## Methodology

The primary aim of this study was to better understand the financial tools available to those with and without insurance. Using MILK’s Client Math methodology, we interviewed family members of insured TSKI clients (57) as well as uninsured families (59) in the same communities who had suffered similar shocks. Of those without insurance, we excluded 22 cases from the sample who reported having no access to credit, since they were markedly different from TSKI’s clients and families. Respondents were visited in their homes, answered a 40-minute questionnaire, and received a small gift for their time. Our surveys began with an exploration of the full cost of the funeral, followed by questions about how this cost was financed initially (before the insurance benefit was received). We then asked the insured about the insurance benefit, how it was used, and what they would have done without insurance. The surveys ended with questions about both the insured’s and uninsured’s perceptions of insurance.<sup>5</sup>

**Table 1: Socioeconomic statistics of the two groups**

Sample	Insured n=57	Uninsured n=37
Deceased age (average)	47.8	55.9
Deceased gender (% women)	47.4%	62.2%
Respondent age (average)	46.0	50.3
Respondent gender (% women)	52.6%	45.9%
Respondent education (average years)	10.5	8.4
Respondent income (average USD)	\$110	\$71
Household income (average USD)	\$164	\$112
Deceased monthly income (avg. USD)	\$111	\$44
Household size (average)	5.7	5.3
No. of children (average)	2.3	2.0
Receive remittances (%)	28.1%	27.0%

The life/funeral insurance product studied is in fact three policies in one: it provides group life insurance, burial assistance insurance, and personal accident insurance. The life and burial benefits are available to both borrowers and savers of TSKI and up to three immediate family members, while the personal accident/dismemberment benefit only applies to borrowers and their family members. Coverage is compulsory for current borrowers, but voluntary for clients who have only savings at TSKI. A minimum annual premium of USD 21.94 covers the client, spouse, and first three dependents, after which clients must pay to cover additional family members. Clients, their spouses and parents are insurable from 18 to 65 years old, and unmarried children are insurable from six months to 25 years old. The insurance benefits, all paid in cash, are summarized in Table 1. The benefit for the funeral assistance component is delivered between one and two weeks from death (average 8.5 days in our sample), and the life benefit is later paid within one to three months. Clients with two months or

**Table 2: Product Coverage (USD)**

	Life	Funeral	Personal Accident	
			Death	Burial
<b>Client</b>	1,657	468	1,657	468
<b>Spouse</b>	468	234	468	234
<b>Child/Sibling/Parent</b>	234	117	234	117

<sup>5</sup> For a description of the Client Math methodology, see [MILK Brief #9: What is Client Math?](#)

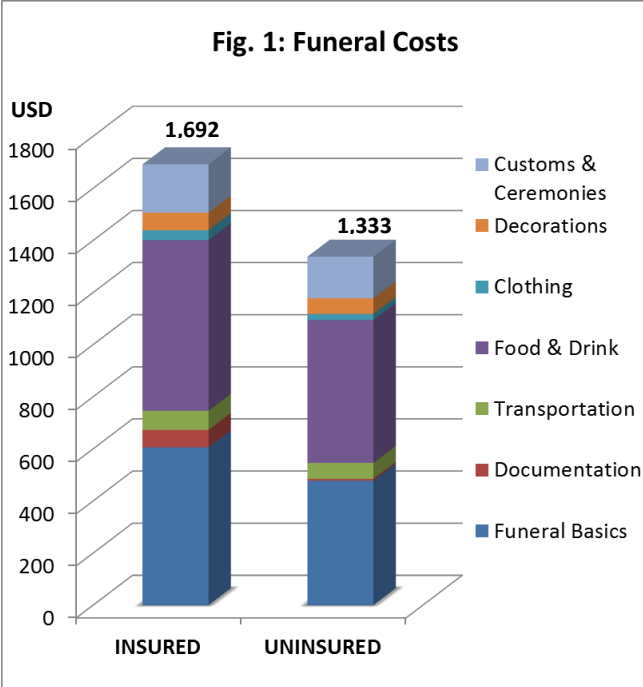


less of continuous coverage at the time of death receive no life benefit, with 2-6 months they receive half of the life benefit, and beyond six months they receive it in full. In the case of a client's death, any outstanding principal and interest is deducted from the final life insurance payment. While this mechanism is complex and led to some confusion, it was designed to offer the cheapest premium available to clients.<sup>6</sup>

**Insured and Uninsured: Who are they and how did they cope with the shock?**

**Insured and uninsured respondents were similar in many ways, but had some meaningful differences.** Respondents from both groups were close family members of a recently deceased person. Most respondents were the deceased's spouse, though siblings, parents, children and other relatives were also interviewed. Insured and uninsured respondents were chosen from the same low-income villages. Though we observed some differences in income and education level between the two groups, these differences were not statistically significant<sup>7</sup>. Respondents who reported that they had no access to credit were eliminated from the uninsured group to ensure comparability of analysis. Among the remaining respondents, the insured were about as likely to borrow from TSKI or any other MFI or MBA, and slightly more likely to borrow from moneylenders or friends and family. On average insured respondents were more likely to borrow from any source, and borrowed more in absolute terms and as a percentage of total financing.

