

Agriculture Insurance “Global overview & Pan-African Perspective”

Working Smarter to Address Agricultural Risk Challenges

James Sinah

Consultant – World Bank Group



Contents



Introduction: agriculture insurance in broader context of disaster risk financing

Overview of agricultural insurance policy/programme across the world and Africa

Challenges faced in the implementation of agricultural insurance across African countries

Potential solutions to the implementation challenges

World Bank Group offerings

Portfolio of Financial Instruments

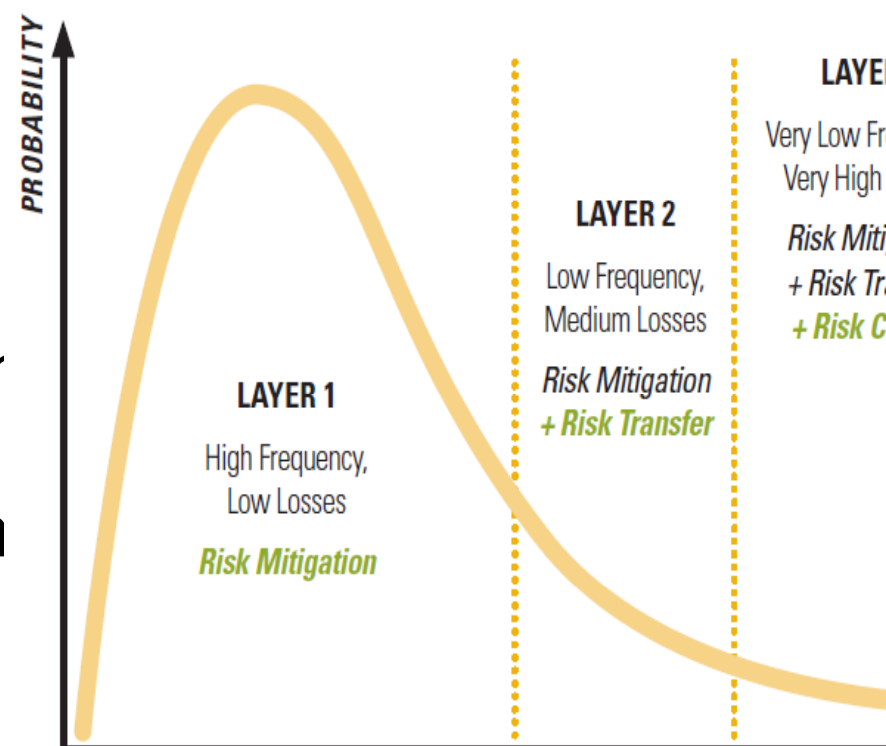
<div> <div>Major</div> <div>Severity of Impact</div> </div>	Risk transfer to the market	Catastrophe bonds / notes	Facilitates risk transfer to capital markets
		Weather index Insurance	Insures against weather or geologic losses, based on an index
	Contingent Loans	Contingent component of IDA loans/ Development Policy loan of IBRD with Catastrophe Draw Down Option	
	Reserves/ Contingency Funds	Contingent component of IDA loans/ Development Policy loan of IBRD with Catastrophe Draw Down Option	

Retention and risk transfer

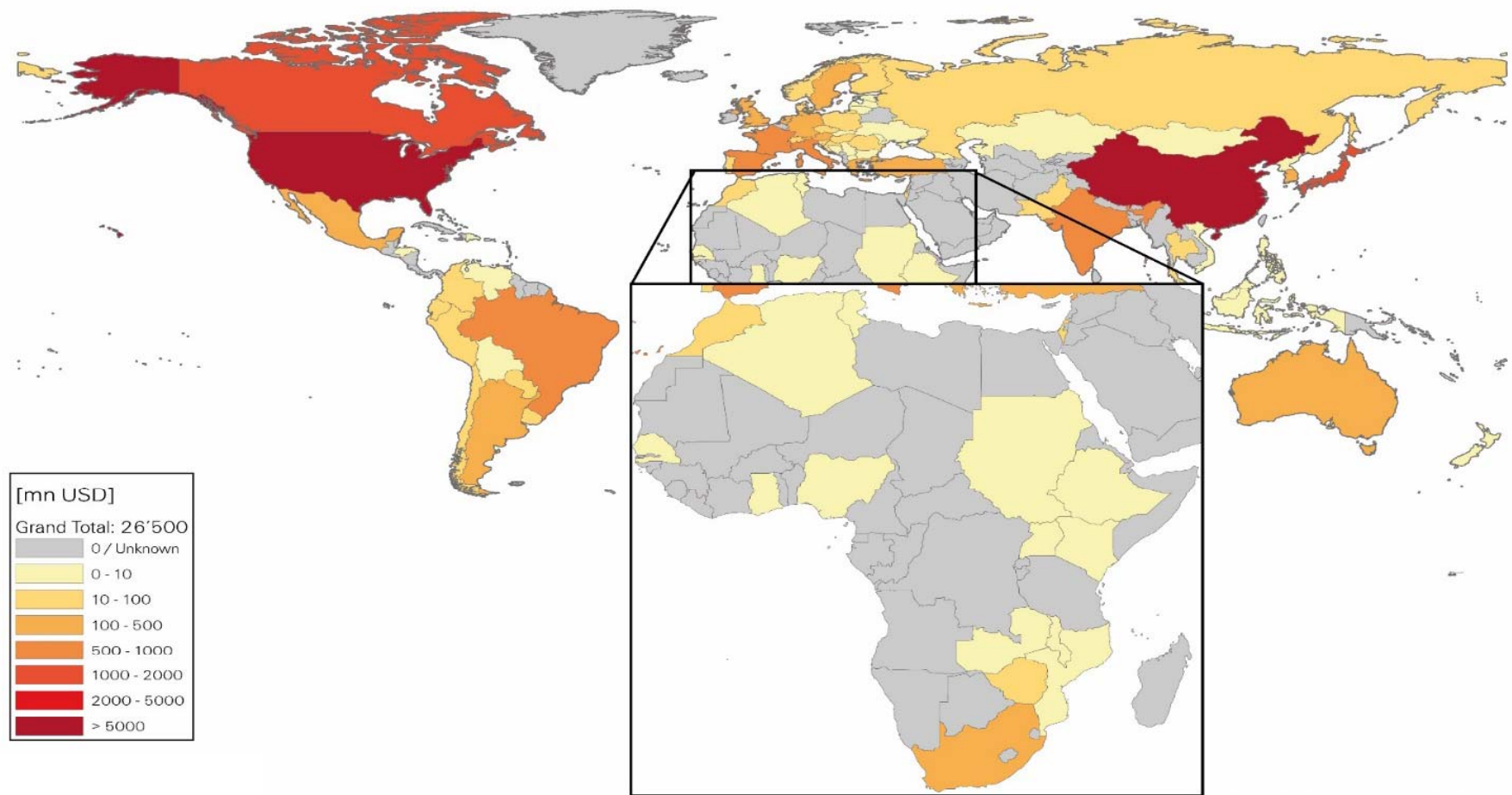
Need to identify, quantify & cost and prioritize risk [per sub-sector, crop and region]

