

THE SIGNIFICANCE OF AGRICULTURAL CROP INSURANCE TO FARMERS: NIGERIA IN PERSPECTIVE

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ABSTRACT

Insurance is an arrangement that is designed to mitigate the effect of loss, injury or damage resulting from the occurrence of the hazard insured against or covered by the insurance policy. The essence of insurance is to reduce the fear of loss and to encourage people to carry on with their businesses and venture into their desired endeavors without fear of total loss. The subject-matter of insurance is quite wide and the risks insured against or usually covered under insurance policies are also wide. Agricultural crop insurance is designed to encourage farmers to invest in agriculture without fear of total loss that may arise from damage or destruction of their crop by pests, insects, erosion, flood, drought, fire, man or animal incursion into their farmlands, etc. The question that begs for answer then is why do most farmers in Nigeria and in many parts of the world fail to take advantage of the agricultural crop insurance scheme?. It has been discovered that factors such as lack of awareness, ignorance, inability to pay premium, fear of not being indemnified in appropriate circumstances and general apathy on the part of most farmers accounts for the low rate of subscription to agricultural crop insurance scheme. The main objective of this paper is among other things, to highlight the importance of agricultural crop insurance to farmers and to recommend effective ways by which farmers can be encouraged to embrace crop insurance scheme. This exercise will also enlighten and educate crop farmers, prospective agriculturists, researchers, educationists and members of the general public on the significance and utilitarian value of taking up an insurance policy or insurance cover for agricultural crop production. Doctrinal approach of research is adopted in this work, basically relying on the primary and secondary sources of data from relevant sources such as statutes, textbooks, and online publications. It is recommended that very effective means of advertising, publicizing, and educating farmers on the importance of agricultural crop

insurance should be established such as seminars, symposium, workshops and public lectures in order to create more awareness, to educate and to enlighten farmers on the availability and importance of agricultural crop insurance scheme.

Keywords: Significance, Insurance, Agricultural crops, Farmers.

INTRODUCTION

Insurance has been comprehensively defined as a contract whereby, for a stipulated consideration, one party undertakes to compensate the other for loss of a specified subject covering specified perils. The party agreeing to make the compensation is usually called the “insurer” or “underwriter”, while the party covered under the scheme is called the “insured” or “assured”. The agreed consideration is called the “premium”. The written insurance contract is called the “policy”. The events insured against is called “risk”, or “perils” and the subject, right or interest to be protected is called the “insurable interests” (Black 2006, 802). Insurance has also been literally defined as something you do in order to protect yourself against something bad happening (Hornby 2010, 780). Insurance has the effect of reducing the consequences and impact of something bad happening. Thus, for example, in the case of fire insurance, the insurance contract does not prevent the fire outbreak, which leads to destruction of the subject-matter of insurance. However, it mitigates the effect of the damage by providing some monetary compensation to the assured. It is a contract of indemnity whereby one person called the insurer, undertakes in return for the agreed consideration called the premium to pay to (indemnify) another person called the assured a sum of money or its equivalent on the happening of a specified event (Irukwu 1991, 6).

Agricultural crop insurance is an arrangement put in place to serve as a protection, cover and an incentive to farmers to encourage them to farm in view of the numerous risks associated with crop farming. In this exercise, among other things, the factors that account for the low rate of crop insurance on the part of farmers will be seen and the significance of agricultural crop insurance to farmers would be effectively highlighted.

SOME BASIC CONCEPTS OF INSURANCE

1. Insurance policy or policy of insurance:

This is a written or typewritten document which contains and evidences the terms and conditions of the insurance contract between the parties (Irukwu 1991, 9). It is the evidence delivered to the insured of the contract of insurance and ordinarily of itself, constitutes complete evidence of the contract. It is the written instrument in which a contract of insurance is set forth (Hornby 2010, 1152).

2. Insurance premium:

This is defined as the consideration paid by the insured to the insurer for insurance protection (Hornby 2010, 808). It is the financial consideration paid by the insured to the insurer in return for the promise of the insurer to indemnify the insured in appropriate circumstances. It is the price paid for the purchase of an insurance cover (Irukwu 1991, 9). Premium is the price or consideration payable by the insured to the insurer in exchange for the assumption of risk. This price in exchange of risk could be in money or money's worth and the sufficiency or adequacy of premium is exclusively within the domain of the parties provided it is of some value in the eyes of the law no matter how infinitesimal it may be (Osimiri and State 2001, 49).

