

# **SETTING THE SCENE:**

## **WHY SCALE IS IMPORTANT FOR AGRICULTURAL INSURANCE, AND HOW THE VARIOUS STAKEHOLDERS CAN CONTRIBUTE TO IT**



Kampala  
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# WHY IS AGRICULTURE INSURANCE SO IMPORTANT?



- In Africa, agriculture contributes 50% to total export value and 21% to GDP
- But irrigation is scarce and exposure to **drought is high**
- Small shifts in temperature and rainfall have disproportionate impacts on production
- E.g. Cameroon, where a 14% reduction in rainfall is estimated to cause US\$ 4.65 billion economic losses
- **Underinvestment in agricultural inputs results in low crop yields in the developing world**



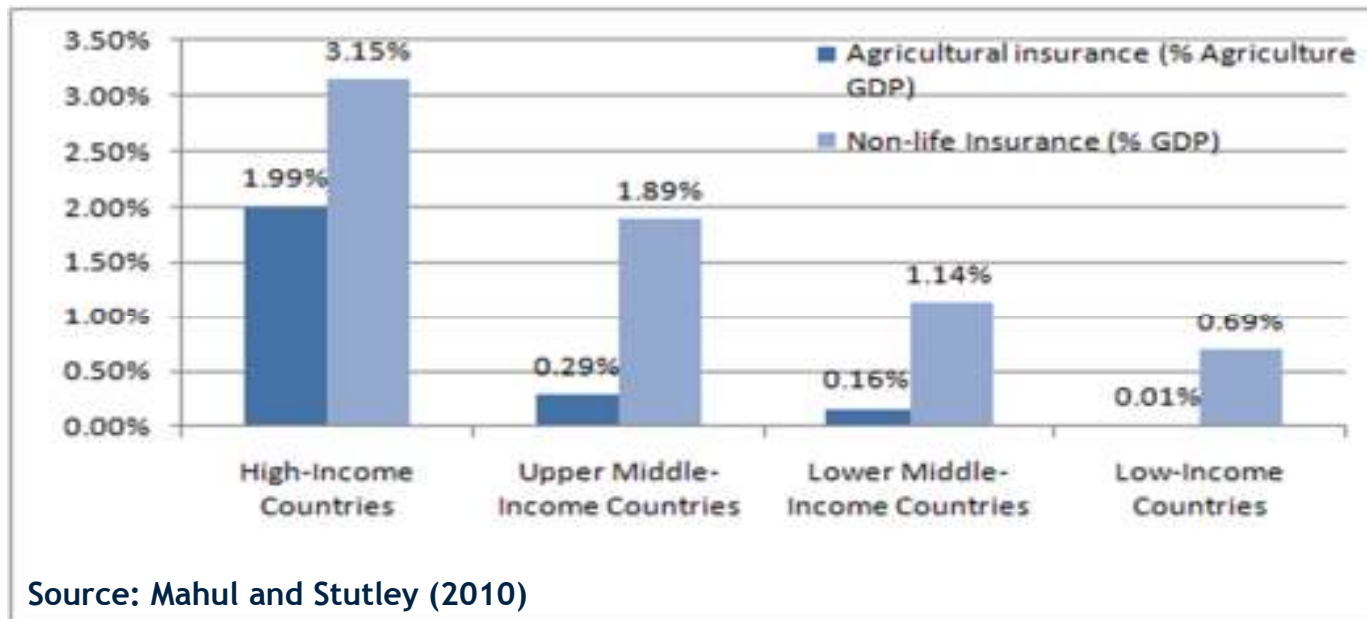
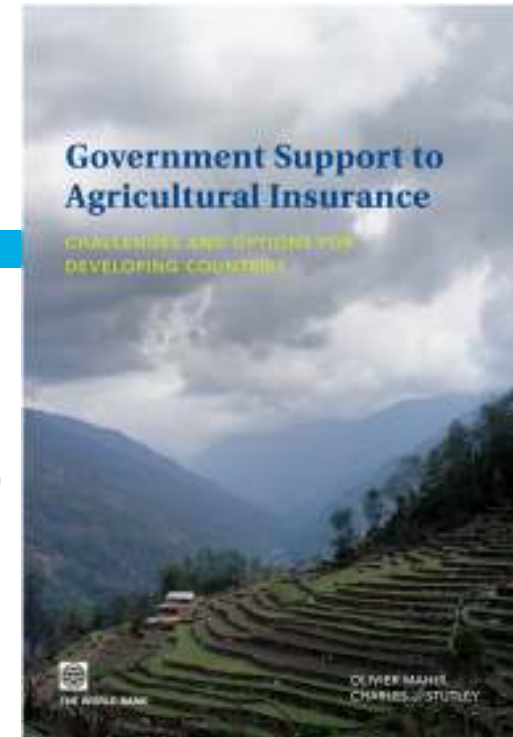
# WHAT'S MISSING IS *MARKETS*

