Agriculture Insurance Experience

Rahab Kariuki , Acre Africa

About Acre Africa

- **Micro-insurance product designer** linking stakeholders to agricultural insurance through localized solutions to reduce climate risks
- **Licensed insurance intermediary**, supporting local insurers to offer smallholder-focused insurance across value chains
- Offices present in **Kenya, Rwanda and Tanzania, projects in Uganda.**
- 26 professional staff with expertise in Insurance, Agriculture and Veterinary Sciences, Actuarial Science, Marketing, Strategy and Finance

Founder and Main Shareholder

syngenta foundation for sustainable agriculture

Impact Investors

LUNDIN FOUNDATION

LGT Venture Philanthropy

GRAMEEN CRÉDIT AGRICOLE Microfinance Foundation

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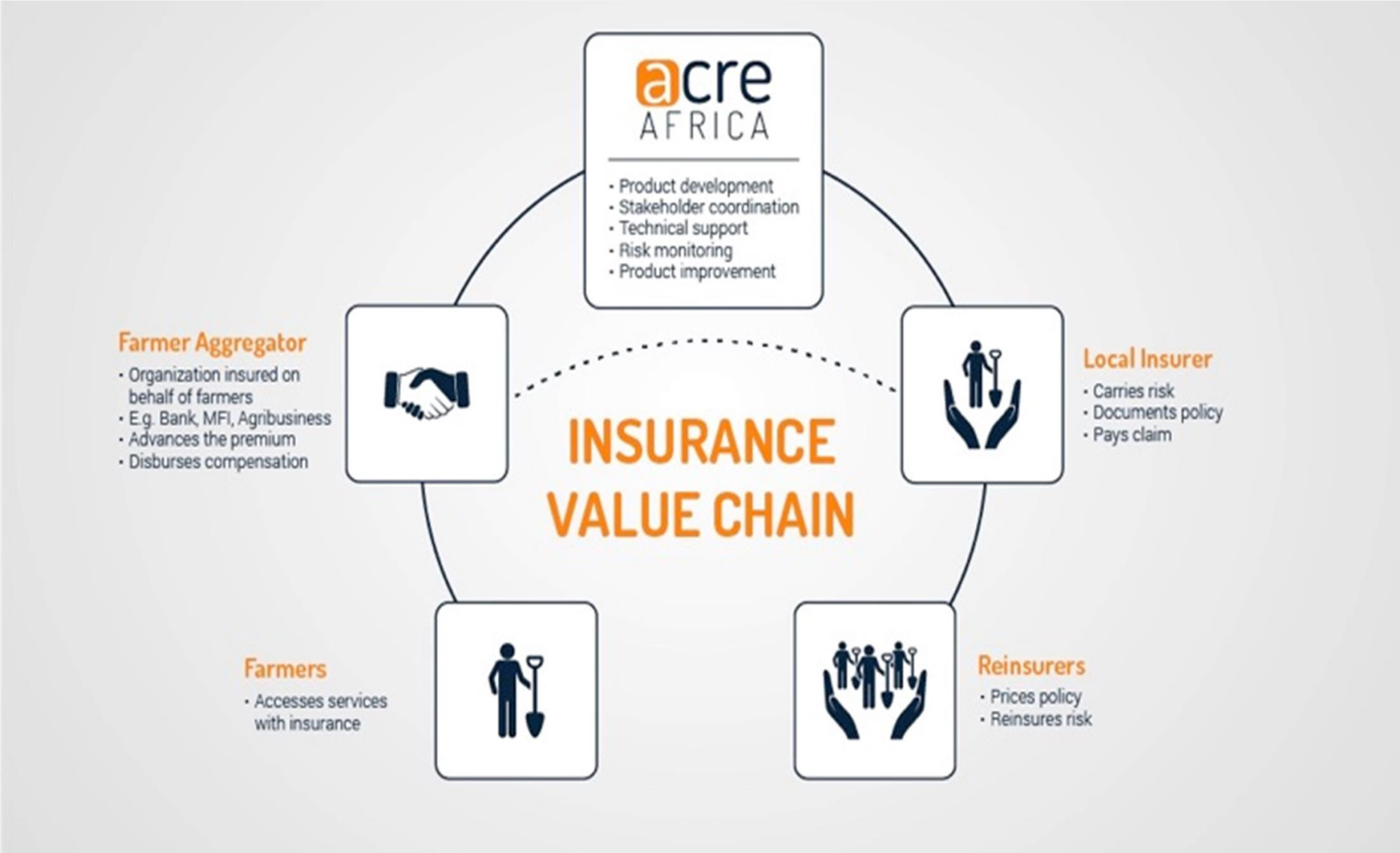
Acre Africa's Role on the Value Chain



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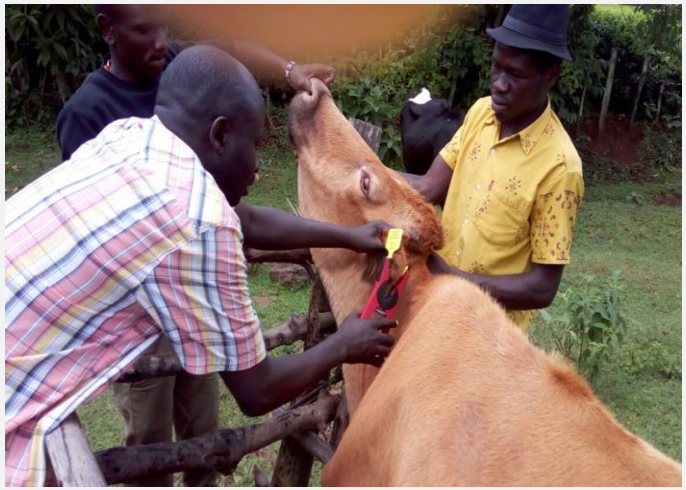
Available Products in East Africa

