GIIF conference session - Bundling of Agriculture Insurance
About ACRE Africa

- ACRE Africa specialises in the development of agri-insurance products and their route to market.
  - **Micro-insurance product designer** providing expertise and experience in linking stakeholders to agricultural insurance through localized solutions
  - **Licensed insurance intermediary**, supporting local insurers in Kenya, Rwanda and Tanzania to offer smallholder-focused agriculture insurance across value chains
- ACRE Africa, has 3 impact investors; Syngenta Foundation, Lundin Foundation and Grameen Credit Agricole

In 2017 (YTD), over 300,000 farmers in Kenya, Tanzania and Rwanda were insured through products designed by ACRE Africa.

Cumulatively reaching over 1,000,000 since 2009.
 Identified Gap

- Small holder farmers make up 80% of farmers across Africa.
- There is increased adoption of risk reduction initiatives that enable small holder farmers to maximize on land and water resources.
- These initiatives need greater investment by farmers.
- A poor season, characterized by production and/or climate risks, can result in farmers loosing this investment.
- ACRE Africa develops agri-insurance products that incorporate the risk reduction initiatives adopted resulting in suitable and affordable products.
ACRE Africa’s Bundling Approach

Bundling enables products to ‘borrow’ value from each other.

Consideration for bundling
- Established market and distribution channel
- Lower aversion to purchase
- Value across different timelines

**Input**
- A germination linked seed replacement product with SeedCo in Kenya and Tanzania

**Credit**
- A whole season cover bundled with credit from Vision Fund Tanzania extended to contract farmers in Northern Tanzania

**Composite**
- A group-based whole season crop cover bundled with a last expense cover for the dependents of the policy holder.
Credit and Agri insurance - Complementary or Competitive?

Ideally insurance decreases farmer risks, encouraging investments and wealth creation.

**Status Quo**

- Farmer lacks capital for inputs
- Borrow money
- IF...drought or crop failure occurs
- Farmer loses the crop, can't repay loan
- Farmer sells assets to repay loan and reduces subsequent farm investment
- Bank recovers outstanding loan, Farmer increases farm investment in subsequent seasons

**With Micro-insurance**

- Agri-loans with insurance
- IF...drought or crop failure occurs
- Farmer gets a payout and recovers investment
- Bank recovers outstanding loan, Farmer increases farm investment in subsequent seasons
Credit Linked Insurance – Bundling Value Proposition

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<th>Portfolio Growth</th>
<th>Social Impact</th>
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<td>Increased lending due to increased investment confidence by farmers</td>
<td>Improved farmer livelihood due to increased access to financial services?</td>
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<th>Portfolio Protection</th>
<th>Product Differentiation</th>
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<td>Reduced non-performing loans</td>
<td>Increased value proposition and competitive edge</td>
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Agricultural Insurance - Potential Benefit
Snap Shot – Farmer’s Perspective

Farmer: Apollo Chamwela  
Region – Manyara, Tanzania  
Age: 48  
Family: Married with 3 Children

Context

Farmer for 10 +years. In the past would farm 8+ Acres with poor inputs and poor farming practices and harvested 2-3 bags of maize per acre. Currently, through membership to a Tanzania farmers’ organization that gives lessons on good farming techniques and access to agri-insurance to members, Apollo decided to invest fully in 3 acres.

Agriculture and Insurance

Apollo followed good farming practices using improved seed and use fertilizer optimally. He did this targeting to harvest 20 bags per acre. Unfortunately his area was affected by drought and he harvested 8 bags per acre. This was still a good harvest compared to other farmers in the area who did not apply proper farming practices and quality inputs. Additionally, Apollo had insurance for his crops and was able to be compensated. From his harvest Apollo was able to sell part of the crops.

Financial Inclusion

Apollo has a bank account, but it has been dormant because he has no money to deposit. However, he expects to start using it fully following his successful season.
Credit Linked Insurance – Insurer’s Focus

- Market surveys
  - Product Suitability
- Risk Reduction
  - Product Affordability
- Non-conventional distribution channels
  - Product Accessibility
- Internal SOPs
  - Product Experience
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  • www.acreafrica.com