

La Equidad Seguros **Colombia**

CGAP Working Group on Microinsurance
Good and Bad Practices
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Gloria Almeyda and Francisco de Paula Jaramillo – September 2005

Good and Bad Practices in Microinsurance

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1. A **series of case studies** to identify good and bad practices in microinsurance
2. A **synthesis document** of good and bad practices in microinsurance for practitioners based on an analysis of the case studies. The major lessons from the case studies will also be published in a series of **two-page briefing notes** for easy access by practitioners.
3. **Donor guidelines** for funding microinsurance.

The CGAP Working Group on Microinsurance

The CGAP Microinsurance Working Group includes donors, insurers and other interested parties. The Working Group coordinates donor activities as they pertain to the development and proliferation of insurance services to low-income households in developing countries. The main activities of the working group include:

1. Developing donor guidelines for supporting microinsurance
2. Document case studies of insurance products and delivery models
3. Commission research on key issues such as the regulatory environment for microinsurance
4. Supporting innovations that will expand the availability of appropriate microinsurance products
5. Publishing a quarterly newsletter on microinsurance
6. Managing the content of the Microinsurance Focus website:
www.microfinancegateway.org/section/resourcecenters/microinsurance

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Abbreviations and Acronyms

AAC/MIS	Americas Association of Cooperative/Mutual Insurance Societies
<i>Amparar</i>	A microinsurance product offered by Women's World Foundation.
ARS	<i>Administradoras de Regimen Subsidiado</i> , or subsidized regime administrators
ASCOOP	Colombian Cooperative Association
Coops	Cooperatives
CoP	Colombian peso
CUs	Credit unions, known also as savings and credit cooperatives
CV	Curriculum Vitae
DANE	<i>Departamento Administrativo Nacional de Estadísticas</i> (National Department of statistics)
DFID	Department for International Development
EPS	<i>Empresas Promotoras de Salud</i> (Health promotion enterprises, insurance entities of contributory regimes)
<i>Equivida</i>	A microinsurance product channeled through cooperatives
FASECOLDA	<i>Federacion de Aseguradores Colombianos</i> (Federation of Colombian Insurers)
FOGAFIN	Guaranty Fund of Financial Institutions
GDP	Gross Domestic Product
GTZ	German Technical Assistance
ICA	International Cooperative Alliance
ICMIF	International Cooperative and Mutual Insurance Federation
ID	Identification
IDP	Internally displaced population
ILO	International Labour Organization
ISS	<i>Instituto de Seguridad Social</i> (Social Security Institute)
MFIs	Microfinance institutions
MIS	Management information system
MMS	Minimum monthly salary (established by government, currently US\$158)
MSP	<i>Ministerio de Proteccion Social</i> (Ministry of Social Protection)
NGO	Non-governmental Organisation
PPP	Purchasing Power Parity
Sida	Swedish International Development Agency
SISBEN	<i>Sistema de Seleccion de Beneficiarios</i> (System of Beneficiaries Selection)
US\$	United States Dollar
USAID	United States Agency for International Development
WWB	Women's World Bank, an international network of specialized MFIs
WWF	Women's World Foundation (Bucaramanga), original in Spanish, <i>Fundacion Mundial de la Mujer</i> , a member of the network of five Colombian similar foundations members of the international network of Women's World Bank.

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Executive Summary

La Equidad Seguros was created 35 years ago as a cooperative with the mission to provide insurance services to cooperatives and their members, who were largely low-income workers outside the scope of traditional Colombian insurers. Today, La Equidad ranks 13th by level of premiums issued among 21 life insurers and 20th among all 29 insurers. At the end of 2004, its total premiums issued amounted to US\$83 million.

Since its inception, La Equidad offered life protection coverage to cooperatives' members, both as debtors and as savers. La Equidad's group life insurance protected the cooperatives' loan portfolio: *The debt dies with the debtor* was a common slogan of cooperatives, particularly credit unions. Members' savings also had life insurance coverage in the case of death or permanent disability. La Equidad has continued to expand products for the lower-end of the market, particularly to specialized microfinance institutions and their clients.¹ This case study focuses on these new activities.

In the past five years, La Equidad has developed a group-based life insurance product that responds more adequately to the characteristics of lower-income households whose breadwinners work in both the formal and informal economies. The evolution took place from an individual-based life product, *Primero Mi Familia* (First My Family), to two group-based life products, *Amparar* (To Protect) and *Equivida* (Equi-life). Delivered through the microfinance institution (MFI) Women's World Foundation (WWF), *Amparar* has been profitable for the insurer and the MFI during its first 18 months. In the case of *Equivida*, the cooperatives are also satisfied with its profitability and the benefits it provides their members.

La Equidad and its partners, WWF and a group of affiliated cooperatives, are demonstrating that low-income people are willing to pay for life insurance. Over 10,000 of WWF's microcredit borrowers have purchased voluntary life insurance, as have over 18,000 cooperative members. Just as in the evolution of "microcredit" or "microsavings," when it was common to hear "poor people do not pay loans" or "poor people do not save," now La Equidad is showing that low-income people can invest in insurance if the product, the distribution channel, and the premium are appropriate for them.

Both *Amparar* and *Equivida* offer several plans that respond to the needs and paying capacity of the insured. *Amparar*'s smallest plan has a basic coverage of CoP 3 million (US\$1,244) at a premium of US\$1 per month. *Equivida*'s smallest Plan offers a CoP 10 million (US\$4,146) basic coverage with a monthly premium of US\$1.50. Besides a lump sum benefit in the event of death or permanent disability, *Amparar* also provides benefits to assist bereaved households with grocery, utility and education expenses.

While the combined participation of *Amparar* and *Equivida* is 3% of total premiums issued by La Equidad Life, their operational profitability is 22% and 23% respectively, well above the 4.95% (net income over premium) for La Equidad consolidated.

¹ Microfinance is defined as financial services (e.g., savings, credit, insurance, remittances, payments) for low-income individuals, formal and informal, in rural and urban areas in all types of (legal) economic activities.

Amparar and WWF

For MFIs specializing in microcredit, such as WWF, *Amparar* expands the products available to their clients in a profitable way. More importantly, *Amparar* reduces the gap in the lack of adequate social protection for poor microentrepreneurs. The insurance contributes to reducing the risk and vulnerability of the households and their microenterprises.

Amparar is complementary to the credit life insurance that WWF also has with La Equidad to protect itself against the risk of debtors' death or permanent disability. With the loan insurance, WWF protects itself from the risk of non-payment due to the death of the borrower. With *Amparar*, WWF gives an opportunity to the clients' households to protect themselves.

The premium for *Amparar* is built into the loan repayments. WWF adds the premium to the loan amount and then forwards to La Equidad the premium instalments, which may be monthly, quarterly or semi-annually, within 60 days after being received from the borrowers. This process significantly reduces transaction costs and minimises lapses. To manage the relationship with the MFI, La Equidad had to develop a software programme that was compatible with WWF's management information system (MIS). Claims processing takes less than 15 working days after Equidad receives the required documentation. La Equidad pays WWF. WWF then gives its own cheque to beneficiaries directly, which contributes to clients' satisfaction with WWF.

Equivida and the Cooperatives

Although the product is similar, La Equidad has had less success in marketing microinsurance through the cooperatives than the MFI. Some of the reasons for this difference include:

- The *Equivida* product is more complex than *Amparar*, with more options and benefits
- The minimum sum assured is higher for *Equivida*
- For *Equivida*, sales commissions go to the cooperatives, not staff members
- The *Equivida* product is not as well integrated into the core services of the cooperatives as *Amparar* is with WWF's credit product
- The marketing materials of the cooperatives do not highlight insurance sufficiently

Yet cooperatives have potential for expansion and could be a ripe market for microinsurance. In many coops, over half of the members are low-income (based on Colombian minimum monthly salary = US\$158). For example, at one of the largest credit unions (with 150,000 members), 44% are self-employed or in microenterprise activities; seventy-five percent do not have any college education and 81% have savings of less than US\$200.

Lessons Learned

Besides these differences between the effectiveness of its delivery channels, La Equidad's involvement in microinsurance has yielded a number of interesting lessons:

- With appropriate training, field staff of an MFI or cooperative can sell voluntary life insurance to the low-income market. The sales force must be equipped with marketing skills and technical insurance knowledge so that they can convey the benefits of insurance to potential policyholders.

- Microinsurance products are easier to sell when they are simple and easy to understand.
- For the product to be relevant to heterogeneous households engaged in the informal economy, it needs to have a range of benefit options (and corresponding premiums) so that the poor can choose how much coverage they want.
- Premiums should be adjusted to the paying capacity of the target market. Most low-income households in Colombia can afford \$1 per month for the premium.
- Coverage that includes payments for education, food and utilities is highly valued by the poorer groups.
- To avoid lapses, use automatic premium payment systems, such as integrating insurance into a loan or deducting the premiums from a savings account.
- Group products are more appropriate for the low-income market because they are less expensive.
- Group products require distribution channels through existing organisations that already have a relationship with low-income persons. Cooperative insurers should realise that coops are not the only potential delivery channel.
- La Equidad has experienced some challenges in working with microcredit NGOs, including management information system (MIS) limitations and a lack of insurance culture. Some NGOs depend on donor resources, putting their long-term viability at risk. Consequently, it is important to work only with financially viable MFIs.
- A key factor in the development of *Amparar* was the discussions between the regional manager of La Equidad in Bucaramanga and WWF's Executive Director. In designing and testing the product, it was crucial to have them in the field and dealing directly with the clients.

Next Steps

According to La Equidad's senior management, the major challenge now is to find new MFIs that can sell a product similar to *Amparar* on a large scale. In the case of WWF, the challenge is to continue expanding with new clients. Of WWF's 40,000 plus clients, already more than 25% have purchased *Amparar* (as of March 2005).

One area of potential collaboration between WWF and the cooperatives offering *Equivida* is to raise awareness of what is available in the market and in government programmes (e.g., preventive health, professional-work related risks, and pension). Low-income groups in cooperatives and specialized MFIs can benefit from educational efforts about: (a) protection of households and their microenterprises, and (b) knowing what is available at a price affordable to low-income groups in contributory and subsidized schemes. Furthermore, products such as *Equivida* and *Amparar* are evidence that some of the poor are able to pay for some insurance coverage.

1. The Context

Colombia is now recuperating from one of its worst crisis: economic growth is over 3 percent annually, unemployment has fallen to 14 percent and poverty rates have begun to decline for the first time in seven years.² Table 1.1 summarizes basic socio-economic indicators.

In the past fifteen years, the Government has undertaken reforms in all sectors. On one hand, reforms such as those of the financial sector have contributed to the market's expansion and competitiveness, benefiting the banking and insurance industries. On the other hand, reforms in social protection have contributed to improvement of services and coverage.

But access to social protection is still insufficient to respond to high levels of poverty (despite its decline), particularly in rural areas, which have suffered more from the internal conflict. Displaced rural people have migrated to towns or cities, contributing to increases in urban poverty levels. Low-income Colombians combine a variety of risk management strategies to manage their vulnerability, protect themselves against a variety of risks, and generate incomes to maintain a minimum subsistence level.

Table 1.1 Macro Data³

GDP (US\$ Billions) 2003	78,650
Population (millions)	44.5
Population density per km ²	43
Percentage urban / rural population	71% Urban 28% Rural
GDP/Capita (US\$)	\$1,764
GDP Growth Rate	2.3% (1990-2003) 3.96% (2003-2004)
Inflation (2004)	5.5%
Exchange Rate (CoP per US\$1) ⁴ as of December 2004	2,412
PPP GDP per Capita (2003)	\$6,700
Infant Mortality (per 1000 live births)	31
Under Five Mortality (per thousand)	28
Maternal Mortality (per 100,000 live births)	99
Access to safe water (% of population)	14%
Health Expenditure as % of GDP (total)	3.7%
Health Expenditure per capita (US\$)	\$15
Doctors per thousand people	1.35
Hospital beds per thousand people (urban/rural)	10
Literacy rate	90.5

² World Bank program document for a proposed second programmatic labor reform and social structural adjustment loan, October 6, 2004, Human Development Sector Management Unit, Colombia-Mexico Country Management Unit, Latin America and the Caribbean Region, October 2004.

³ World Bank, Selected Indicators 2005; World Development Indicators Database 2005.

⁴ International Monetary Fund, Statistics 2005. The exchange rate used for calculations of current figures in this paper is CoP 2,412 per \$1. For historic exchange rates of Colombian pesos per \$1, the following rates are used: 2,780 (Dec 2003), 2,865 (Dec 2002), 2,301 (2001).

1.1 Role of the State in Insurance

In 1990, the government approved Law 45, which reformed the financial system and opened up the protected insurance industry to external competition. Today 40% of the insurance business is by foreign companies, some of which also offer reinsurance. Until the early 1990s, the actuaries of the Federation of Insurers of Colombia (FASECOLDA) prepared the premiums and submitted them on behalf of the insurers to the Superintendency of Banks for approval. This practice was based on the Superintendency's role of overseeing the technical basis and solvency of insurers. Premiums were agreed among insurers. Competition was based on good service rather than on price. In 1993, the law changed and insurance companies began to determine competitively their own premiums.

The National Constitution of Colombia (Art. 189, No. 24) gave the executive branch of the government the responsibility to inspect, monitor, supervise and control all financial and insurance products. The Superintendency of Banks, under the Ministry of Finance and Public Credit, is responsible for insurance regulation and supervision.

Several recent laws and regulations provide the framework for the insurance business in Colombia. These range from the insurance contract (defined in the Commercial Code - Law 222 of 1995, Book IV, Title V) to several regulations dealing with sound and safe performance of insurance companies according to requirements of capital solvency, reserves, technical equity, and minimum capital requirements to operate insurance companies.⁵ The Superintendency of Banks has a special section that supervises and controls the insurance industry. This section's staff is highly qualified. The Delegate, as the head of the insurance section is called, stated that the Superintendency of insurance companies is responsible for:

- Licensure, supervision, control and regulation according to sound and internationally accepted insurance practices of soundness, transparency and effectiveness.
- Supervision includes, *inter alia*, fulfilment of insurers' minimum equity requirements according to the type of business, solvency margin, and provisions according to claims.
- Promotion of a market-oriented and competitive environment (e.g., regarding products, services, and prices).
- Promotion of sound risk management practices among insurers and monitor their implementation.

Currently, one of the key themes of the Superintendency is to promote best practices in risk management. The Delegate indicated that she would like the insurers to take the lead—rather than the Superintendency—in the execution of best practices or risk management through a focus on: (a) corporate practices; (b) clients' code of ethics; and (c) consumer protection. The Superintendency does not get involved in lines of insurance businesses.

Besides the regulatory framework of the Superintendency of Banks, which deals strictly with insurers as part of the financial system, insurers can also be under other official entities' supervision, including: Superintendency of Health, which oversees institutions offering health-related services; the Superintendency of Solidarity Economy, which oversees

⁵ For regulation-related regulations, see the Superintendency of Banks website, www.superbancaria.gov.co.

cooperative-related institutions such as La Equidad; and the Ministry of Social Protection, responsible for several schemes to manage the risks and vulnerability of the poor.

Unregulated Insurers

One of the areas of current controversy in Colombia is the increasing market of funeral service providers. Consumers pay for their services through a variety of schemes. For some, this is a type of “funeral insurance.” However, when the authors asked the officers of the Superintendency of Banks about this issue, they responded that Law 6 of 2003 authorizes funeral services and that it is the responsibility of consumers/clients to exercise due diligence and seek out information when purchasing these services. They clearly stated that it is not the role of the supervisory agency to determine what products should be offered in the market.

State Promotion of Insurance

The Colombian government promotes insurance in several ways:

- Designing and passing adequate and enabling legislation and regulation to promote a financial system that includes competitive insurance companies following international standards.
- Promoting obligatory insurance in areas such as automobile liability protection.
- Filling the gap in offering obligatory insurance products that are not offered by private insurers, such as coverage for public transportation drivers (e.g., inter-city bus drivers, one of the major forms of national and regional transportation of individuals).
- Designing and implementing public social protection schemes for the poor.

All of these areas affect the supply and demand for insurance. The supply is becoming more competitive and is expanding. The demand has been limited to high-income individuals and companies; therefore, there are major gaps in the market. As the financial sector has become more developed and competitive in credit and savings, there is potential for insurance products to be part of a whole portfolio of services offered by financial institutions.

1.2 Insurance Industry Basics

The Colombian insurance industry has a long and recognized tradition among Latin American insurers. The first insurance company was founded in 1890. Non-life insurance is more developed relative to life insurance. Group life insurance was initially introduced to protect the loan portfolio of mortgage banks, which involved long processing and individual risk selection.

After over a decade of insurance companies’ consolidation, liquidation and sales, the number of insurance companies decreased from 64 licenses in 1975 to 45 in 2005. These 45 licenses—24 general and 21 life—are held by 29 companies (see Appendix 1) with five additional companies in capitalization.⁶ Twenty-seven companies are private and two are public. Until recently, one of the state companies (La Previsora) has had a monopoly on State insurance business. This changed with the opening of the economy and financial system

⁶ The Colombian law requires that for each line of business there a separate company is licensed. For example, La Equidad has two licenses, one for General insurance, and another for Life. Each one has specific capital requirements. Capitalization companies provide special savings plans that include life insurance.

reforms during the 1990s. Two insurers are cooperative-related (Solidaria and La Equidad). At the end of 2004, general insurance premiums amounted to US\$1.5 billion (see Table 1.2) and life premiums to US\$972 million for a total of US\$2.5 billion.

Table 1.2 Colombia: Insurance Industry by Ownership (US\$ Millions)

Companies (# Of Companies)	General		Life		Total	
	Dec-03	Dec-04	Dec-03	Dec-04	Dec-03	Dec-04
Public (2)	206.1	238.5	9.6	12.7	215.7	251.2
Private (27)	1,123.3	1,341.2	764.4	959.7	1,887.7	2,300.9
Total (29)	1,329.4	1,579.6	774.0	972.5	2,103.4	2,552.1

Exchange Rates: US\$1=Colombia Pesos 2.760 (Dec 2003) and CoP 2,412 (Dec 2004)

Source: Converted by the authors into US\$ from original source in pesos, published by FASECOLDA 2005.

Cooperative Insurers

About 40 years ago, cooperative insurance was introduced for credit unions and it operated as an agile and simple system. This cooperative group-life insurance not only covered the credit union members' debt in case of death (credit life), but also doubled their shares and savings (life savings). This system has now become available through banks' portfolios as well. Today two insurers, Solidaria and La Equidad, serve over 2,500 cooperatives, including credit unions, as well as multi-purpose and specialized cooperatives.⁷ Solidaria is a publicly traded company and works with the clients of Megabanco.⁸ As explained in Section 2, as a member-owned cooperative, La Equidad's distribution of profit is determined according to the cooperative law.

