

HUMANITARIAN INNOVATION FUND

Final Report

Organisation Name	All India Disaster Mitigation Institute (AIDMI)
Project Title	Innovating Disaster Microinsurance for Local Market Recovery
Problem Addressed / Thematic Focus	Small business disaster insurance could improve recovery of local markets that play a critical role in providing goods, services and livelihoods to vulnerable disaster affected populations in urban settings. It is a supply side intervention for local small business recovery and resilience. There is no existing risk management service for these very small businesses that are the primary markets for many in rapidly growing cities. It adapts proven microfinance mechanisms to address a major part of the humanitarian crisis recovery process for which standards do not exist. As an insurance programme, this innovation aims to enhance resilience among the small enterprises that are vital to these communities.
Location	Urban locations – Puri, Odisha; Cuddalore, Tamil Nadu, and Guwahati, Assam states of India
Start Date	October 15, 2014
Duration	20 months
Total Requested Funding	£149,843
Partner(s)	Stanford University
Total Funding	£162,743
Innovation Stage	<p>Core-development</p> <ul style="list-style-type: none"> -Conducting a survey on the situation and the needs of small business owners in term of disaster insurance -Designing tailor-made microinsurance products through dialogue and consultation of the various stakeholders -Implementing disaster microinsurance -Evaluation of the impact of the insurance products for

	SBOs
Type of Innovation	Disaster Microinsurance tool
Project Impact Summary	<p>The project established partnerships between various stakeholders involved in the development of the three urban areas of Puri, Guwahati and Cuddalore. It created spaces of dialogue and increased involvement and knowledge of the communities, NGOs, district disaster risk management authorities and insurance companies.</p> <p>The project allowed a more precise and deeper understanding of the needs of small business owners in terms of disaster microinsurance in those three cities and in general.</p> <p>The project designed microinsurance products for the small business owners in one site (Puri). The implementation of the microinsurance tool in Guwahati and Cuddalore is in consultation to address the challenges in finalizing the product.</p> <p>The project is in a better position regarding the engagement of the state authorities.</p> <p>The selection of project team in the AMCDRR panel on Risk Financing along with the world bank and ADB to present project findings.</p>

Reporting Period	October 15, 2014 to October 31, 2016 (currently in progress)
Total Spent	Total Utilisation is £1,49,843/- (Which includes provision made for risk coverage and procedures with small businesses on the impact in the response when disaster strikes of £32,518/- and £ 140/- for audit fee).

PROJECT ACTIVITIES AND OUTPUTS

What have been the key achievements of the project?

The project allowed and understanding of the needs and apprehensions of many small business owners (SBOs) concerning disaster microinsurance in three

different sites of India: Puri (Odisha), Guwahati (Assam) and Cuddalore (Tamil Nadu). These allowed us to learn the demand, coverage types and acceptable premium range for a successful product.

The project developed partnerships between various stakeholders, increasing the knowledge of the process of microinsurance implementation and strengthening the link between actors at various scales.

The findings of the survey were used to create a microinsurance product in Puri, Odisha and Guwahati, Assam.

Having factored in the findings from the demand surveys, a disaster microinsurance product has been designed for small and informal businesses of the project sites – Puri, Odisha; Guwahati, Assam states.

The process of policy development is in progress for the remaining site. This is a time consuming process as have multi-stakeholder engagement and lack of product for informal businesses and willingness of the insurance companies.

The project also progressed well in terms of engagement with the state disaster management authorities and involvement of NDMA (National Disaster Management Authority), India. It was not in the initial time, however, slowly and gradually its move ahead from discussion to involvement and in some cases as a partner.

The AMCDRR invited the project team in the panel – Risk Financing, which is the only theme under AMCDRR (Asian Ministerial Conference on Disaster Risk Reduction) related to risk transfer. The panel consists of ADB, WB, Stanford University and AIDMI. These four agencies are in communication to shape the panel with the risk transfer agenda of AMCDRR taking place in November 2016.

What are the major activities and outputs of the project (this may include a description of the activities conducted and how they related to the work plan)?

