

DESIGNING A MICROINSURANCE PROGRAM FOR TRADE UNION MEMBERS IN CAMBODIA

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Over two decades of war have left Cambodia as one of the poorest countries in the world today. Social protection and insurance are currently in the incipient stage and there is no organization, public or otherwise, that addresses the risks and vulnerabilities of the workers and of the poor. This study was undertaken primarily to establish the feasibility of providing social protection coverage for organized formal and informal workers in Cambodia. It aims to design a microinsurance product and benefit package that may be initially offered to interested members of trade unions. This is also in response to a growing need for trade unions to provide innovative strategies that will alleviate the effects of poverty and consequently, improve its members' welfare and economic well-being. Survey results, focus group discussions, and interviews with key informants were the instruments used to define the characteristics of the target market so as to be able to create a product suited to their needs and financial capabilities.

I. INTRODUCTION

Over two decades of war have left Cambodia as one of the poorest countries in the world today. The debilitating effects of the war can still be felt today when one looks at the physical, social, and human capital of the country. Despite the noticeable economic growth, poverty continues to plague the people of Cambodia, particularly the rural and urban working people. Furthermore, a large proportion of its population is vulnerable to a number of risks and shocks that can push them to extreme poverty. The mechanisms that are supposed to address them are either not in place, are very weak or are just re-emerging from the ashes of war. Social protection and insurance are currently in the incipient stage and there is no

organization, public or otherwise, that addresses the risks and vulnerabilities of the workers and of the poor.

Death and sickness are difficult life cycle events for anyone. The most significant effects of death in the family, in addition to a sense of personal loss, are adverse effects on the family's economic condition. Meeting burial expenses in the short term and loss of support for income in the long term are common difficulties of the poor especially if the one who dies is the breadwinner of the family. Available fund sources can be raised to cover burial and other expenses and may well be considered substitute and informal social protection mechanisms. However, given the insufficient amounts most of the

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sources provide, these are weak mechanisms. There is room, therefore, for the development of strong, sustainable and affordable forms of social protection, especially one involving death benefits.

It is in this context and precisely in response to this gap that this research on the feasibility of developing a trade union-managed microinsurance program for workers in the formal and informal sectors was undertaken. Micro-insurance is the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved (Churchill, 2006, p. 12). The study aims to design a microinsurance product and benefit package that may be initially offered to interested members of trade unions, such as the Building and Wood Workers'

International (BWI), which is one of the major proponents of this project.

The specific objectives are:

1. to describe the demographic profile and socio-economic situation of the union constituency of the BWI and other interested unions in Cambodia;
2. to determine the prevailing social protection issues and concerns confronting the individual union members;
3. to identify the social protection services that the members prefer, and how and where they get them;
4. to recommend the appropriate microinsurance design appropriate to the needs of the unions and their respective members.

II. METHODOLOGY

Market Research

The study made use of an exploratory and descriptive research design to collect data from the respondents. Union members in the sample were asked to answer questions related to their demographic characteristics and use of insurance, including costs, benefits, concerns, problems, and directions related to the administration of a trade union-based social protection program.

Sample and Sampling Procedure

Sample size

The basic objective of the sampling method was to obtain a representative sample of Cambodian workers who are members of the BWI affiliates and other participating federations. The sampling procedures involved grouping the members according to their respective federations and union affiliates. With the use of a reliable list of members of good standing (i.e. regular dues

paying members), systematic random sampling was done. Federation officials gave an estimate of around 73,699 union members. Based on this number, it was suggested that a minimum sample size of 266 be surveyed given a confidence level of 95% and a confidence interval of +/- 6.¹ The formula used to compute the adjusted sample size is:

$$\text{new } ss = \frac{ss}{1 + \frac{ss - 1}{\text{population}}}$$

where $ss = \frac{Z^2 \times p \times (1 - p)}{c^2}$, $Z = Z$ value

which is equal to 1.96 for the confidence level of 95%, $p = 0.5$, and $c = 0.06$, the confidence interval expressed as decimal.

Respondents

The principal respondents were drawn from the listed local unions of the BWI

affiliated federations and of other workplace or bargaining unit (Table 1).
participating federations in a given

Table 1
Participating Federations

Name	Acronym	Sector	Location
Cambodia Construction Trade Union Federation	CCTUF	Construction	Siem Reap
Cambodia National Federation of Building and Wood Workers	CFBW	Building and Wood	Phnom Penh
Coalition of Cambodian Apparel Workers Democratic Union	CCAWDU	Garment	Phnom Penh
Free Trade Unions of Workers of Kingdom of Cambodia	FTUWKC	Garment	Phnom Penh
Cambodian Independent Teacher's Association	CITA	Teachers	Phnom Penh and Siem Reap
Independent Democracy of Informal Economy Association	IDEA	Informal	Phnom Penh and Siem Reap
Cambodian Independent Civil Servant Association	CICA	Civil Servants	Phnom Penh
Cambodian Tourism and Service Workers Federation	CTSWF	Tourism	Phnom Penh and Siem Reap

The targeted affiliates per Federation were assigned an identification number and then selected randomly by using a web-based random number generator at www.random.org. The sample size for the respondents per federation was weighted in order to offset the over-representativeness of the two largest federations, namely the CCAWDU and the FTUWKC and the under-representativeness of the two smallest federations, the IDEA and CICA. Over-represented groups were given a weight of

less than one and under-represented groups were given a weight of greater than one (see Chapter 5, *The Magenta Book: Guideline Notes on Policy Evaluation*, UK Cabinet Office, 2004). The number of member-respondents drawn from the different bargaining unit or workplace was based on the weighted percentage share of their respective membership vis-à-vis the total workforce in a given workplace, as indicated in Table 2.

Table 2
Weighted Sample Size of Members by Federation and by Area

Federation	Number of Affiliates	Estimated Number of Members	% Share of Members	Weighted %	Sample Size	Phnom Penh	Siem Reap
CCTUF	8	2,000	0.03	0.045942	12		12
CFBW	8	1,620	0.02	0.074425	20	20	
CCAWDU	60	41,577	0.56	0.382022	102	102	
FTUWKC	43	24,893	0.34	0.343087	91	91	
CITA	2	669	0.01	0.046102	12	4	8
IDEA	2	530	0.01	0.048698	13	10	3
CICA	1	160	0.00	0.018377	5	5	
CTSWF	16	2,250	0.03	0.041347	11	7	4
Total	140	73,699	1	1	266	239	27

Source: Membership estimates by Federation officers. Sample size computed by the author.

Selecting the respondents

The member-respondents were chosen based on the method used by the ILO-CARE research on women in the garments industry (ILO, 2006, p. 36):

1. Field researchers were assigned to different factories/workplaces. They stood near the main gates of these randomly selected factories/workplaces to question exiting employees. Survey was done during break time (e.g.; lunch break) and at the end of work hours.
2. After a field researcher introduced herself/himself, he/she explained the objectives of the research. If the worker responded positively, necessary screening questions were asked. A worker who passed the screening was asked if he/she were willing to answer a lengthier interview.
3. If the worker was not available for the interview, the researcher was to make an appointment to do the interview at home.
4. In cases where the worker refused to be interviewed, the field researcher chose a replacement at random.

Data Collection Methods

The survey method was the principal manner of collecting primary data. It was supplemented by interviews with key informants in the selected organizations, private insurance companies, government agencies and multi-lateral agencies. Focus group discussions (FGDs) were held to provide a group validation of the general responses. Secondary data were collected from relevant documentary sources provided by the national unions, government, insurance companies and non-governmental organizations (NGOs).

Survey questionnaire

A questionnaire was developed, pre-tested and administered with the help of the local research assistant and field interviewers. It was a modified version of a questionnaire developed by an earlier Risk Management Solutions, Incorporated

(RIMANSI) study on microinsurance in Cambodia (Caringal, 2005, p. 24). Guide questions were also developed for the FGDs and the interviews with the key informants.

Interview

Key informants from the following organizations were interviewed. Appendix B shows the names of the key informants.

1. Responsible officials of participating federations as reflected in Table 1
2. American Center for International Labor Solidarity (ACILS)
3. Department of Finance Industry, Ministry of Economy and Finance (MEF)
4. Private Insurance Companies such as CAMINCO and International Commercial Insurance Company (ICIC)
5. The World Bank project manager of the project: *Disaster Insurance: Villagers as Shareholders*.
6. NGOs with microinsurance programs such as: World Vision and its affiliate the Vision Fund Cambodia; Groupe de Recherche et d' Echanges Technologiques (GRET).

Focus group discussions

Six FGDs were conducted: three each in Phnom Penh and Siem Reap. There were 44 participants. Hence, each group had seven to nine members.

