

**AGRICULTURAL INSURANCE; KENYA  
EXPERIENCE**

**BY**

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PENETRATION IN NIGERIA: OPPORTUNITIES AND  
STRATEGIES**

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# **scope**

1. Bundling of insurance with agricultural inputs as a strategy for enhancing access and distribution of insurance products to agricultural value chain actors in Kenya.
2. Create synergy between insurance sector players and agricultural input suppliers in Kenya.

# Introduction

Agricultural insurance in Kenya is one among many risk management options available for the farmers to manage their crop production risk.

Dimensions of Agriculture insurance are specific;

- **Location** (data driven)
- **Enterprise** (Crop agronomy driven)
- **Insured** (operation and knowledge)

Agriculture insurance is not very new among the farming communities in Kenya having been introduced more than 15 years ago on a private sector driven approach.

Insurance for vulnerable smallholder farmers was introduced in the years 2016 through government initiative on a **Public-private Partnership** (PPP)

# BUNDLING OF INSURANCE WITH AGRICULTURAL INPUTS IN KENYA

## Requirement :

- **Mapping** of Agriculture risk and value chain actors.
- Insurance is a **SHARED** value by actors.
- Bundling of insurance with an **input that is critical** to the farmers at the start of the season (crop enterprise specific).
- Design , digitize simple (insurance cycle) transaction and let it be tangible.
- Technology is an **enabler**.
- Cost of insurance should **NOT** hinder purchase decision by the farmer for the input .
- Public private partnership is key.
- **Trustworthy** point of contact for the farmers.
- Government policy support: **input and premium subsidy**

# Roles of Partners in the PPP

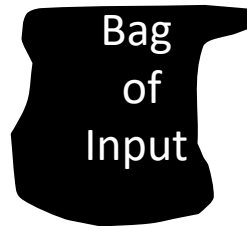
Partner	Key roles & responsibility
Kenya Government	<ul style="list-style-type: none"> <li>✓ Development of policy and institutional frameworks</li> <li>✓ Develop criteria for targeting farmers</li> <li>✓ Develop a system for data management</li> <li>✓ Provide premium support</li> </ul>
Farmers	<ul style="list-style-type: none"> <li>• Register for coverage</li> <li>• Procure insurance premium</li> </ul>
Insurers	<ul style="list-style-type: none"> <li>• Develop and distribute insurance products</li> <li>• File products with IRA for approval</li> <li>• Pay claims to insured</li> <li>• Arrange reinsurance</li> </ul>
Kenya Insurance regulatory Authority	<ul style="list-style-type: none"> <li>✓ Approve product</li> <li>✓ Training and consumer education</li> <li>✓ Coordinate certification training</li> </ul>
Banks	<ul style="list-style-type: none"> <li>• Offer credit linked to insurance</li> <li>• Assist in insurance product distribution</li> </ul>
Agro-dealers	<ul style="list-style-type: none"> <li>✓ Sell inputs – both subsidized and non-subsidized</li> <li>✓ Sell insurance linked to inputs for inputs subsidized programme</li> </ul>

# Kenyan case

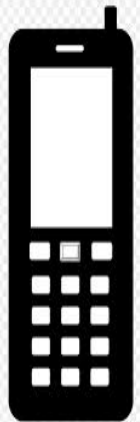
Insurance product + Insurance company + Mobile service provider + input company + Agro-dealer + Extension = Main Actors/Implementing agencies



1. At the start of crop season farmer purchases a bag of insured input from Agro dealer

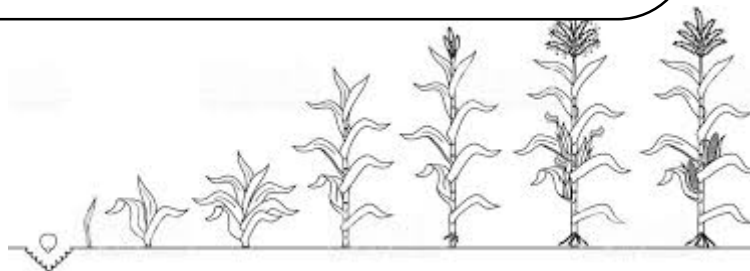


2. Farmer Opens bag during planting, finds registration card inside.  
3. Sends unique code to an SMS code linked to insurance product and insurer



6. Performance of the insurance product is remotely monitored using satellite data linked to a weather index product.  
7. At the end of the season or mid season the farmer and the insurer are able to get notification of the status of the insurance.  
8. when there is a pay-out the beneficiaries receive their pay-out from insurer through mobile money platform.

