

# Mutual microinsurance and the Sustainable Development Goals

An impact assessment following Typhoon Haiyan



**This report contributes to the growing evidence base demonstrating the potential for mutual microinsurance to deliver economic and social benefits aligned with the United Nations Sustainable Development Goals (SDGs). The principal investigator and author of the report is Dr Ana Gonzalez-Pelaez, CISL Fellow.**

As climate risks escalate and policymakers consider urgent adaptation and resilience strategies, there is an increasing emphasis on the role of insurance to support risk management and sustainable development in exposed populations and economies. From an initial focus on macro-level programmes, attention has broadened to microinsurance interventions, with a desire to scale up coverage by hundreds of millions of people across developing economies in the United Nations 2030 Sustainable Development Agenda.

Within microinsurance, little attention has been focused on mutual microinsurance despite mutual insurers representing almost 30 per cent of the global insurance industry by premium volume.<sup>1</sup> This study explores how mutual microinsurance, enabled by adequate regulation, can contribute to the SDGs by increasing the protection and resilience of low-income communities.

The report assesses the operations and outcomes of the Center for Agriculture and Rural Development Mutual Benefit Association (CARD MBA) in the Philippines. In this research CISL:

- collected and analysed extensive operational data from CARD MBA to explain how a large mutual microinsurance operation works;
- carried out two rounds of field research in communities severely affected by Typhoon Haiyan in November 2013;
- assessed, five years after this major catastrophe, how insured and non-insured communities have recovered. CISL specifically identifies the distinctive elements of those insured by a mutual microinsurance programme.



## Key findings

- For the first time, operational insurance functions and outcomes have been assigned to the delivery of SDG targets and aligned with possible insurance-related metrics and indicators. CISL document that mutual microinsurance has the potential to contribute to targets within ten of the SDGs by building financially literate, insurable, resilient and empowered communities.
- The success of CARD MBA's business model is based on three key elements: the interdependence of microfinance and microinsurance, highly developed community networks and the supportive Philippine regulatory environment.
- Following a disaster, mutual microinsurance is likely to be most effective in combination with other financial mechanisms, such as access to credit and emergency aid.
- The impact of mutual microinsurance on recovery after Typhoon Haiyan illustrates the benefits of robust community networks at times of extreme crisis. Established community structures helped with the efficient validation and payment of claims, despite very difficult circumstances, and the distribution of disaster aid packages to members.

## Key recommendations

- Policy: Inclusive insurance policies should be further aligned with national and international SDG targets.
- Regulation: Increased access to effective mutual insurance for low-income communities should be included in regulators' mandates as a distinctive element of inclusive insurance and wider climate resilience interventions. The Philippines provides an established example.
- Insurance industry: There needs to be a willingness to reach out to the low-income sector, involving the community while working with regulators to shape individual countries' needs (in both the mutual and non-mutual sectors).

## Report Summary

This is a summary of the report produced by The University of Cambridge Institute for Sustainability Leadership (CISL) in July 2019. The full report is available for download at <https://www.cisl.cam.ac.uk/resources/sustainable-finance-publications/mutual-microinsurance-inclusive-development>

