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Learning for Microinsurance for Disasters

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Working in partnership to
build safer communities
and reduce the impacts
of disasters in developing
countries



PROVENTION
CONSORTIUM

ProVention background

- Launched by the World Bank in 2000.
- Currently hosted by International Federation of Red Cross and Red Crescent Societies in Geneva, Switzerland.
- Informal partnership on disaster risk reduction between UN agencies, International Finance Institutions, academic institutions, civil society, Red Cross/Red Crescent and private sector.
- Focusing on 5 thematic areas: Risk Identification; Mainstreaming into Development; Reducing Risks in Recovery; Risk Transfer and Research and Learning.



Overview

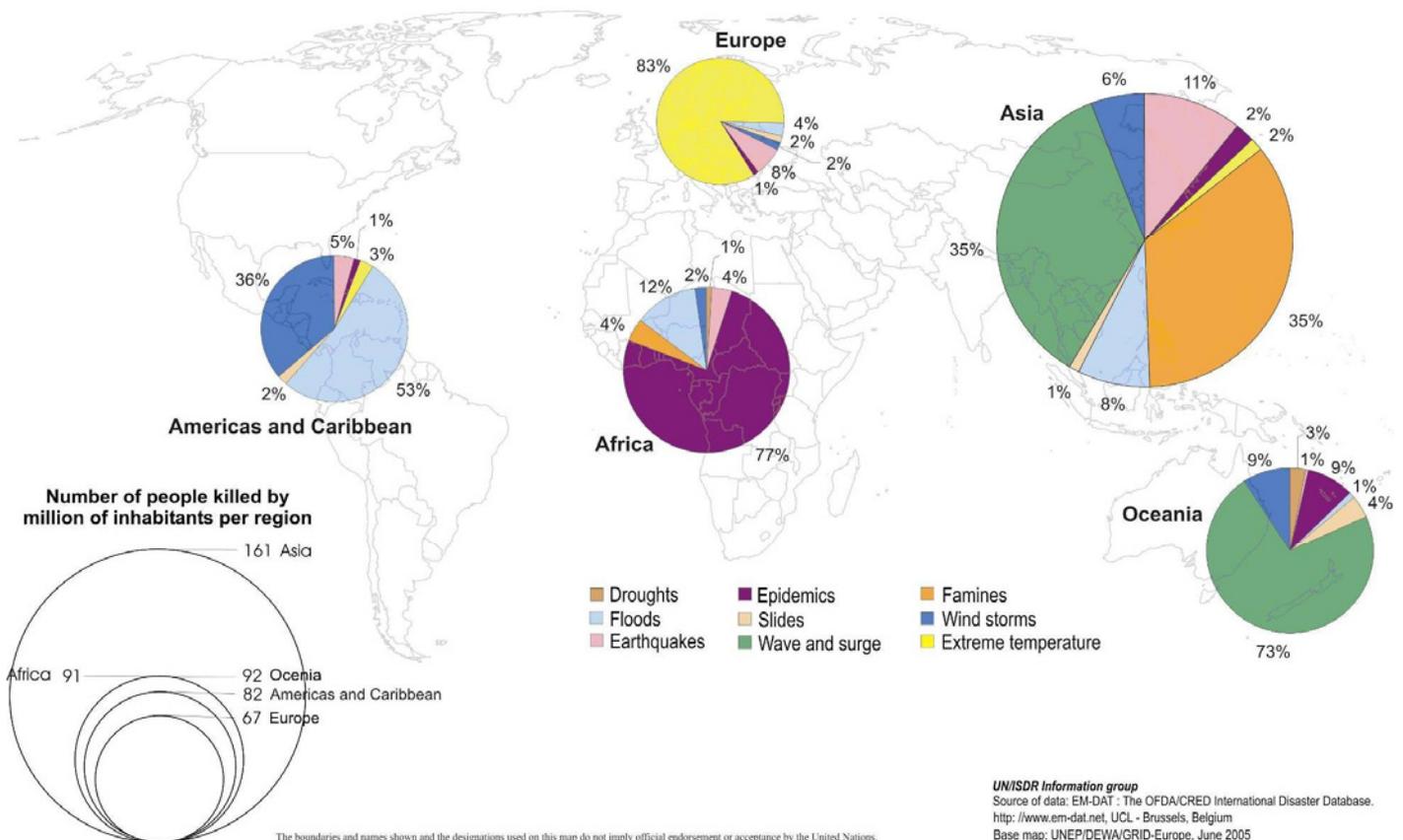
Topics

- Recovery lessons
- Governance and planning
- Risk assessment
- Microinsurance studies



Regional distribution of disaster People killed in % by type of hazard (1994-2006)

Regional distribution of disasters : Killed people in % by type of hazard
1994 - 2004



Recovery lessons

Cost of disasters to countries, cities and local communities:

- Divert development efforts toward relief and reconstruction
- Destroy development investments, assets and livelihoods

This is of course true both on a broader social level and on a personal level.



