Role of Regulator and the Government & Landscape of Microinsurance Climate Risk Insurance in Pakistan

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Regulatory Framework

- Regulatory Framework should provide enabling environment for microinsurance and climate risk insurance.
- Framework should encourage collaboration and cooperation between various parties such as, insurers, intermediaries, Microfinance banks, Government bodies, etc.
- Framework needs to recognize and encourage utilization of technology in the processes and operations.
- Key impediments/ bottlenecks should be identified and removed.
Regulatory Framework - Pakistan

- SECP’s strategic objectives recognize inclusive insurance development as its key area.

- Possibility of Introducing dedicated microinsurers through amendments to the Microinsurance Rules, 2014 is under consideration.

- Regulatory Sandbox has been introduced to encourage innovative and technology enabled modes of mass distribution including entrance to microinsurance segment as dedicated microinsurers.
Amendments to the Primary Insurance Law i.e. Insurance Ordinance 2000, are under process where following areas have been considered:

- Separate chapter on Microinsurance added;
- Enabling provisions for dedicated microinsurers included with provisions to operate at district, province and national level;
- Use of technology such as artificial intelligence/machine learning, blockchain etc. has been recognized;
- Parametric insurance/ Index Based Insurance has been specifically recognized in order to support the Climate risk/Disaster Risk Insurance.
Role of Government

- Government’s national strategy should strategize combating climate risks through insurance.

- Appropriate level of amount should be allocated for operating Climatic Risks schemes in the National Budget.

- Should take a leading role in the development of national level climate risk insurance schemes.

- Technical Groups should be formed and Action Plans should be devised and monitored for Implementation of Schemes.
Climate Risk Schemes in Pakistan

Crop Loan Insurance Scheme (CLIS)

- Launched in 2008;
- **Coverage:** Compulsory for All Borrowers availing Agri Production Loans from Banks/ Microfinance Banks.
- **Crops Covered:** Wheat, Rice, Sugarcane, Maize and Cotton;
- **Perils Covered:** Natural calamities and Crop related disease;
- **Sum Insured:** Based on per acre borrowing limits prescribed by Banks;
- **Participants:** All Banks involved in agricultural lending and general insurance companies;
- **Premium subsidy:** Govt. of Pakistan to bear the cost of insurance premium upto maximum of 2% per crop for small and medium farmers (with landholding upto 25 acre)

Area Yield Index Insurance (AYII) of Govt. of Punjab

- Launched in 2018 Kharif;
- **Coverage:** To protect income of farmers against unfavorable circumstances;
- **Perils Covered:** Natural calamities and effects of climate change;
- **Covered Persons:**
  - Mandatory for Landowner of e-credit
  - Optional for Loanee (other than e-credit) and Non-Loanee Landowner of selected districts
- **Underwriter:** Implemented through general insurance company selected through bidding process;
- **Premium subsidy:** Govt. of Punjab to bear 100% cost of premium for farmers having upto 5 acre landholdings.
- 50% premium subsidy for farmers holding above 5 and upto 25 acre land.
Livestock Insurance Scheme For Borrowers

- Launched in 2013;
- **Coverage:** All livestock loan upto Rs. 5 million for the purchase of animals;
- **Sum Insured:** Maximum 5 million per borrower.
- **Animals Covered:** All local dairy, fattening animals comprising buffaloes, Cows and Bulls
- **Perils Covered:** Death of cattles due to natural/disease, flood, heavy rains, windstorm, accidents;
- **Eligibility:** All borrowers availing loan from banks for the purchase of livestock
- **Participants:** All banks involved in livestock lending and all insurance companies interested to participate;
- **Premium subsidy:** 100% premium subsidy by Govt. of Pakistan for a maximum premium rate of 4 percent for small farmers, financing the purchase of up to ten cattle (or buffaloes)
National Crop Insurance Scheme

- National Financial Inclusion Strategy (NFIS) adopted by Govt. of Pakistan prioritize one of its headline target to Increase Agricultural Finance through Development of National Crop Insurance Scheme.

- As per action plan Ministry of Commerce (MOC), GOP constituted the Task Force headed by SECP in order to move forward with the National Crop Insurance Scheme.

- With the coordination of various parties including, SECP, MOC, SBP, insurance companies, reinsurers, SUPARCO, Provincial Governments, and agricultural bodies the deliberations are underway on the design and structure of the Scheme.
World Bank’s Synergy Group

- World Bank formed synergy group on Disaster Risk Financing solutions during a National Consultation held in UAE in July 2019.

- The Synergy Group will devise action plan for workable disaster risk financing solutions in Pakistan and will work in close coordination with the National Disaster Risk Management Fund (NDRMF).

- The NDRMF is a public sector not-for-profit company formed with the objective of providing grants for subprojects that will contribute to enhancing Pakistan’s resilience to climatic and other natural hazards.

- The NDRMF comprises of contribution from the Asian Development Bank and the contribution from Australian Government and Government of Pakistan.