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J. B. BODA

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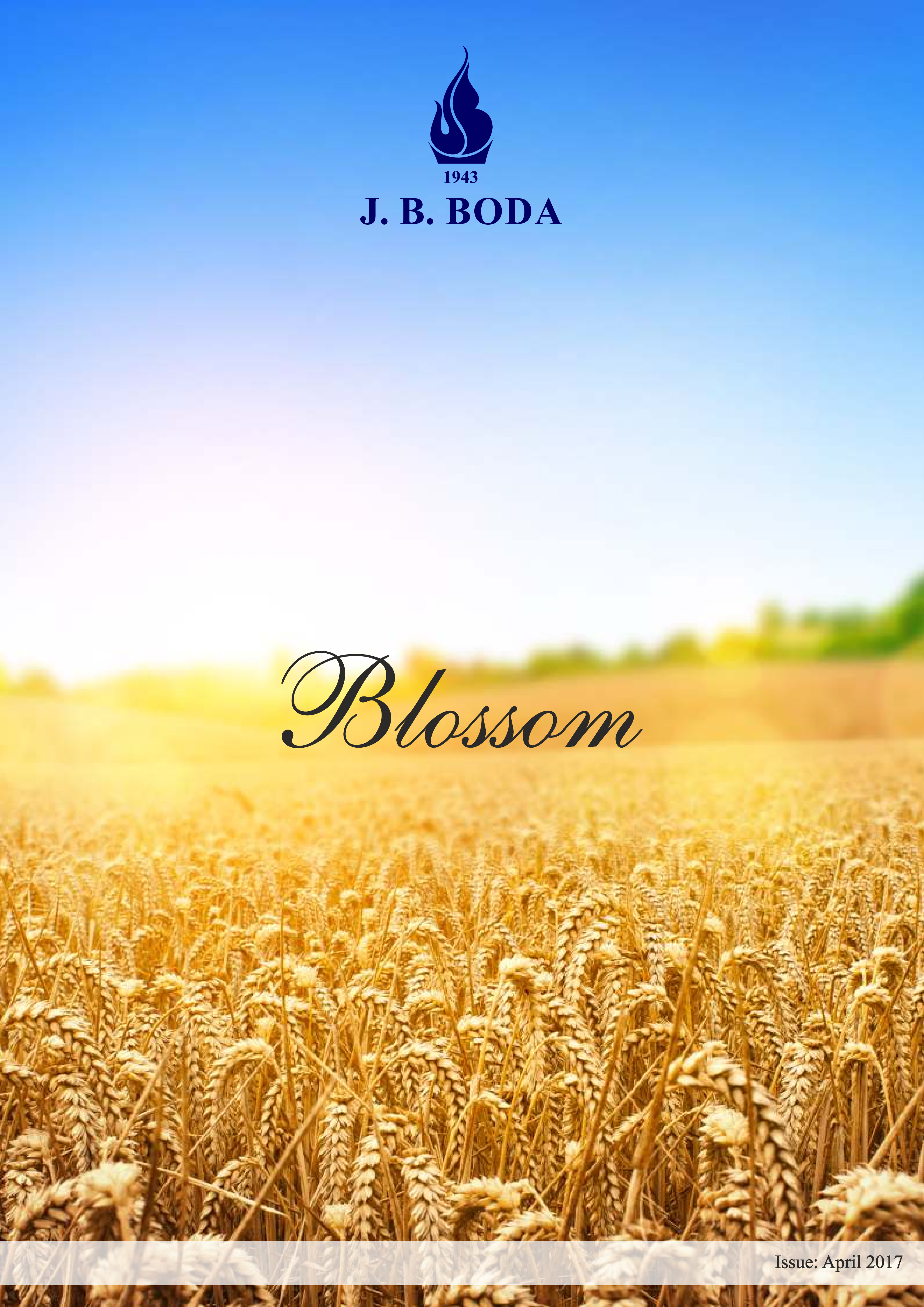

Issue: April 2017

INDIA: Crop Insurance drives General Premium past INR 1 Lakh Crore (USD 15.15 Billion)

The General Insurance industry has crossed INR 1 lakh crore (USD 15.15 Billion) in premiums backed by strong growth in the retail segments of motor and health insurance. Further, the government's crop insurance scheme - Pradhan Mantri Fasal Bima Yojana (PMFBY) - has also contributed a large portion of the premium collections.

