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## Innovative non-life microinsurance launched in Indonesia

**Indonesian insurance company Asuransi Wahana Tata, together with the world's leading reinsurer Munich Re and the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ) are launching a pilot product offering low income households in the Indonesian capital Jakarta the opportunity to insure against the direct economic losses and social risks caused by severe flooding.**

The product, 'Alert 1 Manggarai Protection Card', is the outcome of a public-private partnership project between GTZ, on the public side, and Munich Re teaming-up with its local partner Asuransi Wahana Tata, on the private side. Based on a feasibility study by Munich Re and GTZ on catastrophic risks in Indonesia, a pilot region of 23 sub-districts in Jakarta was selected for testing an innovative trigger-based microinsurance product against flood risks. It is the first microinsurance flood product worldwide.

Flood and inundation are a recurring threat to the livelihood of many people in Jakarta. The direct financial and social impact of flooding, such as property damage, loss of income, higher medical expenses and rising food prices, constitutes a heavy burden to low income households. The idea behind the joint project is to offer affordable, easily understandable and non-bureaucratic insurance cover specially adapted to this segment of the population. Instead of a lengthy policy document, the insured will receive a simple protection card, similar in size to a telephone card. One card costs 50,000 Indonesian rupiahs and guarantees a one-off payment of IDR

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250,000 if the waters rise to or above 950cm (Alert 1) at the Manggarai Water Gate in Jakarta.

Within the joint project, Asuransi Wahana Tata, as the primary insurer, is marketing, distributing and selling this novel product in the Jakarta pilot region. The product's features have been developed by Munich Re, based on flood, weather and topographical data. The company will be the sole reinsurer of the product. GTZ carried out a household survey of the pilot region and facilitated the contact to the low income target group. Within specific focus group discussions, low income households were given the opportunity to express their thoughts on how to tailor insurance products to their specific needs and requirements. GTZ also conducted a microinsurance awareness campaign in the pilot region, using specifically developed training material, including an educational comic brochure.

"In developing countries in particular, low income households are often those least protected against the financial and social consequences of natural catastrophes and other risks", says Susanne Krippner from GTZ-supported Promotion of Small Financial Institutions program in Indonesia, which is implementing the activities on the local level. "Innovative microinsurance solutions can significantly improve the economic and social protection of the population and thereby contribute to the fight against poverty", she said. GTZ is currently active in numerous microinsurance projects and, on behalf of the German Government, implementing around 50 technical assistance projects in the field of social protection all over the world.

With just three percent of people on low incomes currently having access to insurance products in the world's 100 poorest countries, the microinsurance segment is a growing market.

Dr. Ludger Arnoldussen, Munich Re board member for Asia: "Thanks to Munich Re's risk management expertise and risk assessment we can help devise insurance solutions to cover people in exposed regions for whom protection was previously unavailable. It means that natural catastrophes will not automatically bring more poverty." Munich Re has other microinsurance projects catering to, for example, small enterprises in Colombia. This includes insurance cover against the death, disability, or severe illness of the family breadwinner and optional property cover.

Asuransi Wahana Tata's President Commissioner Rudy Wanandi sees this project as an excellent chance to provide simple and affordable insurance

cover to the low-income market segment, combined with fast claims' payment. "With the right partners, a defined product and through our wide network within the region we are able to reach people and explain our innovative solutions. It will raise the insurance awareness of society and bring more economic stability and social security to people who live in exposed regions". Asuransi Wahana Tata is one of the top ten general insurers in Indonesia with 800 employees and more than 30 offices throughout the country.

Indonesia is the fourth biggest country in the world by population, after China, India and the US. The number of people living in the country is forecast to grow to 243 million by 2010 (234.7 million in 2007), according to the Economist Intelligence Unit. The World Bank estimates that approximately 49% of the Indonesian population is still living below the US\$2 PPP poverty rate. Traditional insurance cover is therefore hardly affordable for a wide range of households. Microinsurance plays a crucial role in the fight against poverty and contributes to more economic and social stability for the population.

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The **Munich Re Group** operates worldwide, turning risk into value. In the financial year 2008, it achieved a profit of €1,528m on premium income of around €38bn. The Group operates in all lines of business, with around 44,000 employees at over 50 locations throughout the world and is characterised by particularly pronounced diversification, client focus and earnings stability. With premium income of around €22bn from reinsurance alone, it is one of the world's leading reinsurers. The primary insurance operations are mainly concentrated in the ERGO Insurance Group. With premium income of over €17bn, ERGO is one of the largest insurance groups in Europe and Germany. It is the market leader in Europe in health and legal expenses insurance, and 40 million clients in over 30 countries place their trust in the services and security it provides. The global investments of the Munich Re Group amounting to €175bn are managed by MEAG, which also makes its competence available to private and institutional investors outside the Group.

#### **About GTZ**

As an international cooperation enterprise for sustainable development with worldwide operations, the federally owned Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH supports the German Government in achieving its development-policy objectives. It provides viable, forward-looking solutions for political, economic, ecological and social development in a globalised world. Working under difficult conditions, GTZ promotes complex reforms and change processes. Its corporate objective is to improve people's living conditions on a sustainable basis.

#### **About Asuransi Wahana Tata**

Asuransi Wahana Tata is one of the top ten general insurers in Indonesia. It operates nationwide

with 800 employees in more than 30 offices. Its business lines include property, marine, oil & gas and motor insurance. The company was established in 1964 and has a variety of distribution channels.

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