

## Summary

### Microinsurance Conference 2008

**5–7 November 2008,**  
Centro De Convenciones y Exposiciones  
**Cartagena, Colombia**



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#### Session 9 – Agriculture/Disaster

**Anne Murphy**, Global Ag Risk Inc., USA

*Using NGOs to advance microinsurance for weather risks among the rural poor*

The provision of insurance products to poor households remains a challenge. Even with the emergence of a variety of microinsurance products for health, life, property, weather and agriculture, growth in these markets among poorer populations remains limited. Innovations in applications and product delivery are needed to reduce transaction costs and increase the accessibility of these products to the poor in lower income countries. We discuss the experiences and opportunities for using NGOs to deliver weather insurance products for rural households in lower income countries.

A number of NGOs are working at local levels to improve rural livelihoods and many have adopted a stronger development focus for improving farming systems and assisting with ex ante risk management strategies. Our experience with weather index insurance has demonstrated that NGOs see that these innovations fit into their development agendas because weather insurance can be used to improve households' resiliency to severe weather events and mitigate the financial shocks that can thrust the working poor into poverty traps. NGOs can play a significant role in the education, outreach, and in particular, delivery of microinsurance products and weather insurance for rural households. NGOs can utilize existing networks, knowledge, and relationships to advance weather insurance in rural areas.

There are several ways this delivery model can be utilized:

1. NGO as a delivery agent for an insurer
2. NGO purchases an insurance contract and uses the indemnities to finance disaster relief activities or allocate to households in need
3. NGO can co-finance insurance contracts for poor households while encouraging the adoption of risk mitigation strategies
4. NGO can encourage households to purchase insurance contracts by linking the purchase to other services or benefits

We discuss the pros and cons of these approaches and opportunities for the future of microinsurance. We build the case for a direct, predefined insurance benefit to households to encourage more efficient risk management and planning before a situation becomes dire. While the use of subsidies has serious limitations, their use may be justified in some cases, particularly for insuring

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catastrophic risk. To facilitate greater use of microinsurance by smallholder rural households, a premium subsidy may be warranted and could be provided as an incentive to encourage adoption of risk mitigation through new technologies and production strategies, and to support other rural development objectives. For example, some NGOs and donor organizations are interested in supporting microinsurance as a means for helping the rural poor deal with potentially adverse climate changes. We pursue this discussion with the input and collaboration of Oxfam and other NGOs that are advancing these concepts of linking microinsurance for weather risks to support their rural development agendas.

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**Anne Murphy,**  
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### **Key messages:**

Innovations in product delivery are needed to increase the market for microinsurance among the rural poor by lowering transaction costs and improving accessibility.

NGOs can be used as a delivery channel to improve use of microinsurance.

NGOs can facilitate the use of microinsurance by the rural poor by taking advantage of existing networks, knowledge, and community relationships.

NGOs can support rural livelihoods by encouraging risk management, risk mitigation, and adaptation.

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