

“Insurance” as part of Disaster Risk Reduction and Response Program

12th International Microinsurance Conference
Colombo, Sri Lanka

16th November 2016



Background (Genesis)



Disaster Risk Reduction
and Response

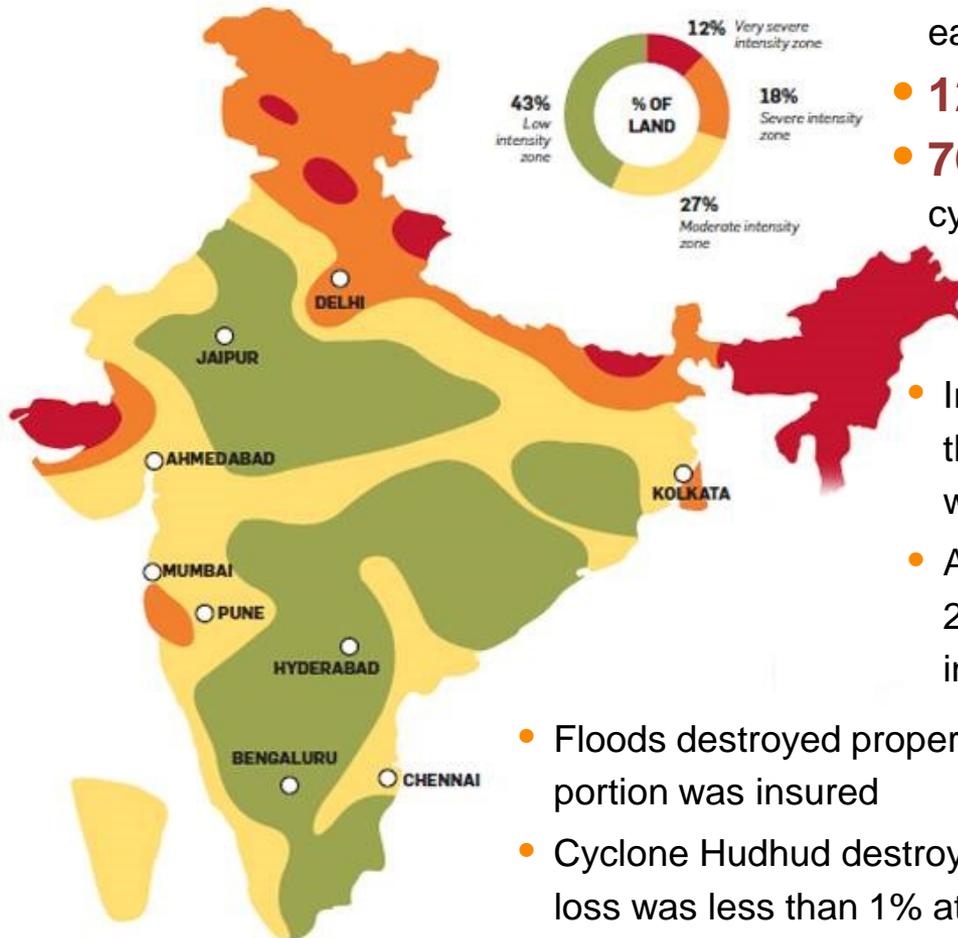
- Habitat for Humanity (HFH) India is a non-profit organization that builds homes and provides housing related services to low income, marginalised families across India
- HFH India, one of the largest Habitat programs in the Asia-Pacific region, helped nearly 134,900 families gain access to decent shelter as well as rebuilt their homes in the aftermath of disasters
- HFH India has been responding to disasters ranging from cyclones to earthquakes to floods
 - 2004 Indian Ocean tsunami – HFH helped more than 13,000 families
 - HFH India also implemented a community- based disaster mitigation and preparedness program which has trained more than 49,000 individuals
 - 2015 flooding in Tamil Nadu – HFH India has distributed about 7,500 humanitarian aid kits containing items such as tarpaulin sheet, nylon rope, water filter and a personal hygiene kit
- **Need for Change** from traditional “Reactive Disaster Response” to “**Proactive Disaster Risk Reduction, Mitigation and Preparedness**”



India is prone to “DISASTERS”

WHERE QUAKES CAN STRIKE

Almost 30% of the country is prone to earthquakes of severe intensity



According to the NDMA*:

- **57%** of the Indian landmass is prone to earthquakes of moderate to very high intensity
- **12%** is prone to floods
- **76%** of its **7,516 km** coastline is prone to cyclones and tsunamis
- In 2014, there were 336 disaster events, of these 189 were natural catastrophes and 147 were man made disasters
- Asia suffered losses of up to \$52 billion in 2014 (10% of these losses were covered by insurance)

- Floods destroyed property worth \$4.4 billion in India but only small portion was insured
- Cyclone Hudhud destroyed property worth \$7 billion but the insured loss was less than 1% at \$600 million

...Yet, Few Take INSURANCE...!!!



