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# **Cooperative Insurance Development Project**

## **Evaluation Report**

Prepared for

**The Office of Private and Voluntary Cooperation  
Bureau for Food for Peace and Voluntary Assistance  
Agency for International Development**

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# COOPERATIVE INSURANCE DEVELOPMENT PROJECT

AID GRANT NO. DPE-0209-G-SS-5042-00

## EVALUATION REPORT

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## EXECUTIVE SUMMARY

The Cooperative Insurance Development Project is the subject of this evaluation report. AID Grant No. DPE-0209-G-SS-5042-00, effective 16 August 1986, as amended four times, provided a final total of \$430,000 for a timeframe eventually extended to four years and eight months, with matching funds by U.S. cooperative insurers of \$1,252,400. Final termination date is 1 May 1990.

While CLUSA (Cooperative League of the USA, currently known as National Cooperative Business Association -- NCBA) is the grantee, with League Insurance Companies (LIC) designated as the subgrantee and implementing agency, project documents state implementation is to be realized in conjunction with five other U.S. cooperative insurers: Nationwide (Ohio), CUNA Mutual (Wisconsin), Mutual Service Insurance -- MSI (Minnesota), Cooperativa de Seguros de Vida (Puerto Rico), and Cooperativa de Seguros Multiples (Puerto Rico). Their support to project related activities, in-kind and/or direct expenditures, plus LIC's administrative support for the project, is the basis for the matching funds.

The project purpose is:

- "for LIC, in conjunction with other participating U.S. insurers, to provide technical assistance on a more systematic, sustained basis to selected LAC (Latin America and Caribbean) countries"

with two objectives:

- "the establishment and operation of financially viable and self-sustaining private cooperative insurers"
- "the expansion of the benefits of cooperative insurance services to individual cooperative members - particularly low income persons and other groups who are not served by the commercial insurance sector".

The provision of project assistance is perceived in project documents as enabling "LAC cooperative organizations and insurers to make more intelligent choices and rationalize their insurance development programs more effectively."

The stated purpose of the evaluation is:

"to evaluate the performance of League Insurance Companies in meeting the goals and objectives in the Co-op to Co-op Program grant agreement, and to develop recommendations on how any future support in this area might be made more effective".

The evaluation was conducted between 8 November and 15 December 1989 by a two-man team: a team leader with extensive experience in project planning and evaluation and in cooperative development in the LAC region; and a cooperative insurance specialist, also with extensive experience in the LAC region and in cooperative insurance.

The evaluation necessarily had to be conducted in several geographic areas. The LAC cooperative insurers and countries selected for this exercise were FENACOAC, Guatemala; FACACH, Honduras; NUCS-CIS, Jamaica. Interviews with representatives of four of the five participating U.S. insurers were conducted in person (Nationwide, CUNA Mutual) or by phone (the two Puerto Rican cooperative insurers). A preliminary draft of the report was reviewed in a joint AID/LIC/NCBA session with the evaluation team leader. This final version is based on that review.

Project management, monitoring and implementation are the responsibility of the LIC Project Manager, assisted by the Project Technical Advisor and the LIC Administrative Assistant. The services of the Project Manager and the Administrative Assistant form a significant portion of the LIC contribution to the project. The Technical Advisor is remunerated exclusively from AID funds. The activities of the project team are enhanced by the utilization of consultants (under contract or volunteer) and the provision of facilities for seminars and/or observation/training by either one or more U.S. insurers or well-established cooperative insurance companies in LAC.

In keeping with the evaluation scope of work, the evaluators analyzed project accomplishments in the three categories of assistance provided by the project: direct technical assistance, technical studies, and technical seminars/training. In aggregate numbers, there have been a total of 35 technical assistance interventions, 19 technical studies, two seminars and five specific observation/training events. The Project Manager was involved in ten technical assistance interventions, two studies, and one seminar. The Technical Advisor was involved in 19 technical assistance interventions, three studies, and the two seminars.

The seminars -- 1985 in Puerto Rico and 1986 in Argentina -- focused on marketing, which was identified in project documents and in conversations with the evaluation team as one of the critical areas of need in LAC. Studies ranged from legal, actuarial, and marketing to analysis of current cooperative insurance operations, compared to the national insurance sector, with recommendations for alternative courses of action. Two dealt with utilization of data processing in insurance operations, while another was a socioeconomic study of a rural cooperative. The evaluators found these studies to be timely, generally thorough, and technically sound. To the extent it was possible to gauge, the evaluators are satisfied that the assistance that was provided -- whether direct technical assistance, studies, or training -- was useful and, in varying degrees, provided LAC targeted cooperative insurers with information and suggestions to enable them "to make more intelligent choices" and, in most instances, to "rationalize their insurance development programs more effectively."

The evaluators were also asked to analyze four benefits anticipated to be achieved through the project: 1) capital formation, including generation of surplus for use by cooperative federations; 2) insurance for the protection of cooperative assets and activities; 3) insurance services (life, accident, property, etc.) reaching low-income and rural people who otherwise would not have access to such insurance business; and 4) institutional development, i.e., the creation of self-sufficient cooperative insurance businesses.

Given the multi-country nature of the project and the different levels of development of the target cooperative insurers, achievement of these benefits has not been uniform between countries or within a given organization. The one benefit that could be identified clearly as being achieved in each of the target groups was the generation of surplus, which has been used to further cooperative development. The one exception is FACACH in Honduras. While it has had a consistently profitable insurance portfolio, FACACH succumbed to the temptation to utilize surplus and reserves to cover losses in other departments. Project activities in Honduras are presently on hold.

In every target country some cooperative assets and activities are being protected with insurance, but the predominant category of insurance beneficiaries in several countries are credit unions and their members. Similarly, while various types of life products are offered in all of the target countries (ranging from simple funeral expenses and loan protection to group and family life), in some no non-life products are offered (e.g., Honduras and Guatemala). The third category of anticipated benefits -- insurance reaching low-income, rural persons who otherwise would not have access -- is more difficult to gauge, given the lack of sufficient detailed data which distinguishes between urban and rural, low and medium-to-high income. Much of the data does not show growth in numbers of cooperatives and members receiving insurance. As to whether these only had access to insurance through the cooperative insurance programs, available data does not address this point. However, in each country visited, the country team was informed by government regulators that the cooperative market is one which is of little interest to the large commercial insurers and that the cooperative insurers are meeting a real need.

The growth of the various target organizations, the "graduation" of some from the project, and the progressive movement of others towards the eventual establishment of an insurance cooperative or company, as opposed to remaining as a non-risk bearing agency or risk bearing department of a federation, suggests that institutional development is taking place, possibly at a slower pace in some than originally estimated (e.g., Guatemala and Honduras).

The evaluators were instructed to examine project implementation by assessing the effectiveness of program strategy and approach, identification of constraints to accomplishment of objectives, and review of LIC management monitoring systems.

The evaluators were impressed with the quality of original project documents -- the proposal, the Grant Agreement, the first amendment, and the 1987 semi-annual report. Country-by-country analyses and five-year projections of project activities and accomplishments were detailed in these documents. Strategy and approach appeared effective and provided a sense of direction. Unfortunately, LIC has not maintained this effective planning and monitoring system. Reports are not presented in any systematic manner, with only the 1987 report providing monitoring data.

Both AID and NCBA, the prime grantee, are criticized by the evaluators for not having provided more aggressive guidance to LIC. What is also troubling is that the second amendment, which provided the final tranche of \$130,000 with a termination date of 30 September 1988, was not preceded by a midstream evaluation. Implementation pace, and consequently expenditures, had already slowed down to the point that the final tranche could have been postponed without prejudice to the project.

Slow implementation pace is even more evident when one analyzes the reason for Amendments # 3 and 4. These were only to extend the project termination date, by one year and eight months, respectively, without the need for additional funding. The justification provided by LIC in its requests for extension was that adverse economic conditions in LAC were having negative effects on project clients. Consequently, assistance efforts did not need to be as intense or regular. LIC also indicated that requests for assistance were not coming in with the frequency expected.

The evaluators note that when a project client is experiencing difficult economic circumstances, the client probably needs more assistance, albeit of a different nature, than when everything is going well. Further, as evidenced by the tables of steady capital/surplus growth of most of the target organizations, these were not doing badly, although the growth would probably have been more impressive if times had been better.

The evaluators also note that LIC originally negotiated memoranda of understanding (MOUs) with some of the beneficiary organizations, which detailed the type of assistance which was to be given. These were to be followed by work plans developed jointly by LIC and the client organizations, accompanied by annual evaluations. Unfortunately, this was not done. If it had, both LIC and the target organizations would have had a detailed list of what technical assistance was to be provided and when (subject to revision, of course), the client would not have had to request it specifically, and LIC would not have had to wait for requests before providing assistance.

Finally, the evaluators suggest that a higher intensity of assistance with greater project impact could have been achieved if the project team, either the Project Manager or the Technical Advisor or both, had made two rather than one technical assistance visits per year to at least the four prime target countries. More observation/training trips could have been sponsored, and more critical studies -- actuarial, marketing, legal -- could have been conducted. This increase in project activity would have accelerated the pace of implementation, reduced the balance of unexpended funds, and eliminated the necessity for requesting two non-funded extensions of the project termination date.

The evaluators were requested to review the linkages between LIC and the U.S. cooperative insurance institutions. While their specific role is not clearly spelled out in project documents, apparently the linkage between them and LIC is shaped by their interaction in the North American Association (NAA), a subsidiary of the International Cooperative Insurance Federation. The five U.S. insurers participating with LIC in this project, plus two others and Canadian cooperative insurers, constitute the membership of the NAA. The NAA sponsors, encourages and promotes the development of cooperative insurance in the Western Hemisphere, particularly in the LDCs.

The strength of the project and the validity of AID's funding contribution is that the project operates within this broader framework and not only provides technical assistance directly but leverages other assistance activities. While NAA activities would have continued, AID's funding has expanded the outreach of the U.S. insurers. The project has mobilized a variety of resources -- from assistance from Japan and Singapore for the Philippines, to reinsurance for Bolivia, to loans for Peru and Ecuador. Not the least has been the utilization of the Argentinian insurers for training events and technical studies, and of three project graduates -- Colombia, Ecuador, and Peru -- as hosts for observation/training events.

The evaluation report ends with a list of eleven conclusions and recommendations. The salient ones are: that AID recognize the advantages of providing additional support to cooperative insurance development as an integral component of sound, overall cooperative development; that future assistance be provided based on specific data and information on countries where assistance is planned, and in such a manner that in addition to short-term technical assistance longer periods of from one to six months can be provided; that AID should insist on annual updating of project plans and a regular, enforced schedule of at least annual, if not semi-annual, reports; that LIC consider the advisability of presenting its next proposal as a joint venture with the other U.S. insurers, with LIC in the lead; that any future project activity be carefully coordinated with projects and activities involved in overall cooperative development; that LIC utilize the remaining months of the project to canvass other countries which might be able to utilize some preliminary assistance and contact USAID/Guatemala and FENACOAC to determine how it can assist FENACOAC at this critical juncture -- moving from a risk bearing federation department to the establishment of an insurance company; and that AID require at least a self-evaluation at midstream in any future project of this nature which extends beyond three years.

## INTRODUCTION AND ACKNOWLEDGMENTS

The evaluators wish to acknowledge with gratitude all of the assistance they have received in conducting the evaluation and preparing this report. Without making distinctions between individuals and organizations, the evaluators state that the full cooperation of each made it possible to complete the evaluation in the tight timeframe specified in the evaluation scope of work. To all, a hearty thanks.

The evaluation exercise was conducted and the report is designed to address the specific requirements of the evaluation scope of work. It is presented to LIC to provide suggestions in areas where the evaluators believe project delivery can be improved and to AID to assist in confirming the validity of its contribution and in determining the advisability of providing new funding in the area of cooperative insurance development. In preparing this report the evaluators sought ways to improve implementation, to increase project impact, and to maximize utilization of project resources.

The evaluators had frank discussions with the key players in AID, LIC, and NCBA. The evaluators appreciate the candor displayed in these discussions and request that, though LIC or AID may not agree with all conclusions and recommendations, they read this report in the same spirit that prevailed in those discussions. The conclusions and recommendations are presented as constructive criticism to strengthen and enhance current and future cooperative insurance technical assistance activities.

The evaluators are convinced that there is a significant need for the type of activity represented by this project and are interested in its provision in the best manner possible. The role to be played by cooperative insurance as part of overall cooperative development is important. This project is one means of supporting and accelerating that development.

AID is to be commended for its interest in and support of the development of cooperative insurance in LAC through the provision of funding for this project. LIC is to be commended in taking and maintaining a leading position in encouraging and providing guidance and support to LAC cooperative insurers.

## **PART ONE: PROJECT AND EVALUATION BACKGROUND**

### **A. Project Evolution**

#### **1. Previous Project**

In September 1982, AID authorized a "cooperative-to-cooperative cost-shared grant" to CLUSA (Cooperative League of the USA) and LIC (League Insurance Companies) of \$172,400, to be matched on a 50/50 basis, to fund a two-year project in which CLUSA, as prime grantee, would provide "overall responsibility" and LIC, as subgrantee, would "implement the project". The purpose of the grant was "to assist cooperatives of selected Latin American/Caribbean countries in initiating and developing cooperative insurance programs to stimulate additional development initiative and production."

While LIC was the designated project implementing agency, it was understood that it would do so in conjunction with five other U.S. cooperative insurers: Nationwide (Ohio), CUNA Mutual (Wisconsin), MSI (Mutual Service Insurance, Minnesota), Cooperativa de Seguros Múltiples (Puerto Rico), and Cooperativa de Seguros de Vida (Puerto Rico). Their support to project related activities through in-kind and/or direct expenditures was estimated at \$449,208, with an additional estimated in-kind contribution of \$198,250 from LAC cooperative insurance organizations.

Prior to the grant termination date, 15 September 1984, AID requested an evaluation of the project to determine "accomplishments to date" and "to recommend general and specific strategies...needed to accomplish project purposes." AID was also interested in assessing the need to extend the project termination date and provide additional funding. The evaluation was conducted in June and July of 1984.

The project was extended for one year, but AID determined that any new funding should be provided only after CLUSA and LIC had presented a new proposal which incorporated some of the recommendations made in the evaluation report.

#### **2. Current Project**

CLUSA and LIC prepared and presented a proposal to AID in the Spring of 1985. While the proposal requested AID total funding of \$952,896 for a five year period (1985-1990), with a matching amount of \$2.1 million of in-kind as well as direct project-related expenditures, AID negotiated with CLUSA a one-year grant of \$150,000, with matching funds of \$341,000, effective 1 September 1985 through 31 August 1986. CLUSA in turn signed a subgrant agreement with LIC, which reiterated the terms and conditions of the AID grant.

The grant has subsequently been amended four times:

Amendment # 1 of 16 August 1986: a two-year extension, through 31 August 1988, with additional, one-year AID funding of \$150,000 and matching funds of \$341,000, with the possibility of an additional \$150,000/\$341,000 in 1988, for a potential total of \$450,000/\$1,023,000.

Amendment # 2 of 3 August 1987: additional AID funding of \$130,000, for a total grant of \$430,000. However, instead of maintaining the previous proportion, the total matching in-kind and direct expenditures funds were listed as \$1,252,400, compared to the estimated total of \$1,023,000, listed in Amendment #1.

Amendment # 3 of 29 December 1988: non-funded extension of the project through 31 August 1989.

Amendment # 4 of 19 September 1989: non-funded extension of the project through 1 May 1990.

Total budgeted project funding remains at \$430,000 (AID) and \$1,252,400 (LIC and U.S. cooperative insurers).

## **B. Project Description**

The project was described in the original Grant Agreement, Attachment 2, "Statement of Work", reproduced in Annex A.

The stated objectives of the project are:

- "the establishment and operation of financially viable and self-sustaining private cooperative insurers"
- "the expansion of the benefits of cooperative insurance services to individual cooperative members - particularly low income persons and other groups who are not served by the commercial insurance sector".

Amendment # 1 added a third objective:

"develop capital pools for investment within the project countries".

This Amendment contained a revised "Statement of Work", also reproduced in Annex A.

The originally stated purpose of the project is:

"for LIC, in conjunction with other participating U.S. insurers, to provide technical assistance on a more systematic, sustained basis to selected LAC countries."

Amendment # 3 deleted "LAC" from the statement of purpose, permitting LIC to provide assistance outside the LAC region:

"The use of grant funds is permitted in countries outside Latin America and the Caribbean, subject to prior approval by FVA/PVC."

Implementation plans for activities in additional, non-LAC countries, are to be submitted to FVA/PVC for approval.

Project documents anticipate project objectives and purpose to be achieved by "LIC, in conjunction with the other participating U.S. insurers (through provision of) technical assistance on a systematic, sustained basis to enable LAC cooperative organizations and insurers to make more intelligent choices and rationalize their insurance development programs more effectively."

Project documents identify three categories of assistance to be provided by LIC and participating U.S. insurers:

- direct technical assistance
- technical studies (actuarial, feasibility, legal, etc.)
- technical seminars and training

Within the geographic confines of the LAC region, eight countries are designated for priority focus and attention:

- Guatemala, Honduras, Costa Rica and Jamaica, where an institutional building approach is to be emphasized, "working with cooperative federations to establish new, independent insurance operations";
- Colombia, Ecuador, Peru and Bolivia, where a "financial strengthening approach" is to be emphasized for "existing but struggling cooperative insurers".

In both the original agreement as well as Amendment # 1, country-specific objectives, targets and benchmarks are detailed. In addition, in Amendment # 1, "End-of-Project Status" indicators are detailed. These and the country-specific plans are discussed in Part Two of this evaluation report.

Anticipated benefits of the project, as stated in project documents, are:

- capital formation, including generation of surplus for use by cooperative federations
- insurance protection for cooperative assets and activities
- insurance services (life, accident, property, etc.) reaching low-income and rural people who otherwise would not have access to such insurance services
- institutional development, i.e., the creation of self-sufficient cooperative insurance businesses

## C. Project Evaluation

### 1. Scope of Work and Team Composition

Annex B contains the "Statement of Work" for the evaluation. The stated purpose is:

"To evaluate the performance of League Insurance Companies in meeting the goals and objectives in the Co-op to Co-op Program grant agreement, and to develop recommendations on how any future support in this area might be made more effective."

In performing the evaluation, the evaluators were instructed to analyze LIC's accomplishments in the delivery of technical assistance, the conduct of special technical studies, the conduct of technical seminars, and the provision of specialized training.

Further, the evaluation team was requested to examine program implementation by assessing the effectiveness of the program's strategy and approach, by identifying problems or constraints influencing the capacity of LIC to accomplish grant objectives, and by reviewing the monitoring systems used by LIC management.

The team was also instructed to examine the linkages between LIC and U.S. cooperative insurance institutions to assess their interest in the program and perception of its usefulness, and to identify resources mobilized.

Finally, the evaluation team was requested to identify "Lessons Learned" which would be "useful in determining the nature and direction of any future support in the area of cooperative insurance".

FVA/PVC recruited two senior consultants to form the team which conducted the evaluation and prepared this report, under contract with Automation Research Systems, Ltd., of Alexandria, Virginia: Paul Prentice, as Team Leader and Cooperative Development Specialist, and Willard Fitzpatrick, as Cooperative Insurance Specialist.

Each has had substantial experience in his field of professional specialization: Prentice, with over twenty years in AID-funded project planning and evaluations, and over fifteen years in cooperative development activities; and Fitzpatrick, with life-long professional experience in insurance -- recently retired as Senior Vice President and Corporate Secretary of Nationwide, with prior experience working in an insurance company in Colombia, S. A. In addition, he has provided direct technical assistance to a number of the cooperative insurance organizations serviced by this project. Both have had extensive experience in the LAC region and are fluent in Spanish.

## **2. Methodology**

The methodology employed included document research, individual and group interviews in the U.S. and in the countries selected for evaluation visits, telephone interviews where face-to-face interviews were not practical or possible, visits to three countries (Guatemala, Honduras and Jamaica) which are project target countries, and analysis of country and project data. In addition, comparisons were made with the previous project and evaluation.

Annex C presents the schedule for the evaluation, Annex D lists the contacts made by the evaluation team, and Annex E lists the bibliography of documents and reports researched by the team.

Interviews in the U.S. (by phone or in person) were with representatives of NCBA (CLUSA), FVA/PVC, LIC, Nationwide, CUNA Mutual, and the two Puerto Rican cooperative insurers. Given personnel changes in MSI, no interview was made since the individual who has knowledge of the project is no longer with MSI.

Interviews in the three countries visited were with key individuals in the cooperative federations, USAID representatives, AID contract personnel working in cooperative development, and government insurance regulatory officials.

Due to the fact that Fitzpatrick has been directly involved in some of the project activities, he decided to exclude himself from articulating judgmental conclusions and recommendations in areas which might be perceived as conflict of interest. Prentice undertook the task of writing the first and final drafts of the report, including the conclusions and recommendations, having previously discussed salient points with Fitzpatrick. Fitzpatrick wrote the summary country profiles presented in Annex G, as well as other annex material.

Fitzpatrick researched all of the technical studies funded by the project, listed in Annex F, as well as the annual statistical summaries published by the insurance regulatory bodies in the three countries visited, and annual reports of the cooperative insurers visited by the team. Prentice researched all of the programmatic documents (proposal, Grant Agreement and amendments, progress reports, correspondence) as well as other relevant documents (i.e., ICIF publications) and some of the technical studies and statistical reports.

The comments, conclusions and recommendations made in this report, unless otherwise attributed, are the sole responsibility of the evaluation team and do not necessarily reflect the opinions or position of AID, LIC or NCBA.

## **PART TWO: EVALUATION FINDINGS AND ANALYSIS**

### **A. Project Context**

While CLUSA (Cooperative League of the USA, renamed the National Cooperative Business Association, NCBA) is the direct recipient of the AID cumulative grant of \$430,000, League Insurance Companies (LIC), as subgrantee, is the designated implementing agency of the Cooperative Insurance Development Project. CLUSA's role is essentially that of funding pass-through and financial reporting. (LIC is a cooperative-member of CLUSA.)

As indicated in the project documents, LIC obligated itself to implement this project in conjunction with five other U.S. cooperative insurance organizations: Nationwide of Ohio; CUNA Mutual of Wisconsin; Mutual Service Insurance of Minnesota; Cooperativa de Seguros Multiples of Puerto Rico; and Cooperativa de Seguros de Vida of Puerto Rico.

The project functions within a context broader than the technical assistance activities of the six U.S. cooperative insurance organizations aimed at the development and strengthening of cooperative insurance in the LAC region. These six, plus two other U.S. insurers -- Federated Rural Electric of Kansas and Amalgamated Life (a trade union) of New York City -- and five Canadian cooperative insurers, are members of the North American Association (NAA), a regional subdivision of ICIF (International Cooperative Insurance Federation), a subsidiary of the International Cooperative Alliance (ICA), the apex worldwide, international cooperative organization.

The ICIF is one of the most action oriented subsidiaries of ICA, with three major operational arms (see chart next page). Each has a distinct, supportive role to play:

- CIDB (Cooperative Insurance Development Bureau), essentially the development arm of the ICIF, sponsors seminars and training programs for new or young insurance organizations; publishes information relevant to developing countries' cooperatives; sponsors delivery of technical assistance, including feasibility studies, on a selective basis to developing country insurance organizations.
- ICRB (International Cooperative Reinsurance Bureau), acts as a clearinghouse for reinsurance requests and contracts and for spreading reinsurance coverage among its more established and financially able cooperative member societies.
- Loan Guaranty Fund, through its administrator, Allnations, Inc., serves as a facilitator in securing necessary capital for start-up operations of new or expanded cooperative insurance organizations.

**INTERNATIONAL CO-OPERATIVE INSURANCE FEDERATION**

**ORGANIZATIONAL CHART**

**INTERNATIONAL CO-OPERATIVE ALLIANCE**

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**INTERNATIONAL CO-OPERATIVE INSURANCE FEDERATION**  
MEMBER SOCIETIES  
IN 37 COUNTRIES

---

**EXECUTIVE COMMITTEE**

---

**INTERNATIONAL  
CO-OPERATIVE  
REINSURANCE  
BUREAU**

**CO-OPERATIVE  
INSURANCE  
DEVELOPMENT  
BUREAU**

**ALLNATIONS, INC.  
AND LOAN  
GUARANTEE  
FUND**

*isa*

The North American Association (NAA) of the ICIF performs three basic functions which have a direct relationship to this project: promoter of cooperative insurance programs and organizations in the Western Hemisphere, with particular emphasis in LAC; a two-way channel of information between these programs and organizations and the ICIF and its operational arms; and facilitator and catalyst for assistance to LAC cooperative insurance organizations.

The AID-funded project functions within this network, complementing the activities of the NAA and its affiliates -- the Canadian and U.S. cooperative insurance organizations. AID funding has made a difference in that it has provided financial and technical support for a greater number of direct technical assistance interventions in key countries, including specifically focused studies, consultations and training events.

The LIC Project Manager is also the Executive Secretary of the NAA and is thus in a position to be informed of NAA-sponsored and individual member activities in support of cooperative insurance development in LAC as well as to inform NAA members of project-funded activities.

It is apparent that the annual NAA meetings as well as the periodic NAA Executive Committee meetings provide forums for this type of information exchange and agreement as to specific activities which each organization has conducted or plans to conduct during a given period of time. It is also apparent that there are other opportunities for information exchange via correspondence, telephone conversations and other telecommunications -- fax and telex.

The LIC Project Manager, in his capacity as NAA Executive Secretary, informs the NAA Executive Committee regarding project-funded activities and summarizes these in his annual reports to the NAA. In turn, as evidenced in the NAA minutes, he is also informed of other activities undertaken by NAA members in the LAC region.

The strength of the project lies in the fact that it functions within this network, and provides AID an opportunity to expand the outreach of the U.S. cooperative insurers in support of cooperative insurance development in LAC. This is in keeping with AID policy to encourage and support U.S. private sector organizations in their endeavors to assist existing private sector organizations or in the development of new ones in the LDCs. Similarly, the Canadian cooperative insurers receive funding support from CIDA, the Canadian International Development Agency. While the NAA and its members would continue to provide needed assistance in LAC, the effectiveness and coverage of their efforts would seriously be curtailed without external funding assistance.

## **B. Project Management: Planning and Monitoring**

Project management is the direct responsibility of the Project Manager. He is supported by the project-funded technical insurance expert, herein referred to as the Technical Advisor, and the LIC Administrative Assistant. Both the Project Manager and the Administrative Assistant are provided by LIC as part of its matching grant contribution to the project. LIC receives some remuneration from NAA for operational expenses of the Executive Secretariat. It charges no overhead to AID for the administrative support it provides to the project. Only the Technical Advisor's salary and benefits are covered by AID funds.

Compared to the findings of the project evaluation in 1984, the evaluators find that the project proposal was very well organized, presenting not only an overview of the status of and need and prospects for cooperative insurance in LAC, but also specific analyses of each target country's cooperative insurance situation with proposed five-year development plans for each.

The project descriptions contained in the annexes to the original Grant Agreement and Amendment # 1 reflect acceptance of the proposed strategies and plans for overall project implementation and for each target country. Benchmarks, indicators and targets are listed for the project as a whole as well as for each target country.

However, the evaluators note an absence of evidence that this thorough, systematic planning approach has been maintained, with the exception of the very detailed project performance report presented to AID in June of 1987, which apparently was in response to AID's criticism of the first performance report presented on 15 March 1986.

The 1987 report presented country-by-country status analyses and objectives for future activities. It is regrettable that this excellent planning model has not been maintained. Project reporting, which according to the Grant Agreement, was to be done on a quarterly basis, was subsequently modified to a semi-annual requirement. However, reporting is not presented on any regularly scheduled basis: five reports have been prepared and presented to AID thus far -- March 1986; June 1987; February 1988; November 1988; July 1989. Only the June 1987 report provides monitoring data.

Although the July 1989 report presents specific information requested by AID -- a successful case study (Jamaica) and a request and rationale for a non-funded extension of the project termination date -- it is not an activity report or country-by-country update. This means that project accomplishments per target country have not been formally reported to AID since November 1988.

This deficiency calls into question several key aspects of sound project management, particularly in a project in which there are several participating technical assistance providers not located geographically in the same place as well as several participating technical assistance beneficiaries located in geographically separate countries.

First, the planning function must continue on a systematic basis throughout the life of a project, utilizing specific, explicit monitoring tools to make necessary corrections and adjustments. An annual, written work plan, which lists objectives, indicators and targets such as those contained in the proposal and in the 1987 report, is indispensable.

Second, the reporting system must relate to these plans, noting wherein targets and objectives have been met and wherein they have not and why. The regular reports should also establish new or revised targets and objectives, based on the facts reported. The reporting function is important not only in keeping the principal funding agency -- AID -- and the participating institutions -- the U.S. cooperative insurers -- informed, but as a critical monitoring tool for project management. Concise reports which are keyed to annual plans and provide explicit information and data on project accomplishments as well as areas where planned expectations have not been met, are invaluable in conducting a year-end project review and in preparing the next annual plan.

Third, project beneficiaries must also be informed in a systematic manner and involved in planning. A good beginning was the negotiation of a Memorandum of Understanding (MOU) with three beneficiaries: FENACOAC in Guatemala, FACACH in Honduras, and NUCS in Jamaica. However, these were not followed up with annual written work plans detailing the project activities planned for the coming year, indicating the areas of responsibility of the technical assistance provider and of the technical assistance recipient.

The MOUs reviewed by the evaluators clearly stated that: 1) "a written strategic development plan...would be jointly developed"; 2) "a reporting system relating to...progress and implementation of development plans will be jointly developed"; and 3) "an evaluation of progress of...development program shall be jointly evaluated...on an annual basis".

It can be argued that some of the reports prepared by project consultants performed some of the elements of progress evaluation, particularly in the case of Jamaica. Project team visits to target countries also provided opportunities to evaluate the programs. However, there is little evidence that there was consistent follow-up on the whole package of intended actions, as detailed in the MOUs.

With reference to the reporting function discussed above, the evaluators suggest that reporting should be a two-way street. If the recipient of a report does not acknowledge a given report in any way -- comments or request for clarification or additional detail -- the reporter may conclude that the report is unimportant and feels disinclined to put greater effort into its preparation. Except for the unfavorable reaction of AID to the 1986 report, there is no evidence that AID took serious notice of the reports or of their unscheduled presentation and contents. Although the Grant Agreement indicated that AID would specify the format in which the reports were to be presented, there is no evidence in the files that this was done.

It should be noted that although NCBA was not assigned a specific support and monitoring function, as was the case in the previous project, as prime grantee it had an implicit obligation to monitor the project. Given its background of three decades of involvement in AID-funded projects, it could have provided more guidance to LIC in planning and in preparing timely and regularly scheduled reports. There is evidence that this was done on an ad hoc, informal basis, but the evaluators suggest that this could have been more aggressive and explicit, as was apparently the case in the preparation of the project proposal, and possibly, the 1987 report. NCBA's role has essentially been that of fund flow-through and preparation of financial reports to AID. As such, it retains the contract administration G & A portion of the AID-funded budget, which is estimated in Amendment # 2 at \$12,315 over the life of the project.

The discussion in this subsection touches on two items listed in the evaluation scope of work: assessment of the effectiveness of program strategy and approach; and review of monitoring systems used by LIC management. Further aspects of the "effectiveness of program strategy and approach" will be discussed in the next subsection in which specific project accomplishments and anticipated benefits are analyzed. However, in the context of this subsection, it is important to note that, at least initially, program strategy and approach were demonstrably effective, as exemplified in the project planning documents and the 1987 report. Had this level of project management been maintained, there would be no room for some of the constructive criticism contained in this evaluation report.

According to the Project Manager, his monitoring system includes:

- continuous contact through country visits;
- follow-up contacts through telephone calls, telex, fax, and meetings;
- specific requests for technical assistance;
- contacts in NAA/ICIF meetings.

The evaluators suggest that if he had also maintained the quality and thoroughness portrayed in the 1987 report, he would be in a better position to demonstrate the utilization of a more thorough monitoring system.

### **C. Project Implementation**

Project implementation is provided, under the direction of the Project Manager, with the support of the Project Technical Advisor, in three categories: direct technical assistance, technical studies, and training (either in seminars or training events for selected individuals).

Each project team member provides technical assistance and training and each conducts or participates in specific technical studies. Their activities are complemented through contracts with consultants or through the provision of volunteer consultant efforts. Consultants' contracts and expenses are paid for out of project funds. Some expenses incurred by volunteers, though not in every instance, are covered by project funds. There is also cost-sharing by recipient organizations, particularly for training events.

This sub-section presents an initial discussion of project accomplishments, anticipated benefits, and constraints to effective project implementation, which are discussed in more detail in the country-specific findings subsection. This is followed by a discussion of implementation pace.

### 1. Project Accomplishments

The evaluators were requested to analyze project accomplishments under three categories: direct technical assistance, technical studies, and technical seminars/training events. Annex F provides a summary listing of these activities. Quantitatively for the project as a whole, these are retabulated below. While specific details are discussed in the subsection on country-specific findings, general comments and observations are presented here in order to provide an overall picture of the project.

<u>Technical Assistance Interventions</u>					<u>Technical Studies</u>				
1985	1986	1987	1988	1989*	1985	1986	1987	1988	1989*
4	8	9	11	3	2	6	2	7	2

\* These are calendar years, and as such, it should be noted that 1985 covers only four months -- September through December. Since the evaluation was conducted in November and December of 1989, the listing is complete for this year.

<u>Technical Seminars</u>					<u>Observation/Training Events</u>				
1985	1986	1987	1988	1989	1985	1986	1987	1988	1989
1	1					1	2		2

In summary, through 1989 there have been a total of 35 technical assistance interventions and 18 technical studies funded by the project, in addition to one study funded separately by AID. During this period, the project also sponsored two seminars and five specific observation/training events.

The Project Manager was involved in ten technical assistance interventions: one in 1985 (Jamaica), four in 1986 (Guatemala, Honduras, Costa Rica, Ecuador), one in 1987 (Jamaica), two in 1988 (both in Jamaica), and two in 1989 (Jamaica, Philippines). The Project Technical Advisor was involved in 19 technical assistance interventions: two in 1985 (Guatemala, Honduras), four in 1986 (Guatemala, Honduras, Costa Rica, Ecuador), five in 1987 (Guatemala, Honduras, Costa Rica, Ecuador, Bolivia), six in 1988 (one each in Honduras, Mexico, and Peru, and three in Bolivia), and two in 1989 (Guatemala, Bolivia).

The Project Manager was involved in two studies: one in 1986 (Ecuador) and one in 1988 (Philippines). The Project Technical Advisor was involved in three studies: one in 1985 (Guatemala), one in 1986 (Ecuador), and one in 1988 (Mexico).

The Project Manager participated in the 1985 seminar in Puerto Rico. The Project Technical Advisor participated in both seminars: the 1985 seminar in Puerto Rico and the 1986 seminar in Argentina.

The studies fall into a variety of categories:

- socioeconomic analysis of a cooperative (Guatemala)
- legal (Guatemala, Peru)
- marketing (Guatemala)
- actuarial (Guatemala, Honduras)
- analysis of cooperative insurance activities compared to the overall insurance sector, with suggested alternative courses of action (Guatemala, Honduras, Costa Rica)
- data processing of insurance information and activities (Jamaica)
- analysis of past year cooperative insurance activities (Ecuador)
- analysis of the entire insurance sector (Ecuador) (This study was funded separately by AID and was conducted at the request of the AID Administrator)
- analysis of cooperative insurance program, suggested action plan, with annual update (Jamaica)
- analysis of current situation and recommendations (Mexico)
- analysis of assistance needs and recommendations (Philippines)
- analysis of internal operations, marketing and computer systems training needs (Philippines)

These are within the range of studies proposed in the project planning documents. While the quality varies, they are technically sound and apparently were timely. The evaluators are not in the position to state to what extent their recommendations were accepted and implemented, although all clients interviewed expressed satisfaction with the reports they had received and commented on their usefulness. The following are further clarifications of these studies:

- The thorough studies prepared by W. Michael Gudger (Guatemala, Honduras, Costa Rica) were in English and while some of the recipients have some English-reading skills, it would have been worthwhile to have utilized project resources to have them translated into Spanish, particularly since some recommendations required Board consideration and action.
- While respecting the judgment of the project team as to what type of study was needed by country and when, the evaluators suggest that additional actuarial, legal, and marketing studies in countries in addition to those where these studies were conducted might have facilitated greater project impact. Some insurance experts suggest that marketing and actuarial studies should be conducted or updated at least every two, but no less than three years. The evaluators would temper this comment by noting that the Gudger reports and the Anderson reports and updates (Jamaica) discussed legal and marketing aspects. Some of the others also touched on these topics as well. But they were not legal nor marketing studies per se.

In conducting the studies, the consultants and project team utilized the opportunity to provide technical assistance in person. Thus 19 of the aggregate listing above of technical assistance interventions were in conjunction with the conduct of studies -- an appropriate utilization of project resources, since the study leaves a written record with the recipient organization.

The balance of technical assistance interventions were performed individually by either the Project Manager or the Project Technical Advisor, or both together. Focusing specifically on the three countries visited by the evaluation team, it is noted that each received approximately one annual project team visit: Guatemala received one team visit each year, with the exception of 1988; Jamaica, one each year, with the exception of 1986; Honduras received one visit each year through 1988. The team attempted to visit Honduras in 1989, but difficulties with immigration authorities at the airport in Tegucigalpa prevented a planned visit. However, in the instance of Guatemala and Jamaica, a consultant provided technical assistance in the two years noted as exceptions.

This is in keeping with the MOUs which LIC negotiated with each of the cooperative federations in which it promised at least one annual visit by a team member or a consultant. The question the evaluators raise is whether one annual technical assistance intervention by the project team is sufficient to maintain the momentum needed in the provision of technical assistance, particularly when the technical assistance has a strong institution-building emphasis. The project purpose speaks of the provision of technical assistance "on a more systematic, sustained basis".

The evaluators do not question the validity nor quality of the consultants' contribution to the achievement of project goals and purpose. Their contribution was important, and in some instances, critical, in that it not only reinforced and complemented the activities of the project team but also provided recipient organizations with a broader spectrum of expertise and viewpoint. However, the continuum of advice and guidance resides in the project team, not in the consultants. (Jamaica is an exception, in that the same consultant, Anderson, made annual visits.) Correspondence and telephone conversations can keep the momentum alive and are valuable tools for follow-up and preparation for future visits. They, however, are complementary, and cannot substitute for face-to-face discussions.

The evaluators suggest that LIC consider increasing the team visits to at least two per year, at least in prime target countries. One of these could be a follow-up visit within a month or two after a consultant visit, in order to assure understanding of the consultant's report and to give guidance in how to apply its recommendations.

Before leaving this topic to discuss the seminars, one final point needs to be made. The evaluators are satisfied that the studies and technical assistance reflect project document expectations that project activities would "enable LAC cooperative organizations to make more intelligent choices and rationalize their insurance development programs more effectively." The seminars and observation/training events reinforced this positive aspect of the project.

Both seminars had to do with marketing. The 1985 seminar in Puerto Rico was dedicated to an analysis of the marketing strategies of COSVI and Cooperativa de Seguros Múltiples, the two Puerto Rican cooperative insurers which are members of the NAA and participate in the project. The seminar was thus an observation/training event for the seminar participants. It also provided them the opportunity to meet NAA members since the seminar was held in conjunction with a NAA/ICIF conference. The 15 seminar participants came from six countries -- Guatemala, Colombia, Ecuador, Peru, Bolivia, and Argentina.

The 1986 seminar in Argentina centered on an analysis of the recently completed, project-funded marketing study in Guatemala conducted by Sergio Mezzina from AACMS in Argentina, the cooperative insurer host of the seminar. In addition to analyzing the Guatemala study, the participants were given instructions on how to conduct a marketing study for their cooperative insurance programs. This seminar also provided observation/training opportunities to the participants through visits to insurance cooperatives in Argentina. The 15 participants came from the six countries represented in the Puerto Rico seminar.

One of the major needs of the LAC cooperative insurers, identified in project planning documents and in conversations with the evaluation team in the countries visited, is marketing -- how to determine potential markets and how to analyze and apply results of a market study in the development of a sound marketing plan. Participants interviewed indicated that this seminar, as well as the one in Puerto Rico, were invaluable additions to their knowledge and understanding of insurance marketing, as well as other aspects of cooperative insurance gleaned from the observation field trips.

In interviews with the project team, the evaluators questioned why only two seminars have been sponsored by the project. Two reasons were given: 1) experience with these two seminars and those sponsored under the previous project led to the conclusion that the beneficiary cooperative insurers tended to send the same persons to the seminars, often the manager of the cooperative federation and not always the individuals working directly in the insurance program; 2) certain types of training produce better results through the training components of technical assistance provided in-country or through observation/training trips. They also indicated that in one instance the general manager of a cooperative federation refused permission for the chief of the insurance department to attend, underscoring the arbitrariness of decisions, over which the project team had no control.

While not questioning the soundness of these arguments, the evaluators note that observation/training events were minimal -- only 5. Seminars provide excellent forums for multiplier-effect training (including observation), if there is strict control of the persons who should attend. The evaluators suggest that project coverage could have been increased if at least one seminar per year had been sponsored coupled with a vigorous effort to control who should participate and why. Given the similarities between Guatemala and Honduras, a two-country seminar might have been worth the effort, with the possible inclusion of FENACRE of Bolivia. Certainly FENACRE could benefit from the experiences of FENACOAC and FACACH. Project impact might also have been greater if more observation/training trips had been planned.

## 2. Anticipated Benefits

It was anticipated that four specific benefits were to be achieved through project efforts, listed above in Part I.B. "Project Description". In brief these are:

- capital formation, including generation of surplus for use by cooperative federations
- insurance protection for cooperative assets and activities
- insurance services (life, accident, property, etc.) reaching low-income and rural people who otherwise would not have access to such insurance services
- institutional development, i.e. the creation of self-sufficient cooperative insurance businesses

The evaluators found that each of these benefits is being achieved in varying degrees in the target countries. There is capital formation as demonstrated in the table on premium growth per country, presented later in this subsection. Assets and activities of some, but not all, cooperatives are receiving insurance protection, with credit unions being the major insurance users in many of the target countries. Insurance services are being provided to low-income, rural people who have not had access to these services. However, the evaluators note that while the two first benefits categories are rather easy to detect in analyzing available data, this third category presents some difficulties in that available baseline data does not always distinguish between urban and rural, low-income and medium-income, and, in some instances, credit union compared to non-credit union members.

That rural persons are receiving coverage can be deduced by checking the location of cooperatives (mostly credit unions) benefiting from the insurance programs. The evaluators cannot prove conclusively that they "otherwise (do) not have access" to these services. However, each representative of the insurance regulatory agencies interviewed confirmed that the cooperatives represent a market largely untouched and of little interest to the large commercial insurance companies. They see the activities of the cooperative insurers as a positive factor in reaching this market.

Institutional development is taking place, as evidenced by the fact that the cooperative insurance programs are growing and are maintained on a self-sufficient basis. They receive no subsidy from the parent organization. Rather, surpluses from insurance operations provide critical funds for the parent organization to engage in other types of cooperative development.

While this is a general summary, these four points are further discussed under the country-specific findings subsection (II.D.). As is to be expected, there is unequal achievement on a country-by-country basis.

Under the title End-of-Project Status (EOPS), Amendment # 1 to the project Grant Agreement lists a number of indicators or conditions which were expected to exist upon completion of the project, "assuming that the purpose of the project will have been achieved by the end of the project period". The full statement is reproduced in Annex A, the second Statement of Work, beginning on page 5.

While there are still four months remaining prior to project termination, it is not too soon to examine these and determine whether these earlier expectations were justified and appear likely to be realized.

The first EOPS category was that of "Projected Premium Growth". The following table demonstrates the level of achievement through 1989.

With very few exceptions, the figures indicate steady growth, with actual figures exceeding projections, particularly in the capital/surplus category. The target clients of the project have done well. It is not possible to determine how much of this progress can be directly attributed to the project, but it is reasonable to conclude that the project has had a positive influence. The experience of the project target clients is that insurance is clearly a profitable business.

**Premium Growth by Country — 1985-1988**

<u>Year</u>	<u>Total Premiums</u>		<u>Policyholder Benefits</u>		<u>Capital/Surplus</u>	
	<u>Projected</u>	<u>Actual</u>	<u>Projected</u>	<u>Actual</u>	<u>Projected</u>	<u>Actual</u>
Guatemala -- FENACOAC (Q000)						
1985	Q225.0	Q226.0	Q146.3	Q135.0	Q298.5	Q351.0
1986	Q236.3	Q264.0	Q153.6	Q135.0	Q320.9	Q433.0
1987	Q248.1	Q345.0	Q161.2	Q176.0	Q345.0	Q729.0
1988*		Q459.0		Q248.0		Q952.0
Honduras -- FACACH (L000)						
1985	L887.6	L1073.0	L443.8	L477.0	L837.8	L1012.0
1986	L932.0	L1051.0	L466.0	L355.0	L900.7	L1147.0
1987	L978.6	L1122.0	L489.3	L674.0	L968.2	L1192.0
1988*		L1178.0		L693.0		L1258.0
Ecuador -- COOPSEGUROS (S000,000)						
1985	S 86.0	S209.1	S43.0	S134.4	S47.8	S 56.9
1986	S 94.6	S318.1	S47.3	S167.7	S50.2	S 85.7
1987	S104.1	S383.0	S52.0	S204.3	S52.7	S129.6
1988*		S530.9		S252.2		S203.5
Jamaica -- NUCS-CIS (J\$000)						
1985	J\$ 967.5	J\$1797.0	NA	NA	J\$166.6	J\$304.0
1986	J\$1064.5	J\$2793.0	NA	NA	J\$183.2	J\$448.0
1987	J\$1171.0	J\$3622.0	NA	NA	J\$201.6	J\$625.0
1988*		J\$3987.0	NA	NA		J\$842.0

\* No projections were made for 1988.

NOTE: These figures have not been adjusted for inflation or devaluation, wherein applicable.

NOTE: Tables for Peru (SEGUROSCOOP) and Bolivia (La Crucena) made projections in U.S.\$.. Actual figures available for this exercise were in Soles/Intis for Peru and Pesos/Bolivianos for Bolivia, making comparisons impractical.

The second EOPS category lists anticipated benefits indicating that four final reports are to be prepared. (See Annex A, Second Statement of Work, page 7.) While some of the data called for in these reports is contained in the table above on premium growth and in the tables in the country profiles (Annex G), the full reports have yet to be prepared. However, since the project termination date is the deadline, the evaluators urge LIC to begin assembling all of the necessary data to prepare these reports.

The third EOPS category is "Priority Training" with a listing of numbers to be trained for each of five target countries for a total of 25 persons to be trained:

Guatemala	6	Honduras	6
Jamaica	3	Ecuador	2
Colombia	2	Peru	4
Bolivia	2		

The list is somewhat confusing in that it suggests that these are the total number of persons to be trained, whereas it probably means that these are specific, discrete training events. For instance, one person from Guatemala might be enrolled in three separate training events and another also for three, for a total of six. The list would be more meaningful if the types of training and the number to be trained for each type had been listed.

From the data previously presented, it is apparent that a total of 15 persons (with some duplication) were trained in each of the two seminars and 6 were trained through observation/training (the event in 1986 included two persons). Thus from a purely numerical standpoint, a total of 36 have been trained, not necessarily 36 different individuals or in the numbers per country listed above. In addition, it is apparent that some types of training were provided in-country in the course of the technical assistance interventions. In preparing its final report, LIC might find it useful to list individuals trained by country and category.

The fourth EOPS category suggests that two independent insurance companies were expected to be established by end-of-project -- one in Guatemala and one in Honduras. This has always been a project goal. However, actual realization depends on local circumstances and only to a lesser extent on project efforts. As is discussed later, FENACOAC (Guatemala) has made application to form a corporation (sociedad anonima). If it is successful, this will be achieved after project conclusion, probably by the third quarter of 1990. In the meantime, FENACOAC needs a considerable amount of technical assistance in planning for this new venture, as is more fully detailed in the country-specific subsection of this report. The FACACH Board (Honduras) has decided to postpone any serious consideration of the establishment of an independent insurance company.

### 3. Constraints to Effective Project Implementation

The evaluators discussed this issue with the project team. The following list is drawn from that discussion:

- a. No resident advisor in key countries to provide regular monitoring and follow-up.
- b. Lack of understanding of the role of insurance on the part of top management and Boards of some of the beneficiary cooperative federations.
- c. Lack of understanding of the role of insurance in cooperative development in some USAIDs and among some of the agencies working in cooperative development.
- d. Lack of interest in some USAIDs in the project.
- e. Need to deal with the chief of the insurance department indirectly through the general manager of some of the beneficiary cooperative federations, coupled with arbitrary decisions on the part of management which adversely affect the recommendations of project consultants and project team.
- f. Related to e, reluctance to hire qualified expertise to operate the insurance program.
- g. Conflicting signals from government authorities regarding the role of cooperative insurance; i.e., can an insurance cooperative be formed or must it be an insurance corporation, can a cooperative federation insurance department act as an insurance agent or broker.
- h. Adverse economic conditions with negative impact on the insurance industry as a whole, as well as on the growth and health of cooperative insurance.
- i. Reluctance to accept and/or implement in whole or in part recommendations made by project team and consultants.
- j. Arbitrary decisions by some federation managers in deciding who should attend seminars and whether to allow insurance personnel to receive observation/training.
- k. Determination in some federations to keep absolute or majority control of insurance operations, coupled with a reluctance to extend insurance coverage outside the credit union family.

The evaluators note that there has been substantial improvement in points c, d, and g since the previous evaluation five years ago. USAID representatives interviewed by the evaluators indicated interest in the project and a desire to be further enlightened as to the role of cooperative insurance. Similarly, all government regulatory officials interviewed expressed a keen interest in seeing that insurance services are made available to the market represented by the cooperatives. They confirmed the position, which is the basic rationale for

this project, that this is a market which has only slightly been penetrated, if at all, by the large commercial insurers. While cautious as to the precise mechanism or type of organization, they see a clear need for insurance to be provided to the cooperative market, commenting favorably on the activities of the cooperative organizations which have taken the lead in this area.

It is instructive to note that some of the listed constraints reflect the assumptions "which underlie the ultimate success of the project" listed in Amendment # 1, Statement of Work, in particular the first and second assumptions:

- The beneficiary countries show relative economic growth which generates a flow of insurable goods and services.
- The regulatory environment permits the incorporation of indigenous cooperative insurers, and that capital requirements are not inordinately increased.
- The insured loss experience of the cooperative insurers is within a reasonable range and losses from catastrophies do not occur.
- Reinsurance for new products is available either from sources within the country or from external sources.

While Jamaica experienced a catastrophe with the 1988 hurricane, NUCS-CIS did not experience any losses since it operates a no-risk agency portfolio. All insured losses were covered by the insurer, British Caribbean.

#### **4. Implementation Pace**

The evaluators note that the project has had two extensions of the termination date, both requiring no additional funding. One was for one year (September 1988 through August 1990) and one for eight months (September 1989 through April 1990). This raises the following questions: Did LIC overestimate the pace of providing the various technical assistance components of the project? Did it overestimate the need for technical assistance in the target countries? Were there external circumstances, either in the beneficiary organizations or in the target countries, which forced a reduction in the level and intensity of technical assistance?

At first the evaluators speculated that a slowdown in project implementation occurred only in the last two years. However, upon analyzing project documents more carefully, the evaluators have concluded that the slower pace actually began much earlier. It is instructive to note the expenditure rate of the project on 30 September 1987. AID had issued Amendment # 2, on 3 August 1987, which provided the last installment of \$130,000, bringing the grant to a total of \$430,000. Of that total the NCBA financial status report for 30 September 1987 indicated a balance of \$285,535.88 available for project expenditures. This should be qualified by noting that there is at least a one-month lag in reporting all project expenditures, suggesting that the balance might have been lower. Even so, this suggests that AID could have postponed the final

installment without prejudice to the project. The evaluators are cognizant of the fact that AID faces an annual end-of-fiscal-year need to postpone some obligations and advance others. The latter may have been the case in this instance.

In requesting the two extensions, LIC indicated that the economic turndown in the LAC region was adversely affecting its clients and, thus, a lower level of project activities and expenditures was necessary. Without discounting this position, the evaluators suggest that when a technical assistance recipient is experiencing economic difficulties, it may need more assistance, albeit of a different nature, than when everything is going well. From a financial standpoint, the target clients were doing reasonably well, as evidenced by the tables showing premium growth (Subsection II.C.2) and the tables in the country profiles (Annex G), although this is only one gauge of financial well-being. They would probably have displayed even greater growth if the economic situation had been better.

It is true that some of the target clients, particularly in Ecuador and Colombia, did not require the level and intensity of assistance provided early in the project. But as assistance to them, as well as Peru, was diminished, LIC added Mexico and the Philippines, with AID approval, to the target country list as well as FENACRE in Bolivia.

Another reason given for diminished project activities is that the clients have been slow in requesting technical assistance. Granted, technical assistance must always be provided to clients which need it, want it, and request it. However, a technical assistance provider often has to assist the technical assistance recipient in identifying, defining and articulating what technical assistance is needed and when. Otherwise, technical assistance delivery becomes reactive, triggered only by specific requests for assistance. The evaluators suggest that LIC could assume a more pro-active stance and generate more and timely requests for assistance.

The evaluators suggest that this problem might have been averted if LIC had maintained the procedures it initiated early in the project -- the negotiation of MOUs with the client organizations. If these had been followed up with annual plans and evaluations, as specified in the MOUs, LIC and the client organizations would have known when and what type of technical assistance was to be provided. This also echoes the previous observation of the evaluators, that the project would have greater, more concentrated impact if more than one annual team technical assistance trip per country is planned and conducted.

A suggestion was made that in not spending project funds at a more rapid rate, LIC was being prudent and economical, thus providing for a longer time-spread of limited resources. This is laudable, particularly if LIC felt that funding would not be available in 1989. However, counterbalancing this concern is the fact that AID, even in tight budgetary times, is willing to consider the provision of additional funds for viable, dynamic projects which are within its policy concerns, provided real need is demonstrated. And LIC could make the case that it had originally requested five-year funding, which was a recommendation of the previous evaluation.

#### **D. Country-Specific Findings**

This section focuses primarily on the three countries -- Guatemala, Honduras, and Jamaica -- visited by the evaluation team. These are discussed first, followed by a brief summary of the other target countries -- Costa Rica, Colombia, Ecuador, Peru, Bolivia, Mexico, and Philippines. Country profiles for the three countries visited are presented in Annex G. These are based on information and data provided in each country and are essentially, straight-forward factual presentations. No attempt is made in them to analyze project impact, reserving that discussion for this section of the report.

The three countries visited by the evaluators, plus Costa Rica, are listed in project documents as "countries (where) an institution building approach is required, working with cooperative federations to establish new, independent insurance operations". Colombia, Ecuador, Peru and Bolivia are listed as countries where "a financial strengthening approach (is) necessary for existing but struggling cooperative insurers". The intensity of project assistance was to be concentrated on the first group.

This grouping of countries has changed during implementation of the project, with Colombia, Ecuador, Peru and Bolivia (La Crucena) essentially moving into a "graduate" position, while Bolivia (FENACRE), Mexico (CONACOOB), and Philippines (CISP) were added as prime target countries in 1988. According to the last semi-annual report (7 July 1989), LIC has made a final revision of target countries for the remainder of the project: Bolivia, the Philippines, and Jamaica, "with a lesser emphasis on Guatemala and Costa Rica". The report states that "technical efforts will largely focus on training and advisory assistance in specialized areas depending on the particular country and level of development."

