Agriculture Insurance Experience

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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**
Acre Africa’s Role on the Value Chain

**Insurance Value Chain**

**Farmer Aggregator**
- Organization insured on behalf of farmers
- E.g. Bank, MFI, Agribusiness
- Advances the premium
- Disburses compensation

**Local Insurer**
- Carries risk
- Documents policy
- Pays claim

**Farmers**
- Accesses services with insurance

**Reinsurers**
- Prices policy
- Reinsures risk
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
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
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
Wholesome Risk Management to Cope with Extreme Weather Events

- **Sustainable Delivery Channels**
- **Innovative Insurance Design**
- **Locally driven & owned schemes**
- **Regulatory framework & smart subsidies**

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

1. **Stimulate demand.**
   A proven communication strategy in the short term

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

3. **Design Smart Subsidies.**
   Government and other agencies to participate
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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