Area Yield Index Insurance Pilot in 2016

Stakeholder Workshop Bangkok

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Susan Gille, RIICE Project Manager GIZ

August 2014, Hua Hin Stakeholder Workshop: Thai Rice Crop Insurance Scheme – Challenges and the way forward

Challenges of the current scheme and product discussed at stakeholder workshop

- **Insurance product features**
  - **Sum insured not high enough**
  - **Binary payout nature of the product (no partial payouts according to partial losses)**
  - **Cases of a non-declaration of disaster risk areas (basis risk)**
  - **High premium rates (adverse selection)**
- **Very long claim settlement process**
- **Timing of sales window**
- **Stakeholder coordination and data synchronization**

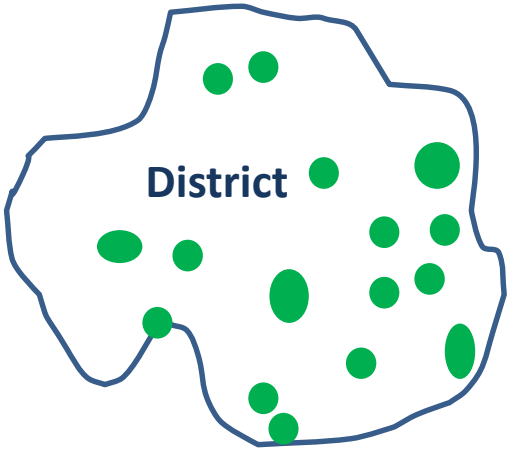
=> Agreement to investigate the feasibility of an area yield index insurance product which incorporates remote sensing technology

Proposed area yield index insurance pilot

WHEN?	Main season 2016
WHERE?	In chosen districts in 2 selected provinces (rainfed and irrigated)
WHAT PRODUCT?	Area-yield index insurance
YIELD ASSESSMENT?	Satellite-derived modelled yield estimates
COSTS AND COVERAGE?	Competitive premium rates (with the same subsidy amounts); increased sum insured
PAYOUT MECHANISM?	Incremental payouts
HOW SOLD?	Integrated into the current set-up via Thai insurers and BAAC in parallel with current product ; marketing supported by BRIA

Addressed challenges:

- ✓ Timely and transparent loss assessment
- ✓ Higher coverage for farmers
- ✓ Increase interest of farmers
- ✓ To test feasibility of scale with current set-up



