

# Scaling up agriculture and climate risk insurance

## Technology and multi stakeholder approach



***SESSION HOSTED BY ILO***

# Agriculture and Climate Risk Insurance and SDGs





# Insurance



# Core questions

## Client value

Whether and under what circumstances does implementation of technology based tools and processes for microinsurance provide value to low-income households?

How to improve client value of products and services through technology implementation?



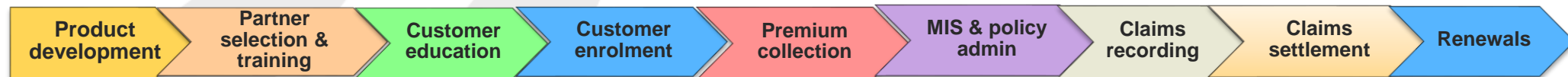
## Business case

How can technology contribute to viability and sustainability of microinsurance programmes for all stakeholders

How to enhance viability of technology led processes and tools : demand enhancement, products, channels!

# Business perspective

- Twin issues of building scale and reducing costs (efficiency)
- Presents a challenge for distribution and claims servicing



- “Essentials” in inclusive insurance and requires significant ability to control and adapt...technology can support these processes
- Ultimately the success depends on how people use technology-based interventions .... amplifies both good and bad business practices





# Technology based innovations to scale up inclusive agriculture and climate risk insurance



**SESSION HOSTED BY ILO**

*Presented by Ovia K. Tuhairwe*



**17 November 2022**

[www.e-mfp.eu](http://www.e-mfp.eu)

## Traditional approaches to animal identification

*We had various methods of identifying cattle such as*

- *Branding*
  - *Leg rings/ anklets*
  - *Tags*
  - *Paint*
  - *Tattooing*
  - *Ear-tags ( was most popular)*
- *With time these methods became obsolete and are prone to tampering and frauds*





## Challenges with the traditional approaches

The records of animals **were not maintained systematically**, No proper database was built to monitor the whole exercise

Tattooing of cows and their calves including bulls, was an exercise in vain, and failed to serve its intent purpose

**Different weight on ears created irritation hence infection** which resulted in change in the chewing and eating habits thereby affecting productivity

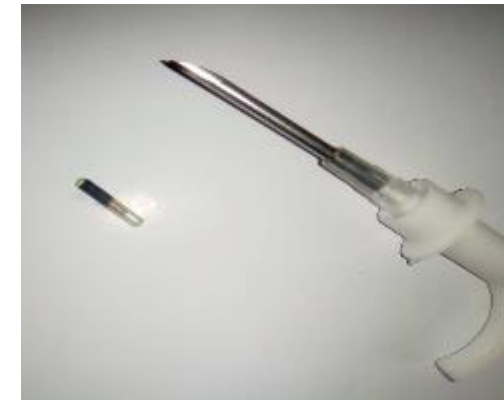
**Ear tags can be duplicated easily; loss of uniqueness in the number.** Hence, use of external ear tags in identifying insured cattle are often ineffective as they can be easily manipulated.





## Use of RFID MICROCHIP TECHNOLOGY in the Identification Process

- **All insured livestock are tagged using Radio frequency identification (RFID) micro - chip** for the purpose of identification
- **RFID is reliable, efficient and cost-effective method of tracking and identifying animals.** On the spot cover issued in real time
- **Less premium rate is charged because the transaction costs are kept in check & the process is easy,** and through the integration of the technology platform, information of each livestock is centrally monitored
- **Store more information** » same tag may be used for multiple uses like for healthcare & breeding data
- **Fast-track settlement of claims** » Accurate traceability for animal & disease management eliminates paperwork



