

MIME *brief*

Providing social security for the poor in Bangladesh through mutually beneficial Microinsurance products

INAFI Bangladesh is implementing a pilot social security project MIME supported by Oxfam-Novib and Rabobank Foundation. The project is being implemented based on mutuality concept with active participation of 11 NGOs with an objective of pooling the risk of vulnerability of the poor people whether it is death, disability or natural disaster. The key point of the mutuality of MIME is that policy owners will become the owners of MIME and profits made by MIME will be distributed among its clients as bonus. During the pilot period MIME will provide microinsurance products and services to the poor and ultra-poor at affordable price. Most of the people of Bangladesh have a negative impression about insurance. The reason behind is the lack of proper knowledge about insurance. Another major reason is the misleading information provided by the non-career agents. Only a few people have the clear understanding of how insurance can help them and they buy insurance products knowingly. On the other hand, most of the people who buy insurance products do not have proper knowledge why they are buying it. There is a saying, "People do not buy insurance products, rather the insurers sell them". It means that knowing the fact of ignorance of people regarding insurance concept, the insurance companies make people buy insurance in a clever way. But we strongly believe that this is not at all a good technique. Cheating people can never be a good business. That is why people of Bangladesh usually do not want to buy insurance knowingly. Now comes the question; WHY IS IT IMPORTANT? It is the best option a person can exercise to get compensation against any loss like - life, health, fire, property, education, etc. The mutuality was never practiced in Bangladesh before. Hence, it is a big challenge for MIME to establish this concept in Bangladesh. MIME project, INAFI and the partner NGOs/MFIs see the mutuality to transfer profits to the clients instead of taking that to themselves. The profit can be transferred to clients in such a way so that premium is at the affordable level and there is built-in refund or bonus system so that clients receive benefits routinely. MIME is also thinking about the ownership transfer to the policyholders so that they have a position in the board and have their voting rights and share their need on behalf of the policyholders.

Vision

Poor people of Bangladesh will have social security through mutually beneficial insurance products.

Mission

- To sensitising NGOs/MFIs and mainstreaming insurance companies to the concept of mutuality and MIME for the welfare of the poor in Bangladesh.
- To make MIME a sustainable and autonomous entity within 4 years
- To reduce vulnerability of the poor people by ensuring security
- To Piloting Microinsurance Mutual Entity (MIME) project to disseminate outcomes locally, and globally, and outline future structure of MIME and develop sustainable Micro insurance Mutual entities in Bangladesh

Target Client

30% of the policy owners will be Ultra poor

- Annual income - less than Taka 12,000
 - Total Asset - value less than Taka 25,000
- 70% of the policy owners will be poor
- Annual income - less than Taka 48,000
 - Total Asset - value less than Taka 200,000.

* BDT 70 = USD 1

* Ultra poor and poor both can purchase STLI and TLIE product.

Working Area

MIME is working in 15 districts of Bangladesh including Bagerhat, Projpur, Sunamgonj, Moulavibazar, Kishoreganj, Naogaon, Pabna, Tangail, Gaibandha, Dhaka, Gazipur, Comilla, Chandpur, Chittagong and Narsingdi | under four divisions of Bangladesh

Partner NGOs/MFIs

MIME has been implementing through 11 partner NGOs/MFIs namely -

- 1) BURO Bangladesh
- 2) Shakti Foundation for Disadvantaged Women (SFDW)
- 3) Community Development Centre (CODEC)
- 4) Voluntary Association for Rural Development (VARD)
- 5) ASHRAI
- 6) Gana Uthayan Kendra (GUK)
- 7) Pally Bikash Kendra (PBK)
- 8) Bangladesh Association for Social Advancement (BASA)
- 9) Ananyo Samaj Kalyan Sangostha (ASKS)
- 10) Society for Social Services (SSS)
- 11) United Development Initiatives for Programmed Actions (UDDIPAN)

MIME has considered the following criteria for selecting new partners:

- Member of either Oxfam Novib or INAFI Bangladesh
- Registration holder from Microcredit Regulatory Authority (MRA)
- Has a minimum of 10 operating branches having an average of 2,000 group members per branch
- Main objective of the NGOs/MFIs is poverty alleviation

Products,

Since its inception MIME has finalised its micro insurance products along with the involvement of actuaries of Micro Insurance Association of The Netherlands (MIAN).

