



MILK Brief #27:

“Doing the Math” – Funeral Microinsurance and Speedy Claims in the Philippines¹

Studying CARD MBA’s life insurance in Panay

Funerals in the rural Philippines are elaborate affairs, where family and community come together to celebrate the memory of the deceased. Their costs quickly add up and can leave families with a substantial financial burden, which is often exacerbated by additional costs related to the death. One of MILK’s first Client Math studies (MILK Brief #13) explored the value of a funeral and life insurance product offered by MicroEnsure through TSKI. We found that the strong role of family and community in financing such affairs in the rural Philippines (Panay Island) left most respondents with sufficient funding to cover the costs of both the wake and funeral of their deceased loved ones. Our study suggested that on average, having insurance made little immediate difference to insurance beneficiaries in the short term, as they were helped by their friends and family with funeral and other immediate costs, a common practice known as *abuloy*. As such, most insured families did not need to turn to difficult financing strategies such as asset sales and savings despite quite slow claims payments (an average 26.2 days). On the contrary, insured families that received late claims payments were able to use some of the benefits to save, replace lost income, or invest in a business or asset. These findings contrast with market trends in the Philippines, where the speed of claims payments on life insurance has become a key differentiator of microinsurance products. This contrast led us to ask whether slow claims payments present a problem at all, or instead, could they actually add value by encouraging more productive use of the benefits? In the present study, we return to the Philippines to ask the question—**can quicker claims payment improve the value of microinsurance for families after a death?**

The MILK team partnered with the **Center for Agriculture and Rural Development Mutual Benefit Association, Inc. (CARD MBA)**, the affiliated insurer of the MFIs CARD Bank Inc. and CARD Inc., on the same island of Panay to study the client value of its life microinsurance using the Client Math methodology. Here we segment the usual Client Math analyses of costs and financing mechanisms by different claim wait times to understand how claim speed affects client value. Comparisons with the MicroEnsure study further enrich the findings.

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 outside of the MILK research about how these products work in the lives of low-income clients.² Hintz’s (2010) qualitative study of a credit-life plus cash benefit product 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. Yet MILK’s Client Math studies to-date paint a more nuanced picture, in which life microinsurance can provide significant client value (or very little), depending on the coverage, benefits, claims speed and context. In the Philippines, we found that TSKI and MicroEnsure’s product, generally paying very late, did

¹ This brief was written by Derek Poulton, Barbara Magnoni, and Michael J. McCord (October 2013). Acknowledgements to Jing Gusto, Birgit Schubert and Emily Zimmerman.

² 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](#).



little to relieve the need to use informal loans or difficult coping strategies, but did boost productive investment among some beneficiaries. Our study of Mapfre and CODENSA’s cashless funeral microinsurance in Bogota, Colombia³ found substantial value in the product’s seamless way of providing a quality funeral with little upfront financing, but by providing in-kind coverage, did not leave beneficiaries with the flexibility to allocate part of the benefit to any other use. Finally, in Mexico, Compartamos’ voluntary life microinsurance (paid relatively quickly) helped beneficiaries to avoid relying on stressful financing tools to pay for the funeral and cover other costs related to the death. The present study sheds light on the value of paying claims very quickly, how that value links to the benefit type, and which beneficiaries can make best use of quick claims and how.

Our study offers some nuance around two popular microinsurance theories: 1) the so-called “bigger box” theory and 2) the assumption that rapid claims processing is critical to product value. Presumably, too much insurance can lead families to spend the excess on lavish funerals (a “bigger box”), and this impulse can be exacerbated by making cash payouts quickly. **Our study suggests that CARD MBA’s life insurance has a small “bigger box” effect, primarily allowing beneficiaries to slightly upgrade their wake and funeral ceremonies. But it also offered some moderate additional value by helping them to avoid informal borrowing that could not easily be repaid.**

We propose that ultra-fast claims payments offer less financial value than they do expected value, by creating peace of mind and trust in the insurer. In addition to assessing CARD MBA’s product on its own, we look across the responses of beneficiaries from CARD MBA and MicroEnsure and find that the speed of claims *does* influence the nature of client value received. The timing of the payout can be associated with small upgrades for ceremonies. For example, expenses for the wake increase when payouts are ultra-fast (within a week of death) while they increase for funerals when payouts are fast (within two weeks). If anything, further delayed cash payouts might offer financial value if the goal is boosting productive capacity after losing a breadwinner rather than simply covering funeral costs, which are largely paid by the community using traditional methods in the Philippines. One must bear in mind, however, the importance of certainty; usefully delayed payments should be intentional and not the result of inefficient or irregular claims processing.

