



## Broodfondsen

**Category of Good Practice:** Community Saving, Community Microcredit

### Good Practice's title:

Self-Controlled Financing System – *Broodfondsen* (literally translated means “Bread Funds”)

### Main objective:

The aim of this practice is to provide an insurance system for those who are self-employed in the Netherlands by pooling financial resources (monthly deposits) among the affiliates of the group and setting up a mechanism that enables members to financially support other members during work disability due to sickness/accidents.

### Key words:

Insurance systems, self-employment, entrepreneurship, mutual / cooperative groups.

**Type of organization:** Mutual / Cooperative Group

**Country:** The Netherlands

**Year of inception of the good practice:** 2004

**Services and products provided:** Insurance for self-employed

**Portfolio (€):** n/a

**Avg loan size (€):** n/a

**# of clients:** 3.954 clients (113 groups in 64 localities in the Netherlands, an average of 35 clients per group). Regarding the number of insurance claims, in September 2014, there were 59 claims in 42 groups.

([http://www.broodfonds.nl/nieuws/nieuws/broodfondsen\\_de\\_stand\\_van\\_zaken](http://www.broodfonds.nl/nieuws/nieuws/broodfondsen_de_stand_van_zaken)).

**Website:** <http://www.broodfonds.nl>

**Address:** BroodfondsMakers, Burgemeester Reigerstraat 28, 3581 KS Utrecht, the Netherlands

### Institutional profile:

*Broodfondsen* is the name of a mutual insurance scheme for the self-employed to cover the risk/cost of work disability due to sickness or accident. The *Broodfondsen* has existed since 2004, and over the years new funds have been established. The *Broodfondsmakers* Cooperative is an umbrella organization of the *Broodfondsen* who provide technical assistance during the set-up process. The *Broodfondsmakers*, established by three members, supports groups of self-employed who wish to set up a *Broodfonds* by themselves.

### Mission of the organization:

To create a mutual insurance scheme at affordable costs for the self-employed allowing the latter to develop and run their income generating activities and own enterprises without undue costs and to ensure that members can meet unexpected costs due to sickness, illness or accidents.

### **Governance structure:**

A *Broodfondsen* functions as a mutual fund. *Broodfondsen* can be registered as association, cooperative or foundation under Dutch law. Most groups are organised as an association or cooperative, hence they are governed by the general assembly of members and can delegate decision making to a representative board. This cooperative, set up by three members, supports those groups of self-employed that wish to set up *Broodfondsen*.

## **Good Practice**

### **Introduction:**

A *Broodfondsen* is a mutual / cooperative group of members, where every member contributes on a monthly basis to a mutual fund. An initial payment of 275 EUR is requested. Afterwards, the monthly contribution is approximately 34 to 115 EUR. To create a mutual insurance scheme at an affordable cost for the self-employed, the group ensures that members can meet unexpected costs due to sickness, illness or accidents.

Thanks to the pooling of these resources, a mechanism was created that enables the members to support other members who cannot work for long periods of time. The decision to pay such allowances is taken by the group members in a democratic way.

### **Target group and accessibility:**

In order to enrol in a *Broodfondsen* group, the members should meet the following conditions:

- To be registered as self-employed;
- To be operational for more than one year;
- The revenue generated by the self-employment is the main source of income; and,
- New members can only be nominated by existing members - this referencing is seen as a mechanism to ensure uniformity in objectives and expectations of the groups.

*Broodfondsen* groups generally start with about 20 entrepreneurs. A group should then grow to ~40 participants to be more robust and able to cover several incidents simultaneously.

### **Innovativeness:**

The *Broodfondsen* platform innovates by:

- Promoting the use of community (or internal) funds in order to provide services to the community, unlike most financing models for poorer communities that use external funds.
- Allowing middle-income (self-employed) people to save or invest, access small credits and generate revenue through the interest on the loans.

### **Relevance given the context:**

A large number of the self-employed (68%) in the Netherlands live and work without (adequate) insurances and have little to no access to social welfare benefits once unemployed due to sickness, illness or other disabilities. The costs of such insurances are relatively high and much higher than those for the formally employed. People wish to gain control and influence over how their contributions for insurances are being used. *Broodfondsen* (mutual schemes) are seen as an opportunity to regain such control and a sense of participation.