Major Activities	Time frame
Elaboration of partnerships: establishment of partnership with local community based organisations. In Tamil Nadu, the partnership has changed, thus it took more time than expected.	Oct 2014-December 2015 In Tamil Nadu - July 2015
Demand survey completed in Puri of Odisha field site.	February 2015
Demand survey completed in Guwahati of Assam field site.	April 2015
Demand survey completed in Cuddalore of Tamil Nadu field site.	July 2015
Individual consultations in Puri: organized by the project team with the objectives of moving towards a well-designed micro disaster insurance product	July 2015

and to discuss the findings of the survey. The consultation shared the key findings of the survey conducted with the small businesses and the needs that emerged after the analysis.	
Round Table and individual consultations in Guwahati	May to Oct 2015
Individual consultations in Cuddalore	May to Oct 2015
Microinsurance implementation in Puri	January 2016
Microinsurance implementation in Guwahati	July 2016
Focused group discussion: In groups of 10-12 clients, the small businesses owners that potential clients are oriented on the various aspects of the insurance such as concept, education, do's and don't's, available microfinance products and insurance product if available. These FGDs are conducted by local partners based on the training provided by AIDMI.	In Puri – March 2016. In Guwahati – May 2016. In Cuddalore – July 2016.
Development of three southasiadisasters.net on risk transfer and insurance	May 2015; July 2015; March 2016.
8th south south academy on risk transfer and insurance	January 2016
Articles in other publication	1. Together We Stand – Tudor Rose. 2. ODI Humanitarian Exchange
Blogs	Monthly basis
Experience Learning Series (ELS)	Knowledge product based on the project process.
Paper	Academic Paper based on the demand survey
Evaluation	November 2016.

What adjustments and adaptations were made through the course of the project? Why were these needed and how were these made?

Original results or activities	Proposed new or results activities	Why the changes are necessary	Potential effect of the change
Deliverables/ outputs of the Result 3. Result: Disaster affected micro and small businesses enterprises access to disaster insurance scheme in proposed cities has improved. Outputs of Result3: 1. Training report	Instead of 9000 enterprises covered we plan to cover 4500 enterprises. 2250 enterprises as a control group.	This change is necessary as it allows us to conduct a randomized controlled trial. The sample size calculated for such a study is to cover 1562 enterprises and we have increased to 2250 to ensure we have	The effect of the change is that it allows us to study this more robustly as a randomized controlled trial on the primary outcomes of interest, collect more robust data in comparison with a control group and answer the question

2. Field consultation report 3. Data sets 4. List of 9000 enterprises covered.		enough participants in the event of a partial disaster or dropouts. Thus the total sample size including a new control group will be 4500.	of effect on risk reduction behaviour.
Local Partner team Cost	Transfer From Local Partner Team Cost to Local travel support to city level partners	Local Partner's participation in South –South citizenry-based Development Academy needs 75000/- travel cost for 3 participants *3 states total Rs. 225000/- . Hence require to transfer Rs. 225000/- from Team Cost to Local Travel of partners.	Better accommodation of partner and project requirement within the budget and based on the future requirements.
Evaluation visit October 2016	Evaluation visit November 2016.	Organised around AMCDRR dates.	Stanford and AIDMI both presented the project findings in the panel at AMCDRR along with World Bank, Asia Development Bank.

Please explain any budget various greater than 15% of the original budget headlines

N. A.

INNOVATION OUTCOMES

What were the outcomes of the project (positive or negative) and how did these follow from activities and outputs described above?

Concerning the survey conducted in Puri, Guwahati and Cuddalore, a crucial amount of data was gathered. The main results can be summarized as following:

1. There is a large unmet need for microinsurance (or such risk protection tool) for informal businesses.
2. Very few respondents have insurance and among them, most are limited to life insurance and very few have health insurance (from a government scheme).
3. There is limited understanding on how insurance works and the small business owners do not have any readily available source for information

related to disaster insurance. This knowledge gap is one of the biggest barriers found among respondents.