While we cannot extrapolate this specific case to others worldwide, we believe that it is an excellent illustration of how clients’ needs and priorities vary from community to community. As such, institutions should consider these carefully when determining the ideal coverage and benefit structure of a microinsurance product.

The CARD MBA product

CARD MBA, owned and managed by its members, offers a Basic Life Insurance Product (BLIP) that provides cash payouts that vary in amount depending on who dies, the cause (natural or accidental) of death or permanent disability, and the client’s length of time with the MFI. Coverage applies

automatically to each borrower of the affiliated MFI, as well as either his/her parents (if member is unmarried) or his/her spouse (if member is married) and children, up to 21 years old. The USD 18.29 annual premium can be paid up front, but is usually collected weekly with loan payments.

Table 1: CARD MBA Product Coverage (USD)⁴
Covered Cause and Person

Borrowing History	Death		Accidental Death	
	Member	Dependent	Member	Dependent
Under 1 year	146 (49 if pre-existing condition)	122 (0 if pre-existing condition)	293	122
1-2 years	244	122	488	122
2-3 years	732	244	1,463	244
Over 3 years	1,220	244	2,439	244

Table 1 shows the cash benefits of CARD MBA’s product. The total cash payout (USD 723 on average in

³ MILK Brief #8: [Doing the Math: Cashless funeral microinsurance in Colombia.](#)

⁴ Permanent disability benefits, not studied here, are excluded from the table.



our sample) was made one to two weeks after death (7.7 days on average in our sample). CARD MBA prides itself on upholding a “1-3-5 Rule” of claims payment. If the body is not yet buried (i.e. death is visually verifiable), the claim must be paid within one day of notification to CARD MBA. If the body is buried and necessary documents are available, the claim must be paid within three days. All other cases must be paid within five days. Complex cases may be first rejected then appealed to uphold the rule.

Study methodology

The primary aim of this study was to better understand the costs incurred and financial tools available to bereaved families with and without a quick-paying life insurance policy. Using MILK’s Client Math methodology, we interviewed close relatives of insured CARD MBA members (35) and of uninsured people (35) in the same communities who had recently died. Respondents were visited in their homes, answered a 40-minute questionnaire, and received a small gift for their time. Our surveys began with a detailed breakdown of funeral-related costs, followed by questions about how this cost was financed before insurance benefits were received. We then asked the insured about the insurance benefit, how it was used, and what they would have done without insurance. Surveys ended with questions about perceptions of insurance in general.⁵

To understand the potential effects of slower claims payments than those made through the CARD MBA product, we combined insured and uninsured respondent data from the prior study in Panay with MicroEnsure clients with the results of this study. ***This allowed us to look at the costs and financing for three groups: ultra-fast payments, fast payments and slow payments.***

Insured and Uninsured: Who are they?

Our two groups were similar, although the insured were somewhat better off and had greater access to formal financial products. Respondents from both groups in the CARD MBA study were close family members of a recently deceased person, chosen from the same low-income villages. As Table 2 shows, the ages and genders of both insured and uninsured respondents and deceased relatives were similar, as well as average level of education, family size, and reliance on remittances. The majority of respondents were self-employed, working in trade, services, or agriculture, though 26% in each group were unemployed. Their ownership of common household assets was also mostly similar.

Table 2: Socioeconomic statistics of the two groups

Sample	Insured n=35	Uninsured n=35	P ⁶
Deceased age (average)	52.7	58.4	0.268
Deceased gender (% women)	57.1%	54.3%	0.813
Respondent age (average)	44.3	48.2	0.257
Respondent gender (% women)	48.6%	65.7%	0.152
Respondent education (average years)	9.3	8.7	0.464
Respondent income (average USD)	124	71	0.025
Household income (average USD) ⁷	328	269	0.426
Household size (average)	6.1	6.2	0.881
No. of children (average)	1.9	2.1	0.558
Receive remittances (%)	31.4%	34.3%	0.803

Despite these similarities, we find that insured respondents’ own income and total household income, pre- and post-death, were higher by 20% than that of the uninsured families on average.⁸ Only the difference in post-death personal income between insured and uninsured respondents (as shown in Table 2), however, was statistically significant. The insured also owned more animals on average (10.0 vs. 6.3). As observed in other Client Math studies, these gaps may be linked to wealthier families’ higher likelihood of accessing loan products, which commonly include insurance as an add-on or part of a bundle.⁹ It is also interesting to note that post-

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

⁶ A p-value below 0.05 indicates a statistically significant difference between the two groups.

