China Weather Index-Based Insurance Project

EXPANDING WEATHER INDEX-BASED INSURANCE CAN HELP REDUCE POVERTY AND SUPPORT CLIMATE ADAPTION BY EMPLOYING DIFFERENT BUSINESS MODELS TO MAKE THE "LAST-MILE" IMPACT

WEATHER INDEX-BASED INSURANCE ("WII")

WHY WEATHER INDEX-BASED INSURANCE?

Weather index-based insurance is a relatively new but innovative approach to insurance provision. It pays out benefits based on a predetermined index (for example, rainfall level) for loss of assets and investments, primarily working capital, resulting from weather and catastrophic events. Since index insurance does not necessarily require the traditional services of insurance claims assessors, it allows for the claims settlement processes to be faster and more objective.

WHAT ARE THE RISKS THAT WEATHER INDEX-BASED INSURANCE CAN COVER?

Weather index-based insurance can cover agricultural risks such as frost or drought faced by small-scale farmers and herders.

WHY IS IT IMPORTANT FOR CLIMATE ADAPTATION?

Weather index-based insurance can help stabilize income of small businesses and farmers when crops are adversely affected by weather or other natural disasters, making climate-vulnerable supply and businesses more resilient.

IFC CHINA WII PROJECT

In 2019, IFC, in partnership with the UK Embassy Beijing, launched the **China Weather Index-based Insurance Project ("IFC China WII project")** to create digital insurance markets in rural areas. The project partners together with policymakers, financial institutions, insurance companies, and insurance-tech players plan to introduce digital insurance in China, particularly weather index-based insurance products. **It aims to facilitate the design, development, and distribution of innovative insurance products in rural regions of China, while providing underserved rural populations with easier and better access to agricultural insurance as well as financial education.** The project will also support the adoption of inclusive, sustainable, and innovative climate-smart agriculture solutions.

OUR GOALS

In the next three years, IFC China WII aims to:

- Introduce weather index products in 50 counties;
- Expand access to agricultural insurance and financial education for low-income rural households; and
- Support the development of the weather index-based insurance market and boost the market dynamics.

HOW IT WORKS

Local governments play a central role in expanding quality digital agricultural insurance products in remote and rural areas of China. IFC supports local governments and all relevant partners, including rural financial institutions, agribusiness companies, and insure-tech firms, to increase awareness and adoption of WII products. IFC also provides capacity building services to rural financial institutions, covering market survey, product design, and marketing.

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WHY WORK WITH WII?

Government: IFC has partnered with the Ministry of Finance and other market players to promote inclusive financial services in China in the past few decades. Building on the successful partnerships, we plan to work with government agencies at national, provincial, and county levels to scale up agricultural insurance services, especially digitally enabled ones. IFC is well positioned to provide global and regional expertise to help governments achieve financial inclusion goals in a more efficient way. With strong government support, IFC continues to develop an action plan to catalyze innovative weather index-based insurance products, increase market acceptance of WII products, and energize the agricultural insurance market.

Insurance companies, Insure-techs: Leveraging the digital innovations in China, insure-techs have developed a series of innovative solutions, such as the meteorological disaster risk management systems, risk zoning maps, and self-service claims mechanisms. IFC will provide collaboration opportunities with insurance companies to nurture and replicate innovative approaches. It will help improve the efficiency of the agricultural insurance market, lower the market entry barriers, and reduce costs.

Rural financial institutions: IFC has been offering capital and technical assistance to the Chinese rural financial institutions to help them provide services in an effective, efficient, and responsible way. IFC is now expanding its support to these institutions in the agricultural insurance space. In particular, IFC provides a wide range of capacity building services including market surveys, product design, and marketing. CD Finance, China's largest rural-focused microfinance institution, is the first participant in the IFC China WII project.

CASE STUDY: HEBEI PILOT

In 2019, IFC implemented a pilot weather index-based insurance project with CD Finance (MFI), HF-MLog (insure-tech), and the People's Insurance Company of China in seven counties of Hebei province. With Hebei government's strong support, in eight months, the project tested three business models, including the government-subsidized model, and seven products.

Results

- Reached about 7,800 households (including more than 4,300 households living below China's official poverty line);
- Covered about 5,700 acres/23 km^2 of cash crops such as potatoes, apples, grapes and wheat;
- Covered 72 percent of female beneficiaries;
- Provided 18 trainings to 742 frontline client managers and/or loan officers —24 percent of them women.
- Received the Innovation Award for Agri-finance award by the Ministry of Agriculture of China in 2019.

About IFC

IFC—a member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. We work in more than 100 countries, using our capital, expertise, and influence to create markets and opportunities in developing countries. For more information, visit http://www.ifc.org.

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