



**INTERNATIONAL
COFFEE
ORGANIZATION**

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17 September 2014
English only

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Core Group on the Consultative Forum
6th meeting
25 September 2014
London, United Kingdom

**Central America Disaster Microinsurance
Expansion (CADME) Programme in Nicaragua**

Background

The attached presentation on the Central America Disaster Microinsurance Expansion (CADME) Programme in Nicaragua has been received from *Microinsurance Catastrophe Risk Organisation (MiCRO)*. It is circulated in an electronic format only in view of the length of the document.

Action

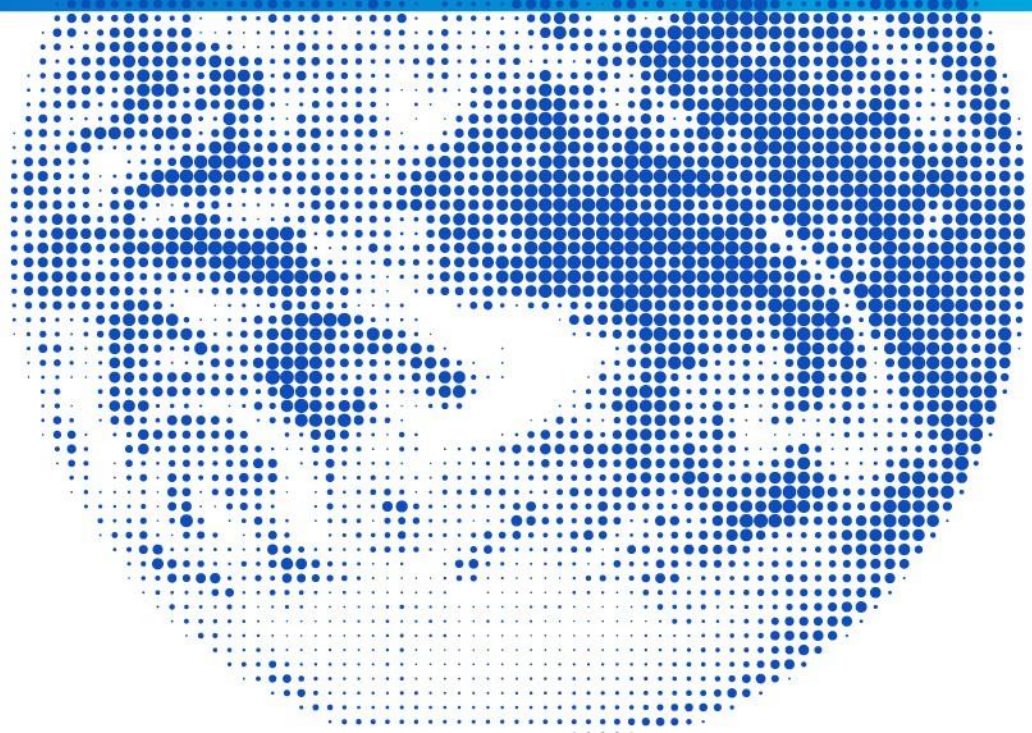
The Core Group is invited take note of this presentation.

Microinsurance at Swiss Re

Expanding Access to Insurance

Global Partnerships. September 2014

SWISS RE
150
YEARS



Introduction to Swiss Re

Sovereign Risk and Microinsurance Solutions

Swiss Re is a leading and highly diversified global re/insurance company



- **150 years of experience** in providing wholesale re/insurance and risk management solutions.

- **We deliver both traditional and innovative offerings** in Property & Casualty and Life & Health that meet our clients' needs.

