

Access to Insurance Initiative

Regulating agricultural insurance - encouraging
responsible market development

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Agenda

1| The Access to Insurance Initiative (A2ii)

2| Agriculture insurance protection gap

3| The role of governments & insurance supervisors in closing the protection gap

4| Approaches to agricultural insurance

As implementation partner of the IAIS, we strengthen the **capacity** and understanding of supervisors to facilitate the promotion of **inclusive and responsible insurance**, thereby reducing vulnerability.



How we work



Agenda

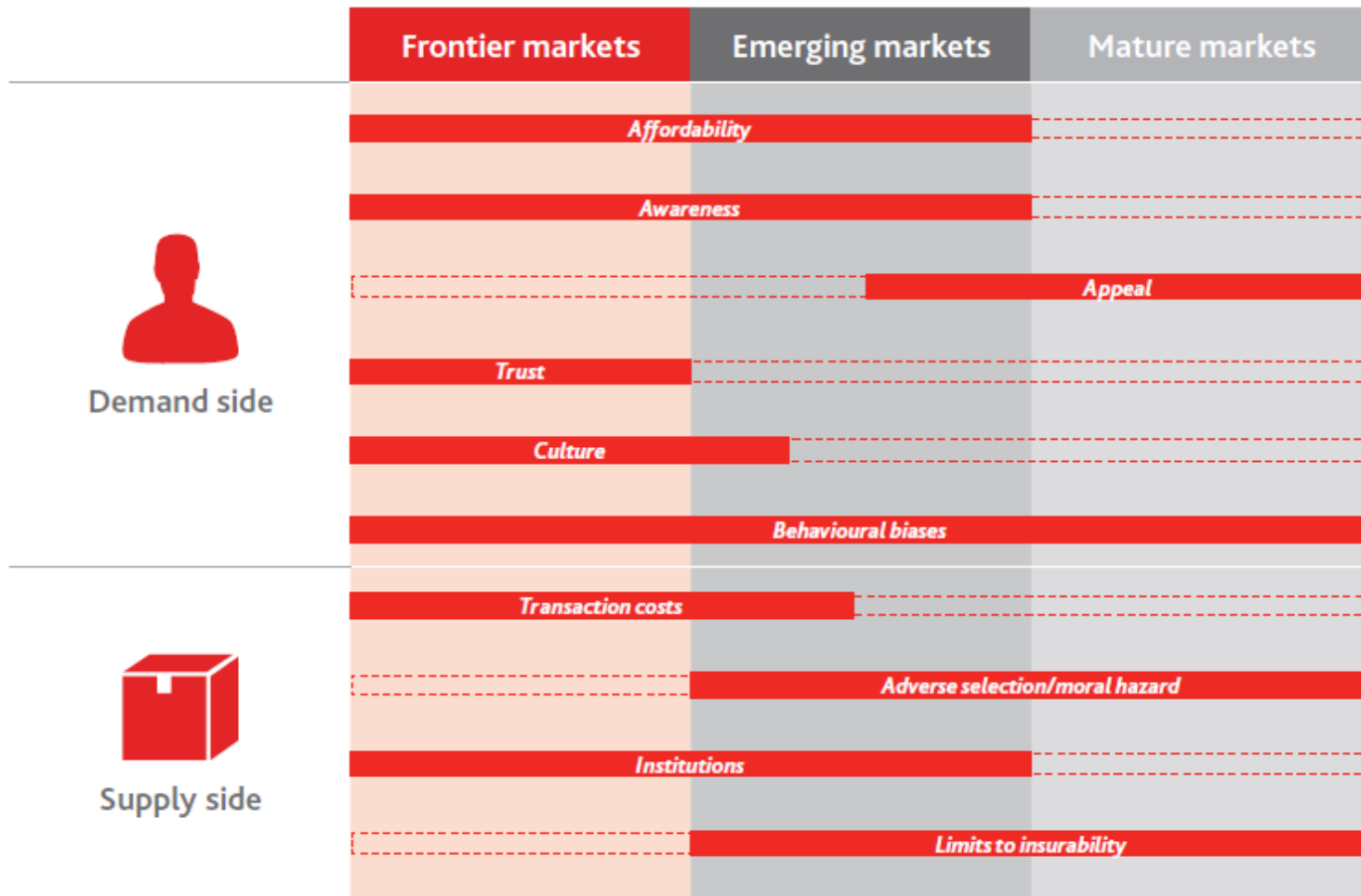
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Causes of insurance protection gaps



Source: The Geneva Association (2018): Understanding and Addressing Global Insurance Understanding and Addressing Global Insurance Protection Gaps.

Insurance protection gap in agriculture

- Lack of a clear framework
- Unconducive policy and regulatory environment *Institutions*
- Different expectations or understandings of agricultural insurance by different stakeholders
- Wide network of non-insurance related entities involved *Trust/
awareness*
- Low understanding of and demand for insurance
- Insufficient provision of public goods (data and insurance awareness) *Affordability/
transaction costs*
- Lack of sustainable business models for agricultural insurance

Insurance protection gap in agriculture

Index-based insurance

- Limited availability and access to good-quality data
- High costs of running the schemes
- Index-based agricultural insurance products are vulnerable to high basis risk

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The role of Governments

- Provide public goods, in particular data and financial literacy/insurance awareness
- Ensure outreach and scale
- Risk financing (e.g. by facilitating access to reinsurance or acting as reinsurer of last resort)
- Providing support for market infrastructure

Source: World Bank (2015): The Role of the Public Sector in Agricultural Insurance PPPs

The role of insurance supervisors

Insurance regulators are **key players** and need to play an **active part** in addressing the protection gap in agricultural insurance.

- A sound regulatory framework is required to enable a stable insurance market and protect policyholders
- Regulatory certainty as a success factor

The role of insurance supervisors

Areas of insurance regulation particularly relevant for agricultural insurance:

- (Sub) sovereign schemes/initiatives
- Consumer protection
- Legally recognise index products as insurance
- Supervise and monitor pilots
- Reinsurance – good operating insurance market
- Respond to emerging technological trends
- Impact of current distribution regulation on outreach

The role of insurance supervisors

Beyond pure regulation

- Stay at the forefront of initiatives to develop agricultural insurance
- Engage in dialogue with policymakers and industry on how insurance should be integrated into broader policy frameworks such as disaster risk management
- Coordination of stakeholders, e.g. multi-stakeholder steering committee, including:
 - Government
 - Other supervisors
 - Stakeholders in key areas such as data sharing
- Awareness creation/ financial education
- Continue building internal technical expertise and understanding of index insurance
- Encourage PPPs

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Different approaches

Regional insurance schemes:

African Risk Capacity (ARC), Caribbean Catastrophe Risk Insurance Facility (CCRIF)

National insurance schemes:

Fiscal support for agricultural insurance (often premium subsidies);
agricultural insurance pools (e.g. Ghana Agricultural Insurance Pool)

Public Private Partnerships

Thank you.

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