

Microinsurance Financial Sustainability Attributed to Consumer Behaviour During the COVID-19 Pandemic: Evidence from The Philippines

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Abstract- *The Covid-19 pandemic is seen as a game-changer, and it brings new challenges and opportunities to the insurance market. The pandemic reminds us of the purpose of insurance: to safeguard people from uncertainty and unpredictable events. The long-term effects of COVID-19 are difficult to anticipate. Microinsurance companies must grasp the opportunity to sustain their financial growth by innovating products to suit shifting consumer behaviour and preferences, using technology and digitalization and increasing awareness of the public. This will allow them to have sustainable development in the new normal.*

Indexed Terms- *Consumer behaviour, Covid-19 Pandemic, Micro insurance, Insurance, Micro finance,*

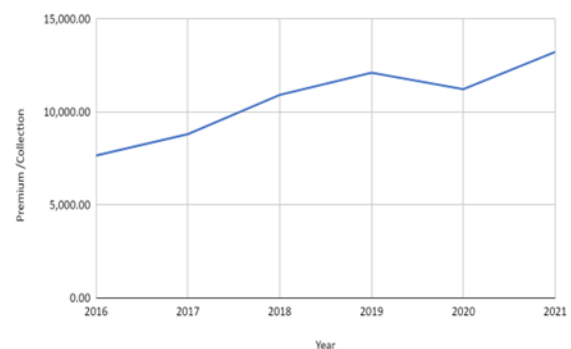
I. INTRODUCTION

In these hard times, microinsurance has become a shelter for Filipinos with low income and limited access to regular insurance services. Microinsurance is a branch of microfinance which offers coverage to low-income households or to individuals who have little savings. It is designed with the poor in mind, notably protecting lower-value assets as well as recompense for illness, disability, or death, and is sometimes only available for a limited time. The primary goal of microinsurance is to aid low-income individuals in securing short-term or inexpensive but valuable assets against loss of human life or income, as well as to give security over possession and protection against sickness and illness. According to Morduch (2006), Microinsurance is the "next revolution" in resolving the risks and vulnerabilities faced by the poor in low-income places, as it requires the delivery of goods and services that protect the insured against the occurrence of risk (Makove, 2011). Microinsurance is frequently distributed by insurance companies and microfinance organizations such as

rural banks, savings and credit cooperatives, pawnshops, and humanitarian organizations.

Despite the limitations imposed by the Covid-19 epidemic, the number of microinsurance Filipinos covered by low-cost, short-term microinsurance products increased, resulting in a premium increase of 29.8% from 2020 to 2021. According to Devera (2022), the Insurance Commission data shows that microinsurance contributions and premium output increased from *P7.8 billion to P10.1 billion* throughout the life Insurance, non-life Insurance and Mutual Benefit Association (MBA) sectors. Furthermore, from 50.3 million in 2020 to 53.7 million in 2021, the number of Filipinos covered by microinsurance increased. Moreover, the Philippines has 23 MBA sectors, 11 Life insurance companies, and 15 non-life insurance companies offering microinsurance products.

Premium /Collection vs. Year



As shown by the Insurance Commission (2021) in their latest key statistical report, premium collection for Microinsurance has increased over the last six years. But, due to the series of lockdowns enacted to limit the spread of the Covid-19 virus, the year 2020 has taken a hit. Premium collection in the year 2020

plummeted to at least -7.27%, halting the steady expansion of microinsurance over the previous 5 years before the global pandemic strikes. In spite of the still prevailing health crisis, the report also revealed that the premium collection seems to have recovered and performing an upward trend exceeding the 2020 premium collection by 17.84% and surpassing the 2019 highest premium collection reported by 9.27%. However, this might be a result of the premium shortage in the year 2020 given the limited access to payment options and economic consequences of this health crisis. Nevertheless, the upward trend seems to show that Filipinos are more aware of the benefits of microinsurance, and the confidence has been regained.

Lastly, the following are the 2020 top five microinsurance companies per market segment (Nicolas, 2021):

1. *Mutual Benefit Association (MBA)*: Pag-Asa ng Pinoy MBA, Inc.; Tulay sa Pag-unlad Mutual Benefit Association, Inc; Simbag sa Emerhensiya Asin Dagdag Pasegurohan MBAI; and Alalay sa Kaunlaran (ASKI) Benefit Association, Inc.
2. *Life insurance companies*: CLIMBS Life and General Insurance Cooperative, Pioneer Life, Inc.; United Coconut Planters Life Assurance Corporation; 1 Cooperative Insurance System of the Philippines; and Country Bankers Life Insurance Corporation.
3. *Non-life insurance companies*: Pioneer Insurance & Surety Corporation; Visayan Surety & Insurance Corporation; CARD Pioneer Microinsurance, Inc.; UCPB General Insurance Company, Inc and The Mercantile Insurance Company, Inc.