Secondary data sources

Secondary data were drawn from the results of the previous studies on microinsurance, including government reports and laws. These materials served as helpful references in validating some of the findings of the current survey. These include the CCSF Annual Report 2006 (CCSF,

2007), SKY Health Insurance Program (GRET, 2006) GRET "SKY" Health Insurance Program in Cambodia (GRET, 2007), KAPAMILYA Membership Agreement (PMBA, 2004), KAISAKA Group Insurance Agreement (PMBA, 2007), as well as the Sub-Decree on Microinsurance presented by Mr. In Meatra, Chief of the Insurance Division, MEF during the Microinsurance Forum held in Phnom Penh on March 28-29, 2008 (In, 2008). Please see the references for a complete list of secondary data sources used in this paper.

Methodological limitations

In the course of implementing this research, several constraints were encountered that may have affected the quality of the data generated by the field research. These constraints were time, missing factories, geographical distance, logistical constraint and language barrier.

Despite all efforts to create a random sample, the constraints on workers' time especially among the garment workers resulted in a number of refusals. There were instances when factory identified in the sampling process could not be located or had already closed down.

Time constraint coupled with the geographical distance between Cambodia and the Philippines, and the language barrier have created some quality control issues that may have affected the rigor of the research and its conclusion.

Finally, even if all of the participating federations have affiliates in many parts of Cambodia, the survey was limited to Phnom Penh and Siem Reap. This was because many of the local unions affiliated with the federations are concentrated in the two cities. Moreover, there was a logistical constraint.

III. PROFILE OF THE CAMBODIAN LABOR FORCE AND TRADE UNION MOVEMENT

The Cambodian Labor Force

With a population of about 13.9 million in 2007, Cambodia has a labor force of 7.5 million, who are mainly in agriculture. However, the textile, construction and tourism industries have recorded a steady increase of labor force absorption. The total economically active population (10 years and older) in Cambodia numbered 6.359 million, 53% of which are below 30 years old (Tolentino, 2007). In terms of educational profile, 56% attained primary level (Class 1-6) education. Almost 19% had not attended school or had not completed Class 1-6 (Tolentino, 2007). Moreover, 57% of workers earn less than 100,000 riel (US\$25) per month which is much lower than the reported mandatory minimum wage (Tolentino, 2007).

The informal sector accounts for around 62% of the gross domestic product and 85% of the total workforce in Cambodia (EIC, 2006). The informal economy is made up of a huge proportion of own-account workers (self-employed) and unpaid family workers, representing 40% and 44% respectively of the total workforce (Tolentino, 2007). Most of the informal workers are among the 40% of the population who are earning below the national poverty line of 9,130 riel or US\$2.25 per day for a family of five or US\$0.45 per person (WB, 2006). Women are highly represented among informal economy workers—especially in poorer segments, in worse conditions or at lower or no wages at all (EIC, 2006).

Official statistics peg the unemployment rate at 2.5%. However, of the total reported employed of 6.243 million, about 29.6% said they were available for additional work. Because of the threat of unemployment, workers put up with poor working conditions. Informal workers have poorer

working conditions. Moreover, welfare facilities are substandard; surroundings are unsanitary and cluttered, and potable water supply inadequate (EIC, 2006). These are the problems facing the Cambodian workers today that can be helped by a microinsurance scheme.

The Cambodian Trade Union Movement

The trade union movement in Cambodia began to develop only after the war in 1991. A significant impetus to its growth was the restoration of the industrial relation system in 1997 that led to the promulgation and enforcement of the new Labor Code.

It is estimated that less than 4% of the total workforce is unionized or organized. Trade union membership, however, is difficult to determine as some unions tend to inflate it for funding purposes as well as image building vis-à-vis other national trade unions. The Falkus and Frost Report of 2002 identifies nine national federations in Cambodia with a combined membership of about 157,000. Now there are more than 1,070 local unions, 30 national federations and four national confederations (Tolentino, 2007). Two of the national federations are affiliated with the BWI.

In terms of services by local trade unions to members, most are traditional interventions such as organizing, collective bargaining negotiation and advocacy. Job creation, social protection and the inclusion of the informal sector have not been part of the mainstream trade union concerns in Cambodia. If it were to strengthen itself, the trade union movement must integrate them in its agenda. Retooling becomes necessary as job creation, social protection and creating inclusionary trade union movement require

managerial and technical skills in the fields of finance and economics.

Social protection services, such as microinsurance, need to be expanded to address the growing number of informal workers. At the same time, these efforts should be linked to the inclusion of the informal workers to the broad trade union

movement. The BWI has been in the forefront of this advocacy. A welcome development in this regard has been the acceptance into the movement of IDEA, a national association of informal workers composed mostly of Motodup² drivers and vendors.

IV. AN OVERVIEW OF THE CAMBODIAN INSURANCE INDUSTRY

The Insurance Law of the Kingdom of Cambodia was enacted in 2001. At present, there are only five licensed insurance companies in Cambodia: Forte Insurance, Asia Insurance, Infinity, Cambodian National Insurance Company and the reinsurer Cambodia Re (Pak and Biallas, 2007). The last two are state-owned companies. These companies offer non-life insurance products that are limited to commercial fire, motor vehicle, and miscellaneous (Say, 2007). Other life insurance ventures have yet to acquire their license from the government.

Compared to its Southeast Asian neighbours, Cambodia lags behind in its institutionalization of social security. The Social Security Law (SSL) was only enacted in September 2002. It states the guiding principles with respect to mandatory social security provisions for old age, disability and survivor's pensions and employment injury benefits. It stipulates that additional social security benefits may be made available through future sub-decrees. Cambodia plans to implement the law starting with the provision of employment injury insurance (EII) to private sector workers. Under the EII, employers with at least 10 employees will contribute a uniform amount based on the employee's monthly wage, the categories for which will have a floor of 50,000 riel

(US\$12.50) and a ceiling of 700,000 riel (US\$175). The pooled funds from the employer shall be called the National Social Security Fund.

An International Labour Organization (ILO) report (2005) on employment injury insurance for Cambodia points out major weaknesses of the SSL which could affect its implementation. These weaknesses revolve around the definition of an 'employer', issues of adverse selection, unrealistic benefits for disability pension, and the method of calculating benefits. In addition, the law excludes a significant percentage of the Cambodian workforce. This is because of the predominance of micro and small enterprises with less than ten employees.

There is also no regulatory framework yet for microinsurance in Cambodia (Pak & Biallas, 2007). The MEF, together with the Nomura Institute of Japan and the International Finance Corporation (IFC) are still in the process of preparing one to regulate an emergent microinsurance industry that could sell life, health and property insurance to the poor (In, 2008). Nevertheless, Mr. In Meantra, the head of the Insurance Division of the MEF has generously shared the relevant features of the proposed Sub-Decree on Microinsurance. These are shown in Appendix C.

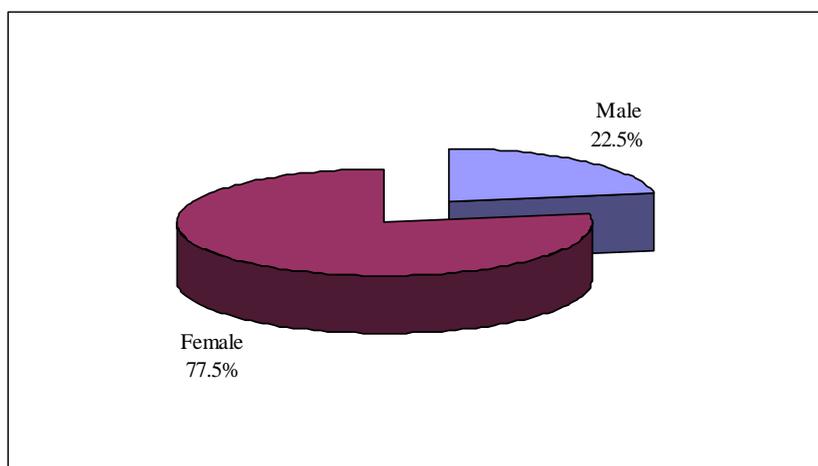
V. DEFINING THE MEMBERSHIP PROFILE, SOCIAL PROTECTION NEEDS AND PAYING CAPACITY

Profile of Survey Respondents

Women members comprise 77.5% of the respondents (refer to Figure 1). This is because women represent a large proportion of union membership, especially in the largest industries. This is favourable for any

kind of social protection program because Cambodian females are known to have an 8.7% longer life expectancy than the average male (CIA, 2008). Also, mothers are the decision-makers on financial matters according to 54% of the survey respondents.

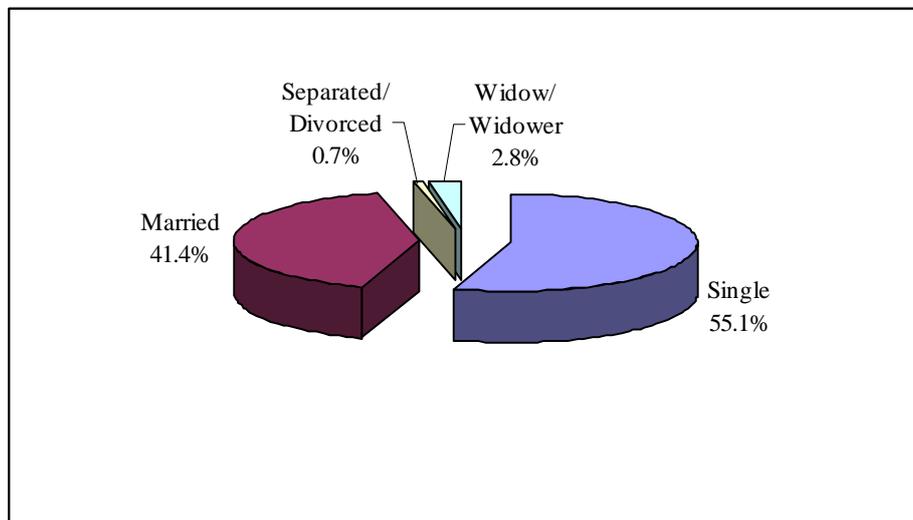
Figure 1
Gender of Respondents



More than half (55.1%) of the respondents are single and married respondents account for 41.4%, as presented in Figure 2. An attractively priced policy may entice them to seek insurance coverage for themselves or for the benefit of their

dependents. Children between three to eight years old account for 48.6% of all dependent children in the respondents' households while those between 9-14 years old represent 44%.

Figure 2
Civil Status of Respondents



The survey reveals that majority of the respondents (87.4%) have permanent employment status (see Figure 3). This implies that workers have a regular income stream. Around 12% are self-employed workers working as construction workers, vendors, public utility drivers (motodup) and small producers. This bodes well for the insurance business as a significant proportion of the members can most probably afford to support a microinsurance program on a regular basis.

Majority (81.3%) have been union members for less than three years. Because their unions are able to uphold their rights and welfare, they gave a very high net satisfaction rating of 98.6%. Satisfaction with their unions may be one factor why all the respondents have paid their union dues for the current year. A good union dues payment

rate augurs well for the viability of a possible microinsurance program. It implies that unions have a good collection system, probably in the tradition of the “check-off system”.³

Eight out of ten respondents earn a monthly income of US\$50-US\$99 or an average of US\$74.50 (see Figure 4). With only one earner in a family of five, this meager income barely crosses the national poverty threshold of US\$67.50 per month. Hence, it is virtually impossible for workers to support the regular insurance products of commercial insurers such as the Forte Insurance Company. The latter for example, charges a basic annual premium of US\$257.00 for its health insurance. Survey results showing distribution according to employment status and monthly income are presented in Figures 3 and 4.

Figure 3
Employment Status of Respondents

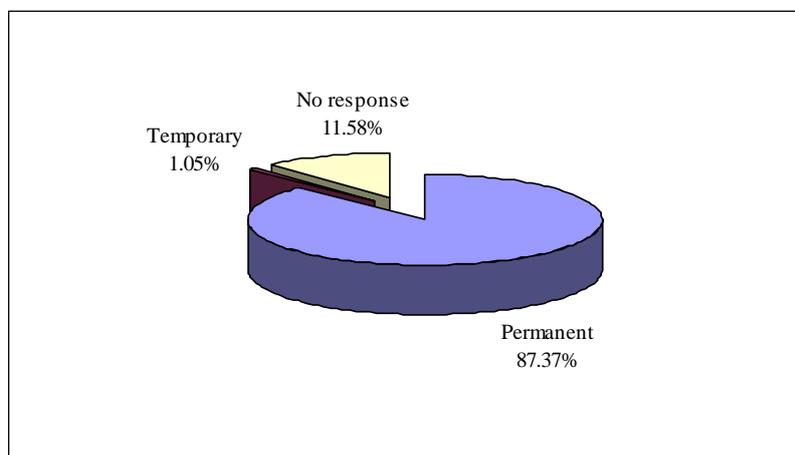
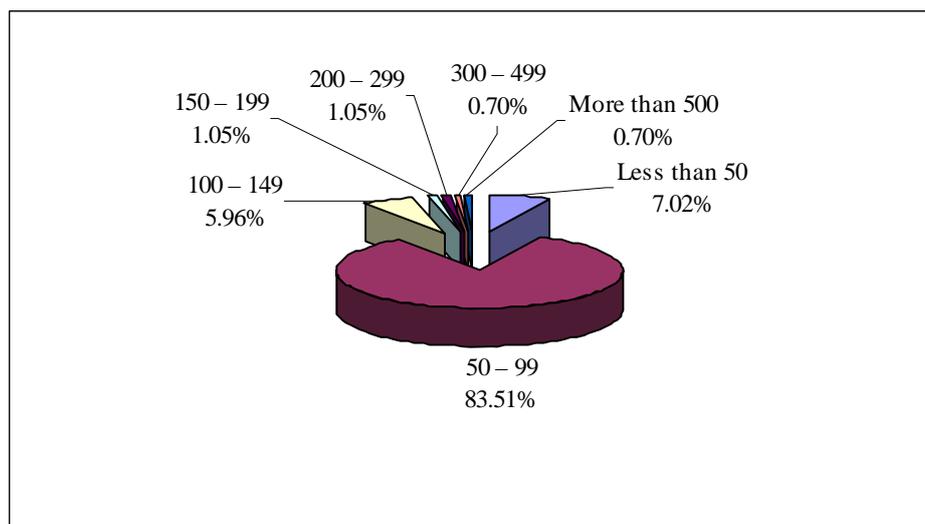


Figure 4
Monthly Income of Respondents



On the monthly expenditure of the respondents of their monthly income, food gets the biggest chunk (15-30%), followed by cooking fuel, light and water. The respondents set aside no more than 10% of their income as savings. Workers are most likely to draw from their savings should they

decide to participate in any microinsurance initiatives.

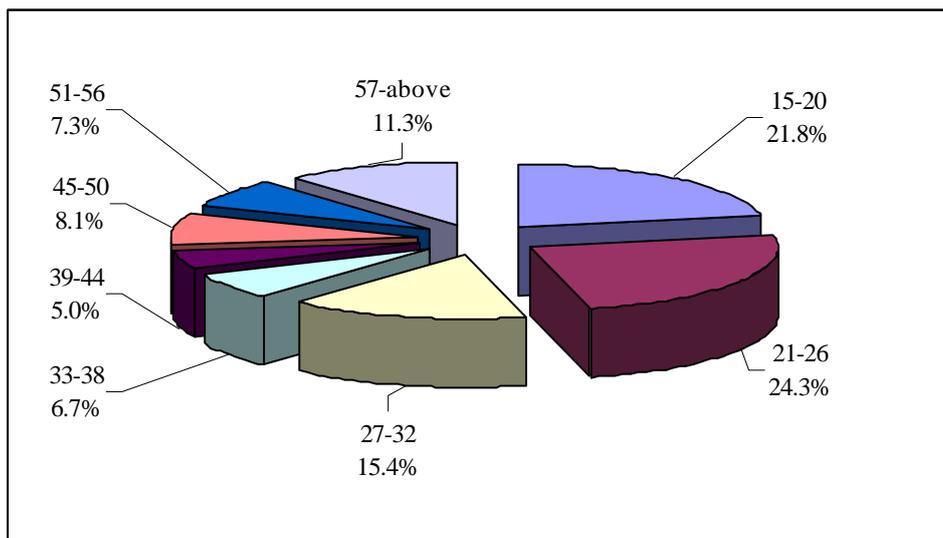
Household Profile

Figure 5 shows that more than half (61.6%) of the adult members of households are young, being not older than 32 years.

However, a majority of these household members are near the national median age of 21.3 years (CIA, 2008). It is a favorable factor for a microinsurance program because

people at this age are generally considered as having “less than average likelihood of loss” (Brown & Churchill, 1999).

Figure 5
Age Range of Adult Members of the Household



Close to a third (28.5%) of the adults in the households are heads of family. Spouses account for 13.8%, adult children 46.1% with ages 15 years old and above. In this study, children are defined as those younger than 15 years of age. Those between three to eight years old constitute 48.6% of all dependent children. Those between 9 to 14 years old represent 44%. Conservatively, trade unions may seek membership of the member’s spouse in its insurance program. In the long term, the trade unions may campaign for household membership enrolment in the program. These will increase the prospective enrolment to five per union member.

Almost half (48.1%) of the household adult members have reached at most “some primary schooling” or a less than six years of primary schooling. Only 15.5% have completed elementary education. Less than

two percent managed to reach tertiary education. These findings imply that any microinsurance program should invest heavily in popular forms of awareness building and promotional activities for insurance.

When designing a microinsurance product for low income households of workers, the monthly income and contribution pattern of all working members of households should also be considered. The survey reveals that almost all of the adult household members are economically active. Salaried workers account for 46%, followed by the self-employed agricultural workers (32.6%). The self-employed in non-farm entrepreneurial activities are a small group (9.1%). The survey also shows that a great majority (91.9%) of working adult household members contribute to household expenses.

Social Protection Needs and Preferences

Sources, amount and adequacy of funds in the event of death

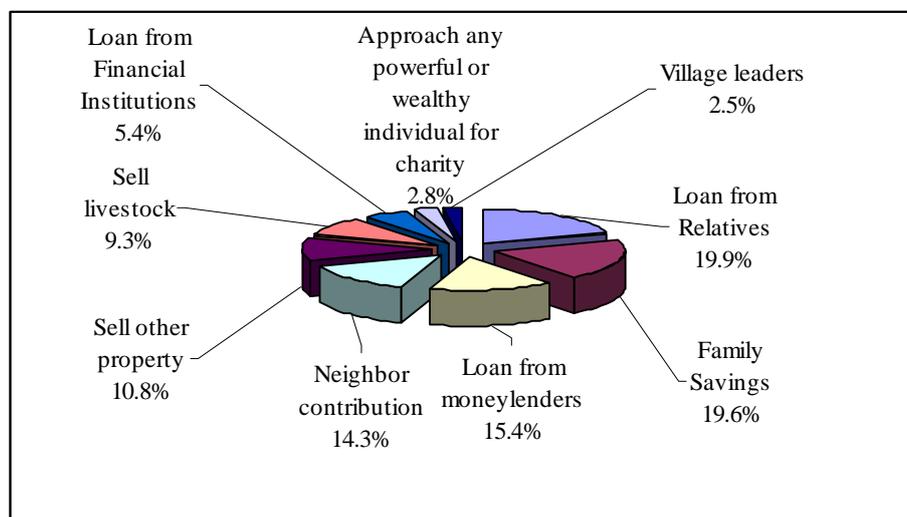
If it were the wife or husband who dies, the family is confronted with the problem of how to repay debts left behind by the deceased, and the long term loss of financial support.

To cover death-related expenses, the respondents said they will approach a relative (19.9%) or start using the family savings (19.6%), as shown in Figure 6. If additional funds were still needed, they will try to borrow from local moneylenders or neighbors. The last recourse is selling or mortgaging assets such as land or livestock. This would put the family in a more vulnerable and impoverished condition in the long-term.

On the amount of money they can raise from all sources, less than half of the total number of respondents said they can raise at most US\$50 from each source. Except for the moneylenders and the sale of household assets, each of the fund sources will generate no more than 50% of the total expense. Majority (66.4%) of the respondents were uncertain as to the adequacy of funds they would be able to raise in covering burial and related expenses. These highlight the financial vulnerability of workers during sickness and/or death of a family member.

A cultural practice that should be factored into the design of a death benefit product is the Cambodian practice of not embalming the deceased and burying him/her within 24 hours after death. This suggests the necessity of immediately paying the death benefit (Carinal, 2005).

Figure 6
Sources of Funds in Case of death



Microinsurance feature preferences

Most respondents prefer a microinsurance program that has the following features: payment of cash benefit to a member (assuming he/she is a policyholder) in case of death of a family

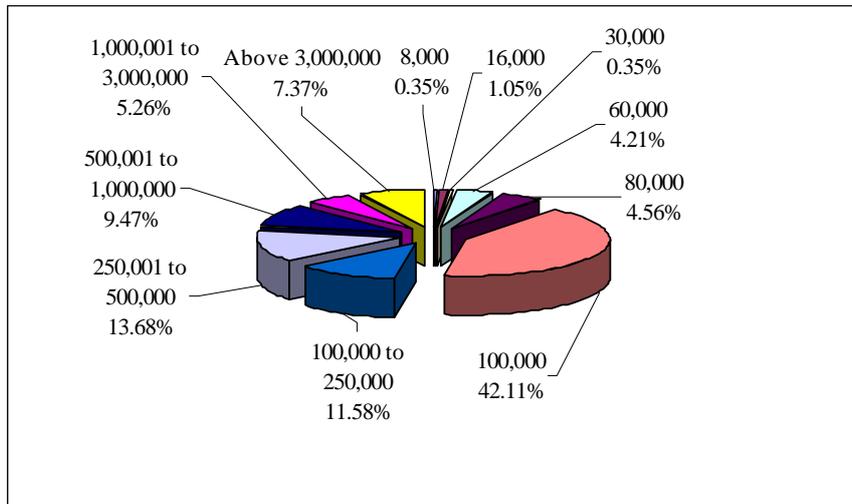
member, or in case of the death of the member, a similar cash benefit to their surviving beneficiaries. The respondents also understood why they would have to make “small, regular contributions” to be able to receive cash benefits. As proof of their

contributions, they would prefer that some form of certificate be issued to them.

Sixty-seven percent of the survey respondents expressed willingness to take part in the microinsurance program if the cash benefit will be between 100,000–

500,000 riel (US\$25-US\$125). In the FGDs, the highest benefit amount indicated is 4 million riel (US\$1000) and the smallest is 10,000 riel (US\$2.50). The median is 100,000 riel (US\$25). These results are illustrated in Figure 7.

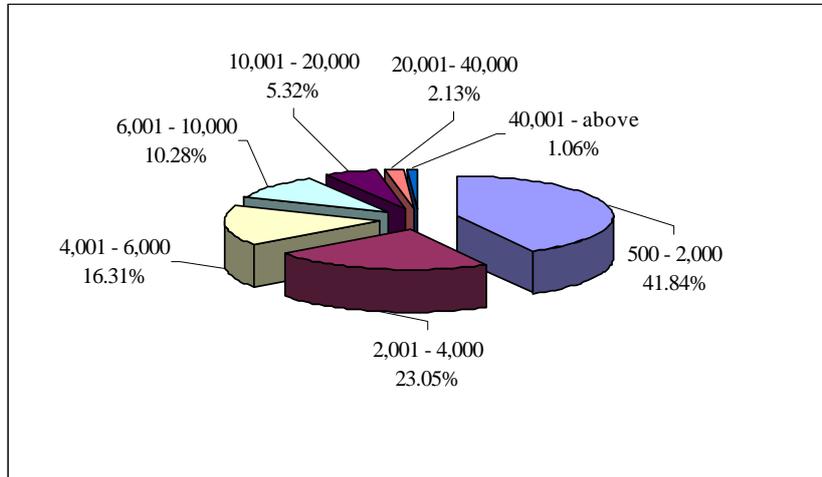
Figure 7
Preferred Amount of One-Time Cash Benefit



On the maximum monthly contribution workers are willing to pay, majority of the survey respondents indicated amounts no higher than 4,000 riel (US\$1.00) (refer to Figure 8). The FGD participants gave a range of 500 riel (US\$0.13) to 50,000 riel (US\$12.50), with a median of 5,000 riel (US\$1.25). The median figures cited are higher by 50% for contribution and 98% lower than the estimated benefit quoted by Margarete Biallas, an analyst of the International Finance Corporation (IFC). She quoted a \$0.50 monthly premium with a pay

out of \$1,000 during a workshop on microinsurance held in November 2007 (Postlewaite, 2007). Andrea Merrick of the World Bank on the other hand, came up with a contribution figure of somewhere between 1,000-3,000 riel per month (25-75 cents US\$) for a community based disaster insurance (Merrick, 2001). This is nearer to the findings of the survey and the FGDs, but lower by 78% when compared with GRET’s basic contribution of 18,000 riel (US\$4.5) per month for a single person enrolled in its health insurance (GRET, 2006).

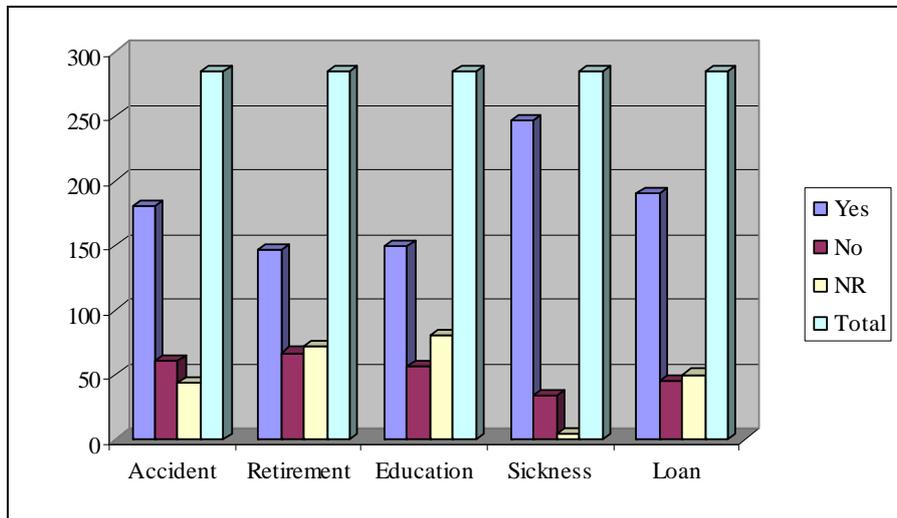
Figure 8
Preferred Amount of Contribution



Apart from the simple death benefit product, the other forms of social protection services which the respondents said they wanted are sickness, accident and loan

benefits, in that order of preference. Majority expressed willingness to pay for these additional services, as illustrated in Figure 9.

Figure 9
Willingness to Pay for Additional Services



Since insurance is a form of financial service, trust is an important factor for its

future success. The survey results revealed that majority (67%) of the respondents were

“more than willing to contribute” to the microinsurance program if it would be managed either by a “group that included himself/herself” or by the Union. However between the Union and the “group,” 58.6% preferred the Union. This indicates a very high trust level in the Union, at least among the present crop of members.

However, given the present track record of the local trade union movement in managing technical assistance program and solidarity, its internal squabbles, and politicking, it might be advisable for the

participating unions to create a separate legal entity jointly owned by the federations but managed by a professional management team. This will serve two purposes. Firstly, the program will be managed more efficiently and with more transparency—a requisite condition to create an atmosphere of trust among the union constituents. Secondly, such an arrangement will insulate the program from the intra and inter-organizational politics of the local trade unions.

VI. SUCCESS FACTORS FOR A MICROINSURANCE PROGRAM

To gain some insights on existing social protection schemes, case studies of three (3) community-based microinsurance schemes that have had some degree of growth and stability in their operations have been reviewed. Two of these models are home-grown: the CCSF and the GRET-SKY Microinsurance Program. The third model is the Partnership Mutual Benefit Association (PMBA) based in the Philippines. Specifically, information on the mechanics of the service programs of the three models, including data on the benefit package, membership and fund growth were considered. A summary of the comparable information is presented in Appendix D.

The results of the survey, FGDs and interviews and the experiences of the CCSF, GRET and the PMBA point to the need to be sensitive to nine conditions that can lead to the success of a microinsurance program, namely simplicity, continuing education, affordability, proximity to members, appropriate organizational form and legal personality, sustainability, responsive products, efficient administration and reinsurance.

Simplicity and Accessibility

The level of education of many workers and their household members is comparatively low. Among the literate, filling up a form that requires personal details such as date of birth, address, and income data may pose difficulties. Processes and procedural policies should be simplified as much as possible. Hence, it is imperative to institute simple administrative and documentary processes and procedures. Simplicity, however, goes beyond technical considerations. More importantly, it projects a public image of microinsurance as accessible to the poor.

The local affiliates or chapters must be prepared to deal with applicants who join when they are in need, expecting immediate support, if for no other reason than that it is easiest to see the utility of insurance in moments of need. Response time on applications for affiliation should be as short as possible. However, expeditious decisions about acceptance of membership should not be confused with a decision to provide immediate financial help. Mutual benefit

programs may have to impose some restrictions, particularly on expenses that are not random at the time of entry to cover application processing costs.

Continuing Education

Corollary to the previous condition is the need for a good continuing membership education. A membership pool with low level of formal education would require a large investment in education and training at the very least to understand and appreciate the need for insurance. Education is the natural and indispensable cornerstone for strengthening the democratic ethos of a workers-owned microinsurance program, including the development of organizational skills required for the professional administration of a mutual.

Affordability and Relevant Product

The paying capacity of workers should be factored into the overall pricing policy of a microinsurance program. As can be gleaned from the results of the survey and FGDs, the premium affordability level has been determined to be somewhere less than 4000 riel (US\$1) per month, although some union members have indicated that they are capable of contributing more in exchange for higher levels of cash benefit.

Likewise, affordability is partly linked to a sense of utility. The perceived return for the premium can be as important as its absolute level. The survey and FGDs reveals that majority of union members will be interested to participate in any microinsurance program if the cash benefit will be no lower than 100,000 riel (USD\$25).

Another aspect of affordability is the periodicity of payment. Regular periodicity of income flow, characteristic of wage earners in the formal sector, is rather difficult for those in the informal sector. The mutual benefit program needs to be flexible enough to enable its members coming from the

informal economy to pay when they can. A final aspect of affordability is transparency on expenditures in general and overhead costs in particular.

Despite the benchmark established by this study on premiums and contributions, there is still wide diversity in terms of preferences among the union members interviewed. It is therefore advisable to design a microinsurance product that not only responds to basic benchmark figures but can also take into account the other preferences of the members. This would imply coming up with a basic product that covers different types of risks like death and accident packaged at different levels of affordability and benefits.

Proximity

Microinsurance programs should be operated near their client base. This is simply because the poor have neither the means nor the latitude to travel from their place of residence or work to service canters. Proximity is, in fact, necessary at all periods of operation, not just at recruitment, since the locus of decisions rests with the local affiliate organization. Hence, trade unions may initially target the coverage of membership from affiliates with functional local structures or those capable of evolving functional local structures that can handle the administrative processes related to the implementation of the program.

Appropriate Organizational Form and Legal Personality

The microinsurance program should have the appropriate organizational form and legal personality which could administer the program accordant to the basic principles of mutualism. It must be accountable to the group and each of its members, by being fair and transparent in all its transactions. It must be able to assure delivery of service and benefits promptly to encourage participation.

Lastly, all regulations of the law encompassing the program should, of course, be adhered to. Hence, it would be advisable for any worker's managed microinsurance program to comply with the requirements of the law once the sub-decree on microinsurance is issued by the MEF. Based on the PMBA experience, compliance might be difficult at first. But, being regulated has its advantages. It contributes to the greater credibility of the program. Likewise, it ensures program feasibility and financial sustainability.

Sustainability

The experiences of CCSF, GRET and PMBA shows that in the initial years of operations, they incurred losses arising from the costs of acquiring and servicing clients, start up operations, inexperienced underwriting and premium setting, and a large but uneducated market. This emphasizes the importance of balancing affordability with the financial sustainability of the program. Sometimes, irregular income flows of low income households can aggravate this situation. Frequently, poor clients cannot sustain their membership in the program, thereby increasing the dropout rate. This also affects program sustainability.

The only way to address this is to acquire a sufficiently large membership pool at any given time. In fact enrolling the whole 73,000 membership pool of these federations could achieve this.

Complementary Product and Efficient Collection System

Given the relatively low level of education of Cambodian workers and their households, and the intangibility of microinsurance, it would be difficult for them to comprehend the importance of microinsurance. Hence, it would be advisable to link microinsurance with a complementary product similar to what the CCSF has done.

In the case of the unions, integrating microinsurance with the other benefit demands in their collective bargaining agreement would ensure the 100% enrolment of their members in their microinsurance program. It would also be favourable to their program if they can negotiate for an employers' contribution to the premium payments at no less than 50%, including collecting the premium on a check-off basis also to ensure 100% collection.

However for the workers in the informal sector, it would be an entirely different story. A collection system has to be developed that would take into consideration their business cycle.

Efficient Administration

A tight, well ordered but simple administrative structure, systems and procedures are required to ensure the delivery of the product and its benefits to the needy members, including the collection of premiums in the shortest possible time at the least cost (Almazan, 2005). The issue of cost cannot be overemphasized given that in many microinsurance businesses, administration is commonly maintained between 30 to 35% of the premium income.

One ingredient necessary for having an efficient administration is to leverage the power of information and communication technology (ICT) in order to lower transaction costs and enhance decision making based on timely and comprehensive data (Almazan, 2005). Another is to tap outside expertise especially those related to underwriting and actuarial services. Underwriting refers to the process of identifying and classifying the potential degree of risk represented by a particular group. An actuary on the other hand, is a technical expert on the mathematical and financial aspects of insurance. Without these services, it would be difficult to design an insurance product that will respond to the needs of the members and determine the

appropriate pricing that will balance the need for affordability and sustainability.