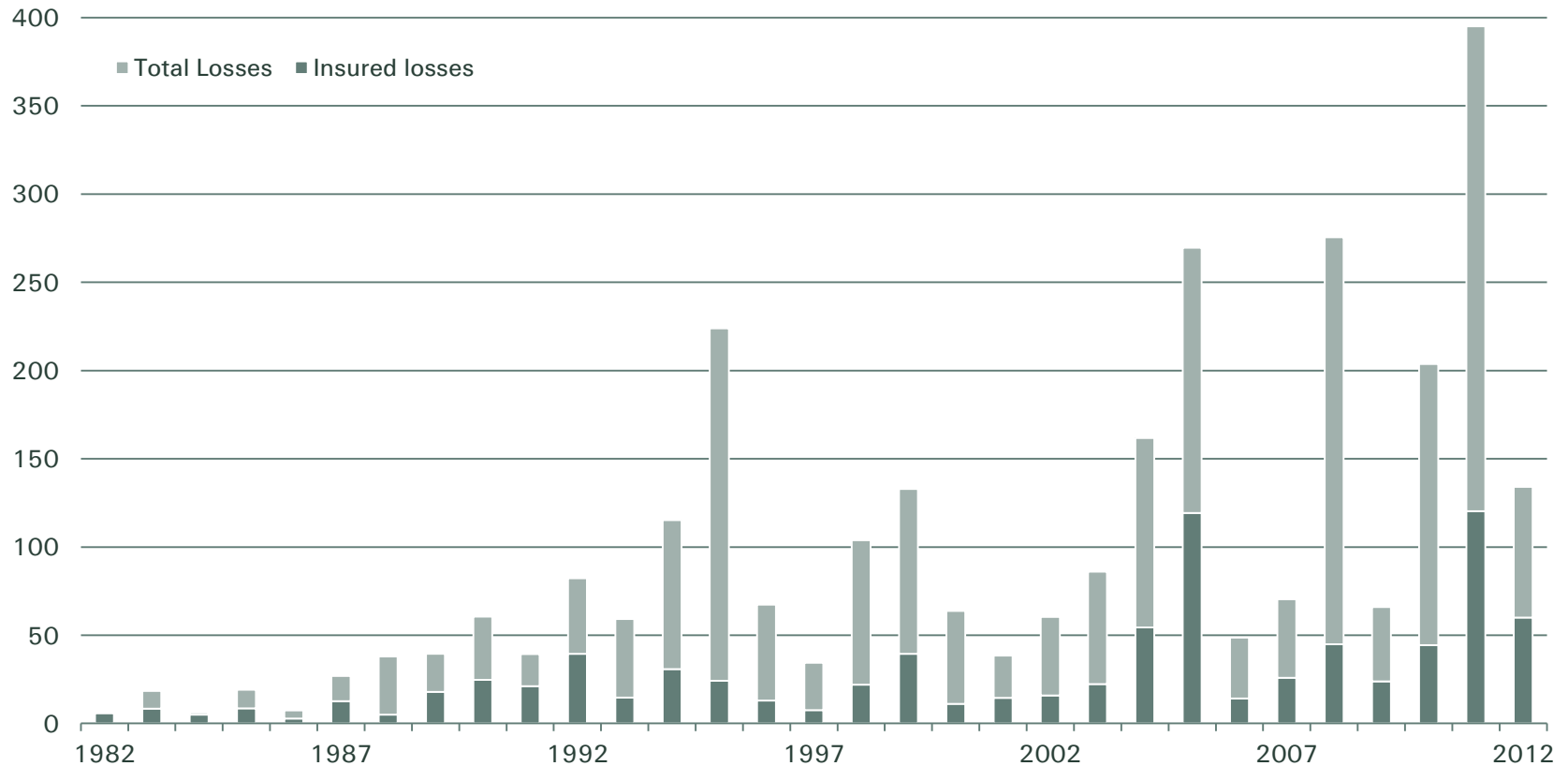
- **A pioneer in insurance-based capital market solutions**, we combine financial strength and unparalleled expertise for the benefit of our clients.

- **Our financial strength** is currently rated:
Standard & Poor's: AA-/stable; Moody's A1/positive;
A.M. Best: A+/stable

Massive gap between economic and insured losses

Natural catastrophe losses 1982-2012, in USD billion (2012 prices)

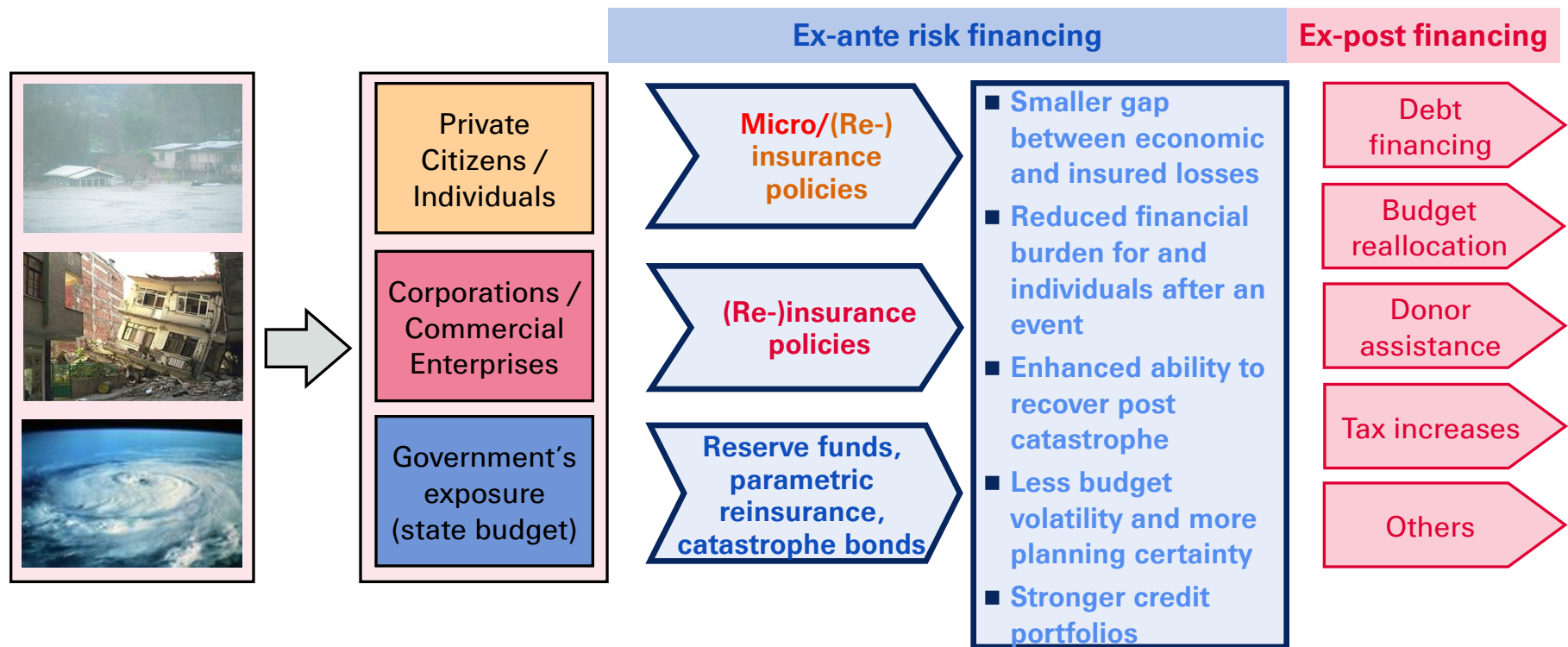
* 2012 Loss numbers are a preliminary estimate