Crop insurance, according to the insurance industry, has seen the government has put in about INR 20,000 crore (USD 3030 million) in the form of premium. More than 1 million farmers have been given cover under this scheme, making India the third largest agriculture insurance market in the world after US and China.

The scheme, approved by the Government of India in January 2016, has a uniform premium of two percent to be paid by farmers for all kharif crops and 1.5 percent for all Rabi crops. For commercial and horticultural crops, the farmer's premium is 5 percent. The rest of the premium is paid by the government.

Source - *http://www.moneycontrol.com*

INDIA: Kharif-16 proves bountiful for Fasal Bima Yojana insurers

A normal monsoon in the Kharif 2016 season has resulted in lower claims under the Centre's flagship scheme — Pradhan Mantri Fasal Bima Yojana — keeping insurance companies happy. Insurers collected a total premium of INR 16,130 crore under the PMFBY in the last Kharif season.

The provisional figures from Maharashtra, which accounted for a fourth of the total premium collected under the scheme, is testimony to this. The six clusters (36 districts) in Maharashtra were covered by four insurers — public sector insurer Agriculture Insurance Company (AIC), IFFCO Tokio, Reliance General, and HDFC ERGO. As per the data available the total premium collected from Maharashtra under the PMFBY in Kharif 2016 was INR 3,920.8 crore (USD 594.06 million) the claims were about INR 2,000 crore, (USD 303.03 Million) or a bit over 50 per cent of the premiums collected.

An insurer makes good profit when the claim ratio (proportion of claims to the premium) is less than 80 per cent. Agriculture Insurance Company (AIC) has, however, paid a higher amount to farmers.

The company is in the process of settling claims of INR 1,200 crore (USD 181.82 Million) — amounting to over 80 per cent of the premium collected by it from the State. But this does not necessarily imply that the clusters covered by AIC faced a relatively higher risk.

In crop insurance, every insurer retains 15-25 per cent of the risk and the balance is hived off to re-insurers. In India, while the government company General Insurance Corporation (GIC Re) shares about 50 per cent of the risk as a re-insurer in crop insurance policies, the balance is taken up by the private international re-insurers.

Source - *http://www.thehindubusinessline.com*

INDIA: Government to provide insurance cover for 20 lakh hectare crops

Odisha Government on Thursday decided to bring 20 lakh hectares (ha) of farm land and 25 lakh farmers of State under Pradhan Mantri Fasal Bima Yojana (PMFBY) in the coming kharif season.

Presiding over the State Level Crop Insurance Coordination Committee meeting here, officials were directed to bring more farmers under the insurance cover after making a comparative study of farmers taking crop loan and those participating in paddy procurement process. The meeting has decided to treat Gram Panchayat as an insurance unit for paddy crops while block will be considered as a unit for other crops. It was also decided to divide all 30 districts of the State into five clusters considering the climate & weather conditions of the areas.

In 2016, 12.57 lakh hectares (ha) of agricultural land and 17.63 lakh farmers were covered under the new insurance scheme. Farmers had paid INR 137.30 crore (USD 20.8 Million) towards the insurance premium while the State and Centre had jointly paid premium of INR 394 crore (USD 59.7 million).

Officials were directed to link crop loan and paddy procurement process with Aadhaar card and land records of farmers. It was decided to cover paddy, groundnut, cotton, ginger, turmeric and maize under the scheme. Besides, sugarcane, a Rabi crop, will be covered under it.

Source - http://www.newindianexpress.com

INDIA: Government's focus on agriculture to give farm & firm a boost

Government of India recent announcements in agriculture and allied industries in India are set to see the much-awaited turnaround. The slew of new schemes, including the model law for contract farming likely to fetch farmers a better price for their produce and be a win-win for both farmers and contractors.

In a country where agriculture is largely dependent on monsoon rains, the emphasis on 'drought-proofing' Gram Panchayats through leveraging NREGA funds makes economic sense. The decision to set up a dedicated micro-irrigation fund with an initial corpus of INR 5,000 crore (USD 757.58 millions) could make a huge difference and free farmers from the vagaries of the monsoons.

The government's decision to provide 1.5 lakh Gram Panchayats with broadband is a step aimed at ensuring their integration in the digital economy through the electronic National Agriculture Market (e-NAM) platform. The skill development for rural youth, skills in modern agricultural methods, can create employment opportunities.

