

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

12<sup>th</sup> International Microinsurance Conference  
Colombo, Sri Lanka

16<sup>th</sup> November 2016



# Background (Genesis)

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Disaster Risk Reduction  
and Response

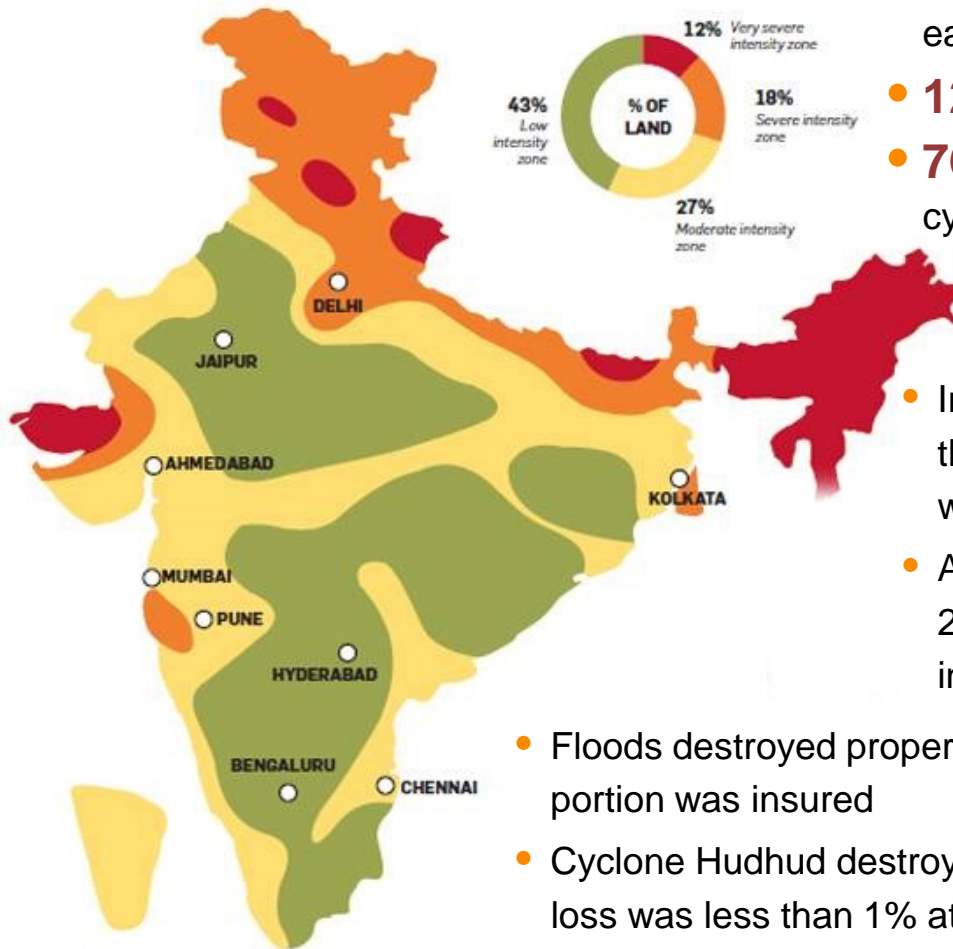
- Habitat for Humanity (HFH) India is a non-profit organization that builds homes and provides housing related services to low income, marginalised families across India
- HFH India, one of the largest Habitat programs in the Asia-Pacific region, helped nearly 134,900 families gain access to decent shelter 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

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



# What stands in the way?^

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- 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?*

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# Insurance as part of Disaster Risk Reduction / Response Program

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## 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
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- **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 <sup>st</sup> 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

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## 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