**Total funeral costs varied widely among all respondents, and were slightly higher on average for the insured.** On average, the insured group incurred higher funeral costs than the uninsured group (USD 1,692 vs. USD 1,333) (see Figure 1<sup>8</sup>), partially due to documentation costs of making the insurance claim. The totals varied widely, however, ranging from USD 124 to USD 4,751 for the insured group and USD 162 to USD 2,992 for the uninsured group.



The difference between average total funeral costs between groups was statistically significant after controlling for household income. The average funeral cost did not vary significantly by gender or age of the deceased. Among insured respondents, the relationship of the deceased to the policyholder—and thus the total benefit received—was related to the average total funeral cost. Families spent the most when the deceased was the TSKI client (USD 1,989), less on the client's spouse (USD 1,678), and even less on other relatives (USD 1,217). Amounts financed from loans also follow this pattern—USD 793 (40%) for the client, USD 401 (24%) for the spouse, and USD 244 (20%) for other relatives. Household income and the relationship of the deceased to the policyholder both have a statistically significant relationship with the total amount spent on the funeral,<sup>9</sup> and the amount of the insurance benefit received is positively correlated with funeral cost and close to statistically significant. This suggests that while

<sup>6</sup> Credit life products bought individually are very costly in the Philippines given they are generally mandatory and face little downward pressure on prices, and as such, this type of policy was excluded from the product design.

<sup>7</sup> Household economic data were subjected to an independent two-sample t-test with a 95% confidence interval.

<sup>8</sup> The reader should be cautious in interpreting the graphs of costs and financing sources in this brief, as they do not reflect *only* the direct effect of insurance purchase, but rather the combined effect of insurance purchase and 'being the sort of person who buys insurance.' Although we tried hard to ensure that the insured respondents were similar to the uninsured respondents, it may be that certain kinds of people are more likely to have insurance coverage, and this could account for some of the difference between insured and uninsured in these graphs.

<sup>9</sup> Using a multivariate linear regression of total funeral cost against several factors; household income and relationship of the deceased are significant at 5%, and actual insurance amount received is close to significant at 7.6%.



household income does determine the amount spent on a funeral, receiving a *larger insurance benefit may also have led some families to spend more on the funeral* (and finance more of its total cost) in anticipation of insurance benefits, particularly since the amount financed through other sources such as gifts, income, and assets is similar across these sub-segments.

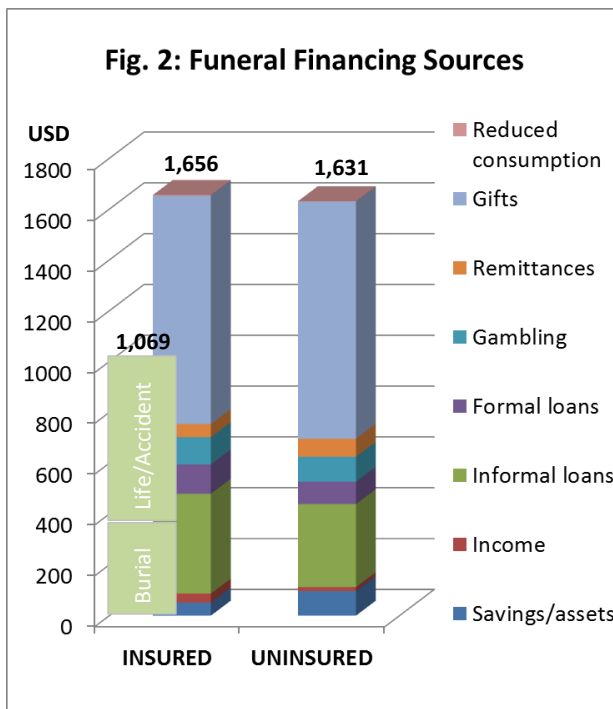
During our research, respondents and community leaders told us anecdotally that Filipinos follow many unique funeral customs and tend to observe long wake periods (the sample average was two weeks) to accommodate relatives traveling from far away. Including food and drink costs, these customs make up roughly half of the total costs of the funeral. Basic funeral costs such as coffin, plot, embalming, and burial made up only 36% of the total costs. Documentation was a relatively small burden, but insured clients spent on average USD 60 more than uninsured clients, which we expect was due to the requirements of claiming life benefits—death certificates, birth certificates, and in the case of death by accident or disaster various other official reports.

