Microinsurance and Disaster Prevention - Reducing vulnerability of the poor

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Munich Re Foundation
From Knowledge to Action

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The year 2005…
Floods India - 24.7.-5.8 2005
Microinsurance and disaster prevention

**Hurricane Stan**
October 2005
Floods/landslides Guatemala, Mexico, El Salvador, Nicaragua
Hurricane Wilma
21 October 2005

– Strongest Hurricane in history (lowest central pressure 882 hpa)
– Strong devastations Mexico (Cozumel)
Great Weather Disasters 1950 – 2005
Economic and insured losses

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Billion US$ (2004 values)

- Economic losses (2005 values)
- Insured losses (2005 values)
- Trend of economic losses
- Trend of insured losses

Total Number of Natural Disaster Events by Country 1980-2005

Natural Disasters 1980 - 2005
Aggregated number of events per country

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Total Number of Deaths and People Affected by Natural Disasters by 100,000 Inhabitants 1974-2003
Insurance Density Non-Life (%)
Microinsurance and disaster prevention

Insurance Density Life (%)

- n.a.
- uninsured
- 0 - 0.5
- 0.5 - 1
- 1 - 2
- 2 - 3
- 3 - 5
- > 5

Data Source: Munich Re, 2004
What is Microinsurance?

– Of the two billion people living from less than two dollars a day only ten million have access to insurance

– Microinsurance is insurance for the poor (people living from less than 1-2 dollars per day)

– Microinsurance provides affordable access to insurance to a segment of population, which until recently was generally ignored by the traditional insurers

– Existing programs were in most cases developed for health or life insurance.

– Property as well as agricultural insurance schemes are still rare but underway.
Microinsurance and disaster prevention

**ASSEF Benin – Health Insurance**

Premium: approx. 0,75 EUR/month
Clients: 2500

- 70% coverage of health care expenditure at primary and secondary health care levels; cost-sharing of 30%

- Focus on specific needs of women and children

- Both visibility (primary level) and protection against major risks (secondary level including surgery, hospitalisation)

- The partner HC providers deliver not only generic medicines but also specialties and brand-name medicines
Microinsurance and Poverty

– Certain events create economic hardships, e.g. death, illness, disability, natural disasters, old age (without continuing income)

– Insurance, especially microinsurance can help smooth out these volatilities by providing immediate and necessary funds, which otherwise would not have been available

– It puts the person back on his feet and to self sustainability
Poverty and Disaster Prevention

Hohenkammer Charter
The 10 most important challenges for optimised risk prevention

1. Poverty
   People living in poverty are especially vulnerable; poverty relief is therefore a key element.

2. People - Disaster prevention efforts must reach or start with the people in the areas at risk.
3. Decision-makers - The swift implementation of viable preventative measures presupposes the committed involvement of decision-makers from communal to national government level.
4. Dialogue - The exchange of views between those concerned must be actively pursued in order to achieve a common understanding of the problems and solutions.
5. Partnerships - Politicians, trade and industry, scientists and those affected have to cooperate better and more efficiently. Alliances – public-private partnerships – have to be infused with life.
6. Development policy - Risk prevention has to be singled out as one of the central components of development cooperation and national programmes, and implemented accordingly.
7. Propagation - Promising risk prevention initiatives that currently exist at communal level must be transmitted and propagated worldwide.
8. Incentives - Political, legal and economic incentives are called for, to support investment in disaster prevention, and to accelerate the processes involved.
9. Insurance - Risk transfer, such as insurance and solidarity networks, helps reduce the vulnerability of governments and people in risk situations.
10. Awareness development - Developing awareness is the key to the implementation of adequate measures before disaster strikes.
Microinsurance Challenges

- Access to micro services and products is either costly or unavailable
- Low cost distribution
- Lack of understanding of the concept, the products and the value of insurance
- Illiteracy and language barriers
- Lack of demand based, consumer driven, culture biased product development and subsequent delivery
- Providing a commercial solution which can effectively subsidize a poverty mitigation antidote is a challenging task, unless it is mandated by the government like e.g. in India or South Africa
- Without stronger engagement of donors or increased public-private partnerships as well as availability of service providers, quality medical programmes remain unaffordable
Of the four billion people on earth today who live on less than two dollars a day, fewer than ten million currently have access to insurance.

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Thank you for your attention!

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