



**Africa - Asia Conclave
on Loss and Damage Due to
Climate Change**

**Small Farmers Perspectives
on Agricultural Insurance
in Africa**

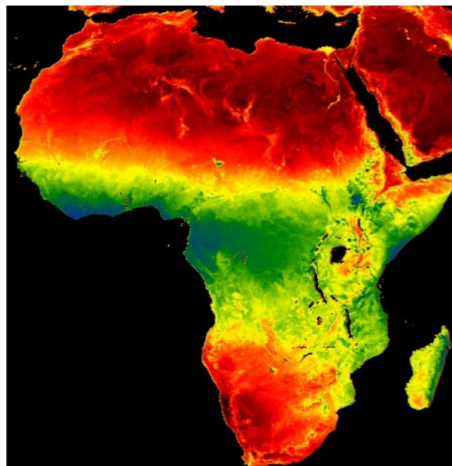
August 25-26 2016, Nairobi





intro. Climate changes and Insurance

- “Climate change is disrupting some weather patterns, and it is increasing the frequency and intensity of certain extreme weather events, such as heatwaves, droughts and heavy rainfall. These ongoing changes provide a foretaste of a hotter, drier, wetter future.”
World Meteorological Organization. 2016
- Variability in agricultural seasons and extreme climatic events compromise harvests and aggravate risks linked to food security of rural populations
- Despite these high risks, farmers lack risk management tools. Thus, agricultural insurance is indispensable to protect farmers and strengthen the agricultural sector





Agenda

I. Overview of PlaNet Guarantee

I.a. Vision and Products

I.b. Partners and Results

II. Agricultural Insurance in Africa

II.a. Overview of agricultural insurance

II.b. Index-Based Insurance

II.c. Value chain approach

II.d. How does it work ?

III. Challenges and Opportunities

III.a. Insurance engineering

III.b. scaling up





I. Overview of PlaNet Guarantee

a. Vision & Products

Vision

The objective of PlaNet Guarantee is to enable populations excluded from traditional insurance systems and not benefitting from social protection mechanisms to protect themselves against all types of risks: health, natural catastrophe, death, disability, accident,...

As microinsurance specialist, PlaNet Guarantee has developed a tailored social insurance offer and proposes a range of services in Technical Assistance and brokerage.

Products

<i>Crop</i>	<ul style="list-style-type: none">■ Climatic Insurance■ Average Yield Insurance
<i>Life, accident and Health</i>	<ul style="list-style-type: none">■ Credit Insurance■ Social Protection■ Saving and retirement
<i>Property</i>	<ul style="list-style-type: none">■ Stock Insurance
<i>R&D In Progress</i>	<ul style="list-style-type: none">■ Livestock■ Horticultural crops■ Universal Health■ Price volatility

Key Success Factors

- Innovative products
- Strong network of delivery channels
- Products tailored to demands and elaborated with the clients and end beneficiaries
- Simplicity in implementation and management
- Strong partnerships with leading insurers and reinsurers



I. Overview of PlaNet Guarantee

b. Results and Partners

Shareholders	<ul style="list-style-type: none">■ Positive PlaNet■ Pléiade Conseils■ Climate Insurance Fund■ Finaréa
A global dimension	<ul style="list-style-type: none">■ HQ in Paris■ 4 offices in West Africa■ Active in 12 countries: Senegal, Côte d'Ivoire, Benin, Burkina Faso, Mali, France, Colombia, Gabon, Madagascar, Philippines, Egypt, Palestine
Date of creation	<ul style="list-style-type: none">■ 2007 (Paris)■ 2011 (Dakar)
Number of employees	<ul style="list-style-type: none">■ 24 full time
Results since 2008	<ul style="list-style-type: none">■ > 900 000 cumulated policies & 4M beneficiaries■ < 100 000 crop insurance policies
Number of persons insured 2015	<ul style="list-style-type: none">■ > 200.000 (life, accident and health)■ 22.309 (crop)
Revenues 2015	<ul style="list-style-type: none">■ 1 M. EUR

Key Partners:

Insurance Companies:

- Allianz Africa
- AMSA Assurances
- ASKIA
- AXA
- Compagnie Nationale Assurance Agricole du Sénégal (CNAAS)
- Europ Assistance
- Mutuelle Agricole du Bénin (AMAB)
- Nallias
- NSIA
- SONAVIE / SBN
- STANE

Reinsurance Companies:

- Africa Re, Cica Re, Swiss Re, Allianz Re, Hannover Re

Technical and Financial Partners:

- Positive PlaNet, Grameen Foundation, Oikocredit, ILO, IRI, EARS, I4, CIRAD, MIN, SOFITEX, ANACIM, ...
- World Bank, USAID, Netherland Space Office, TICAD, PAMEFA, AGRA, AFD, ...