**Lost income was a substantial burden for many respondents, but women who lost husbands were hardest hit.**

In addition to direct funeral costs, the deceased’s lost income was a significant burden for the surviving family of both the insured and uninsured, at USD 111 monthly for the insured group and USD 45 for the uninsured. This amount also varied widely depending on the relationship of the deceased to the respondent. Deceased husbands (usually of female TSKI clients) left the biggest income gap, at USD 182 monthly income lost. This lost income was a burden beyond the funeral costs pictured above. As such, the need to cover this gap after the deceased passed away may explain the large discrepancy we see between funeral costs and financing sources, as wives in particular had to make up for this loss in household income. It also suggests that the smaller “spousal” coverage for female clients did not sufficiently take into account the devastation of losing a primary income earner (often the male non-client spouse). These clients’ benefits were lower than those of men whose wives (female clients of TSKI) passed



A male respondent and his grandson under a picture of his deceased wife (TSKI client)



away, yet their needs in terms of covering

forgone income were higher. Given that 67% of TSKI clients are women, **the product’s value skews toward male beneficiaries.**

**The composition of up-front financing strategies used by the insured and uninsured was similar.**

Before the insurance benefit was paid, insured and uninsured families used similar tools, in similar proportions, to cover the shock (see Figure 2). Excluding the insurance benefit, insured and uninsured families raised USD 1,656 and USD 1,631, respectively. On average, the insured’s funeral benefits were paid after 17 days (excluding three outliers that took more than 150 days) and life benefits after 83 days on average, thus requiring the insured’s family to finance their needs up front for some time. Once the family was paid, an average USD 1,069 in total benefits was paid to this family (USD 324 burial benefit and USD 745 in life/accident benefits), less any outstanding debt upon payment of the life benefit





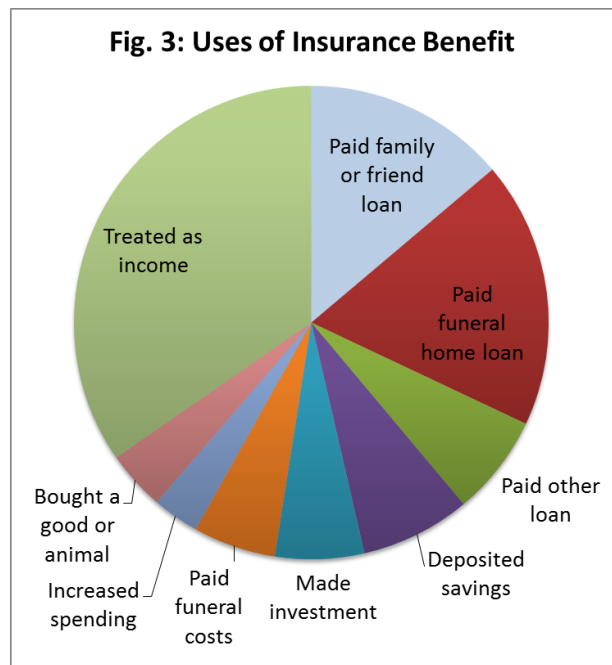
for deceased clients. This is significant, as discounting outstanding debt from the life benefit arbitrarily varies the financial value for families depending on how far in the loan cycle the client was upon death. Additionally, we find that the confusion from not knowing the benefit due to beneficiaries had an impact on the value of the product. When we consider the *expected* value of the insurance, we find that claimants' benefits tended to be lower than expected because the claim was reduced by the amount of the outstanding loan. This may have impacted their spending as well as led to disappointment in terms of the financial benefits actually received from the product.

