



Assurance Récolte Sahel

DEVELOPING AGRICULTURAL INSURANCE MARKET IN THE SAHEL REGION



GLOBAL INDEX INSURANCE FACILITY



Savings and Credit Forum, 13 September 2013, SDC Berne

FUNDED BY





Contents

- I. Presentation of ARS**
- II. Areas of Operations**
- III. Approach**
 - I. Insurance products**
 - II. Distribution**
 - III. Marketing**
- IV. ARS results today**
- V. Prospects – the way forward**
- VI. Main Challenges & Lessons learnt**





I. Presentation of ARS

Targets of ARS

The Assurance Récolte Sahel initiative is active in **4 countries: Senegal, Mali, Burkina Faso & Benin. Soon in Côte d'Ivoire.**

General objectives :

- lower farmers' income variation to prevent the deterioration of their living conditions;
- contribute to more secured financing mechanisms for agriculture;
- improve food security.



This is the first initiative in francophone Africa, compared to anglophone Africa which witnessed the development of several index insurance schemes.

Targets

- 60 to 80,000 farmers insured by 2016
- More than 165,000 farmers with increased awareness on crop insurance
- Develop more than 20 products
- Set up a regional platform dedicated to index insurance
- Implement insurance schemes with simple and affordable products, adapted to the needs and demands of rural groups





I. Presentation of ARS

Key partners / Elements of context

Financial partners : GIIF, AECF / AGRA, AFD, Grameen Crédit Agricole Microfinance Foundation, USAID / PCE

Technical partners : CIRAD, IFC, EARS, Swiss Re, I4

Insurance & Reinsurance partners: CNAAS, Allianz, AMAB, Swiss Re, Cica Re, Africa Re

Main distribution partners : cooperatives, banks and MFIs, agrodealers network

PG is working in this field since 2009, and started distributing the products in 2011 (Mali and Burkina), thanks to first donors (ILO, AECF).

Some high constraints

- Highest variability of rainfalls in the world and very low density of farmers
- Global disorder in financing agriculture
- Absence of agri insurance in West Africa, and very small insurance market

But...

- A new microinsurance regulation allowing index insurance
- A growing interest from all stakeholders
- A global heterogeneity of the area (agro & weather) in the Sahel area and Guinea Gulf





II. Areas of Operations





III. Approach

Insurance Products

Country / Crops

Senegal :
Maize & Groundnut

Mali : Maize
(early & late)

Burkina
1) Maize(early & late)
2) Cotton

Benin : maize
(early & late)
& cotton

Data Source

Rainfall data, based on automatic rain gauges. 33 gauges.

RE data, based on Meteosat data. Over 2000 locations

1) RE data. Over 850 locations
2) Yield data, from cotton Cy. 50 villages, 2 regions

RE data, based on Meteosat data. Over 250 locations

Risk covered

Drought .
Coverage of 80% of Sum insured

Drought.
Coverage between 75% and 100M of SI

1) Drought
2) Yield losses.
Coverage of 90% of SI

Drought

Distribution

- Voluntary / Compulsory
- Linked / not linked to credit (10% of portfolio)
- Credit amount insured or 4 lump sums (35,70, 150 or 230 € / ha). Average amount around 100 € / ha and 1.2 ha insured

Claims 2012

0%

37%

149%



III. Approach *Distribution*

- During the pilot years : the main concern was to test the scheme
- The main axes are :
 - The MIS : how to collect all the data during the sales window, which is very short?
 - How to make sure the premiums are paid on time and people are actually insured? How to transfer premium from the remote villages to the insurer
 - Once the sales are over, how to communicate with all stakeholders during the campaign? And provide technical assistance to farmers regarding regarding farming advices?

