



Microinsurance MBA Association of the Philippines Inc.
*Mutuality Among Mutuals 12*24*48*



REPORT ON EXTERNAL EVALUATION OF NATCCO MBA BOARD OF TRUSTEES' PERFORMANCE

MAY 2023



TABLE OF CONTENTS

Executive Summary	3
Background	8
Purpose	8
Objectives	8
Methodology	8
Limitations of the Study	11
Findings and Recommendations: OECD Evaluation Criteria	11
Conclusions and Recommendations: BOT Roles and Responsibilities	32
Lessons Learned	38
Annex 1. List of key informants	40
Annex 2. Organization documents reviewed	40

Executive Summary

The purpose of the external evaluation was to identify ways and means to improve and maximize the Board of Trustees' (BOT) contribution to the overall performance and business success of the National Confederation of Cooperatives Mutual Benefit Association, Inc. (NATCCO MBAI or NMBAI).

The evaluation sought to identify recommendations for improvement based on an understanding that facilitated or hindered performance in the following areas:

- Strategic guidance
- Performance oversight
- Compliance and accountability for member and stakeholder agreements
- Internal controls
- Risk management
- Organization and management of the governance process

Evaluation Criteria

OECD evaluation criteria were used as a framework for performance evaluation. The criteria were interpreted in the context of the business model and competitive environment of the NMBAI.

The following definitions were used:

1. **Relevance** – the extent to which the NMBAI BOT followed policies and measures that supported the NMBAI's value proposition to members, promoted collaboration with stakeholders and contributed to the MBA's over-all performance objectives. Also, it referred to how the BOT responded to the opportunity and threat environment of NMBAI by leveraging strengths and building the capacity of the MBA to compete. These were the priorities at a time that NMBAI was facing increased competition with other insurance providers within the NATCCO network.
2. **Effectiveness** – the extent to which the BOT's policies and measures contributed to the MBA's over-all performance.
3. **Efficiency** – the extent to which the BOT was able to optimally allocate and use the time, capabilities, budgets and other resources that were available in order to be effective.
4. **Coherence** – the extent to which the BOT's governance policies, processes and practices were aligned and supportive of the management and operational priorities, policies, processes and practices of the President and senior management.
5. **Impact** – the extent to which the policies and measures of the BOT will likely contribute to the MBA's long-term objectives and expected impact of the MBA on society, insurance industry and the communities in its areas of operation.
6. **Sustainability** – the extent to which the contributions of the BOT to the MBA's performance and the effects of its contribution especially with respect to benefits to members and productive collaboration with stakeholders will be felt through the medium and long-term.

The purpose and objectives of the evaluation are presented in **Sections I and II** as follows:

Purpose

Identify ways and means to improve and maximize the BOT's contribution to the overall performance and business success of NATCCO MBA.

Objectives

1. Determine the extent to which NATCCO MBA's Board of Trustees and BOT committees understood, performed their duties and responsibilities, and contributed to the over-all performance of NATCCO MBA through its policies, processes, and practices in the following areas:
 - Strategic guidance
 - Performance oversight
 - Compliance and accountability for member and stakeholder agreements
 - Internal controls
 - Risk management
 - Organization and management of the governance process
2. Identify factors influencing NATCCO MBA BOT's performance and its contribution to the over-all performance of NATCCO MBA
3. Formulate recommendations on how BOT performance may be strengthened to increase the BOT's contribution to overall NATCCO MBA performance.
4. Identify lessons learned in NATCCO MBA's practice of good governance that may positively influence changes in NATCCO MBA's governance charter and BOT policies, processes and practices.

Section III presents the methodology used in the study:

- a. The OECD evaluation criteria were presented in the context of NMBAI's business model, its management and operations policies and processes and the opportunity-threat environment of the MBA.
- b. Information and data were collected primarily through online interviews with key informants among the BOT and senior management of the NMBAI as well as a review of organizational documents of NMBAI.
- c. Key informants (see Annex 1) included members of the BOT and of BOT committees as well as senior officers of NMBAI. Organization documents reviewed (Annex 2) included, among others, NMBAI By Laws, BOT and BOT Committee charters, annual reports, strategic plans in balanced scorecard format, and reports on management and operations performance, compliance, risk and audit findings.
- d. Gap analysis was done to identify and measure quantitatively and/or qualitatively the actual expected outcomes against planned/desired outcomes.
- e. Underlying factors were also discussed as basis for drafting recommendations intended to address the evaluations specific objectives.

Section IV presents the limitations of the study. More direct and onsite visits to meet with a sample of partner cooperatives and members was not done. The study was limited to document review and online Zoom meetings. Face to face interviews and direct observation of BOT discussions and interaction were not possible within the available time and set up for BOT meetings.

The study was nevertheless able to get significant information, feedback and data as all requests for online interviews were accommodated and both BOT members and senior managers interviewed were very open, forthcoming and candid in their responses. Organizational documents requested were also provided. Triangulation of responses was also done to highlight consensus and divergent information and viewpoints. Key informants' own recommendations as well as the NMBAI's balanced scorecard, strategy map and SEGURO indicators were reference points for generating and evaluating recommendations.

Section V presents the study's findings and recommendations based on the OECD criteria.

The BOT was focused on the most relevant opportunities and threats in the business environment of NMBAI, namely:

- Severe restrictions in the transactions and operations of the MBA during the Covid lockdown period
- Re-negotiating a key partnership agreement with NATCCO that accounted for more than 90% of the MBA's partnership
- Leveraging BOT knowledge, understanding and contacts within the NATCCO network to expand membership beyond just the MICOOP expansion branches to all branches of partner coops
- Developing membership growth options outside the NATCCO network
- Attending to performance oversight duties and ensuring better internal control and accountability to stakeholders
- Monitoring policy implementation and results

The BOT was particularly effective in maximizing member growth even in branches of partner coops that were not under the MICOOP management agreements. Although there were limitations in more direct member engagement, these limitations were due primarily to partner coop ways of engaging their members, especially those who were not actively seeking loans or were not in good standing. The BOT continued to emphasize looking for ways and means of more effectively working with partner coops to jointly and directly engage members.

Improvements in performance oversight via updating of balanced scorecard metrics with SEGURO indicators and completion of installation of a COSO framework for internal auditing were also underway.

The high quality of the BOT's relationship with the President, mutually characterized as straightforwardly results oriented while respectful, open and supportive, was a major factor in maximizing the positive results of BOT policies and measures.

Coherence and efficiency were also promoted by the use of the balanced scorecard and performance measurement framework. BOT participation in strategic planning sessions have also been important factors.

The prospects for a significant impact on NMBAI performance, especially, with respect to reaching its 300,000 members target for 2025, depends on how well the BOT guides decisions on how to allocate limited resources between further penetration within the NATCCO network and growth outside NATCCO. Building capacity for more direct member engagement especially in non-NATCCO partnerships is an imperative.

The NMBAI's sustainability is urgently affected by an imminent change of BOT membership in the next general assembly. Ensuring the election of new members who will have the same in-depth knowledge, understanding and influence over NATCCO sector dynamics as the outgoing BOT members will be difficult. Ways and means to retain the policy guidance and support of outgoing members may be more do-able.

At any rate, renewing the partnership agreement with NATCCO even if the desired rationalization of service fees was not achieved was a very prudent step in stabilizing access to the NATCCO sector market while efforts and capacity to develop new markets are still at a very early stage.

Summary findings and recommendations based on the BOT's major responsibilities are presented in **Section VI.**

The study rates the BOT's strategic guidance as very good. The NMBAI would clearly not have been able to maintain and strengthen its partnerships with partner coops and NATCCO/MICOOP without the proactive support of the BOT.

BOT members' deep knowledge and understanding of the NATCCO coop sector and key leaders within NATCCO at all levels, their longstanding status within the NATCCO network as respected, trustworthy and capable cooperators, their openness to make their influence networks available for NMBAI's membership outreach purposes and their strong sense of ownership for the viability and success of NMBAI were indispensable to management's ability to craft and implement MBA strategy.

Market penetration and development strategies are in place, the former already being implemented to expand membership from MICOOP expansion branches to all branches of partner coops while the latter being set up for expansion outside the NATCCO network. BOT guidance will continue to be critical in prioritizing which approach will be given how much share in the NMBAI's limited resources.

The study rates the BOT's performance oversight as good. The BOT was focused on doing its oversight responsibility well using balanced scorecard metrics that incorporated SEGURO indicators. It diligently monitored performance gaps and issues and followed through on action taken to address these gaps until these were resolved.

Consolidation into a performance measurement framework, more comprehensive than the framework referred to in the revised corporate governance code, would facilitate BOT performance oversight. This would entail broadening the monitoring of all key stakeholder feedback on their NMBAI partnership as well as aligning measurement of some SEGURO indicators with IC definitions and microinsurance sector practice.

The study rates the BOT's accountability and control oversight as good. The BOT's appointment and oversight, through the Audit Committee of an experienced and knowledgeable Board Auditor was a key factor in reducing the number of red flag transactions and adverse findings by the external auditor and the Insurance Commission as well as in improving over-all audit score based on a COSO framework.

Strengthening the audit committee's membership and capacity for full development and implementation of a COSO framework can further improve the BOT's oversight of accountability and control.

Finally, *the study concludes that the BOT's management of its governance processes was good.* The BOT faces the challenge of managing the transition from the imminent end of term of BOT members who have been pillars in the governance of NMBAI from the start of the MBA's operations to new members who will take their place.

