

**SUMMARY REPORT ON
REDUCING UNDERLYING RISK FACTORS:
ASSESSING THE EFFECTIVENESS OF
RISK INSURANCE POST-CYCLONE PHAILIN
IN ODISHA, INDIA**



All India Disaster Mitigation Institute

March 2014

SUMMARY REPORT ON

**REDUCING UNDERLYING RISK FACTORS:
ASSESSING THE EFFECTIVENESS OF RISK
INSURANCE POST-CYCLONE PHAILIN IN ODISHA, INDIA**

All India Disaster Mitigation Institute (AIDMI)
with support of
Climate Development and Knowledge Network (CDKN)

March 2014



This document is an output from a project funded by the UK Department for International Development (DFID) and the Netherlands Directorate-General for International Cooperation (DGIS) for the benefit of developing countries. However, the views expressed and information contained in it are not necessarily those of or endorsed by DFID, DGIS or the entities managing the delivery of the Climate and Development Knowledge Network, which can accept no responsibility or liability for such views, completeness or accuracy of the information or for any reliance placed on them.

The Climate and Development Knowledge Network ("CDKN") is a project funded by the UK Department for International Development and the Netherlands Directorate-General for International Cooperation (DGIS) and is led and administered by Pricewaterhouse Coopers LLP. Management of the delivery of CDKN is undertaken by Pricewaterhouse Coopers LLP, and an alliance of organizations including Fundacion Future Latinoamericano, INTRAC, LEAD International, the Overseas Development Institute and South South North.

All photographs in this report by AIDMI.

© 2014, All rights reserved

CONTENTS

ACKNOWLEDGEMENT	iv
EXECUTIVE SUMMARY	v
ACRONYMS	viii
1. INTRODUCTION	1
2. LITERATURE REVIEW: CYCLONE <i>PHAILIN</i>	4
3. MICROINSURANCE FOR DISASTER RISK REDUCTION	7
4. RESEARCH OBJECTIVE, DATA COLLECTION AND METHODOLOGY	9
4.1 Objective	9
4.2 Data Collection and Methodology	9
5. CASE STUDY: <i>AFAT VIMO</i>	11
5.1 Demand for Insurance	11
5.2 <i>Afat Vimo</i> in Odisha	11
5.3 AIDMI and SWAD	12
5.4 Claims Settlement	14
6. KEY FINDINGS	15
7. KEY CHALLENGES FACED	21
8. LESSONS FOR HFA2	23
9. RECOMMENDATIONS	25
9.1 For Insurance Companies	25
9.2 For Research Organisations and Government	25
9.3 For Agents such as Humanitarian Agencies and Communities	26
10. CONCLUSION	28
APPENDIX:	
I. Assessment form for Clients of Afat Vimo	29
II. Assessment Form for Non Clients of Afat Vimo	33
References	37
Figure 1: Type of house owned by Clients and Non Clients	16
Figure 2: Understanding about microinsurance amongst Non Clients	16
Figure 3: Ability of Non Clients to Pay Premium	17
Figure 4: Demand for Insurance amongst Non Clients	18

ACKNOWLEDGEMENT

How does it matter if the loss is from disaster or climate change that is compensated?

Over a decade, AIDMI (All India Disaster Mitigation Institute) is pointing out to key governments and humanitarian donors that disaster microinsurance can work and should be integrated in all recovery programmes. AIDMI has argued with giant insurance companies about market potential of disaster insurance in the region. This argument is also applicable to climate adaptation measures. Potential for national and regional market to absorb innovative and affordable microinsurance products is huge.

With climate change exacerbating the severity of disasters in the developing world, a tool like insurance is important. A recurrent theme that is emerging in the post-HFA consultations is that of risk transfer mechanisms for the poor and vulnerable communities. HFA2 must provide direction to help prevent the creation of new risk, reduce existing risk by addressing exposure and vulnerability, and strengthen resilience through social and economic measures – such as disaster risk financing and insurance.

AIDMI acknowledges the support provided by CDKN (Climate Development and Knowledge Network) for undertaking this short but valuable project. We are thankful to NDMA (National Disaster Management Authority); OSDMA (Odisha State Disaster Management Authority); UNDP Odisha (United Nations Development Programme); SWAD (Society for Women Action Development); UIIC, Odisha (United India Insurance Company); and LIC, Odisha (Life Insurance Corporation of India). These agencies not only provided support under the project but also contributed on building the evidence to make a larger point that insurance is a tool that can be used more often in climate compatible recovery.

We would like to acknowledge the support of representatives from above-mentioned agencies. These includes Shree M Shashidhar Reddy, Former vice chairman of NDMA who showed continued interest in documenting the project case to build evidence; Shri (Dr.) Kamal Lochan Mishra, Chief General Manager, OSDMA for providing inputs to build effectiveness of microinsurance product for vulnerable communities; Mr. Ambika Prashad Nanda, UNDP, Odisha for sharing the community perspectives; Ms. Binapani Mishra, Secretary, SWAD for her organisational commitment to operationalise the microinsurance product; Mr. Prashant Behra, UIIC, Odisha and Mr. Brahmanand Panda, LIC, Odisha for their support in running microinsurance policy and related procedure.

Mr. Sam Bickersteth, Mr. Ali Tauqeer Sheikh Sahib, and Ms. Elizabeth Gogoi, CDKN encouraged this team. Mihir R. Bhatt offered direction to our ideas and activities.

Vishal Pathak
All India Disaster Mitigation Institute

EXECUTIVE SUMMARY

This summary report is the assessment of effectiveness of risk insurance in post cyclone Phailin in Odisha, India. The project is undertook a rapid assessment of how effective an existing micro disaster insurance scheme in Odisha has been in contributing to building the resilience of vulnerable communities. It uses the recent cyclone *Phailin* as a 'real life test' to show the opportunities and limitations of risk insurance. This is in the response to expressions of interest from a number of policy-makers at the national and state level to learn more about how the scheme fared.

The main objective of this short research project was to assess the effectiveness and role of *Afat Vimo* that is disaster insurance in building resilience of communities in cyclone *Phailin* affected areas of Odisha. The project utilised a qualitative approach to data collection. The majority of data was collected in the form of 150 semi structured interviews with clients and non clients in 13 villages in Puri district of Odisha. This was supplemented by desk based research; and a workshop with around 100 participants; clients, government officials, representatives from insurance companies, and non-governmental organisations (NGOs).

The *Afat Vimo* is a version of microinsurance designed for the vulnerable poor communities. *Afat Vimo*'s main purpose is to protect the property and livelihoods of clients in times of extreme events. This is done in return for annual premiums, which are paid to the insurance companies. The *Afat Vimo* scheme represents an innovative approach to risk identification, pooling and transfer, which recognizes the fact that the majority of poor disaster victims have limited, or no access to risk transfer schemes.

Following the 2013 cyclone Phailin, 165 clients of *Afat Vimo* were affected and faced loss and damage. The claims were registered to the insurance company. In March 2014, 125 claims have been successfully settled against 160 submitted, giving a combined payout of 400507 INR ranging from 1750 to 17000 INR against yearly premium of 148 INR.

The experience of *Afat Vimo* in Odisha (from 2012) revealed that microinsurance work requires long-term planning and commitment of multiple agencies with different expertise. Single party approaches cannot do such work effectively. A good product

for the right targeted communities in effective consultations with insurance companies and constant communications with clients by operating agencies with monitoring and evaluation and capacity building actions is required. The 2012 set up was not stopped even after the initial ECHO- project. With commitment it entered into second year where the real case tested in cyclone *Phailin*. Now this short but much required research help involve agencies to document the experience and move ahead with further planning for up scaling.

The research sharing useful lessons for reducing underlying risk factors and linked with the HFA2. Some of key lessons are as following:

1. The *Afat Vimo* clients conveyed a sense of security during interviews. However, the discussion with stakeholders revealed the requirement to invest for suitable scale and duration to exercise the risk transfer rights of the poor, especially in isolated pockets of urban slums in Odisha. The disaster insurance can catalyse the process of recovery.
2. Women are a natural target segment for microinsurance providers. So far, the contribution from women particularly in building knowledge on the concept and importance of disaster insurance is very high. Women have been found to be more financially literate and responsible. It has been shown that financial empowerment of women has secondary effects, including improved self-esteem and respect within communities, decreased violence, and better nutritional care and education for children. The contributions of women in Odisha were very fruitful to achieve the results and building ownership and sustainability of the product.
3. Overall, *Afat Vimo* was perceived in a very positive way in the interviews conducted. Investment of resources for core activities, establishment of facilities and working capital is important to institutionalise risk transfer mechanism at the community level. The involved agencies has experience that those who had or were given some social protection, safety net or special assistance were able to recover more freely and much faster after the 2013 cyclone *Phailin*.
4. To be viable, risk transfer products need to be appropriately designed and piloting and up scaling is a long process that

requires dedicated local institutions. This needs planning, awareness building and long-term commitment.

5. Demand for microinsurance is very large and constantly increasing. There are several factors contributing to this reality including frequency of disaster events due to high vulnerability, increasing population and awareness of insurance.
6. The small businesses are highly exposed to loss and damage due to disasters. Generally these businesses are not reached by compensation in post disaster recovery efforts. A microinsurance product specific for small businesses needs to be designed to reach these vulnerable businesses.
7. The economic losses of disasters are relatively higher for the poor. Loss estimations mostly do not include their loss of income and livelihoods. They usually suffer the longest and the most compared to other social groups. However, a vast majority of disaster victims have limited access to microinsurance and other microfinance services, especially after a disaster or during recovery. Market penetration in the lower income strata is low and even lower in disaster-prone areas.
8. Microinsurance is not a panacea for disasters. There is a need to promote long-term disaster risk reduction in conjunction with microinsurance. Microinsurance and other such protection tools for risk transfer should be promoted as part of a wider approach of climate change adaptation.

A recurrent theme that is emerging in the post-HFA consultations is that of risk transfer mechanisms for the poor and vulnerable communities. The mid-term HFA progress report (2010-2011) show a dismal picture of the efforts taken by private and international financial institutions to increase the access of the poor and vulnerable to risk transfer measures like insurance. With climate change exacerbating the severity of disasters in the developing world, a tool like insurance is of the utmost importance. It helps low income families to recovery from the loss of livelihoods in the aftermath of a disaster by offering a way out of the vicious circle of poverty. The disaster microinsurance scheme empowers the marginalised communities to live with dignity and not be dependent on the charity of others.

ACRONYMS

AIDMI	All India Disaster Mitigation Institute
CCA	Climate Change Adaptation
CDKN	Climate Development and Knowledge Network
DRM	Disaster Risk Management Strategy
DRR	Disaster Risk Reduction
HFA	Hyogo Framework for Action
ILO	International Labour Organisation
INR	Indian Rupee
LIC	Life Insurance Corporation
NDMA	National Disaster Management Authority
NGO	non-governmental organisation
OSDMA	Odisha State Disaster Management Authority
SWAD	Society for Women Action Development
UIIC	United India Insurance Corporation
UNDP	United Nations Development Programme
US\$	United States Dollar

INTRODUCTION

As the current and future impacts of climate change are more clearly understood, it is becoming ever more apparent that a changing climate will lead to an increase in severity and impact of natural hazards, resulting in previously unprecedented extreme climatic events (IPCC, 2012). It is critical therefore, to mitigate the vulnerability of communities and ensure their increased capacities for resilience to disaster risk.

For decades, the financing of disasters in developing countries such as India has relied on a reactive approach. Such ex-post funding approaches are usually not well coordinated and are often poorly targeted and insufficient (Commission of Climate Change and Development, 2008). As the frequency and scope of losses due to major natural catastrophes continues to increase, there is a growing need to explore other options for managing and transferring risks associated with climate change. One option to address this is through risk transfer, which are financial mechanisms formulated to reduce vulnerability disasters by employing structured instruments to spread risks in exchange for a premium. One of the most widely discussed is microinsurance – such insurance empowers the marginalised communities to live with dignity and not be dependent on charity of others.

This report examines the recent experience with the *Afat Vimo* (disaster insurance) in Odisha, India in order to gain insights into its effectiveness in reducing economic insecurity post cyclone *Phailin*. The report begins with a review of existing literature related to cyclone *Phailin* and *Afat Vimo*; followed by an analysis on the role of *Afat Vimo* in an attempt to transfer disaster risk from the poor to the commercial insurance market. Further, the report overviews Puri district and the context within which the research took place; followed by the considerations and explanation of the choice of methodology and research design and considering the effectiveness and sustainability of qualitative semi-structured interview methods and the impact these may have had on the research process and conclusions drawn. The report goes on to conclude that the adoption of risk transfer mechanisms such as *Afat Vimo* in context of disaster risk reduction and climate change adaptation can make the communities in rural Odisha better prepared against possible economic loss due to disaster event.

1

About the Research Project

This project – Assessment of the Effectiveness of Risk Insurance Post-Cyclone *Phailin* in Odisha, India – undertook a rapid assessment of how effective an existing micro disaster insurance scheme in Odisha has been in contributing to building the resilience of vulnerable communities. It uses the recent cyclone *Phailin* as a 'real life test' to show the opportunities and limitations of risk insurance. This is in response to expressions of interest from a number of policy-makers at the national and state level, including the former head of the National Disaster Management Authority (NDMA), to learn more about how the scheme fared. The research study supported by CDKN and conducted by AIDMI¹. The learning from this exercise will be used to engage with policy-makers to increase their understanding of the potential of risk insurance as part of an integrated Disaster Risk Management (DRM) strategy and facilitate the first discussion on scaling-up.

Methods: The majority of data was collected in the form of 150 semi structured interviews with clients and non clients in 13 villages across two gram panchayats in Puri district of Odisha. This was supplemented by desk based research and a workshop with stakeholders including policy holders, government and non-government representatives to investigate the viability of risk transfer through microinsurance provision in Bhubaneswar, Odisha.

About the Insurance Scheme: The insurance scheme was initiated in 2012 during an ECHO supported project in Odisha, facilitated by Concern Worldwide India and implemented by Society for Women Action Development (SWAD) with technical support from AIDMI. The scheme has reached 950 clients. The

¹ All India Disaster Mitigation Institute (AIDMI) is a registered non-governmental organisation based in Gujarat, India. It is a community-based action planning, research and advocacy organisation, working towards bridging the gap between policy, practice and research related to disaster mitigation. Established after the 1987-89 Gujarat droughts, AIDMI has expanded its work over the years to cover a nine types of disasters in twelve areas of India and beyond to eight countries in Asia. AIDMI strives to link local communities to national and international levels of risk reduction, relief and long-term recovery policies and programmes. As an operational and learning organisation, AIDMI works towards promoting disaster risk mitigation and adaptation to climate change risk by supporting, capturing, processing and disseminating disaster related information, lessons and innovative. www.aidmi.org.

premium of the policy is kept low (150 INR yearly) for coverage of poor and vulnerable communities. All of those currently covered are communities from the 2011 floods affected areas of Puri district. It is a group policy with combination of life and non life coverage. This yearly scheme was designed with LIC and UIIC. The structure of delivery model is partner-agent model – group based.

Scheme Components	Amount per Client
Maximum liability for lost life	INR 25,000
Maximum liability for damage to house	INR 15,000
Maximum liability for damage to house contents	INR 15,000
Maximum liability for stock-in-trade	INR 15,000
Maximum liability for personal accident	INR 25,000
Total Coverage	INR 95,000
Total premium (non-life) Yearly	INR 148
Total premium (life) ²	Varies based on the age

2 It is linked with money back policy for life insurance coverage.

Communities want to be involved in the design of insurance schemes.



2

LITERATURE REVIEW: CYCLONE *PHAILIN*

With some of the world's warmest waters, the Indian Ocean is a cyclone hot spot, and 27 of the 35 deadliest known storms in history have come through the Bay of Bengal and landed in either India or Bangladesh. Less than 15 years ago, a cyclone named 'super cyclone 1999' devastated Odisha killing nearly 10,000 people and left severe damage in its wake.

Before the landfall of cyclone *Phailin*, people thought the super cyclone 1999 was revisiting them and they perceived it to bring a catastrophe to the eastern coast of India. Cyclone *Phailin* battered the eastern coast of India with torrential rain and terrifying winds on October 12, 2013 with wind speed of over 200km per hour (World Bank, 2013). The cyclone affected more than 8 million and made its landfall in Gopalpur in Ganjam district, Odisha. The cyclone swept through coastal states of Odisha and Andhra Pradesh, ravaging crops and infrastructure and flattening thousands of houses.

Unlike past cyclones, cyclone *Phailin* did not result in a large number of human losses as pre-cyclone warnings triggered what Mr. Shashidhar Reddy, former Vice Chairman of National Disaster Management Authority has labelled, India's biggest ever evacuation operation (The Guardian, 2013). Approximately one million people were evacuated from the eastern coast of India to cyclone shelters, schools and government buildings (Bloomberg 2013). This was undoubtedly very expensive but lives were saved. It is providing a good example of what the HFA is calling for the substantial reduction of disaster losses, in lives and in the social, economic and environmental assets of communities and countries. The Hyogo Framework for Action 2005–2015 (HFA) – Building the Resilience of Nations and Communities to Disasters, is the inspiration for knowledge, practice, implementation, experience and the science for disaster risk reduction.

The state has set an example for the rest of India by using all the resources efficiently during the pre disaster stage. This efficient planning of preparedness activities is perhaps the greatest reason behind the minimal loss of life after the cyclone. A total of 21 lives were lost due to the cyclone and an additional 23 due to post cyclone flash floods in Odisha (UNEP, 2013). There is a big difference between what happened during the comparable 1999 super cyclone and in 2013 cyclone *Phailin* – over 10000 people were killed in Odisha in October 1999. Other reasons include the

constant monitoring of weather patterns and warnings, clear instructions to district authorities, positioning of relief materials and teams well in advance, and coordination with the central government for defence and other agencies' assistance. With the Indian Meteorological Department constantly uploading the weather updates on its Facebook page, the media and social media played a big role in sensitizing stakeholders about the movement of the cyclone and extent of relief preparations. News channels and publications reported the incoming cyclone, its scale and intensity, ensuring the ones who were affected had an idea of what to expect.

