

# ACTIVITY SNAPSHOT

## Global Index Insurance Facility

### Strategic Decisions Metrics for Agriculture Index Insurance Workshop in Ukraine



Participants at “Strategic Decisions Metrics for Agriculture Index Insurance” workshop in Ukraine/ Photos Credit: IFC

In June 2017, IFC, a member of the World Bank Group, and two biggest insurance associations in Ukraine — League of Insurance Organizations of Ukraine and Ukrainian Federation on Insurance (UFU) — jointly organized an index insurance workshop entitled “**Strategic Decisions Metrics for Agriculture Index Insurance**” for all interested insurance companies and other market participants.

Instructor Shadreck Mapfumo, GIIF Senior Financial Specialist, led the three-day workshop which introduced new approaches to the agri-insurance product development to the local participants. A total of 38 representatives learned how to develop index insurance products through multiple topics including “*Fundamentals of Index Insurance Risk Transfer Process*”; “*Risk Analysis for Optimal Contract Design, Evaluation, and Pricing*”; and “*Introduction to Data Analysis for Product Design*.” The workshop received an overwhelmingly positive result. Four local companies have requested for technical assistance to develop index insurance products to hedge risks against adverse weather events for agribusinesses, bank agriculture-loan portfolios, and farmer groups.

Weather index insurance is a relatively new concept for the Ukrainian market which is traditionally more accustomed to traditional Multiple Peril Crop Insurance (MPCI) and few area yield index. However, current insurance products do not cover spring crop risks of spring drought or frost (affecting germination) and winter crop risks of autumn drought. This limitation is compounded by limited access to finance, one of the major reasons behind the country’s underdeveloped agricultural sector.

The workshop is designed to contribute to the continuation of the development of index insurance market in Ukraine. In May and June 2016, IFC partnered with Syngenta, a global supplier of seeds, fertilizers, and other agricultural inputs, to develop a pilot index insurance project anticipated to provide farmers with reliable insurance to obtain credit and working capitals. Since its pilot, the product offering has been expanded from three to nine regions (Kirovograd, Dnipropetrovsk, Kharkiv, Donetsk, Luhansk, Zaporizha, Odesa, Kherson, and Mykolaiv oblasts) and 111 farmers have insured corn and wheat against drought. This has resulted in 37% of the farmers receiving an indemnity payout of \$499,000 USD in total, with a loss ratio of 133%.