There is very little agriculture insurance in developing countries

96% of agriculture insurance world wide is traditional (indemnity based)

⇒ i.e. not index based,

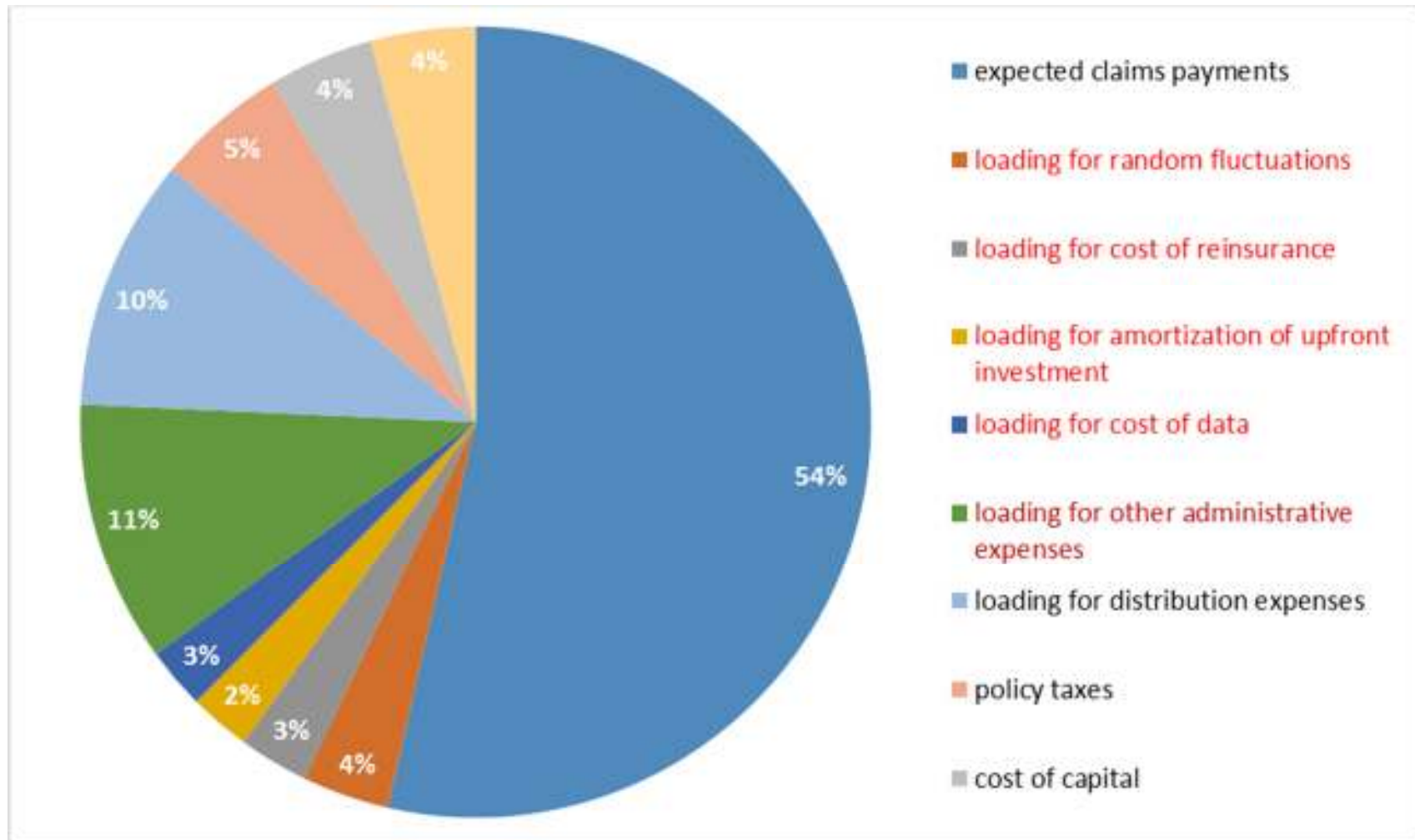
➡ i.e. not suitable for small scale farmers



