

# AGRICULTURAL INSURANCE DEVELOPMENT: NIRSAL'S STRATEGIC AGENDA

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# The Nigerian Agricultural Insurance Industry before NIRSAL

- ✓ Insurance based on cost of production only
- ✓ Insurance based on individual assessment of claim
- ✓ Nigerian Agricultural Insurance Corporation (NAIC) being the only underwriter of intervention funds



# NIRSAL's Intervention in Agricultural Insurance

- ✓ Pioneered Insurance based on yield through our Area Yield Index Insurance (AYII)
- ✓ Pioneered Index Insurance in Nigeria: Assisted nine insurance companies to get their products approved by National Insurance Commission (NAICOM)
- ✓ Got a consortium of underwriters to insure projects financed with intervention funds
- ✓ Developed the NIRSAL Comprehensive Index Insurance (NCII) which is a revenue index insurance with life cover, funeral cost and give-back.
- ✓ In conjunction with leadway assurance Plc and Flour Mill of Nigeria Plc, piloted the bundling of insurance with agricultural input/services.
- ✓ In conjunction with Royal Exchange, piloted the Hybrid Index Insurance using weather and Normalized Difference Vegetation Index (NDVI).



# NIRSAL's Intervention in Agricultural Insurance

## THE NIGERIAN INSURANCE INDUSTRY

### BEFORE NIRSAL

Insurance based on cost of production

Insurance based on individual assessment of claim

NAIC being the only underwriter of intervention funds

### AFTER NIRSAL

Pioneered Insurance based on yield through AYII

Pioneered Index Insurance in Nigeria

Got a consortium of underwriters to insure projects financed with intervention funds



# The Goal of NIRSAL Insurance Pillar

- ✓ Expand insurance uptake by primary producers from 0.3 million to 3.8 Million by 2026
- ✓ Develop insurance products that will give financial institutions comfort to lend to the agricultural sector
- ✓ Build the capacity of underwriters



## WHAT IS COVERED



Drought  
heat

Pests & Disease

Floods

Storms

Excess rain

Excess



### ALSO COVERED

- Frost
- Hail

The insurance covers the risk that on average the yield in the LGA is significantly lower than usual.



### NOT COVERED

- Theft
- Poor management practices
- Animal encroachment

Individual farm losses will **NOT** be considered.



## HOW ARE LOSSES MEASURED



At the end of the season the insurance company will hire a company that will randomly visit some farms in the LGA

On the visit they harvest and measure crops on the land with standard method by use of harvest boxes.





# AREA YIELD INDEX INSURANCE AND ITS LIMITATION

## **Area Yield Index Insurance:**

This is based on expected output and does not require individual verification of claim. The lapse in this product is that it does not protect against price fluctuation. Therefore, when a farmer goes beyond expected yield, but there is a drastic fall in market price, the farmer will not have enough to pay back borrowed funds nor have enough funds to take care of the household.

## **Revenue Insurance:**

This guarantees a certain level of revenue rather than just yield. It protects the smallholder farmer from decline in both price and yield. This product is targeted at the smallholder farmer to ensure that a sizeable portion of the expected revenue is guaranteed at the end of the farming season.



# Next Steps: EMBEDDED INSURANCE

## NIRSAL's Target:

Uptake of agricultural insurance by 3.8 million small holder farmers by 2026

## Embedded Insurance:

Insurance as a standalone product has not been sufficient to overcome constraint and scepticism of farmers primarily due to the fact that insurance is seen as intangible with little value, if risk does not crystallise.

The bundling of insurance with other requirements of the smallholder farmer offers substantial value to reverse the perception of farmers against intangibility of insurance. Also, this offers an innovative distribution channel for insurance products/services with better outreach.



# FACTS ON AGRICULTURAL INPUTS

INPUT	ANNUAL VOLUME	NO OF BENEFICIARY	AVERAGE PRICE PER UNIT	PROPOSED PREMIUM
Mechanization service		7,000	N30,000	N1,500 (10%)
Certified seeds	23,000 MT	2,300,000	N10,000 – N40,000	N250 – N1,000 (2.5%)
Fertilizer	3,500,000 MT	15,000,000	N7,000	N165 (2.4%)
Crop protection products		6,000,000	N30,000	N750 (2.5%)



# Conclusion

NIRSAL Insurance Pillar is committed to providing a safety net in case something the farmer cannot control happens.

This Will allow the farmer to concentrate on what matters most, which is farming

## THANK YOU