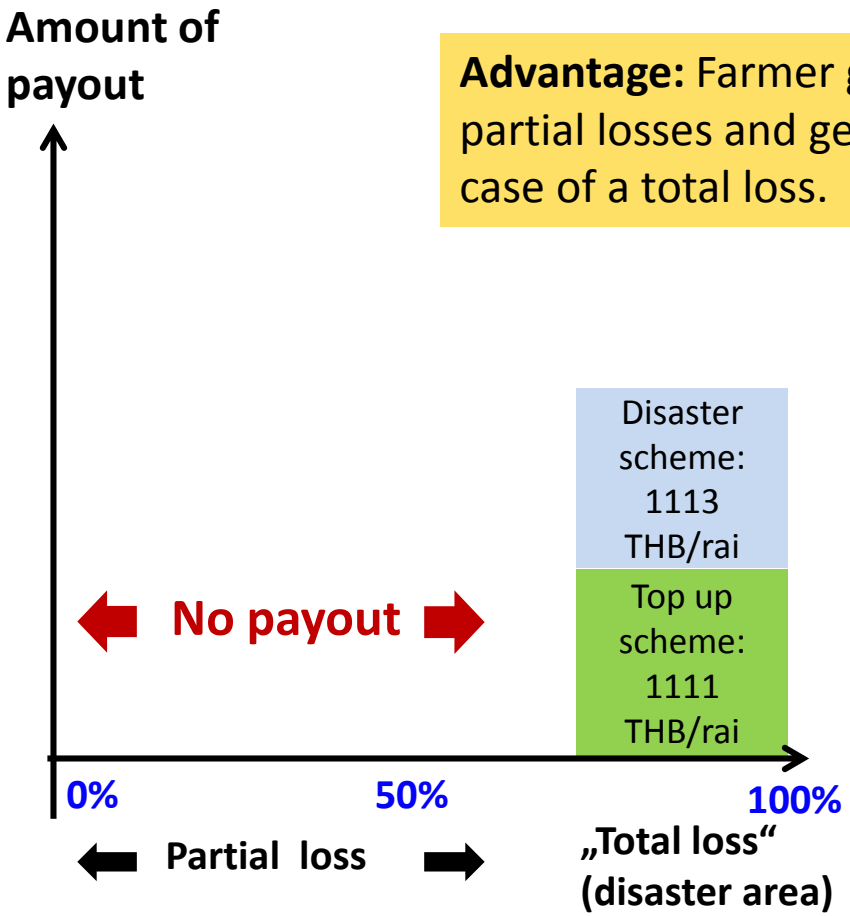
Area yield index insurance

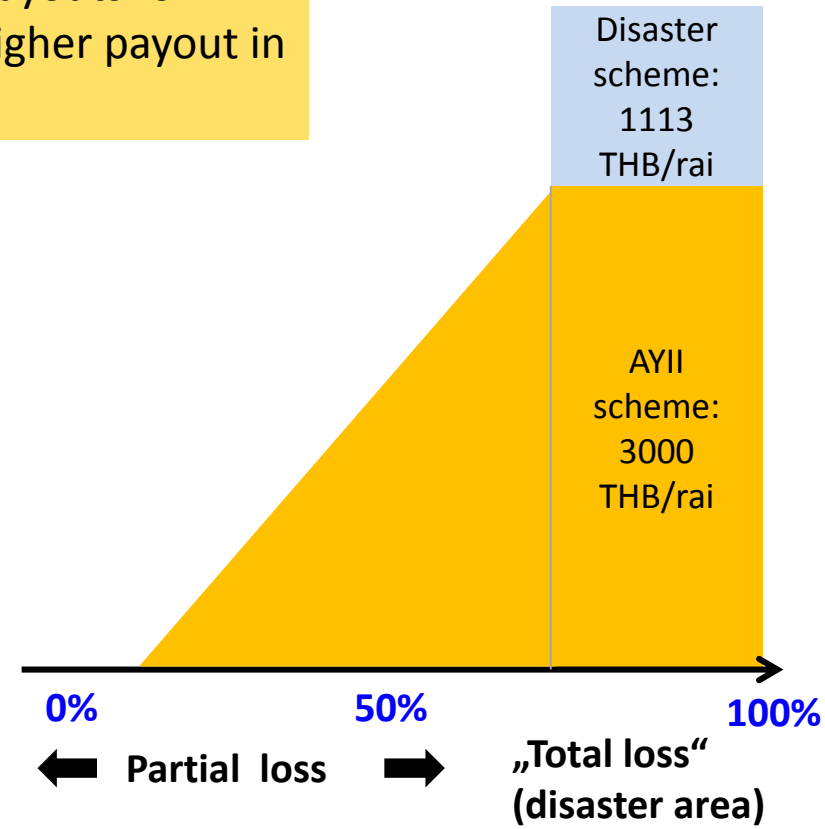
- Area yield and not farmer's yield
- Area = in this case district
- Average historical yield in this district as a benchmark for payouts
- Trigger for payout: Percentage of the average historical yield (e.g. 70% or 80%) = "Guaranteed yield"
- E.g. Average historical yield = 500 kg/rai, guaranteed yield = 80% = 400kg/rai
- If actual yield at the end of the season falls below the guaranteed yield, all farmers in that district get the same payout (no field inspections)
- Partial payouts according to partial losses
- Actual yield at the end of the season is the satellite-derived average yield for that district

