

# ***DEVELOPING BUSINESS MODELS FOR INCLUSIVE INSURANCE: EXPERIENCES AND LESSONS LEARNT***

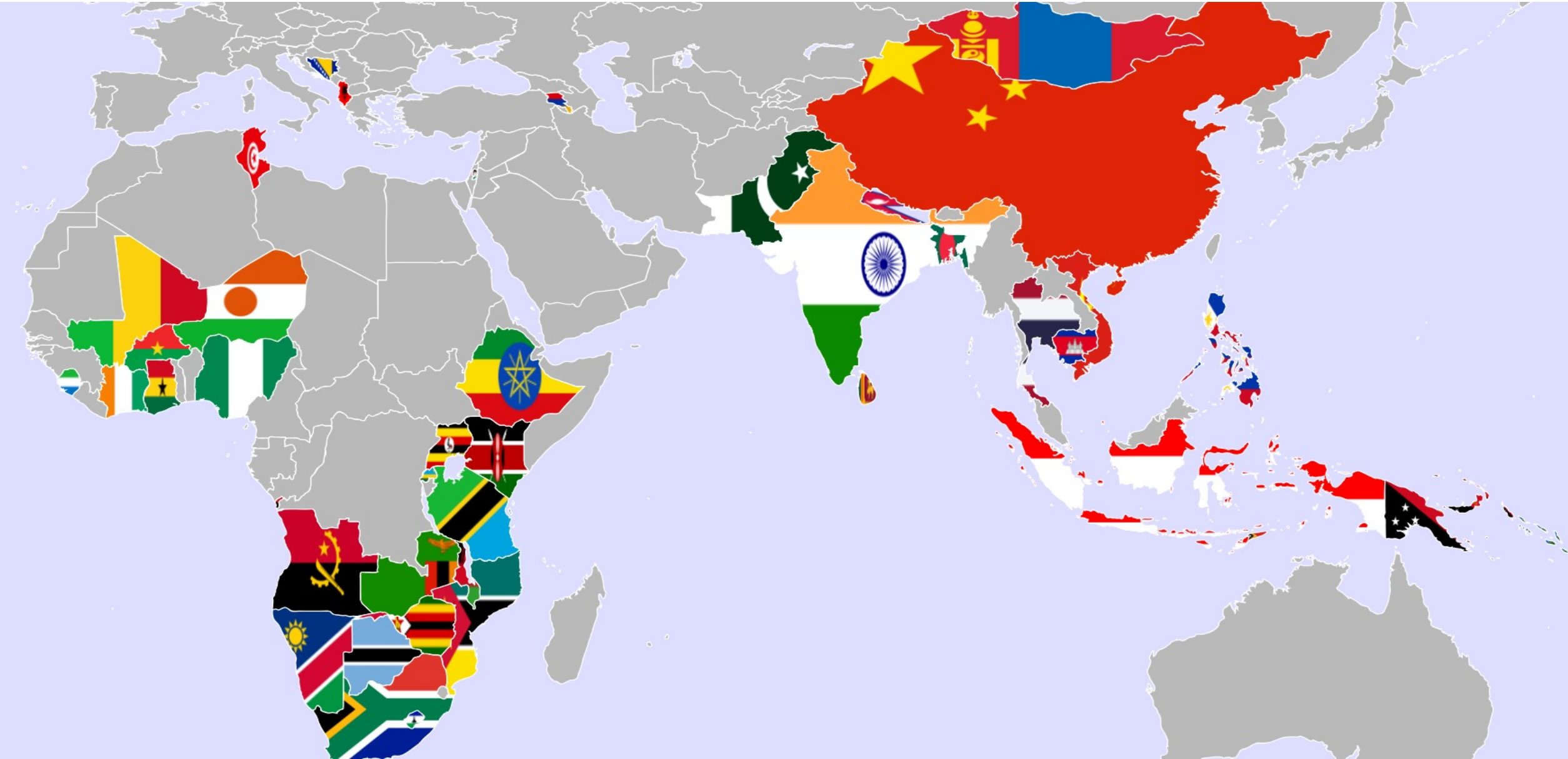
***25<sup>TH</sup> October 2023***

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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 and Europe
- Over 2015-2022, our agricultural and other microinsurance products have insured approximately **8 million smallholder farmers and over 40 value-chain stakeholders in more than 30 countries in partnership with over 25 insurance companies and over 15 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

