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**AMERICAS ASSOCIATION OF COOPERATIVE/
MUTUAL INSURANCE SOCIETIES, Inc.**

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August 8, 1997

Mr. John W. Godden
Cooperative Development Program Officer
Office of Private and Voluntary
Cooperation
Bureau for Humanitarian Response
U.S. Agency for International Development

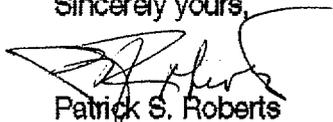
Re : AID Cooperative Agreement: FAO 0192-A-00-4057-00

Dear John:

I enclose the Final Report for the period April 1, 1994 to May 31, 1997 for the Americas Association of Cooperative/Mutual Insurance Societies.

I would be happy to respond to any questions or concerns you might have.

Sincerely yours,



Patrick S. Roberts
Vice President-Development

cc: USAID ODIE/DI
AAC/MIS Board of Trustees
W. E. Fitzpatrick
W. E. Leffel
Ted Weihe
Karen Schwartz

Americas Association of Cooperative/Mutual Insurance Societies, Inc.
One Nationwide Plaza, Columbus, Ohio 43216

FINAL REPORT
April 1, 1994 - May 31, 1997

AID Cooperative Agreement: FAO 0192-A-00-4057-00

- I. Program Goal - the goal of the project is to expand insurance services and reduce risk for moderate and low income individuals and small enterprises through popular-based groups in developing and market transit countries.
- II. Program Purpose - The purpose is to strengthen AAC/MIS as a cooperative development organization (CDO) to expand its development programs in concert with USAID.
- III. Program Accomplishments or Failings:

Insurance development success is measured by growth and profitability. The target companies assisted in the project grew in premium income and number of policies. Newer companies with higher expense ratios tend to be unprofitable in the early years. All appear to be on the road to success.

Failure is identified by the actions of the respective regulatory authority in license revocation, receivership or liquidation. During the period of the grant, no failures have been noted.

The program has included activities in 10 countries involving 11 cooperative insurance societies, all of which are operating in accordance with local insurance regulations:

- Kooperativa Group - Czech/Slovak Republics*
- Cooperators General Insurance Company - Barbados*
- SURCO - Uruguay*
- Cooperativa Nacional - Dominican Republic
- Seguros FEDPA - Panama
- ServiPeru - Peru
- FACACH - Honduras
- Seguros Futuro - El Salvador
- Cruceña - Bolivia
- COOSEF - Bolivia

*As these countries were removed from the USAID "eligible list", other funding sources; AAC/MIS reserves, ICMIF, Allnations continued to provide assistance.

A USAID "interim audit" was very complimentary and positive on our programs. It included a recommendation that USAID should take better advantage under its bilateral program of the potential offered by AAC/MIS and ICMIF to promote development of insurance industries.

2

Final Report, Page 2

We were unable to work out an agreement with the Office of Foreign Disaster Assistance. We contacted several people at their office and their sub-grantee but did not get a positive response.

The Americas Association of Cooperative/Mutual Insurance Societies carried out an impact evaluation of the benefits of group-based insurance for low income people. A report of the results is attached. It is based on interviews with claim beneficiaries senior managers of four cooperative insurance companies in Colombia, Bolivia and Guatemala as well as managers of cooperatives and credit unions through which insurance products are delivered.

IV. Institutional strengthening of AAC/MIS:

- A trilingual brochure, describing the association and its purpose helped in new member recruitment. Membership in the association increased from 22 companies in 13 countries to 33 companies in 18 countries, which exceeds our goal of 28 members at the end of the grant period.
- A Seminar for cooperative insurance development volunteers was conducted with 14 participants from seven countries. In addition to expanding the number of volunteers, the seminar reinforced the commitment of their respective companies in developmental assistance. Participant's companies provided for airfare and time away from work which leveraged the financial support provided by USAID funds.
- Collaboration with the Canadian development organization SOCODEVI increased our executive volunteers from among their insurance members and leveraged USAID financial resources with CIDA funds for a focused support of Cruceña, Bolivia by an experienced insurance professional.
- CIDA funds, ICMIF and Allnations development funds, an Austrian government grant for Central America, AAC/MIS membership dues and funds from the La Equidad Foundation leveraged USAID financial support by over \$500,000, excluding in-kind services, for cooperative insurance development activities under the project. This substantially increased AAC/MIS' capacity for the program of development assistance.
- An Actuarial Consultant with English/Spanish fluency further enhanced our ability to provide practical assistance to cooperative insurance societies in Latin America.
- The AAC/MIS Annual Meeting is held in a Spanish speaking country to assure widest participation on the part of smaller member companies and their Directors.

