

**Agriculture Index Insurance:  
Collaboration between public  
and private sector players to  
reach scale in Africa**



**Presentation by the Commissioner**

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**LEGACY SUITE: Parallel Session 7**

# Presentation Outline



IPEC Functions

Industry Architecture

Agriculture Significance to Zimbabwe

A2ii Inclusive Insurance Innovation Lab

IFC Technical Assistance

Challenges

Collaboration Opportunities

# IPEC Functions



## (IPEC) is a creature of statute

- To regulate and monitor insurance and pensions industry
- To inform the public on matters relating to insurance and pension and provident funds;
- **To encourage and promote inclusive growth and development of the insurance and pensions industry;**
- To protect the rights and interests of policyholders and pension scheme members; and
- To advise Government on insurance and pension and provident fund issues.

# Industry Architecture



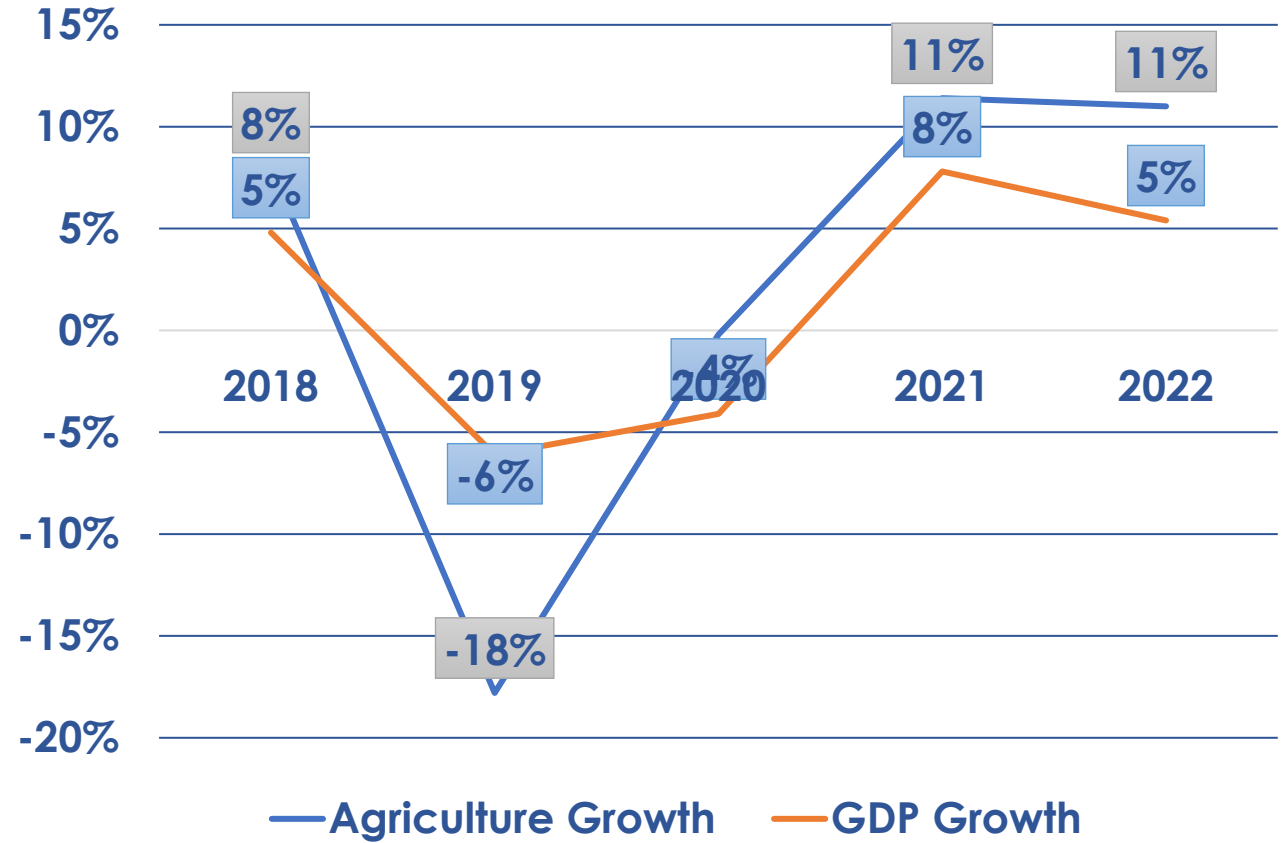
	Dec-18	Dec-19	Dec-20	Dec-21	Jun-22
Non- Life Insurance	21	18	18	18	19
Reinsurers	8	8	8	8	8
Life Assurance	11	12	12	12	12
Funeral Assurance	9	9	8	8	8
Insurance Broking	32	32	30	28	28
Reinsurance Broking	6	7	7	9	9
Micro-insurers	2	1	2	4	8
<b>Total</b>	<b>89</b>	<b>87</b>	<b>87</b>	<b>87</b>	<b>92</b>

