Crop insurance loss adjusting and management

Crop Insurance programmes in developing countries and emerging markets are normally limited to weather-related, named perils, until the programmes stabilise and accumulate sufficient supporting data to justify more advanced programmes. Crop losses are either adjusted using a conventional percentage of loss formula, which compares the original crop to the remaining crop after damage, or a weather index formula with a trigger mechanism designed to pay losses when insured weather risks inhibit normal crop development.

Both conventional and indexed policy forms require basic confirmation of an insurable crop, actual planted area, and cause of loss. Conventional policy forms still require a physical inspection of the insured parcel to adjust the loss, whereas an indexed-based policy adjustment is an automatic calculation based upon recorded weather data at the nearest authorised weather station. Indexed policies have become very popular as an efficient method to offer crop insurance coverage for many small farms in developing countries and emerging markets, but are still limited by distribution density and reliability of the weather stations needed to record the data.

Without accurate information no insurance

Accurate information is the key to properly adjust any crop loss, and it is important to develop the human, technical assets necessary to collect, validate, and interpret the relevant information. The ultimate success of the programme will depend upon the selection of the adjusters, the quality of the training they receive, and the existence of clear and concise loss guidelines and crop production standards for the insured crop.

Both conventional and indexed policy forms require inspections to adequately document initial insurability, crop development, proper management, and actual cause of loss. Uninsured causes of loss may include improper management, uninsured perils, theft, and in many cases, the feeding of the crop to livestock or personal consumption.

Limited resources require innovative practices, and substantial progress has been made in the use of sophisticated satellite imagery programmes with the capability to measure planted area, monitor crop development, and to some degree determine the rainfall volumes and percentage of crop damage remotely. It is still necessary to physically visit the insured area, to give it the electronic address (GPS co-ordinates) needed to identify the specific parcel on the satellite image, and also to calibrate the satellite image characteristics with the actual field conditions.

Growing season and loss inspections may be accomplished using a combination of satellite images and physical, onsite inspections. For index programmes, the onsite inspections also provide an opportunity to verify proper operation of the weather stations and proximity to insured farms; confirming the data being reported is accurate and relevant to the insured risk.

Creating a base of confidence between farmer and insurer

While the onsite inspections provide necessary information, they also serve to develop a relationship with the farmers to better understand their management abilities and as an opportunity to gain their confidence by helping them understand the insurance programme and by helping to keep them within the guidelines throughout the growing season. Adjusters selected for programmes in developing countries and emerging markets need a strong agronomic background, but they also need the patience and ability to communicate with farmers who may have a very limited understanding of the policy coverage they have purchased and who may become extremely emotional when their crops are damaged.

The loss adjustment process goes more smoothly if it is clearly and tactfully explained, and it is much easier to accomplish if a working relationship and base of confidence is established with the farmer and farming community prior to crop loss.

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Onsite inspections are necessary to obtain accurate information but also to develop a relationship with the farmers.

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