

CHARTERED INSURANCE INSTITUTE OF NIGERIA

50TH ANNUAL EDUCATION SEMINAR

Held on Thursday, 14th
October, 2021



Programme

- Registration of Delegates continues
- Opening Formalities
- Welcome Address by the Chairman Education Committee, **Mr. Segun Omosehin**, FIIN
- Presidential Address by CIIN President **Sir M. O. Oyegunle** ACII, FIIN
- Keynote Address by the Commissioner for Insurance **Mr. O. S. Thomas** AIIN
- **Theme Paper:** “Risk Management in the Agricultural Value Chain: The Insurance Mechanism” by **Mrs. Rose Goslinga**, Co-Founder and Co-CEO, PULA Advisors.
- Tea Break
- **Sub- Theme Paper 1:** Insurance perspective by **Ms. Tola Adegbayi**, Executive Director, Leadway Assurance Company Limited.
- **Sub-Theme Paper 2:** Consumer Perspective – Expectations of the mechanized and S.M.E Farmers of the Insurance Industry in relation to risk management by **Mr. Michael Kadiri**, Head of Risk and Compliance, Thrive Agric Limited, Abuja.
- **Sub-Theme Paper 3:** The Regulator’s Perspective By **Mr. Leo Akah**, NAICOM
- Open Forum /Feedback / 2020 Communiqué.
- Vote of Thanks by Director-General, **Mrs. Abimbola O. Tiamiyu**, M.A.S, M.Sc, FIIN
- Group Lunch
- Closing Dinner/Socials



Welcome Address by the Chairman, Education Seminar

The
Floor
is
Yours...



Thank
You
Sir.



Presidential Address

The
Floor
is
Yours...



Thank
You
Sir.



Keynote Address by the Commissioner for Insurance

The
Floor
is
Yours...



MR O.S THOMAS
COMMISSIONER FOR INSURANCE/CEO,
NATIONAL INSURANCE COMMISSION
(NAICOM)

Thank
You
Sir.



Profile of Mrs. Rose Goslinga



- the CEO of Pula, a company that is radically restructuring agricultural insurance.
- Pula uses technology to scale climate insurance to smallholder farmers in emerging markets, and works in 12 markets across Africa and Asia. Since its founding in 2015, the company has provided crop and livestock insurance cover to 4.5 million smallholder farmers through partnerships with governments, input providers and credit lenders.
- she holds an MSc in Political Economy of Development from the University of London where she graduated with first class honours and a BSc in Business and Economics.
- she has worked in Agriculture and insurance for the last 8 years.
- She has extensive experience in agriculture and agriculture insurance; deep knowledge of and ability to work with the public sector, non-profit/social enterprises and commercial sectors.
- She is an energetic social entrepreneur that thrives in fast-paced environments where innovation is key.
- She is a Rainer Arnhold Fellow and Social Innovation Fellow from Poptech and TED speaker.
- Her work in agriculture insurance has been recognised through several international awards, including the Financial Times/IFC Award for Sustainable Finance, InsureTech 3.0, and the Singapore Fintech Festival.





Pula BMGF Nigeria learning session

13 January 2021





About Pula

What has been key to growth of agric insurance in Nigeria?

Data & Learning Insights

Q&A 1

About Us

Rose
Goslinga Co-
CEO

rose@pula.io

Rishi Raithatha
Consulting
Manager

rishi [@pula.io](mailto:rishi@pula.io)





About Pula

Pula is an agricultural insurance and technology company that **designs and delivers innovative agricultural insurance and digital services** to help smallholder farmers endure climate risks, improve their farming practices, and bolster their profits.

2015

- + Founding year
- + Bootstrap funding
- + 135,000 farmers insured

2018

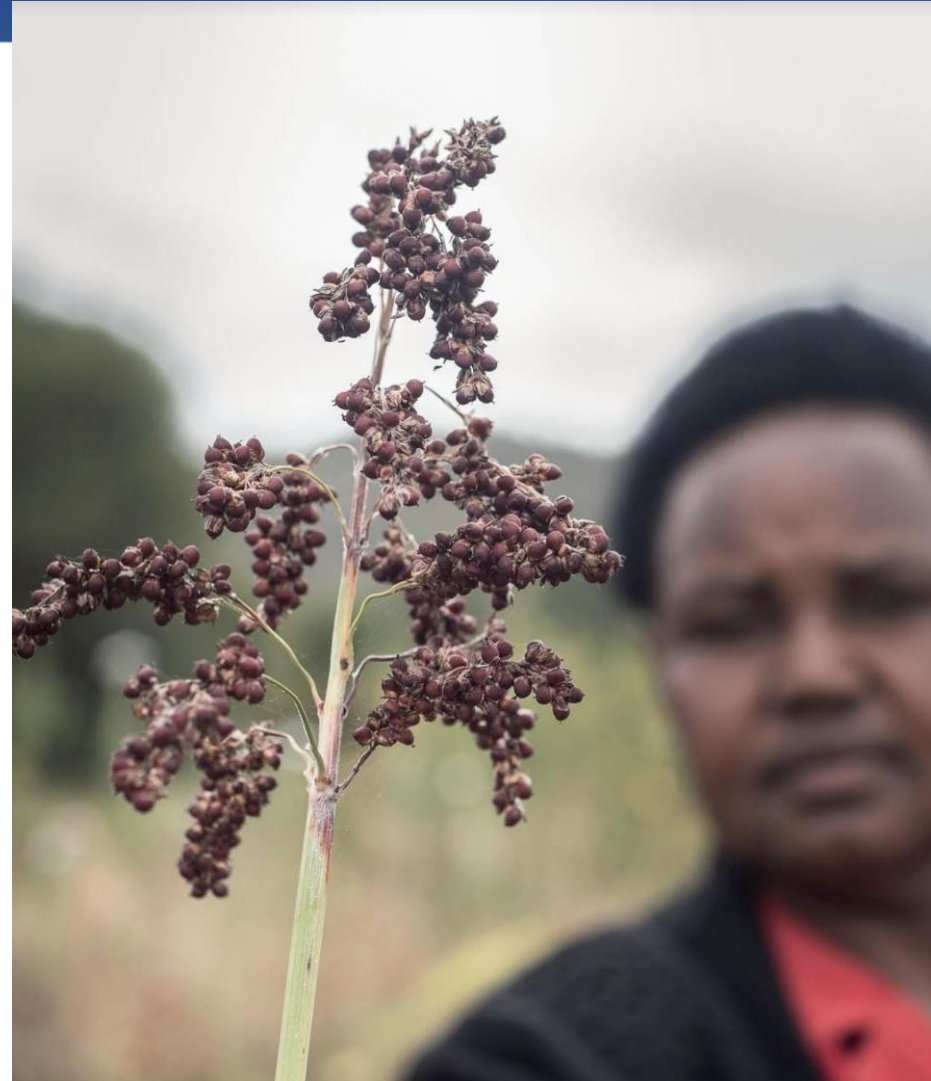
- + 800,000 farmers insured
- + 5m USD in premium
- + \$3M Seed funding

2020

- + 1.6m farmers insured
- + 20m USD in premium
- + \$8m USD in Series A

4.3m Farmers

Reached with insurance+digital products since 2015



Farmers face many risks, our products reflect this



INSURANCE

- We design and deliver **index insurance products** to manage farmer's risks
- We work with leading insurance and reinsurance firms to place insurance risk.

Yield Index covers all perils including locust, floods, hurricane, drought, FAW, pests and diseases

Weather Index germination failure, drought

Livestock Insurance covers drought, disease, theft

Multi-Peril Crop Insurance covers all named risks



DATA & DIGITAL PRODUCTS

- For farmers, we **develop digital products** like digital agronomy via SMS & WhatsApp to help them improve productivity.
- For partners, we **leverage data** to give them insights on how to engage & serve farmers better.

FieldSense Advise

For farmer engagement, education and early warning alerts

FieldSense Monitor

For partners to track farmers performance, crop yields, climate, pest and disease challenges throughout the season.



We are Pan African and work through partnerships to deliver



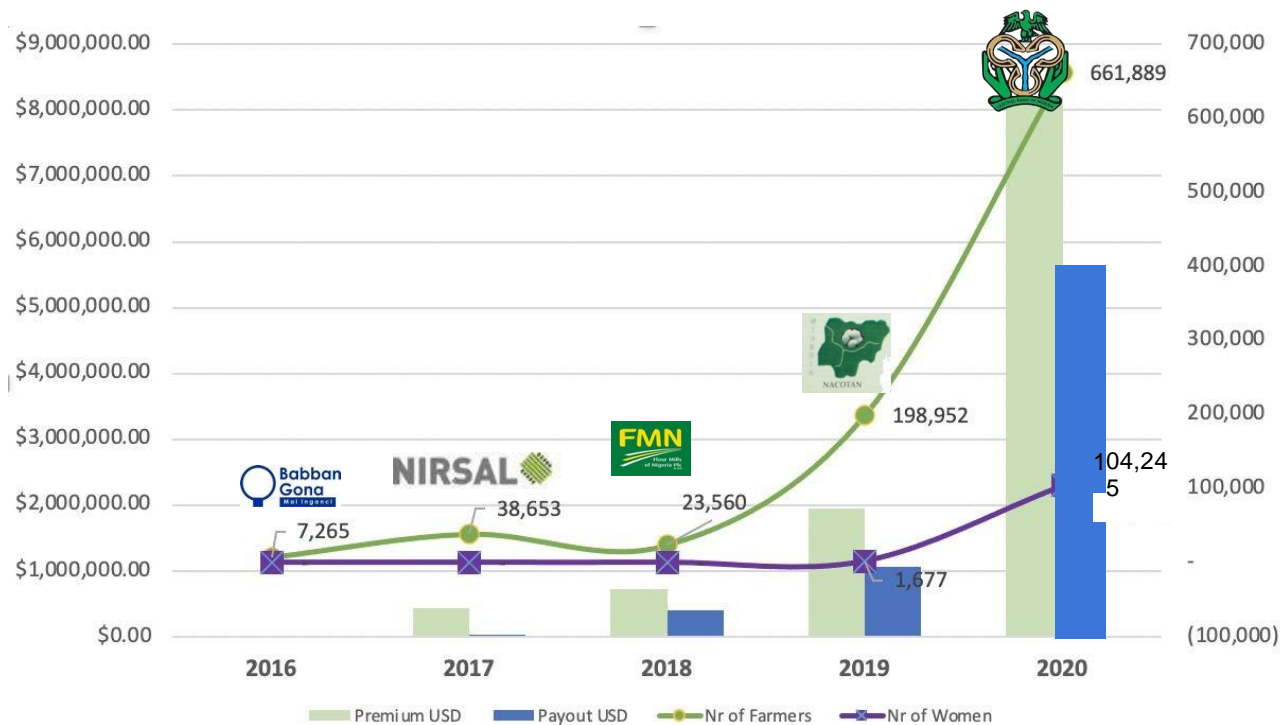
OUR INVESTORS AND STRATEGIC PARTNERS



Track Record in Nigeria



Our Track Record in Nigeria 2015-2020 has been through both public and private sector partnerships.



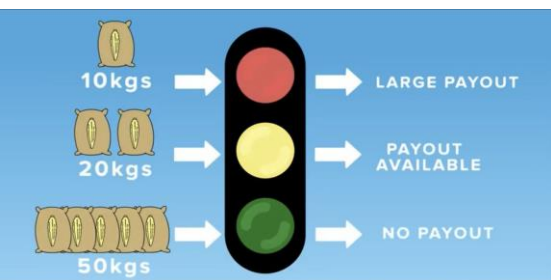
Key to growth in Nigeria has been our partnerships with both public and private partners in parallel, driving product innovation



Six factors driving growth



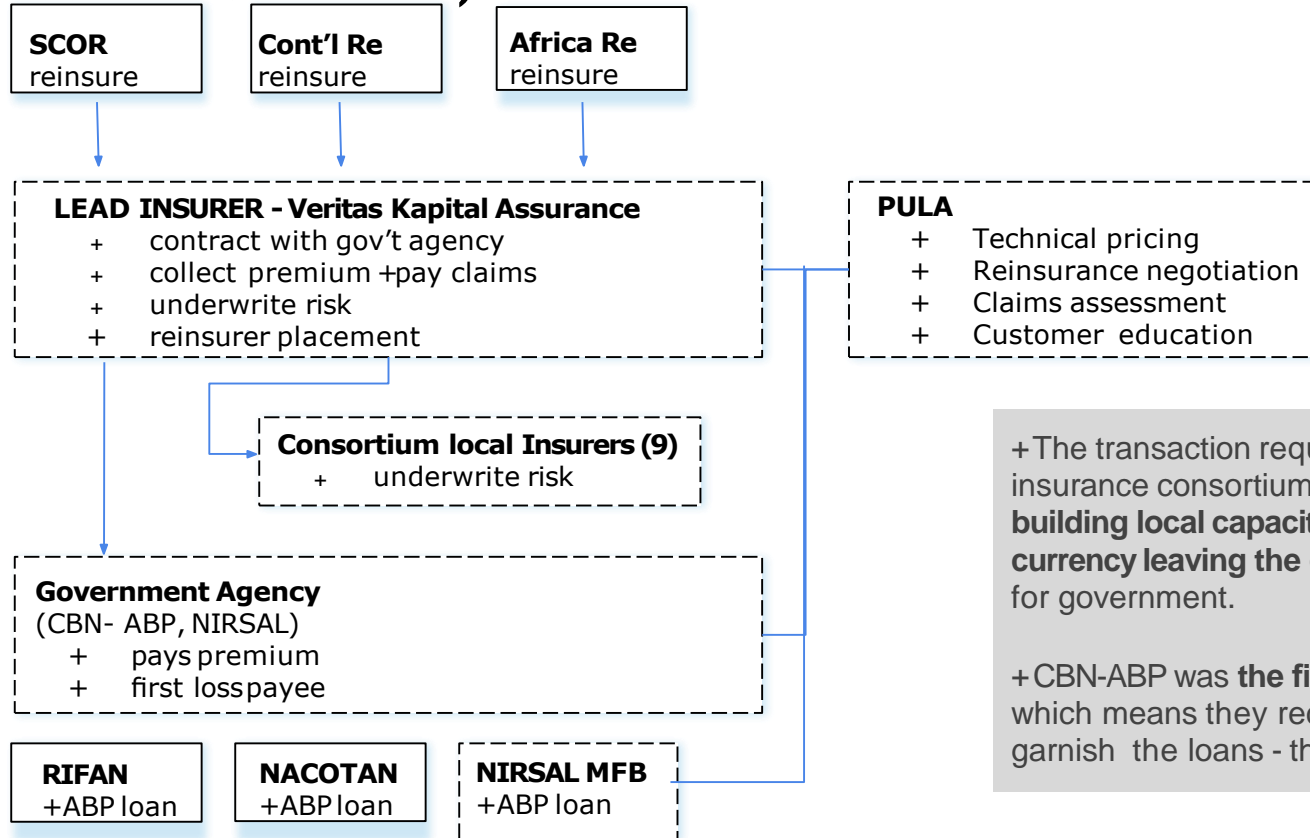
1. We pitched an insurance product that covers all risks, and is simple to understand



- + In 2011, the [World Bank had pitched weather index insurance](#) to stakeholders in Nigeria, **but drought was never a risk in Nigeria**. The risk that needed to be covered was flood.
- + Weather Indices were not suitable but people **thought Yield Indices were “too labor intensive”** prone to fraud since they would require a large field force to visit a sample of farmers per region and measure harvest with the farmers through crop cutting experiments. We deployed a digitized field force.
- + The cover needed to be simple to explain to large groups of farmers. **The Yield Index allowed for intuitive rules around potential yield** rather than complex formulas counting millimeters of rainfall for weather index insurance.



2. We built an ecosystem that enabled local ownership (and a viable business-model for Pula)



+ The transaction required building of an insurance consortium with **9 Nigerian insurers**, **building local capacity and reducing foreign currency leaving the country**, which is a priority for government.

+ CBN-ABP was **the first loss payee/ insured-** which means they receive the payout and garnish the loans - this aids loan recovery.



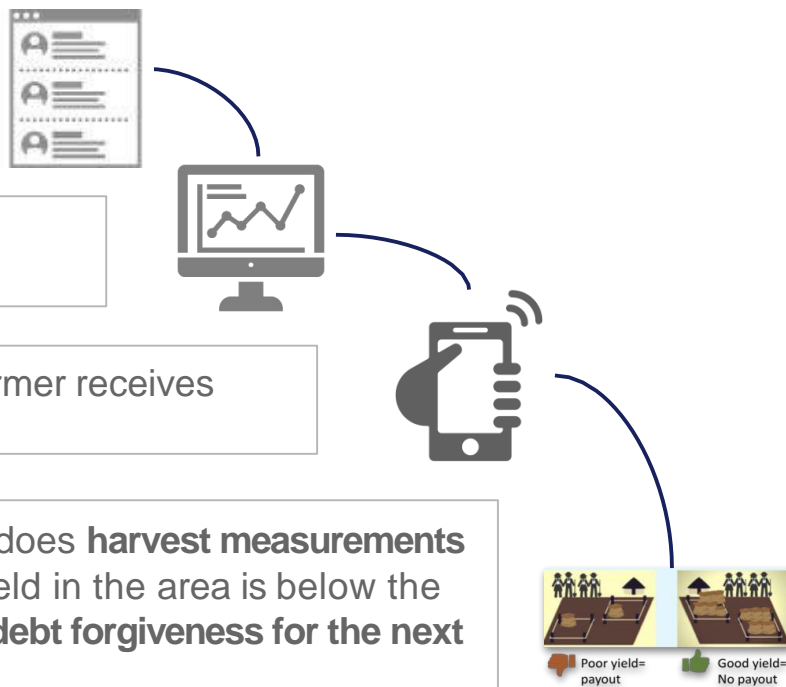
3. We support our partners to improve service levels of a government program by working end to end

Step 1. Farmer list + phone numbers + crops is received from banks, **cleaned and compiled** showing areas and sum insured.

Step 2. Risk is **priced and placed with sufficient reinsurance capacity.**

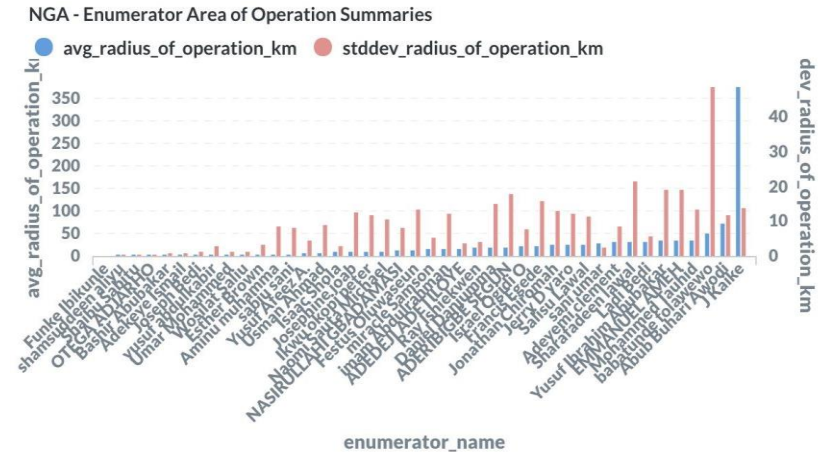
Step 3. At the start and during the season farmer receives **insurance product & agronomy tips**

Step 4 & 5. At the end of the season Pula does **harvest measurements through crop cut experiments** and if the yield in the area is below the benchmark the farmer **automatically gets debt forgiveness for the next season, executed through ABP.**



4. Field teams are key, but they need to be monitored. All the time.

- + Operations needs to conduct more Crop Cuts than ever before: 23,000+ across Nigeria, previously we would do 3000 per country.
- + From 50 →400+ field agents, across CBN program states executing harvest measurements.
- + **These agents are monitored through** business Intelligence platform to allow Operations team members at all levels to see live data and where problems occur.



