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Will Urban Migrants Formally Insure their Rural Relatives? Family Networks and Rainfall Index Insurance in Burkina Faso*

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Abstract

We present findings from a pilot study exploring whether and how existing ties between urban migrants and rural farmers may be used to provide the latter improved access to formal insurance. Urban migrants in Ouagadougou (the capital of Burkina Faso) originating from nearby villages were offered, at the prevailing market price, a rainfall index insurance product that can potentially protect their rural relatives from adverse weather shocks. The product had an uptake of 22% during the two-week subscription window. Uptake rates were higher by 17-22 pppts among urban migrants who were randomly offered an insurance policy that would make pay-outs directly to the intended beneficiary rather than the collector. We argue that rainfall index insurance can complement informal risk-sharing networks by mitigating problems of informational asymmetry and self-control issues.

Keywords: Microinsurance markets, Indexed insurance, Rainfall, Migration, Informal insurance networks

JEL Codes: O15, O16, G21

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