The Cooperative Insurance Development Bureau outlines a series of developmental stages through which an organization passes until it achieves the final stage of becoming either an insurance cooperative or an insurance corporation owned by cooperatives. With some modifications, this is the model that LIC utilizes to assist cooperative organizations in moving from one level to the next. These stages can be summarized as follows:

- 1) Educational stage -- explaining and demonstrating the role and importance of insurance and its complementariness to cooperative development.
- 2) Department or agent stage -- wherein a cooperative or cooperative federation creates a separate department to sell insurance to its members in a non-risk bearing relationship with a commercial insurance company or a large insurance cooperative (i.e., CUNA Mutual). A portfolio is built and training is given the insurance personnel.
- 3) Risk-bearing department -- wherein the insurance department writes its own policies and secures reinsurance coverage. The portfolio is increased and training continues.

4) Formation of an insurance cooperative or corporation -- which is an independent risk-bearing organization, owned by cooperatives, providing numerous product lines. At this stage its market may not be limited to cooperatives, but it at least reaches out with a vigorous marketing program to offer insurance coverage to all cooperatives.

Depending on the legal and regulatory environment, a cooperative or federation may move directly from stage one to stage four. Conversely, some may decide to stay at stage two or three, at least for a period of years.

Guatemala, Honduras and Jamaica provide interesting cases of different approaches and stages in the development of cooperative insurance businesses.

Jamaica (NUCS-CIS) has opted to stay at stage two. Honduras (FACACH) considered moving to stage four, but has decided for the present to stay at stage three. Guatemala (FENACOAC) has made the decision to move from stage three to stage four, having made application to the regulatory authorities in November of 1989.

There are other differences between these three cooperative insurers. FENACOAC and FACACH are credit union federations. NUCS is a tertiary level cooperative organization, with the credit union federation as one of its members. CIS is NUCS' insurance service agency.

FENACOAC and FACACH provide life insurance products only, including fidelity bonding. NUCS-CIS provides only non-life insurance products, while JCCUL (Jamaica Cooperative Credit Union League) provides life insurance products, including fidelity bonding, under special arrangements with CUNA Mutual and CUMIS. (JCCUL is a member organization of NUCS.)

FACACH's clients are credit unions and their members. FENACOAC has some non-credit union clients, although the majority are credit unions. NUCS-CIS has both credit union as well as non-credit union clients.

It is obvious that these organizations require different types of technical assistance and require sound guidance in moving from one stage to the next. When one includes Costa Rica (UNACOOB, one of the original four prime target organizations) and Bolivia (FENACRE, added as a new prime target in 1988) it is apparent that a cookbook approach in providing technical assistance to organizations moving toward the final stage of development is impractical. Each country and each recipient organization represents a different set of circumstances -- economic, financial, regulatory, policy climate, organizational structure -- requiring different or modified approaches. The project team has had to tailor each package of technical assistance and training to the specific needs of each organization.

The need for diversity and adaptability is even more apparent when Colombia (La Equidad), Ecuador (COOPSEGUROS), and Peru (SEGUROSCOOP) are included as secondary target countries. Each organization is a cooperative insurer operating at the fourth level for the past several years. At this stage of the project they are considered as "graduates" requiring minimal or no project assistance and are utilized as hosts for observation/training.

The evaluators note that dealing with these diverse organizations demanded the exercise of skill and judgment on the part of the project team, and commend the team for having shown adaptability in implementing a complex, multi-country project.

## 1. Guatemala

A total of five technical studies have been conducted for FENACOAC: one each in 1985, 1987 and 1988, two in 1986, and none in 1989. The categories include: a socioeconomic study of one of the beneficiary cooperatives; legal, actuarial, and marketing studies; analysis of cooperative insurance operations compared to the national insurance sector and of potential market, with recommended alternatives for action. According to the chief of the insurance department (Subgerente, Servicios de Proteccion Mutua), these were needed and useful. The evaluation team is satisfied with the technical content, thoroughness, and timeliness of these studies.

A total of seven technical assistance visits have been made to Guatemala, either by one or both of the project team members, or by a consultant: two each year in 1986 and 1987 and one each in 1988 and 1989.

One observation/training trip was provided for the chief of FENACOAC's insurance department in 1987 to LIC, Nationwide and Cuna Mutual. FENACOAC sent its insurance chief to the project-sponsored seminar in Puerto Rico in 1985. He stated that these training experiences were invaluable and that he had been able to apply what he had learned in running the insurance department and in taking the steps towards the establishment of an insurance company.

As noted previously, FENACOAC provides services in a variety of life insurance products and fidelity bonding to essentially a credit union market, although it has some non-credit union clients.

In 1987 FENACOAC made an attempt to organize an independent insurance business -- Central de Servicios -- under the new Guatemalan cooperative law, to be known as COOPSEGUROS de Guatemala, R. L. This would have permitted it to add non-life product lines to its present portfolio. INACOOOP (the cooperative regulatory body) declined to register the central, claiming lack of authority to grant the new entity legal status (personeria juridica). INACOOOP stated that only corporations (sociedades anonimas) licensed by the government insurance regulatory agency could conduct insurance business. FENACOAC withdrew its application in 1988 and began the process of determining the legal and technical feasibility of forming a corporation.

In 1988, the USAID-funded Cooperative Strengthening Project, implemented by a consortium of four CDOs (Cooperative Development Organizations), with WOCCU (World Council of Credit Unions) in the leadership, was initiated. (The other three organizations are NCBA, ACDI and COLAC/Panama.) FENACOAC was one of the federations targeted for assistance. LIC met with representatives of WOCCU and CUNA Mutual to discuss common concerns and to determine how their various agendas could be coordinated.

In 1989, with USAID encouragement, approval and support, the Cooperative Strengthening Project funded two studies for the FENACOAC insurance department to assist it in making the final decision regarding the formation of an insurance corporation: a legal study, which concluded that cooperatives could form an insurance corporation, with shares held by the participating cooperatives; and a feasibility study regarding the establishment of such a corporation.

Armed with these two studies, FENACOAC began the tedious task of preparing all of the necessary documents for application to the regulatory body -- Departamento de Seguros y Fianzas, a department of the Central Bank. This application was presented to the Department Director on 14 November 1989.

FENACOAC will maintain 51% of the shares. It will be joined by nine credit unions as shareholders and members of the Board.

In an interview with the evaluators, the Director of the Insurance Department showed keen interest in the application and stated that, if it is approved, the new company has a ready-made market -- the large number of non-credit union cooperatives not currently covered by any insurance. The process will take up to nine months -- three in the regulatory agency, up to six in the Ministry of Economy -- before a positive recommendation can be made to the President of Guatemala.

According to the feasibility study, if FENACOAC succeeds in securing the necessary approvals, this will open up a whole new market for FENACOAC -- the estimated 90,000 non-credit union members, not counting the 43,428 credit union members not currently included in the FENACOAC credit union family nor the 85,375 which are. The overall cooperative market totals just under 219,000 members, representing approximately 800,000 persons. The feasibility study lists eleven federations or secondary level cooperative organizations, other than FENACOAC, which are potential customers, and details the limited insurance coverage currently carried by only six of these. All non-life insurance coverage is currently purchased from commercial companies.

In discussions in Guatemala and in analysis of available documents, the evaluators note the anticipated benefits of the project area being realized, but unevenly with some at a slower pace than had been hoped for. The insurance program is profitable, with capital formation that has provided surpluses which have been utilized wisely in strengthening other programs of the federation. If FENACOAC is successful in establishing the new insurance corporation, the ultimate goal of the institutional development aspect of the project will have been achieved. While available data does not indicate how many rural, low-income persons are being benefited, given the geographic spread of the credit unions it is reasonable to assume that there are a substantial number of persons in this category.

Of critical importance at this juncture is that intensive technical assistance be given to FENACOAC as it plans for the proposed establishment of the insurance corporation. A complete technical assistance package should include the following areas: policy design, financial management, reinsurance; development

of marketing, financial, management and reinsurance plans; additional training for staff; and determination of additional staff needs. USAID is concerned that this be provided early in 1990 and is prepared to arrange a buy-in to provide any additional funds needed for this purpose. If the project can provide at least some of this assistance, it will have made a real impact and can claim Guatemala as another of its success stories.

## 2. Honduras

Two technical studies have been conducted for FACACH: one actuarial study in 1986 and a study in 1988 which provided an analysis of the cooperative insurance operations compared to the overall insurance sector, analysis of potential markets, and recommendations for alternative courses of action. The evaluators are satisfied with the technical quality, timeliness and thoroughness of the studies. The former chief of the insurance department commented that he had found the 1986 study practical and useful. While he had met the consultant who prepared the 1988 study, he had not had the opportunity to read it since he left FACACH in 1988. The present chief had apparently not read the study, either. Currently, the new insurance chief is making plans to conduct a marketing study, with guidance from CUNA Mutual.

A total of six technical assistance visits have been made to Honduras, either by one or both of the project team members, or by a consultant: one in 1985, two in 1986, one in 1987, two in 1988, and none in 1989.

Two observation/training trips were sponsored for FACACH insurance personnel, one in 1987 and one in 1989, both to Puerto Rico. FACACH sent two representatives to the project-sponsored seminar in Argentina in 1986. The former chief of the insurance department stated emphatically that these training events had been of invaluable assistance to him. The present chief has received no training from the project. Unfortunately, the investment in substantial training of the previous insurance chief has been lost due to his dismissal by FACACH.

FACACH's market is almost exclusively the credit union sector, to which it provides a variety of life insurance products and fidelity bonding. It plans to continue at its present development level -- a risk bearing department.

FACACH presents a serious dilemma. Its insurance program has been consistently profitable, although, according to the insurance chief, there were downward trends in 1986-1988, but with a notable upturn in 1989. Unfortunately, despite repeated advice to the contrary, FACACH not only utilized surplus but also insurance reserves to shore up the financial deficiencies in other departments. This was seriously dangerous since its insurance operations are risk-bearing. While some drain on reserves may be legitimate, if it actually reduced its reserves to zero, as one informed source claims, then it was foolhardy. Project intent was for surpluses to be utilized for cooperative development, not for covering losses in other departments.

A USAID-funded project, similar to the one in Guatemala, with the same mix of four CDOs, led by WOCCU, was initiated in 1988. FACACH problems were discussed by WOCCU, CUNA Mutual and LIC. In October 1988, after FACACH had dismissed its chief of the insurance department and had installed another FACACH employee with no insurance experience as chief on an interim basis, the LIC Technical Advisor and the Senior Vice President of CUNA Mutual International Department travelled to Honduras to hold discussions with FACACH leadership. They strongly urged in writing that FACACH hire a professional insurance person to head the insurance department, spelling out the necessary qualifications and job description. FACACH either ignored this recommendation or decided not to act on it. As a consequence, project support activities have been placed on hold.

Since the USAID-funded project -- Small Farmer Organization Strengthening Project -- was focusing on the overall problems in FACACH, the SFOS Project provided an infusion of stabilization funds of over L/1.0 million, with strict controls, to restore the insurance department's reserves.

While anticipated benefits have accrued, with the exception of non-life insurance protection, they have done so at a slower pace than hoped for. The insurance portfolio, as indicated, has been very successful, and life insurance services have been provided to rural, low-income persons. The institutional development of FACACH remains at stage three.

While there is still uncertainty regarding the financial health of FACACH, if the insurance department can at least keep pace with past performance, its insurance portfolio should continue to grow and provide surplus which, carefully monitored by the SFOS Project advisors, could be utilized to strengthen the federation, not cover its losses.

The SFOS Project may call upon LIC to provide further assistance in the future, in coordination with its other activities.

### 3. Jamaica

Five technical studies have been conducted for NUCS-CIS: one in 1985, one in 1986, none in 1987, two in 1988, and one in 1989. All but one were analyses of insurance operations with recommendations for actions to be taken to improve them, with annual updates (except 1987). The fifth study focused on potential use of data processing systems. The evaluators find these studies to be technically sound, timely and useful. The General Manager of NUCS, who is also the Secretary/Manager of CIS (Cooperative Insurance Services, Ltd.) stated that they had been helpful to him in continuing the development of NUCS-CIS as an agency of the British-Caribbean Insurance Co.

A total of six technical assistance visits have been made to Jamaica, either by the project manager or by a consultant: one in 1985, one in 1986, two in 1987, one in 1988, and one in 1989.

An observation/training trip was sponsored by the project for the Jamaica Insurance Commissioner and NUCS-CIS Manager to CUNA Mutual and Nationwide. This played an important part in convincing the Commissioner that there is a real role for cooperative insurance.

While NUCS-CIS has not had the benefit of the amount of out-of-country training provided in Guatemala and Honduras, the technical assistance provided through the project has been used as a vehicle for training, and the results are apparent in the health and growth of the insurance program. This is a project success story and was written up in the 1988 booklet Cooperative Insurers Promoting Development published by CIDB as an illustration of exemplary cooperative insurance development.

Since NUCS-CIS is a non-risk bearing agency, when some of its clients experienced serious losses in the 1988 hurricane, NUCS-CIS sustained no losses. Claims were covered directly by British-Caribbean. NUCS-CIS assisted in processing the claims.

NUC-CIS provides non-life insurance coverage only, and has both credit union and non-credit union cooperative clients. Life insurance coverage is provided by JCCUL (Jamaica Cooperative Credit Union League) which is a member organization of NUCS-CIS. The two maintain close contact and coordination of both programs. They are attempting to receive permission from the Commissioner for JCCUL agents in the credit unions spread around the country in every parish to also act as agents for the NUCS-CIS insurance program. Due to regulatory restrictions, this may not be possible. This would deny NUCS-CIS the greater national sales outlet coverage that JCCUL enjoys.

Jamaica presents a clear picture of achievement of anticipated benefits: the profits from its insurance operations cover approximately 90% of NUCS operating expenses, providing funds for an active cooperative training program; NUCS-CIS provides insurance protection for cooperative assets; in coordination with JCCUL it arranges for life insurance protection to low-income, rural persons. The General Manager of British-Caribbean confirmed that without the NUCS-CIS program, his company would not have been able to corner as much of this market as it now has. NUCS-CIS has wisely decided to remain at level two in its institutional development, having consolidated its position as a non-risk bearing agent. However, it is moving forward with plans which may move it towards level four -- it is entering into a joint venture partnership with a group of Jamaican entrepreneurs in establishing a new insurance company in which it will have equity participation of between J\$100,000 to 200,000.

While NUCS-CIS is a success story, it should be noted that there is still a large portion of the cooperative market still untouched. This was commented on by the Acting Commissioner. In this connection, the NUCS General Manager indicated that a current market study would be useful in planning a future strategy.

#### 4. Costa Rica

Two technical studies have been conducted for UNACOOB: an actuarial study in 1986 and an in-depth analysis in 1988 of its insurance operations compared to the national insurance sector, with recommendations for alternative courses of action.

Four technical assistance visits have been made to Costa Rica, either by one or both of the project team members, or a consultant: one in each year 1985 through 1988, and none in 1989.

Costa Rica presents a different picture than any of the other countries in that insurance and reinsurance are monopolies of the government. UNACOOB acts as a general agency of the INS (Instituto Nacional de Seguros). Within this limiting arena, however, the 1988 study indicates that UNACOOB is exploring various innovative possibilities, including the introduction of a risk management service in which it "manages risks for large companies deriving both fee-for-service as well as commission incomes from the activity". It also manages a small fidelity bonding service. The study describes the operation as being dynamically driven and "quite professional", managed by "an active and growth oriented manager".

LIC has maintained a policy dialogue with government officials during visits made to Costa Rica in an effort to seek some relaxation of current policies and legislation with the ultimate aim of some insurance operations being privatized. This probably will only occur when and if Costa Rica privatizes not only the insurance sector but other economic-financial sectors as well.

As an alternative, under present circumstances, the 1988 study recommends the creation of a Mutual Assistance Program within the framework of a Trust Agreement which, it is argued, is consistent with Costa Rican laws and regulations.

Unfortunately, the evaluators have no recent data to determine the extent to which anticipated benefits have been realized. The 1988 study indicates a steady premium growth from C. 62 million in 1984 to estimated C. 200 million in 1988, with an equally significant growth in commissions from C. 4.5 million in 1984 to estimated C. 26.1 million in 1988. The study indicates that UNACOOB sells "individual and collective life, fire, credit life, and general property (insurance) to 380 of the 500 or so cooperatives in Costa Rica". This is an impressive record. What is not clear is how many of the clients are low-income, rural persons, although it is safe to assume that there are many in the UNACOOB client groups. The study indicates substantial institutional development with excellent future prospects.

Following the consultant visit and study in 1988, LIC has dropped Costa Rica from its active, prime target countries, indicating that a return trip would have been made if UNACOOB had assembled specific information LIC had requested as a pre-requisite.

## 5. Bolivia

No technical studies have been conducted for Bolivia, either for La Crucena (the cooperative insurance organization which the project was originally assisting) or for FENACRE (the credit union federation which is currently receiving project assistance).

Six technical assistance visits have been made to Bolivia, either by the Project Technical Advisor or a consultant; one in 1986, one in 1987, three in 1988, and one in 1989.

An observation/training trip was sponsored by the project for a FENACRE representative to Peru (SEGUROSCOOP) and Colombia (La Equidad) in 1989.

La Crucena sent one representative to the project-sponsored seminar in Puerto Rico, in 1985, and two to the seminar in Argentina in 1986.

The evaluators have insufficient data and information to judge the degree to which anticipated benefits are being achieved, particularly for FENACRE. La Crucena has apparently not experienced significant capital/surplus growth; in fact it has had a declining rate: P1,337,727 in 1985 compared to P1,312,761 in 1986; B1,785,803 in 1987 compared to B1,755,118 in 1988. (Bolivia changed from pesos in 1986 to bolivianos in 1987.) La Crucena is a regional insurance provider, but it has rural clients so it may be assumed that many are low-income, rural persons. However, project documents do not indicate the types of insurance La Crucena provides. The project did provide assistance to La Crucena in working with ICRB (International Cooperative Reinsurance Bureau) to arrange reinsurance needs.

It is apparent from the project reports that La Crucena suffered adversely from Bolivia's hyperinflation and that LIC provided technical assistance in 1986-1987 "to revise its insurance contracts to be inflation adjustable". In 1988 LIC provided assistance in product development.

It is not totally clear whether La Crucena has "graduated" from the project or whether it is part of the continuing effort in Bolivia indicated in the July 1989 report.

FENACRE has been added to the list of prime target organizations. LIC has been providing assistance to it in moving from an insurance department to the creation of an insurance cooperative, which was registered in September 1989 with the cooperative regulatory body of Bolivia. It is a multi-affiliate cooperative and plans to provide multiple product lines. It is too early to make comments regarding this new recipient of project assistance, other than to note that it is receiving careful attention from the project team.

## 6. Colombia

No technical studies have been conducted, nor have technical assistance visits been made.

La Equidad sent two representatives to the Puerto Rico seminar in 1985, and two to the seminar in Argentina in 1986.