V. Project Development:

- Collaboration with SOCODEVI, Canada and in-kind services from executives of their member insurance companies provided an analysis of assistance needs for AAC/MIS member companies in Bolivia, Peru & Guatemala.
- Support for Cruceña in Santa Cruz, Bolivia was a result of joint-funding and collaboration with SOCODEVI, Canada. An insurance consultant was recruited for a fifteen month period to develop a "package policy", advice on general

management, analysis of reinsurance and other expenses and training of a new General Manager. As a result of this collaborative effort, Cruceña reported the first net profit in ten years.

-Collaboration with Seguros La Equidad and the La Equidad Foundation leveraged USAID funds for a pilot project of "Insurance for Microenterprise Entities". A package policy was developed, sold at an affordable price and is an important addition to La Equidad's product line. A number of methods of distribution are being tested to keep cost low. The project's "Lessons Learned" is the subject of a monograph. An MBP grant from Development Alternatives, Inc. will provide for wide distribution of the monograph and conducting two seminars for cooperative insurance companies and microenterprise lending institutions.

- A computer software system to administer insurance policies, produce management and financial reports, and improve claims service for Cooperators General Insurance Company of Barbados enhances the competitiveness of this AAC/MIS member company.

-An analysis of training needs for the Kooperativa Group in the Czech/Slovak Republics supplemented support by the Austrian ICMIF member company, "Wiener Stadtische" and the British "Know-How" fund which financed English language training for their managers.

-AAC/MIS & ICMIF member companies provided technical advice on reinsurance programs appropriate to the size and type of insurance sold. In addition, reinsurance coverage for life and casualty portfolios of the target companies is provided by large, well established member companies. This reinsurance coverage is required by regulatory requirements and protects small, new companies from large or catastrophic losses.

-Collaboration with Citizens Network for Foreign Affairs resulted in support for the Russian, farmer-based insurance group "Podderzhka". AAC/MIS member companies provided training opportunities in pricing, underwriting, investments and product development. AAC/MIS volunteers conducted seminars in Russia on company structure (mutual/stock/reciprocal), crop insurance, management principles and customer service.

VI. Methods of Work:

Encouraging strategic cooperation among member companies has resulted in South-South, company to company support by established companies:

Seguros La Equidad - Colombia
Seguros de Vida del Magisterio - Costa Rica
Cooperativa de Seguros Múltiples - Puerto Rico
Cooperativa de Seguros de Vida - Puerto Rico

for Spanish speaking companies in Central and South America. Other company to company support has been provided by:

Wiener Stadtische - Austria
The Cooperators Group - Canada
CIS - United Kingdom
Amalgamated Life - USA
CUNA Mutual Group - USA

Nationwide Insurance Enterprise - USA
to emerging companies in the Czech -Slovak Republics, Russia and Central America. Support included offering training opportunities for staff, conducting seminars with subjects of particular value to smaller, new companies and by assigning knowledgeable executive volunteers for specific problems as requested by recipient companies.

Recognition that assistance requests from emerging companies are similar, Manager Learning Seminars focus on subjects of common interest and need. Sharing knowledge on insurance products, marketing & distribution systems, financial planning and administrative practices is valuable for both established and emerging company personnel.

Planning annual conference/seminar agendas on subjects of value to large and small companies has increased participation from established company managers and staff. Sponsoring participation by managers of emerging companies encourages the development of personal relationships among the participants resulting in greater understanding, cooperation and information sharing between companies.

