

## ***Micro-Insurance Round-Table (MiRT) Forum***

*Organized by Nanyang Technological University, Singapore*

**&**

*Risk Management Solutions, Inc., California, USA*

### **Introduction**

Nanyang Technological University (NTU), Singapore and Risk Management Solutions (RMS), Inc., California, USA, have jointly organized three Micro-Insurance Round-Table Forums in March 2007 and April 2008 at the Nanyang Executive Centre of NTU. The main objective of the Forum is to discuss how to bring micro-insurance to those in the lower rungs of the income pyramid and the old in the developing countries, who are affected by natural disasters such as earthquakes, major floods, volcanic eruptions, hurricanes and tsunamis. Whilst insurance has been introduced to this sector of the economy, both the extent and the rate of insurance penetration in this sector have been extremely low. This is due to low supply and demand, with sellers finding it unprofitable while buyers do not know much about risk transfer mechanisms. Even if the buyers know of such a product, they would think that they could not afford it. It is therefore in the vision of the Forum that new opportunities could be created to develop micro-insurance as the new service area, to provide the financial means for the low-income people to protect themselves against catastrophic risks.

### **Objectives**

The Micro-Insurance Round-Table Forum is designed to focus on the following issues:

1. Current work and identifying the main advocates / players / beneficiaries.
2. Case studies
3. Identifying the most urgent steps needed to make this concept implemented on a sustained basis
4. The role that insurance, (re)insurance, investment banks, governments, NGOs, International Organizations (such as the World Bank), and academics can play in this effort
5. Developing and understanding appropriate loss estimation models for such a product and development of the product
6. Where do we go from here? What are the next steps?

## ***1<sup>st</sup> MiRT, 29 – 30 March 2007***

The 1<sup>st</sup> MiRT was held from 29 – 30 March 2007. It was attended by 26 senior practitioners, academics and government officials from the Monetary Authority of Singapore (MAS). At the opening of the 1<sup>st</sup> MiRT, the Guest of Honor, NTU President, Dr Su Guaning highlighted the following points in his speech:

- To develop improved procedures and mechanisms for analyzing and managing catastrophic risks, as economic losses from natural disasters have increased many folds in the past four decades.
- To look into micro-finance and micro-insurance as potential alternatives to help the lower income and the old, as they belong to the sector of the economy who are not able to benefit from the current risk transfer mechanisms of insurance and (re)insurance.
- To make micro-insurance for catastrophic events a reality, there would be a need to develop a sustainable, affordable and universally acceptable model.

After much discussion, the meeting agreed to work on the following 3 tasks before the 2<sup>nd</sup> MiRT:

Task 1: To define problem of interest and the definition of micro-insurance and catastrophe micro-insurance.

Task 2: To involve other parties (professional organizations, academia, industry) in the discussion of the problem.

Task 3: To develop a website to allow free flow of ideas and discussions. The focus should be on catastrophe micro-insurance.

The Chairman of the Forum, Professor Haresh Shah, Emeritus Professor of Stanford University, Founder of RMS and NTU Board of Trustee member, announced at the conclusion of the 1<sup>st</sup> MiRT that the ultimate aim would be to work towards the setting up of an institute in catastrophe risk management in NTU.

## ***2<sup>nd</sup> MiRT, 3 – 4 April 2008***

The 2<sup>nd</sup> MiRT was held from 3 – 4 April 2008. It was attended by 29 senior practitioners, academics, government officials from the MAS as well as two senior staff from the Asian Development Bank.

In his keynote address, Professor Jitendra V. Singh, Dean and Shaw Foundation Chair Professor of Strategy, Management and Organization, Nanyang Business School, gave an introduction of the theory of evolution and selection of organizational forms. He asked the question of how the world would look like if micro-insurance emerged. He stressed on the urgent need for micro-insurance. The business model should be self sustaining and profitable. Charity is not the solution for sustainable organizations and recommended that multiple parallel experiences could be helpful.

The Forum Chairman, Professor Haresh Shah, pointed out that the next step of development would require the involvement of enthusiastic students who have the energy and creative ideas to drive the implementation.

Professor Shah announced that real projects from different countries would be proposed and 3 pilot projects from 3 countries could be carried out. He also highlighted Singapore's national interest of environmental and clean water research, and the new Earth Observatory of Singapore (EOS). EOS is the only one in Singapore with the focus on natural threats such as earthquakes, tsunamis and global warming.

### **3<sup>rd</sup> MiRT, 2 – 4 April 2009**

The 3<sup>rd</sup> MiRT will be held in Singapore from 2 – 4 April 2009. Since this field of micro-insurance has great relevance in developing countries such as China and India, it would be most desirable to have senior decision makers in insurance / (re)insurance regulatory bodies of the two countries present at the 3<sup>rd</sup> MiRT. The goal of this 3<sup>rd</sup> MiRT is to take the concept to the next level of creating robust technical, financial and sustainable products for wider application and implementation. We will be dealing with Catastrophe Risk and Catastrophe Micro-Insurance issues only, and not micro-insurance issues related to health and life. The discussion may include life if the loss of life is due to a catastrophic event such as earthquakes, hurricanes (typhoons), floods, etc.

Highlights of the 3<sup>rd</sup> MiRT:

1. Keynote speech by the Guest-of-Honor, Mr. John Tan, CEO of Asia Capital Reinsurance Group Pte Ltd.
2. Presentation of actual micro-insurance case studies and projects that have been carried out, and projects that are being planned by major insurance and (re)insurance players.
3. Networking with senior government officials and key executives from the insurance and (re)insurance industry.
4. The announcement on the formation of the Singapore-NTU Alliance for Micro-Insurance.
5. The sharing of information on the final stage of development of the proposed Institute of Catastrophe Risk Management (ICRM) at NTU.

The *Singapore-NTU Alliance for Micro-Insurance* will be made up of individuals who have the knowledge and interest in furthering this concept to assist those who need help after major man-made or natural disasters. It will be a public-private partnership alliance with participation by (re)insurance companies, brokers, government agency (eg. MAS), other local industry players, and NTU. Real projects from different countries will be proposed and pilot projects would be carried out in the Asian region. These countries could be India, Indonesia, China, and the Philippines. The Alliance will guide and act on an advisory basis. All the participants at the 3<sup>rd</sup> MiRT will have the privilege of becoming the founding charter members of this Alliance and future membership will be subject to a membership fee.