Microinsurance Roadmap Recommendations for APEC Emerging Economies – Rationale, Structure and Contents

Purpose: Consideration
Submitted by: ABAC
Microinsurance Roadmap (MIR) Recommendations for APEC Emerging Economies
-- Rationale, Structure and Contents --

APEC Finance and Central Bank Deputies Meeting
15-16 March 2018 / Port Moresby, Papua New Guinea

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GIZ RFPI Asia Program

With technical assistance from
Contents

1. The link of MIR to the Cebu Action Plan (CAP) and APFF
2. Contents of draft Microinsurance Roadmap (MIR)
3. Status of MI Development (a snapshot)
4. The context of MIR
5. Key challenges to be addressed by MIR
6. Pillars for priority action plan
7. Priority initiatives and activities
8. Implementation and monitoring of MIR
9. Processes in Developing the MIR
10. Members of MIR Drafting Group
11. Country examples of MI good practices
1) Are there data/statistics in the roadmap that need to be updated and corrected? Kindly send data directly to dante.portula@giz.de

2) Are the scope and action plans of the roadmap going to support microinsurance (MI) market development in your jurisdiction?

3) What would be the next steps in order to institutionalize the MI roadmap in your jurisdiction?
The Cebu Action Plan: A Ten-Year Roadmap for the APEC Finance Ministers’ Process

FOUR PILLARS

The Mandate
The Microinsurance Development: one of the strategies in the Cebu Action Plan for Enhancing Financial Resilience
MIR Development: One of the APFF Work streams

The APFF Structure

APEC Finance Ministers Process (FMP)
APEC Business Advisory Council (ABAC)

Asia-Pacific Financial Forum (APFF)

APFF Work Streams

- Financial Infrastructure Development Network
  - Credit Information
  - Secured Transactions
  - Accounts Receivables Finance

- Trade / Supply Chain Finance

- Capital Markets

- Financial Market Infrastructure / Cross-Border Practices
  - Classic Repo Markets
  - Derivatives
  - Information for Investors
  - Asia Region Funds Passport

- Insurance / Retirement Income
  - Retirement / Long-Term Investment
  - Disaster Risk Financing

- Linkages / Structural Issues

Microinsurance
Disaster Risk Financing
A ROADMAP FOR EXPANDING THE COVERAGE OF MICROINSURANCE IN APEC

https://www2.abaconline.org/assets/2017/3_Toronto_Canada/APPP/APFF_Microinsurance_Roadmap.pdf

UNA HOJA DE RUTA PARA EXPANDIR LA COBERTURA DE MICROSEGUROS EN APEC

## Contents of the Draft MIR

**Status of MI Development in selected APEC Member Economies**

- What are the **Market Drivers**
- What are the **Market Potential**

**The Roadmap**

- **Context:** Why the need for a Roadmap
- **Direction:** What challenges shall be addressed
- **Action Plan:** What are the priority initiatives and activities
- **Monitoring** Roadmap Implementation
## Status of MI Development

<table>
<thead>
<tr>
<th>Economy</th>
<th>With MI regulation</th>
<th>Large aggregator</th>
<th>MI coverage ratio</th>
<th>Stage of MI development</th>
<th>Population</th>
<th>Poverty ratio</th>
<th>Poverty line</th>
<th>FI strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td></td>
<td></td>
<td>0.88%</td>
<td>Growth stage</td>
<td>1.3B</td>
<td>2%</td>
<td>nd</td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td></td>
<td></td>
<td>0.56%</td>
<td>Growth stage</td>
<td>263M</td>
<td>8%</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td></td>
<td></td>
<td>3.8%</td>
<td>Inception stage</td>
<td>31M</td>
<td>0.28%</td>
<td>nd</td>
<td></td>
</tr>
<tr>
<td>PNG</td>
<td></td>
<td></td>
<td>nd</td>
<td>Inception stage</td>
<td>7M</td>
<td>39%</td>
<td>nd</td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td></td>
<td></td>
<td>20%</td>
<td>Maturity stage</td>
<td>103M</td>
<td>13%</td>
<td>25%</td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td></td>
<td></td>
<td>14%</td>
<td>Inception stage</td>
<td>68M</td>
<td>0.04%</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>Chinese Taipei</td>
<td></td>
<td></td>
<td>nd</td>
<td>Growth stage</td>
<td>23M</td>
<td>nd</td>
<td>nd</td>
<td></td>
</tr>
<tr>
<td>Vietnam</td>
<td></td>
<td></td>
<td>0.18%</td>
<td>Inception stage</td>
<td>95M</td>
<td>3%</td>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>Chile</td>
<td></td>
<td></td>
<td>7%</td>
<td>Inception stage</td>
<td>18M</td>
<td>nd</td>
<td>nd</td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td></td>
<td></td>
<td>15%</td>
<td>Maturity stage</td>
<td>130M</td>
<td>3%</td>
<td>52%</td>
<td></td>
</tr>
<tr>
<td>Peru</td>
<td></td>
<td></td>
<td>12%</td>
<td>Maturity stage</td>
<td>32M</td>
<td>3%</td>
<td>23%</td>
<td></td>
</tr>
</tbody>
</table>
Sources of data

