



## INSURANCE TOOLKIT

# Technical tool

# How to carry out a rapid diagnostic for agricultural and climate risk insurance:

## Who to talk to, what questions to ask, and why

### Key points

- A rapid diagnostic of agricultural and climate risk insurance lays the groundwork for sound decisions regarding the design and effective implementation of an insurance workstream.
- It helps to identify feasible entry points for projects to integrate insurance with other measures in the agricultural value chains.
- A diagnostic:
  - Identifies challenges and opportunities regarding the supply of agricultural and climate risk insurance, and regarding the demand for such insurance.
  - Maps the enabling environment, including areas of the policy, legal and regulatory framework applicable to agricultural and climate risk insurance that could hinder or promote the development and implementation of an insurance workstream, and data and technology infrastructure.
  - Provides practical recommendations on how to overcome constraints related to insurance, and how to make the most of opportunities that will benefit the project's target group and the overall intervention.

### BOX 1 THE PURPOSE OF THIS TOOL

- **INSURED** has developed this tool for use during the design phase of rural development projects in which agricultural and climate risk insurance may play a supporting role. Rapid diagnostics can also be carried out during implementation, although this is not optimal. This tool is for the professional or team carrying out the rapid diagnostic and is intended as a reference particularly for those who are not experts in agricultural insurance. It outlines information to be gathered; identifies stakeholders, clustered under three main focus areas (supply, demand, enabling environment); and includes lists of guiding questions.
- Questions should be selected taking account of the time available and the purpose of the diagnostic. It will not be possible or useful to ask all the questions. A rapid diagnostic carried out along the lines proposed will show how conducive the market and policy environment is to the development of insurance-related initiatives, and lay firm foundations for integrating insurance activities into project design and implementation measures.

## Rapid diagnostics: why, when and who

### Why carry out a rapid diagnostic for agricultural and climate risk insurance and when?

A rapid diagnostic is an essential first step that enables a project team to understand whether agricultural and climate risk insurance would be suitable and feasible in a project context, as part of a holistic approach to agricultural risk management and rural development. A diagnostic helps to identify gaps and opportunities to lay the groundwork for the sound design and effective implementation of a responsible insurance workstream.

A rapid diagnostic is best carried out during the design phase of a project, although it can also be undertaken during implementation, prior to beginning any insurance activities. It can be done within the main project design mission, or if possible, partly or fully before the mission takes place, sometimes within the concept note phase.

An early diagnostic provides a snapshot of the context for agricultural and climate risk insurance. It generates a realistic, up-to-date picture of the situation, with clear recommendations. It will make it possible to identify information gaps, develop appropriate activities, set aside adequate budgets and define implementation modalities. Importantly, a diagnostic will help identify stakeholders and potential partners.

A diagnostic will identify feasible entry points and foster the integration of insurance with other development or risk management activities within a project design, in support of common objectives. This will help to define insurance timelines and sequencing with other related project activities. [TABLE 1](#) shows an example of key content that could be included.

### Who should carry out the rapid diagnostic?

Ideally, an insurance expert will carry out the rapid diagnostic. Where this is not possible, it can be carried out by the design mission's rural finance expert, or by an expert in climate or value chains. Good coordination with all the experts on the design team is required to obtain supplementary information on the project context that may be relevant for insurance.

## What to look for in a rapid diagnostic

**Focus on challenges and related opportunities to outline an insurance strategy that is integrated with the project's approach to risk management.** A rapid diagnostic provides a broad assessment identifying context-specific challenges and opportunities for the development of agricultural and climate risk insurance. Common challenges include low awareness of insurance, or difficulty experienced by the target group in accessing appropriate insurance offerings. Related opportunities can include

using farmer training sessions with cooperatives or veterinary professionals to raise awareness and understanding, or involving aggregators the project works with in insurance product distribution and support to claims handling. Where insurance is found to be appropriate, an analysis of the findings would help outline a feasible and sustainable strategy for insurance support that is integrated into a project's holistic risk management or rural development approach.

**A diagnostic identifies key stakeholders, and maps and clarifies the conditions relating to insurance supply and demand.** It also identifies other factors relating to the enabling environment, including policy, regulation, supervision and data infrastructure, that could enable or hinder the development of valuable products and distribution models for agricultural and climate risk insurance. [TABLE 2](#) shows principal stakeholders according to the three focus areas.

