

# Protecting the poor against agricultural risks

## Status and lessons learnt from microinsurance

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**Munich Re  
Foundation**  
From Knowledge  
to Action

## Why is it so important?

Source: <http://www.un.org/en/globalissues/agriculture/>

**“The majority of the world’s poorest people live in rural areas of developing countries.**

**They depend on agriculture and related activities for their livelihoods.**

**This makes them particularly vulnerable to man-made and natural influences that reduce agricultural production.”**



## Definition Microinsurance

Microinsurance is **the provision of insurance...**

**...to low-income households...**

**...that otherwise do not have access to insurance!**

Source: ILO, IAIS issues paper etc.

Usually, Microinsurance is understood as insurance for the low income market with little or no subsidies.

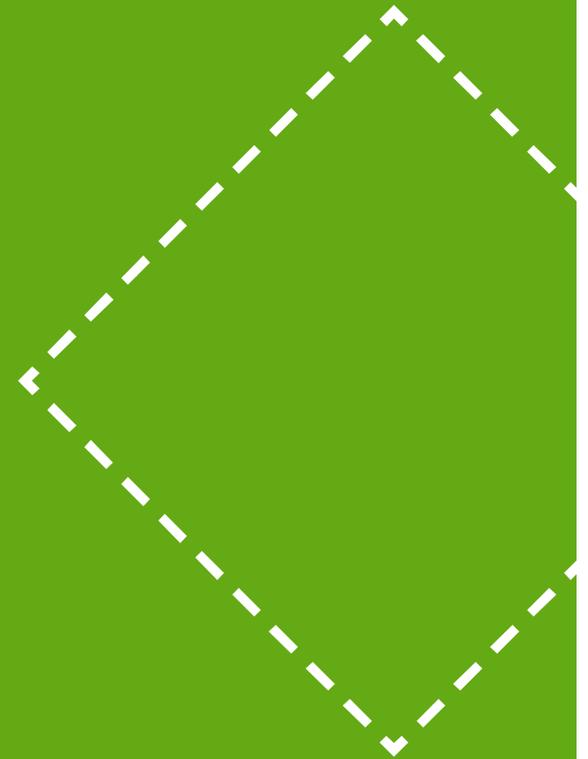


## Key challenges

1. Low premium and high transaction costs per client
2. Low and irregular income: volume is a key
3. Lack of insurance knowledge
4. Lack of infrastructure
5. Insurance illiteracy
6. Ensure client value
7. Lack of data
8. Regulation



**Findings from the studies  
„The Landscape of Microinsurance in...“  
Africa, Latin America/The Caribbean and Asia/Oceania**



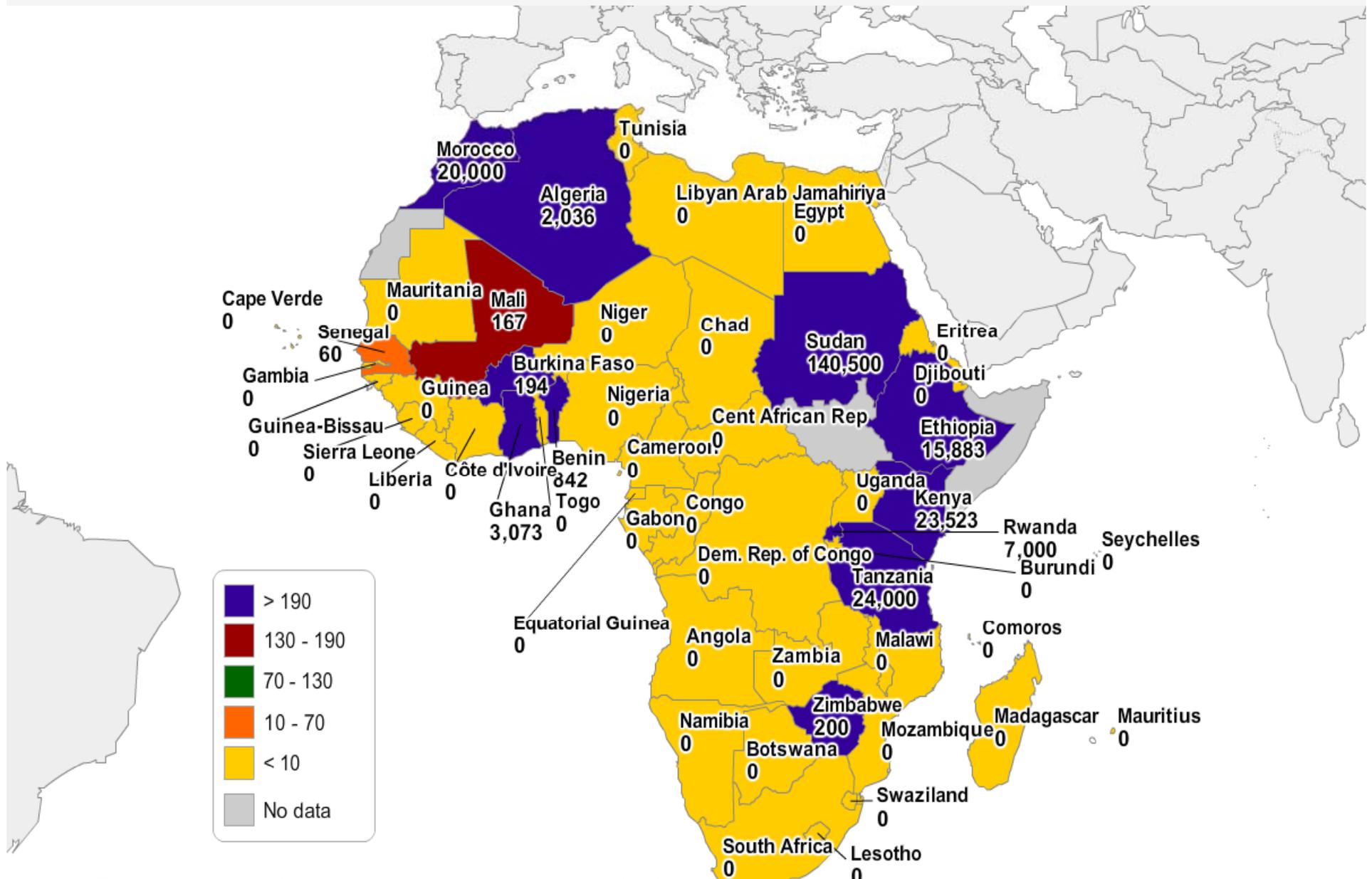
## Key Facts: Microinsurance in Africa

- Microinsurance coverage increased by more than 200% between 2008 and 2011.
  - Live insurance is the main driver of growth.
  - Total life insurance industry in Africa generated a premium volume of USD 46 billion.
  - More than 60% of all microinsured lives and properties are based in South Africa.
  - 7.3% of all microinsurance providers are community-based, but cover only 12.3% of all life and property insurances in contrast, commercial insurers make up 12.5 % but cover 77.3% of all life and property insurances.
  - Microinsurance coverage is inter alia reached by simple mobile phone-linked life products.
- Source: The landscape of Microinsurance in Africa, GIZ and Munich Re Foundation 2013

## Microinsurance agricultural coverage 2011- Africa

Country	Name	Main cover	Target	Outreach
Algeria	Multiperils pomme de terre	Crop, Area Yield	Micro-Level	2.036
Burkina Faso	Assurance Recolte Indicielle	Crop, Area Yield (satellite images)	Micro-Level	194
Cameroon	MOTALITE DU BETAIL	Livestock, Indemnity	Meso-Level	0
Ethiopia	Weather Index Insurance	Crop, Weather Index	Micro-Level	14.000
Ethiopia	Crop	Crop, Weather Index		1.170
Ethiopia	Livestock	Livestock, Indemnity		141
Ethiopia	MULTI PERIL CROP INSURANCE	Livestock, Indemnity	Micro-Level	530
Ethiopia	MULTIPERIL LIVESTOCK INSURANCE	Livestock, Indemnity	Micro-Level	42
Ghana	Crop Drought Index Insurance	Crop, Weather Index	Meso-Level	3.073
Kenya	Index Based Weather Insurance	Crop, Weather Index	Meso-level	0
Kenya	Multi Peril Crop Insurance	Crop, Indemnity	Meso-level	0
Kenya	Livestock Covers	Livestock, Indemnity	Meso-level	0
Kenya	Retail Product	Crop, Weather Index		4.500
Kenya	Loan Linked Product	Crop, Weather Index		19.000
Kenya	Agribusiness Product	Crop, Weather Index		23
Mali	Assurance Recolte Indicielle	Crop, Area Yield (satellite images)	Micro-level	167
Morocco	Multirisque Agricole	Crop, Indemnity	Micro-level	20.000
Rwanda	Weather Index Indurance	Crop, Weather Index	Meso-Level	3.000
Rwanda	CROP SHORTFALL INSURANCE	Crop, Indemnity	Meso-Level	4.000
Senegal	Assurance indicielle	Crop, Area Yield (satellite images)	Micro-level	60
Sudan	Agricultural Insurance/Winter Crops	Crop, Indemnity	Micro-Level	22.330
Sudan	Agricultural Insurance/Summer Crops	Crop, Indemnity	Micro-Level	92.020
Sudan	Agricultural Ins. Horticulture	Crop, Indemnity	Micro-Level	5
Sudan	Agricultural Ins. Livestock	Livestock, Indemnity		26.145
Tanzania	Agriculture-Weather Index	Crop, Weather Index	Meso-Level	24.000
Zimbabwe	WEATHER INDEX INSURANCE	Crop, Weather Index	Meso-Level	200