However, it was a double tragedy for Odisha, as the cyclone *Phailin* induced a heavy downpour that increased the water levels of major rivers flooding several parts of Odisha in Ganjam and Puri district.

Although the number of lives lost was relatively small, the numbers affected was very significant. Economically, the amounts are humongous, both for the state overall and for individual households. More than 13 million people were affected and killing approximately 23 due to the cyclone and an additional 23 due to flash flooding in the aftermath of the cyclone (UNEP Global Environment Alert Service, 2013). Further, 860,000 hectares of crops and 800,000 houses were damaged. The ports of Gopalpur and Paradip suffered losses of Rs. 446 crore (The Business Standard, 2013).

Extreme events will have greater impacts on sectors with closer links to climate, such as water, agriculture and food security, forestry, health, and tourism³. The humongous losses due to cyclone *Phailin* incurred by the economy and individuals caused many of those living above the poverty line to drop into poverty thus putting at risk the state's mission to eradicate poverty. This increases income inequality and slows down development progress. Further,



Afat Vimo clients sharing their experience of recovery post cyclone Phailin.

3 Summary for the Policymakers, SREX 2012 IPCC Report. http://ipcc-wg2.gov/SREX/images/uploads/SREX-SPMbrochure_FINAL.pdf.

Women are active agents of adaptation in rapidly changing contexts who adopt to global changes in local contexts in ways that are appropriate, sustainable and culturally specific.



damaged croplands and infrastructure has an impact on people's ability to access facilities such as health, sanitation and transport. The IPCC reports with high confidence that economic, including insured, disaster losses associated with weather, climate, and geophysical events are higher in developed countries. Fatality rates and economic losses expressed as a proportion of gross domestic product (GDP) are higher in developing countries.

Recovery has begun in Odisha, but the cyclone and the subsequent floods have left a dent on Odisha's economy. Mr. Manmohan Singh, Former Prime Minister of India allocated Rs. 1,000 crore each for Andhra Pradesh and Odisha towards the relief work of Cyclone *Phailin* and the damages incurred due to the flash floods. In addition, ex-gratia of Rs. 2 lakhs to the next of kin of the deceased and Rs. 50,000 each to the seriously injured from the Prime Minister's Relief Fund. Further, several national and international humanitarian agencies organisations have started recovery programs. These includes USAID for reaching more than 7000 households, or 35000 people for providing transitional shelters, repairing of partially damaged homes and supporting through cash for work; Red Cross (IFRC) assistance to 15000 families, allocated CHF 500000; and several others such as World Vision, LWR, Save the Children are involved in recovery work.

MICROINSURANCE FOR DISASTER RISK REDUCTION

Impacts from recent climate-related extremes, such as heat waves, droughts, floods, cyclones, and wildfires, reveal significant vulnerability and exposure of some ecosystems and many human systems to current climate variability (very high confidence).⁴ As Odisha battles with ongoing recovery and reconstruction efforts, several researchers and scientists confirm that such climatic extreme events represent the new normal. The strength and number of major cyclones may be increasing because of higher sea surface temperatures associated with global warming. Disasters can eradicate years of local development in minutes or hours. People in developing countries such as India are particularly vulnerable to disasters as they live in the high-risk areas and have lower coping capacities and generally have no risk cover in form of insurance or other safety nets. Therefore, they tend to rely heavily on relief and support post disaster, but such support is unpredictable. Further, they are heavily dependent on the climate sensitive industries such as agriculture, fishing or animal rearing, so extreme events risk both their lives and livelihoods. Thus, those who fail to recover are more vulnerable to subsequent disasters.

According to the Hyogo Framework for Action (HFA), development, eradication of poverty and risk reduction objectives are mutually supportive. Further, these must be integrated into policies and programs for sustainable development and reducing underlying risk factors. One possible way to manage natural disasters is through microinsurance which is an economic risk transfer strategy. Microinsurance is a mechanism for reducing vulnerability of the low income households (especially those in the informal economy) and protecting them against risks in exchange for payments tailored to their needs, income and level of risk. Microinsurance allows the policyholders to recover and rebuild after a shock.



Clients in Ketakipatna gram panchayat, Puri district brought their *Afat Vimo* insurance policies when asked about it and shared the importance.

⁴ IPCC WGII AR5 Summary for Policymakers. https://ipcc-wg2.gov/AR5/images/uploads/IPCC_WG2AR5_SPM_Approved.pdf.



Mr. Mihir R. Bhatt handover insurance policy in Stakeholders workshop on microinsurance, Bhubaneswar, August 21, 2012. The project supported by ECHO, facilitated by Concern Worldwide India, implemented by CYSD and SWAD in Odisha.

India is the most dynamic in the microinsurance sector in the world (UNDP, 2006). Liberalization of the economy and the insurance sector has created new opportunities for insurance to reach the vast majority of the poor, including those working in the informal sector. Even so, market penetration is largely driven by supply, not demand. There is a potential market for microinsurance, yet very few people are insured and few insurance companies venture into the sector. According to a study by the UNDP, the outreach of microinsurance is around 5 million people; covering only 2% of the poor in the country (UNDP, 2007).

Microinsurance is a low price, high volume business; its success and sustainability depends on keeping the market costs down. Therefore, India should be an attractive location.

The life industry has set itself a target of increasing penetration levels to 5% by 2020. The sector has the potential to touch \$1 trillion over the next seven years. The disparity between the current level and target level makes the Indian insurance market a lucrative opportunity for investors⁵.

However, insurance in itself is not enough for managing disaster risks; it must be accompanied with early warning systems, providing information to vulnerable people about disaster risks. Further, it is a method to reduce risks by enforcing the feeling of security; but does not cover intangible assets such as the long term impact on health or missed schooling. Consequently, microinsurance should be seen as one risk transfer option in a wide framework of disaster risk management required. This can expand opportunities and lead to innovations that can assist the poor in securing their lives (UNDP, 2006).

⁵ V MANICKAM Secretary General, Life Insurance Council (2014), <http://businesstoday.intoday.in/story/expert-outlook-life-insurance-sector-in-2014-v-manickam/1/201887.html>.

RESEARCH OBJECTIVE, DATA COLLECTION AND METHODOLOGY

4.1 Objective

The main objective of this short research project was to assess the effectiveness and role of *Afat Vimo* that is disaster insurance in building resilience of communities in cyclone *Phailin* affected areas of Odisha.

4.2 Data Collection and Methodology

Primary data was collected in Puri district of Odisha, India. A precise way to understand the benefits of disaster insurance was to compare people who were insured against those who were not.

The project utilised a qualitative approach to data collection. This was considered to be the most appropriate fashion in which to fully answer the research questions in a rich and detailed manner. A qualitative approach meant that the researcher could attempt to understand the worldview of the research participants from their own perspective and gain an understanding of their own subjective interpretation of the world (Bryman, 2008). Phenomena could then be interpreted in terms of the meanings which participants themselves brought to them (Denzin & Lincoln, 2011). The researcher sought to gain a contextualised understanding of participant's responses, behaviour and values.

The majority of data was collected in the form of 150 semi structured interviews with clients and non clients in 13 villages across two gram panchayats in Puri district of Odisha. This was supplemented by desk based research; and a workshop with around 100 participants; clients, government officials, representatives from insurance companies, and non-governmental organisations (NGOs).

Questionnaires (see appendix I) for semi structured interviews were prepared for each group to ensure that all the topics were covered without constraining the flow or directions of the discussion. Truly insightful

4

Team of AIDMI, SWAD and interns from XIMB interviewing families to understand how they recovered post cyclone *Phailin* (2013).



research can only be done when the dialogue between the researcher and the respondent is not confined to a list of predetermined questions. The researcher must be willing and able to delve into new and unplanned territory should the opportunity arise. A candid conversation with even one respondent could very well change the course of our research, it could put an otherwise bland question into perspective and it could help to humanize respondents in a way that a survey form never could.

The data collection did not seek to gain generalisations about the role of disaster insurance in Indian society overall, but achieve a contextual understanding of the specific mechanisms that create and sustain the current and unfolding reality. It was vital to ensure that what the research participant considered to be important when interpreting and responding to questions asked was what remained central to the project (Bryman, 2011).

The clients of microinsurance are living in flood and cyclone prone areas and poor locations. The majority clients are from micro livelihoods related to both - farm and non-farm.



CASE STUDY: AFAT VIMO

Afat Vimo is a version of microinsurance designed for the vulnerable poor communities. *Afat Vimo*'s main purpose is to protect the property and livelihoods of clients in times of extreme events. This is done in return for annual premiums, which are paid to the insurance companies. The *Afat Vimo* scheme represents an innovative approach to risk identification, pooling and transfer, which recognizes the fact that the majority of poor disaster victims have limited, or no access to risk transfer schemes.

5.1 Demand for Insurance

Studies including the Gujarat Community Survey of 2002 by AIDMI and the ProVention Consortium revealed that access to risk transfer is correlated with sustainable economic recovery among victims (AIDMI, 2002)⁶. Yet, only 2% of those surveyed had insurance. The resultant scheme that was launched by AIDMI after a series of discussions and negotiations with insurance companies who were interested in supplying low premium insurance policies to the poor was *Afat Vimo*.

Afat Vimo policyholders are now spread across several states of India including Gujarat, Tamil Nadu, West Bengal and Jammu and Kashmir. *Afat Vimo* was tailored as per the needs of the people in Gujarat and it was replicated (with some modifications based on demand survey) in Odisha in 2012 and has 997 clients in the state.

5.2 *Afat Vimo* in Odisha

Afat Vimo covers more than 19 types of disasters including floods, earthquakes, cyclones, storms, hurricanes, tornadoes, fire, landslides etc and the policyholders are covered for the amount of loss equal to approx US \$1123 for non life assets and US\$ 408 for loss of life. Current clients include the individuals from low income households with an annual income of US\$ 612. These households are involved in the informal sector and have assets worth US\$ 306⁷. This policy is available for an annual premium of less than US \$ 6.

A particular strength of *Afat Vimo* scheme is the unified policy design. Under the scheme, life and non life coverage are brought together under one policy. This not only makes the policy attractive

⁶ AIDMI (2002). Community Survey: Gujarat Earthquake 2001". AIDMI and ProVention Consortium.

⁷ Microinsurance for DRR. Process Documentation, 2012, AIDMI and Concern Worldwide India.

but makes the investment more efficient in economic terms (Concern Worldwide, AIDMI et al, 2012).

5.3 AIDMI and SWAD

About SWAD

Established in 1989, SWAD is a registered non-government organisation, based in Puri district of Odisha, committed to the cause of welfare and development of rural poor women and weaker section of society. SWAD is operating in Puri and Kandhamal districts of Odisha with its package of development programmes. Presently the activities have spread over 160 villages. The focus areas of intervention are women empowerment, community capacity building, and community based disaster management. The target groups are rural poor women and children, poverty stricken underprivileged and marginalised society and victims of natural calamities. Key programs undertaken by SWAD include: a) promotion and formation of 206 Self Help Groups (SHGs) in 58 villages; b) women empowerment through self-help; c) income generation programme; and d) awareness camp on women trafficking.

Role of AIDMI and SWAD

Ms. Nibedita Nayak,
Head, State Social
Welfare Board, Odisha
presented the settlement
cheques to the *Afat Vimo*
policyholders.

AIDMI provided technical support such as training, developing guidelines, monitoring, data management, and setting procedures with insurance companies for SWAD. SWAD played the role of both intermediary and facilitator. The lists of beneficiaries are confirmed by SWAD and AIDMI based on their demands. Once the insurance companies have designed operational policies and premiums have been set, SWAD reconfirms beneficiaries on the list and ensures all the mandatory information is collected and passed to insurance companies. AIDMI pays the premiums to insurance companies on behalf of the beneficiaries, ensuring immediate coverage. Subsequently, SWAD begins to collect premiums from clients.

When the disaster strikes, the clients will be assisted by SWAD to fill in the claim forms and gather required documents. Simultaneously, AIDMI gets in touch with the insurance companies to ensure the process for



claim settlements starts as quickly as possible.

Benefits and Limitations of using Partner-Agent Model for *Afat Vimo*

Afat Vimo is underwritten by the insurance company for the policyholder group, instead of individuals or households. It follows a partner-agent model – that is partnership between an insurer (in our case LIC and UIIC) and an agent (in our case AIDMI and SWAD) that provide some kind of financial service to a large numbers of low income people. Generally, the agent sells insurance policies to the clients on behalf of insurance companies in exchange for a fee or commission. The risk transfer work in Odisha was supported under the ECHO project, facilitated by Concern Worldwide India, SWAD was the implementation agency and AIDMI was the technical agency to design and set insurance policy in Odisha for targeted communities. LIC and UIIC make use of the established distribution channel of SWAD and insure the vulnerable and low income people of Odisha. This reduces the setting up costs for the insurance companies.

With a single partnership agreement it has been shown to be possible to sell microinsurance to over a quarter of a million low income people⁸. The system works better than in-house insurance and due to the partnership each party (SWAD and the insurance companies UIIC and LIC) can focus on its core activities. If the model is successfully implemented then synergies are maximised. There are better chances of reducing overhead costs for both parties involved. LIC and UIIC, the insurance companies can use the available infrastructure and staff; whereas SWAD can insure people from its own network. Information asymmetry was minimized as SWAD's constant work in the area made them familiar with their situations. This made claim settlement and verification faster. All parties had trust in SWAD's transparency and commitment to the



A woman in Rudrapur village, a non client is struggling very hard to overcome the losses incurred. As a recovery plan post cyclone *Phailin*, she used her backyard to grow vegetables and sell them. She said " I have still not paid my debt, but I wish I had bought schemes like *Afat Vimo* to help in the times of crises."

8 Basanta K. Sahu, Microinsurance in India: Outreach and Efficacy, Centre for Microfinance Research, Bankers Institute for Rural Development. http://birdlucknow.in/doc/Reoprt%20on%20Microinsurance%20in%20India%20_Final.pdf

The discussion with clients revealed that microinsurance with require long-term planning and commitment of multiple agencies with different expertise.



task of reducing the vulnerability of communities through risk transfer. The competency and capacity of the agent is critical, otherwise the performance and reputation of microinsurance will be questioned by the vulnerable communities.

5.4 Claims Settlement

Following the 2013 cyclone *Phailin*, 165 clients were affected and faced loss and damage. The claims were registered to the insurance company. After cyclone *Phailin*, SWAD and AIDMI assisted beneficiaries in filling the claims properly. The *Afat Vimo* beneficiaries are illiterate or have poor literacy skills, thus need such assistance. The *Afat Vimo* clients get a window of one month period to claim post the disaster. The first assessment process was done by the insurance company with the SWAD team facilitating the process with technical support from AIDMI. It was completed by mid-January 2014. The policy covered any damage to shelter, household things and livelihood stock due to natural hazard.

In March 2014, 125 (78%) claims have been successfully settled against 165 submitted, giving a combined payout of 400507 INR – ranging from 1750 to 17000 INR against yearly premium of 148 INR. All of the claims made are for damage and loss of contents due to cyclone and the following floods. Due to lack of awareness and also the first time experience of SWAD, cases were found which did not require submission for claim settlement – very minor damage. To avoid any conflict at the local level, involved representatives received the form and visited each client. SWAD supported clients for document collection, follow up procedures and pushing for claim settlement on time.

KEY FINDINGS

This chapter is analysis of the findings emerging from the research process. The field data is based on direct interactions with current and potential clients via household surveys. It is important to understand that it is a cross sectional study, meaning it was carried out at one time point over a short period. It provides a 'snapshot' of the outcome and the characteristics associated with it, at a specific point in time. This chapter includes a brief introduction to key study areas; and the features of sample households including their income, borrowing, and savings and how do these households react to disasters. Further, the discussion with clients explores their understanding of insurance and expectations.

The impact of natural disasters comes in two stages:

1. **Immediate Impact:** loss of an asset or income and the need for a lump sum of cash
2. **Medium and Long term Impact:** this can be more stressful depending on the situation of households. It might need reallocation of household resources to respond to changes in cash flow. The women of the household who are so far not directly involved in livelihood activities start participating to make ends meet even pushing herself further to increase her workload.

Clients discussed *Afat Vimo* with respect to emotional value, understanding and cost of the insurance; whereas the non-clients discussed alternative ways to cope with disasters and expectations from insurance.

Total Interviews	150
Client and Non Client ratio	100 Clients (10% of total) and 50 Non-Clients
Gender Ratio	60% Male; 40% Female
Number of Villages	13 villages of Puri district
Total Policyholders	950
Total claim submitted	165
Total claim settled	125

Figure 1, shows that of the total households interviewed more than 63% of people lived in temporary 'kachha' houses and when Cyclone *Phailin* struck the Puri coast, it faced minor to major destruction in their houses. Due to the effectiveness of the advanced warning systems, precautionary measures were taken and they

