



# MAGPASEGURO PARA PROTEKTADO: A Roadmap to Financial Literacy on Microinsurance



## 1. Background and Rationale

Nearly 28 million Filipinos have low income and live below the poverty threshold (Philippine Poverty Situation, 2006). Typically a family of three to six members, commonly residing in densely populated urban areas or remote rural areas with little or no access to health care, usually taking odd jobs, usually short on budget to maintain a healthy lifestyle, they, too, are most vulnerable to various risks that hamper their development. The risks include: illness, physical injury, accident, or death; natural calamities; man-made disasters; basic business risks; loss of property; loss of job; theft; violence; and abrupt swings in the economy. They have inadequate, or in some cases, no access to risk protection services. And if they have access, they are financially unprepared to cope with and mitigate these risks.

To address the said inadequacy, the government launched the **1997 National Strategy for Microfinance** which articulates the vision of a viable and sustainable micro financial market for the poor<sup>1</sup> where the private sector plays a major role in the provision of financial services to the poor and the government provides a

supportive policy environment to the market. Along this line, **Republic Act 8425 (Social Reform and Poverty Alleviation Act)** was promulgated to give recognition to microfinance as one of the tools for poverty alleviation. Microfinance is generally defined as the provision of a broad range of financial services (i.e., savings, credit, payment transfers, remittances, and microinsurance) to the low-income sector.

Furthermore, the **Medium-Term Philippine Development Plan (MTPDP 2001-2010)** was introduced, recognizing the need to provide risk protection for the poor. It emphasizes that “protecting the poor and the vulnerable groups is imperative in winning the battle against poverty” and reiterates the need “to involve the private sector in the provision of services and other assistance to poverty areas identified by government using innovative and sustainable models.”

However, despite all these governmental initiatives, poverty remained rampant. It is observed that the low income sector found it difficult to rise from their

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<sup>1</sup>Poor is used interchangeably with low-income, marginalized, and disadvantaged groups in society.



deprivation because when contingencies occur, they don't have savings to bail them out of their financial problems. Thus, the concept of microinsurance was introduced to complement microfinance in the drive against poverty.

In fact, insurance coverage in the country is low (MIP Mission Appraisal Report, 2008). The Insurance Commission reports that only 13.92% (10.79% group; 3.13% individual) of the Philippine population has life insurance. In 2008, the insurance penetration or the proportion of the premiums to GDP was only 1.05%<sup>2</sup>. In terms of access by the poor to insurance products and services, only about 2.9 million of the 26.7 million Filipinos, who were below the poverty line in 2006, were reported to have some kind of risk protection<sup>3</sup>. About half of those with risk protection were provided through informal schemes<sup>4</sup>.

Two reasons cited for the low insurance coverage are lack of awareness of insurance and low financial literacy level among the low-income sector. Various case studies of the Microinsurance Centre show that the poor either lack an understanding of insurance or have a negative perception of it (distrust). The poor are unsure about paying in advance for a service that they may or may not receive in the future from an institution that they do not know, or worse, do not even trust<sup>5</sup>.

To ensure access of the low-income sector to appropriate risk protection, the government, through the Department of Finance-National Credit Council (DOF-NCC), launched in 2010 the **National Strategy for Microinsurance** and the **Regulatory Framework for Microinsurance**<sup>6</sup>. These were developed in cooperation with other government agencies and the private sector engaged in the provision of insurance products and services.

The **National Strategy for Microinsurance** defines the vision, objectives, roles of the various stakeholders, and key strategies to be pursued in enhancing access of the low-income sector to insurance products and services. The **Regulatory Framework for Microinsurance**, on the other hand, establishes the policy and regulatory environment to encourage, enhance, and facilitate the safe and sound provision of microinsurance products and services by the private sector.

To address low awareness of insurance and low financial literacy level, The **National Strategy for Microinsurance** prescribes the institutionalization of financial literacy as one of the strategies to be pursued in enhancing the awareness and access of the low-income sector to insurance products and services. This, then, is what this document, the **Roadmap to Financial Literacy on Microinsurance**, seeks to achieve.

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<sup>2</sup> Department of Finance-Insurance Commission. 2008. *Key Data Insurance Commission*.

