

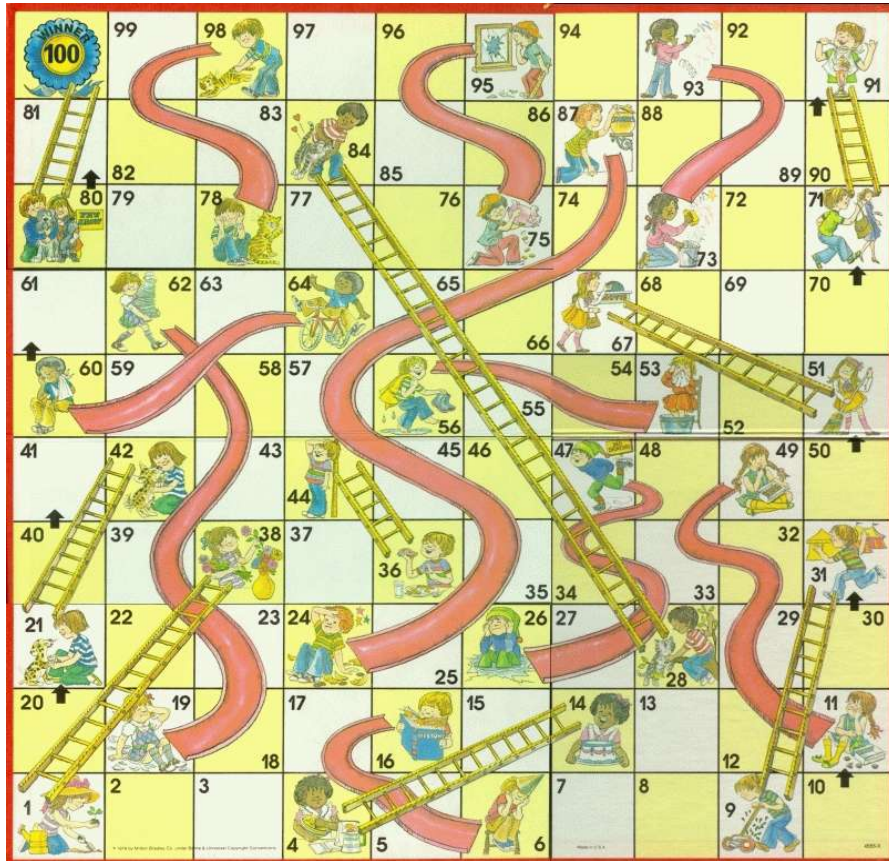
Helping the poor weather life's storms

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President & CEO

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Client Demand: Chutes & Ladders



- The poor face huge risk
- They seek to mitigate risk often informally
- Informal mechanisms are poor value and insecure
- Insurance is safety net

Framework for micro insurance

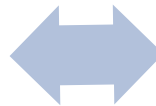
Risk Carrier

- Needs to be a legal entity able to carry the risk in line with regulations



Front Office

- Needs to be trusted (brand)
- Accessible “Point of Sale”
- Low cost way to collect and pay funds to the poor



Back Office

- Design products / processes
- Train sales staff and clients
- Collect, store, report data
- Administrate claims

Introducing MicroEnsure

- Started working on microinsurance in 2002 within Opportunity International
- MicroEnsure established in 2005 as worlds first insurance broker for the poor
- Currently serving 1,800,000 lives globally; life, health and weather index
- Gates Foundation grant; \$25m over 5 years

Why focus on Agriculture insurance?

- Over 2.4 billion people live on <\$2 a day, and despite urbanisation, the majority (75%) are rural.
- In Africa and Asia, farm sizes are shrinking due to inheritance and population growth.
 - In India, average farm sizes went from 2.6h (1960) to just 1.4h (2000)
- Agriculture has a special power in reducing poverty

“Cross-country estimates show that GDP growth originating in agriculture is at least twice as effective in reducing poverty as GDP growth originating outside agriculture”

(World Development Report, World Bank 2008)

- **Munich Climate Insurance Initiative (MCII)**
 - Lobbying group within UNFCCC negotiations
 - Promoting insurance within COP framework as a financial mechanism for adaptation compensation
- **Pilots in Africa, India and Caribbean in 2011**
 - Proof of concept that WII can both protect against climate change and improve productivity (upto 300%)

Weather index products

- Demand from small hold farmers for inputs
- Rural banks and MFI's worried about risk
- Need to mitigate climatic risk but traditional insurance has issues; claims payment slow and pricing dependant on subsidy
- Solution is weather index products
 - Quick and transparent claims trigger
 - Index available for a range of risks

