



Microinsurance Without Borders

Effective Delivery of Microinsurance for SMEs in the Agricultural Sector



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Background

Smallholder farmers in Ghana are underinsured. In the absence of risk-transfer solutions, many farmers are forced to respond informally to unexpected events of damage and fluctuating crop prices that can destroy expected returns from harvests and trap farmers and households in cycles of poverty. Considering this dynamic, underinsurance threatens income security and hinders sustainable growth of Ghana's agriculture sector.

In the light of climate change, extreme weather events such as floods and dry spells are increasing in frequency and scope, putting additional pressure on smallholder farmers. Experts predict that Ghana to lose about 5.5% of the value of the production of its eight main food crops on average per year (MCII & GIZ 2019) with impacts originating from drought, high temperatures, windstorms and floods among others (MCII & GIZ 2019). Thus, the need for microinsurance in the agricultural sector is evermore increasing. Yet, the market penetration of insurance products remains low at 1.14% (Cenfri, 2018). Apart from a general unawareness of the benefits of insurance products on the demand side, and a rather incomplete regulatory framework in order to increase the national insurance rate, the main causes of underinsurance are:

- High uncertainty that financial institutions associate with farmers as insurant and the reluctance of most insurance companies to support the low-income segment
- Seasonal incomes lead to an inability of farmers to pay a premium as it is structured currently and weather-indexed insurance is not yet effective in solving this challenge
- Financial illiteracy among farmers and the incapability of insurance providers to effectively target smallholder farmers

Focus:

Ecosystem Impact:

Lab Cycle:

Challenge Hosted by:

Climate Change Adaptation

Access to Finance

Climate Finance, Ghana 2019

Stanbic Bank

Solution Overview

Microinsurance without Borders aims to strengthen the resilience of smallholder farmers towards external shocks, focusing on value chains that are strongly affected by climate change. It comprises a comprehensive solution that fits the needs of smallholder farmers by combining a mobile-enabled insurance with technical assistance for climate-resilient agriculture, as well as financial literacy training for smallholder farmers to foster a financially inclusive and climate-resilient agricultural sector in Ghana and fill the insurance gap for smallholder farmers.

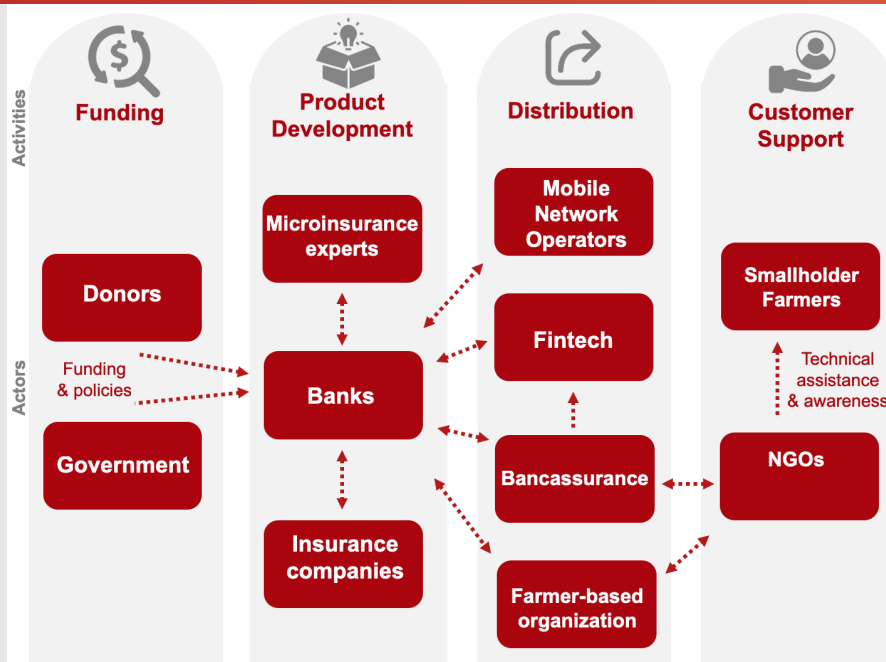
Key Features

Microinsurance without Borders brings together microinsurance experts, banks and insurance companies to co-create the most adequate weather-indexed insurance product. It offers a comprehensive insurance package for smallholder farmers against:

- Climate-related risks with an emphasis on crop and harvest lost
- Other agriculture risks (incl. post-harvest loss, pests, fire)

It combines a multi-level offering based on basic, medium and advanced insurance to tap into the full market potential and combines bancassurance, financial and mobile technology to reach farmers, as well as farmer-based organizations to distribute the insurance on the ground.

In addition, Microinsurance without Borders works closely together with local NGOs to inform farmers about their climate-related risks, the benefits of the insurance product and technical assistance in implementing more climate-resilient agriculture practices as subsidised by the insurance.



Innovative Characteristics

- Links insurance with dissemination of Good Agricultural Practices to minimize losses: a key condition for farmers that access the insurance will be to undergo the training on good farming practices to minimize their risks and thereby reduce premiums overall.
- Provides easy access to insurance: Bundling a range of distribution channels through financial technology and bancassurance offering a farmer-friendly design through mobile-enabled distribution
- Awareness raising on the benefits of insurance: Together with a partnered NGO, the service will educate potential farmers on the need and benefits of the product to build trust in the insurance.

- Economic Impact: Decrease economic vulnerability of farmers, increase financial stability and financial literacy, while de-risking local smallholder farmers
- Social impact: Increasing the resilience of rural livelihoods against the growing climate-related risk by supporting income and food security

Solution Developer



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Target Market

Microinsurance without Borders targets smallholder farmers who work with value chains that are strongly affected by climate change and that are interested in the implementation of more climate-resilient agriculture practices. In the pilot phase, the insurance will target the Volta Region focusing on crops, livestock and aquaculture, the main production focus of the region. Close collaboration with local expert as well as field visits are foreseen to closely adapt the insurance to the needs of the farmers.

Impact Potential

- Environmental Impact: Increase climate resilience of farmers and capacitating small and growing agribusinesses by encouraging climate-resilient agriculture including the application of climate-smart technologies

SEED Practitioner Labs Climate Finance empower participants during the hands-on and collaborative Labs process to turn major financing challenges into robust prototypes. SEED Practitioner Labs Climate Finance are part of the implementation of "Financing and capacity building for micro and small climate-smart enterprises: Filling the gap of the missing middle", a project supported by the German Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety.