



National Strategy



A. Background

The Medium Term Philippine Development Plan (MTPDP) recognizes the role of government to put appropriate safety nets and risk protection for the poor. “The poor and marginalized groups in the Philippines face various risks – temporary and permanent loss of employment, inability to cope with abrupt changes in the prices of basic commodities, illness and physical injury, violence and the lack of peace and order, old age, etc. Occasionally, they are confronted with shocks arising from natural disasters and abrupt swings in the macro economy. Protecting the poor and vulnerable groups is imperative in winning the battle against poverty within the decade.” (MTPDP 2001-2010, chapter 13). One way to do this is to ensure that the poor are given access to financial services in general, and insurance in particular.

In line with its policy thrust of rationalizing public spending for social services and less government intervention in activities that could best be implemented by the private sector, the government issued the National Strategy for Microfinance in 1997, which further supports the following key policy direction espoused in

the MTPDP: “Inefficient or regressive spending and subsidies are being phased out and instead, markets are made to work better for poor people.” (MTPDP 2001-2010, chapter 13). To do this, the MTPDP also clearly highlights the need to “Develop mechanisms to involve the private sector actively in the provision of services and other assistance to the poverty areas identified by government using innovative and sustainable models available both locally and internationally.”

Recognizing the importance of appropriate risk protection for the poor, the government through the Department of Finance-National Credit Council (NCC), and in coordination with the Insurance Commission (IC) and other regulatory authorities [Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Cooperative Development Authority (CDA)] as well as the private sector engaged in the provision of insurance products and services, initiated the formulation of a National Strategy to develop an insurance market for the poor.

The Microinsurance National Strategy paper is a joint effort of the members of the Technical Working Group organized by the Department of Finance and supported by the German Technical Cooperation Microinsurance Innovations Program for Social Security (GTZ MIPSS). The members of the TWG are: DOF-National Credit Council, Insurance Commission (IC), Cooperative Development Authority (CDA), Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), Department of Health (DOH), Philippine Health Insurance Corporation (PhilHealth), National Anti-Poverty Commission (NAPC), Chamber of Mutual Benefit Association, Inc. (CHAMBAI), Risk Management Solutions, Inc. (RIMANSI), Coop Life Insurance and Mutual Benefit Services (CLIMBS), Cooperative Insurance System of the Philippines (CISP), Philippine Life Insurance Association (PLIA), Philippine Insurers and Reinsurers Association (PIRA), Association of Health Maintenance Organizations of the Philippines, Inc. (AHMOPI) German Technical Cooperation (GTZ) and Asian Development Bank (ADB).



Consistent with the vision and key strategies espoused in the National Strategy for Microfinance that was issued in 1997¹, the **National Strategy for Microinsurance**² defines the objective, the roles of the various stakeholders and the key strategies to be pursued in enhancing access to insurance by the poor. It also discusses health insurance for the poor in the context of social protection. Strategies to encourage complementation of the products of PhilHealth by the private sector are also discussed. It also provides directions towards mainstreaming informal insurance and insurance-like activities³ and the promotion of public awareness and financial literacy.

B. Vision and Objective: Appropriate Risk Protection for the Poor⁴

The National Strategy for Microfinance articulated the vision “to have a viable and sustainable private micro (financial) market with the government providing a supportive and appropriate policy environment to the market.” Along this line, the market for financial products and services that provides appropriate risk protection for the poor (i.e. microinsurance⁵) will be developed.

The objective is to provide the poor increased access to microinsurance products and services. This will be

achieved through the adoption and implementation of the following key policy strategies:

- a. Increased participation of the private sector in the provision of microinsurance services;
- b. Establishment of an appropriate policy and regulatory environment for the safe and sound provision of microinsurance by the private sector;
- c. Mainstreaming of informal insurance, insurance-like, and other similar activities/schemes; and
- d. Institutionalization of financial literacy (learning/education) that will highlight the importance of microinsurance, the applicable rules and regulations, the duties and responsibilities of the providers, and the rights of the insured.

C. Key Stakeholders

The development of an insurance market for the poor requires the participation of all key stakeholders from both the government and the private sector. To ensure that the objective of increased access of the poor for risk protection is attained, it is imperative for key stakeholders to focus on roles where they have distinct and comparative advantage. Their respective roles are as follows:

¹ The National Strategy for Microfinance envisions the development of a viable and sustainable micro financial market for the poor, where the private sector plays a major role in the provision of appropriate financial services to the poor. Financial services for the poor include the following: credit, savings, remittances or payment transfers, and insurance.

² The Strategy takes reference to the Regulatory Framework for Microinsurance which establishes the policy and regulatory environment that will encourage, enhance and facilitate the safe and sound provision of microinsurance products and services by the private sector.

³ Insurance-like activities are products or services that are within the context of the definition of microinsurance and provided by private sector entities not regulated by the Insurance Commission.

⁴ Source: Regulatory Framework for Microinsurance

⁵ Microinsurance, as defined in the Regulatory Framework for Microinsurance “is an activity of providing specific insurance, insurance-like and other similar products and services that meet the needs of the low-income sector for risk protection and relief against distress, misfortune and other contingent events. This shall include all forms of insurance, insurance-like and other similar activities, as may be defined by concerned regulatory bodies, with the following features: premiums, contributions, fees or charges are collected/deducted prior to the occurrence of a contingent event; and guaranteed benefits are provided upon occurrence of a contingent event.”



a. Government

Government shall support and encourage the participation of private insurance providers in offering appropriate risk protection to the poor. Government instrumentalities shall focus on the following:

- i. Policy and Regulatory Agencies
 - 1. Provide the enabling policy and regulatory environment to encourage private sector participation in the delivery of microinsurance products and services;
 - 2. Establish appropriate policy and regulatory measures supportive of financial inclusion; and
 - 3. Identify options and develop guidelines for mainstreaming informal insurance and insurance-like schemes.
- ii. Other National Agencies and Instrumentalities
 - 1. Establish networks and linkages with microinsurance providers for the effective and efficient delivery of microinsurance to their constituents; and
 - 2. Provide basic support services such as infrastructure, health services, education and maintenance of peace and order to mitigate the poor's exposure to risks.
- iii. Local Government Units (LGUs)
 - 1. Encourage and collaborate with the private sector on the provision of microinsurance to their local constituents; and
 - 2. Establish support mechanisms (linkages, information and public assistance desks, financial literacy campaigns, etc.) that will increase public awareness and access to microinsurance products and services by the poor.

iv. Social Insurance Providers

- 1. Make available to the poor social protection from risks that are not normally covered by the private sector;
- 2. Collaborate with LGUs and other concerned government agencies in providing subsidies in the provision of social microinsurance to identified indigents deserving of the subsidies; and
- 3. Develop mechanisms to partner with private insurance providers in lowering out-of-pocket expenses for health insurance of the poor.

b. Insurance and insurance-like providers

Private insurance and insurance-like providers shall take the lead role in directly providing microinsurance products and services to the poor. These are the life and non-life insurance companies, Cooperative Insurance Societies (CIS), Insurance/Service Cooperatives, Mutual Benefit Associations (MBAs), pre-need companies and Health Maintenance Organizations (HMOs). They shall:

- i. Provide sound and viable microinsurance products and services;
- ii. Engage in sustainable operations following the principles of good governance, prudential standards and appropriate regulations;
- iii. Develop simple, affordable and innovative microinsurance products and services tailor fitted to the needs of the poor;
- iv. Complement social insurance products and services provided by government-run social insurance providers; and
- v. Increase outreach at the least cost through partnership and networking with community based organizations, Microfinance Institutions (MFIs), social insurance providers, LGUs and other concerned government agencies.



c. Intermediaries

Intermediaries refer to entities or individuals such as brokers and agents that shall facilitate the provision of insurance products and services by licensed insurance providers. Brokers act on behalf of the clients in the purchase of insurance products while agents, on the other hand, act on behalf of the insurance companies in the solicitation of insurance business. Intermediaries shall:

- i. Provide appropriate and reliable delivery and support mechanisms to facilitate microinsurance transactions including claims;
- ii. Increase outreach at the least cost and most efficient manner; and
- iii. Actively engage in information dissemination and educational activities that will increase the awareness of the poor on the benefits and risk-protection features of specific microinsurance products and services.

d. Support institutions

Support institutions shall provide the necessary support services and assistance to build the capacity of key stakeholders in microinsurance. These institutions shall include but are not limited to the following: academic and research entities, Business Process Outsourcing (BPO) companies, training and technical assistance service providers, networks and associations, media, foundations and other service providers. Support institutions shall:

- i. Promote public awareness and education;
- ii. Provide technical assistance, capacity building and training programs for providers, government institutions and other stakeholders;
- iii. Conduct policy and market research, business development studies and advocacies; and
- iv. Develop appropriate business solutions for efficient delivery of microinsurance products and services.

e. Development partners

Development partners are international organizations, be it publicly or privately owned, and individuals of good reputation that support the development thrusts of the government. Development partners shall:

- i. Support financial inclusion policy and regulatory initiatives of the Government, including local government units, that will encourage and strengthen private sector participation, and at the same time protect the poor from unsafe and fraudulent insurance schemes. Such support and assistance shall include building capacities of government entities in formulating and implementing appropriate prudential requirements and standards, and in promoting public-private sector collaboration in social insurance schemes;
- ii. Assist in setting up and institutionalizing an information database at the local and national levels that will be used for the development of microinsurance products; and
- iii. Provide technical assistance to the private sector on products development, distribution channel innovations, training and capacity building, financial literacy, information campaign, knowledge management, impact assessment, and operating systems and procedures enhancement.

D. The Strategies to be pursued

To realize the objective of providing poor households and microenterprises greater access to microinsurance products and services, the following specific strategies shall be pursued:



a. Provision of an appropriate policy and regulatory environment that is conducive to the effective and efficient functioning of the private microinsurance market. Such environment shall be established to encourage increased private sector participation in the provision of microinsurance products and services. This shall be done by:

- i. Formulating prudential requirements and guidelines appropriate for delivery of microinsurance products and services;
- ii. Establishing performance standards that will guide the operations of microinsurance providers;
- iii. Developing policies and guidelines for the private sector to complement products and services of social insurance programs of Government such as those of the Philippine Health Insurance Corporation (PhilHealth) and the Philippine Crop Insurance Corporation (PCIC); and
- iv. Providing regulatory space for innovative electronic payment systems and infrastructures to improve efficiency and to lower the cost of transactions in the delivery of microinsurance products and services.

b. Mainstreaming informal insurance. Informal schemes refer to in-house insurance schemes developed and implemented by entities that do not have any license from the Insurance Commission or any other appropriate regulatory body. To ensure the safe and sound provision of microinsurance products and services, entities engaged in the provision of informal insurance activities (i.e. doing self-insurance) shall be required to formalize such activities within a specified period of time. Government shall:

- i. Provide the following options for formaliza-

tion:

1. Partnership with formal insurance providers and intermediaries through the purchase of individual/group insurance policies either directly from an insurance provider or through an intermediary. Informal insurance providers may also opt to become a duly licensed agent or broker.
2. Joining a Mutual Benefit Association (MBA) or a Cooperative Insurance Provider. Cooperatives may apply as members in an existing Cooperative Insurance Society, while individuals may apply as members in an MBA or in an Insurance/Service Cooperative engaged in the insurance business.
3. Setting up of any of the following licensed Insurance Entities:
 - a. Life or Non-life insurance company;
 - b. Mutual Benefit Association; or
 - c. Cooperative Insurance Society or as an Insurance/Service Cooperative that is engaged in insurance business.

- ii. Provide clear rules and guidelines on collaboration and exchange of information among government regulatory bodies to ensure that informal insurance schemes are under the coverage of the regulatory environment within a specified period of time.
- iii. Provide appropriate support systems to formalization through:

⁶ The partnership with formal insurance providers and/or intermediaries does not include Third Party Arrangements (TPAs) wherein administration and management of in-house insurance schemes are outsourced to a licensed insurance provider, but the underwriting risks stay with the institution outsourcing the activity.



1. Information dissemination and advocacy campaign on policies and guidelines to formalization by the concerned regulatory bodies in collaboration with appropriate stakeholders;
2. Capacity building and training for micro-insurance providers by support institutions with the assistance of development partners with specific focus on the following:
 - a. Development of products that will meet the needs of the clients; and
 - b. Provision of enhanced benefits, business opportunities and/or assured protection to entities mainstreaming their informal insurance activities.

c. Institutionalization of Financial Literacy. Public awareness and education campaign on the importance of microinsurance shall be carried out among key stakeholders. This shall focus on the following: appropriate risk protection; microinsurance policies and regulations; duties and responsibilities of providers; and rights and benefits of clients. The target audience for financial literacy on microinsurance shall include the following:

1. Legislators
2. National and local government officials
3. Insurance and insurance-like providers
4. Intermediaries
5. Wholesale and retail Micro Finance Institutions
6. Existing and potential clients/consumers
7. International development/donor agencies
8. Support institutions

Financial Literacy on microinsurance shall be pursued by:

1. Using tri-media that include print, radio and television;
2. Building capacities of key stakeholders in ensuring the safe and sound provision of microinsurance products and services through the conduct of seminars, conferences, trainings and workshops including exposure visits;
3. Institutionalizing activities on financial literacy within major stakeholders;
4. Establishing networks and linkages between and among support institutions engaged in the financial literacy campaign; and
5. Establishing a critical mass of advocates on financial literacy in both the government and the private sector.

A national framework on Financial Literacy for Microinsurance shall be formulated. The framework shall provide the key policies and strategies to be pursued, measures to be adopted as well as the activities to be implemented to ensure that both the microinsurance providers and clients understand their respective roles, rights and responsibilities and that the latter are given appropriate protection.



AFFIRMED during the celebration of the Microinsurance Month on January 29, 2010:

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Respectfully submitted and endorsed to the Steering Committee for consideration and approval, the Final Draft of the Regulatory Framework for Microinsurance

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