Since AAC/MIS is a volunteer-based organization, all USAID funds were used for programs with no administrative expenses or indirect charges paid for from USAID funds.

VII. Comments & Recommendations for the Future:

Focus on companies showing the greatest potential for success.

Encourage strategic alliances between companies and company to company assistance to assure continuity in development programs.

Improve communications and continue collaboration with other development organizations to leverage financial and human resources, avoiding duplication of support activities and confusion between support provider and recipients.

Monitor emerging company success/growth through key factors such as number of employees, annual premium income and capital/surplus/equity status.

Improve linkage and increase interaction with local USAID Missions and Representatives relating insurance to their strategic objectives.

5

VIII. Fiscal report on how the cooperative agreement (and any matching funds) were used:

<u>Line Item</u>	<u>USAID Budget</u>	<u>USAID Actual</u>	<u>AAC/MIS In-Kind</u>	<u>Cash Matches</u>
Consultants	\$380,000	\$330,000	\$304,000**	\$1,419,000***
Travel/Per Diem	175,000	226,000		798,000***
Evaluation	15,000	4,000		
Other Direct Costs	30,000	40,000		1,750,000****
Total	\$600,000	\$600,000	\$304,000	\$3,967,000

In addition to the In-Kind and Cash Matches shown, AAC/MIS and ICMIF member companies provide reinsurance coverage to emerging companies on a sympathetic basis. Reinsurance protection, which is required for a company to be licensed in some cases would not have been available through traditional reinsurance sources.

** Includes Board of Trustees, Executive Secretary, Assistant Treasurer at 9 meetings, volunteer time of member company executives providing technical assistance

*** Austrian, ICMIF, Canadian AID, Allnations, Japanese, Singapore development funds, La Equidad Foundation & Seguros La Equidad

**** Allnations, ICMIF and member special project-CIS Kenya rehabilitation

<u>Utilization of Support Funds:</u>	<u>USAID</u>	<u>In-Kind & Cash matches</u>
Institutional strengthening AAC/MIS	\$180,000	\$ 118,000
Project Development	210,000	319,000
Technical Support	162,000	2,036,000
Company to Company Assistance	48,000	1,798,000
Total	\$600,000	\$4,271,000

No administrative expenses or indirect charges were paid for from USAID funds.

Details of In-Kind, matching funds:

In-Kind Services:

AAC/MIS Board of Trustees (9) executives participating at 3 Board meetings annually. Companies donate time and travel expenses

AAC/MIS Executive Secretary, Assistant Treasurer time donated

VP Development, Development Project Manager time donated

Member company executives time on providing technical assistance to developing companies - Cooperators, SSQ, ProMutuel, Nationwide, Seguros Multiples, Seguros La Equidad, Magisterio

Total \$ 339,000

Matching funds:

Austrian Grant	\$ 221,000
ICMIF	895,000
Allnations	90,000
Japan, Singapore	657,000
CCA	125,000
SOCODEVI	104,000
La Equidad	90,000

Total \$2,182,000

CIS Kenya Special Project

Allnations	\$1,600,000
Consultants	150,000 (Teunis & Anne Haalboom)

Total \$1,750,000



Patrick S. Roberts
Vice President-Development

Impact of Group-Based Insurance Programs in Colombia, Bolivia and Guatemala

Synopsis

In 1997, the Americas Association of Cooperative/Mutual Insurance Companies (AAC/MIS) carried out an impact evaluation of the benefits of group-based insurance for low income people. AAC/MIS selected four group-based companies: two in Bolivia, one in Colombia, and one in Guatemala. These companies are representative of others in Latin America in size of companies, type of insurance programs offered and range of clientele.

The evaluation team interviewed 125 beneficiaries with total claims of \$250,000. They also interviewed senior managers of the four companies as well as managers of the cooperatives and credit unions through which their products are delivered.

The major findings are:

- The insurance programs of the four companies reach predominately low income rural and urban people who are members of cooperatives and credit unions that, in turn, usually provide insurance in conjunction with their loans and savings or as a financial service.
- In particular, group-based life insurance reaches low income people because it is simple to administer and is a benefit that is often paid for by employees and members of cooperatives and credit unions.
- Low income people face similar, if not more significant, risks than higher income people.
- Life insurance is most important to survivors to help them pay for funerals, maintain their living standards and reopen microenterprises when the major income provider dies.
- Most beneficiaries of life policies are low income women who often have no work experience.
- Property insurance is important to low income people because it protects their cooperatives and credit unions from hazards such as fire, flooding, theft and earthquakes. Generally property insurance for automobiles and homes is purchased by the middle class.
- Because the beneficiaries receive their insurance through group-based programs delivered through credit unions and cooperatives, they often are not aware of the insurance company which provides them with coverage.

- As group-based companies get larger and begin to provide increased property insurance to higher income groups, they may also want to explore new group-based markets, such as insurance targeted to groups of microenterprises.

What is group-based insurance?

There are over 100 group-based insurance companies in 55 countries that include very large companies in developed countries and much smaller companies in many developing countries. Whether large or small, these companies are closely associated with cooperatives and credit unions or other popular-based groups such as labor unions, teachers and similar groups.

Typically, these companies insure lower income people, not served or poorly served by traditional insurance companies. This group-based insurance is based on principles of mutual self-help, democracy in ownership and governance and equitable sharing of gains or losses among insured members.

The early forms of cooperative insurance date from Greek and Roman times when occupational guilds formed cooperatives whose members paid money into a pool that would take care of a family if the head of the household met with premature death. Funeral societies formed in the last century were cooperative in nature and formed the basis for today's traditional life insurance system.

Today, mature popular-based companies exist in the United States, English/French Canada, Puerto Rico, Argentina and Colombia. The Americas Association of Cooperative/Mutual Insurance Societies (AAC/MIS), consisting of 28 insurance companies in the Americas, is strengthening new or emerging group-based insurance companies in Bolivia, Dominican Republic, El Salvador, Guatemala, Honduras, Panama and Peru. Much of this assistance is done on a south-south basis with stronger companies helping newer companies and is provided primarily through volunteers.

Why do these companies want to insure low income people?

Popular-based groups generally provide financial and other services to members who have limited access to these services. For example, in developing countries 25% to 40% of the loans of these groups go to microenterprises which generate jobs and improve the local economy. The groups share a common belief that financial protection in the event of loss is important for their members who usually are lower income segments of the population often located in rural areas of little interest to traditional insurance companies. Therefore, through these insurance programs, groups combine business and social purposes to serve these segments of the population.

What is their market niche?

Working through credit unions, cooperatives and other groups, these insurance companies provide insurance to microenterprises and low income people who usually do not have access to commercial bank credit. It protects them from losses and provides benefits to survivors. Generally, this insurance, provided through their group membership, is the only form of insurance that reaches these low income segments of the population.

Although in a number of countries, the insurance companies are not among the larger companies, they often have the largest number of insured persons. For example, La Equidad insures 5 million persons in Colombia and COLUMNA insures 195,000 persons in Guatemala; this is the largest number of policies issued by any company in their respective countries. Their policies insure savings and loans through group life programs, as well as provide individual policies that pay funeral and related expenses in the case of death. These companies are able to protect large numbers by distributing policies through cooperatives, credit unions and NGOs, keeping administrative costs low.

An extensive AID-funded study of credit union members was conducted in Guatemala in 1994 (The Role and Impact of Credit Unions in Guatemala Financial Markets Helping to Meet the Needs of Small Scale Producers). All of the credit unions surveyed were insured for savings and loans, and many of them were offered group life, individual life and special life insurance for funeral and related costs for individuals for purchase by the members.

The study addressed whether or not members differ from non-members in terms of wealth, activity, ethnicity and education. An analysis of the level of penetration and member characteristics suggested that these credit unions "are succeeding in attracting the participation of a potentially dynamic sector of the local economy, the "low wealth" segment of small and medium-scale agricultural and commercial producer households." It noted that poorer credit union member households have notable access to credit relative to non-members of similar or higher, wealth levels. The study indicated: "One unique feature of credit unions is that they serve households at the lower end of the low wealth spectrum, both by encouraging savings and by providing credit."