The three MIME products with very distinct features are

1. Term Life Insurance with endowment
2. Simple Term Life Insurance - Single Life
3. Simple Term Life Insurance - Dual Life

Common features:

- Both female and male members are eligible to apply.
- Payment on monthly basis.
- Funeral expense / Partial Claim Settlement
- To get any benefit the policy should remain in-force.

Individual features:

For Term Life Insurance with Endowment:

- Premium amount ranges between Tk 50 to Tk 500.
- Terms are for 5 years, 7 years, 10 years and 12 years.
- Funeral expense Tk 2,000 which will be adjusted from the final claim.

For both Simple Term Life Insurance:

- Premium amount ranges between Tk 5 to Tk 20.
- 5% refund of premium after every 5 years.
- Funeral expense Tk 500 which will be adjusted from the final claim.

Technical Assistance:

As per business proposal MIME planned to take the technical support from MIAN which has many years of experience on mutual insurance approach, to develop customize products for MIME. In the process of technical assistance, Mr. Bullens (nominated representative by MIAN) visited Bangladesh and worked on product development and business plan issues with MIME. Later on, MIAN and MIME finalised the insurance product and final preparation of business plan.

Asian Knowledge Centre for Microinsurance (ASKMI) of TATA-DHAN Academy, India and Micro Insurance Mutual Entity (MIME) Project of INAFI Bangladesh signed an MOU on October 2, 2007, by which MIME may get assistance from ASKMI regarding skill building, developing systems for policy administration, claim administration etc.

Governance and Management of MIME

MIME Management Committee (MMC) was formed consisting of 14 members to give full directions and authority to MIME's activities. In MMC, 11 members are from 11 partner NGOs/MFIs, 1 member from INAFI Bangladesh, and the last one from a mainstream insurance company. The Project Director of MIME is in the MMC as ex-officio.

Under the structure of MIME, five levels of staffs are working now. A total of 115 members' team of MIME is working. The team includes 1 Project Director, 1 Programme Officers (Technical), 2 Assistant Programme Officers (Technical), 1 Account Officer, 13 Insurance Officers and 96 Insurance Organizers.

Claim settlements



Photos: Problem solving training conducted by MIAN in The Hague, The Netherlands



According to the MIME policy, MIME settles partial payment to the nominee or the policyholders as soon as it is informed about a client's death (most likely on the same day) and settles rest amount of the claim within 15 days after claim application form is submitted by the claimant. MIME has settled 65 claims by December 2009 and paid a total of Taka 4,60,805 as claim amount to the nominees of the policyholders.



Photo: Claim settlement at PBK.



Photo: Claim settlement at ASKS.

Insurance Education to the potential clients

To make MIME project sustainable, the first and foremost strategy MIME has taken, is to educate poor people about the insurance and its benefits for reducing the vulnerability in the poor people's life. As the one major objective of MIME is to educate poor people of the working areas (group members of partner NGOs/MFIs) to give a clear understanding of insurance and then motivate them to buy the product, MIME has given insurance education formally by organizing training as well as informally that is sharing the concept at every weekly meeting. Till December 2009, MIME has given formal training to 702 staffs of the PNGOs and 22,071 group members.