# 46 COUNTRIES WORKED IN- 2015-2023



# RISK SHIELD-OUR PRODUCTS IN AFRICA, ASIA & AUSTRALASIA



- A. Weather index insurance products** developed and launched in *Bangladesh, Kenya, Malawi, Mozambique, Namibia, Nigeria, Sri Lanka, Zambia and Zimbabwe* via various types of private sector value-chain stakeholders. Products based on satellite data and data from weather stations/rainfall gauges. Perils insured are drought, dry spells, excessive rainfall, flooding, cold spells, heat waves etc. Products priced at between 3% to 12% of Sum Insured.
- B. Yield index products** developed and implemented in *Bangladesh, Kenya, Malawi, Nigeria, Rwanda, Tanzania and Zambia*, based on very limited historical time series data of 3-10 years. Products priced at between 1.5% to 5% of Sum Insured.
- C. Hybrid index insurance** products developed and launched in *Bangladesh* (group yield-index) and *Zambia* (hybrid). Yield index products based on 10+ years of historical yield data from private and public-sector. Yield index applied for Rice seed farming under irrigation. Hybrid product combined weather-index and yield-index.
- D. Crop Indemnity insurance** products developed and priced and insurers and loss assessors trained in *Angola, Nigeria* etc.
- E. Life and health insurance-** products developed and launched in *Kenya, Malawi, Tanzania, Uganda and Zambia*
- F. Livestock insurance-** index and indemnity insurance products developed in *Bangladesh, Ghana, Nigeria and Zambia*
- G. Digital based insurance-** Regulations, product development, risk analysis and feasibility in *Papua New Guinea, Ghana and Zambia*
- H. Social security solutions-** extension of pensions and other social security tools for farmers and casual workers in *Zambia*