Two health service cooperatives in Colombia have become large and competitive: Coomeva and Saludcoop.⁹ As of December 2003, Coomeva had US\$315 million in assets and US\$60 million in revenues for the period; and Saludcoop had US\$186 million in assets and US\$300 million in revenues. An analysis of these cooperatives falls outside the scope of this study. They might be useful as microinsurance case studies in the future since they serve a large number of lower-income Colombians.

General/Non-Life Insurance Products

General insurance products constitute 62% of total insurance premiums (2004, see Appendix 2) and include a variety of insurance products: automobile, fire, transportation, liability, contract performance, theft, earthquake, and aviation-related insurance. The total premiums issued for 2004 reached US\$1.5 billion (as of Dec. 2004) and claims paid US\$409 million. As Table 1.3 shows, government-owned companies have a 15% share of the total premiums in general insurance. Auto insurance has 34% of the total premiums issued during 2004, followed by fire insurance with 13%, earthquake with 11% and the remaining 42% distributed in the other products. Appendix 1 presents a list of the companies in general

⁷ M. Arango, M. Cardenas, B. Marulanda and M. Paredes, original in Spanish, English translation of title: Reflections About the Social and Economic Contribution of the Colombian Cooperative Sector, Bogota: Fedesarrollo, April 2005.

⁸ La Solidaria's history was related to Cuna Mutual Insurance Society and Colombian credit unions. Megabanco resulted from the Superintendency of Banks' intervention in four major financial cooperatives after the 1998 crisis of in the financial sector.

⁹ El Tiempo, Sector Cooperative-Economía Solidaria, March 30, 2005.

insurance and total premiums issued. Individual insurers' average annual growth in premiums varied drastically. The total average annual growth for the industry was 3.8%. For the same period, the loss ratio average for the industry was 36%.

Life Insurance Products

Life insurance products have been growing in the past year as banks have expanded the financial product portfolio offered to their clients. Several private banks also work with an insurance company of their own financial group. Premiums paid amounted to US\$972 million in 2004, where group life insurance was 37.5% of this amount, followed by 20% in individual life, 20% in health, 9% in personal accidents, and the rest in other life products. The average annual growth in premiums for this group was 9.8% for 2004. As with general insurance, the growth among life insurance companies experienced a broad range, from -29% to 695% growth (see Appendix 1). The average loss ratio was 67% in 2004 (Table 1.4).

Table 1.3 Colombia: Insurance Industry by Ownership (CoP Million)

Companies (# Of Companies)	General			Life			Total Premiums		
	Dec-03	Dec-04	%	Dec-03	Dec-04	%	Dec-03	Dec-04	%
Public (2)	568,959	575,157	15.1%	26,373	30,741	1.3%	595,332	605,899	10%
Private (27)	3,100,288	3,234,890	84.9%	2,109,792	2,314,849	98.7%	5,210,080	5,549,740	90%
Total (29)	3,669,248	3,810,048	100.0%	2,138,447	2,345,591	100.0%	5,805,412	6,155,638	100%

Source: FASECOLDA

Table 1.4 Table Insurance Industry Indicators as of December 2004

	General	Life	Total Industry
Claims/Issued Premium (%)	48.6	67.3	56.9
Commissions / Issued Premiums (%)	10.7	6.7	9.2
Generals Expenses / Premiums Issued (%)	21.2	26.3	23.1
Return on Equity (%) (1)	17.0	23.7	19.7
Investments/Technical Reserves (%)	112.6	119.4	116.6

(1) It does not include profits for the period

Source: FASECOLDA, Jan 2005.

Increasing Competition and Competitiveness

The Colombian insurance penetration (premiums as a percentage of GDP) has varied from 2.5 to 2.1, reflecting a low development and potential for growth. The industry is still in a consolidation process. According to FASECOLDA,¹⁰ the key factors in the industry's consolidation and re-adjustment during the past decade are: (a) Law 45 of 1990 that opened the market to local and international competition and discontinued the monopoly of state insurers; (b) foreign insurance companies, which are listed on international stock markets and need to be profitable and efficient, now have 40% of the insurance market; (c) the elasticity of the demand as a result of the country's economic growth; and (d) private health providers need to buy insurance but the claims ratio (*sinistralidad*) is 120%. These are some of the issues that FASECOLDA is currently researching.

¹⁰ <http://www.FASECOLDA.com/int/ComAfiliadas.php>

For the first quarter of 2005, the industry showed a decreasing administrative cost to premiums. Industry analysts¹¹ comment that this is the result of an increasing control of administrative expenses, the decreasing cost of reinsurance (after an increase after September 11), a decline in claims, and lastly major competition among insurers.

Table 1.5 Insurance Industry Basics

Issues	Observations
Name of insurance regulatory body	Superintendency of Banks www.superbancaria.gov.co
Key responsibilities	Licensing, supervision and control
Minimum capital requirements	US\$2.5 million
Other key requirements for an insurance license	- Minimum technical capital - Feasibility study of enterprise - Bylaws - Curriculum vitae (CV) of those involved in forming and managing the institution - Other information requested by the Superintendency
On-going capital requirements	Minimum technical capital
Other key requirements for regulatory compliance	On-going norms issued by the Superintendency of Banks
Minimum capital requirement for reinsurer	US\$10 Million
Regulated private insurers (Dec 2004)	29 / US\$2.3 Billion
Regulated public insurers (Dec 2004)	2 ¹² / US\$251.2 Million
Other regulated insurance organisations	Five capitalization companies that offer special savings plans that include life insurance; health insurance companies
Number of re-insurers	All foreign reinsurers (varies by company). Among those are: Swiss Re, Mapfre Re, and Re Latin America.
Other unregulated organisations, if existing, that offer insurance	Not applicable (Funeral and related services not considered as “insurance” by Superintendency of Banks but as a service-oriented company).
Certification requirements for agents	- Registered with the Superintendency of Banks at the request of the insurer(s) who is/are responsible for the agent’s actions. The Superintendency does not control nor supervise agents. - Dependent agent: if an insurer wants to have an agent exclusively, then it has to provide an employment contract. - Independent agent: sells insurance for several companies.

1.3 The Role of the State in Social Protection

During the late 1990s, Colombia experienced one of the worst economic recessions in recent history, resulting in high unemployment and worsening poverty. Simultaneously, the internal conflict escalated, increasing violence and insecurity. Internally displaced people (IDP) are

¹¹ Authors’ interview with FASECOLDA, May 2005.

¹² One of them has been recently privatized (Central de Seguros). Appendix 1 presents data previous to privatization.

estimated to be around 2.5 million. According to World Bank data,¹³ 64% of the population is below the poverty line (79% rural and 55% urban). These factors greatly increased the vulnerability of the poor. Because of increasing impoverishment, the government offers several social protection schemes that include social insurance and social assistance. The following is a summary of the State's framework for social protection:

- The current **legal framework for social protection** was passed in 1993 (known as Law 100-Comprehensive Social Security) and covers pensions, health, and work-related risks (work-related accidents or sickness resulting from job). Salaried employees and their employers share payments: Employers pay 75% in pension plans and 67% in health and the employees pay the difference (25% in pensions and 33% in health). The professional or work-related risk insurance is paid by employers to cover their employees' accidents and illness. Informal and self-employed individuals can join the public social protection system, but are unprotected from work-related risks.
- The **General Pension System** is headed by the government's Social Insurance Institute (known as ISS from its acronym in Spanish) and includes private pension funds. Employees select their fund of its choice. Self-employed have the choice to contribute to the pension system.
- ISS also leads the **preventive health system**, which is complemented by private health providers (from Spanish, *Empresas Promotoras de Salud*, or insurance entities of contributory regime). The government also has a network of hospitals and health centres nationwide offering subsidized services. Currently, the government is implementing changes introduced in 1993 (Law 100) based on a contributive scheme (for those who can pay) and a subsidized scheme. Individuals in the contributive scheme are insured by EPS,¹⁴ and those in the subsidized regime are insured by firms known as ARS (from *Spanish Administradoras de Regimen Subsidiado*, or subsidized regime administrators).
- A presidential initiative created the **Solidarity Social Network** in 1994 and then converted into an executive branch entity in 1997. It addresses the needs of the poorest and more vulnerable groups and links them to other public social programmes. Currently, the programme focuses on IDPs and victims of political violence. In previous decades, the government has run similar social programmes.¹⁵
- The **El SISBEN Index** (*System of Beneficiaries Selection*) contains a system of rules, norms, and procedures to obtain and process socio-economic information of specific groups and municipalities nationwide. The system provides the individual and group data required for local municipality programmes, beneficiaries of social programmes and subsidies. Individuals are granted a "SISBEN" ID that determines their category and eligibility to access subsidized social services. The system is defined (Law 715 of 2001) as a tool to focus and assure that the social spending reaches the poorest. Access to health

¹³ World Bank, World Development Report 2005, Selected Indicators, Table 2, pg. 258.

¹⁴ See section 5.5. La Equidad contributed to the creation of Saludcoop, one of the leading EPS in Colombia. Currently, Saludcoop has 2.5 million customers. La Equidad Life works with Saludcoop to provide the professional risk or work-related insurance (obligatory for all employers). This relationship has proved very fruitful except for one of the coverages related to high cost illnesses, which La Equidad discontinued in 2004.

¹⁵ In the 1970s there was a Popular Integration Secretariat and in the 1980s a National Plan for Rehabilitation.

services has been one of the major areas using SISBEN cardholders, registered in their home municipalities.¹⁶

- The **National Disaster Prevention Plan** prepares local groups for possible emergencies resulting from natural disasters, and works to respond to catastrophes resulting from them.
- **Obligatory car accident insurance** (known as SOAT) covers expenses incurred by victims of vehicle-related accidents.
- **Cajas de Compensacion Familiar** are private entities (Law 21 of 1982) created jointly by contributions from employers (4% of based on total employee's wages withholdings). The Cajas offer some social protection services to their members, including health services.

According to a World Bank assessment of its safety net, Colombia historically relied on economic growth as a social safety net and emphasized a now unsustainable expansion of social services, notably in health, education, and pensions.¹⁷ Initiatives for developing and strengthening the economic potential of poor Colombians, combined with microinsurance products, can help them to manage their risks and protect themselves. On the other hand, social assistance programmes can be used more effectively and efficiently in ways that reach the most vulnerable and poorest Colombians.

1.4 Microinsurance in Colombia

Key Trends in Microinsurance

Increasing competition among financial institutions is forcing them to look for new market opportunities and to develop new products and services. As in the case of credit and savings, financial institutions are learning more about the willingness and effective demand of the low-income population to pay for access to adequate, permanent, and competitive services. Similar experiences are just beginning with regard to microinsurance. The following areas represent potential for microinsurance growth.

For the microfinance institutions (MFIs):

- *Risk management products for MFIs:* As MFIs become stronger, financially and operationally, they are purchasing loan insurance to protect themselves from credit risk resulting from borrowers' death or disability. Furthermore, MFIs need insurance to protect their property and other assets and need to acquire obligatory insurance (e.g., work-related accidents for employees, obligatory automobile driver insurance, etc.). MFIs can negotiate a whole package of insurance services to obtain competitive prices.
- *New financial products to maintain and attract clients:* Some of the most advanced MFIs, like Fundacion Mundial de la Mujer (Women's World Foundation in Bucaramanga), want to offer more products to their clients besides credit.

¹⁶ As it will be explained later, holders of the SISBEN card can access subsidized health services. We interviewed for this case study two farmers and the SISBEN was mentioned as part of their personal risk protection strategy.

¹⁷ Human Development Department, Country Management Unit for Colombia, Mexico and Venezuela, World Bank, Colombia Safety Net Assessment, Final Report, August 30, 2002.

For the MFIs' clients and other low-income Colombians:

- *More options to manage their risks:* Microinsurance is a valuable option for MFI clients as demonstrated by WWF's increasing number of policyholders. As clients become more aware of financial services, they can opt for different ways to save, borrow, or insure to manage risks.
- *New options in social insurance protection:* With new reforms in social insurance and social protection schemes, low-income Colombians, particularly those who are already clients of MFIs, have access to more options. Unfortunately, many MFI clients are unaware of the insurance options available to them. There is a need for information dissemination and education for other low-income groups so that their needs can evolve into effective demand.

For the insurance companies:

- *A client willing to pay for a good product:* Insurance companies are getting to know low-income clients and their potential as groups by working through MFIs.

Attitude of the Government

The government's main involvement in microinsurance has been through the passing of a social protection framework that covers the poor and those in the informal economy. The current focus of social assistance programme is targeting the most vulnerable populations through subsidized programmes.

The Superintendency of Banks' staff responsible for insurers supports insurance innovation that makes insurance more accessible for a larger number of Colombians at more competitive prices. However, they do not see their role as telling insurers what products to offer; rather, they believe that the market should determine it, a view shared by FASECOLDA.

These two institutions, along with others key stakeholders—such as insurers and MFIs, clients' advocacy groups, and other state agencies in social security—have an important role to play in promoting education and information dissemination on microinsurance. This is an area of potential inter-agency collaboration that will assist microinsurance to expand the frontier of both microfinance and insurance in Colombia.

2. The Institution

2.1 Brief History

La Equidad Seguros was created in March 1970 by 41 cooperatives during the annual assembly of the Colombian Cooperative Association (ASCOOP). Its mission is to provide insurance to the more vulnerable sectors of the population and to serve as an economic pillar for the development of the cooperative sector. Today, La Equidad's shareholders are 1,273 cooperative and other non-profit institutions (e.g., employees' funds, trade unions) with over 1.5 million members. As a consumer cooperative (insurance products and services), its shareholders are also its main clients. More recently, as an expansion strategy, La Equidad started to include individual shareholders, mainly its own employees and a few policyholders. Today, La Equidad Life ranks 13th by level of premiums issued during 2004 among 21 insurers, and 21st among 24 general insurers (see Appendix 1-1). Duff and Phelps gave La Equidad an AA evaluation considered a very high rating internationally.

Historical Notes

- The first policy insurance was sold to the employees of the National University Cooperative.
- Originally, Equidad founders planned for a five-year period before reaching break-even. By the second years, La Equidad generated profits.
- La Equidad has maintained a commitment to promote a culture of protection for the individuals, their families, and their assets.

La Equidad received its original operating license from the National Superintendency of Cooperatives. It operated using the policies and premiums approved by FASECOLDA, the national federation of Colombian insurance companies, and reported its financial data to the Superintendency of Banks. In 1987, because of new legislation (Resolution Superintendency of Banks 5566), La Equidad received authorization as a general insurance institution under the supervision and control of the Superintendency of Banks. In 1995, the Superintendency authorized La Equidad Life. Table 2.1 presents a summary of the institutional profile.

Table 2.1 Insurance Organisation Basics

Issues	Observations
Legal structure	• Regulated insurance company. • Cooperative of cooperatives institution registered according to Decree 1598 of 1993.
Registration status	• Registered as an auxiliary institution of the cooperative sector (1971) with the Superintendency of Cooperatives. • Registered as an insurer with the Superintendency of Banks: - General insurance authorization in 1987. - Life insurance authorization in 1995.
Regulation status	• Supervised by the Superintendency of Banks. • Financial cooperative regulation according to Law 454 of 1998.

Issues	Observations
Start of corporate operations (year)	1971
Start of microinsurance operations (year)	1971, Since its creation has offered insurance to members of affiliated cooperatives, over 50% considered low-income. 2003, Designed a special “microinsurance” product for the World Women Foundation (Bucaramanga).
Core business	General and life insurance products.
Target market – core business	1,273 associated institutions (majority cooperatives). - Members of affiliated cooperatives and other non-profit organisations (e.g., NGOs, unions): Middle and low-income market.
Geographic area of operation	Nationwide. Investment in cooperative insurance institutions in Ecuador and El Salvador.
Reinsurance provider, provider type	Reinsurer (registered in Colombia): - Life: MAPFRE (Spanish company) - General: Swiss de Reaseguros and Re Latin America
Reinsurance type	In the case of microinsurance (e.g., <i>Amparar</i>), policies below CoP 10,000,000 (US\$4,100) are not reinsured.

The main products from the start have been life insurance covering debts, savings, and contributions (cooperative shares) for cooperative members, who are mainly low- and middle-income Colombians. In a way, it was offering microinsurance.

In 2002, La Equidad hired the Napoleon Franco Company, one of the leading market research companies in Colombia, to conduct a survey of people’s knowledge and perception about life insurance and their buying power capacity. According to the results, respondents had an unsatisfied need for protection. Based on these findings, La Equidad designed a product: *My Family First*, an individual life policy. This insurance’s premiums were determined according to each eligible individual’s age group and corresponding actuarial rates. *Primero Mi Familia* benefits are summarized in Table 2.2.

Table 2.2 Product: My Family First (as designed in 2002)

Basic Protection	Insured Value	
	Plan \$1850	Plan \$3700
Death from any cause	\$ 1850	\$ 3700
Permanent or temporary disability	\$ 1850	\$ 3700
Advance as a result of grave illness	\$ 930	\$ 1850
Monthly children's education stipend (24 months)	\$ 17	\$ 33
Monthly payment for utilities (12 months)	\$ 19	\$ 37
Monthly cheque for food/groceries (12 months)	\$ 37	\$ 74
Medical expenses for children (12 months)	\$ 185	\$ 370
Child's death (first affected)	\$ 185	\$ 370
Funeral expenses (first affected)	\$ 615	\$ 615

The most challenging test was the distribution channel.¹⁸ La Equidad offered *Primero Mi Familia* through the sales force of Saludcoop, a health service cooperative. They operated for

¹⁸ The Superintendency of Banks authorizes two types of agents to sell insurance in Colombia: independent and dependent. Independent agents operate according to a commercial contract and can sell products from a variety of insurers. Dependent

La Equidad as independent agents, but in practice, the promoters' main task was to sell Saludcoop's health plans so the volumes of La Equidad policies were unsatisfactory. After seven months, La Equidad decided to hire directly 25 promoters. Although the sales were somewhat better, from this 12-month pilot La Equidad uncovered the following problems:

- Lack of policyholders' discipline in monthly premium payments.
- Lack of incentives for agents as a result of low revenues from very small premiums.
- Problems recruiting insurance salespersons in smaller cities.
- Long time for potential clients to make a decision.

Equidad started to look for new alliances to market *My Family First*. After conversations between the Equidad's regional manager in Bucaramanga and the Women's World Foundation's manager in a microfinance meeting, La Equidad redesigned it into a group product with four components: death for any cause, permanent and temporary disability, funeral support, and payments for groceries and utility expenses. The following chapters present an analysis of the process of designing and marketing the new product, *Amparar*.

