

# 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 is 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 quickly settle 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 doorsteps have been considered as the big challenge for the inclusion of the poor in the mainstream 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 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 piloting one Micro Health Insurance Outpatient Product in some of its implementing areas and developing two other Micro Health Insurance In-Patient 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' implies that:

- The policyholders become owners of the company when they buy an insurance policy of the mutual insurance company
- The policyholders 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 policyholders.

### **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 provide additional services for the interest of the poor community that Mainstream insurance companies and NGOs/MFIs are not offering.
- To pilot Microinsurance for Mutual Enabling (MIME) project to

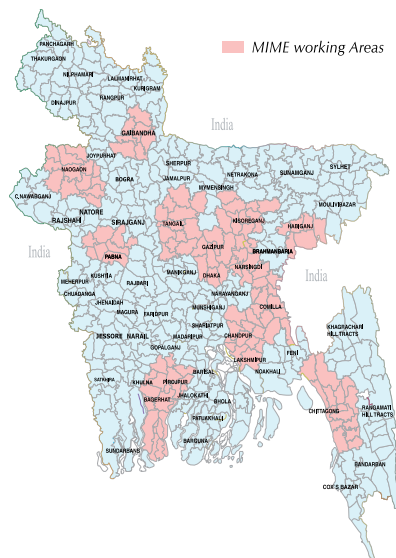
disseminate outcomes locally, and globally, and outline future structure of the MIME and develop sustainable microinsurance mutual entities in Bangladesh.

## 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. Ananyo 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 BDT 48,000
  - value of total asset BDT 200,000



## MIME Life Products

At the moment MIME offers three types of life microinsurance products and one outpatient micro health Insurance product as a rider with the life product and is also in the process of developing two separate in-patient micro health insurance products 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.

## Outreach of MIME Life Product

MIME has been offering life insurance product for 4 and half years and has reached 140,404 policyholders up to August 2012. MIME started its operation in January 2008 and up to August 2012, 161 branches of 13 PNGOs have been successfully implementing MIME project.

## Premium Collection

Till August 2012, cumulative premium collection was reported at BDT 228,466,044.

## Claim Settlement

According to the policy, MIME settles partial payment to the nominee of the policyholders as soon as MIME is informed about a policyholder'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 August 2012, MIME has settled 311 claims. Amount of claim settled was recorded at BDT 2,580,054.



Handing over claim amount to the nominee of the policyholder



Claim settlement by Mr. Atiqun Nabi, Chairperson of MIME

## 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 are sometimes victimized by some fraud practitioners. A continuous insurance education is

provided under the project with the aim to eliminate their negative impression about insurance service and to make them aware of the benefits and necessities of insurance in their life. MIME has developed insurance education module for Potential Client and other education materials like posters, flip charts and documentary-drama. So far, MIME has offered insurance education to 48,767 potential clients through classroom training and more than 450,000 people in the group meeting discussion.

### 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 on Fundamentals of Microinsurance and Operational Management System of Microinsurance 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 2,290 staffs. MIME also organizes orientation session for the top management of the NGOs before each new partner intake.

### MIME 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. Based on that study, MIME successfully finalized one of the three Micro Health Insurance products: the Outpatient Product with the assistance of the Canadian actuaries Denis Garand and his associate. It is being piloted in 10 branches of 9 partner NGOs since January 2012. There are two more Micro Health Insurance products: Clinical/hospital inpatient product and Surgical/non-surgical inpatient product on which MIME is working with the actuaries. These two products are in the process of being finalized and will be launched in January 2013.

#### • Outpatient Micro Health Insurance Product:

##### Product Features:

- 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.

By August 2012, 4022 Health Cards of MIME Outpatient Health Product have been sold and an amount of BDT 407,496 has been collected as health card fee.

##### Services Offered:

- Free medical consultation regarding health, hygienic, nutrition, maternal health care, family planning and immunization etc. by MBBS Doctor and Paramedics.
- Free check-up like measuring BP, weight, Height, and in case of expectant mother, locating the position of the neonates by MBBS and Paramedic Doctor.
- Free prescription for medicines by MBBS Doctor and Paramedics.



*Outpatient micro health insurance service*



*Paramedics after receiving training*

- Providing medical consultation through telemedicine service.
- Providing information to the cardholders about the medical service providers such as hospital, clinic and diagnostic centre.
- Providing some necessary common medicines at 20% less price from outside Pharmacy
- Providing referral service to the cardholders for pathological test such as HBS AG, TPHA, Urine R/E, Urine Albumin Sugar test, Blood R/E, Pregnancy test, Blood Group & Blood Sugar test at 50% less price from outside pathology labs.

### Upcoming INAFI/ MIME Micro Health Insurance Products:

- Clinical/ hospital inpatient product
- Surgical/non-surgical inpatient product

#### • Clinical/hospital Inpatient Product:

##### Product Features:

- Premium/ Health card fee is BDT 1620 for 1 (one) year duration
- 30 days waiting period would be instilled between the policy purchase date and first day of services.

##### Services that will be offered:

- Non-surgical treatment of 22 common diseases like Diarrhea, Dysentery, Cholera, Typhoid, Malaria, Pneumonia, Ulcer/ Gastric, viral fever, Chicken Pox, Worm, Asthma, HBS AG, Dengue, Diphtheria Polio, bladder infection, UTI, jaundice, Pertussis, Breathing problem, Anemia, Measles etc.
- Providing free medicine to the insured household for treatment on above mentioned 22 diseases.
- Providing free lab test and imaging to the insured household for abovementioned 22 diseases.
- Providing free medical consultation by MBBS, specialized doctor and paramedics.
- Providing referral service to the cardholder for treatment for non-listed diseases
- Providing telemedicine service

- If the condition of the cardholder is serious enough, he/she can admit in the selected hospital/clinic. In that case, we will reimburse the hospital maximum BDT 4000 or actual bill whichever is lower.

## • Surgical/non-surgical Inpatient Product

### Product Features:

- Premium/ Health card fee is BDT 648 for 1 (one) year duration
- 30 days waiting period would be instilled between the policy purchase date and first day of services.  
Services that will be offered:
- This product only covers if hospital admission occurs. The intention of the product is not to cover all the cost but to give the cardholders some financial relief. We will provide maximum BDT 10,000 on all hospital stays whether surgical, non-surgical, medication, lab test, imaging etc.

## 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.

## 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 four 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 microcredit 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 and 12 years duration.
- MIME has settled 311 death claims as on August 2012. Out of total, 70% of death claim's reason is maternal health related issues.
- High rate of doctor dropout in case of Micro Health Insurance Outpatient Product.

## 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, but also has plans to work for different group of people like RMG workers, migrant families etc. that depends on the MIME registration.

## Facts & Figures (As of August 2012)

Number of districts covered	16
Number of upazilla covered	75
Number of partner NGOs/MFIs	13
Number of branches	161
Total no. of policyholders	140,404
Total amount of premium collection (January 2008 to August 2012)	BDT 228,466,004
Number of claim settlement	311
Percentage of claim settlement against total number of policyholders	0.22%
Amount of claim settlement (January 2008 to August 2012)	BDT 2,580,054
Number of policy surrendered	15,459
Insurance organizers involved	135
Insurance officers involved	16
Number of Partner NGOs' staff trained	2,290
Number of Potential Clients Trained	48,767
Policyholder per branch	872
Collected premium amount per branch	BDT 1,419,044
Ratio of current policyholders against total policyholders	85%

## Supported by



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