SURIGAO ECONOMIC DEVELOPMENT AND MICROFINANCE FOUNDATION, INC. (SEDMFI) PLANNING WORKSHOP FOR THE PROPOSED MUTUAL BENEFIT ASSOCIATION (MBA)

January 20 & 28, 2021 | via zoom

Attendees of the workshop

Name	Designation
Rosemarie Calang	Interim Board
Lorna Decoy	Interim Board
Celynita Digao	SusCom Cordinator
Gina Farma	Cluster Head 1
Jules Lacsamana	Internal Auditor
Emma Ongayo	Cluster Head 2
Perla Quezada	Human Resource Head
Virginia Salibay	Cluster Head 3
Imelda Wines	Executive Director
Roderic Borja	Branch Head

Name	Designation
Christopher Cavite	Branch Head
Nicolas Cubelo	Branch Head
Anthony Ian Gesta	Branch Head
Rogelio Gumapac, Jr.	Branch Head
Romela Maceda	Branch Head
Julito Padilla	Branch Head
Dany Revecho	Branch Head
Eleaquim Salomon	Branch Head
Mark Ronald Songkit	Branch Head
Anthony Teatro	Branch Head

I. Introduction

The Surigao Economic Development and Microfinance Foundation Inc. (SEDMFI) is a non-stock, non-profit and non-political service organization established in 1985. It pioneered the social credit system in the province which later evolved to what is now the microfinance component of the microenterprise development program.

The Microinsurance MBA Association of the Philippines (MiMAP) also known as RIMANSI is a non-profit microinsurance resource center and association of mutual microinsurers in the Philippines and Southeast Asia, providing business development support services to microfinance institutions, cooperatives and mutual benefit associations in the establishment and strengthening of member-owned and governed microinsurance programs.

With both institutions having a shared mission to expand the reach of regulated, appropriate, relevant and timely risk protection to more low-income households, SEDMFI and MiMAP entered a partnership for the creation of the planned MBA. MiMAP will assist SEDMFI in the key processes of MBA establishment until such time that it is ready to operate. This planning workshop shall provide enlightenment on the governance and key process in the operations of the proposed MBA.

II. Objectives

The workshop aims to:

1. Describe and define the elements of the MBA Business Model;
2. Identify the external and internal environment of the MBA using SWOT Analysis;
3. Develop the Vision, Mission and Goals statements of the MBA; and

4. Finalize the constitutive documents of the MBA

III. Program flow

In line with the objectives above, the topics covered during the two-day workshop were as follows:

Table 1. Workshop program

Date	Agenda
Day 1	
January 20 (Wed)	• Preliminaries • Workshop expectations • Objectives
	• Why Mi-MBA as the model for providing risk protection to SEDMFI members?
	• Defining the Mi-MBA Business Model & Market and market segments
	• Mi-MBA AOI and Bylaws
Day 2	
January 28 (Thu)	• SWOT: External and Internal Environment for the proposed Mi-MBA
	• Defining the Mi-MBA Vision, Mission and Goals
	• Synthesis and Next steps

IV. Why Mi-MBA as the model for providing risk protection to SEDMFI members?

The workshop started by asking the participants of the reason why they choose the model of the Mi-MBA in proving risk protection among their clients. The responses were as follows:

- The organization can ensure fast claims settlement;
- As observed, the organization's claims experience is less than the premium's paid, thus it is strategic to develop; their own insurance program;
- It will be easily available/accessible to the clients;
- Clients can participate in the operations of the MBA;
- Decisions on certain issues will be done faster;
- More competitive with neighboring MFI having MBA;
- Employment generation

V. Mi-MBA Business Model & Market and market segments

Business model refers to the design of business to achieve its primary goal. It describes how an organization creates, delivers, and captures value. According to Republic Act No. 10607 Chapter VII, Title 1, Sec. 403 of the Insurance Code of the Philippines: Mutual Benefit Association is defined as:

"Any society, association or corporation, without capital stock, formed or organized not for profit but mainly for the purpose of paying sick benefits to members, or of furnishing financial support to members while out of employment, or of paying to relatives of deceased members of fixed or any sum of money, irrespective of such aim or purpose is carried out by means of fixed dues or assessments collected regularly from the members, or of providing, by issuance of the certificates of insurance payment of its members of accident or life insurance benefits out of such fixed and regular dues or assessments ..."

