The Role of Microinsurance in Responding to Calamities – The Case of Typhoon Haiyan in Philippines

Submitted by: GIZ-RFPI Asia
The role of Microinsurance in Responding to Calamities – The case of Typhoon Haiyan in Philippines

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OUTLINE

- Microinsurance: initiatives and status
- Background, Typhoon Haiyan
- Post Typhoon Haiyan Response
- Microinsurance Claims
- Claims Pay-out
- Main Challenges
- Lessons Learned
- Experiences with Reinsurance

(*) Based on the ‘Study of effectiveness of microinsurance service providers’ response to Typhoon Haiyan in the Philippines’ (authors: Donna Swiderek, John Wipf) commissioned by GIZ-RFPI Asia and Microinsurance Network, 2014
WHAT WERE DONE IN MICROINSURANCE

- Microinsurance Defined
- Microinsurance Providers Identified
- Branding and Slogan Conceived
- Formalization Process Clarified
- Microinsurance Agents/Brokers Created (CBOs included)
- Prototype Product Developed
- Contracts Simplified
- Performance Standards Formulated
- Reporting Standards Established
- MBA Chart of Accounts Revised
- Trainings on MI Advocacy and Seminars
- Alternative Dispute Resolution Mechanism Established
- Policy and Regulatory Framework on MicroHealth DRAFTED
58 Licensed Insurance Providers (47% of 124)

18 Life Insurance Companies (67% of 27)

19 Non-Life Insurance Companies (27% of 70)

21 Mutual Benefit Associations (78% of 27)

118 Microinsurance Products Approved

124 licensed MI agents (34 RBs, 90 indivs.)

28 Million Filipino Lives Covered

Microinsurance contributes 28.3% to the 32.4% lives covered
"... The Philippines being the country with the highest microinsurance coverage ratio" in Asia @ 20.6% of population

28 Mn in 2013
19.9 Mn in 2012
3 Mn in 2009
Works!
in post-Haiyan typhoon

watch this 6-minute video testimonies of 3 recipients of microinsurance

Emma, lost her properties…

Erica, lost her entire family…

Raul, lost his wife, daughter and grandson…
Background: Typhoon Haiyan

- 16 Mio people affected
- 6,300 recorded casualties
- 4.1 Mio people displaced
- Calamity claims: 98%; 85% of total pay-outs
- Average claims pay-out: PHP4,777
- Claims rejection rate: 4.4%
- 111,000 claims or PHP532 Mio (USD12 Mio) paid
- 13.7% of casualties had Microinsurance
Post Haiyan Response:

a. Establishment of Claims Action Center in Tacloban, Ormoc and Iloilo
b. Submission of Master List of Policy Holders in affected areas
c. Authorization of PHP10,000 initial payment or 50% of benefit
d. Premium payment moratorium for 90 days
e. Public announcement of programs
f. Use of satellite images for crisis mapping and claims validation authorized by IC

Table 2: Distribution of claims processed at the Claims Action Centre
Source: Insurance Commission

<table>
<thead>
<tr>
<th>Product segment</th>
<th>Number of claims</th>
<th>Percentage of claims processed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non –Life</td>
<td>247</td>
<td>58%</td>
</tr>
<tr>
<td>Pre-Need</td>
<td>136</td>
<td>32%</td>
</tr>
<tr>
<td>Life</td>
<td>39</td>
<td>9%</td>
</tr>
<tr>
<td>Microinsurance</td>
<td>1</td>
<td>0.25%</td>
</tr>
<tr>
<td>MBA</td>
<td>2</td>
<td>0.5%</td>
</tr>
<tr>
<td>Not identified</td>
<td>1</td>
<td>0.25%</td>
</tr>
<tr>
<td>Total</td>
<td>426</td>
<td>100%</td>
</tr>
</tbody>
</table>

Average claims filed per day: 7
Highest number of claims in a day: 25  On January 30, 2014
## Post Haiyan Response:

Typhoon Haiyan microinsurance claims paid by company

<table>
<thead>
<tr>
<th>Distributor</th>
<th>Claims Submitted</th>
<th>Claims Paid</th>
<th>Claims Submitted (PHP)</th>
<th>Claims Paid (PHP)</th>
<th>Denied Claims</th>
<th>Average claims payout (PHP)</th>
<th>Distribution of Number of Claims paid</th>
<th>Distribution of Amount of Claims Paid</th>
<th>Accidental Death covered for typhoon</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>59,923</td>
<td>59,044</td>
<td>233,912,621</td>
<td>227,802,621</td>
<td>871</td>
<td>3,858</td>
<td>53%</td>
<td>43%</td>
<td>Yes</td>
</tr>
<tr>
<td>B</td>
<td>33,786</td>
<td>30,100</td>
<td>138,312,930</td>
<td>123,546,530</td>
<td>3,228</td>
<td>4,105</td>
<td>27%</td>
<td>23%</td>
<td>P. Acc: Yes Life policy: Yes</td>
</tr>
<tr>
<td>C</td>
<td>17,012</td>
<td>17,012</td>
<td>97,970,947</td>
<td>97,970,947</td>
<td>5,759</td>
<td>4,105</td>
<td>15%</td>
<td>18%</td>
<td>P. Acc: yes Life policy: No</td>
</tr>
<tr>
<td>D</td>
<td>14,728</td>
<td>4,428</td>
<td>85,624,000</td>
<td>26,785,250</td>
<td>994</td>
<td>6,049</td>
<td>4%</td>
<td>5%</td>
<td>Yes</td>
</tr>
<tr>
<td>E</td>
<td>909</td>
<td>872</td>
<td>66,188,170</td>
<td>56,230,602</td>
<td>39</td>
<td>64,485</td>
<td>1%</td>
<td>11%</td>
<td>N/A</td>
</tr>
<tr>
<td>F</td>
<td>5</td>
<td>5</td>
<td>150,000</td>
<td>150,000</td>
<td>39</td>
<td>30,000</td>
<td>0%</td>
<td>0%</td>
<td>Drowning only</td>
</tr>
<tr>
<td>Grand Total</td>
<td>126,363</td>
<td>111,461</td>
<td>622,158,668</td>
<td>532,485,950</td>
<td>5,132</td>
<td>4,777</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Data submitted to the study by insurance companies and intermediaries and compiled by the study team.
Note: Companies B and D do not have reinsurance. Company C does not have reinsurance for their dependent life or credit life coverage.
## Post Haiyan Response:
Typhoon Haiyan microinsurance claims by product

<table>
<thead>
<tr>
<th>Product</th>
<th>Number of Claims Submitted</th>
<th>Number of Claims Paid</th>
<th>Claims Submitted (PHP)</th>
<th>Claims Paid (PHP)</th>
<th>Denied Claims</th>
<th>Average Claims Payout (PHP)</th>
<th>Distribution of Number of Claims Paid</th>
<th>Distribution of Amount of Claims Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accident</td>
<td></td>
<td>8</td>
<td>800,000</td>
<td>800,000</td>
<td></td>
<td>100,000</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Calamity</td>
<td>124,396</td>
<td>109,640</td>
<td>527,360,638</td>
<td>453,590,638</td>
<td>5,068</td>
<td>4,137</td>
<td>98.4%</td>
<td>85%</td>
</tr>
<tr>
<td>Credit Life</td>
<td>274</td>
<td>241</td>
<td>14,133,205</td>
<td>11,901,805</td>
<td>25</td>
<td>49,385</td>
<td>0.2%</td>
<td>2%</td>
</tr>
<tr>
<td>Crop Insurance</td>
<td>909</td>
<td>872</td>
<td>66,188,170</td>
<td>56,230,602</td>
<td>39</td>
<td>64,485</td>
<td>0.8%</td>
<td>11%</td>
</tr>
<tr>
<td>Funeral</td>
<td>144</td>
<td>142</td>
<td>856,500</td>
<td>805,250</td>
<td></td>
<td>5,671</td>
<td>0.1%</td>
<td>0%</td>
</tr>
<tr>
<td>Life insurance</td>
<td>554</td>
<td>480</td>
<td>12,640,500</td>
<td>8,978,000</td>
<td></td>
<td>18,704</td>
<td>0.4%</td>
<td>2%</td>
</tr>
<tr>
<td>Refund of contribution</td>
<td>78</td>
<td>78</td>
<td>179,655</td>
<td>179,655</td>
<td></td>
<td>2,303</td>
<td>0.1%</td>
<td>0%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>126,363</td>
<td>111,461</td>
<td>622,158,668</td>
<td>532,485,950</td>
<td>5,132</td>
<td>4,777</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Data submitted to the study by insurance companies and intermediaries and compiled by the study team
Main Challenges