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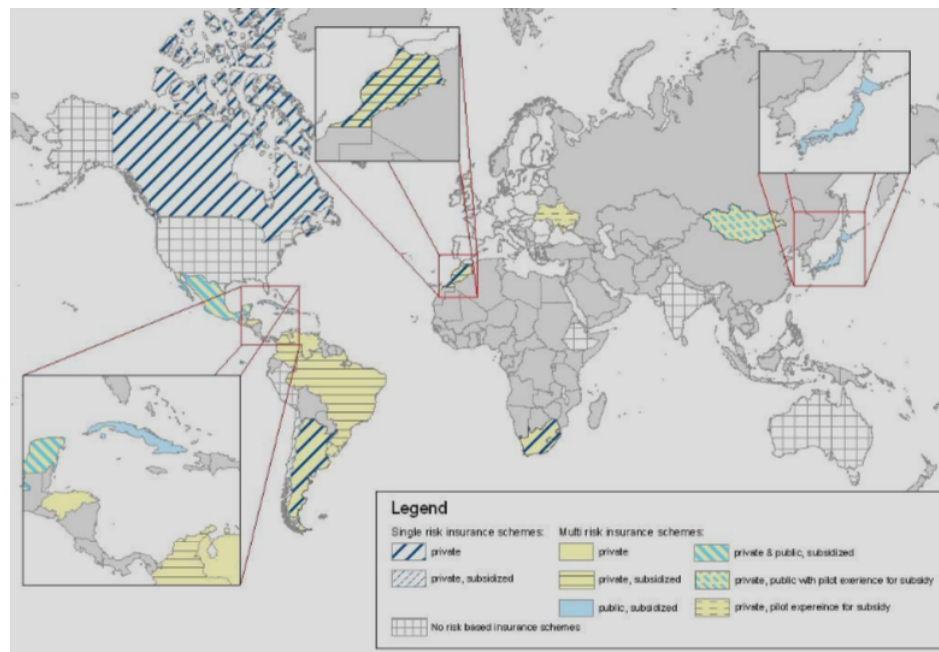




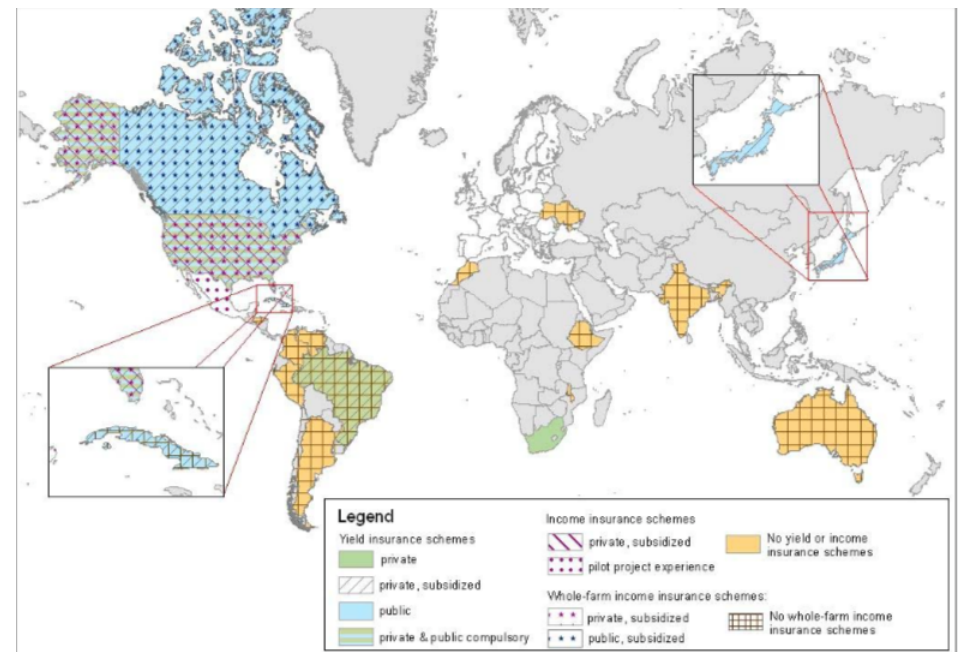
II. Agricultural Insurance in Africa

a. Overview

- Definition of **agricultural insurance schemes** :
 - **Peril** (single or multi risks) insurance
 - **Yield** Insurance: guarantee based on regional average yields or individual historic yield
 - **Income** Insurance: combines yield, price and production costs risks coverage
 - **Whole farm** Insurance: combination of guarantees for different agricultural productions
 - **Area yield** index insurance: indemnities computed from decrease of the average yield
 - **Area revenue** index insurance: indemnities computed from product of yields and prices
 - **Index-based** insurance: indices of yields or vegetation computed from weather based indices, satellite images and others



