

Goal of Approach:

The main objective of Afat Vimo (Gujarati word for Disaster Insurance) is the convergence of micromitigation, and microinsurance as a precondition for effective local, low-cost risk transfer. Disaster-affected and poor communities protected under the Afat Vimo. Due to the combination of high exposure to natural hazards and high human vulnerability, South Asia experiences significant losses to disasters perennially, especially communities located in coastal areas of Bay of Bengal. Despite high and steady growth in the country like India, the cycle of disasters and vulnerability deprives many millions of poor of the human development that might have accompanied such growth. India is in top ten of economically affected countries in 2011. The current level of insurance penetration is less than 1 per cent in India for non-life². India's unplanned development and slow development in address the issue of climate change pose a grave threat worldwide. In future the loss will be increase as vulnerability is high and protection mechanism for poor is lacking. The insurance penetration in life, non-life and industry is 4.40, 0.71 and 5.10 respectively in India³.

Afat Vimo (Gujarati word of Disaster Insurance) is a version of microinsurance designed for the poor among vulnerable. It protects people from the impacts of hazards on their assets by providing cash payouts in the aftermath of a disaster. Afat Vimo is an insurance policy/package that is designed to help ensure that natural hazards do not push the poor deeper into poverty. It was initiated in the long-term recovery efforts of AIDMI with Gujarat earthquake-affected community. It was a result from collaboratively development with insurance companies and poor individuals. Later on the product reach out other disaster-affected states of India includes 2004 tsunami-affected Tamil Nadu, 2005 earthquake-affected Jammu and Kashmir and 2007 floods-affected Bihar.

Input provided by: All India Disaster Mitigation Institute, India

Main elements of the implementation strategy

Afat Vimo has arisen under the Regional Risk Transfer Initiative with ProVention Consortium; it builds upon the significant work done on risk identification undertaken by the ProVention Consortium through the Disaster Management Facility and Hazard Management Unit of the World Bank and the International Federation of Red Cross and Red Crescent Societies.

Linkages with national policy or regulatory framework: International initiatives have strengthened the impact of Afat Vimo. The Hyogo Framework for Action has brought attention, discussion, resources, and commitment to disaster risk reduction and to finding opportunities to address it. The Insurance Regulatory and Development Authority also play an important role in the provision of insurance to the poor. In March 2002, the IRDA published a set of regulations applicable to insurance companies operating in India, entitled "Obligations of Insurers to Rural Social Sectors". Essentially, these regulations establish quotas of insurance provision to low-income clients. AIDMI points out to powerful governments and humanitarian donors that disaster microinsurance can work and should be integrated in recovery programmes and argues with giant insurance companies about market potential of disaster insurance in the region. Potential for South Asian market to absorb innovative and affordable micro-insurance products is huge.

Targeted beneficiaries

The Afat Vimo first demonstrated in Bhuj with 2001 earthquake-affected victims and later on expanded to disaster-affected communities at different parts of India.

The current client profile of the Afat Vimo Scheme include:

- a) small businessmen (cabins for grocery, confectionaries, snacks etc.);
- b) small vendors (hand carts, vegetables, fruits, plastic utensils etc.);
- c) home based workers (sewing machines, clothes, 'Bandhani' weaving materials etc.);

¹ Source: CRED CRUNCH, February 2012

² Source: Government of India, 13th Finance Commission – 2010-2015

³ Annual Report – 2010-11, IRDA (Insurance Regulatory and Development Authority of India), <http://www.irda.gov.in/>.

UNFCCC expert meeting on a range of approaches to address loss and damage associated with the adverse effects of climate change, including impacts related to extreme weather events and slow onset events, 27–29 August, 2012, Bangkok, Thailand

d) landless labourers (agriculture labourers, plumbers, carpenter, barber etc.)

The policy covers damages or losses to a very wide range of disasters including earthquake, flood, fire, cyclone, lightning, strike, landslide, et al. (19 types). The product was first sold in April 2004 and so far covering thousands of policyholders. Covered damages and losses include:

- death of the policy holder (who is usually the main earner in the family);
- damage to their house through accident and disaster;
- damage to their house contents through accident and disaster;
- loss of tools, equipment and stock related to livelihood; and
- loss of earning due to accident.

Afat Vimo is offered as a single package with an annual premium of around \$4.00 (including administrative charges) and a total potential benefit of \$1,560 (not necessarily the maximum payout) across the various components of the coverage. Currently, the efforts are in the process to reach out 1000 poor and vulnerable coastal communities of Odisha state in the Afat Vimo.

Any significant lessons learned

The study (Impact Assessment of Disaster Microinsurance for Pro-Poor Risk Management: Evidence from South Asia) was initiated as a part of the Regional Risk Transfer Initiative (RRTI), an effort led by All India Disaster Mitigation Institute (AIDMI) to expand and strengthen microinsurance options for the poor in South Asia. It has been supported through funding from ProVention Consortium and executed in partnership with the International Institute for Applied Systems Analysis (IIASA).

Based on the study following lessons/ recommendations were decided to keep in priority of RRTI of AIDMI and partner agencies.

1. Support the growth of financial services such as microinsurance to help the poor meet their needs after disasters.
2. Microinsurance is not a panacea for disasters. There is a need to promote long-term disaster risk reduction in conjunction with microinsurance.
3. Promote the review of organisations' claims processes to ensure that money is getting to clients in the most effective and efficient way possible. This includes examination of services to help with claims, support for timely review of claims, and information management of decisions.
4. Support disaster microinsurance organisation to reach an increased number of communities that require such products.
5. Provide increased understanding of the use of insurance funds as well monitoring of additional borrowing after disasters.
6. Promote increased participation by women in disaster microinsurance programmes.
7. Utilize the client community to increase awareness and grow. Microinsurance organisations should work to create innovation ways to involve the community in outreach and awareness generation of disaster microinsurance. Client satisfaction is high and an overwhelming majority is ready to refer friends to the programme.
8. Ensure that all are being served. Promoting review of products. Ensure that although 'the poor' are being served, 'poorer than the poor' are not being excluded due to costs and information barriers.

Resource requirements

Currently AIDMI with Concern Worldwide and community organisations are putting joint efforts to reach out vulnerable communities living in coastal areas of Odisha and West Bengal where risk of climate related disasters is high. The majority of communities in these areas are surviving through agriculture labour and/or working in informal sector.

These agencies required resources to take this approach ahead through operational and technical services and advocacy efforts.

Potential for replication or scaling-up

High potential to replicate as the Afat Vimo is combination of life and non-life coverage and design as a risk reduction tool for poor and vulnerable communities. The requirement of such approach is also high as vulnerability in the coastal areas due to climate related risk is already high and increasing.

Based on the past experience where AIDMI replicate the Afat Vimo from Gujarat state to other four states of India with poor and disaster-affected communities notice very high potential for replication and scaling-up this approach where Bay of Bengal is highly relevant due to its high vulnerability from climate related risk.

Low level of insurance coverage in South Asia is an opportunity for the authorities, businesses, and the civil society to promote financing risk reduction and recovery through microinsurance. It is up to the Disaster Risk Reduction actors in South Asia to maximize this one of opportunity to face the climate change.

Any additional information