As a project "graduate" it is to be assumed that anticipated benefits have been realized. It has hosted observation/training sponsored by the project and is working with the two Puerto Rican cooperative insurers in providing assistance to the Dominican Republic. It has been a project observation/training host.

## 7. Ecuador

While one technical study was conducted in 1986, it was funded separately from project funds at the specific request of the AID Administrator. The Project Manager, the Project Technical Advisor and a Nationwide consultant conducted this study of the entire insurance sector.

One technical assistance visit was made to COOPSEGUROS by the Project Technical Advisor in 1987. No other technical assistance visits have been made.

COOPSEGUROS sent a representative to the 1985 Puerto Rico seminar and two to the seminar in Argentina in 1986.

As a project "graduate" it is to be assumed that anticipated benefits have been realized. All indications are that it is a dynamic insurance company with a variety of cooperative shareholders. It was also written up in the 1988 CIDB bulletin as an example of outstanding cooperative insurance development. COOPSEGUROS has been an observation/training host.

## 8. Peru

Two technical studies were conducted for SEGUROSCOOP: a legal study in 1987 and an analytical review of insurance operations in 1988.

Three technical assistance visits have been made to Peru: one by three consultants in 1987, one by the Project Technical Advisor in 1988, one by a consultant also in 1988, and none in 1989.

SEGUROSCOOP sent a representative to the Puerto Rico seminar in 1985 and two to the Argentina seminar in 1986.

SEGUROSCOOP is in the fourth level of development -- an insurance company. While it has experienced difficulties due to Peru's inflation and devaluation, it successfully avoided nationalization. Allnations provided a US\$100,000 loan, while a Quebec group made a grant of \$25,000 worth of computer equipment.

SEGUROSCOOP is considered a "graduate", and has hosted observation/training events.

## 9. Mexico and the Philippines

These two countries were added to the list of target countries in 1988. An exploratory trip to Mexico (CONACCOOP) by the LIC Technical Advisor and a Nationwide consultant led to the subsequent conclusion that while some technical assistance was under consideration, CONACCOOP is not yet ready for project assistance. The trip report was an analysis of the current situation and recommendations for possible future actions.

An exploratory trip to the Philippines (CISP) by the LIC Project Manager in 1988, a follow-up on IDB-ICIF contacts, led to a technical assistance visit by a project consultant. The first trip report focused on an analysis of assistance needs. The consultant's report provided further analysis of needs and addressed internal operations, marketing, and training requirements in computer systems. While LIC plans to maintain contact, a major component of assistance will be provided by Japan and Singapore.

## **E. Linkages between LIC and the U.S. Insurers**

The discussion in this subsection is essentially a follow-on of the discussion in Subsection II.A. "Project Context". It was noted there that, according to project documents, LIC implements the project "in conjunction" with five other U.S. cooperative insurance organizations, which are also referred to "participating U.S. insurers".

The specific role of the five other U.S. insurers as "participating" institutions was not clearly spelled out in project documents other than a statement in the project proposal that "the various meetings of CLUSA, ICIF, CIDB and the NAA provide a forum for exchanging information and discussions regarding the problems and prospects of cooperative insurance development in LAC as well as coordinating development activities and work". Their individual and collective activities in support of LAC insurance development, either in direct support of project activities or in activities parallel and complementary to project activities, plus LIC's non-AID funded administrative support for the project, is the basis for the estimated matching grant contribution of \$1,252,400.

The evaluators at first incorrectly assumed that project implementation was to be accomplished "in collaboration and coordination" with these five organizations, and so stated in the first draft of the report. LIC pointed out that the correct wording is "in conjunction" with these organizations and that LIC is solely responsible for project planning and implementation.

LIC, on an as needed basis, utilizes these organizations' resources and on several occasions involves one or more directly in project-specific activities, as part of their matching grant contribution. The LIC Project Manager indicated that he maintains contact with them for information exchange and planning through regular, formal contacts within the forums of the NAA, through occasional, informal contacts in other meetings, and through special meetings held to discuss matters of mutual concern in a given country.

The evaluation scope of work instructed the evaluators to examine:

"Linkages between LIC and U.S. cooperative institutions (through)

- Assessment of U.S. sister companies' interest in this program, and their perception of its usefulness
- Identification of resources mobilized."

Since the evaluation team cooperative insurance specialist had been intimately involved in the project representing a substantial portion of the Nationwide contribution, and had participated in several technical assistance interventions as a volunteer consultant, he excluded himself from this component of the evaluation.

The evaluation team leader sought interviews with representatives of the five sister companies: Nationwide, CUNA Mutual, MSI, Cooperativa de Seguros Multiples, and Cooperativa de Vida. It was deemed impractical to interview an MSI representative since the person with knowledge of the project has recently left MSI.

The team leader interviewed in person representatives of Nationwide (the former Senior Vice President and Corporate Secretary) and CUNA Mutual (the Senior Vice President of the International Department). Each has had varying degrees of contact with the project. Due to time and budget limitations, the evaluator interviewed by phone the presidents of the two Puerto Rican cooperative insurers, who also have had contact with the project.

With the exception of Nationwide, the representatives interviewed, while aware of LIC's project activities and having been involved in some of them, and while acknowledging exchange of information in the forums mentioned above and through meetings to discuss problems of mutual concern in a given country, did not demonstrate a clear understanding of the project. (The evaluator notes that project activities are reported in NAA minutes and reports.) The evaluator had to describe the project and its funding base, in order to elicit the information desired.

Once they understood the nature of the project, they indicated approval, perceiving it as complementary to the overall activities of the NAA in which they are all involved, and commented that AID's financial contribution has been a positive factor. Each then related various occasions when they have worked or had contact with the project.

The CUNA Mutual representative detailed the events of the joint LIC/CUNA Mutual meetings regarding Guatemala and Honduras, in particular the meeting in Tegucigalpa in which FACACH was urged to hire a qualified insurance professional to replace the one who had been dismissed.

The two Puerto Rican representatives stated that they had willingly provided support to the project by hosting the 1985 seminar and hosting observation/training trips to Puerto Rico, as well as other trips not funded by the project but arranged by LIC. They also described some of their own efforts, in particular assistance to a Dominican Republic cooperative insurer. They had hoped that LIC would participate in this effort. Some financial assistance is being provided by an Italian cooperative group for some of their extension activities in South America. They also indicated that they cover practically all of the expenses involved in their technical assistance outreach.

All three seemed unaware of the semi-annual project reports, although LIC insists that these are sent to all of the participating U.S. insurers. Possibly this was an oversight on their part.

It should be noted that, while the evaluator was able to identify several specific activities directly related to the project on the part of Nationwide and the Puerto Rican insurers, it was less evident in the case of CUNA Mutual. Possibly this is because it maintains a direct, close working contact with many LAC credit union federations either directly in conjunction with its own international insurance activities, indirectly through CUMIS, the fidelity bonding arm, or through WOCCU and COLAC. The contribution of Nationwide to the project has been substantial. The evaluator found no evidence of any direct MSI contribution to the project.

All of those interviewed felt that it would be useful to meet with LIC and specifically discuss the project and participate in and/or contribute to the development of country-specific strategies.

The more difficult aspect to analyze was the matching grant contribution of \$1,252,400. Budget tables do not break it down by institution, and AID does not require any accounting. LIC stopped requesting estimates in 1987, probably because AID did not require it to do so.

At first, it seemed to the evaluator that the matching funds estimate might be overstated. However, if one were to tabulate the cost of the individual activities of each of the U.S. insurers in support of LAC cooperative insurance development, the figure listed in project documents may be understated, particularly when one analyzes the volume of CUNA Mutual activities conducted with and on behalf of its LAC network of credit union federations. It is clearly apparent that there is more than a minimum of a 50/50 cost sharing, when one calculates only the significant project-specific LIC project support as well as the substantial voluntary assistance provided by Nationwide and the Puerto Rican insurers. Probably it would have been more realistic to state a 50/50 matching grant, which could more easily be verified. In any event, the AID funding has clearly had a multiplier effect. This is even more apparent when one also calculates the other resources mobilized through project efforts.

The evaluator identified resource mobilization other than the contributions of the U.S. insurers in which LIC has played a catalytic, influential role. Previously identified is the support of Japan and Singapore for CISP (Philippines). CIDB has provided assistance to the Philippines and to Chile. Allnations has provided loan assistance to Ecuador and Peru. The ICRB has provided reinsurance assistance to Bolivia. SOCODEVI of Quebec has provided assistance to Peru. Apart from project activities, LIC, Nationwide, and CUNA Mutual are active in the reinsurance business in LAC.

Special mention must also be made of the very effective utilization LIC has made of the Argentinian cooperative insurers. The 1986 seminar was hosted there. Several Argentinian cooperative insurance specialists have been utilized in the provision of technical assistance and the conduct of technical studies. In addition to project sponsored observation/training events in Colombia, Ecuador, and Peru, these countries continue to welcome such events, independent of the project but where contacts have been made through or because of the project.

## PART THREE: CONCLUSIONS AND RECOMMENDATIONS

### A. Current Evaluation

1. **CONCLUSION:** The project functions within and as a complement to the NAA/ICIF network, providing assistance to LAC cooperative insurance programs and organizations. The NAA activities, either collegially or individually, will continue whether or not AID-funded activities continue. However, AID funding provides the opportunity for greater coverage and acceleration of cooperative insurance development in LAC. Without AID funding assistance most, if not all, of the technical assistance activities, technical studies, training events, and additional resource mobilization, would not have been realized.

**RECOMMENDATION:** While the NAA should be encouraged to maintain its posture of assistance to LAC cooperative insurance development, AID should recognize the advantages of providing additional support. It might be useful to coordinate such funding assistance with CIDA.

2. **CONCLUSION:** Insurance through cooperative organizations has positive benefits. The various insurance operations studied in this evaluation demonstrate the achievement in varying degrees of capital formation with surpluses, utilized in most instances to strengthen other types of cooperative development as well as the expansion of the cooperative insurance programs. Some of the target countries' insurance programs offer both life and non-life protection while some offer one but not the other. According to government insurance regulators interviewed, these programs serve a market not normally reached by or attractive to commercial insurance companies, especially in, but not limited to, rural areas. Life insurance (even at the minimal level of funeral expense coverage) has been introduced to individuals (members of cooperatives or similar groups) not previously insured. Uncovered risk exposure, particularly of infrastructure and assets, of some cooperatives could mean bankruptcy or serious financial crisis in the event of a natural disaster or other damaging event, such as fire or theft. Those cooperatives which have availed themselves of these programs have covered these potential risks.

**RECOMMENDATION:** AID should recognize the advantages of continuing to encourage and support the growth and expansion of the provision of insurance, both life and non-life, to the market represented by the cooperatives in LDCs, as an integral component of sound, overall cooperative development and strengthening.

3. **CONCLUSION:** In spite of the achievements realized through project activities, there is still a continuing need for this type of project in LAC, particularly in Central America and the Caribbean, as well as in Bolivia. Many cooperatives, particularly agricultural cooperatives still remain unprotected by insurance. The provision of insurance to this still untouched cooperative market can play an important, positive role in strengthening cooperative development and institutions in these less developed countries. However, accurate, up-to-date data, particularly demographic, which demonstrates the size and character of this untouched market is insufficient to state on a country-by-country basis what specifically is needed in each.

**RECOMMENDATION:** In considering future funding assistance to cooperative insurance development in LAC or, for that matter, elsewhere in developing countries, AID should request information and data on specific countries in which such programs are proposed to be conducted, as was done in the proposal for this project. Funding should be provided in such a manner that in addition to short-term technical assistance, more prolonged technical assistance interventions (from one month to six months) can be provided when needed, including arrangements encouraging "buy-ins" from USAIDs in countries where the need for such assistance is identified.

4. **CONCLUSION:** The project has provided direct assistance to target countries' cooperative insurance programs and organizations. It has also been a catalyst for channeling assistance to these organizations from sources apart from project funds; e.g., assistance to the Philippines is being organized by Japan and Singapore through contacts made by the LIC Project Manager. Other instances are noted in the report, Subsection II.E.

**RECOMMENDATION:** In any future AID funding the catalytic nature of the project should be emphasized.

5. **CONCLUSION:** While the project has had a beneficial impact, in varying degrees, in the target countries, a more complete and detailed reporting of project accomplishments would have provided better data and information to make a more accurate and precise measurement of impact. Project management (LIC) and project monitoring (LIC, NCBA and AID), while apparently effective in the first year or two of the project, has been progressively less efficient and careful. The original pro-active character of the project has become progressively reactive, with over-dependence on specific requests for assistance.

**RECOMMENDATION:** In any future project, AID should insist on an annual updating of project plans and of a regular, enforced schedule for semi-annual reports, or possibly only annual reports, which reflect these plans. If NCBA is the designated grantee, with LIC as the designated subgrantee and implementing agency, NCBA should play a more active role in monitoring not only the financial aspects of the project but of the programmatic aspects as well.

6. **CONCLUSION:** While a level of coordination of project and other assistance activities is maintained within the network of the NAA, some of the participating U.S. insurers do not appear fully to understand the nature of project-funded activities as distinct from those complementary to their own technical assistance activities under the aegis of the NAA. They are interested in the continuation of AID funding and are willing to contribute to the analysis of need and the design of strategy on a country-by-country basis.

**RECOMMENDATION:** In presenting a new proposal for AID funding, LIC might find it advantageous to involve the U.S. insurers, particularly those which indicate real interest in participating, more closely in planning and preparing the proposal. A proposal presented as a joint venture, with LIC designated as the lead organization, detailing the type of support each organization is prepared to provide, might carry greater weight with AID. The annual project work plan as well as country work plans and the semi-annual reports should be shared with this group.

7. **CONCLUSION:** The Project Manager and the Technical Expert have made efforts to assure exchange of information on project activities with USAIDs and consultants working in cooperative development in target countries. There is room for closer coordination. Specific cooperative insurance technical assistance needs to be provided in conjunction and coordination with other technical assistance activities being provided to the same organizations; e.g., FACACH, FENACOAC and FENACRE. Development of the insurance programs (whether agency or creation of a new company) needs to be related to and coordinated with the other development agendas in the same cooperative organization or group of cooperatives. The development of a strong, sound insurance department is a laudable goal, and is apparently happening in the project client organizations. If, however, this takes place while simultaneously other departments are poorly managed and/or are experiencing financial crises, the temptation to cover losses in those other departments by utilizing insurance reserves may be irresistible, unless clear legal and/or accounting barriers are installed to protect the insurance portfolio. A case in point is FACACH.

**RECOMMENDATION:** Current project managers and any future AID-funded project managers should make every effort to assure coordination of cooperative insurance development with overall cooperative development. Country-specific work plans should be shared with the relevant USAIDs and with technical teams working in overall cooperative development. This may require educating USAID personnel, not only in the PVO and rural development offices but in the program and private sector offices as well, on the importance of providing insurance to the cooperative market.

8. **CONCLUSION:** Assumptions regarding the anticipated pace of moving through the various phases of development -- from non-risk bearing department or agency through risk-bearing department to full-fledged insurance company or cooperative -- may have been overly optimistic. The timetables for both Guatemala and Honduras suggest that this may have been the case. Flexibility is required in determining when a cooperative organization is ready for the next step. Regulatory and other legal requirements affect this pace, including the attitudes of the regulatory officials, and can alter the steady, systematic implementation of the project. The mood and even the composition of a given Board regarding the desirability and/or feasibility of moving into the next phase also affects the pace.

**RECOMMENDATION:** This point does not need to be belabored. The evaluators believe that LIC is aware of this situation and adapts to changing and evolutionary circumstances in the target countries. The evaluators would add that while the ultimate goal might be the establishment of an insurance cooperative or company, priority should always be given to assuring that insurance is available and is being provided to the cooperative market and coverage of that market is expanding, not just limited to the credit union family. To wait until the appropriate moment has arrived to establish an insurance company, maybe several years hence, is to deny the whole cooperative market of insurance coverage it should be receiving.

9. **CONCLUSION:** While the evaluators note the continuing need for project assistance in Central America and the Caribbean, they have taken special note of the current, urgent needs of FENACOAC as it plans its move from risk bearing federation department to the establishment of a new insurance company in which it will be the majority shareholder. Those needs are listed in the discussion on Guatemala, Section II.D. USAID/Guatemala is concerned that FENACOAC receive this needed assistance on a priority basis.

**RECOMMENDATION:** LIC is urged to contact FENACOAC and USAID/Guatemala to determine what assistance it can provide. If the cost of providing the assistance is greater than the current project funds balance, USAID has indicated an interest in working out a buy-in arrangement.

10. **CONCLUSION:** Assumptions regarding the amount of AID funding needed to implement the project in the originally planned timeframe were apparently over estimated, as is suggested by the fact that Amendment # 3, extending the project by one year, and Amendment # 4, extending the project by another eight months, required no additional funding. Balance of funds as of 7 December 1989 (\$64,027.67) suggests that possibly all of the funds obligated for this project may not be expended by 1 May 1990. Had LIC maintained the level and intensity of technical assistance activities it outlined in its 1987 report, the current situation might have been different. Increasing the frequency of visits of the project team for prime target countries from one annual visit to two might also give the project more accelerated impact and provide more intensive technical assistance.

**RECOMMENDATION:** In the time remaining in the project, in addition to the above recommendation, LIC should actively canvass cooperative organizations in countries other than the target countries to see if some preliminary assistance could be provided. It is too late to initiate two annual team visits, but LIC should consider the feasibility of doing so in any new project.

LIC should also review End-of-Project Status (EOPS) conditions to assure that the specific reports required are being prepared and will be delivered to AID prior to 1 May 1990.

11. **CONCLUSION:** This project, with four amendments extending it from the original one year, to two, then three, then four, and then an additional eight months, was never evaluated in midstream. When AID issued the second, but no later than the third amendment, AID should have insisted on such an evaluation as a precondition to the amendment. Some of the problems identified in this report might have been averted if this had been done.

**RECOMMENDATION:** AID should adhere to its usual practice of requiring either an external or a self-evaluation at midstream in a project which runs over three years. Even without AID pressure, LIC should on its own conduct a midstream self-evaluation in any future project of similar duration.

## **B. Comparison with Previous Evaluation Conclusions and Recommendations**

The previous evaluation in 1984 of the predecessor project listed five major conclusions and recommendations. The recommendations are summarized below, followed by commentaries on each.

1. **RECOMMENDATION:** That AID and CLUSA/LIC, backed by the other five cooperative insurance institutions, negotiate a funded extension of the project.

**COMMENTARY:** This was done.

2. **RECOMMENDATION:** That these negotiations include the articulation of a five-year project with two or three specified funding tranches contingent on a careful assessment of project accomplishments and continuing need. Estimated funding requirement is \$200,000 per year with a 50/50 split between AID and the U.S. insurers.

