Global Action Network on Agriculture Insurance

Working Group Meetings

MEETING HIGHLIGHTS

Geneva, Switzerland
3 – 4 May 2016

Contents

Background to the working group meetings

The Global Action Network (GAN) on Agriculture Insurance is a community of experts and practitioners formed in November 2014 by the ILO's Impact Insurance Facility with support of USAID and the BASIS Assets and Market Access Innovation Lab/I4 Index Insurance Innovation Initiative at the University of California Davis. It provides a forum for thought leaders in agriculture insurance to discuss key issues, identify constraints, explore solutions and undertake evaluation and research. It also provides a venue to explore synergies on agriculture insurance projects, and promote lessons learned, best practices and quality standards on insurance market development to the insurance and broader development communities.

Since the first working group meetings in London in April 2015, the three working groups have created tools and guidelines for responsible scaling of agriculture insurance, namely:

- A tool for assessing the client value of index insurance products (Working Group 1);
- A concept note on public risk reinsurance (Working Group 2);
- Guidelines on bundling agriculture insurance with financial and non-financial services (Working Group 3); and
- Guidelines on consumer education for index insurance (Working Group 3).

During the Geneva meetings, the draft outputs of these tools and guidelines were presented to the broader GAN membership for feedback and application. To prepare for the two days of discussions, the ILO's Impact Insurance Facility contacted core Working Group members to define the format of the sessions and shared the draft output versions with all participants.

Meeting objectives

- To gather feedback on the work of the three working groups on client value assessment, bundling, and consumer education; and to explore possibilities of applying the tools and guidelines they had developed
- To brainstorm how to operationalize a public risk reinsurance facility and encourage more government involvement in agriculture insurance
- To agree on next steps for the working groups
- To disseminate the work of the GAN to a broader audience through a half-day public symposium

Agenda

DAY 1

09:00 – 09:15	**Welcome and overview of the progress of the GAN working groups** Craig Churchill (ILO's Impact Insurance Facility)
09:15 – 11:00	**Framework and indicators for assessing the client value of agriculture index insurance (Working Group 1)** Output presenter: Emily Zimmerman (EA Consultants) Discussion facilitators: Bristol Mann (IRI), Michal Matul (ILO), Michael Carter (BASIS/I4, UC-Davis)
11:00 – 11:15	Networking break

11:15 – 13:00	**Guidelines for bundling agriculture insurance with financial and non-financial services (Working Group 3)** Introduction: Pranav Prashad (ILO's Impact Insurance Facility) Output presenter: Premasis Mukherjee (MicroSave) Discussion facilitators: Sébastien Weber (PG), Panos Varangis (WBG), Ulrich Hess (GIZ), Toshiaki Ono (FAO)
13:00 – 14:00	Lunch break
14:00 – 15:45	**Guidelines for consumer education in agriculture insurance (Working Group 3)** Output presenter: Camyla Fonseca (ILO's Impact Insurance Facility) Discussion facilitators: William Dick (WFP), Matthias Range (GIZ), Emily Coleman (IFAD)
15:45 – 16:15	**Wrap up and next steps**
16:15 onwards	Networking opportunity

DAY 2

09:30 – 13:00	**Public symposium on making agriculture insurance work** Presenters: 1. Agriculture insurance and the SDGs – Craig Churchill (ILO), 2. Successful models of agriculture insurance – Pranav Prashad (ILO), Panos Varangis (WBG), Richard Githaiga (State Department of Agriculture, Kenya) 3. Creating impact for small holder farmers – Michal Matul (ILO), Michael Carter (BASIS/I4), Emily Zimmerman (EA Consultants)
13:00 – 14:00	Lunch
14:00 – 15:30	**Brainstorming on a public risk reinsurance facility (Working Group 2)** Facilitators: Pranav Prashad (LO) and Michael Carter (BASIS/I4)
15:30 – 15:45	Networking break
15:45 – 17:15	**Brainstorming on increasing government involvement in agriculture insurance** Facilitator: Michal Matul (ILO) Case in point presentation: Richard Githaiga (State Department of Agriculture, Kenya)
17:15 – 17:30	**Wrap up and next steps**

Attendance

Around 30 participants attended the working group meetings from a variety of organizations, including research/academic institutions, international and bilateral development organizations, insurers and reinsurers. See Annex 1 for a complete list of participants.