## Impact assessment: Summary of key results

### Relevant SDG How CARD MBA's activities relate to the SDG targets

	<ul style="list-style-type: none"> <li>*Low-income and under the poverty line members</li> <li>*Life-insurance pay-outs to protect the family after loss</li> <li>*Integrated microfinance and microinsurance</li> <li>*Members organised in community centres of up to 30 policyholders (136,830 community centres nationwide)</li> </ul>		
	<p>Available to CARD MBA's members from CARD microfinance:</p> <ul style="list-style-type: none"> <li>*Free medical check-ups</li> <li>*Discounted medicines</li> <li>*Access to network of trusted healthcare providers</li> <li>*Partnership with government's social health care programme</li> </ul>		
	<p>Weekly community centre meetings on various subjects:</p> <ul style="list-style-type: none"> <li>*Financial literacy and insurance, risk reduction and resilience</li> <li>*Mutuality and governance, credit advice and entrepreneurship</li> <li>*Health topics and 'One family, One graduate programme'</li> </ul>		
	<p>Empowerment of women by becoming:</p> <ul style="list-style-type: none"> <li>*Economic participants in their household through access to loans and insurance</li> <li>*Entrepreneurs and recipients of scholarships</li> <li>*Leaders in their community through volunteer positions in the mutual</li> <li>*Participants in institutional governance if elected to board of trustees</li> </ul>		
	<ul style="list-style-type: none"> <li>*Insurance pay-outs</li> <li>* Non-pay-outs benefits. Although CARD MBA's insurance is compulsory when accessing credit, and benefits of both are intertwined, surveyed policyholders identified the following changes as a result of belonging to the mutual:             <ul style="list-style-type: none"> <li>- Feeling more secure</li> <li>- Increased community support and collaboration</li> <li>- Improving financial knowledge</li> <li>- Improving home and assets</li> <li>- Improving knowledge on health risks</li> <li>- Improving disaster risk knowledge</li> <li>- Investing in business and employment</li> <li>- Paying for children's education</li> <li>- Understanding insurance and mutual sharing</li> </ul> </li> </ul>		
	<p>CARD MBA collaborated with the Philippine regulator to advance a supportive regulatory environment for mutual microinsurance, from formalisation to ongoing improvements.</p>		
	<table border="0" style="width: 100%;"> <tr> <td style="vertical-align: top; width: 50%;"> <p>*CARD MBA's solidarity pillar:</p> <ul style="list-style-type: none"> <li>- Members' education</li> <li>- Disaster Relief Operation</li> <li>- Scholarships</li> <li>- Community Health Day</li> <li>- Cash donations</li> </ul> </td> <td style="vertical-align: top; width: 50%;"> <p>*CARD MBA's "created to serve a defined group" pillar:</p> <ul style="list-style-type: none"> <li>- Community centre volunteers: centre chief, treasurer and secretary</li> <li>- MBA coordinators (approximately 2,000): community volunteers who validate claims</li> <li>- Other community features identified in the survey were trust and feeling of members' interests being prioritised</li> </ul> </td> </tr> </table>	<p>*CARD MBA's solidarity pillar:</p> <ul style="list-style-type: none"> <li>- Members' education</li> <li>- Disaster Relief Operation</li> <li>- Scholarships</li> <li>- Community Health Day</li> <li>- Cash donations</li> </ul>	<p>*CARD MBA's "created to serve a defined group" pillar:</p> <ul style="list-style-type: none"> <li>- Community centre volunteers: centre chief, treasurer and secretary</li> <li>- MBA coordinators (approximately 2,000): community volunteers who validate claims</li> <li>- Other community features identified in the survey were trust and feeling of members' interests being prioritised</li> </ul>
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	<p>*Typhoon Haiyan interventions:</p> <ul style="list-style-type: none"> <li>- Pay-outs, fast claims validation</li> <li>- Aid delivered through community networks</li> <li>- Financial advice and claims moratoriums</li> </ul> <p>*Disaster preparedness training to members</p> <p>*Early warning messages to members</p>		
	<ul style="list-style-type: none"> <li>*Member ownership and governance</li> <li>*Members elect the board of trustees</li> <li>*Members participate in policymaking through satisfaction surveys</li> <li>*Members give weekly feedback on products and services in centre meetings</li> </ul>		
	<p>Partnerships are paramount to CARD MBA's development across regulation, distribution networks and capacity building.</p>		

## About the University of Cambridge Institute for Sustainability Leadership

The University of Cambridge Institute for Sustainability Leadership (CISL) brings together business, government and academia to find solutions to critical sustainability challenges.

Capitalising on the world-class, multidisciplinary strengths of the University of Cambridge, we deepen leaders' insight and understanding through our executive programmes; build deep, strategic engagement with leadership companies; and create opportunities for collaborative enquiry and action through our leadership groups.

Over the past 30 years we have built up a leadership network of over 9,000 senior leaders and practitioners from business, government and civil society, who have an impact in every sector and on every continent. Their experience and insights shape our work, which is further underpinned by multidisciplinary academic research. HRH The Prince of Wales is the Royal Founding Patron of CISL and has inspired and supported many of our initiatives.

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