Mutual benefit associations and microinsurance

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The first microinsurance regulation was issued in 2006, through a circular letter. This was Insurance Memorandum Circular 9-2006. A regulatory framework was issued in 2010. In 2012 the Alternative Dispute Resolution Framework for Microinsurance was issued. The development of microinsurance regulation can be traced to the initiatives of the Department of Finance-National Credit Council in coordination with the Insurance Commission as an adjunct of microfinance development. Microinsurance found its roots as mandatory insurance products incidental to loans and required by credit providers.

Mutual benefit associations (MBAs), as opposed to the commercial insurers, have become the dominant players in the microinsurance industry. In 2012 55 percent of the total microinsurance premiums of P3.01 billion and 38 percent of the 19.9 million microinsurance coverage were generated by MBAs. By 2013 56 percent of the total microinsurance premiums of P3.47 billion and 50 percent of the 25.2 million microinsurance coverage were generated by MBAs. By 2014 these went up to 56 percent of P3.81 billion in microinsurance premiums and 44 percent of the 31.1 million coverage. As of end of 2014, there were 34 MBAs in the country of which 21 were engaged in microinsurance serving 3.1 million members, or 13.6 million people (members plus dependents). In 2004 there were only 187,600 policyholders (including dependents), showing an exponential leap in microinsurance coverage.

Interestingly, in 2006, there was only one MBA player engaged in microinsurance. This increased to 13 in 2009. By 2014 there were 21 MBAs dealing with microinsurance. On the other hand, insurance companies engaged in microinsurance grew from five in 2009 to nine in 2014.

As for commercial insurers engaged in microinsurance, as of 2014, there are a total of 42 insurers engaged in microinsurance, 18 life insurers and 24 nonlife insurers.

As for agency participation, there are 170 agents licensed as of end of 2014, comprising 122 individual agents and 48 rural banks. In terms of products, there were 81 life products and 81 nonlife products approved as of end of 2014.

In 2014 microinsurance generated P3.81 billion ($85.8 million) in net written premiums. This is equivalent to 1.9 percent of the net premiums written by the insurance industry.

While regulation was instituted as early as 2006, the industry still grapples with cooperatives offering unlicensed insurance products. Thus, the quest for the formalization of these informal insurers continues to be a challenge. In this regard, five strategies have been identified to formalize their activities: a) partnership with formal insurers in the form of a policy group; b) license them as an intermediary, such as an agent; c) register as an MBA to engage in microinsurance; d) license them as microinsurance broker with lower capital requirement; and e) seek license as a commercial insurer or an insurance cooperative.

The first microinsurance provider in the country was the Center for Agriculture and Rural Development (CARD) MBA, established in 2001. In March 2005 CARD MBA, together with seven other organizations, established a microinsurance and MBA resource center known as the Risk Management Solutions Inc., later Rimansi Organization for Asia and the Pacific Inc. The founding members of Rimansi were six microfinance institutions, a rural bank and an MBA, viz: Alalay sa Kaunlaran Inc.; Kasangyangan Foundation Inc.; People's Alternative Livelihood of Sorsogon Inc.; Rural Bank of Talisayan; Uswag Development Foundation; CARD MBA; CARD Bank; and CARD NGO. Rimansi has assisted in the establishment of MBAs. Rimansi has been converted into a microinsurer MBA association in 2015.

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