**MI market drivers and results:** MI regulations, MI coverage ratio, large aggregators
✓ Proportionate Regulatory Frameworks in Inclusive Insurance: Lessons from a Decade of Microinsurance Regulation, A2ii, Nov 2016
✓ World map of microinsurance, MiN
✓ Insights on Mobile Network Operators as a distribution channel for microinsurance in Asia, MiN and Munich Re Foundation, 2016

**Opportunity for peer-to-peer learning:** stages of MI development
✓ *The Landscape of Microinsurance in Asia and Oceania 2013, Munich Re Foundation, GIZ, MiN*

**Market Potential:** population, poverty ratio, poverty headcount, financial inclusion strategy
✓ United Nations Population Division estimates, 2017
✓ WB Poverty headcount ratio, at $1.90 a day
✓ UNDP Multidimensional Poverty Index (MPI), Population living below income poverty line
✓ The Global Findex Database 2014, WB Group
Draft MI Roadmap: The Context

Promote adoption and implementation of rules and practices for MI development across APEC member economies

Support the development of strong, viable, sustainable and inclusive insurance markets in the region.

MI development: a key strategy for Enhancing Financial Resilience
Draft MI Roadmap: Key Challenges to be Addressed

- Lack of responsive policies and proportionate regulations supportive of microinsurance
- Dearth of scalable business models maximizing the use of fintech
- Need for sustainable financial literacy measures and consumer protection mechanism
- Inadequate public-private sector collaboration and poor inter-agency cooperation within Government
Draft MI Roadmap: Pillars for the Priority Action Plan

- Establishing *proportionate regulations* for inclusive insurance and microinsurance
- Adopting *scalable business models* using fintech
- Strengthening *inter-agency coordination* and establishing private-public sector coordination mechanism supportive of inclusive insurance
- Implementing *financial literacy and consumer protection* measures for insurance clients
### MIR Priority Initiatives and Activities

**(1Yr-Short term, 2-4Yrs-Medium Term, 5-10Yrs-Long Term)**

<table>
<thead>
<tr>
<th>Pillar 1: Establishment of policies and <strong>proportionate regulations</strong> for Inclusive insurance and microinsurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Draw the support of ABAC, the APFF platform, and other international organizations in <strong>expanding the MEFIN model</strong> to become a regional MI network that will facilitate consultation workshops, dialogues, peer to peer learning and studies among APEC member economies.</td>
</tr>
<tr>
<td>2. Develop <strong>model language for the establishment of legal frameworks</strong> and formulation of proportionate regulations for microinsurance within the context of APEC member economies.</td>
</tr>
<tr>
<td>3. Establish <strong>monitoring and reporting system</strong> that tracks MI market development</td>
</tr>
<tr>
<td>4. Develop clear <strong>regulatory guidelines</strong> on the following: i) <strong>informal insurance</strong>; ii) <strong>complementation between microinsurance and social protection schemes</strong> and iii) <strong>use of fintech</strong> to facilitate the distribution of insurance and claims processing.</td>
</tr>
<tr>
<td>5. Formulation of <strong>regulatory impact studies</strong> that will assess relevance and influence of proportionate regulations in expanding the microinsurance market.</td>
</tr>
</tbody>
</table>
### Pillar 2: Adoption of scalable business models using fintech for inclusive insurance

1. **Establish peer-to-peer learning platforms** that will facilitate the sharing of information, data and experiences to develop deeper understanding of the supply and demand for insurance of various segments of society (e.g. low-income sector, agriculture, health).

2. Identify and **develop innovative and scalable business models that use technology** (MNOs) as a platform to increase outreach.

