



## CONDENSED MILK #15

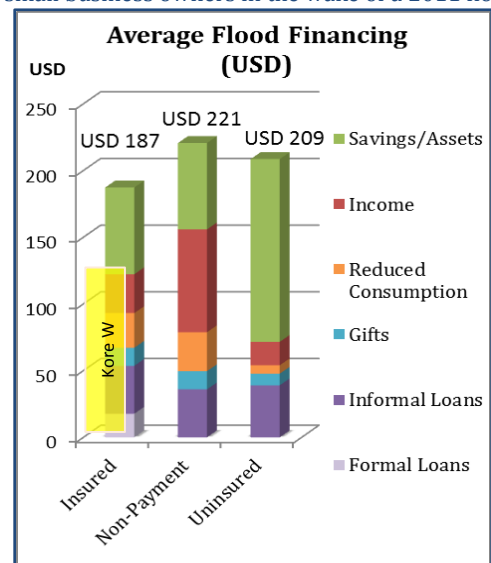
### “Doing the Math” with Catastrophe Microinsurance in Haiti

#### Studying Fonkoze’s catastrophe insurance in Haiti

Each hurricane season in Haiti threatens to erase the fragile progress made since the 2010 earthquake, and small business owners are among the most vulnerable. MILK partnered with the microfinance institution Fonkoze to explore the value of its Kore W catastrophe insurance in helping clients cope with the consequences of a flood. The product is mandatory for Fonkoze borrowers; it covers any outstanding loan balance, provides a cash payout of USD125, and pre-approves clients for a new loan. We interviewed insured (some of whose claims were rejected and some approved) and uninsured small business owners in the wake of a 2011 flood to understand the costs they incurred and how they coped.

#### What did we learn?

- ⇒ On average, respondents incurred costs amounting to 2.7 times their monthly income, the largest portion of which were indirect costs of lost profits and wages.
- ⇒ While selling assets was a common financing strategy for all respondents, the uninsured sold substantially more assets than insured, depleting in-kind savings in order to stay afloat.
- ⇒ Clients experienced long delays in claims processing of on average 58 days, and 63% of them reported additional financial difficulties due to the delay. This reflects the tradeoff between faster-paying index products that have basis risk and products that attempt a more equitable assessment of damages and lead to delays.
- ⇒ When the claim was finally received, the insured saved or invested over half of the insurance payout on average. The rest was used to pay off debt and to increase consumption.

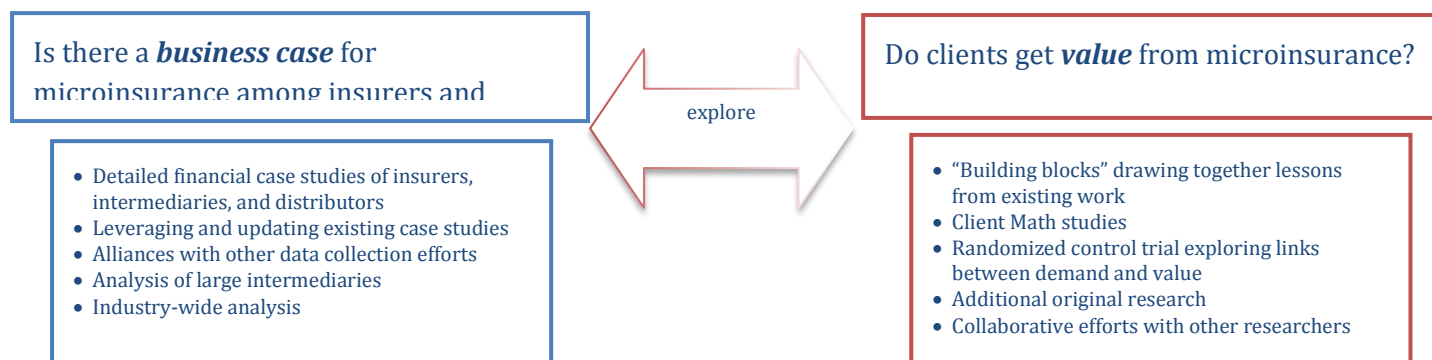


This client math study was conducted by MILK



**Microinsurance Learning and Knowledge (MILK) is an initiative of the MicroInsurance Centre**

**that is working to gain insight into two questions:**



### **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!**

- "Doing the Math" with Calamity Microinsurance in the Philippines
- "Doing the Math" with Property Microinsurance in Coastal Colombia
- Agricultural microinsurance: High potential but low demand