



**Importance of Data to give access to agriculture insurance to small-scale farmers, 2nd African Continental Briefing
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1. BACKGROUND TO OUR AGRICULTURE PROGRAMS;
2. HOW DOES AGRICULTURE INSURANCE WORK;
3. DATA REQUIREMENTS FOR AGRICULTURE INSURANCE;
4. ROLE OF DIFFERENT STAKEHOLDERS;
5. RECOMMENDATIONS FOR DATA COLLECTION.

Background to MicroEnsure



MicroEnsure: A specialist provider of insurance to the low and middle-income market with more than 10 million active clients in 13 markets across Africa, Asia and the Caribbean.

We provide a range of life, health, property and weather-index products via a range of distribution partners that include microfinance companies, banks, co-operatives and mobile network operators.



Recent Projects world-wide

COUNTRY	DISTRIBUTION CHANNELS	CROPS INSURED	NUMBER OF FARMERS INSURED (approximate)
ZAMBIA	Contract Farming	Cotton	7,000
RWANDA	Linked to Lending, Farm Inputs, Farmer Cooperatives	Rice, Maize, Irish Potato	21,000
MALAWI	Linked to Lending, farmer union, church organisation	Tobacco, Groundnut, Maize	16,000
TANZANIA	Linked to lending, contract farming, farm inputs, NGO	Sunflower, Safflower, Beans, Cotton, Maize	2,000
KENYA	Farm Inputs	Maize	3,000
UGANDA, GHANA	Technical Consultancy support to insurance industry, to develop crop insurance products.		n/a
PHILIPPINES	Input supplier	Rice	5,000
CARRIBBEAN	Retail	Livelihood protection	1,000

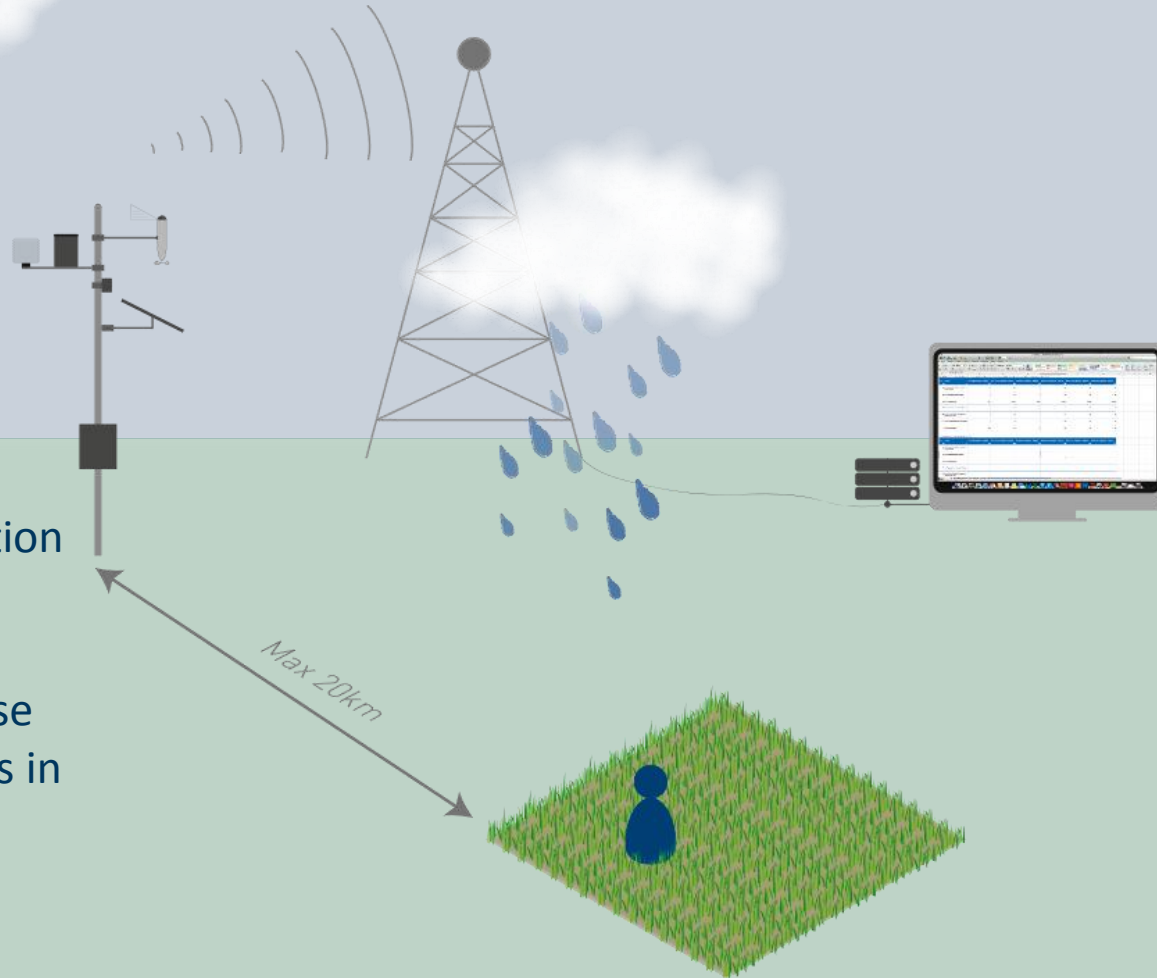
Approx. 60,000 farmers in 5 countries (Kenya, Malawi, Rwanda, Tanzania, Zambia) in Africa insured in 2013. Approx. 5,000 farmers have received payouts in 2013.

