

Press release

Natural disasters: AXA Climate, AXA Emerging Customers and Mandiri AXA General Insurance promote climate risk insurance for smallholder farmers in Indonesia

Paris, December 16, 2022 – In partnership with the InsuResilience Solutions Fund, AXA Climate provided the technical inputs to set up a parametric insurance to support and protect corn and rice farmers in several Indonesian provinces.

How can insurance promote risk management and resilience in Indonesia?

Indonesia is located in a region highly vulnerable to the impacts of recurring extreme events like floods and droughts as well as long-term changes brought on by sea level rise, changes in rainfall patterns, and increasing temperatures.

Furthermore, high population density in hazard prone areas, coupled with strong dependence on the country's natural resource base, make Indonesia highly vulnerable to the projected climate variability and climate change. The livelihood of smallholder farmers, who represent most of the agriculture workforce, is a correlated challenge and remains low due to limited access to capital, knowledge of proper agricultural practices, and farming risk management tools, among other reasons, leaving them highly exposed and vulnerable to climate risk related shocks.

Between 2016 and 2019, the government of Indonesia offered to address part of this issue through an insurance product for rice farmers, with damage being estimated by loss adjusters on an individual field level. The compensation processes were complex, leading to delayed claim processes and only reaching 4% of targeted rice fields.

This new insurance project is expected to make a big difference for smallholder farmers. Parametric insurance will give smallholder farmers rapid access to funding in the case of severe drought or excessive rainfall, without the need for an individual field-level assessment of the damage. The insurance will be bundled with input loans and provide access to inputs and off-takers through agents as last-mile delivery, thanks to microfinance institutions and partnering banks.

The project will start in 8 highly vulnerable provinces, has the potential to be upscaled to cover more farmers in the near future and will also support the transformation to climate-smart and resilient production technologies locally.

Which players are involved in the project?

The project will be funded by the InsuResilience Solutions Fund (ISF), managed by the Frankfurt School of Finance and Management (FS), and financed by the KfW Development Bank on behalf of the German government. It will be led by PT Mandiri AXA General, with support from AXA Emerging Customers, an



inclusive insurance center of expertise, in partnership with AXA Climate, and the smallholder farmer advisory and support organizations PT Jiva Agriculture and Yayasan Agri Sustineri Indonesia.

Antoine Denoix, CEO of AXA Climate, said: *"While the COP15 on biodiversity aims to adopt a new global strategic framework on biodiversity, the biggest threat to biodiversity still arises from converting natural habitats to agriculture and farming land. Smallholder farmers feed 2 out of every 3 people on the planet, yet they only receive 1.7% of climate finance. Addressing the challenge of promoting risk management and resilience among them is becoming increasingly urgent. Today, this project perfectly illustrates how parametric insurance can contribute to this pressing challenge."*

Garance Wattez-Richard, CEO of AXA Emerging Customers, said: *"Those that are the most impacted by climate change are often the most vulnerable. It is essential that we break down the silos between "E" and "S" and projects like this are essential in reconciling the end of the month with the end of the world. Moreover, given the depth of the challenge, a multistakeholder approach such as the one we are adopting is necessary in order to combine our assets to protect smallholder farmers against climate change."*

About AXA Climate

AXA Climate is an AXA entity dedicated to climate and environmental adaptation. Its purpose? Reducing our negative impact on the planet is not enough. AXA Climate is driven by the collective challenge to engage in the regeneration of our companies.

AXA Climate provides over 40 hours of digital training content on climate change challenges to major companies, which are eager to support their employees in the evolution of their professions. It provides consulting services to the agri-food, industrial, financial and public sectors to help them successfully adapt to climate and environmental change and create positive interactions between planet Earth and their activities. It uses the best of satellite imagery, to insure and provide financial support to businesses and vulnerable people within days when they suffer from natural or climate-related disasters.

To know more visit: www.climate.axa

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About AXA Emerging Customers

AXA Emerging Customers is an Inclusive Insurance social venture within AXA that aims at making insurance affordable, accessible and relevant to excluded people around the world. The Emerging Customers team supports local AXA entities in the roll-out of their Emerging Customers operations through partnership-building, product development, operations optimisation amongst others. The end-customer is central to the AXA Emerging Customers team: we anticipate changing social and individual needs and tailor our products and services accordingly. We are meeting these needs by developing innovative solutions that leverage cutting-edge technologies. At the end of 2021, AXA Emerging Customers provided protection to 9.5m customers through 17 entities in Asia, Africa, Europe and Latin America.