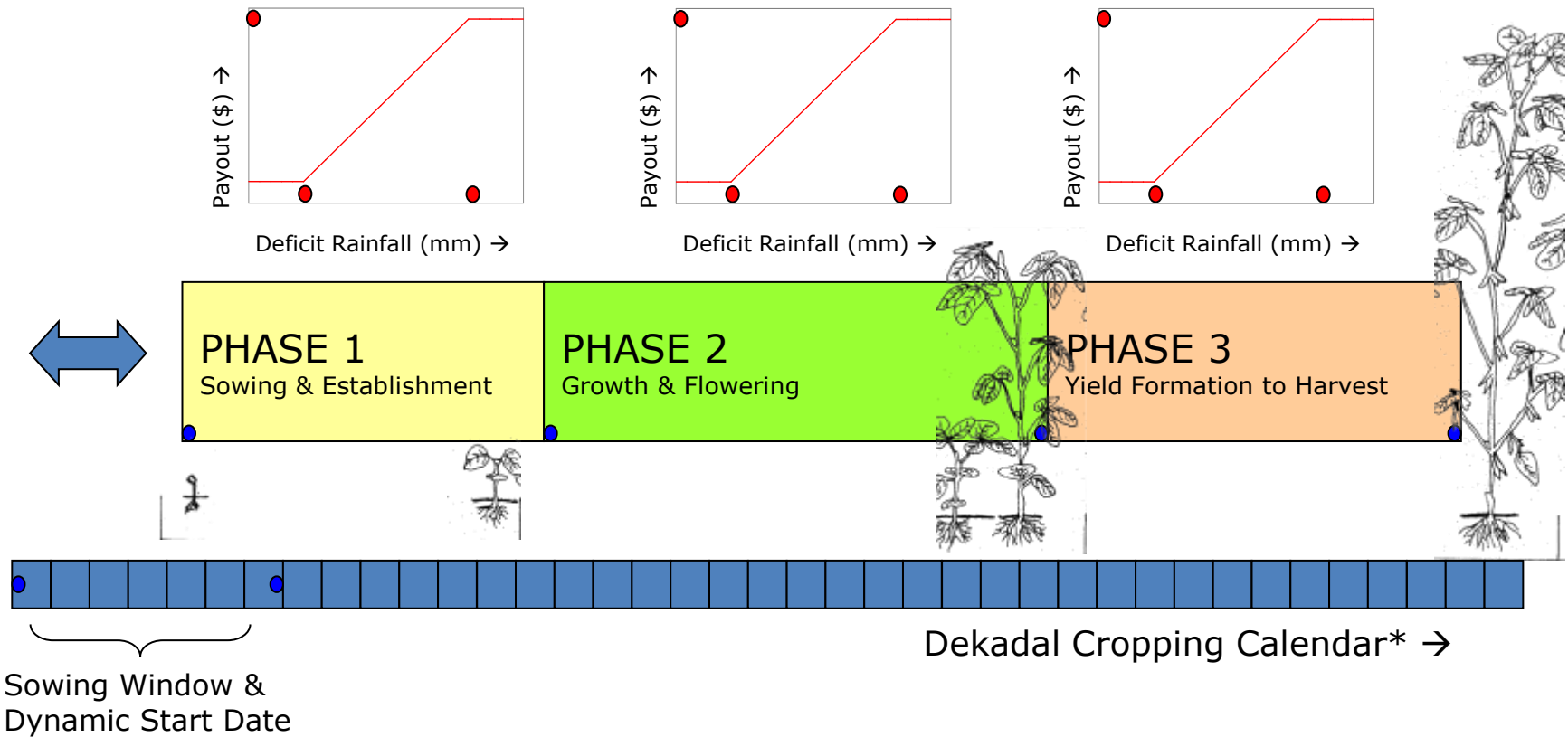
Practical examples

- **Malawi 2005: Groundnut & Maize**
 - Banks worried about drought = no rural credit
 - Used historic rainfall records combined with agronomic data to price drought index insurance
 - Resulted in unlocking credit & significant yield gain
- **Tanzania, Rwanda, India & the Philippines**
 - Not just for drought; also for excess rain & typhoon
 - Index products able to unlock rural credit

