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***Problems and Challenges of  
Agricultural Insurance Underwriters***

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

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# Rationale for Agricultural Insurance



# Agricultural Insurance Markets

## Themes and Undercurrents

### **Product Development**

Reinsurer led  
Or  
Underwriter led

### **Subsidy Structure**

Premium  
Or  
Information  
Dissemination

### **Product Design**

Indemnity based  
Or  
Index based

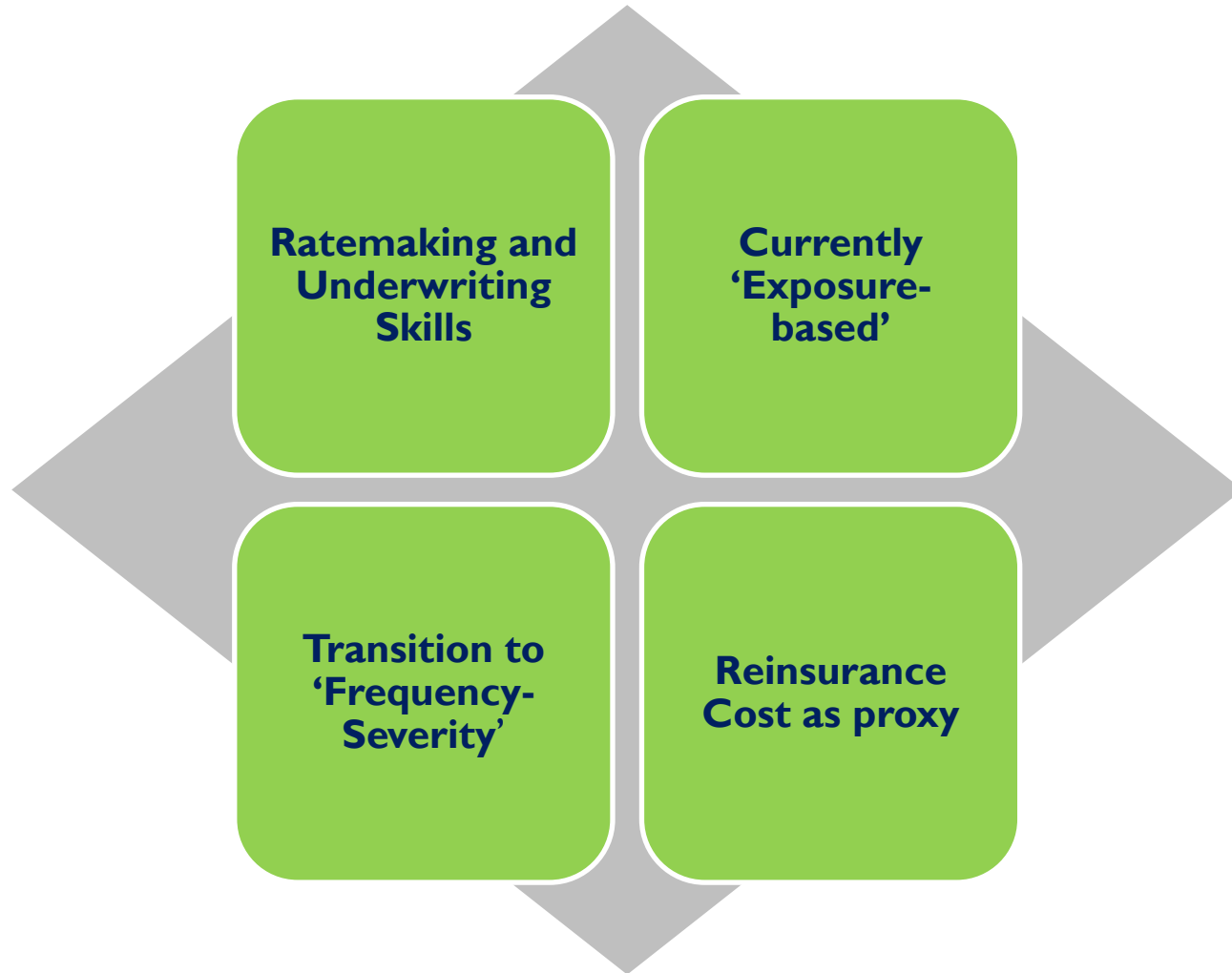
### **Claims Process Drivers**

Technology + Redress  
Mechanism  
Or  
Technology Only

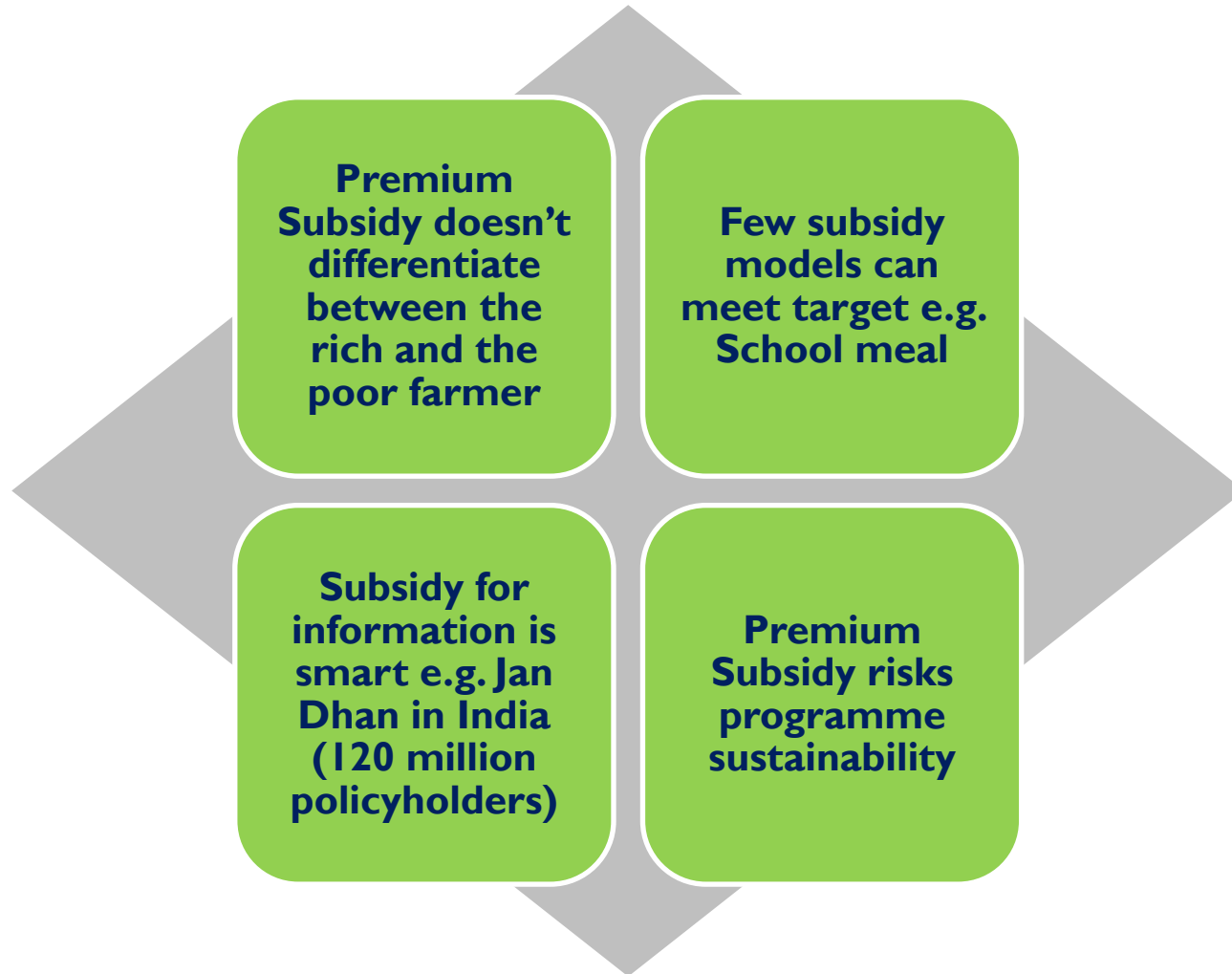
### **Distribution Channel**

Loan Providers  
(Involuntary)  
Or  
Groups (Voluntary)

