

## Success Story/Lessons Learned

Operating Unit: USAID/Haiti

### Headline

Insurance to Tide Haitian over Rough Spots
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How can the average Haitian finance even a funeral, when the average one costs about \$1,000 or more than 11 times Haitians' average monthly income? People's exposure to risk, personal calamity, and death in this particularly vulnerable country is enormous. In Haiti, as in many other developing countries, most poor families fall into increased poverty when confronted with ruined businesses, livelihoods, illness or death. Indeed, funeral expenses for which all Haitians have personal pride to meet, can send many poor Haitian families into even deeper poverty from which it can take years to recover.

The country's location also exposes citizens to regular hurricane devastation. Hurricane and flooding damage is severely compounded by Haiti's deforestation, causing massive landslides and flooding, not only in rural areas, but also in Haiti's most important cities. Due to the successive hurricanes and tropical storms in 2008, nearly 800 Haitians perished. Haiti lost hundreds of millions of dollars in crops and infrastructure while thousands of micro entrepreneurs also lost all of their assets that supported modest, ordinarily simple trading and selling businesses.

Clearly, the insurance needs of the Haitian people are vast. While the country's population is close to 10 million, Haiti's traditional insurance market covers less than 300,000 people, working among the country's more prosperous, established businesses. Haiti's exposure to risk is demonstrated in the informal market which accounts for 80% of Haiti's economy.

In response to such growing needs, with USAID funding Haiti's Alternative Insurance Company (AIC) is seeking to expand its array of insurance services to include financial assistance to cover basic school and food expenses for children who lose their parents. IC is also exploring ways to offer affordable flood insurance, as well as micro-health insurance, for a range of basic health care services and drugs, and even funeral insurance. Recently, AIC entered into partnership with Fonkoze, a leading microfinance institution in Haiti, to provide micro-insurance for Fonkoze's credit clients. This new micro-insurance product covers any out-standing loan balance in the case of a loan client's death, and provides an indemnity payment to the client's family. The product has now been launched in all Fonkoze branches, and as of September 2008, more than 55,000 Fonkoze clients were covered by AIC's micro-insurance program. Such innovative micro-insurance services are serving as ground-breaking steps in introducing insurance products to the millions of Haiti's poor. Realizing the demand is great, AIC plans to offer micro-insurance products to at least one million Haitians between now and 2020.

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Now a recognized leader in the international effort to design effective micro-insurance products for the poor, AIC presented its product for Fonkoze at the Micro-insurance Conference in Cartagena, Colombia in early November 2008. According to Olivier Barrau, President of AIC, “Introducing a financial tool to a market that could not be reached before, managed by trained professionals, improves the micro-entrepreneurs’ lives and helps expand the insurance market. Previously, only certain classes of individuals and businesses had access to traditional insurance products. Microfinance is becoming more important in Haiti’s economy, where it has proven to be a good tool for creating wealth. With micro-insurance, there is a possibility to protect that wealth.”

Pullout Quote:

Yvonne Exile is a Fonkoze client in Mirebalais, a rural town in Haiti’s Central Plateau, who is covered by AIC micro-insurance. Ms. Exile says, “I love this insurance so much that I consider it my husband. Normally, it is your husband’s responsibility to repay your loan in the case of death, but with AIC, the insurance takes this responsibility. For me, that is huge.”

Background Information:

This story is about key issue Micro-enterprise and Program Area 4.7 Economic Opportunity. The micro-insurance initiative is being offered to prospective populations nationwide, including rural towns in Haiti’s Central Plateau and outside of Jacmel.

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Photographs:



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*Photographed by Isabelle Delpeche, AIC*



*Isabelle Delpeche, AIC Microinsurance Director, explains the microinsurance product to Fonkoze loan clients in a rural area outside of Jacmel, Haiti. According to Ms. Delpeche, "The mere fact of living exposes us to risk. In the case of developing countries, this risk is particularly great. Micro-insurance can be considered one of the best tools to fight poverty".*

*Photographed by AIC*