During the workshop, the participants were tasked to identify the following for the creation of the MBA Business Model.

- Customer – refers to the clients or buyers of the organization;
- Customer care – describes how you treat your customers before, during, and after the actual purchase;
- Value offer – is the product or service that you are offering to your customers;
- Distribution channel - business' bridges or partners or middle men that connect your products and services to your customers;
- Revenue - are your earnings or profits once you have sold your value offer to your customers;
- Key resources - pertain to your factors of production;
- Key processes - refer to your operational processes designed to convert resources into an attractive value offer;
- Partners – refer to people/organization that are are valuable in producing an attractive value offer because they can help you in terms of resources and processes;
- Costs – pertain to business related expenses;

Illustrated below is the Business Model of the proposed SEDMFI MBA:

<table>
<tr>
<td rowspan="2">8. Partners[1]
- SEDMFI
- SEEMCO
- MiMAP
- Commercial Insurance Company
- Insurance Commission
- SEC</td>
<td>6. Key resources
- Guaranty Fund + Pre-ops – at least 7 Million
- MBA Management: 3
- SEDMFI: 12 branches, 3 Satellites, 192 office and field staff
- Office: Space, Equipment</td>
<td rowspan="2">4. Value offer
- Basic life insurance plan (family cover)
- Credit Life insurance Plan
- Daily Hospital Income Benefit
- Partnership: old age insurance; house insurance assistance</td>
<td>3. Customer Care
Good service, address their needs that are in line with our policies.

Before: know their situation and needs
During: Treat with due respect/ VIP; develop incentive system; treat them as a partner in business
After: exit interview; retain good relationship; provide what is due to them based on policy</td>
<td rowspan="2">1. Customer
- SEDMFI clients
- SEDMFI staff

Future customers
- Partner People Org: fisherfolk, farmers, women organizations
- Borrowers of other private lending institutions and NGOs (expansion market)
- Tricycle operators
- Registered org. /co-ops: DOLE/CDA
- Government employees; Barangay LGU officials (elected and appointed)</td>
</tr>
<tr>
<td>7. Key Processes[2]
- Governance
- Management
- Recruitment
- Collection
- Claims
- MIS
- Financial Management</td>
<td>2. Distribution Channels
- SEDMFI branches (center meetings)
- Partnership with POs, private lending institutions and NGOs, Tricycle operators, DOLE registered organizations and LGUs</td>
</tr>
<tr>
<td colspan="3">9. Key Costs
Overhead costs – Salary, utility, travels, meetings, supplies, rent; Service fee to SEDMFI; training, seminars, capacity building; Expenses of MBA Coordinators; Claims benefits</td>
<td colspan="2">5. Key Revenues
contributions/premium; membership fee (200, 250?) for existing and new clients; investment income</td>
</tr>
</table>

Figure 1. Business Model of the proposed SEDMFI MBA[3]

[1] Refer to Table 3 for further discussion
[2] Refer to Table 2 for further discussion
[3] SEDMFI to revisit the key revenues specifically the membership fee arrangement for existing and new clients.

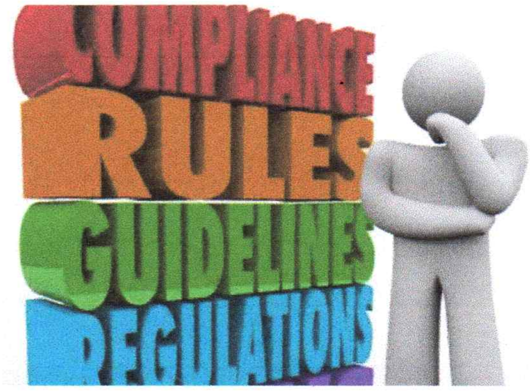
Table 2. Key processes identified for the proposed SEDMFI MBA

