About the Project

Project Name: Comprehensive agriculture risk management project -- WRMS
Type of Facility Project: Microinsurance innovation grantee
Country of Operation: India
Region: Asia and the Pacific
Sub Topics: Business viability, Other channels, Data analysis and processing, Client interface, Subsidies, Claims, Mobile network operators, Partnerships, Improving value, Value-added services, Agriculture, Transaction processing
Type of Risk Carrier: Regulated insurance company
Type of Distribution Channel: Agriculture output buyer (e.g. food processing company)

Organizational Overview

Weather Risk Management Services Ltd (WRMS) has played a pioneering role in developing the alternative agriculture insurance market in India to protect Indian farmers. This work involves developing and implementing a weather insurance contract, getting regulatory approval, building institutional capacities, linking Indian insurers with the international reinsurance market, preparing commodity exchanges for weather trading, advising the government on insurance subsidy, and developing low-cost technology to bring down administration expenses. The efforts of WRMS has enabled over 250,000 farmers across the country to access coverage under its various agriculture risk management services.

Project Description

WRMS set up a project to test a weather index insurance package called Comprehensive Agriculture Risk Management (CARM) in two remote districts in India: Howrah in West Bengal and Kamrup in Assam. The two districts did not have the weather infrastructure required to underwrite weather contracts, disseminate weather information, or provide quality forecasts that allow farmers to take preventative measures to save crops. WRMS proposed installing approximately 50 automated weather stations. It p...

Beneficiaries

The project targets farmers and their families in the regions of Howrah and Kamrup, covering about 250,000 hectares and offering coverage to more 50,000 farmers over the 2-year project period. Most of the farmers are involved in small-scale agriculture (< 1 hectare of land) and traditionally grow potatoes and rice paddy.

Learning Agenda

- How does the Comprehensive Agriculture Risk program affect small-scale agriculture production (access to credit, productivity, agriculture practices, attitude to risk)?
- What determines demand for index insurance by small farmers and how it can be stimulated?
- How to make index insurance commercially viable?
- What is an optimal contract that limits basis risk?

Project Status

Key Performance Indicators
Project Updates
As of October 2010 During Rabi 2009/10 (winter-spring harvest) and Kharif 2010 (summer-fall harvest), WRMS installed automatic weather stations and developed information technology to provide weather risk information for the surrounding area. They designed the weather insurance contract focusing on potato and paddy farmers in Howrah and Kamrup, respectively. The contracts covered excess rainfall and temperature perils for the Rabi crops, and water deficit and excess temperature perils for the...READ MORE [2]

Project Lessons
On determining the demand for index insurance by small farmers The experience of WRMS suggests that insurance providers should keep contracts short, modular and comprehensible. This will help increase the demand for the insurance product as well as reduce the costs associated with delivery and outreach. However, the increased number of product options makes the operations complex, especially when sales and information entry are done manually, and incre...READ MORE [2]

On the profile of those who purchase index insurance School education had a significant impact. WRMS found that farmers who had at least primary education were more likely to buy the product than those with no education. Access to borrowing can positively impact the update of weather index insurance. The percentage of clients (86 per cent of paddy farmers and 5 per cent of potato farmers) financing inputs through borrowing is significantly higher than non...READ MORE [2]

On making index insurance commercially viable Technology can be key to reduce costs and errors. The use of technology, particularly mobile services, can reduce costs drastically, including outreach costs. In the case of WRMS, at least three interactions are required to register. While the premiums are low (IDR 400-500 per unit), the interactions cost 20 per cent of the total premium. Mobile technology has the potential to minimize the costs associated with d...READ MORE [2]

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