



Micro-Insurance for Post-Tsunami Scenario in Andaman & Nicobar Islands

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Micro Insurance

- Micro insurance is the provision of insurance to low income households
- Types
 - Life insurance
 - Health insurance
 - Property insurance
 - Disability insurance
 - Agriculture insurance

Benefits of Micro-insurance

- Effective risk transfer mechanism
- Post-disaster liquidity to low income households
- Break the “cycle of poverty”
- Securing livelihood
- Providing for reconstruction
- Promote investments in productive assets and higher-risk / higher-yield crops
- More dignified means of coping with disaster than *ad hoc* generosity of donors

Limitations


- High cost
- Individuals may not take proper precautionary measures because they are insured
- High risk of insolvency of insurer
- High risk of defaults on claims

Delivery Models

- Full-service model: Commercial or public insurers
- Partner-agent model: Commercial or public insurers + Microfinance institutions or NGOs
- Community-based model: Local communities + MFI + NGOs
- Provider model: Banks or other providers of microfinance

Characteristics of Disaster Risk

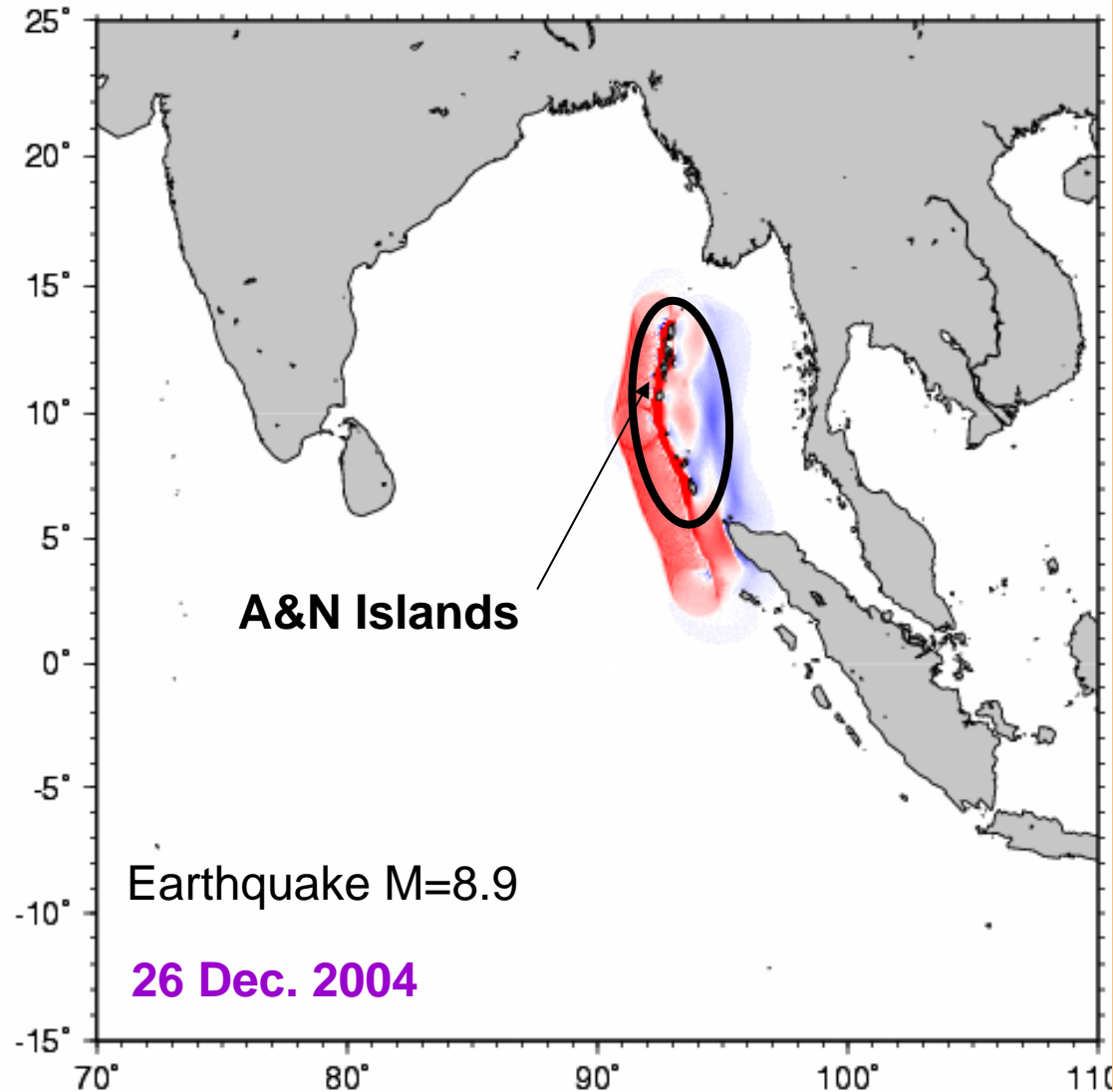
- Disaster risks are **difficult to estimate**
- Disasters can **affect large portions** of the population or risk pool at the same time
- Informal safety nets (family and friends) tend to **break down** during disasters
- Disasters cause **multiple losses** simultaneously to life, health, and property (covariant risk)



Micro-Credit Scheme for Post-Tsunami Andaman & Nicobar Islands

2004 Sumatra Earthquake 010 min

Indian Ocean Tsunami

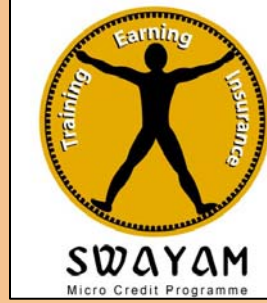


Tsunami Impact in A&N

- Human loss 3,513
- Agricultural land lost
- Fishing sector, tourism, livelihood affected
- Ecosystems affected – forests, groundwater, rock formation
- Marine resources damaged – coral reefs, mangroves, sea grasses



Micro-credit in post-tsunami Andaman - SWAYAM



- Implemented by SEEDS
- Supported by CAP Solidarités & Force of Nature Aid Foundation
- Objectives
 - Address livelihood needs
 - Support income generating activities
 - Self development of beneficiary
 - Disaster preparedness & risk reduction



Micro credit process

- Submission of application & project proposal
- Assessment of project & sanction
- Start of beneficiaries' projects
- Repayment of loan / Monitoring of project
- At end of loan repayment, accumulated interest returned to beneficiaries



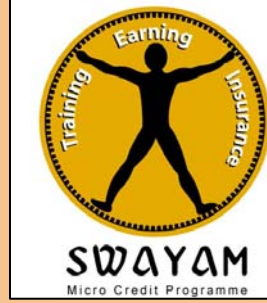
Conditions for credit

- Eligible: individuals, self help groups, cooperatives, cottage industries
- Only income generating activities
- Only short-term projects
- Returns within 1-4 months
- Minimum loan Rs. 4,000 (US\$ 100)
- Recovery starts after first income
- Recovery period 6-18 months



Loan process

- Beneficiary opens a savings bank account
- Loan disbursed through bank
- Repayment of loan made to bank
- After complete repayment of loan, interest amount paid by beneficiary is returned as savings



Loan Beneficiaries

- Fish retailers
- Restaurants
- Retail garment shops
- Electronic repair shop
- Stationery shop
- Computer coaching class
- Seafood export



SHG: Fish retailers



Small restaurant Owner



Petty Shop keeper



Managerial training at the Bank



Insurance of assets

- Livelihood assets created by beneficiaries out of the loan should be compulsorily insured
- Project to pay insurance premium for first year
- Future insurance premium to be paid by beneficiaries



Challenges of credit scheme

- Introducing a culture of loans & savings in a free-aid scenario
- Awareness generation – by community meetings
- Lack of infrastructure – training & capacity building of stakeholders
- Total beneficiaries = 99
 - Organisations = 02
 - Self Help Groups = 23
 - Individuals = 74
- Total loan = Rs. 4,194,800 (US\$ 100,000)

Challenges of insurance scheme

- Most of the beneficiaries from coastal belt
- Insured assets of only 17 out of 99 beneficiaries
- Initially insurance company agreed for low premium rate; but hiked the rate 10 times
- Coastal regulation zone (1993), strict implementation after tsunami: No structure allowed within 500 m of coastline
- Insurance for coastal area still under legal dispute

Thank You



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