

## Answers to questions submitted before and during event that were left unanswered due to lack of time

*\*Watch the recording of the Expert Forum [here](#)*

1. How many days do you think a loss benefit policy can cover in a context like COVID19? Is the support of local government absolutely necessary to develop an insurance programme like this?

Siani Malama

Given the uncertainty with a catastrophe like COVID-19, duration of cover remains a challenge for insurer's, as this impacts product affordability. For example, the product we have designed for micro entrepreneurs has a maximum pay out of 4 weeks, with maximum payment of \$125, about 30% of the material damage cover. With countries in different lock down stages, financial assistance payments for MSME's will vary, and insurers have the opportunity to test product value, customer willingness to pay

Carlos Boelsterli

The scope of cover will be mainly determined by two factors, namely the vulnerability of targeted beneficiaries, which will vary depending on their specific circumstances (urban or rural, employed or independent, formal or informal, existing coping mechanisms, etc.) and will determine when the product should start paying, how much and for how long. The other factor would be ability and willingness to pay the premium for such a cover, which might lead to a more limited scope of cover...

2. Since the COVID-19 pandemic is a global catastrophe, is there any chance that a parametric disaster insurance can be offered?

Carlos Boelsterli

Essential to offer is our ability to price the risk. In the case of pandemics, we would probably need to rely on probabilistic models, since there is not enough data to base it on experience or similar. As to your point, there are some scenarios that exceed the global capacity of the re/insurance industry and even of the capital markets, such as Earthquake California or Japan. Should a pandemics protection become very popular and not leave any protection gaps, then yes, capacity would become an issue and the cover would have to be limited to the extent of the available capacity. Needless to say, this will be a good problem to have and, unfortunately, we are far away from reaching that point.

3. Clients typically run cart-based business, E.g. heavy rain may affect a person selling vegetables, how would you determine his loss? No stock records.

Carlos Boelsterli

Determining and putting a \$ value to the insurable interest is definitely a challenge given the lack of information and diversity of productive activities pursued by the beneficiaries targeted by MiCRO. What we do is to analyse the info obtainable through the aggregator being used to distribute the inclusive insurance product and chose the best possible proxy to estimate sums at risk at an individual level or for segments established in collaboration with the aggregator and validated on the field.

4. For microentrepreneurs in economies in recession for a few years (Venezuela case) and additionally with the appearance of the virus, how to continue paying an insurance premium, when microentrepreneurs are trying to stay afloat and not disappear?

Carlos Boelsterli

The current crisis definitely will impact affordability of insurance and insurers will have to find ways to not leave their clients without coverage at times when they most need it. Not an easy task... On the other hand, the current situation will definitely raise the value of insurance and, therefore, help us to go up a few positions in people's priority list.

5. Rather than a named peril business interruption policy, can a blanket business policy be extended? Are such products available in any market?

Siani Malama

Majority of BI policies require material damage to trigger a claim for consequential loss. However, we are starting to see BI policies extending cover to include pay-outs without material damage. The possibility of blanket business policies does exist; however, this does make the product pricy and expensive for bottom of pyramid customers.

Carlos Boelsterli

That is the way a traditional BI cover works: if there is a material or direct damage covered by the underlying (all risk or named perils) policy, then the consequential losses would also be covered under the BI protection. The issue is that this is a rather sophisticated cover requiring financial statements and a cost intensive loss adjustment, as such not accessible to vulnerable and low-income segments of the population.

6. How are climate risk-vulnerable people coping with COVID like health risk/ Income loss? Do they have access to any other social protection system in Haiti along with the product you are offering?

Carlos Boelsterli

I am sorry, not an expert here, but learning on a daily basis given all that is being published. Clearly, low-income people are more vulnerable and have less alternatives to cope with the current situation, therefore the need for governments and private sector to work together helping from all possible angles...

7. Do you think that any form of income protection whether for MSMEs or workers would be possible for this pandemic?

Carlos Boelsterli

Yes, there are already probabilistic models out there allowing to price the risk of a pandemic. With that, risk capital can be made available for technically sound products, designed to address client's needs and with an interesting potential.

8. Do you think that a pool of companies and government support will be necessary to generate coverage for such a large risk? Are financial institutions worldwide willing to collaborate in reinsuring this coverage?

