



INSURANCE TOOLKIT

Knowledge brief

Engaging smallholder farmer communities to develop index-based insurance: Building buy-in and a sense of ownership

By John Caroll

Introduction

Working closely with communities is an effective way to implement inclusive insurance projects.¹ This is especially true for index-based insurance as project teams must ensure that complex intangible concepts, such as satellite data and triggered index values, are understandable and relevant to farmers.

Climate change affects rural poor people disproportionately; they have contributed least to causing it² and suffer the harshest consequences. Often farmers risk losing their main source of food and income when a climate shock occurs (e.g. drought, excess rain or pests). This may push families into unaffordable debt, and force them to sell productive assets or go hungry. Inclusive insurance can help rural community members manage climate-related risks and can be used to provide a safety net to farmers so they do not fall back into poverty when disaster strikes.

Research shows that insured households that receive a payout are 36 percentage points less likely than the uninsured to sell assets, and 25 percentage points less likely to reduce meals.³ In addition, agricultural insurance can facilitate access to loans, or personal insurance can protect the policyholder and their family if there is a critical health event or death in the family.

Index-based agricultural insurance addresses climate risk for farmers by using a predetermined index (e.g. a particular rainfall level that is closely associated with losses and can therefore be used as a proxy) to trigger payouts. This is in contrast to an indemnity-based claims settlement process, which requires actual loss assessment.⁴ While there are many benefits to index-based insurance (e.g. low administrative costs once established, timely payouts), they can often become intangible for insurance users because the processes and data being collected and analysed can be far removed from their fields and their local realities. Engaging communities and enabling them to contribute to designing a valuable insurance product can be an effective way to create trust, a sense of ownership and to overcome barriers that often leave rural development initiatives unsustainable after pilot stages. This knowledge brief explores the benefits of and rationale for community engagement in index insurance initiatives, with examples from a pilot project in rural Ethiopia.

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Community engagement and its role in index insurance initiatives

What is community engagement?

“Community engagement” in a project essentially means that community members are enabled to play an active role in design and implementation, and that the project team values and includes their inputs, rather than regarding them as passive “beneficiaries” and placing a readymade concept in front of them. Community engagement can be expected to positively influence project design, activities and impact. An engaged community member is one who:

- **Participates** in insurance product research, design and implementation (and in some cases in monitoring).
- **Buys into the initiative** by investing their time and resources in the project’s activities, products and services.
- **Provides feedback** to improve the product or process design.

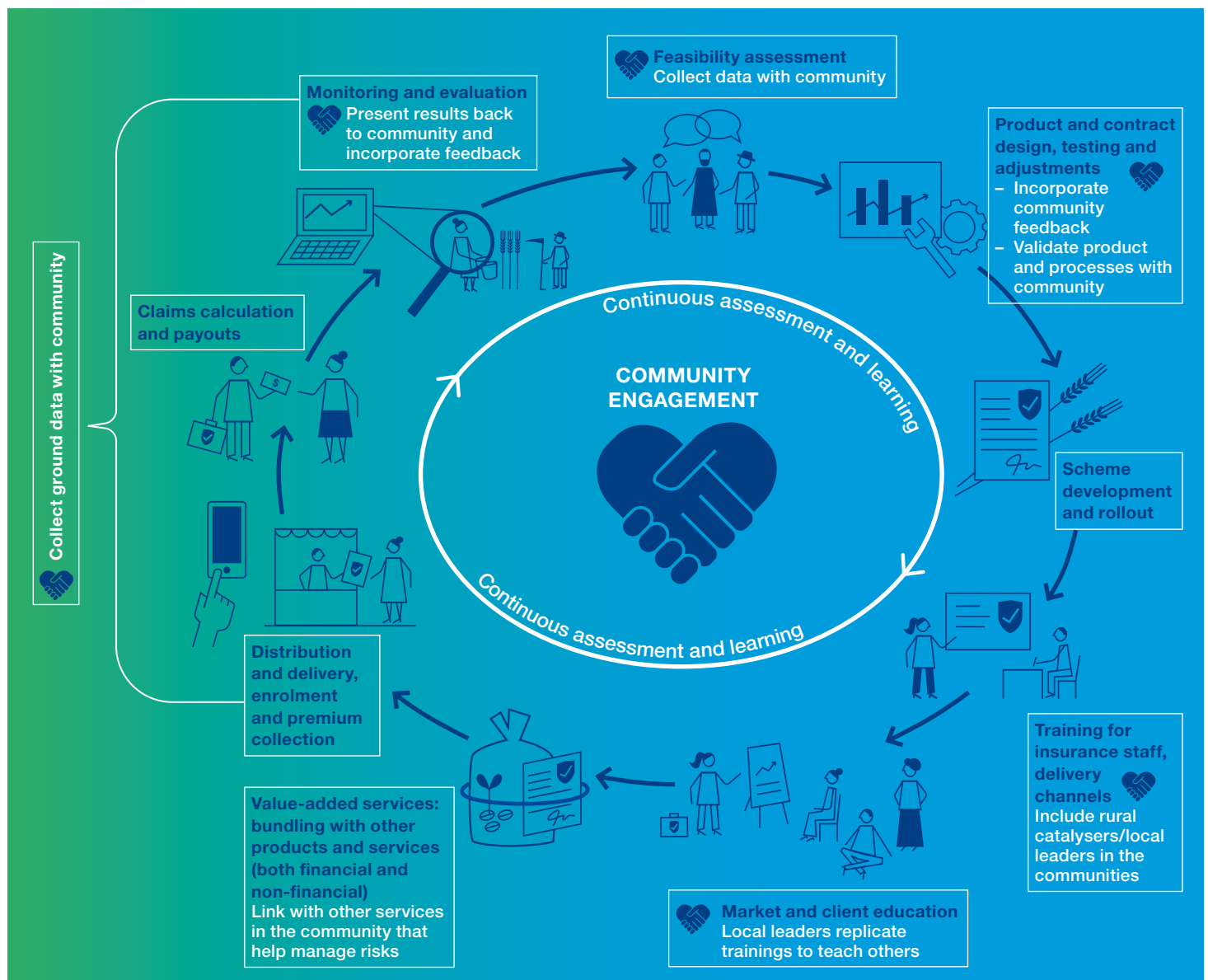
- **Proactively promotes** the insurance product to other members of the community.