Source: Mahul and Stutley (2010)

# MARKETS, SCALE AND SUPPLY

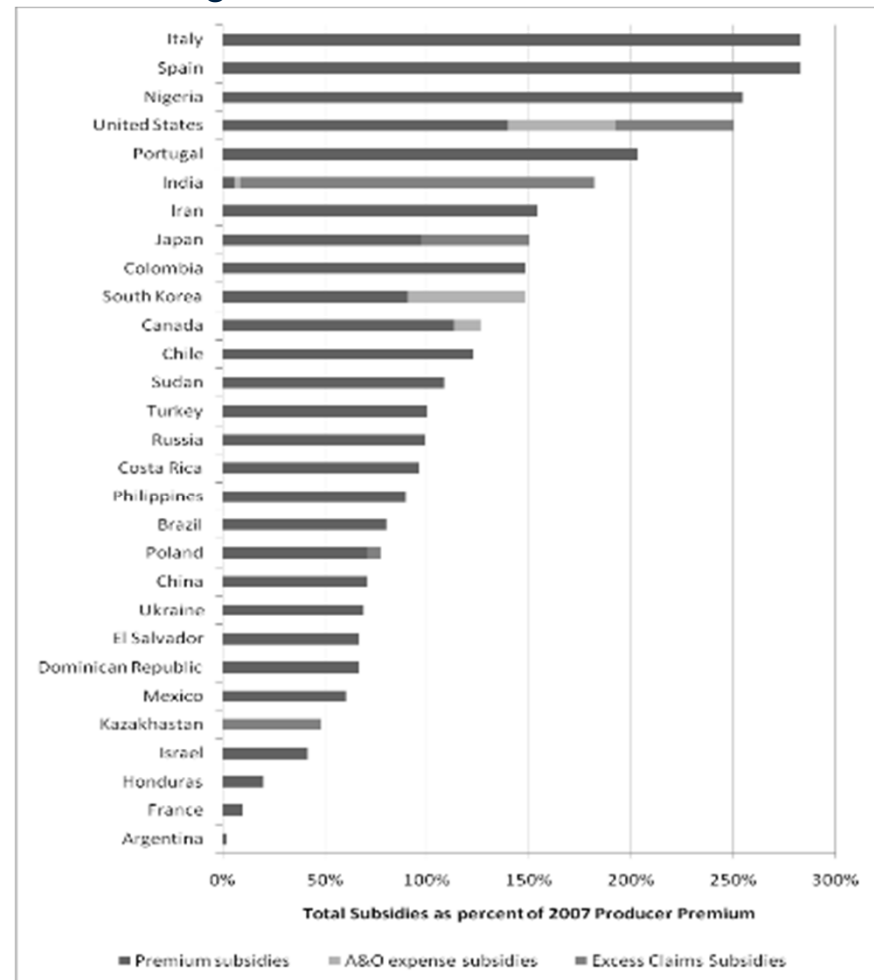
What makes up the premium of an agriculture index Insurance policy (fictitious example)



# GOVERNMENTS HAVE A CRUCIAL ROLE TO PLAY

- Input subsidies including finance
- Minimum producer prices
- Emergency / disaster relief
- Loan forgiveness
- Premium subsidies
- Subsidies for operating costs
- Reinsurance
- State owned / initiated insurers
- Regulation of index insurance
- R&D, training
- Provide data (meteorological, yield)
- Micro / insurance / awareness
- Promote public private partnerships

Estimated Government Subsidies as Percentage of Producer Premium, 2007



# THE (VERY) LONG VALUE CHAIN OF AGRI INDEX INSURANCE

*Many more parties intervene in the creation, delivery and operation of agri index insurance:*

- Providers of historical data (meteorological data, yield statistics, satellite data)
- Providers of documented client experience
- Analyzers of data and designers of the product
- Providers of actual ongoing data
- Insurer(s)
- Reinsurer(s)
- Calculation agencies
- Aggregators and / or distributors in charge of:
  - *Explaining the product*
  - *Mobilizing demand*
  - *Helping with enrolment (data capture and transmission)*
  - *Helping with payments of premium and claims*
  - *Helping with customer feedback / communication / complaints*
- Supervisors
- Government
- Donors
- Media



**THANK YOU!**

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