Siani Malama

There is definitely a far greater need for partnerships between public and private sector. This pandemic has raised the greater need to provide capacity for such a catastrophe. Insurer's, re-insurance companies, market enablers and government have a key role to ensure strategic partners are embraced in protecting vulnerable consumers.

Carlos Boelsterli

Covid 19 is showing us the loss potential of a pandemic, which calls for all kind of interventions (macro, meso and micro) working in tandem to close this protection gap.

9. Is MiCRO planning on introducing any insurance products related to COVID-19? Or what kind of response is your company taking to the virus?

Carlos Boelsterli

MiCRO focuses primarily on natural disasters, not health risks, but it is definitely something we will have a closer look at because we need to contribute to being better prepared for the next pandemic...

10. Beyond weather, what kind of risk can be covered by an index insurance? (e.g. official lockdown, curfew, temporary ban on sales etc.)

Carlos Boelsterli

An index can be used for insurance purposes if there is an underlying insurable interest exposed to the risk captured by the index. You also need sufficient data to determine the probability of the index deviating from historical means and, lastly, the index needs to be reliable and accepted by the whole value chain. A trigger that solely depends on a political decision might not meet some of these requirements, but maybe a double-trigger design could "make the trick".

11. In how far does MiCRO address MSMEs (beyond smallholder farmers) as customers?

Carlos Boelsterli

Our target clients are underserved and low-income individuals or microentrepreneurs, pursuing productive activities and exposed to natural disasters.

12. SMEs struggle with loans during periods of interruption. Can this be covered as part of business interruption, layered with guarantees if they exist?

Siani Malama

One of the key product design processes is co-creation of solutions with distribution partner, and making insurance solve one of the business challenges. I do believe that during interruption periods, financial institutions can play a huge role in providing liquidity for MSME's, and insurance can play a key role in mitigating some of the business risks

Carlos Boelsterli

There are products out there, but rather at meso or macro level (financial institutions or Government as beneficiaries), which grant loans at predetermined conditions after the occurrence of a specific event. Ideally, those funds would then help to continue lending to the affected populations...

13. Now that Catastrophe has taken place in the form of the COVID-19 pandemic, what kind of support are insurers providing to the affected people as pay-outs against their existing policies?

Carlos Boelsterli

Not my area of expertise, but I would say that all policies that did not explicitly exclude pandemics would continue protecting against the risks covered by the policy, e.g. life, funeral costs, health, etc. It gets trickier with non-life lines of business such as liability or business interruption, where insurers probably did not consider pandemics as a possible triggering event...

14. If the product is going to be offered through Group Platform, how can it benefit the SME Entrepreneur? Are you thinking of only bundling it along with Credit to qualify the insurable interest?

Siani Malama

Microinsurance policies require scale in order for them to be sustainable, and consumers generally do not prioritise insurance solution as part of their risk management solutions. This is one of the reasons why distribution requires scale, and bundling is a great way of achieving this with aggregators

Carlos Boelsterli

If group or individual policies should not impact the insurable interest. Nevertheless, given the rather small amounts of sum insured and premium of our target clients, we usually need an aggregator who already did that last mile approach to the client with some primary service, to add the offer of an insurance product. Credits are an interesting primary service, given the amount of information that financial institutions gather to approve a credit, which helps to design a product that best possible addresses their individual needs.

15. What should be the role of the insurer to manage the business challenges due to COVID 19?

Siani Malama

COVID-19 should provide insurers with insights to design solutions for the future. It remains critical for insurers to continue developing value adding products that address customer pain points. Insurer's should be able to re-assess some of their solutions during this pandemic and evaluate if such solutions build customer resilience, especially for MSME's.

Carlos Boelsterli

Not an expert here, but some thoughts:

- Improve contingency plans as necessary,
- Consider reduced risk due to limited mobility (motor, etc.) to help clients with unpaid premiums, etc.
- Actively sell technically viable protection (life, funeral costs, etc.)
- Innovate to prepare for the next pandemic

16. Comment: I would argue that now more than ever the value of insurance and the need for a safety net is more salient than ever; through communication and connecting with customers, coming out of this insurers should be able to more easily convey the value of having policies.

Siani Malama

This a great opportunity for insurance industry to show case their value. We have seen in markets such as Asia that certain catastrophes trigger insurance demand. I would like to believe this pandemic will high light the value of insurance protection.

Carlos Boelsterli

I 100% agree! This is actually what trigger big breakthroughs in insurance in the past, e.g. protection against earthquake or other catastrophic events.