

WEATHER INDEX INSURANCE IN NIGERIA – the AIICO Context

*A paper presented at the “Knowledge Exchange Session for
Zambia – Nigerian Market Participation”*

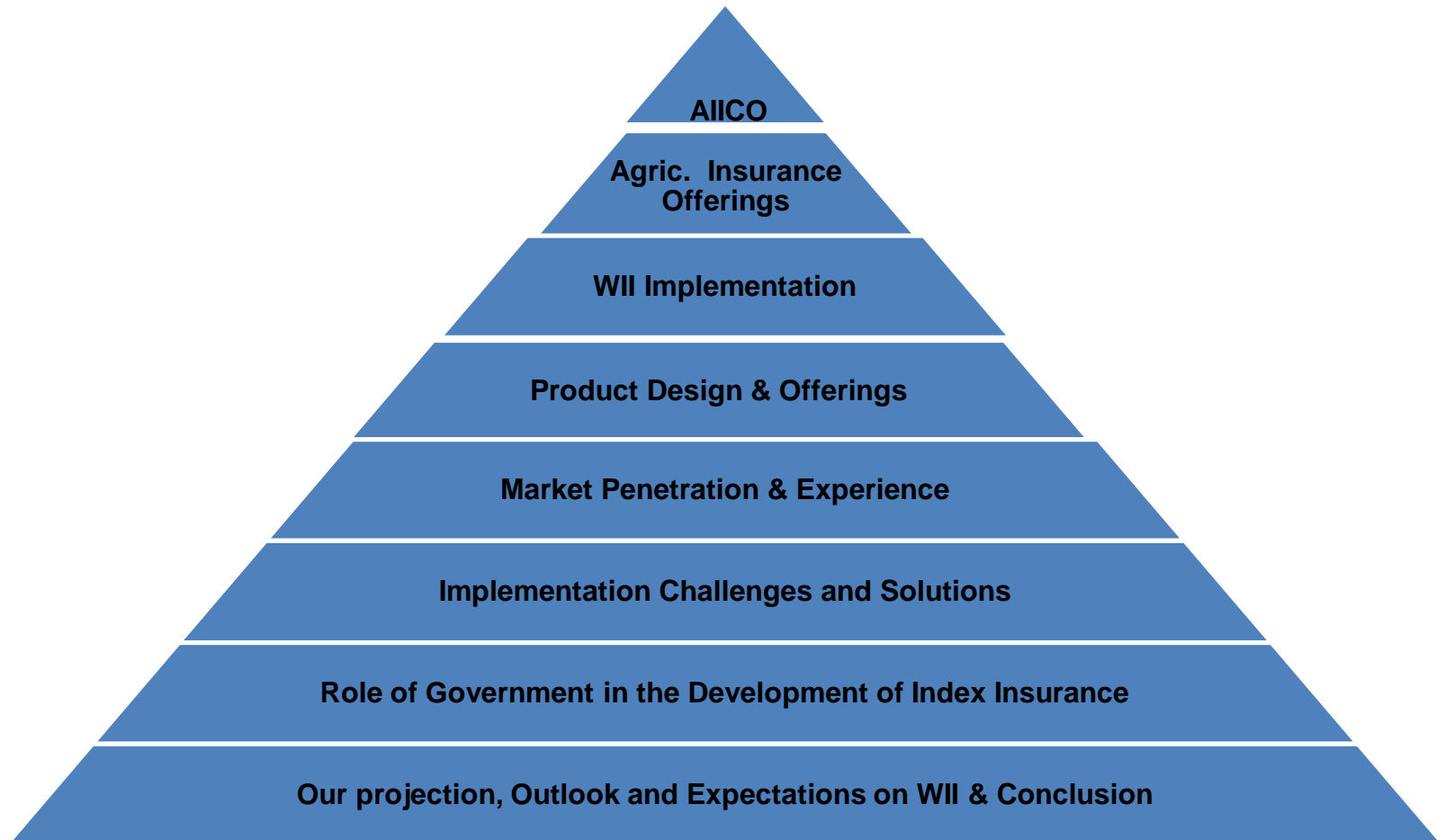
by

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OUTLINE



AIICO INSURANCE PLC

AIICO is a leading composite insurance company in Nigeria with a track record of serving our clients that dates back **over 50 years**. AIICO commenced operation in **1963** and was incorporated in **1970**. AIICO's vision is to be the undisputed leader in all market we choose to play, with the aim of creating wealth for our clients.

At **AIICO**, we believe in sticking to best practices in all we do, and fulfilling our promise to clients is of utmost priority.

Having operated for over half a century, we have developed substantial expertise and acquired skills in managing risk across various sectors of the economy. The Board and Executive management is a collection of highly **respected and accomplished experts** with cognate experience both locally and internationally.

Our goal is to **add value** to organizations and our numerous customers through the deployment of our risk solutions. With our comprehensive range of solutions, we underwrite various classes of insurable risks within our client's operation.