Note: Insured losses: property and business interruption, excluding liability and life insurance losses

Source: Swiss Re sigma

Closing the Gap: Including ex-ante instruments into the overall risk financing strategy



Including ex-ante instruments in the overall risk financing mix helps a government to lower its financial exposure to catastrophic risks, natural and man-made.

We work with partners beyond the insurance industry

Property and casualty insurance companies

Life insurance companies

Captives

Governments and non-governmental organisations

Fortune Global 500 companies

Financial institutions

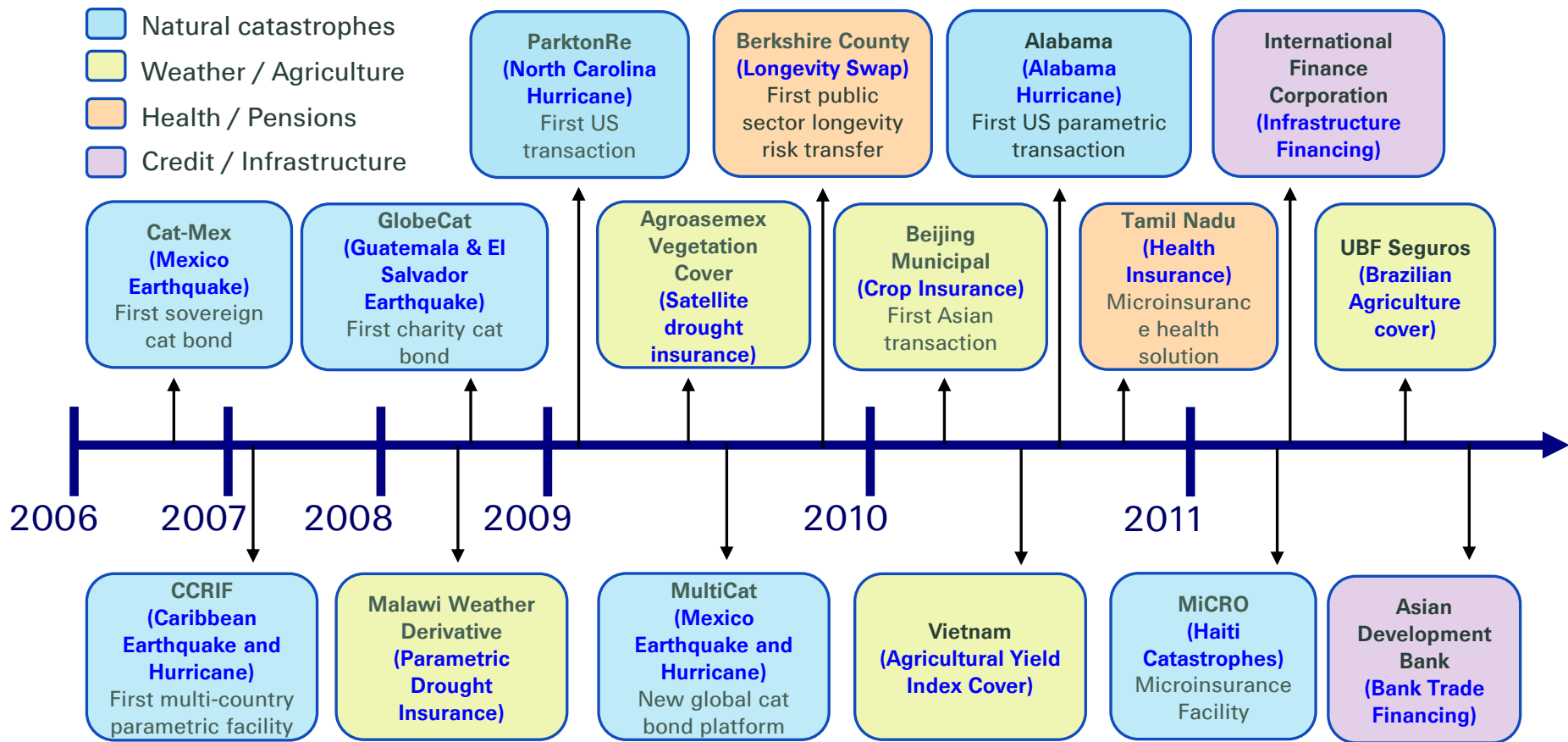
Institutional investors

Swiss Re – A leading partner for the public sector

- First dedicated public sector team in the reinsurance industry
- Over 40 closed transactions since 2006
- Manage insurance, reinsurance and capital markets and all perils (disasters, weather, longevity, etc)
- Global footprint
- Pioneer in emerging and industrialized markets

 <p>The Caribbean Catastrophe Risk Insurance Facility</p> <p>USD 111m Reinsurance Placement</p> <p>Lead Reinsurer 2010</p>	 <p>Alabama State Insurance Fund</p> <p>Parametric Insurance Solution</p> <p>Sole Structurer & Insurer 2010</p>	 <p>Tamil Nadu Health Insurance Pool</p> <p>Microinsurance Program Multi-Year Reinsurance Solution</p> <p>Lead Reinsurer 2010</p>	 <p>Government of Vietnam</p> <p>Agricultural Insurance Scheme</p> <p>Sole Reinsurer 2010</p>
 <p>UBF Seguros</p> <p>Brazilian Agriculture and Surety Insurance Company</p> <p>Lead Investor 2010</p>	 <p>Beijing Municipal Government</p> <p>Multi-Peril Agriculture Cover</p> <p>Stop Loss Reinsurance Program</p> <p>Lead Reinsurer 2009</p>	 <p>Turkish Catastrophe Insurance Pool</p> <p>Earthquake Cover</p> <p>Euro 1.4bn Placement</p> <p>Ongoing Reinsurance Support Since 2001 inception</p>	 <p>United Mexican States and The World Bank</p> <p>USD 290m At-Risk Variable Rate Notes</p> <p>Sole Counterparty 2009</p>
 <p>County of Berkshire Pension Fund</p> <p>USD 1.6bn longevity swap</p> <p>Sole Counterparty 2009</p>	 <p>North Carolina Joint Underwriting Association</p> <p>USD 200m At-Risk Variable Rate Notes</p> <p>Joint Bookrunner 2009</p>	 <p>The World Bank International Development Association</p> <p>USD 5m Drought Derivative</p> <p>Sole Counterparty 2009</p>	 <p>Agroasemex</p> <p>Parametric Vegetation Cover</p> <p>USD 7.5m Reinsurance Placement</p> <p>Co-lead Reinsurer 2008</p>
 <p>European Bank for Reconstruction and Development (CNPP – New Safe Confinement)</p> <p>USD 110m Professional Liability Cover</p> <p>Co-lead Reinsurer 2008</p>	 <p>Government of Luxembourg Ministry of Environment</p> <p>Certified Emission Reduction Credits</p> <p>Sole Structurer 2008</p>	 <p>Province of Alberta, Canada Forest Protection Division</p> <p>Wildfire Suppression Cost Cover</p> <p>CAD 100m Reinsurance Placement</p> <p>Co-lead Reinsurer 2006</p>	 <p>United Mexican States CAT-Mex, Ltd.</p> <p>USD 160m At-Risk Variable Rate Notes</p> <p>Sole Bookrunner 2006</p>

Risk transfer tools increasingly important to the public sector



Microinsurance at Swiss Re

Introduction

SR working definition of microinsurance

"Microinsurance is the protection of low-income people who do not yet have equal access to insurance solutions"

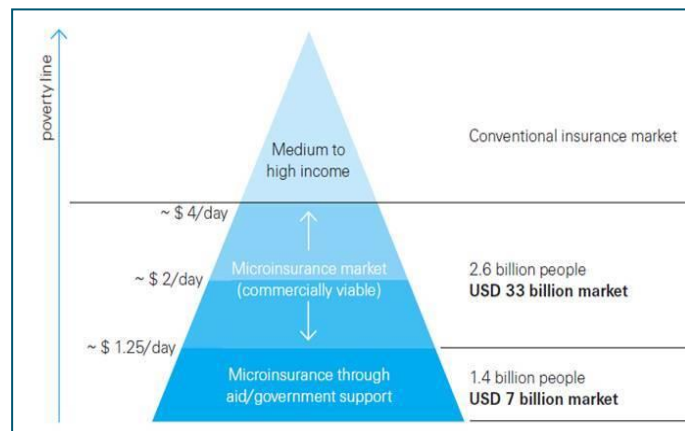


Target market

- 4 billion people at the Bottom of the Pyramid
- Potential USD 40 billion premium market
- Only 2-3% (~ USD 0.8-1.2 bn) of market currently tapped
- Conceptual overlap with emerging consumer / mass market / "seguro popular"

Characteristics of the insurance solution

- Low-premium & high-volume business
- Alternative / innovative distribution channels to reach the Bottom of the Pyramid (BoP)
- Very simple and easy to understand products
- Simplified underwriting with few exclusions and limited data availability
- Efficient administration and claims management through technology and innovation