4. Many respondents have been affected by one or more disasters – small and large –mostly by flooding and cyclone.
5. The survey revealed a high level of misunderstanding and mistrust. Low income clients think they do not need insurance, they do not trust insurers, they do not understand fully the risk-pooling concept, and strongly believe insurance is just for the rich and that they do not have enough resources to pay for it.
6. Most of the small and marginal business owners suffered huge losses of both livelihood and inventories. After a disaster strikes, they are forced to borrow money from local money lenders, at an exorbitant rate of interest which pushes them into a vicious cycle of debt.

Concerning disaster microinsurance products, a tool called Afat Vimo was implemented in Puri. This microinsurance scheme covers all types of natural calamities, fire, burglary along with personal accidents – PTD, PPD (Permanent Total/ Partial Disability) and death. A detailed breakup of this product is as follows:

Particulars	Sum Insured (INR)
Fire and Natural Calamities:	
Building	30,000/
House hold goods	15,000/
Stock of Product	10,000/
Business Structure and Tools	30,000/
Personal Accident (PTD, TPD, Death)	30,000/
Total	1,50,000/

The scheme was launched with 782 clients (small and informal business owners) who have been selected through a random sampling research method while the equally sized control group without insurance will also be followed. This randomized controlled trial was done to eliminate any bias in the selection of the clients and outcomes.

One another scheme has been designed with the Bajaj Alliance Insurance Company in Guwahati. The insurance company – Bajaj Alliance – and project team are doing process for the insurance product for small businesses with fix structure. The coverage of the insurance product is as below. This will cover around 106 small businesses from Guwahati.

Particulars	Sum Insured (INR)
Fire and calamities (stocks, furniture and equipments)	50000
Personal Accedient of Business Owner	100000
Total	150000

In Cuddalore, the discussion is going on. With limited progress as insurance companies are raising number of issues related to documentation for covering informal businesses.

Has the project demonstrated the success of the innovation?

The project has demonstrated the success of disaster microinsurance in terms of interest from the potential policyholders. The innovation, yet to be administered in one site, can be deemed to be performing well given the incredible demand and lack of knowledge found in the demand surveys thus far. Indeed, the survey showed that most of the small business owners did not know about microinsurance and were interested in subscribing to it if they could afford the premiums and provided education for the same.

However, the success of microinsurance as a financial tool cannot be proved before the occurrence of a disaster. We cannot say it is proving successful in producing credible evidence on the performance of the innovation as it requires a disaster for us to collect that vital data. We are certain the machinery is in place, however, and will be successful in collecting the necessary data to produce this evidence. Moreover, the evaluation of such a financial tool requires a long-term analysis.

If yes, what evidence is there for the performance of the innovation?

The demand of the insurance product to limit the economic loss due to disasters is high by the small and informal businesses. The lack of product for small businesses and the impact of disasters on them are recognized. The participation of authorities is increased. These authorities accept the findings of the demand survey. However, it is a time consuming process to finalize a product in one of the sites due to various factors.

If no, what are the key lessons about the innovation or area of practice?

The time requirement is high particularly when the innovation is dealing with changes in regulation and engagement of multiple stakeholders with different backgrounds – humanitarian agencies (with a high focus on humanitarian perspectives), insurance companies (with many established rules and regulations which they are not inclined to change or modify and high centralization in decision making), informal businesses (limited education and awareness), and local authorities (most of the time busy in disaster response and high focus on disaster management, sensitization is required to deal with risk reduction and resilience at local level with focus on economic and livelihood loss and damage).

How has your understanding of the innovation changed through the project period?

The understanding of the project has changed not from the practice of the project, but from discussions with key stakeholders. The survey but also the roundtables and various meetings deepened the understanding of the needs and mechanisms needed for this innovation. Governance around the project helped shape a tool that we hope effective in case of disaster.

Did the innovation lead to any unexpected outcomes or results? How were these identified and managed?

What are the key lessons learnt relating to the innovation (this should relate to the innovation itself, rather than project implementation)?

The survey revealed higher than expected demand among small businesses for insurance protection, especially in vulnerable locations and among informal businesses. It confirmed that a large need exists that can be served.