Table 2.3 Insurance Organisation Basics - Trends

	2003	2002	2001	2000
Total assets (millions of US\$)	\$99.3	\$88.1	\$74.1	\$61.5
Annual budget (millions of US\$)	\$84.8	\$85.7	\$65.8	\$56.7
Total capital (millions of US\$)	\$23.8	\$22.7	\$18.4	\$14.5
Number of branches	23	21	20	
Total number of all clients	1,273 affiliated cooperative and other institutions.			
Total number of microinsurance group policyholders (note: data for two products with group policies)	<u>2004</u> (a) 1 <i>Amparar</i> with WWF (Bucaramanga) (b) 199 <i>Equivida</i> with cooperatives			
Total number of microinsurance insured lives	<u>2004</u> (a) 11,150 <i>Amparar</i> with WWF (Bucaramanga) (b) 18,223 <i>Equivida</i> with cooperatives			
Number of microinsurance staff (note: staff members also promote other products besides microinsurance)	<u>2004</u> (a) WWF has 52 credit analyst (b) La Equidad: There is no special "microinsurance" staff. It has 47 commercial staff (39 promoters and 8 administrators)			
Staff turnover (%)	In general low			
Number of policyholders/microinsurance staff (%)	(a) <i>Amparar</i> : 92 for as of Oct 2004. For La Equidad: one promoter has the contract with WWF for the <i>Amparar</i> product.			
Microinsurance marketing costs	(a) According to WWF, its cost of <i>Amparar</i> marketing is CoP 4,700 equivalent to US\$2 per policyholder. La Equidad has one promoter responsible for the group policy <i>Amparar</i> .			

agents have an employment contract and can sell insurance only from the contracting insurer. For more information see: <https://www.superbancaria.gov.co/default.htm>

2.2 Organisational Development

Governance

As a cooperative, La Equidad's main governing body is the general assembly of member cooperatives and other institutions, representing seven geographic districts. Regions elect delegates to the general assembly. They elect a nine-member board of directors, which is currently formed by managers or directors of active member institutions in good standing. Board members are elected for two years and can be re-elected. The board appoints the president, who has currently been in this position for several years and is fully committed to microinsurance. Many of the cooperative shareholders have a large membership that falls within the lower-income population.¹⁹

Management and Staff

The President and the executive team have fully supported the microinsurance research and design of new products (e.g., *Amparar*) for MFIs. In his words: "In addition to what others are doing in microcredit, we need to do something about the protection of the poorer population. Otherwise, they will be unprotected when faced with risks. Microcredit and microinsurance are complementary. We need to find ways to strengthen them. La Equidad has products and we need to find adequate channels to reach the poor." The president works with three managerial committees: the president's committee, the quality assurance committee, and the leadership committee.

La Equidad has 212 employees. The management team is highly qualified and experienced, and most have university educations, graduate specializations, and work experience in other Colombian insurance companies. Many key managers have been with the organisation for more than ten years, an example of La Equidad's low turnover rates and personnel promotion policies. In 1993, it obtained ISO 9001 certification, reflecting the organisation's adoption of international standards, cost reduction, and greater competitiveness. Table 2.3 summarises the main senior personnel involved in microinsurance (also see the organisational chart in Appendix 3).

The management team has been fully engaged in microinsurance. Each of the managers interviewed presented to the authors how they were involved in the development of *Amparar*, the insurance product used as an example of La Equidad's efforts to innovate and reach out to poorer policyholders.

¹⁹ Eleven member-cooperatives were visited as part of the field study. Over 50 percent of their members fall below the poverty line in Colombia.

Table 2.3 Staff Responsibilities

Position	Responsibilities	Microinsurance Involvement
Executive Vice-president	Reports to the president and monitors all commercial, financial, and operational plans in coordination with the managers of the respective areas.	Led the microinsurance pilot process.
Technical Manager	Manages all actuarial responsibilities. Coordinates, controls and executes all the premiums issues of all the products. Manages reinsurance operations. Oversees claims operations. Guides actuary's design of new products.	Prepared actuarial work; Responded with flexibility to product design.
Human Talent Manager	Manages all human resources Responsible for the quality assurance programme (ISO Certification 9001) Prepares an Annual Training Programme based on annual job performance assessments Manages internal training as well as external with experts, universities, FASECOLDA and other specialized institutions (national and international).	Guided training.
Commercial Manager	Supports the executive vice-president in the implementation of the strategic plan. Manages the sales network of offices in 22 cities (18 agencies and 5 representations).	Supported commercial team working with the Women's World Foundation.
MIS Manager	Leads and supervises the analysis and design of all information systems. Prepares and implements training programmes for employees to keep them updated on information systems.	Designed and implemented special software programme for WWF to use with Amparar.
Financial Director	Manages all financial operations, planning, and investments.	Responded to product pricing.
Accounting Director	Responsible for all accounting, taxes, and the debt portfolio, in accordance with Superintendency of Banks, Superintendency of Solidarity Economy and to the Tax National Administration regulations.	Provided technical support.
Regional Manager (Bucaramanga)	Manages La Equidad's operations in the northeast Dedicates 20% to 40% of time to microinsurance Overseas promoters (one of them is responsible for the programme with WWF).	Responsible for designing with WWF's director all the key components of Amparar; and monitoring current operation.

Training

La Equidad invests in training of its own staff and their partners. For example, La Equidad developed a special programme to train WWF's credit analysts. WWF invests an average of two days on insurance and *Amparar* out of 45 days of training for new credit analysts.

There seems to be a need to disseminate knowledge and information within some of La Equidad's staff about the economic viability of the low-income groups, particularly microentrepreneurs and others working in the informal economy, where the majority of Colombians earn their living.

As expressed by La Equidad's president, its board is committed to microinsurance. Apparently, WWF has become an affiliate. There might be opportunities for WWF to play an educational role in disseminating knowledge and information about microinsurance and microcredit and the complementarities of these financial services.

2.3 External Assistance and Partnerships

Premiums and investment returns are La Equidad's main sources of funds. The insurer has been capitalizing its profits and increasing its capital with new shareholders. It has financed the development of microinsurance with its own resources.

La Equidad participates in a variety of national and international networks, as an insurance company and as a cooperative institution, including the Americas Association of Cooperative/Mutual Insurance Societies (AAC/MIS), the International Cooperative and Mutual Insurance Federation (ICMIF), the Mondragon cooperative institutions in Spain, and the International Cooperative Alliance (ICA). It also belongs to FASECOLDA and other local commercial and industry associations.

Through its international alliances, La Equidad has been learning more about the latest microinsurance efforts as part of the broader field of international microfinance. On the one hand, AAC/MIS has provided La Equidad with technical assistance and grant programmes—funded by USAID—to expand its internal capacity to reach and serve poorer populations.²⁰ On the other, WWF (Bucaramanga), a member of an internationally known microfinance network, receives information about insurance, and therefore, it was also willing to try and invest in a new product for its clients. The results are two products: *Equivida*, designed for cooperative members, and *Amparar* designed for clients of specialized microcredit institutions.

2.4 Risk-managing Financial Products

As a cooperative, La Equidad sells its policies directly to member institutions. However, if it considers it appropriate for a client, it uses intermediaries. Equidad provides general insurance to member organisations (asset protection) and group life insurance for their members. In these cases, La Equidad makes agreements with the cooperatives or other institutions and pays them a commission. Insurance has become an important service of the cooperatives for their members, increasing the level of satisfaction for all parties: La Equidad, its cooperative members, and their members.

²⁰ See <http://www.aacmis.org/Publications/publications.htm>

2.5 Profit Distribution

Profit (or surplus in the cooperative terminology) is distributed according to the cooperative law, which includes using some funds to build institutional capital and returning the balance to the members. According to the cooperative law (Article 54, Law 79 of 1988) profits are invested as follows: 20% to members' shares reserves, 20% for an education fund, and 10% to a solidarity fund. The other 50% is determined by the general assembly, but normally it would involve a refund to associates in proportion to their paid premiums and claims.

2.6 Investment of Reserves

According to the Superintendency of Banks (Decree 2779 of 2001), insurers' technical reserves must be permanently invested in specific types of investments. One hundred percent of the technical reserves must be invested in securities issued or guaranteed by the nation, the central bank (Banco de la Republica), or the Guaranty Fund of Financial Institutions (FOGAFIN), securities with a fixed interest or very low risk, high liquidity and, for cash and demand deposits, in supervised financial institutions (Decree 094 of 2000). The technical reserves for earthquake-related insurance must be invested in external securities (according to Decree 2779 of 2001). The insurers can invest all other equity capital freely (Decree 094 of 2001). Investments in instruments other than those authorized by the Superintendency of Banks are not included in the calculation of required technical reserves.

2.7 Reinsurance

When it started, La Equidad had a good proportional reinsurance, because it needed to become bigger and stronger. However, in recent years, it has had a large volume of insurance policies and solid assets, and Equidad signed an excess of loss reinsurance contract as well as a stop-loss agreement with Mapfre, a major Spanish mutual company. La Equidad has never had difficulties in obtaining reinsurance coverage. With respect to the microinsurance product *Amparar*, the total amount of microinsurance is below the deductible of the reinsurer. Reinsurance only operates in a catastrophic case that exceeds CoP150 million.

3. Clients and Members

3.1 Social, Economic and Geographic Conditions

La Equidad traditionally has served a diverse clientele through its nationwide network of 22 offices that market insurance products to affiliated cooperatives and other institutions. More recently, La Equidad began to develop a strategy to expand to specialized MFIs, such as the Women's World Foundation, with a large low-income clientele.

The Women's World Foundation has 44,000 clients, 85% of whom are women. The Foundation operates in three departments in northeastern Colombia through a network of six offices (three in the capitals of each department and three in municipalities that form part of Bucaramanga's metropolitan area, with a rural population). The home office is in Bucaramanga (capital of Southern Santander, population of about 1,000,000 for the metropolitan area). Clients are microentrepreneurs ranging from poor to lower-middle income. Their activities vary from small neighbourhood shops to larger stores in commercial centres, market vendors of different sizes, services (e.g., seamstress, tailors) to small manufacturing (e.g., garment shops, shoemakers). WWF is the largest and most developed supplier of microenterprise credit in that region of the country.

For the field study, the authors also visited a group of La Equidad's affiliated cooperatives that offer their members *Equivida*, in Bogotá, Medellín and Bucaramanga, and in rural communities of Santander. The following details emerged from this sample of cooperatives:

- Membership varies from small rural cooperatives of 3,815 members (Barichara Cooperative) to financial cooperatives (Comultrasan) with 150,000 members.
- Fifty to 80% of the members fall below low-medium income, and some 50% are low-income.
- Members' households combine self-employment and waged activities. For example, Comultrasan's members are 44% self-employed. Seventy-five percent do not have any college education and 81% have savings under US\$200.

Table 3.1 Distribution of Members by Wealth,²¹ COMULTRASAN, Financial Cooperative

1=Lowest 6=Highest Level of Wealth	%	Total Members
1	8%	12,000
2	30%	45,000
3	40%	60,000
4	19%	28,500
5	2%	3,000
6	1%	1,500
	100%	150,000

²¹ A government index of level of wealth in Colombia is known as economic strata (*estratos* in Spanish): 1 and 2 are poorest, 3 is medium level, and 5 and 6 are higher income levels. See http://www.superservicios.gov.co/deberes_4.htm.

The following is a summary of the socioeconomic profile of La Equidad's microinsurance clientele:

Table 3.2 Client Information

Issues	Observations
Intended target groups/clients	Individuals whose income levels fall below the minimum monthly salary (one MMS=CoP 381,500 equivalent to US\$158 and 3 MMS=US\$475).
Actual clients and reasons if deviation from intended market	The mission of La Equidad's is to respond to the protection needs of the lower income population.
Exclusions of specific groups	Geographic areas in armed conflict
General economic situation of clients	Limited payment capacity. Fifty-eight percent of Colombian households have incomes of between 0.5 and 1.5 of a monthly minimum salary (one MMS =US\$158). About 30% to 70% of Equidad's clients—that are members of cooperatives—are estimated to be in a range of 1 to 3 MMS (US\$158-US\$475)
Key economic activities of clients	• Informal microenterprises in all areas: trade, services, manufacturing, and agriculture • Low-income wage workers (permanent and temporary work) with diversified income- generating activities in household, including microenterprises
% of clients working in the informal economy	• For <i>Amparar</i>, most of the clients are informal • For members of cooperatives, 30 to 50% of households combine employment and microenterprise activities
Social characteristics of clients	• Mainly urban for WWF; cooperatives vary: some have mainly urban members, some have rural members • The average size of household is five, with some areas of the country with a larger number • Two thirds of the households own their home • Level of education: 31% have primary school, 42% high school, 5% technical degree • 54% are women
Geographic characteristics	Location in 22 cities nationwide
Nature of membership	Voluntary
Methods of recruitment of clients	• At WWF, credit analysts promote <i>Amparar</i> to their borrowers • <i>Equivida</i> is offered by cooperatives to their members

3.2 Major Risks and Vulnerabilities

According to La Equidad's market research, the following are the risks most feared: first, health-related problems; second, problems related to children's education; third, welfare of the family in case of death or accident and dealing with basic needs such as paying for housing and food; and fourth, risks related to theft or fire.

According to the Colombian National Department of Statistics' household surveys, to deal with unprotected events, households do the following:

- Decrease food and other consumption (e.g., clothes)
- Borrow money
- Use their savings
- Stop payments (e.g. housing)
- One or more members of the household start working
- Move to live with relatives or change housing
- Take children out of school or change school

3.3 Relationship between Client Risks and the Institution's Services

La Equidad offers a life insurance product that covers death and disability and offers the policyholder, in addition to the insurance amount, payment for groceries and utilities for 12 months. Equidad also provides WWF with loan coverage insurance. With these insurance products, La Equidad: (1) covers WWF's credit risk of non-payment because of borrowers' death; and (2) benefits the widow and children. More importantly for the microentrepreneur's family, it contributes to the continuity of the business.

Table 3.3 Ways in Which La Equidad Responds to Clients' Risks

Risks	Women World's Foundation	Affiliated Cooperatives
Vulnerability of clients who live in areas with under certain risks (e.g., Colombia has security problems, violence, internal conflicts).	• Adequate technical rates for premium and coverage. • Coverage plans with small values. • Eligibility requirements.	• Adequate technical rates for premium and coverage. • Coverage plans with small values. • Eligibility requirements.
Clients in MFIs generally lack preventive health coverage that may result in higher probability of claims.	• Asking MFI clients to become affiliated to preventive health programs (available at subsidised rates and as required by law).	• Asking members to become affiliated to preventive health programs (available at subsidised rates and as required by law).
Difficulties in locating clients because of their mobility lack of permanent residences and work in informal sector.	• Working with MFIs who know the clients. • Field staff know their clients. MFI credit methodology is based on knowledge of client.	• Working with cooperatives who know the members (e.g., have a common bond, such as place of residence or employment, trade association, same parish).
Difficulties in paying the premium because of low income.	• Linking the payment to another mechanism that already proven has low delinquency rate, such as microcredit.	• Linking the payment to another mechanism. For credit unions, to loans, savings, or direct deductions from a savings account.

3.4 Familiarity with Insurance

According to La Equidad's market research, in general, 55% of respondents from a representative sample of lower-income Colombians indicated that they had some type of insurance. This high result is partially due to confusion between "insurance" and obligatory health plans. At least forty-five percent have never had insurance.

Buying a life insurance policy is new for most of the WWF clients. Credit analysts visit approximately four borrowers per day and try to sell the product by explaining the benefits of insurance. According to one of the most successful promoters of *Amparar*, her success had been in presenting very basic information: how much you pay and how much you get with insurance, rather than explaining all the details about it. She explains to the potential insured how, for example, on the *Amparar* policy form (see Appendix 12-A) with Plan 1, the annual premium is of CoP 23,004 and the coverage is CoP 3 million. She goes from the very basic to the additional details. She believes that as clients hear about people who have benefited from the insurance, it will be easier to sell. The analyst has an average of 10 minutes to sell the insurance. Her priority is to give a loan. The average time she has to analyze the loan and sell the insurance is 45 minutes. Developing the skills to do it in a concise manner is crucial for a client to decide to purchase insurance right away.

In the case of the cooperatives, the members go to the cooperative. The promotion of the *Equivida* insurance varies by cooperative and La Equidad jointly develops special marketing strategies with them. The strategy will depend on the type and size of the cooperative, the staff available, and how it wants to market the product. Some cooperatives have linked *Equivida* to special savings, or special social support funds. Others offer *Equivida* through special individual promotions—contacting members by phone. Still others provide brochures and have wall displays in the cooperative.

From interviews with clients of the Women's World Foundation and cooperatives' members, including urban and rural microentrepreneurs and farmers, the following observations can be deduced:

- *Diverse knowledge of the clients/members:* The individuals interviewed reflect the diversity of the "low-income" groups and the need to be careful about making generalizations. For example, one female microentrepreneur in a rural area was very knowledgeable of insurance and aware of how to protect her family best. She mentioned that her husband was in construction, a risky job, and that she needed the insurance. In contrast, an urban woman knew nothing about the life insurance she had acquired a month before. She was interested in getting a loan and agreed to buy the insurance because the cost did not seem high; she was used to paying various commissions with the loan interest. Both women were knowledgeable about health insurance with health cooperative institutions.²² The authors also interviewed two male farmers, members of a small cooperative. Both carried a copy of their *Equivida* policies in their wallets, but one had a more detailed understanding about the insurance he had bought. In all cases, their decision to purchase insurance was the result of a promoter or a credit analyst telling

²² Coomeva and Saludcoop are some of the largest private health providers (EPS) in Colombia. These institutions should be subject of research which falls outside the scope of this case study.

them about the product. Otherwise, they would have never looked for insurance such as *Equivida* or *Amparar*. From these interviews, one can conclude that clients are willing to pay when they find microinsurance, but their experiences reinforce the old adage: insurance sold, not bought.

- *Spouses' familiarity with insurance prior to involvement*: Those interviewed were not accompanied by their spouses. In the cases in which the researchers talked with spouses of policyholders, they found that they knew very little or nothing about the policy. There is a need to involve clients' spouses in the promotional (educational) process about protection and insurance. In addition, after the death of the client, the Women's World Foundation had not gone back to see how the spouses were doing with their microenterprises and if they needed credit.
- *Complementarily of various types of insurance*: From interviews with two farmers with *Equivida*, the researchers learned that both qualified for subsidized health programmes. One had the identification card to be able to go to subsidized health centres. The other one had not completed the process to obtain the ID card and, consequently, had no access to this service. However, they were unaware of these opportunities or had not registered appropriately. There is a great need for collaboration among various agencies and private institutions, such as La Equidad, cooperatives, and WWF to disseminate information and educate their clients about how to manage available resources to protect themselves. They should also be careful about how to educate potential clients about the various products and services and how to best utilise their limited finances for protection purposes.
- *Experience with claims*: WWF had seven claims in the first 18 months of offering the product. The research team interviewed two claimants who expressed satisfaction with WWF. One of the widows was extremely grateful to the Foundation (and her husband). The other claim was not paid because the policyholder had lied about his cancer (see section 4.5). However, the widow was satisfied with the fact that the Foundation had loan insurance and she did not have to pay for her husband's outstanding debt.

4. The Product

Equidad Seguros offers a wide range of products through its two companies, Equidad General Insurance and Equidad Life.²³ Equidad General provides coverage for assets and property protection (e.g., fire, theft); Equidad Life provides insurance related to personal life, accident and permanent disabilities. Cooperatives and non-profit organizations such as WWF can obtain a complete risk management plan from La Equidad. For example, WWF has Equidad's life insurance protection for its loan portfolio. WWF pays a premium of 35 cents per US\$1,000 of the outstanding loan portfolio. The premium is charged monthly based on the outstanding loan portfolio.

