

Index Insurance

Innovative Finance Marketplace

Paris March 4, 2010

Index insurance is proxy insurance

- Index insurance bases payouts on a proxy for losses rather than the actual losses
- Examples for parameters: rainfall, earthquake measure, level of inundation

Why Index Insurance?

- Easier to administer, more timely payouts, more objective payouts
- Downside: potential mismatch between actual losses and index triggered payouts
- Technology both for
 - social protection programmes at macro level (“protection”)
 - and farmer insurance (“promotion”)

Experience with (weather) index insurance

- More than 3 million farmers insured in 17 countries since 2003
- Most of the insured are in India, where the product became another line of insurance mostly in rural areas
- Government of India subsidizes now premiums

INNOVATIONS IN INSURING THE POOR

APPENDIX 2: Supplementary Material

By: "Sustainability and Scalability of Index-based Insurance for Agriculture and Rural Livelihoods," by Ulrich Hess and Peter Hazel

A review of promotion index-insurance schemes offered from 2004 to 2009

Country	Champion	Type of risk covered	No. of Beneficiaries	Year	Total Insured ('000 US\$)	Was the insurance ...?			
						Reinsured	Subsidized	Tied to credit	Tied to Inputs
Sub-Saharan Africa									
Ethiopia	Nyda Insurance, World Bank and WFP	Drought	139	2009	44	No	No	No	Yes
Ethiopia	Adi-Ha Oxfam/IFRC	Index based on satellite	200	2009	9	No	Yes	No	No
Kenya	Syngenta	Drought	200	2009	7	No	No	No	Yes
Malawi	World Bank, and Opportunity International	Excess rainfall and drought	1,710	2006	150	No	No	Yes	Yes
Malawi	World Bank and MicroEnsure	Drought	2,587	2008	300	Yes	No	Yes	Yes
Rwanda	MicroEnsure	Excess rainfall and drought	500	2009	32	No	Yes	No	Yes
South Africa	Investec	Frost				Yes	No	No	Yes
Tanzania	MicroEnsure	Excess rainfall and drought	339	2009	101	Yes			
South Asia									
India	BT Cotton Seed		29,000	2007		Yes	No	No	Yes
India	MicroEnsure and Kothagar District Central Cooperative Bank	Excess rainfall and drought	4,770	2009		Yes	Yes	Yes	Yes
India	ICICI Lombard	Rainfall	45,000	2009	21,150	Yes	No	No	Yes
India	NBFC agricultural loan	Rainfall	5,000	2008	n/a	Yes	No	Yes	Yes
India	Weather Index		70,000	2009	n/a	Yes	No	No	Yes
India	Postale	Late blight disease	4,575	2008	3,812	Yes	No	Yes	Yes
India	BASIX	Rainfall	5,000	2008	n/a	Yes	No	No	No
India	ERGO-HDFC	Rainfall	10,000	2009		Yes	Yes	No	No
India	Agriculture Insurance Company of India (AIC)	Excess and deficit rainfall, hail/dry and frost	1,088,313	2009	371,000	Yes	Yes	Yes	No
East Asia and the Pacific									
China	Caopuan Insurance Company, WFP and IFAD	Drought	482	2009	56	No	Yes	No	No
Indonesia	Munich Re, Tata, and GTZ	Flooding	500	2009	13	Yes	No	Yes	No
Philippines	MicroEnsure	Typhoon	500	2009	n/a	Yes	No	Yes	No
Thailand	BAAC	Drought	388	2008	300	No	Yes	Yes	Yes
Thailand	Government	Price insurance	n/a	2009	n/a	No	Yes	No	Yes
Latin America and the Caribbean									
Brazil	Programa Seguro Agricola Brasileiro - Agrosiavil	Risk that decreases average municipal yield	14,893	2007	11,914	Yes	Yes	No	No
Jamaica	JP Foyda	Hurricanes	1,050	2008	1,080	Yes	No	No	No
Nicaragua	World Bank	Drought and humidity	9	2009	2,211	Yes	No	Yes	Yes
Peru	La Positiva	Area yield index	51	2008	67	No	No	Yes	Yes
Eastern Europe and Central Asia									
Mongolia	World Bank	Livestock mortality	3,281	2009	5,000	No	Yes	No	No
Ukraine	Credito-Classic	Multi-peril crop insurance	2	2004	n/a	No	No	No	No
OECD									
Canada	Government	Adverse weather conditions (rainfall)	1,945	2008	46,302	No	Yes	No	No
USA	Government	Rainfall	12,685	2009	455,314	Yes	Yes	No	No
USA	Government	Rainfall (vegetation index)	3,015	2009	78,795	Yes	Yes	No	No

Notes: n/a = not available; WFP = World Food Programme; IFRC = International Federation of Red Cross and Red Crescent Societies; NBFC = Non-bank Financial Company; IFCO = Indian Farmers Fertiliser Cooperative Limited; IFAD = International Fund for Agricultural Development; GTZ = Deutsche Gesellschaft für Technische Zusammenarbeit; BAAC = Bank for Agriculture and Agricultural Cooperatives.

Sustainability and Scalability

- Focus on real value proposition for the insured
- Find a champion
- Delivery channels
- Data is key
- International Reinsurance

More

IFPRI policy brief

**INNOVATIONS IN INSURING THE POOR FOR
FOOD, AGRICULTURE, AND THE
ENVIRONMENT**

ULRICH HESS AND PETER HAZELL

Copies are available