The BOT also needs to determine the best way of allocating the limited number of independent trustees to various committees that are mandated by the revised corporate governance code to have a majority of members, including the chair, independent. The audit committee is one such committee that the BOT should prioritize.

Several improvements notwithstanding, the study confirms that the BOT's assessment of its corporate governance scorecard is fair and accurate.

MAIN REPORT

Background

NATCCO MBA (NMBAI) requested MiMAP to arrange for the conduct of an external assessment of its Board of Trustee (BOT)'s performance. Compliance with the provision in the Insurance Commission's Revised Code of Corporate Governance that calls for an external evaluation (i.e., Recommendation 6.1) was the main purpose for NATCCO MBA's request.

Interviews with BOT members and the MBA's President in the course of a needs assessment process facilitated by MiMAP's evaluation consultant, identified where the evaluation should focus, clarified business priorities and performance needs of the MBA.

Assessment of over-all governance policies, processes and practices was seen by all those interviewed as an important focus of the evaluation.

I. Purpose

The purpose of the external evaluation was to identify ways and means to improve and maximize the BOT's contribution to the overall performance and business success of NATCCO MBA.

II. Objectives

- 1 Determine the extent to which NATCCO MBA's Board of Trustees and BOT committees understood, performed their duties and responsibilities, and contributed to the over-all performance of NATCCO MBA through its policies, processes and practices in the following areas:
 - Strategic guidance
 - Performance oversight
 - Compliance and accountability for member and stakeholder agreements
 - Internal controls
 - Risk management
 - Organization and management of the governance process
- 2 Identify factors influencing NATCCO MBA BOT's performance and its contribution to the over-all performance of NATCCO MBA
- 3 Formulate recommendations on how BOT performance may be strengthened to increase the BOT's contribution to overall NATCCO MBA performance.
- 4 Identify lessons learned in NATCCO MBA's practice of good governance that may positively influence changes in NATCCO MBA's governance charter and BOT policies, processes and practices.

III. Methodology

1. Evaluation criteria and guide questions

The evaluation adapted Organization for Economic Co-operation and Development (OECD) evaluation criteria to the institutional context of NATCCO MBA including its business needs, performance requirements, value proposition to members, agreements with stakeholders, identity (i.e., vision, mission, goals, and values) and strategy.

These evaluation criteria included:

1.1 Relevance – the extent to which the NATCCO MBA BOT followed policies and measures that supported the value proposition to members, promoted collaboration with stakeholders and contributed to the MBA's over-all performance objectives.

1.2 Coherence – the extent to which the BOT's governance policies and measures were aligned and supportive of the management policies, processes and practices of the President and senior management.

In addition, it refers to the extent to which the BOT's policies, processes and practices were aligned with good corporate governance practices esp. as presented under the Insurance Commission's revised code on corporate good governance

1.3 Effectiveness – the extent to which the BOT's contributed to the MBA's over-all performance through its policies, processes and practices the following areas:

- Strategic guidance
- Performance oversight
- Compliance and accountability for member and stakeholder agreements
- Internal controls
- Risk management
- Organization and management of the governance process

1.4 Efficiency – the extent to which the BOT was able to allocate and use the time, capabilities, budgets and other resources that were available to members in order to be effective.

1.5 Impact – the extent to which the policies, processes and practices of the BOT will likely contribute to the MBA's long-term objectives and expected impact of the MBA on society, insurance industry and the communities in its areas of operation.

1.6 Sustainability – the extent to which the contributions of the BOT to the MBA's performance and the effects of its contribution especially with respect to benefits to members and productive collaboration with stakeholders will be felt through the medium and long-term.

2. Collection of data, information and feedback relevant to evaluation criteria and questions

Information, data and feedback was gathered in order to determine:

- a. Institutional context of NATCCO MBA, i.e., vision, mission, values, long term goals, value proposition to members and key stakeholders, performance measurement framework and strategy
- b. Governance framework, i.e., policies, processes, procedures and practices especially in terms of
 - Strategic guidance
 - Performance oversight
 - Compliance and accountability for member and stakeholder agreements
 - Internal controls

- Risk management
- Organization and management of the governance process
- c. BOT committee charters, i.e., mandate, objectives, policies, processes and practices
- d. Structure, composition, membership profile, tenure of the BOT and its committees
- e. Contributions to the MBA's performance objectives of members of the BOT and BOT committees in terms of their attendance, participation, findings, observations, recommendations, funded initiatives and implementation oversight.

2.1 Document review

The following documents were collected and reviewed:

- NATCCO MBA profile documents (vision, mission, customer and stakeholder profiles, performance measurement framework, strategic plan, business plans)
- NATCCO MBA Articles of Incorporation and By-Laws
- Annual Reports
- NATCCO MBA governance charter and framework
- BOT and BOT committee mandates, roles and responsibilities
- BOT and BOT committee structure, composition, member profile and tenure
- Records and minutes of meetings of BOT (regular and special) and BOT committees especially those related to strategic review, performance oversight, compliance assessment, internal controls, risk management, organization and management of governance policies, processes and practices
- Sample of documents and reports given to BOT and BOT committee members prior to regular Board meeting, special Board meeting, and Committee meetings (agenda, strategic and business plans, MBA performance reports, compliance reports, member status reports, internal audit reports, RPT reports, risk management reports)
- Sample of monitoring reports on status of initiatives authorized by the BOT for funding and implementation
- Performance monitoring tools and interview sheets used for compliance, risk reporting, internal audits and gathering member feedback on satisfaction, grievances, questions and suggestions
- Sample of BOT performance self-assessment and peer evaluation reports

2.2 Key informant interviews

The following key informants were interviewed: (See Annex 1)

- a. Senior management including Treasurer, Auditor
- b. President
- c. Corporate secretary
- d. Chair of the BOT
- e. **BOT Committee Chairs and members** (Internal Audit Committee, Risk Oversight Committee, Related Party Transactions Committee, Central Nomination Committee, Governance Committee, Product Development and Innovation Committee)

Interviews were conducted online via Zoom from March 28 to April 19, 2023, and lasted an average of 1.5 hours per key informant.

3. Gap and factor analysis

This activity involved the classification and analysis of information, data and interview feedback to determine performance indicators, performance standards and performance accomplishments. Factors that facilitated or hindered performance were identified and classified into internal and external influences.

4. Drafting of recommendations

This activity identified initiatives that may address internal and external factors that affected BOT performance. Recommendations from the trustees and MBA senior managers were also noted and evaluated.

IV. Limitations of the Evaluation

Document review and an analysis of management and governance policies, processes and procedures did not cover field level operations and processes. Only samples of reports on BOT and BOT committee meetings were examined. Minutes of BOT meetings were in summary form and did not reflect the actual exchange and interaction between those who were at the meetings.

More direct and onsite visits to meet with a sample of partner cooperatives and members was not done. The study was limited to document review and online Zoom meetings. Face to face interviews and direct observation of BOT discussions and interaction were not possible within the available time and set up for BOT meetings.

V. Main Findings and Recommendations

A. RELEVANCE

In this section, relevance is discussed as the extent to which the NMBAI BOT followed policies and measures that supported the NMBAI's value proposition to members, promoted collaboration with stakeholders and contributed to the MBA's over-all performance objectives.

It also refers to how the BOT responded to the opportunity and threat environment of NMBAI by leveraging strengths and building the capacity of the MBA to compete. These were the priorities at a time that NMBAI was facing increased competition with other insurance providers within the NATCCO network.

In this regard, the BOT has addressed the most important elements in the changing environment faced by the MBA, especially in the last three years. In particular, the BOT guided NMBAI's policies and initiatives to address

- the stresses of COVID restrictions
- developments in its relationship with NATCCO and partner coops
- Insurance Commission issuances

Finding 1: At the height of the COVID pandemic, the BOT responded in a timely way shifting from cautiously reactive to proactive over a period of six to twelve months as it got a clearer picture of the key issues, options and priorities related to the attendant mobility restrictions and socio-economic stresses at local and national levels.

- The financial position of NMBAI was monitored closely
- Access to medical services, medicines and supplements by officers and staff was ensured
- Policies and measures for flexible working arrangements were enacted
- Spending on materials and equipment such as laptops was authorized to facilitate these working arrangements, including ensuring that there is available internet access
- Proactive marketing initiatives to strengthen communications and keep up transactions with partner co-ops through newly established social media and IT channels were implemented

Recommendation

NMBAI should maintain and strengthen its initiatives during the COVID period by

- Building on the goodwill generated from community support services provided in partnership with MICOOP and partner coops. Community services should be considered more strategically as a part of a social marketing component and value proposition design process that could be jointly implemented with selected partner coops and with NATCCO/MICOOP.
- Rationalizing the integration of new social media channels created with deeper face to face engagement with members and partner coops.
- Improving monitoring of financial and SEGURO indicators through more frequent reporting and adjustments in measurement especially for claims settlement ratio, penetration rates and earned premium. More regular reporting on the aging of receivables from partners would also be relevant to strengthening coop partnerships.

Finding 2: The BOT also acted expeditiously in reviewing and adapting recommended policies and measures contained in IC Circular 2010-71 dated 13 June 2020 to improve governance of NMBAI.

Specifically,

- Evaluated and rationalized the scope of work, roles and responsibilities, designations, mandates and levels of authority of all executive and BOT positions in line with recommendations of IC 2010-71
- Enacted policies to establish, reorganize and or empower board committees in line with recommendations of IC 2010-17 as well as the priorities and strategic direction of NMBAI
- Directed the drafting, review and approval of committee charters to guide their plans and initiatives

Recommendation

Avail of updates in regulator issuances provided by third parties and participate in microinsurance sector initiatives that respond to policy and regulatory changes. Doing this can improve compliance reporting especially if staffing support for the President, presently also NMBAI compliance officer, is designated and trained.

