



Microinsurance Catastrophe  
Risk Organisation

# MiCRO and Fonkoze:

First-Year Experiences with Catastrophe Insurance for Haitian  
Microentrepreneurs



**Fonkoze**  
fondasyon kole zepòl

# Introduction to MiCRO

*Microinsurance Catastrophe Risk Organisation (“MiCRO”)*

**MiCRO** is a licensed (re)insurance company focused on the world’s most vulnerable people that issues customized (re)insurance protections for catastrophic events tailored to the insured's specific needs.

## **Vision**

The vision of MiCRO is a world in which the uninsured have access to affordable and appropriate risk management tools that are essential to escaping poverty.

## **Mission**

To empower those living in poverty to take an active role in managing their risks in a sustainable and fair manner by bridging the divide between global markets and the most vulnerable.



*MiCRO currently provides coverage for Fonkoze’s approximately 60,000 female Haitians microloan borrowers. In 2011, the program paid out \$1.9 million to 6,794 clients who suffered from qualified catastrophic losses, averaging approximately \$280 per client*

# Introduction to MiCRO

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## *MiCRO's Capabilities*

### What Makes MiCRO Unique?

- Industry first combined parametric and basis risk transfer solution
  - Parametric indemnification allows for fast and efficient claims payments
  - Basis risk coverage helps mitigate potential deviations from the parametric triggers and actual losses
- Innovative structure that uses local partners to aggregate micro-risk, and international (re)insurers to price, manage and retain this risk

### Product Details

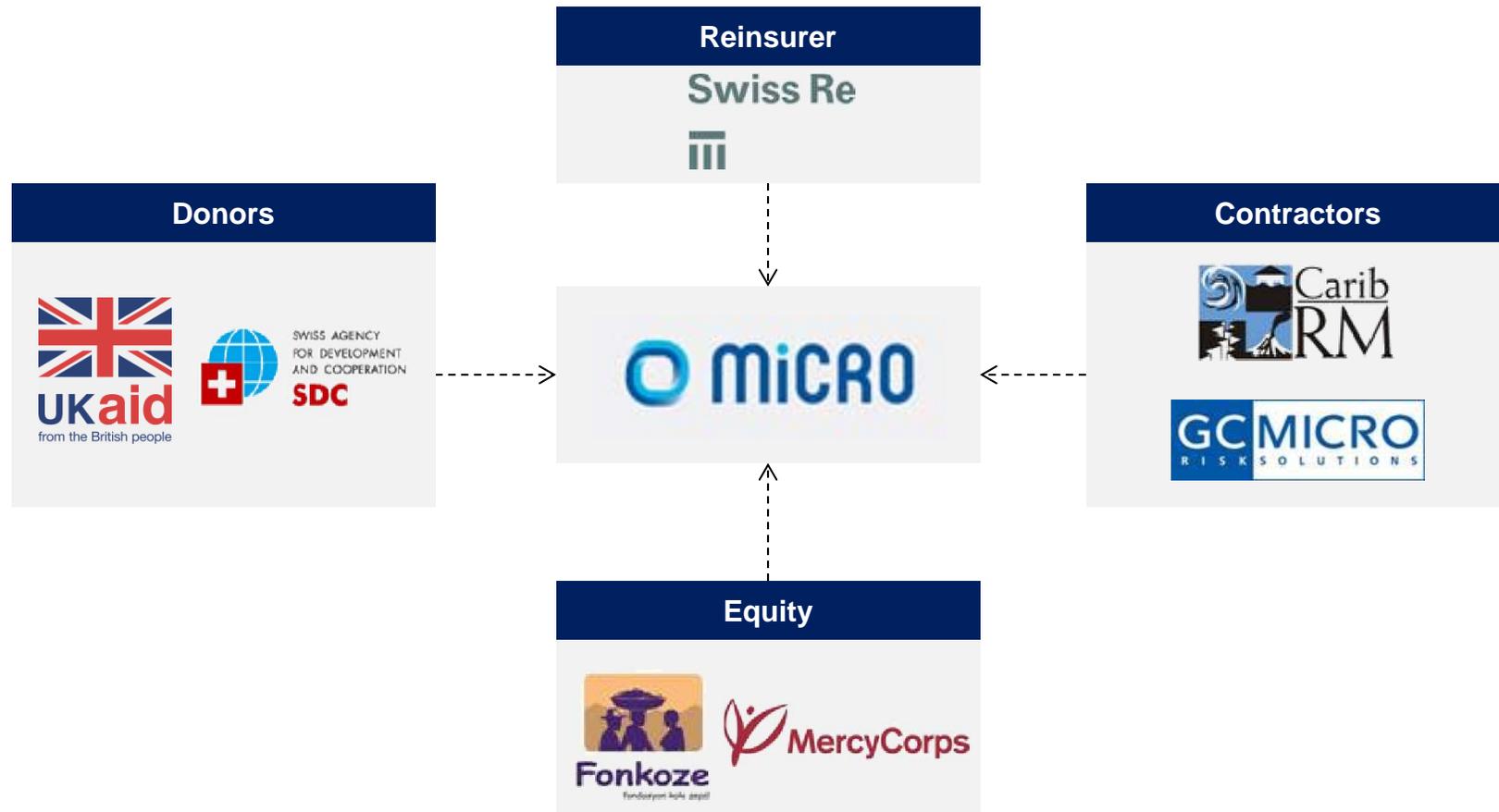
- Catastrophe coverage provided by MiCRO takes advantage of the cost and expediency of parametric insurance
  - Buffers microfinance institution (“MFI”) clients against basis risk by offering them the option to purchase basis risk coverages
- Efficient bridge between the micro and international insurance markets

