



## **Workshop documentation**



**Workshop organized by  
RIICE in cooperation with FPO and BAAC**

# **“AREA YIELD INDEX INSURANCE PILOT 2016”**

**22th January 2016  
Swissôtel Nai Lert Park, Bangkok**

## Content of the workshop

|          |  |          |
|----------|--|----------|
| <b>1</b> | <b>Background and objectives of the workshop .....</b> | <b>2</b> |
| <b>2</b> | <b>Programme of the workshop .....</b>                 | <b>3</b> |
| <b>3</b> | <b>Feedback by participants and next steps .....</b>   | <b>3</b> |

### **Annexes (provided in a separate document)**

Annex 1: List of participants

Annex 2: Overview of RIICE achievement Phase I and outlook Phase II, Michael Anthony (sarmap)

Annex 3: Overview of the area yield index insurance pilot 2016, Susan Gille (GIZ)

Annex 4: Remote sensing -based yield modelling, Dr. Tri Setiyono (IRRI)

Annex 5: Area modelled yield index insurance product, Peter Book (Allianz Re)

# 1 Background and objectives of the workshop

The Government of Thailand is providing protection to its rice farming constituency through the Government Disaster Relief scheme since 2004 which is being expanded through an Insurance top-up scheme since 2011.

Since 2012, the RIICE project (“Remote Sensing Based Information and Insurance for Crops in Emerging Economies”) has engaged with different Thai stakeholders regarding opportunities for the **improvement of the current Thai rice insurance scheme with the vision in mind to make it financially viable, politically stable and technically sound**. A big stakeholder workshop in 2014 in which challenges and the way forward for the Thai crop insurance scheme were discussed, laid the foundations. RIICE is a consortium consisting of five different partners (SDC, GIZ, IRRI, sarmap and Allianz).

At the same time RIICE has also been providing capacity building to Thai partners, i.e. several departments of MoAC and the Thai Space Agency GISTDA to **use remote sensing technology and to link it to a sophisticated crop yield modelling technology** in order to build a rice production monitoring system which provides accurate and timely information on rice areas, yield, and disaster affected rice areas.

The Fiscal Policy Office is aiming at expanding and strengthening the current Thai rice insurance scheme. At the end of 2014, FPO and GIZ (on the behalf of the RIICE project) signed an agreement under which RIICE is supporting the Thai stakeholders in finding a solution how to improve their current rice insurance scheme. Under the umbrella of this agreement, **FPO mandated RIICE to provide support in studying the feasibility of a satellite-supported area yield index insurance scheme**. It has been agreed that RIICE would facilitate the organization and implementation of an area yield index insurance pilot in selected districts during the main season 2016. Several pre-discussions with FPO, BAAC, Thaivivat have been taken place in 2015 resulting in the proposal that the proposed area yield index **insurance pilot will be undertaken in the two selected provinces Suphanburi and Ubon Ratchathani in the main season 2016 in order to study the performance of the product and related design, distribution and claims assessment processes on a real-case basis**.

The objective of the stakeholder workshop “Area Yield Index insurance pilot 2016” was **1) to inform all stakeholders** involved in the Thai crop insurance scheme on the planned area yield index insurance pilot and **2) to provide a platform for discussing key elements** and finding a common understanding on the roles and responsibilities in the implementation of the pilot in the main season 2016. Participants of the workshop included FPO, BAAC, OIC, Thai Rice Department, DoAE, OAE, Thai GIA, Thaivivat, Allianz CP, Aon Benfield, Swiss Re, RIICE partners (IRRI, Sarmap, Allianz Re, GIZ).

The workshop in particular focused on:

- Inform all involved stakeholders on the planned insurance pilot
- Seek common understanding of the roles and responsibilities amongst the stakeholders
- Clarifying requirements of the pilot (e.g. subsidies, regulatory issues)
- Discussing product features and operational issues
- Receiving feedback from insurance Pool and reinsurers

## 2 Programme of the workshop

| Time         | Topic   | Responsible                       |
|--------------|---|-----------------------------------|
| 08:30-09:00  | Registration  |                                   |
| 09:00-09:15  | Workshop opening speech, introduction and background and aim of the insurance pilot | Dr. Mahatana , FPO                |
| 09:15-09.25  | RIICE team introduction   | Dr Suriyan Vichitlekarn, GIZ      |
| 09:25-09.40  | Overview of RIICE achievement Phase I and outlook Phase II                          | Michael Anthony, RIICE (sarmap)   |
| 09:40-10:20  | Overview of the area yield index insurance pilot 2016                               | Susan Gille, RIICE (GIZ)          |
| 10:20 -10:35 | Coffee break  |                                   |
| 10:35-11:20  | Yield estimation using satellite data incl. Q&A                                     | Tri Setiyono, RIICE (IRRI)        |
| 11:20-12:30  | Proposed insurance product design and features incl. Q&A                            | Peter Book, RIICE (Allianz)       |
| 12:30-12:40  | Recap of morning session and questions  | Dr Suriyan Vichitlekarn, GIZ      |
| 12:40-13:40  | Lunch break   |                                   |
| 13:40-14:10  | Discussions and Q&A   | Dr Suriyan Vichitlekarn, GIZ      |
| 14:10-14:40  | Operational issues incl marketing, distribution and data flow                       | Jittima Chaimuanwong, RIICE (GIZ) |
| 14.40-15.10  | Open questions and discussing of next steps   | Dr Suriyan Vichitlekarn, GIZ      |
| 15.10-15.30  | Workshop closing and group picture  | Dr Suriyan Vichitlekarn, GIZ      |