Finding 3: The BOT has had a high level of engagement with co-op partners. Post-COVID, it continues to be focused on marketing risks and challenges.

Most of the BOT have been in the co-op movement for a very long time. They are highly regarded and respected especially within the NATCCO network and personally know many of the leaders and managers of the primaries. They also understand the management and governance culture at various levels of the co-op sector.

With their endorsement and support, the NMBAI President and her marketing staff were better able to understand and appreciate the priorities, preferences, concerns, constraints and perceptions of partner coop managers and BOTs that influence whom they choose as insurance provider. This allowed for a more customized approach in presenting the NMBAI and its products and services.

NMBAI better identified the opportunities and constraints in dealing with its priority co-op market segment, e.g.,

- Continued practice of in-house damayan schemes
- Significance of service fees and commissions
- Competitive offers from other insurance providers

Recommendation

Task a design team to develop a value proposition proposing a deeper and long-term partnership addressed to the key partner coops that BOT members assess to have strong loyalty and growth potential. The value proposition would explore options such as

- Lower contribution options
- Ease of transactions to match perceived convenience of damayan schemes
- Better claims performance
- Improved member level engagement
- Joint member education programs and services
- Co-funding calamity response and community resilience initiatives

Involve MICOOP in the value proposition design process.

Finding 4: The BOT has also been instrumental in maintaining a positive and constructive relationship with NATCCO, its gateway to distribution partnerships with primaries.

NMBAI depends on NATCCO for more than 90% of its membership. Most of these coop partners have expansion branches that are under a 5-year technical assistance and management oversight arrangement with MICOOP. For the duration of this agreement, coop expansion branches under MICOOP are committed to avail of NMBAI's basic life and credit life products.

The BOT has successfully concluded a prolonged process of negotiating and renewing a signed MOA with NATCCO.

An ad hoc partnership committee was created to focus on arriving at a mutually acceptable agreement on contentious issues such as service fees, more direct representation of NATCCO in the NMBAI's BOT and placement of investment funds.

Recommendation

Adopt a conciliatory and bridging approach to NATCCO management that recognizes their specific interests and proposes a mutually beneficial negotiation process.

Task a design team to re-examine and improve on NMBAI's value proposition to NATCCO starting with research on alternative areas of financial and non-financial collaboration.

Re-purpose the ad hoc partnership committee into a high-level policy and strategy reconciliation committee with BOT representatives on both sides. The committee would conduct semi-annual assessment of the partnership to monitor implementation of collaborative initiatives, compliance with partnership agreement and resolve partnership conflicts that cannot be addressed at lower levels.

This committee could have a sub-committee that would perform the same tasks but with individual partner coops instead.

Finding 5: Direct engagement with members is mediated by partner coops and remains limited. Claims settlement, a key element in member value added, is mostly defined in terms of notice of approval to the partner coop.

The BOT chair has been pushing for a more direct engagement strategy with the ultimate beneficiary of the NATCCO network, i.e., the individual member. This initiative is still at an early stage of implementation and is blocked by limitations in the willingness and ability of primaries to engage members who are on loan holiday or have become inactive. Partner coops have few services outside of credit, Pre-membership and membership education programs and services, a major factor in the growth of highly successful coops, are often limited in frequency, outreach and quality.

In addition, many coops that continue informal insurance schemes are unaware of business risks or unmindful of member reactions if and when such funds become insolvent.

Recommendation

Value proposition design addressed to partner coops should direct the process towards finding and harvesting the benefits of more initiatives to engage members who are on loan holidays or inactive.

Value proposition design should be complemented by a review of the NMBAI business model that will look in the feasibility of more direct channels of member engagement by the primaries.

Both design and review teams should include MICOOP and partner coop representatives. Co-funding the initiative could be proposed since the expected outcome of greater membership growth and participation in coop products would benefit both NMBAI, MICOOP and partner cooperatives.

B. EFFECTIVENESS

In this section, effectiveness of governance policies and measures is discussed as the extent to which the BOT's policies and measures contributed to the MBA's over-all performance in the following areas:

- Strategic guidance
- Performance oversight
- Compliance and accountability for member and stakeholder agreements
- Internal controls

- Risk management
- Organization and management of the governance process

1. Strategic Guidance

Finding 1.1: The BOT, working with NMBAI management has been effective in maintaining membership levels throughout the pandemic period.

Growth targets were not met due to pandemic circumstances and the attendant restrictions on business activity, mobility and communication. Nevertheless, there was no significant loss of members or co-op partners during this critical period.

The BOT supported marketing and other initiatives proposed by management and endorsed by its marketing committee that kept coop partners actively engaged and supportive throughout the pandemic period.

Partnership maintenance consisted of:

- Establishing a wider range of social media channels through which two-way messaging and communication of updates and promotional materials were made possible. This initiative was complemented by “kumustahan” sessions online with partner coops.
- Sponsoring CDA accredited five training sessions for partner co-ops that helped them get certificates of compliance needed for certificates of tax exemption. These training sessions were conducted by MICOOP and covered lessons in financial and insurance literacy as well as good practices in coop management.
- Sponsoring selected general assembly events of partner coops
- Providing community assistance funding, e.g., post calamity, medical and dental missions, and school supplies sponsorship

Recommendation: Assess the impact of these initiatives on partner coop satisfaction. Work with MICOOP to integrate them around a more coherent value proposition. Resources for community assistance and partner coop capacity building are limited and need to be leveraged to get maximum impact in terms of penetration rates and positive endorsement rates from partner coops.

Finding 1.2: The NMBAI has kept its target of 300,000 members for 2025, an ambitious goal that will challenge both management and BOT to focus on strategic thinking and action. Both market penetration and development strategies have been identified that cannot be realistically pursued simultaneously given limited capabilities and resources.

The former is done through targeting not just members in branches of coops that are under MICOOP but also those in all branches of these coops. In addition, other NATCCO member coops who are not at all participating in the MICOOP program have also been included as potential partner coops.

Market development initiatives supported by the BOT through its marketing committee involve putting forward amendments to NMBAI’s bylaws to allow for recruiting members from non-NATCCO co-ops and non-co-ops.

There has been some success to the market penetration strategy. With considerable support from members of the BOT and its marketing committee, NMBAI has been able to win over all branches in selected coops. On the other hand, non NATCCO coops and non-coops are a new segment where neither NMBAI management of BOT members have in depth knowledge and understanding.

Recommendation:

1. Maintaining a fighting target of 300,000 members with a modest time extension is sufficiently challenging to serve as an impetus for a collaborative and comprehensive review of NMBAI's growth and retention strategies.
2. Cementing and expanding the scope of its partnership with its biggest partner coops would be a priority for NMBAI given the ability of current BOT to guide and mediate a long-term agreement with these coops to open all branches, including non-MICOOP branches, to NMBAI.

Cementing and expanding its partnership with its biggest partner coops might involve:

- Finding ways and means to continue to leverage the support and influence of two BOT members who will be ending their tenure in the board in May 2023 after playing key roles forging partnership agreements with NMBAI's biggest coop partners
- Presenting a more compelling value proposition to big partner coops that builds on non-financial incentives, ease and dependability of claims and other transactions and co-funding calamity resilience and community services and programs

This value proposition might build on the BOT chair's admonition to NMBAI senior management, ie., "... we exist for the members..." in order to achieve greater member intimacy and responsiveness than can be achieved by its major competitors with the NATCCO network, i.e., CLIMBS and 1CISP.

Some elements of NMBAI's closer, more focused and responsive engagement with partner coops and their members might be:

- Superior claims settlement performance
- Fast, easy and reliable transactions
- High trust and high contact relationship
- Sound advice on strengthening partner coop's value proposition to members, their families and communities
- Partnership in long term co-op and community development leveraging BOT mandated community development funds

3. To avoid spreading limited resources too thinly and risk underperforming in its membership drive, prioritize market penetration over market development in the short term. In the interim, a profiling and segmentation of non-MICOOP groups and coops, non-NATCCO and non-coop organizations and associations may be done to facilitate the development of customized value propositions for these segments.

Finding 1.3 The active support and endorsement of NMBAI and its products and services by BOT members within their respective circles of engagement and influence in the co-op sector has been a critical factor in membership and partner growth during the years prior to the pandemic and in sustaining membership levels during the pandemic period.

The representation of co-op partners in the BOT has directly contributed to NMBAI membership beyond only those under management contract with MICOOP. Some of the biggest coops within the NATCCO network have enrolled their members with NMBAI. While the number of members enrolled per coop is less than 100%, it is still a significant base from which to further grow.

BOT members representing partner coops are well known, respected and influential in both local and national coop networks. Some of them were part of the foundation of NMBAI and have a deep sense of ownership and responsibility for its growth, development and sustainability.

The BOT Chair strongly supports more direct NMBAI engagement with its members, a direction that may deepen its ties with partner coops and MICOOP if well thought out and pursued (see recommendation above).

Recommendation

Address succession risk. Since BOT members play a critical role in informing NMBAI's value propositioning to NATCCO, MICOOP and partner coops, it is imperative that any newly elected BOT members should already have or eventually acquire the same sense of ownership and support for the growth and development of NMBAI.