**A rapid diagnostic is not intended to replace other more in-depth assessments at a later stage;** these may be recommended within the project design as a result of the diagnostic. More focused assessments could include value chain risk assessments and feasibility assessments. If the rapid diagnostic identifies a clear need, opportunity and willingness on the part of the stakeholders involved to add insurance, a feasibility assessment should be carried out during implementation. This will define product details, distribution modalities and awareness-raising work required, as well as capacity-development measures. If a rapid diagnostic finds a gap to inform national programme planning, policy/regulatory changes, and/or provide support to the insurance sector as a whole, then a country assessment or a strong technical assistance component may form part of implementation activities.

## How to carry out a rapid diagnostic

➔ **Gather insights in an efficient and timely manner.** A rapid assessment can typically be carried out by one person in a minimum of two weeks and a maximum of four weeks. This includes all data and information collection, review and analysis, and development of a report and/or project design inputs.

- Avoid reinventing the wheel; build on existing agricultural risk assessments and/or insurance, climate or disaster risk finance or demand assessments by other development agencies within the country or project context.
- Adopt a mixed approach to gather insights from all relevant stakeholders. This can be done through thorough desk research and interviews with stakeholders, and supported by focus group discussions (FGDs) where possible. Refer to the guiding questions in [TABLES 3, 4](#) and [5](#) to gather insights from stakeholders and the target group.

For more information on assessing value chain risks: [Assessing value chain risks to design agricultural risk management strategies: A practitioner's toolkit.](#)

For more information on feasibility assessments, and model terms of reference, see [the Insurance Toolkit.](#)

→ **Identify and clearly present the challenges and opportunities.** A SWOT analysis approach (see [TABLE 6](#)) can be adopted, where findings are assessed as strengths, weaknesses, opportunities or threats linked to the effective integration of an insurance workstream into project activities. On this basis, a decision can be taken on whether to include insurance within a project design or what types of insurance activities are needed.

→ **Make practical recommendations.** A rapid diagnostic should clearly present how the constraints identified can be addressed by the project and how the project can take advantage of the opportunities identified. Recommendations should be practical and actionable. They should contribute to the objectives of the project and be tied to budgets and timelines. Note that there may be constraints in the sector that the project will not be able to address. These should also be identified for the sector dialogue (and perhaps other agencies to support).

**TABLE 1 KEY CONTENT OF AN INSURANCE RAPID DIAGNOSTIC**

A rapid diagnostic should capture the following categories of information. The breadth and depth of the diagnostic will depend on the objectives and the time available. Initial gaps or opportunities identified by the diagnostic may also be further investigated with subsequent assessments, if that is a recommended activity.

1. **Context (general, risks, agriculture, finance):** relevant country context factors, including levels of financial inclusion and agricultural sector description.
2. **Agricultural and climate risk insurance overview:** the agricultural and climate risk insurance products and programmes (formal, semi-formal, informal) available in the country; key stakeholders.
3. **Supply:** Factors relating to the offer of agricultural and climate risk insurance products and schemes in the country that could be relevant for the development of an insurance approach envisaged in the project context. These factors include risk carriers/insurance companies, distribution channels and aggregators (from the financial sector and others), available products, the value of these products to the agricultural sector, and other stakeholders involved. Identify key sector players and their involvement.
4. **Demand:** General factors relating to the population segments that are targeted to benefit from insurance, and factors that are relevant to the insurance approach envisaged. These include identification of stakeholders participating in agricultural value chains; their needs and particular characteristics; their risk exposure with a special focus on climate and disaster risks; the mechanisms they use to manage their risks; and their perception and use of insurance, including personal insurance such as accident, life and health insurance, which can also be a form of climate risk insurance. Identify the need for education and annex FGD results, if conducted.
5. **Enabling environment:** Government and development actor involvement and interest, as well as factors that generally function as enablers of sustainable agricultural and climate risk insurance products and schemes. These factors include policy (e.g. commitment, subsidies), supervision and regulatory approaches, and data and technology infrastructure, as well as relevant engagements of other development actors.
6. **SWOT analysis of the sector:** Categorize the information outlined above using a SWOT analysis approach (see [TABLE 6](#)). Identify how the project can leverage existing structures for insurance purposes.
7. **Conclusion and recommendations:** Reach a conclusion as to whether the project should support insurance activities and/or indicate where further assessment may be needed. (See [BOX 2: TAKING A DECISION.](#)) Present recommended activities to overcome obstacles and to make the most of opportunities that will increase access to appropriate agricultural and climate risk insurance. Recommendations should be practical for the intended insurance workstream, in line with the project's objectives, and aim to promote the development of a sustainable agricultural and climate risk insurance sector in the country.
8. **Annexes** should include references, organizations and persons interviewed, results from FGDs where available, data collected and further areas of research recommended.