Photo: International Federation of Red Cross & Red Crescent Societies



Recovery lessons

Studies of recovery processes after large disasters

- Tsunami Evaluation Coalition
- World Bank / ProVention recovery studies
 - Honduras, Hurricane Mitch 1998
 - Mozambique floods 2000 and 2001
 - Bangladesh floods 1998
 - Turkey, Marmara earthquake 1999
 - India, Gujarat earthquake 2001



Photo: International Federation of Red Cross & Red Crescent Societies



Recovery lessons

Studies of recovery processes after large disasters

- Tsunami Evaluation Coalition
- World Bank / ProVention recovery studies

Key points from these evaluations

- Impediments to building back better
 - Exclusion
 - Compounding impacts
 - Perceptions of risk / acceptance of trade-offs
 - Safe rebuilding / development is not a one-time thing
- Risk communication



Governance and planning

Governance and planning processes offer



Photo: International Federation of Red Cross & Red Crescent Societies

- Mechanisms for community deliberation throughout all phases of disaster risk management
- Opportunity to protect against the significant impacts disasters have on local development & economic growth
- Slate for promoting safe development



Governance and planning

Key approaches

- Mainstreaming disaster risk reduction into existing development planning processes
- Multi-stakeholder processes
- Rigorous use of risk assessment and analysis to drive planning
- Incentives
- Feedback, evaluation, and learning



Risk Assessment

Risk assessment is a crucial part of any risk reduction or risk transfer initiative.

Yet there are significant challenges:

- Improving our understanding of the compounding of risks and vulnerabilities, across a continuum from “everyday” risks to “small” and “large” disasters, especially in light of changes in climate risk.
- Linking local risk assessment to development and governance issues.
- Translating scientific hazard information into language that results in action.



Risk Assessment

Resources

- RADIUS Project – Risk Assessment Tools for Diagnosis of Urban Areas Against Seismic Disasters – www.geohaz.org/contents/projects/radius.html
currently being adapted with UNDP and UN-Habitat to use for emergency shelter planning
- Recent work on “downscaling” global and regional for local or district analysis.

ProVention is supporting a project with the World Bank in the Philippines to model climate scenarios and likely impacts on the agricultural sector.



Risk Transfer

ProVention interests

- Strengthening risk transfer options for poor and vulnerable communities
 - Pilot project on microinsurance with AIDMI in India
 - Study with IIASA of 10 microinsurance schemes and potential impact on risk reduction
- Developing incentives to shift from reactive post-disaster investments to proactive preventive measures
 - Various projects with the World Bank to facilitate risk pooling for national governments



Microinsurance Studies

Need answers to several basic questions:

- Does microinsurance really reach the poor and most vulnerable?
- How can microinsurance be linked to other risk prevention and mitigation measures as an incentive?
- Are there viable solutions for non-agricultural small businesses?
- What enabling environment is necessary to develop and sustain effective microinsurance programmes?



Photo: All India Disaster Mitigation Institute



IIASA/ProVention study

Disaster Insurance for the Poor

A review of 10 microinsurance schemes for natural disaster risk in developing countries.

These included

- bundled vs. independent schemes
- mandatory vs. voluntary schemes

The study also looked at 4 factors for viability:

- Contribution to risk reduction
- Affordability
- Financial robustness
- Governance



IIASA/ProVention study

Key findings

- Often major challenge to assure financial sustainability while still providing affordable premiums.
- Lack of direct links and incentives from microinsurance schemes to reduce the direct losses from disasters.
- Not enough transparency about how portfolios and exposure are diversified.
- Value of creative alliances among NGOs, microfinance organisation, private insurance companies, regulators, entrepreneurs, and donor institutions.



Further Microinsurance Studies

Next steps – Further study with AIDMI and IIASA

Undertaking an evaluation with micro-insurance organisations and their partners to survey

- insurees about impacts of the scheme on their perceptions of risk, resilience planning, and coping strategies.
- the microinsurance organisations and their partners about their business models for the schemes.
- regulators about the enabling environment.



Further Microinsurance Studies

Further study with AIDMI and IIASA

Objectives:

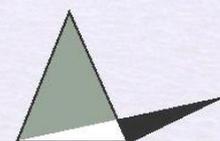
- Better measure the range of impacts that are often posited for microinsurance schemes.
- Document the business models in use to answer questions about the viability of schemes.
- Highlight strategies for strengthening enabling environment.



Thank you!

www.proventionconsortium.org

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