Peril Insurance Schemes



Yields and Income Insurance



PlaNet Guarantee
One World to protect



II. Agricultural Insurance in Africa

b. Traditionnal vs index based insurance

- Scope of main **agricultural risks** insurable in Africa :
 - **Livestock (death and/or diseases)**
 - **Crop Production (crop loss)**
 - Sales (stock insurance)
 - Production Tools (machinery insurance)

Traditional Insurance:

- Insurance which pays out in function of individual risk is not feasible in a large scale – administration costs and moral hazard
- Index insurance is more adapted to the African Farmer risk profile than is traditional insurance



Index Insurance:

- Indemnity on the basis of attaining a certain trigger level of reference in the insured area
- Types of indexes: average yield or climate Indexes (rain, temperature, wind, etc.)
- Data sources: Satellite, yields, Weather Stations

- Insurance portfolios are concentrated on post harvest risks whereas the **revenues of farmers are highly impacted by extreme weather events during the crop seasons** (drought, excess of rain, flood, extreme temperatures, ...)



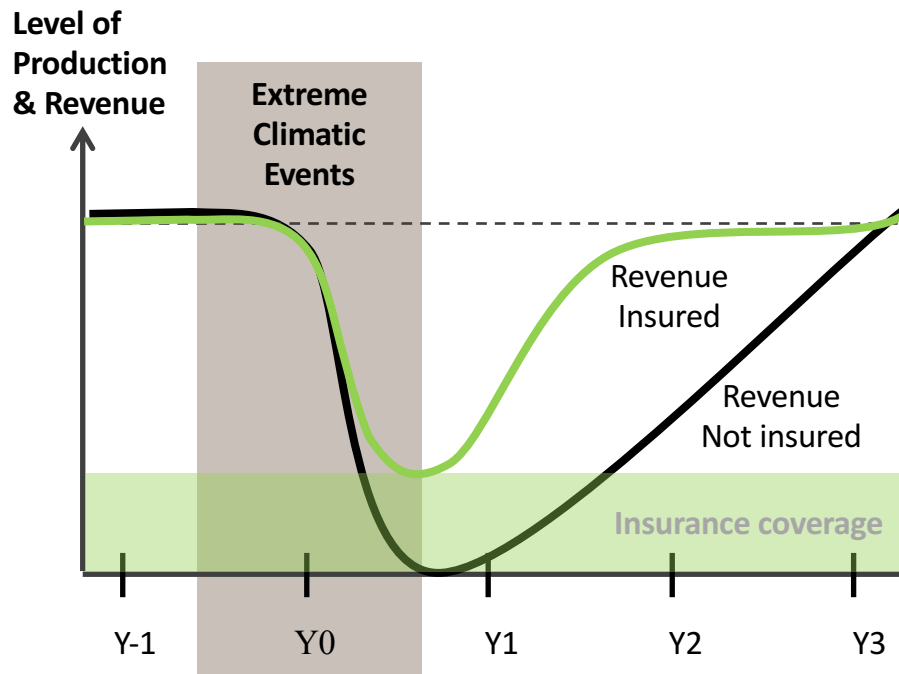
II. Agricultural Insurance in Africa

c. Value Chain Approach

Insurance solutions mitigate the impact of climate events for all players in the value chain

Insurance mitigates the impact of climate events and secures future production...

...stabilizing income in the whole agriculture value chain



Farmers

Stabilized income

- Improved food security
- Secured future production (seed purchase)
- Secured financing options (stable income)

Banks & MFIs

Reduced Risk in the Portfolio

- Reduced write-offs & recovery costs
- Extended lending business

Agriculture Businesses (seeds, fertilizers)

Stabilized Demand/ Revenues

- Stabilized sales to farmers
- Hedged revenue decline
- Grown customer base (subsidising insurance of farmers)

Production Companies (millers, cotton companies...)