This case study focuses on a group life insurance product that has the characteristics of microinsurance. The product has been marketed under two brand names, each with some modifications to better adapt to the final policyholders: (a) *Amparar*, a policy designed for clients of the Women's World Foundation, and (b) *Equivida*, a policy designed for cooperatives' members.

Their specific characteristics, summarized in Table 4.1, show some similarities between *Amparar* and *Equivida*: low premiums with coverage amounts sufficient to help low-income families manage a loss of income. The coverage differs between the two products. *Equivida* offers a wider range (CoP 5 million to CoP 100 million) that responds to broader income levels of cooperatives' members. *Amparar*'s range is smaller (CoP 3 million to CoP 20 million) for WWF's more homogeneous group of low-income clients. Cooperative members can include spouses and children while *Amparar* excludes them from life-insurance coverage. This exclusion reduces the *Amparar* premium. *Amparar* offers additional benefits that are crucial to low-income clients, such as the cost of children's education and groceries after the insured's death, which are not offered by *Equivida*.

Table 4.1 Product Details

Products Features	<i>Amparar</i>	<i>Equivida</i>
Microinsurance Type	Covers: a) death from any cause, b) total and permanent disability for the policyholder only (not additional family members)	Covers: a) death from any cause, b) total and permanent disability, and c) grave illness (e.g., cancer).
Group or individual product	Group life policy written to WWF	Group life policy written to cooperative/other institutions
Term	Annual	
Eligibility requirements	WWF's clients 18 to 70 years old. Declaration of normal health	Cooperative's members 18 to 65 years old. Declaration of normal health conditions
Renewal requirements	Immediate if a WWF client and up to date on premiums	Immediate if coop member and up to date on premiums.

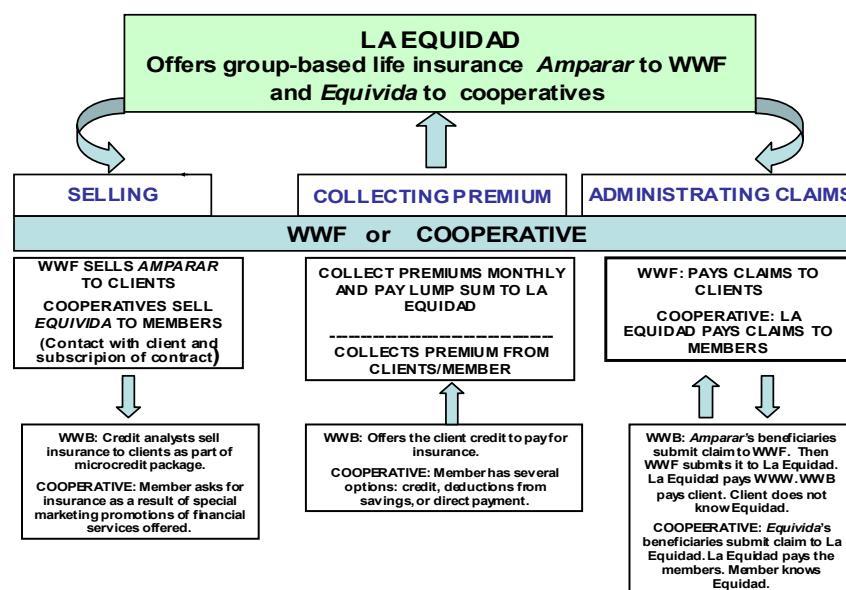
²³ For a complete list of all insurance products offered see:
http://www.supehttp://www.laequidad.com.co/01_5.htmrservicios.gov.co/deberes_4.htm

Products Features	<i>Amparar</i>	<i>Equivida</i>
Rejection rate	None	
Voluntary or compulsory	Voluntary	
Product coverage (benefits)	Benefits include: a monthly payment for children's education for 24 months (optional for a US\$2 per month additional), a benefit to pay for groceries and utility services for 12 months There are six options based on insured values: from CoP 3 million (US\$1,245) to CoP 20 million, US\$8,290)	Insurable: spouse and children (ages 14 to 25). The coverage plans range from CoP 10 million to CoP 100 million (US\$4,145 to US\$41,460). Optional plans: Option (1) accidental dismemberment. Option (2) accident's medical expenses and total/permanent disability monthly payments. Option (3) additional expenses resulting from death.
Key exclusions	• Death of the person who at moment of death is 70 yrs or older • Total and permanent disability of the insured who is 65 yrs old • Does not cover the funeral assistance for those who are 70 yrs or older • Pre-existence of a serious illness (e.g. cancer)	• Pre-existence of a serious illness (e.g., cancer)
Pricing – premiums	• The monthly premium for the smallest premium of six plans available is CoP 2,312 (or US\$1), equivalent to 0.6% monthly minimum salary. The highest plan monthly premium is CoP 13,630 (or US\$6) • The annual premium cost for the smallest plan is equivalent to 2.3% percent of a US\$500 loan. • Premiums paid with loan repayments (plans include monthly, quarterly, and six-month payments).	• For lowest basic plan CoP 3,713 (or From US\$1.5) to highest CoP 37,130 (or US\$15) per month. • Premium collection has a variety of payment options (monthly, bi-annually or annual) which can be paid by the member at the cooperative, or deducted from the members' savings accounts or wage direct deposit.

4.1 Partners and Distribution Channels

Channels Utilized

As a cooperative of cooperatives and other non-profit institutions, La Equidad's main partners are its own shareholders who also are its main clients. As an insurance cooperative, La Equidad's institutional members join to access insurance for themselves and their members or clients. Among several types of insurance products (general non-life and life), La Equidad sells the group-based life insurance, *Equivida*, to affiliated cooperatives and *Amparar* to institutions such as WWF. Each institution offers the insurance directly to its clients/members. WWF offers *Amparar* as a new financial product to its clients. Cooperatives offer *Equivida* to members as part of a whole array of savings and credit products, and other services. Each cooperative determines how to market *Equivida*. For example, the cooperative might change the name, design its own brochures or link the purchase of insurance to another financial service (savings, credit, members' solidarity programmes).



In general, most individuals qualify. La Equidad requires the applicant to sign a “Compliance of Insurability” on the policy form (see Appendix 12-A and 12_B under *Declaracion de Asegurabilidad*). This becomes a legal declaration of the insured regarding their health and granting authorization to La Equidad to see their medical history. Once an applicant signs the *Compliance of Insurability*, the policy is issued.

La Equidad competes with other insurers. Besides price competition, La Equidad differentiates itself with services.²⁴ Its commercial force consists of 8 accounts administrators and 39 promoters (or dependent agents, as classified by the Superintendency of Banks, who have an employment contract with La Equidad). The promoters manage an average of three group life agreements (*convenios*) with cooperative or other institutions. To have an agreement, the institution needs at least 500 policyholders. For example, the agreement with WWF is managed by a promoter who also works with some cooperatives. For cooperatives with a large number of members, La Equidad may assign a promoter exclusively to the cooperative.

The Foundation sells *Amparar* through a sales force of 71 credit analysts. Some of them have developed effective selling techniques and become successful in reaching targets. La Equidad has provided a training package to WWF to train the credit analysts. The credit analysts’ main objective is to give microcredit and, now to link *Amparar* to the loan. The borrowers agree to have the total amount of the annual premium included in their loans. *Amparar*’s annual premium is included in a client’s loan independently of the loan term, which can be of less than a year. The annual insurance coverage continues for the period after the insured borrower has paid the loan. An analyst makes an average of four loans per day. According to

²⁴ Other insurers offer complete package of insurance to cooperatives (e.g. insurance protection of property, goods and assets, plus and include its members under that protection). One of Equidad’s major competitors, La Solidaria Insurance, works closely with clients of Megabanco (a bank resulting from the fusing of 4 cooperative financial institutions).

one analyst, after 18 months of selling *Amparar*, she can now sell the product in an average of 10 minutes.

Cooperatives constitute a broad network in Colombia and therefore an appropriate distribution channel for *Equivida*. The cooperatives offer *Equivida* as part of their portfolio of products. Generally, a staff person is assigned to deal with insurance products. Depending on the volume of insurance (according to the number of members), the staff person may be completely responsible for insurance, or insurance responsibilities can be combined with others (e.g., savings). Individual members request, voluntarily, to purchase it.

Effectiveness

La Equidad's commercial network, through MFIs such as WWF and through cooperatives, is an effective way to reach lower-income groups. The sales, collection, and claim processing channels between La Equidad and its partners allow each party to focus on their areas of expertise.

Based on available data, when comparing the channel of distribution of WWF and the cooperatives, WWF seems to be able to cross sell more effectively than the individual cooperatives. Some of the areas related to effectiveness include:

- *Cross selling*: WWF's analysts focus on one product: credit. Cross selling of microinsurance is simpler. In the case of the cooperatives, there is a broader array of financial products and a broader range of insurance products (e.g., obligatory car accident coverage).
- *Incentives*: WWF's analysts receive an incentive based on the number of policies sold. In the case of the cooperatives, the institution receives the commission. There are no individuals selling based on commissions within the cooperative.

Changes to Distribution Channels

La Equidad designed an individual life product, *Primero Mi Familia*, which was distributed through Saludcoop's promoters of preventive health programmes working as independent sales agents. This channel did not work. Promoters' main objective was to sell health prevention programmes and *Primero Mi Familia* did not have the incentives because promoters considered the commission made too low. La Equidad decided to try with its own direct sales force, or dependent sales agents, for a year, which also failed (for more details, see Section 6). Because of this experience, La Equidad decided to convert it into group coverage delivered by specialized MFIs, such as WWF, to reach lower-income clients in large numbers.

Distribution Challenges

Amparar and *Equivida* are offered with fixed optional plans. The buyers can choose among these plans according to their protection needs and paying capacity (see Appendix 12-A and 12-B).

In the case of WWF whose clients are a poorer segment of the population, selling insurance presented two major challenges: a) low capacity to pay and b) lack of knowledge of life insurance and its benefits. La Equidad made the requirements of insurability minimal to

facilitate enrolment. Through the design of a product with an affordable premium and coverage attractive and adequate for WWF's clients, La Equidad and WWF were able to develop *Amparar*. One of the difficulties was the design of software that could facilitate WWF's premium processing in an efficient and viable way. La Equidad developed the software program. Furthermore, training for credit analysts was another area of major collaboration between the two institutions.

In general, La Equidad negotiates special arrangements with each cooperative within the framework of the general characteristics of *Equivida*. For example, at one cooperative it allows people up to 70 years of age to enrol.

4.2 Benefits

Amparar

As shown in Table 4.2A, *Amparar* provides households with several benefits. Besides a payout if the policyholder dies or is permanently disabled, this product also provides financial support to assist beneficiaries to pay for groceries and utilities. For an additional premium, policyholders can also purchase a children's education rider that would make additional monthly payments for two years to assist with education expenses. The range of available benefits (and corresponding premiums) also makes the product relevant for persons from different income groups. Most low-income households can afford \$1 per month for the premium.

The provision of benefits over a period of time after the insured event appears quite innovative for microinsurance. In practice, however, the beneficiary receives the total amount all at once as the insurer and MFI have not yet established a distribution mechanism to pay grocery or utility bills. Still, the presentation of the benefits in this way appears to be quite effective for marketing purposes as it distinguishes Equidad from the competition and speaks to the concerns of the target market.

Table 4.2A *Amparar* Benefits

Coverage (US\$)	Plan 1 Smallest	Plan 6 Largest
Death (any cause)	1,244	8,292
Total and Permanent Disability	1,244	8,292
Food/Groceries for 12 months	25	104
Utilities for 12 months	12	62
Funeral support (lump sum)	62	332
Optional:		
Children's Educational Expenses 24 months	15	75

Note: there are six plans. Only the smallest and largest are included.

For MFIs specializing in microcredit, such as WWF, *Amparar* expands the products available to their clients in a profitable way. More importantly, *Amparar* fills the gap in the lack of adequate social protection for poor microentrepreneurs. The insurance contributes to reducing the risk and vulnerability of the households.

Amparar is complementary with the loan insurance that WWF also has with La Equidad to protect itself against the risk of debtors' death or permanent disability. With credit life, WWF protects itself from the risk of non-payment because of the borrower's death. With *Amparar*, WWF gives an opportunity to the clients' to protect their households against the

vulnerability of losing the main breadwinner. More importantly, *Amparar*'s coverage allows the household to pay other debts, capitalize the microenterprise, and manage the period of adjustment after the loss of an income provider (see Box 1).

Box 1. *Amparar* Allowed Widow to Continue with Her Shop

An older widow of a WWF client explained: For her family, it was good news that the outstanding debt of her husband had been cancelled. She was even more grateful to her husband when she learned that he had an *Amparar* policy. With the coverage she was able to pay some of their shop's outstanding debts, and more importantly, to maintain the shop, her only source of income. Her daughter and three grandchildren live with her.

Later, when relating the story to the WWF's Credit Manager, he smiled satisfied and said: yes, *Amparar*, is just like a *recapitalization resource* for the widow's microenterprise.

Eighty-five percent of WWF's clients are women. Life expectancy in Colombia is 75.4 years for women and 67.6 for men. Originally, WWF had called the insurance *Mujer Vida*, (Women Life) but it realized that it has both men and women clients. The policy is only for the WWF's client and links the insurance to his/her microloan. After eighteen months since launching *Amparar*, WWF had seven claims following the deaths of one female and six male clients. Each one of them left a widow with children who benefited from the insurance. One of the key coping mechanisms for the poorer families is to take children out of school. With *Amparar*, the children's education is covered for up to 24 months. They also benefit from a monthly cheque to buy groceries for one year. Another coping mechanism is to sell assets. Coverage helps families to keep the microenterprise operating and to cover other possible debts.

Equivida

Like *Amparar*, *Equivida* provides group life insurance coverage to cooperatives' members at a very low price. *Equivida* covers death resulting from any cause and total and permanent disability. It offers a wider coverage than *Amparar* (Table 4.2B) from US\$4,146 (monthly premium US\$1.5) to US\$16,584 (monthly premium US\$15). The premium can be paid monthly, bi-annually or annual. *Equivida*'s insured can include the spouse of the policyholder and children (14 to 25 years old who are economically dependent). *Equivida* also offers coverage for grave illness such as cancer, kidney failures, and multiescleroris. *Equivida* is designed to pay the claim only for the first insured who is affected.

Another aspect about the importance of protection through products such as *Amparar* and *Equivida* is the increasing number of female-headed household in Colombia. According to the DANE, the national average for female-headed household is 30.9%. From 1997 to 2003, this indicator increased in urban areas from 28.9% to 34.2% in 2003 and in rural areas from the 16.9% to 20.8%. La Equidad's group life insurance products complement other protection mechanisms available to poorer households (e.g., subsidized health services).

Table 4.2B Equivida Benefits

Benefits	Plan 1	Plan 2	Plan 3
Death (any cause)	4,146	8,292	16,584
Total and Permanent Disability	4,146	8,292	16,584
Grave Illness	2,073	4,146	8,292
<i>Option 1</i>			
Accidental death or Dismemberment	4,146	8,292	16,584
<i>Option 2</i>			
Medical Expenses Accident	415	829	1,658
Monthly Allowance for Accident's Total and Permanent Disability	21	41	83
<i>Option 3</i>			
Death's Additional Expenses	207	415	829

Changes to Benefits

There have been several changes in product design. These include:

- *From individual to group life*: La Equidad changed the design of the product from an individual life product to a group life product. This change reduced the premium costs substantially: the administration costs are lower in group life insurance which has standard prices and coverages.
- *Coverage*: Coverage includes a variety of plans to choose from based on needs and payment capacity (see Tables 4.2A and 4.2B).
- *Amount of coverage*: In the case of *Amparar*, originally there were three optional plans (Plan 3 Million, Plan 5 Million, and Plan 10 Million). Now there are six plans (3, 5, 7, 10, 15, and 20 million plans). A broader range of options responds better to WWF's diverse clientele.

From conversations with the WWF's staff, one of the issues identified for review was the incentives to the credit analysts. The incentives are offered to a whole team in each agency. Therefore, a very good analyst who sells well is unable to obtain incentives if the other colleagues do not reach the targets. This practice discourages the good ones.

4.3 Premium Calculation

To calculate the premium, La Equidad applies a mathematical analysis of data that have universality, sufficiency, and homogeneity, according to the characteristics of the insurable group (or a calculation of the experience with groups similar to the target group). The assumptions are summarised in Table 4.3. The loss ratio calculated for *Amparar* and *Equivida* is 50%, based on the Mortality Table for Colombia. Normally, La Equidad includes administrative expenses and paper and publicity costs for a total of 20%. The premium includes an average commission of 15%. This may be adjusted based on the distribution channel, in which case the targets for net profit would be higher or lower accordingly. The pricing does not include subsidies or donations.

Table 4.3 Premium Assumptions

Cost Aspect	Allocation
Pure premium	50 percent
Administrative costs	20 percent
Commission	15 percent
Reinsurance	1 percent
Net Profit	14 percent

Amparar has been in the market since November 2003. The pricing assumptions will be adjusted on an annual basis depending on experience. Adjustments will result from continuous monitoring of the expansion trends in premiums, losses, and renewal rates.

4.4 Premium Collection

Amparar's premium collection process is automatic. WWF adds the premium amount to the microloan. The loan repayment, including the premium payment, can be made monthly, quarterly, and bi-annually. The WWF's borrowers also have the option to pay cash for the total amount when signing the policy. WWF pays La Equidad a monthly sum for the premiums due for the period within 60 days.

In the case of *Equivida*, cooperative members pay premiums through a variety of options. As shown in Appendix 12-B (see lower part section on Authorization for Payment or *Autorizacion de Descuento*), the insured can pay monthly, bi-annually, or annually and allow the payment to be deducted from their savings account or from direct-wage deposit.

One of the steps in designing *Amparar* was to develop appropriate software for WWF to process the premium collection and make the system compatible with its loan processing. La Equidad and WWF have worked out the difficulties (see Box 2).

Box 2. Software Development for *Amparar*

Amparar is group-based insurance product. Insurance buyers—WWF's clients—choose among six fixed plans. The coverage and benefits for each plan and the annual premium are shown in the insurance policy (see Appendix 12-A). The annual premium is based on the plan chosen. The insured also chooses how to pay for the annual premium: monthly, quarterly, bi-annually, or total amount paid in cash. Then, WWF issues the policy to the insured according to the plan chosen and the type of premium payment. All these data are processed using a software program developed by La Equidad for WWF's *Amparar*. WWF now has in place software that allows it to process *Amparar* in house and then send monthly reports to La Equidad.