- **Statement of Problem:**

The rise in sales in the microinsurance industry is evident in 2021. It exceeded its sales goal of covering 50 million Filipinos even in the midst of a crisis. Is it possible that the surge in microinsurance sales was caused solely by the effects of the Covid-19 pandemic? Can the sector continue to expand its reach now that we are slowly lifting the restriction protocol? How will the microinsurance companies cope with the changing behaviour and preferences of the local market because of the crisis?

- **Cause of the problem:**

According to the Swiss Re Institute (2020), there are key trends in the behavioural changes of consumers emerging from the impact of COVID-19.

1. *Increased digital adoption*: Due to the pandemic, individuals are increasing their usage of digital technologies in work and personal life in order to stay connected in a physically detached environment. Online purchasing, digital adviser tools, self-service claim filing, electronic distribution of policy documentation and the ability for agents to access consumers virtually are all on the rise.
2. *Change in mobility patterns*: Work-from-home or hybrid work arrangements are in high demand. There is an increase in virtual meetings with clients and less face-to-face connection. There is also an increase in cyber risk owing to inadequate home security.
3. *Personal Finance*: Customers are increasingly turning to value-based purchasing and online shopping. There is a spike in e-commerce as companies respond quickly to the problem of providing a favourable market experience.
4. *Increased awareness of health*: healthy living and wellness are becoming more popular. People are concentrating on fitness, nutrition, and overall well-being.

The changes in the behaviour due to the impact of Covid-19 pandemic provides Microinsurance companies with an opportunity to adjust their products and distribution channels, deliver value, and protect clients from uncertainty and risk during this historic period.

- **Course of action:**

To achieve sustainable growth in the microinsurance industry, insurance companies and MBAs should innovate on the following:

1. *Customer experience by using technology and digitalization* - The pandemic has accelerated the modernization process by necessitating more investment in technological infrastructure, improved data capabilities, and the usage of artificial intelligence (AI), Insurtech, and digitalization. These technologies will

undoubtedly help to automate, accelerate, and increase the efficiency of many insurance firm business procedures (Taneja, 2020). In the Philippines, the use of digital wallets such as Gcash, Paymaya, Coins.ph, and others is growing. The digital wallet companies are constantly creating "sachet-sized" insurance products to meet the needs of the country's underprivileged market.

2. *Product innovation and affordability* - The pandemic should challenge insurers to create relevant, adaptable products that go beyond basic risk transfer (Swiss Re Institute, 2020). Microinsurance firms should have developed Covid-19 specific products, cyber risk insurance, bundled insurance, and demand-based insurance for low-income people. Insurers can improve product appeal by adjusting to shifting client experiences and expectations. To make the offering relevant, insurers will need to identify the services that clients are most interested in and develop methods to combine them. Implementing new products and innovative offers required a change away from "product-centric thinking", in which each policy is a distinct sales line, and toward customer-centric thinking business models, in which each individual has a unique set of needs that the insurer can satisfy (Shevchuk et. al 2020).
3. *Create ways to increase public awareness* - Because "insurance is sold, not purchased," It is critical to raise public knowledge about the value of microinsurance for low-income people. Microinsurance financial literacy road shows were held all throughout the country to raise awareness and gather critical support for the industry's growth and development. Microinsurance advocates were trained, public advocacy workshops were held, and press conferences were held during the road shows. There are currently 578 trained microinsurance advocates, many of whom have established and implemented their own advocacy activities in their own communities (ADB,2013).

II. CONCLUSION

The pandemic serves as a wake-up call for individuals to insure their important assets. The experience of living through Covid-19 is transforming our surroundings and our behavior. This is one of the reasons individuals buy insurance to safeguard their lives, properties, and valuable belongings. The customer will continue to buy microinsurance to

protect their life and valuables at a low cost. The period after the Covid-19 pandemic provides a potential for process improvement and innovation via the use of technology, automation, and digitalization. This presents an opportunity for insurers to address client demands by offering new, value-based, and integrated solutions. Microinsurance firms must understand client preferences to remain relevant and adjust accordingly.

III. RECOMMENDATION

The Covid19 Pandemic has had a tremendous influence on microinsurance. The industry's financial stability and performance should be strengthened. Microinsurance firms should be robust to changes in market and economic dynamics. They should advance digitalization while protecting users' data privacy. Create more personalized and targeted microinsurance goods and services to supplement the effects of Covid-19 on low-income people's health, life, financial, and other losses. Finally, insurers must go beyond digital products and digitize the entire business model in order to issue, underwrite, collect, and indemnify policies in a customer-centric way in order to profit on the digital wave.

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