Goal of Approach:
Crop insurance. To enhance capacity of farmer to be able to manage and hedge risk from extreme weather event using market-based mechanism – the insurance.

Input provided by: Mr. Suppakorn Chinvanno, Thailand

Main elements of the implementation strategy
Weather-index based crop insurance and crop insurance against flood. Key stakeholders: Ministry of Agriculture, Ministry of Finance, Bank of Agriculture and Cooperative, The General Insurance Association, local insurance companies, international reinsurance companies Some of the insurance schemes are subsidized insurance, which government subsidizes up to 50% of the insurance premium.
Targeted beneficiaries
Rice farmer
Any significant lessons learned
• Lack of understanding about concept of risk hedging among farmers is one of the factors that limits the implementation of crop insurance. • Other government intervention, i.e. direct compensation scheme, discourage farmer from considering insurance as mechanism to manage and hedge their risk on extreme weather event. • Risk pool that is fundamental for premium calculation is still based on national scale only. Moreover, the insurance premium pricing is controlled by international reinsurance company. With almost all of the policies is reinsured with foreign reinsurance company, there is no way to control premium price, at least for the time being. • Reinsurance company may not be effective risk sharing mechanism across region, if there is no proper framework to regulate them.
Resource requirements
• Need historical data and monitoring system to provide necessary data to estimate crop loss/farm damage from each extreme weather event for risk pool calculation. • Need proper monitoring technology to verify claim against crop damage that is more efficient than field survey (in case of crop insurance against damage). • Proper communication strategy and education tool to establish and enhance proper understanding on risk hedging for farmer. • Subsidized insurance scheme needs substantial amount of fund, which could be beyond the capacity of the country to handle.

Potential for replication or scaling-up

Crop insurance, which is in piloting or experimental phase and focus on rice farming in certain area only, can be scale-up for country-wide coverage and also be implemented with other crops.

The use of market-based mechanism, insurance, can also be expanded to cover other sector against extreme weather event or other climate-induced disaster, especially the micro-insurance scheme for the people who live in the risk prone area.

Any additional information

- Risk transfer out of the country through other financial mechanisms, e.g. catastrophe bond, and risk hedging based on other market-based mechanism, e.g. future market, need to be put in place in order to reduce burden of the government and not to overly rely on international reinsurance companies.
- Access to Adaptation Fund by developing country to use portion of the fund for subsidized micro insurance for farmer should be put into negotiation agenda under UNFCCC.
- Other forms of risk pool and risk sharing mechanism among countries within the region should be studied and established as mechanism to increase capacity of the country in coping with severe weather-related catastrophe.
- Risk transfer scheme that would lead to risk sharing among countries in the region, and ultimately risk sharing across the world should be studied as foundation to design proper framework for regional risk pool and global risk pool that can be used to regulate the re-insurance business.
- The proper way to use such framework to regulate reinsurance business should be properly studied.
- Framework for global risk pool and how developed country (or Annex 1 countries) should bare portion of the climate risk of developing countries should be studied, designed and initiated.