



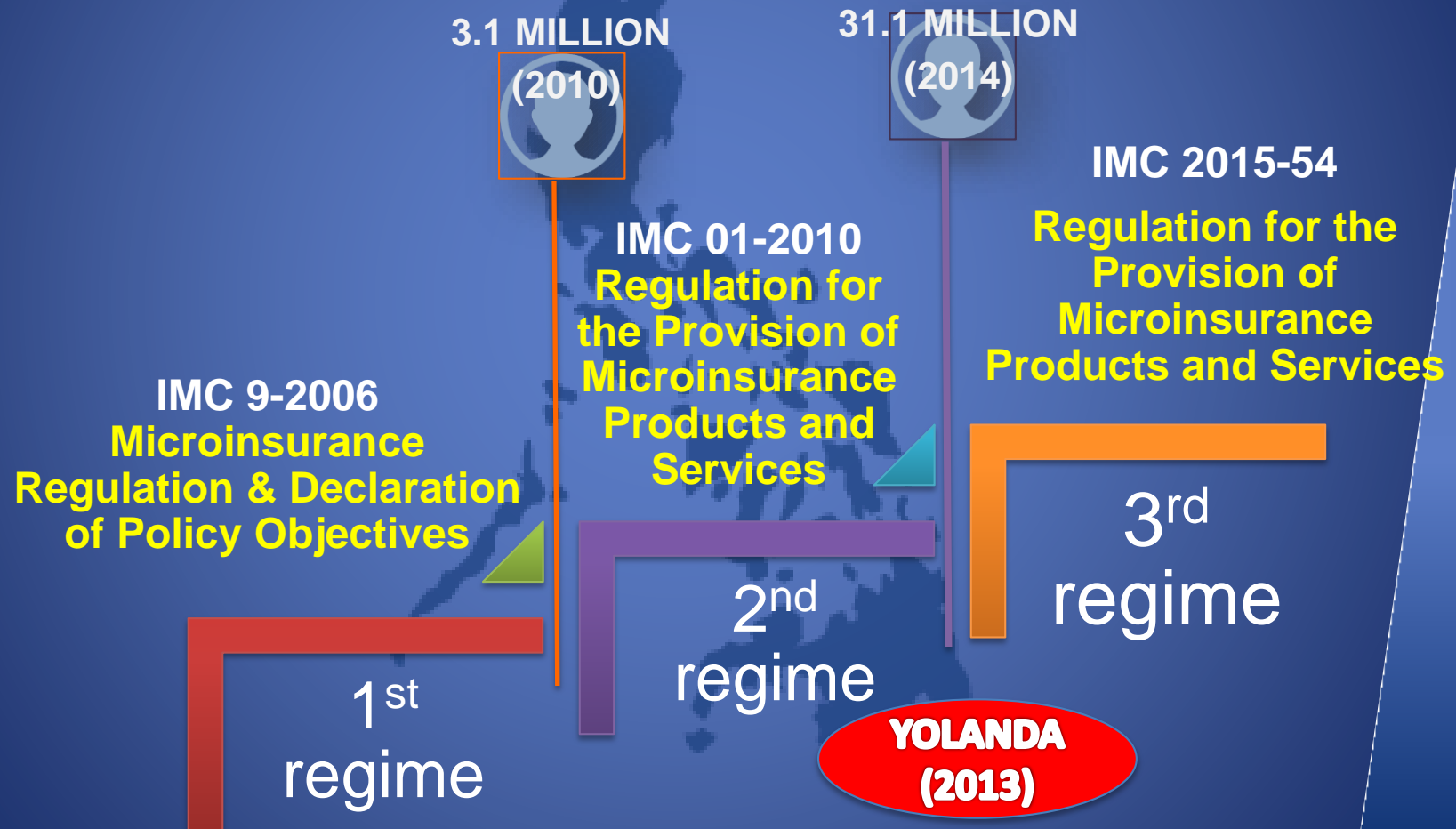
# THE POLICY AND REGULATION FOR MICROINSURANCE IN THE PHILIPPINES

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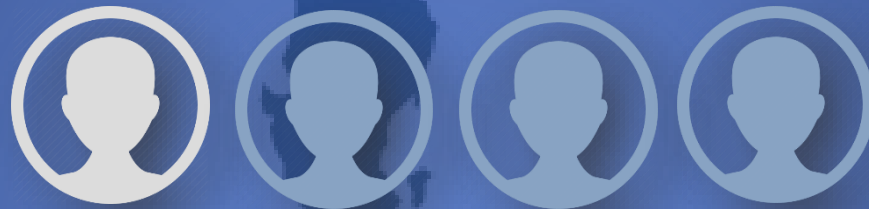