The increase in the allocation of government's flagship crop insurance scheme, the Pradhan Mantri Fasal Bima Yojana from INR 5,000 crore (USD 757.58 millions) to INR 9,000 crore (USD 1363.64 millions) ,the coverage area from 30 to 40 per cent of the cropped area and soil health card scheme and mini soil testing labs in all 648 Krishi Vigyan Kendras (farm research institutes) to be run by rural entrepreneurs, are all aimed at giving agriculture and related industries a boost.

Research shows that the year agriculture does well, the economy does well too, and so the growing importance of the farm sector. The government is aggressively pursuing a farmer-centric development approach with bottom up planning to achieve the goal of doubling farmers' income over the next five years. This will hopefully drive rural demand and give industry and economy a boost.

Source - http://www.business-standard.com

INDIA: Insurers deploy drones to check claims by farmers

The use of drones for agricultural surveys by insurance companies is fast catching up. Images from the drones are their latest tools in assessing crop damages and catching insurance frauds.

Farmers buy insurance for one type of crop but sow another crop, and then claim damages. In such situations, drone surveys are helping catch the discrepancies and fraudulent claims.

There are many instances where farmers have taken insurance for the groundnut crop, which is a risky and vulnerable crop, but sowed cotton. Since the harvesting time of both the crops is different, drone surveys were carried out to get a clear picture on the ground. The matter is being taken up with the respective state government on the basis of drone images.

As per the data available with Skymet Weather Services, hundreds of crores worth of settlements have not been made due to fraudulent claims. In one State, the premium is INR 400 crore (USD 60.61 Million) per season, and settlement is held up due to the fraudulent claims.

Use of drones is helping in better and more accurate estimation of losses. When frauds happen, apart from losses for insurance companies there is the possibility of an increase in premium, which is not in the interest of farmers. Therefore, accurate assessment of farm losses could also lead to a correction in the premium amount for the farmers.

Source - http://www.business-standard.com

INDIA: Crop cover- WRMS to reach out to 30 lakh farmers

Climate risk management firm Weather Risk Management Services Pvt Ltd (WRMS) plans to approach 30 lakh farmers across 150 districts in 2017 to connect them with the Pradhan Mantri Fasal Beema Yojana (PMFBY).

Last year, the company had approached about 15 lakh farmers, encouraging them to opt for crop insurance. The company, which offers a range of services for the farm sector and acts as an advisor, aggregator and facilitator, has served over 10 lakh farmers across 40 districts.

WRMS persuade the farmers to opt for crop insurance so as to minimise risk in the event of any untoward happenings to their crop. The firm plans to approach a total of 30 lakh farmers in the forthcoming Kharif and Rabi seasons. The company aims to improve farmers' lives by managing and protecting their crop from diseases, guiding them to get the best yields and train them in contributing to the commodity market by forecasting weather and crop yield estimates.

Weather Risk Management Services (WRMS), founded in 2004, is a climate risk management company with a footprint that spans India, Africa and Asia. It pioneered the development of the weather insurance market in India and has bailed out about five lakh disaster-hit farmers through weather insurance. The company mission is to make 2 crore farmers secure a daily income of two dollars each and ensures universal access to weather insurance for people of Asia, Africa and the Americas.

WRMS is primarily engaged in providing agriculture risk management solutions, including weather information and forecast services, agriculture decision-support system services, precision farming services and crop insurance products for farmers.

With a view to increase farmers' income, WRMS has launched pilot services such as plant and soil doctors to diagnose diseases. They are also planning to introduce drones for data collection and analysis.

Source - http://www.thehindubusinessline.com

INDIA: Landless labourers can take benefits of crop insurance scheme

The benefits of crop insurance scheme can be availed of by the landless labourers too in case they pay the insurance premium and sign an agreement with the land-owner for tilling their land.

According to the Agriculture Minister of India, the money under various schemes will reach the states in the first week of April, against late May earlier, as for the first time; the budget process has been advanced.

If the state government notifies the scheme, the benefits can also be availed of by those landless labourers who till the fields, provided they sign an agreement with the land-owner and pay the insurance premium.

Source: *http://indiatoday.intoday.in*

USA: Crop Insurance Company Acquisition Announced

A change in the crop insurance world was announced in the 3rd week of March, 2017, as Producers Ag Insurance Group, Inc., (a member of Tokio Marine HCC) has signed a purchase agreement to acquire crop managing general agent (MGA) International Ag Insurance Solutions. In 2016, the Iowa-based company managed USD 67.4 million in gross premiums for multi-peril crop, crop hail and named peril crop insurance.

ProAg believes International Ag provides a complementary platform to add business from a strong group of independent agents, while improving our profitability and enhancing our diversified portfolio. This acquisition shows TMHCC's continued commitment to the U.S. crop insurance space.

