

# MIME *brief*

## *Establishing a mutual insurance company for the low income people in Bangladesh: An initiative for risk management, reduction of social and economic vulnerabilities of the poor households*

### **Start up of MIME as a Mutual Microinsurance Company for the Low-Income Group**

INAFI Bangladesh Foundation has long been considering how other financial inclusions such as insurance and remittance can be linked or integrated as poverty alleviation instruments for the low-income group opening wider opportunities for their socio-economic development. From its experience, working as a network of NGOs and MFIs, INAFI Bangladesh has considered 'microinsurance' as service to the poor to ensure social security, risk coverage and future planning to combat with multi-dimension of poverty. Therefore, INAFI Bangladesh Foundation took the initiative to establish a separate Microinsurance company dedicated to offer microinsurance services to the poor and low income people which is affordable to them, covers significant risk by paying insurance claims and which based on mutuality. What makes microinsurance different from other insurance products is that it looks to relieve poor families by offering insurance plans tailored to their needs. Microinsurance is mostly found in countries where the current insurance markets are inefficient or non-existent. Because the coverage value is lower than a usual insurance plan, the insured people have to pay considerably smaller premiums.

INAFI Bangladesh Foundation realized that the rural poor are vulnerable and prone to different risks. They need social protection by insurance services which are affordable to them, have easy procedures and can settle quick claims. Most of our poor people live in the rural areas, not aware about insurance services or having negative connotation about insurance. They need to be educated and be aware of how insurance can benefit them in minimizing their risks and reducing vulnerability in their life. Tailor-made insurance products have to be developed and to make these products available at their door steps have been considered as the big challenge for the inclusion of the poor in the insurance services. These facts and situation led INAFI Bangladesh Foundation to consider establishing a specialized microinsurance company for the low-income group using the current network of MFIs and based on the concept of 'mutuality'. INAFI Bangladesh believed that NGOs/ MFIs would be the appropriate medium through which insurance services can be offered to the poor. As NGOs/MFIs work with the poor in the rural and urban areas by forming groups, it can work as promoter to provide insurance services to the poor. All this led to the conception of MIME.

### **MIME – A Social Protection Project of INAFI Bangladesh**

Micro Insurance for Mutual Enabling or MIME is a social security project lead by INAFI Bangladesh in partnership with 13 NGOs/MFIs with the support of Oxfam Novib, Rabobank Foundation and currently, the Rockefeller Foundation. MIME works in building partnership with the Microfinance Institutions or Microfinance NGOs to use its networks to serve the microfinance borrowers primarily to build up the trust and prompt service delivery. The project was initiated in May 2007 with the vision to offer insurance services to the low-income people who are underserved by the mainstream insurance companies. MIME ended its first phase in December 2010. The second phase 2011-2013 has just begun. The Rockefeller Foundation has joined in financing MIME in its second phase. So far, MIME has been effectively managing risk and reducing vulnerability of the families of the policyholders in case of death of the policyholder. As part of Social Protection scheme, MIME is developing 'Health Micro Insurance (HMI)' products for the low income people as well.

### **A Concept of Mutuality: How MIME Differs from Other Initiatives**

The specialty of MIME is the 'mutuality concept' that indicates it will be a mutual insurance company titled "Microinsurance of Mutual Enabling limited" with brand name 'MIME', the 'mutuality' means:

- The policy holders become owners of the company when they buy an insurance policy of the mutual insurance company
- The policy holders shall have their representatives in the board of directors. In the MIME limited company.
- INAFI Bangladesh and the Promoting NGOs see the mutuality to transfer profits to the clients instead of keeping that to themselves.
- The profit can be transferred to clients in such a way so that premium is at the affordable level and there is built-in refund or bonus system so that clients receive benefits routinely
- Undertaking social well-being schemes like health, education and other social services.
- MIME limited will be governed by the ownership transfer to the policyholders so that they have a position in the board, have their voting rights, and share their need on behalf of the policyholders.
- The representatives in the board will be elected by the policy holders.

## Goal of MIME

To ensure social security of the poor and ultra poor people of Bangladesh through mutually beneficial insurance products.

## MIME's Objectives

- To sensitising NGOs/MFIs and mainstreaming insurance companies to the concept of mutuality and MIME for the welfare of the poor in Bangladesh.
- To make MIME a sustainable and autonomous entity
- To reduce vulnerability of the poor people.
- To provide additional services for the interest of the poor community that Mainstream insurance companies and NGOs/MFIs are not offering.
- To Piloting Microinsurance Mutual Entity (MIME) project to disseminate outcomes locally, and globally, and outline future structure of the MIME and develop sustainable Micro insurance Mutual entities in Bangladesh.