⁷ Average household income for respondents in the MicroEnsure study was USD 164 for insured and USD 112 for uninsured.

⁸ Data in this paper were subjected to independent two-sample t-tests with a 90% confidence interval to compare the two groups.

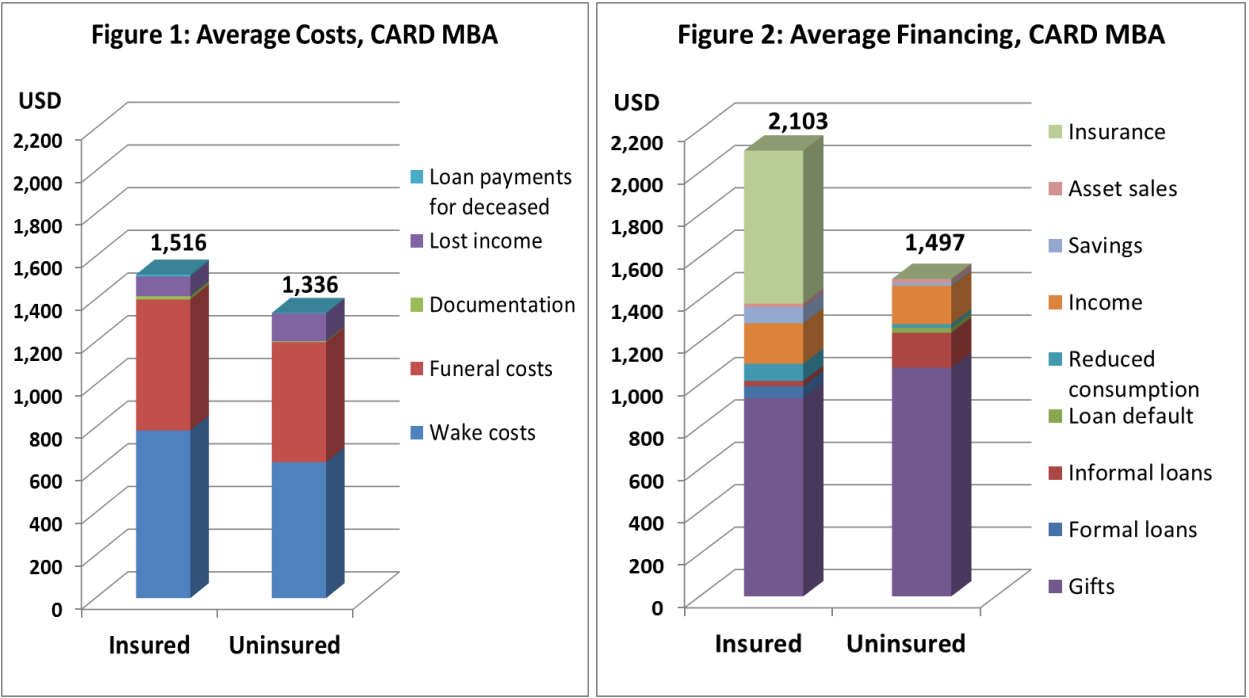
⁹ Insured respondents were twice as likely to have additional insurance as the uninsured were to have any insurance. Among those who had extra coverage, funeral or life insurance was most common, followed by health and accident. Public programs like SSS and PhilHealth covered about 24% and 57% of respondents overall in both groups, while the insured were also more likely to use MFIs or other insurance companies.



death household income fell significantly more among insured families than uninsured families (USD 78 vs. USD 20), primarily due to the loss of the deceased’s income as these were more critical breadwinners than those in the uninsured sample.

Insured and uninsured: how did they cope with the shock?

Total funeral costs varied widely across all respondents though insured families spent slightly more on average. The average total of funeral-related costs was USD 1,516 for the insured compared to USD 1,336 for the uninsured group (see Figure 1), though this small difference was not statistically significant, and on a relative basis compared to income, the insured actually spent less: 4.5 times monthly income as compared to 5 times monthly income for the uninsured. Unsurprisingly, direct costs of the wake and funeral made up the vast majority of costs, since our survey was concentrated on understanding the specific costs and financing associated with these relatively short-term events. At the same time, only 8% of the insured and 10% of the uninsured totals included indirect costs such as lost wages due to the funeral or wake, documentation expenses, and the costs of making up the deceased’s loan payments. Due to the insurance requirements, the insured spent about three times as much as the uninsured on obtaining documentation such as death, marriage, or medical certificates, a difference consistent with other Client Math studies. Finally, a small number of insured and uninsured respondents paid down outstanding loans left by the deceased, though this amount was only, a small portion of total costs (an average USD 9 for the insured and USD 2 for the uninsured).



Financing strategies were similar between the insured and uninsured, and the differences that do exist suggest that the more vulnerable uninsured could have benefitted more from having insurance. Figure 2 shows the different financing strategies used by insured and uninsured respondents. On average, insured respondents used slightly fewer distinct financing strategies (including insurance) to cope with the shock (6.2 versus 6.8, statistically significant) and lower financing totals (USD 1,380 excluding insurance versus USD 1,497). There are several notable differences in financing strategies used. The insured were able to spend slightly more on the wake and funeral as well as to cover more than the total costs of the wake, funeral and indirect costs with insurance benefits. Insured respondents relied less on informal loans than the uninsured (USD 24 versus USD 165, statistically significant), and used fewer gifts from friends and family (USD 936 versus USD 1,078, not statistically significant). Few insured and uninsured had savings, but of those who did save, the insured used more money from savings than the uninsured. On the whole, the insured showed more frequent use of strategies that are less burdensome in



the long term, such as household income and reducing expenditures, perhaps because of their relatively higher income and also presumably because they expected to recover those sources quickly after receiving the payout. While the insurance benefit was useful, its ultimate value in avoiding difficult financing mechanisms for the insured was somewhat limited. **Funeral financing was primarily covered by friends and family, and the insurance product's ability to cover much more than these costs was also limited. The product paid claims quickly, however, which is a valued attribute that CARD MBA emphasizes when promoting the product to members.** Below we discuss some of the more nuanced issues around fast payouts.

How did paying claims quickly affect value?

Judiciously implementing the 1-3-5 Rule (starting at the time of notification to CARD MBA), CARD MBA pays beneficiaries quickly, with an average death-to-payout time of 7.7 days in this sample¹⁰, compared to an average wake plus funeral length of 13.4 days. To evaluate the relationship between claim speed and client value, we combined the CARD MBA sample with the MicroEnsure sample. For a more direct comparison, we considered only the first payout of funeral benefit of MicroEnsure's product, which is designed to pay shortly after the clients' death to cover funeral-related expenses. This product had a much slower death-to-funeral payout time of 26.2 days on average.¹¹

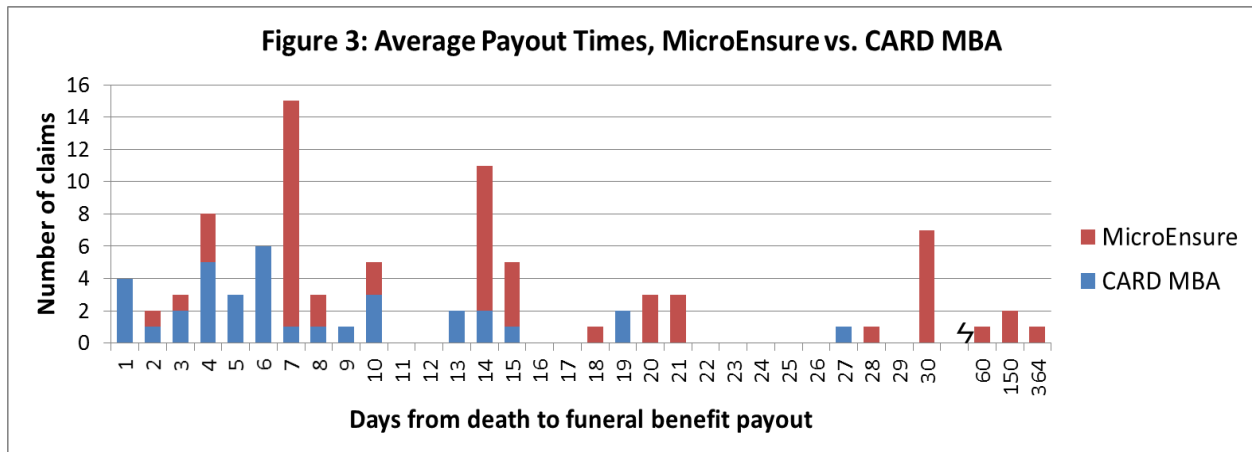


Figure 3 above shows the distribution of payouts by time after death for CARD MBA and MicroEnsure beneficiaries. Most CARD MBA insurance beneficiaries are paid within two weeks of death, with just three cases of a longer delay. MicroEnsure beneficiaries, however, received funeral payouts clustered around the one- and two-week mark, with several major outliers, including after one month, two months, and even a year. While this was not consistent with the original product design (see Table 3 below), delays were pervasive due to a combination of complex documentation requirements, poor support from the delivery channel and slow processing times between the broker and insurer.

