

# Agriculture Index Insurance

Collaboration between Public and Private  
Sector players to reach scale in Africa

**Ms. Yizaso Musonda**  
Insurance Supervision



# Growth of Agriculture Insurance in Zambia

3

- » **Pensions and Insurance Authority is the Insurance Regulator in Zambia**
- » **Mandated with driving inclusive insurance agenda and creating an enabling environment**
- » **Translating into policy direction, provide for Microinsurance products, initiatives on capacity building for insurers to underwrite index insurance products, partnerships with market facilitators such as GIZ, FSDZ, IFC, Musika.....**
- » **Some actors work on demand side while others on supply side**
- » **Increased access to insurance from under 20,000 in 2013 to under 1,000,000 in 2021**



# Partnerships in Driving Inclusive Insurance

4

- » **FDSZ partnered with PIA to achieve some of the goals set out in the National Financial Inclusion Strategy**
  - Consumer education, financial and technical support



# Partnerships in Driving Inclusive Insurance 5

- » GIZ focused on technical support on supply-side
- » Musika sought to support actors on supply-side
- » IFC supported supply-side actors and has up scaled to support industry wide initiatives

## MAIN FEATURES OF MICROINSURANCE

### PAYMENT OF PREMIUMS

- The payment period can be split, considering the irregular income flow of insurance policyholders.
- Premiums can be:
  - Paid in cash.
  - Deducted from receivable payments.
  - Deducted from bank accounts.
  - Deducted from pay stubs for other services.
  - Collected through non-traditional intermediaries.

### PRODUCT DESIGN

- Simple legal and technical design.

### CONTRACTUAL DOCUMENTATION

- Simplified and easy to understand.

### UNDERWRITING PROCESS

- Rates fixed according to the experience of the mutual insurance companies served.
- With minimal exclusions or restrictions.
- With adjustment of technical safety margins to the extent that information is collected on the specific features of the risks covered.

### DISTRIBUTION CHANNELS

- Use of non-traditional distribution channels to reduce transaction costs:
  - Banking and microfinance networks.
  - Sales networks.
  - Utility bills.
  - New distribution networks based on non-traditional intermediaries.

### PAYMENT OF INDEMNIFICATION

- Almost immediate.
- With specific and minimal documentary requirements.

### COVERAGE

- Clearly defined insured sums and benefits.

### PRODUCT MANAGEMENT

- Use of technology to reduce costs in:
  - Product purchasing and premium payments.
  - The management and renewal of the product.
  - Payment of indemnification.

# Achievements in Inclusive Insurance

6

- » **Provision of Microinsurance in Insurance Act no. 38 of 2021**
- » **Increased access to insurance services by smallholder farmers**
- » **Introduction of Yield index and Livestock index on the market**
- » **Increase in Insurers offering index based products from 1 to 5 in 2021**
- » **Increase in uptake from 3.6% in 2015 to 6% in 2020**



# Barriers affecting Growth

7

- Identified barriers and key players to address these barriers
  - Capacity Building & Skills development
    - Regulatory & Policy changes
  - Engaging other Government agencies
- Low levels of financial literacy continue to be a challenge
- Investment in innovation by insurers



# Way Forward

8

- Multiple activities projected in the future
- Most are time bound while it is expected that we will continue to collaborate beyond the set timelines
- Expect to collaborate with several other entities beyond index based insurance within the agriculture sector; climate risk initiatives



# Way Forward

- Developed the business case for index based products on the  
Zambian market
  - Introduction of various intermediaries
  - Provided avenues to increase scale
- 
- » Willingness of collaborators to take a chance on inexperienced insurers
  - » Quicken contractual processes
  - » More innovation in this area
  - » Sandbox regulations



# THANK YOU

[yizaso.musonda@pia.org.zm](mailto:yizaso.musonda@pia.org.zm)

