

Insurance & Disaster Risk Management

Oxfam Case Study from India

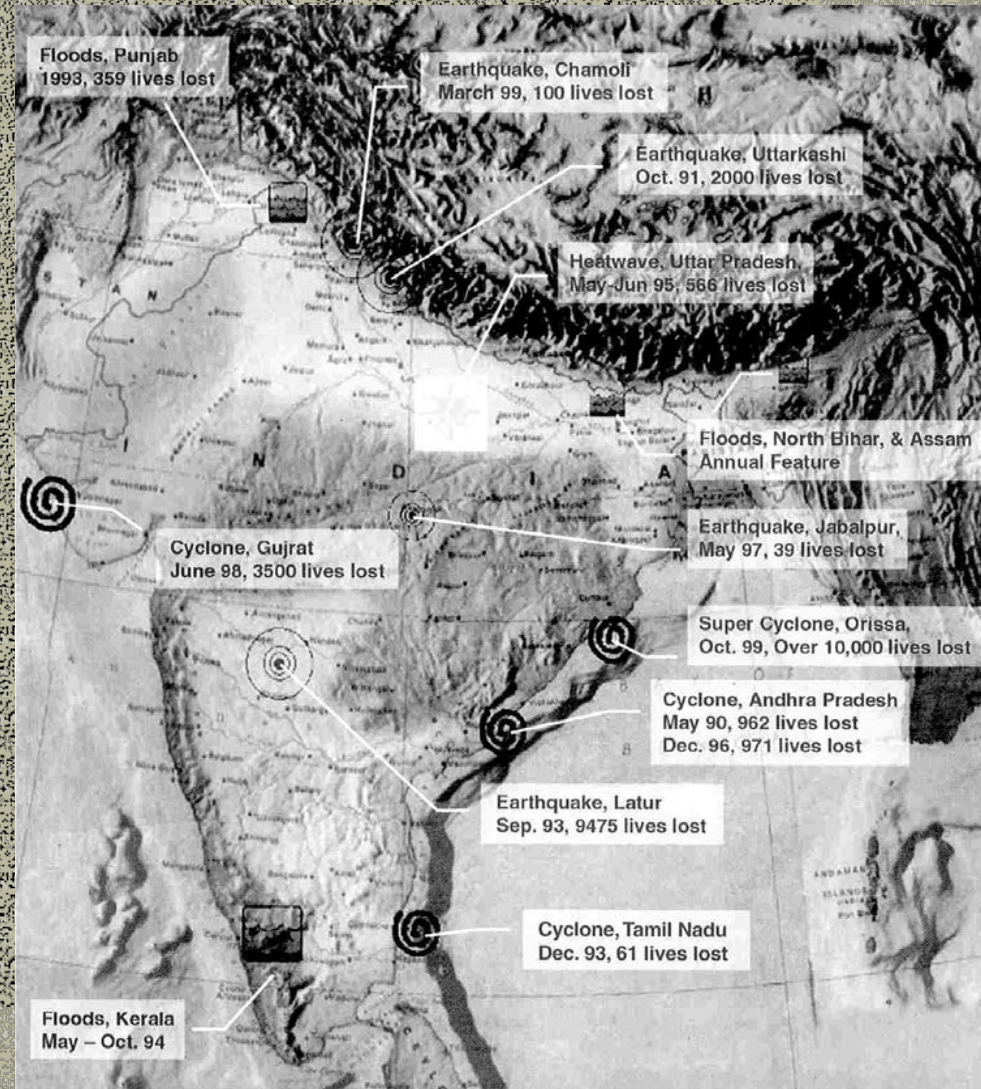


Disaster Insurance

- Reduce the time gap between disaster event and recovery investment.
- Guaranteed financial support in the aftermath of a disaster
- Compensation as a right with dignity not as a charity.
- Share disaster losses horizontally and vertically to reduce suffering.

India Hazard Profile

- 60% of land mass prone to earthquakes & 40 million hectares (8%) of landmass prone to floods
- 8000 Km long coastline with two cyclone seasons
- 68% of the total area vulnerable to drought
- 2.3 million houses damaged annually
- 8041 k.m coast line exposed to tropical cyclones
- 1 million houses damaged annually
- US\$ 15059 Millions public infrastructure exposed to natural hazards risk





Reactive Public

- **Lack of Public awareness and appreciation on the need for Disaster Preparedness**
- **Lack of Public awareness and policy interest on disaster risk reduction and transfer approaches.**
- **Media & Civil Society treats disasters victims with curiosity & sympathy & ad hoc activism-don't show same enthusiasm on strategies for disaster risk reduction & transfer.**
- **Academic & Scientific Knowledge on disaster economic and insurance issues seldom transfers into practice, due to lack of access to communities**

Resilient Communities

Taking Control over Risk





Community Organization: Micro Finance Institutions

- Support day today consumption, debt recovery and economic activity
- Micro Finance Institution is an entry platform, which creates self confidence & collective management of difficult challenges.
- Provide opportunity for Integrating disaster risk reduction strategies in practices
- Micro Finance Groups in disaster conditions could also provide organized first phase response.



Opportunities for Insurance Promotion

- Scattered examples of Successful Triangle partnership between community based organizations, government departments and Insurance companies-especially in drought prone areas.
- Government occasional intervention to ensure timely claim release in the event of drought-encouragement to communities.
- The increasing habit of Saving among rural communities- provide opportunity to link to insurance as an additional strategy of risk reduction.