- Micro-insurers have increased from 2 in 2017 to 8 in 2022
- Licensed an insurer dedicated to agriculture insurance – **AFC Insurance**
  - **Shareholding 100% owned by the Government** (50% Min of Agriculture, 50% Ministry of Finance)
- 9 Insurers underwriting Agriculture Insurance

# Agricultural Significance to Zimbabwe



### GDP & Agriculture Growth



- Zimbabwe is an agro-based economy
  - 63% of the population reside in the rural areas
  - Their livelihoods mainly from agriculture
- Agriculture contributes about 14% to GDP
- The 2019 drought saw agriculture contract by 19% and GDP 6%
- Thus any contraction in agriculture output due to climate change results in economic decline



# A2ii Inclusive Insurance Innovation Lab



**Zimbabwe, Costa Rica, Zambia and Grenada participating in Innovation Lab**

- Objective to come up with innovative solutions to increase resilience
- Targeting vulnerable segments against the impact of climate change

**Zimbabwean country team has representatives from various stakeholders which are**

- IPEC (Regulator), farmer representative groups, Government through the Ministry of Finance and Ministry of Agriculture, the Insurance council of Zimbabwe (ICZ), Insurtech representatives such as Ecocash, MNOs and development partners -WFP

**Current Project Status**

- Zimbabwe is finalizing its prototype called Famers' Basket
- A bundle consisting of – Area yield Index, Inputs & Irrigation Equipment Support
- Expected launch date - before the end of this year

# IFC Technical Assistance

## The World Bank, through its arm, the International Finance Corporation(IFC)

- Partnered with IPEC to improve the agricultural insurance space in the market.
- Through this partnership, IFC will assess the demand and supply of agricultural index-based products in the market
- Propose solutions to improve the development and uptake of such products by June 2023

## Expected Results

- Index Insurance Regulatory Framework & Implementation by IPEC, Workshop to Share Market Assessment Findings, Knowledge Exchange Forum between Zimbabwe Insurance Market and more developed Agri-insurance Markets
- The framework and market assessment are aimed at incentivizing participation in the index insurance market by both public and private sectors (insurers, reinsurers, farmer aggregators)
- Highlighting opportunities, they can take advantage of, to enter the market and provide a suitable enabling environment

# Challenges affecting the index insurance market



## **Parametric insurance is very complex - triggers**

- Satellite Records different from Actual Recording on the ground
- Monitoring Actual Plantations by farmers is difficult – Recommend enhanced M & E

## **Moral Hazard**

- Good underwriting and monitoring mechanisms
- Define planting windows

## **Use of drones and technology will increase premiums**

- High premiums will exclude the smallholder farmers that need protection
- Need for Government to subsidise premiums – incentivise participation

## **Lack of knowledge by the consumer**

- Consumer education and product marketing

## **Due to climate change, droughts are now frequent**

- It's the severity that varies per season
- Trigger mechanisms still not clear



# Collaboration Opportunities



## Commercial Agriculture Financing

- Government invests in inputs – policy advisory agriculture insurance
- In Drought, they need money for the Vulnerable
- Banking, Insurance & Min of Agriculture- Tripartite Negotiations



## AFC

- Insurance company owned by Government to support Agriculture development - loans
- AFC has been registered as an insurance company
- IPEC's role: to review and approve agricultural products



## Market Development

- IFC interventions to increase agric ins uptake
- ACRE - training on area yield index insurance
- Lloyds of London Training
- MOU signed between industry and Commission to facilitate secondments



## ARC

- A partial drought and the triggers kicked- in
- Paid out US\$123,923 for weather-based insurance for conservation farming
- A pilot project insuring Maize farmers

# Recommendations – Strategic Partnerships



## Partnerships – which fulfil market development mandate

- Partnerships that promote financial inclusion and product uptake
- Country priorities aligned with that of funders
- Most Impactful

## Partnerships- which take you through End to End Processes

- Develop a project approach
- Work together on end-to-end initiatives, starting with research to product development, implementation and deliver impactful outcomes
- Development of multiple indices on the market due to data challenges
- Well resourced in systems and technical expertise

## Partners – who are willing to pool

- The aggregation of initiatives for common good
- Need basket of partners

**Thank you  
for the  
invitation**

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