



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila



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LIFE AND NON-LIFE INSURERS, MBAs AND HMOs
EXHIBIT FINANCIAL RESILIENCY AGAINST
COVID-19-RELATED CLAIMS, ACCORDING TO SURVEY
CONDUCTED BY THE INSURANCE COMMISSION

The Insurance Commission conducted a survey from 16 April to 8 May 2020 across four (4) industries that are under its regulatory and supervisory jurisdiction, particularly the life insurance industry, the non-life insurance industry, mutual benefit associations (“MBAs”), and health maintenance organizations (“HMOs”).

The survey was designed to assess the financial impact of the 2019 Coronavirus Disease (“COVID-19”) on said regulated entities and determine how these entities have responded to COVID-19-related claims.

Out of one hundred forty-seven (147) regulated entities, one hundred forty-two (142) participated in the survey—with 100% participation from the life insurance and MBA sectors, 96% from the non-life insurance sector, and 89% from the HMO sector. Markedly, 58% of all respondents issued health insurance products, 61% of which cover pandemic cases.

I. INDUSTRY AGGREGATES

According to the survey, the four (4) industries received COVID-19-related claims in an aggregate amount of ₱308.16 million, the full amount of which have been reportedly settled. Said four (4) industries reported to have actually paid more than this amount as they stated to have paid ₱307.26 million in contractual obligations and ₱19.68 million in *ex gratia* payments, which brought the total COVID-19-related claims payout to a total sum of ₱326.95 million.

COVID-19-related claims were classified into three (3), to wit:

1. *Medical Benefits*, which was further classified into *In-Patient Benefits*, *Out-Patient Benefits*, *Medical Reimbursement Benefits*, *Daily Hospitalization Benefits*, and *Critical Illness Benefits*;
2. *Death Benefits*; and
3. *Other Benefits*, which included *Travel Inconvenience*, *Travel Cancellations and Delays*, *Cash Assistance*, etc.

Medical Benefits comprised a significant portion of COVID-19-related claims paid by the four (4) industries, at a combined amount of ₱258.8 million. ₱239.5 million of said amount were paid out of contractual obligation and ₱19.2 million paid *ex gratia*.

Under *Medical Benefits*, *In-Patient Benefit* claims were the highest at ₱124.3 million, with claims settled amounting to ₱110 million. Out of said settled claims, ₱93.26 million were reportedly settled out of contractual obligation and ₱16.73 million were settled *ex gratia*.

Critical Illness claims came second (2nd), with an aggregate amount of ₱23.33 million paid. Notably, however, the HMO industry reportedly paid more than ₱73 million based on tabulated survey responses. Said industry has not yet clarified this disparity as of this writing.

Other COVID-19-related *Medical Benefits* paid by the four (4) industries are as follows: *Out-Patient Benefits*, amounting to ₱74.89 million; *Daily Hospitalization Benefits*, amounting to ₱0.87 million; and *Medical Reimbursement Benefits* (paid exclusively by the life insurance sector), amounting to ₱0.13 million.

Non-*Medical Benefits* paid were *Death Benefits*, comprising 43% of the total COVID-19-related claims paid, and *Other Benefits*, comprising 4%.

According to the survey, the HMO industry paid the most *Medical Benefits* out of the four (4) industries, with ₱231.36 million out of the ₱258.8 million paid or 89.4%. The life insurance industry contributed ₱14.44 million, while the non-life insurance industry paid ₱12.99 million.

Expectedly, life insurers paid 96% of the ₱61.54 million *Death Benefits* paid in the amount of ₱59.14 million. MBAs paid ₱2.01 million in *Death Benefits*, while HMOs contributed ₱0.39 million.

In terms of COVID-19-related claims for *Other Benefits* (e.g., *Travel Inconvenience*, *Travel Cancellations and Delays*, *Cash Assistance*, etc.), life insurance companies again paid a substantial portion, particularly ₱4.45 million of the ₱6.61 million, or 67.32%. The non-life insurers contributed ₱1.51 million in *Other Benefits* paid, while MBAs paid ₱0.35 million.

This Commission noted that ninety-three (93) respondents—a substantial majority—expressed willingness to consider and/or continuously provide coverage for pandemic cases in the future. Said respondents believe that they have an obligation to provide this critical and much-needed assistance to their clients in times of need.

II. SECTORAL REPORTS

A. Life Insurance Industry

All thirty (30) life insurance companies regulated by this Commission responded to the survey. Twenty-six (26) out of said thirty (30) respondents issue health insurance products, twenty-two (22) of which cover pandemics.

Notably, two (2) life insurers that do not cover pandemics expressed willingness to accommodate COVID-19-related claims because this Commission has “*strongly*

encouraged” and *urged*” them to provide pandemic coverage per Circular Letter No. 2020-24 dated 25 March 2020.

Nine (9) life insurance companies cover confirmatory COVID-19 testing, subject to maximum benefit limits.

Eighteen (18) life insurers reported eight hundred eighty-seven (887) COVID-19-related claims, seven hundred twenty-seven (727) of which were paid by said insurers.

The total amount of COVID-19-related claims reported by the life insurers amounted to ₱188.19 million, approximately 41% of which have been paid. Of said reported claims, ₱131.11 million, or roughly 70%, was for *Death Benefits*, 45% of which have already been paid.

COVID-19-related claims against life insurance companies were reported across various geographical regions of the country.

When asked whether they will consider providing pandemic coverage in the future, twenty-two (22) out of the thirty (30) respondents answered “Yes”, while eight (8) answered “No”.