4. The underwriter gets farmer location from location based service system and monitors rainfall or NDVI data of that location for insurance.  
5. Farmer gets insurance details on his phone



# Insurance bundling in Kenya

## Roles and shared values

<b>PARTNER</b>	• <b>ROLE</b>	• <b>BENEFITS</b>
<b>Kenyan Insurers</b>	<ul style="list-style-type: none"> <li>• Product structuring.</li> <li>• Underwriting and risk transfer.</li> <li>• Claim settlement.</li> </ul>	<ul style="list-style-type: none"> <li>• Cost effective insurance.</li> <li>• Brand positioning in the rural areas.</li> <li>• Insurance penetration.</li> </ul>
<b>Kenyan Mobile Service Provider</b>	<ul style="list-style-type: none"> <li>• Relationship , Trust through brand, communication network, Facilitate insurance cost reduction.</li> <li>• Makes the payout possible via mobile money.</li> </ul>	<ul style="list-style-type: none"> <li>• Value addition to clientele in the rural areas.</li> <li>• Strengthen relationships with farmers</li> </ul>
<b>Agro-dealer in Kenya</b>	<ul style="list-style-type: none"> <li>• They are local merchants sales agricultural products insurance, trust and presence to target market, educate farmer the insurance product and advisory.</li> </ul>	<ul style="list-style-type: none"> <li>• Value addition to clients and sales.</li> <li>• Relationship strengthening</li> </ul>

# Insurance bundling in Kenya

## Roles and shared values

PARTNER	ROLE	BENEFITS
<p><b>Kenyan Government</b></p>	<ul style="list-style-type: none"> <li>• Awareness platform.</li> <li>• Policy formulation.</li> <li>• Extension services.</li> <li>• Partnership and product endorsement.</li> <li>• Premium <b>subsidy payment</b>.</li> </ul>	<ul style="list-style-type: none"> <li>• De-risking Agriculture.</li> <li>• Less budgetary support on disaster and efficiency in response.</li> </ul>
<p><b>Input company</b></p>	<ul style="list-style-type: none"> <li>• Premium financing.</li> <li>• Input quality and bulk distribution.</li> <li>• Bundle insurance with input package</li> </ul>	<ul style="list-style-type: none"> <li>• Brand positioning.</li> <li>• More revenue.</li> <li>• Reaching and impacting lives of farmers.</li> <li>• Valued relationship building with farmers.</li> </ul>
<p><b>Agricultural insurance service provider</b></p>	<ul style="list-style-type: none"> <li>• Originating innovative product.</li> <li>• Fronting business to underwriter/Re-Insurers.</li> <li>• Bundling and partnership development.</li> </ul>	<ul style="list-style-type: none"> <li>• Product commission and management fee.</li> <li>• Brand positioning in the rural areas.</li> </ul>



# Distribution

- Agricultural inputs shop is the face of both insurance and input.
- Agro-dealer is the alternative distribution channel for insurance at no cost.
- Regular training are organized at the fields.
- Heavy and targeted (Seasonal) Investment on marketing through community radio station and endorsement by Government is key.

# Challenges to insurance bundling model

- Low financial literacy among the targeted farming community on need for insurance.
- Transformation from subsidy programme to insured own premium payment.
- Agriculture risk are beyond production...
- Targeted agriculture enterprise ( produce) price volatility .
- Basis risk.
- Demand driven extension services.
- Mismatch of farmers extension officer ratio.

## **2. CREATE SYNERGY BETWEEN INSURANCE SECTOR PLAYERS AND AGRICULTURAL INPUT SUPPLIERS.**

It has to be a public private partnership supported by Kenya Government agriculture insurance policy developed through a participatory approach.

### **Government :**

- Yield data collection, policy ,
- Quality and standards (insurance and input)
- Premium subsidy for the vulnerable.

### **Insurance company:**

- product structuring and underwriting.
- Pool approach (consortium).
- Explore use of Agro dealers to overcome limited distribution network in the rural areas.
- Develop product that de-risk the value chain not production only.

# Create synergy...in Kenya

## **Agriculture insurance service provider:**

Loss adjustment(crop cutting Exercise)

## **Input suppliers:**

- Association of Agro dealers membership is critical in self regulation.

## **Crop enterprise and seasons:**

- Agriculture insurance follows Agronomical cycle hence the need to have insurance cut-off dates.
- Supplies and stocking should be available when needed to avoid disputed claim losses.
- Government premium subsidy for the vulnerable should be aligned to insurance principles not budget cycle.

# Create synergy .in Kenya

## Insurance regulator

- Allow for non-conventional insurance distribution channels such as input dealers.



**Popular programme supported and promoted by  
Kenyan Government on a PPP.**

- Kenya Agriculture insurance programme(**KAIP**)
- Kenya Livestock insurance programme(**KLIP**)
- **KAIP**: smallholder farmers(<20) for 50% premium subsidy from Government.
- **KLIP**: Target pastoralist with <5 tropical animals for 100% premium subsidy.

# Your take home

- **Data** :Alternative data satellite and ground truthing
- **Technology**: mobile network and machine learning.
- **Input and Agriculture credit**: Insurance is a must
- **Processes**: Automated operations.
- **Insurance consortium (Pool)** : Capital retention in Kenya.
- **Input and Agriculture service provider**: Keep insurance costs low and processes scalable.
- **Kenyan Government premium subsidy**: Attractive to more players and create synergy.



Thank you