## Partner NGOs/MFIs

1. BURO Bangladesh
2. Shakti Foundation for Disadvantaged Women (SFDW)
3. Community Development Centre (CODEC)
4. ASHRAI
5. Gana Unnayan Kendra (GUK)
6. Pally Bikash Kendra (PBK)
7. Bangladesh Association for Social Advancement (BASA)
8. Anannyo Samaj Kallyan Sangostha (ASKS)
9. Society for Social Services (SSS)
10. United Development Initiatives for Programmed Actions (UDDIPAN)
11. GHASHFUL
12. POPI
13. ENDEAVOUR

## Target Clients

- 30% ultra poor with
- annual income less than BDT 12,000
  - value of total asset BDT 25,000
- 70% poor with
- annual income less than BDT48,000
  - value of total asset BDT 200,000

## MIME Products

At the moment MIME offers three types of life microinsurance and in the process of developing health microinsurance as a rider with the life product and a separate HMI product for the target people. MIME also started its work on scoping study on disaster insurance. MIME offered life microinsurance products are:

### a. Simple Term Life Insurance (STLI) – Dual

- Both male and female members eligible to apply
- Age should be within the range of 18 to 47 years
- Policy will cover 2 lives in a family
- Policy will be always ended at the age of 60 years
- Premium amount is BDT 5, 10, 15 and 20
- Monthly premium payment
- 5% bonus in cash on premium at every 5 years

### b. Simple Term Life Insurance (STLI) – Single

- Both male and female are eligible to apply
- Age should be within the range of 18 to 47 years
- Policy will cover only one life
- Policy will be always ended at the age of 60 years
- Premium amount is BDT 5, 10, 15 and 20
- Monthly premium payment
- 5% bonus in cash on premium at every 5 years

### c. Term Life Insurance with Endowment (TLIE)

- Both male and female are eligible to apply
- Age should be within the range of 18 to 47 years
- Policy will cover only one life
- Duration of the policy is 5 years, 7 years, 10 years and 12 years
- Premium is BDT 50, 100, 150, 200, 300, 500
- Monthly premium payment
- Mutual benefit to clients e.g. the policyholders will get the insured amount at the end of different terms
- In case of surrender, clients will not get anything if it occurs before one year and will get calculated amount when applicable

### d. Micro Health Insurance Products

INAFI Bangladesh has already conducted a demand and affordability study on Micro Health Insurance for the low income people. As part of this study, MIME collected information from 3000 respondents. After getting the findings, MIME is now working with actuaries on developing Micro Health Insurance product under MIME. The 3 (Three) MHI products are:

- Micro health Insurance-Outpatient Product
- Clinical/ Hospital based medical service for some selected diseases against fixed premium payment (Inpatient Product)
- Compensation health insurance package

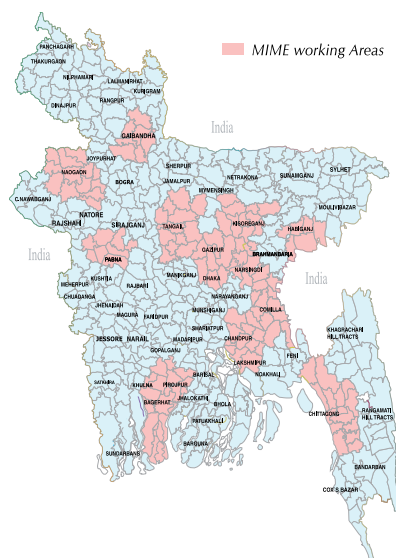
MIME will launch the new MHI products in 2012.

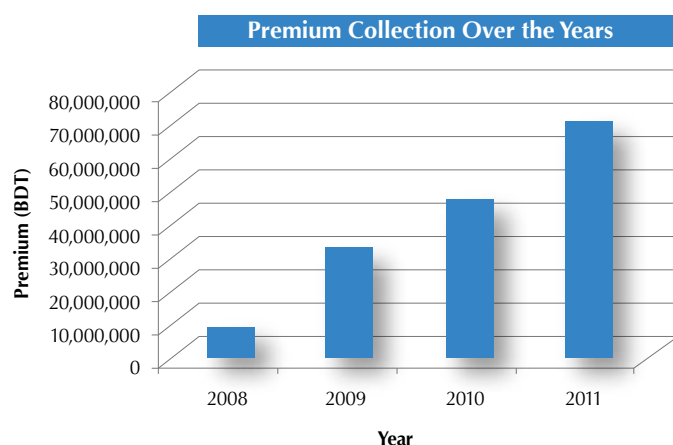
## Outreach of MIME

MIME has been offering life insurance product for 4 years and has reached 110,480 policyholders up to December 2011. The trend shows a consistent growth in the client admission of MIME. Up to December 2010, total client admission was 71,457. In 2011, additional 39,023 clients bought MIME insurance policy.