## Who to talk to and guiding questions

The rapid diagnostic should address the following key issues:

- **Situation analysis.** What are the main challenges and opportunities at the level of supply, demand and the enabling environment that could impact the insurance workstream?
- **Valid entry points.** What can the project easily do to make a difference to risk transfer for farmers? How can the project best integrate insurance work with its other measures? Which stakeholders and workstreams are the best entry points for the project considering the target group and aggregators? How will the insurance activities proposed contribute to project objectives? What types of insurance-related activities is the project best placed to support?

**Who to interview:** A wide range of stakeholders play a role in the provision of agricultural and climate risk insurance. Insurance workstreams within projects therefore rely on a diversity of public and private actors from different sectors, including finance, insurance, agriculture and others. In an ideal scenario with ample time and resources, the key stakeholders shown in [TABLE 2](#) will be interviewed during a rapid diagnostic, as well as other informants. They are grouped in the table according to the key areas used throughout the brief.

**Multiple roles.** In reality, some stakeholders are relevant to more than one key area of a rapid diagnostic. Aggregators and distribution channels are a case in point. They can fulfil several functions in the delivery or supply of insurance, including marketing, sales, product management,

claims handling and other interactions with customers. At the same time, some aggregators can also be consulted regarding demand-side information to understand their needs or motivations for distributing insurance, potentially financing or pre-financing premiums, or acting as a policyholder, or gathering data on their members or clients.

**Focus group discussions (FGDs).** Where possible on the demand side, the target group for agricultural insurance products and activities may be consulted through FGDs. To ensure that women's voices are heard, interactions with the target group should be gender-sensitive and may include separate FGDs with women, for which INSURED guidance is available. Where FGDs are not possible in the timeframe of a rapid diagnostic or cannot be carried out in depth, key-informant interviews should be conducted with representatives of the target group itself or of organizations working closely with them.

**How wide and deep to go.** It is unlikely that all the stakeholders listed above will be interviewed or that all the questions listed below will be asked. This will depend on the objectives of the rapid diagnostic and in particular on the time available. This tool offers an overview from which to select. Questions on data and technology infrastructure (see [TABLE 5](#)), for example, may also be asked of the insurance companies that design products and use this data. A list of other areas identified for further research can be part of the recommendations of the rapid diagnostic report.

Guiding questions are listed in [TABLES 3, 4](#) and [5](#) for each key area: supply, demand and the enabling environment.

For guidance on FGDs, see: [Understanding market demand: How to use focus group discussions in the development of inclusive insurance.](#)

For guidance on working with women, see: [Making agricultural and climate risk insurance gender inclusive: How to improve access to insurance for rural women.](#)

**TABLE 2 KEY STAKEHOLDERS FOR AGRICULTURAL AND CLIMATE RISK INSURANCE AT SUPPLY, DEMAND AND ENABLING ENVIRONMENT LEVELS**

Supply	Demand	Enabling environment
<p><b>Insurance sector stakeholders:</b></p> <ul style="list-style-type: none"> <li>– <b>Risk carriers:</b> licensed insurers (formal: commercial, state, mutual, cooperative), the insurance association, reinsurers (national, regional, international), semi-formal and informal risk carriers.</li> <li>– <b>Intermediaries:</b> playing a supporting role in the insurance sector, such as technical service providers, insurtech firms, brokers, loss assessors.</li> </ul>	<p><b>Small-scale producers:</b> as individuals, households, microentrepreneurs, or in organizations. May be segmented, such as by women or youth, or by specific geographical areas, by agricultural value chains, type of producers and/or climate vulnerability.</p>	<p><b>Government ministries and other bodies,</b> primarily Ministries of Agriculture and Finance; others could include Livestock, the Meteorological Department, Cooperatives or Rural Development.</p> <p><b>Insurance regulatory authority,</b> central bank.</p>
<p><b>Aggregators and distribution channels:</b> from the financial sector (banks, microfinance institutions, financial cooperatives), from the agricultural sector (agribusinesses, such as agro-dealers, input suppliers, offtakers), producers' organizations, related digital platforms and services, civil society organizations/NGOs.<sup>a</sup></p>		<p><b>International development agencies,</b> such as donors, bilateral agencies, global or regional development banks and their programmes.</p>

<sup>a</sup> These can include national and international NGOs, consumer protection associations and community-based organizations.

## Supply of agricultural and climate risk insurance

Using desktop research and interviews with key stakeholders and other informants, collect data and assess the current situation in terms of supply of agricultural and climate risk insurance and the potential for development. The following tasks will help identify who to talk to, what information to gather, and the potential entry points for project support and activities.

→ **Identify the insurance companies that are providing the products, running a business model and/or participating in ongoing schemes, or that are open to doing so. Assess their offerings.** First of all, look at insurance companies that are motivated and already have products on offer for the project target groups, or that are interested in developing or adapting such products. Insurance sector stakeholders to interview will primarily include commercial, state, and depending on the context, mutual and cooperative insurers. National, regional and international reinsurers' information is not normally required for a rapid diagnostic. If relevant at this stage, informal or semi-formal schemes should also be looked at. Assess their willingness and capacities to develop products and a suitable business model for the target group. This should include the distribution partners they work with or could work with, for the specific location and target group. Identify the factors that could motivate them to offer commercially viable products, and the factors that are deterring them from doing so. Projects may work with several insurance companies. Gather information on the type of support they need.

→ **Identify existing and potential aggregators and distribution channels, and insurance sector intermediaries.** These actors may be assessed for their role in supply, and consulted for information about the demand side – their clients/members (see demand assessment on page 8). Entities from the financial sector (such as microfinance institutions [MFIs]), from the agricultural sector, or from civil society

organizations/NGOs that are close to and trusted by the target group, can facilitate the operational processes of distribution. These organizations are generally either already providing services that insurance can be linked to or they are in a position to provide the target groups with new services to which insurance could be linked (e.g. productive loans). Assess any existing experience with insurance, their roles, capacity and willingness to serve the groups and project locations. Also consider aggregators and distribution channels that are more suitable for certain cross-cutting target groups, such as women and youth. Projects may wish to work with more than one type of aggregator or distribution channel. It is essential to understand the mandates, motivations and constraints of these entities in order to develop sustainable business models in collaboration with an insurance company, and to clarify the support they may need. Other entities playing a supporting role in the insurance sector, such as insurance agents and brokers; loss assessors; technical service providers and insurtech firms, may also be interviewed if they are already involved in agricultural insurance.

→ **Identify and describe the main features of existing products<sup>1</sup> and schemes.<sup>2</sup>** Identify the insurance products and schemes that are currently offered on the market and in particular to the target group.<sup>3</sup> Gather information on who the policyholders are, the types of products and the key features (e.g. crops, risks covered, product type). Assess the limitations and potential of these existing coverages. Identify what is needed in terms of types of new coverage and support. With regard to schemes in particular, identify the distribution model and respective responsibilities within a scheme, the features and financing and the related issues and/or feasible entry points for new insurance activities. Depending on the context, this may include community-based schemes.

**TABLE 3 GUIDING QUESTIONS AT THE SUPPLY LEVEL**

**General questions for risk carriers: licensed insurers, the insurance association, reinsurers, semi-formal and informal risk carriers**

1. Do they offer agricultural insurance or other types of microinsurance? If yes, what is the overview of business lines and product types within them?
2. If they offer agricultural insurance, for how long have they been doing so? What are their drivers (e.g. rural presence, government mandate, social responsibility, business potential)? If not, do they have plans or intentions?
3. Is there a national agricultural insurance scheme in place? How does it connect with or impact on their business (e.g. can they offer subsidized products, what products are on offer, who can develop or adapt products, is there government-supported client education)?
4. If they have experience with agricultural insurance: what types of business lines and products do they offer (indemnity or indexed: if indexed, what has been the basis of data: ground yield/ weather, satellite)? Can they share information on their total premium and total claims values per season/year of operation?
5. What are their experiences, concerns and/or interests in offering agricultural insurance products?
6. What is their rural presence and what are their delivery models? Are they already working with aggregators/distribution channels? If yes, how does their partnership with aggregators/distribution channels work (who does what, voluntary versus mandatory bundling, etc.)? If no, what are the challenges in doing so (e.g. finding partners, regulation)?
7. What are the major barriers in the sector (e.g. low insurance awareness, difficulties in affordability, lack of trust and understanding, lack of data, difficulties in aggregating farmers and reaching scale, basis risk, government subsidies – lack of, or restrictions caused by them, and/or regulation)? What should be done overcome these barriers?
8. What are their internal challenges (e.g. product development and/or underwriting know-how, business model development with distribution channels reaching the target group, capacity and understanding of branch staff and agents, understanding the market)?
9. What opportunities do they see to develop their business and the sector in general (e.g. the possibility of leveraging existing or planned government subsidies; of partnering with aggregators and distribution channels, or for agribusinesses to act as group policyholders)?
10. Do they currently receive or have they previously received any outside support for the development of agricultural insurance (e.g. product development)? What type of support and from whom? What would they need in the future?
11. What incentives and support would they need to offer agricultural and climate risk insurance or develop it further?
12. Are they aware of any semi-formal or informal agricultural risk transfer schemes, not underwritten by licensed insurers (e.g. risk funds)? Do they see any potential to connect with these?