THE DIFFERENT TYPES OF AGRI-INSURANCE PRODUCTS FOR LOW-INCOME PEOPLE

- **Indemnity Insurance**- if farmer suffers a loss (of outcome or revenue) the insurance compensates farmers;
- **Weather Indexed Insurance (WII)**- insurance linked to weather events as measured on a certain basis (using either weather stations and/or satellite data);
- **Area Yield Insurance**- insurance linked to the crop yield as measured officially (using crop cutting experiments, survey data etc).

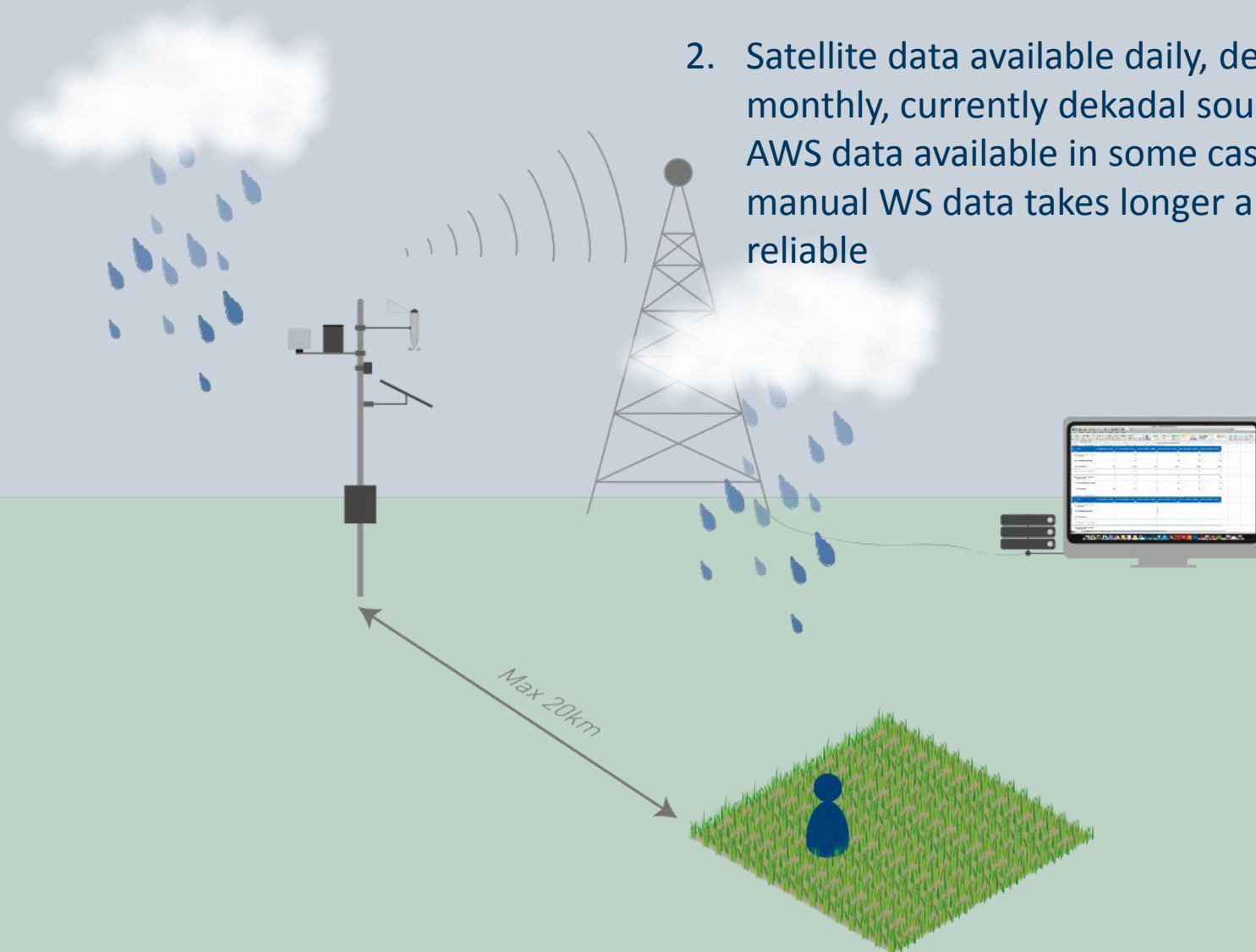
How Does WII Work?