## 3 Feedback by participants and next steps

### **Feedback and comments by workshop participants**

The presentations (please refer to the annex) were followed by lively and intense discussions amongst stakeholders who welcomed the opportunity and reconfirmed their commitment in implementing the insurance pilot at the one hand but also raised concerns and identified potential limitations for a successful implementation at the other hand. Main points raised by the participating institutions were as follows:

**FPO** explained in their opening statement the need for a significant **improvement of the current disaster risk financing strategy for farmers** which includes the disaster relief and the top-up insurance scheme. FPO plans to revise the current scheme set-up to achieve more efficiency and expand the outreach to a much bigger scale. The **planned area yield insurance pilot** serves as an opportunity to address shortcomings of the current set-up and to study the performance of the product and related design, distribution and claims assessment processes on a real-case basis.

**BAAC** re-confirmed their commitment to partner and support the idea of undertaking an area yield insurance pilot. BAAC sees this pilot as an **opportunity to address key challenges of the current scheme**. The importance of support and BAAC staff training in awareness raising and outreach to farmers is of key concern to BAAC.

**Dr Apichart (former DG MoAC)** noted that the collection of yield data needs to be further improved. MoAc and related agencies would like to see **the potential and empirical evidence how the described technology can help in improving data collection and rice production monitoring as well the existing crop insurance scheme**. He stressed that an efficient crop insurance programme would help the Thai Government to reduce its budget uncertainty.

**Thai GIA** stressed the **importance of a political will** and the need for a continuous leadership of the Government in revising the current scheme set-up and testing other potential products such as the area yield index insurance. The private insurance market needs a strong and clear signal from the Government otherwise they would hesitate to participate in this initiative. Remote-sensing technology will doubtless play an important role in the future of crop insurance.

**Thaivivat** followed TGIA by advocating for a **need for government leadership** in setting the framework for this insurance pilot and coordination amongst stakeholders. They confirmed their interest in supporting this initiative and underlined the important role of BAAC. They emphasized that **an official, authorized yield should be defined by a government authority** rather than the project or the insurers to avoid that different yield results exist and are communicated to farmers (through the two products sold in parallel) at season end.

The regulator **OIC** confirmed a **need to approve the policy wording** for an AYII product.

**Allianz Re** suggested that the modelled yield system incorporating remote sensing data could be used for **determining losses within the existing disaster scheme**. The methodology is already used in countries like the Philippines to assess yields on an area basis. They explained that it is imperative that the claim determination and the official yield follows the modelled yield methodology to avoid different bases of claims settlement.

**Swiss Re** stressed the **decisive role that technology will play in the near future** in crop insurance schemes around the world. The **big leap forward that is planned in Thailand with an increase of 1.5m rai insured to 10m rai insured** can only be achieved with committed efforts by all stakeholders. Looking at the experiences from the Indian area-yield index insurance scheme which is the biggest in the world in terms of farmers, **area yield index insurance is a step forward in terms of reliability, objectiveness and transparency but also comes with limitations**. Each country needs to define an individual design and set-up of its insurance scheme for farmers based on the country conditions. The extent to which technology will be the basis of the scheme needs to be defined (e.g. inherent in the product design or only for cross-checking). It is **important to test the technology in form of a pilot to make such decisions**. Swiss Re also emphasized from their experience that **consistent and continued commitment from the Government in form of coordination, leadership and also subsidies** is a precondition for a successful crop insurance scheme.

## Next steps

**Suriyan Vichitlekarn (GIZ)** summarized as **next steps** to be taken, that a **small working** group with a representative from FPO, BAAC, Thaivivat and GIZ will be formed to work out details of the planned insurance pilot and prepare for a “business plan”-type concept (including policy pricing and wording, assumed number of insured, distribution plan). The results of this working group will be regularly fed into the **National Technical Working Group on Crop Insurance**. The need for a **clear guidance by the Government** was raised by several participants and will be taken up by GIZ in direct consultations with FPO. **Policy wordings** and other required documents will be submitted to OIC for approval as soon as possible. GIZ and BAAC will **further detail a marketing and distribution plan** with assumptions on potential sales in the selected districts and investigate options to increase marketing activities at BAAC branch level and via Community Rice Centers GIZ-BRIA is closely working with.

*The workshop has helped to clarify aspects of the planned insurance pilot and its operational challenges. It also delineated roles and responsibilities of participating stakeholders and identified important challenges which need to be addressed prior to the roll-out.*

*GIZ on behalf of RIICE is aiming to improve food security by establishing a rice production monitoring system through the use of remote-sensing technology linking it to enhance the efficiency and transparency of crop insurance solutions. We hope that we can assist Thai government to institute an insurance mechanism that reduces the vulnerability of rice farmers from natural catastrophes. We would like to thank all participants for their important contributions.*

*Hope to see you again.*

*GIZ on behalf of RIICE*