Adequate and Solidarity Based Reinsurance

A critical and necessary protection from unexpectedly large amounts and/or large number of claims is reinsurance. It is an insurance cover for insurance companies.

The insurance company passes on some, if not all, the risks it shoulders to the reinsurer for a premium. It plays a big role especially to a new insurer with a small initial policyholder base for it allows one to share risk with other insurers in different regions or countries in which it effectively develops sufficient large risk pools thereby lowering the average risk involved.

VII. TOWARDS DESIGNING AN APPROPRIATE MICROINSURANCE PROGRAM FOR TRADE UNIONS

The primary objective in setting-up a trade union-based microinsurance program is to provide social protection benefits to union members, their beneficiaries and families upon the occurrence of covered contingencies. Such a program shall also provide mutual aid and assistance, care for and relief of the sick, disabled, elderly, and the needy among union members, their families and other community members. Furthermore, it shall adopt plans and programs that will advance members' and beneficiaries' welfare and economic well-being.

In this manner, unions see the program as a mechanism to consolidate and expand their membership base, and further develop their capacity as a strong workers' organization. Moreover, the program will help increase their financial independence.

The Proposed Product: Family-Oriented Insurance Service

Based on the results of the survey and taking into account the factors discussed in

the previous section, this paper proposes a family-oriented life insurance similar to the PMBA. It starts from recognizing that poverty and the vulnerabilities of union members are intimately connected with the socio-economic status and vulnerabilities of their families. A family-oriented life insurance program will likely increase membership loyalty to the union as well as the desire to be part of the program.

A prospective member will have the option to buy an insurance coverage which will have a duration of one year. After one year, the member's policy will be automatically renewed unless he/she explicitly disengages from the program. It is an appropriate financial arrangement for the poor that operates on a micro level economy-capable only of small but regular contributions. At the same time, a one-year term insurance is cheaper and the poor can disengage easily from the program in case they cannot sustain the premium contribution. For the program manager, it is less risky and easier to manage. The basic features of the product are shown in Table 3.

Table 3
Basic Features of the Microinsurance Program

Terms	Features of the Microinsurance Program
Type of contract	Yearly renewable term
Types of members	1. There are two types of members: regular and associate. The regular member is responsible for the payment of premiums and has voting rights. Associate members have no voting rights.
Types of risk covered	1. On account of an accident; <ul style="list-style-type: none"> • Death of the insured person; • Permanent (total or partial) disability of the insured person; 2. On the death of the insured person due to natural causes; 3. Hospitalization of the insured person;
Covered persons	1. The names mentioned in the membership application form are all insured persons and shall be covered to receive benefits as stipulated under the contract. 2. There are no dependents. All members of the household/family may be registered as insured persons by the regular member provided they are related to the regular member of up to second degree of consanguinity and are between 1 to 75 years old.
Age limit	1. Regular membership should be conferred on persons between the ages of 18 to 60 years. However members and insured persons are covered until the age of 75 years.
Product features	1. The program cover insured persons from ages 1 to 75 years. It also offers funeral assistance in case of death to insured persons from ages 1 to 14 and 65 to 75 years. 2. Every insured person under the program is entitled to a maximum of 15 days hospitalization benefit within a consecutive 12-month period. However, in case of lapse of payment, hospitalization benefit shall be paid as follows: (Number of months paid ÷ 12 months) x Benefit per day = proportional benefit per day. 3. Computation of death benefit will follow this formula: (Number of months paid ÷ 24 months) x full benefit amount = proportional benefit.
Types of packages	1. To take into account the preferences of the members, the members can choose different packages that will cover different types of risks like death and accident packaged at different levels of affordability and benefits. 2. The members can choose from a variety of plan types to better suit the needs of their family. The package types are classified as follows; household couple with no children, one parent with own children, household couple with own children and single person. A member can also add several insured persons under his/her membership provided they are related to the member of up to second degree of consanguinity.

Terms	Features of the Microinsurance Program
Types of beneficiaries	<ol style="list-style-type: none"> 1. There are two kinds of beneficiary, the primary beneficiary and the secondary beneficiary. 2. The primary beneficiary is the regular member/policyholder who is entitled to all benefits under the insurance cover while the secondary beneficiary is/are person/s listed as beneficiary in the event of death of the regular member as insured person.
Member's equity value	<ol style="list-style-type: none"> 1. The regular member completing his membership with regular and continuous payments for five (5) consecutive years is entitled to the total balance in his member's account. 2. However, the member completing his membership with regular and continuous payments for at least three (3) consecutive years within the abovementioned five (5) consecutive years is entitled only to that part of his members' account regarded as the Membership Equity Value (MEV).

Target Membership Enrolment

Target enrollees over the first seven-year period are based on the current membership of the participating federations. For the first year, members from the eight (8) federations with functional local affiliates are expected to enrol in the microinsurance program.

Given the lessons from the experiences of the three microinsurers, it is important that the issues of adverse selection and economies of scale are considered from the very start in order to ensure early viability. To achieve this, there should be 100% enrollment of all members of the local unions.

The most feasible way of doing this is to link the microinsurance service as a complementary strategy to an existing service of the union which in this case is the collective bargaining process. The output of this is an inclusion of the service in the final collective bargaining agreement (CBA).

The final CBA should contain a provision where the microinsurance service is made part of the agreement between management and the union. There can be two possible options for financing the program: 1) The cost of the insurance shall be borne exclusively by the management as part of the benefit package of total workforce of the

company or enterprise; or 2) the insurance benefit may be considered as contributory to the premium where both management and employees shoulder a portion of the premium of insurance perhaps on a 75-25 basis. But in no case should the employer's share be lower than 50%.

While the feasibility of the foregoing proposal needs to be discussed further by the participating federations, this paper will assume the enrolment scenario in the succeeding paragraphs for financial projection purposes.

The proportion of enrollees from these federations is expected to be able to enrol is at least 10% (7,332) of their total declared membership in Year 1. The percentage share of enrollees in relation to declared membership will increase to 30% by Year 2, 50% by Year 3, 60% by Years 4, 5 and 6. All members of the participating federations are expected to be enrolled by year 7.

The percentage increases were based on the 57% annual growth rate of GRET in the past three to five years. This projection does not include the possibility that union members would eventually include their dependents for coverage, and recruit at non-TU member workers or community residents as suggested in the FGDs.

The projected number of enrollees by federation per year for the next seven years is shown in Table 4.

Table 4
Estimated Number of Enrollees per Federation per Year

Federation	Membership		Target Enrollees per Year						
	No. of Affiliates	Total Members	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
CCTUF	8	2,000	200	260	390	624	998	1597	2,000
CFBW	8	1,620	162	211	316	505	809	1294	1,620
CCAWDU	60	41,577	4,158	5,405	8,108	12,972	20,755	33,208	41,577
FTUWKC	43	24,893	2,489	3,236	4,854	7,767	12,427	19,883	24,893
CITA	2	669	67	87	130	209	334	534	669
IDEA	2	530	53	69	103	165	265	423	530
CICA	1	160	16	21	31	50	80	128	160
CTSWF	16	2,250	225	293	439	702	1123	1797	2,250
Total	140	73,699	7,370	9,582	14,371	22,994	36,791	58,864	73,699

VIII. THE MBA AS THE PROPOSED DELIVERY MECHANISM FOR MICROINSURANCE PROGRAM

This paper recommends that the microinsurance program be operated outside the organizational context of unions. First, unions are basically designed to be an instrument for collective bargaining and advocacy. They are not designed to be “income generating enterprises.” Second, a separate entity would insulate the program from any intra-organization or inter-organizational dynamics or politics that could affect the viability of the program to service the union’s constituency regardless of their federation or union affiliation. In this regard, a mutual benefit association (MBA) similar to that of the PMBA model is one of the most appropriate organizational forms to manage the program.

In this section, we integrate some texts about MBA’s found in Almazan (2005).

What is a Mutual Benefit Association (MBA)?

A mutual benefit association (MBA) may be defined as a non-profit organization, freely and democratically constituted by its members, functioning on the basis of social solidarity among members. By means of members’ subscription fees, and based on members’ decisions, the MBA seeks to help its members and their families face risks in life by practicing providence, mutual aid and solidarity.

An MBA is a mutual self-help organization which follows the principles of reciprocity and solidarity. Reciprocity involves reciprocal obligation expected from the recipient of aid towards the giver. Solidarity, on the other hand, is an expression of empathy with the disadvantaged, without

expectation of a direct reciprocal obligation on the part of the recipient.

In an MBA, premium payments for insurance coverage are collected from policy holders. A portion of these payments will go to a reserve fund, called the Mutual Aid Fund System (MAF), which is established for the sole payment of benefit claims of members or their beneficiaries. Furthermore, any surplus created can not be returned as dividends. Instead, surpluses may be reverted to the MAF or allocated to the Member's Equity Value (MEV) fund.