Data Quality Checks



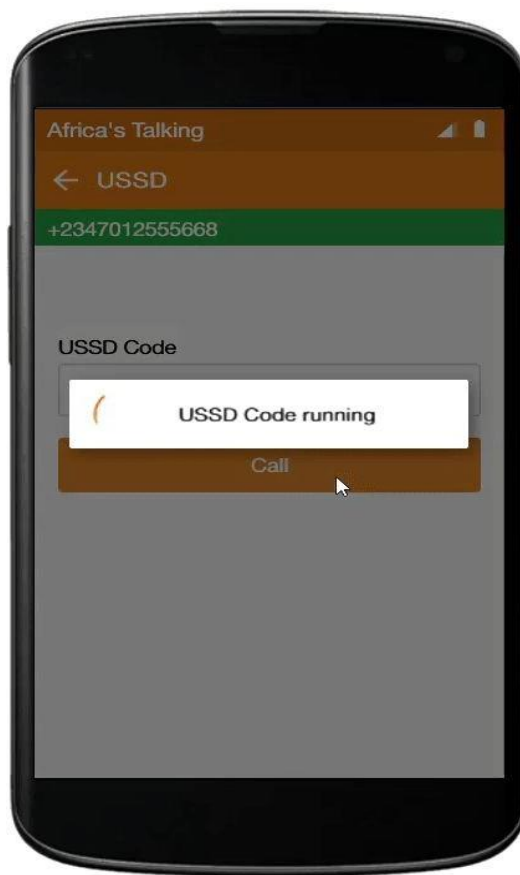


We are able to measure customers satisfaction since weenable farmers to speak - and complain - to us directly.

We wanted to provide farmers with a way to understand insurance as well as for farmers to make Pula/the insurer aware of incidence of loss.

Previously this was a call-centre, which given the scale this was no longer tenable.

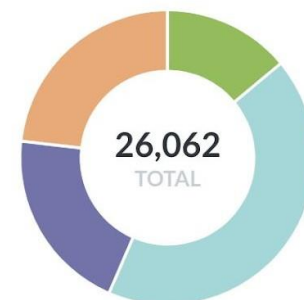
USSD usable across most clients since on feature phones



49,636 farmers have dialed the USSD line it to date = 9% of 2020 sesaon CBN ABP farmers.

USSD Issue Reported

Drought	13.8%
Flood	42.7%
Pest or disease	20.2%
Question about ins...	23.2%



6. “Relatively” fast & significant payouts

- + 2020 had both floods in the north and droughts in the south in August to October. Harvests started in September and completed end of February 2021.
- + The farmers who experienced loss will on average receive about NGN 76,000-90,000 as compared to a past average payout of 2000 NGN per farmer.
- + The payout amount is sufficient to buy certified seed, fertiliser and herbicide to plant a hectare of the insured crop in the upcoming dry season.



Bagudo LGA, Kebbi - Rice



Ningi LGA, Bauchi - Cotton



Wushishi LGA, Niger - Maize



Floods– destroy crop and livestock & bridges



 PULA



And in the same season you can have droughts



 PULA



2020 Payout with Central Bank of Nigeria

We brought together many partners across insurance in Nigeria & Internationally

Key statistics

543,000 farmers loans with Central Bank insured

511,437 Ha's & 37 states

**18,000 CCE's in 5 months
cotton, rice, cassava, maize**



Handled Nigeria's largest ever agric insurance payout - 7mln USD

EXTERNAL REPORT ONLY OF COMPLETE LOCATIONS	TOTAL	Average payout	No of LGA PAID	Payout per farmer
RIFAN	₦922,009,876	₦76,907	39	₦6,922 - ₦140,717
MAAN	₦585,947,855	₦87,101	60	₦1,637 - ₦141,055
NACOTAN	₦487,529,277	₦90,157	27	₦10,671 - ₦210,040
TOTAL	₦ 1,995,487,009		126	



Data & Learning Insights



We conducted crop cut experiments (CCEs) in NG and collected data on 12,228 farmers so far

Through CCEs, Pula collected data on 12,228 farmers under the Central Bank of Nigeria (CBN) program

- These farmers were across 37 States and acted as a **representative sample of farmers** under the CBN program

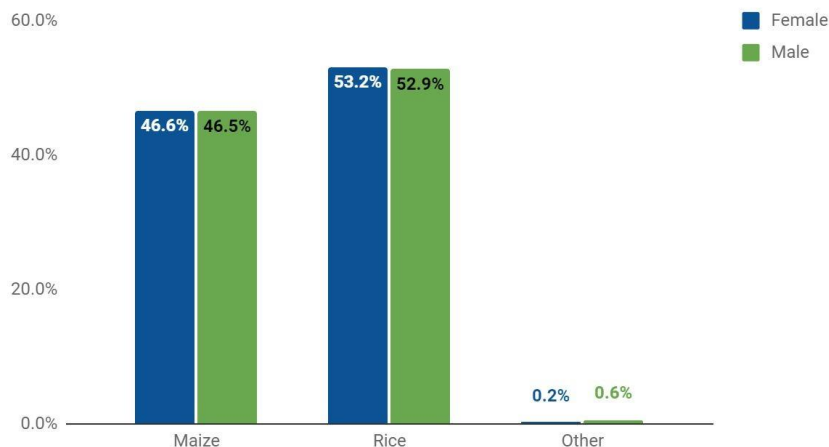


2,192
Female farmers



10,036
Male farmers

Crops grown by farmers by gender



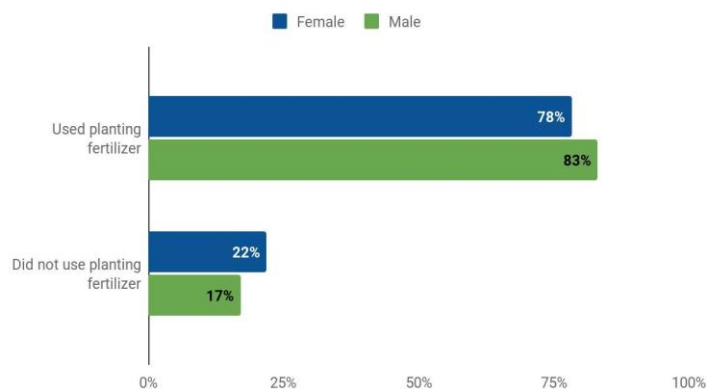
Most farmers surveyed so far grew either rice or maize (cotton/cassava etc harvest still ongoing)

- Majority of farmers grew rice with about 53% of both male and female farmers growing the crop
- About 47% of both male and female farmers were growing maize



Fertilizer & Seed usage: Planting vs Top fertilizer and Kept vs Hybrid seed usage among farmers

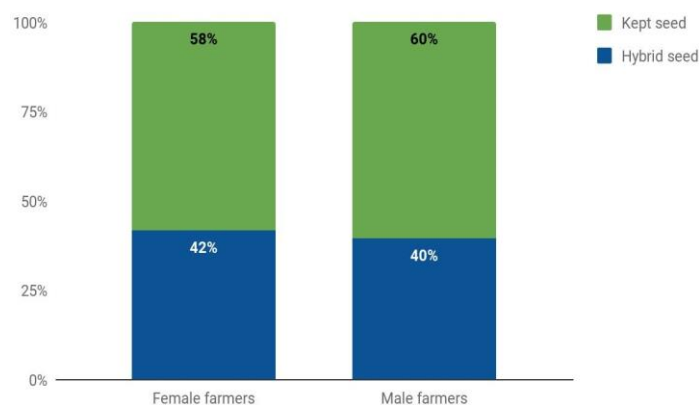
Planting fertilizer usage by gender



Majority of farmers used planting fertilizer during the season with about 5% higher usage among male farmers

- 83% male farmers used planting fertilizer compared to 78% female farmers

Type of seed farmer used by gender



There was higher usage of kept seed than hybrid seed among farmers.

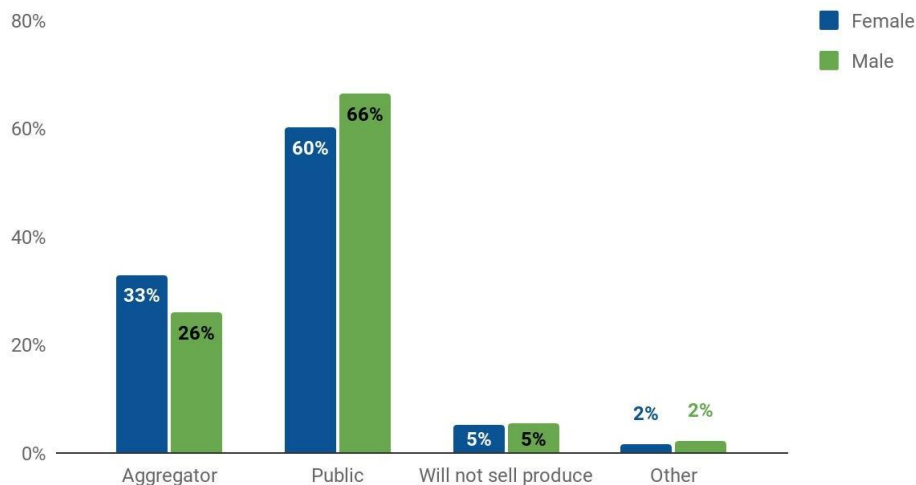
By farmer gender, slightly more male than female farmers used kept seed

- 60% male farmers used kept seed compared to 58% female farmers



Harvest selling: Who the farmer intends to sell their produce to

Who farmer intends to sell produce to by gender



Most farmers surveyed said they intend to sell their produce to the public; 6% more male than female farmers said they intend to sell to the public

- 66% male farmers said they intend to sell their produce to the public compared to 60% female farmers

Interestingly, when it came to aggregators, more female than male farmers said they intend to sell their produce to aggregators

- 33% female farmers said they intend to sell their produce to aggregators compared to 26% male farmers

NB: All (100%) these farmers were expected to sell to an aggregator as part of CBN-ABP.



