

INNOVATION SHEET

Risk Diversification and “Scaling-up potential”



Microinsurance Catastrophe
Risk Organisation



MiCRO's products are simple to understand, connected with tangible services and designed using a widely applicable insurable interest. These three elements facilitate the "replicability" of the model with other aggregators and in other jurisdictions, whilst ensuring that the product responds to specific and relevant needs.

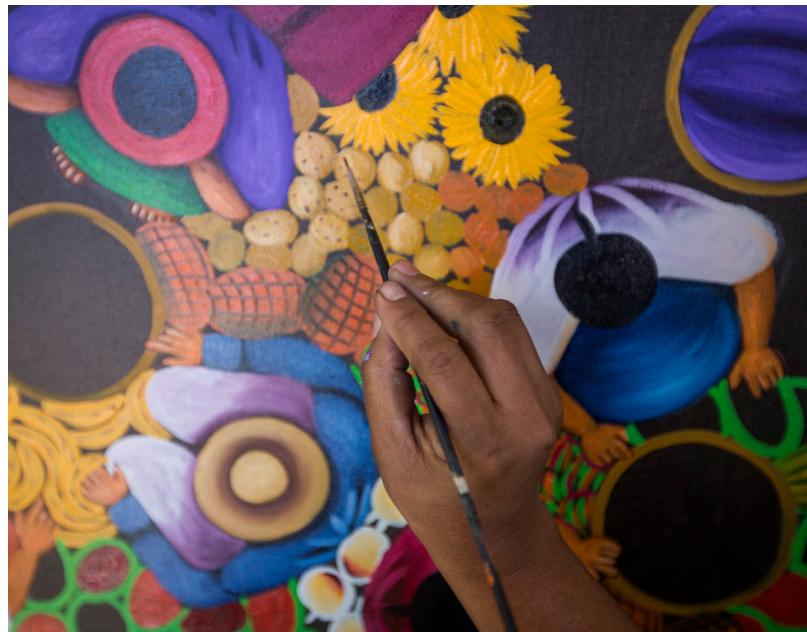
New technologies are considerably changing the landscape for insurance globally and bringing new developments and opportunities for parametric insurance. “New data sources and analytical tools are changing risk models, machine learning applied to satellite imagery is changing agricultural and disaster insurance, and identity and onboarding solutions are lowering the cost of operations while providing more convenient on-demand service.¹”

¹ Inclusive Insurance: Closing the Protection Gap for Emerging Customers, Center for Financial Inclusion

Strategies that are appealing, affordable and profitable

Central America is a region that is highly exposed to natural hazards and climate change is making natural disasters an even more common occurrence.

Earthquakes, excess rain, droughts, etc. cause indirect and direct damages that are particularly acute for vulnerable low-income populations who lack an adequate safety net. Unfortunately, despite such high exposure, access to insurance against natural disasters is extremely low across all of Central America. Insurance penetration across Guatemala, Honduras, Nicaragua and El Salvador, the initial four Central American countries selected by **MICRO**, is less than 2% (Swiss Re – Sigma Insurance Report, 2015).



MICRO has developed an innovative and holistic risk management set of strategies against natural disasters, based on an index insurance and a value-added program that makes the solution:

- **Appealing:**

through coverage for relevant perils, tailored payouts, value-added services and financial education

- **Affordable:**

through an index-based system using remote sensing and a proprietary IT Platform (**MICAPP**)

- **Profitable:**

through scalable channels and insurable interest, in addition to strategic distribution and product bundling

A truly public-private partnership

Esfuerzo Seguro, the first natural catastrophe index insurance product in Central America covering business interruption, was officially launched in November 2016. It covers the **clients business interruption** caused by **drought, excess rain and earthquake**. Esfuerzo Seguro is currently being offered by Aseguradora Rural to clients of Banrural in Guatemala. For more information on Esfuerzo Seguro watch this **video**(▶).

In addition to the index insurance, clients receive **information and incentives** to help them adopt measures that reduce **risk and strengthen resilience against natural disasters**. This is possible with the support of several organizations, especially the Coordinadora Nacional para la Reducción de Desastres de Guatemala (CONRED), with whom **MICRO** partners to promote resilience to natural hazards in the country.

Esfuerzo Seguro was designed and implemented in the context of the Central American Disaster Microinsurance Expansion (CADME), a program executed by **MICRO** with the support of the Swiss Development Agency (SDC), the Multilateral Investment Fund (MIF) managed by the Inter-American Development Bank (IADB), the Australian Aid, Swiss Re, Mercy Corps, and KfW through its Climate Adaptation Platform (CAP), **a truly public-private partnership**.



- is a fully focused "micro-reinsurer"
- fills the gaps between global and local markets
- offers solutions for a broad target market, not limited agro clients
- applies cutting-edge technology to expand insurability boundaries
- developed its own calculation platform (**MiCAPP**)

"Scaling-up potential"

Once infrastructure is established and implemented, **MICRO** is able to build capacity to diversify and scale-up the solutions.

MICRO is a reinsurance company that specializes in sustainably providing natural catastrophe protection for the vulnerable and low-income segments of the population by applying cutting edge technology to expand traditional insurability boundaries and unlock new possibilities for distribution and payouts.



MICRO's calculation platform ("**MiCAPP**") continuously monitors and extracts data from predetermined scientific sources (e.g. NASA, USGS), unpacks the scientific data files and calculates them using complex algorithms to match the readings against predetermined levels, and issues a loss report when a triggering event is detected, which is accepted by all stakeholders as the undisputable base for payouts.

MiCAPP's processes are done automatically, with no human hand involved. It is an independent software platform that can also be accessed via a web-graphic interface to download all the reports generated in each policy period duration. **MICRO** has registered **MiCAPP** in Guatemala with the Intellectual Property authorities and provides access to it to all involved stakeholders.

Additionally, by providing direct technical assistance and product development to a wide range of partners, **MICRO** is building and developing local capacity at different levels, a key element that will enable the offer of different index-insurance products in the market over time, and allow consumers to choose the products that fit the most to their needs and particularities.

Visit our website (www.microrisk.org) and social networks to keep informed of news on how **MICRO** will unlock new possibilities for distribution and payouts using technology and a client centered approach.



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Partners:

