

# Highlight of Agriculture Insurance in Indonesia



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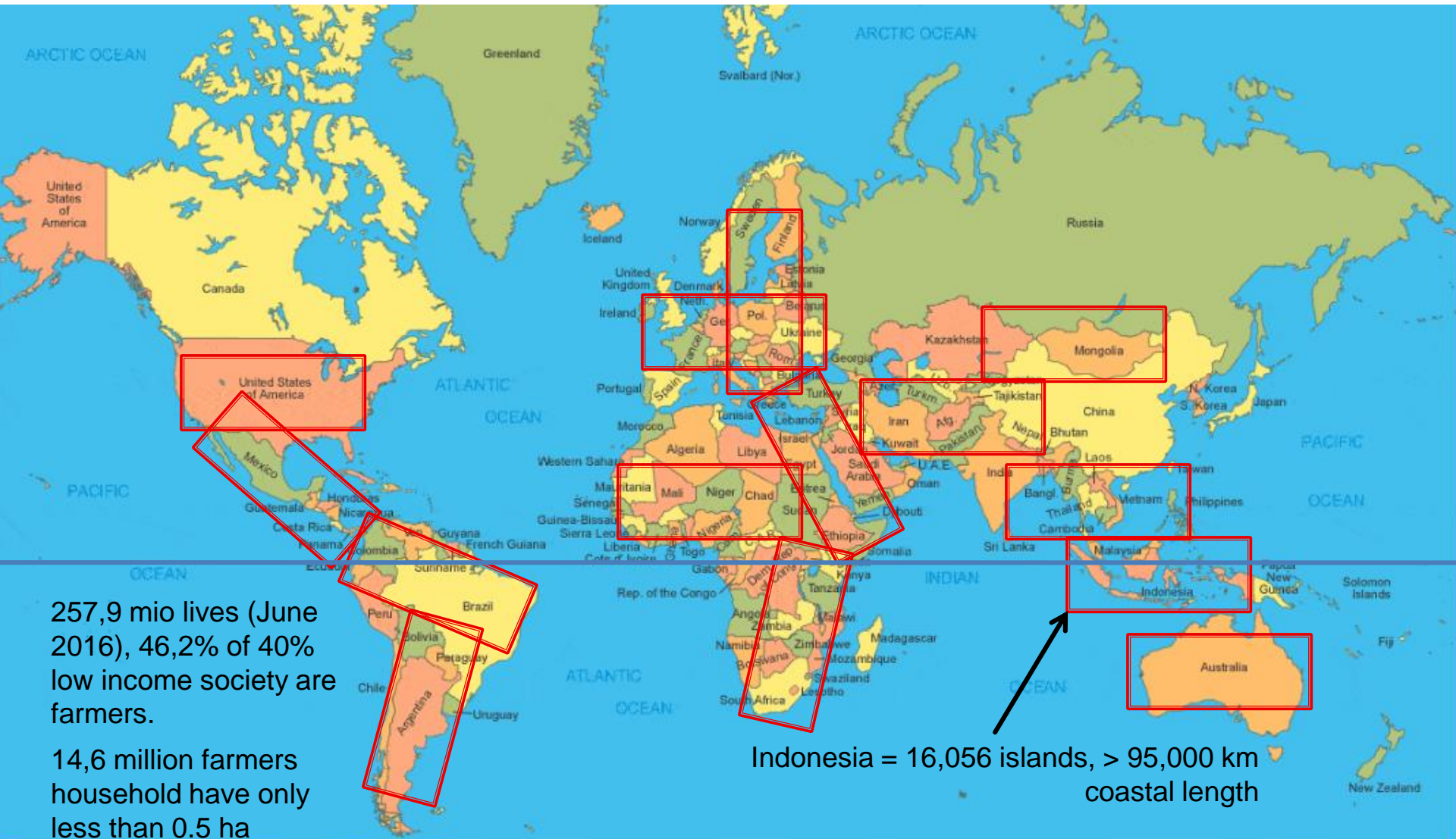
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- ❖ Established 29 August 1956, GPI = USD 219 million (2016)
- ❖ A local general insurance companies with various conventional products = property, marine, motor vehicle, engineering, casualty, financial, takaful / syariah, growing trees,
- ❖ Actively participate in the organization of General Insurance Association of Indonesia and part of FSA's Ad-Hoc Team
- ❖ Micro insurance → dengue fever in 2009 (index based health insurance), followed by property, PA, natural disaster, micro entrepreneur
- ❖ Agriculture micro insurance → maize in Dec 2015 (area yield index) and rice 04 Oct 2017 (weather index)

