

THE MICROINSURANCE PROGRAM OF THE GOVERNMENT

*A Presentation to the Cooperative Finance
Cluster Congress*

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by:

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Financial Inclusion: The Government's
Perspective

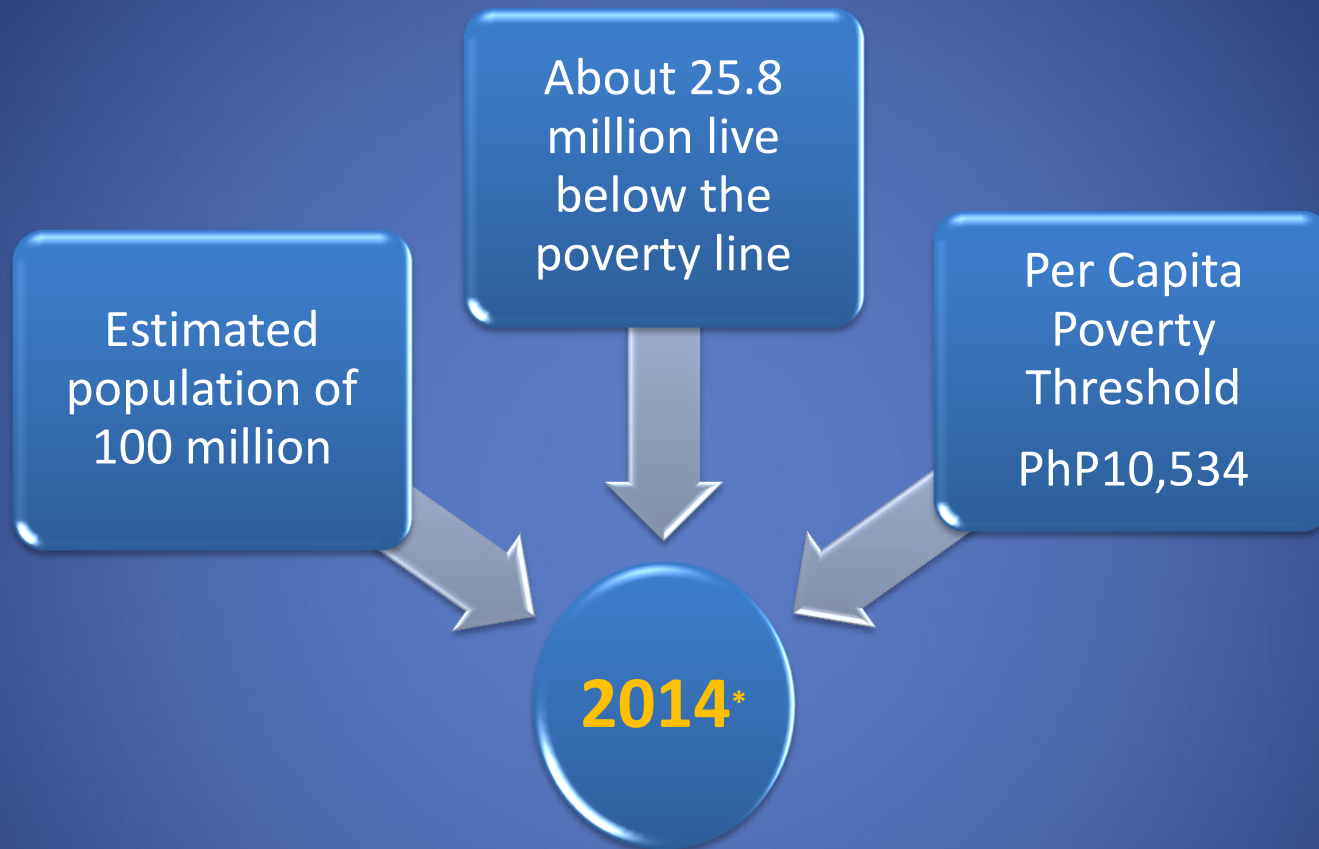


AGENDA

- Demographics
- Industry Profile
- Insurance Market Performance
- Government's Position
- Players in MI Development
- Microinsurance Industry
 - Performance
 - Mutual Benefits Association
 - Cooperative Insurance Societies
 - Microinsurance Product Definition
 - Prudential Requirements
- Challenges



DEMOGRAPHICS



*as of 1st semester 2014, Philippine Statistics Authority



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INDUSTRY PROFILE

| PROFILE | NO. OF COMPANIES | PREMIUMS (IN BILLIONS PHP) | TOTAL ASSETS (IN BILLIONS PHP) |
|---------------------|------------------|----------------------------|--------------------------------|
| Life | 30 | 171.15 | 729.95 |
| Non Life | 71 | 29.14 | 159.06 |
| MBA's | 28 | 5.61 | 43.80 |
| Pre-need Brokers | 15 | 12.23 | 99.94 |
| Insurance Brokers | 62 | 42.38 | 11.74 |
| Reinsurance Brokers | 22 | 2.40 | 0.97 |
| Total Assets | | | 1,045.34 |

Information as of 31 December 2013

Source: Statistics and Research Division, Insurance Commission



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INSURANCE MARKET: PERFORMANCE

| 2009 | 2014 |
|--|---|
| <ul style="list-style-type: none">Insurance penetration was only 1.02% of GDP | <ul style="list-style-type: none">Insurance penetration was 1.54% of GDP |
| <ul style="list-style-type: none">Insurance density PhP878 | <ul style="list-style-type: none">Insurance density PhP1,953 |
| <ul style="list-style-type: none">Estimated life insurance coverage was 14.08% of 91M population | <ul style="list-style-type: none">Estimated life insurance coverage was 34.30% of 100M population |



Financial Inclusion

- Necessary Component in Program for Development
- Cannot be done on a stand-alone basis
- Used as basis or rationale for the promotion of Microinsurance



Two Major Outputs in the Development of Microinsurance

- **1997 : National Microfinance Strategy Launched**
Articulates the vision of a viable and sustainable micro-financial market for the poor
- **2010: National Strategy for Microinsurance**
Mandates the development of the market for financial products and services that provides appropriate risk protection for the poor (i.e. microinsurance)



GOVERNMENT'S POSITION

SPECIFIC ACTIVITIES TO DATE

- 2006** - First Circular on Microinsurance (MI) Issued
 - Microinsurance month declared
- 2008** - Partnerships initiated and forged
- 2010** - National Strategy for MI launched
 - Regulatory framework for MI was launched
 - Development of Performance Standard for MI- Financial literacy roadmap
- 2011 to 2013**
 - Module development and training on Performance Standard
 - Materials development for Financial literacy
 - Financial literacy road-shows
 - Framework for alternative dispute resolutions for MI



SPECIFIC ACTIVITIES TO DATE

2014 to Present

- Financial literacy roadshows continue
- Public Consultations on the draft Regulatory Framework for Health Microinsurance (HMI)
- Parametric Insurance Framework
- Level-Playing Field Circular
- Risk-Based Capital and Financial Reporting Framework for Microinsurance



PLAYERS IN MI DEVELOPMENT



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MICROINSURANCE INDUSTRY: PERFORMANCE

2009

- Microinsurance products are mostly credit life except for MBA MI
- 6 Licensed Microinsurance-MBA
- Very few commercial insurance companies with Microinsurance products
- No MI agent category
- 3.1 million individuals covered under MI

2014

- 118 Microinsurance products approved (44 life, 37 non-life and 37 MBA)
- 21 licensed Microinsurance-MBAs
- 42 insurance companies (18 life and 24 non-life) selling MI products
- 146 licensed as MI agents (46 RBs, 2 Thrift, 1 Coop and 100 Individuals)
- About 24.75 million (24.77% out of 99.9 million Filipinos) insured under MI



MICROINSURANCE INDUSTRY: PERFORMANCE

MUTUAL BENEFITS ASSOCIATION

- Membership in 2013 increased by **31.92%** to 3,633,366 from 2,754,172 in 2010
- Members' equity in 2013 increased by **22.61%** to 15,952.4 from 13,010.4 in 2010



MICROINSURANCE INDUSTRY

COOPERATIVE INSURANCE SOCIETIES

| | No. of Policies | No. of Insured Lives |
|-------------------|-----------------|----------------------|
| Microinsurance | 5,677 | 6,449,192 |
| Regular Insurance | 743 | 40,470 |
| | 6,420 | 6,489,662 |

- Two (2) with license from the Insurance Commission
 - Coop Life Insurance & Mutual Benefit Services (CLIMBS)
 - Cooperative Insurance System of the Philippines (CISP)



MICROINSURANCE PRODUCT

DEFINITION

- Premium = max 7.5% of daily minimum wage rate
- Risk Coverage = max is 1,000x daily minimum wage
- Claims Processing = max 10 days from submission of documents, usually within 5 days
- Documentation = Short and Simplified



MICROINSURANCE INDUSTRY: PRUDENTIAL REQUIREMENTS

| Insurance Companies | Microinsurance Providers |
|---|---|
| <ul style="list-style-type: none"> • Networth: PhP250M | <ul style="list-style-type: none"> • Guaranty Fund: PhP5M for MI-MBAs or PhP12.5M for regular MBAs |
| <ul style="list-style-type: none"> • Statutory Deposits: 25% of PUC | <ul style="list-style-type: none"> • Statutory Deposit: 100% of Guaranty Fund |
| <ul style="list-style-type: none"> • Reinsurance: Optional to cede and accept | <ul style="list-style-type: none"> • Reinsurance: Optional to cede but cannot assume |
| <ul style="list-style-type: none"> • Product Bundling: Allowed | <ul style="list-style-type: none"> • Product Bundling: Allowed |
| <ul style="list-style-type: none"> • Risk-Based Capital: Needs to be Complied with | <ul style="list-style-type: none"> • Risk-Based Capital: Needs to be Complied with |



MICROINSURANCE PROGRAM OF THE GOVERNMENT

- Formalization
- Increasing Penetration Rate
- Product Development
- Capacity Building
 - Financial Literacy
 - Risk-Based Principles
 - Enterprise Risk Management Principles
 - Governance
- Implementation of Standard Charts of Accounts (SCA), Financial Reporting Framework (FRF) and Risk-Based Capital (RBC)
- 2015 ASEAN Integration



THANK YOU!



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