

Quality Index Insurance Certification (QUIIC)

The University of California, Davis and regional partners, with the support of USAID, will establish the world's first agricultural index insurance quality certification in East Africa. Quality Index Insurance Certification (QUIIC) certification for Kenya, Tanzania, Uganda and Ethiopia will be based on a collaboratively developed quality standard and will include a regional QUIIC Board of key stakeholders and technical specialists in agricultural index insurance from both the public and private sectors to support the certification's adoption and scaling.



Index Insurance Quality Certification for East Africa

Poor farmers in emerging economies often face a high risk of losing crops to drought or other weather-related catastrophes. Agricultural index insurance is a promising tool to transfer risks for smallholder farmers, allowing them to invest more in productive inputs and recover better in the face of shocks. However, households currently have no way to tell whether and when a contract will fail them in a time of need just by looking at its terms and cost. It can take years before a catastrophe makes the difference clear. By then it's too late.

UC Davis is partnering with the Nairobi-based Regional Center for Mapping of Resources for Development (RCMRD) to establish a technical lab to refine and measure index insurance quality. RCMRD will apply the QUIIC objective quality standards to determine whether a product merits certification for meeting a minimum level of quality. If a product is certified as meeting this standard, it can include QUIIC branding in its marketing efforts, providing small-scale agricultural households security that a product will not leave them worse off for having bought it.

Similar to the long-term impacts of Underwriters Laboratories (UL), established in the late 1800s to test and certify products for meeting minimum safety standards, QUIIC has the potential to revolutionize how we assess index insurance products' safety while efficiently communicating product quality to smallholder farmers.

For individual farmers, QUIIC certification ensures a basic level of transparency for complicated insurance products made available to rural households. This certification would allow farmers to tell the difference between an index insurance contract that offers real value from one that doesn't. It also allows donors and governments to invest in products certified to have the potential to accelerate and protect economic growth.

For more information on QUIIC:
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While some failure is unavoidable with index insurance, low quality is a problem when a product predictably leaves farmers worse off than if they had no insurance at all. In fact, low-quality contracts put households who are already vulnerable at greater risk while undermining higher quality products offered later on. Importantly, low-quality index insurance violates the key guiding principle of all development interventions to do no harm.

The first step to improving index insurance quality involves the broad adoption of quality certification to ensure that products meet a minimum level of quality. Even if sales are high, bad products can drive good products out, compromising the robust growth of markets for insurance in the future. QUIIC certification provides a strong incentive for insurance companies to create higher-quality products that will drive farmer demand by significantly improving their opportunities for long-term resilience despite increasing risks of weather-related catastrophes.