However, if an MBA will be capitalized by trade unions and other fraternal institutions in a cooperative manner, then it is reasonable to assume that cooperative practices of distributing dividends and patronage refund shall be part of the scheme to attract more institutional members to participate in the economic growth of the MBA.

The Concept of Membership Equity Value (MEV)

The MEV is the sum of money a mutual will pay to the member-policyholder in the event his or her policy is voluntarily terminated as a result of membership resignation or the insured event occurs. This cash value is the savings component of the insurance policies of the MBA. The MEV can only be withdrawn by a member after a minimum number of years of continuous membership in an MBA.

The attractive aspect of insurance policies is its ability to accrue cash value over time. Generally the cash value will continue to increase the longer that the policy is in effect. As the value of the policy grows, it is often possible to borrow against this cash

value or even use the policy as collateral to secure a loan. That is why there are MBAs who also engages in credit service because of this feature of insurance policies.

The MEV should not be confused with the face value of any life insurance coverage. The face value of the policy has to do with the amount that will be paid out to the member or beneficiaries as long as the terms of the policy are met. MEVs are always substantially less than the face value of the insurance policy.

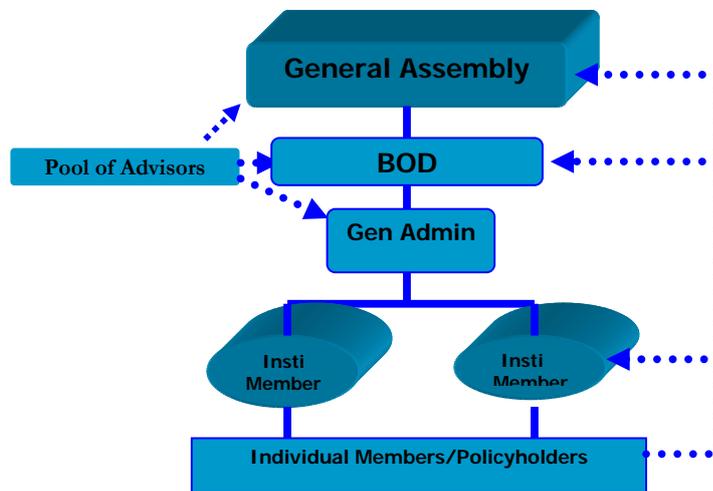
Management of an MBA and its Schemes

Governance and administration

The highest policy making body of an MBA or Mutual is the General Assembly. This body is essentially a gathering of members in good standing such as policyholders and partner-federations, unions, microfinance institutions, NGOs and cooperatives. It is a collegial body that meets to elect the members of its governing board--the Board of Directors (BOD) and to discuss strategic issues facing the MBA. The Mutual is governed by the Board of Directors (BOD). A staff headed by the General Manager is also hired for the daily operations of the MBA.

As a form of financial service, insurance is a relatively technical subject matter. Thus, it is highly recommended that the Mutual have a pool of advisors in the following areas: underwriting, actuarial service, investment, auditing and legal service. These advisors should be accessible to the President, the Manager, and the BOD if necessary. Depending on the agenda, they may be requested to meet with the BOD or with the Secretariat.

Figure 10
MBA Structure



Membership

Membership may be of two types: the regular and the associate members. Regular members have two sub-categories: the individual member, and the institutional member. The individual member is a person on whom membership is conferred and is the primary beneficiary of all benefits. He or she is obliged to pay a monthly premium contribution. The age requirement for membership is at least 18 years but no more than 60 years.

The regular individual member has the right to vote and be voted upon during membership meeting and elections of the board of directors. He or she is the only member who has a right over the MEV of his/her insurance policy. The regular institutional member is a legally registered institution, organization or group on whom membership is conferred. It should pay its share capital subscription, participate in the capital build-up and savings mobilization, and collect all premium contributions and other obligations of their members as insured persons. Moreover, it should patronize the Mutual’s insurance program. The regular

institutional member also has the right to send delegates to the general assembly, including the right to vote and be voted upon during membership meetings.

The associate member is a person who has been registered by the regular individual member in his/her insurance policy as an insured person. They have no right to vote and be voted upon during membership meetings and shall be entitled only to such rights and privileges to be provided by the MBA.

Promotional and educational work

As a mutual, the MBA is expected to educate its applicants, members and policyholders on the principles of cooperativism and mutual insurance through a systematic education program. Promotional work, on the other hand, is one of the roles of the member-federations. It aims to popularize the program among members, the management of companies, other trade unions, and NGOs. Member-federations and/or their local affiliates will serve as MBA field representatives. For their promotional work, they will be compensated on a commission

basis for actual cash brought in (CBI), and not on the annual premium rate of the policy.

Claims processing

Claims processing should not exceed 40 days or whatever is indicated in the membership agreement or policy contract. However, in the context of microinsurance, it should be accomplished within five working days. This is on the condition that the application meets all the minimum requirements. The count of five working days shall commence upon receipt by the head office of the application.

Delays in processing are usually due to improperly prepared application or inadequate supporting documentation. Depending on the amount of the claims, documentation should not be too strict. The MBA generally approves most claims in the spirit of solidarity to the members.

However, the disapproval of claims cannot be avoided. It may be due to non-payment by the claimant of his/her premium, or the claimant is not the declared beneficiary.

An eligible claimant with a lapse policy can still get some financial assistance from the MBA on a pro-rated basis.

The board may create a Claims Committee (CC) under its jurisdiction. The

committee may be mandated to approve or disapprove all fully processed claims applications. It may be composed of at least three board members. Depending on the amount of claim and the policies agreed upon, the approval of claims applications may be delegated to the President, Manager and at least 1 CC member.

Computerized management information system (MIS): backbone of a good microinsurance administration

Central to the effective and efficient management of a micro-insurance program is the appropriate computer hardware and software. In the case of the PMBA, the Interpolis facilitated the installation of the licensed insurance administration software called the OASE. The OASE was developed by a Dutch information technology company called the Ad Arma initially for Dutch mutuals. It was later modified and enhanced to come up with an international version which is now being pilot tested in a Sri Lankan MBA and in the PMBA.

Given the volume of information to be processed, any MBA would find it near impossible to work with only a small secretariat if it did not possess a computerized MIS.⁴

IX. CONCLUSIONS AND RECOMMENDATIONS

The need for microinsurance for the poor sectors of the community cannot be more highlighted as in the case of Cambodia's formal and informal workers. The results of the survey strongly support this.

Designing a program which caters to the basic necessities of the concerned group is a challenge. The existing insurance backdrop, the intricacies of the labor force' profile, the experiences of foreign organizations involved in one way or the other with administering microinsurance in other countries,

information from key personalities, and feedback from the target market on what they need and what they can afford must all be considered.

In a nutshell, the proposed microinsurance program offers to provide financial assistance in the event of death due to accident or natural cause, hospitalization and disability. It is open to all members and their dependents. A variety of rates is considered to give a member a choice on what type of plan fits his needs and

capability to pay. It also proposes that a participating member may avail of the total balance in his account in case of default of payments on the condition that he has been faithful in his payments for five consecutive years. This is to assure those members who had not made any claims but had been continuously paying their dues that they may get a part of the total premiums they have paid in case of withdrawal.

In many poor countries like Cambodia with strong family and community support practices, income from gainfully employed trade union members can be redirected to support not only themselves but also to help their relatives, neighbors and friends take care of their own welfare through a self-initiated social protection program like microinsurance. This is one of the reasons why a union-based microinsurance program is suggested.

It is recommended that the organizational form to manage the program is a mutual benefit association (MBA) which may be defined as a non-profit organization, freely and democratically constituted by its members, and functioning on the basis of social solidarity among members.

Given the lessons from the past experiences of other microinsurers servicing other countries, it is important that the issues of adverse selection and economies of scale

are considered from the very start. It aims to cover the whole spectrum of possible ages to be a member (primary or secondary). This is to ensure early viability and sustainability of the program. A hundred percent enrollment of all members of the local unions will guarantee this. This can be made possible by linking the microinsurance service as a complementary strategy to an existing service of the union.

A donor organization like the BWI may be needed to provide the starting capital for the operation of the MBA with the proviso that this financial support will decrease and eventually terminated as the income and reserves of the MBA increase. However, it would be advisable for the donor to encourage the participating federations to put up equity for this project as some form of start up counterpart funding. This will create a sense of ownership over the MBA at the very start of the project.

The future direction of this research will be the pricing of the appropriate range of benefits that can be afforded by the target market. The aim is to make the premium as low as possible without compromising the financial feasibility of the whole program. Financial projections, financial management and investment of reserves will also be studied.