At the same time, ways and means to continually engage outgoing BOT members in NMBAI's strategic initiatives should be implemented. The formation of an ad hoc or formal board of advisers might be considered.

Finding 1.4: The BOT rightly recognizes the members as the ultimate reason for being of NMBAI. However, NMBAI's direct engagement with policyholders, i.e., members of partner co-ops, is limited under current agreements and arrangements with partner co-ops.

The infrequent contact between members and partner coops especially when they are on loan holidays is an underlying limitation to the effectiveness of the coop partner arrangement. When members stop borrowing from their co-op either temporarily or permanently, their on-site contact with the co-op is significantly reduced. NMBAI's indirect engagement with its members is then curtailed. This is mitigated mainly by an agreement with members to deduct shortfalls in contributions from their equity value. The agreement is effective while equity value is not depleted.

Recommendation

Build on the support of BOT members for a more direct engagement with co-op members. Such an initiative would have to be planned and implemented with the support of MICOOP and in partnership with co-ops who see the feasibility and benefits of better engaging, among others, members who are on loan holiday or inactive.

The proposal to deploy NMBAI field agents, a recent policy initiative that is on implementation hold pending further specification, should be reviewed as a possible joint undertaking with selected partner coops to develop more direct IEC channels to members, both active and on loan holiday or inactive. The agents might be trained and deployed as community-based influencers who will deliver IEC materials customized for different member segments.

Finding 1.5: The BOT has leveraged well its MICOOP partnership by ensuring fast and dependable settlement of claims of its partner coop branches as well as funding CDA mandated training and other capacity building initiatives not directly related to insurance transactions and processes.

Although some BOT members represent partner coops, they also carry MICOOP perspectives. This has enabled them to provide NMBAI management with information and advice on what partner coops need and value to achieve their growth and development objectives.

Recommendations

As part of its value proposition to MICOOP, explore a tripartite effort by which NMBAI, MICOOP and its biggest partner coops identify and co-fund the development of new transaction and IEC communication agents/channels that will engage individuals and households in pre-membership, membership and advocate modalities.

The initiative would strengthen members' perception of that the NMBAI/MICOOP/local partner coop triad is the best partner for achieving wealth, health and security for their families. In tandem with co-funded community service and development projects, the initiative would also invite members to be part of a package of sustainable livelihood support services and programs.

In line with Recommendation 10.1 of the revised code of corporate governance, this joint initiative may also be framed within a shared vision of sustainable livelihoods, i.e., communities and households with reduced vulnerability, improved access to livelihood assets and stronger cooperatives that promote gender equitable community empowerment.

Finding 1.6: The BOT also played a constructive and decisive role in completing protracted and oftentimes challenging negotiations to update NMBAI's memorandum of agreement with NATCCO.

Within the NATCCO network, NMBAI is competitively positioned against CLIMBS and 1CISP, two big composite insurers (i.e., life and non-life). It is hard pressed to match the value added to NATCCO of these competitors. The MICOOP partnership is its main foothold in the network of NATCCO coops.

Although it considered growth strategies that were significantly independent of or might have dropped its NATCCO partnership, the BOT wisely decided in favor of a status quo agreement that would preserve its MICOOP arrangement and maintain service fee levels.

An ad hoc partnership committee was formed specifically to facilitate negotiations with NATCCO. This committee, composed of BOT members highly familiar with NATCCO, played a key role in updating the NATCCO MOA.

Recommendation

1. Continue to engage NATCCO senior management and BOT in defining areas of mutual benefit in addition to the MICOOP partnership. As mentioned by the marketing committee chair, this may be done with NATCCO's Member Relations Officer and other officers in charge of programs and services that NMBAI might be able to participate in and support.

Provided related party transaction policies are observed, mutually beneficial transactions and activities may strengthen NATCCO's recognition and support for NMBAI's membership in the NATCCO network.

Highlighting how the NMBAI directly promotes community based positive word of mouth and endorsement for the NATCCO brand may also be considered as a way of improving NMBAI's relationship with NATCCO through shared goals.

Re-assign and re-purpose the partnership committee's mandate to another committee, e.g., council of advisers or advocates, for the purpose of monitoring the health of NMBAI's critical partnerships with NATCCO, MICOOP and partner cooperatives.

2. Performance Oversight

Performance oversight is another important duty of the BOT. It involves a process of defining NMBAI's performance management framework, calculating indicator values, gap and factor analysis, developing and implementing measures to close performance gaps and noting lessons learned from the performance management process.

Finding 2.1: The BOT has been diligent in tracking NMBAI's performance through financial reports and Balanced Scorecard metrics. In between quarterly BOT meetings, the Executive Committee, composed of the NMBAI President, Treasurer, the BOT Chair and Vice-Chair has kept track of performance data and information.

The BOT chair notes and discusses significant variances with the President and agree on corrective action. There is mutual agreement that this arrangement has been workable.

Concerns related to operating expense and claims ratios are being closely monitored and addressed. There is less concern over very high liquidity ratios and relatively low investment yields.

Recommendation: As preparation for reviewing and updating strategic business plans, a comprehensive annual performance review by the BOT should be conducted with senior management using the balanced scorecard indicators. A performance measurement framework that is wider in scope than that mentioned in the revised corporate code, should be adopted to facilitate this review, (See Efficiency section below)

It is recommended that an annual performance review be conducted back-to-back with an annual review and update of NMBAI strategy. Prior consultations with key stakeholders, e.g., NATCCO, MICOOP and selected partner coops should be done in order to provide more granular feedback and recommendations especially with respect to building on strengths and addressing areas of weakness identified in performance review.

Close monitoring of operating expense and claims ratios should be continued while longer term solutions related to increasing contribution income and rationalizing service fees are being developed. The balance between liquidity ratios that are much higher than required and investment yield should be given more attention.

Finding 2.2: NMBAI's balanced scorecard facilitates identification of key result areas of that are critical for NATCCO's success. Its identification of customers leaves out stakeholders who are critical to NATCCO's viability and sustainability, i.e., MICOOP, NATCCO, regulators and communities in its areas of operation.

While the mid-term review more completely identifies key stakeholders, the corresponding performance indicators are not all spelled out for them.

Recommendation

NMBAI's partnership with NATCCO and MICOOP accounts for almost all of its co-op partnerships. With strong support from MICOOP, its membership base sometimes extends beyond just the expansion branches of NATCCO member coops. The present range of collaboration with NATCCO and MICOOP should not just be maintained; new mutually beneficial initiatives should be identified that will result in higher penetration rates within existing coop partners and with new NATCCO member coops including those outside of the MICOOP programs.

Performance oversight should also focus on the extent to which NATCCO and MICOOP are satisfied and positively endorse NMBAI within the network as a result of collaborative activities and perceived benefits from the partnership.

Finding 2.3: The social impact perspective is proposed to be dropped from the balanced scorecard. This may diminish focus on NMBAI's longer term goals and accountability to communities in its areas of operation.

Recommendation

Social impact should continue to be part of NMBAI's higher level goals. This would be in line with Recommendations 10.1 and 16.1 of the revised code of corporate governance.

More importantly, generating positive word of mouth in the communities that it operates in can be a major factor in a partner coop's positive valuation of an NMBAI partnership as well as its members willingness to avail of NMBAI insurance. These are relevant to NMBAI's market penetration strategy.

Alternatively, communities may be identified as a key stakeholder in NMBAI's balanced scorecard.

Finding 2.4: NMBAI's use of a balanced scorecard framework, during a "strategy refresh session" in 2018 and a mid-term development plan review in 2022 significantly improved performance oversight around strategic concerns of the NMBAI business model.

BOT members participated in updating the scorecard during a strategic planning session in mid-2022. This has contributed to a clear and strong sense of purpose and support on the part of the BOT for NMBAI.

SEGURO indicators are well integrated into the balanced scorecard. Some indicators, i.e., governance scorecard results that were present in the 2018 refresh session were not carried over into the 2022 mid-term review. NMBAI nevertheless complied with SEGURO reporting requirements of the Insurance Commission

Recommendation

All SEGURO indicators should be included in the balanced scorecard under either financial, customer, key stakeholder or process outcomes. These indicators are mandated by the Insurance Commission Circular Letter 2016 – 63 and serve very important performance tracking objectives.

Finding 2.5: The formula and/or methodology for measuring indicators are not shown in the presentation of balanced scorecard metrics. SEGURO indicators are not all measured according to IC 2016-63.

Recommendation

BOT shall review the definition and computation of SEGURO indicators in line with IC 2016 O 63. In particular,

- a. On-time claims settlement ratio should follow the circular letter's definition of "settled claim", i.e., time when "...the claim was denied/resisted, paid, or the beneficiary received an ex-gratia payment".
- b. Indicators directly or indirectly based on earned premium, e.g., operating expense and incurred claims ratios, should consider changes in unearned premium reserve. This practice was discontinued reportedly with the consent of the Insurance Commission. Even if IC consent can be documented, financial statements and ratios not adjusted for unearned premium within the year will give a misleading picture of NMBAI's financial position. NMBAI collects annual payments from almost all members.

Penetration rates, while not a SEGURO indicator, is very helpful in tracking effectiveness of market penetration initiatives. NMBAI coop partners are said to be unable to accurately report on their number of members due to different levels of participation in coop products, services and programs. Percent of loan borrowers has been suggested as a proxy denominator. Members in good standing might be a better indicator of penetration potential per coop partner.

Non SEGURO financial indicators such as aging of receivables and payables monitor critical processes that impact significantly on the financial position and risk exposure of NMBAI.

