

Innovative Microinsurance Products

Property Insurance and Disasters

2) MIFSEA – Microinsurance for South East Asia

Speakers:

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Agenda



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Increased Frequency and Severity of Catastrophic Events

- Climate Change
- Increase in population density and in the concentration of values
- People and Industry settling in coastal areas and other regions that are particularly exposed to natural hazards

Low income households have only very limited access to insurance products protecting their assets (property insurance)

- 1% and 3% of households in low- and middle-income countries, respectively, have insurance coverage against catastrophe risks (Munich Re, 2005)



After severe catastrophic events, low income households rely on their governments and the ad hoc assistance of donors

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Example : MIFSEA Indonesia

(Microinsurance For South East Asia)

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Objective

- Microfinance institutions and other microinsurance providers in two Asian countries are able to provide insurance services against extreme events to lower income groups in a sustainable and customer oriented way
- Additionally, those providers are able to insure their own business against extreme events and get access to reinsurance

Current Activities

- Study in Indonesia: Demand and Findings
- Product Development in Indonesia: First Product Idea
- Selection of Delivery Channels

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Regions

- Jakarta, Yogyakarta, Padang, Bali

Main guiding questions for the focus group discussions

- What shocks do particular groups face?
- When do shocks occur?
- What is the impact on the livelihoods?
- How do communities cope with shocks and at what costs?

Participants

- 320 household surveys, 130 participants in FGD in urban and semi urban areas
- (petty) traders, micro entrepreneurs, agricultural-, domestic-, and construction workers

Economic situation

- Loan size ranging from ~ € 42,- to € 167,-
- Savings ranging from no savings to approx. € 100,- annually

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Main risks:

- **Flood**
- Health
- Earthquake
- Education

Impact of risk:

- Post-flood diseases
- Interruption of income combined with increased expenses
- For repair & renovation
- Increased prices and transportation costs
- Loss of official documents – time & cost consuming
- Retrieval

Product Idea
Example: Flood protection

Client buys Jakarta flood protection (until Oct.)

Wet season

Case I:
Not triggered



Premium IDR 120,000

Trigger (15 years event e.g. water remains 15 days, 50 cm high at a predefined place)

NOT TRIGGERED



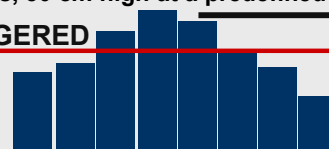
Case II:
Triggered



Premium IDR 120,000

Trigger (15 years event e.g. water remains 15 days, 50 cm high at a predefined place)