6

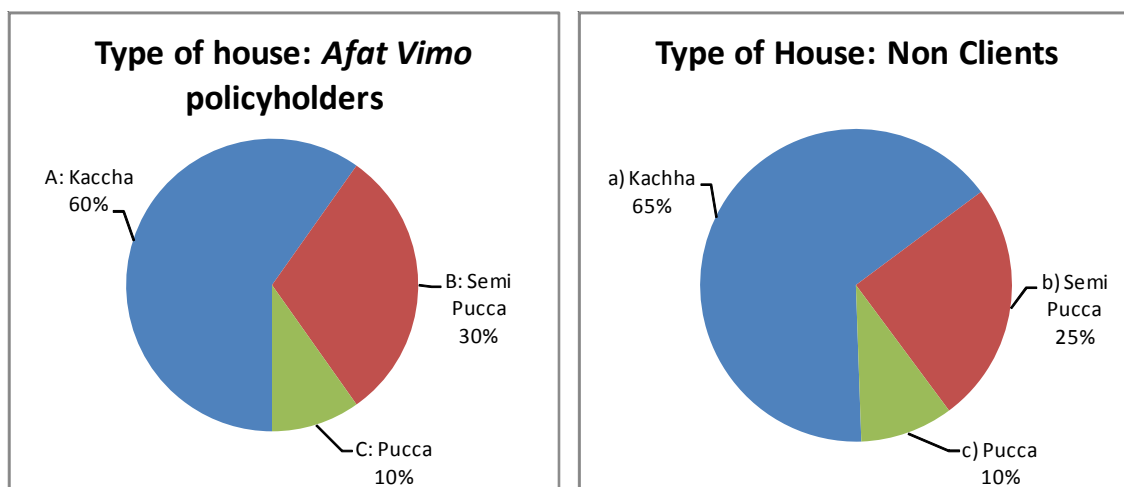
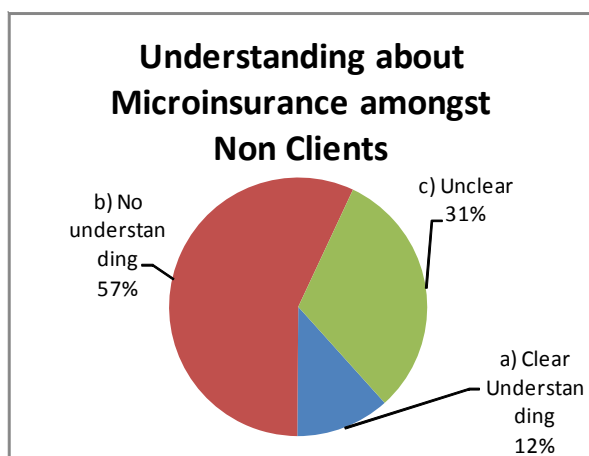


Figure 1: Type of House owned by Clients and Non Clients.

were able to save themselves, their livestock and some of their assets, but they could not save their houses completely. Even in the month of March 2014, many of them raised requirement for support so that they can rebuild their shelters.

It is imperative to know if the households are aware about insurance and its benefits. When asking a non-client if she wants to buy microinsurance, she replied *"Products such as insurance are made for the rich and not for people like us."* Such replies make it clear that the awareness about such important products is essential. Such risk transfer mechanisms can change the lives of poor people post disasters. Out of the total non clients interviewed during data collection across 11 villages, 57% had no understanding about insurance. Some had only heard the word insurance but were unaware of the mechanism. 43% of non-clients had some idea or had at least heard about microinsurance and insurance companies.

Figure 2: Understanding about microinsurance amongst non clients.



Out of which only 12% had a clear understanding of the policies which exist, whereas 31% had inadequate and unclear understanding about it.

Very few respondents (3 out of 50 non-clients) replied that they didn't require any kind of insurance as they could get all kinds of help and support from their Self Help Group. One of them, Susama Das, informed us that after Cyclone *Phailin* she got a loan of Rs 10,000 at 3% interest rate per month with which she could rebuild her house and still had some money left over, which she used in vegetable farming. It was

not clear whether she was disinterested in having insurance or she was actually satisfied with the SHG and its lending. It was, however, clear that she, like many of the others in her village, did not understand the difference between insurance and a loan. This lack of understanding and information is one of the main limitations in up scaling of microinsurance.

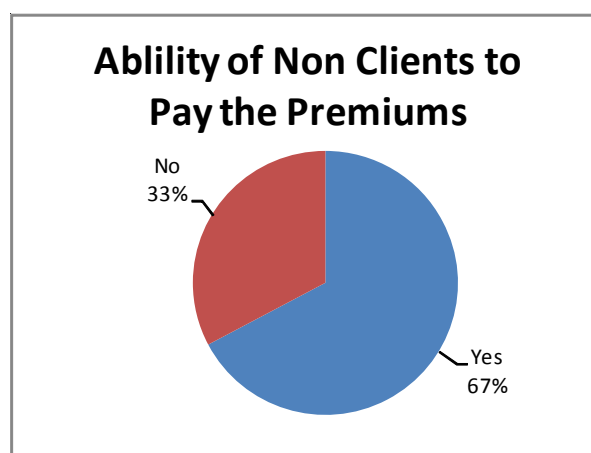
Further, it can be said based on household interviews with clients that the decisive factor for microinsurance uptake is the long-standing relationship that SWAD has with the communities – all participants in the microinsurance scheme have received support SWAD and AIDMI in the past. When asked how they got to know about the *Afat Vimo* a similar replied echoed from all clients:

Mr. Bhim Nayak from Alatarangsahi village, Satyabadi district said "Volunteers from SWAD came to the village and informed us about *Afat Vimo* – its benefits and limitations. I had some spare money so I decided to buy the insurance and now post cyclone Phailin I will be paid settlement" (later on his claim settled with 1750 INR).

In addition, several households enrolled for the *Afat Vimo* scheme as fellow villagers advised them to buy insurance; despite being unclear about what it meant. This is one of the main reasons of why several were not able to register the claim in time as they were unaware not only of the procedure but the fact that they can make claims.

Despite having very little understanding about microinsurance the demand amongst non clients was high (after a short explanation was provided to respondents on the meaning of microinsurance). Out of the total non-clients interviewed 67% claimed that they can afford and are willing to pay the *Afat Vimo* premium. It was found that some are even willing to pay even more than the present premium for a well designed insurance product that meets their need. They expect to get some sum assured at the end of policy term. This clearly shows that there is demand for disaster insurance and other microinsurance in Odisha. However, willingness to pay a premium varies across groups and regions. This reflects the gap between the supply of microinsurance and potential demand for the same among the

Figure 3: Ability of Non Clients to Pay Premium.



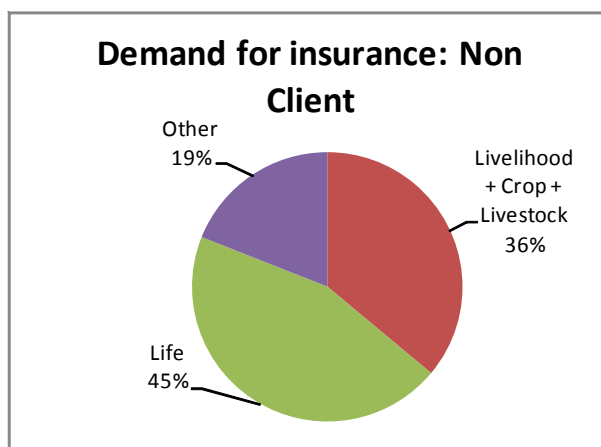


Figure 4: Demand for Insurance amongst Non Clients.

poor households. Understanding of microinsurance products and ability and willingness to pay are key areas to focus.

The majority of people in the slums of Puri district are small businessmen, casual labourers, home based workers and daily wage earners. Cyclones and floods have repeatedly affected their lives and livelihoods. Figure 4 shows that 36% of people wanted insurance schemes for their livelihood tools and equipment, crop or livestock in case of damage while 45% demanded insurance for life.

When interviewing non clients it was revealed that cyclone *Phailin* has pushed several into the poverty trap. The majority of the households (non clients or non claimants) had taken loans or sold assets or used their savings to meet their different requirements including house repairing, food for survival or purchase of new income generation assets. As a coping mechanism, a few affected households (non clients) said that they had stopped sending their children to school and had cut down on food intake.

Kunni Malika from Kethakipatana village is a *Afat Vimo* client who did not claim; when asked why she hadn't filed an insurance claim after cyclone *Phailin*, even though she was an *Afat Vimo* policy holder, Kunni called herself "Boka", meaning foolish in Odiya, and promised that next time she would not make this mistake, she would ask the other ladies in her Self Help Group to show her how to file a claim. When asked how she was coping with the losses incurred, she said "I have taken loan at Rs. 15,000 at 5% per month".

On the other hand, *Afat Vimo* clients conveyed a sense of security during interviews. Clients who had at the time of being interviewed had submitted a claim, were hopeful that it will compensate them for their losses incurred in cyclone *Phailin*. They believe being insured will result in positive outcome when they incur loss due to disasters in the future also. Of the 165 clients who submitted their claims, 125 were in fact settled.

Ms. Sumitra Dalai from Madhipur village, Puri district said that "Initially I thought this will not be useful and no claims will be made, but after reaping the benefits I will recommend *Afat Vimo* to everyone".

"As disasters have become so frequent, I am more relaxed that I will get compensation if I incur loss due to disasters".

– **Surbeswar Swain,**
from Gendamali village, Puri district.

The discussion during workshop also revealed the requirement to invest for suitable scale and duration to exercise the risk transfer rights of the poor, especially in isolated pockets of urban slums in Odisha. The experience sharing session of the workshop clearly showed that disaster insurance can catalyse the process of recovery. On the other side, regarding improvement, stakeholders suggested a faster process for claim settlement. Involved agencies also agreed upon better data management for effective capacity building inputs; and requirement for awareness generation among clients and interested other community members too who show interest to join the scheme. The requirement of disaster insurance for micro – businesses in urban poor localities was also highlighted by the workshop audience.