3. **Create a cross-country network of large aggregators** engaged in the delivery and distribution of insurance to facilitate the adoption of good practice.

4. Facilitate the collection, use and **sharing of big data** in the development of relevant insurance products that meet the risk protection needs of various segments of society (e.g. agriculture and natcat insurance and the use of weather data and information for index-based insurance products).
Pillar 3: Establishment of **inter-agency coordination** and private-public sector coordination mechanism supportive of inclusive insurance

1. **Establish inter-agency coordination mechanism** between the insurance regulatory agency and government agencies engaged in the provision of social protection schemes.

2. **Articulate and specify policies and strategies** related to the provision of **access to insurance** in the country’s **National Financial Inclusion Strategy**.

3. **Establish roundtable dialogues** and discussions between the stakeholders in the **public and the private sector** engaged in the provision of insurance, particularly for **NatCat and agriculture insurance**.
MIR Priority Initiatives and Activities
(1Yr-Short term, 2-4Yrs-Medium Term, 5-10Yrs-Long Term)

<table>
<thead>
<tr>
<th>Pillar 4: Adoption and implementation of financial literacy and consumer protection measures for insurance clients.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Establish code of conduct for insurance providers</strong> following the IAIS guidelines on insurance client protection.</td>
</tr>
<tr>
<td><strong>2. Adopt domestic strategies that promote insurance literacy and awareness</strong> among key stakeholders with support of the insurance regulatory agency.</td>
</tr>
<tr>
<td><strong>3. Create a platform for sharing experiences in promoting insurance awareness</strong> and buy-in of various sectors of the economy (e.g. farmers, fisherfolk, micro and small entrepreneurs).</td>
</tr>
<tr>
<td><strong>4. Promote insurance inclusion and literacy</strong> through the Asia-Pacific Financial Inclusion Forum.</td>
</tr>
</tbody>
</table>
Implementation and Monitoring of the Roadmap

Government
APEC bodies, Ministries, Regulators, Other agencies

Private Sector
ABAC, Insurance industry, Support Entities, Networks

Development Agencies
Donors, Investors, Foundations

ABAC: Monitoring the status of MIR implementation
## Processes in Developing the MIR

<table>
<thead>
<tr>
<th>Activities/Date/Location</th>
<th>Collaborators</th>
<th>Results</th>
</tr>
</thead>
</table>
| 1) APFF Workshop on Microinsurance Development Roadmap for Asia-Pacific Emerging Markets /16 March 2017 / Hanoi, Vietnam | Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) - Regulatory Framework Promotion of Pro-poor Insurance Markets in Asia (RFPI Asia), Ministry of Finance - ISA Vietnam, ABAC | ✓ Identified the issues that will be addressed by the MIR  
✗ Defined the elements of MIR  
✗ Created the interim MIR drafting group (DG) |
| 2) Drafting the MIR and consultation calls with the DG/June-July 2017/ Various | GIZ RFPI Asia and the MIR DG | ✓ MIR was drafted. Comments collected in the consultation calls with the DG |
| 3) MIR panel session in the ABAC Financial Inclusion Forum /11 July/ Hoi An, Vietnam | GIZ RFPI Asia, The Foundation for Development Cooperation (FDC), ABAC, Central Bank Vietnam | ✓ Gathered inputs and comments to the draft MIR from Asia  
✓ Added new members to the DG  
✓ Submitted the draft MIR to ABAC for inclusion in the 2017 APFF report to APEC FMs |
| 4) APFF MIR Roundtable meeting / 7 Nov 2017/ Lima, Peru | GIZ RFPI Asia, Asociación Peruana de Empresas de Seguros (APESEG), Microinsurance Network (MiN), Munich Re Foundation, ABAC | ✓ Gathered inputs and comments to the draft MIR from Latin America  
✓ Added new members to the DG from LAC. |
# Members of MIR Drafting Group

