
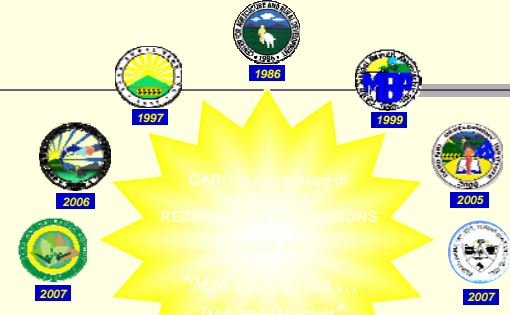


# Solution to the Security Dilemma of Low-Income Members of Credit Unions

CARD Mutual Benefit Association, Inc.



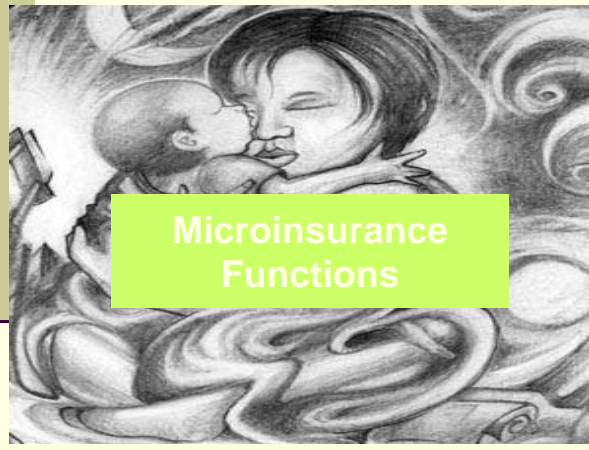
**Solutions to the Security of Low Income Members:**  
*The CARD MBA Experience.*  
 By Dr. Jaime Aristotle B. Alip  
 September 27, 2008, ACCU,  
 Bangladesh



CARD is composed of  
 REINFORCED INSTITUTIONS  
 CARD UNITS

*"Mga Credit Union ...  
 Isa ang Misyon"*

SUPPORT UNITS



**Microinsurance Functions**

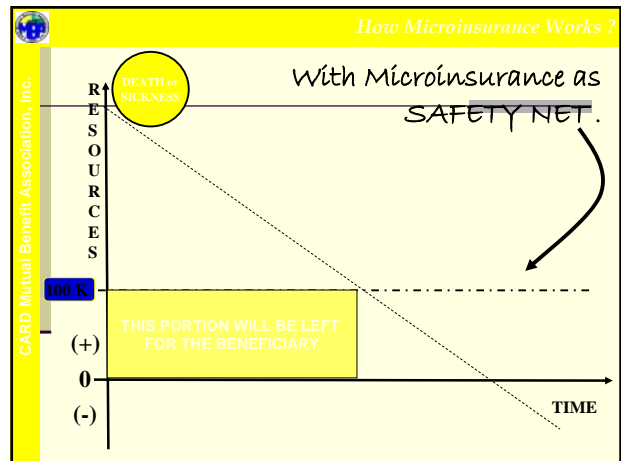
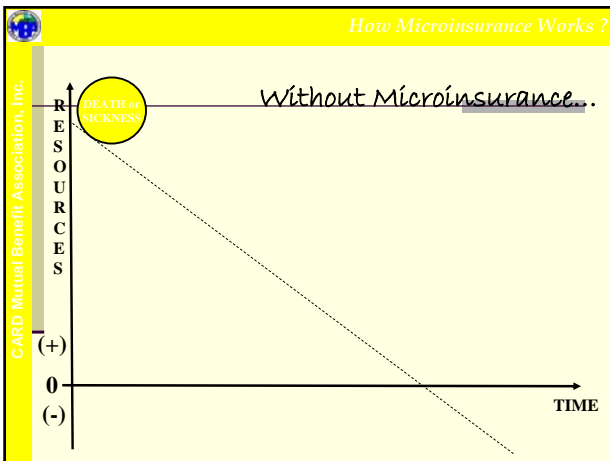
*Functions of Microinsurance..*