To develop *Amparar*'s software, La Equidad used its previous experience developing a similar program for *Equivida* with Comultrasan Financial Cooperative. La Equidad faced a new situation on developing the software, first, for *Equivida*, and then, for WWF's *Amparar*. WWF and a cooperative such as Comultrasan, both headquartered in the same city, Bucaramanga, have several agencies (some of them semi-rural) which were not linked with a common server or access to the internet. So the first challenge was develop software to be installed in each agency in order to process the microinsurance data; second, to be consolidated in a central system; and, lastly to be sent to La Equidad.

Originally, the main objective of this simple software adaptation was to calculate the annual premium payment plan and issue the policy. However, the WWF wanted more capabilities. It requested that La Equidad to include in the software capabilities the processing of microinsurance statistical data, for example, policies sold by each credit analyst and agency. This lengthened the process of development of the software, the basic program development taking four months. Currently, WWF and La Equidad are finalizing adjustments according to WWF's requirements.

According to La Equidad's MIS manager, *Amparar* software allows WWF to:

- Operate the microinsurance as its own product.
- Control the microinsurance information.
- Process various agencies' microinsurance for periodic consolidation by a central unit.
- Process information to monitor *Amparar*'s sales by credit analyst and agency.

The MIS manager indicates that for La Equidad, the software improved the efficiency of the promoter assigned to WWF. The promoter used to visit each WWF's agency every week and process *Amparar*'s data on her laptop. Now she spends her time monitoring *Amparar*'s sales, providing technical support to WWF's credit analysts, and responding to their inquiries. La Equidad's promoters use their time more efficiently and effectively.

4.5 Claims Management

In the WWF, the client's beneficiary presents the claim. WWF presents it to La Equidad. The claim is processed within 15 working days after all the required documentation is received. In the case of *Equivida*, the cooperative provides the member or beneficiary with the requirements and forms, and they submit claim to La Equidad. The claim processing should take 13 days (in Bogotá) to 15 days (outside Bogotá). This period must be kept in order for La Equidad to maintain ISO 9001 certification.

The problems result mainly in the processing of the medical records and death certificates, which are provided by hospitals or other institutions that are not efficient. There is a considerable need for improvements in the hospitals, justice systems, and other institutions that need to process and provide documentation.

In the case of *Amparar*, only one of the seven claims submitted has been rejected. The widow admitted that she and her husband decided not to reveal that he had cancer. They did it because they needed a loan and were afraid that they will not receive it if WWF found out that he had been in treatment. The lie had nothing to do with the insurance.

No specific rejections were identified with respect to *Equivida* among the group of cooperatives visited.

Table 4.4 Claims Settlement Details

Issues	Observations
Parties involved in claims settlement	The process of claims involves: (at a regional office) claims technician and support technician for claims, one support staff that manages all correspondence, the treasurer, the manager, and the lawyer (national level). La Equidad has this special procedure in its policies.
Documents required for claims submission	-Personal identification card of the deceased insured person -Certificate of Amparar or Equivida insurance -Medical history (in the case of serious illness) -Personal identification card of beneficiaries -In the case of disability, the medical certification
Claims payment method	<i>Amparar:</i> - The beneficiaries present the required documentation - WWF sends the information to La Equidad - La Equidad processes the claims and sends a cheque made to WWF - WWF pays the beneficiaries with its own cheque for the total coverage amount. The beneficiary cashes the cheque in a bank. <i>Equivida:</i> - Beneficiaries request claim assistance from the cooperative; generally the cooperative has someone responsible for all insurance - Beneficiaries send claim to La Equidad - La Equidad processes claims and sends cheque to beneficiaries
Time from insured event to claim submission	It varies according to beneficiaries' ability to obtain the required documentation.
Time to pass through any intermediaries	WWF process the claim immediately
Time from submission to payment	Average of 13 working days (ISO 9001 certification requirement)
Claims rejection rate	NA

4.6 Risk Management and Controls

Moral hazard

La Equidad's policy is to operate on *good faith*. In a way, it is the same approach WWF and cooperatives use to grant credit. The selection process of policyholders is based on the fact that WWF and the cooperatives have clients or members who are in good standing. La Equidad only applies the insurability conditions listed in the policy.

Adverse selection

In the case of *Amparar*, clientele are diverse and only need to be engaged in microenterprise activities. In the case of cooperatives, there might be specific requirements for a common bond, generally, place of work or place of residence. However, most of the larger cooperatives that offer *Equivida* are based on geographic residence.

Fraud

The claims processing system is centralized at headquarters to maintain a strict control of possible fraud. In the case of *Amparar*, there has been only one case of fraud. It was related

to the credit application rather than to the insurance itself. In such case, the insured had a pre-existing illness (cancer) at the time the policy was issued. Fraud was controlled through a rigorous revision of all the information and documentation required to process the claim.

Covariant Risk

WWF's clients are mainly in Bucaramanga's metropolitan area of over one million inhabitants and in two other departments. There might be some covariant risk. For example, there was a flood recently in an area with a large number of clients. In the case of *Equivida*, the same situation applies for some groups who might live or work in a specific area.

4.7 Marketing

La Equidad and its partners, WWF and cooperatives, have invested in market research and publicity. Furthermore, La Equidad offers training to those involved in selling insurance. For example, with WWF the insurer designed a special workshop for credit analysts. La Equidad assigns a promoter to all its institutional agreements. WWF and the cooperatives invest in market promotion and advertising and La Equidad generally shares the costs. The average expenditure in promotion and publicity is about 2% of the premium revenues. Both WWF and the cooperatives design special publicity materials for insurance, such as brochures that describe the product, the coverage and costs (see Appendix 13).

WWF has a broad network to sell the product: 71 credit analysts. In the case of the cooperatives there are two basic modalities: (a) a staff person in members' services (either savings or loans) sells insurance; or (b) a staff person is devoted completely to insurance. In either case, it is the member who has to request the insurance. La Equidad depends mainly on the capacity of the cooperatives' staff to sell *Equivida*.

As mentioned above, WWF's *Amparar* has a much higher take-up rate among its captive clientele than *Equivida*. This result is partly because the linkage between the credit and the microinsurance is direct. WWF offers credit and microinsurance combined as part of the microcredit package.

In contrast, the cooperatives offer a variety of financial products including savings, credit and insurance. *Equivida* is one product among several insurance products offered by a cooperative. While *Equivida* might be the most appropriate insurance for lower-income members, nevertheless there seems to be a lack of awareness about its adequacy for poor members. Commonly, cooperatives list their insurance products as "other" services. There seems to be a need for "insurance" to be a category in itself in the products and service portfolio of cooperatives. The list of products can be displayed as savings, credit lines, insurance, and other.

To the extent that WWF's credit analysts spend time explaining *Amparar* to the clients, one could argue that there is an opportunity to educate clients about insurance. However, the average time spent is 10 minutes. In the case of the cooperatives, members interested in purchasing insurance might spend more time inquiring about the product.

The cooperatives advertise and disseminate information through brochures, through direct telephone campaigns, and through advertising signs at the cooperative. Furthermore, cooperatives design special programmes for specific groups. For example, Cootrefa has a special student accident policy for a community school. Crearcoop offers *Equivida* to some of its poorer members with funding from its solidarity fund (created with profits/surplus accumulated every year).

Are there lessons from *Amparar*'s marketing for the cooperatives? Based on their observations, the authors believe that there is potential for cross-fertilization. Some cooperatives already offer *Equivida* through a linkage with other products or services, but there seems to be potential for expansion of current targets.

4.8 Customer Satisfaction

All of the clients interviewed during the field study indicated satisfaction, particularly those who had made claims. Among clients who have policies but have not made any claims, their satisfaction is derived from the fact that they seemed to have a concern for protecting their families in case they die or become disabled. The ways in which they expressed themselves were impressive. For example, one remarked: "With insurance my family does not become disabled with my death or my disability."

According to one of WWF's credit analysts, there is a need to present the format of the premiums in a simpler way. The client needs to have the information on the amount and cost of the coverage in a simpler format. Too many numbers and calculations—for the various plans and optional coverage—make the policy certificate difficult to understand.

In some cooperatives, the members interviewed were not aware of all of the insurance options. For example, one cooperative had a special discount at a highly specialized medical centre. The member interviewed needed some exams for his back. He had never gotten them done because of the high cost. From the interview, he became aware that there was an opportunity for a discount. Regarding their subsidized health program, one coop member had encountered some difficulties and did not have his SISBEN card. The lack of the card was a barrier for him to access local health services at subsidized rate.

There seems to be a need for collaboration between WWF and cooperatives offering *Equivida*, and those programmes in social protection. Cooperatives and specialized MFIs can have information dissemination and education programmes about how to protect a household, what is available at a price affordable to low-income groups, and what is available at subsidized rates. Furthermore, products such as *Equivida* and *Amparar* are evidence that some of the poor are able to pay for some insurance coverage.

Amparar's coverage ranges from CoP 3 million to CoP 20 million. *Equivida* starts at CoP 10 million. Perhaps in some cooperatives with a large number of low-income members, they could offer smaller sums assured—this issue requires further investigation. In a way, the low coverage and low premium introduces the MFIs' clients and cooperative members to insurance and how to protect themselves and their families. The lessons from microcredit can be that the client starts low and as he or she learns, can incrementally increase coverage and premium based on needs and paying capacity.

An area that requires further research is how spouses also learn more about the insurance and the benefits. During one interview, the spouse knew very little about the *Amparar* policy her husband had purchased. The education on microinsurance protection for the household should involve all family members who are beneficiaries.

In the case of *Amparar*, the credit analysts are just starting renewals. There was no evidence yet of problems in renewing policies. In fact, the credit analyst interviewed said that the product has great potential among her clients, but it is difficult for her to sell something that does not have immediate results.

5. Results

5.1 Tracking Results

To track results, performance and impact, La Equidad uses a state-of-the-art management information system. As required by law, data are processed separately for each of the two entities: non-life and life, and then consolidated. La Equidad's financial reports and industry indicators are publicly available and in accordance with international industry standards.²⁵ Reporting and monitoring of premium production is done weekly. Data are consolidated monthly. Claims (*siniestros*) are continuously monitored. Internally, the MIS permits on-line information reporting between headquarters and the 22 offices (grouped in 5 regional agencies) nationwide and among all employees. La Equidad reports to the Superintendency of Banks and to the various industry associations. Staff responsible at the various levels keep track and monitor each product line and institutional agreement (*convenio*).

One of the key contributions of La Equidad to the development of the *Amparar* product with WWF was the development of appropriate software for the MFI. The fact that La Equidad developed a special software programme compatible with WWF's MIS is evidence of its commitment to expand the depth, scale, and scope of its outreach.

An impact evaluation of *Amparar* or *Equivida* has not yet been conducted. La Equidad considers that developing these products is already having an impact on all of the families who have already benefited from coverage.

5.2 Operational Results

During 2004, the premiums of Colombian insurance industry grew 3.8% for general insurance and 8.9% for life insurance. La Equidad's non-life programme increased premiums by 15.6%, well above the industry average. In contrast, premiums for the life insurance product decreased by 5%. For La Equidad consolidated, premiums changed -0.1%, or basically remained at the same level. This lack of growth resulted from the insurer's decision to drop the insurance for major illness (*enfermedades de alto costo*).²⁶ The Superintendency of Banks reports that the insurance industry had negative reports during the first quarter of 2005.²⁷ Industry profits decreased 57% during the period, with a greater decrease for life insurance. Insurers explained that this was the result of higher competition in the market, which had resulted in a price war. Table 5.1 presents a summary of the key consolidated results for La Equidad.

Amparar and *Equivida* are part of the portfolio of products of La Equivida Life. Table 5.2A presents a summary of their participation: *Amparar*'s premiums are 0.04% of total life

²⁵ Data available at websites of Superintendency of Banks, www.superbancaria.gov.co and FASECOLDA www.FASECOLDA.net.co.

²⁶ Additional information can be provided about this specific issue that affected operational profits for the period.

²⁷ See *La Republica*, *Vidalfa y La Previsora se destacaron en el trimestre*, May 20, 2005.

premium and *Equivida* 2.37%. Combined, the two products have a 3% share of total premiums in La Equidad Life. During 2004, *Amparar*'s premiums were valued at CoP26 million (US\$10,962) and the number of policyholders reached 10,120. In the first quarter of 2005, premiums rose by 38% and the number of policyholders 35%. This growth seems very positive since the product was launched in November 2003.

Equivida's premiums issued have been increasing at an average 36% from 2002 to 2004. The total number of outstanding insured was 18,223 at the end of 2004 (see Table 5.2D) through 199 group policies with cooperatives and other affiliated institutions.

Table 5.1 Key Results - Equidad General and Life Total Consolidated

	2004	2003	2002	2001	2000
Net income (net of donor contributions) Million CoP	121.0	116.3	108.8	111.1	94.0
Total premiums (value) Million CoP	83,070	85,462	74,870	76,829	71,332
Growth in premium value	-2.8%	14.1%	-2.6%	7.7%	
Claims / total premiums (%)	60.1	60.6			
Administrative costs / premiums (%)	24.6	23.9	20.8	18.3	13.9
Commissions / Premiums (%)	3.2	3.1	3.4	4.1	3.6
Reinsurance / Premiums (%)	5.9	5.3	4.8	2.7	2.9
Reserves added for the period / Premiums (%)	11.6	14.5	13.8	5.5	8.1
Net income added for the period / Premiums (%)	4.95	-6.89	5.1%	1.2	3
Claims cost per total number insured (CoP)	100,864	165,629	213,439	390,864	415,810
Growth in number of insured (%)	59	29	63	27	
Income earned from investment of premiums in CoP Million	5,938	5,281	6,723	4,419	
Percentage of profit distributed	Explained in section 2.7. Per cooperative law, 50% distributed.				
Renewal rate (%)	N.A.				

5.3 Financial Results

Profitability and Viability of Each Product

While the combined participation of *Amparar* and *Equivida* is 3% of total premiums issued by La Equidad Life, their operational profitability is 22% and 23% respectively, well above 2% for La Equidad Life, and 5.8% for La Equidad consolidated (see Table 5.2A). La Equidad considers *Amparar* and *Equivida* as new products still in development which requires to build reserves as sales expand. It is still early to conclude from their profitability.

Table 5.2A Key Results – Amparar and Equivida

Equidad General and Life Total Consolidated
Results as of December 31, 2004 (Million CoP)

	General	Life	Total Consolidated	Amparar	Equivida	Amparar as % of Total Life	Equivida as % of Total Life
La Equidad							
Total Premiums Issued	22,702.2	60,368.2	83,070.4	26.4	1,430.0	0.04%	2.37%
Claims	6,762	43,187	49,948.9	13.2	973.5	0.03%	2.25%
Commissions reinsurance	1,867.3	1.0	1,868.3				
Commissions and direct expenses	1,959.1	662.1	2,621.2	1.9	38.0		
Other costs	1,404.8	564.1	1,969.0				
Personnel Expenses	2,208.8	4,296.4	6,505.2	4.0	82.8	0.09%	1.93%
Administrative Expenses	6,036.4	7,106.0	13,142.4				
Publicity				0.5			
Net Income	3,565.0	1,231.0	4,796.4	6.0	335.0	0.49%	27.23%
Net Income/Total Premiums	15.7%	2.0%	5.8%	22.6%	23.4%		

Table 5.2B Key Results – Amparar and Equivida

Equidad General and Life Total Consolidated
December 31, 2004

	General	Life	Total	Amparar	Equivida	Amparar as % of Total Life	Equivida as % of Total Life
Total Premiums Issued	100.0%	100.0%	100.0%	100.0%	100.0%	0.04%	2.37%
Claims	29.8%	71.5%	60.1%	50.0%	68.1%	0.03%	2.25%
Commissions reinsurance	8.2%	0.0%	2.2%	0.0%			
Commissions and direct expenses	8.6%	1.1%	3.2%	7.0%	2.7%		
Other costs	6.2%	0.9%	2.4%	0.0%			
Personnel Expenses	9.7%	7.1%	7.8%	15.0%	5.8%	0.09%	1.93%
Administrative Expenses	26.6%	11.8%	15.8%	0.0%			
Publicity/Advertising				2.0%			
Net Operating Income/Total Premiums	15.7%	2.0%	5.8%	22.6%	23.4%	0.49%	27.23%

Table 5.2C Amparar Monthly Accumulated Totals (Oct 2004 – March 2005)

Month	# Policies	Premium CoP	# Accumulated Policies	Total
October (2003-2004 accumulated)	5,766	17,048,120	5,766	17,048,120
November 2004	800	2,468,712	6,566	19,516,832
December 2004	915	2,976,721	7,481	22,493,553
January 2005	793	2,652,336	8,274	25,145,889
February 2005	1068	3,525,750	9,342	28,671,639
March 2005	778	2,495,789	10,120	31,167,428

Table 5.2D Equivida Evolution 1999-2004 (Colombian Pesos)

Year	Premiums	Claims	Commission	Expenses	Technical Results	Annual Growth	Loss Ratio
1999	159,744,920	37,460,000	144,697	0	122,140,223		
2000	505,293,068	218,833,000	2,914,704	0	283,545,364		47%
2001	570,730,155	310,100,000	3,108,059	3,193,703	254,328,393	123%	57%
2002	693,324,202	417,244,310	3,566,342	52,543	272,461,007	21%	53%
2003	929,498,516	470,656,018	14,198,302	27,550,146	417,094,050	34%	52%
2004	1,429,892,011	973,482,700	38,319,064	82,843,617	335,246,630	54%	47%

Table 5.2E Insured with Equivida (2004) by Plans Offered (199 Group Policies)

Plan	Number of Insured	% Distribution
10 million and below	9,684	53%
12 to 20 million	4,476	25%
25 to 35,000,000	1,323	7%
40 to 100,000,000	2,740	15%
Total	18,223	100%

Profitability for Each Partner

Amparar and *Equivida* are profitable for La Equidad. Partners interviewed during the field study also expressed satisfaction with the products. In the case of WWF, with *Amparar* the MFI gained a commission (15%) and was able to add a product to its portfolio of services. Furthermore, after the death of clients who had *Amparar*, the coverage contributed to recapitalizing and maintaining their businesses, thus reducing the vulnerability of their households.

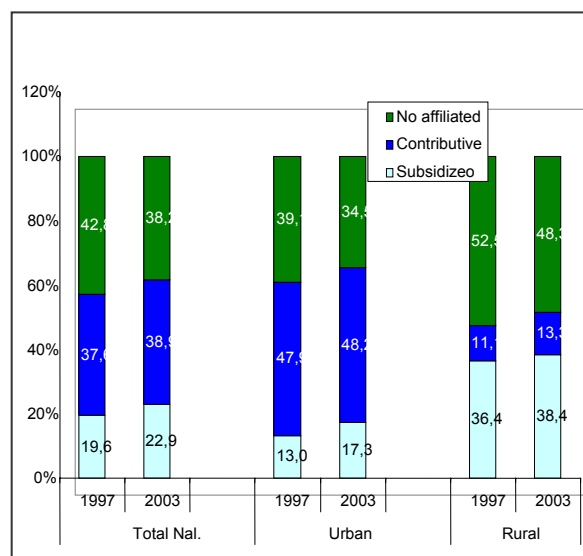
In the case of *Equivida*, we met with a number of cooperatives to learn how they market it to their members. We also met with some of the clients with microinsurance but did not have enough time to obtain specific data. We have included in Appendix 9 the example of a feasibility study of *Equivida* (combined with one more insurance product, vehicle) for 5 years for a *typical cooperative*. The net profit over the total premium is estimated to be about 10% for the first year and an average of 15% for the remaining four.