Indicative standards or benchmarks should also be stated for each indicator in aid of performance oversight and planning.

Research into the feasibility of more refined indicators, e.g., activity based and time adjusted valuation of costs and premiums merits consideration.

Finding 2.6: Performance metrics focus on increased numbers (e.g., members, coops) as well as outputs (e.g., number of training sessions, manuals). Qualitative indicators that measure end user perceptions and that relate to drivers of competitiveness are less present.

Recommendations

For members, partner coops and other stakeholders, indicators related to perceived transaction level of effort and endorsement, e.g., net promoter score, better direct management response towards drivers of competitiveness.

For process performance assessment, level of effort ratings and indicators related to timeliness, accuracy and completeness direct response towards the perspective of system or process end users.

3. Accountability and Control

The BOT is expected to ensure that NMBAI lives up to its commitments and accountabilities to members and stakeholders, i.e.:

- Members
- Regulators
- NATCCO/MICOOP
- Partner cooperatives
- Employees
- Communities in areas of operation

In addition, the BOT is mandated and tasked to ensure effective control over:

- Over-all performance
- Financial management and reporting
- Risk management
- Compliance
- Related party transactions
- Management and operating systems and processes

Finding 3.1: The BOT has established and mandated an audit committee to monitor and direct internal and external audit processes, procedures and practices in line with its accountability and control responsibilities. Its charter was drafted, approved and made operative.

It has responsibly acted on audit and reporting issues raised by the external auditor and Insurance Commission. These issues have been few and relatively minor.

The committee oversees the selection, contracting, conduct and evaluation of an external auditor. The committee has also supervised the entire external audit process including reporting.

The BOT has appointed an independent auditor who is very capable and reports his findings to the NMBAI President and the audit committee. The auditor requests and gets a risk-based sample of transactions and documents that are used in preparing a comprehensive internal audit report.

A complete COSO framework that includes elements of a three-line defense audit system is still being discussed and developed by the audit committee with recommendations from the auditor.

Recommendation

Putting in place a comprehensive COSO framework that ensures oversight of the following should be an audit committee priority:

- Review of how NMBAI management exercises internal control
- Oversight of compliance and risk management policies, procedures and practices
- Periodic evaluation of management and operating systems

In the process of doing so, compliance should be more broadly defined to include NMBAI's accountability to stakeholders such as NATCCO, NATCCO-MICOOP, partner cooperatives and regulators such as SEC, BIR and the Insurance Commission.

The Enterprise Risk Management Framework (ERMF) should be evaluated to determine to what extent the drivers of NMBAI's competitiveness, viability and sustainability are at risk. Using business model assumptions is one way to do this.

An audit plan that determines frequency of audits should also identify the process of selecting which of NMBAI's management and operating systems will be evaluated within a given year.

Finding 3.2: The BOT complied with the revised governance code's injunction to all insurance providers to develop and maintain a robust risk management system. A risk oversight committee was established with its charter. A risk manager with senior rank was also appointed.

An appropriate Enterprise Risk Management Framework was developed that is now used by the BOT to monitor and address the most important risks faced by NMBAI. As a first step in the, for the MNBAI, new area of risk management, these BOT initiatives are noteworthy.

Recommendation

In order to capture more completely the material risks that are relevant to NMBAI's business model, the BOT should consider using business model assumptions as the focus of risk management. This approach identifies planning assumptions on which the NMBAI's business model and strategy are based on and evaluates the probability that the assumptions are not true.

Assumptions related NMBAI's strategic plans and balanced scorecard and SEGURO metrics may be classified according to financial, strategic, operational and programmatic risks areas.

This approach would, among other things,

- Promote a clearer definition of the most critical parts of NMBAI's business model
- Ensure that the risks being monitored and managed are directly related to NMBAI's viability, competitiveness and sustainability
- Address not just the performance gaps measured by indicators but the factors underlying these gaps
- Minimize cherry picking the risks that are easier to identify and manage

The audit committee is one of the critical BOT committees that should be chaired by an independent trustee who has relevant knowledge and experience. The present BOT appointed auditor is more appropriately suited to this position given present availability.

C. EFFICIENCY

Efficiency – the extent to which the BOT is able to optimally allocate and use the time, capabilities, budgets and other resources that are available to members in order to be effective

Findings 1: Notwithstanding COVID mobility and communication restrictions, the BOT stayed on top of management and operational challenges in a timely manner during the period (see Findings on Effectiveness of BOT Governance).

Group chat and other online arrangements facilitated communication. BOT members displayed commitment in making themselves available for more frequent online meetings. BOT leadership as well as the collaborative nature of BOT-President relationship were also factors in cost effective governance.

Recommendation

Maintain group chat and other online communication channels among BOT and BOT committee members as well as between BOT members and senior management. Protocols for communication, recording, security and privacy should be established, documented and disseminated. Maintain standard procedures that ensure that all BOT dealings with officers and staff of NMBAI are coursed and/or copied to the President and senior management.

Finding 2: BOT support was an important factor in NMBAI's ability to develop, install and use of MIS enhancements that significantly facilitated member and transaction data encoding and tracking in collaboration with partner coops. While it is not possible for this study to quantify the savings in time, effort and quality control of this improvement, its significance should be apparent.

The appointment to the MIS committee of an experienced and knowledgeable member was a major factor in this result. Committee endorsement to the BOT of requests from NMBAI management for IT hardware and software as well as technical assistance from systems developers was also helpful.

Recommendation

Given the coming end of BOT tenure of the present MIS committee chair, a suitable replacement with similar experience and expertise in MIS management and development should be ensured. Given the critical role of the MIS in easing the level of effort of partner coops and their members in transacting and communicating with NMBAI, an orientation to the business model and marketing strategy of NMBAI should be provided to any new members of the committee.

Finding 3: Committee charters adequately comply with the recommendations of the revised code of corporate governance to establish them. Each committee charter specifies its mandate, authority and responsibilities. The statements of purpose, important reference points for each committee's performance evaluation, are stated generically and provide only general guidance on results expected from the committee.

Recommendation

In line with a balanced scorecard approach, the purpose of each BOT committee should be re-defined to describe the results, i.e., changes in NMBAI performance targets, that the committee will contribute to.

How each committee will contribute to strengthening NMBAI's performance at the levels of financial position, customer and stakeholder engagement, key operational processes and resource mobilization and productivity improvement should be articulated as outcome statements that describe the committee's contribution.

A written statement of outcomes can help each committee:

- develop and refer to a results chain that will help the committee identify how it can better support what NMBAI management needs to achieve performance objectives specified as balanced scorecard metrics
- plan medium term (i.e., 3 years) and annual policies and measures in support of what the committee can propose to BOT and the President
- monitor and evaluate how well the committee's policies and measures contribute to NMBAI's performance objectives

Each committee's re-statement of purpose in terms of expected outcomes will facilitate its annual performance appraisal as recommended by Section 3.6 in the revised code for corporate governance.

Finding 4: The BOT takes its performance oversight mandate very seriously, regularly monitors financial, operational and employee performance and has participated in a comprehensive review of performance indicators prior to strategic planning in the past year.

Balanced scorecard and SEGURO metrics are referenced during performance review. Other reports and documents are presented as called for.

Recommendation

A comprehensive performance measurement framework (PMF) that incorporates balanced scorecard and SEGURO indicators can significantly facilitate annual and strategic monitoring and evaluation of the NMBAI's performance.

A performance measurement framework identifies key result areas, i.e., as identified in the balanced scorecard, presents performance indicators, describes the means of measuring indicators, the sources of information and data for measurement, frequency and responsibility for monitoring and evaluation.

The framework serves as the BOT's reference for exercising its performance oversight duty and a starting point for inventorying strengths and weaknesses in providing strategic guidance to NMBAI management. Capacity building for developing and using a PMF through, e.g., results-based management training, designating an officer directly under the President to put together the PMF from various operational and management sources within NMBAI and report and present it at least semi-annually to the BOT through the President together with an analysis of performance gaps and the factors underlying these gaps

It should be noted that this approach to PMF is broader and more comprehensive than the PMF discussed in the revised code for corporate governance. The latter is more focused on performance of officers and staff.

Finding 5: Risk-based sampling can be a cost-effective way of gathering data for compliance, internal control and audit reports. The NMBAI auditor has demonstrated this in the preparation of audit reports. There is still a need however for designating officers and staff who will collect data and gather feedback on a day-to-day basis using risk-based sampling.

Recommendations

Given limitations for getting full time senior executives with the desired expertise and experience in treasury and audit functions, NMBAI should designate available officers who will be trained by the appointed auditor and treasurer to implement day to day monitoring and reporting tasks related to internal controls, compliance and risk reporting.

An option for outsourcing the monitoring and evaluation of NMBAI's management and operations systems – a critical tier in a COSO framework - should be developed whereby the auditor can recommend to the Audit Committee the terms of reference for selective evaluation of management and operating systems.

Finding 6: NMBAI recognizes its human and other resource limitations in the area of governance and has been focusing and prioritizing BOT guidance in critical areas such as market penetration and development, partnership risks, ensuring accountability to stakeholders and control of management and operations.

BOT members' time and effort are, however, still limited and with only two independent directors, the BOT can hardly comply with recommendations to have independent trustees lead key committees. The number of committees also stretch more thinly the available time and effort of members of the BOT and its committees.