The project revealed important information concerning the partnerships. Small NGOs require support in terms of management. Moreover and due to the above institutional barriers, local humanitarian institutions could not commit themselves to the microinsurance tools which require a longer term commitment (investment) of the association beyond the project duration of a few months to a year. As big companies are not yet interested in this type of product, NGOs of a certain size – such as SWAD- appear as the best partners.

The project also enlightened the need for the organization to support NGOs when conducting studies and dialogues with communities. Local partner agencies require active support to initiate consultation with the private sector alone, especially when it comes to microinsurance products to which the stakeholders are not accustomed.

The engagement of decision makers requires constant follow up in different ways to build step-by-step involvement and sensitize them.

METHODOLOGY

Was the methodology successful in producing credible evidence on the performance of the innovation?

The methodology has proven successful in collecting data as from the demand survey alone, however the methodology cannot prove the success of the innovation before the occurrence of a disaster.

What adjustments were made to the methodology during the course of the project? Why were these needed and how were they made?

A change was made in the study design from a prospective observational study to a more rigorous randomized controlled trial. The survey uses an intervention and a control group, who have been selected through random sampling. This randomized controlled trial was done to eliminate any bias in the selection of the clients and outcomes and produce the strongest evidence possible.

Another change that is needed is extending the time course of the innovation and providing the insurance product from one year to possibly even two years. We can only produce evidence after a crisis strikes and must wait for one to collect credible evidence. The implication will be that we will need to seek additional funding and operate without funds until we can secure this funding or collect the necessary data. Nonetheless both AIDMI and Stanford are committed to

continuing this study to learn the implications for post-crisis market recovery with insurance and impact and coping mechanisms and disaster risk reduction.

PARTNERSHIPS AND COLLABORATION

Describe the partnership arrangements and how these may have changed during the course of the project.

Stanford University is the main partner of AIDMI in the project for technical support and guiding the process.

Society for Women Action and Development (SWAD) is AIDMI's partner who conducted the survey and helped implement the disaster insurance tool in Puri, Odisha.

sSTEPS Society for Social Transformation and Environment Protection (sSTEP) was the local partner of the project in Guwahati, while BEST is the partner in Cuddalore. The partnership in Tamil Nadu was set with another agency which did not continue as the partner shifted its focus. This shift resulted in an arrangement of partnership with another agency – BEST (Bright Education Services Trust for Depressed).

AIDMI was also in close contact with the state disaster management authorities of Odisha and Assam. The State authorities of Odisha and Assam are active partners, as well as the Cuddalore district government. The interest and engagement of these agencies has been increased slowly gradually by reporting them development as well as involve them in the project.

The insurance products designed in Odisha was made in partnership with the United India Insurance Company (UIIC). After analyzing the data collected through the demand surveys, the UIIC has helped in developing a microinsurance scheme suited to the needs of small businesses in the aforementioned three cities.

DISSEMINATION

Indicate the steps taken to disseminate the outcomes of the project.

The outcomes are shared through publications, through informal dissemination with partners (state disaster management authorities) and through different platforms to which the project team took part during reporting period. The findings of the demand surveys have been accepted by OSDMA officials in the World Conference on Humanitarian Studies. Similarly, ASDMA joined as a partner to organise the consultation in Guwahati.

What dissemination activities have or will be conducted (whether or not included in the budget)?

A website will be set up at Stanford University to disseminate and showcase the project. Displayed as a project on the PI website at Stanford University

The project is shared in different platforms through involvement of project members in different policy dialogues. These participations have been done at multiple levels. The following are lists of such participations during the project period.

