

# MicroBiz Protek Jr. Insurance Product

## Affordable Microinsurance protection for MSMEs

### The challenge

In the Philippines' micro, small and medium enterprises (MSMEs) represented 99.52% of all registered businesses in 2019. Microenterprises are the most affected by climate change-induced extreme weather events and disasters due to their underdeveloped capacity to systematise business continuity and lack of options to access risk financing including insurance products. Microenterprises incur yearly financial damages between Php30,000–600,000 in Luzon, Visayas and Mindanao.

Disasters disrupt the work of MSME employees and their delivery of products to markets, besides damaging equipment and business facilities. Raw materials, inventory and completed products are also damaged, disrupting the value chain from the input suppliers to the business and the markets.

These losses and the scarcity of insurance products that cater to the needs of business owners for calamity cover, contribute to a low average life span of most microenterprises in the Philippines at 5 years. MSMEs usually start over again with the same business template or shift to another line of business after disasters.

Around 15% of interviewed MSMEs accessed personal and enterprise insurance products as sources of financing with 50% having a disaster policy either for earthquakes, typhoons or floods. However, majority of MSMEs preferred to access their own savings as well as formal and informal credit, but their savings were only enough to cover household expenses for 10 days. Most MSMEs relied on their own resources and were not aware of the Government's disaster risk management plans that could be maximised to secure their businesses.

The Philippine Government's Department of Trade and Industry (DTI) is encouraging all businesses to formalise their activities and existing establishments to expand their trade by creating and using business continuity plans.

### Microinsurance for microenterprises

The Regulatory Framework Promotion of Pro-Poor Insurance Markets in Asia (RFPI Asia III) programme, through the Microinsurance Disaster Risk Insurance for MSMEs (MicroDRI) project financed by the develoPPP programme of the German Government, joined resources with AXA Philippines, DTI and Cebuana Lhuillier Insurance Brokers (CLIB) to improve Philippine MSMEs' access and uptake of microinsurance products by

developing a disaster risk insurance product called "MicroBiz Protek Jr.

AXA Philippines and CLIB used the MicroDRI Project Market and Product Development Study commissioned by GIZ to design a microinsurance product for microenterprises with the following features :



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**Insurable Conditions** Damage to structures/contents due to:

- Typhoons
- Fires
- Lightning
- Flooding due to natural causes (typhoons or high tide)
- Earthquakes

Excludes claims due to war, terrorism, riots, pollution and distance to river/creek.

**Benefits**

1. Lump sum cash assistance in case of property damage
2. Personal Accident coverage for owner + 1 named employee – 10% of property cover
3. Robbery – 10% of property cover
4. Emergency assistance via AXA “Emma” mobile application

Targeting microenterprises as main clients, AXA Philippines and CLIB designed MicroBiz Protek, Jr. as a cash assistance product to assist in jumpstarting their operations following calamities. It was designed following the Insurance Commission guidelines for microinsurance products that meet the requirements of the low-income sector. MicroBiz Protek, Jr. was designed to meet the following requirements:

1. The total amount of contributions, premiums, fees or charges, computed on a daily basis, does not exceed seven and a half percent (7.5%) of the current daily minimum wage rate for non-agricultural workers in Metro Manila.
2. The maximum sum of guaranteed benefits is not more than one thousand (1,000) times the current daily minimum wage rate for non-agricultural workers in Metro Manila.
3. The MicroBiz Protek, Jr. contract clearly states the benefits and terms of coverage. The contract requirements were simplified and allowed CLIB to gather enrolment documents in AXA’s behalf under its own Know Your Customer programme:
  - a. The contract provisions can be easily understood by the insured and printed in English and/or Filipino; and
  - b. The documentation requirements are simple and the manner and frequency of collection of premiums, contributions, fees and charges coincide with the cash flows of the insured and are not onerous.

AXA Philippines submitted the product to the Insurance Commission for licensing as a microinsurance product on 26 April 2021. The Insurance Commission approved MicroBiz Protek, Jr. for commercial distribution on 9 July 2021.



Workers of a small shop rebuild after typhoon Yolanda (international name: Haiyan). MicroBiz Protek, Jr. will be useful for microenterprises that experience loss and damages due to floods, typhoons, fire, lightning and earthquakes.

## Simple, accessible, fast and easy to use

MicroBiz Protek, Jr. is a multi-risk microinsurance product with the following coverage inclusions and benefits:

Benefits	Plan/Benefit Amount (in Php)		
	Tier 1	Tier 2	Tier 3
Cash Assistance for Property Damage			
Fire and lightning cover	10,0000	25,000	50,000
Earthquake cover	10,0000	25,000	50,000
Flood cover	10,0000	25,000	50,000
Typhoon cover	10,000	25,000	50,000
Accidental Death and Disablement	1,000	2,500	5,000
Burglary and Robbery	1,000	2,500	5,000

MicroBiz Protek, Jr. is sold via CLIB agents and through CLIB online platforms and microsites located outside the CLIB online home page. GIZ supported the production of advocacy materials such as comics, stand-up banners and videos, and kiosks where consultations with MSMEs on climate and disaster risk insurance were undertaken.

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