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**AMERICAS ASSOCIATION OF COOPERATIVE /
MUTUAL INSURANCE SOCIETIES INC.**

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January 22, 2001

Mr. Larry Harms, Division Chief
Cooperative Development Program
BHR/PVC
U. S. Agency for International Development
320 Twenty First Street
Washington, D.C. 20523

Re: Cooperative Agreement FAO-A-00-97-00015-00

Dear Larry:

I enclose my semi-annual report for the period June 1, through December 31, 2000.

We continue to leverage our USAID funds with CIDA funds through our collaborative agreement with SOCODEVI (Societe de cooperation pour le developpement international). AAC/MIS and SOCODEVI jointly fund our support to Seguros Futuro-El Salvador and Auxilio Postumo & COLUMNA-Guatemala.

I mentioned to you in August, that most of the companies in our assistance program support microenterprise development. I include a separate report on this aspect (attachment A).

I also enclose a Pipeline Analysis as of 12/31/2000 (attachment B).

If you have any questions, please let me know.

Sincerely yours,



Patrick S. Roberts
Vice President-Development

cc: USAID/CDIE/DI, Washington, DC 20523-1802
Rosella Marshall, Grant Officer M/OP/A/FAO
AAC/MIS Board of Trustees
USAID Missions - Bolivia, El Salvador,
Guatemala, Honduras, Panama, Nicaragua

**AMERICAS ASSOCIATION OF COOPERATIVE/
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Cooperative Agreement FAO-A-00-97-00015-00

Reporting Period 6/1/2000 - 12/31/2000

Program Goal: Support sustainable development by strengthening six cooperative insurance companies in five Central and Latin American countries: Bolivia, El Salvador, Guatemala, Honduras and Panama.

With approval from the local USAID Missions, and the BHR/PVC Office, we have added:

Auxilio Postumo-Guatemala, a teacher's life insurance cooperative company - assistance is jointly funded using USAID and CIDA funds through our collaboration with SOCODEVI.

Nicaragua as a focus country - the Nicaraguan credit union and micro-enterprise sector will receive assistance in developing financial protection plans for their members.

Funds, originally planned for supporting Crucena-Santa Cruz, Bolivia, are being used for these projects.

Impact on Sustainable Development

Insurance company success is measured over time. However, comparing data on the number of employees, the annual premium income and the capital of a company from year to year provides a basis of measurement that demonstrates growth, stagnation or decline. Growth, especially in annual premium income and capital is indicative of sustainable development. In order to avoid the effects of currency fluctuation, premium and capital amounts shown are in the local currency of the respective countries.

Growth in the number of employees shows increased opportunity for quality employment in a variety of skills to men and women, generally, from within the group-based movement. In some instances, improved efficiencies will cause a reduction in the number of employees.

To increase member loyalty and improve benefits, new, non-life insurance products that are necessary and affordable have been developed and introduced in El Salvador and Guatemala. In Panama, a 5-year term Life policy is being tested. Sales and operating results of the various products will be monitored to determine if similar products would benefit our other focus companies. The Managers of focus companies in Central America are continuing discussions on the potential of "pooling" their reinsurance needs, which could reduce their costs.

<u>Company</u>	<u>As of 6/1/97</u>			<u>As of 12/31/00</u>		
	<u>#Empl</u>	<u>Ann Pr</u>	<u>Capital</u>	<u>#Empl</u>	<u>Ann Pr</u>	<u>Capital</u>
COSEF-Bolivia ¹	5	.6mil	1.1mil	10	1.4mil	.9mil
Crucena-Bolivia ²	26	8.5mil	5.9mil			
Seguros Futuro-El Salvador	5	.8mil	3.6mil	10	5.6mil	5.4mil
Auxilio Postumo-Guatemala ³	39	n.a.	75.8mil	54	n.a.	84.3mil
COLUMNA- Guatemala	17	2.8mil	6.3mil	18	14.4mil	9.9mil
FACACH-Honduras	4	2.7mil	4.0mil	10	19.5mil	21.0mil
Seguros FEDPA-Panama	21	1.1mil	2.7mil	24	3.5mil	3.5mil
Nicaragua ⁴		Not applicable		1	26M	n.a.

- (1) Status uncertain not able to meet capital requirements (no report received as of 6/22/00) (2) Support discontinued effective 12/1/97
 (3) Added to support program effective 9/1/99 (capital includes reserves) (4) Added to support program effective 9/1/99

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For the most part, the companies are growing and remain profitable. The financial strength of the companies and their continued ability to grow as measured by U.S. standards are very good.

COOSEF-Bolivia markets group life insurance to medium and low-income credit union members through 42 cooperatives. The company had planned to change its name to La Solidaria to avoid confusion with the credit union league that declared bankruptcy. Although a report on the status was requested, no information from COOSEF was received as of 12/31/00.

Crucena-Bolivia political difficulties in governance and management resulted in a resolution by the AAC/MIS Board of Trustees to discontinue support effective December 1, 1997.

Seguros Futuro-El Salvador markets life and non-life insurance to cooperatives, credit unions and their members. The company remains profitable and growing.

Auxilio Postumo-Guatemala a teacher's cooperative insurance company, markets funeral benefits and life insurance to elementary and secondary school teachers. Capital and reserves for future obligations are combined in their report. The total of 84 million quetzales, capital and reserves provides a high degree of security for its members.

COLUMNA-Guatemala markets life and non-life insurance to credit unions and their members. The company remains profitable and growing.

