

The role of agricultural insurance in contributing to improved food security and role of regulation

AIO Microinsurance workshop 2023

Lulama Mafunda | 30 May 2023

Agenda

- 1| The role of A2ii
- 2| What regulators can do to promote inclusive insurance growth in SSA
- 3| Tracking inclusive insurance regulation
- 4| How agricultural insurance can improve food security
- 5| Role of Regulators: Agricultural Insurance/Index Insurance
- 6| Regulatory challenges

1. The role of A2ii



Capacity Development

Strengthen the capacity of supervisors. Help supervisors where there is a need for insurance, barriers and guide them in identifying solutions



Knowledge Generation

Provide knowledge that the supervisors need to regulate and supervise insurance markets in a manner that promotes greater access to insurance for low income consumers



Contribution to IAIS standards and guidance and implementation support

Feed learning back to IAIS Standard setting and implementation activities and provide inputs to the development of global standards and guidance. Support country implementation in regulatory and supervisory reform



Supervisory peer-to-peer exchange and dialogue

Facilitate peer exchange and dialogue through innovative platforms.

2. What regulators can do to promote inclusive insurance growth in Sub-Saharan Africa

Microinsurance

“Insurance that is accessed by the low-income population, provided by a variety of different entities, but run in accordance with generally accepted insurance practices.” (IAIS, 2007)

Inclusive Insurance

“All insurance products aimed at the excluded or underserved market, rather than just those aimed at the poor or a narrow conception of the low-income market.” (IAIS, 2015)

2. What regulators can do to promote inclusive insurance growth in Sub-Saharan Africa

- ❑ Introduction and implementation of inclusive insurance legislation

- ❑ Inclusive insurance is anchored in proportionality
 - Apply principles of proportionality in regulatory frameworks
 - Reduction of regulatory burden
 - reduces capital and governance requirements for microinsurers
 - simplified reporting requirements

3. Inclusive insurance regulation in 2009

6

IMPLEMENTED

ASIA-PACIFIC

- India
- China
- Philippines
- Chinese Taipei

LATIN AMERICA & CARIBBEAN

- Peru
- Mexico



3. Inclusive insurance regulation in 2023

17

UNDER DEVELOPMENT

ASIA-PACIFIC

- Bangladesh
- Fiji
- Papua New Guinea
- Sri Lanka
- Vietnam

LATIN AMERICA & CARIBBEAN

- Chile
- Colombia
- El Salvador
- Guatemala
- Honduras
- Jamaica

MIDDLE EAST & NORTH AFRICA

- Jordan
- Morocco
- Palestinian Territories
- Tunisia
- United Arab Emirates

SUB-SAHARAN AFRICA

- Namibia

38

IMPLEMENTED

ASIA-PACIFIC

- Cambodia
- China
- Chinese Taipei
- India
- Indonesia
- Malaysia
- Mongolia
- Nepal
- Pakistan
- Philippines
- Thailand

LATIN AMERICA & CARIBBEAN

- Argentina
- Belize
- Bolivia
- Brazil
- Costa Rica
- Mexico
- Nicaragua
- Paraguay
- Peru
- Venezuela

MIDDLE EAST & NORTH AFRICA

- Egypt

SUB-SAHARAN AFRICA

- CIMA*
- Eswatini
- Ethiopia
- Ghana
- Kenya
- Lesotho
- Madagascar
- Malawi
- Mozambique
- Nigeria
- Rwanda
- South Africa
- Tanzania
- Uganda
- Zambia
- Zimbabwe

* CIMA is counted as one jurisdiction (Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, Gabon, Guinea Bissau, Ivory Coast, Mali, Niger, Senegal, and Togo)



4. How agricultural insurance can improve food security

- Insurance can contribute to achievement of Sustainable Development Goals (SDGs)
 - SDG 1: No poverty
 - SDG 2: Zero hunger
- Protects farmers from losses emanating from adverse weather events
- Allow farmers to access credit markets
- Better management of risk contributes to food security



5. Regulators Role: Agricultural Insurance and Index insurance

- Enable and support market development
- Regulation is essential for creating opportunities for innovation.
 - Regulatory Sandboxes
 - Innovation Hubs
- Regulators may consider enforcing mandatory provision of certain types of insurance
- Consider how to reduce cost of compliance to allow for affordable insurance solutions
- Consider Supervisory KPIs Lexicon for SSA – SDG Pillar.
 - Measures Impact Story, Product, Corporate Citizen

6. Regulatory Challenges : Sub – Saharan Africa

- Regulatory framework not allowing for index-based agricultural insurance (not considered to be insurance)
- Products still in pilot stage
- Need for government support to subsidize premiums
- No guidance yet from IAIS on regulating index insurance
- Low penetration of agricultural insurance

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