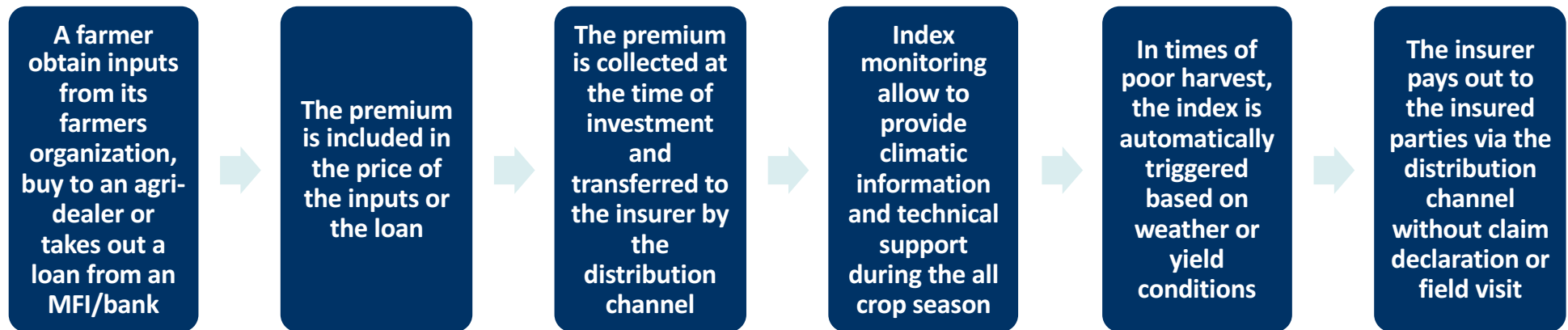
Stabilized Supply/ Costs

- Stabilized supply (decreased duration of downturn)
- Hedged costs of climate events
- Grown supplier base (subsidising insurance of farmers)

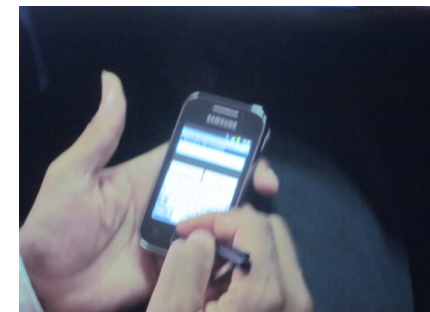


II. Agricultural Insurance in Africa

d. How does it works ?



Management of the entire process done by actors of the value chain



PlaNet Guarantee
One World to protect



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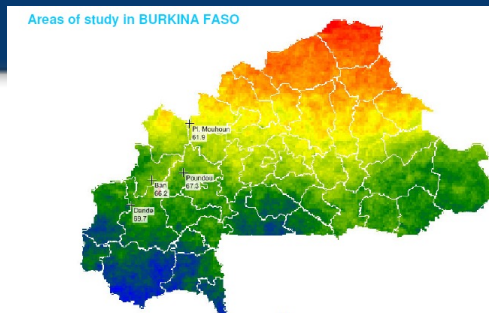




III. Challenge and Opportunities

a. Insurance engineering and Services

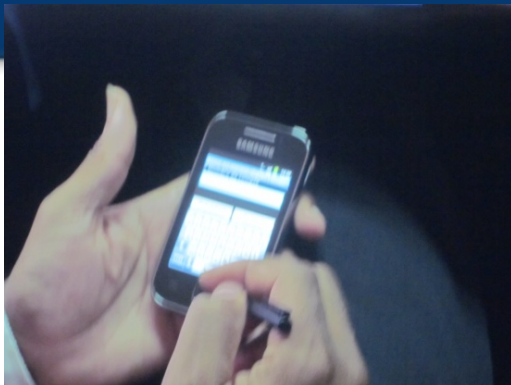
Product Design



Training



Distribution



Awareness raising





III. Challenge and Opportunities

b. Scaling up

The way forward for insurance: innovative distribution channels



**Portfolio
Covers**



**Long term
reinsurance**



**Government
Support**

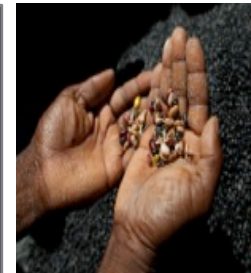
Aggregators



**Mobile
Distribution**



**Agricultural
Finance
linked to
insurance**



Role of governments:

- Financial education
- Regulation
- Incentives (taxes policy and subsidies)



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