# Microinsurance agricultural coverage 2011



Source: The landscape of microinsurance in Africa 2012 - [www.microinsurancelandscape.org](http://www.microinsurancelandscape.org)

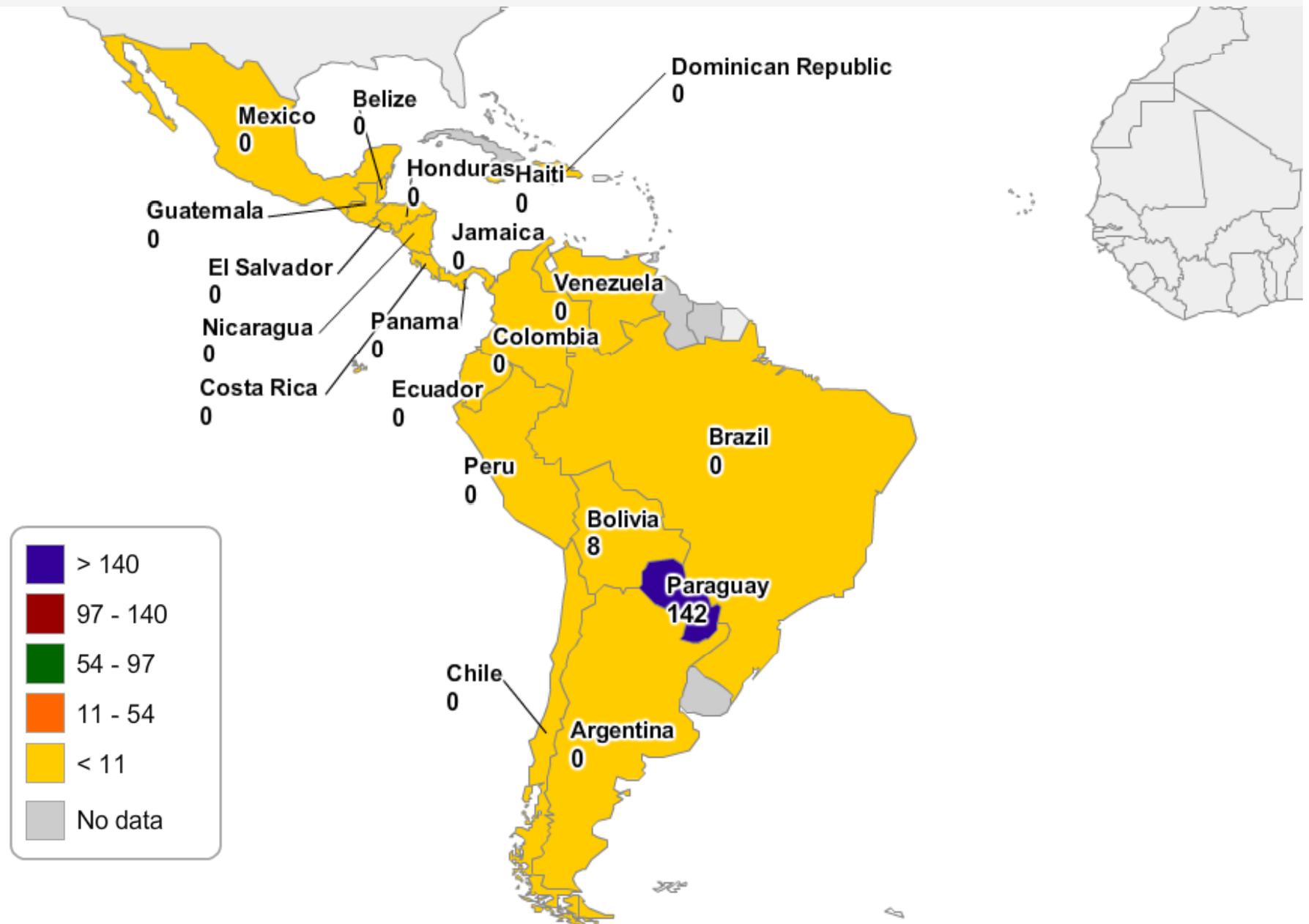
## Key Facts: Microinsurance in Latin America and the Caribbean