# Where is Indonesia ?



Source of map = <http://geology.com/world/world-map.shtml>

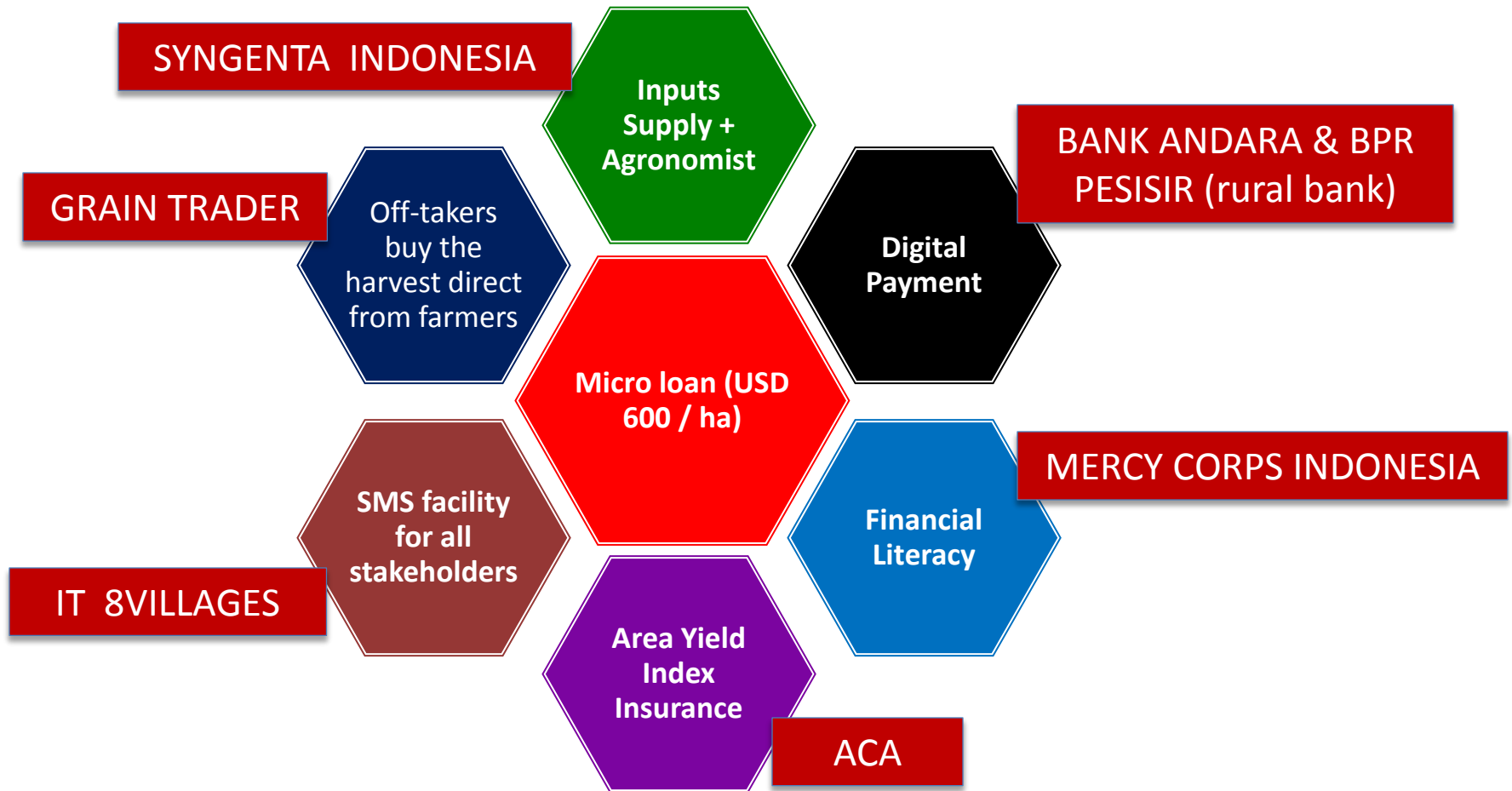
# Paddy insurance under government scheme

- 1. Crops insurance for paddy = Law no. 19/2013** on the Protection and Empowerment of Farmers, **only covered by state owned insurance company**, Article 37 start pilot project with 1,500 ha.
- 2. Indemnity based**, cover: pest, diseases, natural disaster. Sum insured = USD 448/ha, gross premium = USD 13/ha > **80% subsidy** by the state owned fertilizer company, 20% paid by the farmers.
3. As per April 2017 = covers 600,000 ha = GPI USD 7.8 million, claim payment USD 5 million = 64% loss ratio (average 3-4 months).
4. The ministry of Agriculture prefer to use indemnity based instead of index based > remote sensing.
- 5. Conventional distribution strategy** = MFI / individual / farmers group who has been registered at the local ministry of agriculture.