# LANDSCAPE OF THE MICROINSURANCE IN THE PHILIPPINES



# THE PHILIPPINES

## BASIC DEMOGRAPHIC & ECONOMIC DATA



Home to 104,280,890 people  
1 out of 4 people is considered “Poor”

Projected to be the 16th biggest  
economy of the world in 2050  
GDP 5.70% (2015-2020)

Most disaster-vulnerable country in the world

# MICROINSURANCE DEVELOPMENT (2010 | 2012 | 2015)

	2010	2012	2014
<b>Coverage</b>	3.1 million individuals	19.8 Million	<b>31.1 million</b>
<b>Products</b>	Mostly credit life	119 MI products (69 life, 50 non-life)	<b>162 registered products (81 life 81 non-life)</b>
<b>Mi-MBA licensed</b>	6	18	<b>22</b>
<b>Commercial Companies with Mi Business</b>	Few commercial insurance companies with Microinsurance products	52 insurance companies	<b>42 insurance companies (18 life and 24 non-life)</b>
<b>Mi Agents</b>	No MI agent category	125 (26 RBs, 96 individuals)	<b>170 (48 RBs, 122 individuals)</b>

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# THE 1ST REGIME (2006)

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# MICROINSURANCE ENVIRONMENT BEFORE 2010

- death
- accident
- sickness

Microfinance

Informal  
insurance  
activities

IMC 9-2006  
Microinsurance  
Regulation &  
Declaration of  
Policy Objectives

- risk to consumer protection
- risk to financial stability  
reputation risk to the  
microfinance industry



# MICROINSURANCE ENVIRONMENT

2006-2009

## IMC 9-2006 MICROINSURANCE REGULATION & DECLARATION OF POLICY OBJECTIVES



Premium limit to 10% of daily wage  
*(revised in 2010)*



policy contract that are easy to understand, simple requirements, flexible frequency of collecting premium

benefit limit to 500x of daily wage  
*(revised in 2010)*



Created the tier of MI-MBA with Php5mn minimum capital



# IMPACT & MARKET 2006-2009 RESPONSE

## FORMALIZATION OF INSURANCE PROVIDERS



*MBA*s



*Covered  
lives*

**INSURERS WERE LIMITED TO MBAs**

**COMMERCIAL COMPANIES ARE SKEPTICAL TO PARTICIPATE**

**NO CLEAR GOVERNMENT POLICY THAT ENCOURAGES OTHER PLAYERS TO PARTICIPATE IN THE MARKET**



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# THE 2ND REGIME (2010)

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# MICROINSURANCE ENVIRONMENT 2010

**Regulatory Framework**

Regulatory Framework

**National Strategy**

National Strategy

IC-CDA-SEC 01-2010 & 02-2010

**Government's Policies on Informal Insurance Activities**  
**Formalization of Informal Insurance Activities**

IMC 01-2010

**Regulation for the Provision of Microinsurance Products and Services**

CL 6-2011

**Approval of Training Programs and Licensing**  
BSP Circular 683  
**Marketing, Sale and Servicing**



**MAGPASEGURO PARA PROTEKTADO:**  
**A Roadmap to Financial Literacy on Microinsurance**

Roadmap to Financial Literacy

**Alternative Dispute Resolution Framework**

Alternative Dispute Resolution

# MICROINSURANCE ENVIRONMENT 2010

## Regulatory Framework

Regulatory Framework

### **Government's policy thrusts and direction**

- encourage, enhance and facilitate the provision of microinsurance products and services
- protect the rights and privileges of the insured

## National Strategy

National Strategy

- Establishes the **objectives** the **roles** of the various stakeholders
- **Key strategies**

# MICROINSURANCE ENVIRONMENT

IMC 01-2010

## Regulation for the Provision of Microinsurance Products and Services



Premium limit to 5% of daily wage  
*((revised in amended Insurance Code))*



Printed in English and/or Filipino and/or other major dialect

benefit limit to 500x of daily wage *(revised in amended Insurance Code)*



Clearly state the future services, monetary consideration and other benefits



rules on product bundling



claims should be paid within 10 days

entities that can underwrite and distribute



emphasized the requirements of financial literacy and consumer protection



parameters for performance standards

# MICROINSURANCE ENVIRONMENT

IC-CDA-SEC 01-2010 & 02-2010

**Government's Policies on Informal Insurance Activities**  
**Formalization of Informal Insurance Activities**

Provided **options** to **formalization**

- option 1: partner-agent arrangement
- option 2: join in CIS or MI-MBA
- option 3: set up an insurance entity

CL 6-2011

**Approval of Training Programs and Licensing**  
*BSP Circular 683*  
**Marketing, Sale and Servicing**

- **simplified procedures** of agent licensing through accredited training entities
- **separation of banking business** from microinsurance solicitation