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization/Designation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Mr. Tran Duc Trung</td>
<td>Deputy Head of Market Development Division, MOF-Insurance Supervisory Authority (ISA), Vietnam</td>
</tr>
<tr>
<td>2. Ms. Tran Thanh Ha</td>
<td>Head of Life Division, Ministry of Finance Insurance Supervisory Authority, Vietnam</td>
</tr>
<tr>
<td>3. Mr. Ferdinand George Florendo</td>
<td>Deputy Commissioner, Insurance Commission, Philippines</td>
</tr>
<tr>
<td>4. Mr. Ellison Pidik</td>
<td>Assistant Governor, Financial Stability Group, Bank of Papua New Guinea</td>
</tr>
<tr>
<td>5. Mr. Saliya Ranasinghe</td>
<td>Director, Centre for Excellence in Financial Inclusion (CEFI), Bank of PNG</td>
</tr>
<tr>
<td>6. Ms. Elizabeth Gima</td>
<td>Manager, Regulation and Supervision of Insurance, Bank of PNG</td>
</tr>
<tr>
<td>7. Mr. Mochamad Muchlasin</td>
<td>Director, Financial Services Authority (OJK), Indonesia</td>
</tr>
<tr>
<td>8. Dr. Julius Caesar Parreñas</td>
<td>Senior Advisor, Mizuho Bank, Ltd, Tokyo, Japan and APFF coordinator</td>
</tr>
<tr>
<td>9. Dr. Antonis Malagardis</td>
<td>Program Director, GIZ RFPI Asia (Philippines) and Coordinator, Asia-Pacific Financial Forum (APFF) Microinsurance work stream</td>
</tr>
<tr>
<td>10. Mr. Dante Portula</td>
<td>Senior Advisor, GIZ RFPI Asia (Philippines)</td>
</tr>
<tr>
<td>11. Mr. Eduardo Moron</td>
<td>President, APESEG Peru</td>
</tr>
<tr>
<td>12. Mr. Renato Bedoya</td>
<td>Risk Manager, APESEG Peru</td>
</tr>
<tr>
<td>13. Mr. Yoga Prasetyo</td>
<td>Head of Credit Life and Emerging Consumers, Allianz Life Indonesia</td>
</tr>
<tr>
<td>14. Mr. Dirk Reinhard</td>
<td>Vice Chairman, Munich Re Foundation, Germany</td>
</tr>
<tr>
<td>15. Mr. Masaaki Nagamura</td>
<td>General Manager, Tokio Marine Japan</td>
</tr>
<tr>
<td>16. Mr. Christiaan Loots</td>
<td>Engagement manager of CENFRI (represents the Microinsurance Network), South Africa</td>
</tr>
<tr>
<td>17. Ms. Aparna Dalal</td>
<td>Senior Research Officer, ILO Impact Insurance, Switzerland</td>
</tr>
<tr>
<td>18. Mr. Michael McCord</td>
<td>President, MicroInsurance Center, U.S.A.</td>
</tr>
<tr>
<td>19. Mr. Yves-Daniel Cochand</td>
<td>Deputy Chief Executive Officer, Vietnam National Reinsurance Corporation, Vietnam</td>
</tr>
</tbody>
</table>
Microinsurance Country Examples
MIR Pillar 1: Proportionality

Philippines: Application of Proportionality Principle in Regulations
Insurance Core Principle (ICP) #4 **Licensing** – *an entity which intends to engage in insurance must be licensed*

<table>
<thead>
<tr>
<th>Proportionality Application of ICP</th>
<th>Philippines: Impact to Microinsurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ <strong>Circular Letter 9-2006</strong> provides lower capital requirement in licensing an MI-MBA.</td>
<td>➢ As of 2016, there were 22 MI-MBAs with a combined 17Mn clients or 63% market share.</td>
</tr>
<tr>
<td>➢ <strong>CL 6-2011</strong> – Guidelines on training program and licensing of MI agents simplified the requirements of MI agent licensing to only a completion of 3-day training. The MI licensing also provides license to an institution.</td>
<td>➢ As of 2016, 135 MI agents were licensed (34 rural banks and 135 individuals).</td>
</tr>
<tr>
<td>➢ <strong>Joint IC-CDA-SEC Memo Circular 1-2010</strong> – Defining Government’s Policy on Informal Insurance Activities. It provided 3 options in formalizing unauthorized insurance activities.</td>
<td>➢ Created a partner-agent business model; rural banks as agent partnering with commercial insurance companies.</td>
</tr>
<tr>
<td></td>
<td>➢ Mainstreamed informal insurance schemes.</td>
</tr>
</tbody>
</table>
MIR Pillar 2: Scalable business models

