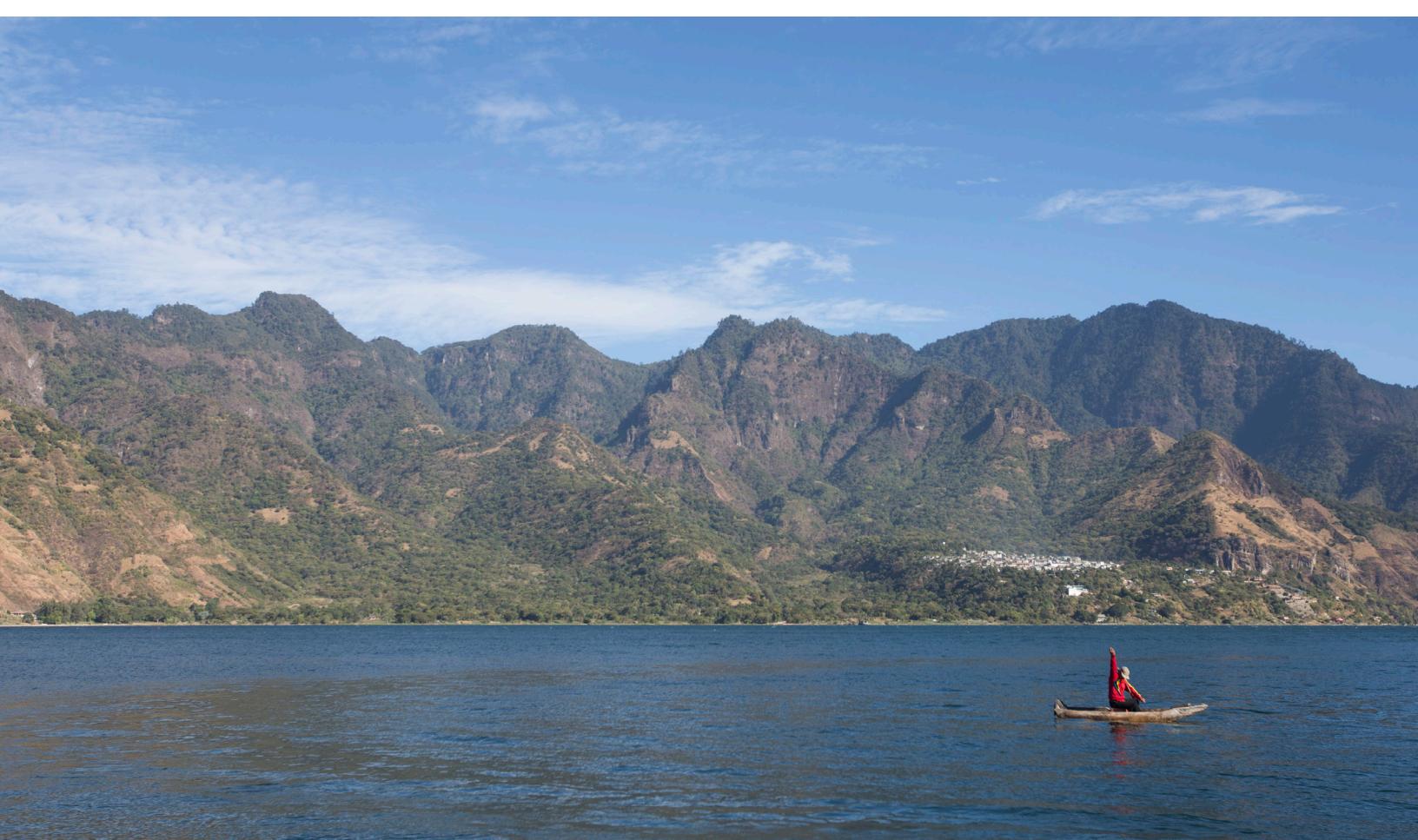


INNOVATION SHEET

Value for Clients and Consumer Protection



Microinsurance Catastrophe
Risk Organisation



Latin 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 the region.

For instance, insurance penetration across Guatemala, Honduras, Nicaragua and El Salvador, the initial four Central American countries selected by MiCRO, is less than 2%.¹

To meet this need, MiCRO expanded into Guatemala and El Salvador with the objective of designing and implementing an **affordable, sustainable and holistic risk management solution**.

MiCRO has the support of a number of organizations such as the Swiss Development Agency, the Multilateral Fund (FOMIN) managed by the Inter-American Development Bank (IADB), Swiss Re, KfW, Australian Aid, and Mercy Corps to develop a comprehensive program to affect change in the low income business owner population.

¹Swiss Re Sigma Report, 2015.

MiCRO'S Solution

MiCRO's approach has two major components, an index-based microinsurance product, that operates with a proprietary technology platform which registers triggering events and issues loss reports, and a value-added program that includes a financial education program and is designed to make low-income entrepreneurs more resilient, competitive and to improve their standard of living.

MiCRO's product in Central America is an index-based microinsurance policy which provides business interruption insurance against the selected natural hazards of excessive rainfall, severe drought, and earthquakes. Claim payments vary based on the level of deviation of the corresponding index from historical averages.

Partnership Management

MiCRO manages a diverse network of stakeholders that includes individual consumers, distribution aggregators, local insurers, reinsurers, advisors and partners, donors and investors. Every single stakeholder is key in supporting our holistic risk management solution.

Figure 1: MiCRO Network



The end customer, low-income farmers and microentrepreneurs, typically lacks understanding about insurance products in general and about mechanisms that can reduce their risks and improve their preparedness. Through its local partners, MiCRO delivers an insurance contract to this population and also seeks to provide additional services so end consumers can be more resilient, competitive and can improve their livelihood conditions. More information on MiCRO and its approach in this video (▶).

The product is distributed through local banks, microfinance companies and cooperatives. The existing footprint of these institutions provides the "last mile" of distribution to the clients. Additionally, familiar community relationships build trust in the proposition. MiCRO provides services to its local partners to increase the branch-level staffs' knowledge in risk management, parametric insurance, and technology.



In Guatemala, **MiCRO** partners with the bank Banrural. The bank created two credit lines that bundle the index-based insurance coverage, one for microentrepreneurs and one for smallholder farmers. Anyone who receives a new productive loan from Guatemala's Banrural will be able to purchase **MiCRO's** business interruption insurance product.



Local insurers provide the first level of risk indemnity. Aseguradora Rural, part of the Banrural Financial Group, fills this role in Guatemala. Established in 2007, the mission of the insurer is charged "with the mission of taking the benefits of insurance to the entire population of the country". SwissRe is the participating reinsurer in Guatemala and El Salvador.

The final groups in the network are the advisors/partners and donors/investors. Current participants include the Swiss Development Agency, the Multilateral Fund (FOMIN) managed by the Inter-American Development Bank (IADB), KfW through its Climate Adaptation Platform, Australian Aid, and Mercy Corps. These entities provide funding, guidance, and resources for the education and risk management services provided to the vulnerable low-income population.



Education



Education is critical as the low level of insurance ownership results in a lack of knowledge about the product. Additionally, an indexed insurance product widens the understanding gap as payments are based on indices rather than the losses felt on the ground. To address this, **MiCRO** created a specific *Financial Education Program (FEP)* and a *Value Added Program (VAP)* to build consumer trust and credibility by ensuring that clients are aware of the particularities of index-insurance products.

Education to our partner's staff

MiCRO not only focuses on education to the end consumer, but also make sure that every employee whose role is to explain the product to end consumers, as well as attend to inquiries or complaints, must receive a comprehensive training.

MiCRO together with the local partners has developed a comprehensive package to our partners' sales and customer service staff:

1. Personalized training sessions
2. FAQ booklet
3. Game "Acción Protección"
4. Video of the product (▶)
5. Flyers

Education to end consumers

Every client that purchases **MiCRO's** product must receive a package with the product information presented in a simple, didactic and adapted format. This "client package" contains information regarding the product, its general conditions, as well as how to handle complaints or claims.