# Farmers insurance benefits

*Financial support in the event of death of livestock*

*Adopt innovative and modern agricultural practices*

*Poverty alleviation and sustainable livelihood*

*Access to credit (for buying livestock)*

*Enhance productivity and commercialization*

 *Simple, easy to understand and transparent*

 *Affordable premium*

 *Simple claims process*

 *No waiting period and deductible*

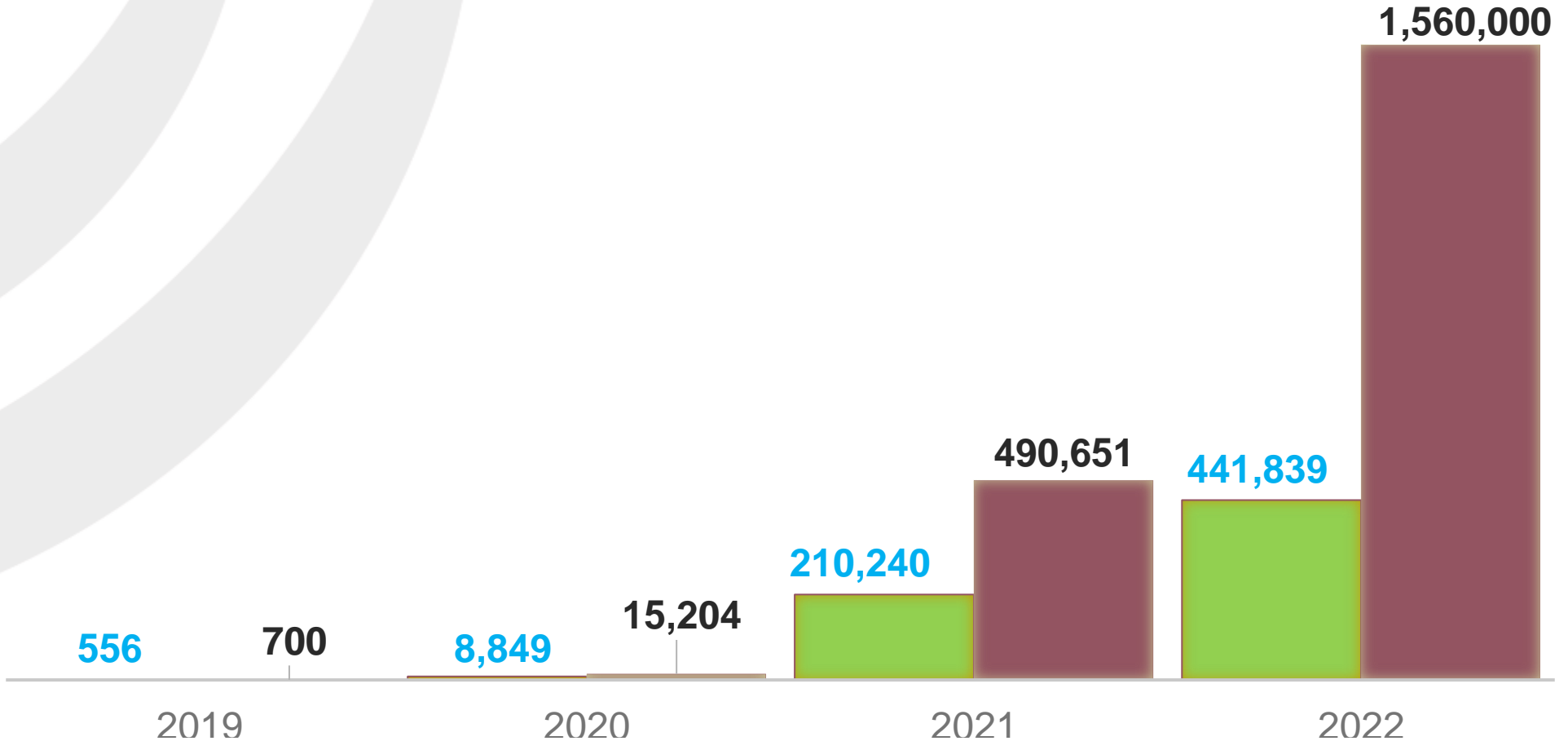
## Insurers benefits from the Digitalised Livestock Insurance scheme

- ❖ *Many Farmers are joining the scheme hence high client base*
- ❖ *It has enabled setting up uniform terms and conditions*
- ❖ *Efficient, transparent and uniform settlement of claims*
- ❖ *Has helped to cross sell some of other insurance products to farmers*

# TURIKUMWE microinsurance customer & premium growth (USD)

■ Number of clients ■ Premium collected(usd)

1600000  
1500000  
1400000  
1300000  
1200000  
1100000  
1000000  
900000  
800000  
700000  
600000  
500000  
400000  
300000  
200000  
100000  
0