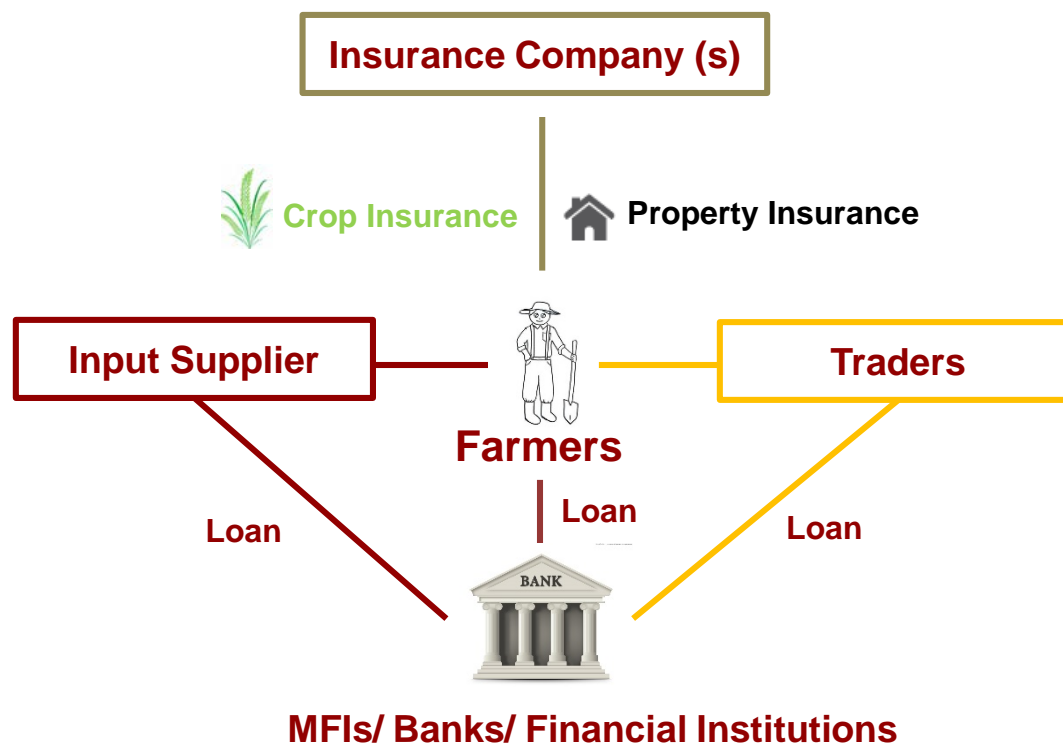


# Leveraging Synergy

<b>Profitability</b>	<b>Cost of Acquisition</b>	<b>Portfolio</b>	<b>Risk</b>
<b>Challenges</b>		<b>Mitigation – NGOs and MFIs</b>	
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 plants 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)

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### 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.

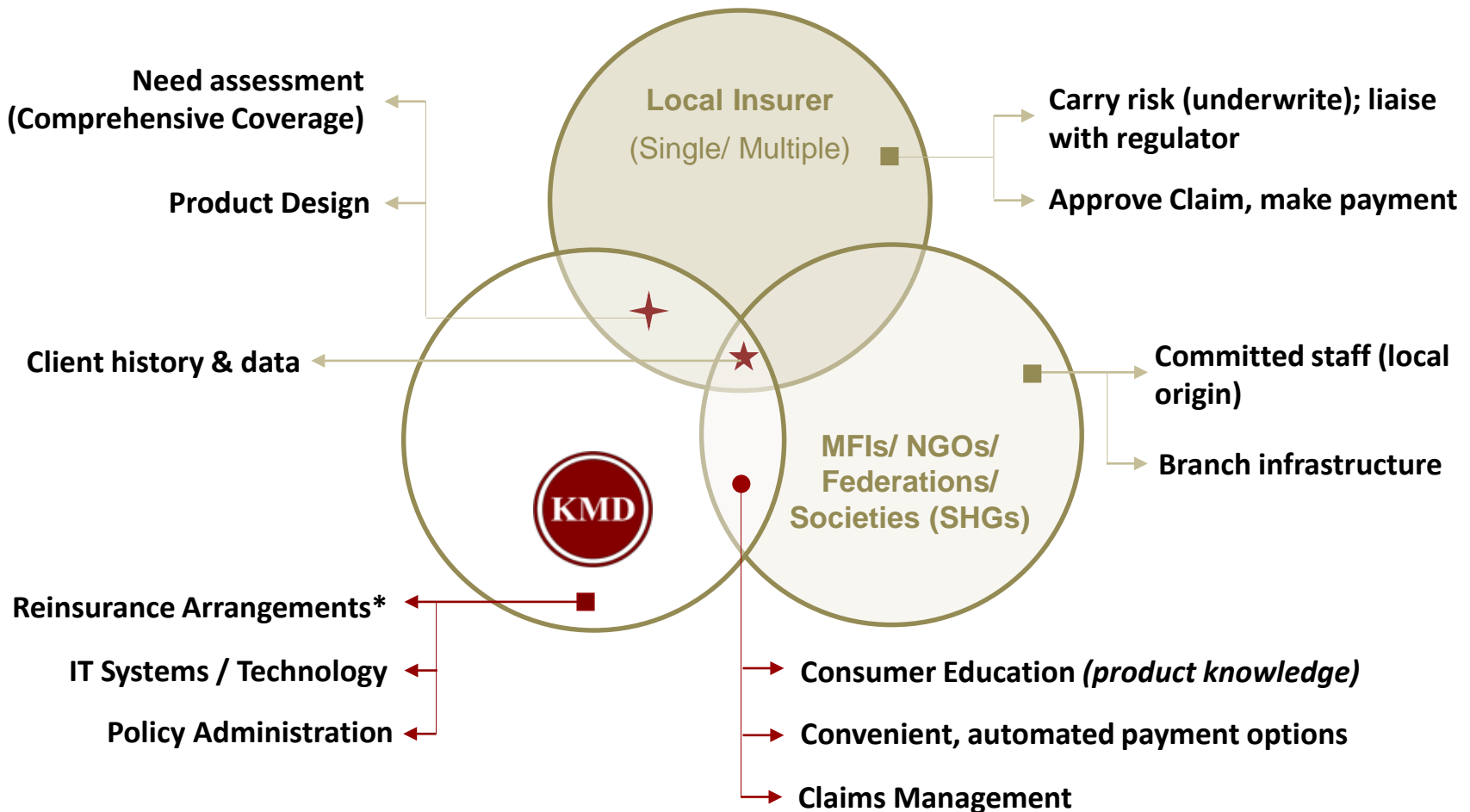
**The channel partner to play key role in the assessment process (estimation of loss)**

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

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### 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

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- 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



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# Thank You

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

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