Seguros Cooperativos Equidad Ltda-Honduras began operations in March 2000. The company has assumed the insurance portfolio from the FACACH Insurance Department. AAC/MIS was instrumental in convincing the Insurance Supervisor to approve licensing this wholly owned subsidiary. The company is profitable and growing rapidly.

Seguros FEDPA-Panama markets life and non-life insurance to credit unions, their members and the general public. A change in Management and reduction in staff will require that our consultant work closely with the new Manager to develop an appropriate plan for the coming year.

Nicaragua the credit unions began a financial protection plan on loans and savings for their members on October 1, 2000. As of the end of December, nine credit unions have included financial protection for 2300 loans and 5300 savings accounts in the event of the member's death.

Relationships between the General Managers of the Central American companies as a result of our Manager Learning Workshops continue to reinforce mutual respect and trust. They continue to explore ways to cooperate and learn from each other.

Intermediate Result # 1 - Operational and Technical Capacity of AAC/MIS Improved

The Americas Association has received the "stand-alone" version of the ICMIF Insurance Business Simulation computer program. This will enable our consultants to substantially increase Director and staff training on decisions necessary in operating a successful insurance company. Further, this program will be useful in the development of strategic plans and annual budgets.

A Manager's Learning Workshop was held in San Salvador, El Salvador on December 7-8, 2000. The agenda included Business Ethics, Key Ratios (how to compute and use these ratios in evaluating their operations), and a demonstration of the Insurance Business Simulation program described above.

Intermediate Result # 2 - Strengthened Partnership Between USAID and U.S. PVOs

The Vice President-Development participates on the Board and Development Committee of the Overseas Cooperative Development Council (OCDC).

Intermediate Result # 3 - Strengthened Partnership Between U.S. PVOs and Local NGOs

Letters of Understanding between AAC/MIS and each of the companies define annual assistance programs. The letters include anticipated results from the support provided and requirements on the part of the Board and Management of the recipient company. In the case of El Salvador and Guatemala, our partner, SOCODEVI has developed the support program jointly with AAC/MIS. AAC/MIS and SOCODEVI share the funding and management of the support programs in these countries.

Intermediate Result #4 - Improved Mobilization of Resources by PVCs PVO Partners

Renewed collaboration with Societe de cooperation pour le developpement international (SOCODEVI) provides supplemental funds from CIDA (Canada's International Development Agency) and expands access to executives and other insurance technical staff from their mutual insurance member companies.

Additional financial resources of \$30,000 from the International Cooperative Mutual Insurance Federation (ICMIF), \$7,500 from Allnations, Inc. (a capital resource company of the ICMIF) and AAC/MIS annual membership dues of \$90,000 continue to exceed matching requirement of this cooperative agreement.

Seguros La Equidad-Colombia, Coopseguros del Ecuador and Coop Seguros de Multiples-Puerto Rico continue to provide training opportunities as well as volunteering their officers in our workshops and to meet specific requests.

Intermediate Result #5 - U.S. Public Awareness Raised

Reports on AAC/MIS development activities, funded by USAID, were provided to the AAC/MIS Board of Trustees at their meeting in February, May and November 2000, as well to U.S. member companies of AAC/MIS.


Patrick S. Roberts
Vice President - Development

**AMERICAS ASSOCIATION OF COOPERATIVE / (attachment A)
MUTUAL INSURANCE SOCIETIES INC.**

Cooperative Agreement FAO-A-00-97-00015-00

Supporting Microenterprise Development - Credit union movements formed the majority of the cooperative insurance companies in our USAID funded support program. Credit unions, especially in developing countries serve lower-income, often rural segments of the population many of who earn their livelihood as micro-entrepreneurs. In addition, this financial protection is offered to families that are either not or poorly served by traditional insurance companies.

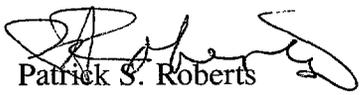
By providing group-based life insurance for loans and savings accounts of credit union members, survivors are able to bridge financial crises when the major income provider dies. Beneficiaries are able to maintain their living standard, reopen microenterprises and pay funeral expenses.

We estimate that between 70 & 80% of credit union members are involved in some form of microenterprise activity (crafts, agriculture, tailoring, woodworking, etc.).

Our focus companies presently provide financial protection for loans and savings as follows:

<u>Focus Company</u>	<u>Number of Families Protected</u>
Seguros Futuro - El Salvador	301,000
COLUMNA - Guatemala	409,000
Seguros Coop Equidad - Honduras	92,000
Credit unions - Nicaragua	8,000
Seguros Fedpa - Panama	97,000
Total	907,000

Using a conservative estimate of 70% representing micro-entrepreneurs, 635,000 families are provided financial protection in the event of the death of the major income earner. By providing technical support through our USAID Cooperative Agreement, the Americas Association is directly assisting microenterprise development in the five Central American countries.


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**AMERICAS ASSOCIATION OF COOPERATIVE/ (attachment B)
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Cooperative Agreement FAO-A-00-97-00015-00

Budget Pipeline Analysis as of December 31, 2000

<u>Cost Elements</u>	<u>Coop Agreement Total</u>	<u>Obligated to Date</u>	<u>Expenditures to 12/31/00</u>	<u>Balance to 5/31/2001</u>
Travel/Per Diem	\$ 550,000	\$433,500	\$367,000	\$ 66,500
Supplies	\$ 5,000	\$ 4,000	\$ 4,000	\$ -0-
Contractual Services	\$ 425,000	\$344,500	\$330,000	\$ 14,500
Other Direct Costs	\$ 20,000	\$ 18,000	\$ 40,000	\$(22,000)
Total	\$ 1,000,000	\$800,000	\$741,000	\$ 59,000


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