TRIGGERED



Pay out
IDR 1,000,000

DRY SEASON

WET SEASON

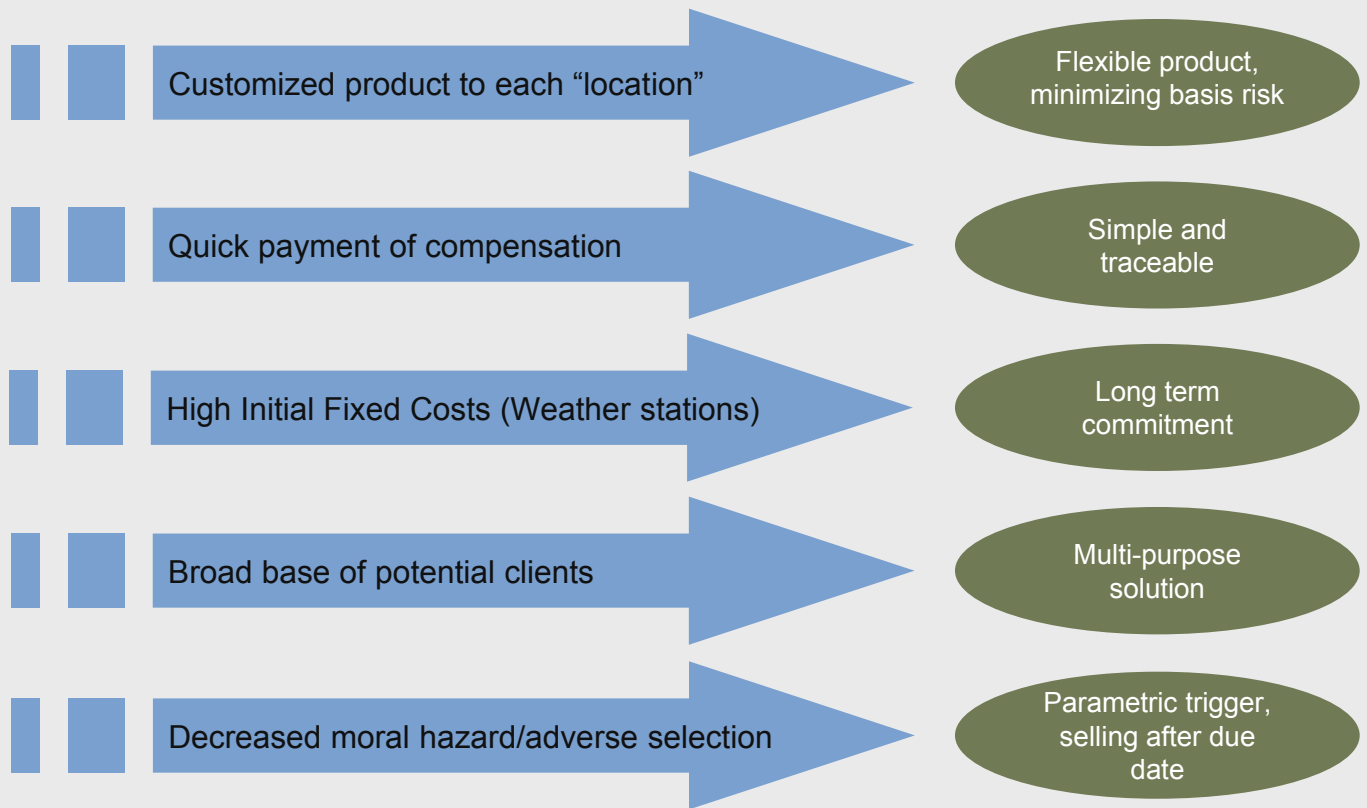
June 2008

Oct. 2008

May 2009

Product development

Product characteristics (1/2)

