

8th Eastern and Southern Africa Regional Conference on Inclusive Insurance



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April 24-26, 2023
Nairobi Kenya

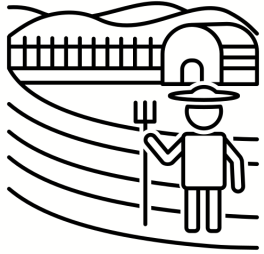
BACKGROUND

- Smallholder farmers and pastoralists across the world are highly vulnerable to climate-related risks, such as droughts, floods and storms.
- Climate Risk Financing initiatives have proved to be able to support proactive and timely response to climate shocks for clients as well as governments making risk management plannable and more cost-efficient.
- In the Eastern Africa region, index-based insurance solutions, have gained considerable traction over the last decade, especially initiatives targeting smallholder farmers and pastoralists.
- Governments, private sector as well as development agencies in the region have made considerable investments in scaling access to crop and livestock insurance.

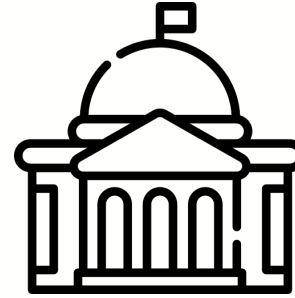


Photo: WFP/Jonathan Eng

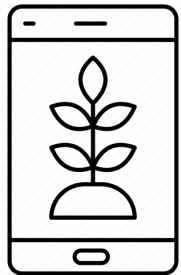
Key Developments in the Region



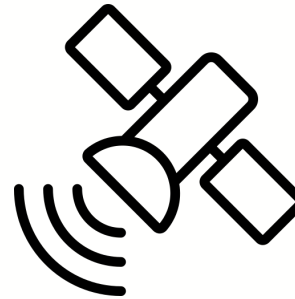
- Increased access to index insurance products by poor and marginalized populations (who ordinarily would not have access to insurance)



- Better understanding and buy-in by governments/policy makers of index insurance e.g. policies and regulation, premium subsidies e.t.c.



- Innovation in the distribution of parametric insurance products, training and awareness.



- Technological advancements in data, monitoring and product design, ground-truthing e.t.c

Farmer Engagement

- Farmers/pastoralists must make several micro decisions every season – including the risk management decision.
- These adjustments are based on the farmers perception of risk and ability to absorb risk using other strategies (off-farm or on-farm).
- Apart from perception of risk, Willingness and Ability to pay for insurance is also an important factor.
- Proper communication and awareness creation can strengthen Willingness to Pay (WTP).
- However, the ability to pay depends on various socio-economic aspects; which often must be carefully assessed to determine who the target for the insurance products would be, how the products would be priced/packaged and whether there is need for subsidies.



Delivering value



Proper management of process flows; registration, premium collection, documentation, communication, payout disbursements



Data and analytics: KYC, tracking repeat clients e.t.c.



No one fits all: Risk layering, bundling of products can support insurance.



Timeliness: Can people who need the funds get it when they need it the most?

Critical Success Factors



Critical factors:

- i. Product quality – Simple, transparent and accurate (lower basis risk).
- ii. Implementation – Effective implementation is as important as technical design.
- iii. Policy and regulation – Having the right policies and regulation in place for accountability and sustainability.
- iv. Value for Money – Defining VfM for the clients.
- v. Harmonized response to climate shocks – ensuring complementarity but avoiding overlaps and confusion.

Lessons learnt

- Government leadership and direct investment in index insurance initiatives is possible.
- Public Private Partnerships are great, but roles need to be clearly defined.
- Premium subsidies are vital for scaling but need to be accompanied with management of beneficiary expectations as well policies to safeguard their sustainability.
- Impact assessments are important for progressive improvement.
- Low but informed demand is better than high but un-informed demand for insurance.

Finally.....always start with the end in mind !



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