Recommendation

The following measures may improve the availability and allocation of limited human resources for governance:

- a. Consider increasing the number of independent trustees for the purpose of bringing in specific expertise and experience related to key result areas, e.g., social marketing, strategic negotiations, risk management, MIS and systems performance evaluation.
- b. Since non-independent trustees also play critical roles in for example, marketing penetration of partner coops within the NATCCO network and preserving the NMBAI's ties with NATCCO, increasing the number of independent trustees will mean increasing the number of BOT members.
- c. Explore merger of market and product development committees in the context of a more comprehensive and integrated approach to planning and executing marketing strategy.
- d. Assess if the number and frequency of related party transactions given the set materiality standards are enough to warrant an RPT Committee. Although this committee is recommended under the revised corporate governance code, an explanation could be provided to justify not having it if the expected number of RPTs is small.
- e. Task NMBAI management to implement measures that will facilitate the oversight and policy making responsibilities of the BOT and its committees.
- f. Prepare and submit to the BOT and BOT committees periodic dashboard indicator reports that focus on performance indicator gaps and consolidate findings and recommendations that are reported on monthly to the Executive Committee:

- SEGURO indicators (quarterly)
 - Partner co-op feedback report (quarterly)
 - Member feedback report (annually)
 - Risk report (quarterly)
 - Compliance and accountability report (quarterly)
 - Internal control report (quarterly report)
 - Audit report (quarterly)
 - Staff and management performance/satisfaction report (annually)
 - Social impact or community feedback report (annually)
- g. Set up standing offer contracts for accredited professionals and consultants who can be requisitioned by the BOT and BOT committees to provide technical assistance and other specialized support in areas that will facilitate their work, esp. with respect to the evaluation and improvement of management and operations systems, social marketing and MIS.

D. COHERENCE

Coherence – the extent to which the BOT’s governance policies, processes and practices are aligned and supportive of the management priorities, policies, processes and practices of the CEO and senior management

In general, BOT policies and measures have been highly complementary and supportive of management action in the following very important areas:

- Partnership with NATCCO
- Partnership with expansion branches of NATCCO MICOOP partners
- Strategic planning and performance monitoring and evaluation
- IC compliance monitoring
- Systems improvement and development, especially MIS

Finding 1: The BOT worked closely with NMBAI management to help the MBA’s officers and staff adjust working arrangements and communication channels in response to COVID related mobility and communication limitations.

Stay at home and online meeting alternatives were allowed. IT hardware and software were acquired, installed and used to support management and operations. Health and safety measures were agreed upon and implemented.

Recommendations

Incorporate into NMBAI’s business continuity plans the lessons learned during the period of heightened COVID restrictions. Assess the feasibility and desirability of how new communication media and online working arrangements put in place as COVID responses may be blended with new normal working conditions

Finding 2: After an initial period of assessing the situation of stakeholders and resources of the MBA, the BOT started to play a more proactive role in proposing policies and measures that would maintain and strengthen partnerships with MICOOP and coop branches enrolled with the MBA.

The BOT mandated the setting up of a community development fund that would support joint projects involving NMBAI and partner coops that deliver programs and services in line with community needs.

Recommendation

Task NMBAI to monitor and report monthly to the Executive Committee and quarterly to the BOT on the extent to which partner coops are recovering and resuming pre-COVID growth trends. This should apply to both parent coop and branches of the coop directly enrolled with NMBAI.

Financial and operational weaknesses should also be identified in collaboration with MICOOP. Possible areas of support or joint action with the coops to address these challenges should be identified for partner coops that have been prioritized for growth potential, demonstrated commitment to the partnership and openness to new and deeper business relationships.

Finding 3: The active participation of the BOT in periodic performance assessment and strategic planning has helped focus NMBAI management and the BOT on the same threats or challenges that needed to be addressed, e.g., member retention outside automatic member equity deduction as well as on the opportunities for resuming member growth. As a result, NMBAI management and BOT share very similar assessments of the opportunities and threats to the MBA's partnership with NATCCO and its coop members as well as of the strengths and weaknesses in NMBAI's capacity to respond.

Both management and BOT members are very aware and supportive of both market penetration and market development strategies, having jointly participated in the discussions at BOT and committee levels.

The BOT Marketing Committee also played an important role in this consensus on marketing strategy, policies and measures.

Recommendation

Conduct an annual strategic review involving both senior officers, management and BOT members of NMBAI. Given the challenging growth target that NMBAI set for itself, the marketing committee should play a more proactive role in the process by providing updates on marketing performance, and the effectiveness of marketing strategy.

A priority for consensus and collaboration would be the prioritization of marketing strategy given the limited human and other resources of NMBAI to implement and support marketing within and outside of NATCCO. Consolidating and expanding membership within NATCCO while addressing challenges in the relationship would better leverage the intimate knowledge of the NATCCO market that BOT members have or can access as well as involve them in the challenge of coming up with better value propositions and member penetration strategies.

Finding 4: The Balanced Scorecard framework for strategic planning has been useful in guiding consensus on the most important key result areas for NMBAI, i.e., financial position, member and stakeholder engagement, key process performance, capacity building and resource mobilization. NMBAI's balanced scorecard was updated in mid-2022.

Recommendation

Continue with the balanced scorecard approach while introducing refinements such as a more comprehensive identification and discussion of stakeholders and more and better metrics for monitoring and evaluation.

The BOT might also consider a governance strategy map that is basically the balanced scorecard from the perspective of governance and the BOT.

Finding 5: The quality of the relationship between the BOT and NMBAI officers and staff is very good. NMBAI officers and staff rate the BOT very highly in terms of their responsiveness to their work and support for their capacity building proposals. The BOT – President relationship is similarly excellent with both sides describing it as a relationship of trust, fairness, respect and openness.

At the same time, discussions could be very frank but always respectful and results based. A formal appraisal of the president's performance involving the entire BOT is in place which is perceived as fair on both sides.

These relationships have been a major factor in the highly collaborative and effective policies and measures implemented successfully by NMBAI.

Recommendation

A formal statement of policy regarding the relationship to be developed between the BOT and the President should be made and translated into a set of practices that both parties will commit to. Mutual assessment of the quality of the relationship should also be included among balanced scorecard metrics. The policy should be included in the BOT's policy register and periodically be evaluated.

E. IMPACT

Impact – the extent to which the policies and measures of the BOT will likely contribute to the MBA's long-term objectives and expected impact of the MBA on society, insurance industry and the communities in its areas of operation

Finding 1: The prospects for achieving the ambitious 300,000-member goal by 2025 have been diminished by COVID pandemic restrictions of mobility, communication and business operations.

However, policies and measures adopted during the period were relevant, coherent and cost effective. These have laid some of the foundations for greater impact

The BOT addressed risks related to its coop partnership strategy by continuous engagement of partners throughout the last three years and ensuring renewal of its memorandum of agreement with NATCCO. A more deliberate strategy for directly and proactively engaging partner coops and their members is needed to have growth and development impact.

Recommendation

BOT levels of commitment and support should be sustained especially as a significant leadership transition is going to take place in the next BOT elections. Ways and means to retain the guidance and support of outgoing BOT members should be identified and institutionalized. A council of advisers or advocates, discussed above, is one possibility.

An orientation for incoming BOT on the strategic plans of NMBAI and the critical role of the BOT in the implementation of these strategies should be completed soon after the constitution of a new BOT.

One of the priorities of the next BOT should be to task senior management to co-design with MICOOP and selected partner coops a mutually beneficial and reinforcing value proposition and a joint strategy for implementing it.

Finding 2: Policies and measures adopted during the last three years were relevant, coherent, and cost effective. These have laid some of the foundations for greater impact.

Significant changes in strategy and capacity are called for if the 300,000-member goal of NMBAI are to be achieved even with a modest extension in time.

NMBAI has articulated two main types of marketing strategies:

1. Market penetration – this consists of expanding membership beyond expansion branches of partner coops that are under management contract with MICOOP. With BOT and MICOOP support, membership goes beyond expansion branches and well into all other partner coop branches.
This also includes getting members from other NATCCO member coops even if they have no management contracts with MICOOP.
2. Market development – this consists of getting members from coops that are not members of NATCCO as well as associations and groups that are not coops.

Product development in the form of mainstreaming a new insurance product that gives members more contribution and benefit options is also ongoing for both penetration and development strategies

Recommendation

Positioning for impact, especially in terms of the 300,000-member goal requires prioritization of marketing strategies, better profiling of market segments and capacity building especially in the areas of value proposition design and joint social marketing with partner coops.

The present resources and capabilities of NMBAI are more suited for the former strategy primarily because of the decisive role of BOT members in influencing partner coops to avail of NMBAI insurance over other insurance providers. The intimate knowledge and understanding that NMBAI already has about the NATCCO market – to a large extent also due to what BOT members have – also support market penetration.

On the other hand, except for the Visayas region, there is still limited knowledge and understanding of the non NATCCO coop and non-coop markets.

F. SUSTAINABILITY

Sustainability – the extent to which the contributions of the BOT to the MBA’s performance and the effects of its contribution especially with respect to benefits to members and productive collaboration with stakeholders will be felt through the medium and long-term.

Finding 1: The renewal of the MBA’s memorandum of partnership agreement with NATCCO and the various ways and means tried to negotiate better terms was the most important achievement of the BOT in protecting the sustainability of NMBAI.

Even if the proposed reductions in service fees was not achieved, the renewal reduced the risk of terminating present and future coop partnerships that were the source of more than ninety percent of the MBA’s members.

