

Index Based Flood Insurance Workshop: Testing Business Model in Agricultural Risk Management

**Hotel Jaypee Siddharth, New Delhi (India)
March 8th, 2017**

With growing concerns about the negative impacts of climate change on agriculture, adaptation to the changes becomes increasingly urgent and important. Climate change is deepening the risks already faced by the poor and vulnerable people in rural areas in developing countries who are involved in agriculture and allied climate-sensitive sectors for their livelihoods. Because of the high cost of verifying losses on large numbers of small landholdings, traditional loss-based insurance is not viable for remote rural smallholders. In this context, advances in satellite technology and data analysis help avoid the pitfalls of high transaction costs and therefore expand the potential reach of insurance policies to rural areas previously considered uninsurable.

Index-based flood insurance (IBFI) is an innovative approach to developing effective payout schemes for low-income, flood-prone communities. This project aims to integrate hi-tech modelling and satellite imagery with other data to predetermine flood thresholds, which could trigger speedy compensation payouts. Effective end-to-end solutions is being developed in collaboration with a range of organizations and experts from central and state government bodies, private insurance firms, community-based organizations (CBOs) and nongovernmental organizations (NGOs). The project is being piloted in selected locations of India and Bangladesh, making it the first attempt to develop IBFI at a large scale.

The aim of the workshop is to briefly present the progress on the IBFI business model and seek feedback for testing and improving the value-chain process in index insurance. We will briefly present several case studies on index insurance implemented and the business models that are currently operational to explore ways how best we can implement the Index Based Flood Insurance within the current crop insurance scheme i.e. Pradhan Mantri Fasal Bima Yojana (PMFBY). IBFI explores various business models which includes: (1) Microfinance institutions (MFIs) as delivery channels of index insurance, offering index insurance to their borrowers through bundling of credit with insurance (2) MFIs as direct customers of index insurance, purchasing index insurance to protect their lending portfolio; (3) Bundling IBFI with early credit based on flood forecast data to reduce community losses and ready itself to provide relief immediately after the event.

At the workshop, participants will explore Osterwalder's Business Model Canvas to develop and clarify what a weather-index insurance business model might look like. Partners mapped out product offerings, channels, value proposition, relationships etc. – all the essential elements of how a weather-indexed insurance product i.e. IBFI can be offered and scaled for smallholder farmers.

The main purpose of the workshop is to:

- *Briefly present the IBFI project and the progress;*
- *Present global case studies on Weather Index Insurance Business Model Canvas*
- *Draft Report on IBFI Business Model and Cost-Benefit analysis in agricultural sector;*
- *Formalize the business model and plans for implementation*

With business models being developed, the partners are now working to formalize a partnership that will result in the launch of a IBFI product for smallholder farmers by mid-2017. By harnessing the power of climate data, insurance companies, governments, donors and scientists are giving smallholder farmers the tools they need to adapt to a rapidly changing climate.

Program Outline

Time	Program	Resource Persons
09:00 – 09:15	Registration	Nirmal Sigtia
Session 1: Inauguration ceremony		
Facilitator: Nitasha Nair, IWMI New Delhi		
09:15 – 10:00	Welcome Remarks	Alok Sikka, IWMI Delhi
	CCAFS in South Asia	Pramod Aggarwal, CCAFS
	Workshop Introduction and progress	Giriraj Amarnath, IWMI HQ
	Opening remarks from IWMI	Jeremy Bird, IWMI, HQ
	Opening Remarks from BSDMA	Anil Sinha (Ex. Vice Chairman, BSDMA)
	Opening Remarks from MoA	Ashish Kumar Bhutani, JS, MoA
	Vote of thanks	Nitasha Nair, IWMI Delhi
10:00 – 10:30	Group photos and Tea Break	
Session 2: Update on Project Results: Business Models and Economic Analysis		
Moderator: Amarnath Giriraj, IWMI		Rapporteur: Pooja Pandey,
10:30 – 10:45	IBFI Project Overview	Giriraj Amarnath, IWMI HQ
10:45 – 11:45	IBFI Business Model and Economic Analysis	Ravinder Malik, IWMI Delhi
11:45 – 12:00	Business model implementation in Indian Scenario	Avinandan Taron, IWMI Delhi
12:00 – 13:00	Business Model Finalization	Moderator: Amarnath Giriraj, IWMI
<p><i>To roll out IBFI in hand with PMBFY the last hour is kept for discussions and finalization of the business model for Indian Scenario. The key issues that needs to be brainstormed during this time are as follows -</i></p> <ul style="list-style-type: none"> • <i>What is the role of government in PPP set up for IBFI and how can be enhanced?</i> • <i>What preconditions are necessary for the development of a flood insurance market?</i> • <i>What can be done to improve smallholder farmers understanding of the risks that they face?</i> • <i>What can be done to support the establishment of an insurance culture in countries with limited experience with insurance?</i> • <i>What contribution can an insurance regulator make to building trust in insurance companies' capacity to meet their obligations?</i> 		
13:00- 14:00	Lunch	



RESEARCH PROGRAM ON
**Climate Change,
Agriculture and
Food Security**



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Forestry and Fisheries
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