There were few notable differences in either the *mechanism* of funding response or the *amount* of each mechanism used by the insured and uninsured. Both groups relied on community and family support through *abuloys* and other cash and in-kind contributions to cover the bulk of the cost, and used informal loans to cover a large minority. Insured respondents were slightly more likely than uninsured to *borrow* (72% vs. 62%), especially from funeral homes (25% vs. 8%). This may indicate that some insured respondents, expecting to receive policy benefits, felt more comfortable or had an easier time taking on short-term debt. Insured families were more likely to use *savings* (25% vs. 3%), while uninsured families were more likely to sell animals (10.8% vs. 1.8%) or large goods (5.4% vs. 0%). Insured families may have had more savings to draw from as they were slightly better off. They also may have felt more confident using their savings knowing that they could replace deposits with insurance benefits paid. Other strategies used by both groups included *household income*, *reduced consumption*, and *gambling*<sup>10</sup>. *Government support* (typically from the mayor) was also common (64% received it) albeit modest (USD 54 on average for those who received it). Although government support is a common financing source, as least some Filipinos are very reluctant to rely on it. One client told us that the mayor was the last person she would approach because she was ashamed to do so: "If I could do something, and if I could find somewhere else, I would not go to him." Curiously, most insured *remittance* receivers used this source, while among uninsured remittance receivers only a minority resorted to it for the funeral. While on average remittances only accounted for 3.1% and 5.4% of funeral financing, among those who did have access to this resource it was a significant help, amounting to USD 210 on average for insured and USD 873 for uninsured respondents. This is a common pattern in the Philippines, where many people migrate to work in Manila or in Persian Gulf countries such as Bahrain.

These financing strategies contrast sharply with our Client Math study of a *cashless* funeral insurance product in Colombia, where we found that financing strategies differed greatly between insured and uninsured. In that study, the insurance product provided a standard funeral "package" from an affiliated funeral home on a cashless basis. As a result, insured families were relieved of the need to finance most of the up-front cost of the funeral while waiting for the insurance benefit. They financed the small remaining piece using fewer and less burdensome financing strategies than the uninsured.

Despite the similarities between the insured and uninsured in this study, there are some minor but notable differences in the composition of initial financing strategies, some of which appear to have been influenced by the insurance coverage.

**Insurance benefits varied widely among the insured, with significant value implications.** On average, insured respondents received USD 1,069



<sup>10</sup> Our respondents and other informants in the area noted that it is common in the Philippines for card games to take place during a wake (to pass the time) or as part of a funeral celebration, whereby the winnings are used to contribute to the overall costs of the event.



in benefits. This amount varied drastically, however (from USD 117 to USD 2,807), depending on the deceased's relationship to the primary insured, the time since coverage began, and, when the deceased was the TSKI client, that client's outstanding loan balance. The product's complex structure appears to have confused many respondents, who on average over-estimated the benefits they would receive. Men, however, were closer than women in their expectation of the actual amount insured. This may be related to the fact that women respondents in our sample were more likely than men to receive only a partial benefit due to being covered for less than 181 days. Forty percent of male respondents received the full benefit compared to only 33% of women. This aspect of the coverage likely confused those who received a small benefit and potentially offered a positive surprise to those that received larger benefits.

**Nearly half of insured families saved or invested a portion of the insurance benefit.** Most insured respondents spent the bulk of the insurance benefit to pay off funeral-related borrowing (see above Figure 3, which shows the percentage of the insurance benefit allocated to various uses). However, a significant portion (49%) of respondents also reported making at least one productive investment, such as a savings deposit (21%), a business investment (21%), and / or purchase of animals (12%). The total amount and timing of the insurance benefit appear to be related to this decision to invest. For each additional USD 100 received and for each additional week of waiting for the life insurance benefit, respondents were about 2% more likely to make some sort of productive investment. This suggests that the staggered design of product benefits may have encouraged some families to invest, by paying the second part of the cash benefit after the funeral cost had already been covered. This productive investment was potentially quite useful in helping families to adapt to the loss of a breadwinner's income, particularly at a time soon after the death when they may have had limited access to other sources of financing.

Beyond the reported uses, on average, respondents received a 35% greater insurance benefit than they could account for spending on funeral and related costs. While we cannot determine with certainty where this money went, several possibilities are plausible: it may have been saved informally, used to smooth consumption, or diverted toward other household needs as the family adapted to the lost income resulting from the death. This unaccounted portion amounts to on average three months of the deceased's lost income, and may have been very useful to some families in adjusting to the loss of their family member's income.

**The amount financed by the uninsured was substantially greater than the cost of the funeral.** The uninsured reported raising an average of USD 1,631 to cover their reported USD 1,319 of expenses. It is plausible that some of the USD 312 discrepancy was due to the fact that some of the financing was diverted to cover household needs unrelated to the funeral; especially where families suffered lost income. Some of the difference appears also to be caused by "churning" of financing mechanisms, as one tool (such as a short-term informal loan) is replaced by another (such as household income or another loan).

