



Microinsurance Catastrophe
Risk Organisation

Preparing and assessing an agricultural index insurance product proposal

11th Consultative Forum
6th November 2017, Lima

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Key stakeholders and processes in agriculture insurance

Setting up the appropriate environment

Government
Data, public policies alignment, support

Donors & investors
Upfront investments (product and market development)

Supervisors
Data, public policies alignment, support

Technical assistance
Product design, M&E, financial education, added services, etc.

Data providers
NASA, USGS, etc.



Beneficiaries

Aggregator & transactional platforms

Insurer

Reinsurers

Consumer empowerment

Distribution & aggregation / M&E

Product design / Claims process

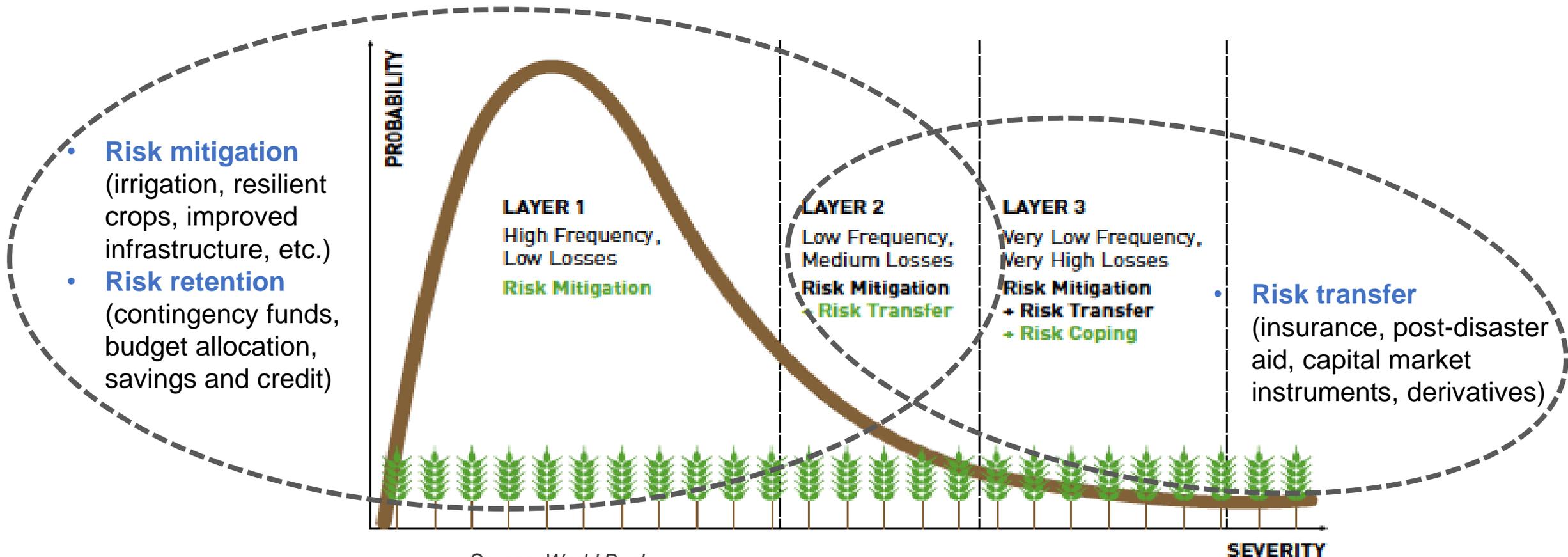
Reinsurance & risk management

Setting up the appropriate environment



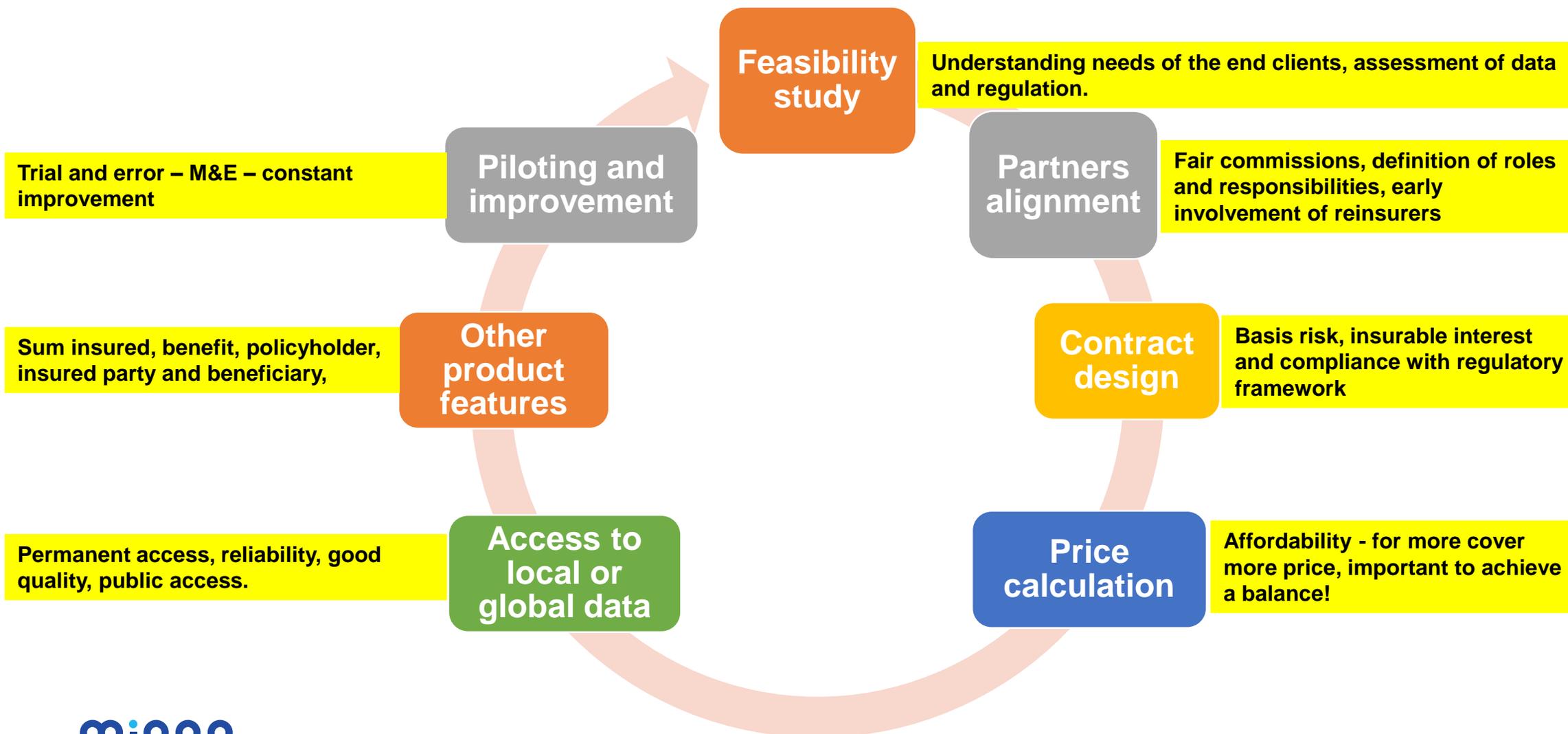
Clear expectations

Insurance is “only” part of the puzzle of disaster risk management



Source: World Bank

Product design: An iterative process



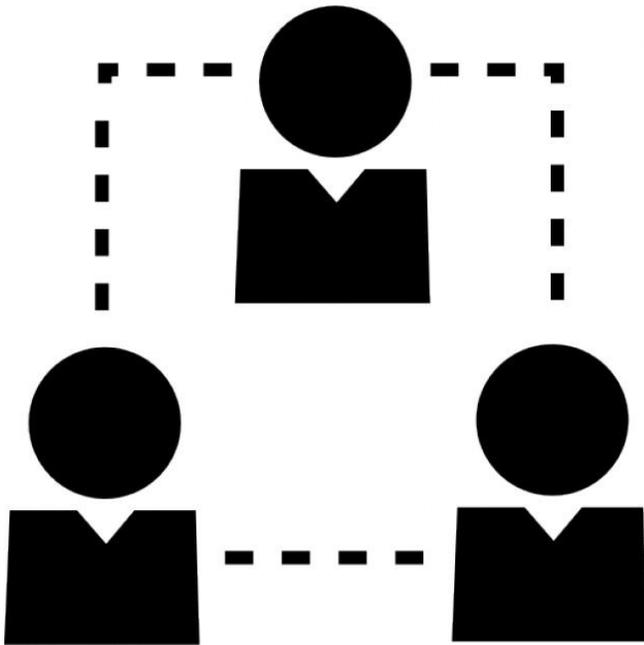
Product design: The involvement of supervisors

- It is essential to involve supervisors from the beginning – these innovative products require additional engagement and constant dialogue
- Product should be designed considering the boundaries of the applicable regulatory framework
- Once the partners and stakeholders are aligned the product will be registered.

Generally, a technical note and contractual documents are required.

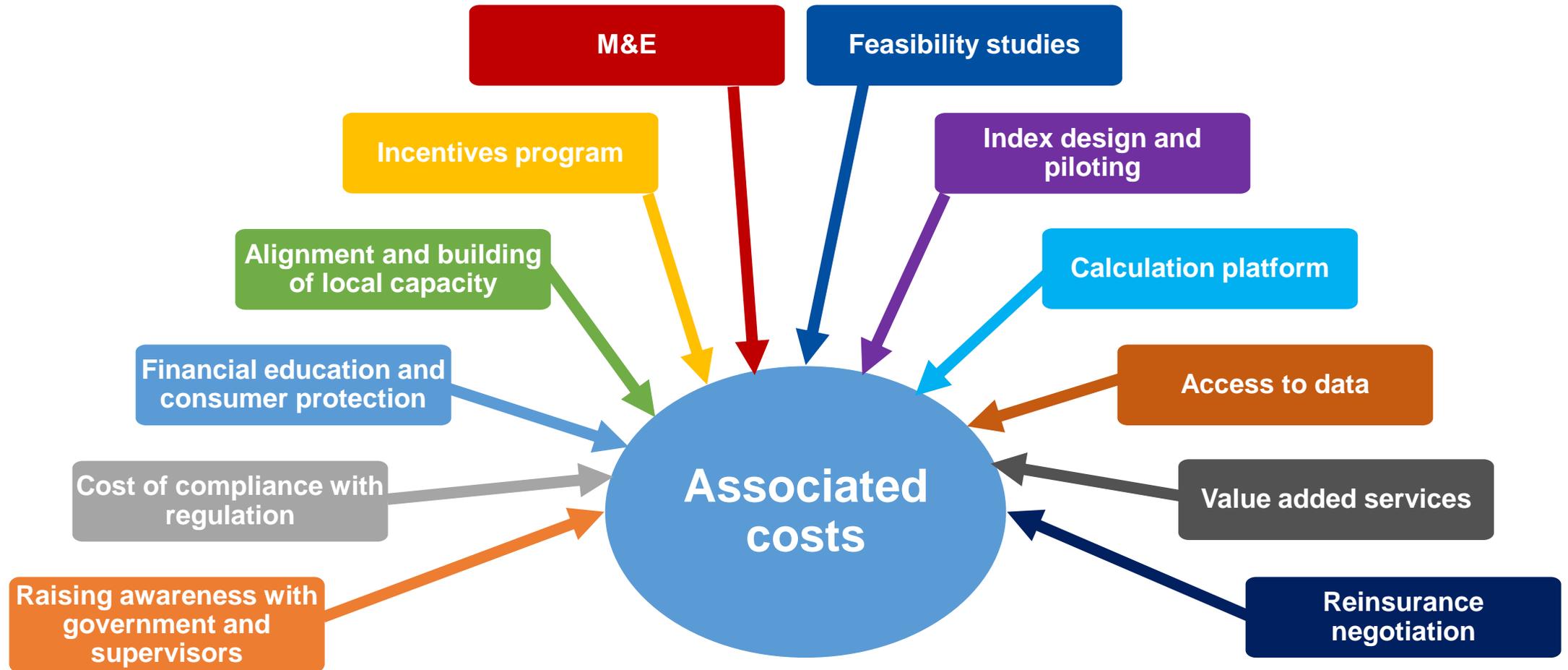


Distribution and aggregators



- Due diligence on aggregators and transactional platforms – trust, proximity, fair treatment to consumers and scale as a differentiating factors
- Clear alignment from the beginning, based on a business case for aggregators and transactional platforms – impact on cost
- Clear definition of roles and responsibilities – impact on cost
- Assessment of capabilities and operational processes and systems (enrolment, claims, complaints)
- Innovative approaches to confront affordability issue (premium financing, subsidy, etc.)
- Incentive structures for aggregators to promote good sales
- Training of staff of aggregators
- Innovative approaches of distribution and identification of new aggregators