<sup>3</sup> Llanto, Gilbert M., Geron, Ma. Piedad, Almario J. *Making Insurance Markets Work for the Poor: microinsurance policy, regulation and Supervision. Philippine Case Study. January 2009.* <http://www.microfinancegateway.org/p/site/m/template.rc/1.9.34163/>

<sup>4</sup> The National Strategy for Microinsurance defined informal insurance schemes to refer to in-house insurance schemes developed and implemented by entities that do not have any license from the Insurance Commission or any other appropriate regulatory body.

<sup>5</sup> Llanto, Gilbert M., Joselito Almario, and Marinella Gilda Llanto-Gamboa. 2007. *Microinsurance in the Philippines: Policy and Regulatory Issues and Challenges. Discussion Paper Series No. 2006-25 (Revised)*. Makati City, Philippines: Philippine Institute for Development Studies. [http://dirp4.pids.gov.ph/ris/dps/pidsdps0625\(rev\).pdf](http://dirp4.pids.gov.ph/ris/dps/pidsdps0625(rev).pdf)

<sup>6</sup> The Microinsurance National Strategy and Regulatory Framework were approved and adopted by the Department of Finance, Insurance Commission (IC), Cooperative Development Authority (CDA), Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), Department of Health (DOH), Philippine Health Insurance Corporation (PhilHealth), and the National Anti-Poverty Commission (NAPC). Private sector partners in crafting the documents are the Chamber of Mutual Benefit Associations, Inc. (CHAMBAI), Risk Management Solutions, Inc. (RIMANSI), Coop Life Insurance and Mutual Benefit Services (CLIMBS), Cooperative Insurance System of the Philippines (CISP), Philippine Life Insurance Association (PLIA), Philippine Insurers and Reinsurers Association (PIRA), and Association of Health Maintenance Organizations of the Philippines, Inc. (AHMOPI). Technical assistance and funding support were provided by the German Technical Cooperation (GTZ) and the Asian Development Bank (ADB).



This Roadmap to Financial Literacy on Microinsurance spells out the key strategies and measures to be adopted for institutionalizing financial literacy on microinsurance. Key principles, guidelines, and specific directions on how to promote and change behavior favorably for the adoption of microinsurance among the low-income sector are also provided for.

## 2. Vision and Objectives

***Magpaseguro Para Protektado: A Roadmap to Financial Literacy on Microinsurance*** envisions adequate risk protection for the low-income sector through a strong insurance culture among the Filipinos. This Roadmap aims to help the low-income sector protect their financial assets and effectively manage their resources for risk and social protection. To achieve this, key stakeholders shall build their capacities, increase their knowledge and improve their skills to become proactive in the provision and promotion of microinsurance.

## 3. Promoting Financial Literacy on Microinsurance

Institutionalization of financial literacy is one of the key strategies articulated in the **National Strategy on Microinsurance**, along with the provision of an appropriate policy and regulatory environment and mainstreaming of informal insurance. This underscores the need to promote financial literacy and encourage behavior change conducive to the provision of microinsurance among all stakeholders from both the government and the private sector.

To promote financial literacy on microinsurance, three key concerns shall be addressed:

a. Whose behavior shall be influenced in favor of microinsurance? (Stakeholders)

b. What shall be communicated to the various stakeholder groups? (Messages)

c. How could the messages be conveyed most effectively to the stakeholders? (Approaches)

### A. The Key Stakeholders to be Influenced

The National Strategy for Microinsurance identifies nine major groups from both the government and the private sector that shall participate actively in developing the insurance market for the low-income sector. Each group has distinct roles and responsibilities in the promotion of financial literacy in microinsurance.

**At the macro level:** The Government shall provide an enabling policy and regulatory environment, as well as the necessary support mechanisms for microinsurance.

**1. Legislators** shall formulate laws, statutes, policies and similar instruments that would encourage private sector participation in the delivery of microinsurance products and services, and the promotion of financial inclusion;

**2. Government Regulatory Agencies** shall issue rules, regulations and guidelines for, among others, mainstreaming of microinsurance, setting of standards, promoting of transparency and good governance, and protecting the consumers.

**3. National agencies** shall effectively link microinsurance providers and clients, as well as provide basic support services, such as infrastructure, health services, education, and maintenance of peace and order.