# Tagging and identification





# Technology based innovations to scale up inclusive agriculture and climate risk insurance



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***Pedro Pinheiro***

## Climate change adds a layer to the compounding risk profiles of vulnerable populations



**Rural / Women**



**Urban Poor**



**MSMEs / Informal Economy**



Climate change adds a layer to the compounding risk profiles of vulnerable populations





## Challenges and tech-based solutions that help overcome them

- Trust / basis risk: area yield and field monitoring activities
- “Bring Mr. Satellite here” to witness our losses
- Financial literacy and product understanding: digital training and gamification (including on ‘good agricultural and climate adaptation practices’)
- Reach:
  - Alternative sales forces (e.g. gig insurance sellers)
  - Partnerships with existing channels
    - Input providers
    - FMCGs
    - Payment services
    - Savings platforms
    - Remittances
- Regulation and barriers to entry: sandbox
- Data for enrolment and claims processing: building upon existing operational infrastructure (including social welfare wallets)
- Open Finance

Agents are still the most commonly used distribution channel for inclusive insurance

# Technology based innovations to scale up inclusive agriculture and climate risk insurance



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***Hannah Grant***

## Supervisors' priorities in inclusive insurance



Enabling regulatory environment for innovation, scale and commercial sustainability

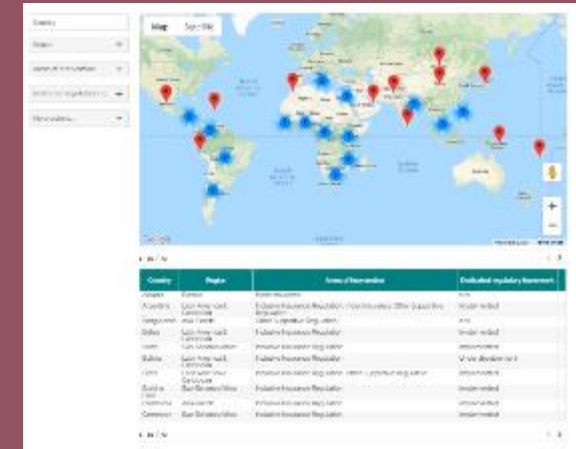
Protection of consumers with little income to spare and limited insurance experience

Financial stability

# Inclusive insurance frameworks

## A dedicated regulatory framework allowing....

Aspect	E.g.
<b>Licensing</b>	<ul style="list-style-type: none"> <li>• More types of underwriters permitted</li> <li>• Lower or simplified capital requirements</li> </ul>
<b>Product approval and features</b>	<ul style="list-style-type: none"> <li>• Simpler product approval</li> <li>• Product definition</li> <li>• Extended grace or cooling off periods</li> </ul>
<b>Distribution and intermediaries</b>	<ul style="list-style-type: none"> <li>• Ability to use alternative distribution channels</li> <li>• Lighter qualification or training</li> </ul>
<b>Disclosure and documentation</b>	<ul style="list-style-type: none"> <li>• Simplified minimum documentation and disclosure requirements</li> </ul>
<b>Premium collection</b>	<ul style="list-style-type: none"> <li>• Ability to use alternative means, or frequency of premium payment</li> </ul>
<b>Claims settlement</b>	<ul style="list-style-type: none"> <li>• Shorter claims payout timeline</li> </ul>
<b>Complaints handling</b>	<ul style="list-style-type: none"> <li>• Shorter response or resolution timeline for complaints</li> </ul>



Which countries and how?  
See the A2ii Inclusive Insurance Regulations Map:  
<https://a2ii.org/en/map>



# Inclusive insurance frameworks in 2022

36

EUROPEAN  
MICROFINANCE  
PLATFORM

18

connecting the inclusive finance world

IMPLEMENTED

**ASIA-PACIFIC**

- Cambodia
- China
- Chinese Taipei
- India
- Indonesia
- Malaysia
- Mongolia
- Nepal
- Pakistan
- Philippines
- Thailand

**LATIN AMERICA & CARIBBEAN**

- Argentina
- Belize
- Bolivia
- Brazil
- Costa Rica
- Mexico
- Nicaragua
- Paraguay
- Peru
- Venezuela

**MIDDLE EAST & NORTH AFRICA**

- Egypt

**SUB-SAHARAN AFRICA**

- CIMA\*
- Eswatini
- Ethiopia
- Ghana
- Lesotho
- Madagascar
- Malawi
- Mozambique
- Nigeria
- Rwanda
- South Africa
- Tanzania
- Zambia
- Zimbabwe

UNDER DEVELOPMENT

**ASIA-PACIFIC**

- Bangladesh
- Fiji
- Papua New Guinea
- Sri Lanka
- Vietnam

**LATIN AMERICA & CARIBBEAN**

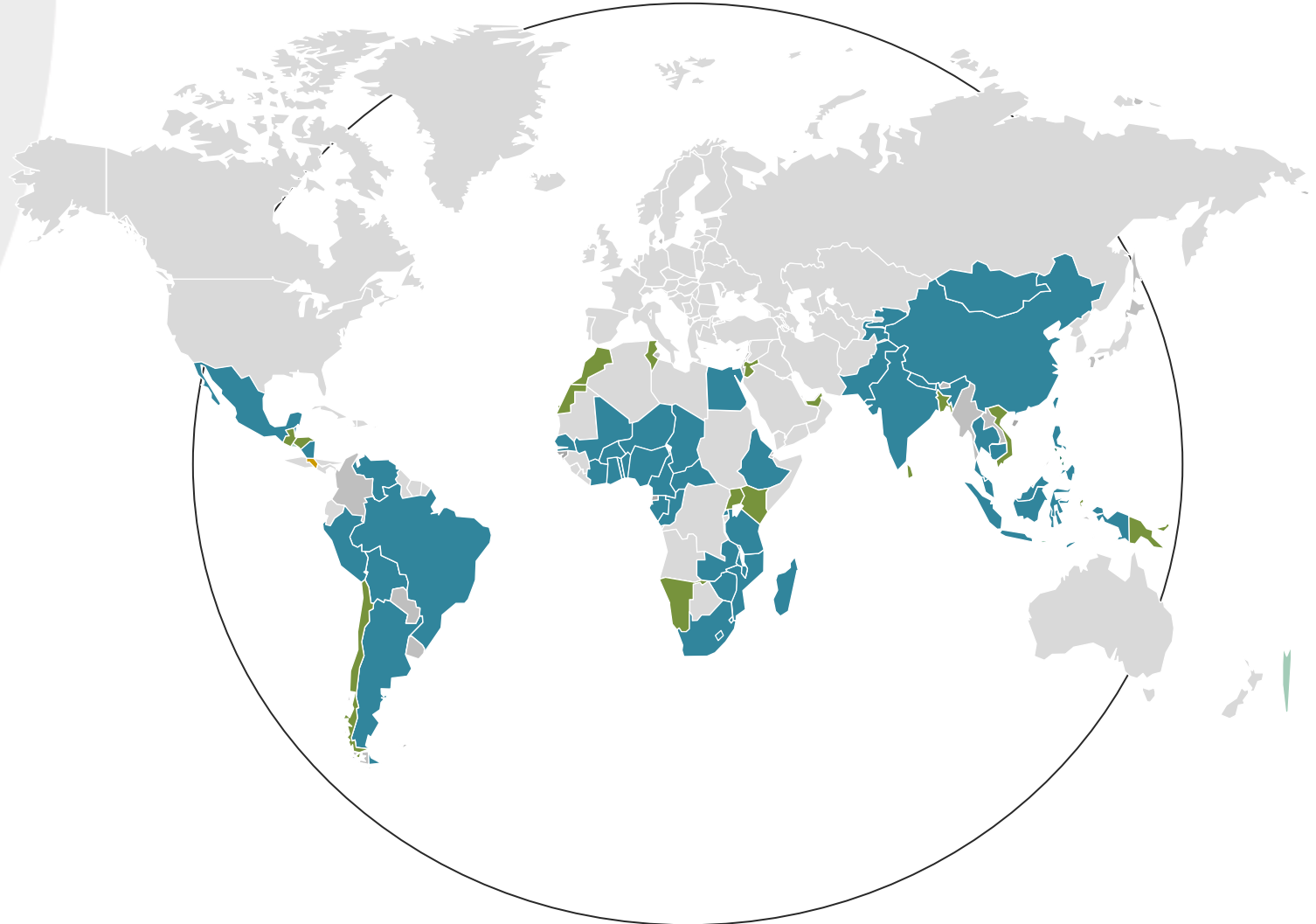
- Chile
- Colombia
- El Salvador
- Guatemala
- Honduras
- Jamaica