Current product

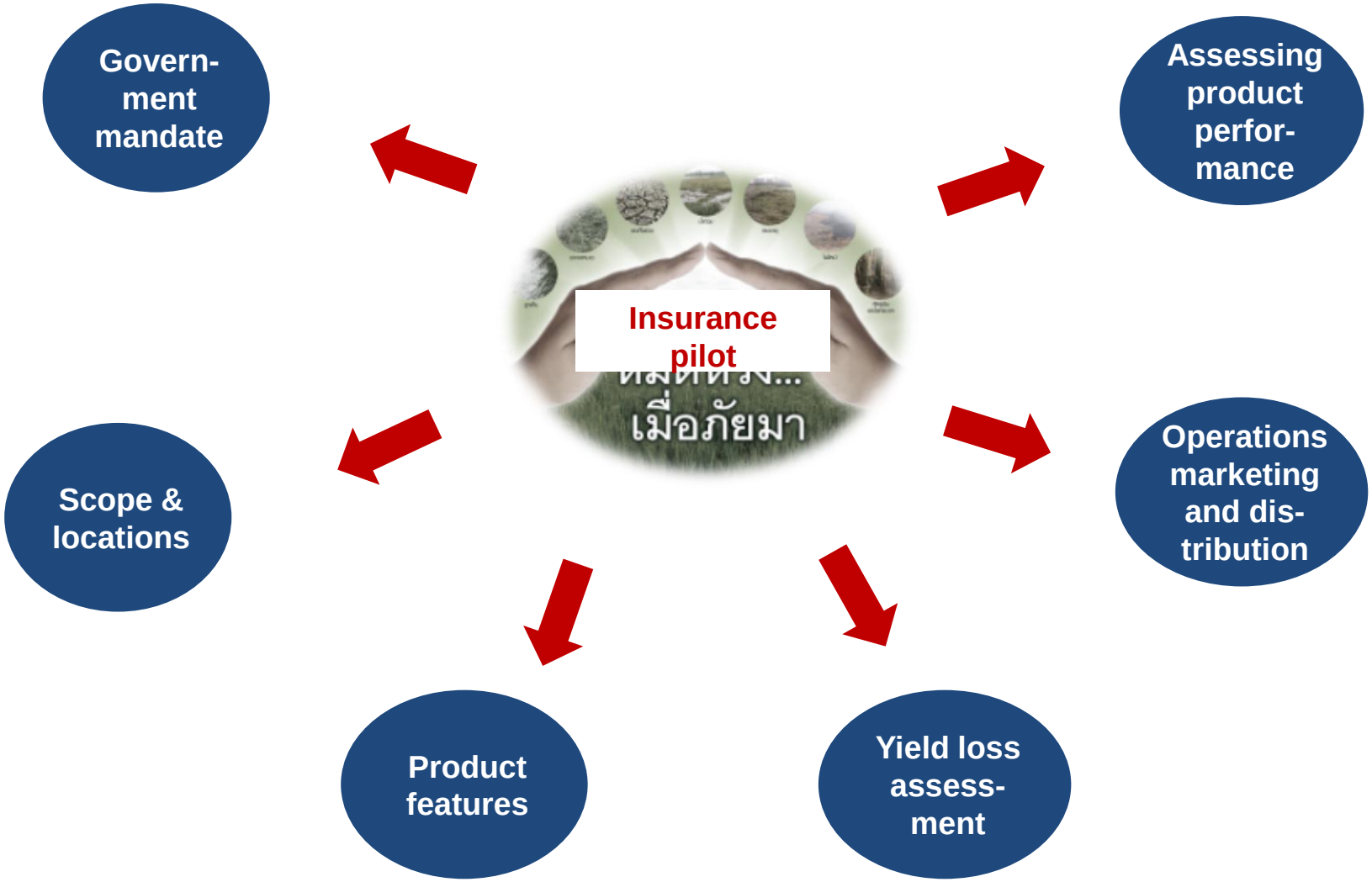
New area yield index product

Advantage: Farmer get payouts for partial losses and get a higher payout in case of a total loss.