NOTES

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¹ These figures have been computed with the use of a web-based sample size calculator located at www.surveysystem.com.

² Motodup is local term for motorcycles used as public transport in Cambodia.

³ Check-off provisions in collective bargaining agreement allow a union to collect dues through automatic payroll deduction on terms negotiated by the employees' exclusive bargaining agent (union) and the employer.

⁴ The OASE is a relatively simple, easy-to-learn, modularized insurance administration program designed for small and large mutual companies. It is a full Windows-based program running on an Oracle 8 database which can operate in a stand-alone situation or in a (Windows) network environment with several PC clients. The Ad Arma in tandem with a microinsurance advisor can provide remote support anywhere in the world through the Internet. The OASE modules are designed to manage the membership base of any mutual, including their respective insurance policies, marketing and collections, the MEVs, and financial management.

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Appendix A
List of Abbreviations

ACILS	American Center for International Labor Solidarity
ADB	Asian Development Bank
BWI	Building & Wood Workers International
CAMINCO	Cambodian National Insurance Company
CCAWDU	Coalition of Cambodian Apparel Workers Democratic Union
CCSF	Cambodian Credit & Savings Federation
CCTUF	Cambodia Construction Trade Union Federation
CFBW	Cambodia National Federation of Building & Wood Workers
CICA	Cambodian Independent Civil Servant Association
CITA	Cambodian Independent Teacher's Association
CTSWF	Cambodian Tourism & Service Workers Federation
EII	Employment Injury Insurance
FGD	Focus Group Discussion
FTUWKC	Free Trade Unions of Workers of Kingdom of Cambodia
GDP	Gross Domestic Product
GRET	Groupe de Recherche et d' Echanges Technologiques
ICFTU	International Confederation of Free Trade Unions
ICIC	International Commercial Insurance Company
IDEA	Independent Democracy of Informal Economy Association
IFC	International Finance Corporation
ILO	International Labour Organisation
MBA	Mutual Benefit Association
MEF	Ministry of Economy & Finance
MEV	Membership Equity Value
NGO	Non-Governmental Organization
NSSF	National Social Security Fund
PMBA	Partnership Mutual Benefit Association
RIMANSI	Risk Management Solutions, Incorporated
SSL	Social Security Law
WB	World Bank

**Appendix B
Persons Contacted/Interviewed**

Name	Position	Institution
Mr. Alonzo Suson	Country Director	ACILS
Mr. Ath Thorn	President	CCAWDU
Mr. Cedric Salze	Project manager	GRET
Mr. Man Seng Hak	Secretary General	FTUWKC
Mr. Heak Pring	President	CICA
Mr. Rong Chun	President	CITA
Mr. Sin Vibol	Deputy Manager-Sales Office	CAMINCO
Mr. Sok Narith	Vice-President	CTSWF
Mr. Sok Sovandeith	President	CFBW
Ms. Sunnimol Simen	Senior Sales & Marketing	ICIC
Mr. Un Buntha	Urban Scheme Manager	GRET
Mr. Van Thol	President	CCTUF
Mr. Vorn Pao	President	IDEA

Appendix C

Relevant Features of the Draft Sub-Decree on Microinsurance*

The Draft Sub-Decree on Microinsurance, consists of 9 chapters and 42 articles, organized as follows:

- I - General Provisions
- II - Licensing and Restrictions
- III - Products and Operations
- IV - Finance and Accounting
- V - Treatment of Company in Financial Difficulties

Definition: Microinsurance is the protection of low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved. (Protecting the poor; a microinsurance compendium; Edited by Craig Churchill)

Chapter I

- Article 2. Scope: This Sub-decree applies to micro-insurance activities including CBHI schemes that are provided by companies, or NGOs operated in the Kingdom of Cambodia except for those which are provided by licensed insurance companies.

Chapter II

- Article 3. Licensing: All companies who try to provide insurance or quasi- contracts must apply for license from the MEF.
- Article 6. Restriction of license certification: Maximum size of gross insurance premiums per year should not surpass KHR 3 billion (if it exceeds, the company may apply to MEF for permission backed with business plan, or stop selling products or apply for general or life insurance license).

Chapter III

- Article 13. Maximum term for microinsurance contract shall be 1 year.
- Article 14. Maximum size of an insurance benefit that can be contracted by a micro insurer shall be less than KHR 20 million (USD 5,000) per insurance contract.
- Article 20. Reporting: A micro insurer shall be responsible for preparing and submitting financial reports and statistical report to the MEF, in accordance with the current provisions of the Law and this Sub-decree and the guidelines of the MEF.

Chapter IV: Capitalization and Reserves

- Article 23.
 - Minimum paid-in Capital. 80 million riel = USD 20,000
 - Minimum guarantee fund (solvency) not less than 1/3 of minimum capital.
- Article 24. Reserve for catastrophic events = 2 months average net premium

Chapter V: Financial Difficulties

- Article 30. A micro insurer is in a danger of insolvency when its marginal solvency is below the level of the minimum marginal solvency.
 - In cases of danger of insolvency, the micro-insurer must notify the MEF of its accurate financial situation, the reasons of possible insolvency and corrective measures.

Chapter VI

- Article 34. A micro-insurer shall prepare an application of dissolution of itself, for submission to the MEF. The MEF is responsible for determining the details of the application for dissolution of the micro-insurer.

In case of CBHI Schemes, the MEF and the MOH should be informed in advance regarding the dissolution through an official letter.

Charter VII

- Article 38. All insurance agents and brokers must have license granted by the MEF to sell microinsurance products. Section 2, Chapter IV of Insurance Sub-decree shall apply to agents and brokers who deal in microinsurance contracts, unless otherwise provided.

Chapter VIII

- Article 40. The risk can be transferred by the micro-insurer beyond the territory of the country if the reinsurance company is authorized and is supervised in its country of residence. This reinsurance company must be represented by a resident or non-resident insurance broker in Cambodia.

Microinsurance provider should get approval from MEF before dealing with a reinsurance company.

Chapter IX

- Article 42. Penalties: Those who committed activities that are determined as violations in the microinsurance business by MEF shall pay penalty which is stipulated by the Law.

Those who committed activities that are determined as violations under any article of the present sub-decree shall pay penalty which does not surpass 30 million riels.

** These features of the proposed Sub-decree on Microinsurance was presented by Mr. In Meatra, Chief of the Insurance Division, MEF during the Microinsurance Forum organized by the BWI held in La Parranda Hotel, Phnom Penh, March 28-29, 2008.*

Appendix D
Basic Features of Selected Microinsurance Schemes

	CCSF	GRET	PMBA
Type of model	Complimentary product (attached to lending & savings activity)	Service provider	Mutual
Regulated environment for microinsurance	Not yet	Not yet	Yes
Institutional Context	Cooperative Federation	NGO	Mutual
Type of microinsurance products	**Loan protection **Life savings	Primary health care and insurer for secondary health care	**Life & accident for families **Group insurance **Loan Protection
Types of members/clients	Member-borrowers & savers		Regular member Associate member
Features			
Risk covered	Loan payment Death (natural & accidental)	**Surgical operation **Amputation **Pregnancy **Death	**Death (natural & accidental) **Disability (permanent & partial) **Hospitalization **Loan payment
Covered Persons	Borrowers-Savers of CBMIFOs	Rural & urban families	**Whole rural & urban families **Group members **Borrowers of MFIs
Age limit	Not clear	Not less than 1 year old but no indicated maximum age	1 - 75 years old can be covered but only age 18 – 60 years old can be policyholders
Benefits	**Remaining loan balance will be fully paid in case of death of borrower **Cash benefit doubling the amount of savings account of the deceased saver. **Funeral contribution	**Access to primary health care units of SKY **Access to partner hospitals if referred by GRET health center, specifically: surgery, birth delivery (normal, forceps or cesarian) **Transport service in case of emergency **Funeral contribution	Cash benefit in case of: **Death (natural or accidental) **Disability (permanent or partial) **Hospitalization for each covered person for 15 days Funeral grant for covered persons **Loan balance fully paid to MFI
Type of Premium & Benefit Packages	None	4 premium levels based on number of persons enrolled & based on type of economic activity	6 available package based on number of household member enrolled & capacity to pay

Appendix D (cont'd)

	CCSF	GRET	PMBA
Type of beneficiaries	Surviving family members	**Member/policyholder **Other covered family members	**Member/policyholder in case of death of insured family member **Surviving family members in case of death of policyholders **MFI in case of borrowers death
Duration of policy	Loan term	6 or 12 months w/ automatic renewal	**12 months w/ automatic renewal for regular insurance **Loan term for loan protection
Member's equity value	None	None	Yes