AIICO AGRIC. INSURANCE PRODUCT OFFERINGS



- *Poultry*
- *Fish Farm*
- *Livestock*
- *Plantation Fire*
- *Farm Property/Produce*
- *Multi-Perils Crop*



- *Area Yield Index-Based*
- *Weather Index-Based*
- *Combined Area Yield & Weather Index-Based*

WEATHER INDEX IMPLEMENTATION – THE AIICO CONTEXT



Expanding Markets, Creating Opportunities

**Global Index
Insurance Facility**



African Reinsurance Corporation



**Regulatory
(NAICOM) approval**

**Partnerships/
collaborations**

**Technical
Assistance**

Reinsurance

**Technical
Partnership**

PRODUCT (RISK) PHILOSOPHY - WII



MAJOR PRODUCT DESIGN CONSIDERATIONS

SUITABILITY TEST:

**Appropriateness of the product
for the Nigerian Market.**



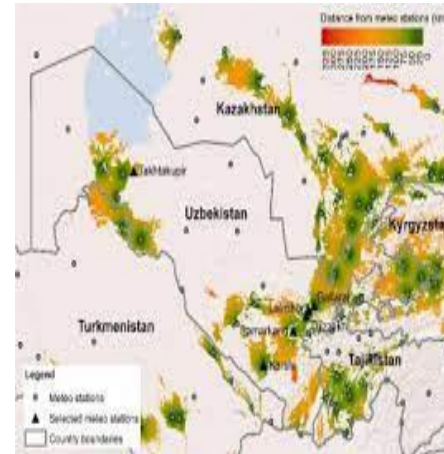
DATA SETS/SOURCES:

**Determination of data
source(s).**

ARC2

THE TARGET AUDIENCE:

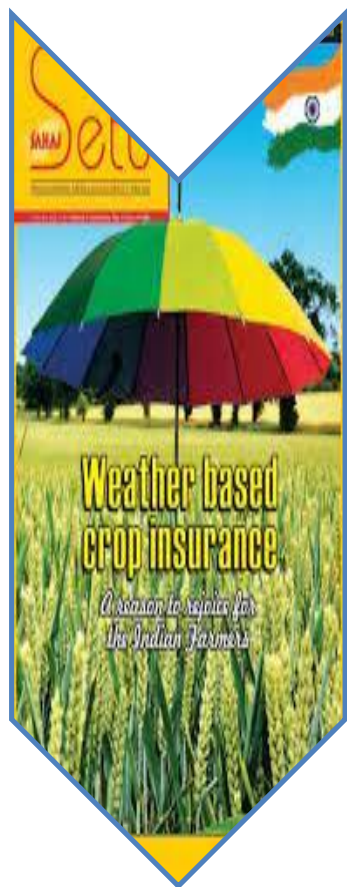
Customer Satisfaction.



BENEFITS COVERED UNDER THE POLICY

Seasonal Cover (Maximum loss payable)	100%
1. Germination drought cover	10%
2. Germination/ vegetative wet cover	20%
3. Vegetative drought cover	10%
4. Flowering drought cover	20%
5. Pre-harvest/ Dry down stage	40%

MARKET PENETRATION - PILOT EXPERIENCE



- **Season: 2020 Wet Season**
- **Insured Crop: Maize**
- **Insured Perils: Deficit and excessive rainfall**
- **Source of Data: ARC2**
- **Location: Kaduna State, Nigeria**
- **Number of Farmers: 1646**
- **No. of Hectares: 6,044**
- **Loss Ratio: 64.93%**

IMPLEMENTATION CHALLENGES



- Low level of product awareness/knowledge
- Not enough product education for the customer
- Delayed aggregation of farmers and untimely submission of risk details
- Late project execution
- Administration of insurance contracts
- Gaps in strategic and collaborative linkages
- The use of email for index insurance pricing
- Security challenges
- Digital inclusion process

SUGGESTED SOLUTIONS TO CHALLENGES



- The need for capacity building across the value chain
- Detailed explanation of policy terms and conditions
- Forward pricing
- Efficient farmer aggregation and project mobilization
- Efficiency in the administration of insurance contracts
- Effective coordination across the ecosystem
- Pricing requests should be managed via digital tool
- Security issues requires collective responsibility
- Digitized process that is accessible to relevant stakeholders

ROLE OF GOVERNMENT IN THE DEVELOPMENT OF INDEX INSURANCE

The Federal Government of Nigeria has played crucial role towards the development of Index Insurance in the country. The following are instances:

- Nigeria Incentive-based Risk Sharing System for Agricultural Lending (NIRSAL)
- Anchor Borrowers' Programme
- Agricultural Transformation Agenda (ATA)
- Growth Enhancement Support Scheme (GES)

OUR OUTLOOK ON WII/NEED AREAS

Scalability – product bundling: Agric. Input/WII, bundling with other products, etc.

Sustainability

Capacity development

Collaboration and partnership

Grass roots penetration

Product diversification

Comments/questions

Thank You!