

# Zambia's Public and Private Partnership Model

## DISASTER RISK AND AGRICULTURE INSURANCE SOLUTIONS

23<sup>rd</sup> March 2021

6<sup>th</sup> Inclusive Insurance Regional Conference  
Eastern and Southern

# Outline

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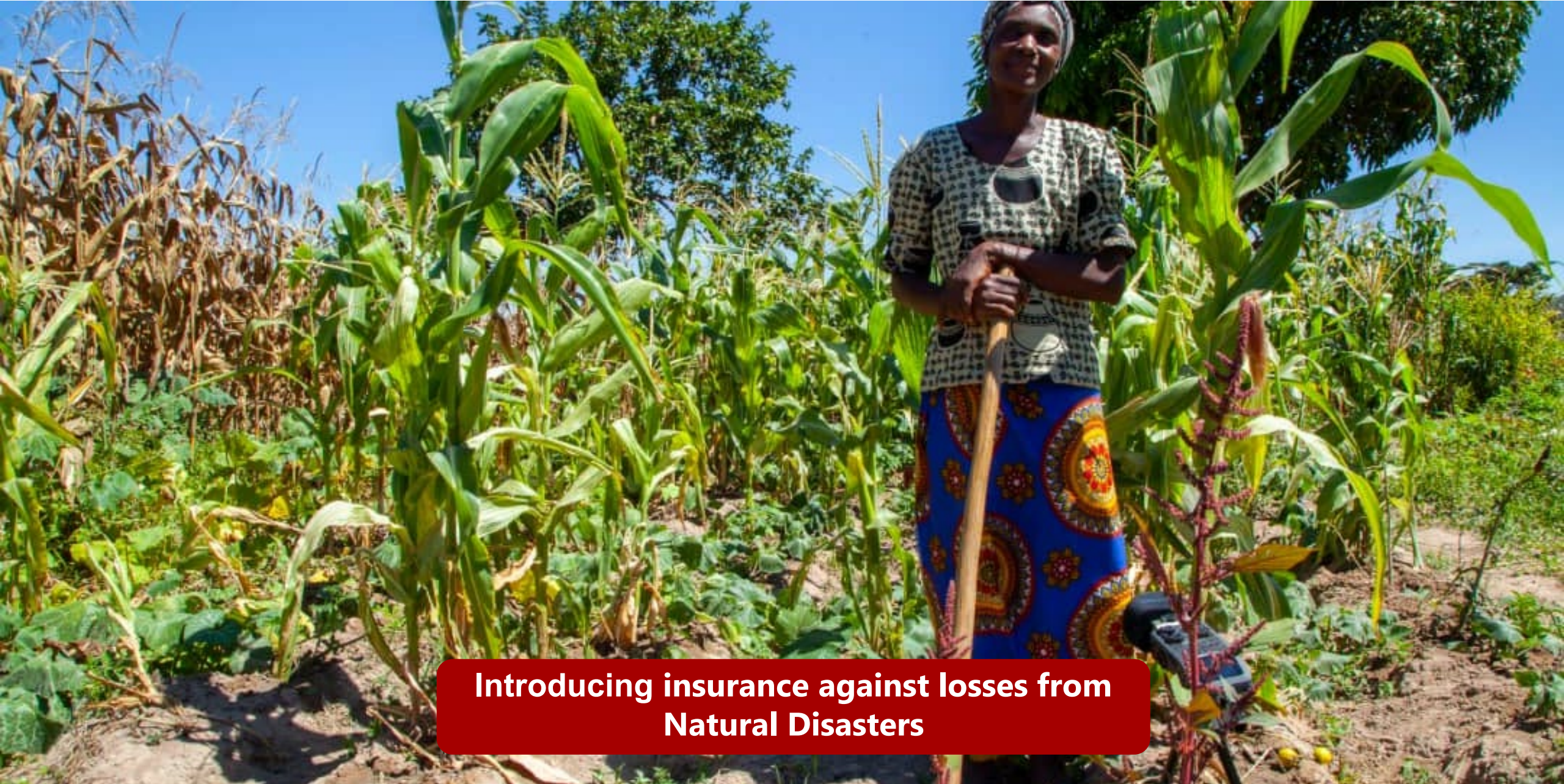
**Introduction**

**Zambia's Climate and Agriculture Context**

**The Public Private Partnership**

**Are we there yet**





**Introducing insurance against losses from  
Natural Disasters**



# Introducing insurance against losses from Natural Disasters

Natural disasters are a growing threat to the security and well-being of many low-income households in Zambia and Sub-Saharan Africa.

Its not getting any better- Increased Global warming and Climate change effects

Increased occurrences of floods, droughts, and storms.

In the absence of government assistance and International aid, poor victims rely on an array of pre- and post- disaster arrangements for financing their recovery.

Insurance instruments and strategies when designed appropriately can help Sub-Saharan African countries increase their financial resilience and support climate change adaptation.





## Zambia's Climate and Agriculture Context





# ZAMBIA'S CLIMATE & AGRICULTURE CONTEXT

Landlocked country with approx. 18million people

Agriculture is the cornerstone of livelihood in Zambia

Heavily dependent on rain-fed agriculture

Farming Season – November to March

Agriculture subject to risks:

Natural hazards, climate change and variability, pest and diseases.



# THE CLIMATE & AGRICULTURE INSURANCE SOLUTIONS For Smallholder farmers

## Germination Weather Index Insurance

- Pure Satellite weather data product for germination failure of seed
- Covers erratic rains/drought causing poor germination at planting. A period of 3 weeks is provided for.
- Pay-outs are determined through satellite rainfall measurements, not farm visits

## Weather Index Insurance

Pure Satellite weather data product  
Covers defined risks- drought, dry spells and excessive rainfall.

Does not cover the actual crop or other risks, such as pest and disease.

Claim payments are done automatically based on the weather conditions

## Area Yield Index Insurance

Insurance cover that insures farmers against a pre-set historical benchmark known as the Average Production History (APH)

The risks covered in this product are windstorm, frost, excessive rainfall, flood, storms, drought, pest, and diseases

Agriculture and  
climate change risk  
solutions for Small  
Holder Farmers (SHFs)





The Public Private Partnership Model



# ZAMBIA'S Public Private Partnership

## Agriculture Insurance

1,000,000 smallholder  
farmers

Partnership was formulated in 2017 between the Government- Ministry of Agriculture and a Private Insurance Company, Mayfair

### • **ROLE OF THE PRIVATE INSURER**

- **Technical assistance (Product design and development)**
  - Capacity building, strategic advice, Product design, weather data analytics, crop data analytics, claims monitoring.
- **Underwriter of Weather Index Insurance Product**
  - Covers 1,000,000 FISP farmers for risk of drought (early and late dry spell) and excessive rainfall
- **Consumer Awareness**
  - Designing awareness materials (Simple and appropriate)
  - Digital consumer alerts and awareness messages



# ZAMBIA'S Public Private Partnership

## Agriculture Insurance

Partnership was formulated in 2017 between the Government- Ministry of Agriculture and a Private Insurance Company, Mayfair

### • **ROLE OF THE GOVERNMENT**

- **Demand side Stimulation (Policy Holder)-**

- Purchasing agriculture insurance on behalf of SHFs to cover their contingent fiscal liability to natural disasters such as drought and floods.

- **Supply side**

- Public investments in data,
- Increasing understanding and outreach
- Creating an enabling legal and regulatory environment



# ZAMBIA'S Public Private Partnership

## Agriculture Insurance

In 2018/19  
Season  
Government  
through the  
Ministry of  
Agriculture  
enhanced their  
digital  
platforms to  
accommodate  
WII

### • **EVOLVEMENT OF PUBLIC PRIVATE PARTNERSHIP**

#### • **Enhanced Payment Platform**

- Enhanced the ZIAMIS system for the development of a comprehensive and dedicated solution to manage the FISP weather index insurance product.

#### • **Results**

- Quicker- Beneficiary management, triggered pay-outs management, insurance e-voucher management, insurance redeeming management, invoice management and associated reports for monitoring and tracking any activities on the weather index insurance
- Sent out alert messages and VAS messages to Smallholder farmers.



# ZAMBIA'S Public Private Partnership

## Agriculture Insurance

In 2019/20  
Season  
Government  
through the  
Ministry of  
Agriculture  
partnered with  
more Insurance  
Companies

### • **EVOLVEMENT OF PUBLIC PRIVATE PARTNERSHIP**

- **A consortium partnered with the Government**
  - Composed of three underwriters being led by ZSIC GI as the lead, PICZ as the Administrator, MGen and Pula Advisors as a consultant.
- **More products were introduced to the SHFs**
  - Yield Insurance and Germination Insurance
  - 2019/20 covered about 140,000 farmers
  - 2020/21 covering about 405,013 SHFs.





Are we there yet?





We are in the right direction

PPP Models for disaster risks are a good alternative to:

- Reduce costs of administration
- Achieve scale (higher outreach)
- Spread the risk
- Can reduce government expenditure on emergency funds
- Promote insurance education.
- Promote equity and Inclusion

• We have learnt that:

- Insurance contributes to better livelihoods and disaster resilience for smallholder farmers
- An Insurance Company can solely cover for disaster risk insurance.
- That digital processes make insurance efficient
- That the government can be a partner in insurance
- That it is beneficial to showcase to government the possibilities of insurance.
- Insurers with the help of the regulator should ensure the overall principles and practices of insurance form the basis of the PPP scheme
- That Insurance companies can come together to form up a consortium for disaster risk insurance
- That there will be challenges and there will be successes before we reach our intended purpose.







# Thankyou.

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