**MIDDLE EAST & NORTH AFRICA**

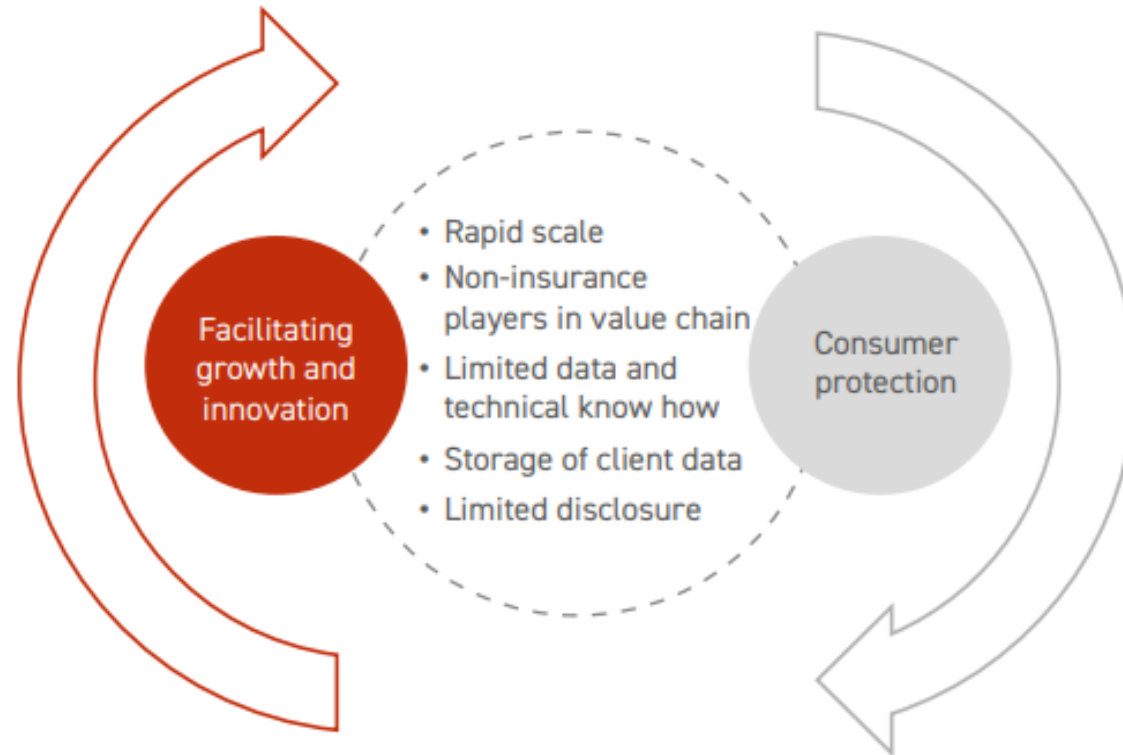
- Jordan
- Morocco
- Tunisia
- United Arab Emirates

**SUB-SAHARAN AFRICA**

- Kenya
- Namibia
- Uganda



# Supervisors' dilemma with digitalisation



# Facilitating digital innovation

- Proportionate regulation
- Consumer Education
- Coordination with other supervisors
- Pilots and test and learn approach
- Regulatory Sandbox
- A2ii innovation lab

## ....applying lesson learnt

- Success is defined by the customers
    - What matters to them is the experience, and that includes both sales and claims service experience
      - Aids in building trust...cornerstone of all relationships
    - Almost every process is different in along the value chain:
      - Distribution
      - Communication
        - Customer awareness different from customer education
      - Premium collection
      - Claims handling... Not only fair but seen to be fair!
- ..... Encouraging initial results of “disruptive” interventions  
Can regulations facilitate faster adoption....





***THANK YOU***

# Technology!!!

- “practice, the way we do things around here”
- “the practical application of knowledge especially in a particular area” and “a capability given by the practical application of knowledge”
- making, usage, and knowledge of tools, machines, techniques, crafts, systems or methods of organization in order to solve a problem or perform a specific function
- broadly defined as the entities, both material and immaterial, created by the application of mental and physical effort in order to achieve some value