1. Satellite estimation of rainfall over farmers' fields (aggregated); Use weather stations in some cases



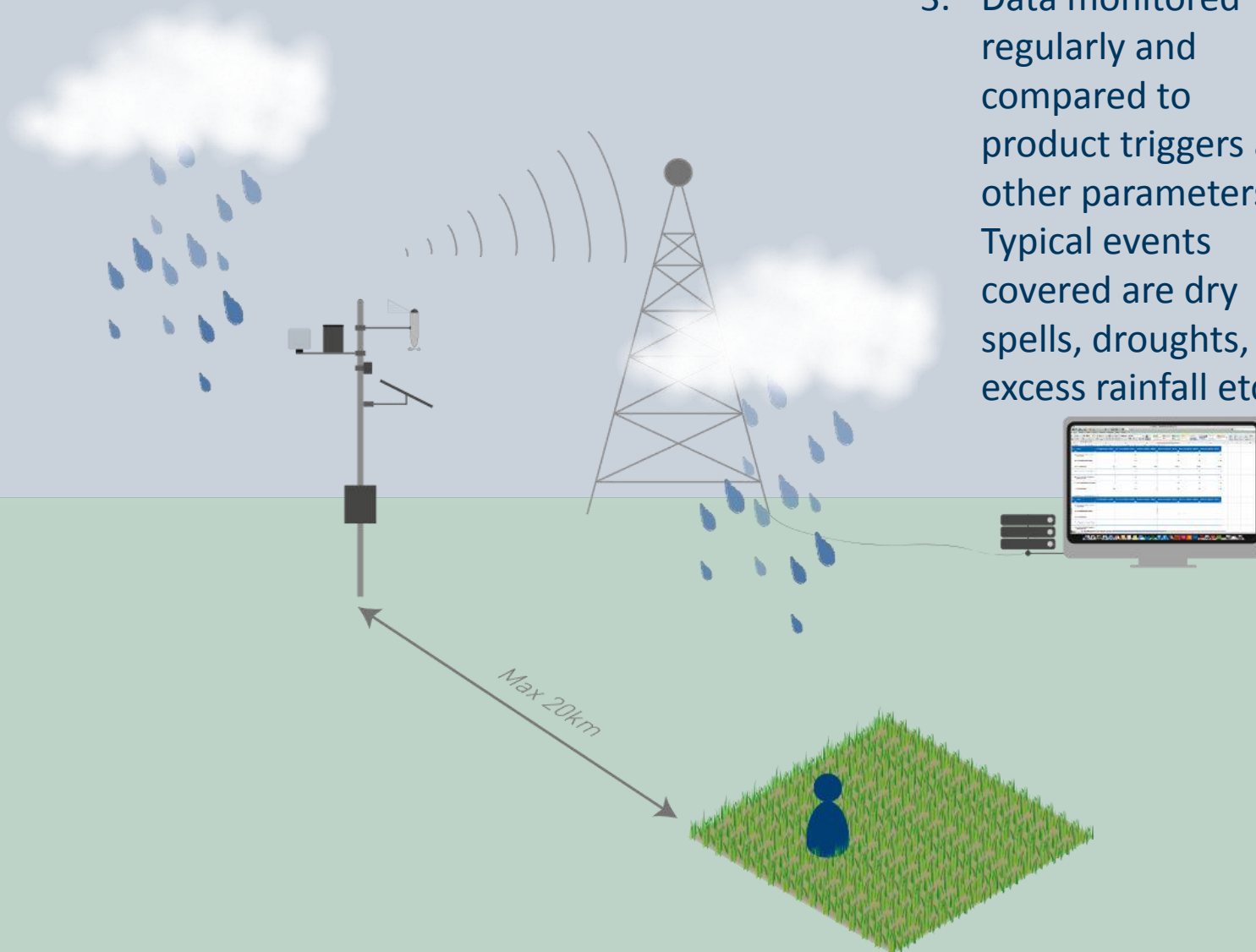
How Does WII Work?

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2. Satellite data available daily, dekadal, monthly, currently dekadal source used; AWS data available in some cases, manual WS data takes longer and less reliable



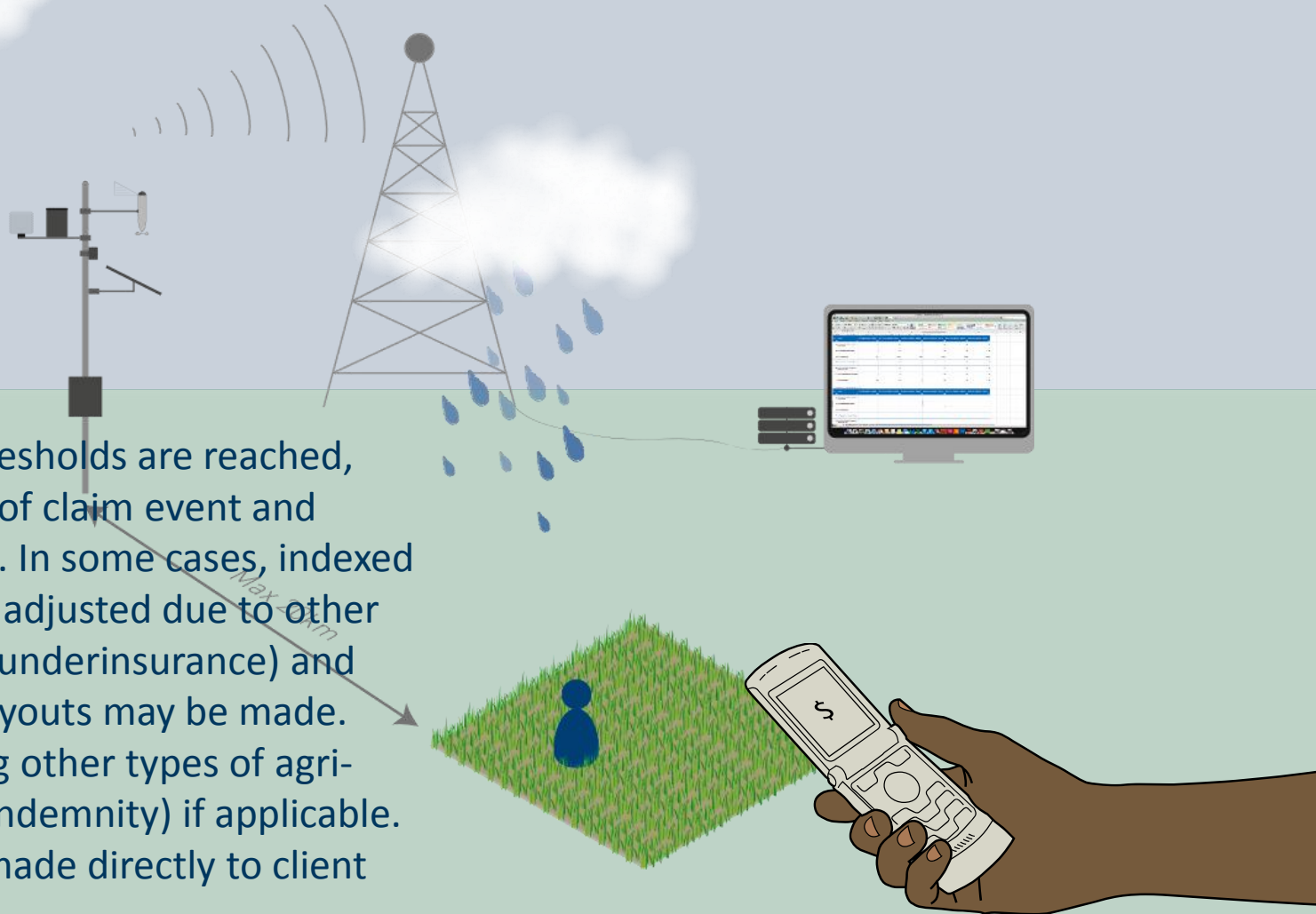
How Does WII Work?

3. Data monitored regularly and compared to product triggers and other parameters. Typical events covered are dry spells, droughts, excess rainfall etc.



How Does WII Work?

4. Once trigger thresholds are reached, insurer notified of claim event and claim processed. In some cases, indexed payouts may be adjusted due to other conditions (e.g. underinsurance) and discretionary payouts may be made. Scope for adding other types of agri-insurance (e.g. indemnity) if applicable. Payout usually made directly to client (not farmers).



Main Distribution Channels



Weather Indexed Insurance (WII) linked to Agriculture Lending- sold to individual small-holder farmers & groups of farmers via Banks/ MFIs/ others.

Portfolio Product

WII sold to Institutions wanting to reduce risk of lending in agriculture sector- promotes better risk management & allows more investment in agriculture.

Sales Promotion Product

WII linked to farm inputs (e.g. seeds), which give increases uptake, improves ongoing loyalty & protects farmers/reduces defaults.

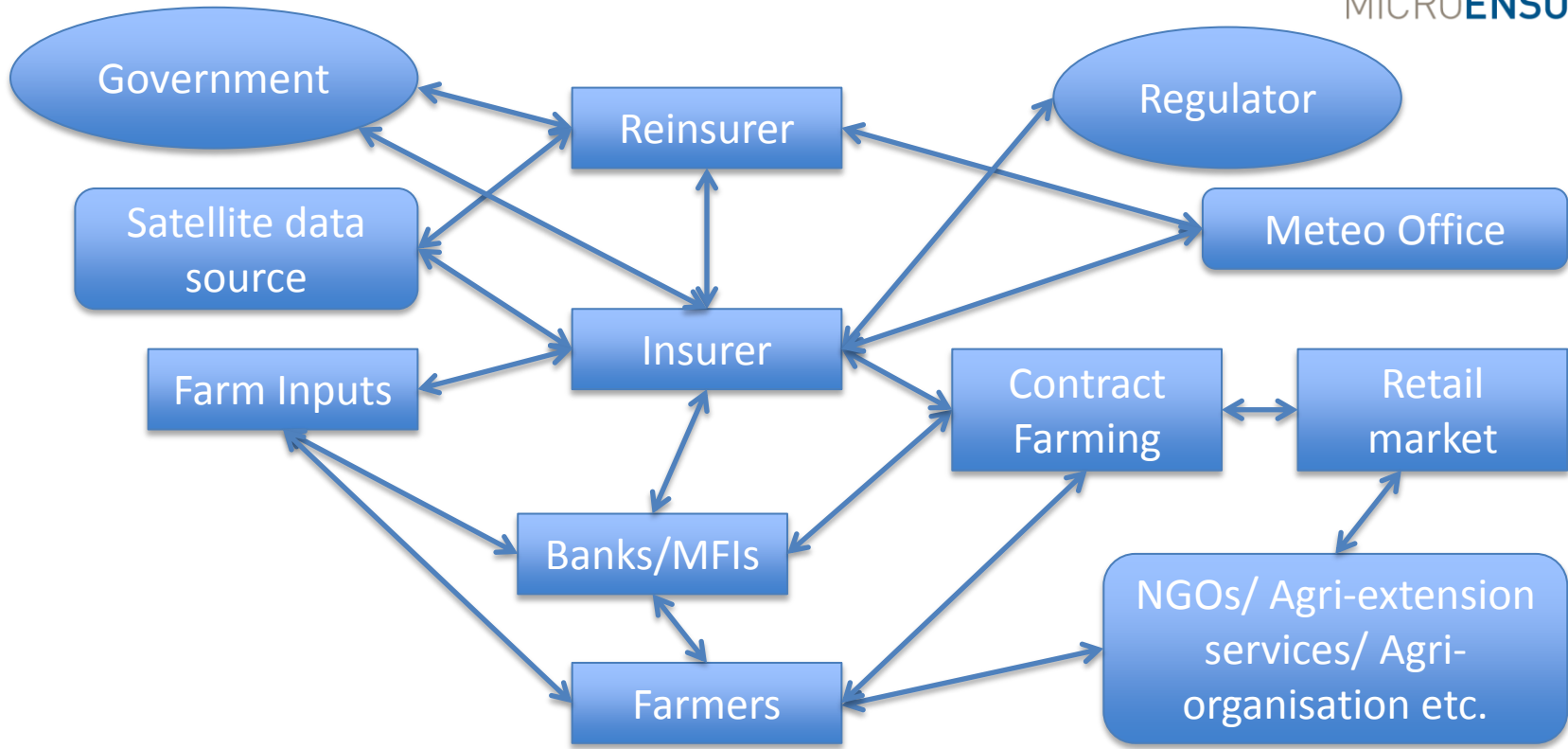
Savings linked Product

WII linked to regular savings, which incentivizes savings towards a goal, while protects customers from adverse events.

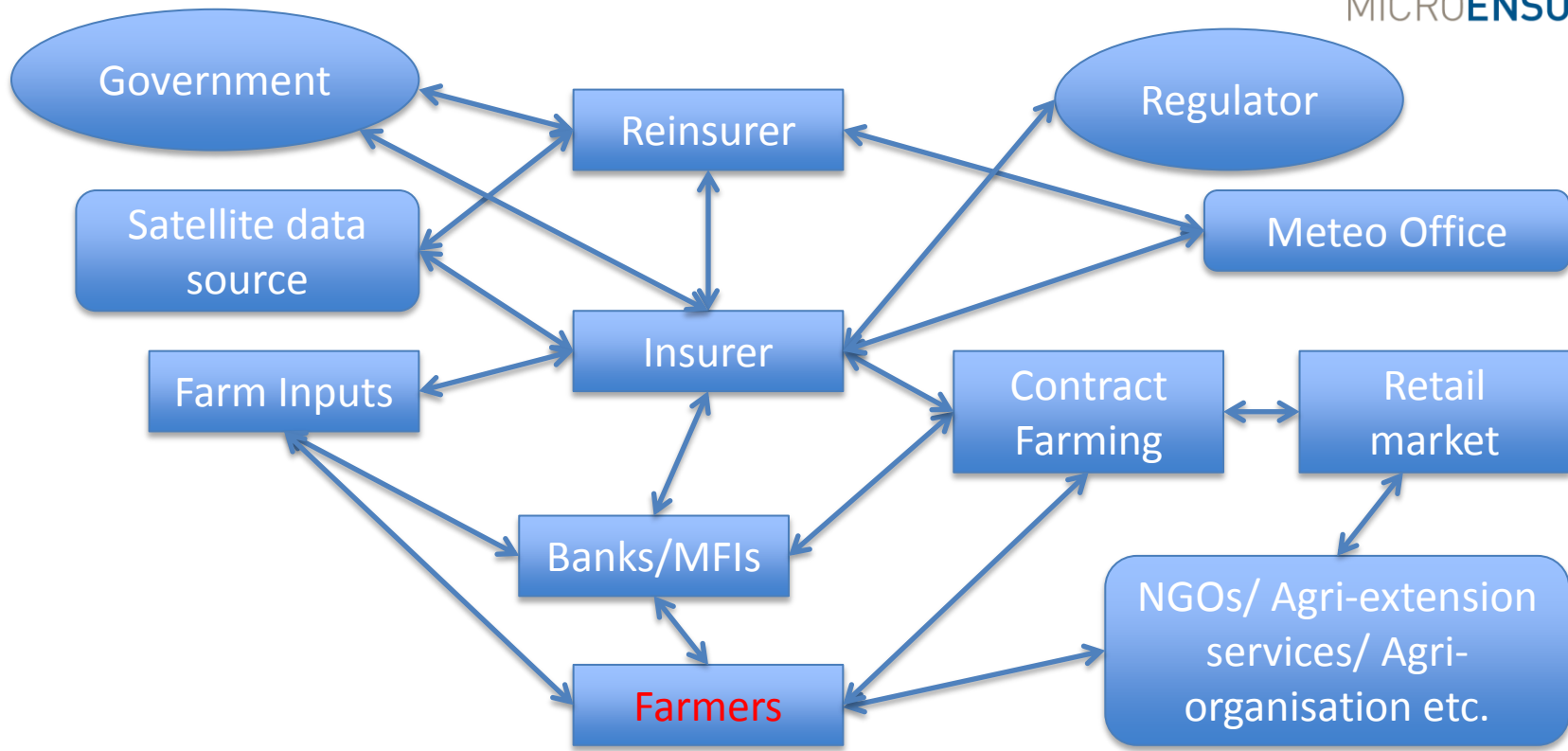
Packaged Product (Contract Farming)

Packaged product (WII + Life + Health), which improves loyalty, reduces side-selling/ defaults & gives valuable protection for farmer and family.

BENEFITS OF INSURANCE FOR VALUE-CHAIN



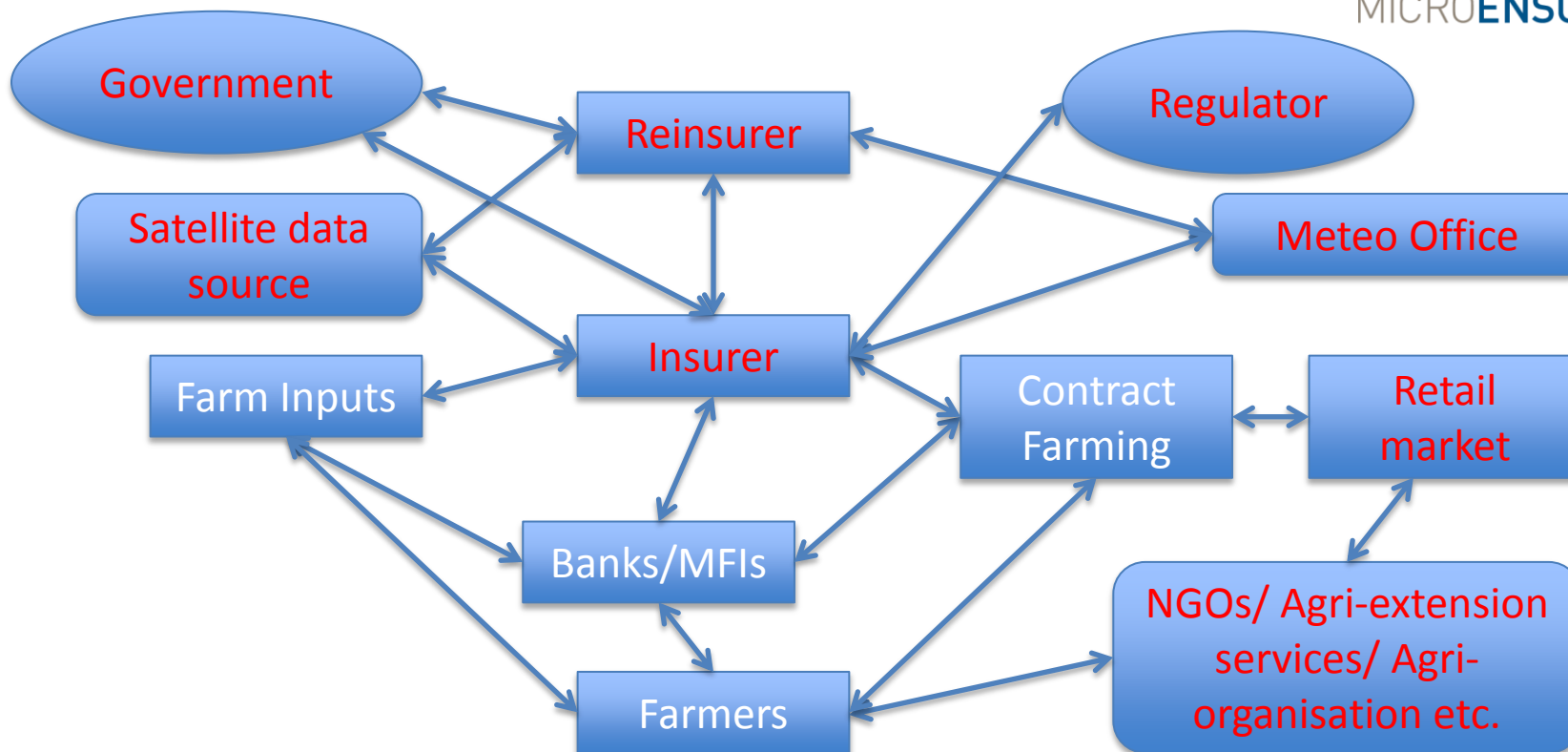
MAIN BENEFITS OF INSURANCE FOR VALUE-CHAIN



FARMERS/ FARMER GROUPS:

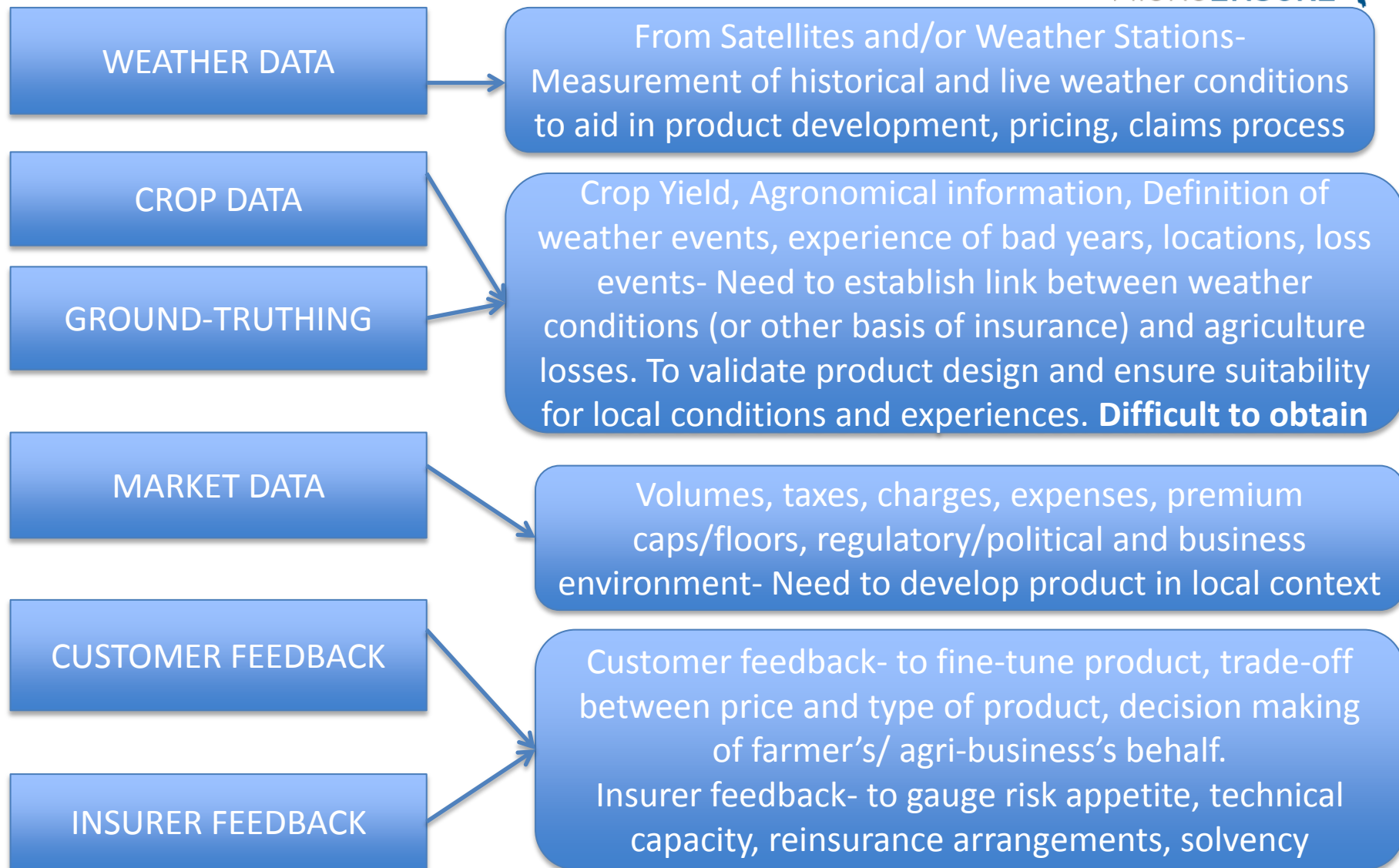
- 1) Better access to finance/ potentially better credit terms (insurance as collateral);
- 2) Lowers income fluctuation, protects livelihood, disaster relief;
- 3) Better access to farm inputs/ other extension services/ contracts;
- 4) Protects farmers from risks, which are difficult to self-insure within group;
- 5) Potentially benefit from subsidised/ free insurance with collaboration with other value-chain players;
- 6) Can assist in deciding on farming practices and decisions.

BENEFITS OF INSURANCE FOR VALUE-CHAIN

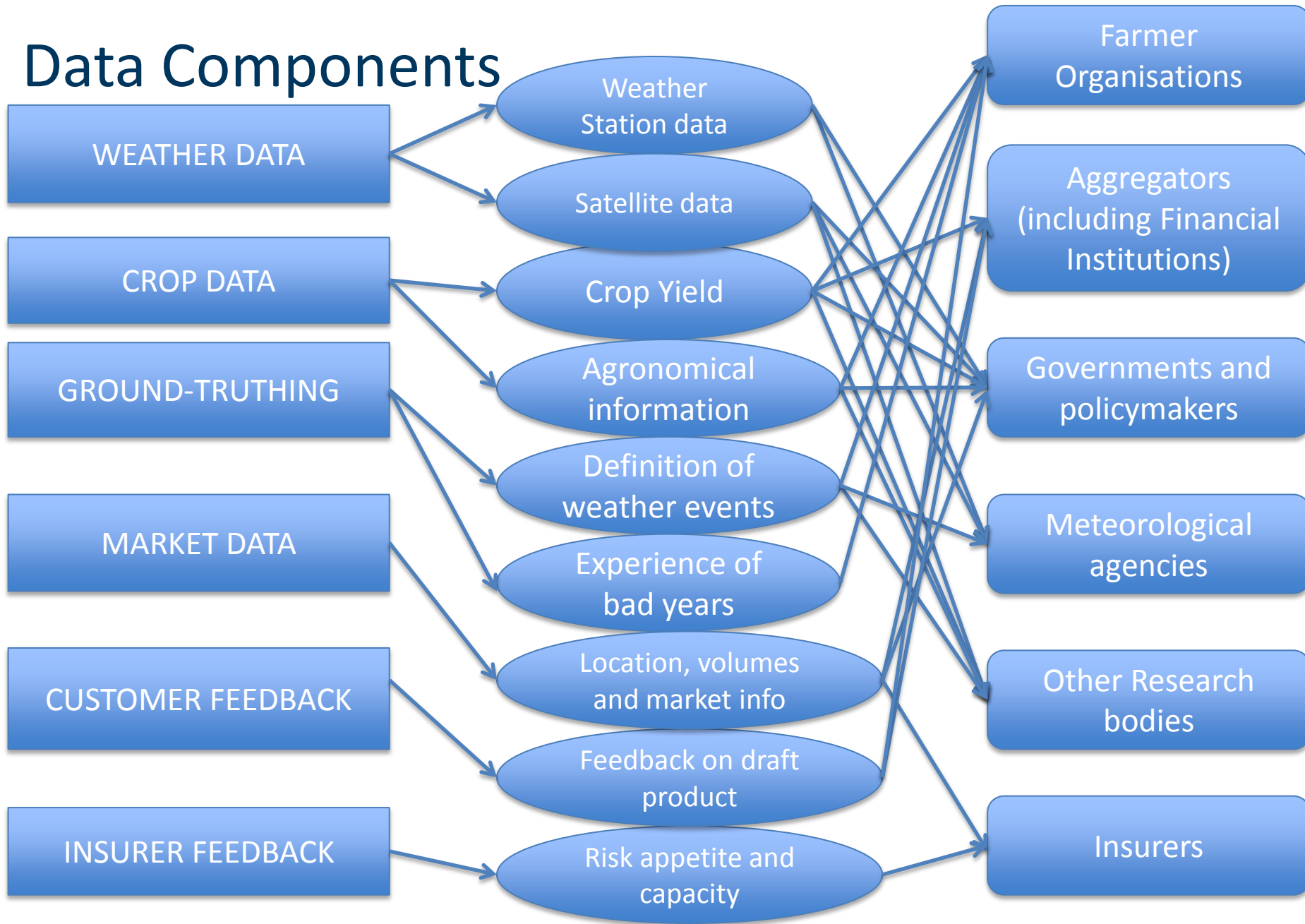


- 1) Govt- objective of increased financial access/ more investment in agriculture/ micro-disaster relief management;
- 2) (Re)Insurer- can be profitable business/ reduces overall risk;
- 3) Weather agencies- tangible use of weather data/ could charge fees for additional services
- 4) Retail buyers- can tie in with Fair Trade models/ additional benefit for farmers
- 5) Other organisations- Financial inclusion/ link to markets/ platform for further agri-extension services

Data Components and Importance



Data Components



DATA ROLES FOR STAKEHOLDERS

	Farmer Groups	Aggregators	Govt	Research bodies	Meteorological agency	Insurers
Weather Station Data			✓		✓	
Satellite Data			✓	✓	✓	
Crop Yield Data	✓	✓	✓	✓		
Agronomical info	✓	✓	✓	✓		
Experience of bad seasons and losses	✓	✓			✓	✓
Info on economics, political and business context		✓	✓	✓		✓
Feedback on product	✓	✓	✓			
Insurer appetite and capacity						✓

SUMMARY RECOMMENDATIONS

1. **Farmer Organisations** should compile crop data, agronomical knowledge and experience of bad seasons experienced and give feedback on product.
2. **Aggregators (Financial Institutions, Agri-business, NGOs)** should compile crop data, experience of agric losses and give constructive feedback on product.
3. **Government and policymakers** should create/facilitate databases for crop data and tie-up with available weather data (much of which is publicly available but sometimes in other countries). Should support set up of agriculture (e.g. tax waiver), consider macro-level weather index insurance (e.g. for disaster relief) and follow best-practice regulations.
4. **Research bodies and meteorological agencies** should maintain database for crop, weather and market data.
5. **Insurance industry** should actively consider underwriting strategy, build technical and operational capacity and arrange suitable reinsurance/co-insurance arrangements.
6. **Product developers/enablers** should also focus on capacity building and training local stakeholders in order to increase product understanding and facilitate data collection. Local ownership is key for sustainability.

THANK YOU FOR LISTENING

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