



Im Auftrag des:
Bundesministerium für
wirtschaftliche Zusammenarbeit
und Entwicklung



Munich, 11 October 2010
Press release

Protecting cooperatives and their low-income members in the Philippines against extreme weather events through microinsurance

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Philippine cooperative insurance company Coop Life Insurance & Mutual Benefit Services (CLIMBS) together with Munich Re and the Deutsche Gesellschaft für Technische Zusammenarbeit GmbH (GTZ) on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ) are launching a microinsurance product to protect the loan portfolio of cooperatives against losses from extreme weather events in the Philippines. A core concern is to pass on the benefits to end customers in low-income households.

Extreme weather events such as severe typhoons pose financial risk to microfinance institutions like cooperatives. These events interrupt the cash flow as member borrowers often cannot repay their loans, thus leaving the cooperative in a state of insolvency. Currently, to mitigate this risk, cooperatives lend money at a higher interest rate, which is an additional burden to the member borrower.

Located within the typhoon belt, the Philippines are highly exposed to extreme weather events, such as torrential rain and strong wind. As recently as September/October 2009 the typhoons Parma and Ketsana destroyed many people's livelihoods and assets. In the light of the rising number of weather-related natural catastrophes, Munich Re and GTZ entered a development partnership (PPP) to provide suitable microinsurance solutions against extreme weather events. Within this partnership, the product CLIMBS Weather Protect was developed. It operates on a national level in the Philippines and is adapted to the specific needs of low-income members of cooperative who risk slipping into worse poverty after natural catastrophes.

In this project the umbrella organization CLIMBS acts as primary insurer for the local cooperatives and offers them portfolio protection. To guarantee the liquidity of the loan portfolio of the cooperatives in case of severe wind speed and rainfall events like typhoons the microinsurance product will provide quick payout via CLIMBS. The cooperatives will receive a predefined percentage of their loan portfolio if a parametric trigger for rainfall or wind speed is reached. The trigger levels vary for each municipality determined by the area's exposure to typhoons. By a binding statement and principles guidelines, the cooperatives commit themselves to passing on the benefits to those members most affected by the catastrophic event. The insurance payout will be used by the cooperatives to

assist them, for example, in rebuilding their dwellings or replacing livestock or other assets.

As democratically organized associations, cooperatives in the Philippines are an important vehicle for promoting self-reliance and economic development by offering, among other services, loans and insurances. CLIMBS unites over 1,500 cooperatives nationwide and can therefore draw on a broad network that facilitates outreach to local communities. "Unlike other commercial insurance companies, we cater to the needs of the poor household communities, and we are able to operate deep within the grass roots through their cooperatives," says Mr. Fermin Gonzales, head of CLIMBS. This makes CLIMBS an indispensable partner in implementing successful and sustainable risk protection solutions in the country.

"This innovative product will help cooperatives to spread the risk, secure their liquidity and enhance their micro lending capacity even in critical times, at the same time making loans affordable to their members", says Thomas Mahl, Business Development Manager at Munich Re Singapore. "Our in-depth expertise of natural catastrophe insurance made the development and pricing of this product possible, even in such high risk areas." Munich Re is the sole reinsurer of the product. The independent consultancy DHI will provide real-time monitoring of the weather events all over the country, based on satellite data, and make it available on-line to all cooperatives.

GTZ's Micro Insurance Innovations Program on Social Security (MIPSS), which is already operating in the Philippines and has long-term experience in the field of microinsurance, is implementing this partnership. To enhance financial literacy among primary cooperatives and the targeted low-income sector GTZ will carry out localised campaigns and workshops.

"Cooperatives are taking the right decision at the right time by proposing to their members affordable ways of risk mitigation when natural catastrophes occur and they lead the way to other insurance providers in the Philippines. MIPSS will be advising them in all aspects related to consumer protection", says Dr. Antonis Malagardis, GTZ Program Manager.

As extreme weather events induced by climate change are likely to increase in the future, microinsurance instruments are expected to gain relevance for affected communities as well as insurers' portfolios.

About Coop Life Insurance & Mutual Benefit Services (CLIMBS)

CLIMBS is a Cooperative Life Insurance Company, focused on the needs of Cooperative Members and their family. It is owned by about 1,800 primary cooperatives and federations all over the country. As a composite insurance provider for coops and its members, it provides a number of services which include Life Insurance, Property Insurance & Health Care products. Its Paid-up capital as of December 31, 2008 is 150.0 million pesos, a net worth of 154 million. Paid-

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up claims for 2008 is 56.7 million plus, net premium of 169.38 million and a net income of 10.37 million. Policy holders numbered 664,170. The ultimate goal of CLIMBS is to advocate a well integrated financial system where Coop Insurance, Coop Banks and Cooperatives will be united and make the coops serve its members and be an active participant in nation building.

About Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ)

As an international cooperation enterprise for sustainable development with worldwide operations, the federally owned Deutsche Gesellschaft für Technische Zusammenarbeit GmbH (GTZ) supports the German Government in achieving its development-policy objectives. It provides viable, forward-looking solutions for political, economic, ecological and social development and promotes complex reforms and change processes in developing countries. Its corporate objective is to improve people's living conditions on a sustainable basis. For over thirty years GTZ has been carrying out various projects in the Philippines. It is currently implementing projects in the areas of microinsurance, environmental policy, sustainable economic development, conflict transformation and crisis prevention, and others.

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