Women are a natural target segment for microinsurance providers – humanitarian agencies and insurance companies. So far, the contribution from women particularly in building knowledge on the concept and importance of disaster insurance is very high. The disaster insurance is mostly sold through women leaders, associations and women's self help groups, as usually, women have been found to be more financially literate and responsible. It has been shown that financial empowerment of women has secondary effects, including improved self-esteem and respect within communities, decreased violence, and better nutritional care and education for children. The contributions of women in Odisha were very fruitful to achieve the results and building ownership and sustainability of the product. The women clients contributed effectively in the disaster insurance scheme that led to a successful story of ownership, sustainability and most importantly their effective role in the decision-making process among stakeholders. The poor women have a disciplined track record related to premium submission and other micro finance related works with SWAD.

The experience of *Afat Vimo* in Odisha (from 2012) revealed that microinsurance work require long-term planning and commitment of multiple agencies with

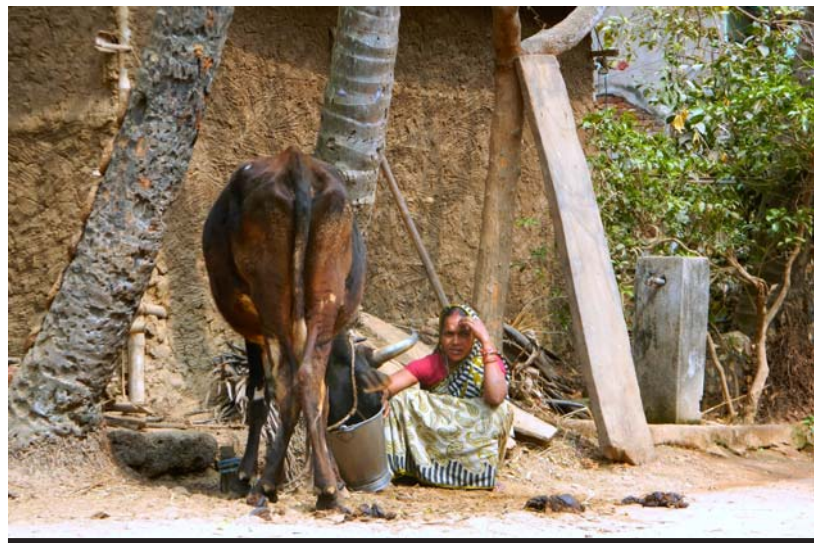
The microinsurance product was perceived positive among clients. On areas of important clients suggested faster process of claim settlement, and higher number of awareness actions at field level.



different expertise. Single party approaches cannot do such work effectively. A good product for the right targeted communities in effective consultations with insurance companies and constant communications with clients by operating agencies with monitoring and evaluation and capacity building actions is required. The 2012 set up was not stopped even after the initial ECHO – project with SWAD and AIDMI was completed. With commitment it entered into second year where the real case tested in cyclone *Phailin*. Now this short but much required research help involve agencies to document the experience and move ahead with further planning for up scaling.

Overall, *Afat Vimo* was perceived in a very positive way in the interviews conducted. Investment of resources for core activities, establishment of facilities and working capital is important to institutionalise risk transfer mechanism at the community level. AIDMI with SWAD has experience that those who had or were given some social protection, safety net or special assistance by the government or NGOs were able to recover more freely and much faster after the 2013 cyclone *Phailin*. However, one major problem that kept on echoing throughout was confusion about the procedures for claim application and its benefits. With respect to policy, two aspects were seen as gaps which needed to be addressed; one, lack of disaster insurance penetration and second, lack of awareness about insurance products and processes.

A woman feeding her cow, while talking to AIDMI team about cyclone *Phailin* and its impact. She was a client who did not register her claim due to lack of information. She said "only if I had information, I would have registered the claim. I feel that I missed an opportunity to recover the losses."



KEY CHALLENGES FACED

- **A need for Large Volume with Different Locations in Microinsurance Products:** For successful work in the field of microinsurance, operating agencies should cover large volumes of low income people from different locations. Individuals in several communities in different geographic locations all take out microinsurance policies; the risk associated with administering each policy is spread across a large number of people and regions. The present case is only about community members associated with SWAD and resulted from 18 months of the project. The involved agencies are trying to increase the volume and spread in terms of different locations. It will therefore be helpful to assess the impact of the scheme across a wider location to get a greater understanding of its effectiveness in different contexts.
- **Low level of Awareness on Microinsurance Products such as Afat Vimo:** This is one of the main and common challenges for the insurer. There are also often myths related to Microinsurance products that run at the local level. Further, the agencies tend to focus on their own microinsurance product rather than the overall importance of Microinsurance in general. On the other side, the humanitarian agencies tend to have limitations due to administration and awareness generation costs. The microinsurance product works due to commitment and interest of involved agencies and keeps the product run on low cost premium.
- **Client's Expectations of Money Back Policy with Low Premium:** This is the most common factor related to communities with low awareness and low literacy levels. However, this was addressed by designing the life insurance policy with LIC for the long term (15 years) that had a money back policy. During designing the product (*Afat Vimo* in Odisha, 2012), demand survey revealed that communities have a higher interest in money back policies that generally have higher premium. However, involved agencies (Concern Worldwide, AIDMI) with LIC came out with a combination of LIC and UIIC policies where LIC component kept the longer duration – 15 years – with money back structure. This feature increases the interest of

7

the potential target audience and also the responsibility of the involved agencies – AIDMI and SWAD, as it required constant investment for operation and awareness generation cost.

- **Myths Among Clients:** Most of the poor assume that products such as insurance are for high income people. This logic has led to unmet demand for insurance. The poor are in great need of microinsurance given the limited social protection afforded to them and their exclusion from most formal types of insurance. The clients also have high expectations of the microinsurance scheme and unrealistic demands of the operating agency. The root cause of this high expectation and myths are linked to low rates of education and lack of awareness. This high expectation also demonstrates the low level of understanding about insurance among the poor. Some of them may have some exposure to insurance but do not have the means to access it. This also creates a negative perception at the local level. This also requires a support mechanism at the local level, for example integration of micro mitigation measures by CSOs.
- **Lack of Awareness about Claim Registration:** Lack of information and awareness about proper procedures for claims can have a very high cost for the people who loose opportunities because of it. Many of the policy holders do not know what it means or how to use it. This proves that it is exceedingly important that every single policyholder understands all the details of their policy and how to make proper use of it. This problem can easily be combated by having regular meetings with the policy holders where the necessary steps and procedures are explicitly explained to them. Higher investment in capacity building is required for at least a few months among existing clients.
- **Slow Procedures of Insurance Company:** Slow processes and delayed responses by the insurance company in settlement of claims have been observed. However, constant follow up by the involved partners helped to complete all processes in terms of registration but completion of processes by insurance companies has taken higher time than expected.

LESSONS FOR HFA2

A recurrent theme that is emerging in the post-HFA consultations is that of risk transfer mechanisms for the poor and vulnerable communities. The mid-term HFA progress report (2010–2011) shows a dismal picture of the efforts taken by private and international financial institutions to increase the access of the poor and vulnerable to risk transfer measures like insurance.

With climate change exacerbating the severity of disasters in the developing world, a tool like microinsurance is of the utmost importance. It helps low income families to recover from the loss of livelihoods in the aftermath of a disaster by offering a way out of the vicious circle of poverty. The disaster microinsurance scheme empowers the marginalized communities to live with dignity and not be dependent on the charity of others.

- To be viable, risk transfer products need to be appropriately designed and piloting and up scaling is a long process that requires dedicated local institutions. This needs planning, awareness building and long-term commitment. Pilot initiatives in microinsurance should be based on medium and long-term financial plans that emphasize financial viability. A minimum of a three or five year horizon for such a plan may help ensure that actions are taken to cover administrative costs in the product model. Options for collecting a commission to offset administration costs should be investigated.
- Demand for microinsurance is very large and constantly increasing. There are several factors contributing to this reality including frequency of disaster events due to high vulnerability, increasing population and awareness of insurance (Bahera P. 2013: 8)⁹.
- The small businesses are highly exposed to loss and damage due to disasters. Generally these businesses are not reached by compensation in post disaster



A non client from village Sameipur, Puri district showing the losses incurred due to cyclone *Phailin*.

⁹ Bahera P. (2013) Reducing Loss and Damage of Poor: *A case of non-life insurance protection mechanism*. Southasiadisasters.net Issue No. 99, October 2013 on When Preparedness Works: Case of Cyclone Phailin. AIDMI: Ahmedabad. Available at: <http://reliefweb.int/sites/reliefweb.int/files/resources/99%20Cyclone%20Phailin.pdf> (accessed on December 19, 2013)

recovery efforts. A microinsurance product specific for small businesses needs to be designed to reach these vulnerable businesses. The demand also needs to be studied for proper product design targeting small businesses.

