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Academy

# World Bank Disaster Risk Finance Academy

## Insurance in Practice: What Works and What Doesn't?

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# Humanitarian Response

## Insurance Pilot

- ✓ On ground distribution/ implementation partner
  - ✓ Subsidy and funding for pilot
  - ✓ Satellite information and reliable weather station data for risk analysis
- 
- **Partner need for high frequency, low severity event trigger**
  - **Portfolio location in one region**
  - **Challenging insurable interest**




**Finding the right product to fit the problem- it's not always insurance.**



## Smallholder farmer index-based insurance pilot

- ✓ Strong product correlation with risk
- ✓ Two 'local' distribution partners
- ✓ Subsidy and funding for pilot
- **Multiple iterations of product to match need**
- **No clear enrolment window**
- **Partners unclear on product and unable to create direct community link**

**Take up rate: X %**



**Policyholders need to understand the product and trust the delivery mechanism.**



## State Agricultural Insurance Scheme for Cotton Farmers

- ✓ Strong product correlation with risk (payouts)
- ✓ Strong distribution network
- ✓ Secured reinsurance
- ✓ Ongoing program
- **Government subsidy did not reach insurer for multiple years**
- **Premium nonpayment to reinsurer**

**Program non-renewal in 2024**



Sustainable programs need both **long-term program funding** and **effective funding distribution**

# What makes a successful insurance program?

- An insurer is looking for **profitable and sustainable business**, whilst also **addressing the underlying risk** of a policyholder/ target market.
- Each program is tailored to unique contexts, with a diverse set of stakeholders.
- A successful scheme ensures that all program partners **understand objectives and their respective roles**.

## Product

- Are we developing something which covers the appropriate risk?
- Do we have enough information to accurately assess and price?
- Is the product sustainable?

## Distribution

- Have we effectively assessed demand for our addressable market?
- How are we reaching our addressable market?
- Are we ensuring the product is understood across the chain?

## Enabling Environment

- Do all stakeholders align on the program objectives?
- Are we engaging all of the required stakeholders (e.g. communities, regulator)
- How are we funding the program both in initial implementation and future?

# Thailand

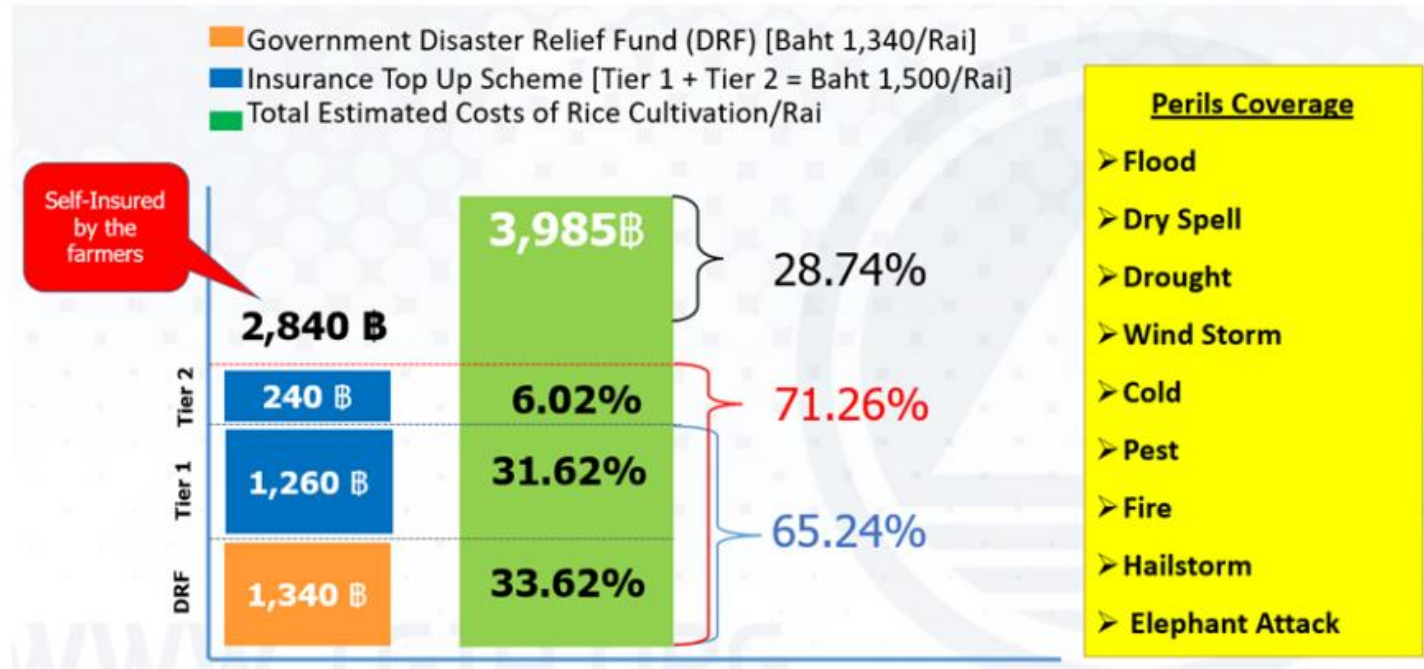
## National Crop Insurance Program (Top Up Disaster Relief)

### Objective:

Insurance structure placed on top of national disaster relief program to better protect rice farmers against key perils.

### Success factors:

- **Risk layering approach** to protect farmers whilst ensuring affordability
- **Harnessing existing infrastructure** for better access, data and reduced operational costs
- **Product**
- **Using technology** to improve product (mobile application for farmer input information)
- **Public-private partnership** between government ministries, insurance association and agricultural banks (BAAC)





# Mexico

## Smallholder Farmer Shock Responsive Social Protection



### Objective:

- Reduce smallholder protection gap for weather risks, through parametric excess rain/ drought insurance.

### Success factors:

- **Public private partnership** with Ministry of Agriculture and state insurance company Agroasemex.
- **Last mile model design and implementation (94% enrolment)**
  - 3 waves of capillarity: 80% enrolled in town centres, 15% enrolled in “satellite communities” and 5% enrolled door to door.
  - **Awareness sessions** explaining the insurance coverage, triggers and basis risk. All enrolled farmers required to attend.
  - **Materials, processes and messages designed for inclusion** (36% women, 37% >60 years old, 9% indigenous communities from registry)
  - **Adapted eligibility criteria** to allow women to enrol their husbands.
- **Technology for better access-** enrolment via off-line app, protecting farmers data and capturing additional info (mobile phone, photo proof of enrolment).



# Conclusion | Success Factors

## Product

- **Product to fit defined risk**
- **Ensuring good data availability**
  - ✓ Access to satellite data, mobile data
  - ✓ Solutions including index-based insurance
- **Ensuring profitable, sustainable business**
  - ✓ PPPs
  - ✓ Risk pooling, co-insurance and re/insurance

## Distribution

- **Establishing informed demand across the value chain**
- **Low cost and efficient delivery mechanisms**
  - ✓ Leveraging trusted distribution partners
  - ✓ Using technology where relevant, but consider balance between physical agent network/ distribution partner and costs
  - ✓ Using institutional mechanisms for better coordination and program management

## Enabling Environment

- Partner strategic alignment – **single view of the risk**
  - ✓ Strong voice of those who understand the issues/opportunities
  - ✓ Regulatory alignment
- **Sustainability**
  - ✓ Premium subsidies, with long term plan
  - ✓ Engaging with prevention, risk management





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# Annex: Thailand Crop Insurance Scheme Structure

Zone	Tier 1 Price (Baht/Rai)		Tier 2 Price (Baht/Rai) Farmer Paid
	BAAC	NON BAAC	
Low	96 (100% Subsidy) Government @ 60% BAAC @ 40%	55 (100% Subsidy)	24
Medium		210 (Subsidy 55 Baht/Rai)	48
High		230 (Subsidy 55 Baht/Rai)	101

Coverage Perils	Flood, Dry Spell, Drought, Wind Storm, Cold, Fire, Hailstorm, Elephant Attack	Pest
	Sum Insured of Tier 1	1,260 Baht/Rai
Sum Insured of Tier 2	240 Baht/Rai	120 Baht/Rai