The acquisition will allow the company to expand its product offerings while improving customer support. Together with International Ag, we will work through the details to provide a seamless transition for policyholders, agents and employees over the coming months.

ProAg is based in Amarillo, Texas, with seven offices and 400 employees that supply crop insurance in 41 states. The transaction is subject to a number of closing conditions and is expected to be finalized by April 3, 2017.

Source: *http://www.agweb.com*

USA: World Bank rep calls for supervision of index-insurance

Index-based, or parametric structured insurance solutions, while beneficial and expanding across the world, require greater supervision, according to Lead Insurance Specialist at the World Bank.

Insurance industry supervisors, policymakers and insurers from the Asia Pacific region met in Singapore at the 9th Consultative Forum in March, 2017, and debated the challenges and potential for insurance to protect smallholder farmers against the impacts of natural disasters and climate risks.

During the event industry experts underlined the benefits of index-based, or parametric agricultural insurance, stating that by sharing the risk with the industry, agricultural insurance enables better risk management. Furthermore, when conducted at the sovereign level it supports better government finances.

However, while a parametric structured solution (which is a common and attractive feature of the insurance-linked securities (ILS) community) enable insurance and reinsurance capital to reach vulnerable, poorer parts of the world and also facilitate rapid-payout post-event, owing to the trigger being linked to pre-defined parameters, such as hurricane intensity, supervision is needed, heard event attendees.

Parametric, or index-based insurance solutions aren't always structured around a traditional insurance contract, which means they aren't always covered by the same legislation and regulatory oversight as say, indemnity structured products.

Although it's relatively common for index-based solutions to be made into a more traditional insurance product, by including an element of indemnity protection as well, this isn't necessary, and in the cases where the product is a pure derivative or swap, then supervision, regulatory oversight and acceptance would be beneficial.

When compared to traditional insurance, index-based protection can be far more complex to understand by its nature. However we all should work continue in order to address the challenges of successfully implementing and scaling up agricultural insurance for smallholder farmers, and to ensure it delivers client value.

Adequate supervision and legislation around parametric type solutions, along with governments increasing their understanding of the benefits and limitations of such solutions, will help to improve confidence and comfort with this type of product.

In turn, greater standardisation and understanding should help to expand index-based agricultural insurance, meaning that more of the world's most vulnerable and poorest have access to much-needed protection against natural disasters and climate events.

Source: http://www.artemis.bm

Kenya: Agriculture Insurance Premiums Likely to Drop

Uptake of agriculture insurance in East Africa is expected to increase with the anticipated drop in premiums following the launch of a risk-sharing facility. The risk-sharing facility by the Global Index Insurance Facility (GIIF) and African Reinsurance Corporation (Africa Re) is aimed at encouraging regional underwriters to create affordable insurance products.

African farmers need greater access to insurance mechanisms to develop resilience to external shocks and protect their livelihoods. As the impact of the drought worsens, the Kenyan government in partnership with insurance companies has moved in with a USD 2 million payments to over 12,000 pastoral households under the Kenya Livestock Insurance Programme. Pastoralists will receive an average payment of USD 170 per household, directly reaching about 100,000 people.

This insurance programme is a way to ensure that pastoralists can continue to thrive and contribute to our collective future as a nation. Despite agriculture increasingly becoming a risky enterprise due to climate change, the uptake of insurance in East Africa remains extremely low, largely due to high premiums and lack of awareness.

Besides, although regional governments have introduced attractive subsidy incentives like the National Agricultural Insurance Programme and KLIP in Kenya, farmers remain reluctant to take up the cover.

Lack of knowledge about the mechanism of agriculture insurance is the single biggest hindrance to considering it a risk mitigation measure among farmers. The study adds that farmers do not appreciate the need for agriculture insurance because existing informal systems of managing risks such as income diversification, multi-cropping and scaling down on production in seasons perceived to be unfavourable for farming seem to work.

Across the region, agriculture insurance premiums range between seven per cent and 15 per cent of the sum insured, depending on the acreage of the produce, something smallholder's farmers find unaffordable. With the risk-sharing facility, the target is to see premiums drop to an average of four per cent.

Expansion of insurance as a risk management tool is critical because it will enable smallholder farmers to build resilience against the impact of climate change. It is the poor and vulnerable who are the most affected by climate change and natural disasters, and insurance is a critical tool to help protect their livelihoods.

Source: *http://allafrica.com*

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