



CONDENSED MILK #10

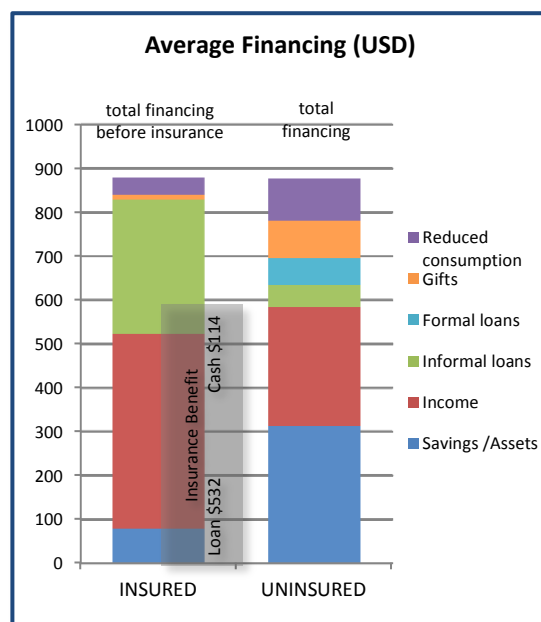
“Doing the Math” with Property Insurance in Ghana

Studying MicroEnsure’s “Obra Pa” insurance in Ghana

In October 2011, the bustling Circle Market in Accra was devastated by a torrential flood, destroying many small businesses and bankrupting many of their owners. MILK partnered with microinsurance intermediary MicroEnsure and German aid agency GIZ to explore the value of a microinsurance product in helping small business owners cope with the severe financial consequences of the flood. The “Obra Pa” product is mandatory for borrowers of certain microfinance institutions (MFIs), and offers clients two benefits: i) payment of their outstanding loan balance and one month of interest to the MFI, and ii) a cash payout of USD114.

What did we learn?

- ⇒ While both groups struggled to recover from the flood, the insured bounced back more quickly and easily on average than the uninsured, using fewer coping strategies.
- ⇒ The insured leveraged the “guarantee” of an expected insurance claim payment to access low-cost loans from friends and family, and later from formal institutions to gradually make up the income losses.
- ⇒ The uninsured relied heavily on “difficult” coping mechanisms such as depleting savings, selling off assets, and reducing consumption.
- ⇒ The long delay in claims payments (on average 45 days) was a significant burden, and reflected the complexity of working with weather-related products, where many actors play a role in the claims assessment and processing.
- ⇒ Because of delays, many clients had to make payments on outstanding loans that were meant to be forgiven immediately, despite the destruction of their business and despite the expectations that claims would be approved.
- ⇒ Despite the problems with the product, clients were generally satisfied, likely reflecting their overall better performance vs. uninsured market vendors who struggled even more.



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