Risk Transfer through Microinsurance:
Case Study from Odisha on Protecting and Involving People from Designing to Implementation, Monitoring and Evaluation

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All India Disaster Mitigation Institute
bestteam@aidmi.org

Background

- Urgent need for both, wider natural disaster insurance coverage and strategic investments in region wide DRR initiatives.
- The current level of insurance penetration is less than 1 per cent in India for non-life.
- Similar to India, many countries of Asia are facing a big challenge of transferring disaster risk at the household level.
Context

• Insurance and other ex ante risk financing mechanisms form a critical part of a comprehensive disaster risk management strategy

• Financial products are not enough on their own, however, and must be tied to incentives for investment in risk reduction with engagement of different groups

• Often current mechanisms do not reach the poor
AIDMI Experience

- Humanitarian agencies should point out to
  - Government and humanitarian donors that disaster microinsurance can work and should be integrated in recovery programmes
  - With insurance companies, pushing to cover potential market of disaster insurance in the region
  - Clients should be supported with micro mitigation measures for disaster resilience
Experience of AIDMI
Learning from Participation of Community

• Communities are repeatedly exposed to disaster risks. They are also perpetually restricted in their access to vital financial services such as microinsurance.

• Disasters visit communities more frequently than their rate of building mitigation capacities.

• Loss assessments often ignores the loss of informal sector, compensation takes too long and is below market rates.

• Humanitarian actors initially provide relief and leave to provide relief to someone else. Therefore, after this relief, communities are still exposed to risk. This is odd.

• Most relief measures leave out risk reduction.
Afat Vimo: Case Study

- Resulted from community survey and consultations in Bhuj following the 2001 Gujarat Earthquake
- Covering five risks: losses of life, trade stock, livelihood assets, house and house contents of policy holders
- Annual premium of around 3.5 $; total potential benefits of 1667 $
- The product replicated from Gujarat to Odisha.
- The joint efforts between insurance companies, local agencies and AIDMI.
Relevance to Disaster Risk Reduction

- Clients are with poor economic background, living in vulnerable areas and affected by crisis.
- Intermediary is DRR agency.
- Coverage is for 19 types of disasters.
- Includes micro mitigation measures such as capacity building inputs to local agency, building awareness among clients, involvement in response and risk reduction efforts.
- Covering multi-hazard prone area and most needy communities.
Engagement in design phase helped us to understand their need and demand on what to cover and what to not; also about better facilitation.
Engagement in implementation helped for cost effective, understanding gender context, and capacity building requirements.
The poor face disasters on a day-to-day basis. Afat Vimo covers risks that have impact on a small and large scale.
“Victims” manage the majority of disaster recovery themselves. Microinsurance can help accelerate their efforts.
M & E: Taking back the findings to clients and communities; constructive input in way ahead
2013 Cyclone Phailin

- With torrential rain and terrifying winds on October 12 with wind speed of over 200km per hour.
- India’s biggest evacuation operation.
- High loss and damage in coastal region
- Settlement of claims between 33 to 283 USD
Challenges / Opportunities

• Non-availability of microinsurance options to the poor is an issue of financial exclusion.

• This is an opportunity for the disaster risk reduction actors to make risk pooling and transfer more inclusive through effective facilitation.

• Bay of Bengal offering huge opportunity for humanitarian actors to reducing financial risk of coastal communities at cross country.
Conclusion

• Mitigation matters. Risks must be reduced, not merely covered.
• Needs to design life cycle approach to build protection for affected-children.
• Low level of insurance coverage is an opportunity for the authorities, businesses, and CSOs.
• The small businesses have very limited access to microinsurance.
• Opportunities for greater risk pooling over large geographic area are neither mapped nor realize.
Thank you

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