What stands in the way?^

- Lack of **insurance knowledge/ awareness** and trust
- Strong **informal risk coping mechanisms** which are preferred to formal insurance
- Lack of strong and reliable **financial infrastructure and distribution channels** – limits the number of touch points that insurers have with consumers, as well as insurer's ability to communicate with clients
- Substantial barriers to move into individual retail – **high transaction cost per client**
- **Limited incentive** to expand coverage
- Lack of scale given the low number of insured parties – **relatively small pool**
- Lack of domestic skills and a **shortage of data** – insufficient data to design products
- **High distribution** and **claims settlement costs**, particularly in remote rural areas
- Need for **insurance capacity** and **expertise**

1. *What do you think are the main barriers for the development of insurance against disasters in developing markets?*

Insurance as part of Disaster Risk Reduction / Response Program

Objectives

- To provide low-income households with easily accessible and affordable insurance for repairing / reconstructing houses in the event of a natural disasters
i.e. Be better prepared to recover from natural disasters and ensure one's ability to continue after a disaster (ability to cope with multiple loss simultaneously to life, health and property)
 - To reduce the risk of disasters caused by human error, deliberate destruction and enhance communities' risk Management abilities
-
- **Comprehensive package policy** to provide coverage against wide range of perils for assets like property i.e. building and contents
 - Natural Disasters e.g. lightning, storm, cyclone, typhoon, hurricane, flood, earthquake and bushfire
 - Man made disasters e.g. fire, riot, strike and malicious damage
 - In addition it also covers insured and their family members **against accidental death and permanent disablement**

Scheme Details - Sum Insured along with Premium

Section	Section Name	Sum Insured (Benefit Amount in INR)				
		Plan - I	Plan - II	Plan - III	Plan - IV	Plan - V
I	Property Damage	50,000	100,000	150,000	200,000	250,000
II	Personal Accident					
	Insured Person	25,000	25,000	25,000	50,000	100,000
	Non-Earning Spouse	12,500	12,500	12,500	25,000	50,000
	1 st 2 Children - Each	10,000	10,000	10,000	20,000	40,000

Premium in INR					
	Plan I	Plan II	Plan III	Plan IV	Plan V
Self	57	92	126	183	263
Self + Spouse	69	103	137	206	309
Self + Spouse + 1 Child	80	115	149	223	344
Self + Spouse + 2 Children	92	126	160	240	378

1USD = approx. 67 INR



5 Steps Process

Step 1

- MFI/ NGO maintain a floater account (deposit money), with the insurance company to ensure that the policies are issued instantly

Step 2

- Awareness/ Customer Education (Engagement with local leader)
- Usage of brochures and pamphlets

Step 3

- Capture the relevant details on the proposal form and online system – limited number of fields - address; name of the insured and dependents

Step 4

- Collection of premium; the field officer ensures that data are rightly captured in proposal form and verifies the premium amount

Step 5

- Policy Certificate issued instantly, provided to the client for all future reference

Launch of Insurance Program @ Asia Pacific Habitat Forum



At Asia Pacific Habitat Forum, Gurgaon, September 2015

Insurance as part of Disaster Risk Reduction and Response Program
November 2016, Colombo, Sri Lanka