## Premium Collection

Till December 2011, cumulative premium collection was reported at BDT 162,618,328. In 2008, total premium collection stood at BDT 9,604,439. In 2009, it increased to BDT 33,317,268. In 2010, there was a higher growth in premium collection. The amount of premium collected in 2010 was BDT 48,101,864. In 2011, there was almost a 50 percent rise in the premium collection. The figure was BDT 71,594,757 in last year. As of December 2011, the ratio of premium collection per Insurance Organizer was recorded at BDT 1,297,247.





## Claim Settlement

According to the policy, MIME settles partial payment to the nominee of the policyholders as soon as MIME is informed about a client's death (most likely on the same day). MIME settles rest of the claim amount within 15 days after claim application form has been submitted by the claimant. Till December 2011, MIME has settled 250 claims. Amount of claim settled was recorded at BDT 1,991,448.

## Insurance Education

As an insurance provider, MIME has taken initiative to educate target people on insurance. It has been known to all that poor people have lack of proper knowledge of insurance and victimized by some fraud practitioners. Eliminating their negative impression about insurance service and taking the facility by feeling its importance in life, a continuous insurance education is given to them. MIME has developed insurance education module and other education materials like posters, flip charts and video drama. So far MIME has offered insurance education to 42,216 potential clients through classroom training and more than 300,000 people in the group meeting discussion.

### Module for Potential Clients' Insurance Education

- Understand & feel about life risks
- Concept & relation of risks & insurance
- Difference between insurance & savings
- Benefits & necessities of insurance for income security
- Types of insurance benefits
- Documents need to be checked and preserved and procedures followed

## Developing Microinsurance Professionals

Microinsurance is still fairly new concept in Bangladesh and there is not many specialized staff in the field. In order to offer microinsurance to the poor and low-income people, MIME needed a set of dedicated staffs with in-depth knowledge on microinsurance and its operation. MIME put emphasis on capacity development of both its own staff and staff of the partner NGOs. MIME offers trainings to development staffs at two levels. MIME provides trainings to the Insurance Officers and Insurance Organizers at the field level and also to the staffs of partner NGOs at the Branch and Regional level. So far MIME has provided trainings to 2,122 staffs. MIME also organizes orientation session for the top management of the NGOs before each new partner intake.

### Part I: Module on Fundamentals of Microinsurance

- Risks of life and livelihoods
- Basics of insurance, its history and evolution
- Definition and types of insurance
- Insurance sector of Bangladesh
- Definition, features and benefits of microinsurance
- Microinsurance product design and developing process
- Microinsurance products of INAFI importance of legal basis

### Part II: Module on MI Operational Management System

- Process of premium collection
- Claim settlement
- Maintenance of insurance related documents and forms
- Bookkeeping & reporting process
- Monitoring and internal audit
- Performance analysis
- Role of insurance officers and organizers.

## Strengths of MIME

- Affordable premium rate based on age, insured amount, maturity time has attracted the clients
- Sharing of profit as a shareholder is seen as a strong positive incentive for the clients.
- Wider network of MFIs/ NGOs are being used as MIME network.
- Existing trust of the clients on NGOs/MFIs will give courage to buy the policy initially.
- MIME insurance education program to target clients and local level leaders motivate potential clients.
- Structured and simple underwriting, premium collection and claim settlement process.
- Strong reporting, monitoring and internal audit by the members of MIME team.
- Premium amount is invested in term deposit depending on the insurance act.
- Less adverse selection due to regular visit of NGO staffs.
- Lower moral hazard because of long time relationship between client and NGO

## Protection for the Poor for Mutual Enabling (PPME): Ensuring Universal Health Coverage (UHC) through Health Microinsurance Products

INAFI Bangladesh has started 2nd phase of MIME under the title of Protection for the Poor for Mutual Enabling (PPME) in support of health fostering a pro-poor health protection agenda and supporting the future development and sustainability of Micro initiatives for Mutual enabling (MIME) with the financial support of Rockefeller Foundation. PPME is being implemented by INAFI Bangladesh through 9 Partner NGOs since July 2011. This project has been specially designed to minimize the cost of availing healthcare services for the poor and building awareness on health services. Under PPME project, INAFI Bangladesh offers outpatient Health service.