Photo: Training to the partner MFI staffs



Photo: International training for MMC member and H.O. staff

Mid-Term Evaluation

A mid-term evaluation was conducted on MIME's operation. Mr. Denis Garand and Mr. S.M. Rahman conducted the evaluation. Oxfam and Rabobank proposed Mr. Denis's name while INAFI proposed for Mr. Rahman. Evaluators along with MIME staffs checked all official documents, visited fields and also had a meeting with the Chief Controller of insurance of Bangladesh. Denis Garand evaluated the MIME program thoroughly and was happy to see the understanding of the concept among the poor clients. He checked technicalities as well, like - to whom they pay, do they keep the pass book, money receipts, are they happy, what else they would like to get. He liked the way MIME is teaching the clients about these things. Mr. Denis assured that he may help MIME for its future assignments if required.

Strengths of MIME

- No medical examination requirement
- Less adverse selection due to regular visit of NGO staffs
- Lower moral hazard because of long time relationship between client and NGO
- Has an intermediary - NGO builds trust among the clients which gives them courage to buy the policy
- Conducted a precise demand and affordability study which reflected the demand, affordability about insurance product of the poor people



Photo: Evaluators visiting a field of PEK

- Developed life insurance products within the affordability range of poor and the poorest based on age, insured amount, maturity time has attracted the clients
- MIME's insurance education program to target clients and local level leaders by using Posters, flip chart and video drama give potential clients an easy understanding about insurance
- Structured and simple underwriting process
- Easy premium collection process.
- Strong monitoring by the members of MIME team
- Keeping records of monthly and yearly performance make staffs accountable for their work
- Strong internal control and monitoring mechanism
- Premium amount is invested in time deposit as practiced in insurance industry
- Separate books of accounts are maintained for MIME using its prescribed forms and formats
- Short term policy for 5,7 years were new in the market
- Claims settlement in 15 days
- Offers a partial claim payment to cover funeral expenses
- INAFI and MIME together have 5 designated Technical Assistance Provider (TAP) of ILO

MIME is standing on a strong ground after completing three years of operation. The mid-term evaluators' report was favorable for MIME. The evaluators could see how awareness has been created, clients do have a fair understanding about the concept and also the financial dealings, how the training materials are helping the poor to catch the idea of insurance, records are kept separately, premiums are transferred to the investment account, how well the funds are being invested maintaining full security and dedication of the staffs. In two years of selling record, reaching 47,704 clients undoubtedly is a great achievement. Being able to create awareness, provide insurance education, developing effective training materials, understanding the effective ways of project implementation, getting response from poor clients about going for new insurance products are some key strengths of MIME project. The advices and guidance received from Oxfam Novib, Rabo Bank Foundation and all the PNGOs and also from the promoters and implementers were precious and main inspiration for the smooth growth of the MIME project. MIME expresses its profound thanks and gratitude to all its stakeholders and well wishers and is obligated to provide social security services to reduce the vulnerability of the poor people in Bangladesh through Microinsurance.

MIME at a glance up to December, 2009:

Sl No	Particulars	Figures
1.	NGOs Involved	11
2.	District Covered	15
3.	Upazila (Sub District) Covered	48
4.	Branches Involved	96
5.	Insurance Organizers Involved	96
6.	Insurance Officers Involved	13
7.	Client Admission (Cumulative)	47704
8.	Amount of Premium Collection (Cumulative)	Tk. 4,28,26,635
9.	Amount of Admission fee Collection (Cumulative)	Tk. 4,16,585
10.	Partner NGO's Staffs Training	702
11.	Potential Clients Training	22071
12.	Claim Settlement	65
13.	Amount of Claim Settlement	Tk. 4,60,805
14.	Policy Surrender	964

For Further Information about MIME

Please contact:

MIME Project

INAFI Bangladesh

Apt- 2D, House #11, Road # 14, Gulshan - 1, Dhaka-1212, Bangladesh

Tel: 88-02-8853576, 9890635, Fax: 9890635 Ext.- 112

E-mail: mime.bangladesh@inafiasia.net, Web site: www.inafiasia.net

Supported by:



Rabobank