

Protecting farmers from extreme weather

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In 2017, farmers and producers across Europe experienced unexpected and severe weather conditions, with below average rainfall and abnormally high and low temperatures that ruined many harvests.

Spring frost affected almost every vineyard in France, with only two-thirds of Burgundy's usual crop being picked as a result. Overall, France's wine production fell by almost a fifth compared to the previous five-year average. Only 15% of vineyards in France are insured against these risks and traditional insurance is not well adapted to the needs of wine growers, with expensive premiums and excessively high deductibles.

Made-to-measure policies

“The Chablis growing area is highly exposed to frost, which is one of my main concerns in my vineyards,” says owner Louis Moreau from the eponymous domaine. “At the time, traditional insurance policies were too expensive and not offering the cover I needed.”

Back in 2017 he came across Meteo Protect, a Lloyd's managing general agent (coverholder) that offered parametric insurance policies that insured policyholders for the seasonal short-term impacts of extreme weather events. “The policy was simple, easy to understand and well adapted to the risk exposure I faced,” Moreau recalls. Temperatures in the Burgundy region dropped below zero during an unprecedented 10 days in April, which meant Moreau received a claims payment to offset his shortfall in production. “The 2017 climate proved the accuracy of the cover,” he says.

Benefits for customers

Parametric policies differ from traditional insurance by paying out compensation when a clearly defined parameter is exceeded. The triggering process relies on independent data from third-party indices and metrics that measure objective parameters such as excessively high temperatures, commodity prices falling below a predetermined value or an earthquake of a certain magnitude. There are several benefits for customers: the buying process is fully automated online, claims payments are automatic and since there is no need for a loss adjuster's assessment, funds can be released quickly.

Parametric insurance case study

Meteo Protect

Helping Spanish olive farmers

Spain also experienced record temperatures on several occasions throughout May and June 2017. The country's largest professional agricultural association, the Agricultural Association of Young Farmers (Asaja Jaén), couldn't find adequate drought insurance coverage to meet the needs of its olive growers. Through the Lloyd's market, its broker contacted Meteo Protect, which provided tailored parametric insurance to protect 22,000 olive farmers from the financial consequences of extreme temperatures on their crops during the spring flowering period.

Its policy stipulated that temperatures had to exceed 36 degrees Celsius for more than two days between 30 April and 15 June. The compensation was fixed at Euros 1,000 per hectare, so when temperatures soared to above 40C, those with the cover in place received their claims payments a month later.

Asaja Jaén's olive growers were able to avoid the life-changing consequences of losing a significant part of their harvest and they received the compensation quickly, not at the end of the harvest as with traditional policies.

Supporting small-scale producers

Gabriel Gross, the chief executive officer of Meteo Protect, is pleased with the positive impact parametric insurance is having on smaller producers' businesses. “When we built our real-time pricing underwriting platform for parametric insurance and our climate-change analysis algorithms we were far from understanding that this was the key to providing adaptation and resilience to this amazing world of sustainable agricultural production,” he says. “We are very proud to achieve this with the support of Lloyd's.”

Luis Carlos Valero, manager, Asaja Jaén, said: “Drought is unfortunately a major issue for our regions. Thanks to Meteo Protect's platform we have co-designed policies allowing our members to purchase parametric insurance against specific perils whenever they need it, based on their crop yields. Our farmers appreciated the fast and efficient claims pay-outs, which helped them react quickly to adverse weather conditions. Flexible insurance is the best protection.”