- 55% of all microinsured people in the Latin America and the Caribbean come from Brazil and Mexico.
- Live coverage is the most commonly used form of microinsurance.
- Ecuador recorded highest increase in lives covered between 2005 and 2011 (54.04%).
- Between 2005 and 2011 the total numbers of accident and property insurances increased by 1000%.
- Microinsurance has been substantially commercial sector driven.
- The average contribution of microinsurance premiums to an organization's premium is 20%.

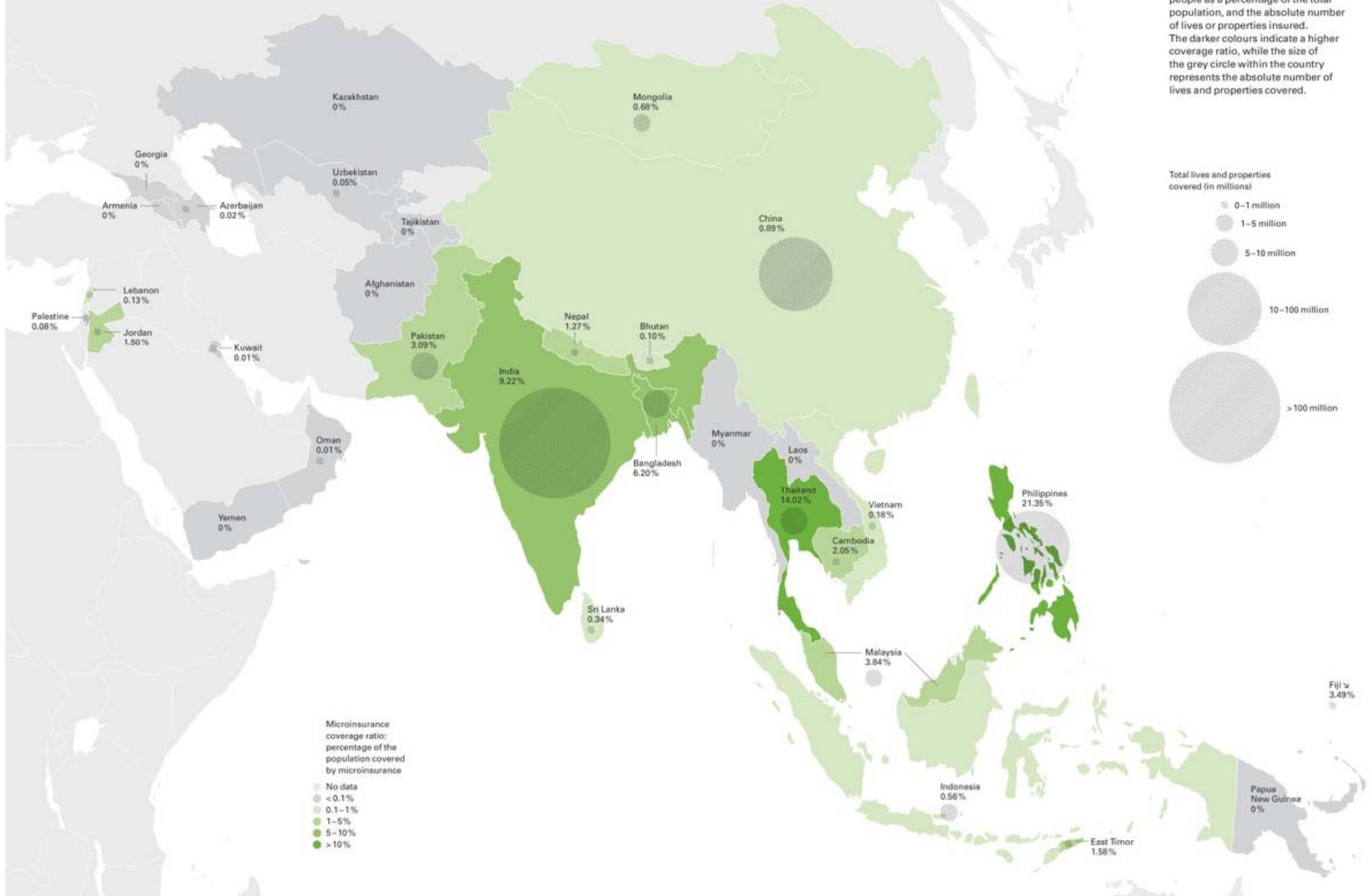
Source: The landscape of Microinsurance in LAC, IADB 2013