3. Indemnity:

The verb form of the word indemnity is the word "indemnify", which means to restore the victim of a loss in whole or in part by payment, repair or replacement. It also means to make good, to compensate, to make reimbursement to one, of a loss already incurred by him (Hornby 2010, 769). Thus, indemnify is defined as an undertaking whereby one agrees to indemnify another upon the occurrence of an anticipated loss (Hornby 2010, 769). It is an essential rule of insurance law that all insurance policies, except those of life and personal accident, are contracts of indemnity. When insurance policy is said to be a contract of indemnity, it means that in the event of a claim, the amount to be recovered is determined by the extent of the policy holder's or insured's actual pecuniary loss. The guiding rule is that in the event of loss, the insured should be placed in exactly the same position that he occupied immediately before the happening of the event insured against as far as money can achieve it (Irukwu 1991, 25).

4. Insurance interest:

An insurable interest generally exists where an insured derives pecuniary benefit or advantage by preservation and continued existence of property or would sustain pecuniary loss from its destruction. In the case of life insurance, insurable interest exists where there is reasonable expectation of pecuniary benefit from the continued life of another...or some benefit or advantage expected from the continuance of the life of the assured. Insurable interest is an interest that will make the loss of a property to result in a pecuniary damage to the assured (Hornby 2010, 802).

In *Lucena v. Craufurd* (1806), it was held per, Laurence J., that: “A person has insurable interest in a thing if he will be prejudiced by its loss. A man is interested in a thing to whom advantage may arise or prejudice happen from the circumstances which may attend it... which relation or concern by the happening of the perils insured against may be so affected as to produce a damage, detriment or prejudice to the person insuring and where a man is so circumstanced with respect to matters exposed to certain risks or dangers as to have a moral certainty of advantage or benefit, but for those risks or dangers, he may be said to be interested in the safety of the thing. To be interested in the preservation of a thing is to be so circumstanced with respect to it as to have benefit from its existence, prejudice from its destruction...” (Irukwu 1991, 22)

Insurable interest is a condition precedent to the validity of an insurance contract or success of any claim instituted by the insured. This is because if the subject-matter of insurance contract had ceased to exist before the conclusion of the contract, even though unknown to the insured the contract is void *ab inito* (Osimiri 2001, 26).

THE CONCEPT OF AGRICULTURAL INSURANCE

Agricultural insurance is a special line of property insurance applied to agricultural firms. Basically, Agricultural insurance is designed to provide cover for financial losses incurred due to reduction in expected outputs from agricultural products. The major products are crops and livestock. Agricultural products face a myriad of risks. Crops price risk is as a result of production risk which is risk resulting from uncertainties in the level of production. Farming risk is predicated on the unpredictable weather condition such as storm, flood, drought, erosion

and other natural hazards that makes the flow of income from crop production very unstable (Imah 2020). Agricultural insurance policies protect the farmer against unforeseen circumstances by way of indemnification. It also serves as securities for banks, as indemnification for financial losses suffered by farmers from damages to their products will provide funds to service loans obtained for farming purposes (Epetimehin 2010, 6).

Agricultural insurance is a financial tool to transfer production risk associated with farming to a third party *via* payment of a premium that reflects the true long term cost to the insurer assuming those risk. Agricultural investments are unfortunately among the most risky economic ventures one can embark upon. The absolute dependence on unpredictable weather conditions like hail storm, flood, drought and other natural hazards make income from crop production to be very unstable (Epetimehin 2010, 6). Crop insurance and livestock insurance provide the broad categories for which commercial insurance covers are designed. Because of the complexities brought to agricultural ventures due to mechanization, a broad range of traditional policies, namely, personal accident, fire, vehicles, machinery and public liability covers are made essential parts of a comprehensive agricultural package. In recognition of the specialized nature of this type of insurance, insurance companies operating in the market either have dedicated agro-business units or outsource the underwriting to agencies that specialize in it (Epetimehin 2010, 6).

THE LEGAL FRAMEWORK FOR AGRICULTURAL CROP INSURANCE IN NIGERIA

The extant law regulating agricultural insurance in Nigeria is the Nigerian Agricultural Insurance Act, Chapter N89, Laws of the Federation of Nigeria, 2004. The Act establishes an institution to regulate the affairs of agricultural insurance in Nigeria under section 1. Section 3 of the Act provides for the functions of the institution (corporation), to include, *inter alia*, the following;

- (a) To implement, manage and administer the agricultural insurance scheme, established under section 6 of the Act;

(b) To subsidize the premiums chargeable on selected crops and livestock policies from the grants obtained from the Federal and State governments and the Federal Capital Territory, Abuja.

The Act also establishes the Agricultural Insurance Scheme under section 6(1) of the Act. The general objective of the scheme is provided for in section 6, sub-section (2) of the Act, which is to protect the Nigerian farmers from the effective natural hazards by introducing measures which shall ensure an indemnity sufficient to keep the farmer in business. The sub-section (2) also provides for the specific objectives of the scheme, which are:

- (a) To provide financial support to farmers where loss to crops or livestock arises from natural hazards;
- (b) To induce the provision of credit by financial institution to farmers;
- (c) To promote agricultural production; and
- (d) To minimize or eliminate the need for government to provide *ad hoc* assistance to farmers during agricultural disasters.

The scope of subject-matter of insurance covered by the scheme is contained in section 7 of the Act which provides that the scheme shall cover:

- (a) Such crops, livestock and other agricultural items and enterprises as the corporation may from time to time determine;
- (b) On a commercial basis only, farm buildings, machinery and equipment which form part of the investment on the farm;
- (c) Such other items as the corporation may from time to time, deem necessary for giving effect to the objectives of the scheme.

Section 8 of the Act prescribes the risks to be covered by the scheme as follows;

- (a) in the case of crops, damage or loss caused by (i) Fire or (ii) Lightning, or (iii) Windstorm; or (iv) Flood; or (v) Drought; or (vi) Invasion of farm by wild animals.

Section 9 of the Act provides for the rate of premium payable by farmers under the insurance scheme as it provides in sub-section (1) that “The rate of insurance premium payable under the scheme by farmers shall be such percentage of the sum assured as the corporation may, from

time to time determine, having regard to the pure risk premium, reserve premium and administrative loading”.

Section 9(2) of the Act provides that: “the corporation shall subsidize the premium payable under sub-section (1) of this section at such rate not exceeding 50 percent as it may, from time to time determine.

Section 10 of the Act provides for indemnity for loss.

The requirements (qualification for indemnity) are contained in section 11 of the Act, which provides that: “A farmer shall not qualify for indemnity under the Act unless:

- (a) the insurance cover was obtained before the time of damage or loss;
- (b) he has a valid insurance cover at the time of damage or loss;
- (c) he followed laid down practice for crop and livestock production;
- (d) the cause of damage or loss was one of the risk covered by the insurance policy;
- (e) the notification of the damage or loss was made within the stipulated time; and
- (f) he has satisfied such other conditions as the corporation may from time to time specify”.

THE INSTITUTIONAL (REGULATORY) FRAMEWORK FOR AGRICULTURAL CROP INSURANCE IN NIGERIA: THE NIGERIAN AGRICULTURAL INSURANCE CORPORATION (NAIC)

In recognition of the specialized nature of agricultural insurance, the Federal Government established the Nigeria Agricultural Insurance Scheme (NAIS), which is administered and managed by the Nigeria Agricultural Insurance Corporation (Epetimehin 2010, 7).

Prior to the establishment of NAIC, Nigeria farmers suffered various losses on their investment and had no means of going back to production. The infrastructural handicap made them to move into various cities in search of farming populace, which was a serious threat to food security. The Federal Government was disturbed by the ugly trend, hence the establishment of NAIC to address the need of farmers¹. The need for a specialized Agricultural Insurance Company to provide insurance cover to farmers was informed by government’s concern over the vacuum created due to the unwillingness of conventional insurance companies to accept agricultural hazards, which they considered too risky. This led to the establishment of Nigeria

Agricultural Insurance Scheme (NAIS) on the 13th of November 1987. The implementation of the scheme was initially vested in the Nigeria Agricultural Insurance Company Ltd, which was later incorporated in June 1988, but later turned into a corporation in 1993. NAIC is therefore a wholly owned Federal Government of Nigeria's insurance company set up specifically to provide agricultural risks insurance cover to Nigeria farmers.ⁱⁱ

The scheme is specifically designed to:

- (a) Promote agricultural production since it would enhance greater confidence in adopting new and improved farming practices and at the same time bring about greater investments in the agricultural sector of the Nigerian economy, thereby increasing the total agricultural production;
- (b) Provide financial support to farmers in the event of losses arising from natural disasters;
- (c) Increase the flow of agricultural credit from lending institutions to the farmers;
- (d) Minimize or eliminate the need for emergency assistance provided by government during the period of disasters;
- (e) Provide security for all categories of farmers: small, medium and large scale holders, either in group or as individuals; the scheme was compulsory for farmers who benefited from any form of agricultural loans for items covered under the scheme.
- (f) The scheme also provides covers for the self-financed farmers, government sponsored or assisted projects etc, on which institutional credit facilities may not be involved.ⁱⁱⁱ

According to the Managing Director of the Nigerian Agricultural Insurance Corporation, (NAIC), Mrs. Folashade Joseph, the NAIC Act, Cap N89, LFN 2004 underwrites agricultural risks and subsidizes the premium chargeable on some categories of crops and livestock items by as much as 50 per cent. She further stated that NDIC insures agriculture across the value chains covering risks associated with primary production, transportation, processing and storage, etc. She also explained that the perils covered by crop policy includes fire, windstorm, flood, drought, pests/diseases and invasion of the farm by wild animals (Ibirogbá 2021).

THE BENEFITS OF THE NIGERIAN AGRICULTURAL INSURANCE CORPORATION'S (NAIC) COVER TO FARMERS

Generally, agriculture is highly susceptible to risk like drought, flood, pest, diseases, etc. Consequently, it became necessary to protect the farm from natural and non-natural calamities, secure farmers' investment, ensure food security and in-flow of credit from lending institutions.

The benefits of NAIC Agricultural Insurance Cover to Farmers includes the following:

- (i) **NAIC Covers All Farmers:** It is designed for all categories of farmers namely: small, medium or large scale. These farmers can either be groups, cooperative societies, individuals or corporate entities. NAIC insurance is available to all category of farmers irrespective of the farm size, financial strengthen and agricultural enterprise.
- (ii) **NAIC Cover Targets Rural Farmers:** The Nigeria Agricultural Insurance Scheme targets rural farmers irrespective of their farm size and number of livestock.
- (iii) **Geographical Spread and Accessibility:** The Corporation can be accessed in all parts of the country with ease.
- (iv) **Peace of Mind:** The NAIC agricultural insurance covers offers protection to the farmer from the effects of natural disasters by providing peace of mind that in the event of any insured loss, NAIC will offer appropriate compensation sufficient to keep the farmer in business after suffering such a loss.
- (v) **Increased Agricultural Protection:** Basically, as Agricultural Insurance Cover provides compensation for financial losses incurred as a result of natural disaster, farmers have increased confidence to invest more in agriculture with consequent increase in agricultural protection.
- (vi) **Collateral for Loans:** The NAIC Agricultural Insurance cover assists farmers to obtain agricultural loans from banks and other lending institutions.
- (vii) **Increase in the Flow of Agricultural Credit:** There has been increased lending to agricultural cover over the years as a result of NAIC Insurance cover. Lending institutions have confidence to disburse more funds for agricultural production.
- (viii) **Multi-Peril Cover:** The NAIC operates a multiple peril crop policy, providing cover for the following risks: fire, lightening, windstorm, flood, drought, diseases and pests in one policy.

- (ix) **Provision of Customized Insurance Products:** NAIC Agricultural Insurance Cover can be customized or tailor made to suit the specific needs, yearnings and aspirations of farmers and agricultural investors.
- (x) **Premium Subsidy:** NAIC Agricultural Insurance premium rates are subsidized to a tune of 50% by both the federal and state governments where projects are located. Therefore, the farm pays only 50% of the calculated premium.
- (xi) **Financial Stability for Farmers:** NAIC's claim compensation stabilizes farmers financially, particularly during disasters, which in the long run ensures financial stability in the agricultural business sector, since losses due to natural hazards are indemnified.
- (xii) **Adoption of Farming Practices/Techniques:** NAIC Agricultural Insurance cover gives the farmer a greater confidence in adopting new and improved farming practices and techniques which lead to greater investments in agriculture for increased output.
- (xiii) **Reduced Reliance on Government Assistance:** NAIC Agricultural Insurance cover reduces farmers' reliance on government for *ad-hoc* assistance during national disaster which in most cases may be inadequate.
- (xiv) **Risk Management/Farm Advisory Services:** The Corporation has experienced professionals in different arrears of agriculture and insurance who provide risk management and farm advisory services to farmers free of charge in form of extension service, counseling and general risk improvement/measures which add value to their agricultural activities.
- (xv) **Prompt Response and Claims Settlement:** The Corporation is currently one of the few insurers that can boast of having a clean and impressive record on claim settlement. In NAIC, claims are paid to farmers promptly and unfailingly (Ibirogba 2021).

TYPES OF CROP INSURANCE POLICIES

- 1) **“All Risk” Insurance Policy:** The “All Risk” Insurance policy, as the name implies is the policy that covers all risks of physical loss or damage to the crop caused by the

insured perils. The most common risk to which crops are susceptible include: fire, flood, wind, drought and pests.^{iv}

In *Thomas v. National Farmers' Union Mutual Insurance Society* (1961),^v the tenant of a farm insured hay and straw against fire. The policy stipulated that it should cease "to be in force as to any property... which shall pass from the insured to any other person otherwise by operation of law..." The tenant moved from the farm and the property in the hay and straw passed to the landlord by virtue of the Agricultural Holdings Act 1948. The hay and straw were subsequently destroyed by fire. Diplock J. held the assured entitled to recover under the policy. It had not ceased to be in force although the assured had ceased to have an interest.

In *Waters v. Monarch Fire and Life Assurance Co*^{vi}, the plaintiffs were flour and corn factors who effected a floating policy over the goods in their warehouse, whether their own or those held "in trust or on commission". A fire destroyed all the goods in the warehouse at a particular time. It was held that the plaintiffs were entitled to recover the full value of the goods they would retain sufficient to recover their own interest and were trustees for the owners of the goods as to the rest (Udo, Nwachukwu, and Aloamaka 2021). It was clear from the words of the policy cited above that it covered the interest of the owners. The fact that the latter were unaware of the policy was irrelevant.

- 2) **Harvest Policy:** A harvest policy will cover loss up to the value of the expected harvest; usually the unit price of the crop is specified as a percentage of the expected yield. Unlike the "All Risks" policy where the indemnity is related to the actual loss suffered by the farmer, the harvest policy could be licensed to be the "agreed value" policy of marine insurance which stipulates what the insurer has agreed to pay in the event of a claim under the policy.^{vii}
- 3) **Credit Policy:** Crop credit insurance covers the amount of loss given to the farmer. The sum insured under the policy is limited to be farmer's production costs upon which the loan is based. The credit policy, unlike the "All Risks" policy and harvest policy is ascertainable in terms of the measure of indemnity at the time the insurance is contracted. Another major distinction is that the credit policy is provided as part of a broader credit programme in the promotion of agriculture.

A crop credit programme has as one of its goals the mitigation of the risk magnifying effects of increasing the debt equity ratio. Therefore, crop credit insurance must be evaluated in the context of the goals of the overall agricultural credit programme and specifically in terms of the contribution which it makes to the functioning of the credit system (Adoga-Ikong et al. 2021). Premium rates as usual are expected to be based on loss experience which in the case of crops is very unstable. A reasonably accepted rate can only be arrived at if the climate and meteorological data of the area are known over a long period of time. A multiple peril insurance policy covers the insured for avoidable losses due to adverse weather conditions, plant diseases, pest infections etc. Exclusion on such policies established farm practices.^{viii}

THE NEED FOR AGRICULTURAL CROP INSURANCE

Crop outputs are affected by weather conditions which in many cases are unpredictable both in terms of frequency of occurrence and severity. The most serious hazard to which crops are exposed includes: drought, fire, flood, wind-storm, drought, heat, outbreak of disaster, wild animal encroachment and pest infection. Flood and excessive rainfall ruin crops in the riverine areas seasonally. Flood, for example adversely affects crop production. There is a great loss when crops are washed away by flood. In most cases when this occurs, the crops cannot be recovered. For instance, in 2019, flash flood affected many farm lands in the 36 states of the federation. Although crops require water for growth, however, heavy rain and flood are detrimental to the growth of crops and the ecosystem in general. Flood washes away the top soil which is the richest part of the soil, as it contains organic matters and other crop nutrients. Flood leads to reduction in soil fertility. Water-logging caused by flood hinders crop roots from repairing as anaerobic conditions set in. Beneficial micro-organisms in the soil die and anaerobic organisms take over and produce toxic by-products that may further kill the crops or result in chemical reactions that may be detrimental to the crops and soil fauna. Too much rain and flood damage crops (Juwairiya 2020). Social risks include theft and vandalisation etc. Each year, farmers lose millions of naira as a result of the effect of these undesirable factors on crops. This is further presently compounded by the famers / herders crisis in Nigeria where herds on grazing are allowed to stray into farms and destroy farm products thereby grossly reducing agricultural output and significantly reducing farmer's profit.

A crop insurance policy guarantees indemnity for insured losses resulting from these factors (Prestige Assurance Plc n.d.). Insurance mitigate risks. Agriculture is risk prone and Nigeria's agricultural risk factors are compounded by insecurity in addition to natural, biological and environmental disasters and climate change. Hence, agricultural and insurance professionals believe that encumbrances against food security in Nigeria and Africa are many and taking insurance policies and coverage by farmers no matter how little is inevitable. SBMIntl, a research firm focused in Africa stated in a report published in January 2021 that nearly 80 per cent of Nigerian farmers were affected by either flood or drought in 2020 (Ibirogba 2021). The National President of AFAN, Ibrahim Kabir enjoined Nigerian farmers to work assiduously to make the country food sufficient and avert hunger by embracing agricultural insurance schemes to mitigate unforeseen disaster (Ibirogba 2021).

FACTORS THAT HINDER FARMERS FROM INSURING THEIR CROPS

One of the factors that reduce the rate of crop insurance is ignorance and lack of awareness on the part of farmers. Most farmers are unaware of the existence of crop insurance scheme. Insurance firms have however claimed that they have been engaging in series of enlightenment campaign across the nation in order to make farmers appreciate why they should insure their farm produce (Nnodim 2021). Another challenge is poverty as most subsistent farmers are poor. Consequently, they lack the capacity to pay insurance premium. According to Okoroafor (Nnodim 2021), it has not been easy for farmers to cope in terms of payment of premium, apart from when they get financial assistance. He also identified poor access to loans as a factor inhibiting farmers' capacity to pay insurance premium. Another major hindrance to crop insurance by farmers in Nigeria is the problem of trust. Many farmers have no confidence in both the insurance scheme and in the institutions responsible for administering the scheme as they entertain the fear of not being indemnified when the occasion so demands. Although, a lot of farmers are in agreement with the fact that insuring their crops is vital, however, the problem of trusting the insurance companies and the failure to pay claims to indemnify farmers against loss has been a discouraging factor (Nnodim 2021).

General apathy is another serious problem inhibiting crop insurance in the county. Many farmers prefer to put their confidence and hope in God's protection and safety of their farms,

rather than go through the rigors of taking up insurance cover for their farms (Aloamaka, Ibekwe, and Udo 2021).

IMPORTANCE OF AGRICULTURAL CROP INSURANCE POLICY TO FARMERS IN NIGERIA

Agricultural crop insurance is a risk mitigating instrument against hazards. It is an important tool for the reduction of negative financial effects resulting from climate and non-climate related perils (Ankrah et al. 2021).

Insurance has a role in the income of the farmer. He feels relaxed that he will be indemnified. This motivates him to explore and expand his activities which will result into greater agricultural output. The credit position of farmers is greatly enhanced by their ability to meet their installment payment when due. In many cases policies are taken in the names of the farmer that his loan can be recovered in case of damage to the crops. Also, an insurance policy taken in the name of the farmer and the lender encourages the bank to give higher credit lines than would have been approved without insurance. Insurance also serves as a guarantee to enable the farmers purchase modern equipment and other facilities that will increase their output.^{ix}

Insurance acts as production incentive which on the macro level improves the food production of the nation, thereby reducing imports. This in turn favors the position of the balance of payment of the country. Agricultural insurance enhances savings and encourages operation between government and the people. It serves as a spearhead for development in the rural areas in particular and the country in general. It could also be mentioned that it mitigates the burden on the national budget with respect to natural hazards.^x

According to Leadway Assurance, a foremost insurance company in Nigeria, insurance is necessary because of the erratic climate in Nigeria. For example, in 2020, there was unusual dry spells and many lost their crops (Nnodim 2021).

The head of Agric Unit/Micro Credit at Leadway Assurance, Ayo Fatona maintained that agricultural crop insurance protects against loss or damage to crops and livestock, indemnifies policy holders for losses suffered and also has great potential to provide value to low income

farmers and their communities and assist farmers to plan better for the subsequent farming season (Ibirogbu 2021).

SOME ADVANTAGES OF CROP INSURANCE FOR AGRICULTURAL PRODUCTION

Crop insurance creates financial security for farmers where there is no hope of getting money from crops due to low yield resulting from natural disaster such as drought and flood. It also enables farmers to invest in their most productive crops. It further enables farmers to recover indemnity from loss resulting from hazards or perils insured against or covered by the insurance policy as earlier identified. It facilitates access to loans by farmers who are entitled to pledge their insurance policy as security for such loans. It enables farmers to expand their farming business through funds recovered as indemnity against insured hazards. It militates against loss resulting from hazard or natural disaster. It also gives farmers the capacity to take care of their financial responsibilities to their families. Insurance scheme enables farmers recover from loss resulting from hazards or perils insured against or covered by the insurance policy. Insurance cover prevents farmers from living in fear of the unknown and uncertain future.^{xi}

CONCLUSION

The importance of insurance policy in any venture such as agriculture cannot be overemphasized. Most businesses involve some risks which are strong enough to dissuade investors from doing the business. Insurance policy, being a form of compensation for loss occasioned by damage or hazard that has been insured against, is a very good form of encouragement to business owners (Mrabure and Awhefeada 2020). Agricultural business, such as agricultural crop business is a very important business not only to the business owners, but also to other members of the public and to the national economy at large. However, the risk involved in doing the business as discussed above has discouraged a lot of farmers and interested agriculturists. For example, the year 2022 has recorded the worst form of damage to crops by flood and many states of the federation such as Bayelsa, Benue and Kogi states are submerged by flood disaster, which has caused extensive damage to crops in their farm lands.

This underscores the significance of Agricultural Crop Insurance in Nigeria. It however appears that many persons including farmers are either not aware of the existence of the scheme or they are for one reason or the other, discouraged from taking up crop insurance scheme or they find it difficult to access the scheme. Below are some recommendations that if adopted and applied, will promote, enhance and increase crop insurance by farmers.

RECOMMENDATIONS

It is hereby recommended that effective means of publicizing the scheme, especially to rural farmers should be put in place in order to enable both existing and interested farmers to avail themselves and take advantage of this facility. This will require putting in place effective measures to publicize the scheme such as organizing workshops, public symposium and seminars to educate farmers on the existence and importance of the scheme (Ehirim, Awhefeada, and Abuza 2022). This publicity can also be achieved through effective use of public media such as radio and television advertisements.

Also, any forms of obstacle that may hinder the farmers from availing themselves of Agricultural Insurance Scheme such as bureaucratic bottleneck or difficulties in accessing or claiming indemnity in appropriate circumstances should be eliminated in order to encourage them to take advantage of this scheme. This will motivate a lot of persons to venture into agricultural crop cultivation business and to take advantage of crop insurance. This will ultimately boost agricultural crop production in Nigeria.

Furthermore, as a way of motivating farmers to take up Agricultural Crop Insurance Scheme, the Nigerian Agricultural Insurance Act should be amended to affect a downward review in the premium rate for the insurance scheme payable by farmers to encourage them, especially rural and indigent farmers to insure their crop produce, as this will promote large scale agricultural crop business in Nigeria. Finally, the government must ensure that trust is built on the insurance sector and anything that has the capacity or tendency to raise doubt in the minds of farmers about crop insurance must be eliminated. This will also greatly encourage farmers to fearlessly invest more in crop insurance.

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ENDNOTES

ⁱ *Benefits of National Agricultural Insurance Cover to Farmers in Nigeria*. 25th Feb. 2017. <https://www.naic.gov.ng>.

ⁱⁱ *Ibid*

ⁱⁱⁱ History – *Welcome to NAIC – NIGERIA*. 5/1/2020. <https://www.naic.gov.ng>.

^{iv} *Benefits of National Agricultural Insurance Cover (NAIC) to Farmers*. 25th February 2017. <https://www.naic.gov.ng>

^v [1961] 1 W.L.R. 386

^{vi} (1856) 25 L.J.Q.B. 102; 4 W.R. 245; 119E.R.705

^{vii} *Benefits of National Agricultural Insurance Cover (NAIC) To Farmers op. cit.* p. 8

^{viii} *Ibid*

^{ix} *Benefits of National Agricultural Insurance Cover to Farmers in Nigeria*. 25th February 2017.

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^x *Ibid*

^{xi} *Crop Insurance that Works*. *World cover-crops*. Accessed 3rd January 2020. www.worldcovr.com