**MICROINSURANCE** is another **WEAPON** for poverty alleviation.

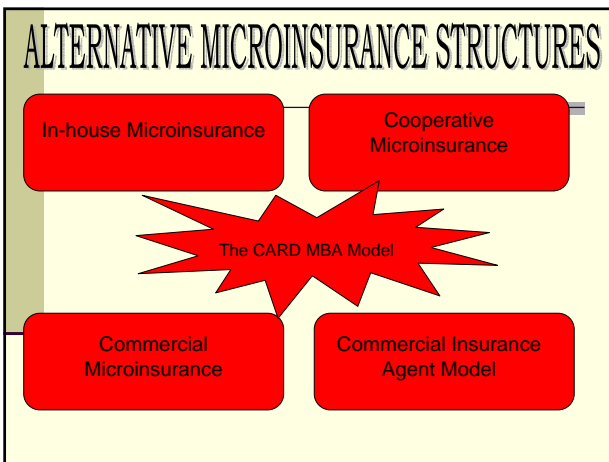
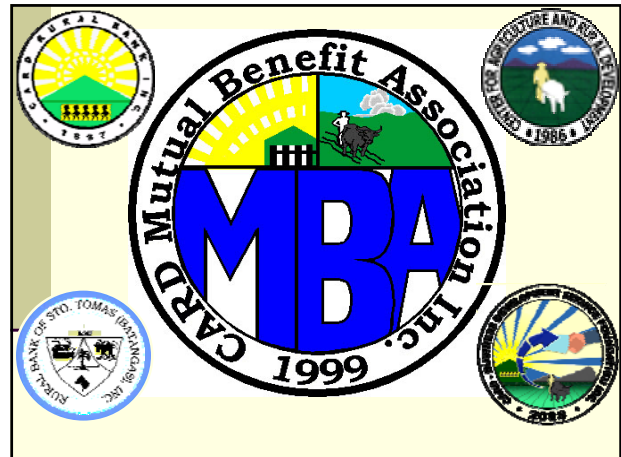
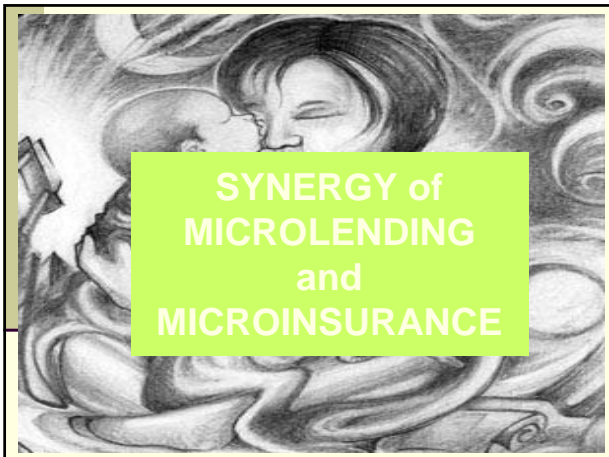
**MICROINSURANCE** is a **SAFETY NET** for micro-entrepreneurs.

**MICROFINANCE** combined with **MICROINSURANCE** creates **SYNERGY**

Some commercial insurance companies are biased to micro-entrepreneurs because of the size of **THEIR BUSINESS**.



# Solution to the Security Dilemma of Low-Income Members of Credit Unions



### WHY MUTUAL BENEFIT ASSOCIATION?

PARTICULARS	MUTUAL BENEFIT ASS'N (MBA)	COMMERCIAL INSURANCE COMPANY
POLICY MAKING BODY	BOARD OF TRUSTEES COMPOSED OF MEMBERS WHO KNOW THE NEEDS OF THEIR CO-MEMBERS	BOARD OF DIRECTORS COMPOSED OF PRIVATE INDIVIDUALS (MOSTLY THE RICH)
ORIENTATION	SERVICE TO THE MEMBERS	PROFIT
CONTRIBUTIONS / PREMIUMS	<ul style="list-style-type: none"> <li>PAID CONTRIBUTIONS STAYED WITH THE ASSOCIATION</li> <li>LEVEL CONTRIBUTIONS, LEVEL BENEFITS</li> </ul>	<ul style="list-style-type: none"> <li>PAID PREMIUM IS GONE FOREVER</li> <li>THE HIGHER PREMIUM YOU PAY, THE HIGHER BENEFIT YOU CAN GET</li> </ul>
NO CLAIM	<ul style="list-style-type: none"> <li>FUNDS WILL GROW</li> <li>FUNDS OF THE ASSOCIATION CAN BE A SOURCE OF FUND FOR LENDING ACTIVITIES</li> </ul>	<ul style="list-style-type: none"> <li>WILL BE RICHER AT THE EXPENSE OF THE HARD EARNED MONEY OF THE CLIENTS</li> </ul>
CATASTROPHIC LOSS	HAS TO SHELL OUT LOT OF FUNDS BUT BANKRUPTCY CAN BE AVOIDED THRU REINSURANCE FACILITIES	

### WHY MUTUAL BENEFIT ASSOCIATION?

PARTICULARS	MUTUAL BENEFIT ASS'N (MBA)	COMMERCIAL INSURANCE COMPANY
PAYMENT OF CLAIMS	<ul style="list-style-type: none"> <li>CAN BE DONE AS EARLY AS 1 TO 3 DAYS FROM THE TIME OF NOTIFICATION BUT NO LONGER THAN ONE WEEK IF CLAIMS DOCUMENTS ARE COMPLETE.</li> <li>SIMPLIFIED DOCUMENTATION</li> </ul>	<ul style="list-style-type: none"> <li>MOST INSURANCE COMPANIES CAN SETTLE CLAIMS AS EARLY AS ONE MONTH</li> <li>SEVERAL DOCUMENTS ARE REQUIRED AND VARY FROM ONE INSURANCE COMPANY TO ANOTHER</li> </ul>
COVERAGE	ALL LEGAL DEPENDENTS OF THE MEMBERS ARE COVERED	ONLY THE POLICY HOLDER WITH OPTION TO COVER FAMILY MEMBERS BUT WITH ADDITIONAL PREMIUM
MBAs CAN WORK WELL WITH THE COMMERCIAL INSURANCE COMPANIES THROUGH REINSURANCE TREATIES		

### PRODUCTS and SERVICES ...

#### 1. LIFE INSURANCE PROGRAM

Upon payment of the first Php 15.00 (US\$ 0.37) weekly contribution for life insurance, a member and her legal dependents have life insurance coverage, the amount of which depends on the length of membership.

- 1.1. With Total & Permanent Disability Cover
- 1.2. With Motor Vehicle Accidental Hospitalization (MVAH) Benefit of Php 10,000.00 (US\$ 243.90)

**\$1.00 = Php 41.00**

# Solution to the Security Dilemma of Low-Income Members of Credit Unions

PRODUCTS and SERVICES ...

## 2. RETIREMENT SAVINGS FUND (RSF)

It is an administered fund intended for the retirement of members that can be availed of in lump sum at age 65.

An active member pays Php 5.00 (US\$ 0.12) weekly contributions until she reaches the retirement age of 65.

These contributions are being invested in high yielding investment instruments to assure members of their retirement pay.

\$1.00 =Php 41.00

PRODUCTS and SERVICES ...

## 3. ALL LOANS INSURANCE PACKAGE

All Loans Insurance Package is a redesigned Loan Redemption Fund (LRF) to give full protection on loans of member-borrowers and also to protect the CARD MBA's accredited lending institutions by ensuring 100% collection of loans extended to the members in case of death.

The ordinary LRF pays only the balance of the loan but the program pays the total amount of loan of the dead member-borrower.

PRODUCTS and SERVICES ...

## 3. ALL LOANS INSURANCE PACKAGE

The amount of contribution is based on the principal amount and term of loan extended to the members.

