Microinsurers cope with losses amid challenged market conditions

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Regardless of the nature of the disaster, the poor are usually the ones most affected as any negative impact on their assets and consumption levels threaten their subsistence.

Enter microinsurance.

Like the name suggests, microinsurance offers insurance products specifically targeted towards low-income households or individuals who will otherwise not have access to financial services.

The government's push for microinsurance began with the Insurance Commission's (IC) initiative in 2006 through the issuance of Memorandum Circular 9-2006, laying down the guidelines on microinsurance, as well as lower the initial guaranteed fund requirements of a mutual benefit association (MBA) that wholly engaged in microfinance.

This was followed by the release of the National Strategy and the Regulatory Framework for Microinsurance in 2010, which envisions a "viable and sustainable private insurance market" for the poor.

The IC then came out with Insurance Memorandum Circular 1-2010 that defined microinsurance. Together with the Securities and Exchange Commission and the Cooperative Development Authority, it issued another circular closing down informal insurance or insurance-like activities. The Bangko Sentral ng Pilipinas (BSP) also came out with a circular allowing rural, cooperative and thrift banks to market and sell microinsurance products within their premises.

Based on current regulations, the premium on these products should not exceed 7.5% of the current daily minimum wage rate in Metro Manila and can be collected on a daily, weekly, monthly, quarterly, semi-annual or annual basis. Moreover, claims of beneficiaries should be processed within ten working days after the complete submission of requirements to