



Agricultural insurance in the ASEAN region: CAMBODIA

Background

The ASEAN region is one of the most exposed in the world to natural and climatic disasters, from earthquakes and volcanic eruptions to typhoons, floods, droughts, and pests and diseases affecting crops and livestock.

These disasters can cause many millions of dollars in losses and damage for the agricultural sector in an average year, and run into billions of dollars in more catastrophic years. Climate change is already having major adverse impacts on crop production and yields and is also affecting livestock and aquaculture. These negative impacts are predicted to increase significantly by the turn of the century.

Agricultural insurance is one of the tools that ASEAN Member States can use to compensate farmers for losses and transfer some of these unmanageable risks to national and international capital and insurance markets.

A snapshot of agricultural insurance in the ASEAN region

Brunei		No agricultural insurance
Cambodia		Crop & forestry insurance
Indonesia		Crop, livestock, aquaculture & forestry/plantation insurance
Lao PDR		Forestry insurance approved, but not yet available
Malaysia		Forestry insurance available on a limited scale
Myanmar		Crop insurance
Philippines		Crop, livestock, aquaculture, forestry & greenhouse insurance
Singapore		No agricultural insurance
Thailand		Crop & livestock insurance
Vietnam		Crop, livestock, aquaculture & forestry insurance

The status of agricultural insurance in Cambodia

Agriculture is the most important socio-economic sector in Cambodia, accounting for 34.5% of employment. Most farms are very small, typically under two hectares. Paddy rice is the most important crop in the ASEAN region and a major staple for small-scale and subsistence farmers. Cambodia is among the top 10 paddy rice producers in the world by tonnage.

Agricultural insurance is still at a very early stage of development in Cambodia, led by the private sector without premium subsidy support from the government. In 2021, crop insurance was available through one private sector insurer, Forte Insurance Company. Forte began piloting weather index insurance (WII) in 2015, using ground weather stations for wet season rice. In 2017, it switched to a satellite soil moisture index (SMII) for wet season rice, and in 2018 embarked on a new project (2018–2023) to offer WII insurance to rice growers with a 50% premium subsidy funded by the Asian Development Bank (ADB).

Agricultural insurance is still relatively new in Cambodia, led by the private sector without premium subsidy support from the government.

Agricultural insurance	Year introduced	Market status	Public, private, PPP	Government support for premium subsidies
Crop 	2015	Pilot	Private	No
Livestock 				
Aquaculture 	In the feasibility phase with a view to launching a pilot in 2022 or 2023.			
Forestry/Plantation 	2011 (Rubber)			
CROP INSURANCE	Weather index insurance: Ground weather stations and remote sensing imagery for wet season rice. Covers excess rain, deficit rain, and dry days.			
<i>Index insurance (Pilot)</i>	Satellite index insurance: Soil moisture index insurance for wet season rice. Covers excess and deficit soil moisture.			
	Flood index insurance: Covers drought and flood.			



Insurance providers and partners

Since 2015, Forte Insurance Company has worked closely with AMK, a Cambodian microfinance institution (MFI), to design and implement the pilot rice WII programme. Weather Risks assisted in the design of the WII cover and SwissRe/VanderSat designed the SMII product. The programme is reinsured by SwissRe.

To promote and distribute crop insurance products to smallholder farmers, Forte works with Agribuddy, a Japanese-owned agritech start-up that Forte Investment Holdings has invested in since 2018. Agribuddy's digital financial platform records farmers' income and expenditures and provides credit-scoring services to banks and MFIs, including AMK. In Cambodia, Agribuddy has a network of over 600 registered village entrepreneurs (known as "Buddies") and Forte is using this network. Buddies are often group leaders in their villages and communities, and are generally trusted and respected by farmers. Agribuddy is also assisting agricultural researchers in Cambodia with monitoring and controlling pest and disease outbreaks in cassava.

Subsidies and public sector support

Between 2015 and 2019, Forte's rice WII pilot programmes were purely voluntary and did not attract any form of government premium subsidy support. To make rice index insurance more affordable to farmers in the start-up years (2015 and 2016), Forte and AMK subsidised the costs of premiums, each paying 40% and rice farmers paying 20%. For the past three years, however, Forte has stopped offering premium subsidies and farmers pay the full cost.