## General questions for aggregators and distribution channels

1. Who do they provide products and services to? Do they operate and have presence in rural areas? What kind of products and services do they provide?
2. What risks strike their clients/members/beneficiaries hardest?
3. What impact do these risks have on the operations of aggregators and distribution channels?
4. For financial sector aggregators:
  - What share of their lending is agricultural? What are the major barriers for lending to the agricultural sector? Do they have any specific agricultural products and what type? What do they see as the principal causes of default, how do they currently manage their lending risk? Would they lend more or to the target groups with insurance in place? Do they see any impact on their savings portfolio following climate risk events? Do they offer group lending, or group savings, and could these be used to channel insurance?
  - Can they see potential to add insurance (compulsory or voluntary) to any other financial service they offer (loans, savings, remittances)?
5. Do they currently offer any type of insurance? What types? Do they currently offer any agricultural insurance? What types? Is it voluntary or compulsory? How do they engage clients/members/beneficiaries and what is their role? What obstacles have they encountered?
6. If they do not offer any insurance, do they have any plans or interest, and why?
7. Do they have any past experiences in agricultural insurance or other types of microinsurance? Can they share features and lessons on these?
8. What are the main barriers they see to delivering agricultural insurance (e.g. regulation, capacity, cost)?
9. Which functions would they be interested in and able to take on in agricultural insurance delivery (e.g. client education, enrolling clients, collection of premiums, distribution of payouts)?
10. What incentives and support would they need to offer agricultural insurance, play a bigger role in its delivery, or fill any gaps they currently have?
11. Are they aware of the smallholders linked to their institution having an interest in or need for agricultural insurance? For what types of risks and agriculture? Would your institution consider pre-financing the premium or be interested in partially subsidizing it?



## Demand for agricultural and climate risk insurance

### Carry out a high-level demand research.

This can be supported by desktop research, together with interviews with stakeholders who know the particular characteristics of the target market, such as extension officers, buyers, farmer representatives and NGOs. At the same time, some aggregators can also be consulted regarding demand-side information or also to understand their needs and interest from a demand perspective in distributing insurance, financing or pre-financing premiums, or acting as a policyholder (see TABLES 2 and 3). Project teams and other design mission experts can also be interviewed. Small FGDs with representatives of the target group may be held where possible, or questions on risk and insurance may be included in more general FGDs that take place during the project design phase. If an insurance workstream is proposed, FGDs with a specific focus on insurance should be carried out during a next step, such as in a full feasibility assessment, or during the project's implementation phase. Existing demand surveys may also be used where appropriate.

The aim is to explore the following issues regarding the demand side.

→ **Segmentation of the target market.** A snapshot of the target group for insurance, and segmentation within the group (for example the clusters of subsistence farmers, small-scale producers and commercial farmers), which is linked to relevant aspects for insurance, such as types of crops produced, ability to pay premiums, connection with aggregators. In line with IFAD's approach to gender mainstreaming, special consideration should be paid to capturing information from both women and men, and from different age groups (depending on the focus of the project). The research should include the interlinked points mentioned below for different segments of the target market, with the final aim of identifying products and designing measures for those segments.

→ **The characteristics of the target group.** This will include information about the types and features of agricultural production, what inputs are used and how they are accessed, production and income cycles, what is produced for sale and for consumption, how sales are made, the existence and roles of producer organizations, and their access to and use of other services, particularly inputs and credit. This information can inform the potential feasibility of insurance in terms of affordability, focus types of agriculture, and potential aggregators and distribution channels.

→ **The risks and constraints faced by the target group.** Collection of information on existing risks facing the business and family is key to determine insurable risks. The risks they face, which ones are most problematic and how they manage them should be explored. For agricultural and climate risk insurance, it is important to get a clear understanding of the cause, frequency and severity of the production-related risks faced by the target group, as well as the potential impact on their food security and livelihoods. Constraints on improving productivity should also be explored, such as issues in accessing credit for inputs or technology. This will help identify: whether they need insurance or not; for which risks, crops or assets insurance may be suitable; bundling options for insurance to improve access to products and services such as quality inputs or productive credit.

