



Microfinance : Microinsurance

Microinsurance Tested: Cyclone Nisha Batters India

Microinsurance has been popular for years, but how valuable would it prove in a real crisis? When cyclone Nisha devastated India's southeast coast in November 2008, the local Bajaj-Allianz microinsurance project was put to the test.



A family waits to be evacuated outside their half-submerged hut in India's Andhra Pradesh state. Natural disasters like floods and storms can be ruin poor families without risk protection (Photo: Reuters)

While the world watched a band of terrorists wreak havoc in Mumbai, a tragedy of similar proportions passed almost unnoticed on the other side of India: cyclone Nisha, named after a Sanskrit word for night, ravaged the coast of Tamil Nadu state killing dozens of people and leaving thousands homeless.

The humanitarian catastrophe attracted little attention. Among the few that went into the flooded region was a team of five Bajaj-Allianz insurance specialists who helped poor microinsurance holders settle their claims so they could start to rebuild their lives.

"It was a frightening situation," remembers Jamuna Bhaskar, head of the Bajaj-Allianz regional office in Chennai. "There was no electricity, no food, and most of the roads were inaccessible. Our team could only work during daytime, from six in the morning to six in the evening. They had to use boats most of the time and waded through the water, dangerous work because of all the snakes around."

One of the most vivid images of that time, Bhaskar recalls, was the sight of people wading through the water and carrying the few possessions that had not been destroyed by the heavy rains. "Many had saved their outmoded TV sets and were balancing them on their heads. The other thing they held on to was their insurance policy, wrapped in cellophane to keep it from getting wet."

Tried and tested

Cyclone Nisha put the developing partnership between insurance provider Bajaj-Allianz and local NGO CARE India to the test. What started as a simple relief effort after the 2004 Tsunami had developed into a large-scale microinsurance business covering more than 92,000 people in the coastal areas of the state of Tamil Nadu. CARE and ten local NGO partners took care of the fieldwork, while Bajaj-Allianz handled claims administration.

But the fallout from Nisha was on a different scale from anything the partnership had dealt with before. Thousands of people had lost everything. More than 16,000 claims were made in a matter of days, dispersed over 44 villages in an area stretching hundreds of kilometers along the coast. A team of Bajaj-Allianz experts arrived at the scene three days after the rain had stopped. They realized quickly that assessing every single claim would take months.

"Initially we thought one team would do, but the harsh realities of reaching out to all hit us," says Jamuna Bashkar of Bajaj-Allianz. Even a second team couldn't ease the burden. "We finally waived all requirements that would have made the whole process lengthy. We pooled our efforts with our community partners and CARE to speed up the claims settlement."



Picture Gallery (click on the image to start)



A microinsurance client showing her insurance papers outside her damaged hut. See more pictures (Photo: Bajaj-Allianz)

Community partners and CARE fieldworkers now assessed the damage with the Bajaj-Allianz team checking random samples and providing oversight. "It really made a difference," recalls R. Devaprakash, Director of the Tsunami Response Program at CARE India in Chennai. "We are speeding up the process at the partner NGO level to feed information to the insurer and help Bajaj Allianz settle the last claims by the end of January."

Despite the financial burden for the insurer, he deems the whole effort a huge success. "Many poor people didn't understand why they should pay money for insurance. Now they realize the value of their investments. And it's psychological as well: They are not depending on aid from some agency; they are the one's who haven taken control. This will really help spread the idea of microinsurance here."

Good will or good business?

Interest in Bajaj-Allianz microinsurance policies has subsequently grown, reports Jamuna Bhaskar of Bajaj-Allianz. "People are queuing up to buy our policies. They saw that our team was on the ground in harsh conditions and that their neighbors who had insurance really received money."

Through projects in Asia and Africa, says Nicolai Tewes, responsible for Corporate Affairs at Allianz, the company had learned to deliver microinsurance for life, health, and property and casualty. "But we need additional partners and measures like re-insurance and investments in better infrastructure to cover extreme risks like climate change."

Cyclone Nisha, for example, belied all weather and climate forecasts. The heavy rainfall and flooding that accompanied the tropical storm were unprecedented at that time of year, says CARE India's Devaprakash. Still, he insists, that does not rule out a viable microinsurance business.

"We see it as a win-win situation. The communities have benefitted for sure, but for Bajaj-Allianz this will be a major opportunity in the long-run. They have gained a lot of credit on the ground." A necessary next step, he says, will be to diversify the insurance portfolio further and include non-coastal villages to balance risks.

Related Articles

[Microinsurance Partnership: Care for India](#)

[Microinsurance Profile India - Protecting the Poor](#)

While this work will not make the headlines, it might protect more lives and livelihoods from the devastating impacts of natural disasters providing people with greater security and hope for the future.

editor: Thilo Kunzemann

publishing date: January 28, 2009

Please rate this Article.

Rating 4.3 out of 5

poor outstanding

[Submit!](#)

Write a Comment

Do you have something interesting to add? Write a comment and discuss this topic with other readers. Comments should be on-topic, non-commercial, and not contain abuse of any kind.

[Comment Policy](#)

[Contact Us](#)



[Can't read this?](#)

Mr. Mrs.
 Ms.

Subject*:

Your Text*:

Please note that fields marked with asterisk (*) are mandatory.

I would like to receive the Allianz Knowledge Newsletter

I agree to the Allianz Group Privacy Principles and to the Comment Policy*
> [See Privacy Principles](#)

Notification by email:

- none
 If further comments are written
 If replies to this comment are written

Clear Entry

Post

Preview

© Allianz 2009, All Rights Reserved

A to Z