## Feature of out-Patient Health Service:

- Both male and female beneficiaries of implementing PNGOs are eligible to apply
- The principal card holder's age should be within the range of 18 to 47 years
- Each card will cover the service for 5 (Five) members of the household.
- Duration of the Cards is 6 (six) months and one year.
- Premium/ Health card fee is BDT 60 for 6(six) months and BDT 100 for 1 (one) year duration only for the MIME policyholders.
- Premium/ Health card fee is BDT 75 for 6 (Six) months and BDT 120 for 1 (one) year duration for the other beneficiaries of the respective PNGOs.

## Legal Status

MIME is a pilot social security project of INAFI Bangladesh. In the new Insurance Act as amendment made in 2010 passed recently, by the Parliament of Bangladesh, there is provision for establishing Mutual Insurance Company. This new act has for the first time mentioned about mutual insurance and also has fixed very rational working capital requirement, which seems very suitable for MIME. Under this recent amendment act of 2010, the Government of Bangladesh has established an autonomous body named as "Insurance Development and Regulatory Authority (IDRA) to act as Insurance Developing, regulatory and supervision body of the Government under the ministry of Finance. On behalf of MIME, INAFI Bangladesh has applied already to the newly established regulatory Authority IDRA for getting licence with a view to operate as Mutual Insurance Company. The name of the proposed microinsurance company is "Micro Insurance for Mutual Enabling Limited" and in the meanwhile, "Micro Insurance for Mutual Enabling (MIME) Limited" has been already incorporated and registered with the Register of Joint Stock Companies and Firms, Bangladesh, under company act 1994 as company limited by guaranteed.

## Governance and Management

MIME Limited has a 7 member Board with one representative from INAFI Bangladesh and representatives from 6 NGOs out of 13 partner NGOs. MIME also has an Operational Management Committee (OMC) consisting of 14 members, one representative from INAFI Bangladesh and one member each for every partner NGO. There are also three sub-committees specializing in operation, investment, and governance and ownership. MIME also has an Advisory Council which includes representatives (Executive Director) from each PNGO.

## Lessons Learned

From three and half years of operation MIME has gathered significant operational insights to determine the future direction as well as improve operational efficiencies as follows:

- Dedicated staff for microinsurance gives much better result than utilising the micro credit officer whose core responsibility is loan recovery.
- Despite the illiteracy or low education, poor people do understand the concept of insurance if presented in proper way (like – using the posters, flipcharts and video drama).
- Clients prefer TLIE more over STLI for the savings instrument with death risk coverage.
- The most popular TLIE is BDT 50 and BDT 100 monthly policy,

which reflects that relatively poorer people are the main clients. But for STLI clients prefer BDT 20 monthly policy for the highest coverage.

- Clients prefer short term TLIE product. 60% TLIE policy is 5 years duration and remaining 40% TLIE policy is 7,10 &12 years duration.
- MIME has settled 250 death claims as on December, 2011. Out of total, 70% of death claim's reason is maternal health related issues.

## Future Plan

- MIME will be registered and served as a specialized mutual insurance company for the low income group of people
- MIME will start work on asset and disaster insurance very soon
- MIME will not only serve poor and ultra poor people in general basis, likes to work for different group of people like RMG workers, migrant families etc. that depends on the MIME registration.

## Facts & Figures *(As of December 2011)*

Number of districts covered	16
Number of upazilla covered	75
Number of partner NGOs/MFIs	13
Number of branches	138
Total no. of policyholders	110,480
Total amount of premium collection <i>(January. 2008 to December 2011)</i>	BDT 162,618,328
Number of claim settlement	250
Percentage of claim settlement against total number of policyholders	0.23%
Amount of claim settlement <i>(January. 2008 to December. 2011)</i>	BDT 1,991,448
Number of policy surrendered	11,039
Insurance organizers involved	125
Insurance officers involved	16
Number of Partner NGOs' staff trained	2,122
Number of Potential Clients Trained	42,216
Policyholder per Insurance Organizer	884
Premium amount per insurance organizer	BDT 1,300,947
Ratio of current policyholders against total policyholders	90%

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### MIME Project

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