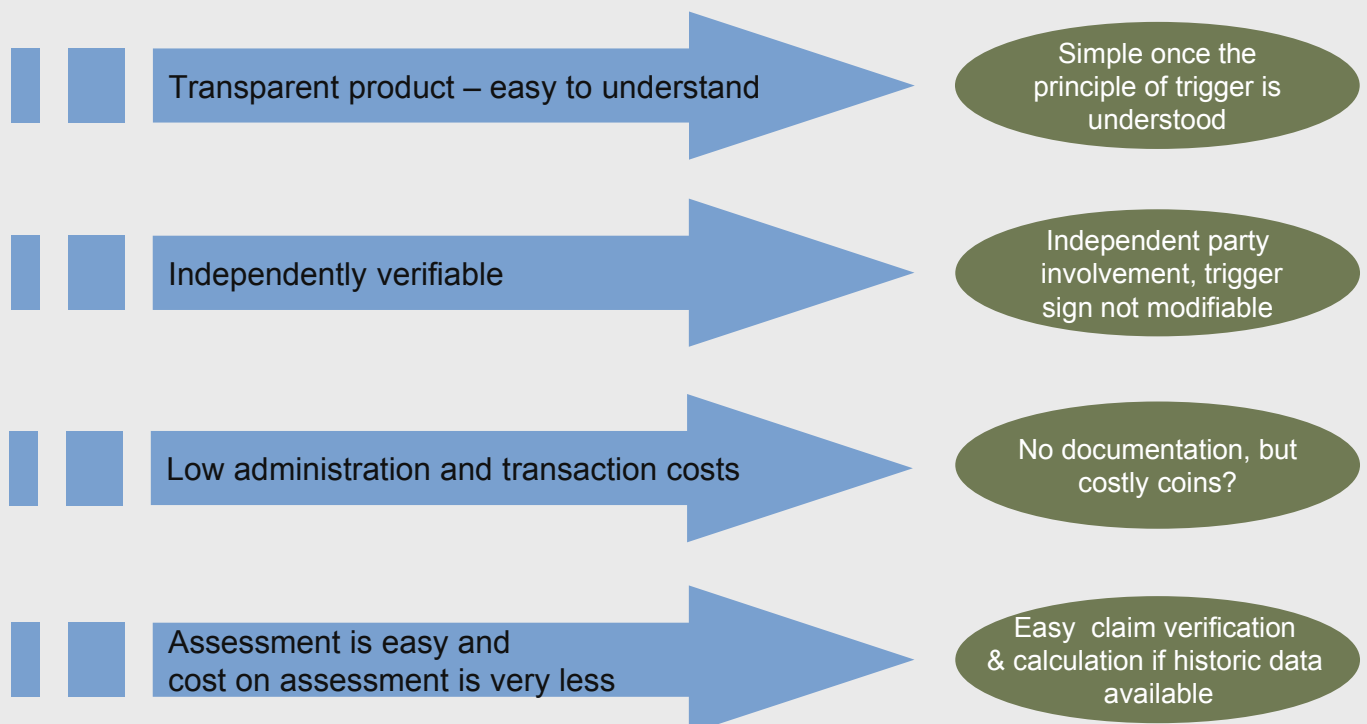


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Product development

Product characteristics (2/2)

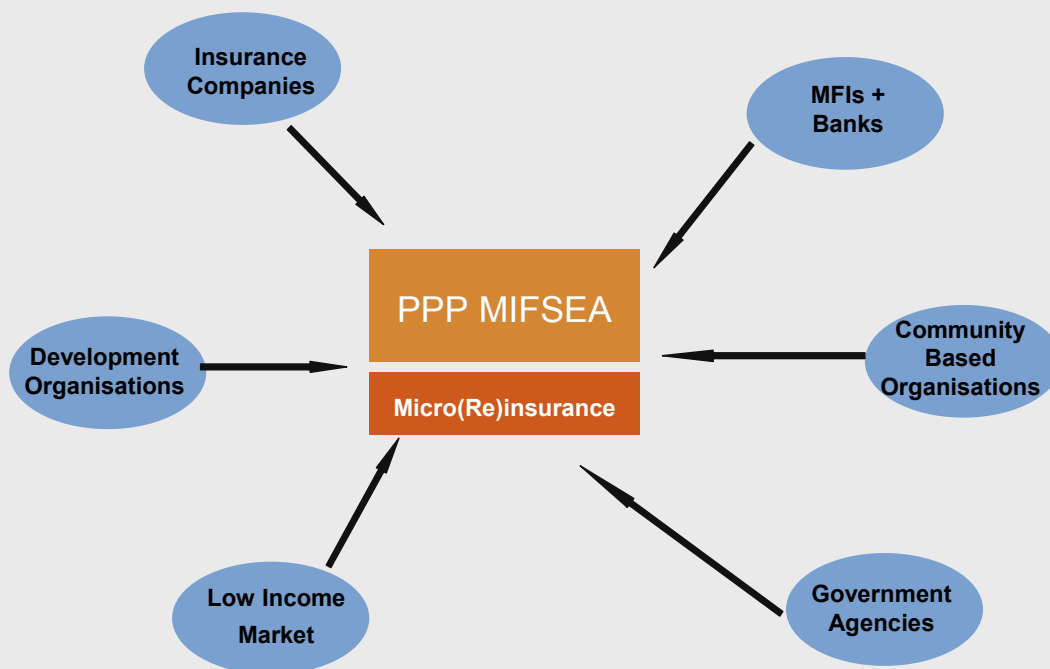


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Selection of delivery channels

Role of different stakeholders



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Selection of delivery channels

Indonesia – Implementation in 2 phases

Phase 1- Group Microinsurance

- NGO networks, Apex organizations, Cooperatives (> 50.000 members)
- Cooperation Partners: e.g. GTZ, UNDP

Phase 2- Government and individuals

- Government – part of the disaster reduction strategy – basic protection
- Individual customers through cards/ATM, shops/pharmacies, banks (e.g. linked to housing loans), etc. – once the product is known as additional protection for better-off customers

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- Trigger based vs. indemnity based
- Handling of deductibles and basis risk in property microinsurance?
- Smaller payouts more often or higher amount less frequent?
- How region specific must products be?
- Policy Carrier and administration?
- Fraud control?

Thank you very much for your attention.

Gabriele Ramm, GTZ
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