- ☑ 1.5% of the principal amount for a one-year loan term;
- ☑ 0.8% or 0.75% of the principal amount for a six-month loan term;
- ☑ 0.4% or 0.38% of the principal amount for a three-month loan term.

Upon receipt and approval of due proof of death, CARD MBA will pay:

- ✓ the lending institution - the balance of loan at the time of death.
- ✓ the beneficiary - the paid portion of the loan at the time of death.

PRODUCTS and SERVICES ...

## 3. ALL LOANS INSURANCE PACKAGE

### Automatic Loan Offsetting After Disability Benefit (AutoLOAD)

In case of total and permanent disability (TPD) of a member-borrower as certified by a competent physician, CARD MBA will pay the balance of loan at the time when the member-borrower becomes TPD.

However, the paid portion of the loan will not be reimbursed to her but she will continue to receive her TPD monthly benefits for 18 months.

PRODUCTS and SERVICES ...

## 4. REFUND OF CONTRIBUTION

Upon resignation before the age of 65 and after three (3) years of continuous membership, the member is entitled to fifty (50) percent refund of all the contributions made for Life Insurance less claims availed of.

Even without three (3) years of continuous membership, upon resignation before the age of 65, the member is entitled to 100 % of all contributions made for Retirement Savings Fund plus regular savings interest.

PRODUCTS and SERVICES ...

## 5. MASS WEDDING

Mass Wedding is an additional service being offered to members who have live-in partners and have been members of the Association for at least 10 months prior to the wedding celebration. This is being done so that their live-in partners will be considered as their legal dependents enjoying the full benefits extended by the Association.

# Solution to the Security Dilemma of Low-Income Members of Credit Unions

PRODUCTS and SERVICES ...

### 6. CLAIMS SETTLEMENT

**1-3-5-day Target in Claims Settlement**

NUMBER OF DAYS	ACTION
1	Within 24 hours upon notification, claim for indemnity must be settled if the dead body is not yet buried at the time of validation.
3	Upon notification & with complete documents, claim for indemnity must be settled if the dead body is already buried at the time of validation.
5	Upon notification, difficult claims will be given action with finality.

PRODUCTS and SERVICES ...

### 7. CARD MRI's DISASTER RELIEF ASSISTANCE PROGRAM

**Without additional member's contribution, all member-victims of natural disasters like earthquakes, floods, landslide, volcanic eruption and even man-made like fire are given relief goods as quickly as possible.**

KEY SUCCESS FACTORS ...

KEY SUCCESS FACTOR	ADDED VALUE / STRATEGY
LARGE MEMBERSHIP BASE	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> 456,737 household-members as of 11-30-07 (CARD Rural Bank's savers not included)</li> <li><input checked="" type="checkbox"/> Compulsory life insurance and retirement coverage to prevent adverse selection.</li> </ul>
LEVEL CONTRIBUTIONS LEVEL BENEFITS	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Can give equal benefits to members being members-owned association</li> <li><input checked="" type="checkbox"/> Members can easily understand their benefits out of their weekly contributions</li> </ul>
AFFORDABLE CONTRIBUTION	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Compulsory Weekly contributions of Php 15.00 (\$0.37) for Life Insurance and Php 5.00 (\$0.12) for Retirement</li> <li><input checked="" type="checkbox"/> Voluntary Php 25.00 (\$0.61) weekly for health insurance</li> <li><input checked="" type="checkbox"/> 1.5% per annum of the loan amount for all loans insurance package</li> </ul>
EFFECTIVE COLLECTION MECHANISM \$1.00 = Php 41.00	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Collection of member's contribution is through the network of CARD branches and CARD MBA Provincial Offices.</li> </ul>

KEY SUCCESS FACTORS ...