→ **Insurance knowledge, perception and trust of insurance.** Generally, target groups have never used agricultural insurance before, although in some contexts they may have experience with other types of insurance, such as credit-life or health insurance. They may have familiarity with some basic concepts related to community risk management funds, such as social funds within village savings and loan associations. Their attitudes, potential interest, trust and related constraints, and preferences for learning about and channels for purchasing insurance should be explored. This can help to inform what education efforts are needed. In cases where target groups have some existing experience or knowledge, they should be carefully listened to. It is important for the rapid diagnostic to identify which entities will be trusted by the target group, as part of the insurance business model.

→ **Affordability of regular premium payments for the beneficiaries or their willingness to pay.** This is a critical aspect. Some segments of the target group may want insurance but will not be able to finance regular premium payments and smallholders in general have cash flow issues. Other entities or support networks that could finance or pre-finance premiums could also be explored. It is also important to consider how to leverage government subsidies, if they are available. This will give preliminary indications on whether or not community funds would be more suitable in some cases, or if the project should plan for premium financing support, and if so, how it can be planned in a sustainable way.



**TABLE 4** GUIDING QUESTIONS AT THE DEMAND LEVEL**Questions for small-scale producers and for stakeholders who know the characteristics of the target market, or who could be interested in having insurance themselves or on behalf of their clients.**

1. What types of agriculture is the target group engaged in? What is produced and for what purposes? What inputs are used and how they are accessed? What are the typical production and income cycles? How is produce sold to market? Are producers part of an organization?
2. What are the key risks faced by producers and other agricultural value chain stakeholders? When were production losses last suffered and what were the reasons? What have the key production risks been over the last five to ten years?
3. What impact do these risks have on production? How are these risks currently managed? What are the main reasons for not being able to produce more or higher-value produce?
4. Does the target group have access to financial products (including through community-based financial organizations, MFIs, banks, mobile money, inputs on credit from agrodealers, etc.)? Which ones? How do they access these and from which organizations? What financial products are they missing, and do they need or want them?
5. What are the non-financial services and products that the target group use and value the most (e.g. what inputs do they use, how do they pay for them, and where do they get them from? What services and products do they want, but have difficulty accessing)?
6. Which financial and non-financial aggregators does the target group trust the most?
7. Have they heard of insurance? Do they have experience with any type of insurance, and for what (credit-life, health, livestock, crop)? Where do they get it? If they do not have insurance, does the target group use a risk management fund in a community-based financial organization? If yes, what are the rules to receive support from the community risk management fund, and for what? Are there any risks not covered by the fund?
8. Does the target group trust insurance companies? What are their past experiences with insurance? What is needed to improve trust?
9. If they have experience with insurance, particularly agricultural insurance, can they explain how it works in their own words? What information are they missing and what would they like to know more about? How would they prefer to receive more information about insurance?
10. Would they be willing to pay for an insurance premium? What challenges do they face to pay for the premium (e.g. overall affordability, upfront payment requirement, modality of payment, timing of payment)?

**The enabling environment****How conducive is the enabling environment?**

Explore how conducive the policy and regulatory framework and the stance of policymakers is to the design and implementation of agricultural and climate risk insurance products and existing insurance schemes. It is important to understand what role the government is currently playing to promote agricultural and climate risk insurance, and their future intentions. For example, are they planning to subsidize and manage a new national agricultural insurance scheme, or to make any changes to an existing one? Do they allow bundled insurance delivery or new aggregators and distribution channels by regulation? Do they support insurance education? Also assess how other national stakeholders in the country, such as development actors, are supporting agricultural and climate risk insurance development. Lastly, if time permits, consider the data and technology infrastructure relevant to agricultural insurance, which contributes to the enabling environment. Collaboration between the various ministries and sector working groups can also be important issues. Consider the following areas:

**→ The policy and regulatory framework.**

Government engagement is critical to support the provision of agricultural and climate risk insurance, especially in partnership with and encouraging the growth of the private sector, and this can take various forms. Assess the following insurance-related issues:

**– Types of support the government is already providing or can provide.**

Governments can be key to overcoming supply and demand barriers affecting agricultural and climate risk insurance through different pathways. For instance, they may have a national agricultural insurance scheme, or plans to develop this. This might include the provision of premium subsidies for certain types of agricultural insurance products and target groups. Financial education programmes that integrate an insurance component are another form of relevant support. Additionally, the government may be part – or want to be part – of a sovereign regional disaster risk insurance pool where governments can purchase insurance for their fiscal risks.