¹⁰ On average, CARD MBA respondents received payouts 1.5 days after submitting all of the required documentation. An average of 3.2 days passed between the time the claim was first reported and when the documentation was submitted, indicating that the documentation process is somewhat burdensome.

¹¹ For a more direct comparison, the effects of MicroEnsure's second benefit, an additional cash payout targeted as "life" coverage and paid months post-death are not analyzed here.

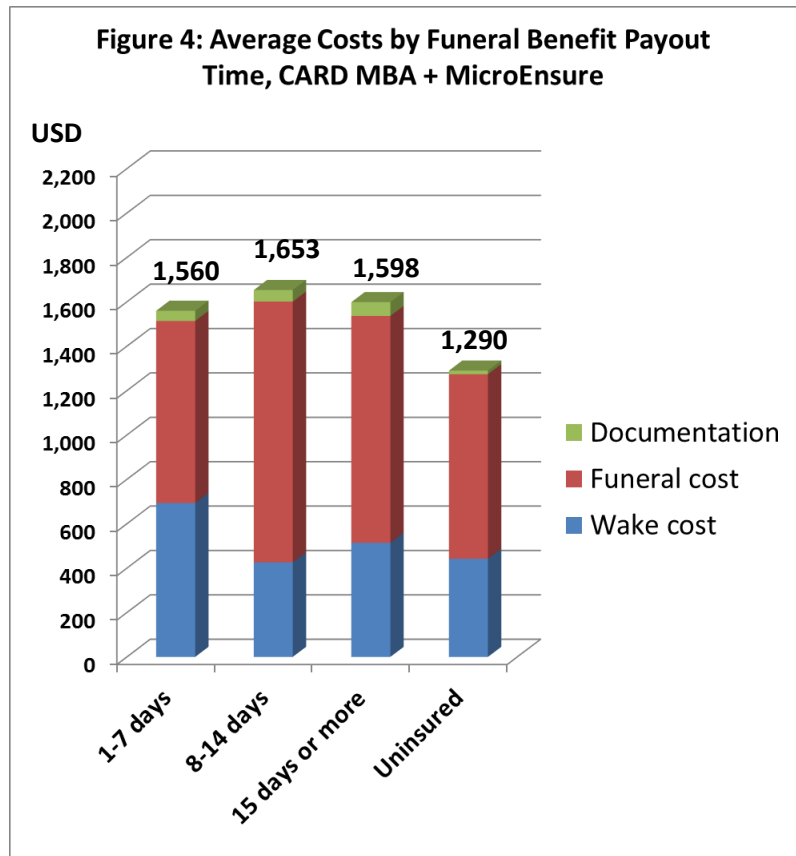


Table 3: Comparison of Two Life Microinsurance Products in the Philippines

Insurance provider	MicroEnsure (broker)	CARD MBA (insurer)
Channel	TSKI (MFI)	CARD Bank (MFI)
Modality	Mandatory for borrowers, Voluntary for savers	Mandatory for borrowers
Lives covered	Client and dependents (siblings, parents OR spouse and children).	Member, spouse, and dependents (parents OR spouse and all children).
Coverage Types and Avg. Amounts (in sample)	<ul style="list-style-type: none"> • Loan balance deducted from benefit • USD 324 funeral benefit • USD 745 life benefit • Personal accident benefit 	<ul style="list-style-type: none"> • USD 723 life benefit (Max USD 1220¹²) • Accidental Death Benefit (Max USD 2440)
Avg. Death-to- Payment Times	26 days for funeral benefit 82 days for life benefit	8 days for life benefit
Avg. Premium	USD 22 per year	USD 18 per year (though members are eligible for up to a 50% refund of contributions upon death, resignation, or termination, depending on length of membership)

Having combined the two studies' samples, we next segmented all respondents by their death-to-funeral payout times to discern the impact of ultra-fast, fast, or slow payouts (or no payout at all, in the case of the uninsured). Figures 4 and 5 present the average costs and financing for each segment.