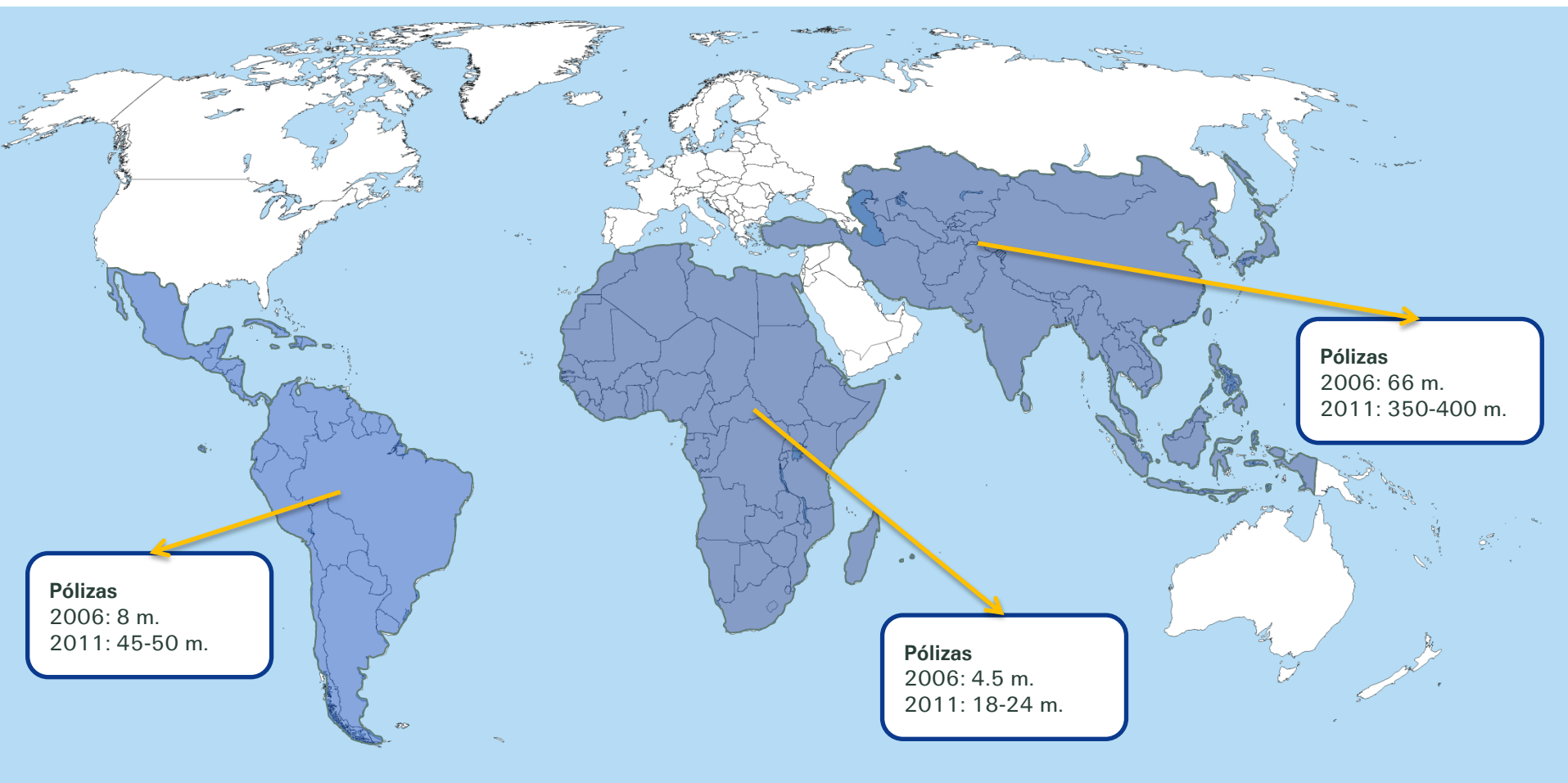
The Bottom of the Pyramid (BoP) is defined as the 4 billion people living under USD4/day. *

- The potential target of commercially viable microinsurance is estimated in 2.6 billion people (which fall in the range of USD 1.25/day-USD 4/day) and a USD 33 billion market. Some 1.4 billion people live on less than USD 1.25/day and require support from governments and developmental agencies to access microinsurance schemes.
- The potential total market of 4 billion policies is valued at up to USD 40 billion.

* Source: Sigma No 6/2010

Microinsurance Market Growth

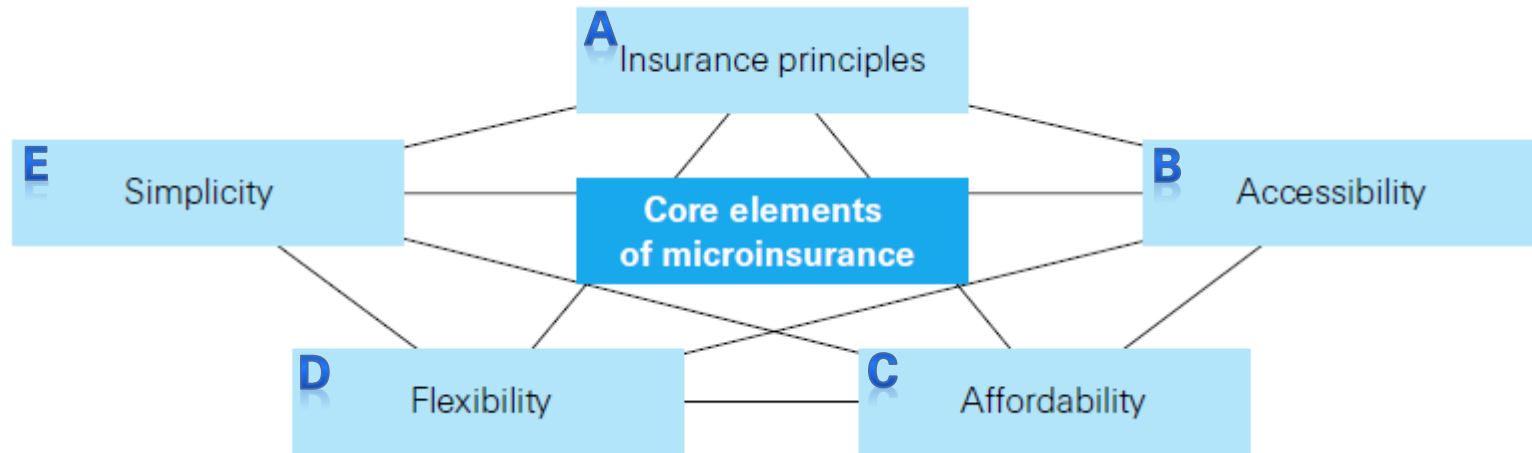
2006: 78 millions covers → 2009: 135 millions covers → 2011: 500 million covers*