KEY SUCCESS FACTOR	ADDED VALUE / STRATEGY
LOW ADMIN COST	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> 2% of gross contribution is paid to the branches as collection expense</li> <li><input checked="" type="checkbox"/> 20% of the gross contribution are allotted to GAF but the actual usage ranges from 12 – 18% only.</li> </ul>
SEPARATE INSTITUTION TO HANDLE MICROINSURANCE OPERATION	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Prevent co-varian risk</li> <li><input checked="" type="checkbox"/> Able to observe proper product costing</li> <li><input checked="" type="checkbox"/> Able to develop insurance culture</li> <li><input checked="" type="checkbox"/> Business-like/ professional relationship among different institutions of CARD MRI</li> </ul>
EFFECTIVE Information, Education Campaign (I.E.C.) STRATEGIES	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> I.E.C. is through CARD MBA Provincial Offices with the assistance coming from CARD branches.</li> <li><input checked="" type="checkbox"/> MBA Coordinators, who are members elected by their co-members, assist in the I.E.C.</li> </ul>
EARLY SETTLEMENT OF CLAIMS	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Claims settlement is on the CARD branch/Prov'l Office level with the assistance of the Center's Officers and MBA Coordinators.</li> <li><input checked="" type="checkbox"/> 1-3-5-day target for claim's settlement</li> </ul>

KEY SUCCESS FACTORS ...


KEY SUCCESS FACTOR	ADDED VALUE / STRATEGY
PROFESSIONALLY MANAGED	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> For the development of products and services</li> <li><input checked="" type="checkbox"/> For proper implementation of the rules and regulations of the association</li> </ul>
SENSE OF OWNERSHIP	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Assist the management in safeguarding the funds of the association</li> </ul>
DEDICATED MBA COORDINATORS	<p>MBA Coordinators are the go-between the members and the association and vital force in:</p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> enforcing the policies in terms of claims settlement</li> <li><input checked="" type="checkbox"/> the information and education campaign (IEC)</li> </ul>
SOURCE OF INCOME	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Members must source of income to pay their contributions consistently</li> </ul>
FRIENDLY GOVERNMENT REGULATIONS (SEC & OIC)	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> As our continuing guide in running CARD MBA</li> <li><input checked="" type="checkbox"/> Sense of protection of member's individual interest in the association.</li> <li><input checked="" type="checkbox"/> Full protection of the funds because CARD MBA is required to submit annual reports to SEC and regularly being audited by the Office of the Insurance Commission.</li> </ul>

IMPACT TO GENERAL MEMBERSHIP ...

Surveys showed that the products and services of CARD MBA are rated number one in terms of clients' satisfaction. Members were saying that they joined CARD and not to other microfinance institution because of the benefits that CARD MBA can provide.

CARD MBA is always trying to meet specific demand of its members for microinsurance products and services and it is always on its toes to maintain the high level of responsiveness for members' needs like burial expenses in case of death, loan repayment in case of death of member-borrower, and retirement savings fund for old age. There has been a high level of satisfaction for the products and services being provided by the Association.

# Solution to the Security Dilemma of Low-Income Members of Credit Unions

 <b>EARLY MEMBERSHIP, CLAIMS PAYMENT &amp; TOTAL ASSETS</b> <i>as of May, 2008</i>				
YEAR	MEMBERSHIP	CLAIMS PAYMENT (in Php Million)		TOTAL ASSETS (in Php Million)
		YEAR-TO-DATE	CUMULATIVE	
1999	28,531	0.974	0.974	6.608
2000	35,704	2.445	3.419	13.824
2001	49,887	3.386	6.805	28.072
2002	69,223	6.896	13.701	70.200
2003	116,395	10.940	24.641	130.823
2004	112,174	14.886	39.527	180.855
2005	144,499	15.505	55.032	243.453
2006	247,850	30.901	85.933	387.266
2007	416,122	42.679	128.612	594.745
<b>2008</b>	<b>574,863</b>	<b>37.756</b>	<b>166.368</b>	<b>867.516</b>

CARD Mutual Benefit Association, Inc.

Thank you!

CARD MRI

CONTINUOUSLY PUSHING FRONTIERS @ 20