MPCI- inspection based yield guarantee

Seed insurance, Season weather and Area Yield index

Livestock Index Based Insurance



Dairy Insurance-Indemnity based

Hybrid- Index and MPCI

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Challenges in Agriculture Insurance Policy in EA

Most risk management strategies applied have been ex-post approaches (Relief food/aid). East Africa governments now moving towards ex-ante strategies -Livestock index and Area Yield Crop Insurance

Implementation challenges:

- Exploitation by farmers and politicians,
- Technical Assistance
- Communication and efficient distribution.

Required:

- Design the right framework, to facilitate the development process, and to provide the necessary financial and non-financial support
- Build up capacity within Government (Concerned Ministries, Insurance Regulatory Authority) to assess product value to farmers
- Local Reinsurance underwriting capacity

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Implementation Challenges

1. **Farm budget prioritization** – Competing needs for low household income
2. **Scaling up** – partnerships are critical for market reach. Well organized aggregated systems are few.
3. **Financial Literacy-** Need simple products, complex design
4. **Basis Risk** – the risk that the actual loss on the ground does not match the index measurement
5. **Data availability & reliability** – collection of data by governments, private institutions etc.
6. **Asymmetric information** –Fear of moral hazard and adverse selection leads to high premium, farmers in turn subscribe less to expensive products
7. **Concentration risk** deters more competition on the supply side
8. Low volumes lead to an under developed Reinsurance market

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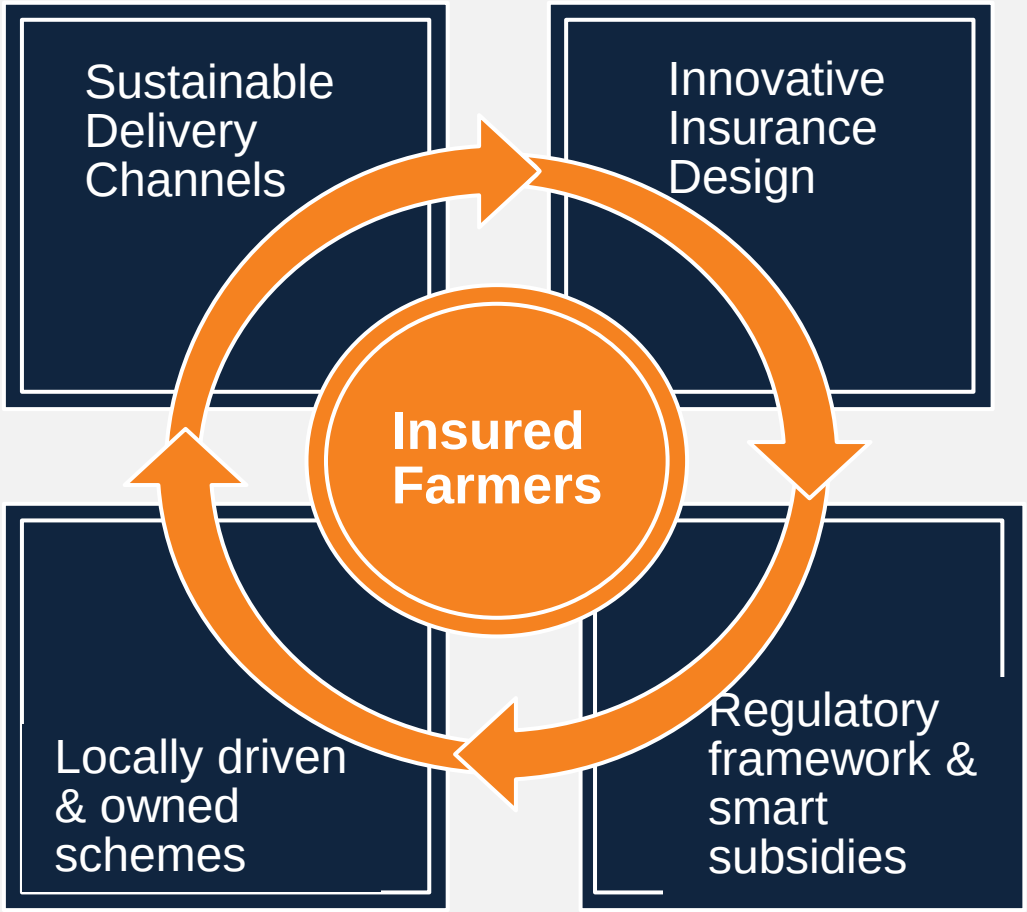
Wholesome Risk Management to Cope with Extreme Weather Events



- Catalyze climate risk resilient risk management systems
- Incentivize risk reduction and adaptation

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Recommendations

Stimulate demand.
A proven communication strategy in the short term

1

Set up a Technical Advisory Facility.
Data collection and pricing technique can be pre-competitive

2

Design Smart Subsidies.
Government and other agencies to participate

3

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Conclusion

The situation in East Africa in summary:

1. Technology makes uninsurable, insurable
2. Index insurance is a proven concept
3. Distribution is key, many pilots yet to reach scale
4. There is “basis” risk . Better data and innovation in product design is needed.

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