Key aspects of the insurance pilot



Key aspects of the insurance pilot

Govern-ment mandate

Assessing product perfor-mance

Insurance pilot

Scope & locations

Product features

Yield loss assess-ment

- Modelling yields from remote-sensing data
- Validation of yield estimates and accuracy

Tri Setiyono, IRRI

Key elements of the insurance pilot

Govern-ment mandate

Assessing product perfor-mance

Operations marketing and dis-tribution

Yield loss assess-ment

Product features

- Product concept
- Satellite-derived modelled yield data as input
- Product features
- Premium rates
- Key policy operative points

Peter Book, Allianz

Key aspects of the insurance pilot

Political issues

Assessing product perfor-mance

Insurance pilot

Scope & locations

Operations marketing and dis-tribution

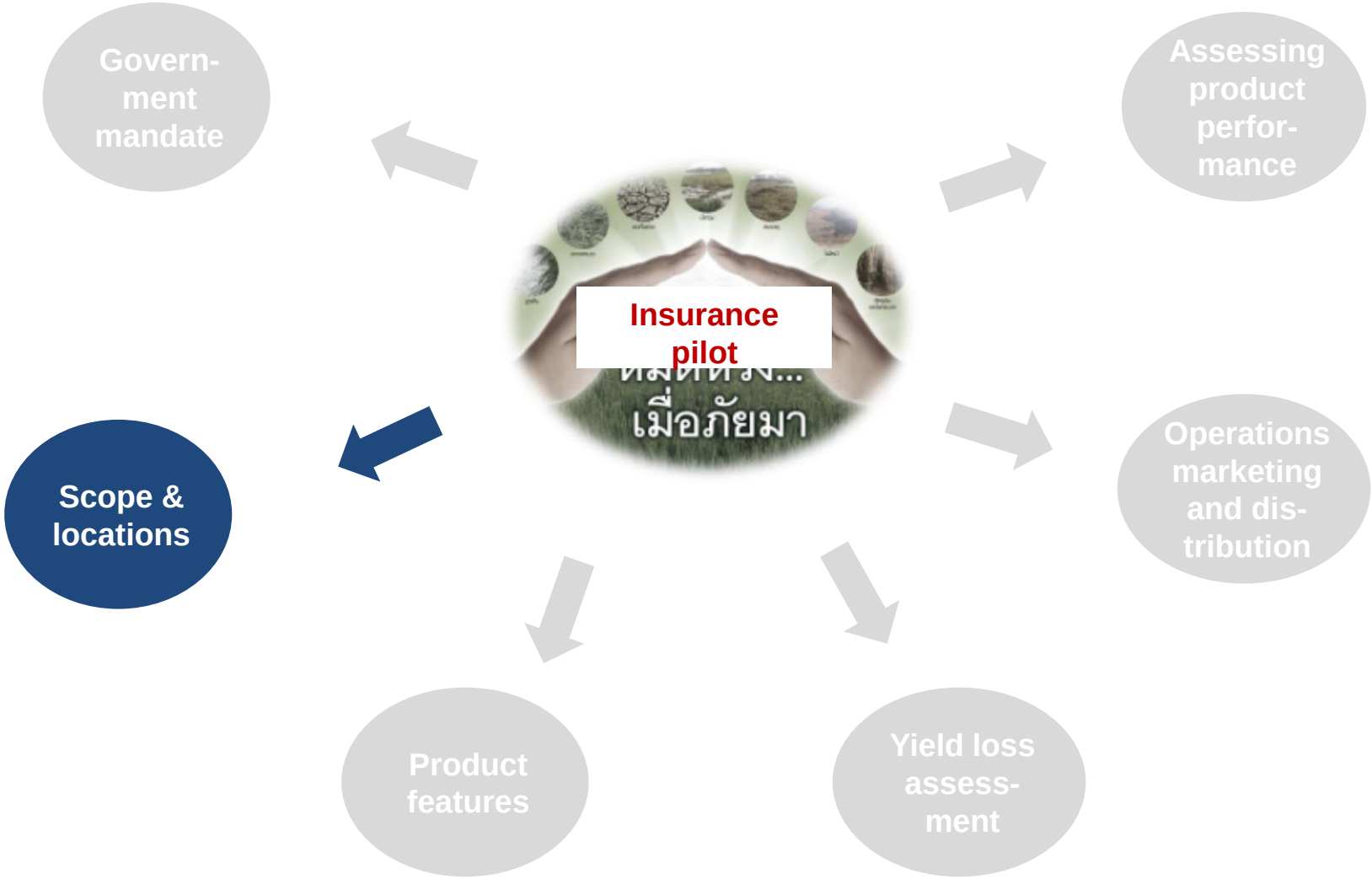
- Operational flow
- Timeline

Product features

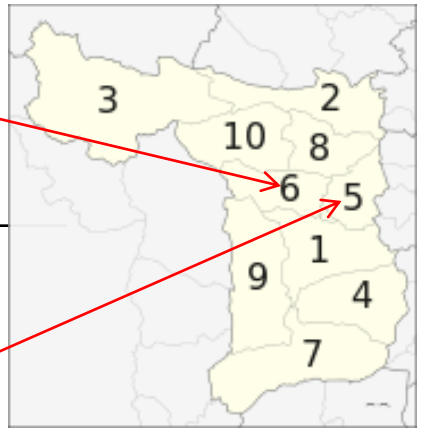
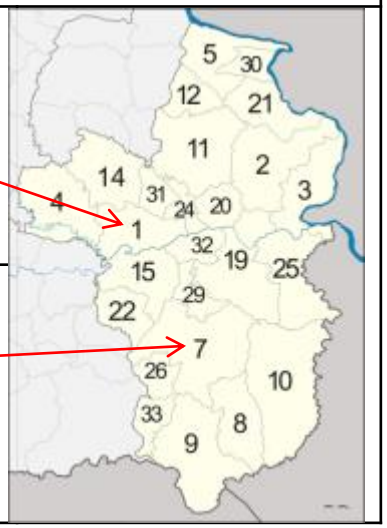
Yield loss assess-ment