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## Microinsurance agricultural coverage 2011 - LAC

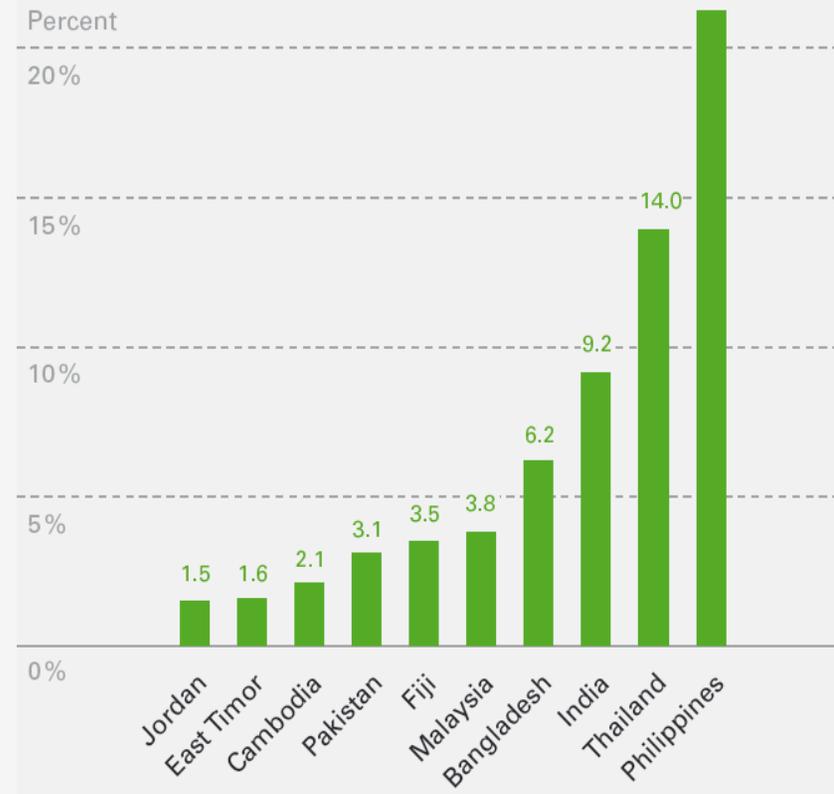
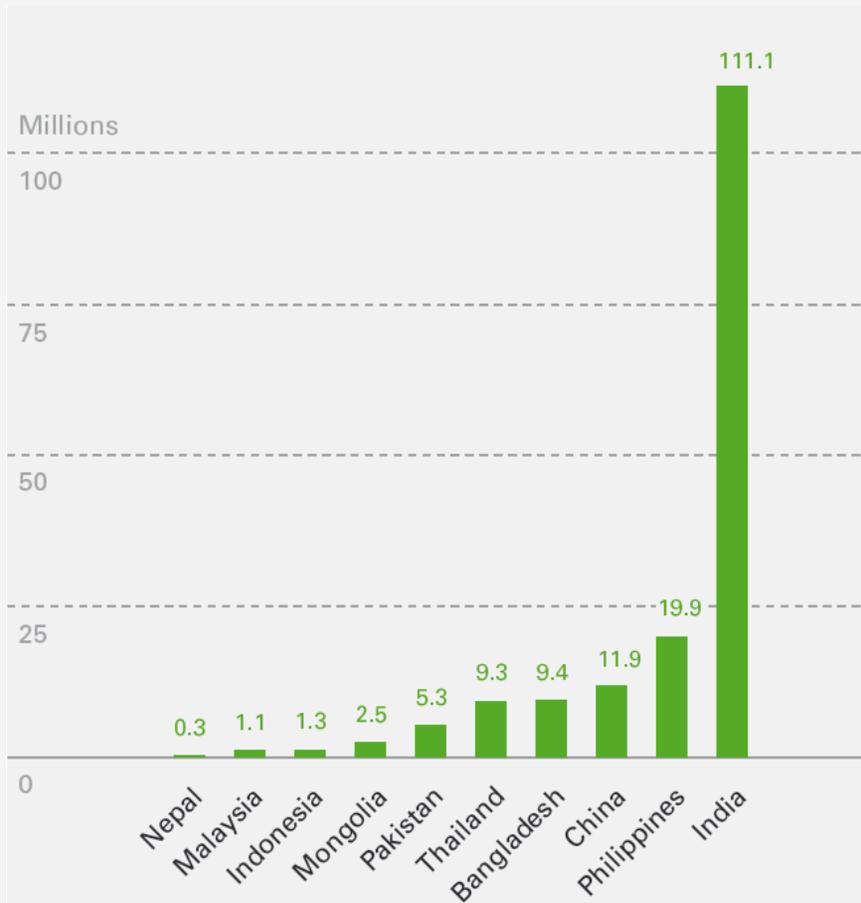


