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Agricultural insurance: A tool for managing disasters

The 9th **Consultative Forum** came to a close this Tuesday, March 14, in Singapore, after an afternoon of discussions among supervisors, policymakers and the insurance industry in the Asia Pacific region on the challenges and potential of insurance to reduce the vulnerability of smallholder farmers against disasters and climate risks. Fifty participants from 14 countries were in attendance.

Hannah Grant, Head of Secretariat of the Access to Insurance Initiative (A2ii), closed the Forum highlighting that there is now greater recognition and political support, both nationally and internationally, for agricultural insurance as a tool for managing disaster and climate risks.

“Coordinated action by all stakeholders – insurance supervisors, policymakers, industry practitioners – should continue in order to address the challenges of successfully implementing and scaling up agricultural insurance for smallholder farmers, and to ensure it delivers client value”, highlighted Ms. Grant.

Panellists shared their experiences with both indemnity and index-based agricultural insurance. They drew specifically on the cases of India, Kenya, Sri Lanka, Thailand and the Philippines, and highlighted the benefits of agricultural insurance: By sharing the risk with the industry, agricultural insurance allows better management of risk and, when conducted at the sovereign level, better government finances. Panellists underlined that efficient risk sharing arrangements between individuals, communities, regional government and sovereign levels are increasingly possible given developments in digital technologies, technical knowledge and global risk markets.

Implementation challenges discussed at the Forum included:

- Product customisation to farmers’ needs and linking to the agricultural value chain, given the volatility and diversity of the agricultural sector.
- Availability and quality of data, which often rests with government agencies and is not publicly available or recorded in a form that is suitable for insurance purposes.
- Effective delivery, where processes such as claims and enrolment are done in a timely manner, given reliance on community or local organisations.
- The appropriate role of long-term state subsidies in providing sustainable agricultural insurance for smallholder farmers.
- Increase in the use of technology – such as satellite data and mobile insurance – to make index insurance more cost-effective and scalable in the long run.

Insurance supervisors have an important role to play in providing an enabling environment, but there is currently no widely accepted approach to supervising index insurance: “Is index insurance actually insurance, or a derivative? How should insurable interest be defined? How should pilot projects be supervised in a proportionate manner, particularly while encouraging innovation?”, asked Craig Thorburn of the World Bank.

In most countries in Asia and Africa, we still see very little in terms of a framework for assessing and approving index insurance products,” remarked Agrotosh Mookerjee of Risk Shield Consultants, highlighting the need to improve supervisory understanding of the complex nature of index insurance.

“Policymakers, insurers and regulators should sit together to develop new strategies and index-based insurance solutions”, advised Dr. Yoshihiro Kawai, Secretary General of the International Association of Insurance Supervisors (IAIS). He noted that “the IAIS is currently drafting new supervisory guidance on index-based insurance to contribute to this important dialogue”.

A conference report will become available in April.

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Media Contacts

Hui Chiew, A2ii, Asia Regional Coordinator, hui.chiew@giz.de

Annalisa Bianchessi, Microinsurance Network, Senior Communications Manager, abianchessi@microinsurancenetwerk.org

Stephen Hogge, International Association of Insurance Supervisors, Senior Policy Advisor for Communications, stephen.hogge@bis.org

Conference website: [at this link](#)

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Consultative Forum organising partners

International Association of Insurance Supervisors (IAIS)

The International Association of Insurance Supervisors (IAIS) is a voluntary membership organization of insurance supervisors and regulators from more than 200 jurisdictions. The mission of the IAIS is to promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders and to contribute to global financial stability.

www.iaisweb.org

Access to Insurance Initiative (A2ii)

The A2ii is a unique global partnership working to promote inclusive insurance for all by enhancing regulatory and supervisory capacity, growing financial inclusion and advancing insurance markets.

It is the implementation arm of the IAIS on inclusive insurance. A2ii generates and disseminates knowledge, builds capacity, contributes to IAIS standard-setting, promotes learning and dialogues, supports regional and country implementation and gets involved in global advocacy processes.

www.access-to-insurance.org

Microinsurance Network

The Microinsurance Network is the international multi-stakeholder platform for microinsurance experts to work together and focus on key areas of development in the sector. Its mission is to promote the development and delivery of effective insurance services for unserved people by encouraging shared learning and facilitating knowledge generation and dissemination.

www.microinsurancenetwerk.org