**Philippines:** Pioneer’s ‘customer centric’ model and use of technology in MI

**Indonesia:** Allianz’s MI delivery through MFIs and MNO
Philippines

Total Microinsurance Enrollments

<table>
<thead>
<tr>
<th>Year</th>
<th>Premiums In PHP</th>
<th>Premiums In USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>6.7M</td>
<td>134K</td>
</tr>
<tr>
<td>2009</td>
<td>12.9M</td>
<td>258K</td>
</tr>
<tr>
<td>2010</td>
<td>30.2M</td>
<td>604K</td>
</tr>
<tr>
<td>2011</td>
<td>56.4M</td>
<td>1.1M</td>
</tr>
<tr>
<td>2012</td>
<td>140.0M</td>
<td>2.8M</td>
</tr>
<tr>
<td>2013</td>
<td>198.7M</td>
<td>3.9M</td>
</tr>
<tr>
<td>2014</td>
<td>261.9M</td>
<td>5.2M</td>
</tr>
<tr>
<td>2015</td>
<td>543.6M</td>
<td>10.9M</td>
</tr>
<tr>
<td>2016</td>
<td>926.8M</td>
<td>18.5M</td>
</tr>
</tbody>
</table>
Philippines

Moving forward, one step at a time

Smart phones to capture the Voice of the Customer (customer feedback, complaints)

Automated, timely dashboards for quicker decision making – Deliver consistent positive customer experience

Faster claims processing

Easier cross-selling and upselling

Build an alternative collection infrastructure – Mobile money
Indonesia

**Sekoci: how it works**

**Process:**
- Registration
- e-Payment:
  - First premium
  - Renewal
  - Claim payout

**Education:**
- Product info
- Insurance awareness through IVR
- Reminder

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**The Functionality of SIM Card with e-Money**

**First time purchase**

USD 1.9

**Willing to use new number?**

SIM Registration > activate e-money > activate Sekoci

**Want to keep existing Indosat number?**

Link existing number > activate e-money > activate Sekoci

**Renewal**

USD 1.6

**Customer**

Top up e-Money

**Airtime**

USD 0.8

**Sekoci**

USD 0.8

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**MFI Field Staff**

**MFIs**

**Allianz**

**Indosat Ooredoo**

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**Customer’s journey**

- **Activation**
- IVR-1 notification if protection starts
- IVR-2 waiting period end
- SMS balance reminder
- ...
MIR Pillar 3: Inter-agency Cooperation

**Philippines:** Developing of MI Policy Frameworks and Regulations through Multi-stakeholders Technical Working Groups (TWGs)

Support institutions

Regular TWG meetings, Trainings, Roadshows-District consultations, Information dissemination


Regulations, circulars and memo letters were issued out of the Frameworks
MIR Pillar 4: Financial Literacy and CP

Philippines: Microinsurance Advocacy for 9-stakeholder groups

- Macro level:
  1) Policy makers
  2) Regulators
  3) National line agencies
  4) Local Government Units (LGUs)

- Meso level:
  5) Insurers
  6) Intermediaries
  7) Support institutions
  8) Donors

- Micro level:
  9) Clients/Policy holders
Philippines: Financial Literacy Implementation

Communications Materials

Interventions

- Training of MI Speakers’ Bureau
- Training of MI Advocates (TOMA)
- MI Seminars for public and private entities
- MI seminars for clients by respective stakeholders

Training modules
- Audio Visual Presentations (AVPs)
- Jingles
- Flip chart
- Poster
- Brochures
- Frequently Asked Questions (FAQs)
Call for inputs and comments from the APEC deputies

1) Are there data/statistics in the roadmap that need to be updated and corrected? Kindly send data directly to dante.portula@giz.de

2) Are the scope and action plans of the roadmap going to support microinsurance (MI) market development in your jurisdiction?

3) What would be the next steps in order to institutionalize the MI roadmap in your jurisdiction?
GIZ RFPI Asia (Regulatory Framework Promotion of Pro-poor Insurance Markets in Asia) is a regional program that supports Asian insurance supervisory authorities to enhance the enabling conditions for pro-poor insurance. Regional and global exchanges between insurance supervisors are being promoted through training and dialogue events. RFPI is funded by the German Federal Ministry for Economic Cooperation and Development (BMZ).

www.inclusiveinsuranceasia.com

Mutual Exchange Forum on Inclusive Insurance (MEFIN)
is a Network of insurance regulatory authorities in Asia working for a peer-to-peer exchange of knowledge and experiences with the insurance industry. The Network implement programs that provide mutual benefit to the members in advancing inclusive insurance solutions especially targeted for the low income and the informal sectors.

www.mefin.org