Recommendations

Sustain strategic focus, thinking and action by:

- addressing BOT succession risk
- deepening partnerships with selected partner coops based on more direct engagement with members and communities, value proposition design and collaborative marketing
- sustaining and widening the partnership committee’s mandate to monitor and address partnership issues with key partners, i.e., NATCCO, MICOOP and partner coops.

Finding 2: The BOT successfully guided NMBAI through the difficult years of operating under COVID restrictions without significant loss of members or risk of financial insolvency.

Besides ensuring fast and dependable claims processing, measures were implemented to maintain and strengthen the MBA’s engagement with partner coops through MICOOP, e.g.,

- Online training that met CDA requirements for coops was funded.
- Community assistance projects were funded
- Installing systems for easing transactions and encoding of transaction records was funded

BOT members also exerted considerable influence in getting partner coop to maintain their NMBAI partnership.

An IRR provision that allows for deducting a member’s accumulated member equity balance the amount of overdue contributions also played a role in keeping members active throughout the Covid period.

Findings 3: The BOT is very aware and concerned about the most important risks that may undermine NMBAI’s sustainability and is taking steps to address them or identify the appropriate risk responses. The following risks are of particular concern:

- Succession risk
- Increased competition

BOT members play indispensable roles in NMBAI's market penetration strategies. Changes in BOT membership may also affect levels of commitment and/or ability to provide NMBAI management with the information, perspective and influence that it has relied on to consolidate and increase membership among partner coops within the NATCCO network.

There is also a difficulty in soliciting interest from among qualified coop partners to field election candidates for BOT positions.

These risks may indicate that high level promotion of NMBAI among partner coop BOT and senior management does not always result in closer institutional ties. Rather, partner commitment may be based more on persons rather than policies and measures for sustaining and further deepening NMBAI's partnerships with coops.

Recommendation

The personal commitment and active endorsement of NMBAI by BOT members has been a critical part of NMBAI's viability and sustainability. Ways and means should be implemented to:

Retain the support of these BOT members even after their terms end, possibly through a council of advisers or advocates.

This council may be expanded to include influence leaders from the present and past leaders of partner coops who demonstrate commitment or openness to be part of NMBAI's value proposition to members. This concept of a community-based network of influence leaders should be explored in the context of NMBAI's next strategic review especially as part of advancing its market penetration strategy.

Enshrine in NMBAI's policies on qualifications for BOT candidacy the qualities of willingness and ability to support NMBAI's market penetration objectives.

Involve present BOT and prioritized partner coops in developing and finalizing a clear and compelling value proposition to member coops and communities that partner coop leaders can identify with, support and co-deliver.

Assess the desirability and feasibility of a sustainable livelihood framework for a community and coop-based value proposition that would guide a closer institutional partnership of partner coops with NMBAI.

Finding 4: The BOT has supported access by management to technical assistance providers, e.g., for the development and implementation of MIS and social media solutions. These technical assistance contracts have been important to complement in-house capability but are always short term in nature. There have been post contract challenges of maintaining and further developing enhanced social media channels once these have been turned over by contracted parties.

Recommendation

Technical assistance contracts should contain provisions for a transfer of skills needed for operating the systems developed.

The capacity for systems needs assessment as part of a more general business needs assessment should likewise be developed by senior management. Training needs assessment should also be a corollary of business needs assessment.

NMBAI BOT and officers who are involved in systems performance oversight, i.e., internal audit and audit committee members, should likewise receive training on defining what constitutes a cost-effective management or operating system, the metrics for evaluating a particular system and reporting on performance.

VI. Summary Conclusions and Recommendations

This section is a summary assessment of BOT performance based on the preceding section especially Section V-B (Effectiveness).

1. Strategic Guidance

The evaluation rates the strategic guidance provided by the BOT to senior management as very good.

The BOT provided very valuable and indispensable information to the President and senior management that they would not have otherwise had. BOT members provided understanding and insight on the institutional profile and mindsets of leaders of NATCCO, MICOOP and the partner coops whose expansion branches accounted for more than 90% of NMBAI's members.

The BOT provided guidance in a coherent way during strategic planning sessions using a balanced scorecard approach, on a periodic basis during Executive Committee meetings and ongoing one on one meetings between the BOT Chair and the President. In addition, the BOT's Marketing Committee contributed to framing market penetration (i.e., members form coops within the NATCCO network) and market development (i.e., members from non-NATCCO coops and non-coops) strategies.

The BOT's guidance resulted in the decision to accept a status quo renewal of the MBA's memorandum of agreement in spite of challenges in senior management perspectives between NATCCO and NMBAI. This MOA greatly reduced the risk to NMBAI's distribution channels. In several instances, BOT members were also directly responsible for enrolling members from not just expansion branches under MICOOP stewardship but from the partner coops themselves.

The BOT also helped, through policy and measures providing Covid support, social media channel development and partner coop engagement, to stabilize membership in spite of severe mobility and communication restrictions and operational difficulties of partner coops during Covid lockdowns and quarantines.

The BOT's strategic guidance to senior management was timely and accessible. BOT members were proactive, straightforward and focused on issues that mattered to senior management.

Challenges remain in terms of guiding management in balancing market penetration and market development priorities given limited resources as well as finding new ways and means of more directly and regularly engaging members. Ironically, the coop partnership approach does not provide the MBA with the same opportunities for direct member engagement as the MFI's weekly meeting approach.

Fewer of the BOT are also familiar with the profile of non-NATCCO coops and non-coops. Coop market segmentation, customized value propositioning and social marketing are other challenges for both BOT and senior NMBAI management to deal with.

Sustainability is limited by succession risks whenever highly competent and committed BOT members complete their maximum terms and will be replaced with newly elected members who will go through a learning curve before matching their predecessors' productivity.

1.1 Factors

The main factors that have made the BOT very good at providing strategic guidance are:

- The deep knowledge, understanding and insight that BOT members have of the institutions and leaders in NATCCO network
- BOT members' status as respected, trusted and followed by leaders within NATCCO and in the coop movement
- BOT's strong sense of ownership and commitment to the success and viability of NMBAI
- The processes in place for BOT-management discussions using the NMBAI's strategy maps during strategic planning sessions, BOT and BOT committee meetings, Executive committee meetings and online chat groups
- The influence networks of BOT members within the coop sector and their willingness and ability to use these for the benefit of NMBAI

1.2 Recommendations

1. The most urgent and important task for the BOT is to manage the succession process as the most senior BOT members end their terms in the near future. The nomination and election processes should promote candidates who, among other qualities, have a strong sense of commitment to the success of NMBAI, very good understanding and experience working within the NATCCO network and with its leaders.
2. Knowledge and experience with non-NATCCOP coops and non-coops would also be relevant qualifications.
3. Ways and means, e.g., establishment of a Council of Advisers or Council of Advocates, to continue receiving advice and guidance from outgoing BOT members should be put in place.
4. A post-election orientation on the business model and strategy of NMBAI should likewise be provided.
5. NMBAI's balanced scorecard and related strategy map may be complemented by a governance strategy map that presents the key governance result areas that will guide the BOT in formulating policies and measures.
6. Put in place standing offer contracts for technical assistance providers who can immediately be called in by the BOT and/or Marketing Committee to assist with market research, value proposition design and social marketing.

2. BOT Performance Oversight

The evaluation rates the BOT's oversight of NMBAI's performance as good. The BOT practiced results-based oversight using metrics in an updated balanced scorecard that defined key result areas, especially with respect to stakeholder outcomes, more completely and incorporated most of the SEGURO indicators.

The focus on claims settlement period was particularly relevant and helpful in strengthening NMBAI's image and credibility before partner coops and their members. Growth and retention performance were likewise well monitored. Concerns over operating expense and claims ratios were raised.

Gap analysis did not appear to flag excessive liquidity and investment yields as areas for management and BOT action. This may have been due to uncertainty and/or lack of options during the COVID lockdown period.

However, identifying factors that led to performance gaps and identifying the appropriate policies and measures to address them remained challenging. This was partly due to the complexity of the issues encountered, e.g., limitations of partner coops in directly engaging members and understanding the mindset of NATCCO partners.

There were also compromises in the measurement of SEGURO indicators that limited their intended purpose. For example, definitions of unearned premium, claims settlement period and penetration rates were adapted to what was more doable for NMBAI and its partner coops.

At any rate, BOT and NMBAI management were in sync in their joint exercise of performance oversight. Having the metrics as part of their joint formulation of an NMBAI balanced scorecard was the main reason for this.

Not all key performance metrics have been included into the balanced scorecard. Partnership concerns with NATCCO were consistently discussed even if no corresponding indicators pointed to these.

2.1. Factors

The BOT's orientation towards results-based governance was an important factor in their oversight performance. In particular, the BOT Chair's professional experience highlighted the value of having clear indicators and measurement for effective control. Having a results-based planning framework within a balanced scorecard approach was also helpful. Incorporating SEGURO indicators into the scorecard was very important.

By facilitating data preparation and submission of reports in a timely way within NMBAI and between NMBAI and its stakeholders, the MIS and financial management systems were likewise supportive of BOT performance oversight.

2.2. Recommendations

Consolidate all key performance metrics into a comprehensive performance measurement framework that identifies the key result areas, indicator, means of measurement, source of data and information, frequency and person(s) responsible.

Improve measurement of key indicators related to unearned premium and claims settlement period. Discuss alternative definitions and measurement of penetration rates. Track what retention rates would be if there were no automatic deduction from accumulated member equity. A system generated burn rate, i.e., number of months that can be covered by accumulated member equity can help monitor risks related to lower retention.

Emphasize factor analysis by introducing a report section on internal and/or external factors that influence observed performance gaps.

