

Summary

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**Munich Re
Foundation**
From Knowledge
to Action



Session 9 – Agriculture/Disaster

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Designing a disaster specific product: Making it more relevant and more affordable

Even a small scale disaster could cause great damage to the hard earned assets and savings of the poor and vulnerable, jeopardizing their livelihoods. Repeated exposure to such inconvenient events and conditions which are beyond their control, are not only hostile to their efforts to escape from poverty but also undermine their ability cope up, often requiring immediate dispensation of cash.

In general, insurance products fail to cater to the needs of rural people and insurers tend to ignore low income market as rural people expect comprehensive cover for lower premium. People living in the tsunami hit coastal districts of Andhra Pradesh frequently experience the fury of a series of natural disasters in the form cyclones or floods. CARE India and Royal Sundaram, private insurance company came together and designed a product which was closely related to their needs and affordability level.

A series of consultation with the community through participatory processes revealed that they seek cover for transport, medicine and food expenses and wage loss at times of illness episodes affecting them than a cover for critical illness treatment, owing mainly to their access to the public health care system. The product is perceived by the community and other stakeholders as innovative and happened to be the first officially registered micro insurance product with IRDA.

The product offers four basic coverage and provides eight kinds of benefits, at affordable premium of Rs. 60 (1.59US\$), the coverage include accidental deaths, household assets, disability compensation, and hospital care. Accidental death cover includes compensation on the death of the insured, funeral expense and educational assistance to school going children of the deceased. Household asset cover provides protection against loss of structure of the house, damages to household items due to any natural calamity. Disability provision compensates partial and complete disability arising out of any accident. Hospital care helps the clients recover accidental medical care expenses, compensate wage loss and when they opt to pay additionally Rs. 50 (1.28 US\$), then they can avail Rs. 300 per day as per diem for every hospitalized day for a maximum of 5 days.

The product coverage can be extended to spouses too by paying additional cost of Rs.110/-(2.8 US\$) to avail all eight benefits and four basic coverage and Rs. 200/- (5.12 US\$) for hospital per-diem coverage for the couple.

The product has so far been distributed to more than 22,000 households, 14 percent of which has benefited. In 2006, when a massive flood affected the coastal households, the insurer compensated even for loss of stored food items and precisely that's what the community wants to insure! this resulted in a spurt in enrolment.

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Key messages:

1. Hold community consultation to identify risks pertaining to them
2. Provide comprehensive coverage: Bundling of risks through moduled products
3. Make it more affordable: Flexibility in enrollment opportunity; provide options to cover members within the family
4. Help families recover medical care expenses and include wage loss components
5. Enlarge basket of benefits so that the members are likely to relate their previous experience of inconvenience

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