

ACTIVITY SNAPSHOT

Global Index Insurance Facility

“Fundamentals of Named Peril Index Insurance Risk Transfer Process” Workshop in Asia



Participants learn the fundamentals of index insurance risk transfer process / Photo Credit: GIFF

More than 30 participants across Asia gathered in May 2017 in Jakarta to attend a regional workshop focusing on index insurance fundamentals and to discuss best practices in the development of the innovative financial product. The week-long workshop entitled “Fundamentals of Named Peril Index Insurance Risk Transfer Process” was sponsored by the Global Index Insurance Facility (GIIF) as part of its capacity building activities aimed at the development and enhancement of index insurance products in developing countries.

Managed by the World Bank Group’s Finance & Markets Global Practice, GIIF supports projects that help smallholder farmers, pastoralists, microentrepreneurs, and microfinance institutions with access to finance through the development and implementation of index-based insurance. In Asia, GIIF has supported projects that have developed and implemented index insurance products ranging from weather index in Bangladesh to earthquake index in Indonesia.

While focusing on index insurance in the agricultural sector, the workshop offered an opportunity for practitioners in the insurance industry to deep dive into Excel formulas, drafting and evaluation of term sheet, product design framework, the development and evaluation of 21 sample product structures, actuarial pricing process using a simple burning cost approach, and a review of key risk metrics that can be used in evaluating and managing a portfolio of index insurance products.

“Weather index insurance is a highly technical product. The various methods and calculations explained in this training draw on historical data to create future predictions for products that can help protect farmers. Before the training, I had no idea how to price crop insurance, but now I have some basic skills and guidelines,” said **Tiza Chatami, Actuarial Pricing Associate for Mandiri AXA General Insurance**. “I learned two really important things from the training: how to turn data into informative knowledge to design insurance and how to use rainfall data to determine payouts in index insurance.”

Apart from classroom sessions and presentations, the workshop brought together industry participants from numerous countries – including Bangladesh, China, Indonesia, the Philippines, and Sri Lanka – to learn from one another’s experience with index insurance in their markets. These participants, including actuarial analysts, underwriters, reinsurance specialists, and business development specialists also worked together in their group exercises. Such hands-on experience led to an increase in participants’ confidence in applying the acquired knowledge to their work.

“I will definitely apply these new skills to the work I do -- for instance, I can foresee a big change in the way we use satellite data for product monitoring and pricing. We will develop our skills in advanced Excel methods and will use it in our regular work for agriculture index insurance development. Our goal is to expand and scale up index insurance in Bangladesh over the next couple of years,” declared **Ali Tareque Parvez, Deputy Senior Vice President, Underwriting Management Department, Green Delta Insurance Company Limited.**

The workshop in Jakarta proved to be very timely. Earlier in May, the International Finance Corporation (IFC) and MAIPARK entered a [cooperation agreement](#) to establish insurance schemes that will hedge risks against adverse weather events for agribusinesses, bank agriculture-loan portfolios, and farmer groups.

“The most important thing I learned was the logic behind the design of index insurance products. Weather-based index insurance products have a strong potential to make a big impact, especially in our commitment to help farmers improve their resilience to climate change and increasing weather-related risks,” **Conrad De Jesus, IFC Operations Officer for Financial Institutions Group Advisory Services.**

“In the future, I see IFC playing an important role in knowledge sharing, capacity building, and promoting index insurance, as well as using this instrument to support the agri-sector,” added Conrad.



Tiza Chatami/ Photo Credit: GIFF



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Conrad De Jesus/ Photo Credit:

About Global Index Insurance Facility (GIIF)

The Global Index Insurance Facility (GIIF) is a dedicated World Bank Group's program that facilitates access to finance for smallholder farmers, micro-entrepreneurs, and microfinance institutions through the provisions of catastrophic risk transfer solutions and index-based insurance in developing countries. Funded by the European Union, the governments of Japan, the the Netherlands, and Germany, GIIF has facilitated more than 1.5 million contracts, covering approximately 6 million people, primarily in Sub-Saharan Africa, Asia, and Latin America and the Caribbean. The facility is part of the World Bank Group's Finance & Markets Global Practice.

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