Source (Map): Wikipedia

* Source: ILO Microinsurance Compendium 2012

Core Characteristics of Microinsurance



- A. Microinsurance is based on insurance principles
- B. It extends the reach of insurance to the remotest sections of society
- C. Premiums and coverage are kept at a low level to make products affordable
- D. Products require customisation to meet the demand of low-income clients
- E. Microinsurance is structured simply to make products easy to understand

The Range of Microinsurance Solutions

Life

- Most popular and successful microinsurance product. Strong push from MFIs and product simplicity have been the main growth drivers
- *Initiatives*: remittance linked, guaranteed returns, innovative distribution including tie-ups with retailers, utility providers, post offices and religious institutions

Health

- Offers highest value proposition and is often the most demanded protection. Can be used to channel government subsidies to meet social goals
- *Initiatives*: HIV/AIDS protection, cashless systems, government programs (RSBY)

Agriculture/ index and livestock

- Index covers help overcome the challenges of traditional agriculture insurance e.g. high admin/loss assessment costs, adverse selection and fraudulent claims
- *Initiatives*: innovative products and pilot programs in India, Kenya, Mexico, Malawi; use of technology to reduce fraudulent claims in livestock microinsurance

Assets

- Under developed market due to low demand, complexity and high risk of fraud/moral hazard
- Providing protection against disasters should be addressed at macro level
- *Initiatives*: cooperative movements to reduce disaster losses

NatCat

- High demand in Latin America in general, and from entities serving most vulnerable, low-income populations in particular.
- *Initiatives*: the platform MiCRO, industry-first to combine basis risk and parametric protections. Successfully launched in Haiti in 2011, now expanding its operations to other countries.

Benefits from the development of microinsurance markets

Socio-economic development:

- Protects sources of income, relieving poverty
- Expands financial inclusion, creating economic opportunities
- Helps mobilize long-term savings
- Promotes development (focus on education, health, quality of life, and micro business skills)
- Replace / supplements social security (channels subsidies)
- Mitigates the impact of natural disasters

Insurance sector:

- Creates new markets, dynamic growth
- Reinforces the image and value proposition of the insurance sector, develops of future customer base
- Financial education increases the insurance culture and levels of market penetration



Financial Inclusion requires a multi-stakeholder approach


Contribution	Governments	NGOs, IDOs, multilaterals	Re/insurer
Education to raise awareness for risks and solutions	✓	✓	(✓)
Build/improve infrastructure and regulatory framework	✓	(✓)	X
Distribution channels	✓	✓	(✓)
Improve product design and efficiencies	X	✓	✓
Financial support, particularly in start-up phase and pilots	✓	✓	(✓)
Manage risks	X	X	✓

(✓) denotes part contribution

Source: Swiss Re

Microinsurance at Swiss Re

Case Studies

A person with dark hair is seen from the back, looking out over a vast, misty mountain landscape. The mountains are layered and shrouded in a light blue haze, creating a sense of depth and tranquility. The person's head and shoulders are in the foreground, slightly out of focus, framing the view of the mountains.

We structure the solutions connecting
global reinsurers to microinsurance
beneficiaries

We underwrite the programs taking the
insurance risk on our balance sheet

We bring the best partners to the table

Case study: The Microinsurance Catastrophe Risk Organization (MiCRO)



A boutique re-insurance company, focused on natural disasters, bridging the divide between the world's insurance markets and the most vulnerable, low-income people.

Current, Planned & Proposed Product Lines:

- Protection for individuals: Micro-entrepreneurs, Farmers, Families
- Protection for institutions that serve the poor: Microfinance organizations, Cooperatives, Socially responsible employers

MiCRO in Central America:

- MiCRO is launching a microinsurance product focused on natural catastrophes affecting agriculture in Central America
- Objective: Pilots that result in at least 250,000 regional policyholders by the end of 2018. Scale is the goal; product quality and desirability come first.
- MiCRO's initial pilot will be for corn and beans, with other crops in the future.
- The initial countries will be Nicaragua (early 2015) and Guatemala (late 2015)
- Sole reinsurer: Swiss Re

Multi-Sector Partners & Investors:



- MiCRO was named "Company Launch of the Year" at The Review magazine's annual Worldwide Reinsurance Awards in September 2011.