Weather insurance impact

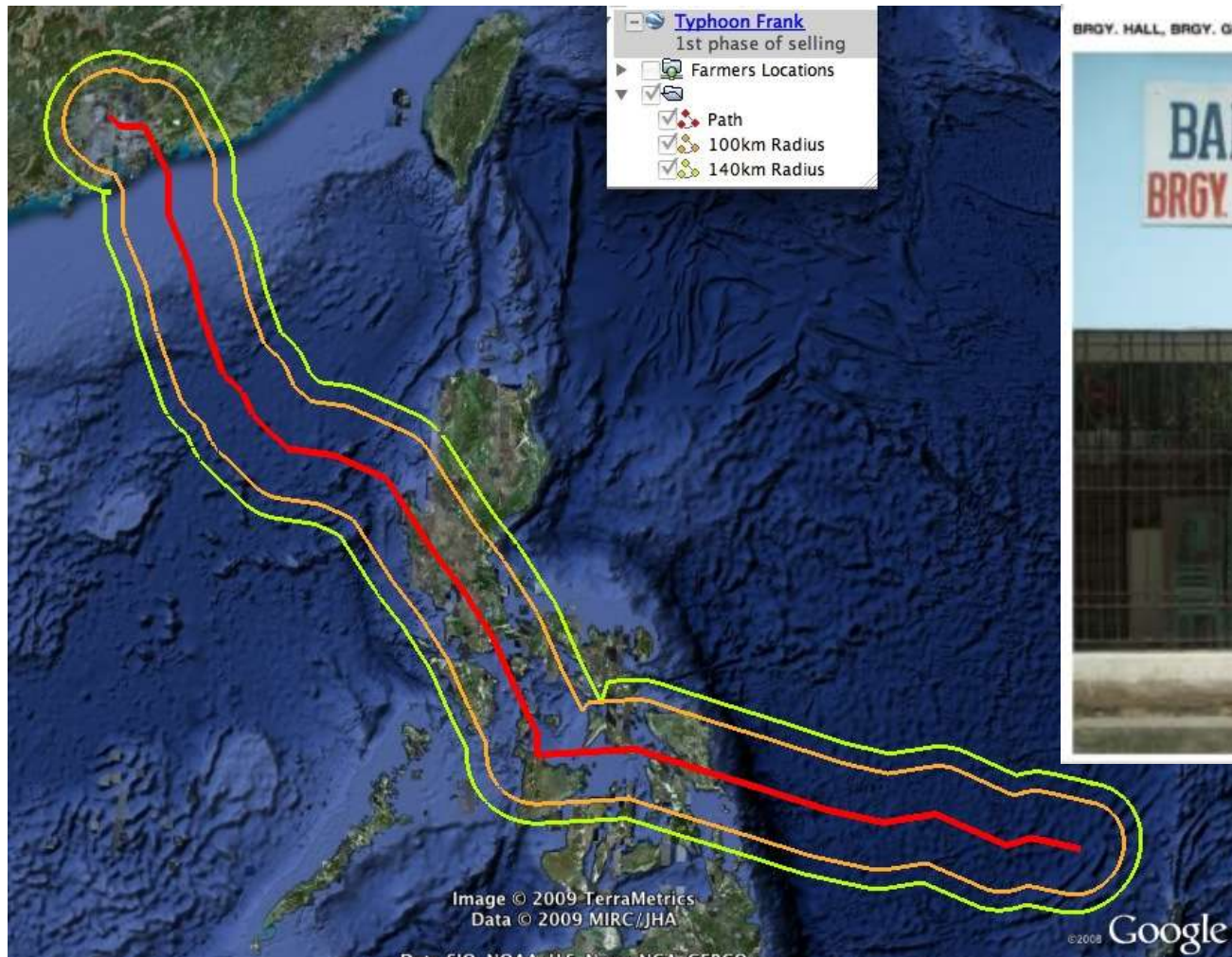


Drought Index products



* Cumulative rainfall per dekad is capped to prevent excessive rainfall impacting the phase-wise total

Typhoon insurance



BRGY. HALL, BRGY. GINES VIEJO



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Benefits of index insurance

- Simple claims trigger
 - Lowers the cost of administration
 - Transparent to the farmer
- Claims paid soon after the event
 - Allows farmers to replant and not miss the season
 - Fits with changing weather patterns
- Small cog in a larger machine
 - Index = loan = inputs + more land used = higher yield

Challenges

- Basis risk needs to be addressed
- Work for areas with one dominant risk or changing weather patterns
- Farmers willingness to pay
- Not enough data or weather stations
- Existing products too rigid - exclude many

Thankyou!

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