

Index-based Flood Insurance (IBFI) for Agriculture Risk Management

Implementation Strategies

By

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Salient features

- State or District contracts with village level settlements
 - Moral hazard
 - Adverse selection
 - Affordable premium through risk spreading
- Use of data from satellites and drones
- Use of hydrology modeling output for flood prediction and monitoring
- Historical and real-time data from river water gauges
- Near-real time rainfall data from village rain-gauges
- Participation from Government and Community



Implementation Process

Activity 1

- **Opportunity Assessment**

Activity 2

- **Contract Design**

Activity 3

- **Contract Pricing**

Activity 4

- **Development of Contract Administration Tool Kit**

Activity 5

- **Client Education**

Activity 6

- **Farmer Enrolment**

Activity 7

- **Risk Transfer**

Activity 8

- **Contract Monitoring**

Activity 9

- **Claim Processing**



Opportunity Assessment

- Reconnaissance survey to analyze the situation
- Site visit to interact with farmers to understand operational issues, frequency and extent of risk
- Verifying availability of historical data
 - Satellite images
 - River cross-section
 - Rainfall data
 - River water level
- Visiting few villages in Muzzaffarpur district
- Finalising locations



Contract Design

- Detailed discussion on prototype among all the stakeholders
- Actual product design starts with collecting detailed data
 - Satellite
 - River cross-section, water level & discharge
 - climatic and agronomic data



Contract Pricing

- Finalizing the contract design and pricing the product
- Discussed with the farmers and finalize the price
- Need modifications in case of any changes in price
- Finalize the contract term-sheet once after incorporating the necessary changes



Development of Contract Admn. Tool Kit

- Contains
 - Contract term-sheets
 - Contract manuals
 - Contract monitoring sheets
 - data on flood water level
 - flood extent and duration
 - satellite data
 - weather data received from weather stations
 - recording on if a payout is generated



Staff training and farmer education

- Training of trainers – field staff
- Conduct farmer focus group meetings in the pilot project villages to education farmers
 - Principles of insurance
 - Contract term-sheet, premiums and sum insurance
 - Monitoring and claims process
- Lack of knowledge and often a mistrust of insurance



Farmer Enrolment

- Collection of premium
- Distribution of necessary information and documents



Risk Transfer

- Collection of all required documents
 - Proposal forms
 - Farmer / field documents
 - Bank account details
- Submit all the documents required by the insurer
- Timely deposit of premium
- Complete before commencement of risk period



Contract Monitoring

- Carried out during the crop period while contract is active
- Project monitoring
 - Collection of relevant data
 - Distribution of information
 - Timely updates to stakeholders
- Kharif season 2016 i.e., June and December



Claim Processing

- In case of claim, based on prevailing weather conditions,
 - Contract-monitoring sheet will reveal the amount
 - Insurer will make the payments directly to the insured farmers
- Follow up with the insurer and stakeholders for obtaining required data / information to settle the claims



Way forward

- Stakeholder meeting to discuss on pilot experiences / challenges and incorporate necessary modifications
- Implement the revised pilot program
- Discuss on pilot experiences and provide suggestions to the industry and the policy makers for future coarse of action



Thank You