Case study Haiti: The Microinsurance Catastrophe Risk Organization (MiCRO)



Solution featured

- Insured perils: Hurricane, earthquake and rainfall
- Trigger: Index measured at Fonkoze branches in Haiti
- Payments were made to microfinance borrowers post-disaster to reduce their loans and provide emergency cash
- Parametric and basis risk policies distributed through a local Haitian microfinance institution, Fonkoze. Basis risk absorbed by MiCRO

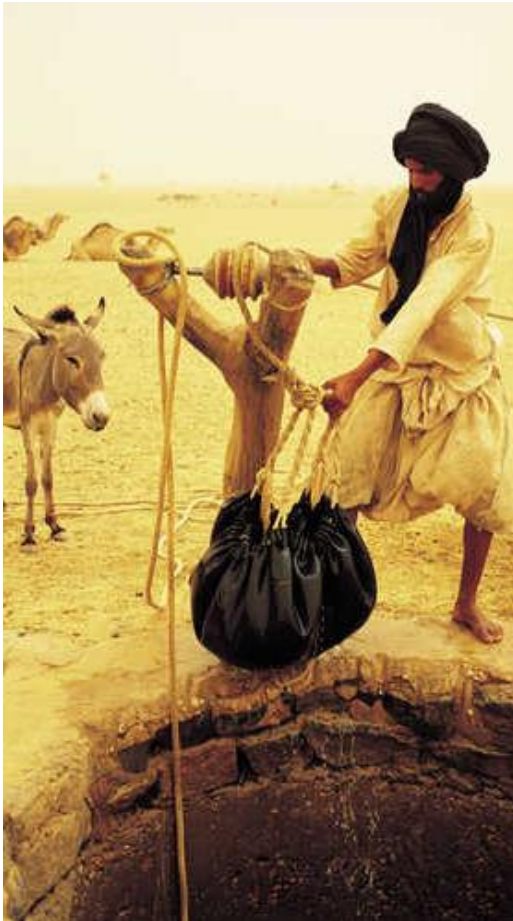
Results

- Prior to the setup of MiCRO, Fonkoze's clients bore 100% of natural disaster risk
- **2011-2013:** 65,000 clients' property were covered for two years, resulting in 36,500 payouts totaling \$8.8 million—an historic achievement in catastrophic insurance protection
- **2013 and the future:** MiCRO is providing a relatively small “meso” insurance policy to Fonkoze from Spring 2014 to Spring 2015. Feasibility study about the restart of “full” microinsurance to be conducted in fall 2014

Involved parties

- Insured: Fonkoze
- Sole Reinsurer: Swiss Re
- Other partners: MercyCorps, CaribRM, Guy Carpenter MicroRisks Solutions

Case study IFC: Global Index Insurance Facility



Solution features

- Partnership with the International Finance Corporation (IFC), a member of the World Bank Group, to develop affordable new types of index-based insurance solutions
- Main target group consists of farmers and people who live in agrarian communities in developing countries, mainly in Africa
- The purpose of index insurance is to reduce administrative costs and to provide access to finance for those farmers and herders due to banks' increased willingness to lend to insured borrowers

Involved parties

- Under the agreement, Swiss Re will provide technical services to Global Index Insurance Facility projects
- The scheme is supported by a number of donors: The European Union, the Japanese Ministry of Finance and the Dutch Ministry of Foreign Affairs, among others

Case Study Ethiopia: HARITA & The R4 Rural Resilience Project



Photo by Oxfam America

Solution features

- Community-driven climate change adaptation
- Broad international partnership
- Weather index insurance, designed for/by farmers
- Holistic approach to drought risk management, integrating the 4 Rs:
 - Risk transfer (weather insurance)
 - Risk reduction (cash-for-work, government safety net programs)
 - Risk taking (access to credit unlocked by insurance)
 - Risk Reserves (savings)
- Inception Harita Project 2009: teff farmers in Adi Ha, Tigray, Ethiopia
- Replicable and scalable approach. In 2011, WFP joined HARITA project team to expand internationally

Involved parties

- Oxfam America, World Food Program, Rockefeller Foundation, Swiss Re, USAID, Government, Columbia University, REST, Local Insurers, Micro-banks
- Sole Reinsurer: Swiss Re (founding partner)

Case Study Kenya: Kilimo Salama ("Safe Agriculture")



Solution features

- Kilimo Salama is an Agricultural Index Insurance Initiative of UAP Insurance and Syngenta Foundation with Swiss Re providing reinsurance and technical support.
- The insurance is designed for Kenyan farmers to cover inputs, such as seeds, fertilizer and chemicals. The insured perils are extreme drought and excessive rainfall by relying on independent data from automatic weather stations.
- The farmer buys the insurance together with inputs from various stockists. Policy registration as well as premium and benefit payments are paperless transactions through the mobile platform "M-PESA".

Involved parties

- Kilimo Salama is a multi-stakeholder approach that is mainly driven by Syngenta Foundation together with the local insurance partner UAP. The IFC Global Index Insurance Facility is supporting the initiative.
- Swiss Re joined from the very beginning to provide risk capacity, underwriting expertise, structuring as well as claims support.

Case Study India: Swiss Re is the lead reinsurer for Modified National Agriculture Insurance Scheme (MNAIS)



Solution features

- The Modified National Agriculture Insurance Scheme (MNAIS) was launched as a pilot in winter 2010.
- MNAIS is an area yield index insurance which is based on agriculture production statistics as measured and reported by official sources, such as government entities or industry associations.
- The insurance pays out if the actual production – as reported by the government statistics – is below a predefined level. Thereby, each tonnage of yield or production shortfall is compensated with a pre-agreed monetary amount.
- Swiss Re is one of the lead reinsures of this scheme providing reinsurance support to all five companies that implement it.
- Apart from providing capacity, Swiss Re supports the insurance companies to underwrite this scheme and actuarially price the products.