In Latin America, the majority of the beneficiaries of group-based insurance programs are from this "low wealth" sector, not the very poor. Companies also provide insurance to other income classes as well who use cooperatives and credit unions for financial and other services.

Some of these companies offer non-life lines of insurance, including fire, wind and theft on members' homes and cooperative buildings, automobile and bonding and liability

protection for directors and staff. Non-life lines are more often directed to higher income groups who own autos and homes.

Precisely how does group-based insurance help lower income individuals?

Group-based insurance generally begins with life insurance programs for members of the group. Typically this is group life insurance and/or loan protection, life savings plans.

In the case of group life, a master policy determines the terms and conditions for the group in which the same policy is provided to all of the employees and members.

With loan protection and life savings (LPLS), the savings of the member is insured so that in the event of death the beneficiary receives double the amount of the member's savings. For loan insurance, the loan balance is paid off, so that the loan is not passed on to other family members who in many cases would have limited ability to repay the loan.

The companies may provide property lines of insurance or form another company for this purpose as may be required under national laws that do not permit joint life and property companies. Property insurance protects the property of the groups and individuals.

The impact analysis attempted to determine the benefits of insurance by four companies in three Latin American countries which are representative of the region. The companies are COLUMNA in Guatemala, La Equidad in Colombia, and CRUCENA and COOSEF in Bolivia. Extensive field visits were carried out with 125 beneficiaries who had life and property claims.

Guatemala

Columna

Established in 1994, COLUMNA was formed by the National Federation of Savings and Loan Cooperatives (FENECOAC) and nine of its most successful credit unions. The company was formed to continue savings and loan protection which was previously a benefit through a department of the Federation. In November 1996, the company began to provide a full range of insurance products including individual life, auto and property protection. COLUMNA's policies are distributed through over 40 credit unions, cooperatives and NGOs and soon will be sold by its own agents.

In 1996, COLUMNA had 206 claims: \$140,191 for insured loans, \$181,676 for insured savings and share capital, and \$67,167 for individual or group life policies. The 206

claims were the result of the deaths of 170 men and 36 women. Overwhelmingly, the beneficiaries were low income women: wives, mothers and sisters.

The evaluation team interviewed beneficiaries which represented 24 death claims at six credit unions. The credit unions were representative in size (large, medium and small), geography (northeast lowlands, western highlands and central plains) and types of clients (rural, urban, Mayan and Spanish). The sample represented 12% of the average number of annual claims.

The evaluators found that:

- one third of insurance payments were for doubling savings after the death of a major income provider;
- 25% were used by family members in microenterprises, usually to carry on the member's business;
- 35% of the beneficiaries used the insurance payment for funerals and related expenses. Often these payments were very small and covered members who had limited insured savings and/or minimum group life policies;
- the balance was used by widows to cover living expenses;
- 19 loans paid off by insurance ranged from \$42 to \$6,167. In 14 of the 19 loans, the evaluators judged that the beneficiaries would have had difficulty in paying off the loan without the insurance;
- members had no other insurance.

While the evaluators did not attempt to determine income levels, one-third of the beneficiaries operated family-run microenterprises or were surviving housewives with modest resources. Beneficiaries included: a part owner of a cow, a limestone salesperson, a tailor, several seamstresses and a seller of stuffed peppers.

Examples

A 62 year old credit union founder died. She had just enough savings (\$10) to maintain her credit union membership and to qualify for a special life insurance policy of \$1,666. This policy was sufficient to cover the costs of a funeral which average from \$500 to \$833 and related expenses. Her son worked at the credit union in the agricultural town of Gualan, where the credit union has 3,171 adult members and 1,091 youth members. In the interview, her son and daughter told how their mother taught them the importance of life insurance.

In the highlands, Maria's husband died three months ago. She has four children who are 16, 10, 6 and 2 years old. Angela, the eldest, told us how her father was ill for nine months. He was a tailor, who made traditional Mayan jackets and aprons. He had a small shop which he started up with a credit union loan. While he was sick, he taught his daughter all about the business and its finances. He took her to the market place to show her where he sold his goods and to whom since he often marketed through other sellers. He used his credit union savings to keep his loan current so that it was fully insured and paid off upon his death. Angela plans to reopen the small store with the insurance payment and obtain a new loan to expand the business so she can increase the family's income.

Manuela plans to use the insurance from her husband's death to continue his microenterprise which involves crushing rocks for whitewash and selling it at construction sites. She came to the credit union to get sufficient money to continue the business. Very poor, neither she nor her husband had a loan. Since his death was an accident, insurance paid twice the amount of his savings. Fortunately, her husband had taught her about the business so she has a livelihood as a widow.

Bolivia

Crucena

The Cooperativa de Seguros Crucena began operations in early 1976. The insurance cooperative is owned by Cooperative La Merced, CRE electric cooperative, Cotas telephone cooperative and 9,146 individual members. Ranked 8 of 16 companies in the country, the company sells policies through its owner cooperatives. The company provides coverage to 30,600 individuals and businesses with 85% of its portfolio in property insurance; however, the company holds 22,900 group life policies compared to 7,700 policies for property.

In 1996, Crucena paid 1,649 claims: 94% for property losses (auto was 54%, fire, 28% and personal accident, 12%); and 6% for deaths. While the Crucena market is nationally quite small at only 2.2% of total insurance premiums, it represents 75% of insured people in the country.

The evaluator interviewed beneficiaries who represented 18 individual claims and received a total of \$67,462 in insurance payments. The evaluator found:

- Crucena provides group accident and life insurance to employees and members of various organizations. For them, it was important that the employer provide insurance in the case of accident because, otherwise, they would not have been able to pay the medical expenses. A widow who was interviewed said that

insurance helped her rearrange her life and support her three children.

- Crucena insures students at six schools in Santa Cruz for personal accidents. The policy covers medical expenses, permanent disability and death. The parents of these students spend more than 15% of their income on education costs, and this insurance helps them pay for medical expenses that would be difficult for them to pay.
- All those benefitted from the insurance would not have been able to keep their home without the insurance payment. They could not afford to pay for their home and, at the same time, for their family's necessary living expenses. Most of the houses are financed by credit unions and have values from \$4,000 to \$12,000.
- Twenty three auto insurance policies were reviewed in which the insured value of automobile was between \$2,000 and \$33,500. 13% of claims were for automobiles valued at less than \$5,000. Lower income auto owners would not keep insurance if it were not required by the credit union.

Examples

Eduardo, a 38 year old lineman at the local electric cooperative, was electrocuted on the job. His wife, Graciela, and three children used the insurance (\$20,000) for funeral and living expenses. Today, seven months later, Graciela plans to open a small dressmaker's shop with the insurance indemnity.

Leonardo, a 14 year old student, lost his leg while boarding a city bus. The bus owner did not have insurance, and Leonardo's father struggled to pay for medical treatments. The personal accident policy from the school helped pay for the medical expenses and provided \$500 for the loss of the leg. The insurance money was used to buy a prosthesis.

COOSEF

In 1966, the National Federation of Credit Unions (FENACRE) organized its own insurance department to provide savings and loan protection to credit union members. In 1988, FENACRE formed Cooperativa de Seguros Fenacre (COOSEF) to provide group life insurance on savings and loans through 47 credit unions with a membership of 67,000. Women represent about 50% of the client base. In 1996, insurance claims paid loans ranging from \$57 to \$13,586.

The evaluator interviewed 31 beneficiaries who received a total of \$99,837 in benefits and represented 80% of all claims in 1996. The evaluator found that:

- half of those receiving loan life benefits were microenterprise owners, taxi drivers and farmers.
- half used the insurance to pay for funeral and related expenses.
- a quarter of the beneficiaries used the insurance to start a new business or carry on the business of the deceased.
- the rest used insurance payments to add to their savings.
- only eight of the insured had other insurance policies.

Examples

Jose, a 64 year old night guard, borrowed money from the Cooperativa Multiactiva San Pedro, to build a house for his family. Two years later, when he died, the amount due was \$8,200. His spouse is a housewife and has two children. The insurance paid off the loan and allowed the family to stay in their home. Remija, Jose's wife, receives a small pension from her husband's employer. She now serves weekday lunches at her home to make a living. She said that she would not have been able to keep her house without the insurance on the loan.

Leoncio, who was 46, had a loan to repair his taxi. He died before it was paid off. His wife cares for their eight children and five relatives. She owns a small stand at an open air market where she makes \$100 a month. The insurance paid off her husband's loan and she sold the vehicle. The additional money allowed her to take a small loan of \$900 to expand her business. Thanks to insurance, she now makes enough money to pay her family's living expenses.

Colombia

La Equidad

Seguros La Equidad was formed 26 years ago to provide insurance to 41 cooperatives and now is owned by 1,435 cooperatives, credit unions and other groups in Colombia. This highly successful company provides 55 insurance products to about 5 million policyholders, the largest number of any insurance company in Colombia. Most of these members are covered through cooperative employment and/or membership. About 50% of its clients are members of credit unions, 20% of multipurpose cooperatives and the rest, other group-based businesses, associations and NGOs. The clients are 80% urban and 20% rural.

There were 20,486 claims in 1995 with total payments of \$10,700,000. About 45% of claims were for life policies, 45% for auto and the rest for other coverages. La Equidad pays about 5% of the total annual value of life claims in Colombia with an average of \$2,000 per claim, compared to a national average of \$5,000. About 50% of claims for insured loans were by low income cooperative members who had average loan balances of \$230. 92% of claims for insurance on savings averaged \$269. This data demonstrates La Equidad's focus on the lower-income market.

Group life policies also benefit mostly low income people. For many workers, it is their only insurance since they may have neither insured savings nor an insured loan. In 1995, one third of all of La Equidad's group life claims were less than \$500, and within this group of those receiving less than \$500, the average payment was \$235.

Fifty-five passengers of public buses and taxis received benefits for injuries while traveling on cooperative-owned vehicles insured by La Equidad. These passengers were mostly low income people who depend on public transit. The average claim for public transport injury was \$414.

4,083 students benefitted from accident insurance. This insurance is provided through cooperative schools and PTAs. It pays for medical costs up to \$500, double for total disability or death. The average claim was \$100.

About 70% of funeral insurance claims averaged \$320.

Automobile policies benefit higher income groups who can afford a car and want insurance. Only 30% of cars in Colombia have collision insurance.

The evaluators interviewed eight managers: a credit union for military retirees, an association of military retirees, a photographers' cooperative, a retired public workers credit union, an agricultural consumers/construction cooperative, an employees fund for the oldest and largest fresh cut flower company, an urban services cooperative and a school cooperative. They found:

- The managers estimated that from 30% to 100% of their members were low income.
- Most provided insured loans and savings.
- All had La Equidad property insurance.
- The cooperatives varied in giving loans to support member microenterprises from 100% to only 10%, with an the average near 40%. Insured loans were also

provided for worker housing, particularly important to surviving family members when the major income earner dies before the mortgage is paid off.

Thirteen beneficiaries were interviewed from a wide variety of cooperatives and different types of coverage who had claims totaling \$27,226. They found:

- Life insurance claims ranged from less than \$100 to \$1,900, and auto losses from \$3,600 to \$10,000 in the interviewed group.
- The uses of insurance payment included car repair, car replacement, continuing micro-enterprises by surviving family members, funeral and medical costs.

Examples

A retired military sergeant left his wife to work illegally in Medellin. He told her he would send her money in three to six months. He never contacted her, so after eight years she sued the military for support. She went to the credit union for military retirees and asked for help. They directed her to go to Medellin and carry out her own search. By looking at mug shots at the police station in Medellin, she learned he had been killed. The credit union provided her with her husband's insurance and helped arrange for her to receive his survivor's pension for the rest of her life. The life policy was worth \$700 and the insured savings \$1,200. She can now live comfortably.

