



Developing Microinsurance Project in the Philippines

Background

The Philippines is one of the countries in Asia that can offer market opportunities for microinsurance because of its strong cooperative systems, and the potential risks from natural disasters, such as typhoons and earthquakes.¹ The recent world economic crisis and the impacts of natural calamities on the country highlight the importance of providing microinsurance for poor and vulnerable people (not covered by formal social insurance) to protect them from technological and natural hazards.

Microinsurance provides social protection for low-income populations in the event of shocks caused by events, such as illness, old age, natural calamities, death of the breadwinner in the family, and theft or damages to their assets or their means of production.²

Microinsurance has been developed in a broader concept of “financial inclusion” and “access to finance.” It is one of the key products offered under financial inclusion in addition to credit, savings, payment transfer, and remittances. The Philippines is one of the leading countries in the microfinance area, and microinsurance has been driven by successes of the microfinance sector. The financial inclusion policy, in the form of the National Microfinance Strategy, has contributed to the promotion of microinsurance.

As of 2008, there were 147 microinsurance providers in the country, but only 20 of them were mutual benefit associations offering microinsurance. Existing microinsurance schemes are not considered to be adequately managed to meet the needs of the low-income population, and are not responsive to the needs of their target clientele.³ Thus, there is a need for the Government of the Philippines to expand its service by providing microinsurance for the poor and low-income population.

Expanding Microinsurance Assistance

In 2008, the Asian Development Bank (ADB) provided grant assistance to the Government of the Philippines through the Developing Microinsurance Project. One of the key outputs of the project is the improvement of the regulatory framework of the country’s microinsurance system by formulating and adopting

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a regulatory framework that is conducive to sound microinsurance development.⁴

The project is expected to strengthen the capacity of government regulators and microinsurance providers in the Philippines. The project provides training and mentoring for the Insurance Commission and the Cooperative Development Authority (CDA) to enhance their capacities to regulate insurance policies. Activities include developing training materials and conducting 7 regional public hearings, 3 training sessions for regional regulators, and 6 training sessions for regional insurance providers.⁵

Furthermore, the project promotes financial literacy on microinsurance, which is integrated into the national microfinance literacy program to provide comprehensive finance education to poor beneficiaries. A guidebook on microfinance was developed and disseminated through the National Credit Council (NCC), Insurance Commission, CDA, and National Anti-Poverty Commission websites. Financial literacy is also promoted through workshops and conferences.⁶

The project is implemented in a participatory manner with NCC to collaborate with the Insurance Commission, CDA, insurance companies, mutual benefit associations, cooperatives, cooperative federations, and the actuarial association in formulating a regulatory framework and a training module on sound microinsurance operations. The project works with Risk Management Solutions, Inc. in formulating appropriate policy and in delivering training and financial literacy.⁷

Performance Standards for Microinsurance, Road Map to Financial Literacy on Microinsurance, and Non-life Prototype Product have been discussed at the Project Steering Committee Meetings.⁸ Regional consultations with project stakeholders were conducted, and a regulatory framework was prepared by members of the technical working group. Two circulars on microinsurance were drafted for consideration of the Insurance Commission and the Department of Finance.⁹ On 29 January 2010, the National Microinsurance Strategy and the Regulatory Framework were launched to promote a sound sector development based on a market-based principle and government focus.

Endnotes

¹ Cited by Craig Churchill, head of the global Microinsurance Network and team leader of the International Labour Organization's Microinsurance Innovation Facility 2010. In *Asia: Big Scope Micro Insurance in Several Countries*. Available online at <http://microinsurancephil.blogspot.com/2010/11/asia-big-scope-for-microinsurance-in.html>

² A. Malagardis. 2009. Demand Study of Microinsurance in the Philippines. Report. Available online at www.microinsurance.ph/reports/Demand%20Study%20of%20Microinsurance%20in%20the%20Philippines.pdf?bcsi_scan_B90AE85AF6AB15C6=0&bcsi_scan_filename=Demand%20Study%20of%20Microinsurance%20in%20the%20Philippines.pdf

³ Footnote 2.

⁴ Asian Development Bank (ADB). 2008. *Grant Assistance to the Republic of the Philippines for Developing Microinsurance Project*. Manila. (TA 9118-PHI, \$1,000,000, approved 15 February 2008).

⁵ Footnote 4.

⁶ Footnote 4.

⁷ Footnote 4.

⁸ ADB. 2010. Developing Microinsurance Project. Project Information Document. Available online at <http://pid.adb.org/pid/LoanView.htm?projNo=41602&seqNo=02&typeCd=2&projType=GRNT>

⁹ Footnote 8.

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