How Legislation can Facilitate Microinsurance

IAJ Conference Jamaica, 27 October 2021

Dr Rodolfo Wehrhahn Wehrhahn& Wehrhahn Consulting

## Critical Aspects of a Successful Microinsurance Development

Product development focused on the targeted population	Distribution familiar with the targeted population at a low cost	Transparency of benefits and responsibilities
Timely and fair claims payments	Awareness	No impact to policyholders due to failures or misselling

## Product development focused on the targeted population

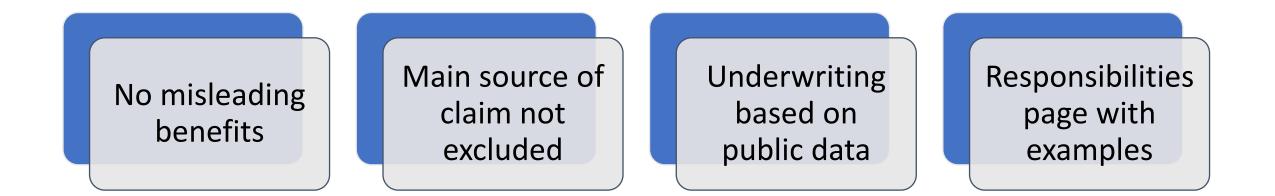
Guidelines Classification of File and sell requiring proof of lines of product Needs assessment approach with deep knowledge of based on required guaranteed the targeted protection recourse population (TP) provided

# Distribution familiar with the targeted population at a low cost

Non-traditional distribution channels allowed Training in accordance with the product and the TP

Direct or indirect supervision

### Transparency of benefits and responsibilities



## Timely and fair claims payments

Availability of the benefit to fit the purpose of the coverage

Only onetime additional information request possible Accessible complaints framework connected to the supervisor

## Advance development on timely and fair claims payments

Payment claims through the familiar channel (but tracking of claims using block chain technology)

Automatic claims payments through smart policies

#### Awareness

Required awareness activities with allocated budget

Relevance to the TP risks

Family and community awareness programs

#### No impact to policyholders due to failures or misselling

Risk based supervision and capital requirements Guarantee fund with immediate and full compensation in case of failures Recourse in case of faulty product or misselling activity by the distribution channel

## Product development focused on the targeted population

#### Definition-Licensing- Product design- Product app

Classification of Guidelines File and sell requiring proof of lines of product Needs assessment approach with deep knowledge of based on required guaranteed the targeted protection recourse population (TP) provided

# Distribution familiar with the targeted population at a low cost

#### **Definition-Distribution registration or licens**

Non-traditional distribution channels allowed Training in accordance with the product and the TP

Direct or indirect supervision

## Transparency of benefits and responsibilities

#### **Definition- Product design- Product appr**

No misleading benefits

Main source of claim not excluded

Underwriting based on public data Responsibilitiespage with examples

## Timely and fair claims payments

#### **Claim payment regulations- Market Conduct rules- Consumer**

Availability of the benefit to fit the purpose of the coverage

Only onetime additional information request possible Accessible complaints framework connected to the supervisor



#### Licensing- Market Conduct- Consumer prote

Required awareness activities with allocated budget

Relevance to the TP risks Family and community awareness programs

#### No impact to policyholders due to failures or misselling

#### Prudential rules- Reinsurnace- Guarantee fund- Consumer pro

Risk based supervision and capital requirements Guarantee fund with immediate and full compensation in case of failures Recourse in case of faulty product or misselling activity by the distribution channel

## Regulatory Framework in The Philippines

Document	Highlights
2009 Regulatory Framework for Microinsurance	<ul> <li>Covers insurance, insurance like and other similar activities.</li> <li>Defines Microinsurance</li> <li>All licensed entities allowed to do Microinsurance.</li> <li>Lower capital requirements</li> <li>Appropriate RBC supervision.</li> <li>Separate Market Conduct Rules.</li> <li>Dedicate Mi Agents.</li> </ul>

Source: Assessment of Microinsurance as Emerging Microfinance Service for the Poor, The Case of The Philippines, ADB, 2017

16

## Regulatory Framework in The Philippines

Document	Highlights
2015 Enhanced Microinsurance Regulatory Framework	<ul> <li>Permissible functions of regular agents, general agents, and brokers in microinsurance provision</li> <li>How microinsurance products may be bundled</li> <li>Cession and acceptance of microinsurance risk</li> </ul>

Source: Assessment of Microinsurance as Emerging Microfinance Service for the Poor, The Case of The Philippines, ADB, 2017

17

## Regulatory Framework

Document	Highlights
2015 Agriculture Microinsurance Framework	<ul> <li>Definition of indemnity-based and parametric-based MicroAgri products</li> <li>Types of agricultural assets that may be covered, the risk events that may be insured against</li> <li>Eligibility of consumers that may purchase these products including proof of insurable interest for enrolment and claims</li> <li>Types of products that may be developed by each type of provider and how products may be distributed or parametric-based products, specification of the parameters that may be used for constructing the loss formulae and triggers, data to be used for provision of such products, the documentation requirements for claiming, and the pay-out standards to be applied</li> </ul>

## Regulatory Framework

Document	Highlights
2015 Agriculture Microinsurance Framework	<ul> <li>Definition of indemnity-based and parametric-based MicroAgri products</li> <li>Types of agricultural assets that may be covered, the risk events that may be insured against</li> <li>Eligibility of consumers that may purchase these products including proof of insurable interest for enrolment and claims</li> <li>Types of products that may be developed by each type of provider and how products may be distributed or parametric-based products, specification of the parameters that may be used for constructing the loss formulae and triggers, data to be used for provision of such products, the documentation requirements for claiming, and the payout standards to be applied</li> </ul>

## Market Snapshot

Type of Product Life	No. of Products
Term Life	14
Term Life with Return of Premium	10
Credit Life	22
Funeral	1
Savings with Life Cover	6
Other Life	7

99	
Total No. of MI Products	

Type of Product Health	No. of Products
Hospital Cash	10
Inpatient Healthcare	3
Outpatient Healthcare	2
Critical Illness	1
Other Health	1



Type of Product Others	No. of Products
Disability	15
Personal Accident	12
Property	4
Crop	1



Source: Asia Microinsurance Supply Side Study 2020 by Miliman, IC Press Release 9<sup>th</sup> October 2020<sup>20</sup><sup>20</sup>