Access and Logistics Issues

- Telecommunication - Transportation
- Damage to branch offices (loss of paper and computer records)

Insurance related Issues

- Damaged and destroyed documents
- Locating displaced persons slowed identification of missing
- Assessing large number of claims on field stretched resources
- Timeliness of approval of claims by insurance companies, reinsurers’ reimbursement of intermediaries
Lessons Learned: Products (1)

- Small amounts of insurance covering large number of people fills the gaps of international aid.

- Higher benefits desired. Hardest hit areas want help to rebuild their homes.

- Those without loans, less likely to be insured.

- Loan providers are a good distribution channel, however, an insurance gap exists with those not incurring debt.
Lessons Learned: Products (2)

- Need for more non-life insurance (property, crop insurance) as those hardest hit were farmers and agricultural businesses.
- Need for insurance to protect for business and livelihood interruption
- Inconsistency of definition in accident products across the companies cause confusion with clients
- Need for Consumer protection in understanding products
- Clients and intermediaries require better understanding of the calamity coverage.
- Insurance companies need to be strong enough to honour valid policy commitments.
Lessons Learned: Claims Processing (1)

- Higher satellite resolution needed for effective crisis mapping
- More capacity building required for intermediaries to verify claims and quickly reject invalids
- Agreements needed with providers and reinsurers on the amount of funds to be advanced in case of large scale events like Haiyan.
- All providers and intermediaries need to have liquidity policy that enables quick payment of claims in large scale disasters.
Lessons Learned: Claims Processing (2)

- Review of the appropriation of funds for calamities needed.

- Catastrophe reinsurance needed for all

- All stakeholders need to be flexible and responsive

- Microinsurance can be used as a disaster management tool to supplement the international and relief efforts.

- Claims processing and management in disaster zones would be less prone to errors once the environment has stabilized.
Lessons Learned: Industry Partnerships (1)

- Detailed planning for the occurrence of a disastrous event between the provider and intermediary is key in the quick response and settlement of claims for some organizations.

- An intermediary that has regular contact with the client (weekly) such as an MFI knows the clients so has an easier time locating and identifying them in a disaster situation.

- A strong, efficient intermediary with financial resources is essential as they are on the front lines face to face with the clients, locating clients and processing claims.

- An extensive branch/company network that can provide resources and support can facilitated quicker access to the clients.
Lessons Learned: Industry Partnerships (2)

- Personal assistance to clients while making the claim was an essential aspect for expedient claims settlement
- Efficient claims validation and processing on the part of the intermediary and the provider will add to client value
- A strong and committed relationship with good communication between the insurance company and intermediary will ease the work.
- An insurance company and intermediary with a common vision and values contributes to trust and positive, efficient operations.
- Strong relationships with the reinsurers will also help hasten response efforts.
Insurance Companies’ Experiences with Reinsurance

- Some reinsurers were accommodating
- One provider experienced delays on cash from reinsurer, provider paid first tranche in highly devastated areas
- Two other providers did not have reinsurance.
- One initiated discussions with potential reinsurer and conducted visit, quote not received.
- Another provider’s microinsurance product required different approach and applying standard reinsurance procedures impedes the effectiveness of insurance.
GIZ RFPI Asia supporting 6 partner countries in promoting Microinsurance market development
Thank you!!!

www.inclusiveinsuranceasia.com