Jittima Chaimuanwong, GIZ

Key aspects of the insurance pilot

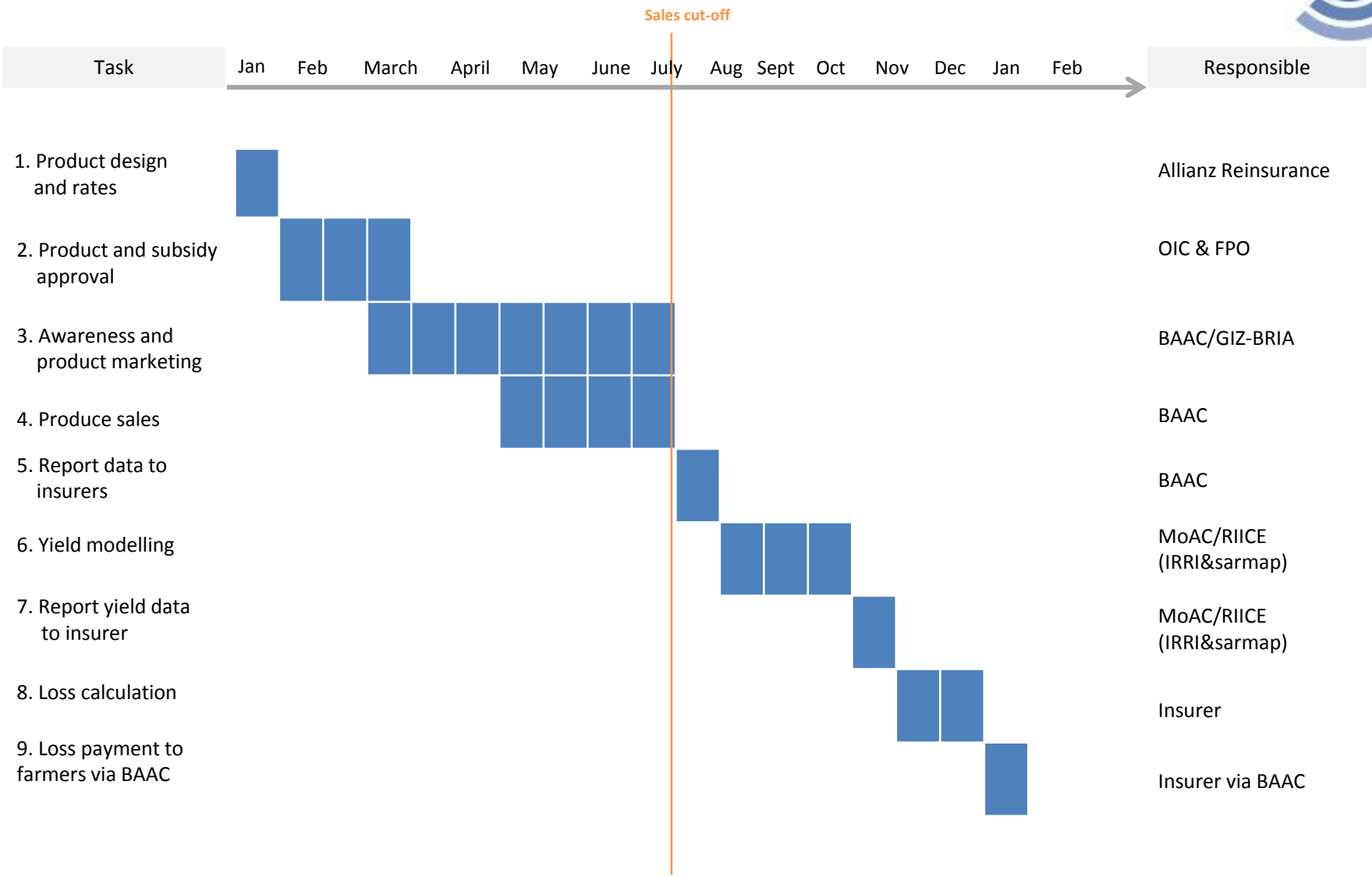


Target Provinces & Districts

Province	Suphan Buri	Ubon Ratchathani
Districts	Don Chedi Si Prachan 	Muang Ubon Ratchathani Det Udom 

Rationale for province & district selection

- Preferences by FPO and BAAC (irrigated/rainfed, 2-3 provinces)
- Availability of historical yield data on district level
- Availability of satellite-derived modelled yield data (RIICE supporting MoAC and GISTDA in processing and modelling)
- Prior ground truthing and validation of modelled data
- GIZ-BRIA area of activities and outreach to farmers


Sales cut-off
Task
Jan
Feb
March
April
May
June
July
Aug
Sept
Oct
Nov
Dec
Jan
Feb
Responsible
1. Product design and rates
Allianz Reinsurance
2. Product and subsidy approval
OIC & FPO
3. Awareness and product marketing
BAAC/GIZ-BRIA
4. Produce sales
BAAC
5. Report data to insurers
BAAC
6. Yield modelling
MoAC/RIICE (IRRI&sarmap)
7. Report yield data to insurer
MoAC/RIICE (IRRI&sarmap)
8. Loss calculation
Insurer
9. Loss payment to farmers via BAAC
Insurer via BAAC

Thank You