



Innovative climate risk insurance solutions: A global view

26th October, 2022

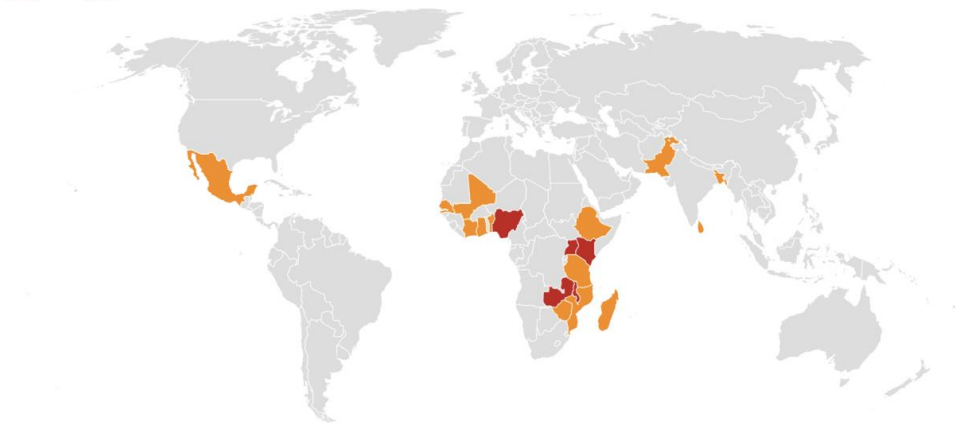


About Pula

We develop parametric Crop Insurance through **Yield & Weather Index Insurance**- covering drought, flood, locusts, cyclones, diseases

Covering 22 crops: maize, rice, wheat (80%) as well as pulses, oilseeds, sugar crops, roots & tubers, cash crops (cotton, coffee, cocoa) and some livestock

■ pilot ■ scale



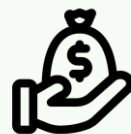
6.5M Smallholder & Family Farms



100+ Distribution Partners



67 Insurers
22 Reinsurers



44m in Premium
20m in Claims paid

10m in VC investment

Where we work with IFAD INSURED



We support the **acceleration of index insurance linked to The Kenya Cereal Enhancement Programme – Climate Resilient Agricultural Livelihoods Window (KCEP-CRAL).**



We are responsible for **the implementation of agricultural and climate risk insurance activities to support INSURED in Tanzania.** This comes after we completed the Agricultural insurance feasibility study.

With a target to solve unemployment and reduce smallholder farmers' risks, we were charged with the provision of a feasibility and implementation of Agricultural Insurance in **Uganda for oilseed farmers.**



We have partnered with IFAD in **Zambia on both the PayGo Solar project solution to reduce repayment defaulting risks, and are currently exploring livestock index insurance scale up in Zambia.**



Agricultural insurance for PayGo Solar clients



Problem Statement

The Customer

PayGo companies whose majority customers (60%) are rural, depend on agricultural production in their area.

The Problem

Repayment and **SHS companies' growth fluctuates with agricultural performance of their customers.** *e.g. 2019 drought in Zambia resulted PayGo defaults rising from single to double digits.*

At the same time, **PayGo companies have struggled recently with non performing loans**, causing most to **draw back on adding new products, such as insurance.**

A negative spiral is triggered, where rural customers reduce repayments on SHS, as a result, PayGo companies offer fewer services. If customers are hit by climatic events, this further weakens their ability to keep up with SHS repayments.



Proposed Solution

The Solution

Pula partnered with IFAD and later Shell Foundation to enable Solar Home Systems and PayGo companies introduce new products, such as agriculture insurance, to strengthen the business model and increase incomes for farmers.



The impact

- **Increased credit worthiness** of rural hard to reach SHS customers
- **Portfolio safety net** provided for SHS providers against defaults from main rural income source - agriculture
- **Insured farmers' incomes and livelihoods are protected** in the event of climate risks



Impact, Reach & Lessons

	2019/2020 season	2020/2021 season	2021/22 season
Type of cover	Area yield index insurance (AYII)		
Sum insured	US\$ 161,610	US\$ 609,530	US\$ 12,947,220
Gross premium rate	1.98%	5.00%	11.05%
Premiums paid	US\$ 3,192	US\$ 30,477	US\$ 1,439,897
Farmers covered	8,838	8,508	280,731

- **Clients Reached:** Vitalite, Engie Uganda, Baobab Senegal
- **Countries:** Malawi, Zambia, Senegal, Uganda

Key Challenges: Adoption of a new product post COVID was a big hurdle. A Premium Subsidy enabled affordability and accelerated uptake.

Key Lessons: Premium subsidies for piloting can accelerate adoption; structure long term- 3 season commitments- for taking on the product and cost by the SHS companies. Aggregator buy in is key.

The future: With all companies, from day 1 we agreed a graduation framework for payment of premiums. We also are undertaking a 3rd party study that looks into how insurance reduces default rates and increases customer success for the SHS companies.