- a. IRP's International Recovery Forum 2015; January 16, 2015, Kobe, Japan.
- b. 15th Delhi Sustainable Development Summit; February 5-7, 2015, Delhi, India.
- c. Third UN World Conference on Disaster Risk Reduction, Sendai, Japan, March 14-18, 2015.
- d. Shared with another funding body, Unorthodox Philanthropy, through documents and an upcoming meeting.
- e. 2nd Annual South Asian Cities Summit: Summit Agenda, New Delhi, India, May 22-23, 2015. A blog has been developed in the discussion.
- f. ISDR Asia Partnership (IAP) meeting of 2015, Bangkok, Thailand; June 3-5, 2015.
- g. Workshop organised by FICCI, UNDP India, and NIDM on August 24, 2015, Delhi.
- h. Regional workshop on implementing the SFDRR: Learning from Global and Regional experiences: A dialogue among stakeholders Colombo, Sri Lanka, September 1-3, 2015.
- i. United Nations University, ICCCAD and Munich Re Foundation organised a resilient academy on loss and damage theme from September 6 – 12, 2015 in Dhaka, Bangladesh.
- j. 'Relocation and Resettlement in Urban Context' October 8, 2015 at Bhubaneswar Indian Institute of Human Settlement
- k. Panel discussion on DRR-CCA Integration in Development Planning at India International Centre, New Delhi, September 8, 2015.
- l. Meeting with Shri Kamal Kishore, Member, NDMA on October 13, 2015.
- m. 5th Annual Summit of Sustainable Business Leadership Forum 2015 Theme: Pathways to 2040: Collaborate Create Innovate, New Delhi, October 15, 2015.
- n. IAP (UNISDR Asia Partnership) Meeting. November 17-19, 2015; New Delhi. The project team attended to raise the coverage of risk transfer and insurance in implementation of SFDRR and Asia perspectives in the same. The project team also participates as a panelist in the same meeting.
- o. 8th Practitioners' Workshop on Risk Reduction and Resilience in Asia, Bangkok, November 23-25, 2015.

- p. 'Workshop on preparing an action plan for mainstreaming DRR and CCA with education, rural development and agriculture sector'. December 4-5, 2015; Guwahati.
- q. Dr. Patel, the principal investigator presented this project at a design workshop in London on December 9/10, 2015 for another project he is involved with on fragile cities and resilience. This innovation will also be included in Dr. Patels' matrix of proven interventions as a deliverable to the fragile and resilient cities project above as part of a toolkit for mayors and municipal authorities.
- r. 'Livelihoods Asia Summit 2015: Parallel Session at the Summit, 'Rebuilding the Livelihoods of Disaster Affected Communities', December 10, 2015, New Delhi. Disaster insurance for protecting economy of local businesses.
- s. 'Unpacking the Paris Climate Agreement for India', December 21, 2015, New Delhi. COP21 and its relation with risk transfer and insurance was discussed by AIDMI.
- t. January 4, 2016. Mr. Mihir R. Bhatt had meeting with the State Planning Commission with focus on flood recovery of small businesses.
- u. January 3-9, 2016. AIDMI team with the students from Oxford Brooks University to facilitate the field learning programme with focus on long term recovery from 2001 Guajrat Earthquake. Risk transfer and insurance is one of the key component for the faster and better recovery and linking with the disaster preparedness.
- v. January 8-9, 2016. AIDMI team advocate for the risk transfer agenda in the Disaster Risk Reduction Roadmap 2015-2030 for the Bihar State, organised by Bihar State Disaster Management Authority.
- w. The 8th South South Citizenry Development sub Academy (SSCBDA) was organised by AIDMI under the project. AIDMI organised with under the partnership of UNOSSC; CENDEP; HIF; and Stanford University. January 11-13, 2016, Ahmedabad.
- x. January 29-30, 2016. AIDMI join the international conference on 'Pathways to Sustainable Urbanization' to push the importance of disaster insurance for poor and vulnerable communities in the urban areas.
- y. March 5-8, 2016. Vishal Pathak, AIDMI and Dr. Kamal Lochan Mishra, OSDMA, join the World Conference on Humanitarian Studies to present the demand survey findings. OSDMA join and owns the findings from the Odisha state.
- z. March 30, 2016. The risk transfer and insurance as a best practices recognised at the state level best practices sharing workshop on Disaster Management. Bhubaneswar, Odisha. AIDMI invited to share the case and also to share the findings and progress of the project to link it with the developmental efforts.
- aa. July 5, 2016. Risk Transfer and Insurance become part of action plan of Andhra Pradesh (Urban Development and Agriculture) state department action plan on mainstreaming disaster risk reduction and climate change adaptation.

