



Engaging on the ground: Empowering farmers through insurance literacy

BACKGROUND

At the time of writing crop insurance is not very widespread in the ASEAN countries, protecting only a small fraction of small-scale farmers. In Indonesia, Thailand, and the Philippines, public-supported crop insurance programmes already exist, while in Cambodia the private sector is implementing pilots. To operate crop insurance schemes at large scale, most ASEAN countries still need to overcome key limitations on both supply and demand sides.

Public awareness and basic knowledge are not just a building block of crop insurance, but an essential prerequisite to implementing a large-scale

crop insurance scheme. It is essential that farmers understand how to use crop insurance as a tool to manage financial risk, and how it can protect them in case of productivity loss. Farmers are often unaware of crop insurance, lack a sound understanding of it, or do not trust a financial product that is based on an intangible promise and requires upfront payments. The success of a crop insurance product depends on the farmers' understanding its benefits and an existing market demand.



Why should farmers learn about risk management and insurance?

Literacy around crop insurance among small-scale farmers is an indispensable prerequisite to the successful uptake and implementation of a crop insurance programme. In the case of Cambodia and Vietnam, agricultural production is still fragmented across smallholder farmers. Crop insurance is not very popular, widespread or familiar.

One of the most important factors for crop insurance to thrive is trust. The journey begins with the farmers trusting the insurance company, and being confident

that the insurance company, after taking their money, will provide due compensation in the event of harvest losses. Most importantly, the farmers need to understand that their investment in insurance cover can prevent them from possible income loss and effectively protect their rice farming. Well-presented educational messages and materials are necessary to effectively create an awareness and an understanding of what crop insurance is, how it works and how it is handled.



What we did

RIICE developed crop insurance training manuals, informational materials and a strategy to raise awareness of crop insurance for both farmers and trainers.

- ◆ Farmers and trainers improved their understanding and technical capacity regarding crop insurance:
- ◆ The trainers found the documents and materials to be a useful tool to transfer knowledge to the farmers. Depicting examples of good practices and pictures, these materials accurately presented the current local context and were effective as memorable lessons or information storage. The trainers also expressed the view that the training sessions helped improve their own financial literacy and understanding of potential risks and available crop insurance products.
- ◆ The participating farmers said they were satisfied with the training sessions on crop insurance. In general, they enhanced their knowledge of agriculture insurance. This new knowledge helped them to understand the insurance process and how to claim a compensation in case of damage or loss to their insured fields caused by extreme weather events.

Lessons learned

- ◆ Awareness raising has been found to be indispensable to increasing farmers' recognition of crop insurance as a risk-transfer tool. Thus, the insurance literacy process, if conducted in an ongoing manner and involving the farmers as much as possible, could bring in solid and sustainable results.
- ◆ The foundation of success is built on the support and buy-in from the respective government across multiple ministries and agencies to i) adopt RIICE technology and ii) make RIICE an integral part of an agricultural insurance scheme. Ongoing engagement with the government on both aspects needs to be part of best practice in a public-private partnership.
- ◆ Sustainable agricultural insurance schemes are rare. Unless the scheme is implemented on a mandatory base for all farmers or unless the government provides sufficient premium subsidies, agricultural insurance schemes will have difficulties attaining a meaningful scale or sustainable dynamic.
- ◆ **Accountability and transparency are key to building trust** between the farmers and the insurers. The insurance literacy activity serves as a good tool to create such trust. **The government agencies, the implementing partners and the insurance companies should be present** in the training sessions so that participants can directly raise questions, request clarifications, or share their concerns.
- ◆ **Integration of gender perspective and inclusiveness** is critical to the decision-making process. This is because different groups of people and different genders may have different interests and concerns regarding the crop insurance, depending on who has which role and responsibilities when it comes to farm work or

management of the household and its finances. In Vietnam, the Farmers' Union and the Women's Union are the two organizations strongly engaged in the micro-finance and life insurance schemes. Such organizations could potentially be key influencers to get more farmers to participate in the crop insurance programme.

- ◆ It is important to **engage capable trainers** with agricultural backgrounds so they can effectively transfer the technical information of crop-related risks to the farmers. This allows the farmers to better understand different types of risk and, by linking their own practical experience to the purpose of crop insurance, to better manage their investment. The new knowledge helps to inform farmers' decisions whether and when they need a crop insurance, and for what. Likewise, it is essential to provide capacity building for the trainers focusing on insurance, government policies on agriculture insurance, and the available agri-insurance products.

