



Critical Challenges for Agriculture Microinsurance products

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RISK SHIELD- BRIEF PROFILE

- We are a specialist technical service provider and leading consultancy firm for delivering insurance solutions for the mass market in developing and emerging countries
- We provide actuarial advisory services and deliver technical and operational inputs in numerous products and projects on agricultural, index-based, health, life, digital-based and other mass market insurance products in Africa, Asia, Australasia and Europe
- Over 2015-2020, our agricultural and other microinsurance products have insured approximately **4 million smallholder farmers and over 40 value-chain stakeholders in more than 30 countries in partnership with over 25 insurance companies and over 10 reinsurance companies**
- We provide support in setting up, operating and improving insurance products. Key areas of support are:
 - a. Actuarial Expertise and Technical Support
 - b. Feasibility Studies and Diagnostics
 - c. Capacity Building and Trainings
 - d. Operational Support

KEY DATA AND PRODUCT CHALLENGES

1. Lack of standardized data on relevance/accuracy of different sources of satellite data, agriculture data and assessment of suitability for agriculture insurance products *e.g. differences in opinion around application of rainfall, soil-moisture, evapotranspiration etc.*
2. Extremely difficult to access data points e.g. weather-station data, yield data, GPS coordinates of reference points etc. *e.g. expenses and difficulty in accessing weather station data in Mozambique, Zimbabwe*
3. Basis risk of index insurance products due to many reasons-structure, data used, validation, pricing constraints, granularity etc. *e.g. severe basis risk of weather index insurance in Rwanda*

KEY PRODUCT IMPLEMENTATION CHALLENGES



4. Affordability of premiums due to nature of risks vis a vis farmers'/ aggregators' margins *e.g. premium cap of 4% for most AI products in Nigeria*
5. Lack of skilled loss assessors/adjustors for indemnity-based products, even in commercial AI *e.g. loss assessors from Zimbabwe need to assess losses in Mozambique!*
6. Late product development due to late engagement with aggregators- leading to hurried product development and insufficient validation of products

KEY SUPPLY CHALLENGES

7. Inflexible premium payment options. Farmers are expected to pay premiums at their most cash-strapped time of the year. Leads to unwillingness to pay premiums without subsidies/pre-financing/bundling.
8. Generally low level of innovation and risk taking by insurers/reinsurers e.g. stringent data requirements, often avoiding new types of products and risks e.g. difficulty in finding reinsurance for yield index, hybrid structures.
9. Low levels of awareness of insurance cover and of product details, particularly for bundled products. Potentially conflict of interest between farmers and aggregators.

KEY DISTRIBUTION CHALLENGES



10. Lack of continuity with aggregators, often due to weak alignment with business case of aggregators *e.g. seed companies cancelling product if sales don't increase as expected*
11. Claims don't always reach the eligible farmers or farmers are not aware it's due to insurance claims, when bundled with loans, inputs etc.
12. Anti-selection from farmers, particularly for late sales when season has started e.g. 70% take-up of products (out of 50,000 farmers) in an expected drought season in Zambia
13. Low focus on meso-level/portfolio agriculture insurance even though aggregators are often strongly exposed to the same production risks

KEY PUBLIC-SECTOR CHALLENGES

14. Insufficient integration with agriculture finance in most countries
e.g. agriculture loan + insurance from banks in Bangladesh would have been 15% (of loan amount) cheaper than loans from MFIs without insurance, but regulatory barriers kicked in;
15. Very little integration with other public-sector social security programs, farming input programs, disaster management etc.
16. Limited analysis of scope of government support- usually focuses on premium subsidies only. Not considering role in enabling data access, regulations, engaging public-sector insurers etc.
17. Lack of coordination between different ministries even for national schemes sometimes *e.g. MoA may have very little visibility on MoF led national schemes and vice-versa*

Get in touch if you have some solutions OR if you have more challenges!



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