**Department Order 15-2012**

Reduction of the minimum paid-up capital requirement of commercial companies to 50% = at least 50% of their production in microinsurance



# MICROINSURANCE ENVIRONMENT



*MAGPASEGURO PARA PROTEKTADO:*  
A Roadmap to Financial  
Literacy on  
Microinsurance

Alternative Dispute  
Resolution  
Framework

Adoption of strategies and measures ***institutionalizing financial literacy***

- key messages on the role of stakeholder groups
- development of training and communication materials
- training of microinsurance advocates
- roadshows and public

Adoption of **Mediation-conciliation processes** of claims dispute based on parameters:

- Least cost
- Accessible
- Practical
- Effective
- Timely



# IMPACT & MARKET 2010- RESPONSE 2014

## MARKET DEVELOPMENT

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46% (63 out of 138) insurance entities participated in the market  
170 MI agents licensed  
31.1Mn lives and properties insured in 2014 (56% contributed by commercial companies).

## INSTITUTIONAL DEVELOPMENT

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excellent diversity of products  
good progress in mainstreaming informal insurance  
excellent broad-based approach to CB  
MI institutionalized in the law.

## CLIENT VALUE

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good progress in loss ratio in 2014:  
Life=50.2% / Non-life=156.4% / MI-MBAs=27.5%.

*\*2014 was bad year due to T. Haiyan*

# THE TYPHOON HAIYAN

Impacted over

**16**  
million  
people



Displaced almost

**4.1**  
million  
people



Had an unprecedented storm surge that was main **cause of death** for the **6,300** casualties

Estimated

**USD 700 million**



in damage to agriculture and infrastructure\*

## Response

Steps taken by the Insurance Commission and insurance providers



Set up **Claims Action Centre** in the areas



**Relaxation of documentation requirements** on initial payments for death claims



**Allowed satellite imaging** to be used in claims assessment



**111,000**

microinsurance claims have been paid out of 126,363

**98%**

were calamity coverages

Claims paid amount to PHP 532 million

**USD 12 million**



**Average claims payout was**

**USD 108** PHP 4,777



**50%**

used for housing repairs



**50%**

used on restarting livelihoods

\*\* As of July 2014

# IMPACT & MARKET 2010- RESPONSE 2014

- NEED FOR **DISASTER RESILIENCY MECHANISM** THROUGH MICROINSURANCE
- ROLES AND RESPONSIBILITIES OF **INTERMEDIARIES** AND **DISTRIBUTION CHANNELS** NEEDED TO BE CLARIFIED
- REINSURANCE CONCERNS**
- ACCOUNTABILITY ON **PRODUCT BUNDLING** NEEDED TO BE ESTABLISHED
- MARKET PENETRATION**

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# THE 3RD REGIME (2015)

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# MICROINSURANCE ENVIRONMENT 2015

IMC 2015-54

## *Regulation for the Provision of Microinsurance Products and Services*



Establishes involvement in the business process/value chain of regular agents, general agents and brokers



Provides guidelines on reinsurance of microinsurance risks



Extends the provisions of product bundling, highlighting accountability of lead insurer

# MICROINSURANCE ENVIRONMENT 2015



**Micro Pre-Need  
Regulatory  
Framework**



**Agriculture  
Microinsurance  
Regulatory  
Framework**



**Health Microinsurance  
Regulatory Framework**



# MARKET DEVELOPMENT STRATEGIES



Public-private  
sector  
collaboration

Genuine  
industry  
dialogues

Public  
seminars  
and  
consultations

Multi-  
stakeholders  
approach in  
MI advocacy

# CONCLUSION



SET **CLEAR SIGNAL** AND **PROPORTIONATE REGULATIONS** TO ENCOURAGE PRIVATE SECTOR PARTICIPATION



GOVERNMENT AND DONORS TO ENABLE THE MARKET, NOT SPOON FEED IT. **BE SMART IN SUBSIDIES.**



**PATIENCE** IN THE PROCESSES OF **DIALOGUES** AND **CONSULTATIONS**

# CONCLUSION



REGULATORS AND GOVERNMENT PROGRAMS TO PROVIDE **UNIFIED, CONSISTENT AND COMPLEMENTARY POLICY DIRECTIONS. COORDINATION IS A KEY**



ADAPT **INCLUSIVE APPROACH** TO ENCOURAGE INDUSTRY PARTICIPATION. **PROTOTYPE PRODUCTS** ARE MORE SUSTAINABLE TO HAVING CONSTRUCTIVE COMPETITION



**REGULAR MONITORING, EFFICIENT REPORTING AND KNOWLEDGE MANAGEMENT**