- bb. July 9, 2016. Indo-Myanmar Collaboration for Local Implementation for Sendai Framework for Disaster Risk Reduction. The focus was on what poor from Myanmar learn for poor India about Disaster Risk Reduction. Microinsurance in the context of risk reduction was become one of key areas of discussion during the event.
- cc. August 23-24, 2016. AIDMI join the 1st Asian Science and Technology Conference for Disaster Risk Reduction, Bangkok. How informal sector can be covered better in the formal loss and damage as well as risk reduction efforts and what contribution science and technology can made.
- dd. Dr. Patel, is also presenting this project to the co-leads of the Urban Humanitarian Working Group for the World Humanitarian Summit and Urban Alliance as a potential best practice example, if successful and as a model for collaborative and innovative research even if the evidence argues against this specific innovation.
- ee. Dr. Patel will also be drafting an Op-Ed piece for Foreign Affairs that will use this research and innovation as an example for resilient cities.
- ff. Risk financing panel of AMCDRR, November 2016. The project results as well as planning in the agenda of risk financing of AMCDRR was presented. The goal is to advocate and strengthen insurance mechanism for poor and vulnerable populations, particularly small and informal businesses.

What publications have resulted from the project, or are forthcoming (i.e. research and policy reports, journal articles, case studies, evaluations etc.)?

Three special issues of southasiadisasters.net (AIDMI's monthly publication) on disaster insurance were complete in the months of May and July 2015.

The project team has prepared an academic paper for publication about the findings and implications of the demand survey.

The process is captured well through the blog series of HIF. Later on the project team has developed an experience learning series that capture the project process to share with the larger audience in the field of disaster risk reduction.

The article on 'Risk Transfer and Insurance: Investing in Disaster Risk Reduction for Urban Resilience' is published in the 'Together We Stand' of Tudor Rose along with UNOCHA for World Humanitarian Summit.

Paper and presentation on findings from the demand survey by Dr. Kamal Lochan Mishra, OSDMA at the annual conference of International Association on Humanitarian Studies, Ethiopia 2016.

The article 'Innovating and testing small business disaster microinsurance for urban resilience' published in the Humanitarian Exchange, Special feature Humanitarian innovation of ODI. Number 66, April 2016.

Learning Statement based on the south-south citizenry based development sub-academy on risk transfer and insurance.

Draft Academic Paper on the Demand Survey Results and Implications.

Policy brief on 'Risk Transfer through Disaster Insurance: Investing in DRR for Resilience'. November 2016. By Kamal Lochan Mishra, OSDMA; Nandita Hazarika, ASDMA; Ronak Patel, Stanford University; Sebastian Hicks, Mihir R. Bhatt and Vishal Pathak, AIDMI. It is prepared in advance to the AMCDRR 2016.

TRANSFERABILITY

Please indicate if there is any potential to replicate the project and how.

The rationale behind this project is to create an empirical evidence base for humanitarian agencies, urban authorities and insurance providers to up take risk transfer issues in their policies and practice. This will help in moulding and scaling risk transfer approaches to better suit the needs of the urban poor.

What are the plans for scale-up beyond the pilot?

Knowledge products will be devised to facilitate easy replication of this risk transfer approach.

AIDMI and Stanford together and also local partners have interest and commitment to move ahead in both ways – continuation and scale in the future. AIDMI and Stanford are actively applying for resources to have at least 3 years plan of the project to address the challenges of the innovation, fully evaluate it and scale. The project team is in discussion with HIF regarding the project plan and business plan.

Are any other organisations planning to use or adapt the innovation?

What steps have been taken to ensure the transfer of the innovation and the learning from the project?

Increasing the length of the project. The partners are agreed to move ahead beyond project timeline to measure the effectiveness as well as keeping the initiative alive. The mechanism has been established for the local partners to be engage with the target audience, and institutionalizing the risk transfer component.