3. Control and Accountability

The evaluation rates the BOT's performance of its control and accountability functions as good. Over time, the number of red flag and high transaction risks have been reduced. Issues flagged by the external auditor and Insurance Commission have become relatively minor. An over-all audit score used by the Board Auditor gives NMBAI a high rating.

3.1. Factors

The following factors supported the Audit Committee's cost-effective oversight of the internal control system of NMBAI:

- Appointment of a capable and experienced Board Auditor on an honorarium basis
- Consistent and persistent monitoring until resolution by the Executive Committee of the status of management's implementation of recommendations by the Board Auditor and the Audit Committee that addressed audit issues and red flag audit findings
- Improvements in information and communication exchange within NMBAI and between NMBAI and its partner coops. This was done through an improvement of the MIS.

3.2. Recommendations

A clearer term of reference for the Board Auditor is needed that defines the position either as an outsourced function or independent in-house position functionally reporting to the President but directly responsible and reporting to the Audit Committee. The attendant terms of tenure, responsibilities, compensation and performance evaluation should also be clarified.

The COSO framework should be integrated into the BOT's policies on internal audit and the Audit Committee's charter.

The Audit Committee should complete development and use of a comprehensive COSO framework that includes

- Quarterly reviews of how management samples and evaluates compliance by officers and staff with standard operating procedures especially those related to document verification, approvals, transaction records, data security and privacy.
- Quarterly reviews of the timeliness, accuracy and completeness of risk management reports
- Quarterly reviews of the timeliness, accuracy and completeness of compliance, RPT and stakeholder accountability reports
- Annual reviews of management and operating systems especially those related to internal controls, compliance and risk management
- Annual review of the timeliness, accuracy and completeness of reports used internally and submitted to external stakeholders.

The reviews should cover sources of information and data used in the reports, the formulas, algorithms and data processing methods used, frequency, responsibility and end user feedback. The review should also assess the extent and direction in which reports are sent to the right parties by those responsible.

A review and updating of the ERMF should be done that will ensure that business model assumptions in addition to standard performance indicators are periodically evaluated for risk.

4. Organization and management of the governance process

The evaluation confirms that the NMBAI's 2021 Corporate Governance Scorecard rating represents a fair and accurate assessment of its compliance with IC 2020 – 71 of 13 June 2020.

Strengths in NMBAI governance

The most significant strength the BOT brings to NMBAI is the deep knowledge and understanding that its members have of the NATCCO co-op sector, the market segment from which more than 90% of the MBA's members are enrolled. All BOT members, especially those serving since the start of operations of NMBAI, have a very strong sense of ownership, accountability and co-responsibility for the growth, development and sustainability of the MBA. Their commitment reinforces individual competence. Both of these qualities have contributed to the MBA's ability to resolve significant start up issues encountered at the governance, management and operations levels as well as sustain its financial and competitive position during the period of COVID quarantines and lockdowns.

Status quo renewal of the partnership agreement with NATCCO has been a very prudent decision of the BOT that provides the MBA with time and flexibility to deepen market penetration while building capacity for market development initiatives.

The most senior BOT members end their term in less than a month's time. The attendant succession risks need urgent attention and appropriate action.

Composition and membership in key committees

Aligning committee composition and membership with governance priorities and IC 2020 – 71 recommendations is a challenge. The number of committees results in multiple assignments for BOT members that may limit their ability to exercise rigorous oversight and substantive guidance.

Four committees - RPT, BROCC, Corporate Governance and the Audit Committee – are recommended to have independent trustees as a majority of members with one of them acting as chair of the committee.

The most important challenge in committee composition and membership would be how best to respond with the recommendation of IC 2020 – 71, Section 3.2.3, i.e., that the Audit committee has independent trustees as a majority of members with the chair being independent. As well, "...all the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.

Executive functions supporting BOT oversight

Ensuring the effectiveness of the assignment of compliance and risk oversight functions to the President is also an important concern. Staffing limitations have led to this ad hoc arrangement.

Social responsibility and sustainability

Responding to the challenge of Recommendation 10.1 is another important concern of the BOT that is addressed through its Sustainability Report.

Recommendations

1. Addressing BOT succession risks is urgent and important. Recommendation 5.3.3 of IC 2020- 71 is an option that can be considered. Creating a council of NMBAI advisers or advocates made up of former BOT members or senior managers that the BOT appoints to provide ongoing guidance to the MBA is another option to consider.

At any rate, due diligence in nominating and electing new BOT members would prioritize candidates from within the NATCCO network with demonstrated governance or management experience and commitment to the MBA.

2. The next strategic review conducted by NMBAI management with the BOT should include a review of the committee charters based on how to maximize BOT guidance and oversight over strategy, performance, accountability and audit control.

Based on this assessment options related to the following should be explored:

- Governance map in line with the MBA's strategy map
 - merge committees
 - amend composition and membership
 - number and designation of independent trustees as chair
 - outsourcing committee critical tasks, e.g., risk and compliance/accountability oversight under arrangements similar to those applied to the external auditor
 - design and implement results-based guidance and oversight processes facilitated by a qualified professional
3. Prioritize compliance with composition and membership recommendations for the Audit Committee so that installation of a robust COSO framework can be completed
4. Consider the sustainable livelihoods framework as a response to Recommendations 10.1.1 and 10.1.2. The framework could conceivably also guide a shared community-based mission for closer NMBAI collaboration with selected partner coops.
5. Include in BOT training, basic appreciation, understanding and use of tools related to
- market segmentation applied to the co-op sector
 - value proposition design
 - operations research oriented sampling
 - strategic negotiations
 - influence networking and leadership
 - social marketing
 - results based management

VII. Lessons Learned

The following lessons learned have been identified in the process of assessing governance performance and the factors underlying this performance:

1. BOT strategic guidance is more coherent and relevant when the BOT participates actively in meetings organized specifically for strategic planning and comprehensive performance evaluation.
2. The quality of the BOT-President relationship significantly affects the effectiveness and efficiency of implementing BOT policies and measures.
3. Especially when they have been very effective in their roles and responsibilities, the end of term of long serving BOT members poses succession risks. The earlier measures are adopted to keep them engaged even after they are replaced, the lesser the urgency of these risks.
4. Outsourced systems development often overlooks the need to designate and train officers and staff to take over implementation and use of the systems.
5. Compliance is usually understood and implemented as following the directives and issuances of regulatory agencies. Compliance with partnership and service agreements are less prioritized even if neglecting to monitor them puts the relationship at risk.
6. Performance oversight is often narrowly understood and implemented as human resource performance appraisal. The broader and more comprehensive approach that monitors mutual satisfaction of the MBA and its stakeholders with their partnership agreements is overlooked. Communities in the MBA's areas of operation are even more overlooked as stakeholders.
7. Even when the BOT highly values and advocates more direct and proactive member engagement, the MBA has limited options for doing so as partner co-ops are not committed or capable of this engagement.
8. It cannot be assumed that cooperatives maximize opportunities for member engagement. While successful co-ops find ways to proactively get new members and to keep them engaged in the co-op's products, services and programs, many are less concerned or unable to do anything about having a significant number of their members inactive or disengaged. The former is more likely to generate and sustain more business for the MBA.
9. Compared with co-ops that have weak social marketing and member education programs, microfinance institutions offer more opportunities for direct and proactive member engagement.
10. Partnership agreements at either coop or federation levels still need to be based on value propositions that deliver tangible benefits to both parties. Designing non-financial value propositions requires a more deliberate and systematic effort that is done or facilitated by people who have the skill and experience to do so.

ANNEX 1. List of Key Informants

Time	Name	Designation	Committee being Chaired
MARCH 28 (TUESDAY)			
10 – 11:30 AM	MINERVA TEJADA	PRESIDENT (GM)	
1:30 – 3 PM	YANI YUGO	ACCOUNTING SUPERVISOR	
MARCH 29 (WEDNESDAY)			
10 – 11:30 AM	ROBERT ABAO	INTERNAL AUDITOR	
3 – 4:30 PM	ATTY. ADOLFO IBAÑEZ	IND. TRUSTEE	CORPORATE GOVERNANCE
MARCH 31 (FRIDAY)			
10 – 11:30 AM	NIÑA DELA CRUZ	MARKETING OFFICER	
1:30 – 3 PM	EVELIA BARDOS-TIZON	BOARD CHAIRPERSON	POLREV, EXECOM
3:30 – 5 PM	CHERISH SOLSONA	MIS Supervisor	
APRIL 1 (SATURDAY)			
8:30 – 10:30	RYAN PADILLA	INDEPENDENT TRUSTEE	AUDIT (includes BROCC & RPT), MIS
1:30 – 3 PM	JUPITER BONILLA	TRUSTEE	MARKETING
APRIL 3 (MONDAY)			
1:30 – 3 PM	ANGEL GARCIA, JR.	TRUSTEE	
3:30 – 5 PM	ROMEO MAGDAONG	TRUSTEE	PRD
APRIL 4 (TUESDAY)			
3:30 – 5 PM	ELLEN PASTORES	TRUSTEE	
APRIL 11 (TUESDAY)			
1:30 – 3 PM	MILDRED CEREZO	SECRETARY	
APRIL 19 (WEDNESDAY)			
10 – 11:30 AM	ZORAHAYDA CAFIRMA	TREASURER	

ANNEX 2. Organization documents reviewed:

<https://1drv.ms/f/s!Atr5N4TJ4DzygtsivfRvJPJwPPJrTQ?e=cowkou>