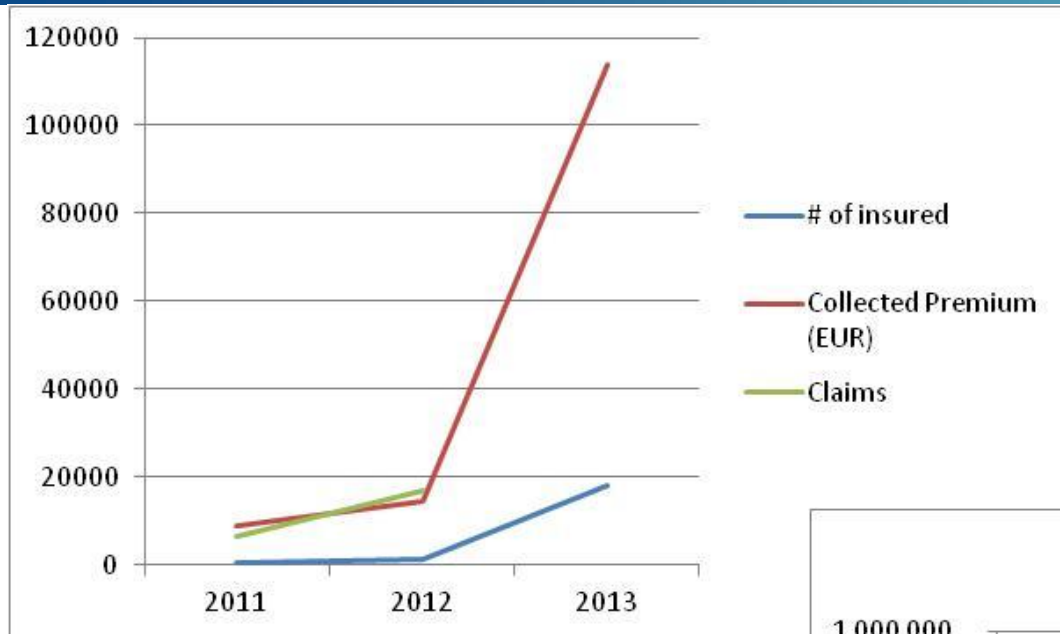


III. Approach *Marketing*

- The basic methodology is twofold :
 - Training of trainers to : 1) manage the raising awareness process ; 2) manage the distribution process
 - Raising awareness / promotion : 1) direct raising awareness in villages with a comprehensive explanation, 2) mass promotion through radio shows and weekly markets. **A strong attention is put on consumer protection!**
- Who is trained :
 - Subscribers : when the directly raise awareness, or only on distribution process
 - Field agents of partner institutions (usually farmers organization) who are on the field to promote the scheme.
- Trainings last from 1 to 3 days
- Raising awareness from ½ day to 30 minutes.
- In total : 452 staffs trained and more than 72,000 people reached by raising awareness and promotion (2012 figures)