Psychological underpinnings of insurance: Learning Partner Insights

The Engagement

Understand the behaviors and perceptions of insurance among smallholder farmers in Nigeria.

The Methodology

Qualitative interviews with farmers (40) and **surveys** (72) as well as a suite of remote behavioural experiments to measure revealed, and self reported preferences, related to decision-making around insurance

The Focus

Behavioural & psychological facets:

- + **Risk:** measured farmers comprehension, risk profiles and insurance uptake
- + **Trust:** measured farmers trust (fairness, competence and reliability)



Learning Partner Insights: Demographics

98%

Phone Ownership
(32% use whatsapp)

92%

Men have sole
responsibility for the
farm (79% women)

60%

are not familiar with
agri insurance

Maize

primary crop
(followed by rice)

720

Farmers
61% Kaduna, 39%
Sokoto

73%

Men
(27% women)

62%

Muslim
(38% Christian)

5.6

hectares average
farm size for men
(3.6 for women)



Insurance relies at the core is about buying down **RISK**: this is how Nigerian farmers perceived risk.



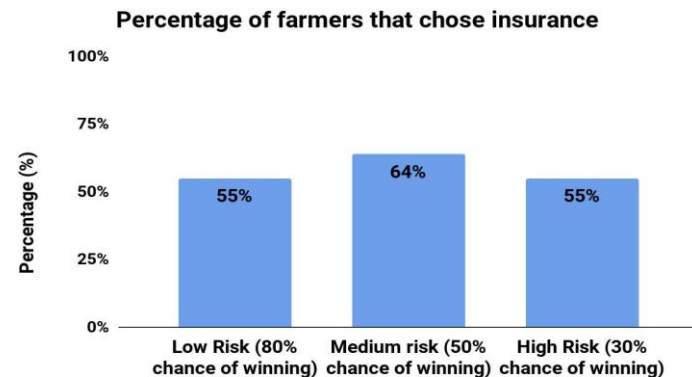
Comprehension: Approximately **60%** of farmers could correctly answer a risk comprehension question



Risk Profiles: The majority of farmers were categorised as **risk averse** with slightly more females than males being risk seeking (40% vs 34%).



Risk and Insurance Uptake: Farmers were most likely to insure **medium risks**.



- + Risk averse farmers are more likely to insure **low-risks**
- + **Medium risks** encourages both risk-averse and risk-seeking farmers to buy insurance.
- + **High risks** perceived as inevitable and not worth protecting against lower insurance rates & risk-averse farmers

Insurance will only work if there is TRUST in the product: Insights on trust

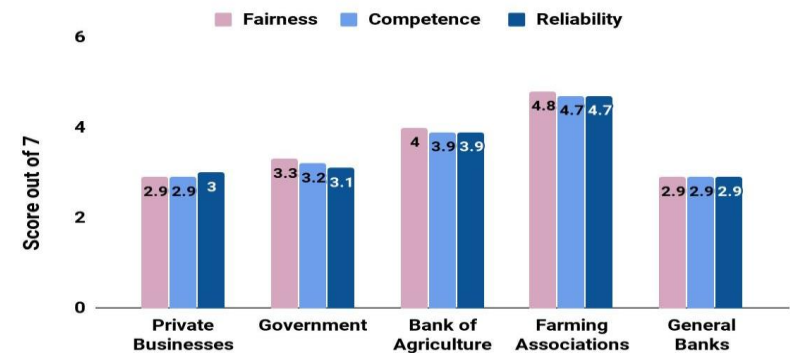


Organizational Trust: Of the 5 organizational entities (government, banks, farming associations, private businesses) **farming associations were the most trusted** and government entities the least trusted.



Perceived Fairness, Competence and Reliability: Farming associations followed by the Bank of Agriculture were perceived as the most fair, competent and reliable out of the 5 organizational entities presented.

Fairness, competence and reliability ranking



- + Farming associations scored highest on all components of trust
- + Farmers rated* organisations on three components of trust:
 - Fairness
 - Competence
 - Reliability

*0 indicated not reliable, competent or fair; 7 was the highest possible score.

Insights on how women perceived insurance: Gender deep dive



- + Despite farming associations being highly trusted entities, **women were less likely to recommend insurance if it was endorsed by a farming association.**
- + **Female farmers respond** best to behavioral messaging that leverages on **social proof/ injunctive norms** (what others are doing) and **gain framing** (what they will gain from insurance).



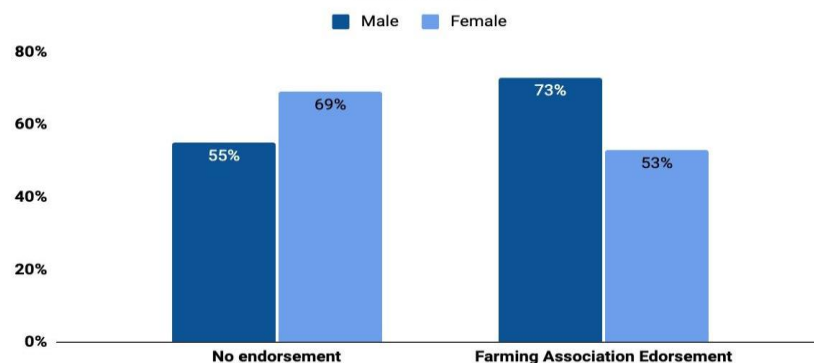
- + Despite farming associations being highly trusted entities, **women were less likely to recommend insurance if it was endorsed by a farming association.**



Busara



Percentage of farmers that would recommend insurance to their friend



QnA



Profile of Ms. Adetola Adegbayi



- she is the Executive Director responsible for the General Insurance Business of Leadway Assurance Company Limited.
- Her background and commitment as a Lawyer, with 30 years of work experience in Research, Law, Insurance, and Financial services business, ensures that she understands the demands and needs of clients in structuring insurance/alternative risk financing solutions to address special/peculiar risk protection needs.
- She sits in Non-Executive capacity as Board Member of some Leadway related companies - Leadway Hotels and Leadway Vie, Abidjan and Chairs the Technical Board of the Nigerian Liability Insurance Pool. She is also a Non-Executive Director on the Technical Board of the Energy and Allied Insurance Pool of Nigeria (EAIPN). She was a former Non-Executive Director of Prestige Assurance Plc (a subsidiary of New India Assurance Company Limited, Mumbai) where she acted as Chairperson of its Finance and Investment Committee.
- She has keen interest in professional academic development and works as a guest lecturer of the College of Insurance and Financial Management, Nigeria.
- She holds a Bachelor and Master of Laws of the University of South Wales and the University of Bristol, respectively.
- She is a Barrister at Law, an Associate Member of the Chartered Insurance Institute of London and Nigeria and an Associate Member of the Chartered Institute of Arbitrators, U.K.
- She is an Advance Management Program alumni of the Harvard Business School, US, and Certified Leadership alumni of the IMD, Lausanne.



INSURERS PERSPECTIVE ON RISK MANAGEMENT WITHIN THE AGRICULTURAL VALUE CHAIN

Date:

October 14, 2021

Presented By:

Adetola Adegbayi

Executive Director, General Insurance Business

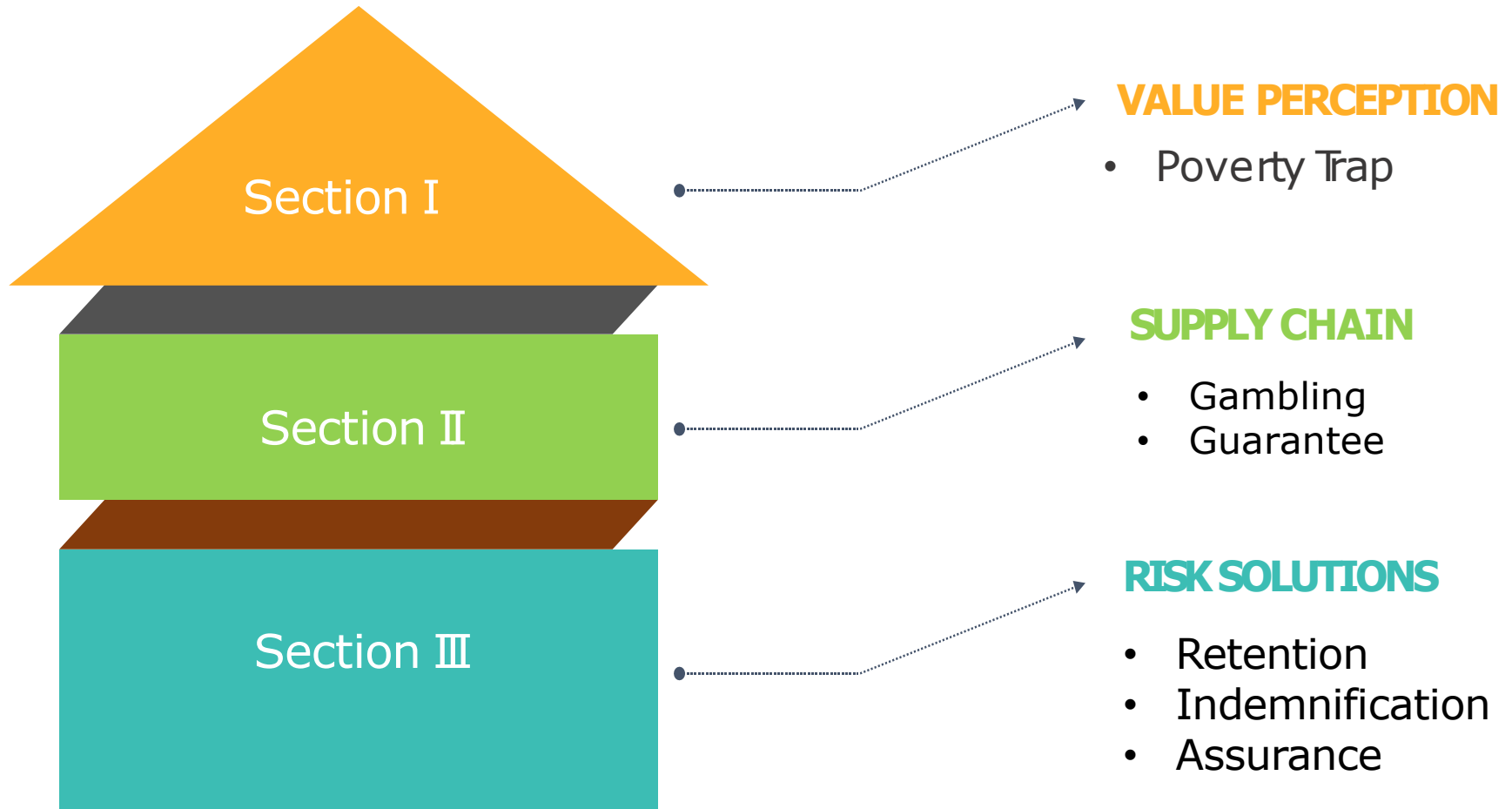


LEADWAY
Assurance

RC 7588



CONTENT

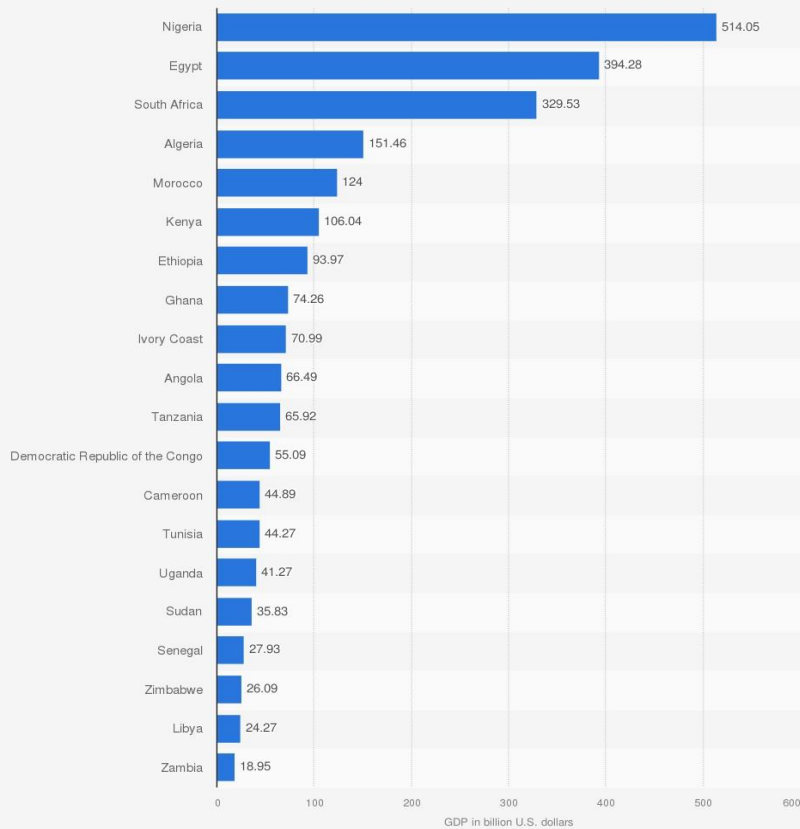




Section I Value Perception

POVERTY TRAP ...

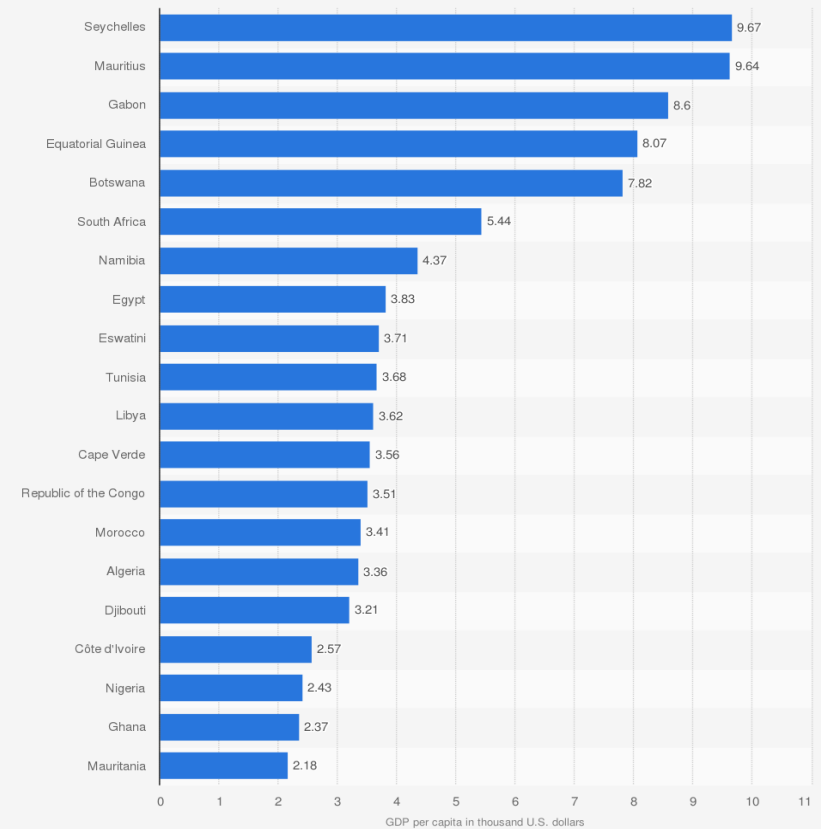
African countries with the highest Gross Domestic Product (GDP) in 2021 (in billion U.S. dollars)



Source
IMF
© Statista 2021

Additional Information:
Africa; 2021

African countries with the highest Gross Domestic Product (GDP) per capita in 2021 (in 1,000 U.S. dollars)



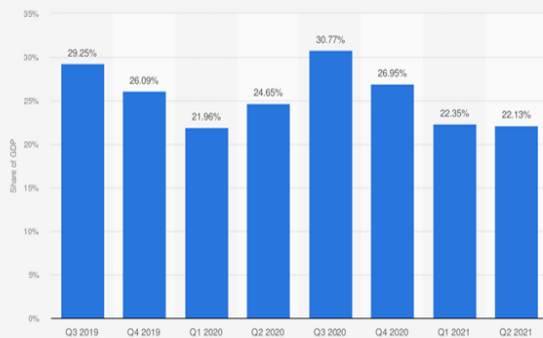
Source
IMF
© Statista 2021

Additional Information:
Africa; April 2021



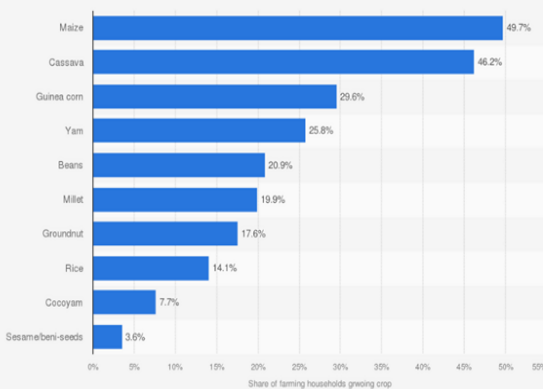
... POVERTY TRAP

Contribution of agriculture to GDP in Nigeria from the 3rd quarter of 2019 to the 2nd quarter of 2021



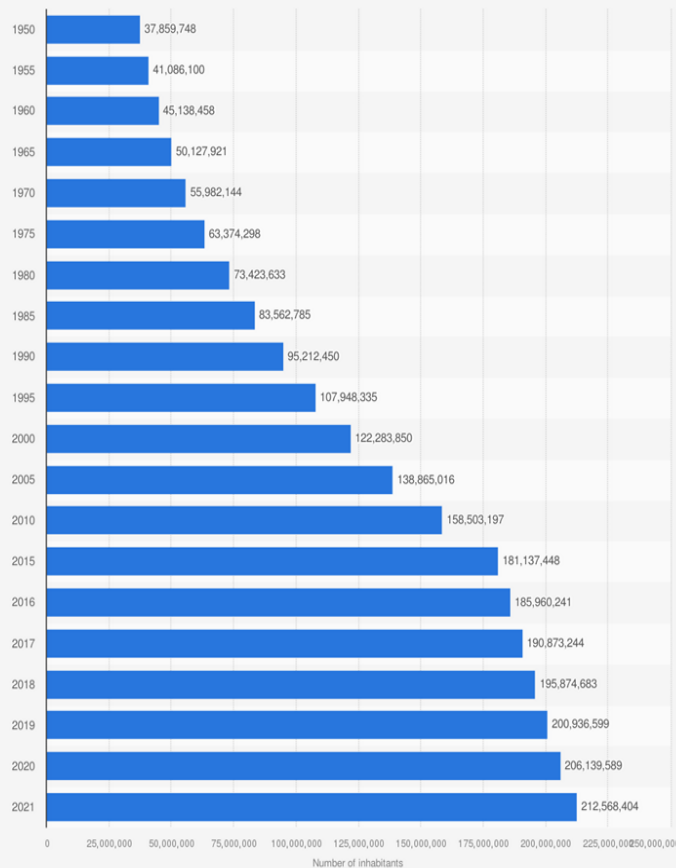
Source: NBS (Nigeria), © Statista 2021
Additional Information: Nigeria: Q3 2019 to Q2 2021

Ten major crops among households in Nigeria as of 2019



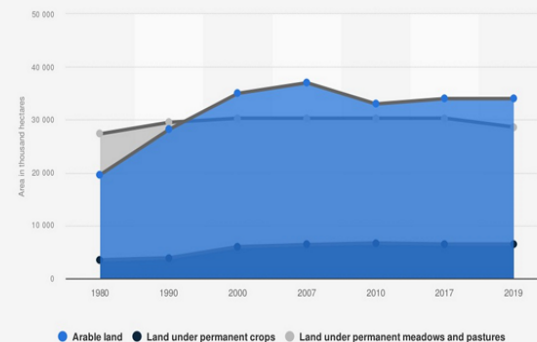
Source: NBS (Nigeria), © Statista 2021
Additional Information: Nigeria: 2019; 4,976 respondents; households; Panel survey

Population of Nigeria in selected years between 1950 and 2021



Source: World Population Review, © Statista 2021
Additional Information: Nigeria: 1950 to 2021

Agricultural areas in Nigeria in selected years between 1980 and 2019, by type (in 1,000 hectares)



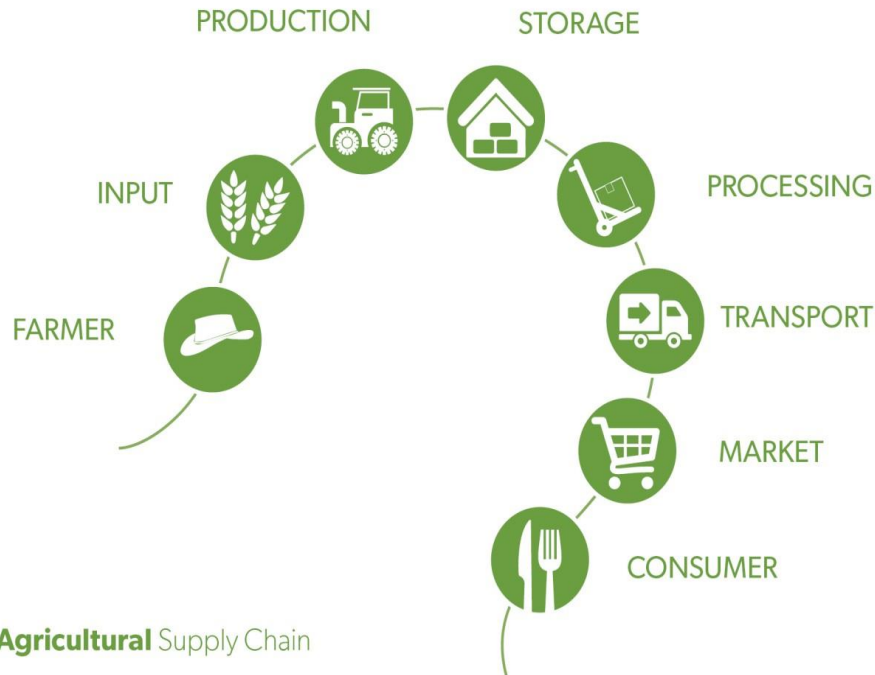
Source: FAO, © Statista 2021
Additional Information: Nigeria: 1980 to 2019

NIGERIAN HOUSEHOLDS
PRACTICING CROP
FARMING
70%





GAMBLING



Input suppliers	Producers	Trading	Logistics	Processors
Seed Fertilizer Crop protection Machinery Technology & sensors Distribution	Corporate Farming Agro holdings Cooperatives Small & emerging farmers	Trading companies Off-takers	Transport Storage Export/Import	Millers/Crushers Industrial food processing Feed production

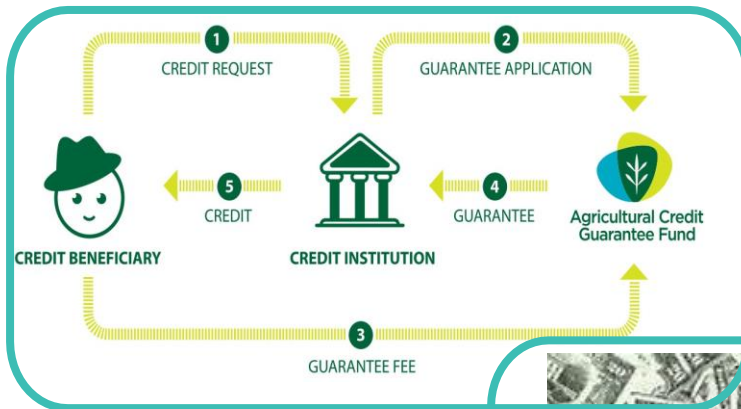
© Munich Re

Risks Identified by the World Bank ASRA/ARM Report:

Poor Land Tenure/Low level of Irrigation/Climate Change/Land Degradation/Low Technology/High Production Cost/Poor Distribution of Inputs/Ltd. Financing/High Post Harvest Losses/Poor Access to Market



GUARANTEES & GRANTS



NIRSAL

Nigerian Incentive-Based
Risk Sharing System for Agricultural Lending



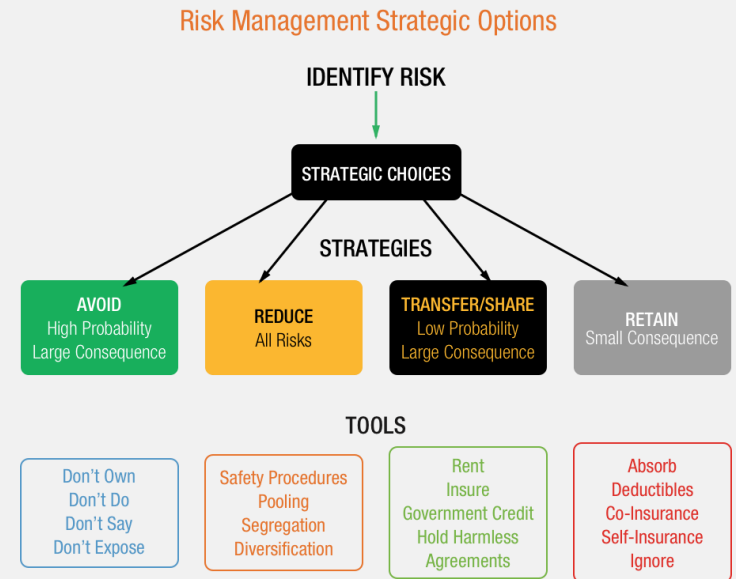
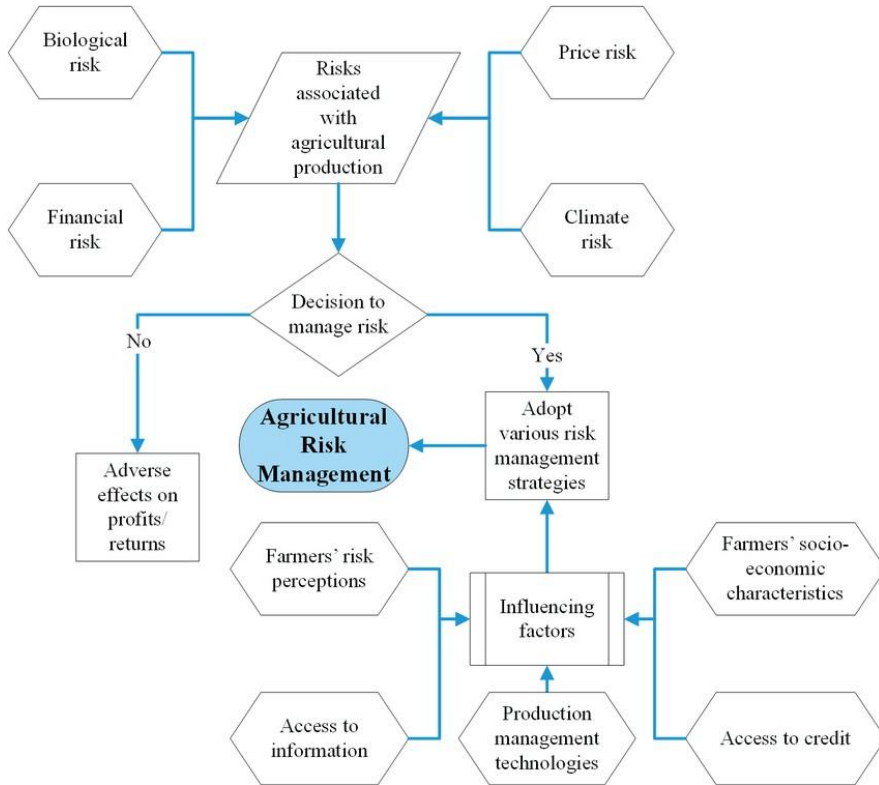
CENTRAL BANK OF NIGERIA

ANCHOR BORROWERS PROGRAMME
Intervention For Agriculture

Section III Risk Solutions



CONSCIOUS RISK RETENTION



© Schematic overview of agricultural risk management in Punjab (the authors) Zulfiqar et al (2016) DOI: 10.1007/s11069-016-2468-9

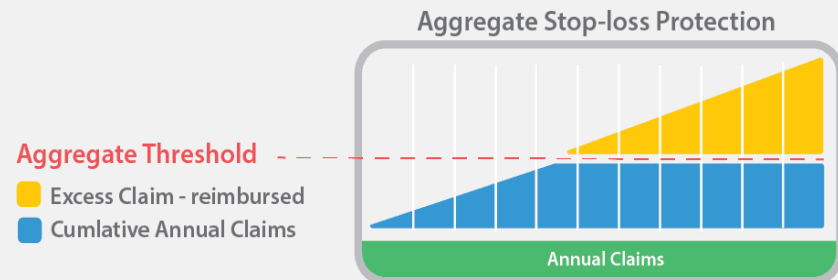


LOSS INDEMNIFICATION V. LOSS ASSURANCE – STOP LOSS

Figure 5

Characteristics of different types of agricultural insurance¹⁶

	Set-up costs	Operational costs	Claim settlement speed	Risk of moral hazard and adverse selection	Basis risk	Actuarial difficulty
Indemnity-based	Medium	High	Slow	High	Low	Low
Area-yield index	Low	Medium	Slow	Low	Low	Low
Weather index	High	Low	Fast	Low	High	High



Thank You

LEAVE NOTHING TO CHANCE



Profile of Mr. Michael Kadiri



- is the Head, Risk Management and Compliance at Thrive Agric Ltd where he provides leadership on Risk Management and Compliance activities of the company.
- his team administers the Enterprise Risk Management Framework of the company across various functions which entails risk identification and assessment, implementing risk management processes, establishing level of risk the company can accept, conducting risk sharing through insurance cover purchase, implementing safety measures and training staff members in order to increase risk awareness against occurrences that could alter set business objectives
- his professional journey spans over fifteen (15) years and counting covering job roles like credit and marketing, general audit and inspection, process audit, risk management and compliance in the Financial, E-Commerce, Courier and currently in the Agricultural sectors.
- he rose to the position of Assistant General Manager, Risk Management and Compliance at Courierplus Services Ltd – a foremost indigenous courier company in Nigeria before joining Thrive Agric Ltd in October of 2020
- he is a Certified Information Systems Auditor (CISA), an Associate, Chartered Institute of Bankers of Nigeria (ACIB), Associate, Nigerian Institute of Management (NIM) and earned his Bachelor's Degree (Honours) in Banking and Finance from Olabisi Onabanjo University, Ago Iwoye, Ogun State, Nigeria.



Risk Management in the Agricultural Value Chain: The Insurance Mechanism

Michael Kadiri

Head, Risk Management and Compliance - Thrive Agric



Overview

01 What is Risk Management in the Agricultural Value Chain

02 Components of Agricultural Value Chain in Nigeria

03 Overview of Agricultural Evolution in Nigeria

04 Agricultural Risks in Nigeria

05 Impact of Agricultural Risks from a Customer's Perspective in Nigeria

06 Insurance Mechanism as a Tool for Improving Agricultural Value Chain

07 Challenges to Growth of Nigeria's Agricultural Insurance Industry

08 Recommended Solutions to Improving Agricultural Insurance Growth In Nigeria



A photograph of three smiling farmers, two men and one woman, standing in a lush green cornfield. The woman is on the left, wearing a headband. The man in the center is wearing a light blue shirt. The man on the right is wearing a light green shirt and has his arm around the man in the center. They are all looking towards the camera. A semi-transparent green box with white text is overlaid on the bottom left of the image.

What is Risk Management in the Agricultural Value Chain



Risk Management within the agricultural value chain is that act of choosing among alternatives in a bid to reduce financial effects that could result from uncertainties like weather, yields, prices, government policies, access to markets and other factors; that could impact agricultural practices and cause wide swings in income of farmers and other agricultural stakeholders.





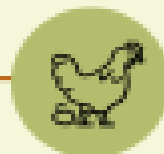
Components of Agricultural Value Chain in Nigeria

Activities that give inputs to agriculture such as: manufacturing & supply of seeds, fertilizers, agrochemicals, machineries & technology deployment



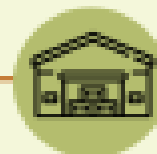
Upstream

Midstream



Primarily production activities that dwell on crops, poultry, fishery & animal feeds

Activities around food processing, warehousing and distribution of products created from the midstream agricultural value chain



Downstream



A photograph of three farmers standing in a cornfield. The farmer on the left is a woman wearing a headband. The farmer in the middle is a man wearing a white t-shirt with a 'thrive' logo. The farmer on the right is a man wearing a light green shirt and holding a bundle of harvested corn. The background is filled with tall corn plants.

Overview of Agricultural Evolution in Nigeria



- Major global producer of groundnut and palm oil in the 1960s
- Also, second largest exporter of cocoa
- Over-reliance on oil as the main source of foreign exchange led to becoming a net importer of food, spending an average of **USD \$1.89 trillion** yearly on food importation

(Minister of Agriculture and Rural Development, Sabo Nanono on March 31 2021)

- The global drop in the price of crude oil has greatly reduced the foreign earnings of the Nigerian economy
- Agriculture is now the new paradigm to diversify the economy by adding **30 million** metric tonnes of food and creating **3.5 million** jobs yearly.





Agricultural Risks in Nigeria

- **Production risk**
- **Price or Market risk**
- **Financial risk:**
 - Increased input costs
 - High interest rates on lending
 - Poor cashflow records
 - Restriction/Availability of credit facility
- **Government /Legal Risk**
- **Human or Personal risk**
- **Insecurity Risk**



Impact of Agricultural Risks from a Customer's Perspective in Nigeria



- High cost of farm produce
- High cost of living for citizens and agitation for increased wages and salaries
- Increased inflation as few agricultural products are available in the market to meet high demand
- Decrease in supply of farm produce to meet agro-processing companies' needs for manufacturing and enhance local consumption as well as export for forex earnings
- Inability to make choices as there are little or no varieties in the market to choose from





Insurance Mechanism as a Tool for Improving Agricultural Value Chain



- Aggressive enlightenment campaign to adopt Weather-Based Insurance Index (WBII) and Area Yield Insurance Index (AYII)
- Create solution-based insurance products that will address risks embedded in various stages of the agricultural value chain; upstream, midstream and downstream sectors
- Gathering of historical risk data from various Agricultural Ecological Zones (AEZs) within Nigeria
- Act as strategic partners to the Government on defining ways and frameworks through which agricultural risks in Nigeria can be mitigated
- Engage in continuous education of farmers and other stakeholders within the agricultural value chain on the new and innovative agricultural practices





**Challenges to
Growth of
Nigeria's
Agricultural
Insurance
Industry**



- Poor awareness of insurance products
- Inadequate infrastructure and support services
- Lack of actuarial data
- High start-up costs including:
 - Acquisition of highly skilled manpower
 - Acquisition of infrastructural facilities for farm monitoring
 - Inspection/ loss surveys
- Non- remittance/delay of premium subsidy payments
- General perception of the public on insurance
- Literacy factor
- Low market coverage and insurance penetration
- Few underwriters in the market
- Budgetary constraints due to slow and/or non-payment of premium subsidy
- High overhead costs
- Low scheme participation due to unwillingness by financial institutions to offer loans to agriculture
- Insurance usually on loan amount rather than Agric production cost





Recommended Solutions to Improving Agricultural Insurance Growth In Nigeria



- Support from Government and Donor Agencies for implementation of insurance premium subsidy
- Insurance players to avail insurance products to wider audience via use of technology
- More enforcement of agricultural insurance policies on loans
- Ensuring prompt claims payouts by insurance companies upon crystallization of insured risks
- Adequate reinsurance arrangement to eliminate default at point of claims payouts



In Conclusion...



- Extreme weather events such as drought and flood, driven by climate change results in increased risk of hunger and malnutrition in Nigeria
- The systems for responding to these natural disasters must be timely, effective, efficient, equitable and must provide adequate funding for lives and livelihoods to be preserved against risks.
- The feasibility of the creation of an insurance mechanism suitable for the Nigerian and African environment to address loss and damage attributable to climate change and other forms of agricultural risks which should serve as a risk disaster pool must be explored for the benefit of every player within the agricultural value chain Nigeria.



Thank you.

Questions?

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Profile of Mr. Leo Akah



- the current Director in charge of Policy and Regulation which is one of the Directorates in the Technical Division of National Insurance Commission.
- he was the Director in charge of Governance, Enforcement & Compliance. He was appointed a Director on 9th day of July, 2018.
- had worked for over 20 years in the Nigerian insurance industry prior to joining the Commission in 2009.
- He was an Executive Director in Firstlink Insurance Brokers Limited from 2007 – 2009.
- Prior to his joining Firstlink Insurance Brokers Limited, he was the Managing Director/Chief Executive Director Officer of Oriental Insurance Company Limited from 1999 - 2007.
- He studied Insurance at Institute of Management & Technology (IMT), Enugu.
- He further read Law at the prestigious University of Nigeria, Nsukka (UNN). He has LL.B from Nigeria Law School
- also has a Masters Degree Business Administration from UNN.
- He is an Associate member of Chartered Insurance Institute, London by examination
- also a Fellow of both the Chartered Insurance Institute of Nigeria and Association of Corporate Governance Professionals of Nigeria.
- an Honorary Fellow of National Association of Insurance Commissioners USA (NAIC).
- He is a member of various professional bodies
- He has attended many professional courses and conferences both locally and internationally.



“RISK MANAGEMENT IN THE AGRICULTURAL VALUE CHAIN: THE INSURANCE MECHANISM”

THE REGULATOR'S PERSPECTIVE

BY:

LEO AKAH

DIRECTOR POLICY & REGULATION

NAICOM



Contents

- Introduction
- NAICOM Objective
- Overview of NAIC Act 1993
- The Nigeria Economy
- The Federal Government Strategic Opportunities programme
- Role of the Insurance Industry in the Agriculture Value Chain
- NAICOM readiness to support the Industry
- Conclusion
- Question & Answers



Commission's Objective

▪ S. 7 NAICOM Act 1997

The Commission shall:

- ✓ Establish standards for the conduct of insurance business in Nigeria;
- ✓ Act as adviser to the Federal Government on all insurance related matters;
- ✓ Protect insurance policy-holders and beneficiaries and third parties to insurance contracts.



NAIC Act 1993

Relevant sections:

S. 7 The Scheme shall cover:

- a) Such crops, livestock and other agricultural items and enterprises, as the Corporation may, from time to time, determine;
- b) On a commercial basis only, farm buildings, machinery and equipment which form part of the investment on the farm;
- c) Such other items as the Corporation may, from time to time, deem necessary for giving effect to the objectives of the Scheme.

Who is to be covered under the NAIC Act?

- S. 13 NAIC Act - Participating Farmer

“A farmer whose crop or livestock is covered by section 7 of the Act may take out an insurance cover under the Scheme but where the farmer is also a beneficiary of an agricultural loan or credit from the Government, a bank or other financial institution (in this Act referred to as a “lending institution”) he shall take out an insurance cover under the Scheme.



The Nigeria Economy

- It is important to note that Nigeria is Africa's most populous country with 200 million population, with an annual growth rate of 3 per cent. Fifty-nine per cent and approximately 118 million Nigerians are under the age of 35.
- Now Africa's biggest economy, Nigeria occupies 92.4 million hectares and 53 per cent of the population lives in rural areas. GDP growth averaged 3.8 per cent a year from 2009 to 2014 as Nigeria became a middle-income country.
- However, amid falling oil prices, security risks and policy uncertainty, growth subsequently slowed sharply. The Government is currently focusing more on agriculture hence working towards diversifying its resources.



The Nigeria Economy contd.

- Poverty is severe in rural areas, at 44.9 per cent. Young people lack economic opportunities and sporadic civil unrest worsens poverty and malnutrition.
- Poor rural women and men depend on agriculture: 70 per cent of rural people are subsistence smallholder farmers, who produce about 90 per cent of Nigeria's food on un-irrigated plots wholly dependent on rainfall.



Federal Government Strategic Opportunities Programme

- Currently, Nigeria's strategic opportunities programme is aligned with policies addressing agriculture, young people, financial inclusion, nutrition, gender equality and women's empowerment, and climate change adaptation.
- Agriculture is guided by the Government of Nigeria's Green Alternative road map, which emphasizes four pillars: food security, job creation, import substitution and economic diversification.



Role of the insurance industry in the agriculture value chain

- One bad season has the ability to throw the smallholder away from cultivation for good. Hence smallholder farmers in countries like Nigeria are more vulnerable to shocks.
- Agriculture production is vulnerable to many changes and the changes are mainly environmental and technological. Environmental changes can be floods, droughts, sea level rise (for coastal agriculture), change in the atmospheric temperature and even land degradation.
- Environmental changes are hard to deal with since they have a lower predictive power. Even the most sophisticated scientific models are only capable of predicting environmental changes to a certain degree.



Role of insurance industry in the agriculture value chain Contd.

Accordingly, the Insurance Industry is expected to play the following roles:

- i. Offer insurance policies that should focus on catastrophic risks.
- ii. Develop products that should be a holistic approach to risk management.
- iii. Increase co-operation and communication with insured farmers and other stakeholders
- iv. Implement adequate organizational framework in which insurance products and other risk management tools can work efficiently.



The major actors in Agricultural value chain

- ❑ The value chain identifies all the parties and activities that bring a basic agricultural product from production to final consumption, where at each stage value is added to the product.
- ❑ Thus, the composition of the Agricultural value chain includes but not limited to the seed suppliers, fertilizer and pests producers/suppliers, the actual seed grower, Storage facility providers, the transport sector that moves the agricultural products, etc.
- ❑ The activities of these individuals attract various risks in course of performing their value addition roles in the agric value chain.



Generic risks

- Personal Accident
- Group Life
- Fire and special peril
- Burglary
- Liability
- Others

Differentiating agricultural insurance from other types of general insurances

- ❑ Initially, agricultural insurance products in Nigeria were provided on indemnity basis with the attendant high costs of administration and inherent risks of fraud.
- ❑ In an attempt to address the challenges posed by indemnity products, underwriters sought to introduce index insurance in Nigeria.



Differentiating agricultural insurance from other types of general insurances

- ❑ Agricultural insurance can vary by the:
 - ✓ asset covered;
 - ✓ the key risks;
 - ✓ the type of coverage (e.g. index or indemnity); and
 - ✓ the scope of coverage (micro, meso or macro level).
- ❑ Each of the above peculiarities creates specific regulatory issues for insurance regulators

Differentiating
agricultural
insurance from other
types of general
insurances

- ❑ Nature and weather are the key sources of agricultural risk, and natural risk tends to be systemic, meaning a risk event normally affects a whole area and portfolio of policyholders at the same time.
- ❑ It is often a government strategy to achieve social and economic objectives through the support of agricultural finance and insurance as is in the case of NAIC.



Differentiating
agricultural
insurance from other
types of general
insurances

- ❑ Index insurance is not indemnity insurance, in that the claims payment is not directly related to the exact financial loss of the insured event. Rather the claims payment is triggered by a statistical parameter, such as rainfall or average area crop yields, and based on historical data. Designing a good index therefore depends on the quality of available data to set the parameter.



Managing Agricultural Risks

- Risk and uncertainty are inherent to agriculture.
- The most common sources of risk are weather, climate, diseases, natural disasters, and market and environmental shocks. Other risks are logistics, infrastructure, public policy, the political situation and institutions.
- Some risks have become more severe in recent years due to climate change, insecurity, animal encroachment and the volatility of food prices.
- Smallholder farmers' livelihoods are especially vulnerable. They may have difficulty in assessing and managing risk, and fail to benefit from investment opportunities that could improve their farming businesses and strengthen household resilience.

Major interventions by the Commission

- The regulator (NAICOM) in order to show its readiness to support the industry rolled out its strategic goals which includes but not limited to the under-listed:
- Enhance co-operation with relevant Agencies, Regulators and Development Partners,
- Enforce compliance with updated prudential rules,
- Establish framework for innovation in the Insurance Industry,
- Focused Insurance Awareness campaign on Financially Excluded.



Major interventions by the Commission contd.

- ❑ Agricultural insurance is an effective tool for increasing farmers' resilience in the face of various production risks.
- ❑ Currently Seventeen underwriters have been granted No Objection by the Commission to underwrite Agricultural Insurance risks. Fourteen have specialized agric. Insurance products approved by the Commission.



Major interventions by the Commission contd.

1. Index-based Agricultural Insurance- In 2017 the Commission met the Management of NIRSAL to address the urgent need for implementation of Index-based Agricultural insurance to be offered by insurance companies licensed by the Commission. A joint Technical Committee on Index-based Agricultural insurance was constituted and tasked inter alia to create a platform for Index-based Agricultural insurance product development.



**Insurance products
that the
Commission had
approved/available
for crop agric
insurance**

Insurance Type	Risks covered
Multi-Peril crop insurance	All named risk(s)
Weather Index Plant greenness Index	Only Drought & partially excess rain
Area Yield Index insurance (AYII)	All risks that affect yields including Drought, Floods, Locusts, Armyworm, Disease, etc.
Hybrid Index Insurance $HII = AYII + \text{Weather Index}$	All risks as per AYII and germination failure.
Livestock Insurance Indemnity	Death due to drought, Illness etc
Livestock Insurance (Index)	Drought

Regulatory and supervisory challenges related to index based agricultural insurance

- ❑ Regulating index insurance is new for most regulators and currently very few countries have explicit legislation or regulations in place.
- ❑ There are no IAS standards or guidance for index insurance yet, and International Financial Reporting Standards (IFRS) remain ambiguous.
- ❑ Because claims payments are not made against actual losses, index risk transfer products may not be considered indemnity insurance under the legal and regulatory frameworks of some countries, leaving insurance supervisors unclear whether they can even be permitted and supervised as insurance.



Regulatory and
supervisory
challenges related to
index based
agricultural
insurance

- ❑ On the consumer protection side, supervisors need to be aware of and manage issues arising from the basis risk inherent in index insurance contracts. Supervisors need to consider whether the contracts are fair, which means that the insured party needs to be aware of the basis risk and that the index design reduces basis risk to acceptable levels

Regulatory and
supervisory
challenges related to
index based
agricultural
insurance

- ❑ Regulators also need to ensure insurers make adequate provision so that their solvency is not adversely impacted by highly volatile agricultural insurance claims ratios and payouts can be made in a timely manner



Conclusion

- While index insurance has its limitations, it can make agricultural insurance work also for small scale farmers in developing countries. For this reason, index insurance is often developed as agricultural microinsurance and is therefore an important part of the inclusive insurance discussion. However, it is important to appreciate that the index insurance method has potential applications beyond index insurance and beyond agricultural insurance.

Conclusion

- ❑ As Agriculture income is an important factor in national income, crop insurance also has an effect on the prosperity of the country, even as insurance gives farmers greater confidence to the farm.
- ❑ Agricultural insurance policy cushions the shock of disastrous losses by assuring farmers of paying claims when an insured risk occurs on their farms.



COMMUNIQUE FROM THE 49TH ANNUAL EDUCATION SEMINAR VIRTUALLY HELD ON WEDNESDAY 7TH OCTOBER 2020



COMMUNIQUE

1. The Insurance Industry should improve on consumer education to all smallholders' farmers in order to release the untapped potentials in that sector.
2. Education on the supply side of the chain (i.e. with insurance practitioners) should be continually improved upon to provide the required support in the sector.
3. There should be greater collaboration between industry practitioners (i.e. the Regulator – NAICOM, CIIN, NIA, NCRIB, e.t.c.) with relevant agencies such as NIRSAL, NAIC, in order to reduce the gap in information sharing on Agricultural insurance.
4. Data integration and synchronization should be improved upon in order to foster better understanding of the needs, aspirations and yearnings of the smallholders' farmers in order to produce effective service by the insurers.
5. Customer profiling in indigenous language should be emphasized to mitigate unwanted risk in agriculture insurance.
6. Technological collaboration with Nigerian Meteorological Agency (NIMET) should be embarked upon by the Industry on forecasting for the effects of weather in the Agricultural sector.
7. There should be a resuscitation of the Agricultural Insurance Working Group under the auspices of NAICOM to involve all insurance industry stakeholders and the smallholders' farmers, along with other agricultural industry stakeholders.



Open Forum



**COMMUNIQUE FROM THE
50TH ANNUAL EDUCATION SEMINAR
HELD ON THURSDAY 14TH OCTOBER
2021 AT TAHIR GUEST HOUSE, KANO,
KANO STATE**



Vote of Thanks by the Director-General

The
Floor
is
Yours...



Thank
You
Madam.





Thank you



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