



Credit Union's and Mutual Insurance Protection



Securing members' financial stability



ACCU Forum

Korea, September 2010



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What is insurance?

- "Insurance" is the payment of a small predictable amount of money ("premium") to protect against a larger unpredictable expense ("loss/claim")
- Insurance is a form of risk management



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Types of insurance

- Life insurance
 - typically pays out in case of specific events, such as when someone dies
- General insurance, things insured e.g.
 - damage from a car accident
 - property loss from theft, fire etc.
 - financial loss due to specific circumstances e.g. repatriation etc.



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Types of insurance

- Informal
 - no formal arrangement
 - typically composed of people “with something in common”
 - often for specific events e.g. burial, house damage, cattle death etc.
- Formal
 - arrangements are on paper / contract based (policy paper)



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Insurance vs. savings

Ways of protection against financial risks

Insurance

- Shared risk

Savings

- Individual risk



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Insurance serves whom?

- Individuals
 - managing household financial risks
- Investors (e.g. banks, CU's, traders)
 - investment protection



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What is Cooperative / Mutual insurance?

- Members based
- Non-profit
- Cooperative principles apply
 - Incl. open and voluntary participation



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Models insurance

Commercial

- Share holders
- For profit



Cooperative / Mutual

- Members
- Non profit





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Models insurance

Examples of sales models in use;

- Direct customer model
- Agent model
- Partner model
- Partner agent model



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Models insurance

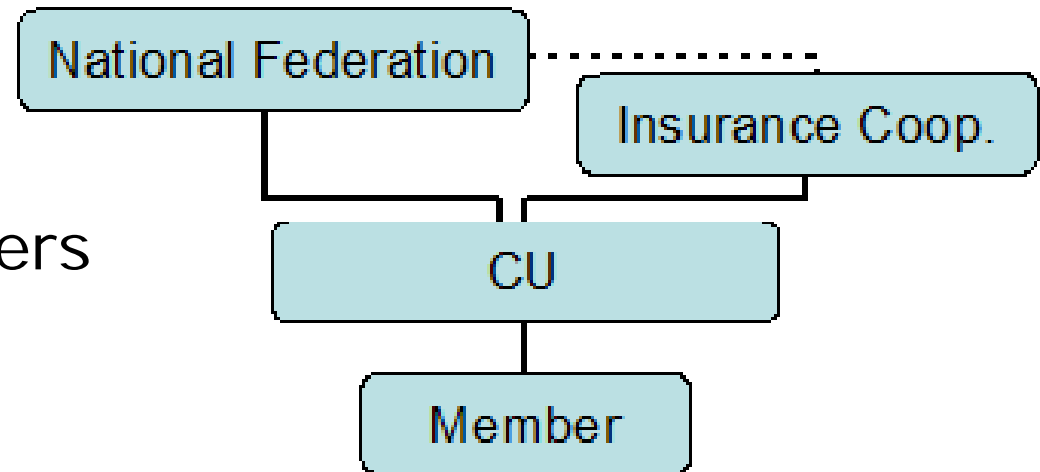
Advantages of the CU sales model;

General:

- Benefit for CU and members
- CU's / Federation ownership possible

Service provision

- Members trust CU
- CU close to members





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Voluntary / Compulsory Insurance pro's and con's

- Life insurance
- Loan loss insurance
- Property damage insurance
- Car insurance



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Case Nepal:

NEFSCUN Mutual Aid Services

- What products, features
- For whom, members profile
- Which areas
- Business model
- Statistics
- Main challenges





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Case Nepal:

What products, features (1)

- Dependency Security Plan (DSP)
 - one year renewable
 - cover Rs. 5,000 – Rs. 100,000
 - double accidental cover
 - no endowment



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Case Nepal:

What products, features (2)

- Cooperative security Policy (CSP)
 - ten year
 - cover Rs. 10,000 – Rs. 50,000
 - double accidental cover
 - endowment of insured amount upon maturing of the policy



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Case Nepal:

For whom, members profile

- Insurance may not be a solution for all members
 - View members risk
 - *high of family income*
 - *amount of dependants*
 - *general financial status*
 - *excluding conditions*





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Case Nepal:

Which areas

- 13 districts (of total 75 in Nepal)
 - Eastern region; Morang, Sunsari, Jhapa
 - Central region; Kathmandu, Bakhtapur, Kavre, Ramechhap, Dolakha
 - Central Terai; Chitwan, Newalparasi, Ghorka
 - Western region; Banke, Bardia, Dang, Pyuthan
- 60 signed Memorandum of Cooperation
 - 21 SACCOS are selling actively
 - 39 SACCOS lined up to start selling



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Case Nepal: Geographical distribution





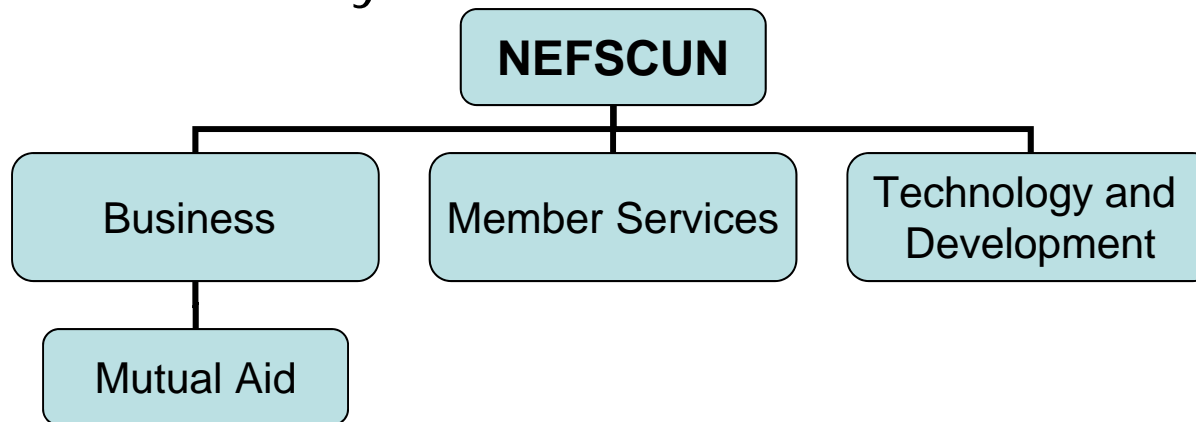
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Case Nepal:

Business model

- Now department / business unit
- All NEFSCUN members are owner
- Allowed by Cooperative department
 - but no regulatory provision for mutual insurance yet





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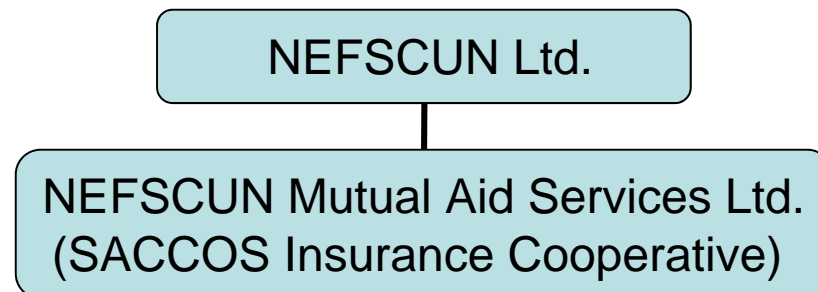
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Case Nepal:

Business model for the future

- Daughter of NEFSCUN
- SACCOS providing Mutual Aid Services are the owners
 - only possible in case of proper regulatory framework





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Case Nepal:

Statistics *(since October 2008)*

- Sales
 - DSP; 800 - CSP; 1132
- Drop out rate
 - DSP; 0% - CSP; 0%
- Claims
 - DSP; 5 - CSP; 0
- Premium delinquency
 - DSP; N.A. - CSP; 0%





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Case Nepal:

Main challenges

- Marketing and promotion
- Making members understand insurance
 - Awareness raising
- Policy and premium administration
 - i.e. customized software





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Strengthening CU members by Cooperative insurance provision?

CU objective:

Building members wealth

Insurance objective:

Managing/ limiting members financial risks



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**Strengthening CU members by
Cooperative insurance provision?**

Yes we can!