## Microinsurance coverage in Asia and Oceania



Source: The landscape of Microinsurance in Asia and Oceania, Briefing note - Munich Re Foundation, 2013

## 10 biggest microinsurance countries in Asia (in terms of coverage and coverage ratio)



Source: The landscape of Microinsurance in Asia and Oceania, Briefing note - Munich Re Foundation, 2013

\*Total number of insured people as a percentage of the total population

## Microinsurance agricultural coverage 2012 - Asia

Country	Name of product(s)	Agri covers target	Lives covered (2012)
Azerbaijan			-
Bangladesh	Livestock insurance		145194
Bangladesh	Livestock Insurance	Meso-Level (aggregators)	1000
Bangladesh	CROP Insurance	Meso-Level (aggregators)	1000
Cambodia	Videos spot	Micro-Level (individual farmers)	8947
India	Weather Insurance	Micro-Level (individual farmers)	2188694
India	Future Sampoorna Suraksha	Meso-Level (aggregators)	1000000
India	Rainfall insurance index policy	Micro-Level (individual farmers)	-
India	Cattle & Livestock Insurance Policy	Meso-Level (aggregators)	34271
India	Weather Insurance	Micro-Level (individual farmers)	8433643
India	Weather Insurance	Micro-Level (individual farmers)	771646
India	Cattle		634082
India	Rural insurance		495417
India	Cattle		397690
India	Cattle		7242977
India	Cattle		827402

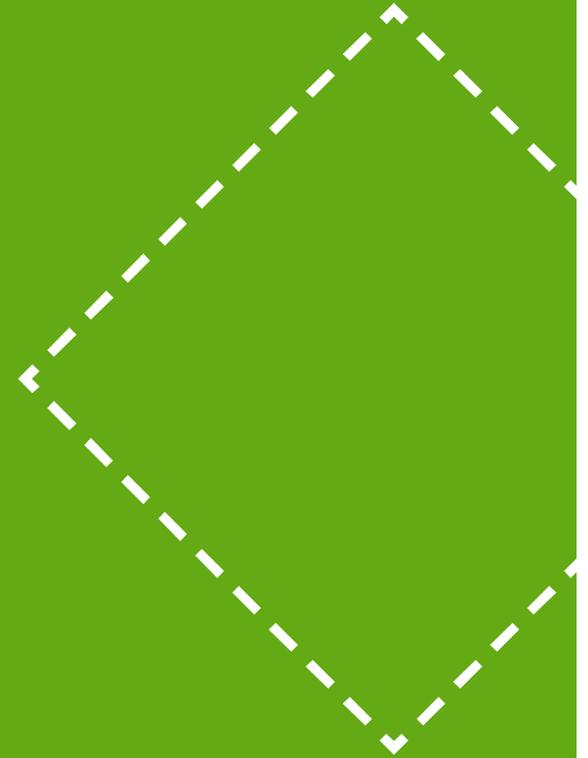
## Microinsurance agricultural coverage 2012 - Asia

