

2021-08 | Launching index-based agricultural insurance schemes for smallholder farmers in Cambodia

Partner Financial Institution:	Forte Insurance (Cambodia) Plc. AMK Microfinance Institution Plc.	SCBF Contribution:	CHF 122,830 (50%)
Grantee:	Syngenta Foundation for Sustainable Agriculture (SFSA)	Matching Contribution:	CHF 122,315 (50%)
Country:	Cambodia	Theme:	Agriculture and climate
Duration:	November 2021 – October 2023	Product:	Index-based insurance
Potential Outreach:	6,200	Target Group:	Smallholder farmers
Thereof Women:	3,100 (50%)		

CONTEXT

In Cambodia, at least 50 percent of the population has access to at least one financial service: either a bank or borrowing account, an insurance account or an e-wallet account. Despite the growth in the financial sector, the loan portfolio is minimal and seasonal. Very few agricultural finance products are available as agriculture is a high-risk business confronted with significant uncertainty. As agricultural insurance regulation is not yet fully developed in Cambodia, all commercial agricultural insurance programmes are licenced under microinsurance regulation. The Royal Government of Cambodia has already drafted agricultural insurance regulations and is under final review.

Although crop insurance is considered as one of the most promising risk absorption tools, Cambodian farmers remain skeptical over benefits of insurance, since it is a very new concept. Crop insurance was first introduced in Cambodia by the World Bank in 2002, and there had been a few pilot programmes. Since 2015, Forte Insurance has pioneered crop insurance projects. However, they could not scale up the products due to various technical challenges. Therefore, Forte sought advisory support from SFSA on developing customized insurance products. Additionally, agricultural cooperatives (AC) would be a critical and potential platform for scaling insurance. There are about 1,190 ACs in Cambodia to serve 1,646 communes and 14,073 villages.

CURRENT STATUS OF THE MFI

AMK Microfinance is one of the leading microfinance institutions in Cambodia, serving over 900,000 loan clients covering all communes, operating in 90 percent of villages with 149 branches. AMK has a loan portfolio of over USD 326 million and a deposit of nearly USD 180 million. AMK also offers micro-insurance on health and accident to over 329,000 of its loan clients nationwide to cover them from undue financial stress. About 90 percent its agricultural loan portfolio is to smallholder farmers and 80 percent of AMK's micro borrowers are women, and most are located in rural areas. Group loans are popular among smallholders at the village level.

FORTE Insurance is one of the largest general-insurers insuring the financial security for farmers in Cambodia. FORTE has built strong networks with aggregators such as MFIs, agricultural cooperatives and input suppliers both on the grassroot and national-levels for index-based insurance schemes.

OBJECTIVES AND MAIN ACTIVITIES

This project aims to launch commercial index-based crop insurance schemes, in particular, Area Yield Index Insurance (AYII) for 3,200 rice growers and Weather Index Insurance (WII) for 1,250 maize growers and 1,750 cassava crop growers in the different regions of Cambodia to kickstart systematic market development in agricultural insurance. SFSA will assist FORTE in developing pricing, policy wording and product features, including presentation and reporting to regulators. With support from SFSA, FORTE will launch, monitor and review the insurance schemes with complementary farm extension, awareness, and financial literacy trainings to enable the smallholders to understand insurance covers offered to them.

Upon project completion, both financial institutions should be in a position to offer insurance policies to 6,200 smallholders by October 2023, as well as develop credit-linked and agri input-linked insurance covers imitating the risk transfer solution for smallholders. Furthermore, the outcomes and lessons learned from this project will provide evidence for the government and other market actors in launching commercial schemes for the sector by creating a critical market size and to help further improve the regulatory framework and the more comprehensive policy framework.

Partnering with:

