

# Driving the Inclusive Insurance Agenda; Climate Risk and Agriculture Insurance



APOLLO CENTRE  
APOLLO ASSET  
MANAGEMENT





# Our Response to Climate Risk



**70%** of the Kenyan rural population is **dependent on agriculture** and related production for their livelihoods.\*

Majority of whom are smallholder subsistence farmers who are highly vulnerable to the economic effects of natural disasters-drought and flooding.

APA entered the agricultural insurance space with **Weather Index Based Insurance**

- **Target Market:** small scale farmers
- **Scope of cover:** Risk specific cover that protects against rainfall in both extremes (drought and excessive rainfall)

**Now... APA is the** lead insurer partnered with 7 insurers and strategic aggregators to offer **Area Yield Index Insurance (Kenya Agriculture Insurance Program).**

## **Benefits:**

- Wider scope as it covers drought, flood, frost, windstorm, uncontrollable pest and diseases.
- With strategic aggregators (WFP, county government) there's a larger reach and APA has been able to grow numbers





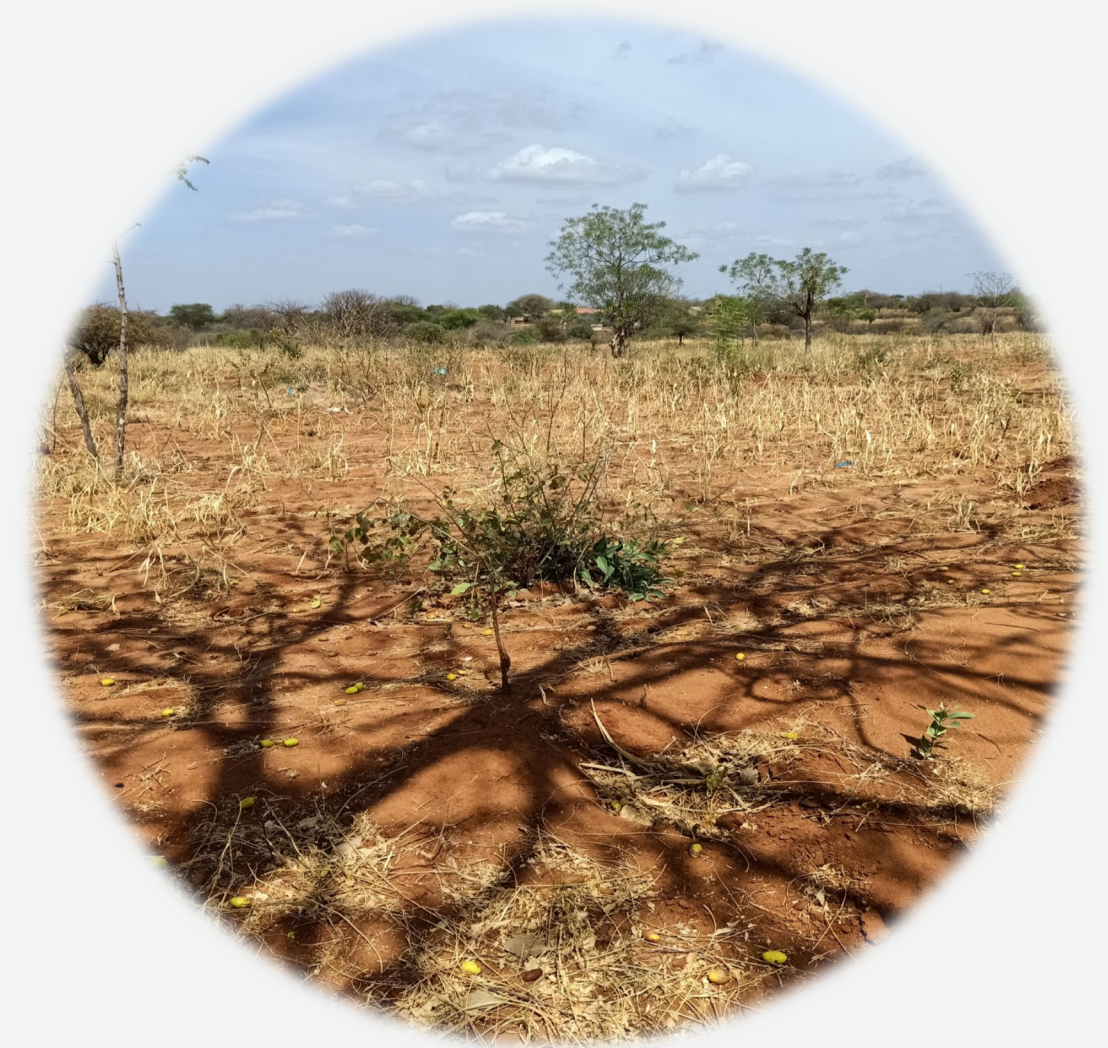
# Effects of Climate Change



*\*loss as a result of drought*



*\*damage as a result of hailstorm*



*\*damage to crops as a result of drought*

## Effects:

- Difficulties moving from subsistence agriculture to commercial agriculture
- Difficulties accessing credit for farm inputs
- Low farm production and food insecurity
- Abject poverty; most pastoralist/small scale farmers remain poor and trapped in the poverty cycle.







## Kenya Livestock Insurance Program

*Since 2015*

- More than **100,000** households on cover
- Upto **Kshs. 700 million** paid in claims

## Kenya Agriculture Insurance Program

*Since 2016*

- Started off with 542 farmers and have covered up to approximately **1.4 Million farmers to date.**
- Upto **Kshs. 400 Million** paid in claims

## Innovative Digital Aspects:

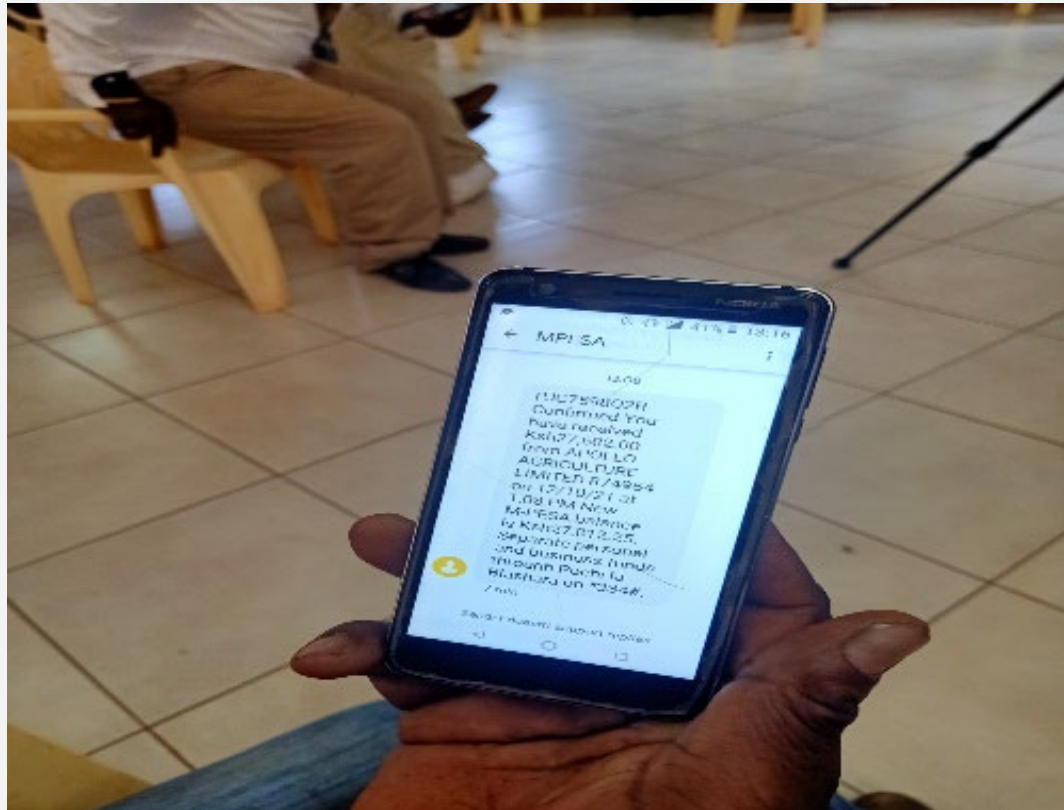
- Digital On boarding
- Product bundling-with farm inputs
- Fast Payment of claims done via mobile money wallet
- Farmer education accessible via USSD and SMS



