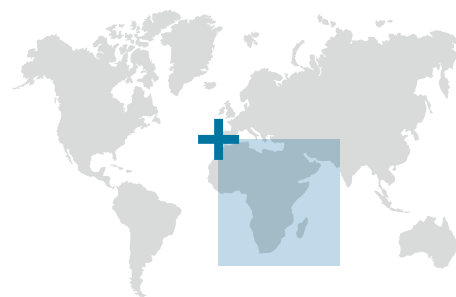


# IN FOCUS: VALUE FOR CLIENTS AND CONSUMER PROTECTION



## SUBJECT

The success of agricultural insurance depends on the demand by farmers. But while there is clearly a need for agricultural insurance, demand is not high among low-income farmers. A major factor is that the farming community has a low level of awareness about insurance. A key component within any agricultural insurance initiative is to educate farmers about the importance of insurance and how the products help them overcome difficult times. It is equally important to show farmers the limitations of insurance in order to not create unrealistic expectations.

## CHALLENGES IN GHANA

In 2009, less than 20% of all households in Ghana had access to formal financial services. According to the Ministry of Finance and Economic Planning (MoFEP), lack of financial literacy was one of the root-causes of this problem. With a penetration rate of less than 1.6% in 2009, insurance was (and still is) a product less known and understood compared to savings and credit.

Agricultural insurance has the potential to benefit many rural low-income households in Ghana as the livelihood of more than half of the country's population is sustained by subsistence farming. The majority of farmers, in particularly smallholders, rely on rainfall for their production. Hence, weather patterns like the on-set of the rainy season have a major impact on farmers' incomes. And with its vulnerability to climate change, Ghana is expected to see even higher rates of crop failure and fertile land being lost to agricultural production.

On behalf of

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Federal Ministry  
for the Environment, Nature Conservation  
and Nuclear Safety

Since loss adjustments for indemnity-based insurance products were too costly and too difficult to administer, multi-peril crop insurance (MPCI) was not available for small-scale farmers. The project Innovative Insurance Products for the Adaptation to Climate Change (IIPACC) – commissioned by the Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety to support the Ghana Agricultural Insurance

Pool (GAIP) with the development of institutional structures, products and sales processes – has therefore fostered the development of innovative insurance solutions, such as index-based parametric weather insurance. But the concept of index insurance is difficult to understand for many farmers, which keeps demand low for these complex financial products.

## SOLUTIONS

### A multi-pronged awareness creation strategy

#### **IIPACC has assisted the stakeholders in designing a financial education program and marketing campaign.**

The strategy used a variety of instruments to ensure that the campaign achieves both depth and width in its outreach. For the implementation of the marketing campaign, IIPACC entered into partnerships with other projects such as USAID ADVANCE and worked with aggregators such as rural banks, farmer associations and companies that specialized in the provision of information services for farmers. The main elements of the marketing campaigns were:

**Direct Sensitization and Marketing.** GAIP staff carried out awareness-raising events for target farmers and intermediaries, such as banks, input suppliers, aggregators, and processors. The events were designed to explain the concept of index insurance and to generate demand for the products. IIPACC integrated the insurance awareness campaign into a larger training program carried out by USAID ADVANCE. Through this combination, farmers learned about risk mitigation and risk transfer.

**Insurance staff and agents training.** IIPACC also trained insurance companies, brokers, and agents to ensure that the correct information about the products is delivered in simple terms to farmers. The main objective of this activity was to avoid misspelling by insurance staff and agents.

**Motion Picture Awareness Raising.** The project commissioned the National Film and TV Institute (NAFTI) to create a short movie that documented farmers' and aggregators' experience with the newly introduced index products. The main objective was to provide GAIP staff with an informative movie that manages to capture the farmers' attention during marketing events. The main audience encompassed potential customers that learned how index insurance works and what the benefits from the insurance are.

**Use of a Text Messaging Platform.** IIPACC worked with the information service provider Esoko to deliver targeted text messages to farmers. Through the Esoko Bulk SMS Push, the project was able to advertise marketing and sales events, to advertise upcoming radio shows, and to give clients information on products. The Esoko system was able to keep costs low by sending messages only to specific users that are selected by commodity, location, and occupation filters. GAIP was able to send on average one message per week to farmers within Esoko's area of operation.

**Radio Awareness Raising.** IIPACC made use of radio stations to deliver its messages. The project booked radio slots for 5 months during the farming season at North Star Radio Tamale. The major topics discussed during the show were perils in agriculture, farm management techniques to adapt to climate change, general insurance knowledge, and products offered by GAIP. The program consisted of live presentations, playback of recorded conversations, and call-ins by farmers. A radio jingle was also recorded and broadcasted to create product and brand awareness.

**Post-season Awareness Raising.** After harvesting, IIPACC carried out community meetings to inform farmers on the status of the insurance and the payout amount, if any. This exercise was aimed at strengthening trust between farmers and insurance companies. The events were also used to collect premiums for the upcoming season as farmers commonly have cash at hand after they harvested and sold some of their produce.



## LESSONS LEARNED

The use of different communication tools helps to reach out to a diverse target audience. Depending on the complexity of the messages, a range of instruments is at disposal. It is imperative to have a clear communication and marketing strategy in order to support demand while ensuring that potential customers are well informed and understand the products.

Index insurance is a complex product to understand for a mostly semi-literate clientele. The use of comics, movies, pictograms, etc. is often more efficient than text-based leaflets and documents. The use of clear and simple language in all marketing materials is important to ensure farmers understand the products and do not have unrealistic expectations. Awareness Raising events were conducted with the help of translators and the radio-shows were broadcast in various local languages.

Information and marketing campaigns are important to generate interest from farmers and to ensure that farmers understand the

products they intend to buy. But while these information campaigns are a necessity, they are also expensive. A well-designed information campaign helps to keep costs low. The use of information service providers with targeted SMS facilities is one way of controlling cost. Working in partnership with other projects or initiatives in the agricultural sector is another smart way to keep cost low and to achieve economies of scale.

Marketing campaigns are an effective tool to create demand for a product during the first year. However, renewal of contracts during the second year is often a bigger challenge and shows the need to continue with marketing efforts in subsequent years. Carrying out sensitization events throughout the year (before planting, during crop growth, and after harvesting) has proven an effective way to inform customers and to generate demand. But this approach is intensive in costs and labour. Many insurance programs lack sufficient financial resources for carrying out awareness and marketing campaigns during each year.

## OUTCOME

During project implementation, IIPACC was successful in assisting its partners to develop and market two index insurance products in four regions of Ghana. During the project's lifespan, 6,116 farmers were insured. In addition, named-peril insurance for rubber plantations was developed and sold. Overall, GAIP's insurance portfolio amounted to a sum insured of EUR 35 million during the project's lifetime.

With its awareness and marketing campaigns, the project partners reached out to 5,714 farmers and 11 institutions through direct interactions. As a result of these marketing events, 829 farmers and 6 institutions purchased insurance contracts. This represents a take-up rate of 15 percent.

Through its radio programs, IIPACC was able to reach out to an average of 2,000 farmers per week during the cropping season. SMS were sent to around 1,000 farmers associated with the ADVANCE program in the Northern regions.





**Name of programme:**

Innovative Insurance Products for the Adaptation to Climate Change (IIPACC)

**Duration:**

December 2009 – June 2014

**Programme area:**

Ghana (Countrywide)

**Cooperation partner:**

National Insurance Commission (NIC) Ghana

**Local partner:**

National Insurance Commission Ghana, Ministry of Finance, Ministry of Food and Agriculture, Ghana Insurers Association, Ghana Meteorological Agency

**Target group:**

Actors in the agricultural value chain, such as smallholder farmers, commercial farmers, input suppliers, extension services, processors, financial institutions, lending to the agricultural sector

**Contact person:**

Advancing Climate Risk Insurance plus

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