

Agricultural insurance in the ASEAN region: MYANMAR











Background

The ASEAN region is one of the most exposed in the world to natural and climatic disasters, from earthquakes and volcanic eruptions to typhoons, floods, droughts, and pests and diseases affecting crops and livestock.

These disasters can cause many millions of dollars in losses and damage for the agricultural sector in an average year, and run into billions of dollars in more catastrophic years. Climate change is already having major adverse impacts on crop production and yields and is also affecting livestock and aquaculture. These negative impacts are predicted to increase significantly by the turn of the century.

Agricultural insurance is one of the tools that ASEAN Member States can use to compensate farmers for losses and transfer some of these unmanageable risks to national and international capital and insurance markets.





A snapshot of agricultural insurance in the ASEAN region

Brunei		No agricultural insurance
Cambodia		Crop & forestry insurance
Indonesia		Crop, livestock, aquaculture & forestry/plantation insurance
Lao PDR		Forestry insurance approved, but not yet available
Malaysia		Forestry insurance available on a limited scale
Myanmar		Crop insurance
Philippines		Crop, livestock, aquaculture, forestry & greenhouse insurance
Singapore		No agricultural insurance
Thailand		Crop & livestock insurance
Vietnam		Crop, livestock, aquaculture & forestry insurance

The status of agricultural insurance in Myanmar

Agriculture is the most important socio-economic sector in Myanmar, where small-scale and subsistence farmers primarily cultivate rice on small plots. There is no history of agricultural insurance in the country. One private local insurer, Global World Insurance (GWI) has piloted crop insurance for rice farmers, and the state insurer is also piloting weather index insurance for paddy and sesame farmers in collaboration with partners.

Crop insurance is still at a very early stage of development in Myanmar, and there is no national agricultural insurance strategy.

Agricultural insurance	Year introduced	Market status	Public, private, PPP	Government support for premium subsidies
Crop 	2018	Pilot	Private (GWI); Public (Myanmar Insurance)	No
Livestock 				
Aquaculture 				
Forestry/Plantation 				
CROP	Multi-peril crop insurance (MPCI): A two-year pilot policy covering wet season paddy rice farmers against yield losses from excess rainfall, flood, drought, and uncontrollable pests and diseases. The voluntary policy had a low fixed premium rate of 2%.			
<i>Indemnity insurance (pilot)</i>				
<i>Index insurance (pilot)</i>	Weather index insurance (WII): A satellite rainfall WII pilot covering drought risk for rice and sesame farmers in the central arid region. The premium rate for the planned insurance product will be 2% of the per acre loan for paddy rice from the Myanmar Agricultural Development Bank (MADB).			



The insurance industry in Myanmar

Prior to 2019, the insurance market in Myanmar was largely closed to competition by foreign insurers and the major player in the market was the state-owned Myanmar Insurance (& Reinsurance) Company, which had control over all insurance and reinsurance in the country. Since 2019, the Myanmar Insurance Business Regulatory Board (IBRB) has granted licences to several foreign insurance companies to conduct direct life and non-life insurance business in the country and has also permitted local insurers to contract reinsurance independently from Myanmar Insurance Company.

Multi-peril crop insurance pilot for rice farmers

GWI first began researching the design of suitable crop insurance products for the local market back in 2016. In 2018, the IBRB granted approval for GWI to launch a two-year pilot project for rice insurance. GWI elected to adopt an indemnity-based loss of yield policy that protected wet season paddy farmers against yield losses due mainly to heavy rain and flooding. The loss of yield policy carried a flat premium rate of 2% to make cover affordable and understandable to farmers (GWI recognised, however, that climatic risk and crop yields vary by region). The GWI rice insurance policy did not attract any form of government premium subsidy support.

GWI launched the paddy pilot in four rice-growing regions: Yangon, Mandalay, Irrawady, and Magway. The policy was voluntary and available through the company's agents or agricultural banks. A total of 37 paddy farmers with 200 acres in five villages were insured during the pilot. GWI reports there were no claims during the pilot phase. The two-year pilot project is complete and GWI is awaiting the government's decision on the future expansion of agricultural insurance. It remains fully committed to supporting this initiative.

Weather index insurance pilot for rice and sesame farmers

Since 2018, Myanmar Insurance and Sompo Japan Insurance have been partnering on a WII pilot for paddy and sesame farmers in collaboration with the MADB. Sompo Japan developed the satellite rainfall WII product in partnership with the Remote Sensing Technology Center of Japan (RESTEC). The product covers drought risk for rice and sesame farmers in the central arid region. According to [AgroInsurance International](#) (2021), the rice WII product was intended to be launched between February and April 2019 with rice farmers in Pyay Township in Bago Region and Shwebo Township in Sagaing Region. It would be offered at a premium rate of 2% of the per acre loan for paddy rice from the MADB. However, no further information on the status of implementation is available.

Results and lessons learned

Uptake and penetration of crop insurance during GWI's rice pilot (2018–2020)

Number of insured farmers	Insured crop area (ha)	Penetration rate (% of farmers or % of crop area insured)	Premium rate	Loss ratio
37	81	<0.1%	2%	0%

Myanmar is learning from their pilot experiences, but the small-scale unsubsidised pilots have yet to achieve significant voluntary uptake. One of the next steps is to identify the most appropriate legal and regulatory framework and institutional and operating model(s) to promote and implement agricultural insurance. There is also debate on the supporting role of government and the types of crop insurance products to launch first.

Priorities & recommendations for government



Farmers in Myanmar have had no previous exposure to agricultural insurance. Major investment is required in insurance awareness and financial literacy education to gain farmers' trust and for them to understand a crop insurance contract.



Accurate historical crop production and yield data is lacking in Myanmar. To design yield-based crop insurance products, such data is required at a disaggregated or local level. Government could usefully invest in strengthening agricultural data collection and reporting through the Department of Agriculture.



Technical assistance and capacity building for the government and national re(insurer) are required if agricultural insurance and disaster risk finance programmes are to be developed further.



If agricultural crop and livestock insurance is to scale-up in Myanmar, it will be very important for government to enact a specific agricultural insurance law to provide an enabling legal and regulatory environment for this specialist class of business.

A weather index insurance product may be coming

Agroinsurance International (2021) reports that a feasibility survey for a weather index-based project, in collaboration with Mitsui-Sumitomo Insurance Company and Japan International Cooperation Agency (JICA), was planned for Myanmar. However, it could find no further information on the status of this study.

According to Germanwatch's Climatic Risk Index (CRI), from 1999–2018, Myanmar recorded an average of 55 major weather-related loss events per year, making it the second-most affected country in the world.

To scale up agricultural insurance under a national agricultural insurance programme, it should not be developed in isolation, but rather planned based on the results of a systematic risk prioritisation process, and built on and integrated with existing disaster risk management and disaster risk finance for agriculture.

Other policy options to promote agricultural insurance

There are a range of policy measures that governments can adopt to promote the uptake of agricultural insurance. The most common form of government support in ASEAN Member States is premium subsidies, which have been a significant factor in the scaling up of agricultural insurance in the region. Other policy options include:



Establishing agricultural insurance legislation.



Financing premium subsidies for agricultural producers.



Waiving agricultural insurance taxes (VAT, stamp duty).



Providing disaster aid only to farmers who have purchased crop insurance.



Setting national standards for agricultural insurance product design and pricing to be adopted by all insurers.



Establishing statutory agricultural insurance pools.



Promoting state catastrophe reinsurance protection.



To learn more about the Climate Risk Financing in Cooperation with ASEAN project, visit:

https://www.thai-german-cooperation.info/en_US/climate-risk-financing-in-cooperation-with-asean/

<https://www.asean-agrifood.org/>

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