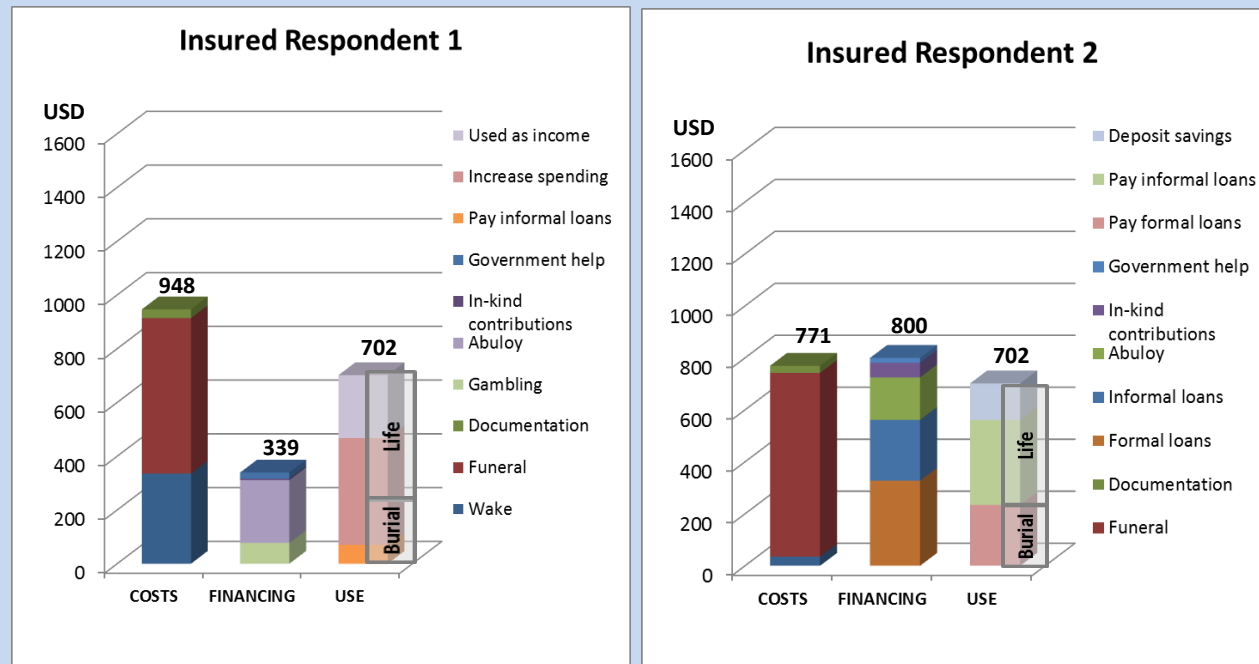


## A Closer Look at Select Respondents

The data above offers some insight into the overall responses from our interviews, but averages often obscure the nuances that individual stories can offer. Our interviews tell individual stories than shed further light on the trends highlighted above.

### **Two insured families used their benefit to offset funeral financing gaps and pay down debt.**

Our first example is a 40-year old female TSKI client whose husband died unexpectedly in his sleep. Having only a primary school education, she works as a household helper and sells bananas. Her husband was the main breadwinner for the couple and their three children, and the loss of his income put her family at a monthly USD 200 deficit. The wake and funeral, costing USD 948 in total, were partially financed through an abuloy (USD 234), gambling earnings (USD 77), local government support (USD 23) and small cash gifts (USD 5), but this was not enough to pay the total cost. The initial funeral benefit helped pay some of this gap, and the life insurance benefit, which came 20 days later, helped her pay off a USD 938 family loan, as well as pay her children’s secondary school fees for the year and some food. Another way she adjusted was to take additional cleaning work. No longer able or willing to live alone with her children, she moved into her husband’s family’s home. This family can look after her children while she is working. She does not report the use of USD 234 of the total benefit; this remainder may have



offset the loss of her husband’s income as she adjusted to being a sole income earner. She said that without insurance, she would have reduced expenses or tried to borrow from an MFI or moneylender as these are quick sources of funds. Given her existing debt and the vulnerable state of the household due to the lost income, the insurance appears to have helped her avoid risky or burdensome coping strategies.