**COMMENTARY:** A proposal for a five-year project was presented by CLUSA and LIC for a total of \$3,052,896, with a proposed split of AID/U.S. Insurers of \$952,896/\$2,100,000, without suggested tranches. AID provided initial one-year funding of \$150,000; amended to provide an additional \$150,000 for a second year; and amended a second time to provide an additional \$130,000, for a total of \$430,000 to be matched by the U.S. insurers with \$1,252,400. The project was amended twice more to extend the project to a total of four years and eight months. No evidence of "careful assessment of project accomplishments and continuing need" after the first amendment was found.

3. **RECOMMENDATION:** That LIC, in consultation with its sister U.S. organizations, undertake to define subregional (Caribbean, Central and South America) strategies as well as country-specific strategies. Unless additional resources beyond the amount recommended in # 2 are anticipated, the country list should be limited to five countries where assistance will be concentrated in the next project year.

**COMMENTARY:** The five-year proposal listed four prime target countries and four secondary target countries with specific strategies for each. The proposal did not indicate the degree of involvement of the sister organizations in designing these strategies.

4. **RECOMMENDATION:** That the project make a more concerted effort to brief USAIDs on in-country project activities, particularly where these are of direct benefit to cooperative organizations receiving direct USAID assistance.

**COMMENTARY:** There is evidence of improvement in this area in the implementation of the current project.

5. **RECOMMENDATION:** That in each country where the project will be providing direct assistance, a memorandum of understanding between LIC and the country organization should be drawn up and negotiated which states specifically what steps are needed to meet explicit objectives and what assistance the project will provide at each step. The memorandum should also detail what is expected of the participating country organization -- in terms of shared costs, advance preparation of data and/or materials, and implementation of recommendations.

**COMMENTARY:** This was done initially with three countries -- Guatemala, Honduras, and Jamaica -- but was not followed up, as indicated in Subsection II.B. of this evaluation report.

#### PART FOUR: LESSONS LEARNED

1. The provision of insurance to the cooperative market is a profitable undertaking, even when only a few product lines are offered.
2. A cooperative insurance provider has a ready-made market and has available to it the existing network of primary and secondary level cooperatives through which it can conduct an aggressive marketing program, as well as utilizing the network to secure critical demographic and other data for use in assessing dimensions, needs, and characteristics of that market.
3. While it can be stated that there is a cooperative market for insurance, in too many countries, other than in the credit union family which generally has the best statistics, the dimensions and characteristics of that market are ill-defined or even unknown, given the questionable or incomplete data on all types of cooperatives.
4. As cooperative insurance organizations consider the advisability of moving from one development level to the next — from non-risk agency to risk bearing department, and from risk bearing department to full-scale insurance cooperative or company offering a wide spectrum of both life and non-life products — they need expert advice and guidance in order to fully understand the implications of such a move and to make sound choices.
5. Once decisions have been made to move to the next level, the need for guidance and technical advice is just as critical since they are moving into what for them are uncharted waters. Knowledgeable cooperative insurance providers who have successfully made the move are invaluable sources for the provision of this assistance. Note the roles played by Argentina, Colombia and Ecuador in this project, as well as that of the U.S. insurers.
6. While the insurance business is profitable, and a cooperative insurer either at the level of non-risk bearing agency or risk bearing department may amass not only substantial capital but surplus as well, the parent federation should place strict legal and accounting barriers between the insurance operation and the operations of other departments to prevent unjustified or dangerous drain of reserves, and assure that surplus is utilized to strengthen the parent organization and its outreach, as well as to expand the insurance operation.
7. The role and importance of insurance in cooperative development is not clearly understood both in cooperatives themselves and in many organizations involved in promoting cooperative development, including donors. The role of continual education in this area cannot be overemphasized.
8. There are untold, undocumented success stories which would provide good illustrative material for the educational activities suggested in # 6.

9. Multi-country, multi-participant projects present unique implementation problems, demanding a higher degree of communications and feedback than is needed in most single country projects. Systematic planning and assessment is even more critical in these multi-faceted projects.
10. A project such as the one evaluated in this report, which has been extended to four years and eight months, should have either a self-evaluation or outside, independent midstream evaluation. The need for corrections in project design or content or for adjustments in project implementation are easier to detect than continuing on a business-as-usual basis.

## ANNEXES

- A. PROJECT STATEMENT OF WORK
- B. EVALUATION SCOPE OF WORK
- C. EVALUATION SCHEDULE
- D. CONTACTS
- E. BIBLIOGRAPHY
- F. LISTING OF STUDIES, TECHNICAL ASSISTANCE AND TRAINING
- G. COUNTRY PROFILES
  - 1. Guatemala
  - 2. Honduras
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STATEMENT OF WORK - ORIGINAL AGREEMENT

STATEMENT OF WORK - AMENDMENT #1

ORIGINAL  
Statement of Work

I. Objective

The objectives of this program are (1) the establishment and operation of financially viable and self-sustaining private cooperative insurers and (2) the expansion of the benefits of cooperative insurance services to individual cooperative members-particularly low income persons and other groups who are not served by the commercial insurance sector.

II. Scope of Work

- A. Purpose: The purpose of this partial support grant to CLUSA is for LIC, in conjunction with other participating U.S. insurers, to provide technical assistance on a more systematic, sustained basis to selected LAC countries. This will enable these organizations to make more intelligent choices and rationalize their insurance development programs more effectively.
- B. Background : The program, for this one grant year , will assist in the establishment and operation of financially viable and self-sustaining corporate cooperative insurers offering a broad line of insurance services which meets the needs of individuals and institutions within the cooperative movement. LIC, in conjunction with the other participating U.S. insurers will provide technical assistance on a systematic, sustained basis to enable LAC cooperative organizations and insurers to make more intelligent choices and rationalize their insurance development programs more effectively. LIC will implement and coordinate the project under agreement with CLUSA, project grantee.

Achieving sound cooperative insurance programs will produce a series of benefits, some quantifiable and others not. These include:

1. Capital formation of cooperative development: Financially successful insurance cooperatives, owned by credit unions and other cooperative sector federations, will provide funds from segregated profits to stimulate further cooperative sector development.
2. Insurance for cooperative assets and activities: Insurance will be provided for physical assets to protect against loss for goods traded (e.g., exports), for fidelity bonding, for boards of directors and management staff, etc.

3. Insurance protection: Insurance for life, accident, property, etc. reaching low-income and rural people who otherwise would not have access to such insurance services through such techniques of inexpensive group insurance mechanisms and other marketing efficiencies. The elimination of risk and uncertainty through insurance can lead to greater investment and consumption.
  4. Institutional development: Creation of self-sufficient cooperative insurance business.
  5. Support to federations: Generation of surplus by the insurance institution which in turn can finance the activity of sponsoring cooperative federations.
- C. Countries: Indirectly, this program will enhance cooperative development in most of the LAC region. During this grant period, however, LIC will focus primarily on eight countries. In all of the countries, LIC will work with cooperatives and insurers to assess needs, define strategies, and implement work plans to develop self-sufficient cooperative insurers. In some of the countries (Bolivia, Peru, Ecuador and Columbia) a financial strengthening approach will be necessary for existing but struggling cooperative insurers. In other countries (Guatemala, Honduras, Costa Rica, and Jamaica) an institution building approach is required, working with cooperative federations to establish new, independent insurance operations.
- D. Market Study and Implementation Seminar: A major project activity to be carried out during this grant program's year is the design and implementation of a model market study. The study will include such elements as:
- historical data on the insurance industry's performance,
  - industry levels of penetration in different lines of insurance,
  - claims and expense experience,
  - a detailed measurement of cooperative markets and identification of insurance needs and other important economic and financial variables.

The study will be implemented in Guatemala by project consultants working jointly with FENACOAC and under the supervision of LIC. The market study will accomplish several objectives:

- (a) it will reveal more precisely the market conditions in which a new cooperative insurer will operate in Guatemala,
- (b) it will include recommendations of the kinds of products and markets which should be developed by the new cooperative insurer,
- (c) it will reveal further specific technical assistance requirements which may be needed for the operations of the new company, and
- (d) will develop case materials to serve as a model to be implemented in other assistance recipient countries.

The market study model implemented in Guatemala will serve as a basis for a seminar to be held shortly thereafter for assistance recipients in Honduras, Costa Rica, and the South American cooperative insurers.

The model will be discussed and refined at the seminar for adoption and implementation in each country. LIC expects the recipient organizations to implement the market study at their own expense but under the supervision and guidance of LIC.

**III. Benchmarks:** The following are overall project benchmarks which LIC will use in evaluating accomplishments for the project year, as a part of meeting the long-term objectives cited in the LIC proposal for building cooperative insurance in Latin America and the Caribbean.

**Intermediate benchmark:**

1. Completion of a market study in Guatemala. This study will provide the input for the refinement of strategies, identification of potential new markets and products for a new cooperative insurer and for the planning for the developing of a new cooperative insurer:

**Year End Project Benchmarks:**

1. Completion of a market study model based on the market study exercise in Guatemala.
2. Implementation of a market study seminar for participants from other beneficiary countries. (Honduras, Costa Rica, Jamaica, Bolivia, Ecuador, Peru and Colombia).

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Guatemala:

Interim targets:

1. Completion of a written "memorandum of understanding" between LIC and FENACOAC detailing steps needed to meet agreed upon objectives and assistance and obligations of both parties required to meet such objectives;
2. Completion of planning documents based on the results of the market study; and

Interim benchmark:

1. Completion of a market study in Guatemala. This study will provide the input for the refinement of strategies, identification of potential new markets and products for a new cooperative insurer and for the planning for the development of a new cooperative insurer.

Year End Project Benchmark:

1. Fulfilling requirements and filing application for incorporation of a cooperative insurance corporation.

Honduras:

Interim targets:

1. Completion of a written "memorandum of understanding" between LIC and PACACH detailing steps required to meet such objectives,
2. Completion of a market study in Honduras based on model developed in Guatemala. Study will provide input for identification of potential new markets and products for a new cooperative insurer and for the planning of the organization of a new cooperative insurer.
3. completion of strategic planning documents by PACACH based on results of market study.

Year End Project Benchmark:

1. Completion of feasibility study for a cooperative insurance agency or corporate cooperative insurers.

Costa Rica:

Interim targets:

1. Initiation of feasibility study by UNACCOOP when enactment of rules or legislation "privatizing" government insurance monopoly is achieved.

Jamaica

Interim targets:

1. Completion of a written "memorandum of understanding" between LIC and National Union of Cooperative Societies (NUCS) detailing agreed upon objectives and assistance and obligations of both parties required to meet such objectives.
2. Completion of written management and marketing plan for NUCS insurance agency.

South America (Bolivia, Ecuador, Peru, Colombia):

Interim targets:

1. Participation of top management officials of Coopseguros, Seguroscoop, La Crucena and La Equidad in market study implementation seminar.

IV. Required Reports: LIC will provide quarterly reports using an agreed upon format between LIC and PRE. These reports will be provided within 30 days following the end of the three month period covered by the report.

SECOND  
STATEMENT OF WORK

(Amendment 1)

I. Objective

The objectives of this program are (1) the establishment and operation of financially viable and self-sustaining private cooperative insurers (2) the expansion of the benefits of cooperative insurance services to individual cooperative members, particularly low income persons and other groups who are not served by the commercial insurance sector, and (3) develop capital pools for investment within the project country.

II. Scope of Work

- A. Purpose: The purpose of this cost sharing grant to National Cooperative Business Association/League Insurance Company is for LIC, in conjunction with other participating U.S. insurers, to provide technical assistance on a more systematic, sustained basis to institutions in selected LAC countries. This will enable these organizations to make more intelligent choices and rationalize their insurance development programs more effectively.
- B. Description : The program, over a long term period, will assist in the establishment and operation of financially viable and self-sustaining corporate cooperative insurers offering a broad line of insurance services which meets the needs of individuals and institutions within the cooperative movement. LIC, in conjunction with the other participating U.S. insurers will provide technical assistance on a systematic, sustained basis to enable LAC cooperative organizations and insurers to make more intelligent choices and rationalize their insurance development programs more effectively. LIC will implement and coordinate the project under agreement with NCBA, the project grantee.

Sound cooperative insurance programs will produce a series of benefits, some that are quantifiable and some that are not. Quantifiable ones include:

1. Capital formation of cooperative development: Financially successful insurance cooperatives, owned by credit unions and other cooperative sector federations, will provide funds from segregated profits to stimulate further cooperative sector development.

2. **Insurance for cooperative assets and activities:** Insurance will be provided for physical assets to protect against loss for goods traded (e.g., exports), for fidelity bonding, for boards of directors and management staff, etc.
  3. **Insurance protection:** Insurance for life, accident, property, etc. reaching low-income and rural people who otherwise would not have access to such insurance services through such techniques of inexpensive group insurance mechanisms and other marketing efficiencies. The elimination of risk and uncertainty through insurance can lead to greater investment and consumption.
  4. **Institutional development:** Creation of self-sufficient cooperative insurance business.
  5. **Support to federations:** Generation of surplus by the insurance institution which in turn can finance the activity of sponsoring cooperative federations.
- C. **Countries:** Indirectly, this program will enhance cooperative development in most of the LAC region. During the grant period, however, LIC will focus primarily on eight countries. In all of the countries, LIC will work with cooperatives and insurers to assess needs, define strategies, and implement work plans to develop self-sufficient cooperative insurers. In four of the countries (Bolivia, Peru, Ecuador and Colombia) a ~~financial strengthening~~ approach will be necessary for existing but struggling cooperative insurers. In the other four countries (Guatemala, Honduras, Costa Rica, and Jamaica) an ~~institution building~~ approach is required, ~~working with cooperative federations~~ to establish new, independent insurance operations.
- D. **Implementation Plan:** Assistance requirements for establishing new cooperative insurers and strengthening and promoting the growth of existing cooperative insurers differ in the subregions of the LAC region and in individual countries because of unique legal, political, economic and organizational variables. There are, however, some relatively similar needs by subregions. Implementation strategies will vary by individual country and over time since the level and stage of development of

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cooperative insurance organizations differ by country. Strategy for each country is based on an analysis of existing baseline data, previous project work, and preliminary discussions with beneficiary organizations. Below is a summary of individual country plans.

### Guatemala

Planned project activities in Guatemala for the next two years are, a follow-on of activities implemented during the current one-year grant period. The major first year activity was a comprehensive market study designed to: (a) reveal more precisely the market conditions in which a new cooperative insurer will operate in Guatemala; (b) determine the kinds of products and markets which should be developed by the new cooperative insurer; and (c) reveal specific technical assistance requirements which may be needed for the operations of the new insurance company. Based largely on the results of that study the following activities are planned for the next two-year grant period.

1. Identification of new market products.
2. Development of marketing strategies and plans.
3. Plan and implement a new cooperative company.
4. Introduction and development of new products.
5. Financial and capital planning for the new cooperative company.

### Honduras

Planned project activities for Honduras during the next two years are also a follow-on of first year activities. During the first year, a market study, based on the model developed in Guatemala, was begun in Honduras. The study was to provide input for (a) identification of potential new markets and products for a new cooperative insurer; and (b) for planning and organization of a new cooperative insurer. The following activities are planned for the next two years.

1. Completion of the in-country market study.
2. Identify new markets and products, based on inputs from the market study.

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3. Development of market strategies and plans.
4. Plan and initiate feasibility studies of cooperative insurance.
5. Plan and launch a new cooperative insurer and agency.
6. Planning procedures for incorporation of a new insurance company.
7. Provide necessary technical assistance and related training.

### Costa Rica

Planned first year activity for Costa Rica involved enactment of legislation for privatizing insurance which is currently a government monopoly. Regulatory and policy framework effecting a change has not yet accrued. Therefore policy dialogue on privatization will continue during the ensuing grant period. Other insurance activities, including market studies, new product development etc., will be planned and implemented when privatization legislation is achieved.

### Jamaica

League Insurance Companies' technical assistance activities for Jamaica will build on the development of the National Union of Cooperative Societies (NUCS) which was established in late 1984. A planned activity for the current one-year grant period was the development of a five-year management and marketing plan for NUCS. Only a preliminary written market and action plan was completed however. The following activities are planned for the ensuing grant period.

1. Further development of a management and marketing plan, and plans for cooperative insurance agency expansion.
2. Initiate insurance agency expansion activity.
3. The planning and formation of a cooperative insurance company.

South America -- (Bolivia, Ecuador, Colombia, Peru)

Assistance activities for cooperative insurers in South America are uniform, and include the following:

1. Implementation of a market study in each participating country.
2. Improvement of the insurance market position in each country.
3. Plan and develop new products in each country.

III. End-of-Project Status

Assuming that the purpose of the project will have been achieved by the end of the project period, certain conditions are expected to exist. The following measures will indicate the status of achievement.

1. Projected Premium Growth  
(Projected growth by country 1985-87)

**Guatemala--PENACOAC**

	<u>Total Premiums</u>		<u>Policyholder Benefits</u>	<u>Capital/Surplus</u>
1985	Q225,000	3%	Q146,250	Q298,520 (1)
1986	236,250	5%	153,563	320,909
1987	248,065	5%	161,242	344,978

**Honduras - PACACH**

1985	L887,550	2%	L443,775	L837,828 (2)
1986	931,950	5%	465,975	900,665
1987	978,600	5%	489,300	968,215

**Ecuador - Coopseguros**

1985	S86,000,000	3%	S43,000,000	S47,836,000
1986	94,600,000	10%	47,300,000	50,190,000
1987	104,060,000	10%	52,000,000	52,710,000

Peru - Seguroscoop

	<u>Capital/Surplus</u>
1985	U.S. \$424,568
1986	445,796
1987	504,556

Bolivia - La Crucena

1985	U.S. \$729,414
1986	765,885
1987	804,179

Jamaica - NUCS Insurance Agency

	<u>Total Premiums</u>		<u>Capital/Surplus</u>
1985	J\$ 967,482	0%	J\$166,583
1986	1,064,530	10%	183,241
1987	1,170,983	10%	201,565

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 3. Because of the hyperinflation in Peru premium and claims data cannot be projected. Rather, capital/surplus is projected on a U.S. dollar basis on the assumption that assets can be invested in investments which are to some extent inflation -- indexed.

4. See footnote. 3. Bolivia's inflation rate has been more severe than that experienced in Peru.

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2. Analysis of Benefits

Quantifiable economic/financial benefits of the project will include:

- (a) Creation and expansion of new insurance products and services which provide benefits to meet losses of cooperatives, other similar organizations and their respective individual members occurring from various of risks and economic activity. These products will be listed by country and analyzed in terms of the benefits provided.
- (b) Establishment of, and financial strengthening of savings and capital generating cooperative insurance institutions which in turn invest in economic productive activity. The growth of these capital flows will be identified and reported.
- (c) Financial support by the cooperative insurance institutions to the sponsoring cooperative federations, which are also involved in economic development. A report will be developed indicating the size of contributions and general purposes.
- (d) An improvement of efficiency of the cooperative insurance institutions which leads to either lower costs or greater benefits to cooperatives and their members. A report on this activity will show the relationship between product loss and expense ratios.