5.4 Impact on Social Protection Policy

La Equidad's commitment to develop *Amparar* microinsurance and to collaborate with specialized MFIs such as WWF provides evidence of its willingness to reach out to low-income populations. Besides MFIs, La Equidad also reaches low-income members in affiliated cooperatives.

As can be observed in Table 5.3, some 38% of the population is unprotected and 38% contributes to the social protection schemes in health and pension.

Table 5.3 Social Protection in Colombia



Besides its life products *Amparar* and *Equivida*, La Equidad has other products that have the potential or are already contributing to protection:

- La Equidad offers insurance for work-related accidents and illnesses (known as Administradora de Riesgos Profesionales) to enterprises and individuals. This insurance is paid by the employer and employees (67% and 33% respectively). La Equidad contributed to create Saludcoop, the leading private health service provider in the country. Enterprises pay for the insurance. Saludcoop has 2.5 million consumers. With Saludcoop, La Equidad is the first insurer to offer work-related accidents/illness insurance to a large number of enterprises. 55,071, or 52% of the total number of enterprises, have this insurance in the industry (see Appendix 4). With these enterprises, La Equidad insures 309,790 workers, occupying the 5th place in the industry. This corresponds to a 9% share. The average number of workers per enterprise is six.²⁸ Sixty percent of Colombian enterprises are micro or small. Most of the companies had no coverage for their workers before La Equidad started offering the insurance.

²⁸ Data grouped by number of employees was not available but it might be useful for research on microenterprises.

- The experience of working with Saludcoop as a partner has been good, except in one of the coverage of major illness. La Equidad ceased offering this insurance in 2004.²⁹
- The work-related accident/illness insurance has made a major contribution to improve the protection of workers. The challenge is to cover microenterprises and others in the informal economy.

La Equidad Seguros lobbies through the insurers' federation, FASECOLDA. One of the recent issues was the work-related insurance coverage (*riesgos profesionales*). Together with The Technical Chamber of Professional Risks, it has lobbied against certain government interventions by presenting legislators with studies and advocating for a variety of issues. La Equidad believes that it is better to work together with other insurers and through FASECOLDA to be more effective in influencing the policy environment.

²⁹ Losses from this insurance caused major losses to La Equidad in 2004.

6. Microinsurance Product Development

6.1 Concept Development

Since its creation, La Equidad has taken the view that those who lack insurance, particularly the poor, are the ones who need it the most. *Equivida* and *Amparar* are the result of market research and commitment to position itself in the market with a new product for low-income families. In the past five years, La Equidad began an expansion strategy to individuals (*asociado persona natural*), since its members up to that point had been only institutions (*personas jurídicas*). To study the demand, La Equidad hired a prestigious Colombian market research company, Napoleon Franco Ltd, to interview a sample of 630 persons (representing over 3 million Colombians) in 256 municipalities with populations between 20,000 and 250,000. Fifty percent of those interviewed had monthly incomes of less than US\$165 a month, of those, 13% under US\$2.7 per day.

The main research objectives' were: (1) to ascertain the demand for individual life insurance and the potential market; (2) to determine what factors prompt individuals to purchase or not to purchase insurance; (3) to understand people's knowledge about insurance in general and their familiarity with competitors; (4) to understand perceptions (positive or negative) about insurers and products; and (5) to identify expectations, needs, and purchasing interest in order to determine the potential of the market.

From the study, La Equidad learned that 24% of those who responded recognized its name. Solidaria, a major competitor and also related to cooperatives, received a 14% recognition in the survey.

Based on the results of the market research, La Equidad designed an individual life insurance product called *Primero Mi Familia* (My Family First). La Equidad tried to position itself as the only insurer with a microinsurance product, with coverage adequate for a low-income family at an affordable premium.

6.2 Product Design

Special staff was appointed to lead the initiative. All key staff collaborated in the effort to design a product based on the results of the survey:

The Product: The evolution started with *Primero Mi Familia* (First My Family), a basic plan had eight covers. The product reflected all the coverage survey respondents identified as critical. Later *First My Family* evolved into *Amparar*, which has six covers. While *First My Family* was an individual life product (premium determined based on the insured's age group and individual's own choice of benefits offered), *Amparar* is a group-based life product (premium based on fixed plans with same coverage and benefits offered to all individuals in the group independently of age of insured).

The Distribution Channel: First, La Equidad tried to distribute *Primero Mi Familia* through independent agents working with Saludcoop. These promoters had as a priority to sell Saludcoop's preventive health programmes. The channel did not work. Then La Equidad decided to distribute the product with its own sales force of promoters. This effort failed because the low price of the premium and problems in collection did not produce enough commission for promoters. From these experiences, La Equidad decided to search for alternative delivery channels, such as MFIs.

Failure with *Primero Mi Familia* provided all the basic research for La Equidad to look for new partners. When WWF's director and La Equidad's regional manager first talked about "microinsurance" in 2003, they were ready for to work together. The result was *Amparar*.

The design of the instrument was based on actuarial analysis of national statistical data for life expectancy, other related information for socio-economic conditions, and payment capacity.

6.3 Pilot Testing and Rollout

Many changes resulted after the pilot of *Primero Mi Familia* (see Table 2.2). In *Primero Mi Familia* the premium was based on age of the individual policyholder. In *Amparar* and *Equivida*, the premium is fixed for the group. The original design had plans priced from CoP 5 million to CoP 50 million coverage and 8 different levels of coverage. With *Amparar*, a smaller coverage of CoP 3 million was added and up to CoP 20 million. Coverages were reduced from 8 to 6 basic coverages included (1, 2, 5, 4, 6, 9 and only one option education of children fee payments for 24 month). All these changes were made to reduce the premium cost.

During the rollout, the product was launched in 7 cities and 15 rural municipalities nationwide. Training was given in all of these points of sale.

6.4 Product Development Costs

The total cost of the market research was CoP 150 million (US\$68,190) all financed by La Equidad. The product was developed within the insurer. The *Amparar* product also resulted from joint efforts between the manager of La Equidad's regional office in Bucaramanga and the WWF's executive director. Both of them designed and negotiated the final product features. In the case of *Equivida*, the cooperatives adjusted the plans offered to their particular membership, in terms of the amount and number of the plans.

7. Conclusions

7.1 Significant Plans

According to La Equidad's senior management, the major challenge now is to find new MFIs that can sell a product similar to *Amparar* on a large scale. La Equidad has identified more than a dozen MFIs that could be potential partners. In the case of WWF, the challenge is to continue expanding with new clients and to increase the take-up rate from the current enrolment of about 25 percent.

In the past five years, La Equidad has invested in developing a life insurance product that responds to the characteristics of lower-income groups. The evolution of the product *Primero Mi Familia* into *Amparar* and *Equivida* is just in a first phase. *Amparar* was profitable for WWF and for La Equidad after the first 18 months. In the case of *Equivida*, cooperatives are also satisfied. In both cases, the clients and members are benefiting and expressed satisfaction. Currently, the challenge is to disseminate the use of these products rather than design new ones. Both *Amparar* and *Equivida* offer several plans that respond to the needs and paying capacity of the insured.

La Equidad has made adjustments and has been flexible with its microinsurance products. In the case of *Amparar*, one key change was the distribution channel through direct sale linked to microcredit. The other change was the method of payment, giving the WWF's clients the possibility to borrow the annual premium amount and to repay it as part of the micro-loan.

Based on the experiences (positive and negative), a key issue for WWF is the incentives to the credit analysts who sell the product. The current system needs to be revised. As a WWF credit analyst mentioned, she has been reaching targets, but some of the other colleagues have not, and consequently, nobody receives incentives. This causes some team members to lose interest in selling *Amparar*. WWF's senior managers acknowledged that the incentive arrangement might be a factor that should be reviewed.

In the case of *Equivida*, a key area is how to promote it more effectively among low-income cooperative members rather than mainly middle-income members in some of the larger cooperatives. The minimum coverage for *Equivida* is CoP 10 million. Perhaps some cooperative members would be more interested in purchasing policies with smaller sums assured. Also, in some cases, the brochures of products present credit lines, savings and deposits, and "other" products/services. It might be useful to have insurance as a very visible category. Information is available on *Equivida* but in separate brochures.

WWF is now in the renewal phase, and it would be useful to see what lessons can be derived from renewals that might need adjustment in the current system. As for the cooperatives, members who had renewed their policies were very articulate about the reasons why they have insurance. They would be good educators of others, and their testimonies might be useful in promotional efforts.

A common theme resulting from all the interviews is the need to educate more low-income households about protection, risk management, and insurance. Consumers would benefit from learning more about what is available to them in the market and how to combine various options (e.g., savings, various types of insurance).

7.2 Breakthroughs and Challenges

La Equidad and its partners, WWF and a group of cooperatives, are demonstrating that low-income people are willing to pay for protection to manage their risk and reduce their vulnerability. Over 10,000 of WWF's clients and over 18,000 cooperative members have purchased *Amparar* and *Equivida*. La Equidad is showing that poor people can invest in insurance if the product, the distribution channel, and the price are appropriate for them.

The major challenge is to expand this type of product widely and profitably. La Equidad's alliance with WWF is an important first step. This model can now be developed with other MFIs. With the cooperatives, there are several examples of how some of them are offering *Equivida* that need to be more visible in order to have a multiplying effect.

Regarding collaborating with specialized microfinance NGOs, senior management identified the following challenges:

- Limited capacity in their information systems to add insurance products.
- Some NGOs receive resources from donors, and resources can become scarce, putting their long-term viability at risk. To avoid this, it is important to work with MFIs recognized for their operational and financial viability.
- The lack of insurance culture.

7.3 Key Lessons Learned

La Equidad's senior managers provided the following summary of the lessons they had identified in their experience with *Primero Mi Familia*:

- The sales force was not motivated because of the small commission resulting from problems in the premium collection.
- Low-income individuals lacked the discipline to go to financial institutions. They also have limited resources and prefer to pay for other commitments (rather than the insurance).
- There was a lack of an "insurance-oriented culture" in the low-income market niche.
- The effort to recruit people to sell insurance was slow. It was difficult to find individuals with the technical skills to market microinsurance.

Based on these lessons, La Equidad developed *Amparar*, which was marketed through a new channel for La Equidad: MFIs such as WWF. By switching from an individual life insurance policy to a group-based insurance policy, Equidad could lower the cost of the premium. This made it much easier to reach target market with an affordable product, and it solved the commission problem. By collecting the premiums through the MFI, the insurer was able to enhance efficiencies in favour of the insured clients.

La Equidad's senior management provides the following advice to others:

- Find a distribution channel that has minimum fixed costs so that the model becomes viable and can reach the social objective of reaching lower income groups.
- Design products that are easy to understand, since this market niche has low levels of education.
- Prepare the sales force very well, with marketing skills and technical insurance knowledge, so that they can transmit to potential clients the benefits of insurance.
- Adjust the premium to the paying capacity of the market niche.
- Where possible, rely on automatic premium payment systems to avoid the clients' having to pay the premium monthly.
- Coverage that includes benefits such as education and food expenses is highly valued by the poorer groups.

7.4 Outstanding Questions and Conclusions

Besides the issues, lessons, challenges, and recommendations offered by those interviewed, the following are some additional observations:

Other Lessons

- *Who is involved in the product design:* A key factor in the development of *Amparar* was the exchange of information and discussions between the regional manager of La Equidad and WWF's Executive Director. They added value and exchanged ideas with the headquarters' senior team. It was crucial to have them in the field, dealing directly with the clients, in the completion of the insurance product.
- *Research based on low-income cooperative members who had Equivida:* Perhaps La Equidad should have also researched the low-income members of their affiliated cooperatives. Fifty to 70 percent of the members in the cooperatives are in the lower income levels. This research could have complemented the national demand survey. This is something that La Equidad might be able to do, involving partner cooperatives, using a low-cost methodology.
- *Graduation in microinsurance:* One of the lessons from microcredit is going from very small loans to larger amounts as the borrower, learns to manage credit, and builds debt capacity. In the case of microinsurance, the evidence of *Equivida* seem to show that the members buy the insurance with the lowest premium, as they learn more about the benefits of protection, they want to buy policies with higher coverage or additional benefits.
- *Protection for the household:* *Equivida* includes coverage for spouses and children, making protection more appropriate for a family. The savings and credit cooperatives offer savings, credit, insurance, remittances and other services that respond to their members' households. In contrast, traditionally, specialized MFIs have focused on the financial needs of individual microentrepreneurs. *Equivida* and *Amparar* provide lessons to be learned for the protection and risk management of both households and their enterprises.

Other Challenges

- *Competition and synergies within the cooperatives sector:* One of the major competitors of La Equidad is La Solidaria. This insurer also serves a large number of cooperatives. There seems to be a need for a cooperative-sector strategy, one that does not reduce healthy competition, but contributes to challenge how the cooperatives provide protection of the lower-income population and collaborate in disseminating knowledge and information.
- *Other insurance products:* As La Equidad becomes more aware of the clientele served by MFIs, it will be in a better position to assess other insurance products that can be offered to the low-income groups, such as non-life products.
- *Make insurance a line of products for cooperatives' members:* Several brochures of products collected from cooperatives do not show insurance. The brochures present Investment Lines (for savings and deposits) and Lines of Credit (a variety of lines for agriculture, vehicle, trade, etc). There is nothing on insurance products. This might be a future area of research for La Equidad.
- *Linking microinsurance to other products in cooperatives:* The experience from *Amparar* shows that it is possible to link insurance with another product, such as credit. Cooperatives (particularly credit unions) have savings/deposits and other services (e.g., solidarity funds) that might prove to be even more beneficial.

Other Research Issues

- *Insurance-related culture:* Interviewees often talked about the “lack of insurance culture” among the low-income population. It might be useful to research the difference between lack of “culture” vs. the lack of information and knowledge about insurance to identify the real factors that inhibit the low-income households from purchasing insurance.
- *Protection-related culture:* Another research issue is protection. As Colombia’s insurers become more competitive, and the government’s policies on social protection also become more efficient and effective, there might be more areas of common interest in developing a culture of protection based on knowledge and information about what is available in the market at a price or subsidized (e.g., preventive health system). La Equidad and its partners can collaborate with efforts to educate clients/members about how insurance can contribute to better managing their risks and vulnerability.

Appendix 1: Premiums Collected

COMPARATIVE DATA AS OF DECEMBER 2003 Vs. DECEMBER 2004 MILLION PESOS

(2,412=USD\$1 in 2004 and 2,760=US\$1 in 2003)

#	COMPANIES	GENERAL			LIFE			TOTAL PREMIUMS		
		Dec-03	Dec-04	change	Dec-03	Dec-04	Change	Dec-03	Dec-04	Change
1	SURAMERICANA	381,170	376,911	-1.1%	525,021	590,632	12.5%	906,191	967,542	6.8%
2	COLSEGUROS	406,205	420,285	3.5%	154,854	137,158	-11.4%	561,058	557,443	-0.6%
3	BOLIVAR	232,060	249,504	7.5%	286,573	306,199	6.8%	518,633	555,703	7.1%
4	LIBERTY	402,666	423,507	5.2%	58,664	71,208	21.4%	461,330	494,715	7.2%
5	LA PREVISORA (Public)	415,879	406,350	-2.3%	25,589	29,661	15.9%	441,468	436,011	-1.2%
6	COLPATRIA	164,330	162,590	-1.1%	200,798	188,546	-6.1%	365,128	351,135	-3.8%
7	DEL ESTADO	282,954	318,929	12.7%	15,482	20,139	30.1%	298,436	339,068	13.6%
8	AGRICOLA	204,073	249,298	22.2%	53,311	73,805	38.4%	257,384	323,102	25.5%
9	ROYAL	176,496	165,724	-6.1%	104,088	112,918	8.5%	280,584	278,642	-0.7%
10	ALFA	37,699	33,960	-9.9%	215,235	194,623	-9.6%	252,934	228,583	-9.6%
11	MAPFRE	121,259	137,076	13.0%	69,621	71,233	2.3%	190,880	208,308	9.1%
12	CENTRAL (Public)	153,080	168,807	10.3%	784	1,080	37.8%	153,864	169,888	10.4%
13	AIG SEGUROS	95,547	129,228	35.3%	27,007	39,136	44.9%	122,555	168,364	37.4%
14	SOLIDARIA	140,372	160,385	14.3%	0	0	0.0%	140,372	160,385	14.3%
15	SURATEP	0	0	0.0%	111,191	131,122	17.9%	111,191	131,122	17.9%
16	BBVA SEGUROS	33,972	32,154	-5.4%	86,137	95,499	10.9%	120,109	127,653	6.3%
17	SKANDIA	0	0	0.0%	11,205	89,090	695.1%	11,205	89,090	695.1%
18	COLMENA	0	0	0.0%	73,169	88,875	21.5%	73,169	88,875	21.5%
19	GENERALI	75,278	73,186	-2.8%	10,381	10,513	1.3%	85,660	83,699	-2.3%
20	LA EQUIDAD	19,642	22,702	15.6%	65,820	60,368	-5.0%	85,462	83,070	-0.1%
21	CHUBB	84,848	80,338	-5.3%	0	0	0.0%	84,848	80,338	-5.3%
22	ACE	72,410	68,281	-5.7%	0	0	0.0%	72,410	68,281	-5.7%
23	MUNDIAL	61,238	60,881	-0.6%	0	0	0.0%	61,238	60,881	-0.6%
24	CONFIANZA	37,348	41,406	10.9%	0	0	0.0%	37,348	41,406	10.9%
25	AURORA	0	0	0.0%	33,253	23,439	-29.5%	33,253	23,439	-29.5%
26	CONDOR	56,351	11,586	-79.4%	0	0	0.0%	56,351	11,586	-79.4%
27	PANAMERICAN	0	0	0.0%	10,265	10,345	0.8%	10,265	10,345	0.8%
28	SEGUREXPO	7,844	8,619	9.9%	0	0	0.0%	7,844	8,619	9.9%
29	CREDISEGURO	6,527	8,345	27.9%	0	0	0.0%	6,527	8,345	27.9%
TOTAL		3,669,248	3,810,048	3.8%	2,136,165	2,345,591	9.8%	5,805,412	6,155,638	6.0%
Source: Prepared by La Equidad Insurance for MicroInsurance Centre based on data from FASECOLDA, 2005										