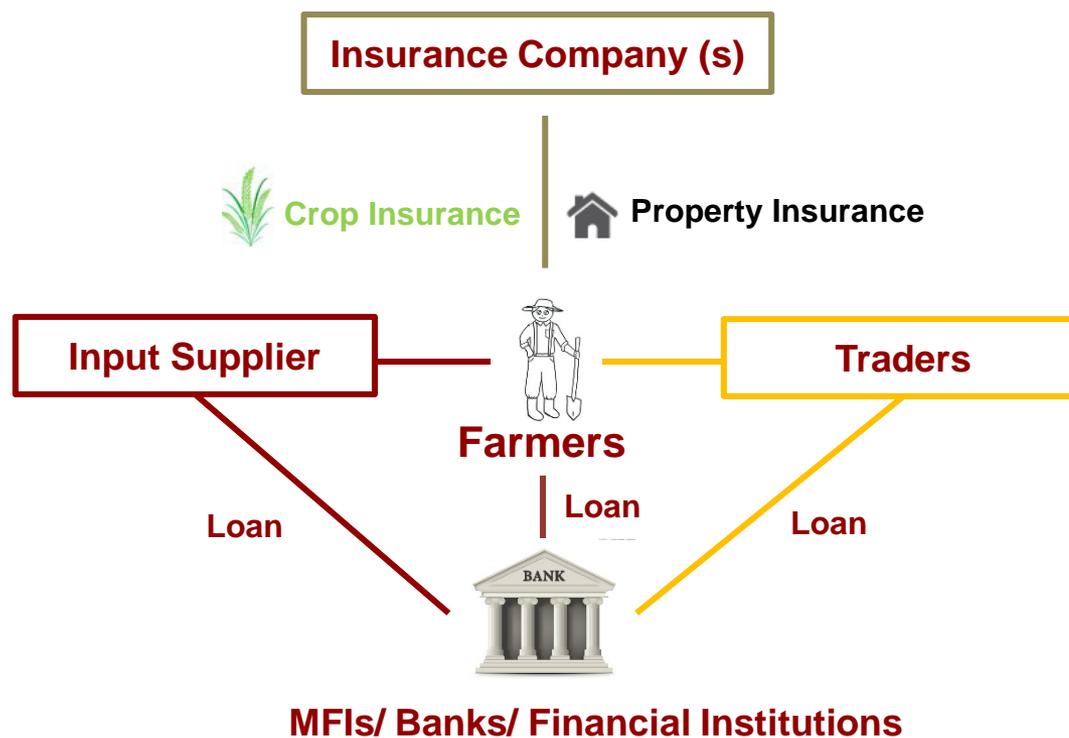
Leveraging Synergy

Profitability	Cost of Acquisition	Portfolio	Risk
Challenges		Mitigation – NGOs and MFIs	
Lack of accessibility with low awareness		Extensive reach with inbuilt saving culture	
Low Business volume / high servicing cost		Large client base with technology Integration	
Product design and pricing		Available client data (need based mapping)	
High lapsation rate / low persistency		Robust mechanism for cash collection	
Moral hazard and fraud		Long relationship; visit and monitoring	
Adverse selection		Portfolio based underwriting	
Building ecosystem in a financially viable manner		Single window access to secure & compliant systems	



Property Insurance **bundled** with Crop Insurance

- Implemented through a multi agency framework e.g. Micro Finance Institutions; Lending Institutions, Societies and NGOs
- Comprehensive risk insurance cover
- Bundled with essential livelihood services such as agricultural credit



2. What are possible solutions?

To create a **sustainable** portfolio

- **Spread of Risk** - Pooling of risks from more than one source (multiple channels)

The diagram features a map of India with several icons indicating insurance coverage. Green checkmarks and house icons with green grass represent 'Crop Insurance' and 'Property Insurance' respectively. A red 'X' icon indicates a lack of insurance. To the right, a collage of images shows various rural buildings, some with green checkmarks and others with red 'X' marks, illustrating the scope of the insurance program.

- ✓ Banks and Micro Finance Institutions
- ✓ NGOs
- ✓ Societies and Self Help Groups

✓ Crop Insurance
✓ Property Insurance

✗

2. *What are possible solutions?*

Key Learnings (Enablers)