- The poor and vulnerable families require microinsurance that covers the non-life component especially shelter and livelihood in climatic hazard prone areas (coastal, delta, river basin, arid, high-altitude). Single party cannot do this effectively. A combination of insurance companies and non-government organizations can produce the desired result through institutionalizing risk transfer.
- Participation of women in microinsurance is one of key factors towards better awareness and sustainability.
- Microinsurance is not a panacea for disasters. There is a need to promote long-term disaster risk reduction in conjunction with microinsurance. Microinsurance and other such protection tools for risk transfer should be promoted as part of a wider approach of climate change adaptation.
- The women clients contributed effectively to the achievements made so far and building ownership and sustainability of the product. Women have been found to be more financially responsible in such actions.
- The economic losses of disasters are relatively higher for the poor. Loss estimations mostly do not include their loss of income and livelihoods. They usually suffer the longest and the most compared to other social groups. However, a vast majority of disaster victims have limited access to microinsurance and other microfinance services, especially after a disaster or during recovery. Market penetration in the lower income strata is low and even lower in disaster-prone areas.

Interaction between women leaders of *Phailin* cyclone recovery process revealed issues of limited or no direct investments in women and their leadership by global and national authorities.



RECOMMENDATIONS

The study has come out with some important findings and observations which can be used by different stakeholders. Based on the major findings, the following suggestions are offered for better outreach and efficacy of microinsurance such as *Afat Vimo*:

9.1 For Insurance Companies

- A microinsurance culture must be developed. The insurance providers must treat low income clients as potential clients and help them to understand insurance.
- It is important to combine market entrepreneurship with strong regulation and bottom-up participation of public groups for establishing credible and trusted systems that provide disaster microinsurance to the poor.
- The insurance companies should come ahead for the effective and in time claim settlement especially related to disaster insurance that build recovery faster and safer for poor communities.

9.2 For Research Organisations and Government

- The limited study that has been conducted indicates a demand for microinsurance. It would therefore make sense to conduct a national study on demand for microinsurance. This will be a huge undertaking, but this information on demand needs to be better understood in order to identify the potential of microinsurance and upscale coverage across India. Similarly, pro-poor financial risk transfer initiatives combined with risk reduction measures such as *Afat Vimo* remain rare in the South Asian region. There appears to be a significant potential for disaster risk management at community level through insurance. A regional study presenting risk transfer through microinsurance with focus on disaster risk management should be carried out.
- Generating awareness and building commitment to initiate microinsurance costs money, time and effort. Involving the Government of Odisha in the program can be very useful to upscale and increase the outreach of insurance.
- Microinsurance service cannot immediately translate into a stand-alone enterprise for successful disaster recovery.

A round table discussion between with IAG Odisha: Rich Experience from 1999 Super Cyclone to 2013 Cyclone *Phailin* was discussed. How global issues shape local actions and how local insights shape global process was realized. The upcoming global humanitarian summit needs to take this on its agenda.



Thus, providing a range of other services for accessing basic amenities, relief compensation and business development services, including marketing after a disaster, are crucial for the swift recovery of the poor.

9.3 For Agents such as Humanitarian Agencies and Communities

- Capacity building of volunteers working on the ground is needed. It was observed during the study that field level staff was not able to deal with the queries of *Afat Vimo* clients. This can result in a loss of trust and thus clients. Training and awareness programmes should be conducted on a regular basis.
- Regular meetings in villages must be held to spread awareness and information about *Afat Vimo*. Those claimants who have received payouts post 2013 cyclone *Phailin* should be invited to share their experiences. In this way, the rural poor and vulnerable communities will be able to build trust with insurance companies.
- Constant monitoring and evaluation (M&E) is highly necessary. The findings from M&E should be taken on board when improving and expanding the programme. To sustain microinsurance, a constant cycle of reflection and improvement is needed.

- Review of the technical capacity and capability of the insurer and in relation with the target audience is crucial for moving ahead.
- Microinsurance services have not penetrated deeply enough into rural, isolated, and vulnerable areas. There is an urgent need to replicate, develop and expand innovative products and set up service networks that can function at breakeven, especially in areas that vulnerable to risk related to climate change.
- There is strong need to develop a stabilisation fund for microfinance institutions to help them respond to the overwhelming demands for loans and services immediately after a disaster. The majority of microfinance programmes to date in India take a supply-side and grant based approach. There is a need to help them develop a demand-driven approach and to make them self sustaining. The microinsurance policy that protect (economic) against local hazards and with combination of life and non-life coverage must be promoted and strengthen by MFI, Government and humanitarian sectors.



10

Women leaders, clients of disaster insurance and cyclone *Phailin* affected community sharing their experience of loss and damage; recovery and adaptation efforts at Jaipur village of Puri district, Odisha on March 31, 2014. Binapani Mishra leads this progress of risk transfer. Need for more financial tools to transfer disaster and climate change risks were explored.



CONCLUSION

Disasters are non-discriminatory, potentially affecting all the countries irrespective of their economic status. Events such as the super cyclone in 1999 and hurricane Katrina in 2005 remind us that disasters are a threat to both rich and poor countries. No country can completely insulate themselves against disasters. Therefore, disaster prevention, mitigation and reduction strategies are now a global priority as disasters are increasing. This severity of impact has risen due to increase in population, unplanned urbanization and environmental degradation that worsening the impact of climate change.

This study intends to contribute to the current discussion and debate on microinsurance with the help of a case study of *Afat Vimo* focusing on its efficiency post the recent disaster. The study through a single case study gives an indication of some of the challenges and opportunities facing disaster microinsurance in developing countries. A number of important initiatives internationally have been taken in the recent past to promote disaster insurance and ex ante disaster management strategies. Disaster insurance can help the vulnerable and poor in developing countries to break the vicious cycle of poverty. The core message from this snapshot of the situation in Odisha is that insurance and other ex ante mechanisms are crucial to manage disaster risk and adapt to climate change. However, there is a lack of understanding and awareness by the intended beneficiaries and the insurance market remains in a nascent stage. This limits the uptake of *Afat Vimo* among low income people. While microinsurance holds much potential, more awareness and promotion is needed to make the model sustainable to ensure equitable and efficient ways to manage and reduce risks.

In sum, there is an enormous market potential for *Afat Vimo*. In order to realise macro impacts of *Afat Vimo*, both wider outreach and strengthening its effectiveness are important.

APPENDIX I:

ASSESSMENT FORM FOR CLIENTS OF *AFAT VIMO*

Interview Conducted at _____ on _____

Section A: Personal details

Name of the policyholder			
Age, Gender			
Level of Education			
Name of the head of HH ¹⁰			
Relation with HH head			
Village			
District			
Occupation			
Contact Number			
Number of family members	M _____	F _____	Children _____

Section B: Impact of Cyclone *Phailin*

1.	Were you impacted by cyclone <i>Phailin</i> in 2013?	Yes	No
2.	Did you evacuate your village?	Yes	No
3.	What type of house do you own?	a) Kachcha b) Semi Pucca c) Pucca	
4.	What was the condition of your house when you came back?		
5.	Did the cyclone have an impact on your livelihood activities?	Yes	No
6.	If yes, how? (Example lost livelihood assetssuch as stock, livestock, crop, customers, machinery)		

¹⁰ HH – Household

7.	How do you cope with such disasters? Please tick	a) Borrow money from bank or SHG		
		b) Borrow money from lenders		
		c) Borrow money from extended family		
		d) Insured		
		f) Change livelihood activity		
		f) Any other, please specify.		
8.	Did you lose any important documents? Please tick	a) Bank books	b) BPL card	
		c) Insurance Papers	d) Ration Card	
		e) Election Card	f) Any others, please specify	
9.	Approximately how much loss did you incur due to cyclone?			
10.	Have you recovered the losses incurred in the cyclone? Explain			
11.	Have floods changed the ways and options to obtain food and money? Explain			
12.	Has activities post cyclone increased/decreased your income? How?			

Section C: Disaster Insurance post *Phailin*

1.	Did you get the benefits of microinsurance?	Yes	No
2.	Did you make claims post cyclone <i>Phailin</i> ?	Yes (See Q4)	No (See Q5)
3.	If yes, How long did it take to settle the claims?		
	How much money did you receive in claim settlement?		

	How will/did you receive the money?	a) Cash	b) Cheque	c) Bank A/c	d) Others
	How did/will you use the money received?	a) Shelter e) Medicine	b) Livelihood f) Any other, please specify	c) Livestock	d) Crop
4.	If no, why not? Please tick	a) Did not know that you can claim			
		b) We knew we can make claims but did not know the procedure			
		c) We had the information, but the losses were not big			
		d) We lost insurance papers			
		e) Any other reason, please specify.			
		Do you think insurance is important? Yes or No. Explain			
		Will you renew your insurance? Yes\ /No (Explain)			
5.	Any other instance when you made claims? Why?				
	How long did it take to settle claims and receive money?				
	How will/did you receive the money?				
	How did/will you use the money received? Was it useful?	a) Cash	b) Cheque	c) Bank A/c	d) Others

Open ended Questions

1.	Do you think it is beneficial to have insurance?
2.	How will/have you use the insurance money received?
3.	How can we improve the service spread of insurance product?
4.	Do you do any kind of savings? Yes or No
5.	If Yes, how?