IV. ARS today

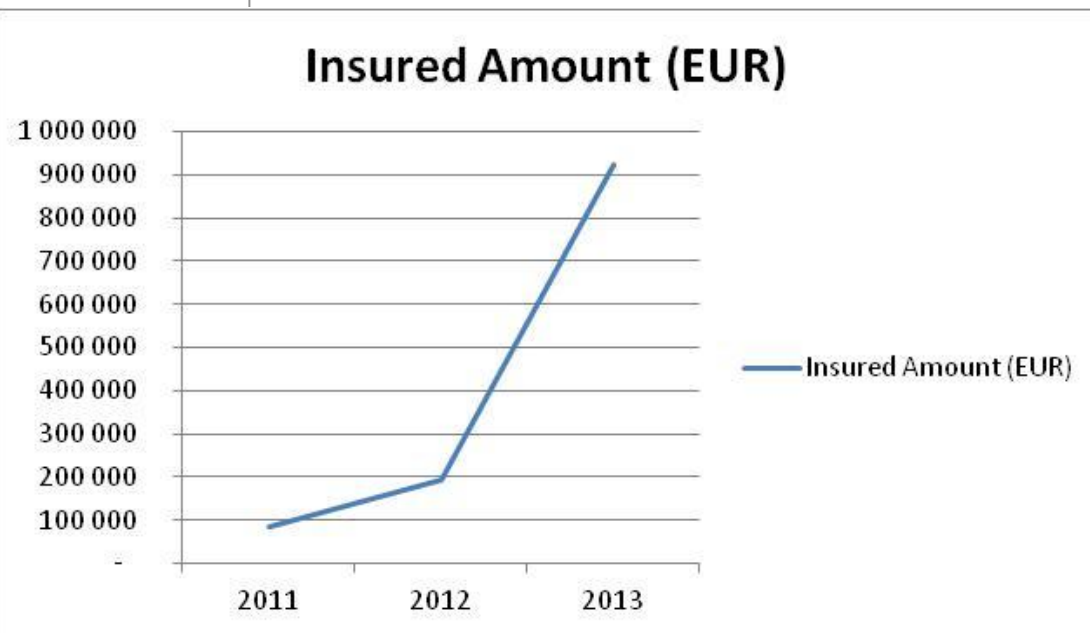


- 5 operational subsidiaries

- A fully functional regional platform with 13 staff

- 14 subscribers (MFIs, Banks, Cooperatives and Agro dealers network)

- 2 on going impact studies in Burkina





V. Prospects

The way forward

- A radical change in
 - **Product development :**
 - increase in house development of indices, in order to lower the costs, or share with partners (reinsurers, insurers, agri businesses). 5 products per country
 - Evaluate the existing indices and improve their accuracy
 - **Distribution :** 1) Include the premium either in the loan capital or the seed bag, 2) portfolio coverage (the farmer does not pay)
⇒ Lower distribution costs and optimize our investment
 - **From Training / Raising Awareness to Marketing / Promotion and Communication :** a low correlation between investments made and level of sales.
⇒ Partners must invest in this process, as they would to purchase any product
 - ARS has to be now recognized as a commercial brand and no longer as a project : all expenses must be covered by the commission received by PG!



VI. Main Challenges & Lessons Learnt

Demand

farmers

- Farmers are aware they need risk management tools
- Insurance can help them secure their financing resources or access to credit

subscribers

- Lenders have an interest in 1) distributing the product as an additional financial service, 2) limiting their credit risk => a) want to be the beneficiary of payouts, b) want to directly insure their portfolio

- Cooperatives and agribusiness : have an interest in insurance in order to 1) improve their access to credit ; 2) provide additional services to their members; 3) secure their business.

▪ Some interesting cases :

- MFIs : reduction of necessary saving to access loans + compulsory membership
- Large Coop : purchase on behalf of the members, or request insurance to distribute inputs or input loans
- State of Senegal





VI. Main Challenges & Lessons Learnt

Distribution

- Lack of cash and refinancing capacities whatever the type of distribution channel. Very late disbursement of inputs loans => direct impact on the premium payment capacities;
- ⇒ Insurance must show its positive impact on repayment rate and lower risk to invest in agriculture (to banks, MFIs, investors, agribusinesses, governments ... and farmers)
- Low technical capacities of the distribution channels to implement the subscription processes and to comply with the targets they set up;
- no regular feedback on the sales figures;
- ⇒ Working with aggregators is key to scale up with limited costs.
- Need for technology: increasing efficiency with limited investment





VI. Main Challenges & Lessons Learnt

The business model:

- We cannot reach the breakeven with only 1 or 2 countries
 - ⇒the regional approach is critical for West Africa. 5 countries at least, with 1 regional platform.
- The regional approach allows us to have similar products, marketing strategies and tools
 - ⇒economies of scale
 - ⇒Higher efficiency of the team, with better technical skills available
 - ... but different distribution models in each country and with each subscriber



CONTACTS

PLANET GUARANTEE

Villa 9447 Sacré Coeur III

BP 16 970 Dakar - Senegal

Mathieu Dubreuil, Chef de Projet ARS- mdubreuil@planetguarantee.org

ars@planetguarantee.org

Tel : +221 77 801 83 11 / +33 6 21 91 45 37