Product

Bundled solutions - combine insurance cover for several risks in one offer

Affordable price – low and uniform premium rate across all locations

Distribution

Trust and Scale - MFIs / NGOs and Federations

Bundle with loan product or the services - avoid any form of anti selection

Technology

Online system - Prompt servicing and faster issuance of policy

Geo coding – significantly reduce cost and bring in convenience to clients

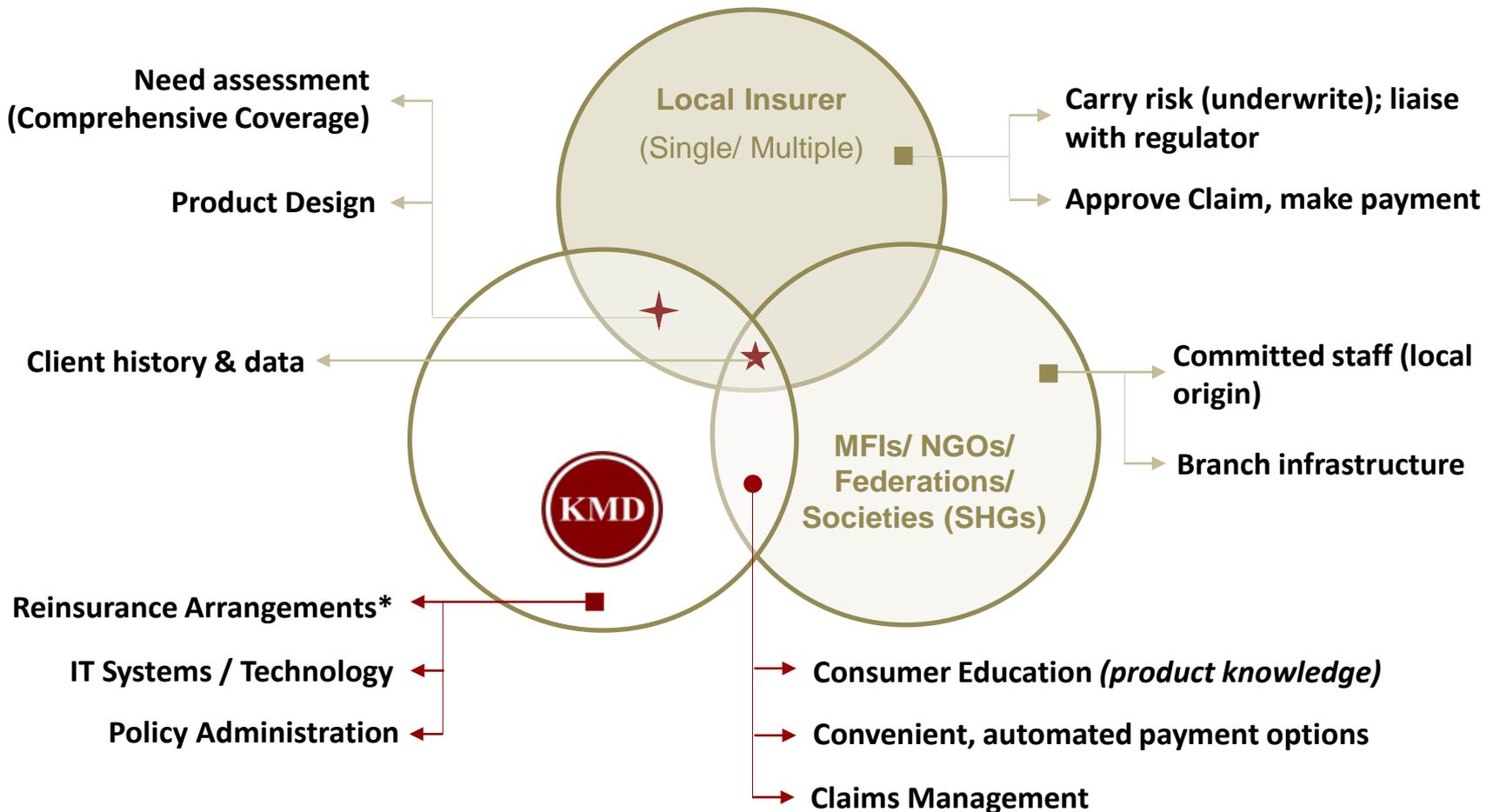
Servicing & Claims Mgmt.

The channel partner to play key role in the assessment process (estimation of loss)

Robust claim settlement process - Easy and hassle free claim settlement process

3. What have we learned from existing the pilots?

Creating synergized ecosystem – to scale incredibly fast



* Note: Services offered - Risk Analysis Study of Business/Portfolio; Risk Retention Study; Designing and Negotiating Reinsurance Programs – Cost effective terms; Risk/Portfolio Improvement / suggestions, thereby Optimisation of Reinsurance purchase

About KMD

- KMD was founded in 1973 by Late Mr. K. M. Dastur, erstwhile Country Head of Norwich Union Insurance Company, operations in India
- K.M Dastur & Company Ltd., London is a Registered Lloyd's Broker. In the UK, KMD is authorized by the FSA
- KMD – International Operation includes Offices in United Kingdom, India, Russia, Turkey, Morocco, South Africa, UAE, Indonesia, Malaysia, Bangladesh and Myanmar. Each office is registered and regulated by the respective country.
- We have four decades of experience in all classes of Insurance and Reinsurance brokerage around the world with highly experienced and skilled team of professionals.
- We specialize in providing customized business solutions to specifically address our clients needs and thereby contribute towards their growth
- Expertise in structuring and originating tailored index products mitigating the effects of adverse weather, climate change and natural perils



Thank You

Ayandev Saha

ayandev.saha@hotmail.co.uk; ayandev.saha@kmdastur.com

Skype: ayandev1

+91-9920913512 / 9873972693

Please note - Views expressed are in the personal capacity and do not reflect the organization with which he is presently affiliated.

