

Index Insurance Training

Categories and levels of Index Insurance

Relevance of different categories of crop-insurance:

Product Type	When is it potentially feasible?	When is it not recommended?
Weather Index Insurance for Crops	<ol style="list-style-type: none"> 1. Rainfall/weather dependent farming; 2. Small-scale farming; 3. Good accuracy of underlying weather data 	<ol style="list-style-type: none"> 1. Heavily irrigated farming (WII less relevant); 2. Accuracy of weather data is not proven; 3. Expectation of indemnity loss assessment
Yield Index Insurance for Crops;	<ol style="list-style-type: none"> 1. Adequate historical granular yield data; 2. Yield data is representative of farmers' yield; 3. Yield data is available speedily for claims 	<ol style="list-style-type: none"> 1. Inadequate historical yield data available; 2. Yield data cannot be collected; 3. Poor correlation between yield index and farmers' losses 4. Concentration risk due to low granularity
. Indemnity Insurance for Crops	<ol style="list-style-type: none"> 1. Good quality historical yield and loss data is available; 2. Loss adjustors or claims management is viable; 3. Cost of claims assessment can be absorbed into premium rates; 4. Underwriting is possible e.g. of emergence of seedling, farming practices. 	<ol style="list-style-type: none"> 1. Typically for smallholder farmers- very difficult to apply without presence of good claims management; 2. If historical yield/loss data is not available. 3. If farming practices cannot be monitored reliably.

Relevance of different categories of livestock-insurance:

Product Type	When is it potentially feasible?	When is it not recommended?
Livestock Index Insurance	<ol style="list-style-type: none"> 1. If the index reliably captures risk events for livestock; 2. If livestock rearing practices are highly exposed to weather risks or lack of vegetation; 3. If basic data points are available e.g. GPS coordinates 	<ol style="list-style-type: none"> 1. For closed livestock farming systems; 2. If the indices (e.g. based on vegetation or weather) does not directly capture risk exposure for livestock; 3. For large-scale livestock operations where many of the weather and vegetation parameters can be controlled
Livestock Indemnity Insurance	<ol style="list-style-type: none"> 1. Good veterinary practices are followed e.g. vaccination, deworming, spraying etc. 2. Possible to monitor livestock rearing practices. 3. Possible to track livestock e.g. using ear-tagging or RFID. 4. Cost of the tracking and good veterinary practices are absorbed in the cost of the insurance product and can be enforced. 	<ol style="list-style-type: none"> 1. Often difficult for smallholders; 2. If livestock practices cannot be monitored closely; 3. If veterinary services are not sufficiently reliable or even available; 4. If loss assessment is difficult/expensive to implement or can be subject to fraud.