Risk stratification (layering) [what risk can be retained farmers, what can be transferred, what can be addressed through social protection organized by the government?]

Identification of risk layers & assessment of current disaster relief framework will be necessary to assign financial burden

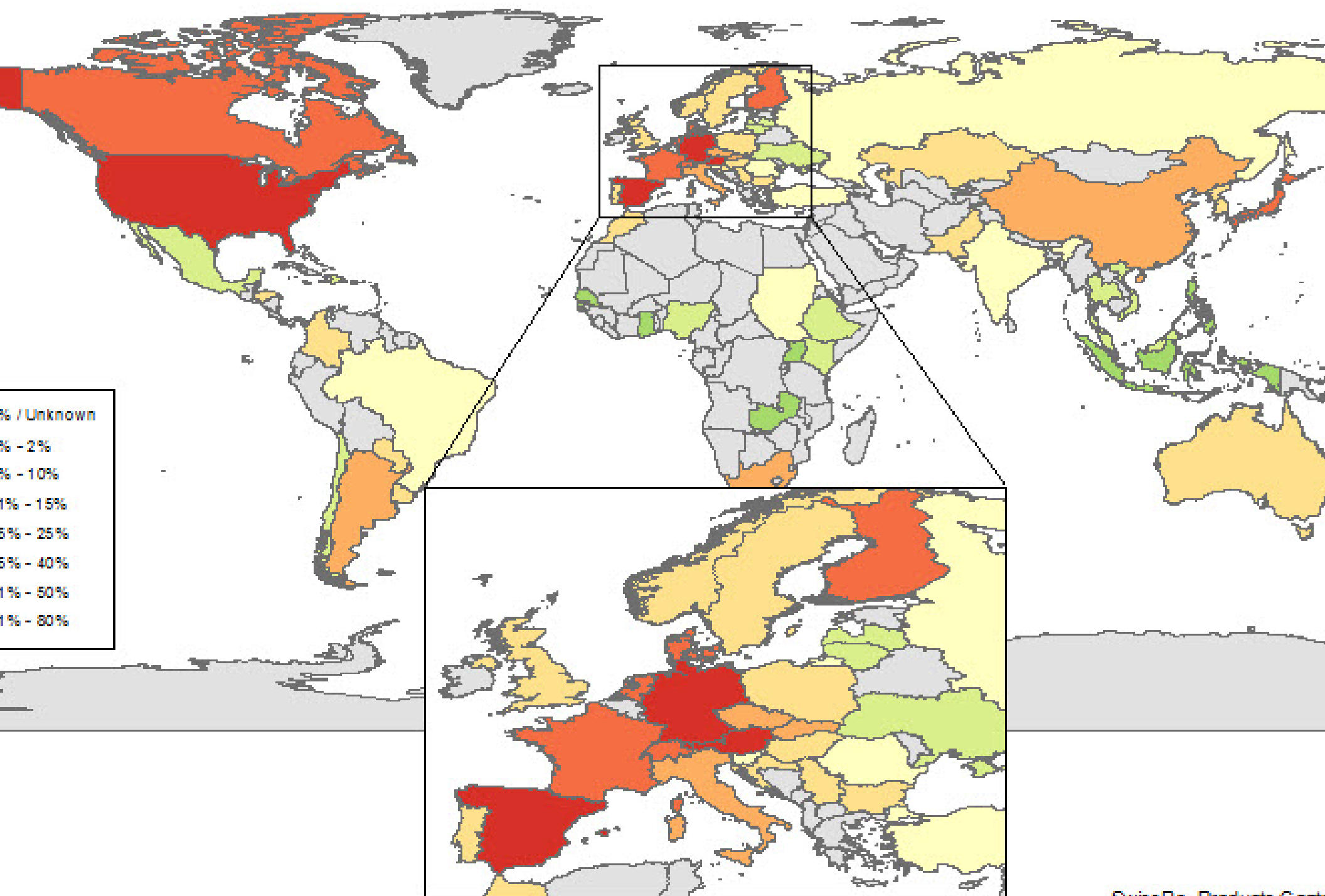


Agricultural Insurance World Wide Premiums 2014



Swiss Re, Products Center Agriculture

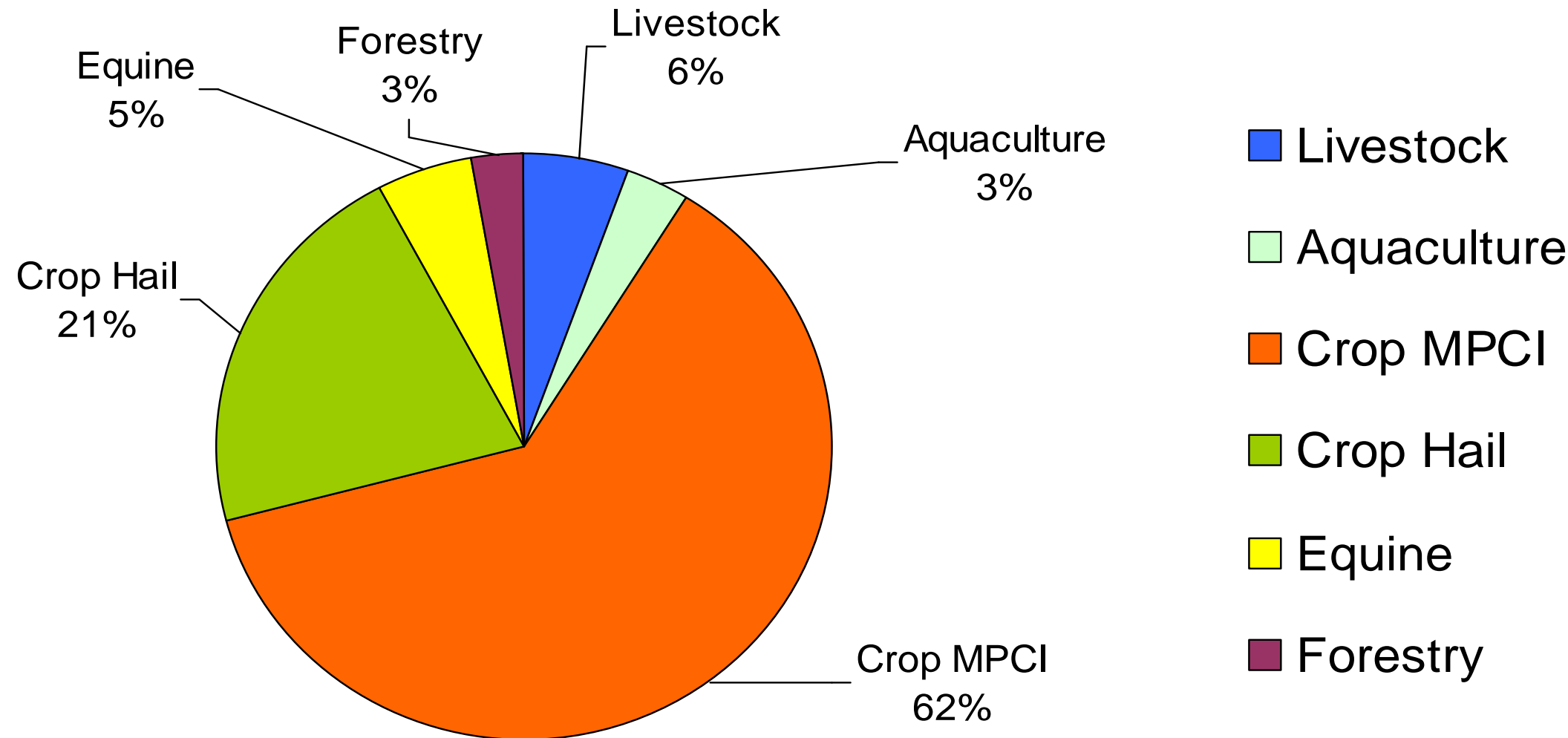
Worldwide Agricultural Insurance Penetration 2011



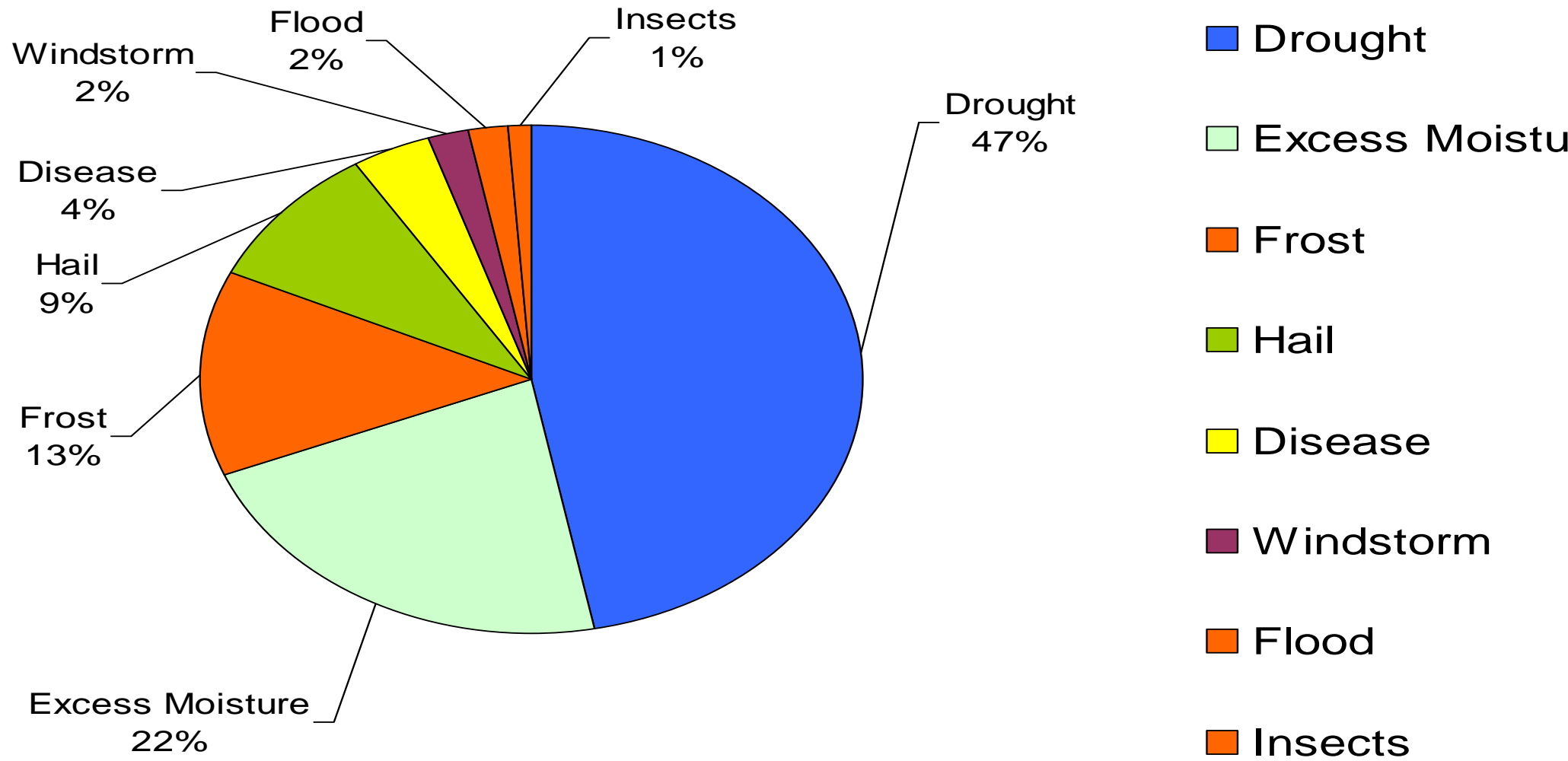
GLOBAL PERSPECTIVE -

Split by lines of business

Worldwide



Crop Losses by Cause (2011 data)



Challenges faced in implementing agriculture Insurance in Africa



Low effective demand

- Production is at subsistence level - highly discounted future
- Limited agriculture insurance knowledge; trust

Risk transfer (index insurance) – new science, few experts

- **Product suitability – basis risk**
- **Product Distribution**

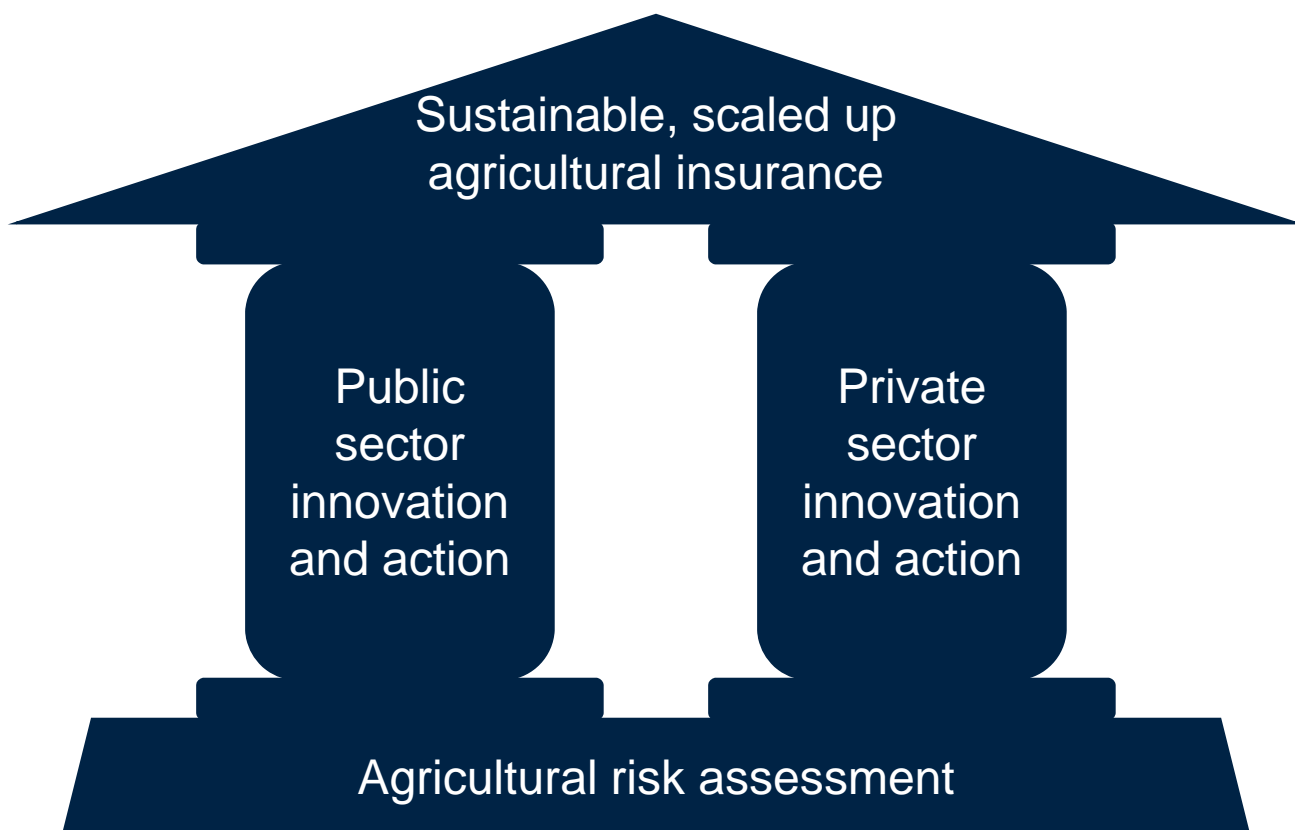
Product appropriateness

- Lack of historical data
- Product pricing

Government involvement (quantification of loss & Damage)