Context of Risk to Communities

Assets:

- Large number of families use low cost tools to earn livelihoods-high value for them & insignificant for financial institutions.
- The Frequent small scale disasters don't get the attention of external stakeholders, but do cause recurrent damage to the marginal sections.
- Absence of risk perception in collective sharing and savings mechanisms



Constraints in Insurance Promotion

- Communities prefer comprehensive coverage, insurance companies want to sell individual units.
- Lack of appreciation & sensitivity on the need for timely processing of claims in the past.
- Insurance is not perceived as useful investment by communities thinking that returns are not guaranteed/not visible.
- Approach of group or territory based products instead of policies aimed at families/small communities.
- Confusion created by Non Banking Financial Institutions-some of those have cheated communities causing lack of trust.



Perspective of Insurance companies

- General insurance policies touches sentimental aspects of individual-due to lack of awareness.
- Cost of procurement is very high
- Time factor. One has to go a family person not less than 3 4 times.
- The distance to travel
- All this for a very low premium!

Oxfam's Community Level Preparedness

- Village level contingency plan development.
- Identify potential hazards, who and what is at risk.
- Identify evacuation routes and safe structures.
- Contingency fund for the use in distress situation.
- Formation of Task Force Groups



Oxfam's Experience in South India

- Insurance companies were not interested because it involved a lot of man days and paper work to provide insurance for hundreds of families for a premium which was not high.
- Oxfam Trained the task force members (village disaster management volunteers) in doing the job of an insurance agent.



Oxfam Approach

- Provided initial funding to the Micro Finance Group. The group extended the premium amount as a loan, which communities repaid on monthly instalments.
- *In a few villages communities preferred to use disaster contingency fund to pay insurance premium*
- Disaster Contingency funds could serve as a shield for the savings of micro finance institutions from the threat of post disaster financial dependency on them by the members.



Oxfam Approach

- Repayment remains with local disaster Contingency fund managed by the community.
- Volunteers have also been assisting the communities in the claims process. Getting insurance claim is some thing that the communities have never imagined.
- These days the Insurance companies are proactively approaching NGOs and CBOs to do the insurance for the poor. This development shows that the model can sustain without the support of donors.



Insurance Coverage for 2004-2006

House/Persons Insured	Risk covered	Insured Amount in Rs	No. of House / person covered	Premium Amount For two Years Rs	Total Premium Amount Rs.
Thatched house	Fire, Wind, Flood & Earth Tremors	15,000 (\$333)	465	184 (\$04)	85560 (\$1901)
Content & Assets	Fire, Wind, Flood & Earth Tremors	5000 (\$111)	465	54 (\$12)	17,712 (\$393)
Concrete House	Fire, Wind, Flood & Earth Tremors	45000 (\$1000)	368	50 (\$11)	33750 (\$750)
Adult Male & Female	Janata Rajswani	50,000 (\$1111)	1400	50 & 40 (\$11 & 0.8)	44888 (\$997)
Male & Female child	Janata Bagyasree	25000 (\$550)	1185	26 & 34 (\$0.5 & 0.8)	35106 (\$780)
Total Premium amount for two years					200168 (\$ 4448)



Lessons Learnt

- Awareness building at the community level should match with the awareness building of the insurance agencies on the potential of insuring vulnerable communities.
- In India engagement with the insurance industry should take place at three levels, i.e., District level Managers-to design policies suitable to the communities in that district, state and national insurance managers-to change their mind set to see the potential of rural insurance



Lessons Learnt

- It is not very difficult to design policies suiting to the **target groups**. Most of the insurance agencies have policies catering to rural market, which with a few modifications and **customization** can be adapted to cover the needs of the vulnerable groups. Their needs essentially are comprehensive coverage to their lives, houses, livelihood assets such as boats, cycles, looms etc. and coverage for natural hazards and normal accidents.
- Crucial is the **integration of insurance linked disaster preparedness** perspective in all the development planning and activities of the local governments. This will reduce the transaction cost for the development agencies and provides protection to the development investment.



Lessons Learnt

- In today's competitive environment, several insurance agencies are doing aggressive marketing. They tie up with several NGOs, without doing a proper audit of the performance and credibility of the NGOs. If any fraud takes place in this process, the communities could develop resentment to the whole concept of insurance.
- Culture of risk perception and contingency strategy is more important than some how meeting insurance costs.

Lessons from US Disasters

- Panic struck Insurance companies announced a series of evasive measures.
- Extraordinary delay in claim process-first cheque was handed over after a few months and more than most claims still pending and most of them were in Transit shelters when I last visited in May 2006.



Lessons from Katrina

- Some of the major insurance company in the US have **stopped selling policies** in disaster vulnerable regions like California, Florida & Mississippi.
- While many insurance companies pulling out from the coastal market, those who remained **raised the premium rates by 30 percent**.
- **Empowered community** can face a disasters much better than an empowered individual.
- Disaster risk should be shared **both horizontally and vertically**.





THANK YOU

N Hari Krishna

Oxfam America

Chennai, India

hkrishna@oxfamamerica.org

+91 9347027549

+ 91 44 43212712

www.oxfamamerica.org