**4. Local Government Units (LGUs)** shall take the lead in promoting financial literacy on microinsurance and collaborating with the private sector on the provision of microinsurance to their constituents.



**At the meso level:** The private sector shall venture into microinsurance.

**5. Insurance Providers<sup>7</sup>** shall take the lead in directly providing microinsurance products and services to the low-income sector. These products should be simple, affordable, innovative, and tailor-fitted to the needs of the low-income sector.

**6. Intermediaries** (brokers and agents) shall facilitate the provision of microinsurance products and services to clients through effective information dissemination, educational activities, and reliable services, including claims.

**7. Support Institutions<sup>8</sup>** shall provide assistance in promoting financial literacy on microinsurance through capacity building for stakeholders.

**8. Donors and other development partners** shall provide technical assistance to both government and private entities in policy and regulatory frameworks formulation, capability building, products development, and promotional activities, including financial literacy.

**At the micro level:** The clients shall buy and advocate for microinsurance.

**9. Existing and potential clients/consumers<sup>9</sup>**, who belong to the low-income sector, shall constitute the critical mass of advocates for microinsurance. They should understand and appreciate the concept of risk protection.

They should also know the options and make informed decisions to avail themselves of microinsurance products and services, while being mindful of their rights and responsibilities. They shall convince others to buy microinsurance because they themselves are convinced of its value.

### B. The Messages to be Communicated

*Magpaseguro, Para Protektado* is the overarching message. Microinsurance provides risk protection and broadens the accessibility of affordable insurance to the low-income sector. To reach out to the various stakeholders, key messages shall focus on the following general themes: 1) appropriate policy and regulatory environment for microinsurance; 2) roles and responsibilities of providers; 3) appropriate risk protection; and 4) rights of and benefits to clients.

#### B1. On appropriate policy and regulatory environment for microinsurance (Macro Level)

B1.1. A more conducive and enabling regulatory environment is required for the development of microinsurance in the country.

B1.2. Laws and regulations should support the evolution of more inclusive insurance systems wherein the private sector is encouraged to serve the low-income sector.

B1.3. Laws and regulations should support the development of innovative and affordable insurance and insurance-like products and

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<sup>7</sup> Providers are the life and non-life insurance companies, Cooperative Insurance Societies (CISs), Insurance/Service Cooperatives, Mutual Benefit Associations (MBAs), pre-need companies, and Health Maintenance Organizations (HMOs).

<sup>8</sup> Support institutions include academic and research entities, Business Process Outsourcing (BPO) companies, training and technical assistance service providers, networks and associations, media, foundations, and other service providers.

<sup>9</sup> Republic Act 10022 (RA10022) lapsed into law on March 8, 2010. It amended RA8042, otherwise known as the Magna Carta for Migrant Workers and Overseas Filipinos. The new law added a provision on mandatory insurance for migrants deployed by recruitment and/or manning agencies (Section 23). OFWs and their families are potential markets for microinsurance. <http://www.pinoy-abroad.net/lungga/index.shtml?apc=p--8941->; <http://ofwempowerment.wordpress.com/rep-act-10022>.



services that are tailor-fitted to the needs of the low-income sector.

B1.4. Incentives for microinsurance products and services should be considered.

B1.5. Local policies and structures are necessary to institutionalize financial literacy for microinsurance.

B1.6. Local policies should facilitate the entry of private sector entities to deliver microinsurance products and services for risk protection of their constituents.

B1.7. Local government officials stand to gain improved governance exposure for themselves.

### **B2. On roles and responsibilities of providers and support institutions (Meso Level)**

B2.1. Microinsurance caters to the low-income sector, a large untapped market that is potentially profitable to the insurance industry.

B2.2. The industry stands to gain increased goodwill in terms of trust and confidence from the other stakeholders, as well as the opportunity to exercise corporate social responsibility.

B2.3. Microinsurance should cover both life and non-life products and services covering any or all of the following risks and contingent events: death; accident and illness, fire and other extended perils; calamities/disasters/catastrophic events; casualty; and other contingent events. There is a need to improve the quality and availability of health insurance, and to develop disaster and catastrophic insurance products.

B2.4. Significant investments are required to support microinsurance training, and research and development.

