

Global Index Insurance Conference 2017



Global Index
Insurance Facility



DAKAR-SENEGAL
4th and 5th DECEMBER, 2017

DAKAR2017
Global Index Insurance Conference



CROP INSURANCE PRODUCTS FOR FARMERS IN ZAMBIA

- Zambia has 1,000 commercial farmers and 2 million small scale farmers.
- Mayfair made a strategic decision to develop products for small scale farmers to grow the agriculture portfolio.
- Developed weather Index insurance product that uses satellite technology to monitor weather data.
- Satellite data is more widely available and used due to limited number of weather stations.
- 2014/2015 farming season 1500 farmers insured with 1 aggregator.
- 2015/2016 farming season 8,500 insured with 6 aggregators.
- 2016/2017 farming season 18,500 farmers insured 9 aggregators.



POTENTIAL BENEFITS FOR FARMERS

- ❑ Protection from weather events-reduces volatility of income over time;
- ❑ Better and more sustainable access to inputs and credit;
- ❑ Reduces burden of repaying input loan in bad years;
- ❑ Increases yield due to more investment;
- ❑ Easier access to farm inputs in bad years;
- ❑ Allows farmers to replant and try again;



WHAT DID WE DO AND WHY?

WHAT DID WE DO?	WHAT WAS THE OBJECTIVE?
Partnering with contract farming buyer	Scaling up is crucial and partnering with agri-business is a route to scale up(bundling with credit)
Weather Index Insurance for approx. 28,000 farmers	Reduce risk for farmers/business, increase take-up, better access to inputs
Sharing insurance premium between farmers and agri-business	Make product affordable, reward farmers, incentivise higher yields
Used Satellite technology	Give insurance access to all farmers on an accurate basis
Partnering with reputable regional and international reinsurers	Build internal capacity for sustainability of these programs (claims paid on time hence increased client value)
Customer education campaigns	Understanding of insurance products, better relationship, lower side-selling
Digital Claims Monitoring	Speedy claim pay-outs
Impact Evaluation	Understand impact on yields and reduced side-selling



IMPACT OF THE PRODUCTS (2014-2017)

- Access to insurance 28,000 farmers (in 300+ locations in Zambia) for weather-index insurance;
- USD 600,000 in Premium (2014-2017) and USD 800,000 in Claims;
- Reduction in side-selling and increased farmer deliveries to contract farming companies in some documented cases;
- Tool for incentive based contract farming (to encourage loyalty for farmer sign-up and renewals);
- Tool for rewarding lead farmers or more loyal farmers and to influence planting and selling behaviour;
- Positive feedback from farmers and field staff on Weather Index .



SUMMARY OF TYPES OF AGGREGATORS IN ZAMBIA

TYPE OF AGGREGATOR	CROP	EXAMPLE
Contract Farming	Cotton, Soya	NWK Agri-Services, Alliance Ginneries
FISP	Maize, general Drought cover	E-Voucher scheme over 2 seasons
Farmer organizations	Maize	District Farmers Associations
Input suppliers	Maize	Seed and Fertilizer companies
Banks	Soya	Financing farmer groups
Out grower scheme	Legumes	Growing Legumes as part of conservation farming
Development agencies	Soya	Part of youth program



SUMMARY OF INDEX EXPERIENCE

NAME OF AGGREGATOR/ INSURED	YEAR/ FARMING SEASON	NUMBER OF INSURED FARMERS	TOTAL SUM INSURED	TOTAL PREMIUM (ZMW)
GOVERNMENT				
FISP/ Musika	2016/2017	2,880	1,728,000.00	288,000.00
FISP/ Musika	2015/2016	1,750	2,164,400.00	104,973.00
NGO's				
World Food Program (WFP)	2015/2016	500	846,525.00	104,969.00
International Labor Organization (ILO)	2015/2016	500	1,848,000.00	89,708.00
World Food Program (WFP)	2016/2017	2,845	5,032,021.00	850,000.00
International Labor Organization (ILO)	2016/2017	3,000	4,856,065.00	403,053.00
Food and Agriculture Organization (FAO)	2016/2017	1,349	4,962,305.00	356,798.00
PRIVATE SECTOR				
NWK-Agro Services	2015/2016	200	23,650,000.00	1,076,075.00
Alliance Ginners	2016/2017	1,800	180,000.00	15,000.00
NWK-Agro Services	2016/2017	6,037	1,837,200.00	153,099.00
Zambia National Farmers Union	2014/2015	3,000	4,109,400.00	45,016.00
ZNFU/ Lima Credit Scheme	2015/2016	6,000	8,654,294.00	335,786.00
Mumbwa District farmers Association	2016/2017	588	1,222,000.00	61,000.00
TOTAL		30199	61,090,210.00	3,883,477.00

CURRENT SEASON

NAME OF AGGREGATOR/ INSURED	YEAR/ FARMING SEASON	NUMBER OF INSURED FARMERS	TOTAL SUM INSURED USD	TOTAL PREMIUM (ZMW)
FISP	2017/2018	1,024,000	174,080,000.00	10,240,000.00
WFP	2017/2018	3,442	721,250.00	112,000.00



CHALLENGES

CHALLENGE	WHAT WE HAVE DONE TO OVERCOME
Basis risk	Some limited ground verification and provision within the policy to make pay outs based on this. Automated rain gauges and automated weather stations as in the case of WFP
Lack of internal actuarial services	Training of internal staff with the assistance from our partners to reduce the role of external consultants who are expensive.
Lack of technology	Used satellite data but internal systems not suitable for WII hence use of spreadsheets.
Distribution - Limited branch network	We rely on our the network of our partners to distribute the product and disseminate information.
Effects of Climate change(High Claims ratios)	Consolidated panel of reinsurers with expertise and financially sound
Farmer Education	Continuous sensitization of farmers which is long term





Thank You for Listening!!