Key Processes	Operational Plan
Governance	• MBA Regular Board Activities (regular meeting of board, planning, retreat, trainings) • Election of member-representatives will need help from SEDMFI
Management	• Day-to-day activities: MBA • HR: Recruitment thru SEDMFI • Internal Audit: SEDMFI
Operations: Recruitment	• Orientation: SEDMFI (Field officer) • Enrollment (fill our app form + submission of requirements): SEDMFI (Field officer/Accounting staff- head office) • Approval of application: MBA
Operations: Collection	• Frequency: Every loan release • Where: Branch • Who: Cashier/ Accounting clerk
Operations: Claims	• Submission of claims docs: Branch head/ Accounting clerk confirmed by Credit officer • Validation: Branch Manager/ Field Supervisor • Claims Payment: Branch office • Mode of payment: Cash
MIS	• SEDMFI – shared service • Encoding of member data: MBA • Encoding/Monitoring of payment updates: Branch
Finance Management	• Financial Reporting, Investment – MBA

Table 3. Key partners identified for the proposed SEDMFI MBA

Partners	What they do for you?	What resources they provide?
SEDMFI	Distribution channel Shared Services: MIS, HR, Internal Audit	Php 7 million, Branch Offices, Staff, Equipment, Office Space
SEEMCO	Distribution channel, membership	Staff
MiMAP	Business Development: MBA, Product, Systems	Experience of other MBAs, Technical Staff and Consultants, knowledge management
Commercial Insurance Company	Partners for other products not offered by the MBA	Capital, established company, products
Insurance Commission	Regulation	MBA License, approve the products
SEC	Regulator	MBA Registration

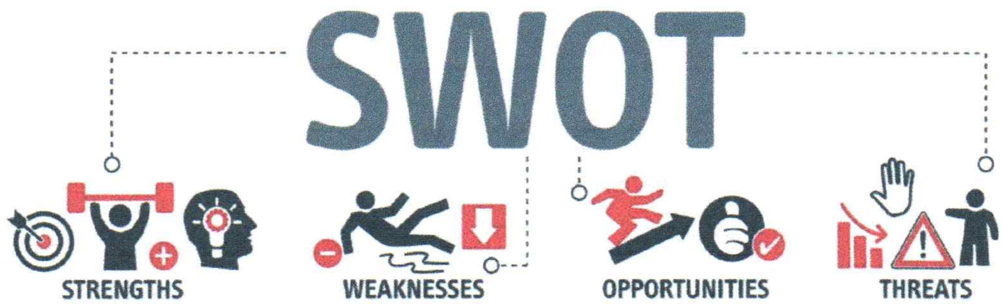
VI. Mi-MBA Constitutive Documents (AOI and Bylaws)



MiMAP presented the draft Articles of Incorporation and By-laws to the participants. This shall be an important milestone in moving forward with the submission to the Securities and Exchange Commission (SEC) for the MBA registration. As discussed, the SEDMFI team shall present the draft constitutive documents to the Board for approval. The following items must be settled during the board meeting:

1. nationalities and residence address of the incorporators and trustees of the association
2. capital of the association per incorporator
3. name of appointed treasurer
4. qualifications of board of trustees
5. frequency of the board meeting
6. committees of the MBA

VII. Environmental Scanning – SWOT: External and Internal Environment for the proposed Mi-MBA



As part of the critical elements that the MBA needs to consider will its external and internal environment. External environment pertains to the set of all factors that can affect the performance or behavior of the business and over which the business, its people cannot directly control. This looks at the opportunities and threats for the proposed MBA. Opportunity refers to a doorway that may lead to more resources, markets, partnerships, technologies and other factors that can create business advantages over other enterprises in the industry, while threat suggests an obstacle or a risk that the entire business or parts of the business will become more costly or less effective especially when compared to other insurance providers.

