

miCRO

Microinsurance Catastrophe
Risk Organisation

Macro, meso, micro: Practical experiences at all levels in parametric insurance

ICII

November 3rd, 2020



Agenda

1. Holistic risk management
2. Parametric insurance
3. MiCRO's experience
4. Lessons learned

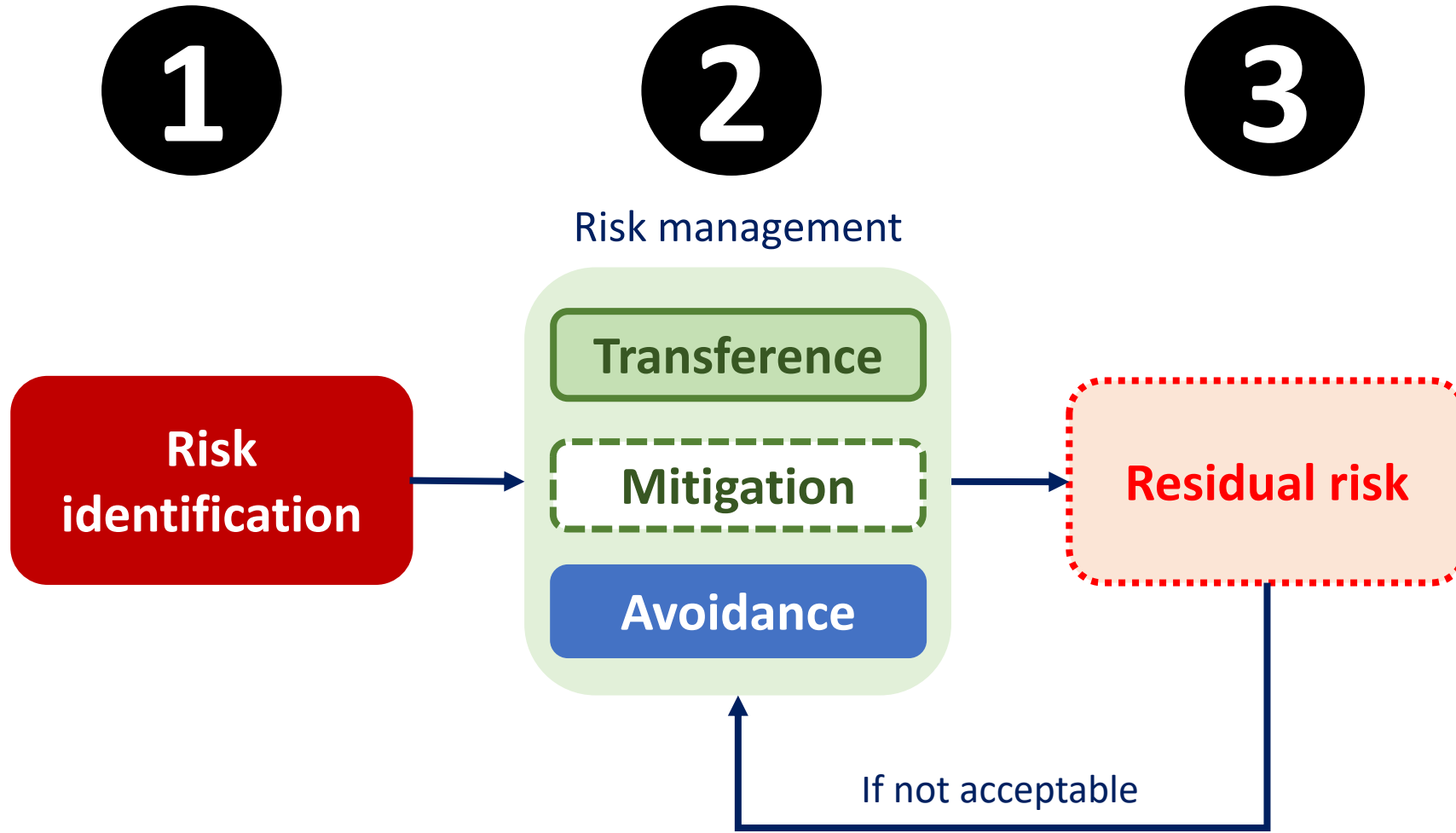
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Holistic risk
management

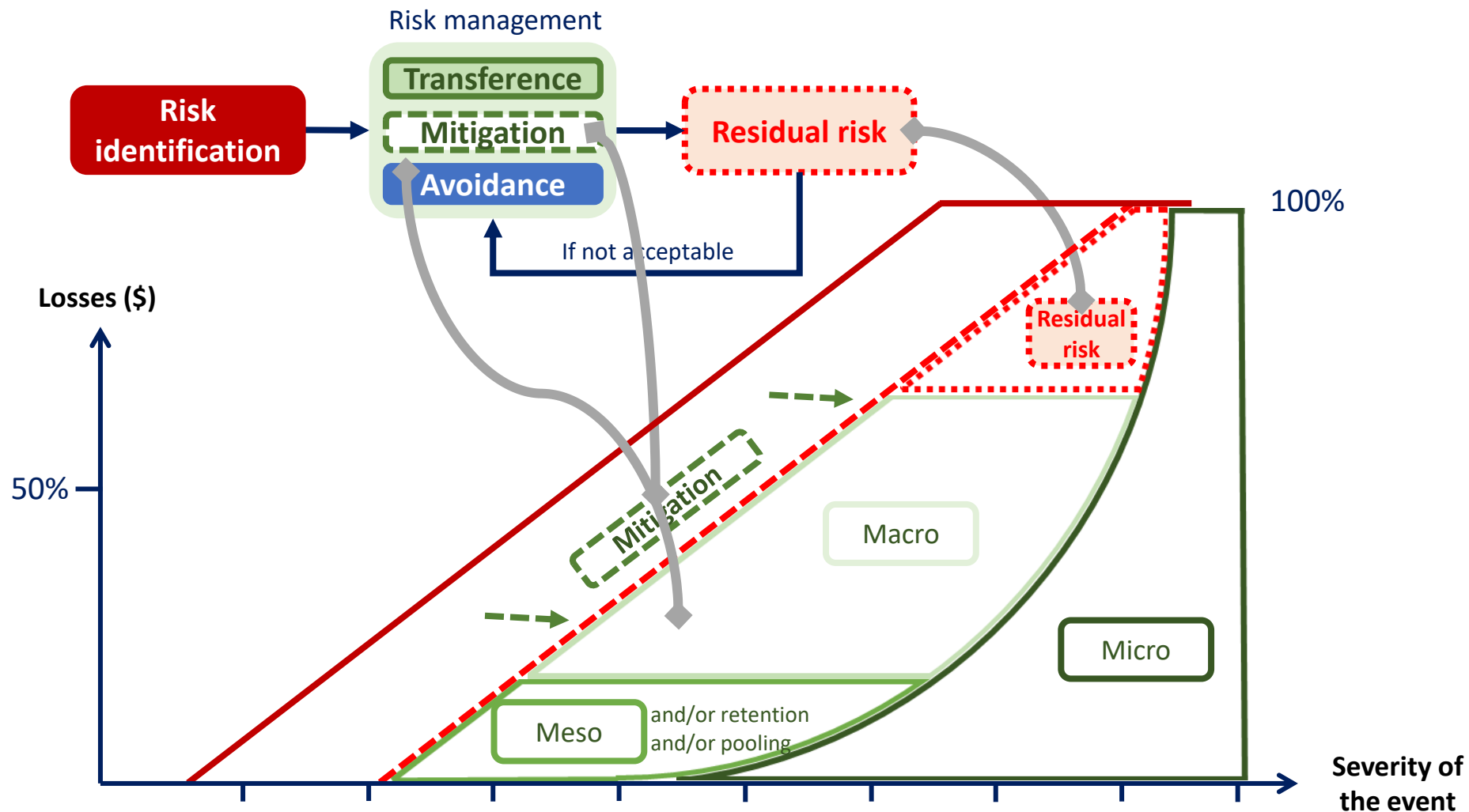
Inclusive insurance: Macro, Meso and MiCRO solutions

Risk transfer alternatives		Other characteristics		
		Policyholder	Premium	Examples
Macro	Government is beneficiary	Government	Government	ARC, CCRIF
Meso	Aggregator is beneficiary	Aggregator	Aggregator	GP
Micro	Individuals are beneficiaries	Aggr., MSMEs or Individuals	Govmt., Aggr., MSME or Individ.	Blue Marble, MiCRO

Risk management process



Holistic risk management to effectively strengthen resilience



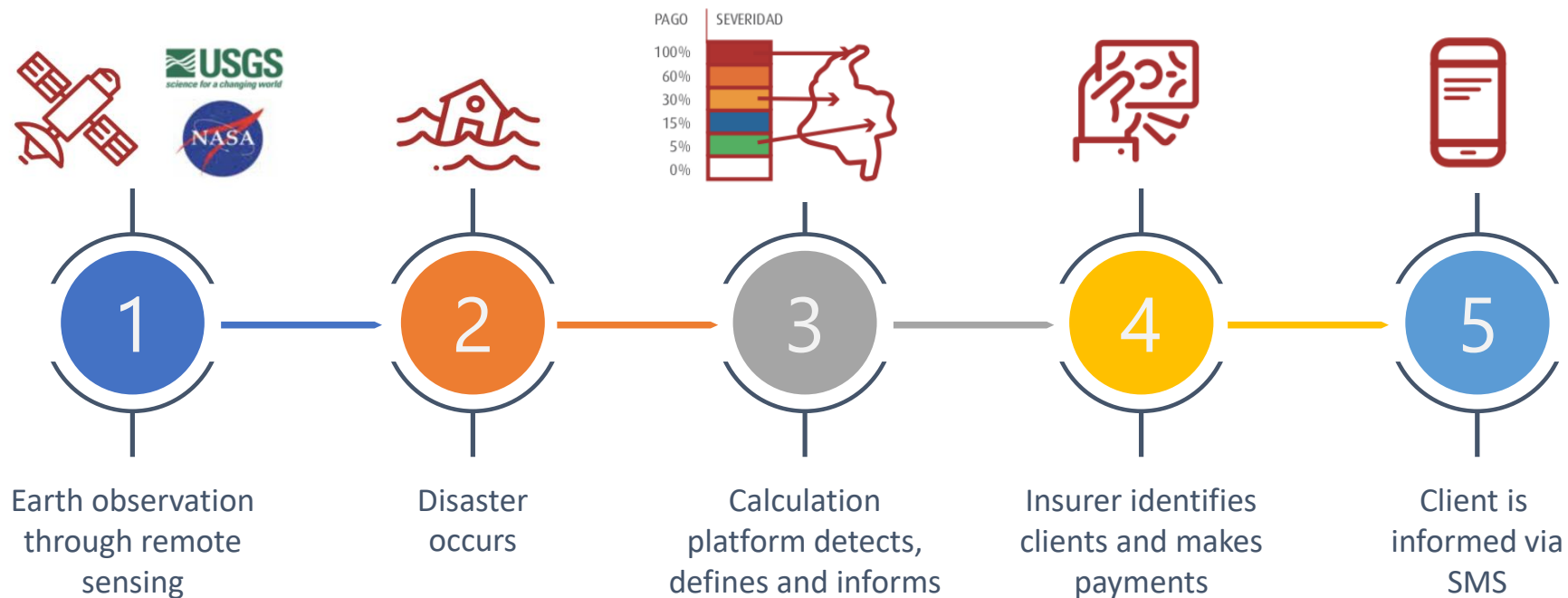
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Parametric
insurance

Parametric insurance

Parametric (or index-based) insurance is a type of insurance that does not indemnify the pure loss, but ex ante agrees to make a payment upon the occurrence of a triggering event. The triggering event is often a catastrophic natural event which may ordinarily precipitate a loss or a series of losses.

And this is how it works:



Example of payout structure based on severity of the event

Severity *	Illustrative description	Payout *
5	Catastrophic Widespread and severe impairment of well-being	100%
4	Disastrous Significant impact on the productive activity of the community	80%
3	Very destructive Significant impairment of the productive activity of the community	60%
2	Destructive Severe impairment of local productive activity	40%
1	Very strong Significant impact on local productive activity	20%

Other characteristics

Gradual payouts depending
on severity of the event

Fast and automatic payouts

No exclusions nor
deductibles

All insureds in same location
receive same payout level

No need to file a
claim, no paperwork

Nimble and simplified processes
ease affordability constraints



3

MiCRO's experience

A man with a mustache, wearing a light-colored straw hat and a light-colored shirt, is leaning on a weathered wooden post. He is looking slightly to the right with a gentle smile. The background is blurred, showing more of the same wooden structure. The entire image has a blue tint.

MiCRO was born as a result of the Haiti earthquake to help close
the protection gap where it is most needed

We are an entity specialized in the design and implementation of
parametric insurance against natural disasters

Our solution protects
people against indirect
losses caused by excess
rain, earthquake or
drought



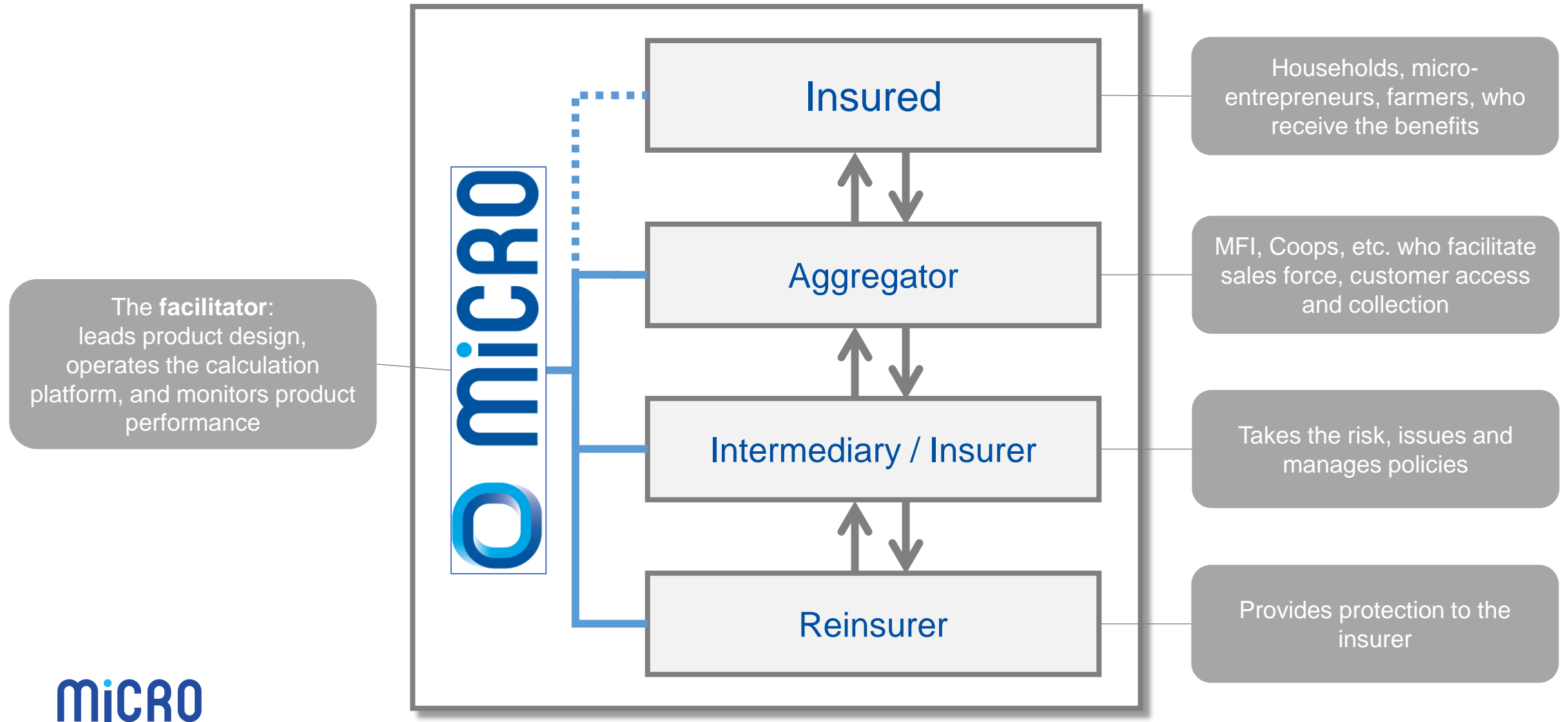


... that may see their expenses increased or income decreased (at home or in business) as a result of a natural disaster

Aimed at different segments of the population: poor, vulnerable, emerging middle class ...



Business model



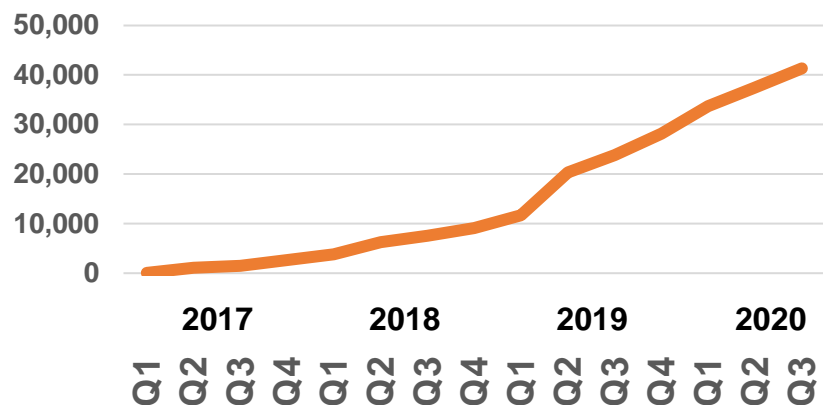
MiCRO's roadmap

(time to market in years)

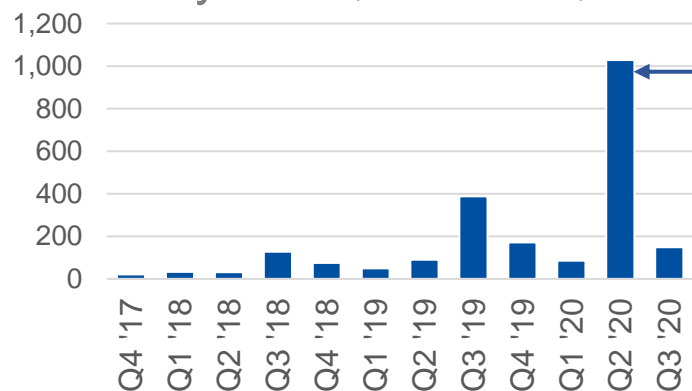


A few highlights

Policies sold (cumulative)

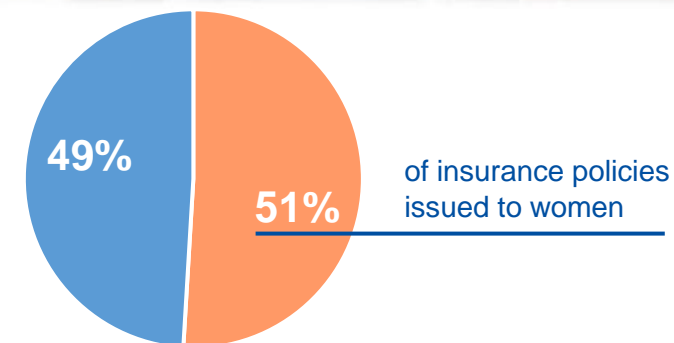
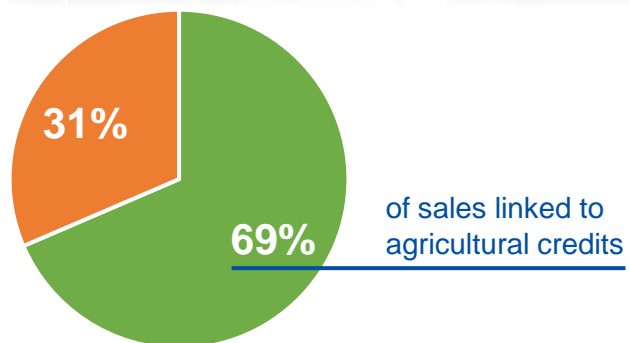


Payouts (USD, thousand)



Tropical Storm Amanda

- Impacted mainly central and western zones of El Salvador in late May – early June 2020.
- More than 10% of yearly rainfall fell in only a few days.
- MiCRO's product triggered payouts up to 100% in most affected locations.



"It's great to have insurance because you feel safe when a catastrophe occurs"

[Mr. Escobar from El Salvador](#)

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Lessons learned

Takeaways

- Advanced technologies, higher risk awareness and a favorable political and regulatory environment are critical enablers of inclusive insurance.
- Of course, products need to hold highest possible value for beneficiaries, but let's not forget the relevance of aligned distribution channel and sales force.
- Index-based products are not perfect and require a solid M&E program as input for continuous improvement.

Thanks.



www.microrisk.org