# Delivering our promise



Before the payout message



Payment received via mobile money



After payout 😊



Insuring Happiness

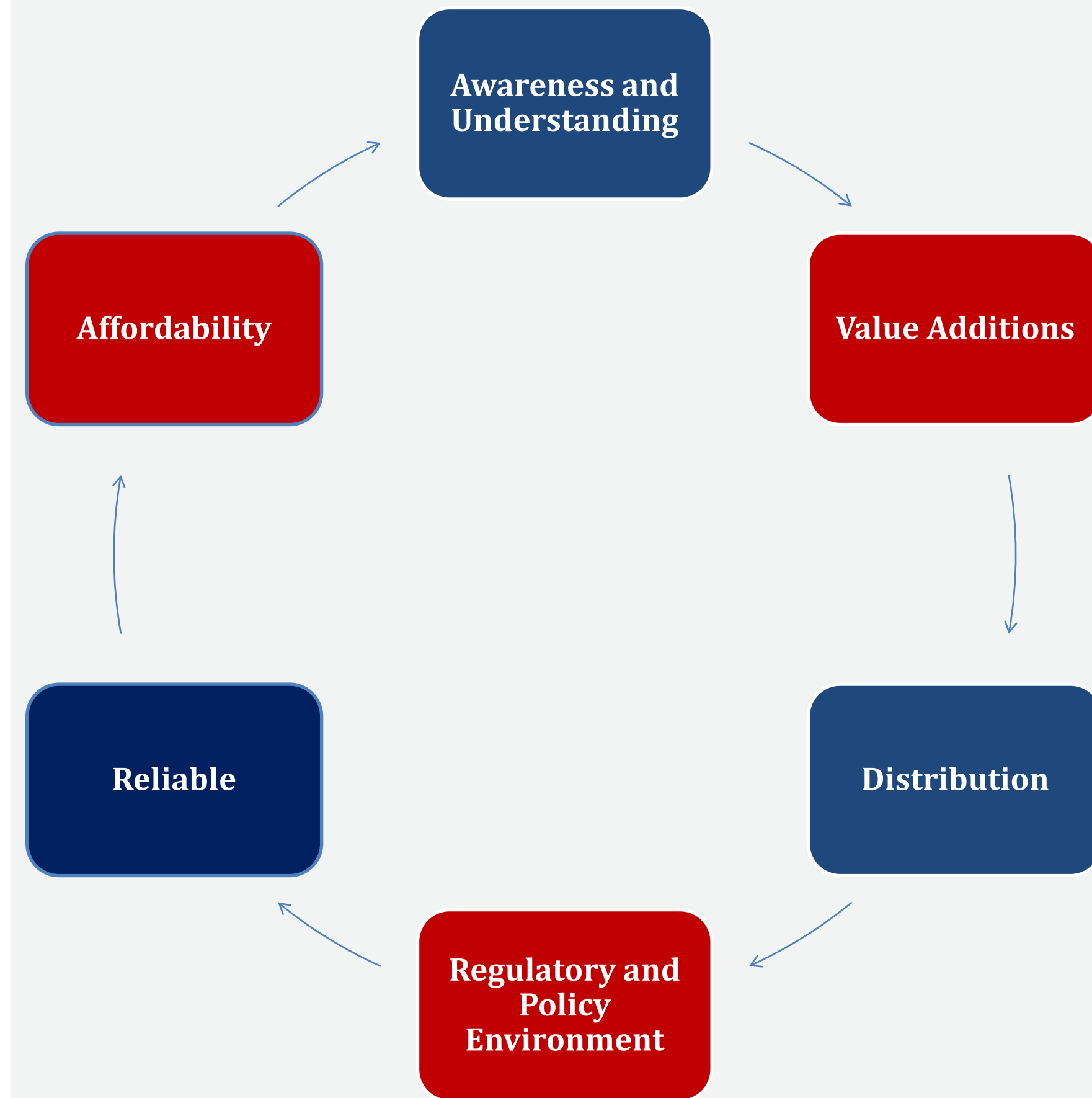


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# Our Approach



- ❖ **Affordability**; tailor making solutions with the insureds to design products/services that they can afford with flexible payment plans
- ❖ **Awareness and understanding**: Farmer sensitization and trainings for direct farmers, mobilizers, aggregators, intermediaries and county agricultural officers. This ensures information is not distorted (avoid miss-selling) and market materials well circulated.
- ❖ **Value Additions**: upscaling of agriculture products to the small holder farmers and pastoralists by providing other insurance cover like hospitalization cash benefit, last expense funeral cover inclusive of their beneficiaries
- ❖ **Distribution**; using institutions and strategic aggregators who distribute other agriculture related solutions through product bundling with inputs
- ❖ **Regulatory and policy environment**; working closely with the government on different programs that are beneficial to small holder farmers and
- ❖ **Reliable**; Being there in times of need and paying claims on time!





# Key developments and lessons learned in crop insurance



- Large partnerships have bureaucracies that must be followed. This could take time.
- The demand side is always higher than the supply side and due to budget constraints some beneficiaries can be left out.
- Timely funding to the county governments to support the program can be a challenge.
- Need for long term agreements in PPP for 3-5 years to match the long term nature of insurance
- Partnership alignment is key.





# What could be done differently



- **Stakeholders Management** - Crop insurance has different stakeholders and pre - alignment engagements vital on the key touch points.
- **Product Design** - Design for sustainability hence partnership with e.g lenders to mitigate on low uptake where subsidy is withdrawn
- **Awareness** – Ensure continuous awareness and sensitisation programs that are not just targeting the season
