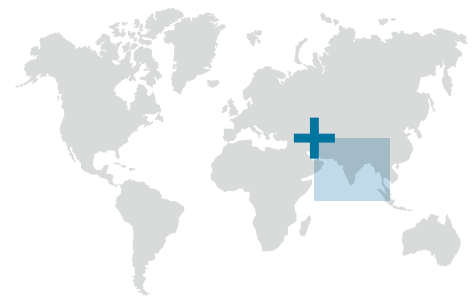


# INFOCUS: VALUE FOR CLIENTS & CONSUMER PROTECTION



## SUBJECT

Insurance products can only contribute to reducing vulnerability if clients can make effective use of them. This means (potential) clients need to be able to make informed decisions. Benefits, cost structures, consumer rights and responsibilities have to be communicated transparently and comprehensively in order to build and sustain trust. Financially sound insurance providers need to offer appropriate, transparent and cost-effective risk management products that guarantee coverage and services to which they adhere. This also includes a diversified product portfolio that is tailored towards the specific needs of their clients. Consumer rights need to be safeguarded through the respective authorities' supervision of providers' operations, ensuring that contractual commitments are met.

## CHALLENGES IN INDIA

With an insured customer base of app. 30 million people, the market for agricultural insurance in India is the second largest among developing and emerging economies. But despite the impressive outreach and growth figures, insurance awareness remains low. In 2011, the pre-launch survey of the Insurance Awareness Campaign found that the majority of insured households were not able to clearly understand the extent of the insurance coverage and the benefits offered by insurance products. The lack of awareness of insurance as a risk management tool was particularly pronounced in rural areas, among low-income households, and households with low educational attainments. Low levels of insurance awareness and literacy, accompanied by deficiencies on the supply side, resulted in low insurance penetration. Some key challenges related to the lack of effective insurance awareness campaigns were:

On behalf of

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 Federal Ministry  
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1. No training concept was available with sufficient emphasis on useful tools and teaching methods that are most suited to the farming community
2. No training modules were available that managed to explain in simple terms a topic as complex as agricultural insurance in vernacular to farmers
3. No pragmatic outreach strategy for awareness campaigns that could reach a large number of insured and uninsured of farmers in India in a cost-efficient manner at a nearby location was developed.



## SOLUTIONS

### A farmer-oriented awareness campaign

**Development of audio-visual tools.** RISP, in partnership with farmers, service providers and the Agriculture Insurance Company of India (AIC), designed an audio-visual tool with interactive animated videos. The training was aimed at informing users about crop insurance in a simplified and user-friendly manner. The entire training program was divided into four modules of 10 to 14 minutes each:

1. The first module covers the fundamentals of insurance to impart farmers with knowledge of insurance concepts in general. The module is structured around the risks they face and the role of insurance in mitigating the financial implications encountered in case of crop losses.
2. The second module contains detailed information on crop insurance, such as the logic and rationale behind insurance solutions, incorporating elements of loss and damage, fundamentals of loss assessment, damage estimation and finally the mechanisms for claims notification and the process for settlement.
3. The third module talks about the importance of building trust between farmers and insurers. The main theme is how an environment built on mutual trust and respect can be a step forward in addressing some of the transparency and information asymmetry issues across the sector.
4. The fourth module highlights the key features of the products, the product structure, and the statutory conditions specified by the insurance contract.

**Pilot testing of the training tools.** The training modules were pilot tested with smallholder mango and grape growers in Karnataka. The total time for screening these training modules along with the subsequent user interactions took approximately 60 minutes. At the beginning of each training, an interactive risk mapping and product structuring exercise were conducted. For this purpose, the team had developed a real-time application to show the influence of various parameters, such as coverage levels, length of cropping season, etc., on the product design and premium levels. The objective of this exercise was to enable farmers to prioritize key risks with a view of jointly identifying key features that insurance products must have to satisfy grower needs.

**Upscaling of the training.** The trainings in Karnataka generated many positive comments and suggestions for improvements from the farmers. Based on the farmers' feedback, the online application of the module on product design and pricing was amended to accommodate features relevant to crops other than grapes and mango. In order to make the insurance awareness and training programs available across a much larger audience, specialized mobile training vans equipped with audiovisual devices were organized. The training modules were converted into other vernacular languages as well.

**Use of mass media.** In co-operation with AICI, the multimedia-based comprehensive training package was converted into a six-part miniseries on crop insurance which was telecast by the regional television channel 'DD Sahyadri' (Public Broadcaster's for Maharashtra and Goa) for building awareness on crop insurance amongst its viewers (mostly farming households).





## LESSONS LEARNED

Training tools have to strike a balance between simplicity and complexity. In the case of India, insurance is not an entirely new subject for many farmers. Audio-visual materials are a good way to capture the trainees' attention and to present complex matters in a simple and structured way.

A short and concise training of only 60 minutes still offers sufficient time to bring across the main messages. Keeping farmers' interest high during lengthy trainings is difficult and bears the risk that the target audience does not focus on the key points.

As agricultural insurance is a complex topic, it is of great importance that trainings are held in the locally spoken language. Translating all training materials and tools into vernacular languages greatly increases the level of understanding among farmers.

The use of mobile vans is an effective way of bringing trainings to farmers. Mobilizing farmers is often difficult and it, therefore, helps if trainings or meetings are held at the farmer's location.

Trainings present a good opportunity to collect feedback from farmers on their risk exposure and desirable key features of insurance products. In the case of the project, this feedback was collected through a real-time product design process. The results of these interactions provided additional input for the product development process without incurring additional cost for separate household surveys.

## OUTCOME

The project partners pilot tested the training materials and approaches across mango and grape growers in Karnataka. During the pilot phase, 60 small farmer groups in two hoblis (village clusters) underwent the training. During the project evaluation, 70% of the interviewed farmers stated that they attended the insurance training programs prior to purchasing an insurance policy. 64% of the farmers stated that they partly or fully understood the training content. Of the farmers that purchased insurance, a majority had a good understanding of what the policy covered: 73% were aware that the product did not cover losses to irrigation equipment and 85% knew that the policy only covered losses to crop yield.

After collecting the feedback from farmers and amending the training, the outreach was increased to Gujarat and Telangana. Overall, 1,866 farmers attended the training course. While these numbers are promising, reaching significant scale is only possible if the major players, such as insurance companies and public sector sponsors of agricultural insurance, integrate these trainings into their awareness building strategies.

The use of mass media effectively complements the trainings: the TV shows aired by DD Sahyadri<sup>1</sup> were watched by 328,000 viewers in rural areas of Maharashtra and Goa.



**Name of programme:**

Rural Insurance Services Programme (RISP)

**Duration:**

January 2014 – December 2016

**Programme area:**

India (countrywide)

**Focus Regions:**

Karnataka and Maharashtra

**Cooperation partner:**

Ministry of Finance, Department of Financial Services,  
Insurance Division, of the Government of India

**Local partner:**

Agriculture Insurance Company of India (AIC),  
Karnataka State Department of Agriculture (KSDA),  
Karnataka State Department of Horticulture (KSDH)

**Target group:**

Rural households and agricultural enterprises in India

**Contact person:**

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