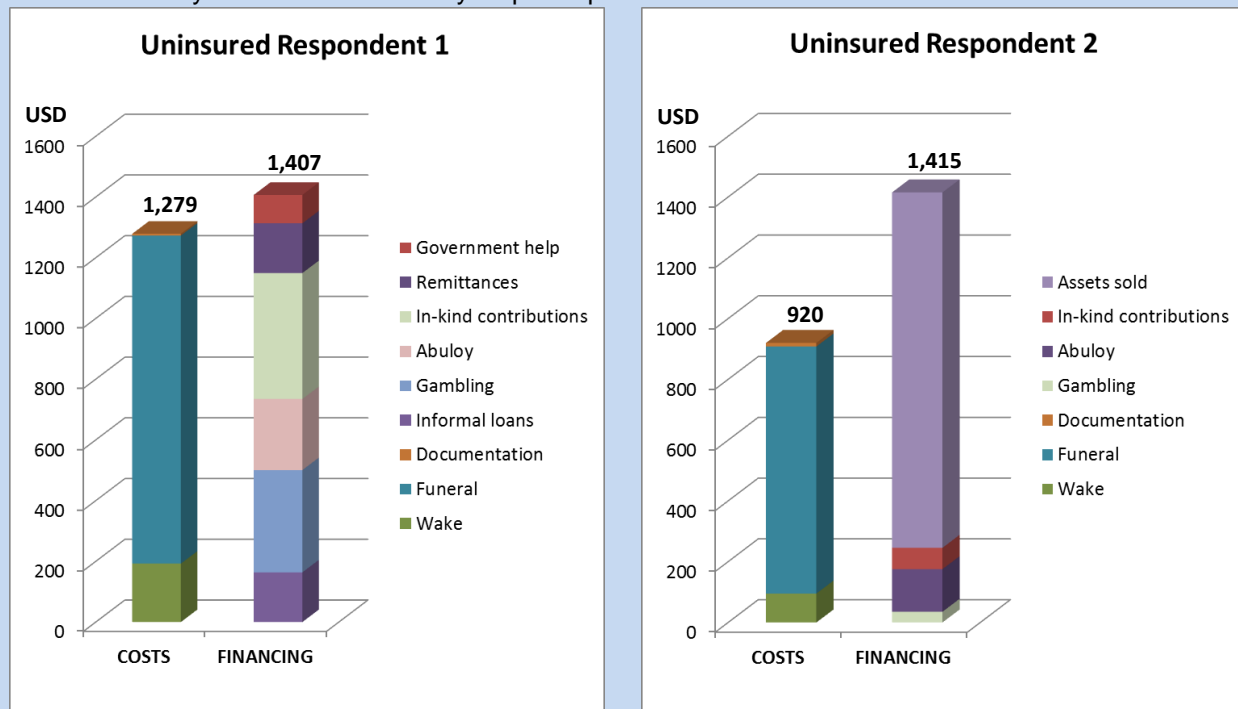
Our second example is a 56-year old male client, a farmer who lives with two other adults and three children. His 43 year-old wife, also a TSKI client, earned slightly more than him, and when she died in an accident, she left a significant USD 87 gap in monthly household income to cover their USD 110 in monthly expenses. The four-day wake and funeral costs were modest at USD 771, requiring him to procure USD 421 in financing beyond the insurance benefit. A large portion of this was through a USD 234 loan from a friend. In addition, the respondent received a modest amount of abuloy, likely because his family and neighbors were also poor. He also received some local government support. While he owned 14 chickens as well as other small assets, he did not sell these. The USD 702 insurance benefit (after deducting debt) he received after 8 days covered most of the funeral costs, though the final life and accident benefit payment came 180 days after the death. With this money he was able to pay back his



friend's loan and USD 327 he owed to the funeral home. He deposited the remaining USD 140 in his savings. Though the delayed payment required this client to remain in debt for a longer time, it may also have encouraged him to save a portion of the benefit rather than spend it all on the funeral.

**Uninsured families relied heavily upon the community. For some, remittances played a crucial role; others resorted to selling assets.**

The first uninsured example shows how, for a minority of families, remittances served as an alternative coping mechanism to either insurance or loans, in complementing community contributions. This 33 year-old TSKI savings client is a food vendor who did not finish primary school. She lost her 68-year old father, who despite his advanced age, contributed about half of the household's income before his death. Although she has life insurance herself, her father was not covered. The respondent lives with her husband, two children, her widowed mother, and one other adult. The average-cost funeral of USD 1,279 was financed with a variety of mechanisms. Gambling and community contributions added up to 84% of the total funeral cost. The rest was financed with USD 164 of informal loans and USD 164 in remittances. She did not use the remittance to pay back the loan, however, as she still had this loan at the time of the interview, in addition to USD 94 outstanding with an MFI. She did not receive remittances regularly, and this extraordinary remittance most likely helped replace some of her father's lost income.