The documents and informative material received by end consumers are:

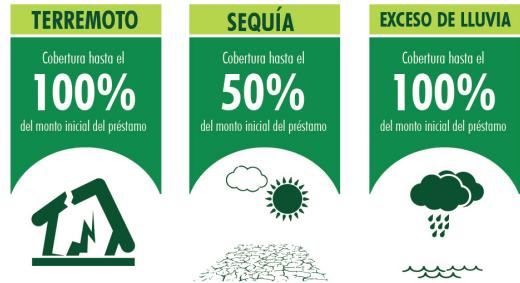
1. Video of the product (▶)
2. Info graphics presenting the product features in a simple way
3. Game "Acción Protección"
4. Prevention Route
5. Client package
6. Welcome SMS
7. In case of a triggered event, clients receive also a SMS communicating the event and the level of payout
8. Flyers
9. Direct number for the consumer service line



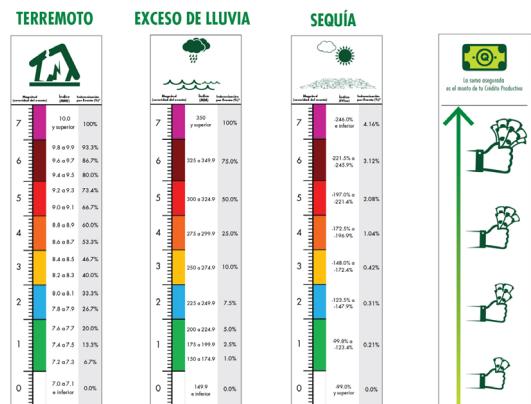
¿Cómo funciona ?

- 1     Te cubre cuando ocurre un desastre natural y alcanza el pánmetro establecido para cada riesgo.
- 2  Los pagos dependen de la intensidad del desastre natural, según la tabla de indemnización, indicada en la póliza de seguro. (Ver tabla en el doce).
- 3  La información de los desastres es enviada a Aseguradora Rural, por fuentes independientes que utilizan tecnología moderna como satélites y otras herramientas.
- 4  Aseguradora Rural te informará por mensaje de texto, cuánto te pagará el seguro.

¿Qué peligros cubre tu ?



TABLAS DE INDEMNIZACIÓN EN CASO DE DESASTRE



*En porcentaje de la suma asegurada

The second goal of **MICRO's** efforts is to provide a set of tangible services that increase the awareness of consumers regarding their risk exposure and the array of tools available to support them to be more resilient.

MICRO and its partners are conscious that risk transfer solutions are only part of the puzzle - a puzzle that will be incomplete if a broader dialogue on risk management for vulnerable populations is not brought into consideration.

An example of efforts to raise awareness about disaster risk preparedness is the *Disaster-Risk Reduction Fairs*. At these community events, individuals participate in a didactic game based on the family emergency plan of the *National Coordinator of Disaster Risk Reduction (DRR) / CONRED*.

So far **MICRO** have organized together with *Banrural* and *Aseguradora Rural* in Guatemala, two risk fairs:

- 1) October 14th, 2017: *Huehuetenango* (550 clients and family participated)
- 2) February 17, 2018: *Chiquimula* (More than 400 clients and family members participated)



The interventions promoted by **MICRO** regarding DRR are:

- Integration of natural disaster preparedness module for partners' staff
- Integration of the risk prevention and preparedness component in the communication strategies to the end client
- Emergency route
- Game "Acción Protección"
- Promotion of the "72 hour backpack"
- Delivery of items for the 72 hour backpack
- Risk Management Fairs
- E-learning platform with games related to the product for partners' staff



Client's playing the game *Acción Protección* at the fair in *Chiquimula*

In the risk fairs, the importance of properly managing the risk of natural disasters, and the knowledge of **MICRO's** product are promoted!

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!