‘Study of effectiveness of microinsurance services providers’ response to typhoon Haiyan in the Philippines’

Dr. Antonis Malagardis, GIZ-RFPI

Commissioned by:
GIZ-RFPI Asia
Microinsurance Network
With endorsement from the
Insurance Commission
SuperTyphoon Haiyan occurred on November 8, 2013 and affected 3.4 million families and 16 million people in the Philippines.

The Microinsurance Network and GIZ Regulatory Framework Promotion of Pro-poor Insurance Markets in Asia program undertook together a study to understand how microinsurance services providers responded and performed in terms of claims processing and benefits payments in the aftermath of typhoon Haiyan in the Philippines and how that created impact to the clients of these service providers.

Research was conducted through interviews with Insurance companies, MBA’s and intermediaries (brokers, coops, mfi’s).
Post Typhoon Responses – Regulator (1)

• Coordinated with various industry stakeholders and associations on November 12 and a resulting Memorandum was submitted to the Ministry of Finance on November 12 to provide a plan for expeditious processing of insurance claims through:
  • Claims Action Center - (was started December 13, 2013)
  • Submission by all insurance companies of a master list of policyholders in the typhoon stricken areas by all insurance companies
  • Initial payment scheme for Life insurance: of 10,000 or 50% of benefit. The balance of the benefit would be paid upon receipt of standard requirements.
Post Typhoon Responses – Regulator (2)

- Premium payment moratorium for 90 days – companies found that a large number of clients still made the premium payments under the difficult circumstances.
- Follow up detailed memoranda and circulars were issued
  - Notably CL2013-36 (relaxation of identification requirements) on December 6, 2014
  - Waived official identification documents in lieu of NDRRMC official list for life claims submitted prior to January 11, 2014
- Authorization from the Insurance Commission to allow satellite images and crisis mapping for claims validation.
- No issuance from Cooperative Development Authority (CDA)
Post Typhoon Responses – Insurance Industry (1)

- Provision of immediate (within 2 to 7 days) relief operations to staff and members of coops/MFI’s/MBA’s including food, water, canned goods etc in dangerous conditions as debris blocked roadways and looters were prevalent.

- Provision of cash into stricken areas as the banks were not operational.

- Intermediaries (brokers, coops and MFIs) were standouts in assisting clients with requirements to get timely payments, including advancing claims payment for reimbursement by the insurance company.
Post Typhoon Responses – Insurance Industry (2)

- In most cases, overall, claims payments took longer than normal

- One company started paying claims 2 weeks after the typhoon, had 80% of claims paid by December 6 and had nearly 100% of claims paid by December 31. These claims were paid 3-5 days from submission.
Claims Data

• In aggregate an estimated 87,600 microinsurance claims have been paid totalling 438 million Pesos.

• It is estimated that 75% of the claims have been processed and paid to date.

• Low number of death claims
  • Most casualties occurred in the coastal areas where the most marginalized live and thus would not have insurance.

• No health claims – possibly due to the availability of emergency disaster relief health assistance.
Impact on the Insurance Industry

• Clients are asking for insurance and see its value more than before

• Some insurance companies are actively seeking to expand into the rural communities where coverage was low.

• PCIC – free insurance coverage to those with less than 7 hectares

• Some companies are seeking calamity insurance to be offered to clients
Challenges

• Timeliness of approval and payments by the insurance companies and also potentially the reinsurers.
• Efficiencies needed to process the large number of claims
• Lack of reinsurance
• Locating displaced persons and identifying missing persons.
• Logistical issues in regards to telecommunication, transportation, basic necessities, closed banks, damage to branch offices and the loss of paper and computer records in areas that had been devastated.
• Manpower: Staff were also victims and had lost their homes and loved ones.

Keeping perspective:

• In many cases, filing an insurance claim was a lower priority than finding loved ones, immediate food and shelter and rebuilding homes resulting in delayed claims filing.
What Worked: Insurance Industry Partnerships

• Detailed planning for the occurrence of an event
• Extensive branch/company network that can provide resources and support
• Personal assistance to clients while making the claim – go to them!
• Strong committed relationship with good communication between the insurance company and intermediary.
• Efficient claims validation and processing
• Strong relationships with the reinsurers
Opportunities

• Greater demand for calamity insurance
• Greater demand for livelihood protection insurance
• Go beyond the credit life paradigm and offer insurance that is not tied to a loan. A portion of the population is not receiving coverage and is at greater risk as a large portion of calamity insurance is attached to loans.
• There is greater awareness of insurance because of Typhoon Haiyan – right time to develop products offering value to the clients.
• Haiyan showed gaps in microinsurance coverage – find effective means to reach out to the rural communities and marginalized in the cities!