In 2018, the Government of Cambodia received a loan from the ADB and other co-funding agencies for a rice WII programme that includes substantial funding for crop premium subsidies. Forte has been appointed to implement this scheme. The project includes investments in infrastructure (weather stations at the commune level), raising awareness of insurance, premium subsidies (50%), and technical assistance. The project was launched in 2021 and by August had insured 670 rice farmers. Over the eight-year life of the project, the projected demand and uptake of the WII scheme should increase from 500 insured rice farmers in year one to at least 10,000 farmers insured in 160 villages in three provinces.

Results and lessons learned

Uptake and penetration of crop (rice) insurance in Cambodia

Number of insured farmers	Insured crop area (ha)	Penetration rate (% of farmers or % of crop area insured)	Average premium / farmer / policy (USD)	Average premium rate
675	887	<0.1%	\$55.60	8.6%

In the absence of premium subsidies and other support from government, Forte’s voluntary pilot programme has struggled to achieve uptake and scale. Due to the small size of the portfolio and concentration of risk, Forte experienced negative underwriting losses in four of the five years since the programme was implemented, with an overall long-term loss ratio of 175%. Due to severe basis risk, Forte made payouts to rice farmers who had incurred losses but whose policy had not triggered payouts.

Governments in the ASEAN need to review their premium subsidy provision for private commercial insurers if they wish to create sustainable private sector insurance markets and reduce the fiscal burden on the public sector budget.

New initiatives: Area yield index insurance

In August 2020, Forte Insurance signed an agreement to join RIICE project phase III, a partnership between the **Ministry of Agriculture, Forestry & Fisheries (MAFF)**, the **Swiss Agency for Development and Cooperation (SDC)**, **SCOR SE**, and **Syngenta (SFSA)**. Together, they are testing an area yield index insurance (AYII) product using shadow policies (a fully designed insurance product that they show to farmers to get their feedback, but do not actually sell to them) for the wet season in 20 communes of four provinces (Prey Veng, Takeo, Pursat and Battambang). The lessons from the scheme will inform the commercial pilot testing and the national agricultural insurance strategy.

Challenges for farmers, insurance companies, financial institutions & governments



- Low trust among farmers due to lack of knowledge and awareness of insurance.
- Premium rates are too expensive and subsidies are only available at the pilot stage (ADB project).
- Lack of materials and capacity to improve farmers’ understanding of insurance.



- Lack of knowledge and technical capacity to design and rate agricultural insurance products/ programmes.
- Lack of trained, field-based loss inspectors and adjusters.
- Lack of affordable, available, and accessible data on crop production and yields and weather data.
- Installing and maintaining weather stations is a huge investment.



- Lack of interest by financial institutions in bundled credit and insurance.



- Lack of policy and regulation frameworks.
- Limited cooperation and participation amongst government, development partners, and other stakeholders.

Priorities & recommendations



Government should provide a policy framework for agricultural insurance. Before selecting an insurance platform for managing risks in Cambodia, the risk profiles for major production regions and crop types should be elaborated.



Government should provide direct support through agricultural extension services and education programmes to increase farmers’ awareness of insurance.



Government should provide extensive technical assistance for agricultural insurance and disaster management and establish an agricultural disaster fund. Part of this fund could be used to support premium subsidies.

Agricultural insurance & disaster management

A CAT-level WII programme may be the most suitable solution for addressing the disaster management challenges of smallholder farmers. Due to the rapid commercialisation of rural smallholders, Cambodian insurance companies and the national government may consider developing top-up coverage options for a CAT-level programme to better address farmers’ needs. Stand-alone index/indemnity insurance solutions for SMEs and large-scale agricultural producers may also be in demand within the next five years.



To learn more about the Climate Risk Financing in Cooperation with ASEAN project, visit:

https://www.thai-german-cooperation.info/en_US/climate-risk-financing-in-cooperation-with-asean/

<https://www.asean-agrifood.org/>

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