Case Study India: Swiss Re first mover in the development of Indian weather insurance market



Solution Features

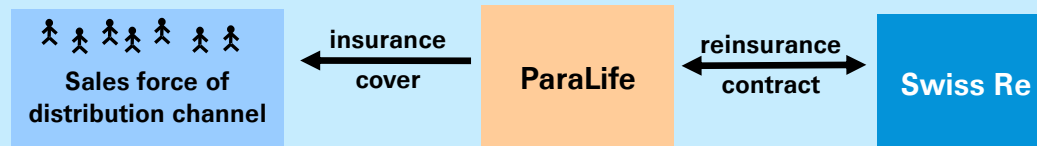
- First deal in 2004 with Basix (microfinance institution) for Castor and Groundnut crop in Mehbubnagar, Andhra Pradesh against deficit rainfall covering 1,500 farmers
- Offers a viable alternative to the traditional crop insurance market and has the potential to extend beyond the agriculture sector up into the corporate end-user market
- Government of India started providing subsidies since 2007 to make these weather based insurance products more affordable to farmers and gave the growing weather market a boost.

Involved parties

- Since then 44 reinsurance contracts closed providing coverage for 350,000 insured in 20 states of India
- Currently five insurance companies in India participate in this scheme and Swiss Re provided reinsurance to all the five companies which implement this scheme

Case Study Latin America: Life and hospital cash with ParaLife

- ParaLife was founded in 2006 to provide insurance solutions to low-income households in Latin America. The company has subsidiaries in Mexico and Colombia that also serve Ecuador, Peru, Bolivia and Chile.
- ParaLife is leveraging on alternative distribution channels to offer different insurance solutions. One of the major distribution partners is a direct sales company offering retail products to the low-income segment. ParaLife provides life insurance and hospital cash cover to the sales force of this distribution channel.
- ParaLife can leverage on an in-house IT platform that enables cost efficient administration processes as well as quick claims settlement.
- Swiss Re is providing reinsurance support.



Case Study India:

Health microinsurance

Solution features

- Funding: Insurance premiums of individuals are subsidized by the government of the state Tamil Nadu
- Insurance benefits: compensation for a list of defined diseases, treatments and surgeries
- Reinsurance Cover: Swiss Re provides aggregate stop loss reinsurance between 80% and 150% of the annual premium

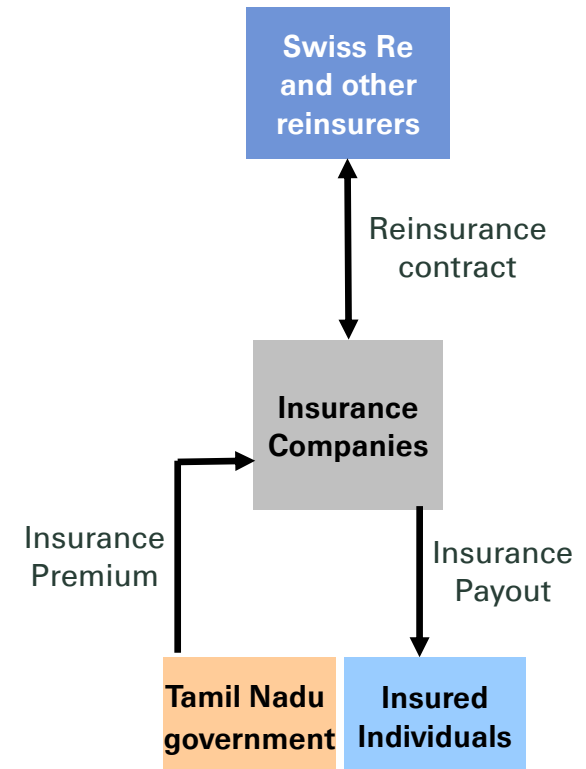
Involved parties

- Insured: Inhabitants of Tamil Nadu Province
- Brokerage: Guy Carpenter MicroRisk Solutions/Marsh
- Reinsurers: Swiss Re and other reinsurance companies

Background Information

- Low-income people in developing countries have limited access to financial services and often cannot afford life saving treatments when ill.
- Swiss Re supports several local insurance companies participating in the scheme through the provision of technical assistance and reinsurance capacity.
- With more than 10 million individuals covered under the scheme, it is the largest microinsurance scheme which has ever been implemented.

Structure



Case Study India: RSBY health microinsurance



Solution features

- Rashtriya Swasthya Bima Yojana (RSBY) is a government supported health insurance program for the Below Poverty Line (BPL) population. The scheme started in 2008 and covers inpatient treatment.
- RSBY is a cash-less scheme based on a sophisticated IT-solution. Biometric smart cards are issued to eligible household. The head of household, spouse and three more family members are covered under the scheme. The maximum annual benefit for one family is INR 30,000.
- The RSBY is considered a big success as it provides access to health care and it stipulated the development of a health infrastructure even in remote locations.

Involved parties

- RSBY is a multi-stakeholder effort to provide a collaboration platform for the national as well as state government, the insurance industry, TPAs, hospitals and patients.
- Swiss Re is providing risk capacity and is supporting its clients with pricing and claims control.

Contact Information



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