### **Adaptability to other contexts:**

*Broodfondsen* work towards the expansion of their methodology and are found all over the Netherlands. They vary across location but are managed locally, a condition to ensure that members know each other and can meet regularly. In some cases, *Broodfondsen* are set up

along sectorial lines or linked to professions. The concept was developed in 2004 and the first association was registered in 2006. Subsequently, the number of *Broodfondsen* has steadily increased. Their existence has drawn public attention and their presence is being accepted. The *Broodfondsen* are seen as a new form of financial services.

**Efficiency:**

Only a small percentage of the self-employed people in the Netherlands generate significant income to pay the insurance fees that companies charge for sickness and work disability. Most of the self-employed consider the costs too high and *Broodfondsen* arose as an affordable alternative. *Broodfondsen* allow a more inclusive approach by pooling money on a monthly basis from their members and create a mutual insurance scheme at a reasonable cost. This instrument also allows people to gain control over, manage and influence their finances and the way funds are set aside to cover unexpected costs.

**Outcomes:**

Officially launched in 2004, the first association was registered in 2006. Subsequently, the number of *Broodfondsen* has steadily increased. According to the website of *Broodfondsen*, in October 2014, 113 groups existed in 64 localities with 3.954 members (an average of 35 per group) and 20 groups were in process of registering. Regarding the number of insurance claims, in September 2014, there were 59 claims from 42 groups.

([http://www.broodfonds.nl/nieuws/nieuws/broodfondsen\\_de\\_stand\\_van\\_zaken](http://www.broodfonds.nl/nieuws/nieuws/broodfondsen_de_stand_van_zaken)).

**Sustainability:**

*Broodfondsen* are self-sustainable from the outset since they don't rely on external funds. They charge only a few costs and offer high returns to their members in terms of the insurance system.

Each group can simultaneously insure a maximum of 3 or 4 members in a vulnerable situation based on the monthly contribution (34€ - 115€). Moreover, it is important to highlight another mechanism that helps to manage the risk involved: the use of savings as a buffer. Members deposit their monthly contribution on their individual *Broodfondsen* account. If the balance on the account exceeds three times the monthly subscription of the member, the difference will automatically be placed in a savings account. The maximum buffer that can be placed in the saving accounts is set at 36 times the monthly contribution. If the amount exceeds this limit, the surplus is refunded to the regular account at the end of the year. Therefore, there are two mechanisms of funding this insurance system: the monthly contributions and the "buffer" savings.

If *Broodfondsen* succeed in pooling their resources and funds through liquidity balancing and joint investing, they represent an alternative to more traditional insurance, particularly for the self-employed. The political system has acknowledged their existence and statements of support are lending weight to this new way of organising financial services.

Insurance companies that have roots from the mutual insurance schemes of the 19th century see the *Broodfondsen* as a signal that fundamental societal changes are taking place.

**In practice:** Specific description of a success story\*

"During the last 20 years, Rene has never been off work as a carpenter longer than a week. When you work with your hands, you always need to pay attention. But an accident can always happen. Rene was working with the planning machine, when he just lost his balance because of a big bang outside the workplace. In that instance of a second, the thumb of Rene was hit and he got hurt. He needed recovery surgery. *"If your company is temporarily out of business and you are also responsible for your family, the stress gets to you". The Broodfondsen appeared to be a huge support, because the members of the fund were*

*sending me all kind of messages with useful tips. It only was 3 months, but my Broodfondsen meant more for me in that time than just the donations." \* Text extracted from [http://www.broodfonds.nl/hoer\\_het\\_werkt?ervaringen](http://www.broodfonds.nl/hoer_het_werkt?ervaringen)*

### Further readings

<http://www.broodfonds.nl/#sthash.RinOm8RW.dpuf>

<http://www.elsevier.nl/Algemeen/nieuws/2011/4/Broodfonds-voor-kleine-zelfstandigen-ELSEVIER294578W/>

[http://www.eenvandaag.nl/binnenland/40158/zp\\_ers\\_verzekeren\\_zich\\_in\\_broodfonds](http://www.eenvandaag.nl/binnenland/40158/zp_ers_verzekeren_zich_in_broodfonds)

[http://www.zzp-nederland.nl/nieuws/1900-ZZP\\_broodfonds](http://www.zzp-nederland.nl/nieuws/1900-ZZP_broodfonds)

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