Appendix 2: Comparative Industry Data by Insurance Type

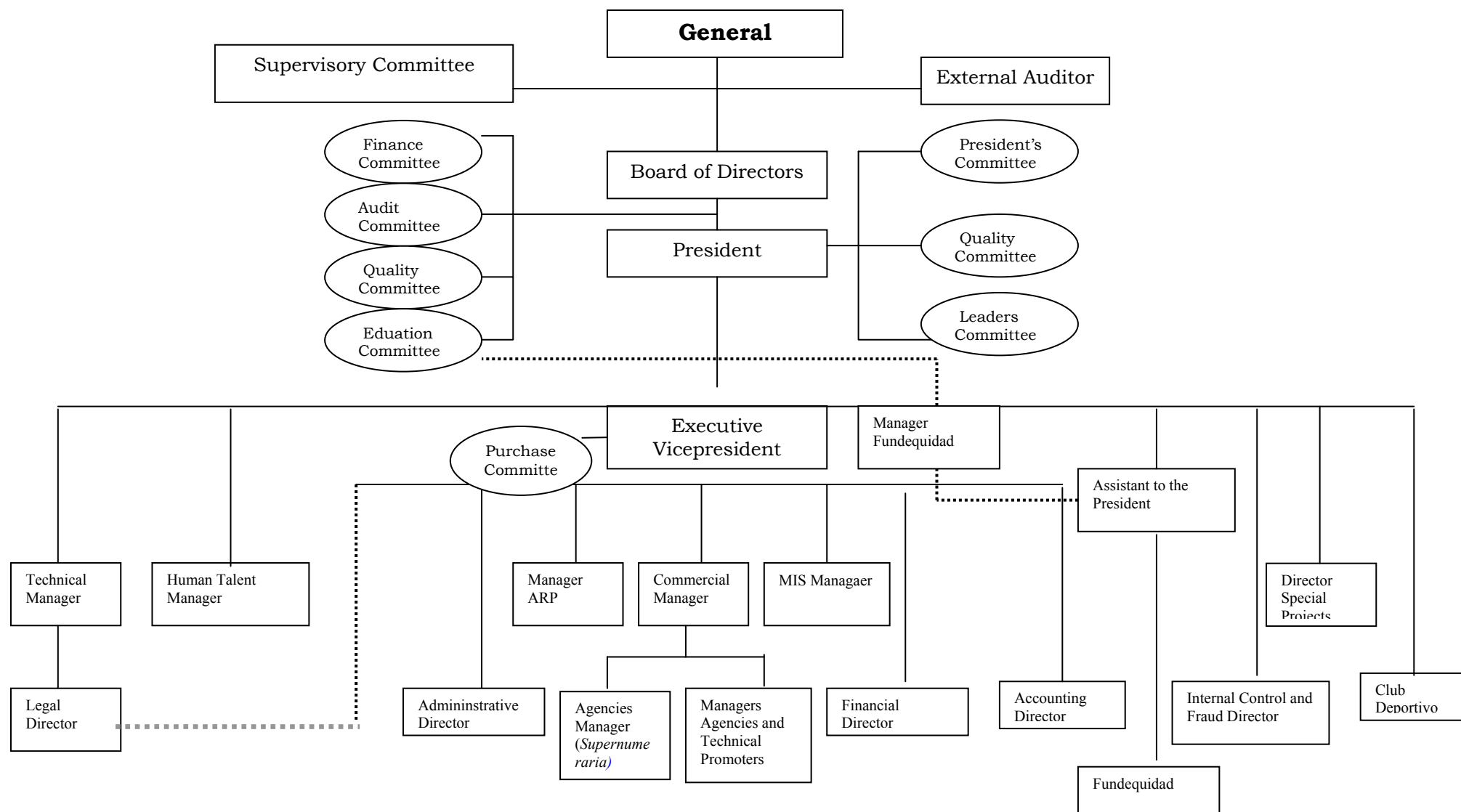
JANUARY - DECEMBER 2004 Vs 2003

(Million CoP)

	PREMIUMS ISSUED			CLAIMS PAID		
	2,003	2,004	VAR (%)	2,003	2,004	VAR (%)
Fire	437,934	393,469	-10.2%	143,226	117,666	-17.8%
Vehicle	944,620	1,055,716	11.8%	465,713	529,850	13.8%
Engineering	332,638	308,071	-7.4%	99,500	96,477	-3.0%
Transports	226,637	223,275	-1.5%	65,269	55,831	-14.5%
Fulfillment (<i>Cumplimiento</i>)	190,036	198,015	4.2%	41,543	36,763	-11.5%
Theft	80,393	80,076	-0.4%	25,273	27,368	8.3%
<i>Manejo</i>	117,754	109,125	-7.3%	28,065	33,706	20.1%
Family Integral	32,002	33,817	5.7%	10,882	10,302	-5.3%
Civil Responsibility	211,886	225,272	6.3%	35,586	46,368	30.3%
Other	22,051	23,529	6.7%	9,337	4,978	-46.7%
SUBTOTAL INJURY/DAMAGE	2,595,951	2,650,365	2.1%	924,393	959,308	3.8%
Aviation	113,027	124,240	9.9%	33,606	16,943	-49.6%
Earthquake	351,014	342,251	-2.5%	10,272	9,931	-3.3%
TOTAL INSURANCE INJURY/DAMAGE	3,059,992	3,116,856	1.9%	968,272	986,182	1.8%
Life Individual	340,856	339,068	-0.5%	143,507	153,014	6.6%
Colective and Group Life	584,210	633,195	8.4%	257,292	300,091	16.6%
Education	67,217	85,084	26.6%	2,703	2,849	5.4%
Health	313,759	341,861	9.0%	257,278	241,252	-6.2%
Accidents Personal	128,004	148,690	16.2%	50,191	62,637	24.8%
Other (Persons)	57,000	142,841	150.6%	26,183	40,696	55.4%
TOTAL INSURANCE PERSONS	1,491,045	1,690,738	13.4%	737,154	800,539	8.6%
Previsional Insurance	332,282	339,006	2.0%	231,041	231,083	0.0%
Life Pension	196,770	160,645	-18.4%	47,401	60,421	27.5%
Professional Risk	398,261	467,237	17.3%	122,028	140,995	15.5%
TOTAL SOCIAL PROTECTION	927,313	966,887	4.3%	400,471	432,498	8.0%
TOTAL WITHOUT OBLIGATORY VEHICLE INSURANCE	5,478,350	5,774,482	5.4%	2,105,896	2,219,219	5.4%
OBLIGATORY VEHICLE INSURANCE	327,126	381,669	16.7%	170,159	198,465	16.6%
TOTAL	5,805,476	6,156,150	6.0%	2,276,055	2,417,684	6.2%

Source: FASECOLDA . Preliminary data January –December 2004.

Appendix 3: La Equidad's Organisational Structure



Appendix 4: La Equidad Operating Results

LA EQUIDAD GENERAL AND LA EQUIDAD LIFE EQUIDAD CONSOLIDATED December 31, 2004

Million Pesos

C U E N T A S	General	Life	Consolidated	General	Life	Consolidated
PREMIUM ISSUED	22,702	60,368	83,070	100.0%	100.0%	100.0%
PREMIUMS ACCEPTED	0	0	0			
PREMIUMS <i>(relinquished)</i>	5,444	5	5,449			
RETAINED PREMIUMS	17,258	60,364	77,622			
RESERVES (CHANGES)	1,410	(258)	1,152			
PREMIUMS EARNED	15,849	60,622	76,470			
LA EQUIDAD PREMIUMS EARNED	21,293	60,626	81,919			
CLAIMS PAID	6,762	43,187	49,949	29.8%	71.5%	60.1%
ACCEPTANCE CLAIMS	176	327	503			
REIMBURSEMENT CLAIMS/CESIONES	1,133	0	1,133			
CLAIMS RETAINED	5,805	43,514	49,319			
RESERVES CHANGES	1,025	7,528	8,553			
INCURRED CLAIMS	6,829	51,043	57,872			
OTHER PRODUCTS OF INSURANCE	361	154	515	1.6%	0.3%	0.6%
COMMISSIONS AND OTHER INCOME						
REINSURANCE	1,867	1	1,868	8.2%	0.0%	2.2%
COMMISSIONS AND OTHE GASTOS	1,959	662	2,621	8.6%	1.1%	3.2%
DIRECTOS DIRECT EXPENSES						
OTHER COSTS AND OTHER REINSURANCE	1,405	564	1,969	6.2%	0.9%	2.4%
GROSS TECHNICAL RESULTS	7,884	8,508	16,391	34.7%	14.1%	19.7%
PERSONNEL EXPENSES	2,209	4,296	6,505	9.7%	7.1%	7.8%
ADMINISTRATIVE EXPENSES	6,036	7,106	13,142	26.6%	11.8%	15.8%
NET TECHNICAL RESULT	(361)	(2,895)	(3,256)	-1.6%	-4.8%	-3.9%
INVESTMENT REVENUE	1,693	4,605	6,298	7.5%	7.6%	7.6%
FINANCIAL COST	342	319	660	1.5%	0.5%	0.8%
OTHER REVENUES	2,982	216	3,198	13.1%	0.4%	3.9%
OTHER COST	407	377	784	1.8%	0.6%	0.9%
INCOME BEFORE TAXES	3,565	1,231	4,796	15.7%	2.0%	5.8%
INCOME TAX AND OTHER	0	0	0		0.0%	0.0%
NET INCOME	3,565	1,231	4,796	15.7%	2.0%	5.8%
GASTOS ADMINISTRATIVOS (II)*	6,104	7,294	13,398	26.9%	12.1%	16.1%
RESULTADO TECNICO NETO (I)	(361)	(2,895)	(3,256)	-1.6%	-4.8%	-3.9%
RESULTADO TECNICO NETO (II)*	(429)	(3,083)	(3,512)	-1.9%	-5.1%	-4.2%
GASTOS FINANCIEROS (II)*	274	131	405	1.2%	0.2%	0.5%

Appendix 5: Typical *Equivida* Agreement

<i>EQUIVIDA</i> -TYPICAL AGREEMENT						
PRODUCTION BUDGET – FEASIBILITY STUDY						
Concept	Year 1	Year 2	Year 3	Year 4	Year 5	
Potencial Market	500	550	578	578	578	
Insured Included First Month	42	46	48	48	48	
Percent Penetration (%)	100	100	100	100	105	
Average Insured Value	40,000,000	40,000,000	60,000,000	60,000,000	80,000,000	
Number Of Insured Per Year	500	550	578	578	578	
Average Monthly Premium Per Insured	26,552	26,552	39,828	39,828	53,104	
Monthly Premium Total	13,276,000	14,603,600	23,020,584	23,020,584	30,694,112	
Year Premium Total	84,557,886	101,469,464	121,763,356	146,116,028	175,339,233	
Participation Expenses -Institution (15%)	12,683,683	15,220,420	18,264,503	21,917,404	26,300,885	
Participation Expense Promoter (5%)	4,227,894	5,073,473	6,088,168	7,305,801	8,766,962	

Appendix 6: *Equivida* Premiums

TOTAL PREMIUMS - ASSUMING <i>EQUIVIDA</i> + VEHICLE INSURANCE					
<i>Colombia Pesos</i>					
CONCEPT	Year1	Year 2	Year 3	Year 4	Year 5
<i>EQUIVIDA</i>					
INSURANCE	84,557,886	101,469,464	121,763,356	146,116,028	175,339,233
VEHICLE INSURANCE	16,339,050	23,528,232	32,939,525	45,174,205	60,985,177
TOTAL \$	100,896,936	124,997,696	154,702,881	191,290,233	236,324,411

Appendix 7: Administrative Expenses

TOTAL PARTICIPATION FOR THE INSTITUTION					
ADMINISTRATIVE EXPENSES					
<i>Colombian Pesos</i>					
<i>EQUIVIDA</i>	12,683,683	15,220,420	18,264,503	21,917,404	26,300,885
VEHICLE	1,633,905	2,352,823	3,293,952	4,517,421	6,098,518
TOTAL \$	2,683,683	15,220,420	18,264,503	21,917,404	26,300,885

Appendix 8: Promoter Costs

COST LA EQUIDAD PROMOTER					
<i>Colombian Pesos</i>					
<i>EQUIVIDA</i>	4,227,894	5,073,473	6,088,168	7,305,801	8,766,962
VEHICULOS	326,781.0	470,564.6	658,790.5	903,484.1	1,219,703.5
TOTAL \$	5,044,847	6,249,885	7,735,144	9,564,512	11,816,221

Appendix 9: *Equivida* Feasibility Study Data

AGREEMENT WITH A TYPICAL COOP ³⁰					
TOTAL INSURANCE <i>EQUIVIDA</i>					
PARAMETERS	Year 1	Year 2	Year 3	Year 4	Year 5
INITIAL PREMIUMS ISSUED in <i>CoP\$</i>	100,896,936	124,997,696	154,702,881	191,290,233	236,324,411
GROWTH RATE PREMIUMS		24%	24%	24%	24%
GROWTH RATE EXPENSES	6%	6%	6%	6%	6%
CLAIMS RATIO	50%	50%	50%	50%	50%
REINSURANCE COST	1%	1%	1%	1%	1%
PROMOTER COMMISSION	5%	5%	5%	5%	5%
ADMINISTRATIVE AND COLLECTION EXPENSES	15%	15%	15%	15%	15%
PUBLICITY AND SALES PROMOTION	2%	2%	2%	2%	2%
TAXES	1%	1%	1%	1%	1%
AGREEMENT TYPICAL COOPERATIVE	Colombian Pesos				
1. INSURANCE REVENUE	100,896,936	124,997,696	154,702,881	191,290,233	236,324,411
A) Gross Premiums Issued	100,896,936	124,997,696	154,702,881	191,290,233	236,324,411
2. COSTS OF INSURANCE	90,992,989	107,246,847	132,313,758	163,110,314	200,941,917
B) Technical Reserve (Net)	6,535,620	2,875,673	3,764,517	4,893,872	6,324,389
C) Claims Reserve (Net)	4,718,066	6,106,101	7,546,918	9,319,818	11,500,001
D) Claims Paid (Net)	50,448,468	62,498,848	77,351,441	95,645,117	118,162,205
E) Cost of Reinsurance	1,008,969	1,249,977	1,547,029	1,912,902	2,363,244
F) Promoter Commission	5,044,847	6,249,885	7,735,144	9,564,512	11,816,221
G) Administive and Collection Expenses	12,683,683	15,220,420	18,264,503	21,917,404	26,300,885
H) Personnel Expenses	0	0	0	0	0
I) Generales Expenses	211,400	233,680	247,160	249,440	251,720
J) Participation (Overhead) General Directors	5,297,089	6,562,379	8,121,901	10,042,737	12,407,032
K) Publicity and Sales Promotion	2,017,939	2,499,954	3,094,058	3,825,805	4,726,488
L) Provision Pending Premiums (Net, includes bad debts)	2,017,939	2,499,954	3,094,058	3,825,805	4,726,488
M) Taxes	1,008,969	1,249,977	1,547,029	1,912,902	2,363,244
OPERACIONAL RESULTS	9,903,947	17,750,849	22,389,124	28,179,919	35,382,494
Cash Flow Net	23,175,572	29,232,577	36,794,617	46,219,414	57,933,372
Investment income	562,684	775,870	1,036,136	1,369,475	1,794,704
Net Profit	10,466,632	18,526,718	23,425,260	29,549,394	37,177,197
Accumulated Profit	10,466,632	28,993,350	52,418,610	81,968,004	119,145,202
NET PROFITS/TOTAL PREMIUMS ISSUED	10.37%	14.82%	15.14%	15.45%	15.73%

³⁰ This study was actually prepared for a cooperative.

Appendix 10: Budgetary Data for a Coop

AGREEMENT WITH A TYPICAL COOP ³¹					
TOTAL INSURANCE <i>EQUIVIDA</i>					
INDICATORS	Year 1	Year 2	Year 3	Year 4	Year 5
CLAIMS PAID	50.00%	50.00%	50.00%	50.00%	50.00%
COST OF REINSURANCE	1.00%	1.00%	1.00%	1.00%	1.00%
COST OF INTERMEDIATION	18%	17%	17%	16%	16%
PERSONNEL EXPENSES	0.0%	0.0%	0.0%	0.0%	0.0%
COST OF COLLECTIONS	2.00%	2.00%	2.00%	2.00%	2.00%
NUMBER OF EMPLOYEES	1	1	1	1	1
PREMIUMS PER EMPLOYEE	100,896,936	124,997,696	154,702,881	191,290,233	236,324,411
OPERATIONAL RESULT PER EMPLOYEE	9,903,947	17,750,849	22,389,124	28,179,919	35,382,494

³¹ This study was actually prepared for a cooperative.