- **Value addition through Product bundling**
- **Educate farmers on their insurance benefits** – most farmers are not aware the inputs they are purchasing has insurance and even where they know they do not have the details.
- We would promote **independence on premium** subsidies





# Creating Awareness



- ❖ Conducting **focus groups discussions** that enable them to relate how insurance plays an important role in their day to day life and how insurance can substitute their current coping mechanism.
- ❖ Participating in **claims payment** and explaining importance of having insurance for those who have not purchased an insurance policy
- ❖ Sharing **marketing materials and manuals** that guide them on on-boarding process and claims process
- ❖ Using past experiences to demonstrate what potentially they could have been compensated should they have taken insurance
- ❖ **Financial inclusion:** sharing knowledge on other ways they can access credit with an insurance cover; which would act as a collateral
- ❖ Illustrate importance of insurance using the **Resilient Me Game** by AB consultants that mimics the real life experiences and exposes the participants to the importance of having an insurance cover





# Success factors for a successful agricultural insurance scheme



- ❖ Approval and support from the regulator
- ❖ Have an agreement with the likeminded insurance partners
- ❖ The insurance partners need to have qualified technical staff to efficiently support the scheme
- ❖ 100% support from the top management
- ❖ Reinsurance alignment and support is key



## *Value to Clients*

- ❖ Timely claim pay-outs
- ❖ Training and sensitization of the farmers





# The way forward



- ❑ Timely pay-outs/continuous Subsidy programmes/ Support insurance awareness programmes/ Avail data to insurers (weather data, yield data, etc)
- ❑ Affordable and simple products/Support coming up with policies that support agriculture insurance
- ❑ Data/Timely claims and product approval /trainings
- ❑ Impact and benefits

## ***Recommendation to agriculture start-ups***

- ❑ Senior management support
- ❑ Investment in technical and qualified staff
- ❑ Capital injection







# Thank You