Country	Name of product(s)	Agri covers target	Lives covered (2012)
Mongolia	Index based Livestock Insurance		2462267
Nepal	Livestock Guarantee Scheme		8080
Nepal	Grameen karjaa beema		284648
Pakistan	Conventional Crop Insurance		-
Pakistan	Live Weight Livestock Insurance	Micro-Level (individual farmers)	-
Pakistan	Weather Crop Insurance		-
Pakistan	Livestock Insurance		-
Pakistan	Livestock		876
Pakistan	Index Based weather insurance and live weight livestock insurance	Micro-Level (individual farmers)	404
Philippines	PCIC - Crop Insurance	Micro-Level (individual farmers)	-
Philippines	Calamity+WII		1200135
Sri Lanka	Weather Index Insurance for Paddy/tea	Meso level	6100
Tajikistan	Agriculture	Micro-Level (individual farmers)	-
Thailand			56000

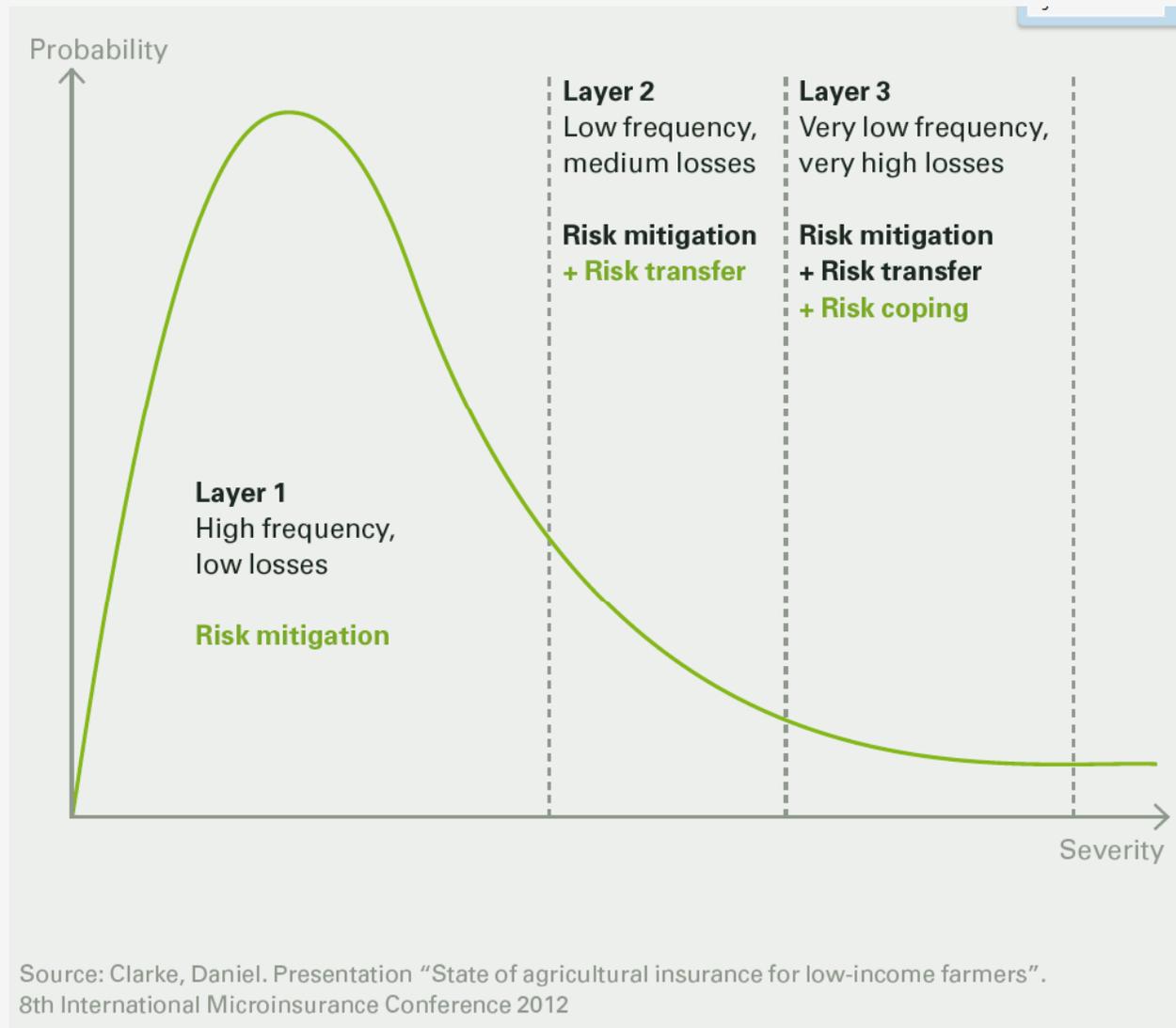
## Social insurance/agricultural coverage 2012 - Asia

Country	Name of product(s)	Agri covers target	Lives covered (2012)
India	National Agriculture Insurance Scheme (NAIS)	Individual farmers	16.300.000
India	Modified National Agriculture Insurance Scheme (mNAIS)	Individual farmers	1.670.000
China	PICC	Meso, Individual farmers	101.500.000
Philippines	PCIC	Individual farmers	40.000
Korea	NACF	Individual farmers	50.000
Kazakhstan	Kazagropolis	Individual farmers	31.301
Pakistan	Crop Loan insurance	Individual farmers	10.543.000

# Lessons learnt



# Agricultural insurance is not a complete solution to agricultural risk.



## Lessons learnt from the providers perspective

- Farmers want reliable protection.
- Weather index insurance does not (seem to) offer reliable protection to farmers.
- Agricultural insurance is not a complete solution to agricultural risk.
- Public sector roles are critical for sustainable scale-up.
- Need for better claim payment rules suggests mutuality may be a missing link.
- Meso-insurance for lenders has potential.

## The way forward

- 1. Agricultural insurance must be a part of the national agricultural policy.**
- 2. System approach rather than a product approach.**
  - It requires an institutional framework that includes a PPP of government, farmers, the (re)insurance industry and the banking sector.
  - Purely private and purely public institutional approaches have failed.
  - This institutional structure is different in each country and should be tailor-made to the economic and social conditions of existing institutions.
  - The government has the responsibilities of setting guidelines and controls, subsidising premiums and financing catastrophic losses. We need tailor-made solutions that factor in the local conditions.

## Lessons learnt

### **3. Cooperative instead of competitive approach.**

- It is useful to have or set up a coinsurance pool and a centralized technical entity in charge of bundling and developing expertise,
- and to establish uniform terms and conditions of insurance. In other words, make the incentives right.

### **4. Nationwide instead of pilot-project approach.**

- Agricultural insurance is all about spreading risks by insuring different regions and crops and by achieving a high market penetration.
- Pilots are difficult to scale up.

## Lessons learnt

### **5. Overestimated potential of weather index insurance on farm level.**

- Experience indicates greater potential for area yield index insurance due to the various shortcomings of weather index insurance.

### **6. Combine insurance with credit.**

- Stand-alone solutions are likely not to be economically viable or sustainable.

## Summary

- Agriculture (weather) index insurance is not appropriate for all risks.
- An institutional framework with participation of all stakeholders of the supply chain is necessary.
- Do not believe stories, believe data. Designing a good parameter that has a high correlation with the peril insured minimises basis risk.
- Education and training at all levels is a must. In other words, building capacity is the name of the game; it helps build knowledge, and thus trust.
- A public-private partnership is important. Make it work; the scaling up of index insurance schemes needs the support of the public sector.
- Offer reliable products, and innovate behind the scenes.

**Thank you**

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[www.microinsuranceconference.org](http://www.microinsuranceconference.org)

[www.microinsurancecompendium.org](http://www.microinsurancecompendium.org)

[www.microinsurancelandscape.org](http://www.microinsurancelandscape.org)

