MICROINSURANCE INITIATIVES

PHILIPPINES

Mr. George Ferdinand Florendo
Deputy Insurance Commissioner
Insurance Commission
PHILIPPINES QUICK STATS

- 97.6 Million population (2012), almost 27 Million are poor.
- Financial intermediaries/Banks:
  - 36 Unibanks/Commercial banks
  - 71 Thrift banks; 566 rural banks
  - 44 credit unions; 2,000+ MFIs
  - 8,000+ pawnshops
- Insurance providers:
  - 66 non-life companies
  - 26 life companies
  - 25 MBAs, of which 21 are MI-MBAs
  - 4 composite, 1 reinsurer
- Insurance outreach:
  - 28.7% of population has life insurance
  - 1.77% insurance penetration
  - Around 28 Million lives are covered by Microinsurance
  - 9.01% of the P10.3 Trillion banking assets
PAST GOVERNMENT INITIATIVES

1993 – National Credit Council established

1997 – National Strategy and Regulatory Framework for Microfinance formulated

1999 – Rationalization of Government Directed Credit Programs

1999–2010 Laws, Rules and Regulations issued

2013 – Microinsurance institutionalized in the Insurance Code
MICROFINANCE BASIC PRINCIPLES

- Greater role of the private sector in the delivery of financial services;
- An enabling policy and regulatory environment;
- Market-oriented financial and credit policies; and
- Non-participation of government line agencies in the implementation of credit and guarantee programs
WHERE ARE WE NOW IN MICROFINANCE

- 1,410 MFIs
- 10 million clients
- Commercial banks providing wholesale funds to retail MFIs

Few MFIs with outreach of less than half a million clients in 1997
MAJOR FINANCIAL PRODUCTS OF MICROFINANCE

- Credit
- Savings
- Payment Transfers
- Remittances
- Insurance
POOR INSURANCE PENETRATION IN LOW INCOME SECTOR

LACK OF AWARENESS
- Distrust of insurance providers
- "Leave it to destiny" mentality
- No immediate benefits
- Additional financial burden

INAPPROPRIATE PRODUCTS
- Not tailor-fitted
- Unaffordable
- Complex and complicated contracts
- Cumbersome requirements

ABSENCE OF POLICY AND REGULATORY FRAMEWORK
- Vague government policy direction
- Unclear regulations and guidelines on microinsurance
- Hesitant providers
WHAT WERE DONE IN MICROINSURANCE

• Microinsurance Defined
• Microinsurance Providers Identified
• Branding and Slogan Conceived
• Formalization Process Clarified
• Microinsurance Agents/Brokers Created (CBOs included)
• Prototype Product Developed
• Contracts Simplified
• Performance Standards Formulated
• Reporting Standards Established
• MBA Chart of Accounts Revised
• Trainings on MI Advocacy and Seminars
• Alternative Dispute Resolution Mechanism Established
• Standard Chart of Accounts for MBAs
• Policy and Regulatory Framework on MicroHealth DRAFTED

Coming soon!
# TRADITIONAL INSURANCE VS. MICROINSURANCE

<table>
<thead>
<tr>
<th>Trait</th>
<th>Traditional Insurance</th>
<th>Microinsurance</th>
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</thead>
<tbody>
<tr>
<td><strong>Target Market</strong></td>
<td>Middle to high income sector</td>
<td>Low income and informal sector</td>
</tr>
<tr>
<td><strong>Delivery Channels</strong></td>
<td>Sold through individual licensed agents or brokers</td>
<td>Sold through licensed non-traditional agents, such as cooperatives, NGOs, and rural banks</td>
</tr>
<tr>
<td><strong>Documentary requirements</strong></td>
<td>Complex (may include medical exams or tests, etc.)</td>
<td>Simple, easy to understand and minimal requirements</td>
</tr>
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# TRADITIONAL INSURANCE VS. MICROINSURANCE

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<tr>
<td><strong>Mode of Premium payment</strong></td>
<td>Fixed and regularly collected premium payments (annual, semi-annual, quarterly, monthly)</td>
<td>Flexible, cash flow based premium payments</td>
</tr>
<tr>
<td><strong>Policies</strong></td>
<td>Many provisions and conditions</td>
<td>Few provisions and conditions</td>
</tr>
<tr>
<td><strong>Claims Settlement</strong></td>
<td>Claims may exceed 10 working days</td>
<td>Claims must be settled within 10 working days</td>
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HOW MICROINSURANCE IS DELIVERED

Microinsurance Providers (Commercial Insurance, MBAs, Coop Insurance)

Intermediaries (Agents and Brokers)

Clients

Community-Based Entities (e.g. Retailers and Community-based Organizations)
47 Commercial Insurance Providers (51% of 92)

19 Life Insurance Companies (73% of 26)

28 Non-Life Insurance Companies (42% of 66)

24 Mutual Benefit Associations (96% of 25)

136 Microinsurance Products Approved

124 licensed MI agents (34 RBs, 90 indivs.)

20 Million Filipino Lives Covered

Microinsurance contributes 20% to the 28% lives covered
The Philippines being the country with the highest microinsurance coverage ratio” in Asia.

The Landscape of Microinsurance in Asia 2013

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Thank you!!!