

# THE SUCCESS STORY BEHIND THE DEVELOPMENT OF MICROINSURANCE IN THE PHILIPPINES

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**“In Pursuit of a more Resilient and Inclusive Insurance Sector”**  
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## Our Starting Point

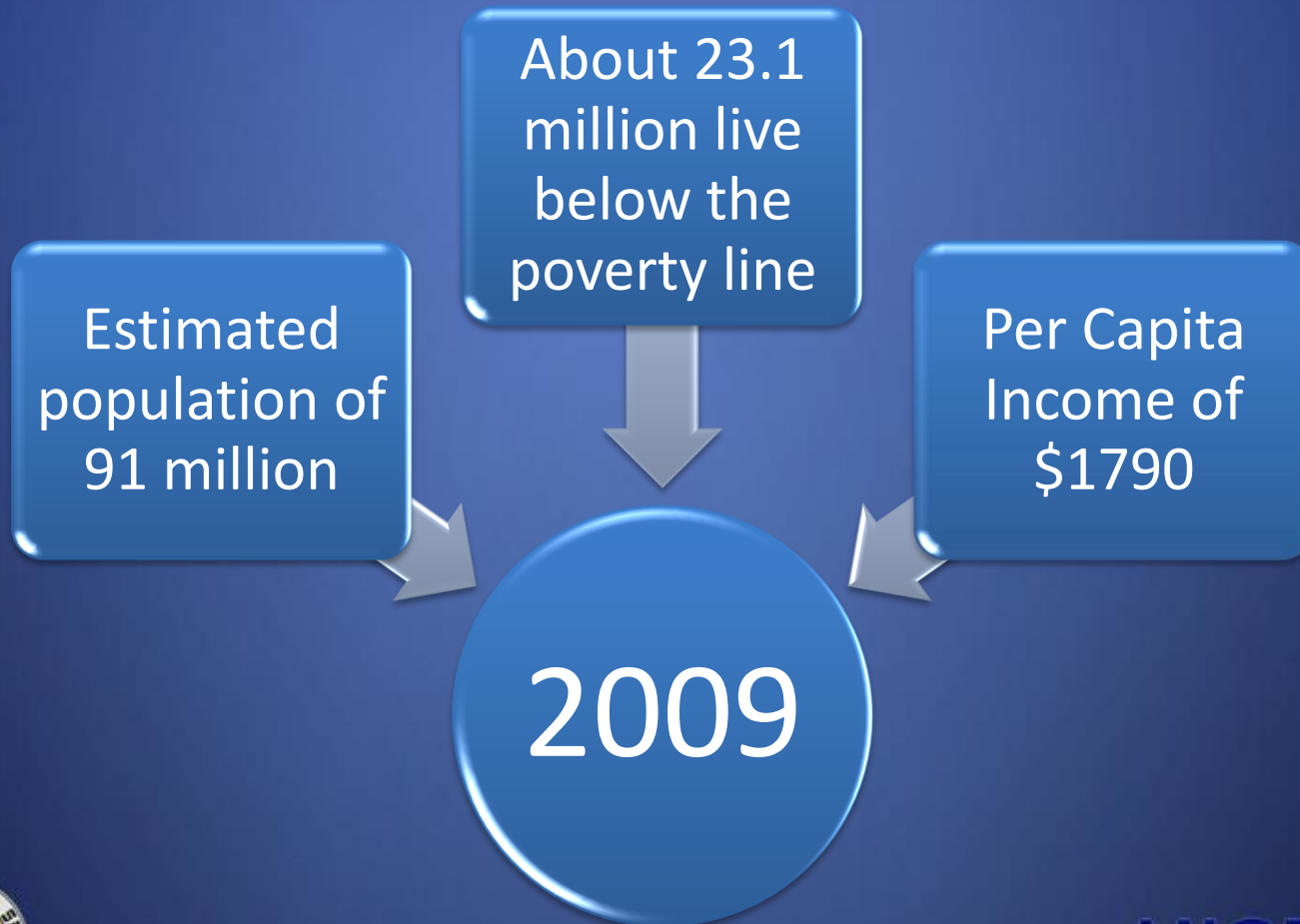
## The Journey

- Destination identified
- Fellow travellers enjoined
- Route Taken
- Vessels used
- Outputs of the Collaborations

## Success Barometers



# THE STARTING POINT



## THE STARTING POINT

# THE PHILIPPINE INSURANCE MARKET

Relatively small  
Insurance Industry  
with Php528.5  
(\$11.4) billion assets

- 79.4% from the life insurance sector (32 life companies)
- 20.6% from the non-life sector (84 companies)