When looking at the product development lifecycle for rural index insurance projects, communities can be engaged throughout the entire cycle. There are distinct points at which community contributions are crucial to success, which are indicated in Figure 1.

Overall, index insurance initiatives that engage community members have the potential to benefit by:

- **Improving the insurance product and processes**, so that they become even more relevant to the insured and community.
- **Increasing the numbers of people taking out insurance**, as a result of a stronger sense of understanding, ownership and relevance for community members.

FIGURE 1 INDEX INSURANCE PROJECT CYCLES
Opportunities to integrate community engagement practices



Case study: Index insurance and community engagement in Tigray, Ethiopia

Overview of the project

As part of the IFAD-funded grant project “Managing Risks for Rural Development: Promoting Microinsurance Innovations”, the MicroInsurance Centre at Milliman (MIC@M) piloted and launched a weather index insurance product with farmers in Ethiopia under the IFAD-supported Participatory Small-scale Irrigation Development Programme II (PASIDP II). Implementation activities took place in three pilot sites in Tigray from 2019 to 2020. The insurance product helps mitigate the effects of drought or irregular rainfall on rainfed crops by providing a direct payout to the enrolled farmers. Payouts are triggered according to indices based on satellite data that measure rainfall and vegetation. Throughout the insurance initiative, the project team⁵ coordinated with local community members, including local leaders, to gather their inputs and to share key information with project participants. They were also involved in collecting ground data to verify the situation in the field and triangulate the rainfall and vegetation data, and they provided valuable feedback on the project.

Local project coordinator on the team

The MIC@M team recruited a local coordinator as a core team member. While experience in insurance, microfinance or rural development was sought during the recruitment process, other important skills included the ability to facilitate group sessions and to coordinate with diverse stakeholders in rural communities. The coordinator selected for the Tigray region was based in Mekelle and able to reach the insurance pilot sites by car. He built up a relationship of trust with pilot communities early on in the project, conducting various information sessions and generally making himself available in person or by phone. This had a positive influence on the

team’s ability to gather community input from local leaders and potential insurance customers/farmers to better shape the insurance product features, identify preferred distribution channels and improve product processes. Once trust had been created, local leaders from an established irrigation committee volunteered to replicate insurance information sessions for others in the community. During Tigray’s 2019 enrolments, 20 per cent of the farmers who were informed about the product, either by the local coordinator or by the trained local leaders, chose to enrol. While this was an encouraging enrolment for the first year of a pilot project, more data would need to be collected to draw a solid conclusion on the correlation between community engagement and enrolments. However, MIC@M believes that the clear communication, repeated interactions and trust-building all played a positive role in encouraging farmers to sign up, despite the fact that limited time was available for enrolment after the index design had been finalized.

Ground data collected by the community

One community member in each of the three sites, known as a “relay”, collected non-satellite ground data, which included rainfall data and photo records on the development of the vegetation. The Irrigation Water User Association board members of the PASIDP II beneficiaries, together with community leaders recommended the relays for their role. Relays were given training, a small stipend and a smart phone. They were responsible for taking progression photos of the fields each week on a specific day and at a regular time in order to record and analyse the lifecycle of the crops through their full growing period (Figure 2). The relays also collected rainfall measurements from rain gauges installed at each community pilot site. This contributed

FIGURE 2 PHOTOS OF CROP DEVELOPMENT PROGRESSION FROM EARLY JUNE TO LATE OCTOBER IN TEKHEA, TIGRAY, TAKEN BY THE LOCAL RELAY



85 per cent of insurance users voluntarily chose to attend agricultural training sessions

to a sense of ownership of the data being collected at the local level. While the satellite data provided a contractual basis for triggering payouts, this ground data served as a tangible way for community members to conceptualize how measuring rainfall levels can allow for the insurance product to work. The ground data also served to loosely validate the fact that the satellite data matched the realities faced in the fields. The insurance initiative also benefited by identifying the community relays as key points of contact, whom farmers could call if they had any questions or required any additional information.

Holistic risk management

In addition to the weather index insurance, or risk transfer component, the project team incorporated a risk reduction component in the form of agricultural extension services linked with a partnership between IFAD and the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT). This involved biweekly training sessions and accompaniment from agronomists at key points in the seasons to help women and men farmers better manage risks by improving their farming techniques (e.g. introducing new commodities, fruits and fodder, adapting clustering and intercropping approaches). While the training services and the insurance product were intended to complement one another, insured farmers were not required to participate in the trainings. Nevertheless, 85 per cent of insurance users voluntarily chose to attend the sessions.⁶ This high percentage is believed to be a result of the fact that community members

were actively engaged in the insurance initiative and motivated to take a holistic approach to risk management rather than relying solely on insurance.

Post-pilot follow-up visits with pilot communities

After the first season of insurance sales, the project team and the local project coordinator led follow-up discussions with the communities to understand how the insurance initiative could be improved. The trust and transparency that had already been established allowed community leaders to make suggestions based on the feedback they had received from insurance users. These suggestions improved distribution options (such as offering premium payments through the local rural savings and credit cooperative organizations) and claims processes for the following season. In addition, leaders shared valuable ideas that influenced planning beyond the pilot, such as incorporating hail and frost coverages and expanding to neighbouring communities.

The insurance pilot captured only a small sample size, and there were many challenges in the region, the country and the world during the pilot period (including telecom shutdowns, sociopolitical crisis, violence, war and the COVID-19 pandemic). Nevertheless, the project team learned important lessons on the benefits of engaging communities, which have been translated into principles that can be applied to future projects.





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COMMUNITY RELAYS AND LOCAL PROJECT COORDINATOR INSTALLING GROUND WATER GAUGE



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LOCAL PROJECT COORDINATOR GATHERING PROJECT FEEDBACK FROM COMMUNITY LEADERS

LESSONS LEARNED:

FIVE PRINCIPLES OF COMMUNITY ENGAGEMENT FOR INDEX INSURANCE INITIATIVES

Trust is the foundation of community engagement and needs to be prioritized when setting up insurance initiatives

(1) Build a model of trust.

Trust is the foundation of community engagement and needs to be prioritized when setting up insurance initiatives. Local communities' trust needs to be built up – trust in both the insurance product and the insurer. The following are key topics to consider:

- **Project team:** Having consistent team members conduct repeated visits to the community helps to establish trust with rural community members. If team representatives continually change, trust is harder to build, and it is more difficult for community members to voice their ideas or raise questions. The team must be balanced, and must include locally based coordinators who understand the contextual nuances and can be approached with confidence by community members when they have questions. Gender and ethnic, racial and/or cultural diversity across the project team should reflect the project's objectives.
- **Insurer involvement:** Community members must establish trust in the insurance company as well. For this reason, it would be ideal for the locally based coordinator to work closely with a representative of the insurer. Insurers must strategically appoint their own coordinators who fit the right profile based on the project's needs. Three of the most relevant qualities for most index insurance projects are: 1) cultural humility or the ability to listen to and understand the needs of people with low incomes; 2) the ability to facilitate group sessions and communicate clearly in the context of the community; 3) the ability to answer all the questions and address all the concerns raised by the community to the insurer.

(2) Value local roles and input.

Community members' voices should be valued by the project team to increase the relevance of the insurance activities and the community's sense of ownership. The following are key topics to consider:

- **Inclusion throughout all phases,** not just during demand research. Insurance initiatives should be designed to include roles for community members, with activities such as insurance education campaigns, ground data collection and group feedback discussions.
- **Inclusion of diverse community members,** from key leaders to average community members, women and men. Giving more roles to a variety of people will allow the project to be better customized to the local cultural context.

(3) Integrate participatory components into research.

- **Research design** should intentionally include roles for community participation, especially for data collection. It's not about doing a study "on" or "for" a population, but rather "with" a population. This will help participating community researchers have a firmer understanding of the realities that exist within their community and become better advocates to shape the development of the insurance initiative and product and to promote it within the community.
- **Motivation and compensation.** Community researchers should be motivated to see the well-being of their community improve as a high-level result. Collecting and understanding first-hand data has the potential to create strong advocates who will promote the initiative to others. To identify the right people to support research, reliance on community leaders is typically the most appropriate method. Compensation for community researchers is appropriate to acknowledge that participation in the research is taking the place of valuable working hours.

(4) Transparently share data from different sources back to communities.

While it is important for project and managerial staff to analyse the data collected, it is not exclusively for this purpose. Ground and satellite data should ideally be shared back with the wider community to add a new layer of transparency and trust for the product and the insurer. This is also a way to keep the community engaged throughout the project in order to:

- **Better understand trends.** Sharing data creates an opportunity to get feedback and to understand early if any trends in the data are not meeting the community's expectations. For example, poor vegetation growth as shown by satellites might indicate that the season is receiving an inadequate amount of rainfall, but by collecting and discussing ground data with community members, the project team might learn that a locust plague is significantly reducing the crop development. When engaged community members and project team members come together to understand trends, it can help shape the future of the insurance initiative and indicate the need to integrate more complementary trainings or services that meet the risk management needs of the community.
- **Empower local community members.** When possible, the data-sharing should be conducted in conjunction with the local coordinators and the community members and leaders who participated in the research and data collection. This will help the wider community see and understand that the project is not just driven by insurance experts, but that there are levels of co-design that are taking place through participatory methods.

(5) Use the community information to improve the insurance initiative.

After obtaining feedback and insights from the community, actively seek to incorporate their ideas and translate them into improvements to the initiative. Report back to the community explaining the connections between their feedback and the improvements that were made. This will encourage them to keep sharing and ensure that they realize that their feedback is making a difference. If some feedback cannot be incorporated, make sure to explain why (e.g. "We heard the feedback that there is demand for increased coverage and types of risks covered, beyond drought; however, the resulting increase in premiums would be higher than your expressed willingness to pay").

When project teams make a conscious effort to incorporate the principles of community engagement throughout their insurance initiatives, it requires the dedication of time and resources. Working with the community may seem to increase costs initially but has the potential to contribute to the sustainability of the insurance activities and the community's commitment to risk management.

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INSURED

is a US\$6 million programme financed by Sida (the Swedish International Development Cooperation Agency) and implemented by IFAD through the Platform for Agricultural Risk Management (PARM). The five-year programme's goal is threefold:

- increase the resilience of poor rural households in the face of climate risks
- build their capacity to manage risks
- strengthen their livelihoods.

READ MORE

www.ifad.org/en/insured
www.ifad.org/insurance-toolkit

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Notes

1 Encompassing all insurance schemes aimed at excluded or underserved markets, the term “inclusive insurance” includes microinsurance and agricultural and climate risk insurance for poor farmers. Within inclusive insurance, “microinsurance” refers to insurance that is specifically designed for and accessed by low-income populations. For more details on the terminology, see: Issues Paper on Conduct of Business in Inclusive Insurance (IAIS, 2015), Issues in Regulation and Supervision of Microinsurance (IAIS, 2007) and Proportionate Regulatory Frameworks in Inclusive Insurance: Lessons from a Decade of Microinsurance Regulation (A2ii, 2016).

2 World Population Review, 2022. <https://worldpopulationreview.com/country-rankings/greenhouse-gas-emissions-by-country>

3 Jansen & Carter - University of California Davis (2013). The Impact of Microinsurance on Consumption Smoothing and Asset Protection: Evidence from a Drought in Kenya.

4 What is index insurance? <https://www.indexinsuranceforum.org/faq/what-index-insurance>

5 The project team was comprised of a local project coordinator and international agri-insurance specialist, with remote support from a microinsurance specialist and a project manager. Insurance company regional staff members were involved throughout activities to build capacity for project handover.

6 Data extracted for ICRISAT household survey 2020. Sample size: 85 insured farmers in Tigray.