- No clearly defined policy objectives
- Limited support of agriculture insurance market

Solutions: Public- Private Partnerships (PPP)



Typical examples:

- India
- Mongolia
- Spain
- United States
- Kenya
- etc.

The top 10 government-subsidized agricultural insurance nations accounted for \$13.4 billion (89 percent) of total agricultural insurance premiums in 2007

Slide 10

CS34 you could include these updated 2011 figures which I have drawn up from various sources which are the top 10 subsidized agricultural insurance nations accounted for \$19.7 billion (89%) of total agricultural insurance premiums of \$23.5 billion in 2011.

The only country that was in the top 10 in 2011 and which does not have premium subsidies was Argentina ranked no 9 with \$ 450 million in premiums in 2011. I have excluded Argentina from the above analysis of the top 10 SUBSIDIZED nations.

Charles Stutley, 6/14/2016

Clarity in Policy Objective: Agricultural insurance can be used to pursue different policy objectives within context of climate change

Raise productivity

Can help improve access to agricultural credit, agricultural inputs for farmers

Enhance farmers' resilience

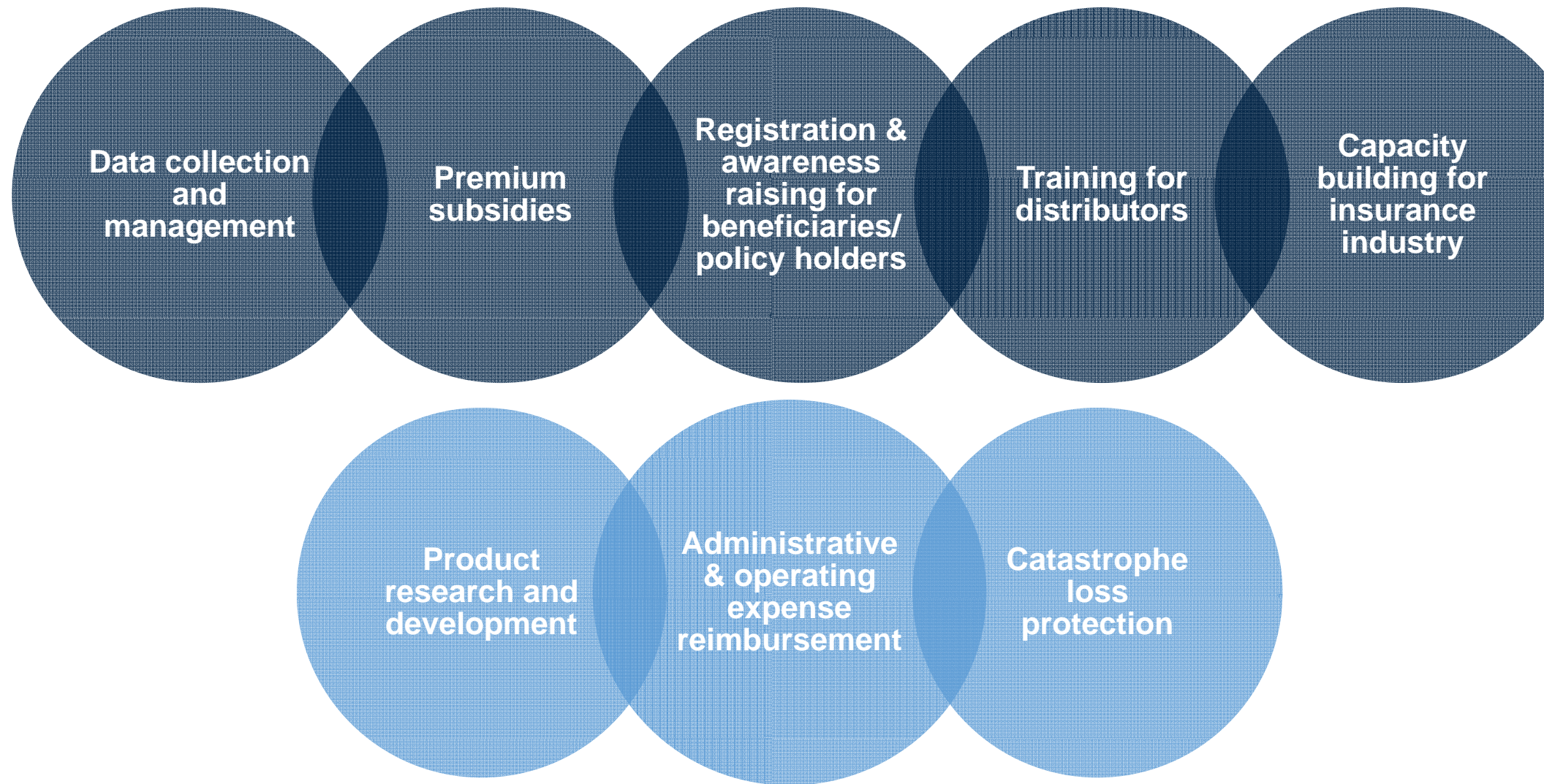
Can provide farmers with some protection against catastrophic losses