3. Priority Training

Technical assistance and related training will be provided on a continues basis, largely by specialized consultants. Priority training will be provided in management and financial planning. Expected results at the end of the project period are the following.

<u>Country</u>	<u>Number Trained</u>
Guatemala	6
Honduras	6
Jamaica (NUCS)	3
Ecuador	2
Colombia	2
Peru	4
Bolivia	2

4. Insurance Companies Established

Guatemala	1
Honduras	1

IV. Assumptions

LIC lists external and internal assumptions which underlie the ultimate success of the project. Among the external assumptions are the following:

- (a) The beneficiary countries show relative economic growth which generates a flow of insurable goods and services.
- (b) The regulatory environment permits the incorporation of indigenous cooperative insurers, and that capital requirements are not inordinately increased.
- (c) The insured loss experience of the cooperative insurers is within a reasonable range and losses from catastrophies do not occur.
- (d) Reinsurance for new products is available either from sources within the country or from external sources.

Assumptions internal to the successful development of cooperative insurers include continued support of the cooperative federation leadership and member cooperatives, and technical and managerial expertise.

EVALUATION SCOPE OF WORK

## STATEMENT OF WORK

### League Insurance Companies Evaluation

#### I. Level of Expertise

The consultant's level of expertise should be equivalent to a GS-15 and requires knowledge of cooperatives, cooperative insurance.

#### II. Background

##### Purpose:

To evaluate the performance of League Insurance Companies in meeting the goals and objectives in the Co-op to Co-op Program grant agreement, and to develop recommendations on how any future support in these areas might be made more effective.

##### Objectives:

1. Analysis of LIC's major accomplishments in the areas of:
  - direct technical assistance
  - feasibility/actuarial/legal studies
  - technical seminars and training
  
2. Analysis of anticipated benefits achieved in:
  - capital formation, including generation of surplus for use by cooperative federations
  - insurance for the protection of cooperative assets and activities
  - insurance services (life, accident, property, etc.) reaching low-income and rural people who otherwise would not have access to such insurance services
  - institutional development, i.e. the creation of self-sufficient cooperative insurance businesses

illustrative indices of benefits received include:

- a) growth in number of insured cooperatives and other nonprofit associations, and members insured:
- b) policy benefits such as losses and dividends paid:
- c) financial contributions to sponsoring federations.

3. Program Implementation

- Assessment of the effectiveness of program's strategy and approach
- Identification of any problems or constraints that have influenced the capacity of LIC to accomplish grant objectives
- Review of monitoring systems used by LIC management

4. Linkages between LIC and U.S. cooperative insurance institutions.

- Assessment of U.S. sister companies interest in this program, and their perception of its usefulness
- Identification of resources mobilized

5. Identification of Lessons Learned that will be useful in determining the nature and direction of any future support in the area of cooperative insurance

### III TASKS AND DELIVERABLES

Two senior consultants will be required for a combined total of 38 days. The consultants will conduct a program evaluation based on analysis of project activities of LIC in Guatemala, Honduras and Jamaica. Field interviews will be supplemented by interviews with LIC headquarter staff, FVA/PVC, and sister cooperative insurance organizations. The areas of inquiry to be addressed are those identified in Section II.

The final product is the evaluation report, due in draft by December 6 and in final no later than December 12.

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EVALUATION SCHEDULE

## EVALUATION SCHEDULE

8 Nov 89	Orientation/instructions	FVA/PVC Rosslyn, VA
9-10 Nov 89	Orientation/interviews/ initial research	LIC Southfield, MI
11 Nov 89	Travel to Guatemala	
13-14 Nov 89	Interviews/research	FENACOAC Guatemala
15-16 Nov 89	Interviews/research	FACACH Honduras
17 Nov 89	Travel to Jamaica	
19-21 Nov 89	Interviews/research	NUCS Jamaica
22 Nov 89	Travel to U.S.	
23-25 Nov 89	Thanksgiving break	
26 Nov 89	Travel to Madison, WI	
27 Nov 89	Interviews	CUNA Mutual Madison, WI
28-29 Nov 89	Final interviews/research	LIC Southfield, MI
30 Nov 89	Review research materials	
1- 4 Dec 89	Preparation of first draft	
5 Dec 89	Presentation of first draft	
7 Dec 89	Joint AID/LIC/NCBA review	FVA/PVC Rosslyn, VA
8-14 Dec 89	Preparation of final draft	
15 Dec 89	Delivery of final draft	
18-29 Dec 89	Revision of final draft	
2-11 Jan 90	Final editing changes	
12 Jan 90	Delivery of finished report	

CONTACTS

CONTACTS MADE BY EVALUATION TEAM

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LIC

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Dennis Reinmuth, Project Manager  
Alfredo Lanza, Project Technical Advisor  
Elena Doetsch, Administrative Assistant

Nationwide

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CUNA Mutual — International Department

Armando Teran M, Senior Vice President

Cooperativa de Seguros de Vida, Puerto Rico

Gabriel Dolagary, President

Cooperativa de Seguros Multiples, Puerto Rico

Edwin Quinones, President

GUATEMALA

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Francisco Perez, General Manager  
Roberto Quevedo M, Assistant Manager, Insurance Department

USAID

Barry Lennon, ARDO

Central Bank, Insurance Department

Porfirio Vidal deLeon Gil, Director  
Fernando Rodriguez Trejo, Assistant Director  
Bernardo R. Morales F, Advisor (Asesor Matematico)

65

**HONDURAS**

**FACACH**

Arnaldo Castillo Guiza, General Manager  
Juan Alejo Espinoza, Chief, Insurance and Bonding

**Small Farmer Organization Strengthening Project**

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Raul Sanchez, Credit Union Development Advisor

**USAID**

Lee Arbuckle, ARDO

**Superintendency of Banks and Insurance**

Marco Antonio Aviles R, Actuary

**JAMAICA**

**NUCS-CIS**

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Marjorie Stephenson, NUCS Director

**USAID**

Richard Owens, ARDO  
Albert Greve, RHUDO  
Ruby Baker, OPP

**British-Caribbean Insurance Co., Ltd.**

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**Superintendency of Insurance**

Pauline Bayley, Acting Superintendent

**JCCUL** (informal contact)

Stanley D. Moore, former General Manager  
Donovan Nolan, Mortgage Officer

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## BIBLIOGRAPHY

### Project Documents

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Amendment #1 - 31 August 1986

Amendment #2 - 2 August 1987

Amendment #3 - 29 December 1988

Amendment #4 - 19 September 1989

Progress Reports: 15 March 1986; 1 June 1987; February 1988; November 1988; 7 July 1989

Memorandum de Entendimiento: LIC/FENACCAC, 25 September 1985

Memorandum of Understanding: LIC/NUCS-CIS, 16 October 1985

Memorandum de Entendimiento: LIC/FACACH, 2 April 1986

Also see Technical Studies listed Annex E.

### General

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## Guatemala

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LANZA, ALFREDO/MEZZINA, BERGIO/ QUEVEDO ROBERTO - "Muestra Económico de los Socios de la Cooperativa "HUNAHPU" Ltda" - September 1985

MEZZINA, BERGIO - "Bases Para un Estudio de Comercialización Referido al Mercado Asegurador de Guatemala y Alternativas Para la Incorporación de FENACCOAC a la Actividad Aseguradora" - January, 1986

REICH, ROLANDO - "Informe Sobre FENACCOAC Federación de Cooperativas Respecto del Reconocimiento Como Entidad Aseguradora - Analisis de los Distintos Posibilidades de Operación y Su Viabilidad Jurídico" November, 1987

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## Honduras

CARDENA, RUBEN - Analisis de los Actuales Programas de Seguros de Vida de La Federación de Asociaciones Cooperativas de Ahorro y Crédito de Honduras, Ltda. (FACACH)" - August, 1986

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GUDGER, W. MICHAEL - "Report on Strengthening Credit Union Insurance Activities in Honduras" - June, 1988

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Jamaica

ANDERSON, RONALD T.

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- "Report on NUCS Cooperative Insurance Services, Ltd." - June, 1986
- "Report on NUCS Cooperative Insurance Services, Ltd." - February, 1988
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- Management Information and Internal Financial Reports - 1989

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LISTING OF STUDIES, TECHNICAL ASSISTANCE AND TRAINING

## STUDIES/REPORTS

Guatemala	Alfredo Lanza/Sergio Mezzina Roberto Quevedo	
"Muestreo Socio-Economico De Los Socios De La Cooperativa "HUNAHPU" Ltda."		
Jamaica	Dr. Ronald Anderson	11-85
Guatemala/Costa Rica	Sergio Mezzina	1-86
"Bases Para Un Estudio De Comercialización Referido Al Mercado Asegurador de Guatemala Y Alternativas Para La Incorporación de FENACOAC A LA Actividad Aseguradora"		
Jamaica	Dr. Ronald Anderson	6-86
Costa Rica	Michael Gudger	6-86
Guatemala	Michael Gudger	6-86
Honduras	Michael Gudger	6-86
Ecuador*	Reinmuth/Lanza/Fitzpatrick	7-86
Guatemala/Honduras	Rubén Cardená	8-86
"Análisis de los Actuales Programas de Seguros de Vida de la Federación de Asociaciones Cooperativas de Ahorro Y Credito de Honduras, Ltda. (FACACH)		
"Análisis de los Actuales Programas de Seguros de la Federación Nacional de Cooperativas de Ahorro, Credito y Servicios Varios de Guatemala, Responsabilidad Ltda. (FENACOAC)		
Perú	W.Fitzpatrick/R.Reich S. Mezzina	7-87
Guatemala	Rolando Reich	11-87
"Informe Sobre FENACOAC Federación de Cooperativas de Guatemala: Su Situación Legal Respecto del Reconocimiento Como Entidad Aseguradora -Análisis De Las Distintas Posibilidades de Operatoria Y Su Viabilidad Juridica"		
Jamaica	Vivian Clark	1-88
Jamaica	Dr. Ronald Anderson	2-88
Perú	Sergio Mezzina	10-88
"Informe Seguroscoop - Año 1988"		

\* A special country study requested by AID Administrator, Peter McPherson under a separate grant.

2.

Mexico	W. Fitzpatrick/A. Lanza	10-88
Philippines	Dennis Reinmuth	11-88
Philippines	Vivian Clark	3-89
Jamaica	Dr. Ronald Anderson	5-89

**INTERNATIONAL TRAVEL**

<b>PERSON</b>	<b>PLACE</b>	<b>DATE</b>	<b>PURPOSE</b>
<b>1985</b>			
Alfredo Lanza	Guatemala FENACOAC	9-85	TA
Ron Anderson	Jamaica NUCS	9-85	TA
Dennis Reinmuth	Jamaica NUCS	9-85	TA
Alfredo Lanza	Guatemala/Honduras FENACOAC/FACACH	9-85	ST/TA
Sergio Mezzina AACMS-Argentina	Guatemala/Costa Rica FENACOAC/UNACOOB	9-85	ST/TA
Alfredo Lanza	Puerto Rico	11-85	S
Dennis Reinmuth	"	"	S
William G. Boroquez SEGUROSCOOP-Peru	"	"	S
Sixto Davalos COOPSEGUROS-Ecuador	"	"	S
Julio Enrique Medrano La Equidad-Colombia	"	"	S
Luis Pardo La Equidad-Colombia	"	"	S
Adalberto Terceros B. La Crucena-Bolivia	"	"	S
Roberto Quevedo FENACOAC-Guatemala	"	"	S
Alfredo Gonzales M. AACMS-Argentina	"	"	S

1986

Dennis Reinmuth	Ecuador COOPSEGUROS	4-86	ST
Alfredo Lanza	"	"	ST
Willard Fitzpatrick Nationwide	Ecuador COOPSEGUROS	"	ST
Jorge M. Velasquez La Equidad (Colombia)	Buenos Aires, Argentina	4-86	S/O/T
Carlos Palacino La Equidad (Colombia)	"	"	S/O/T
Paul Lijeron Cruce a (Bolivia)	"	"	S/O/T
Adalberto Terceros B. Crucena (Bolivia)	"	"	S/O/T
Victor Jácome COOPSEGUROS(Ecuador)	"	"	S/O/T
Sixto Davalos COOPSEGUROS (Ecuador)	"	"	S/O/T
Marco Tulio Garay FACACH (Honduras)	"	"	S/O/T
Oscar Rene Escalante FACACH (Honduras)	"	"	S/O/T
Alberto Córdoba Solozano SEGUROSCOOP (Peru)	"	"	S/O/T
Hugo Humire Delgado SEGUROSCOOP (Peru)	"	"	S/O/T
Alfredo Lanza	"	"	S

## 3.

<b>Ronald Anderson</b>	<b>Jamaica NUCS</b>	<b>5-86 TA</b>
<b>Mrs. E.W. Taylor Insurance Commissioner Jamaica</b>	<b>Madison, WI-Columbus, OH CUNA MUTUAL-Nationwide</b>	<b>6-86 O/T</b>
<b>Hector Dietrich NUCS-Jamaica</b>	<b>"</b>	<b>6-86 O/T</b>
<b>Rubén Cardená AACMS</b>	<b>Guatemala/Honduras FENACOAC/FACACH</b>	<b>6-86 ST/TA</b>
<b>Dennis Reinmuth</b>	<b>Quebec</b>	<b>9-86 C</b>
<b>Alfredo Lanza</b>	<b>"</b>	<b>" C</b>
<b>Rubén Cardena AACMS</b>	<b>Bolivia Crucena</b>	<b>11-86 TA</b>
<b>Dennis Reinmuth</b>	<b>Guatemala/Honduras/Costa Rica FENACOAC/FACACH/UNACOOOP</b>	<b>12-86 TA</b>
<b>Alfredo Lanza</b>	<b>"</b>	<b>" TA</b>
<b>1987</b>		
<b>Dennis Reinmuth</b>	<b>Jamaica NUCS</b>	<b>3-87 TA</b>
<b>Willard Fitzpatrick Nationwide</b>	<b>Peru SEGUROSCOOP</b>	<b>6-87 TA</b>
<b>Rolando Reich AACMS</b>	<b>"</b>	<b>" ST/TA</b>
<b>Sergio Mezzina AACMS</b>	<b>"</b>	<b>" ST/TA</b>
<b>Marco Tulio Garay FACACH (Honduras)</b>	<b>San Juan, Puerto Rico COSVI/COSMUL/Nationwide</b>	<b>7-87 O/T</b>
<b>Alfredo Lanza</b>	<b>Ecuador COOPSEGUROS</b>	<b>9-87 TA</b>

4.

Dennis Reinmuth	Norway	9-87 C
Roberto Quevedo FENACOAC	Detroit/Columbus/Madison LIC/Nationwide/CUNA Mutual	10-87 O/T
Rubén Cardena AACMS	Guatemala FENACOAC	10-87 TA
Rolando Reich AACMS	"	" ST/T
Alfredo Lanza	Guatemala/Honduras/Costa Rica FENACOAC/FACACH/UNACOOOP	11-87 TA
Alfredo Lanza	Buenos Aires/Bolivia	11-87 TA
Vivian Clark	Jamaica	12-87 TA
Ronald Anderson	"	" TA
<b>1988</b>		
Alfredo Lanza	Toronto	4-88 C
Alfredo Lanza	Bolivia/Peru Crucena-SEGUROSCOOP	5-88 TA
Michael Gudger	Guatemala/Honduras/Costa Rica FENACOAC/FACACH/UNACOOOP	5-88 ST
Dennis Reinmuth	Jamaica NUCS	5-88 TA
Sergio Mezzina AACMS	Peru SEGUROSCOOP	5-88 ST/TA
Dennis Reinmuth	Stockholm	6-88 C
Alfredo Lanza	"	" C
Alfredo Lanza	Bolivia	7-88 TA

<b>Willard Fitzpatrick Nationwide</b>	<b>Mexico CONACOOB</b>	<b>9-88 T.</b>
<b>Alfredo Lanza</b>		<b>9-88 T.</b>
<b>Dennis Reinmuth</b>	<b>Manila/Singapore CISP/INCOME</b>	<b>9-88 TA</b>
<b>Dennis Reinmuth</b>	<b>Toronto</b>	<b>9-88 C</b>
<b>Alfredo Lanza</b>	<b>Honduras FACACH</b>	<b>10-88 TA</b>
<b>Alfredo Lanza</b>	<b>Bolivia FENACRE</b>	<b>11-88 TA</b>
<b>Sigfrid Anderson LIC</b>	<b>Geneva, Switzerland</b>	<b>12-88 S</b>
<b>1989</b>		
<b>Vivian Clark</b>	<b>Philippines/Singapore CISP/INCOME</b>	<b>3-89TA</b>
<b>Oscar Rene Escalante FACACH-HONDURAS</b>	<b>2 Puerto Rico Puerto Rican Co-op Ins.Cos.</b>	<b>3-89 O/T</b>
<b>Ronald Anderson</b>	<b>Jamaica NUCS</b>	<b>4-89 TA</b>
<b>Dennis Reinmuth</b>	<b>Jamaica NUCS</b>	<b>4-89 TA</b>
<b>Alfredo Lanza</b>	<b>Guatemala/Honduras FENACOAC/FACACH</b>	<b>5-89 TA</b>
<b>Dennis Reinmuth</b>	<b>Guatemala/Honduras FENACOAC/FACACH</b>	<b>5-89 TA</b>
<b>Gonzalo Padilla C. FENACRE</b>	<b>Peru/Colombia SEGUROSCOOP/La Equidad</b>	<b>7-89 O/T</b>
<b>Alfredo Lanza</b>	<b>Bolivia FENACRE</b>	<b>7-89 TA</b>

6.

Alfredo Lanza	Toronto	8-89 C
Dennis Reinmuth	"	" C

- 1 TA Technical Assistance  
ST Study  
S Seminar  
ST/TA Study/Technical Assistance  
C Conference  
O/T Observation/Training
- 2 Funding provided by USAID, Honduras

**Seminars and Meetings**

**Puerto Rico, November, 1985**

**Subject: Marketing Strategies of COSVI and Cooperativa de Seguros Multiples**

**Participants: 15 Participants from 6 countries (Guatemala, Peru, Ecuador, Colombia, Bolivia, Argentina).**

**Participants also met in conjunction with North American Association-ICIF Conference.**

**Buenos Aires, Argentina, April, 1986**

**Subject: Market Studies Seminar**

**Participants: 15 Participants from 6 countries (Guatemala, Peru, Ecuador, Colombia, Bolivia, Argentina)**

**Seminar hosted by AACMS, Argentina. Participants also participated in training visits to insurance cooperatives in Argentina.**

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COUNTRY PROFILES

GUATEMALA  
HONDURAS  
JAMAICA

## GUATEMALA

### **Cooperative Insurance Organization FENACOAC (Credit Union Federation) Mutual Protection Service (Insurance Department)**

#### **1. Background**

The Guatemalan Credit Union Federation was established in 1963. It has 67 member societies, distributed among 20 of the 22 departments (states) in the country.