		Forms of Saving	Frequency of Savings	Average Savings per month	Total Savings	Rate of Interest
	a)	Bank				
	b)	Group				
	c)	Post Office				
	d)	Assets				
	e)	Insurance				
	f)	Any Other? Please specify				
6.	If no, why not?					
		Particular				Tick
	a)	Too much pressures from household expenditures				
	b)	Pay debts				
	c)	Too many dependents				
	d)	Experiencing crises at home eg. Illness, deaths, marriages etc				
	e)	Uncertain incomes				
	f)	Not aware about saving facilities in reach				
	g)	Any Other? Please specify				
7.	For future, what is your plan to sustain your livelihood against climatic disasters?					

ASSESSMENT FORM FOR CLIENTS OF *AFAT VIMO*

Interview Conducted at _____ on _____

Section A: Personal details

Name of the policyholder			
Age, Gender			
Level of Education			
Name of the head of HH			
Relation with HH head			
Village			
District			
Occupation			
Contact Number			
Number of family members	M _____	F _____	Children _____

Section B: Impact of Cyclone *Phailin*

13.	Were you impacted by cyclone <i>Phailin</i> in 2013?	Yes	No
14.	Did you evacuate your village?	Yes	No
15.	What type of house do you own?	a) Kachcha b) Semi Pucca c) Pucca	
16.	What was the condition of your house when you came back?		
17.	Did the cyclone have an impact on your livelihood activities?	Yes	No
18.	If yes, how? (Example lost livelihood assetssuch as stock, livestock, crop, customers, machinery)		

19.	How do you cope with such disasters? Please tick	a) Borrow money from bank or SHG			
		b) Borrow money from lenders			
		c) Borrow money from extended family			
		d) Insured			
		f) Change livelihood activity			
		f) Any other, please specify.			
20.	Has activities post cyclone increased/decreased your income? How?	Increased		Decreased	
21.	Did you lose any important documents? Please tick	a) Bank books		b) BPL card	
		c) Insurance Papers		d) Ration Card	
		e) Election Card		f) Any others, please specify	
22.	Approximately how much loss did you incur due to cyclone?	Yes		No	
23.	Have you recovered the losses incurred in the cyclone? Explain	Yes		No	
24.	Have floods changed the ways and options to obtain food and money? Explain	Yes		No	
25.	Has activities post cyclone increased/decreased your income? How?	Yes		No	

Section C: Coping with Disasters

1. Do you do any kind of savings? Yes/No

2. If yes, how?

	Forms of Saving	Frequency of Savings	Average Savings per month	Total Savings	Rate of Interest
a)	Bank				
b)	Group				
c)	Post Office				
d)	Assets				
e)	Insurance				
f)	Any Other? Please specify				

3. Why do you save?

	Particular	Tick
1.	To use the funds in case of emergency	
2.	To eventually purchase household asset	
3.	To finance a social event	
4.	To facilitate business growth	
5.	To purchase house or land	
6.	Any other? Please specify	

4. If no, why not?

	Particular	Tick
1.	To use the funds in case of emergency	
2.	To eventually purchase household asset	
3.	To finance a social event	
4.	To facilitate business growth	
5.	To purchase house or land	
6.	Any other? Please specify	

Section D: Familiarity with Disaster Insurance (Non Clients)

1.	What do you understand by risk transfer? Any examples of risk transfer?			
2.	What do you understand by microinsurance?			
3.	Are you aware about any insurance products?		Yes	No
4.	If yes, which and how did you hear about them?			
5.	Would you be willing to take insurance in near future?		Yes	No
6.	If yes, why? What are the advantages of insurance according to you?			
7.	If no, why not?			
8.	If you take insurance, how would you pay the insurance premium?	a) Weekly	b) Monthly	c) Quarterly
		d) Half Yearly	e) Yearly	
9.	What would you like to be insured against in future?	a) Crop/weather b) Life c) Livestock d) Livelihood material (inventory) e) Any other, please specify		
10.	Any other risk transfer method such as credit or savings you would like to get involved?			

References

- AIDMI(a). (2002). Community Survey: Gujarat Earthquake 2001. AIDMI and ProVention
- AIDMI(b). (2011). The Impact of Microinsurance in South-east Asia.
- AIDMI(c). (2012). Microinsurance for Disaster Risk Reduction: Module for Practitioners.
- AIDMI(d). (2013). When preparedness works: Case of Cyclone *Phailin*. Available: <http://www.preventionweb.net/english/professional/publications/v.php?id=35337>. Last accessed April 01, 2014.
- AIDMI(e). (2014). Adaptation to climate change: linking DRR with microinsurance. Available: <http://www.preventionweb.net/english/professional/publications/v.php?id=36720>. Last accessed April 01, 2014.
- Bahera P. (2013) Reducing Loss and Damage of Poor: A case of non-life insurance protection mechanism. Southasiadisasters.net Issue No. 99, October 2013 on When Preparedness Works: Case of Cyclone *Phailin*. AIDMI: Ahmedabad. Available at: <http://reliefweb.int/sites/reliefweb.int/files/resources/99%20Cyclone%20Phailin.pdf>. Last accessed on March 19, 2013
- Bloomberg. (2013). India Weathers Cyclone *Phailin*. Available: <http://www.bloomberg.com/news/2013-10-16/india-weather-cyclone-Phailin.html>. Last accessed March 15, 2014.
- Bryman A., 2007 "Barriers to integrating quantitative and qualitative research." *Journal of Mixed Methods Research*.
- Business Standard. (2013). *Phailin* damage to ports pegged at Rs 446 crores. Available: : http://www.business-standard.com/article/economy-policy/Phailin-damage-to-ports-pegged-at-rs-446-crore-113120800803_1.html. Last accessed March 13, 2014.
- CDKN. 2012. Managing Extreme Climate and Disasters in Asia: Lessons from IPCC SREX Report. Available at: <http://cdkn.org/wp-content/uploads/2012/04/Lessons-from-the-IPCC-SREX-report-for-Asia.pdf> [Last Accessed: July 12, 2013]. German Academic Exchange Services. 2010. Inter-University Council for East Africa. A Road Map to Quality:, Vol 3: Guidelines for Self Assessment at Institutional Level.
- Commission of Climate Change and Development. (2008). The Role of Risk Transfer and Insurance of Disaster Risk Reduction and Climate Change. Available at: ipcc-wg2.gov/njlite_download.php?id=6017? . Last accessed March 13, 2014.
- Denzin and Lincoln (2011). The Sage Handbook of Qualitative Research. Sage Publications: USA
- Government of India. (2013). Prime Minister's statement on Cyclone *Phailin*. Available: <http://pib.nic.in/newsite/erelease.aspx?relid=100064>. Last accessed March 13, 2014.

Gupta, A and Nair, SS. (2012). Environmental Extremes Disaster Risk Management– Addressing Climate Change. National Institute of Disaster Management, New Delhi. P 40.

<http://www.undp.org/content/dam/aplaws/publication/en/publications/capacity-development/microinsurance-demand-and-market-prospects-for-india/Microinsurance.pdf>

IPCC (2007), Climate Change 2007: The Physical Science Basis, Contribution of Working Group I to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change. Solomon, S., Qin, D., Manning, M., Chen, Z., Marquis, M., Averyt, K.B., Tignor, M. and Miller, H.L. (eds.). Cambridge University Press: Cambridge, UK and New York, NY, USA, 996pp

IPCC, 2012: Managing the risks of Extreme Events and Disasters to Advance Climate Change Adaptation – Summary for Policymakers [Field, C.B., V. Barros, T.F. Stocker, D. Qin, D.J. Dokken, K.L. Ebi, M.D. Mastrandrea, K.J. Mach, G.K. Plattner, S.K. Allen, M. Tignor, and P.M. Midgley (eds)]. A Special Report of Working Groups I and II of the Intergovernmental Panel on Climate Change. World Meteorological Organisation, Geneva, Switzerland, 24pp. (in Arabic, Chinese, English, French, Russian and Spanish).

Microinsurance for DRR. Module for practitioners 2012

SWAD (2007). Strategic Plan for 2007–2012: Strategic Development for SWAD.

SWAD (2012). Annual Report: 2011–2012 for Society for Women Action Development

The Guardian. (2013). Cyclone *Phailin*: 500,000 homes evacuated as storm pounds India. Available: <http://www.theguardian.com/world/2013/oct/13/cyclone-Phailin-india-homes-evacuated>. Last accessed March 13, 2014.

UNDP. (2007) 'Building Security for the Poor Potential and Prospects for Microinsurance', Human Development Report Unit, UNDP Regional Centre, Colombo

UNEP. (2013). Cyclone *Phailin* in India: Early warning and timely actions saved lives. Available: http://www.unep.org/pdf/UNEP_GEAS_NOV_2013.pdf . Last accessed March 15, 2014.

World Bank. (2013). Cyclone Devastation Averted: India Weathers *Phailin*. Available: <http://www.worldbank.org/en/news/feature/2013/10/17/india-cyclone-Phailin-destruction-preparation> . Last accessed March 13, 2014.