# Corn insurance by ACA (private sector)

1. Crops insurance for **corn** under **Agriculture Financial** (Agrifin) Mobile project → ***Financing of Small Holder Corn Farmers based on Value Chain.***
2. **Area yield index based**, a pilot project started with 1,200 ha, cover drought and windstorm as those are the two dominant perils in Dompu District, West Nusa Tenggara Province, Indonesia.
3. A pilot project since 2015 with **various stakeholders** lead by Mercy Corps Indonesia + Bank Andara + Rural Bank Pesisir Akbar+ Syngenta Indonesia + farmers groups + ACA + off takers + fertilizer company.
4. **No government subsidy** (interest rate, insurance premium).
5. The rate = 5% of sum insured (USD 600)
6. **Value chain model** instead of stand alone approach > Create an **ecosystem** (access to finance, access to Good Agriculture Practice) **for non-bankable poor farmers.**
7. **Head of District** just give “blessing” for the program.

# Multi Stakeholders in Corn Ins.



# Facts Finding in 2 Cycles (Corn Farmer)

1. Increase farmers' livelihood within only 2 cycles = kernels' production from 5.5 tons/ha > min 8 tons/ha, less supply chain
2. Net profit from USD 150/ha > USD 1,270/ha.
3. Smart farmers = change mind set and behavior
  - ✓ corn business instead of corn farming
  - ✓ do not lean on subsidy
  - ✓ technology and knowledge are the driven (Good Agriculture Practice)
  - ✓ from zero to hero → rejected society > preferred communities



# Paddy insurance by ACA (private sector)

1. **Weather index based**, a pilot project launched on October 04<sup>th</sup> 2017 with 80 ha paddy field in Indramayu District, West Java Province.
2. **Value Chain model** is applied which lead the non-bankable farmers to have access to finance, the least possibility of damage to pest and disease for intensive supervision by agronomists from the stakeholder.
3. **Multi stakeholders** = Rural Bank BPR Kroya + Syngenta Indonesia + Syngenta Foundation + farmers groups + ACA + local weather station.
4. **No government subsidy** (interest rate, insurance premium).
5. The rate is vary (from to 4 % until 12%) depend on when the farmer do his / her planting, either vegetative phase, reproductive phase or ripening phase, with sum insured (USD 600)
6. Head of District just give **“blessing”** for the program.



# Lessons Learnt No. 1 – 4

*There's still a room to apply the non-subsidy model*

**Target = the bankable small holder farmers**

- limited Financial Inclusion = micro loan (6% interest rate subsidy), agriculture insurance (80% premium subsidy)
- Farmers will always ask for subsidy → *Sustainable ?*  
*Ready to become a new entrepreneur ?*

## Lessons Learnt No. 2 – 4

### *Financing for Small Holder Farmers based on Value Chain*

- ➔ **Financial Inclusion** = micro loan (no subsidy), micro insurance (no subsidy), micro saving, micro investment,
- ➔ **Sustainable Farming** = Good Agriculture Practice, higher yield, less possibility of harvest failure, less supply chain,

“I am proud of to become a corn farmer” (Supriono – 31 yrs old corn farmer, 13 Jul 2017)



➔ **Smart & prosper farmers**

## Lessons Learnt No. 3 – 4

### *Synergy with MFI as Distribution Channel*

- 1. Certify the MFI's account officers** → provide customers' data base, print out pre-signed insurance certificate, deliver the customer friendly brochure of crop insurance during signing the loan contract → frequent visit by the nearest insurance marketing officers
- 2. Using mobile apps** → SMS for date of planting, any questions relates with information, claim report, claim survey by account officers + field extension workers (agronomists) from the corn seed + collecting claim documents (pictures, papers from local head of village)

## Lessons Learnt No. 4 – 4

### *Public Private Partnership - beyond regulating*

1. New paradigm → regulate / supervise + facilitator / endorser / disseminator / connector between industry + public → ***financial inclusive*** → ***sustainable farming/fishery***, etc.
2. Sell ***access to finance*** to other industries, commissioners, ministries on a ***commercial based***
  - *Capacity building from industry for regulator,*
  - *Regulator's policy based on value chain approach,*
  - *Frequent PPD with different stakeholders*
  - *Unique program at each provincial level*

**The youth become a farmer with pride**

# Conclusion



Thank you  
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