Protect the Government's budget

Can help reduce the contingent liability for governments

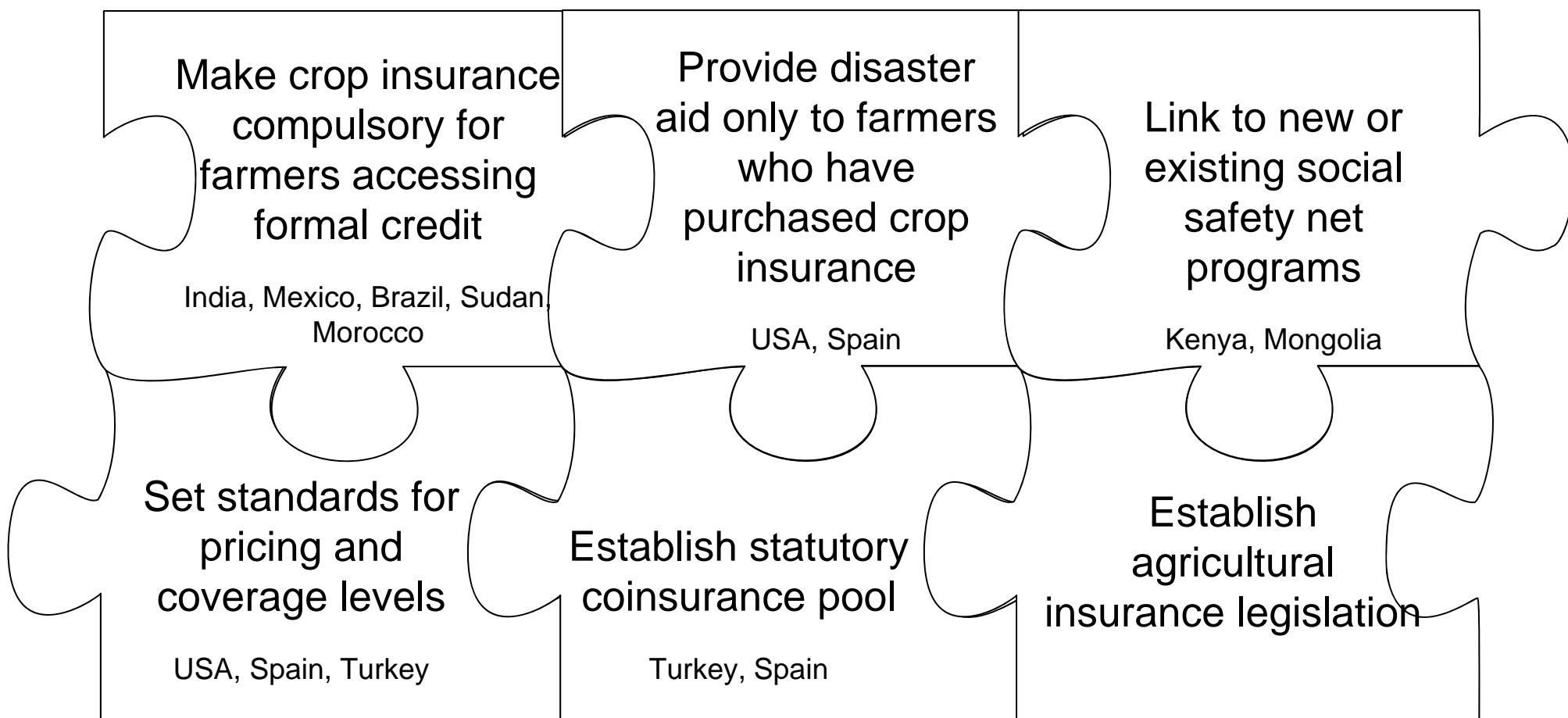
Solutions: Strong public support

Public support could be in variety of ways



Simulate uptake: government policy interventions

Examples



Can developing countries afford a universal insurance mechanism?



- boils down to understanding what is the alternative
- Need to undertake fiscal costing of risks that could be addressed through insurance
- Undertake economic impact analysis of agriculture insurance intervention
- Compare with alternatives and if +ve then support implementation

Funding mechanism for universal, affordable and effective agricultural insurance

- Public financial support need to be directed to address certain gaps in provision of agriculture insurance

Program (DRFIP)

Provides advisory and knowledge services to increase capacity to plan for, and manage the financial aspects of disaster-related risk
includes:

- Fiscal and financial risk assessment that identifies needs and contingent liabilities

- Developing risk financing strategies that use a number of tools

- Strengthening institutional frameworks for managing financial

- Instruments and mobilizing funds

- Developing new tools and approaches

- Currently working in over 30 countries

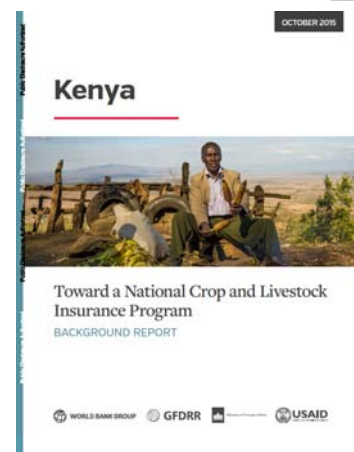
The largest Agricultural Insurance Markets are mainly concentrated in High Income Countries and mostly show very high levels of Public-Premium Subsidies (11 figures)

Country	Type of Agricultural Insurance market	Government Premium Subsidies	Total Agri-insurance premiums (USD Million)	% of Total Global Premium Volume	Agricultural GDP (US\$ Million)	Agricultural Insurance penetration of Ag GDP
	PPP (MPCI); Private (Hail)	7,410	11,400	49%	175,699	6.49%
	Public-Private Partnership	2,034	2,543	11%	918,138	0.36%
Uganda	Public	690	1,379	6%	n.a	n.a
	Public-Private Partnership	600	1,200	5%	71,568	1.68%
	Public-Private Partnership	602	926	4%	n.a.	n.a.
	Public-Private Partnership	437	673	3%	320,458	0.19%
Kenya	Public-Private Partnership	276	552	2%	78,856	0.98%
Argentina	Private	0	450	2%	n.a.	n.a.
	Public-Private Partnership	215	430	2%	129,382	0.35%
Kenya	Public-Private Partnership	150	300	1%	69,693	0.43%
Colombia	Public-Private Partnership	133	260	1%	n.a	n.a
South Africa	Private	0	153	1%	n.a.	1.77%
Malaysia	Private	0	150	1%	61,682	0.24%
Rest of World		617	3,084	13%		
Total		13,164	23,500	100%		

Source: Brexit countries SwissRe 2013; Boissonade 2015; Authors. Authors estimates of Government premium subsidies

IFAD provides a range of services to support PPP for agricultural insurance

Product	Examples
Diagnostics studies	Kenya, South Africa, Bangladesh
Analytical tools for financial decision making (e.g. contract design tool, index insurance product evaluation tools)	Kenya, Pacific Islands
Technical assistance for design, preparation and implementation of large scale agricultural insurance schemes	India, Mongolia, Kenya
Technical assistance for legal and regulatory issues	CIMA countries, Kenya
Publications	<i>Government support to agricultural insurance, 2010; Dull Disasters, 2016</i>
Funding for investments related to agricultural insurance implementation (e.g. data and systems, risk financing)	Mongolia, pipeline
Intermediation services to establish regional sovereign or co-sovereign insurance pools	Caribbean Catastrophe Risk Insurance Facility; Pacific Catastrophe Risk Insurance pilot
Regional trainings and peer exchanges	Kenya, Mozambique, Sri Lanka
Communities of practice	Global Action Network on agriculture insurance, indexinsuranceforum.org
Collaboration among countries, private sector and development partners	



Further Information

Contacts:

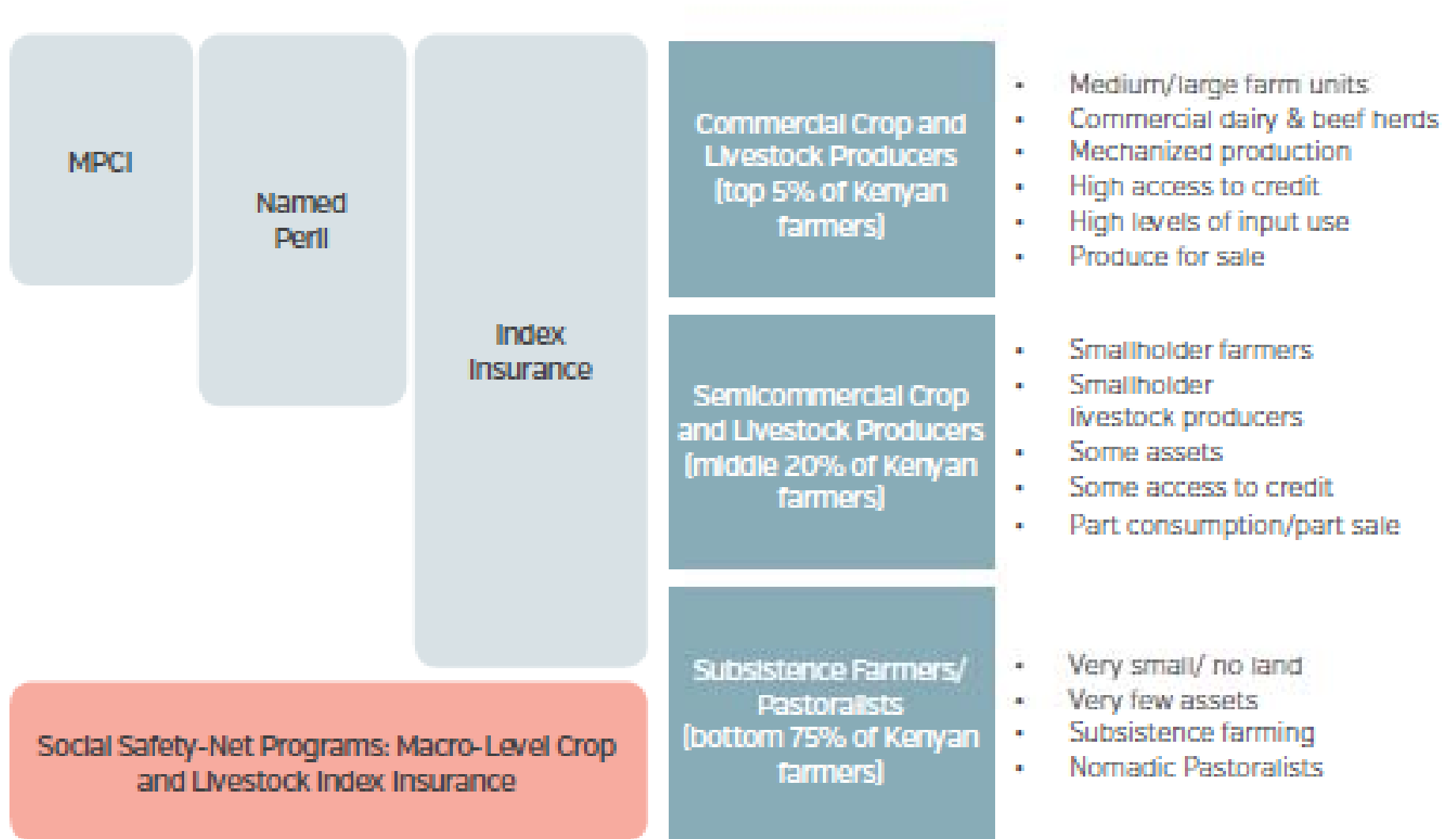
James Sinah

jsinah@worldbank.org

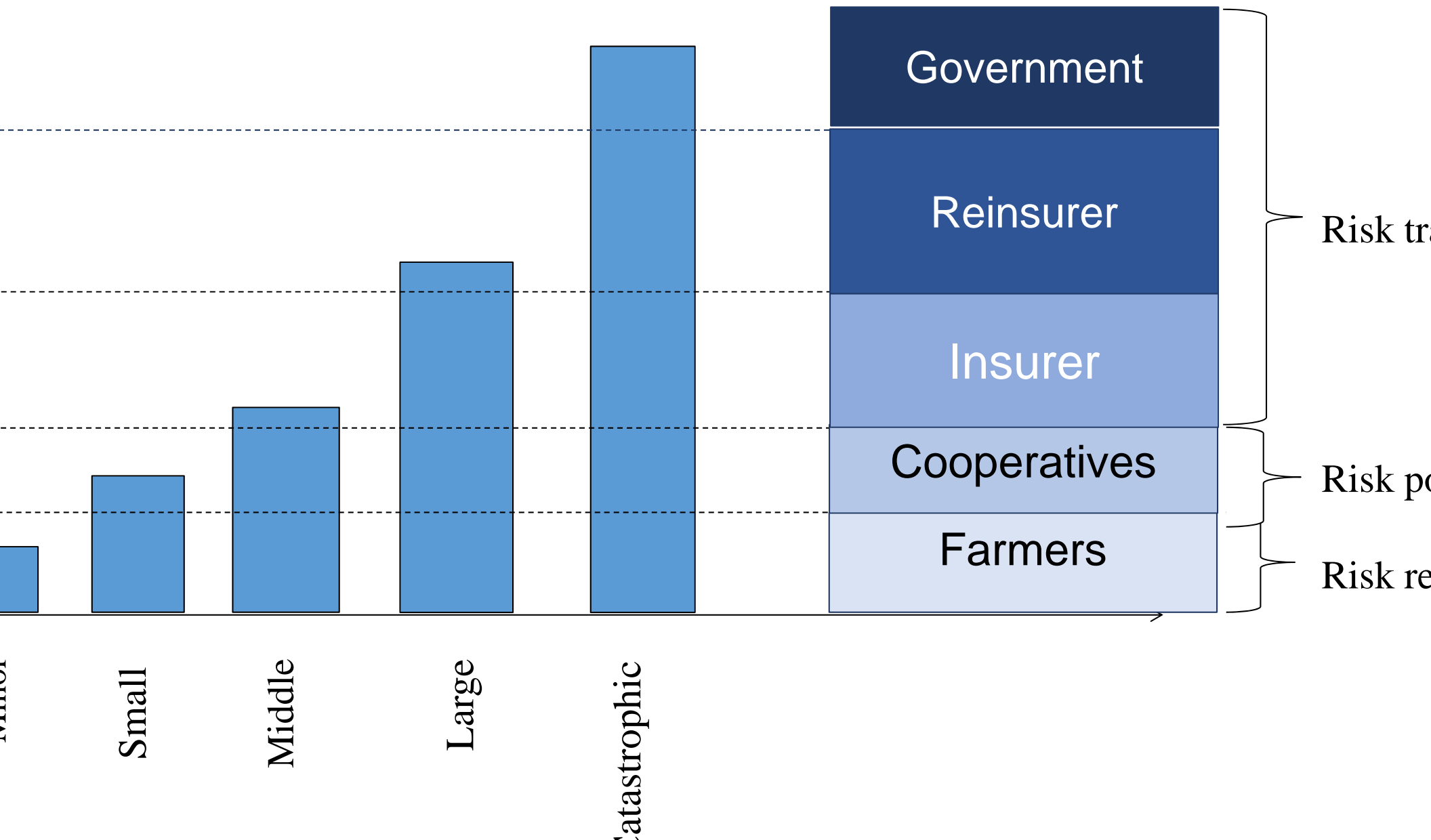
tel: +254 725 536032



Policy objectives inform the choice of appropriate products



Risk Layering



y type

ingency Funds/Reserves

Arid & Semi-Arid Lands Drought Contingency Fund Project (ASAL DCF)

County contingency funds

Internal Risk Facility (IRF)

National Drought Contingency Fund (NDCF)

ingent Loans

Contingency for disaster risk response component of Regional Pastoral Livelihoods Resilience Project (RPLRP)

Scalability component of Hunger Safety Net Program (HSNP)

Development Policy Loan with Catastrophe Deferred Draw-Down Option (CAT-DDO)

ket Risk Transfer

Africa Risk Capacity (ARC)

Index-Based Livestock Insurance (IBLI)

Private-sector agricultural insurance programs

Kenya Livestock Insurance Program PPP (KLIP)

Kenya Crop Insurance Program

Weather insurance to cover drought risk impact on hydropower