In our second uninsured example, we observe the tendency of some uninsured families to sell important assets to finance the funeral. This 43 year-old farmer and day laborer, with only a primary school education, lost his 79-year old father. The respondent's large family includes his wife, five children, and two elderly parents. Their household expenses are USD 70 per month, though his income as the only breadwinner was just USD 47. He has access to and uses TSKI, other MFIs, and extended family to borrow, but had no outstanding loans or savings at the time of interview. This respondent arranged a modest USD 920 funeral for his father, despite having a long two-week wake period. Like most families in the sample they relied on gambling and community contributions, but the amounts added up to a mere USD 246—likely because their family and neighbors were similarly poor. Curiously, this family did not receive local government support. To cover the remaining expenses, the respondent sold a large asset for USD 1,170, though he did not sell any of his chickens and goats, perhaps in an effort to maintain productive assets. The respondent reported using the full amount of the sale towards costs related to his fathers death, so the amount in excess of funeral expenses was probably used to replace his lost income.





## Was it worth it?

**The insurance seems to have played an important role in helping families recover from and adapt to the loss.** It may have eased access to borrowing, prevented the need to sell productive assets, and even encouraged some families to make productive investments. The certainty of financing may also have prompted them to acquire slightly more costly funerals, but this possible influence was somewhat mitigated by the delay in receiving the insurance benefit. While most uninsured families were also able to finance funerals with relatively little difficulty by relying heavily on community contributions, they also resorted to costly strategies like liquidating major household assets, or taking on additional debt without a clear source for repayment.

**Family and community networks were a substantial source of financing in our study, but their contributions are not sufficient.** Our respondents were able to rely heavily on family and community to cover the cost of the funeral, but these contributions in the form of abuloys, gambling “pots”, remittances, and cash and in-kind support for funerals were rarely sufficient to cover all of the needs of the uninsured.

**Insured families spent somewhat more on funerals, possibly in part because of the insurance.** One concern that is raised in questioning the value of funeral insurance is that it will lead families to simply buy a “bigger box,”<sup>11</sup> or spend more on the funeral and related ceremonial activities than they would have without the insurance. Case et al. (2008) find in South Africa that households who receive an insurance payout at the time of a death spend more on the funeral than those who do not. Hougaard & Chamberlain (2011) suggest otherwise, observing in qualitative research that funeral costs tend to be high regardless of whether the deceased had funeral insurance and that people will “beg, steal, or borrow” if needed to pay for the funeral.



Gathering documentation required for the insurance reimbursement to recall survey responses.

While our study cannot prove that insurance or any other factor *caused* an increase in spending, we observe that insured families spent on average USD 373 more on funerals than uninsured. There are several credible explanations for this difference. First, though our insured and uninsured samples are similar, the insured appear to be financially better off than the uninsured in important though modest ways. This difference in socioeconomic status, particularly household income, also may have influenced the total funeral cost. Second, the insured spent more on documentation (presumably related to making the insurance claim) than the uninsured, though this cost cannot explain the entire difference. Finally, it is plausible that the insurance benefit itself prompted increased spending on the funeral, especially as we see a positive correlation between the size of the insurance benefit and total funeral costs. It is important to keep in mind, however, that an increase in spending on a funeral is not necessarily without value, particularly to the extent that the funeral ceremony may play an important social role.

**Delays in claims payment can reduce the value of a product that is designed for an immediate need, such as a wake and funeral. The delay in paying this component of the product made the financial responses of the insured resemble those of the uninsured quite closely.** Community contributions, in accordance with local tradition, play the foremost role in funeral finance in Iloilo for both the insured and the uninsured. The remaining financing needs were often pieced together by both groups with debt, consumption reductions, savings or asset sales. **Yet these same delays, as well as the product’s two-part payment structure may have shielded beneficiaries from social pressure to spend on a large funeral.** MicroEnsure’s product is structured in a way that can ensure that these mechanisms are not crowded out but rather complemented by offering payment of benefits in two parts (a

<sup>11</sup> The term “bigger box” is coined by the MILK Project to represent spending on funeral expenses that cover more than a basic dignified ceremony and burial as a result of having insurance coverage.



quicker funeral benefit followed by a cash benefit at a later date). The product’s design was not intended to pay claims out as slowly as it does, but this lag appears to have been useful to some clients. This group was able to take advantage of the cash payment at a later date to make productive investments or save money. MicroEnsure has since taken steps to reduce these delays, and MILK is exploring the influence of those changes on value through a second round of surveys in Iloilo, scheduled for Fall 2012

**Better odds than an *abuloy*.** All respondents had continuous coverage for less than two years. With an average of 214 days of continuous coverage and assuming semi-annual premium payments of USD 11, we estimate that the insured had paid a total of USD 18 in premiums before the death, receiving an average benefit of USD 1,069 before discounting outstanding debt. At less than two cents per US dollar of claim benefit, this appears to be a good value. Yet this value depended heavily upon the history of coverage and also who died (See Table 3 below for breakdown). For instance, the “cheapest” benefit of 1.024 cents per dollar is incurred when a policyholder dies within 6 months. The most “expensive” benefit, at 3.127 cents per dollar, occurs when the policyholder’s spouse dies between 6 months and one year.

**Table 3 : Average Premiums Paid, Benefits Received, and Cost Ratio by Days of Continuous Coverage & Relationship to the Deceased (USD)**

Days of continuous coverage	Policyholder	Spouse	Other Dependent
0-181 days (Premium 10.97)	Benefit: 1,070.63 Ratio: 0.01024	Benefit: 428.85 Ratio: 0.02558	Benefit: 882.51 Ratio: 0.01352
182-363 days (Premium 21.94)	Benefit: 2,105.26 Ratio: 0.01042	Benefit: 701.75 Ratio: 0.03127	Benefit: 350.88 Ratio: 0.02084
364-545 days (Premium 32.91)	Benefit: 2,105.26 Ratio: 0.01563	Benefit: 1,637.43 Ratio: 0.02010	Benefit: 584.80 Ratio: 0.02034
546-728 days (Premium 43.88)	Benefit: 2,807.02 Ratio: 0.01563	NA	Benefit: 1,754.39 Ratio: 0.01924

**The clients who benefit most may not be those with the greatest need.** The product pays larger benefits when the primary insured (the TSKI client) him or herself dies versus when a spouse or dependent dies. As women comprise approximately 67% of TSKI clients, a woman’s death, on average, will result in a larger payout than a man’s. At the same time, we observed in our sample that women whose husbands died tended to be the most vulnerable in terms of lost income and access to financing. Men in our sample were more likely to borrow, and among those who borrowed they accessed larger amounts than women. This disparity suggests that those who may need the insurance most (women who lose husbands) are likely to receive less than those who are less vulnerable after the death (men who lose wives). Equalizing the payout matrix for clients and spouses could alleviate this difference. However, this shift could increase premiums significantly as mortality rates for men tend to be higher, and because it would increase overall coverage. Furthermore, the practice of deducting from the pay-out a client’s outstanding debt creates an arbitrary disadvantage for the families of clients who happen to die early in their loan cycle. By separating credit-life coverage from funeral and general life coverage, TSKI could further increase the value of its microinsurance offering to clients and their families.

**Despite the ambiguities in the program, Ilongos hold positive views on insurance.** Among insured respondents, 85% thought purchasing the insurance was a good decision, with 28% even reporting additional coverage outside TSKI, mostly for life insurance. This group overwhelmingly (88%) thought that insurance helped reduce worry about the future, and only 21% thought insurance guaranteed a decent funeral, implying that clients placed more value on its function for replacing lost income than for financing a funeral. A minority of insured respondents reported disadvantages such as cost (32%) or failing to receive benefits for the premiums (23%).

Among uninsured respondents, About half (47%) said they have a “positive opinion” of insurance, and 39% said their families would be more secure with insurance. 69% said they would be interested in purchasing insurance, with interest centering on funeral and life coverage. Only 17% said no outright. Lack of awareness appears to have prevented them from obtaining coverage, as less than half of uninsured respondents reported having knowledge of any particular type or provider of insurance. Among



those who expressed no interest in purchasing insurance, 30% said they knew nothing about insurance, and 40% said it was too expensive. On the whole, these impressions indicate that easy-to-understand, affordable microinsurance does serve a valuable role, not only to complement community financing for the funeral, but more importantly to boost household income upon loss of a breadwinner.

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Microinsurance Learning and Knowledge (MILK) is a project of the MicroInsurance Centre that is working collaboratively to understand client value and business case in microinsurance. Barbara Magnoni leads the client value effort and Rick Koven leads the effort on the business case. Contact Michael J. McCord ([mjmccord@microinsurancecentre.org](mailto:mjmccord@microinsurancecentre.org)), who directs the project, for more information.