B2.5. There is a need to enhance the public's trust and confidence in microinsurance and microinsurance providers through education. Educational institutions (both public and private), training institutes and other similar entities should take the lead in this endeavor.

### **B3. On appropriate risk protection (Micro Level)**

B3.1. Microinsurance is a sustainable approach to risk management for the low-income sector.

B3.2. Microinsurance offers protection against various risks: death; accident and illness, fire and other extended perils; calamities/disasters/catastrophic events; casualty; and other contingent events.

B3.3. Microinsurance offers a means to meet the needs of the low-income sector for risk protection and relief against distress or misfortune.

B3.4. Clients who buy microinsurance avail themselves of safe products and services when these are offered by providers licensed and authorized by their respective regulatory bodies.

### **B4. On rights and responsibilities of clients (Micro Level)**

B4.1. Microinsurance should wean Filipinos from the age-old "bahala na" mindset to one of preparedness, from unnecessary consumption spending to channeling part of their income to risk protection products and services.

B4.2. Clients should be motivated to buy microinsurance products and services which they are willing and able to pay for.



B4.3 Clients should clearly understand their rights and privileges for redress and be aware of the responsibilities of the provider.

B4.4. Clients should cooperate with government and providers in undertaking activities that promote financial literacy on microinsurance.

### C. The Strategies/Approaches to be Pursued

To implement the major financial literacy strategies identified in the National Strategy for Microinsurance, the following shall be pursued:

#### **C1. Using the mass media (print, radio, television, and the web) and the community media**

C1.1. Develop, produce, and disseminate communication materials that will create widespread awareness and generate mass appeal.

C1.1.1. TV and radio spots, documentaries, jingles, tarpaulins/posters, newspaper and magazine advertisements, comics, etc.

C1.1.2. Media source book containing broadcast- and print-ready messages on microinsurance for media practitioners that will serve as ready-reference for TV and radio hosts.

C1.1.3. Materials appropriate for posting on the Web (Facebook, Twitter, Blog, etc.) for quick and inexpensive dissemination of messages to identified networks of e-media users

C1.1.4. Collaterals carrying microinsurance messages (Collaterals are small, useful promotional items, like T-shirts, caps, fans, umbrellas, button pins, ballers, bookmarks, mugs, ballpens, etc.)

C1.2. Develop, produce, and disseminate communication materials for the community media to reach the barangays, especially the far-flung areas with limited access to the mass media. These include community newspapers, community cable TV, folk media, bandillos/recoridas, street dramas, newsletters, etc.

C1.3. Establish linkages with potential media outlets that would enjoin their members to carry microinsurance messages. These are the Philippine Information Agency, Kapisanan ng mga Brodkaster sa Pilipinas, Philippine News Agency, etc.

C1.4. Highlight microinsurance in the celebration of important events to drum up interest on microinsurance. Examples of such events are Microinsurance Month in January, Life Insurance Consciousness Week, Insurance Consciousness Week, Cooperative Month, Cooperative Summit, anniversaries of insurance providers, and Insurance Commission Anniversary.

C1.5. Arrange for airing of testimonials of microinsurance champions in popular national and local shows (e.g., Umagang Kay Ganda, Unang Hirit, ANC true stories, Reporter's Notebook, etc). This could be in the form of segments, interviews, reenactments, and incorporation of subliminal messages in scripts.

C1.6. Collaborate with popular radio and TV networks for production and placement of media materials.



**C2. Building capacities of key stakeholders in ensuring the safe and sound provision of microinsurance products and services through the conduct of seminars, conferences, trainings, and workshops including exposure visits**

C2.1. Develop appropriate cross-cutting modules for stakeholders (both for trainers and trainees).

- Concepts and Principles of Insurance
- What Is Microinsurance
- Policies and Regulations on Microinsurance
- Rights and Responsibilities of Providers and Clients
- Exemplary Practices in Microinsurance
- Advocacy for Legislation (Lobbying for Legislation)
- Communicating Microinsurance (Approaches)
- Values Formation in Favor of Microinsurance
- Effective Networking and Linkaging
- Data Sourcing and Interpretation
- How to Develop Champions
- Training of Trainers

C2.2. Conduct capability-building activities/trainings and refresher courses for the different groups of stakeholders (macro, meso, and micro levels).