Figure 4 below shows that while insured respondents incurred higher direct and indirect costs than uninsured respondents, the totals spent on the wake, funeral and documentation of the insured do not vary significantly from one another. The proportions, however, vary considerably. Members who received a funeral benefit within a week of the death (at the time of the wake) spent much more on the wake and less on the funeral, while clients who received their payout after one week and within two weeks (closer to the time of the funeral) spent less on the wake but more on the funeral. The total spending on both funeral and wake does not vary much regardless of the timing of the payout, but timing does heavily influence what recipients spend the money on—usually immediate needs at the time of the payout, whether that be a wake or a funeral. This suggests that the timing of payouts influences the specific usage of the benefit, with ultra-fast payouts leading to greater wake spending, fast payouts to greater funeral spending,

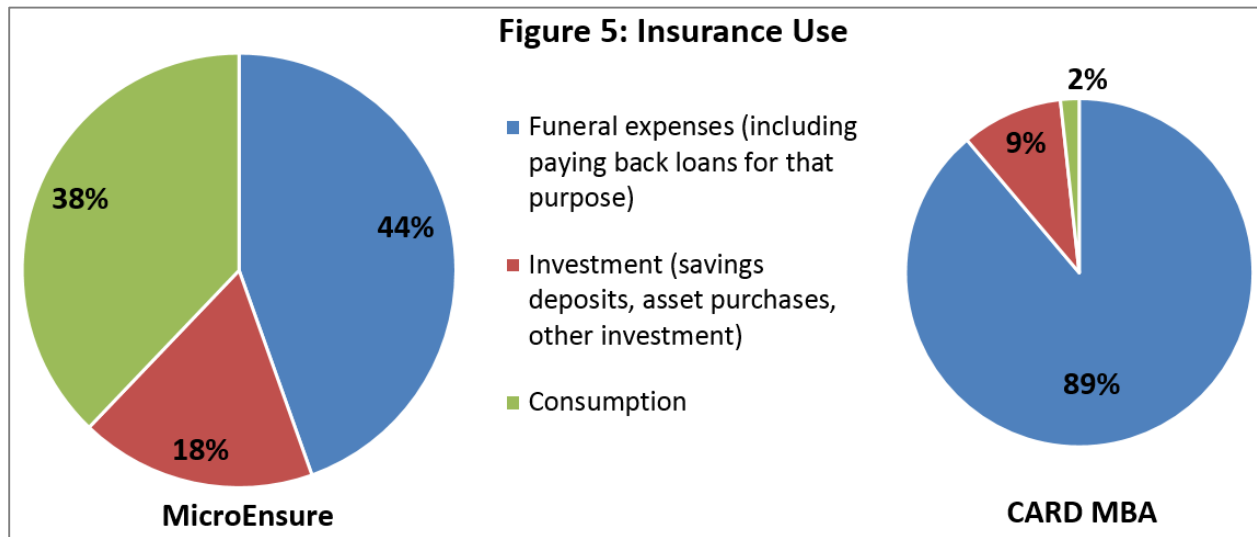


¹² Benefits increase based on the length of membership, as noted in Table 1 above.



and slow payouts slightly less of each, but more spending on post-funeral needs which may be critical when a breadwinner dies.

Figure 5 shows the stark difference in usage of benefits between the beneficiaries of insurance policies of the two institutions. The size of the circles is proportional to the size of the average total benefit received (funeral, life, and personal accident).¹³ Since the majority of the total MicroEnsure payout is paid as a life benefit a month or more after death, MicroEnsure beneficiaries spent just over half of the total payout on income replacement (compensating for the bread-winner's loss of income) or productive investments aimed at generating additional income. The remaining 39% was used to pay off loans incurred to cover funeral costs after the event. By contrast, since CARD MBA's payout is a one-time funeral benefit, CARD MBA clients spent almost all of their payout (which is smaller in total than MicroEnsure's, but larger than the initial MicroEnsure funeral benefit) on the direct costs of the funeral, leaving only a small portion for saving, investment, or income replacement.



When the deceased is a primary breadwinner, delayed payment of life benefits may actually safeguard the bereaved family's livelihood and help beneficiaries avoid the temptation of a "bigger box," especially in rural communities where family and community still play a large role in funeral financing. The box below offers highlights from a focus group discussion with MicroEnsure insurance beneficiaries who received late payments. It suggest that there is temptation to spend more than can be afforded at the wake and funeral. Insurance that is paid immediately may put pressure on families to spend too much, too soon.

¹³ Average total benefit received by MicroEnsure beneficiaries was USD 1069, compared to USD 723 for CARD MBA beneficiaries. Throughout this brief we use an exchange rate of USD 1 = PHP 41, the exchange rate in effect at the time of the CARD study, for all of the combined analysis of CARD and MicroEnsure results.