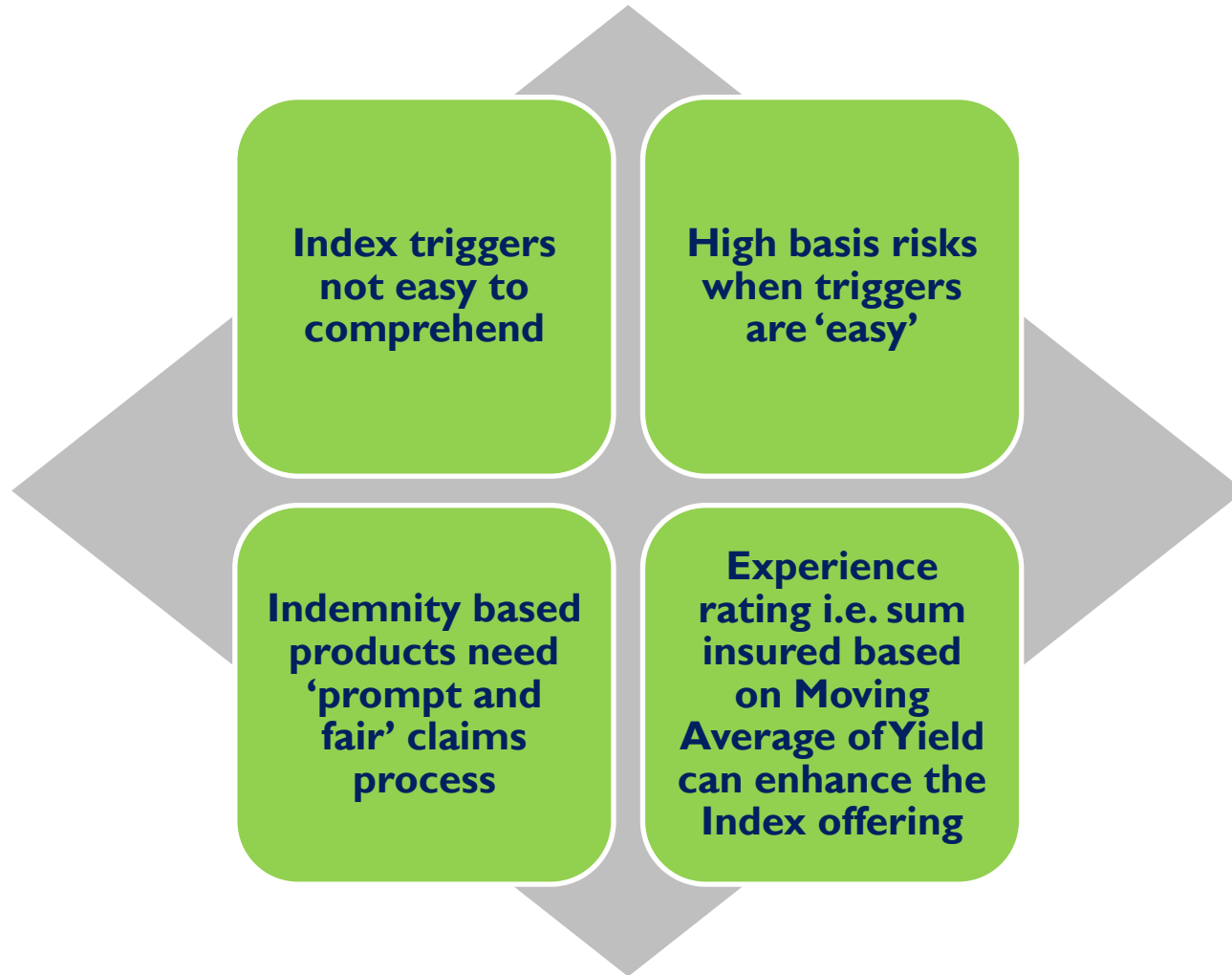
# Product Development – Reinsurer led or Underwriter led