Credit unions account for just 20% of all cooperative societies registered in Guatemala. But, credit union family memberships makeup 59% of the total memberships of all types of cooperatives. Agricultural co-ops make up 24% and consumer co-ops 11%. Housing, production, transportation and special services account for the remaining 6%.

Family memberships in all co-ops total approximately 220,000. On the basis of 4 persons in a family, close to 900,000 persons are linked to the various cooperative societies in the country. This figure represents about 10% of the total population.

Source: FENACOAC: ESTUDIO ECONOMICO PARA LA CREACION DE UNA EMPRESA ASEGURADORA - Junio 1989

FENACOAC provides certain insurance products to credit union members through a separate department of the Federation called Mutual Protection Service.

These coverages include:

- Loan Protection
- Life Savings
- Funeral Expenses
- Group Life (for credit union directors and employees)
- Family Life
- Fidelity Bond and Theft for Credit Unions

The League Insurance Companies provide reinsurance for the above lines of insurance except for Family Life and Bonding.

Family Life policies are reinsured by several North American companies.

Bonding coverages are not considered to be insurance in Guatemala.

## 2. The Insurance Market in Guatemala

At the beginning of 1988, there were 13 national and one foreign insurance companies authorized to do business in Guatemala.

The Guatemalan companies write life, property and liability coverages. The foreign company (Pan American Life, domiciled in New Orleans, Louisiana) writes life only.

There were also 11 bonding companies and one mortgage insurance company licensed to do business in the country.

### TABLE I

Net Premiums written in Life and Health and Non-life Insurance in Guatemala in 1987.

	Amount (000 omitted) (Quetzales)	Percent
Life Insurance	Q111,289	49%
Health and Accident Insurance	5,154	3%
Non-life Insurance	109,596	48%
	<u>Q226,039</u>	100%

Source: Superintendencia de Bancos - Boletín de Estadísticas de Seguros y Fianzas - 1987

### TABLE II

Contribution of Insurance to the Gross National Product 1983-1987.

<u>Year</u>	<u>Direct Written Premium (000 omitted)</u>	<u>G. N. P. (000 omitted)</u>	<u>Percentage</u>
1983	Q 71,639	Q 8,936,507	0.80
1984	Q 77,917	Q 9,263,533	0.84
1985	Q103,809	Q10,849,167	0.96
1986	Q182,393	Q15,401,944	1.18
1987	Q226,039	Q17,182,700	1.32

Source: Superintendencia de Bancos - Boletín de Estadísticas de Seguros y Fianzas - 1987

(1)

### 3. FENACOAC Insurance Program

**TABLE III**

Development of FENACOAC's Insurance Program - Data shown are as of October 31 of the year indicated.

<u>Insurance Coverage</u>	<u>Number of Cooperatives Insured</u>	<u>Individual Members Insured</u>	<u>Amount Insured (Q) (000 Omitted)</u>
<u>1987</u>			
Life Savings	40	80,086	Q19,363
Loan Protection	40	33,863	Q17,504
Burial Insurance	35	6,585	Q 4,501
Group life	26	678	Q 2,416
<u>1988</u>			
Life Savings	40	86,805	Q25,336
Loan Protection	40	32,829	Q22,783
Burial Insurance	32	8,450	Q 5,949
Group life	30	877	Q 5,108
<u>1989</u>			
Life Savings	41	90,841	Q30,635
Loan Protection	40	31,584	Q29,875
Burial Insurance	36	9,707	Q 7,042
Group life	29*	883	Q 5,783

\* Number of cooperatives lower in 1989, due to decision by two to provide self-insurance.

Source: FENACOAC Reports

**TABLE IV**

FENACOAC Insurance Department Cumulative Results (Q)

	<u>1971-1983</u>	<u>1971-1988</u>
Premium Income	Q1,443,578	Q2,944,525
Claims Incurred	Q 875,025	Q1,664,612
Accumulated Reserves	Q 254,125	Q 619,125
Administration Expenses Allocated (not to exceed 20% of premium income)	Q 288,715	Q 588,908

Source: FENACOAC Reports

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FENACOAC's insurance program has continued to develop successfully through the years. It serves a market essentially ignored by the established insurance companies in the country.

There has been steady growth in the number of members insured as well as in insured values.

Currently, a "dividend" or "experience credit" of 30% is returned to policyholders for favorable loss experience. This amounted to Q63,000 in 1988 and is likely to reach more than Q80,000 for 1989.

A significant step toward meeting the insurance requirements for non-life coverages for the market being served by FENACOAC was taken on November 14, 1989. On that day, the application to organize a multi-line insurance company was presented to the regulatory authorities by FENACOAC.

The proposed company would be owned by various credit unions with a controlling interest (at least 51%) owned by FENACOAC. The law requires that insurance companies be organized as corporations (sociedades anonimas).

It is contemplated that the new company will have authorized capital of Q1,000,000 and paid capital of Q500,000.

In addition to the coverages now provided by FENACOAC, the new company plans to offer property and casualty coverages such as automobile, fire and windstorm, robbery and theft, glass breakage and cargo. No aircraft or ocean marine coverages will be written.

It is expected that at least 9 months will pass before a decision is reached on this application.

#### 4. Project Contribution and Comments

The project has provided substantial assistance to FENACOAC, which, in turn is providing effective support and assistance to FENACOAC. Measurable favorable results have been achieved. Additional help is needed in the areas which include product development, personnel training and sales promotion.

For more detailed analysis of project contributions, see Report, Section II.D.



## HONDURAS

Cooperative Insurance Organization  
FACACH - Credit Union Federation  
Department of Insurance and Finance

### 1. Background

The Honduran Credit Union Federation is made up of 83 member credit unions.

Special services offered to its membership include a program for financing home improvement and building costs, loans for agricultural development, training programs for member participants and a department providing certain insurance and bonding coverages.

FACACH provides insurance products to both member and non-member credit unions which include:

- Loan Protection
- Life Savings
- Family Life and Individual Life
- Group Life (for credit union directors and employees)
- Fidelity Bond

CUNA Mutual provides reinsurance for the LP/LS and Group Life covers. A national company, La Hondurena, reinsures the Family and Individual Life lines. The Bonding covers are reinsured by the Credit Union Mutual Insurance Society (CUMIS).

### 2. The Insurance Market in Honduras

As of January 1, 1988, there were 8 insurance companies operating in Honduras. Six were national firms and two (Pan American Life and Hanover) were U.S.-based companies.

All the Honduran companies write life, property and casualty lines. Pan American Life provides only life and personal accident insurance. The Hanover Insurance Company does not write life coverages, but does issue personal accident as well as all the other usual property and casualty policies. All companies except Pan American Life provide Fidelity Bond covers.

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TABLE I

Net Premiums written in Life, Health and Accident and other Non-life Insurance in Honduras in 1987.

	Amount (000 omitted) (Lempiras - LPS)	Percent
Life Insurance	L/ 48,803	43%
Health and Accident Insurance	8,549	8%
Non-life Insurance	54,013	47%
Fidelity Bonds	2,417	2%
	<u>L/113,782</u>	<u>100%</u>

Source: Superintendencia de Bancos y Seguros - Boletín de Estadísticas de Seguros - 1987

3. FACACH Insurance Program

TABLE II

Development of FACACH Insurance Program. Data shown are as of December 31 of year indicated.

<u>Insurance Coverage</u>	<u>Number of Cooperatives Insured</u>	<u>Individual Members Insured</u>	<u>Amount Insured (000 Omitted) (LPS)</u>
		<u>1986</u>	
Life Savings	62	N. A.	L/36,561
Loan Protection	62	N. A.	L/36,970
Family/Individual Life	66	N. A.	L/59,847
Group life	61	N. A.	L/12,332
Fidelity Bonds	N. A.	<u>N. A.</u>	L/ 2,627
		72,179	
		<u>1987</u>	
Life Savings	68	N. A.	L/45,274
Loan Protection	68	N. A.	L/49,406
Family/Individual Life	68	N. A.	L/61,998
Group life	65	N. A.	L/12,891
Fidelity Bonds	N. A.	<u>N. A.</u>	L/ 2,386
		74,611	
		<u>1988</u>	
Life Savings	69	N. A.	L/54,439
Loan Protection	69	N. A.	L/59,653
Family/Individual Life	64	N. A.	L/55,134
Group life	64	N. A.	L/14,721
Fidelity Bonds	N. A.	<u>N. A.</u>	L/ 2,045
		61,912	

Source: FACACH Annual Reports

TABLE III

FACACH Insurance Department Cumulative Results - 1984-1988 (LPS)

	<u>Premium Income</u> <u>(000 Omitted)</u>	<u>Claims Incurred</u> <u>(000 Omitted)</u>	<u>Accumulated</u> <u>Reserves</u>
1984	L/ 871	L/370	N. A.
1985	L/1,124	L/477	N. A.
1986	L/1,099	L/355	L/1,068
1987	L/1,174	L/674	L/1,192
1988	L/1,225	L/693	L/1,259

Source: FACACH Annual Reports

Premium growth has been slow during the past few years. Overall growth during 1989 is up slightly over 1988. Group Life premiums have increased approximately 80% over 1988 for the year through October 1989.

The development of a new Fidelity Bond coverage is under way. When this policy is ready, it is anticipated that about 300 cooperatives will be potential customers for this insurance.

Although consideration has been given to the advisability of establishing an insurance company, the FACACH board of directors has decided that this possibility should not be pursued for the time being.

4. Project Contribution and Comments

The project has furnished substantial assistance to FACACH through 1988, which in turn has provided needed insurance products to a market segment not ordinarily of interest to the insurance companies operating in Honduras. Due to serious problems in FACACH, project assistance is temporarily on hold.

There is an urgent need for actuarial assistance to update the life insurance products. A market study, apparently to be carried out soon with the assistance of CUNA Mutual, has been proposed. The new manager of the Insurance Department, although a long-time FACACH employee, has no experience in insurance. A comprehensive training program for him is needed.

For more detailed analysis of project contributions, see Report, Section II.2

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## JAMAICA

### Cooperative Insurance Organizations National Union of Cooperative Societies (NUCS) Jamaica Cooperative Credit Union League (JCCUL)

#### 1. Background

The cooperative union (NUCS) and the credit union league (JCCUL) have a joint program to provide insurance needs to cooperative societies and individual members of co-ops.

The JCCUL offers a program of life coverages through an arrangement with CUNA Mutual.

The NUCS insurance facility (NUCS Cooperative Insurance Services, Ltd.) operates the insurance program as an agent of the British Caribbean Insurance Company (BCIC).

A complete line of property and casualty insurance products is available from BCIC. The NUCS insurance service places all insurance exclusively with BCIC.

#### 2. The Insurance Market in Jamaica

At the beginning of 1988, there were 10 operating life companies in the country. Six were local companies, one a Caribbean Community company and the other three were branches of multi-national corporations.

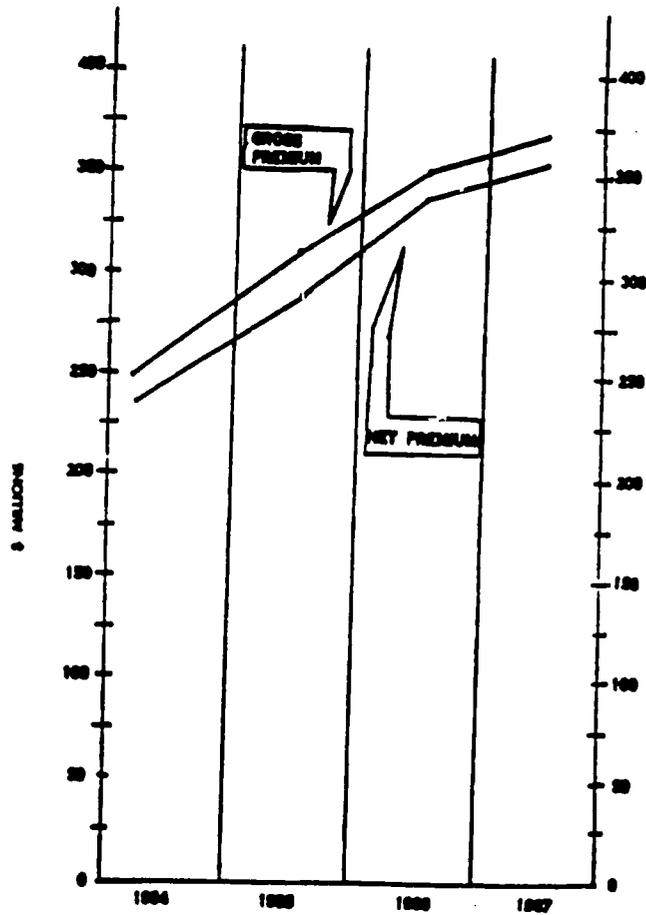
Income from long-term life business in 1987 was J\$448 million, down from J\$490 in 1986.

The non-life or general companies operating in the country totaled 20. Fifteen were local companies, two CARICOM companies and three multi-national corporations.

The growth in general insurance premium income for 1987 continued with a 25% increase over 1986, from J\$473 million to J\$578 million. The percentage increase in 1986 over 1985 was 28%. This level of growth suggests a substantial expansion in the economy.

TABLE I

Gross and Net Premium Income of Life Insurance Companies in Jamaica for the years 1984-1987.



Source: Office of the Superintendent of Insurance - Annual Report - 1987

**TABLE II**

Net Premium Income of General Insurance Companies in Jamaica for the years 1986-1987.

Company	Net Premium 1986	Net Premium 1987	Increment	Percentage Growth
	\$	\$	\$	%
<i>Local</i>				
1. Blue Cross of Jamaica .. .. .	40,063,588	48,664,431	8,600,843	21.47
2. British Caribbean Insurance Company Limited .. .. .	17,099,391	23,042,192	5,942,801	34.75
3. Dyoil Insurance Company Limited .. .. .	30,867,819	37,874,112	7,006,293	22.70
4. General Accident Insurance Company Jamaica Limited	5,183,714	15,711,619	10,527,905	203.10
5. Globe Insurance Company of the West Indies Limited ..	12,244,245	13,354,773	1,110,528	9.07
6. Jamaica International Insurance Company Limited .. ..	6,550,618	11,164,856	4,514,238	67.88
7. Key Insurance Company Limited .. .. .	4,629,416	6,891,856	2,262,440	48.87
8. MGIC of Jamaica Limited .. .. .	83,277	52,205*	(31,072)	(37.31)
9. Motor Owners Mutual Insurance Association Limited ..	15,370,425	19,429,303	4,058,878	26.41
10. NEM Insurance Company (Jamaica) Limited .. .. .	14,799,882	15,492,346	692,464	4.68
11. Phoenix of Jamaica Assurance Company Limited .. ..	4,645,431	6,725,470	2,080,039	44.78
12. The Insurance Company of the West Indies Limited ..	34,713,103	36,158,967	1,445,864	4.17
13. The Jamaica General Insurance Company Limited .. ..	6,476,384	RETURNS NOT SUBMITTED		
14. United General Insurance Company Limited .. .. .	19,194,017	18,134,899	(1,059,118)	(5.52)
15. West Indies Alliance Insurance Company Limited .. ..	5,292,527	6,354,434	1,061,907	20.06
<b>Total .. .. .</b>	<b>217,313,837</b>	<b>259,051,463</b>	<b>482,140,10**</b>	<b>22.87**</b>
<i>Caricom</i>				
1. Motor & General Insurance Company Limited .. .. .	1,149,865	2,189,483	1,039,618	90.41
2. The Caribbean Home Insurance Company .. .. .	5,640,301	8,526,607	2,886,306	51.17
<b>Total .. .. .</b>	<b>6,790,166</b>	<b>10,716,090</b>	<b>3,925,924</b>	<b>57.82</b>
<i>Other</i>				
1. American Home Assurance Company .. .. .	3,958,078	5,930,376	1,972,798	49.84
2. Insurance Company of North America .. .. .	29,282,357	22,255,402	(6,026,955)	(21.31)
3. The Home Insurance Company .. .. .	211,615	(5,878)	(217,493)	(102.78)
<b>Total .. .. .</b>	<b>32,452,050</b>	<b>23,180,400</b>	<b>(4,271,650)</b>	<b>(13.16)</b>
<b>Grand Total .. .. .</b>	<b>256,556,053</b>	<b>297,947,953</b>	<b>47,868,284**</b>	<b>19.14**</b>

\*Returns submitted for 6 months.

\*\*Excludes Jamaica General Insurance Company

Source: Office of the Superintendent of Insurance - Annual Report - 1987

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### 3. NUCS Insurance Program

TABLE III

Development of NUCS Insurance Program - Data shown are as of December 31 of year indicated.

	Type of Policy - Premiums Written (000 Omitted) (J\$)			Percent of Total		
	Fire	Auto	Other	Fire	Auto	Other
1985	666	1,017	111	37%	57%	6%
1986	987	1,604	202	35%	58%	7%
1987	1,369	1,945	309	38%	54%	8%
1988	1,462	2,278	246	37%	57%	6%

Source: NUCS Cooperative Insurance Services, Ltd. Annual Reports 1986-1989

TABLE IV

Income, Reserve, and Surplus Accounts Figures shown are as of December 31 of year indicated.

	<u>Income Less Expenses(J\$)</u>	<u>Statutory and Special Reserve(J\$)</u>	<u>Net Surplus(J\$)</u>
1984	2,941	588	2,353
1985	88,665	17,733	73,285
1986	144,681	38,096	106,585
1987	176,362	35,272	141,090
1988	217,368	43,478	173,908

The primary source of income for the insurance facility is commissions earned on coverages placed with BCIC, which have accounted for more than 90% of total NUCS revenue during the past four years.

The insurance facility has declared an annual dividend of 6% for a number of consecutive years. This dividend is credited to the share account of each shareholder.

The insurance facility has agreed to take an equity position of J\$100,000 to 200,000 in a general insurance company which is to be established in Jamaica. The application for the formation of this new company is now in process. It will be called the Eagle Merchant General Insurance Company.

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If it had been possible for NUCS Cooperative Insurance Services, Ltd. to have taken an equity position in BCIC, the contemplated investment in Eagle Merchant would not have been considered.

#### 4. Project Contribution and Comments

It is evident that the insurance facility is providing a necessary service to an important sector of Jamaica's economy. And, it is doing this in a remarkably efficient manner. The AID-funded project has provided substantial assistance to NUCS in developing its insurance program.

The General Manager has indicated that a current market analysis would be of substantial help to the operation.

For more detailed analysis of project contributions, see Report, Section II.D.