Below are the identified opportunities and threats by the participants:

Table 4. Opportunities and threats for the proposed SEDMFI MBA

OPPORTUNITIES	THREATS
Captured market of SEDMFI clients: 17,000+	Pandemic: possible decrease in client base; inaccessibility of other areas; mobility restrictions
More secured family: family insurance	Competition: other established MBA; weekly mode of payment; giving bigger benefits
SEEMCO as prospective market: 500+ members	Typhoon and flooding that may affect livelihood of clients
Partner POs: 200 members	Poor internet signal
Prospect of having stable product and policy of the microinsurance program	

On the other hand, in terms of the internal environment which refers to the factors that can be controlled which includes resources and experiences. This is composed of the strengths and weaknesses. Strengths are characteristics of the business or project that give it an advantage over others and weaknesses are the characteristics that place the business or project at a disadvantage relative to others.

Below are the identified opportunities and threats by the participants:

Table 5. Strengths and weaknesses for the proposed SEDMFI MBA

STRENGTHS	WEAKNESSES
Committed staff to handle MBA	MIS of the MBA not yet ready
Loyal clients	Staff and client understanding of the insurance program is poor (43% not aware of insurance program)
Available fund to start the MBA	MFI staff perception on additional work and functions
One SEDMFI trustee well experienced in insurance	MBA team's lack of knowledge on insurance policies and operations
Ready manpower and equipment	No own MBA office (unit)
Well-established distribution channel (branches and centers)	
Presence and good reputation of SEDMFI in CARAGA Region	

VIII. Mi-MBA Vision, Mission, Goals and Values

The participants then developed the MBA's Vision, Mission, Goals and Values statements. Vision statement provides the destination of a particular organization which covers the elements: organizational values and desirable future for the members. On the other hand, mission statement is a synthesis of what members and customers see as the business of the organization. The basic mission statement must answer: what our business does; what customers our business serves; and what makes our business unique. Moreover, the goals shall refer on the targets that gives sense of direction to the organization and offers support in evaluating success. Finally, core values[4] shall pertain on values embodied by the organization as foundation of its work performance and employees' conduct. The developed statements are specified below:

Vision Statement

Organizational Values	Desirable future for members/society
• Karamay ng members • Quality and affordable insurance services	• Leading/leader • Sustainable • Clients' need • Provider • Progressive MBA

"A leading and sustainable MBA in providing quality and affordable microinsurance services in CARAGA and neighboring regions."

Mission Statement

Products/Services to provide	Target Sector	Desired results for products /services
• Affordable • Cost-effective • Microinsurance services	• Members • Community	• Timely • Reliable • Quality • Trustworthy • Protection for clients • Secured future

"To provide timely, quality and relevant microinsurance products and services to poor and vulnerable sectors."

Goals[5]

- *To ensure quality and responsive social protection programs to all members*
- *To align SEDMFI MBA's performance and quality of service to industry standards*

Outreach	25,000 members by 2025 (25 in 25)
Specific Products	Basic life Insurance Plan (family insurance) Daily Hospital Income Benefit Plan Credit Life Insurance Plan
External Stakeholders	SEDMFI, SEEMCO, POs, Employees of Other Lending Institutions
Internal Stakeholders	Board: 7 (5 regular, 2 independent)

[4] https://cutt.ly/vkqDUDY
[5] Goals for five-year term

	Staff: 3-5 (GM, Bookkeeper/Finance, MIS/Claims)
Others	Service fee: 3% Investment yield:[6]

Core Values

Dedicated – officers and staff are willing to devote their time in service to the association and its members.

Adaptability – the association is ready to embrace innovations to cope with the standards.

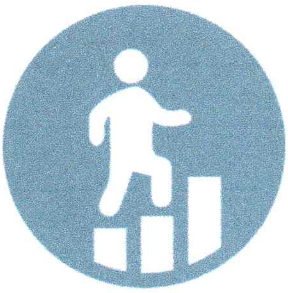
Joyful Service – serving clients and the organization with zeal and compassion.

Oneness – working together guided by one principle towards one common goal and direction.

Nobility – service with excellence to the members as an act of honor.

God-fearing – putting God as the center of our service.

IX. Next Steps



- Finalize the constitutive documents, for approval of the SEDMFI Board.
- Develop the logo of the MBA.
- Invite resource person for the accounting and recording discussions (e.g. payment of MBA to MFI for Guaranty Fund).
- Conduct discussion on MIS and the minimum data requirements needed for the MBA system.

[6] SEDMFI shall discuss the target investment yield of the MBA