

## Factsheet microinsurance business model

### Philippines: Promoting Access to Microinsurance Through Online Communities

#### The challenge

The Philippines Insurance Commission estimates that around 26.6 Million Filipinos (25.6% of population) had microinsurance (MI) coverage by the end of the first quarter of 2017. Microinsurance growth is built around a strong Policy Framework and regulations that mobilized the private insurance sector to develop new products. With financial literacy training roadshows in 2011-2012 in all 16 regions/key cities of the country, around 660 staff members of Government offices and the private sector were trained as MI advocates. Over 1,700 people had participated in the MI awareness public seminars.

The Finlit roadmap is a key factor to the success of MI development in the Philippines, according to the study on Regulatory Impact Assessment on MI commissioned by GIZ RFPI Asia in 2014.

Maintaining the growth of the MI market requires continued insurance awareness of the public. However, the approach to Finlit in 2011 is too resource-intensive. Use of technology in insurance should therefore be harnessed. Tapping online users presents a significant opportunity for financial inclusion, including microinsurance providers. As much as 58% of Filipinos have access to the internet via desktop and mobile use in 2017, growing by 27% in the past 12 months according to the "Digital in 2017 Global Review" by social media consultancy We are Social.

#### The business model: MicroComm

**Microinsurance Distribution through Online Communities (MicroComm)** is designed to use online technology in raising literacy to financial services of at least 50,000 people and build an efficient channel for distributing microinsurance products. A webpage [www.empoweringfilipinos.com](http://www.empoweringfilipinos.com) was launched on

August 2017 which created 4 online communities of MSMEs, microfinance institutions and coop clients, women teachers and for retirees/elders.

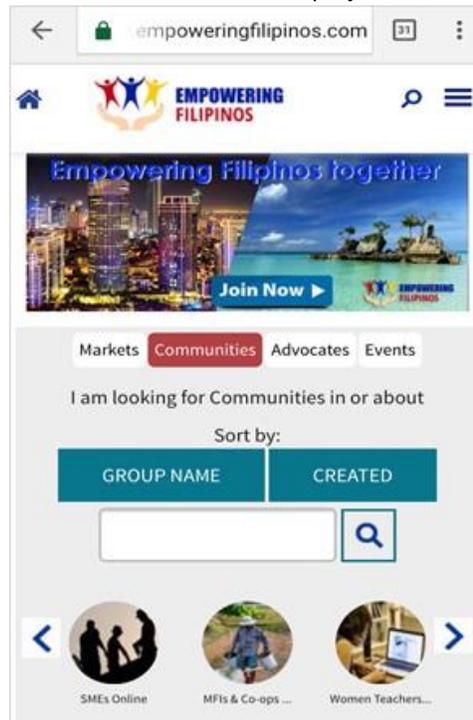
Officially started in January 2017, MicroComm is a partnership project of Pru Life UK (a global life insurance company),

CommLinked (a start-up insurtech company in the Philippines) and GIZ RFPI Asia which is supporting the project until 2019 under the DeveloPPP public-private partnership instrument of GIZ.

The online communities (OCs), which are currently established in 2 cities, are being complemented with face-to-face community organizing efforts. The MicroComm partners have secured Memorandum of Understanding with the local government unit (LGU) of Tacloban and Butuan. The LGUs have supported in mobilizing volunteers from the MSME group and from the other 3 sectors.

The MicroComm volunteers in the two cities have completed a training on risk protection and microinsurance advocacy; and digital literacy. In the same training, CommLinked

engaged the participants in practicum exercises of navigating the [empoweringfilipinos.com](http://empoweringfilipinos.com) platform. The volunteer-advocates are expected to recruit their peers to join the OC. In both cities, an online (OL) administrator and members for each community (i.e. MSMEs, microfinance institutions and coop clients, women teachers and retirees) were identified from the volunteers who completed the advocacy and OL platform training. The OL administrator in each city are responsible for approving posts, photos and blogs that will be published in the communities. It is encouraged that the local advocates manage their respective OC group, the MicroComm partners (i.e. PruLife,



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MicroComm and GIZ) will support the communities in content management, technical maintenance of the webpage, monitoring of OC activities and in will provide analytics.

### MicroComm vision 2018

The MicroComm partners commit to bring at least 50,000 members to the OL communities in 2017. In the next phase, the suppliers of MI products and services will be invited to link their business to the OC where its members will be able to evaluate product options that fit to their risk protection needs. This demand-supply encounter in the OC is expected to strengthen the sustainability of MicroComm model, and signals the expansion of same communities to other parts of the country.

### What's in it for the market players

**Pru Life UK Philippines**, has 20 years of life operations in the country. It is one of the top Philippine life insurance companies, with an agency force of 14,000 together with corporate partnerships. Its niche clients are classes A and B. Pru, however, is active in CSR projects such as financial literacy for the youth, relief distribution after calamities, and disaster preparedness awareness. Going down-market in microinsurance with innovation such as use of technology is probably Pru's next market segment.

**CommLinked**, aims at "Building Support and Loyalty through Connected Communities" via an online platform. It aspires to build connected communities with common interests, for any group which is important to the lifestyle, well-being or ideology of the individual members.

CommLinked also owns a general insurance agency which is registered with the Philippine Insurance Commission.

**GIZ RFPI Asia** has a mandate from the German government through BMZ (German Ministry for Economic Cooperation and Development) to support an enabling environment for inclusive insurance market. RFPI Asia, using the DeveloPPP funding instrument, stimulates the private sector to develop, test and commercialize innovative business models on inclusive insurance. The models are documented and brought to peer-to-peer knowledge sharing intended to inspire more market players to participate in microinsurance.

The city mayors of Butuan and Tacloban LGUs where the OL communities are first established want to see the following benefits from MicroComm:

- ✓ provide opportunities to meet the needs of low-income sector for risk protection;
- ✓ institute a sustainable approach to risk management for its constituents

By making these benefits accessible to its people, the LGU officials will be able to demonstrate good leadership and governance which adds to their political capital.

### Enabling policies and regulations

The policy and regulatory space for microinsurance market in the Philippines is considered advanced and mature, according to the study report "**The Landscape of Microinsurance in Asia and Oceania 2013**" commissioned by Munich Re Foundation, GIZ, and the Microinsurance Network.

MicroComm drew its inspiration from the Roadmap to Financial Literacy on Microinsurance (issued in January 2011). The roadmap outlines various strategies/approaches to implement Financial Literacy, including use of community media and web-based platform.

The insurtech companies, such as MicroComm, thrive because they don't stop learning, they don't stop testing, and they don't stop pushing for efficiency and innovation through the use of technology.

However, very often the regulators are not able to catch up with proportionate regulations that could support insurtech innovations in in microinsurance awareness and distribution.

On December 2016, the Insurance Commission issued Circular Letter 2016-64 on '**Adoption and Implementation of Microinsurance Distribution Channels Regulatory Framework**'. The milestone MI regulation, among others, encourages to intensify MI distribution by requiring the distribution channel to only register with the Commission, and not be licensed as an insurance agent. Its implementing guidelines of the Circular are currently drafted.



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