New evidence from Kenya shows that index insurance helps households avoid burdensome coping strategies, such as selling productive assets and reducing consumption, which can have a long-term adverse effect on well-being.

A study on the impact of index insurance found that insured households were 50 per cent less likely to anticipate drawing down assets after a drought occurred. This effect was larger for households with a large number of livestock, as they are most likely to rely on livestock in response to a shock. The study also found that insured households were less likely to anticipate reducing meals than their uninsured counterparts (on average 27-36 percentage points lower). This result was stronger for households with fewer livestock, who are most likely to face shocks by reducing consumption.

By helping households avoid burdensome coping strategies, insurance reduces vulnerability and helps households recover faster after shocks.

To learn more, see Research Paper 31: The impact of microinsurance on asset accumulation and human capital investments: Evidence from a drought in Kenya [1]

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