Maria Antonio, a housewife with four children, was well informed about the insurance policies that her husband had at the Coop-Kennedy, near the Bogota airport, because he had been one of its founders. Ernesto, a driver, was killed while painting his small van. Because it was an accident, Maria Antonio got double benefits of \$1,000, and the cooperative took care of all the funeral arrangements and costs. The rather unusual cooperative is named for President Kennedy who inaugurated the Alliance for Progress' 12 building housing complex for workers. The cooperative runs a small credit union for its 125 low income members, operates a dry cleaning business, and provides funeral services and life insurance. Members pay \$13 a month for these benefits.

Conclusions

- These insurance programs reach low income rural and urban people who make up a large majority of members of cooperatives, credit unions and NGOs.
- Because the low income market includes many small policies, the risks are broadly shared. This law of numbers helps insurance companies maintain and grow their policies in unserved segments of the population.
- Low income people appear to have greater risks than higher income groups.

Based on the interviews, they experience earlier deaths, can not afford the high costs of funerals, have limited resources to restart microenterprises after a death or major disaster, and fear robbery as the greatest risk to their businesses..

- Group-based life insurance can be delivered to low income people because it is simple to administer and can protect their savings and loans at relatively low cost. Low income people generally use insurance payments for funerals and related expenses and to continue microenterprises.
- Property insurance is important because it protects cooperatives and credit unions that serve lower income people. Individual policies for cars and autos tended to be provided to middle income people who can afford the higher premiums. Lower income employees of credit unions or cooperatives were sometimes required to have auto insurance..
- Insurance is particularly important to help survivors bridge financial crises when the major income provider dies. It allows beneficiaries to maintain their living standard, reopen microenterprises and pay funeral expenses.
- The vast majority of beneficiaries are women. Frequently, those insured do not inform their spouses about benefits. If the members have long-term illnesses, they often teach family members how to manage the business to maintain family income.
- As group-based insurance companies get larger, move beyond the cooperative base and begin to provide property lines, the companies may focus more on expanding markets in the middle class. Insurance for other low income groups, such as microentrepreneurs, also appears to be a promising market and shows the continued need for group-based insurance programs. Nevertheless, these larger and more successful insurance companies continue to support other cooperatives and groups, such as health coops, guarantee funds, training, and cooperative youth programs, that reach low income people.
- Since most group-based insurance companies sell their products through cooperatives, credit unions and other organizations and not directly through agents, they sometimes do not know the impact of their insurance on beneficiaries. More surveys or interviews with beneficiaries would help insurance companies streamline their claims processes and make policies better fit the needs of their clients.
- Conversely, because the beneficiaries receive their insurance through credit unions and cooperatives, they often are not even aware of the insurance company which provides these coverages.

Acknowledgments

The evaluators, Ted Weihe, Karen Schwartz, and Nicole Dubois, want to thank the general managers of COLUMNA, Crucena, COOSEF and La Equidad: Roberto Quevedo, Roger Zambrana and Gonzalo Padilla and Julio Medrano respectively for their assistance and advice. In particular, we want to thank the claims staff who provided critical data for the analysis. The companies and their staff provided warm hospitality and unflagging help for the evaluation, including arranging for interviews, travel and other requests. Most importantly, someone accompanied us on all of the interviews.

We also want to thank the cooperative and credit union managers who we met with and who explained the importance of insurance for their employees and members from their point of view. With the utmost appreciation, we are indebted to the beneficiaries who responded openly to questions often involving the recent death of loved ones.

Throughout the process, we turned to Pat Roberts, AAC/MIS Vice President for Development, to clarify technical issues. His 43 years of insurance experience kept us from making mistakes.

Finally, we want to thank the U.S. Agency for International Development and the Office of Private and Voluntary Cooperation, particularly John Godden, who support the development of these group-based insurance programs which are designed to reach people with little or no access to these services and funded the evaluation.

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