Session Highlights

(S2) Framework and indicators for assessing the client value of agriculture index insurance

The session started with Emily Zimmerman's presentation of a draft tool for assessing client value that is being developed by Working Group 1. The objectives of the tool are to identify products that "fail" in some crucial aspect and should not be launched or continued without modifications, to compare the relative value of different products, and to identify areas for improvement. As such, results of these assessments may be relevant to a variety of stakeholders in index insurance, including donors, investors, governments and practitioners.

The tool follows the Product-Access-Cost-Experience structure of the ILO's PACE methodology, but 1) adds concepts that are specific to the context of index insurance, 2) narrows the number of indicators to the most relevant ones for assessing the value of an index insurance product, 3) simplifies scoring and creates clear, objective measures for scoring each indicator, and 4) incorporates defined guidelines for collecting and analyzing data (including client and staff interviews). In total, the tool has 14 indicators and 4 scores (fail, poor, average and strong). Indicators are divided into two levels: level 1 indicators, which are mandatory and scored as pass or fail; and level 2 indicators, which are used if mandatory indicators are met, and are scored as 0, 1 or 2. A product that fails the level 1 assessment fails the overall assessment.

Participants discussing the tool for assessing the value of index products

In the small group discussions that followed, participants raised concerns about the feasibility of setting industry standards, in light of the immaturity of index insurance markets and the limited data currently available on products and client value. However, it was also suggested that a value assessment tool could be useful in filling these knowledge gaps, and that creating a body of data on products could help stakeholders to identify good and bad products more easily and to design and support more useful products.

Some participants also raised concerns about the overall architecture of the tool, and specifically about how it applies to products in the pre-launch phase. As a result, it was decided to have two versions of the tool – one to be applied during the design phase and another to be applied to existing products.

Some participants were also concerned that the tool may be too focused on retail products, whereas portfolio and government schemes form a large part of the index insurance market. A number of additional comments were raised regarding specific indicators and measurement standards used in the tool (including the applicability of particular indicators to index insurance, clarity of the wording of indicators, the data needed to score indicators, and some concepts not fully covered by the tool). Revisions to the indicators will try to address these issues.

Participants also discussed the need to further clarify when, how, and by whom the tool should be used. Revisions to the explanatory brief accompanying the tool, as well as additional details in the tool itself, will address these concerns.

The next steps for Working Group 1 are:

- Revise the tool according to the comments received during the GAN meetings (June 2016)
- Elaborate guidance for data collection and analysis (June 2016)
- Conduct pilot tests of the tool (the initial pilot will be in July 2016, studying the NWK cotton insurance product in Zambia)
- Publish the finalized tool and pilot results (September – October 2016)

(S3) Guidelines for bundling agriculture insurance with financial and non-financial services

An introduction by Pranav Prashad stressed the importance of bundling and recapped related discussions since the Casablanca conference. Premasis Mukherjee then presented the lessons being learned on bundling agriculture insurance with financial and non-financial services. Insurance is just one part of the agricultural value chain and there are several other providers engaging with farmers on a regular basis (from financial service providers to input providers and output buyers). Therefore, rather than offering a standalone solution, which is hard to commercialize, agriculture insurance can be used to empower other business models.

Analysis of four case studies illustrated how agriculture insurance products can be bundled with other services (WBCIS, Kilimo Salama, FarmerShield and PepsiCo respectively bundled their products with credit, input suppliers, a buyer and contract farming). These cases revealed some interesting lessons. For instance, bundling insurance with financial and non-financial services can not only make the offering of insurance tangible, but also improve value for all players in the value chain. For farmers, it can provide access to credit, a better selling price or value-added services. Insurers can reach scale, boost renewals, lower costs and gain the trust of the market. Distributors, such as inputs sellers or output buyers, can enhance their core business, receive a commission, or improve customer loyalty. The success of a bundling model is ultimately a question of aligning value: not only should bundling make sense for the provider, it should also offer real client value to smallholder farmers, while being easily accessible and affordable. Value chains are context-specific, and replicating a specific bundling approach is therefore difficult. In the case of Kilimo Salama, for example, success was linked to the penetration of mobile phones in East Africa, and it may be difficult to extend the same model to West Africa, where the technology is not yet well-adopted.

In the small group discussions, participants highlighted that, although often seen as a strategy to reach scale, some bundling models may also face limited scalability, since there may be a maximum number of farmers that a value chain can assimilate. PepsiCo, for example, can reach 10,000 farmers in its scheme, but probably not 100,000.

Participants also raised concerns about the quality and viability of consumer education in various bundling models. Farmers' organizations and microfinance institutions may be well-positioned to educate clients (though they don't always have the capacity to do so). Input providers, on the other side, may not be properly trained to do so or simply may not have the time or interest. Responsible selling therefore becomes an even greater concern in the context of bundling.

Participants also pointed out that the distinction between voluntary and mandatory bundling schemes is crucial. For the latter, more investment is needed to educate clients in order for the scheme to work for all parties.

Insurers should better understand aggregators' business models as bundling can be seen as a facilitator for the aggregators business (more seeds sold for a seed input provider, or default risk covered for a financial institution).

The next steps for Working Group 3 are:

- Revise the study to incorporate issues raised during the GAN meetings (June-July 2016)
- Finalize and publish the study (August – September 2016)

(S4) Guidelines for consumer education in agriculture insurance

Camyla Fonseca introduced the session by presenting guidelines for consumer education in index insurance. Evidence from behavioural economics shows that behaviour and financial capability not only depend on awareness and knowledge transfer: people don't always act on what they know. There are several other factors that matter, such as culture (family, peers and religion), trust, cognitive biases and learning by doing. Therefore, education campaigns need to do more than simply transfer knowledge. They should provide repeated messages through key actors across society, focus their efforts on moments when farmers are taking decisive actions, and motivate farmers to apply their skills in real life.

Participants discussing consumer education

According to the new guidelines presented, a comprehensive educational effort that incorporates all these aspects should be based on five pillars, namely: 1) raising awareness, 2) building knowledge, 3) building trust, 4) improving capacity to sell, and 5) increasing financial literacy. While each pillar has a different objective and sometimes even a different target audience, all activities contribute to the same goal in the long term: behavioural change among farmers (Figure 1).

Figure 1: The five pillars for consumer education

Raising awareness
Disseminate simple and positive messages on insurance via mass channels for clients and potential clients

Building knowledge
Invest in simulation strategies to convey important product information, once products are available on the market

Building trust
Generate trust among clients and potential clients through trusted insurance advocates and experience of the product

Improving capacity to sell
Constantly build the understanding of front-line staff on insurance and the low-income market via workshops, e-learning and mobile phones

Increasing financial literacy
Engage in long-term national education strategies for the general public on broader financial topics

In the small group discussions that followed, participants pointed out that the interest of various stakeholders in being involved in each pillar depended on their level of involvement in an insurance scheme, and the type of scheme (public or private, commercial insurance or resilience programmes).

Some participants also raised concerns about insurers' involvement in raising awareness and knowledge, as there might be a conflict of interest. The goal needs to be financial literacy as a whole rather than sales, so that farmers can decide if they want to buy a product or not. Others, however, argued that while a conflict may exist, insurers have the incentive to invest in these two pillars. Regulators or insurance associations, while having a large reach and being well-positioned, may not have such a strong incentive to deliver. Farmers' organizations would also be a good choice, as they are always interacting with clients. However, in many cases they lack capacity and need to be trained before being able to educate farmers.

Although government involvement is obviously important, financial literacy is generally built at a local level alongside insurance or bundled programmes.

Participants also discussed how practical solutions may differ from the ideal, given the capacity of the institutions involved and the funds available. Education can be resource–intensive, especially in the first few years, making it difficult to reach scale.

Participants also highlighted that index insurance is an abstract concept and difficult to explain to the final consumer. In addition, index insurance is not really insurance: it is a tool that pays out in the case of an event. Fully explaining this tool is and its use, while managing farmers' expectations, is one of the greatest challenges of consumer education for such products.

Other suggestions on how to improve the guidelines included:

- Make the agriculture context more explicit (the guidelines are too broad)
- Outline specific issues for educating farmers about index insurance
- Make the document more accessible for distinct groups of stakeholders (governments, insurers, distributors, associations, etc.)

The next steps are:

- Revise the study to incorporate issues raised during the GAN meetings (July 2016)
- Finalize and publish the guidelines (August – September 2016)

(S5) Public symposium on making agriculture insurance work

The half-day public symposium on making agriculture insurance work was an opportunity to publicly share the GAN's work.

Craig Churchill opened the symposium by presenting the link between agriculture insurance and the UN Sustainable Development Goals (SDGs). Agriculture insurance can protect farmers from climate-related shocks that trap them into poverty and allow them to make greater investments in production. In this way, it can be a tool to help achieve many SDGs, such as no poverty, no hunger, good jobs, economic growth and climate action.

Craig Churchill presenting on agriculture insurance and SDGs

The opening was followed by a session on successful models for agriculture insurance by Pranav Prashad, Panos Varangis and Richard Githaiga. The discussion in the session revolved largely around the role of governments in stimulating the development of agriculture insurance.

Richard Githaiga discussed the Kenya Crops Insurance Program. He explained the rationale behind the program, which was to tackle the cost of post-disaster management for the Government of Kenya and the high losses suffered in the country due to climate events (between 2008 and 2011, the Kenyan economy lost 12.1 billion dollars due to climate events that affected agriculture). To overcome these challenges, the Government of Kenya invested in a viable agriculture insurance market through a public-private partnership framework involving insurers, banks, regulatory authorities and agro-dealers. The idea was to create a social protection mechanism to help smallholder farmers manage risks and losses, as well as to increase productivity through improved access to credit and higher-yield technology such as seeds and fertilizers. The main product offered in this programme, which started in February 2016, was an area yield index insurance. Currently, a limited number of farmers are covered in five countries, but the goal is to expand coverage to 28 counties and reach around 27,000 farmers.

Panos Varangis highlighted the importance of public-private partnerships to unlock scale and the fact that insurance needs to be seen as one part of a broader package of services, rather than the main component of a programme.

Pranav Prashad continued the discussion by providing an overview of the range of roles governments can take in supporting agriculture insurance. After discussing the examples of the Livestock Index Indemnity Pool in Mongolia and the National Agriculture Insurance Scheme in India, Pranav highlighted the importance of bundling agriculture insurance with both financial and non-financial services in order to provide greater value to the stakeholders involved, including farmers.

The morning ended with presentations from Michal Carter, Michal Matul and Emily Zimmerman on creating impact for smallholder farmers. Michael Carter presented on *ex-ante* and *ex-post* impacts of index insurance, using the examples of Index-based Livestock Insurance (IBLI) in Kenya and an index insurance product in Mali and Burkina Faso. In Kenya, results showed that after suffering losses, insured farmers used less negative consumption-smoothing strategies, such as asset sales and cutting consumption. In fact, insured households showed a 36 percentage point decrease in livestock sales and a 25 percentage point decrease in meal reduction.

Michael Carter's presentation on the impacts of index insurance products

Michal Matul discussed the ways to leverage insurance to create comprehensive risk management systems for poor farmers, using the example of tea farmers in Kenya. While tea farmers are not the poorest farmers in the country and have an organized value chain, they are still subjected to a number of risks and expenses, including severe weather events and smaller shocks. By looking at these farmers' needs, it is possible to build a valuable solution that bundles savings with a portfolio coverage at the factory level, which would allow farmers to cope with both larger and smaller risks. By starting with a simple and tangible solution, it is possible to build trust and create a foundation for providing other valuable insurance products in the future.

Emily Zimmerman discussed the tool for measuring the value of index products that is being developed by GAN. The existence of some fundamental flaws, such as a bad index, covering the wrong crop or a client protection gap, show that assessing the value of products is very important to guarantee that they are appropriate for farmers.

(S6) Brainstorming on a public risk reinsurance facility

The session started with an overview of the existing experiences of public risk reinsurance pools around the world and a brief introduction to the goals of the brainstorming exercise by Pranav Prashad. Public risk reinsurance pools are used in many countries for several products, such as third party motor insurance (in countries like India) or terrorism policy (in countries like Australia, UK and France) or agriculture insurance (Spain). The concept of leveraging pooled resources to develop products is not uncommon and it is possible to develop some guidelines on how this can be done. But could a public pool covering product portfolios across several countries be viable or effective? Can a public reinsurance arrangement be developed to support a stop loss mechanism which would allow insurers to cap their losses and therefore assist in better pricing?

Some participants questioned the need for such a mechanism. Reinsurance is available (though expensive) and risks are diversified, so such a pool might not be necessary. Other participants disagreed, highlighting the difficulties faced by many projects in securing reinsurance. In this case, such a mechanism could be useful at the current stage of market development, especially given uncertainty due to weak data availability and questions around the long-term viability of new schemes.

Reinsurers participating in the discussion stressed that they are not afraid of taking risks. Rather, they are entrepreneurs looking for business opportunities, so as long as a product is priced properly and data is adequate, high losses are part of the business. Still, reinsurance will be expensive for some pilots due to the costs involved in setting up a product that will not last long for only a small number of farmers. The duration of the contract is important and can reduce uncertainty. Having a minimum premium amount committed over time can also help reinsurers reduce prices.

That said, other participants noted that despite reinsurer's appetite for risk, it remains an empirical fact that a number of innovative pilots are priced at very high levels (well in excess of 150% of actuarially fair levels--sometime approaching 200%) even when public sector money has been used to pay the fixed costs of contract design and rollout. According to these participants, it is time to explore whether a public facility can provide less costly insurance rates. Doing so need not require a lot of capital, as such capital (and any needed insurance expertise) can be rented-in. The World Bank group may be able to utilize existing facilities to allow such an effort to get off the ground.

Reinsurers also mentioned that a public entity would be useful to support small pilots with uncertain futures. If, however, the product has growth potential, the reinsurance market should be available.

Other participants suggested that an easier alternative could be initial government support, followed by reinsurance at a later stage as the product demonstrates viability and reinsurance becomes more affordable.

(S7) Brainstorming on increasing government involvement in agriculture insurance

This session explored the concept of a peer learning platform (PLP) for policymakers to facilitate more extensive government involvement in agriculture insurance. The idea was developed by USAID, BASIS, ILO, World Bank and IFAD. Governments have a critical role to play in making agriculture insurance products more accessible and responsible. They can invest in infrastructure to capture weather and yield data, provide smart subsidies, leverage agriculture extension services, conduct national education campaigns, and draft conducive regulation and consumer protection. However, in many cases, awareness among policymakers is low and they could learn a great deal from other countries' experiences. To achieve this goal, the platform will transfer knowledge, tools and best practices. In addition, peer exchange and action planning activities will create buy in.

The PLP will be made up of champions from several developing countries, who can become change agents. The champions will be selected from Ministries of Agriculture and other relevant agencies that already work on agriculture insurance or have the potential to do so. Short-listed countries include Bangladesh, Ethiopia, Ghana, Kenya, Mozambique, Senegal, South Africa, Tanzania, Uganda and Zambia. In each country a group of 2 to 4 individuals from senior management and operational staff will take part in peer-to-peer knowledge sharing.

The Government of Kenya (GoK), one of the participants in the session, felt that the platform would be a very useful space. The GoK would be particularly interested to know more about sensitization of farmers. In return, it could share its experience setting up the area-yield product that is part of the Kenya Crop Insurance program.

Participants from donor organizations also expressed their view on the platform. IFAD mentioned that challenges faced by projects generally include lack of clear objectives by governments (who may know they want to implement agriculture insurance, but are not clear what or how), lack of clarity regarding premium subsidies (which are often not properly targeted), lack of implementation capacity, and lack of data capacity. A knowledge platform could help solve some of these problems.

Participants also argued that it is important for Ministries of Finance to participate, as they generally pay for such initiatives. Furthermore, improving their understanding may help secure their buy in. The PLP will also leverage existing agriculture risk-management working groups in various countries.

Annex 1: GAN Working Group Meeting Attendees' List

3-4 May, 2016

International Labour Office, Geneva

Name	Company/Organisation
Aaltje de Roos	Ministry of Foreign Affairs, Netherlands
Alexa Mayer-Bosse	Munich Re
Anaar Kara	PlaNet Guarantee
Andrea Stoppa	World Bank Group
Bristol Mann	IRI Columbia University
Camyla Fonseca	ILO's Impact Insurance Facility
Craig Churchill	ILO's Impact Insurance Facility
Emily Coleman	International Fund for Agricultural Development (IFAD)
Emily Zimmerman	EA Consultants
Janina Voss	Access to Insurance Initiative
Josh Ling	Mercy Corps
Kaavya Ashok Krishna	World Bank Group
Matthias Range	GIZ
Michael Carter	University of California, Davis
Michal Matul	ILO's Impact Insurance Facility
Panos Varangis	World Bank Group
Pierre Casal Ribeiro	Grameen Crédit Agricole Microfinance Foundation
Pranav Prashad	ILO's Impact Insurance Facility
Premasis Mukherjee	MicroSave
Quentin Stoeffler	University of California, Davis
Richard Githaiga (remotely)	State Department of Agriculture, Kenya
Saskia Kuhn	GIZ
Sébastien Weber	PlaNet Guarantee
Sophia Belay	Oxfam America
Swapnil Soni	SCOR Global P&C
Tara Steinmetz	BASIS Assets and Market Access Innovation Lab
Toshiaki Ono	Food and Agriculture Organization
Ulrich Hess	GIZ
William Dick	UN World Food Programme

Annex 2: Symposium on Making Agriculture Insurance Work
Attendees' List

4 May, 2016
International Labour Office, Geneva

Name	Company/Organisation
Aaltje de Roos	Ministry of Foreign Affairs, Netherlands
Alexa Mayer-Bosse	Munich Re
Amadou Diop	International Labour Organisation
Anaar Kara	PlaNet Guarantee
Andrea Stoppa	World Bank Group
Anna Vardikyan	Central Bank of Armenina
Anna-Maria Fyfe	International Labour Organisation
Anne-Madeleine Kropf	AlphaMundi Group Ltd
Bernd Balkenhol	University of Geneva
Bristol Mann	IRI Columbia University
Camila Castañeda	International Labour Organisation
Camyla Fonseca	ILO's Impact Insurance Facility
Carla Henry	International Labour Organisation
Claire Vinçonneau-Perrot	IndigoDigital AG
Craig Churchill	ILO's Impact Insurance Facility
Emily Coleman	International Fund for Agricultural Development (IFAD)
Emily Zimmerman	EA Consultants
Eri Uchimura	International Labour Organisation
Ernesto Costa	Blue Orchard Finance
Janina Voss	Access to Insurance Initiative
Josh Ling	Mercy Corps
Kaavya Ashok Krishna	World Bank Group
Kurt Moors	BRS
Lisa Morgan	ILO's Impact Insurance Facility
Mark Noort	HCP International
Matthias Range	GIZ
Matthias Staudt	Business and Finance Consulting (BFC)
Mei Zegers	ARS Progetti
Michael Carter	University of California, Davis
Michal Matul	ILO's Impact Insurance Facility
Mosleh Ahmed	Microinsurance Research Center
Nassim Amara	ClimateSecure
Olga Speckhardt	Syngenta Foundation for Sustainable Agriculture
Panos Varangis	World Bank Group
Patricia Richter	International Labour Organisation
Philippe Egger	IRED
Philippe Guichandut	Grameen Credit Agricole Microfinance Foundation
Pierre Casal Ribeiro	Grameen Crédit Agricole Microfinance Foundation
Pranav Prashad	ILO's Impact Insurance Facility
Premasis Mukherjee	MicroSave
Quentin Stoeffler	University of California, Davis

Richard Githaiga	State Department of Agriculture, Kenya
Roland Steinmann	Swiss Capacity Building Facility
Sabine de Bruijn	International Labour Organisation
Sabrina Schilter	Institut für Versicherungswirtschaft St. Gallen
Sarah Favrichon	Celsius Pro
Saskia Kuhn	GIZ
Sebastien Weber	PlaNet Guarantee
Sophia Belay	Oxfam America
Swapnil Soni	SCOR Global P&C
Tara Steinmetz	BASIS Assets and Market Access Innovation Lab
Toshiaki Ono	Food and Agriculture Organization
Trees Vandenbulcke	Coopburo
Ulrich Hess	GIZ
Vincent Monnart	BRS
Waltteri Katajamaki	International Labour Organisation
William Dick	UN World Food Programme
Yasuhiko Kamakura	International Labour Organisation
Yousra Hamed	International Labour Organisation