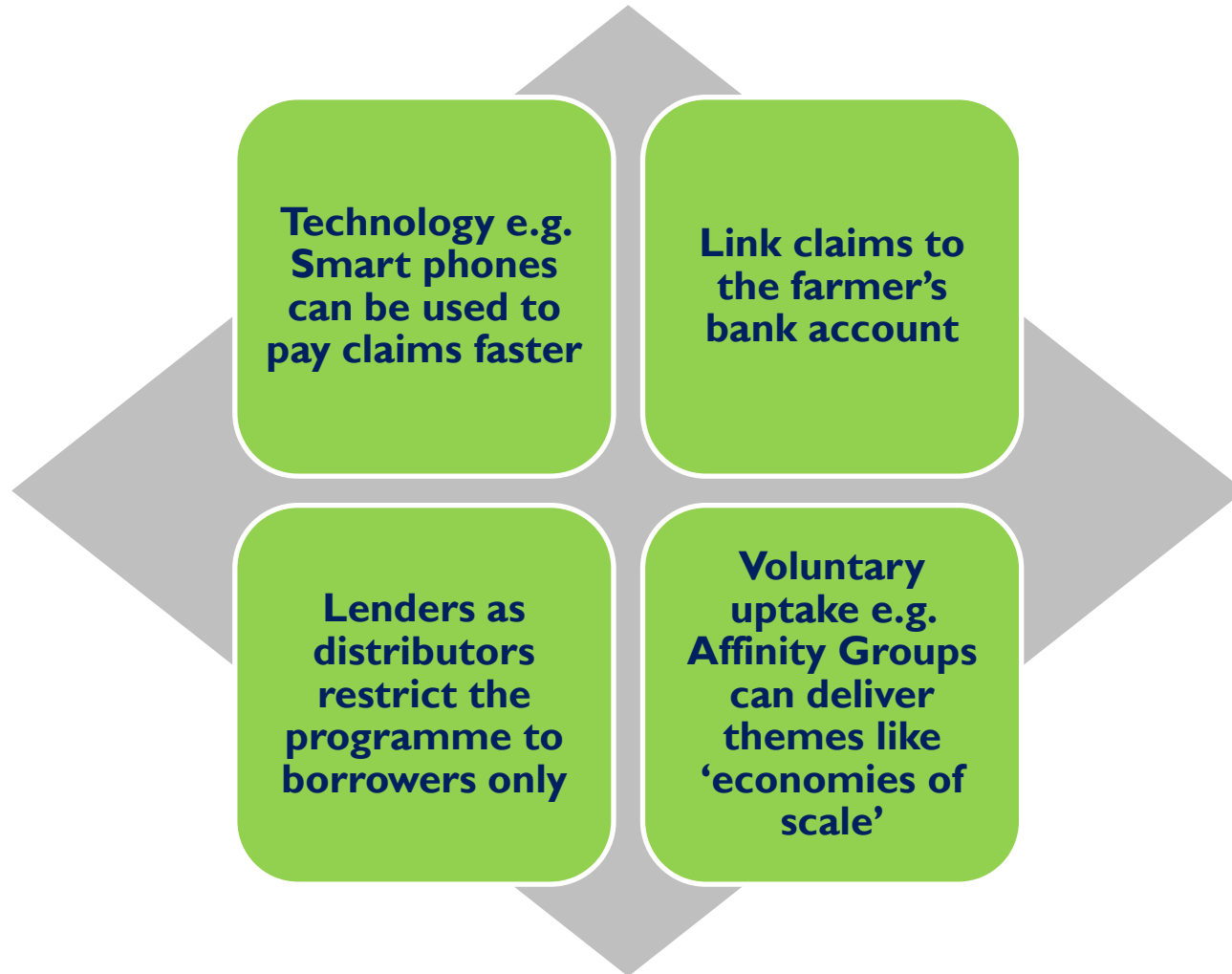
# Subsidy – for Premium or Information



# Product Design – Indemnity or Index based



# Claims process, Distribution



# Country Experiences in brief

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## **Vietnam**

- Fully Subsidized Trial Insurance Programme in select provinces
- Area Yield Index Product: Sales process and communication?
- Low uptake after the trial period
- Skills of underwriters and pricing specialists did not develop, mostly reinsurer-driven product supply
- As market didn't deepen, ditto to tertiary support systems e.g. redress mechanism, experience rating in pricing, capital modeling, etc.



# Country Experiences .. Contd.

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## Malawi

- Weather Index Product, driven by 'need to borrow'
- Pooling of premiums at the 'Insurance Association of Malawi' – a body of general insurers
- High willingness of underwriters to insure farmers, but demand is lacking
- Very low loss ratio over 10-year period, so farmers didn't see value
- Cost of borrowing still remains upward of 40% pa
- In a couple of years, volumes were extremely low – pricing?
- Other products e.g. Mtetezi developed for contract tobacco farmers.

# Country Experiences .. Contd.

## India

- Substantially (Premium) Subsidized Insurance Programme (Equivalent of USD 2.5 billion of premium in the current year), farmer pays ~2%
- Pricing being exposure based is difficult to replicate across different crops across different regions
- Pricing and underwriting skills as well as data repositories need to develop e.g. EWS at sowing is not rewarded in pricing
- Recent initiatives at product design that combines a) index and b) indemnity, and uses technology to corroborate claims information
- Three year rolling period for underwriting promises to increase interests under the bidding model
- State plays a role in loss assessment. Redress mechanism e.g. agricultural insurance consumer forum needs to develop.