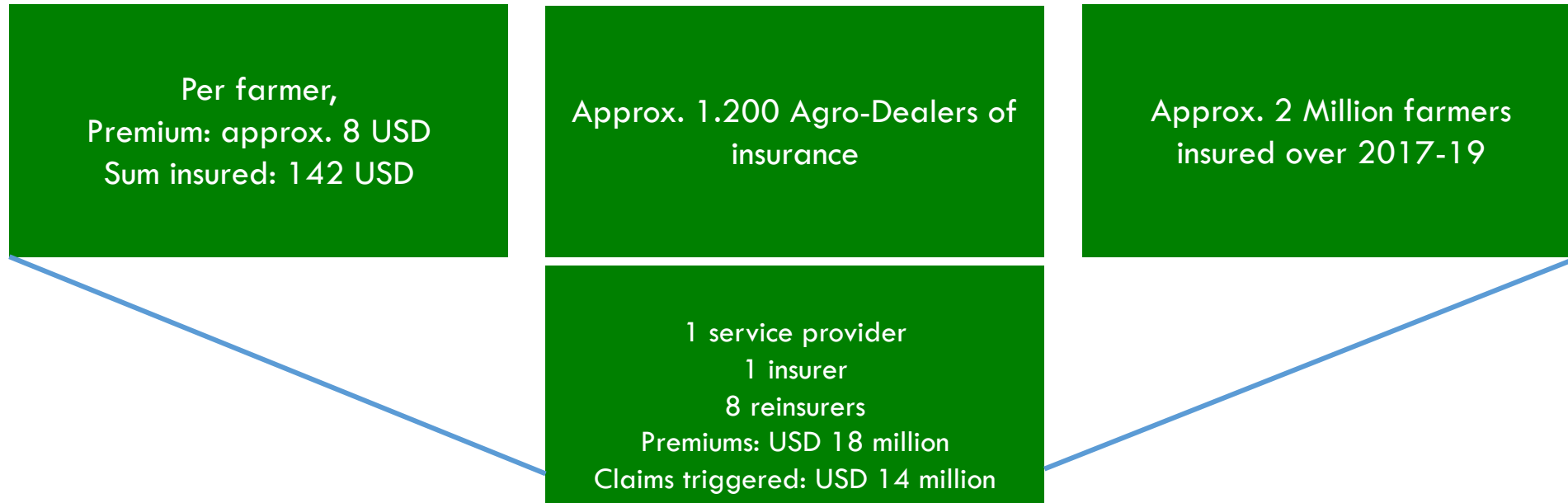
# EXPERIENCE WITH PRIVATE SECTOR DISTRIBUTION CHANNELS IN ZAMBIA



- **Contract farming operations:** insurance integrated in contract farming operations whereby farmers receive inputs (e.g. seed, fertilizer) and insurance (weather-index, funeral) on credit and repay at point of delivering crops to the off-taker. Approx. 100,000+ cotton farmers insured over 8 seasons (2013-2021)
- **Banks and Financial Institutions:** insurance linked to agriculture finance (e.g. crop balloon loan products) for smallholder farmers. Reduces credit risk for banks/MFIs and improves farmers' access to credit. Approx. 10,000 farmers, growing maize/beans/soya etc. insured since 2014 via 6 banks/MFIs
- **Seed companies:** insurance linked to seed sales, used as a sales promotion tool for seed companies and provides replacement seed in case of dry spells. Partnerships with 2 seed companies since 2015
- **Farmer organizations:** insurance used as collateral for better access to credit and farming inputs by farmer organizations/cooperatives. Voluntary take-up
- **Development agencies:** weather index insurance linked to youth initiatives and conservation farming development programs of the ILO, FAO, WFP etc

# THE SINGLE LARGEST CROP INSURANCE SCHEME IN AFRICA- APPROX. 2 MILLION FARMERS INSURED 2 SEASONS IN ZAMBIA VIA MINISTRY OF AGRICULTURE SCHEME

## MINISTRY OF AGRICULTURE AS DISTRIBUTION CHANNEL AND LINK TO FARM INPUT SUPPORT



- Use of E-Vouchers/Mobile code for delivery of input subsidy, collection of premium and payment of claims;
- Objective is to insure the input subsidy amount, which is paid by government to farmers for buying inputs from authorised agro-dealers (operational in all 10 provinces, 110 districts, 1,890 agriculture camps in Zambia);

**Key take away: index insurance can be integrated on a mandatory basis with the government's input subsidy program, product sensitization done in collaboration with MoA, premium pre-financed by government and collected from farmers when they make their contributions. Timing and effectiveness of premium payment is crucial for speedy claim payouts. Infrastructure (e.g. cards, IT platform) needs to be improved for efficiency of scheme and for client-value for farmers.**

# EXAMPLE EXPERIENCES IN SELECTED COUNTRIES



- A. Bangladesh:** experience since 2011 on inclusive insurance (health, life, fire etc.) / agriculture insurance, partnership with leading non-life insurer, products developed for weather index (weather station, satellite based), livestock (indemnity), yield-index, flood-index, pest-index etc. Partnerships with aggregators, local associates available, capacity building experiences with various stakeholders, use of weather station based & satellite-based products.
- B. Ivory Coast:** developed weather-index for Maize for Swiss Re, provided technical assistance to Inclusive Guarantee and developed weather-index products for Cocoa and Rice (satellite based), local agronomist resource available, contacts with potential aggregators and insurers.
- C. Rwanda:** experience with weather-index and yield-index since 2011, experience implementing yield-index since 2019 (4 seasons so far) insuring approximately over 1.5 million farmers cumulatively, partnership with local insurer, local resource available, carried out capacity building of various stakeholders.
- D. Tanzania:** experience with weather-index, yield-index, life and health microinsurance products since 2012, partnership with leading cotton agri-business, MFIs and multiple insurers, local resources available specializing in insurance, agriculture and banking.

# Some Key Services on Inclusive Insurance

- A) **Actuarial valuation** and assessment of premium rates of entire portfolio of products;
- B) **Microinsurance product design, pricing** and policy wording development;
- C) **Capacity Building of insurer's staff:** Specialist actuarial trainings on pricing, product design, reserving for standard products as well as microinsurance products;
- D) **Product development** and pricing of standard and niche products;
- E) **Training on regulatory best practices**, based on global standards;
- F) **Support on regulatory submission** process, including actuarial report for regulatory approvals;
- G) **Support on reinsurance placement**, including actuarial discussions and negotiations with international reinsurance companies;
- H) **Marketing material design** and developing training manuals for head-office and field staff;
- I) **Training of operational** and field staff on new and existing insurance products;
- J) **Supporting insurers with marketing and explaining products** to potential clients and conducting trainings for distribution channels/aggregators and end-beneficiaries;
- K) **Advice on operational modalities** e.g. Using Digital Financial Services for delivering products;
- L) **Developing publicity materials** e.g. Videos, radio-adverts, maintaining Facebook page etc.