- **Regulatory and supervisory bottlenecks.** Regulatory and supervisory approaches should aim to be supportive for sector development. The regulator can be supportive by speeding up the approval of insurance products, unlocking opportunities for simplification and the use of technology, allowing for index-based insurance and innovative distribution channels, developing a regulatory sandbox approach for pilot testing of new products and business models, or requiring the industry to report performance indicators that show client value to the insurance supervisor.

→ **International development partners, such as bilateral development agencies, donors, and global and regional development banks.**

These entities may have experience, current projects or future plans with agricultural and climate risk insurance. It is important to know about these in order to build on lessons learned and to streamline in-country support to build a sustainable sector, rather than disconnected or duplicated interventions.

→ **Data and technology infrastructure.**

Characterize the data and technology infrastructure and identify the entities that provide client, risk and production data, including on yield or livestock and weather. This should include consideration of on-the-ground and satellite sources, as well as any electronic tagging systems in place for livestock. This helps to build a picture of what is available, and any potential constraints for insurance purposes.

**TABLE 5 GUIDING QUESTIONS ON THE ENABLING ENVIRONMENT**

**Questions for the Ministry of Agriculture and Ministry of Finance (and if relevant, other government ministries or bodies)**

1. Are there any programmes, policies or plans related to agricultural and climate risk insurance that already exist or are in the pipeline? If not, is there interest in developing this further?
2. Is there is a national agricultural insurance scheme and, if yes, what are the key features: overview of the management, technical and operational structure (including how insurers are organized and which ones are eligible to offer the subsidized products)? What types of agriculture and insurance products are included, are there plans to add any new product lines? Who is eligible for premium subsidies, up to what percentage, and for how many seasons/years? What is the current time commitment of the government to financing premiums? What has been the level of uptake?
3. What are the challenges they see related to agricultural and climate risk insurance based on experience or plans? What are the barriers to scaling it up and making it sustainable?
4. What opportunities do they see, and where do they see government playing a key role?
5. What are the gaps and needs for the government, and which kind of support is required to better leverage agricultural insurance? What in the government’s opinion, are the gaps and needs for the sector to function well in general at the levels of insurers, aggregators and distribution, small-scale producers? What kind of support is needed?
6. Have they been working, or will they be working, with other development programmes providing support to insurance? Which ones and what are they doing?
7. Are there other types of government support to agricultural and climate risk insurance? If so, what types and which ministries or frameworks are they a part of (e.g. in the context of disaster risk financing or access to finance)?
8. What kind of assistance does the government provide for the target group after a climate disaster? Is macro-level insurance (purchased by the government) from a sovereign regional risk pool available or being explored? If there is such a macro-level insurance policy in place, which risks, regions and sectors does it cover? Has the government received payouts? What was the experience in receiving payouts and in delivering support to end-beneficiaries? What challenges, if any, exist with respect to financing annual premiums?
9. Do they have agricultural lending or financial education programmes where agricultural and climate risk insurance is integrated or could be added?

**Questions for international development partners**

1. What are the key elements of their current engagement in and support to agricultural insurance and other types of insurance? Do they have plans to engage in this field in the future?
2. Which partners are they working with (public, private, service providers)?
3. Can they share any lessons from past or present implementation?
4. Do they see any recent trends in the country in relation to challenges and opportunities in agricultural insurance?
5. Is there any topic or area where partnership and cooperation would be beneficial and create synergies?

### On data and technology infrastructure in more depth

1. What data is available on cultivated area, production and yield?
  - Going back how many years?
  - At what level (e.g. village, ward)?
  - Is it/can it be used for insurance product development?
2. How are livestock registered? Is there an electronic livestock identification and traceability system in place or are there plans to set one up? If yes, is it or can it be available for insurance purposes?
3. Is there an electronic or paper database/register of farming households? Who maintains this, government or other organizations?
  - Could this database be made available for insurance purposes, if it is not already?
4. Can an up-to-date gross margin of production and returns costs for major crops (food, cash and export) and/or livestock (by type) be provided?
5. Are there any databases maintained on damages and losses in the agricultural sector? If yes, what are the details?
6. How many weather stations does the national meteorological department manage across the country?
  - What classifications of weather stations are adopted in the country? (If possible, it would be useful to have the number of stations per level of classification.)
  - How many stations in the country are fully automated weather stations?
  - How many stations are part of World Meteorological Organization networks?
7. What are the data transmission modalities for the more advanced weather stations?
8. Would the National Meteorological Department be prepared to provide historical and real-time data for insurance purposes? What year does the historical data go back to? Are there any significant gaps?