Costs involved in implementation

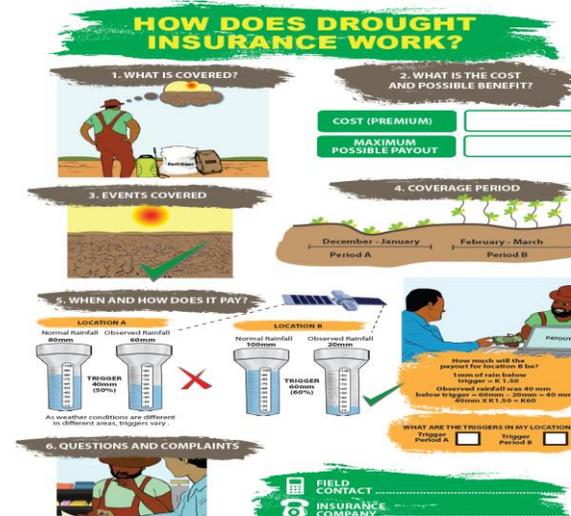


Consumer protection

Consumers are protected when they are aware and understand the product features

Consumers are protected when their queries, complaints and disputes are managed in a transparent, efficient, timely and impartial manner

- Simple contractual documents in understandable language
- Innovative tools to communicate the nature of the product
- Appropriate training of staff of aggregator
- Constant review of consumer perception
- Accessible contact points to lodge queries, complaints and disputes



Si hubiera tenido un Crédito Productivo de Q 3,500

Esfuerzo SEGURO

habría cubierto la totalidad del mismo, es decir los Q 3,500

Claims process

- Transparent, efficient, reliable and auditable calculations
- Quick payouts and without hassle
- Plan for events with payouts below client's expectations – customer service support training, innovative communication tools to explain the product, hybrid solutions, etc.
- Publicize payouts to make product tangible, and end clients and aggregators are aware of benefits received
- Open channels to solve queries and engage with consumers



Reinsurance and risk management

- Expertise of reinsurer with index insurance products and sharing of technical knowledge – building local capacities
- Early involvement of reinsurers in product design
- Involvement of reinsurers in validation of calculations in order to ensure quick payouts
- Efficient tools to pay reinsurance claims
- In countries where experience with this innovative products is low, start with low or no local retention
- Details on reinsurance treaty e.g. duration of coverage, renewal clause, dispute resolution
- Analysis of other risk transfer mechanisms



Monitoring & Evaluation

A risk transfer solution is needed to boost production:

- When credit and insurance markets are missing, farmers can become trapped in low-investment practices

(Rosenzweig & Binswanger, 1993)

- Production risk hampers the adoption of higher yielding technologies

(Dercon, 2005)

Insurance is key because:

- It is a way to cover the loss to expected output of farmers are underinvesting in inputs due to risk

(Skees & Collier, 2007)

- It may provide a better way of providing transfers than cash

(Karlán et al. 2014)

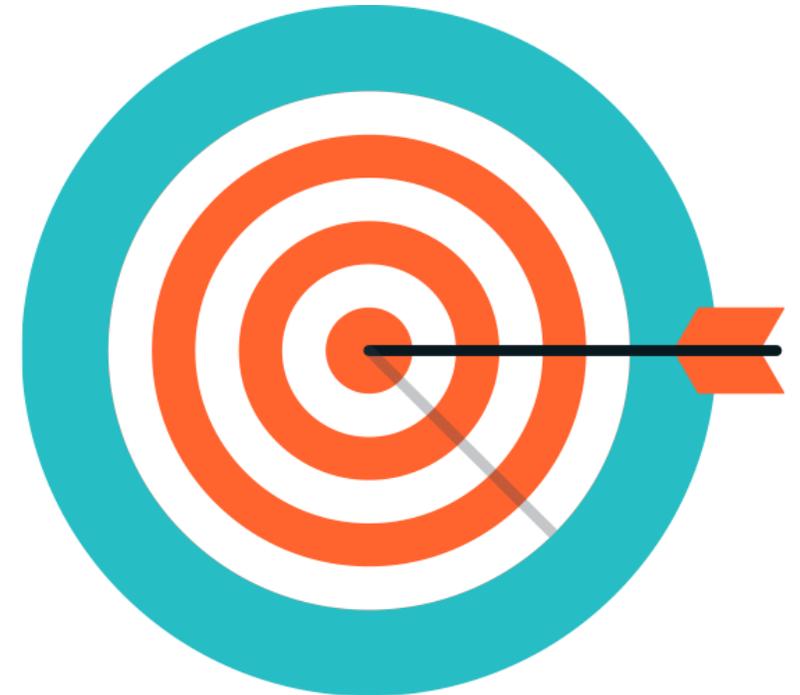
Index insurance can have development impacts:

- Before drought: 20-30% increase in investment when insured

(Ghana, India, Mali)

- After drought: significant reductions in costly coping strategies

(Kenya - Carter, 2016)



Gracias!

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