



CONDENSED MILK #17

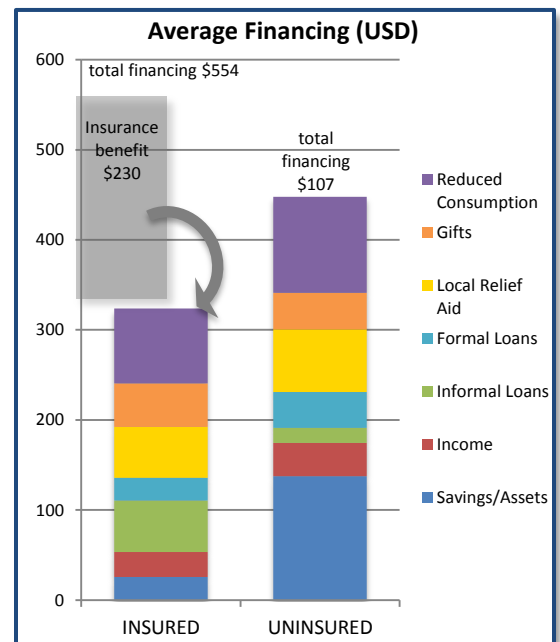
“Doing the Math” with Calamity Microinsurance in the Philippines

Studying MicroEnsure’s Calamity Insurance in Mindanao and Panay

The MILK project partnered with global microinsurance intermediary MicroEnsure and the microfinance institution TSKI to study the value of a calamity insurance product to clients in the wake of a flood. The product’s structure is simple, offering a lump sum of USD230 in the case of one of a number of natural disasters, and it is mandatory for all TSKI borrowers. We interviewed insured and uninsured people who had recently experienced a flood to gain insight into the full cost of the flood, how it was financed, and the role insurance played.

What did we learn?

- ⇒ The financial costs of the floods were severe: on average, they amounted to over one month’s household income for both the insured and uninsured. Lost business and foregone wages represented the largest portion of the cost (though a lower proportion than we observed in our study of flood insurance in Ghana), followed by damage to the home and its contents.
- ⇒ Because the insurance payout came several weeks after the flood, the two groups used similar up-front financing mechanisms, relying heavily on “belt-tightening” or reduced consumption, as well as some modest assistance from local government and friends and family. Especially worrisome is that both groups financed more than the total direct and indirect costs of the flood damage, reflecting the inefficiencies of needing to seek liquidity with urgency.
- ⇒ Insured families on average, reduced consumption by over one third of the insurance payment. A quicker payment of this benefit would likely have relieved some of the need to cut food, education and medical expenses.
- ⇒ Where insured respondents benefitted is in their ability to borrow from friends and family, which was quicker and less expensive than formal borrowing. The expected insurance claim payment, though delayed, likely served as “collateral” of some kind for these loans.
- ⇒ For calamity products, there is a consistent challenge to balancing the need to verify claims (particularly when road access is made difficult by natural disasters) vs. disbursing funds quickly.



This Client Math study was conducted by the MILK Project



Microinsurance Learning and Knowledge (MILK) is an initiative of the MicroInsurance Centre that is working to gain insight into two questions:

Is there a **business case** for microinsurance among insurers and delivery channels?

- Detailed financial case studies of insurers, intermediaries, and distributors
- Leveraging and updating existing case studies
- Alliances with other data collection efforts
- Analysis of large intermediaries
- Industry-wide analysis

explore connection

Do clients get **value** from microinsurance?

- “Building blocks” drawing together lessons from existing work
- Client Math studies
- Randomized control trial exploring links between demand and value
- Additional original research
- Collaborative efforts with other researchers

MILK Publications

Available on the MILK website at <http://www.microinsurancecentre.org/milk-project/milk-docs.html>

MILK Briefs

- MILK Brief #1: What is MILK?
- MILK Brief #2: Client Value Landscape Study
- MILK Brief #3: Business Case Landscape Study
- MILK Brief #4: What We Know About the Financial Value of Microinsurance for Poor Clients: A Snapshot
- MILK Brief #5: Changing Role of Family Networks in Coping with Risk
- MILK Brief #6: Research Design for Measuring the Client Value of Microinsurance
- MILK Brief #7: A Microinsurance Puzzle: How do Demand Factors link to Client Value?
- MILK Brief #8: "Doing the Math" - Cashless Funeral Microinsurance in Colombia
- MILK Brief #9: What is "Client Math"?
- MILK Brief #10: "Doing the Math" with Property Insurance in Ghana
- MILK Brief #11: Doing the Math: Health Microinsurance in Maharashtra, India
- MILK Brief #12: "Doing the Math" in Karnataka, India
- MILK Brief #13: "Doing the Math" - Funeral and Life Microinsurance in the Philippines
- MILK Brief #14: The Business Case for Life Microinsurance in the Philippines: Initial Findings

Literature Reviews

- Is There a Business Case for Microinsurance? A review of recent literature
- Do Clients Get Value from Microinsurance? A systematic review of recent and current research

Discussion Notes

- MILK Discussion Note #1: Doing the Math: Can Delayed Payment of Claims Erode the Value of Life Microinsurance?
- MILK Discussion Note #2: Are Existing Health Financing Mechanisms Sufficient for Poor Women in Guatemala?
- MILK Discussion Note #3: Counting Lives Covered: Getting it Right

Coming Soon!

- Protecting those Left Behind: An Experimental Study of Life Microinsurance Purchase Decisions of Compartamos Banco's Borrowers in Mexico
- "Doing the Math" with Catastrophe Insurance in Haiti
- "Doing the Math" with Life Microinsurance in Mexico
- "Doing the Math" with Calamity Microinsurance in the Philippines
- "Doing the Math" with Property Microinsurance in Coastal Colombia
- Multinational Microinsurance-only Intermediaries: Is there a business case?
- Agricultural microinsurance: High potential but low demand