
Index based weather insurance- BASIX experience

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BASIX
Equity for Equity

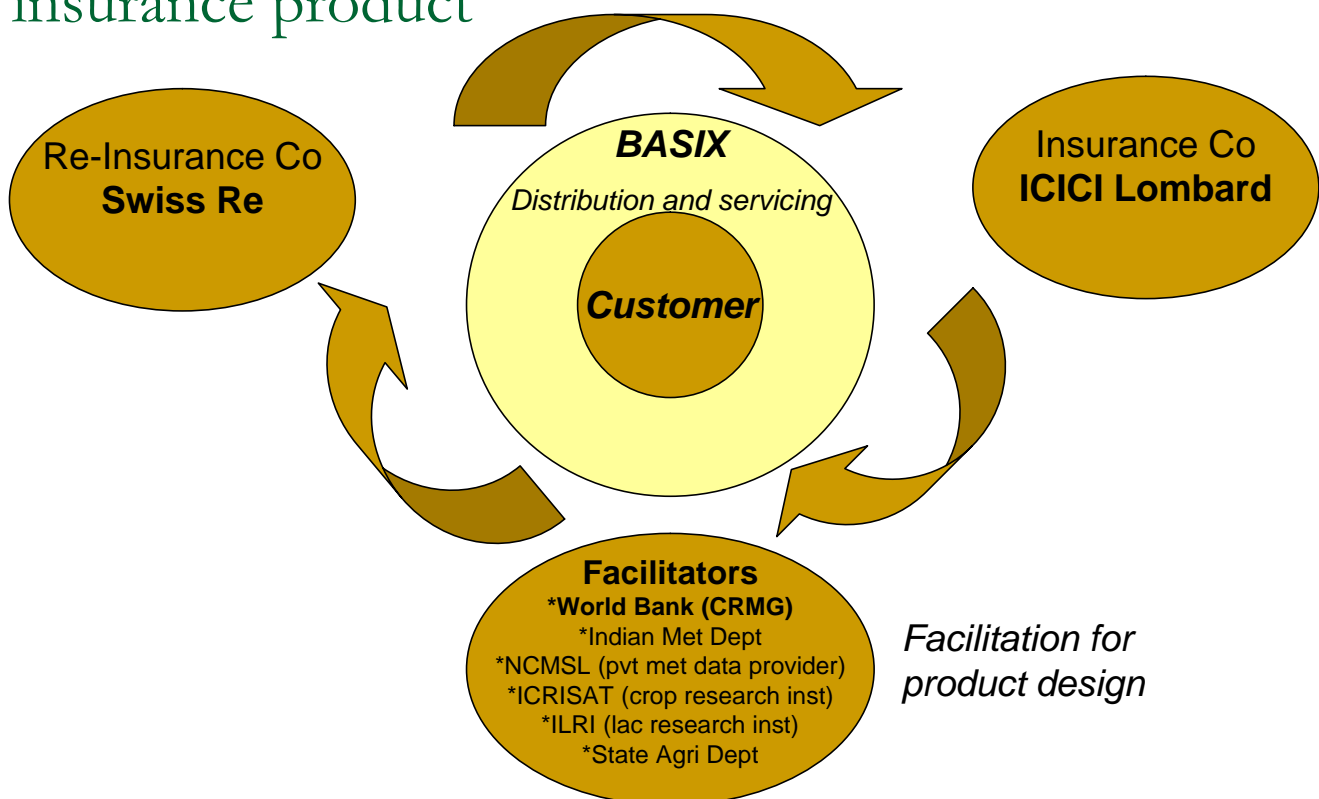
BASIX-An introduction

- ❑ BASIX operates in over 12,000 villages spread over 13 states in India, serving 0.5million customers, with a mission to promote sustainable livelihoods
 - ❑ And by choice works in the poorer and arid districts of India, where Agriculture is the predominant source of livelihood for households
 - ❑ BASIX's customer contact and interactions in the initial years of operations showed that while credit is necessary, it is not sufficient for promoting livelihoods
 - ❑ Besides working on providing ag-risk solutions, BASIX today offers a suite of insurance products for its customers including life, health, livestock and enterprise insurance
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Evolution of Weather Insurance at BASIX

- ❑ Risk management particularly for rainfed-agriculture was identified as an important credit plus service to be offered to its customers
- ❑ Between 1999-2001, BASIX carried out research and undertook small pilots in testing an in house crop insurance scheme
- ❑ Which culminated in the first weather insurance pilot in 2003, in collaboration with ICICI Lombard and World Bank where 230 farmers were covered

The ecosystem that delivered the weather insurance product



Financial Performance – BASIX weather insurance portfolio

	2003-04	2004-05	2005-06	2006-07	Cumulative
No of customers	230	402	6,689	11,716	19,037
Claims settled	154	319	864	2,379	3,716
% of farmers who received claims	67%	79%	13%	20%	20%
Premium Collected ('000)	Rs 88 USD 2	Rs 824 USD 20	Rs 1,703 USD 42	Rs 1,430 USD 36	Rs 4,046 USD 101
Claim amount Paid ('000)	Rs 41 USD 1	Rs 471 USD 11	Rs 950 USD 23	Rs 2,063 USD 51	Rs 3,526 USD 88
Premium Outgo	47%	57%	56%	144%	87%
Claim Payout/Premium Collected	<1	<1	<1	>1	<1
Weather Stations	1	5	36	50	

- In its limited experience, the product sustainability has been enhanced through **temporal** and **spatial** diversification of risk

Note:

Premium figures are exclusive of service tax

Premium figure for 2004-05 also includes the premium paid for agri portfolio insurance

Product structure and payouts

- Rainfall index is used as a proxy for estimation of loss for various crops in different agro climatic zones
- Weather data is made available on a daily basis from NCMSL and some of the IMD weather stations to field staff who inturn communicate it to customers
- If the index is triggered, then the insurance company automatically computes the payouts and releases the payout to BASIX
- BASIX inturn passes on the claim amounts to the customers along with communication of the final weather data to the customers at the end of the risk period

Scaling up weather insurance market

- BASIX has sold the product to close to 20,000 farmers so far
 - Three insurance companies have grown the market size of index insurance to 300,000 customers
 - Government sponsored crop insurance (NAIS) scheme reaches close to 16million farmers in India
 - However, the penetration of weather index insurance is less than 0.5million farmers
 - Finance Ministry has allocated a budget of 1billion INR for 2007-08 for promoting and improving penetration of weather insurance
 - Ministry of Agriculture has now recommended some of the states to replace NAIS with index based crop insurance in select locations. This is a major step in mainstreaming index insurance in India.
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Thank You

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