Highlights from Focus Group Discussions with MicroEnsure Beneficiaries Who Received Slow Payments

Topic: Timing of Payouts and “bigger box”

Location: Panay Island, the Philippines

Female Participant 1: If you are rich, then you can spend more to make the funeral nicer. But if you are poor, then you cannot do this. You need to budget your money to have some for later.

Female Participant 3: But I think I will still spend it during the funeral, to make it more comfortable, for example have a better transportation to the church.

Female Participant 4: If I had some extra money, I would have spent it during the funeral, like for better food, or a nicer package deal from the funeral parlor... I wanted to have a nicer burial lot, a niche...but I couldn't afford it...I even think it is good that I had to wait, because otherwise I would have spent all the money right away. So I used the money for the education of my children and for other expenses. I have a lot of expenses.

Male Participant 5: Of course you cannot spend it all during the wake... I would have liked to bury my wife in a private memorial park, but that was too expensive for me. So I had to bury her at the public cemetery. You must spend money wisely; you must budget. Some you spend on the wake, like a nicer coffin, but the rest you save, like for school expenses.

Male Participant 6: I would buy a better and more beautiful coffin and would have a longer wake.

While waiting to access part or all of an insurance benefit right away may be beneficial, waiting too long can be detrimental, as it erodes the benefits of insurance. Beneficiaries who waited 15-60 days for their funeral payout use significantly more informal debt than any other segment to cover funeral costs. This is a mixed blessing. In comparison to the uninsured, the expectation of an eventual payout probably served as “collateral” for informal lending, and thus helped to avoid even more costly financing strategies such as selling assets. This is a pattern seen in several MILK Client Math studies.¹⁴ One participant from a November 2012 focus group discussion with MicroEnsure insurance beneficiaries noted: “It’s easier to borrow money from someone because they know you will receive something from insurance. Insurance assures them that I can pay them.” Alternatively, a faster payout would have made this strategy less necessary. **In fact, those respondents who received funeral benefits within two weeks were able to cover or pay down all of their debt and avoid accumulating interest on loans, whereas those whose payout was seriously delayed were not.**¹⁵ When slow payments were received, a large portion (39%) was used to pay back loans, presumably taken out to support funeral financing and immediate costs after the death. This is quite inefficient. As other focus group members noted, a faster payout would have helped reduce their overall debt burden and minimize the financial burden of accrued interest payments (See box below).

¹⁴ See findings on insurance “crowding in” informal support in [MILK Brief #25: Keep Your Insurance Close and Your Friends and Family Closer](#).

¹⁵ This is influenced by the fact that these are mostly MicroEnsure clients who received smaller funeral benefits (but larger life benefits later on).



Focus Group Discussions with MicroEnsure Beneficiaries

Topic: Timing of Payouts and indebtedness

Location: Panay Island, the Philippines

Female Participant 4: “Not much would have changed [if the payout had been faster] because 20,000 PHP is not enough to cover everything. I would still have to borrow money but a smaller amount. It [the loan amount] would have been only 10,000 PHP if I had received the insurance payout earlier.” (Thus interest was paid only on the 10,000 and not the 20,000.)

Male Participant 5: “If I had received it earlier, it really would have been an advantage to me. Now I have a lot of debts because I had to wait so long. And I also have to pay a lot of interest.”

Finally, though it may be less stressful than other financing mechanisms, informal borrowing from friends and family can still be both an economic and emotional burden, especially when there is uncertainty about the ability to repay. One participant in a different focus group discussion in October 2012 explained that this strategy can be stressful, particularly when one is not sure when the insurance payment will actually come through: “...the people who lent you money are always asking when you will pay them back, and you can only tell them that you will do it as soon as you get the money from the insurance. But you don't know when you will get it, because nobody tells you anything.”

What is the value of speed?

In other of our Client Math studies where friends and family played a lesser role in dealing with shocks, fast insurance payouts were essential to helping avoid difficult financing strategies and leverage lower-cost informal loans. For CARD MBA's product, as well as MicroEnsure's the strong reliance on friends and family to cover funeral costs in the Philippines suggests that this value was more limited for most of the respondents we spoke to who received insurance benefits. Nonetheless, member satisfaction was high. Almost all insured respondents from CARD MBA said they planned to renew (94%) and said they would recommend (91%) CARD MBA's life insurance.