Appendix 11: Example of *Amparar's* Monthly Report

WOMEN'S WORLD FOUNDATION AGREEMENT AMPARAR GROUP INSURANCE MONTHLY REPORT BY AGENCY - NOVEMBER 2004 - MARCH 2005 Colombian Pesos								
WOMEN'S WORLD FOUNDTION BRANCHES	# ANALYSTS	MONTHLY TARGET		# POLICIES	TOTAL REALIZADO (MES)			
		NUMBER	VALUE		VALUE	AVG. INSURED VALUE	ACHIEVEMENT BUDGET	PREMIUM YEAR
FLORIDABLANCA	10	150	471,000	132	366,698	5,343,485	77.86%	4,400,376
GIRON	8	120	376,800	145	396,906	4,268,966	105.34%	4,762,872
BUCARAMANGA	10	150	471,000	135	507,123	7,549,407	107.67%	6,085,476
PIEDRECUESTA	6	90	282,600	104	318,900	5,403,365	112.85%	3,826,800
CUCUTA	18	270	847,800	179	561,325	5,507,095	66.21%	6,735,900
VALLEDUPAR	11	165	518,100	105	317,760	5,363,429	61.33%	3,813,120
BARRANCABERMEJA	6	90	282,600	0	0	0	0.00%	0
SUBTOTAL	69	1035	3,249,900	800	2,468,712	4,776,535	75.96%	29,624,544
FLORIDABLANCA	11	165	518,100	84	239,132	4,297,619	46.16%	2,869,584
GIRON	9	135	423,900	61	166,945	3,786,885	39.38%	2,003,340
BUCARAMANGA	10	150	471,000	208	831,094	63,394,231	176.45%	9,973,128
PIEDRECUESTA	6	90	282,600	122	408,096	5,278,689	144.41%	4,897,152
CUCUTA	18	270	847,800	369	1,114,041	4,962,060	131.40%	13,368,492
VALLEDUPAR	11	165	518,100	71	217,413	4,704,225	41.96%	2,608,956
BARRANCABERMEJA	6	90	282,600	0	0	0	0.00%	0
SUBTOTAL	71	1065	3,344,100	915	2,976,721	12,346,244	89.01%	35,720,652
FLORIDABLANCA	11	165	518,100	180	543,649	4,616,666	104.93%	6,523,788
GIRON	9	135	423,900	127	367,457	4,350,393	86.68%	4,409,484
BUCARAMANGA	10	150	471,000	144	558,744	6,034,722	118.63%	6,704,928
PIEDRECUESTA	6	90	282,600	83	314,823	6,108,434	111.40%	3,777,876
CUCUTA	18	270	847,800	182	614,782	5,434,035	72.51%	7,377,384
VALLEDUPAR	11	165	518,100	77	252,881	4,922,077	48.81%	3,034,572
BARRANCABERMEJA	6	90	282,600	0	0	0	0.00%	0
SUBTOTAL	71	1065	3,344,100	793	2,652,336	4,495,190	79.31%	31,828,032
FLORIDABLANCA	11	165	518,100	236	830,383	5,422,881	160.27%	9,964,596
GIRON	9	135	423,900	140	436,065	4,742,857	102.87%	5,232,780
BUCARAMANGA	10	150	471,000	193	668,577	5,352,332	141.95%	8,022,924
PIEDRECUESTA	6	90	282,600	76	254,583	5,276,316	90.09%	3,054,996
CUCUTA	18	270	847,800	238	745,124	4,945,378	87.89%	8,941,488
VALLEDUPAR	11	165	518,100	138	455,470	4,920,290	87.91%	5,465,640
BARRANCABERMEJA	6	90	282,600	47	135,548	4,340,425	47.96%	1,626,576
SUBTOTAL	71	1065	3,344,100	1068	3,525,750	5,000,068	105.43%	42,309,000
FLORIDABLANCA	11	165	518,100	136	455,765	5,147,058	87.97%	5,469,180
GIRON	9	135	423,900	112	358,777	4,857,142	84.64%	4,305,324
BUCARAMANGA	10	150	471,000	116	358,299	4,689,655	76.07%	4,299,588
PIEDRECUESTA	6	90	282,600	39	137,694	5,615,384	48.72%	1,652,328
CUCUTA	18	270	847,800	220	704,320	4,936,363	83.08%	8,451,840
VALLEDUPAR	11	165	518,100	97	304,188	4,587,629	58.71%	3,650,256
BARRANCABERMEJA	6	90	282,600	58	176,746	4,655,172	62.54%	2,120,952
SUBTOTAL	71	1065	3,344,100	778	2,495,789	4,926,915	74.63%	29,949,468
TOTAL	71	1065	16,626,300	4354	14,119,308	31,544,952	84.92%	169,431,696

Appendix 12-A: Example of *Amparar* Insurance Policy Form

SOLICITUD - CERTIFICADO DE SEGURO DE VIDA GRUPO





CERTIFICADO No. **9790** Fundación Mundial De La Mujer
Crédito Afectivo

Tomador: FUNDACIÓN MUNDIAL DE LA MUJER NIT No. 890.212.341-6 POLIZA No. AA001192

AGENCIA: PRINCIPAL ☒ FLORIDABLANCA ☐ GIRON ☐ PIEDECUESTA ☐ CUCUTA ☐ VALLEDUPAR ☐ B. MEJA ☐ STA MARTA ☐

DATOS DEL ASEGURADO

NOMBRES Y APELLIDOS: Donceles DOMÍNGUEZ CÉDULA: 91288 DE _____

LUGAR DE NACIMIENTO: _____ FECHA DE NACIMIENTO: _____ OCUPACIÓN: _____

DESIGNACIÓN DE BENEFICIARIOS

NOMBRES Y APELLIDOS	%	PARENTESCO	NOMBRES Y APELLIDOS	%	PARENTESCO

AMPARO BÁSICO	PLAN 1	PLAN 2	PLAN 3	PLAN 4	PLAN 5	PLAN 6
o MUERTE POR CUALQUIER CAUSA	\$3.000.000	\$5.000.000	\$7.000.000	\$10.000.000	\$15.000.000	\$20.000.000
o INCAPACIDAD TOTAL Y PERMANENTE	\$3.000.000	\$5.000.000	\$7.000.000	\$10.000.000	\$15.000.000	\$20.000.000
o MERCACHEQUE 12 MESES	\$60.000	\$90.000	\$110.000	\$150.000	\$200.000	\$250.000
o PAGO DE SERVICIOS PÚBLICOS 12 MESES	\$30.000	\$50.000	\$80.000	\$100.000	\$120.000	\$150.000
o ASISTENCIA EXEQUIAS (suma única)	\$150.000	\$250.000	\$300.000	\$400.000	\$600.000	\$800.000
PRIMA DE CONTADO	() \$23.004	() \$37.680	() \$52.092	() \$72.852	() \$105.696	() \$139.200

AMPARO OPCIONAL	PLAN 1	PLAN 2	PLAN 3	PLAN 4	PLAN 5	PLAN 6
o GASTOS DE EDUCACIÓN PARA HIJOS 24 MESES	\$35.000	\$45.000	\$60.000	\$90.000	\$135.000	\$180.000
PRIMA DE CONTADO	() \$4.740	() \$6.096	() \$8.124	() \$12.180	() \$18.276	() \$24.360

Marque con una (x) en el plan escogido la prima a pagar.
Es requisito tomar el amparo básico para poder tomar el amparo opcional y para el mismo plan.
VIGENCIA: Un año a partir de la hora 24 de la firma de este certificado y desembolso del crédito.

PAGO MENSUAL ☐ PAGO TRIMESTRAL ☐ PAGO SEMESTRAL ☐ PAGO DE CONTADO ☐ **PRIMA TOTAL A PAGAR** QUINCE MIL

Declaración de Asegurabilidad
Como asegurado principal, garantizo que en este momento de ingreso a la póliza, me encuentro en buen estado de salud y mi habilidad física no se encuentra en manera alguna afectada y no he padecido ni me ha sido diagnosticada ninguna enfermedad: cerebro vascular, cardiovascular, hipertensión arterial, diabetes, cáncer, diabetes, cáncer SIDA, alcoholismo, tabaquismo, drogadicción, y en general ninguna enfermedad preexistente que de acuerdo con el artículo 1058 del código de comercio conduzca a la nulidad del contrato de seguro. Así mismo, autorizo expresamente a cualquier médico, empleado de hospital o persona que me haya atendido, a suministrar toda la información solicitada por LA EQUIDAD SEGUROS DE VIDA O.C., sobre el estado de salud pasado o presente, y a entregar mi historia clínica. Esta autorización se hace extensiva aún después de mi fallecimiento.
En constancia se firma en _____ a los _____ del mes _____ del año _____.

MUELLA DACTILAR Código Promotor

Autorización de descuento
Autorizo a la Fundación Mundial de la Mujer, para que descuenta del desembolso de mi crédito la prima ANUAL (), que genera la expedición de este seguro. Desembolso de Crédito (), Número _____ Oficina _____

AUTORIZACIÓN, CONSULTA Y REPORTE A LAS CENTRALES DE INFORMACIÓN
"Para Efectos de consolidar una política de conocimiento al asegurado y velar por el efectivo cumplimiento de las garantías constitucionales establecidas, autorizo permanente e irrevocablemente a: La Equidad Seguros de Vida O.C. o a quien este delegue o represente sus derechos o a quien en un futuro se hayan cedido sus derechos u ostente su misma posición contractual para que consulte, procese, reporte, suministre retire y actualice mis datos o cualquier otra información que se obtenga en virtud de mi comportamiento como deudor y de la relación comercial establecida con La Equidad a la central de información de la Asociación Bancaria y de Instituciones Financieras de Colombia o a cualquier otra central de información debidamente constituida. La presente autorización faculta a La Equidad Seguros para que pueda consultar o solicitar información sobre las relaciones comerciales que tengo con cualquier otra entidad financiera."

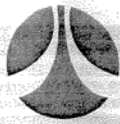
DECLARACIÓN DEL ORIGEN DE LOS BIENES OBJETO DEL SEGURO
Obrando en nombre propio de manera voluntaria y dando certeza de que todo lo aquí consignado es cierto, declaro que mis ingresos y mis activos provienen de actividades lícitas conforme a los datos consignados en este formulario, igualmente declaro que no efectuaré transacciones destinadas a tales actividades ilícitas o a favor de personas relacionadas con las mismas. En constancia se firma en _____ a los _____ días del mes de _____ del año _____.

Firma _____ C.C. _____

SUS-034 (10/2004)

Appendix 12-B: Example of *Equivida* Insurance Policy Form

**SOLICITUD - CERTIFICADO DE SEGURO
INTEGRAL DE VIDA GRUPO**


**LA EQUIDAD
SEGUROS DE VIDA
ORGANISMO COOPERATIVO**

CERTIFICADO No. 34183

TOMADOR: Conulseb 7da. **NIT No.** 890-204-348-3 **POLIZA No.** A100071

NOMBRES Y APELLIDOS: Vicente Gonzalez Macias **ASEGURADO PRINCIPAL** **CEDULA:** 91.390.493 **DE:** Banichara

DIRECCION RESIDENCIA: Vereda Santa Elena Bajo **TELÉFONO:** _____ **CIUDAD:** Banichara

LUGAR DE NACIMIENTO: Banichara **FECHA DE NACIMIENTO:** 27/09/74 **EMPRESA:** _____ **CARGO/OCCUPACION:** Agricultor.

DESIGNACIÓN DE BENEFICIARIOS DEL ASEGURADO PRINCIPAL

NOMBRES Y APELLIDOS	%	PARENTESCO	NOMBRES Y APELLIDOS	%	PARENTESCO
<u>Diana Suenahora</u>	<u>25</u>	<u>Esposa</u>	<u>Maria Angelica Gonzalez</u>	<u>25</u>	<u>Hija</u>
<u>Diana Marcela Gonzalez</u>	<u>25</u>	<u>Hija</u>	<u>Margame Gonzalez</u>	<u>25</u>	<u>Hija</u>

ESCOJA UN PLAN QUE SE AJUSTE A SUS NECESIDADES DE PROTECCIÓN (VER RESPALDO) YENIENDO EN CUENTA QUE:

- El límite máximo de responsabilidad de La Equidad es de \$100,000,000 en uno o varios certificados expedidos para el mismo asegurado principal y/o grupo familiar en la cobertura básica.
- Es requisito tomar la cobertura básica para poder tomar cualquiera de los amparos opcionales y para el mismo grupo asegurado.
- Los valores asegurados y coberturas de cada amparo véalos al respaldo de este certificado.
- Marque con una (X) en el plan escogido, la prima mensual a pagar dependiendo del grupo familiar conformado y el amparo opcional deseado.

GRUPO FAMILIAR	PRIMAS MENSUALES					
	PLAN 10	PLAN 20	PLAN 40	PLAN 60	PLAN 80	PLAN 100
AMPARO BÁSICO						
1. ASEGURADO PRINCIPAL	\$ 3.713	\$ 7.426	\$ 14.852	\$ 22.278	\$ 29.704	\$ 37.130
2. ASEGURADO PRINCIPAL Y CONYUGE	\$ 6.638	\$ 13.276	\$ 26.552	\$ 39.828	\$ 53.104	\$ 66.380
3. ASEGURADO PRINCIPAL, CONYUGE E HIJOS	\$ 9.225	\$ 18.450	\$ 36.900	\$ 55.350	\$ 73.800	\$ 92.250
4. ASEGURADO PRINCIPAL E HIJOS	\$ 6.300	\$ 12.600	\$ 25.200	\$ 37.800	\$ 50.400	\$ 63.000
AMPARO OPCIONAL UNO						
1. ASEGURADO PRINCIPAL	\$ 1.470	\$ 2.940	\$ 5.880	\$ 8.820	\$ 11.760	\$ 14.700
2. ASEGURADO PRINCIPAL Y CONYUGE	\$ 2.940	\$ 5.880	\$ 11.760	\$ 17.640	\$ 23.520	\$ 29.400
3. ASEGURADO PRINCIPAL, CONYUGE E HIJOS	\$ 6.747	\$ 13.494	\$ 26.988	\$ 40.482	\$ 53.976	\$ 67.470
4. ASEGURADO PRINCIPAL E HIJOS	\$ 5.277	\$ 10.554	\$ 21.108	\$ 31.662	\$ 42.216	\$ 52.770
AMPARO OPCIONAL DOS						
1. ASEGURADO PRINCIPAL	\$ 3.354	\$ 6.708	\$ 13.416	\$ 20.124	\$ 26.832	\$ 33.540
2. ASEGURADO PRINCIPAL Y CONYUGE	\$ 4.944	\$ 9.888	\$ 19.776	\$ 29.664	\$ 39.552	\$ 49.440
3. ASEGURADO PRINCIPAL, CONYUGE E HIJOS	\$ 6.671	\$ 13.342	\$ 26.684	\$ 40.026	\$ 53.368	\$ 66.710
4. ASEGURADO PRINCIPAL E HIJOS	\$ 5.081	\$ 10.162	\$ 20.324	\$ 30.486	\$ 40.648	\$ 50.810
AMPARO OPCIONAL TRES						
1. ASEGURADO PRINCIPAL	\$ 280	\$ 560	\$ 1.120	\$ 1.680	\$ 2.240	\$ 2.800
2. ASEGURADO PRINCIPAL Y CONYUGE	\$ 560	\$ 1.120	\$ 2.240	\$ 3.360	\$ 4.480	\$ 5.600
3. ASEGURADO PRINCIPAL, CONYUGE E HIJOS	\$ 1.680	\$ 3.360	\$ 6.720	\$ 10.080	\$ 13.440	\$ 16.800
4. ASEGURADO PRINCIPAL E HIJOS	\$ 1.400	\$ 2.800	\$ 5.600	\$ 8.400	\$ 11.200	\$ 14.000

INICIO DE VIGENCIA: A partir de la hora 24 de la firma del presente certificado, siempre y cuando el recado de la prima se produzca dentro de los 30 días siguientes.

PRIMA TOTAL A PAGAR (DE ACUERDO A FORMA DE PAGAR) 14852 =

RELACIONE EL GRUPO FAMILIAR DE ACUERDO A LA OPCIÓN ELEGIDA EN EL CUADRO ANTERIOR

NOMBRES Y APELLIDOS	EDAD	PARENTESCO	NOMBRES Y APELLIDOS	EDAD	PARENTESCO

MIEMBRO DEL GRUPO FAMILIAR QUE NO SE ENCUENTRE DEBIDAMENTE RELACIONADO NO GOZARÁ DE COBERTURAS POR ESTA POLIZA

DECLARACIÓN DE ASEGURABILIDAD

Como asegurado principal garantizo, que en este momento de ingreso a la póliza, mi cónyuge o compañera (o) permanente, mis hijos y yo, nos encontramos en buen estado de salud y nuestra habilidad física no se encuentra en manera alguna reducida y no hemos padecido ni nos ha sido diagnosticada ninguna enfermedad preexistente que de acuerdo con el artículo 1058 del código de comercio conduzca a la nulidad del contrato de seguro. Así mismo, autorizo expresamente a cualquier médico, empleado de hospital o persona que me haya atendido a mí o a mi cónyuge o compañera (o) permanente o a alguno de mis hijos, a suministrar toda la información solicitada por La Equidad Seguros de Vida O.C., sobre el estado de salud pasado o presente, y a entregar mi historia clínica. Esta autorización se hace extensiva aún después de mi fallecimiento.

En constancia se firma en Banichara a los 12 del mes Enero del año 2005

X Vicente Gonzalez
FIRMA ASEGURADO PRINCIPAL

[Firma]
FIRMA AUTORIZADA LA EQUIDAD SEGUROS DE VIDA O.C.

AUTORIZACIÓN DE DESCUENTO

Autorizo a _____ para que descuenten en forma MENSUAL () SEMESTRAL () o ANUAL () el valor de las primas que genera la expedición de este seguro de mi:

Cuenta Corriente () Ahorros () Aportes y Depósitos () Nómina () Otra _____ Número _____ Oficina _____

ORIGINAL - CLIENTE - COPIA AMARILLA - ENTIDAD - COPIA ROSADA - LA EQUIDAD

Appendix 13: An Example of an *Amparar* Brochure



COBERTURA

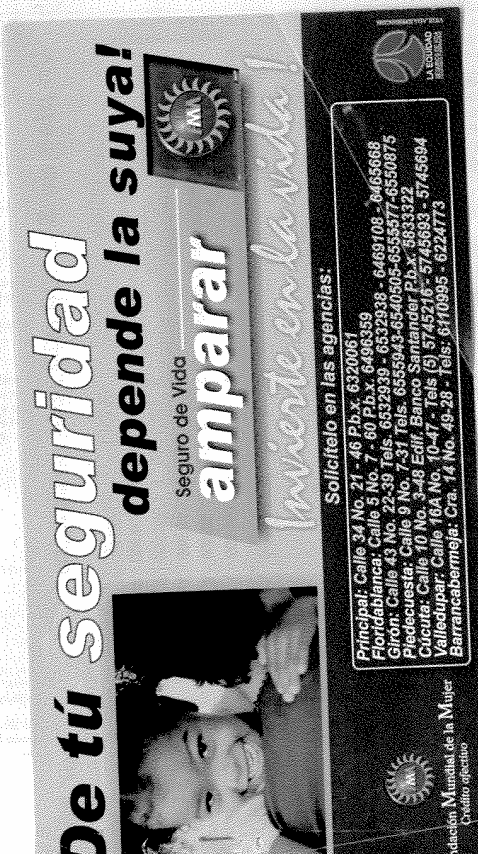
	PLAN 1	PLAN 2	PLAN 3	PLAN 4	PLAN 5	PLAN 6
Muerte por Cualquier Causa	3.000.000	5.000.000	7.000.000	10.000.000	15.000.000	20.000.000
Incapacidad Total y Permanente	3.000.000	5.000.000	7.000.000	10.000.000	15.000.000	20.000.000
Mercacheque 12 meses	60.000	90.000	110.000	150.000	200.000	250.000
Pago de Servicios Públicos 12 meses	30.000	50.000	80.000	100.000	120.000	150.000
Asistencia Ezequiel (Buna única)	150.000	250.000	300.000	400.000	600.000	800.000
PRIMA CONTADO	23.004	37.680	52.092	72.852	105.696	139.200
Prima Mensual	1.917	3.140	4.341	6.071	8.808	11.600

AMPARO OPCIONAL

Gastos de Educación para hijos 24 meses	35.000	45.000	60.000	90.000	135.000	180.000
PRIMA CONTADO	4.740	6.096	8.124	12.180	18.276	24.360
Prima Mensual	395	508	677	1.015	1.523	2.030



Es una Poliza de Vida compuesta por una serie de AMPAROS cuidadosamente analizados, que buscan Protección Integral para todos los usuarios.



De tú seguridad depende la suya!

Seguro de Vida **amparar**

Invierte en la vida!

Solicítelo en las agencias:

Principal: Calle 34 No. 21 - 46 P.b.x. 6320061
 Floridablanca: Calle 5 No. 7 - 60 P.b.x. 6496038 - 6469108 - 6465668
 Girón: Calle 43 No. 22-39 Tels. 6532839 - 653640505-6555577-6550875
 Piedecuesta: Calle 9 No. 7-31 Tels. 6558945-6558945-6553322
 Cúcuta: Calle 10 No. 3-48 Edif. Banco Santander P.b.x. 5833322
 Valledupar: Calle 16A No. 10-47 - Tels. 57145216 - 5745693 - 5745694
 Barrancabermeja: Cra. 14 No. 49-28 - Tels. 8170995 - 6224773

Fundación Mundial de la Mujer
 Crédito ejemplar