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

Agric. Insurance Offerings

WII Implementation

Product Design & Offerings

Market Penetration & Experience

Implementation Challenges and Solutions

Role of Government in the Development of Index Insurance

Our projection, Outlook and Expectations on WII & Conclusion
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

Indemnity

Index-Based

- Area Yield Index-Based
- Weather Index-Based
- Combined Area Yield & Weather Index-Based
WEATHER INDEX IMPLEMENTATION – THE AIICO CONTEXT

- Regulatory (NAICOM) approval
- Partnerships/collaborations
- Technical Assistance
- Reinsurance
- Technical Partnership
PRODUCT (RISK) PHILOSOPHY - WII

- Climate Risks
- Sustainability
- Production Challenges
- National Development
- Livelihood of Nigerian Farmers
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

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

<table>
<thead>
<tr>
<th>Area</th>
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<tbody>
<tr>
<td>Scalability – product bundling: Agric. Input/WII, bundling with other products, etc.</td>
</tr>
<tr>
<td>Sustainability</td>
</tr>
<tr>
<td>Capacity development</td>
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<tr>
<td>Collaboration and partnership</td>
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<tr>
<td>Grass roots penetration</td>
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<tr>
<td>Product diversification</td>
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</tbody>
</table>
Comments/questions
Thank You!