While market pressures and regulatory requirements in the Philippines put heavy emphasis on rapid claims payment, fast payouts may create more expected value than financial value. Clients want certainty that the insurer will fulfill its promise, and fast cash is helpful though not always essential to achieving this certainty. Overall, insured respondents overwhelmingly believed that one of insurance's main advantages are to give peace of mind (91%) and guarantee a decent funeral (71%), showing how CARD MBA's emphasis on quick claims payments generated expected value and directed benefits to funeral spending. Beneficiaries of MicroEnsure's product also believed insurance gave peace of mind (88%), but relatively few thought it guaranteed a decent funeral (21%), despite having an explicit burial benefit. Protecting income, savings, and loan access were also mentioned (23%, 20%, and 23% respectively) albeit less frequently by CARD MBA beneficiaries than MicroEnsure beneficiaries.

Beneficiaries of the CARD product found few disadvantages of insurance—71% said it had none or they did not know. The most common criticism, of four respondents, was that insurance is slow. These individuals had to wait on average three days from claim submission to payout, compared to just one day among the rest. Our analysis of costs and financing above showed that ***the difference between ultra-fast and fast payouts was minimal, so why did these beneficiaries complain about a two-day difference? The answer appears to be a desire for certainty about the insurer's ability to fulfill the promise of payment.*** The insights from focus group discussions with MicroEnsure beneficiaries cited above suggest that having certainty can offer value in itself as it allows for more efficient and less stressful management of other financing mechanisms. While the uninsured respondents in the CARD study held generally positive views of insurance, only 54% said they would consider buying insurance, mostly due to high costs (44%), lack of knowledge (17%), or lack of trust (11%), further demonstrating their lack of conviction about insurance's value.



Was it worth it?

While abuloy cover a major portion of funeral costs in the Philippines, our Client Math data and qualitative insights suggest that formal insurance coverage, albeit moderate, can be helpful to financing the direct and indirect costs of a wake and funeral. Yet in the Philippines, insurance may be even more valuable after the funeral is over, when funds from friends and family dry up and households are left to cover the income gap left by the loss of a breadwinner. Because the CARD MBA product pays a relatively small amount but quickly, it can help defray some of the stress from borrowing and receiving donations from friends and family, while offering insured beneficiaries some wiggle room to upgrade their wake and funeral ceremonies. We have called this phenomenon a “bigger box” effect (the suggestion that insurance, rather than providing financial relief, may simply lead beneficiaries to “buy a bigger box” or otherwise spend more on non-essential elements of the funeral than they would have without insurance). It is easy to view this extra spending as wasted, but we also understand from qualitative discussions with beneficiaries that these small upgrades have a social and emotional value for people with limited resources. Understanding these client preferences is important as it suggests that insurers may be able provide social and emotional value by enabling small wake and funeral upgrades with insurance benefits. However, greater financial value can be offered when a product more explicitly addresses the cost of the loss of a breadwinner. Paying insurance benefits later, as MicroEnsure does, might help offer greater value when replacing the loss of a breadwinner, bearing in mind the importance of certainty. Later benefit payments should not merely be the result of inefficient or irregular claims processing. Additionally, very slow payments, such as many observed in our study of MicroEnsure, begin to erode value as borrowing costs climb and limit the ability of beneficiaries to put insurance settlements to productive use. For this and other reasons the current microinsurance legal framework in the Philippines requires claims settlement within ten business days. ***By paying close attention to the family structures and income streams of different client segments, insurers and delivery channels could prioritize and appropriately timed loan forgiveness, funeral, life and other coverage to best serve the needs of clients and their families. Though there is a risk of complexity, this could ultimately create more financial value for all involved. Insurers and channels that are considering such timing changes should clearly define the purpose of the coverage and the timing of claim settlement in relation to that purpose, and the timing of payments should be conveyed when products are marketed.***

CARD MBA is especially committed to guaranteeing prompt payments as a measure of client value, tapping into the importance of perceived value of clients and the importance that certainty and trust plays in the relationship between an insurer and clients. Filipino clients generally have high expectations of fast claims processing, and frequently differentiate product options by the claims payout time. This perceived value in itself is critical to ensuring that the client is satisfied. ***Increasing coverage with more stringent claims processing may improve value to clients, but would require extensive efforts to offer the same level of transparency and certainty that CARD MBA’s product currently offers to its members.***

The perceptions of insurance from the insured and uninsured in this study echo many trends observed in other MILK studies—that ***experience with a reliable and reasonably priced insurance product very positively influences users’ perceptions of insurance, while perceived high costs, lack of trust, and lack of information keep non-users from accessing insurance.***



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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), who directs the project, for more information.