B. Non-Life Insurance Industry

Fifty-four (54) out of fifty-six (56), or 96%, of non-life insurance companies responded to the survey. Out of the respondents, twenty-seven (27) answered that they issue health insurance products, but only fifteen (15) companies covered pandemics based on approved policies.

According to the survey, the maximum benefit limits for pandemic coverage provided by the non-life insurers vary, usually depending on contractual limits.

Eleven (11) of the respondent non-life insurers cover COVID-19 confirmatory tests.

Only seven (7) non-life insurers reportedly received COVID-19 related claims. The total number of claims reported was four hundred forty-four (444), one hundred sixty-six (166) of which, or 37.39%, have been paid. In terms of claims amount, said claims amounted to about ₱25 million; ₱15.91 million of which were paid pursuant to contractual obligations and ₱8.89 million were paid under *ex gratia* arrangements.

In-Patient Benefits accounted for a substantial amount of the COVID-19-related claims paid by non-life insurance companies, amounting to ₱10.87 million, or 89.47% of the total. Twenty-six (26) out of twenty-nine (29) claims for *In-Patient Benefits* have been paid. On the other hand, all claims for *Out-Patient Benefits* amounting to ₱17,480 were paid *ex gratia*.

In terms of geographical concentration, the bulk of COVID-19-related claims received by non-life insurance companies came from the National Capital Region (“NCR”).

When asked whether they will consider providing pandemic coverage in the future, twenty-six (26) out of the fifty-four (54) respondent non-life insurers answered “Yes”, while twenty-eight (28) answered “No”.

C. Mutual Benefit Associations

All thirty-three (33) of the MBAs authorized to do business in the Philippines completed the survey. Six (6) MBAs issued health insurance products, four (4) of which covered pandemics.

One (1) MBA that did not cover pandemics expressed its willingness to accommodate COVID-19-related claims because this Commission has “*strongly encouraged*” and “*urged*” it to provide pandemic coverage per Circular Letter No. 2020-24 dated 25 March 2020. Specifically, said MBA will cover COVID-19 confirmatory testing at a limit of ₱5,000.

Other respondent MBAs provided no coverage for COVID-19 confirmatory testing.

Of the respondents, five (5) MBAs reported one hundred four (104) COVID-19 related claims, particularly for *Death Benefits*, *Out-Patient Benefits*, and *Other Benefits*. All such claims amounting to ₱2.37 million have allegedly been paid, with ₱2.1 million paid out of contractual obligation and ₱251,000 paid *ex gratia*. One (1) MBA did not have any health insurance product but reportedly gave ₱185,000 in cash assistance to thirty-seven (37) of its members quarantined in various facilities of local government units in the NCR. Said benefit provided was classified under *Other Benefits* reported.

COVID-19-related claims against the respondent MBAs were reported across various geographical regions of the country.

Twenty-six (26) MBAs signified their willingness to consider providing pandemic coverage in the future.

D. Health Maintenance Organizations

Twenty-five (25) out of twenty-eight (28) HMOs answered the survey. One (1) respondent HMO that obtained its *Certificate of Authority* in 2019 is understood to have not yet issued any contracts.

Out of the twenty-five (25), ten (10) HMOs covered pandemics, subject to maximum limits. Eleven (11) HMOs covered COVID-19 confirmatory tests.

Fourteen (14) respondent HMOs reportedly received two thousand five hundred fourteen (2,514) COVID-19-related claims, of which one thousand thirteen (1,013) have been paid. In terms of claims amounts, the aggregate sum of COVID-19-related claims reported reached ₱92.56 million. However, the survey answers also revealed that the total COVID-19-related benefits paid have reached ₱221.29 million for contractual claims and ₱10.46 million for *ex gratia* payments. As of the date of this writing, the respondents have not yet clarified this discrepancy.

Included in the statistics for benefits paid were fifteen (15) cases of *Death Benefits* reported by two (2) HMOs. Fourteen (14) out of the fifteen (15) claims were paid

with an aggregate amount of ₱390,000, with ₱215,000 paid under contractual obligations and ₱175,000 paid under *ex gratia* arrangements.

COVID-19-related claims against the respondent HMOs were reported across various geographical regions of the country.

Nineteen (19) HMOs signified their willingness to consider providing pandemic coverage in the future. One (1) HMO even recommended the passage of a “Pandemic Bill,” that will “*x x x cover, aside from the government’s lead strategies in solving the crisis, but also defined guidelines of its private sector partners like insurance and HMO industries*”.

CONCLUSION

Insurance Commissioner Dennis Funa said, “According to survey results, the life and non-life insurance companies, MBAs, and HMOs all have displayed financial resiliency in the handling and payout of COVID-19-related claims. The respondents honored their contractual obligations to their customers, and some have even gone above and beyond said obligations by paying *ex gratia* settlements.”

“The survey has also displayed the responsiveness of, and consumer benefit provided by health insurance and HMO agreements with pandemic cover, specifically in addressing costs incurred by an individual infected by COVID-19. This may be said to inspire consumer confidence in the four (4) respondent industries, which may later translate into an increase in the number of Filipinos covered by insurance and HMO contracts,” he added.

On an encouraging note, the happening of the COVID-19 pandemic has also positively influenced the four (4) respondent industries in terms of willingness to consider providing pandemic coverage in their products in the future. This will be to the advantage of future insurance and HMO customers, as well as MBA members.



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