

**WEBINAR ON
“BUNDLING OF INDEX INSURANCE WITH FINANCIAL
AND NON-FINANCIAL SERVICES”
AUGUST 27, 2015**

Panelists:

François-Xavier Albouy, Vice President, PlaNet Guarantee
Michael R. Carter, Professor and Director BASIS Research Program, University of California, Davis
Shadreck Mapfumo, Senior Financial Specialist, World Bank Group
David Muigai, Actuarial Officer, ACRE

Moderator:

Pranav Prashad, Technical Officer, Impact Insurance Facility

To learn more about the questions answered during the webinar, please have a look at the page on our website: <http://www.impactinsurance.org/events/webinar/bundling-august-2015>. Here you may also view the recording and slides of the webinar.

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Additional Inputs from Panelists on a Few of the Questions

QUESTION: As per theoretical work on insurance and credit bundling and there 'should' be a lowering of interest rates by MFIs. However, in a project in Ghana we found that banks are unlikely to lower rates because they really do not know how to price weather risk when rating ag loans. I think this is a huge hurdle for meso-level bundled projects. Anyone know of any cases in which there are technical training programs for banks?



Shadreck,
World Bank
Group

I am not aware of a technical training facility that offers such training but the World Bank has expertise on how to evaluate the value of insurance and plan to offer such trainings in the near future.

QUESTION: Can indemnity insurance be bundled to loans as well?



David, ACRE

Sure this can be. But it would work well with medium scale to large-scale farmers.



Shadreck,
World Bank
Group

As you know, indemnity insurance is used to protect loans in developed economies. Its use in developing countries is limited because of the small land holdings of most rural farmers. The cost of administering a pure indemnity product for smallholder farmers would far outweigh the benefits. However, we believe it is possible to develop hybrid products that include both an index and an indemnity element. For such a product, farm visits would only be done if an index has failed to trigger and farmers report losses. Rapid technological development hold promise for success of such hybrid products as physical visits to actual farmers may end up being unnecessary, with images from GPS tagged field sent to insurers to claim estimations.



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The Indian Government's NAIS (National Agriculture Insurance Scheme) programme bundled indemnity insurance covers with credit. The current Modified NAIS (MNAIS) attempts to combine both indemnity and weather index covers.

QUESTION: How much data of farmers do aggregators have? And how can they be effective in passing on insurance details to individual farmers?



David, ACRE

It depends on the objective of the aggregator. Social enterprises and NGOs usually have information up to the farm level i.e. size of farm, inputs used, amount harvested. Other more commercial aggregators are mainly interested in the amount of investment per farmer. Since the aggregators have existing relationships with the farmers, insurance is viewed as a value add.

QUESTION: In order to expand index insurance in most low income developing countries: is there any reliable mechanism to collect weather data in countries with insufficient or unreliable official sources?



David, ACRE

Ground validation (using rain gauge data) of free satellite data sources is one of the ways to cover this challenge. Once comfortable with satellite calibration, indices can be built off that.

QUESTION: During a current small survey in Senegal, I have found that insured farmers through aggregator were not aware of their situation till they get ministered and received payouts. After that, they approved the contracts and influenced the others which are not insured. My question is this: Can payouts replace farmers' education and sensitization?



David, ACRE

Surveys have shown retention (farmers purchasing insurance in subsequent seasons) is higher in areas that have had a payout as opposed to areas that have had no payouts. Payouts enhance farmer appreciation of the value of insurance as they don't see it as a lost investment.



Shadreck,
World Bank
Group

My opinion is that farmer education is key. If we want farmers to change behavior and invest more in risky farming activities, they need to know that they are insured. If insurance is kept a secret, farmer behavior will not change and so they will continue practicing safe farming with low yields and consequently low income.



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The paper on "Beyond slogans: Good practices in promoting microinsurance products" shows a number of insurers celebrating claims in public to further promote the product and build trust, including ILRI (page 28) and Microensure (page 39):

<http://www.impactinsurance.org/sites/default/files/mpaper22.pdf>.

There are also some related discussions in the paper "The moment of truth: Claims management in microinsurance", particularly in the section on community-based claims practices: <http://www.impactinsurance.org/publications/mp28>.

QUESTION: In India, has any one tried bundling fertilizer bag with indexed insurance?



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Example of bundling of index insurance covers with seeds in India, and its distribution through seed cos, one was undertaken by Pioneer Seeds in Madhya Pradesh and you can peruse a paper on the same: <http://www.slideshare.net/IFMRCIRM/innovative-microinsurance-distribution-pioneer-seeds-10377648>.