### Features

- **Customisable:** protections can be created for almost any kind of entity
- **Replicable:** can develop catastrophic risk transfer solutions in any region
- **Efficient:** parametric policy streamlines the programme administration and payout process
- **Interest alignment:** cell structure enables segregation of regional / company liabilities

# Introduction to MiCRO

## MiCRO's Partners





# Fonkoze's Kore W Program

## *Overview and Concept*

- Fonkoze's *Kore W* program is the way MiCRO's insurance coverage is sold, distributed, and implemented for Fonkoze's 60,000 microcredit clients
- After years of watching clients build their assets only to get wiped out by hurricanes, floods, or the earthquake, Fonkoze decided it was time to seek out a better solution to help clients protect themselves before they experience losses.



# Fonkoze's Kore W Program

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## *Program Planning and Design*

- Although the insurance was not yet in place, the January 2010 earthquake allowed Fonkoze the opportunity to pilot test the proposed payout structure with support from Mercy Corps, the American Red Cross, and other donors.
- Clients affected by the earthquake received:
  - \$125 emergency cash payout
  - Cancellation of outstanding loans with Fonkoze
  - Eligibility for new loan when ready
- Clients paid a small, retroactive premium in order to instill the concept of paying for insurance

# Fonkoze's Kore W Program

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## *Product Rollout and Client Training*

- Product rollout began in January 2011
- Six-month, large-scale training program was launched from January-July 2011
  - 23 trained trainers held training sessions with 100% of clients before they paid for their insurance premiums
  - Training topics included:
    - What does the insurance cover?
    - How does a client make a claim?
    - Why is this insurance product important to clients?
    - What is the cost of the insurance and how do clients enroll?
  - Branch-level staff also underwent training on the product and have since assumed all client training responsibility after initial six-month rollout period

# Fonkoze's Kore W Program

## Structure

- 100% of Fonkoze's group-lending clients are covered by obligatory catastrophe insurance, which protects each client if their merchandise, home, or place of business is severely damaged by a natural disaster.
- The majority of clients pay 3% of their loan amount for coverage
- When a rain, wind or earthquake event occurs, clients submit their claims through their Solidarity centers
- **Qualifying losses provide the following payout:**
  - Reimbursement of the client's existing Fonkoze loan balance
  - A 5,000 HTG (~US\$125) cash payment
  - A new loan to recapitalize their business when the client is ready



Total Time From Event Occurrence to Basis Risk Payout: **30-45 Days\***

# Fonkoze's Kore W Program

## Loss Assessment Process



Elected "center chiefs" survey damage to member businesses and homes



Specially-trained Fonkoze staff facilitate a center discussion of losses suffered to identify qualified clients



Fonkoze staff perform audit of borderline and disputed cases to ensure accurate adjustment



Approved claims are paid out into client deposit accounts for withdrawal at any time



Clients who are ready receive new loan disbursement to rebuild their businesses



# Fonkoze's Kore W Program

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## *2011 Results*

- **\$1.9 million USD paid out to nearly 6,794 beneficiaries**
  - Average of \$280 per beneficiary
- **Average payout time: 45 days**
- **Claim acceptance rate: 63%**
- **Dropout rate: 10% (lowest in Fonkoze's history)**
- **Growth rate (new clients): 18%**
- **Comprehensive First-Year Evaluation revealed challenges, successes, and areas for improvement in 2012**

# Fonkoze's Kore W Program

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## *2012 Operational Improvements*

- Integration of Technology into data collection process
  - Staff has begun using 3G internet sticks in order to send in damage evaluations from the field. Tablet devices are also currently being pilot tested in order to perform damage evaluations. Both technological improvements are reducing payout times for clients.
- Implementation of Early Warning System for Center Chiefs
  - A database of center chief phone numbers was developed and used to send early warning SMS's to over 800 clients in advance of Tropical Storm Isaac in August 2012
- Retraining of Damage Facilitation Staff
  - All damage facilitators have undergone a retraining in July 2012 to ensure accuracy in the damage assessment process. Other topics in the training included reviewing policies and procedures and practicing consensus-building among client
- Improvements to data collection forms for center chiefs
  - Change to center chief inventory forms gives a more useful explanation of damage on the ground

# Key Learning Points

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1. MiCRO has created an innovative combination of parametric and basis risk insurance products.
2. Developing partnerships, piloting, and training is vital for successful product launch.
3. Tapping into existing organizational structures and local conditions can increase product efficiency and effectiveness.
4. Fonkoze has used monitoring and evaluation to harvest lessons learned and improve its product.
5. While challenging, catastrophe insurance can work for the world's poorest populations

For more information...

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# Appendix 1

## Structural Overview of MiCRO Payouts

