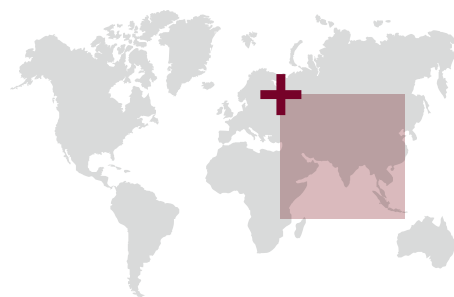


RISP – Rural Insurance Services Programme



AT A GLANCE

Name

Rural Insurance Services Programme (RISP)

Duration

January 2014 – December 2016

Focus Area

India (country-wide)

Focus Regions: Karnataka and Maharashtra

Target group

Rural households and agricultural enterprises in India

Funds available

The project is funded by the German Ministry for Economic Cooperation and Development (BMZ) with a commission of 4 million EUR.

The project is jointly implemented by ...

Ministry of Finance, Department of Financial Services, Insurance Division, of the Government of India and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

The core objective is ...

to strengthen insurance services that support the risk management needs of rural households.



BACKGROUND

Rural households in India are exposed to a variety of life, health and income risks. Managing risks is an integral part of their daily life. The livelihoods of 82% out of 168 million rural households depend on agriculture. 68% of these households cultivate land holdings with an average area of just 0.4 ha. These 114 million poorer households with marginal landholdings are hardly able to compensate financial losses incurred through risks such as crop shortfalls, death of cattle, health risks or accidents. India's agricultural economy is to a large extent monsoon (rainfall) dependant. Yield risk is the most significant agricultural risk in India given the fact that crop losses arising from production shortfalls or complete crop output failure wipe out farm profits and trigger a condition of distress. Generally, around 60% of the variation in crop yield is induced by fluctuations in critical weather parameters like rainfall.

APPROACH

The program consists of three components with independently acting partners and objectives: (1) The crop insurance component is implemented in cooperation with the Agricultural Insurance Company of India (AICI); (2) the integrated risk management component is implemented in cooperation with the National Bank for Agriculture and Rural Development (NABARD); (3) the micro insurance component is implemented in cooperation with the Insurance Regulatory and Development Authority (IRDA). The program's objectives can be summarized as follows:

1. Improve agricultural insurance products and knowledge management;
2. Integrate appropriate insurance solutions into integrated risk management approaches for rural households;
3. Improve micro insurance knowledge generation, dissemination and management.

Component 1 - Crop Insurance:

The anchor partner for the component on crop insurance is the Agriculture Insurance Company of India. The component focuses on the development of demand driven crop insurance products with the active participation of stakeholders across meso and micro level institutions levels.

Component 2 - Integrated Risk Management:

Under the aegis of this component, co-operation is envisaged with the NABARD in supporting the development of a synergistic network of agribusiness enterprises to manage risks in agricultural value chains using integrated risk management approaches. Elements of such an integrated approach encompass risk assessment, prioritization, control (prevention, mitigation and transfer), as well as information and monitoring.

Component 3 - Micro insurance:

This component focuses on establishing a network and information platform for actors in the micro insurance sector to generate and disseminate both international and Indian best practices and lessons learnt, especially in the areas of product design, distribution models, consumer education and protection. Knowledge sharing will also take place on recurrent events (e.g. regional workshops of regulators, national stakeholder workshops, annual micro insurance market place, etc.) as well as during the development of sector-wide initiatives such as in the area of insurance awareness and education.

Challenges:

1. Inadequate infrastructural availability manifested as follows:
 - a. Inadequate density of weather stations for weather based crop insurance schemes
 - b. Delays in finalisation of crop yield estimates resulting in claims settlement delays
2. Need for improvements in client servicing approaches
3. Enhancement of client value across insurance products
4. Low insurance awareness/ literacy
5. High volatility of agricultural production and prices

Opportunities:

1. Economies of Scale: Agriculture important economic sector (17% of GDP, 52% of workforce)
2. Strong commitment of AICI (public sector insurer, covers approx. 20 million farmers)
3. Strong public stakeholder linkages, potential to scale successful approaches beyond the proof of concept stage with support from public stakeholders in the foreseeable future

OUTCOME

The beneficiaries of the programme are rural households and agricultural enterprises in India, especially those who have no or insufficient access to insurance services.

Improving the risk management capacity of rural households can unlock new development potentials. Currently, many households diversify their investment in a multitude of activities as a risk management strategy. The use of adequate insurance products can contribute to making better use of investment opportunities, e.g. by concentrating resources on the most promising income generating activities. Protecting their main risks through insurance products would also increase the credit worthiness of these households and thereby expand their opportunities to invest and increase incomes.





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