**TABLE 6 EXAMPLE OF A SWOT ANALYSIS OF AGRICULTURAL AND CLIMATE RISK INSURANCE**

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>- Government interest</li> <li>- Private sector interest (some insurers, some delivery channels, e.g. MFIs planning or doing insurance activities, mainly credit-life)</li> <li>- Need – climate-related risks present and impacting agriculture</li> <li>- Some (limited) experience with different products and models</li> <li>- Experience of offering value-added services with insurance</li> </ul>	<ul style="list-style-type: none"> <li>- Low insurance penetration generally, and for low-income for all product lines</li> <li>- Lack of experience with agricultural insurance generally (also for commercial/large-scale farming)</li> <li>- Capacity-building needed at all levels: government; private sector who are interested/operating in agricultural insurance; private sector who are not operating agricultural insurance; insurance literacy at the household level</li> <li>- Unclear government objectives and future commitment</li> <li>- International reinsurance negotiation is limited</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>- Ongoing government policy discussions on insurance</li> <li>- Development actor interest and investment</li> <li>- Willingness of some private sector actors</li> <li>- Good distribution opportunities (depending on regulation):               <ul style="list-style-type: none"> <li>- Excellent MFI penetration, close contact with clients, existence of agricultural loans</li> <li>- Excellent mobile penetration</li> </ul> </li> <li>- Unexplored products/markets, e.g. for other value chains; meso-level products; different types of risk</li> <li>- Presence of industry bodies through which capacity-building and advocacy could be delivered</li> <li>- New government-level disaster risk coverage under discussion</li> <li>- Farmers' organizations and farmer extension officers well organized, could be leveraged for capacity-building in client education</li> </ul>	<ul style="list-style-type: none"> <li>- High operating costs = higher premium costs</li> <li>- Data (weather, yield, satellite):               <ul style="list-style-type: none"> <li>- Costly and lengthy process to access weather data – threat to product development and quality</li> <li>- Weather station sustainability</li> <li>- Need for ground validation of satellite products</li> <li>- Lack of disaggregated data</li> </ul> </li> <li>- Lack of trust and familiarity with insurers</li> <li>- Insurance regulation creating distribution bottlenecks: delivery channels cannot bundle insurance with other products</li> <li>- MFI regulation means MFIs need approval to deliver insurance products</li> <li>- No insurer competition in agricultural insurance</li> <li>- Poor performing products so far (high basis risk)</li> </ul>

## WATCH THE INSURED VIDEO



## 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](http://www.ifad.org/en/insured)

[www.ifad.org/insurance-toolkit](http://www.ifad.org/insurance-toolkit)

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## BOX 2 TAKING A DECISION

In order for a project to decide to undertake an entire insurance workstream to incorporate implementation of a scheme, most of the following elements should be in place:

- There should be a clearly identified need and rationale for insurance, which will address the key risks and constraints on the demand side.
- Insurance is a good fit within the project context, meaning that insurance can be linked to other products or services of the project to achieve its objectives. And vice versa, that the project activities or infrastructure can be leveraged to support insurance offerings.
- There are distribution opportunities and existing aggregators linked to and trusted by the target group, with an interest in playing a role in agricultural insurance for their clients or beneficiaries.
- Policyholders are likely to be able to afford insurance premiums, or there is the potential to finance or investigate financing or subsidization of premiums.
- Insurance sector stakeholders are willing or are already operating in agricultural insurance.
- Government is truly supportive in several ways. These can include: attitude, openness and interest; concrete elements, such as a national scheme in place or in the pipeline; and presence of enabling regulation.

For more guidance, see: [Agricultural and climate risk insurance for smallholder value chains: Identifying common challenges and solutions.](#)



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## Notes

1/ Products include, but are not limited to: weather index insurance for crops or pasture, area yield index insurance, indemnity-based insurance for crops or livestock; or microinsurance products for personal risks (life, accident, and simple health insurance) for the farming household.

2/ Schemes are developed to insure a certain type of business or stakeholders, and can be formal (under insurance legal provisions), semi-formal (under any other legal provision) or informal (not regulated). A scheme can be provided by a government body or a development organization, often as pilot. When a commercial actor develops an insurance programme, this is usually referred to as a "business model", which includes a product and its distribution.

3/ The mapping should not be restricted to agricultural and climate risk insurance products. It should look broadly at all insurance products that are being offered to the target groups and include inclusive insurance approaches, microinsurance and public health schemes. However, the assessment should be focused on agricultural and climate risk insurance.