# 1. BUSINESS MODEL DESCRIPTION

1. **Farmer's business case:** livelihood protection, better access to finance/farming inputs/agricultural markets, better terms;
2. **Aggregator's/Distribution channel's business case:** reduce credit risk, improved farmer loyalty, incentives for farmers, CSR;
3. **Insurer/Reinsurer's business case:** premium income, specialization, microinsurance, diversification, strategic, funding etc.
4. **Service provider's business case:** Consultancy, donor funded, commission-based, success fee based etc.
  - **Farmer-centric product design** e.g. *livestock indemnity-based insurance in Zambia;*
  - **Suitability of product type and design** e.g. *yield index, weather index and flood index in Kenya;*
  - **Quality of and application of satellite data and remote-sensing** e.g. *WS-based approach in Zimbabwe in 2012;*
  - **Identify and optimize aggregators' business case** e.g. *contract-farming aggregation in Zambia, Malawi, Mozambique etc.*
  - **Commercial flexibility with insurers and reinsurers** e.g. *working with very little data, low margins, low claims cash-back etc.*
  - **Who will pay the premium and why/how/when?** Premium subsidies, premium pre-financing, full payment by farmers at outset;
  - **Efficiency of associated processes required-** premium payment, enrollment, monitoring reports, claims payment etc.
  - **Competitive pricing and diversification of technical service provider-** avoid excessively high fees, persistency

## 2. RESULTS, EXPERIENCES AND LESSONS LEARNED

1. Private-sector aggregator based models working well in some countries without government support e.g. Zambia, Kenya, Bangladesh;
2. Government linked schemes have scaled up significantly in some countries e.g. 1 million farmers insured annually in Zambia since 2017;
3. 1<sup>st</sup> mover advantage to flexible/innovative insurance companies in many countries e.g. Bangladesh, Zambia, Rwanda;
4. Reinsurance options have increased significantly, including regional reinsurers with better terms/lower loadings;
5. Some evidence of positive impact on farmers and aggregators in terms of livelihood protection, improved access to credit/farming inputs/markets, lower credit risk, increased farmer loyalty etc.
6. Access to data remains a major challenge- satellite, yield, loss, market information etc.
7. Limitations to bundling insurance with other services e.g. credit-linked agricultural insurance and impact on cost of lending;
8. Insufficient focus on aggregators and distribution channels- aggregators “don’t wake up wanting to buy insurance”;
9. Lack of continuity in schemes, due to discontinuity with aggregators e.g. cotton sectors in Malawi, Tanzania, Zambia;
10. Insufficient focus and take-up of agricultural insurance on voluntary basis;
11. Insufficient involvement of insurers in insurance pools e.g. Ghana, Malawi, Kenya, Vietnam;
12. Barriers for TSPs to operate in many countries e.g. licensing requirements, regulations, currency challenges, default risk etc.
13. Implementation challenges with government schemes- premium subsidy distortions, timelines, product selection;
14. Regulatory and policy challenges e.g. bundling of insurance and loans NOT allowed in Cambodia, tax policy on foreign reinsurers;

# 3. RECOMMENDATIONS

1. Continued **focus on client-centric product development and pricing** e.g. take into account risk priorities, WTP etc.
2. Improve **access to data**- weather station, satellite-based, crop yield, livestock mortality/morbidity, market information etc.
3. Better **access to associated market research** on different countries- risk profile, agricultural market studies etc.
4. Capacity building and access to variety of **distribution channels, aggregators**, insurers and policy-makers;
5. **Assessment of data quality** and relevance for different types of farmers, value-chains e.g. satellite skill assessment;
6. Make it **easier for technical service providers and consultants** to operate, with fewer barriers;
7. Continuous **innovation in product and index** types and policy features;
8. **Finalize products in good time** and improve continuity of products over the years;
9. Increase **farmer-level and aggregator-level understanding** of products to increase voluntary uptake and up-selling;
10. Look into ways of **reducing operational expenses** e.g. data acquisition costs, yield assessment costs for yield-index etc.
11. **Regulations and policies to encourage/force** financial institutions, insurers to engage in agricultural insurance e.g. Nepal;
12. Smart **premium subsidies implemented in an inclusive way** to crowd-in multiple insurance and reinsurance companies and **NOT** reduce competition

**THANKS FOR YOUR PARTICIPATION!**

**QUESTIONS AND COMMENTS**

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