In 2010, Mutual Benefit  
Associations have Php  
27.6 (\$0.63) billion  
assets

- 24 MBAs of which 6 are wholly engaged in MI
- 2.8 million members



## THE STARTING POINT

# THE PHILIPPINE INSURANCE MARKET

Low  
insurance  
take up

- Insurance penetration was only 1.0 % of GDP
- Insurance density Php 878 (\$19)
  - Life insurance Php 654 (\$14)
  - Non-life insurance Php 224 (\$5)
- Estimated life insurance coverage for the year was only 13.9%



## THE STARTING POINT

# OUR PROBLEM: Enhancing Insurance Market Penetration

Lack of a strong insurance culture

Lack of appreciation of the benefits and importance of Insurance

Insurance products mostly cater to the middle and upper income market



# THE JOURNEY TAKEN: Destination Identified

Combat  
Poverty

Inclusive  
Insurance  
Market

Increase  
insurance  
take-up





# Fellow Travellers Enjoined...

## Private Sector

- Private insurance companies
- Private Financial institutions (banks, coops and microfinance NGOs)
- Intermediaries i.e. brokers and agents
- Training institutions

## Donor Organization

- Asian Development Bank (ADB) - Developing Microinsurance Project
- German International Cooperation (GIZ) - Microinsurance Innovations Program for Social Security

## Key areas of cooperation

- Developing the appropriate policy and regulatory environment
- Building capacity of regulators
- Increasing awareness of Microinsurance among stakeholders





# The Route taken – 2006 to date...

**2006**

**First Circular on Microinsurance (MI) Issued**

**Microinsurance Month Declared**

**2008 - 2009**

**Partnerships Initiated and Forged**

**Working Group Meetings and Consultations Conducted**

**2010**

**National Strategy for MI**

**Regulatory Framework for MI**

**2011**

**Dev't of Performance Standards (PS) for MI**

**Financial Literacy Roadmap**

**2011 - present**

**Module Dev't and Training on PS**

**Materials Dev't for Finlit**

**Financial Literacy Roadshows**

**Framework for Alternative Dispute Resolution for MI**



# The Vessels Used in Microinsurance Development



# Outputs of the Collaboration

## MICROINSURANCE DEFINED

- Affordable insurance with:
  - *premiums not exceeding 5 percent of the of the daily minimum wage rate and*
  - *maximum guaranteed benefit of 500 times the daily minimum wage rate*

## ACCESSIBILITY EXPANDED

- Life Insurers
- Non-Life Insurers
- Coop Insurance Societies
- Mutual Benefit Associations



# Outputs of the Collaboration

## DELIVERY MECHANISMS IDENTIFIED

- Direct Delivery
- Use of non-traditional means
  - Partnerships and Tie-ups with MFIs and other community based organization
- Microinsurance Agents and Brokers

## REGULATORY SPACE FOR MI PROVIDERS

- Lower capitalization requirements
- Additional admitted assets
- Relaxed licensing requirements for MI agents

## CLIENT PROTECTION

- Performance Standards
- Formalization of informal insurance providers
- Establishment of Alternative Dispute Resolution for Microinsurance (ADReM)



# Outputs of the Collaboration

## PROTOTYPE POLICIES

- Tailor-fitted to needs
- Affordable
- Simple contracts
- Relaxed Terms and Conditions

## FINANCIAL LITERACY CAMPAIGNS

- Comprehensive (9 stakeholders targeted)
- Nationwide (covering 16 regions)
- Learning centers



# Success Barometers

## Before 2009

MI products mostly credit life except for MBA MI products

6 licensed MI-MBA

Very few commercial insurance companies with MI

## 2012

80 MI products approved (54 life and 26 non-life)

17 licensed MI-MBAs

34 insurance companies (16 life and 18 non-life) selling MI products



# Success Barometers

## Before 2009

No MI agent category

3.1 million individuals covered under MI

## 2012

124 licensed as MI agents (34 RBs and 90 individuals)

About 12 million insureds including dependents are covered under MI





# Success Barometers

**2009**

Insurance penetration was only 1.0 % of GDP

Insurance density Php 878 (\$19)

Life insurance Php 654 (\$14)

Non-life insurance Php 224 (\$5)

Estimated life insurance coverage was 13.90% of 91 Million population

**2012**

Insurance penetration was 1.42% of GDP

Insurance density Php 1541 (\$37)

Life insurance Php 1265 (\$31)

Non-life insurance Php 276 (\$6)

Estimated life insurance coverage was 23% of 96.4 Million population





**“MI Growth is forthcoming as insurers become more familiar with the low-income market, and the market becomes more comfortable with them”**



**Maraming Salamat!!  
(Thank You Very Much!)**