C2.3. Organize exposure visits or Lakbay-Aral initiatives for relevant stakeholders, particularly the local chief executives and other elected local officials, as well as heads of local/community organizations catering to the poor and the low-income sector.

C2.4. Organize and encourage participation in conferences to keep stakeholders abreast of developments in the microinsurance industry, including new policies, success stories, and other experiences.

**C3. Institutionalizing activities on financial literacy within major stakeholders**

C3.1. Make representations with appropriate educational institutions for incorporation of financial literacy in the curricula (e.g., Department of Education, Commission on Higher Education, and Technical Skills and Development Authority).

C3.2. Make representations with appropriate government and private agencies/individuals for incorporation of microinsurance in their initiatives (e.g., mobile IT classrooms of the Department of Science and Technology and CNN Hero of the Year Efren Peñaflorida's Kariton Classroom).

C3.3. Advocate to management of government and private institutions, particularly business establishments, for the organization of informative seminars on microinsurance for employees in their respective organizations.

C3.4. Advocate to LGUs for passage of ordinances in favor of microinsurance.

**C4. Establishing networks and linkages between and among support institutions engaged in the financial literacy campaign**

C4.1. Set up a knowledge management (KM) system that would link support institutions and other stakeholders through a web-based platform.

C4.2. Maximize use of information and communication technologies (ICTs) for networking, mentoring, and monitoring and evaluation. Examples of ICTs are web-based platforms, cellular phones, web streaming, and video and teleconferencing.



C4.3. Launch national and local campaigns involving various stakeholder groups to focus public attention on microinsurance. These should be jointly undertaken by government, providers, media, academe, LGU officials, and other relevant groups.

### **C5. Establishing a critical mass of advocates on financial literacy in both the government and private sector**

C5.1. Identify and train individuals who will constitute the core of committed champions for microinsurance.

C5.2. Institute a recognition system for advocates and supporters of microinsurance.

C5.3. Tap organized community-based organizations in promoting microinsurance among their members. These include religious groups, microfinance institutions, cooperatives, socio-civic groups, people's organizations, etc.

## **4. Guiding Principles for the Strategies to be Pursued**

Implementation of the Roadmap to Financial Literacy on Microinsurance shall be anchored on four guiding principles that shall define the direction and quality of the strategies to be carried out.

### **4.1 Sustainability through capability building for stakeholders**

To promote public awareness and education on microinsurance, the key stakeholders should be fully equipped on both the technical aspects of microinsurance and on how best communication could be used for behavior change in favor of microinsurance.

Capability building is the cornerstone of this principle. An enabled core of credible communicators would be a critical factor for sustainability of the financial literacy program on microinsurance. They will serve as the "champions" who will continuously advocate for microinsurance.

### **4.2 Behavior-focused positioning of messages**

Messages should be crafted to appeal to the needs of the various stakeholder groups. "What's in it for me?" is a useful guide in message and materials development. It should be clear to those in the macro level why they should provide an enabling policy and regulatory environment, to providers in the meso level why they should venture into microinsurance, and to clients why they need to buy and advocate for microinsurance. Positive values underlying the pitch for microinsurance would contribute greatly to understanding, acceptance, retention, and advocacy of such messages.

### **4.3 Complementation of mass, community, and interpersonal media**

Each medium has its strengths and features most suited to specific stakeholder groups under different conditions in various communities. Through the principle of complementation, the likelihood of microinsurance messages reaching as many people as possible is vastly increased. A short message seen on TV may be explained more fully in a brochure or comics to increase understanding and recall. Interpersonal communication would further reinforce messages conveyed through the various media. Reliable sources of information who are trusted in the community could further inform and motivate potential clients.

Complementation of mass, community, and interpersonal channels should help maximize media reach, frequency, and impact, hence fostering not only consistency of messages but also cost effectiveness.



## 4.4 Synergistic-inter-agency collaboration

The success of raising public awareness and effecting behavior change rest largely on the concerted efforts of different stakeholder groups engaged in the promotion of microinsurance. The government and the private sector, including support institutions, should promote unified messages, carry out coordinated financial literacy campaigns, pool resources, and give high priority to the common goal of institutionalizing financial literacy.



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