



ROLE OF AGRICULTURE INSURANCE IN DELIVERY OF THE SOCIAL PROTECTION AGENDA



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Introduction

Agriculture as a percentage of GDP

- 30% to 40%

Agricultural Dependency

- 65% to 70%

Farm Size

- Average 2 Ha

Infrastructure

- Limited Irrigation, Information, Transportation networks

Population

- 1.2 Billion Approximately

Land Size

- 30.37 Kilometers square

Introduction

Agriculture is the main economic activity in most African Countries contributing greatly to GDP and is the main source of livelihood for a majority of the populace.

Over 70% of Africa`s population rely on agriculture for survival and yet less than 1% are protected from production disruptions through insurance.

The growth of agriculture insurance in Africa is still on the formative stages with great potential for growth.

Most governments are beginning to consider insurance as an efficient and effective way of addressing catastrophe social protection measure pre-disaster.

Asset Values are high: South Sudan`s livestock population is estimated to have an asset value of 2.2 billion dollars — one of the highest per capita holding in Africa

Why Insurance?

Agriculture is exposed to a myriad of risks

- Climate change and variability
- Increasing population
- Changing land tenure dynamics

Current response systems aren't adequate

- Aid (food or cash) – post disaster
- Restocking – very expensive
- Subsidies
- Often systems are slow, inefficient and expensive

Need for cost effective, efficient interventions

- Finance
- Adoption and adaptation
- Sustainable and impactful strategies

Insurance as ex-ante disaster management can help achieve key policy objectives

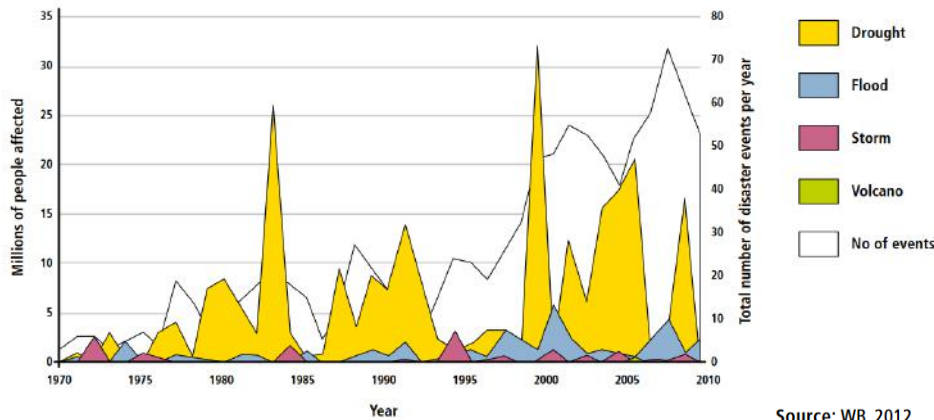
- Reduce Government's liability to agricultural shock
- Reduce vulnerability & food insecurity and support livelihoods
- Provide social protection to the poor
- Increase farmers' access to inputs and credit
- Improve agricultural productivity

Climate Change and Crop Production Risks in Agricultural Production

Agricultural production and crop yield is exposed to various risks:

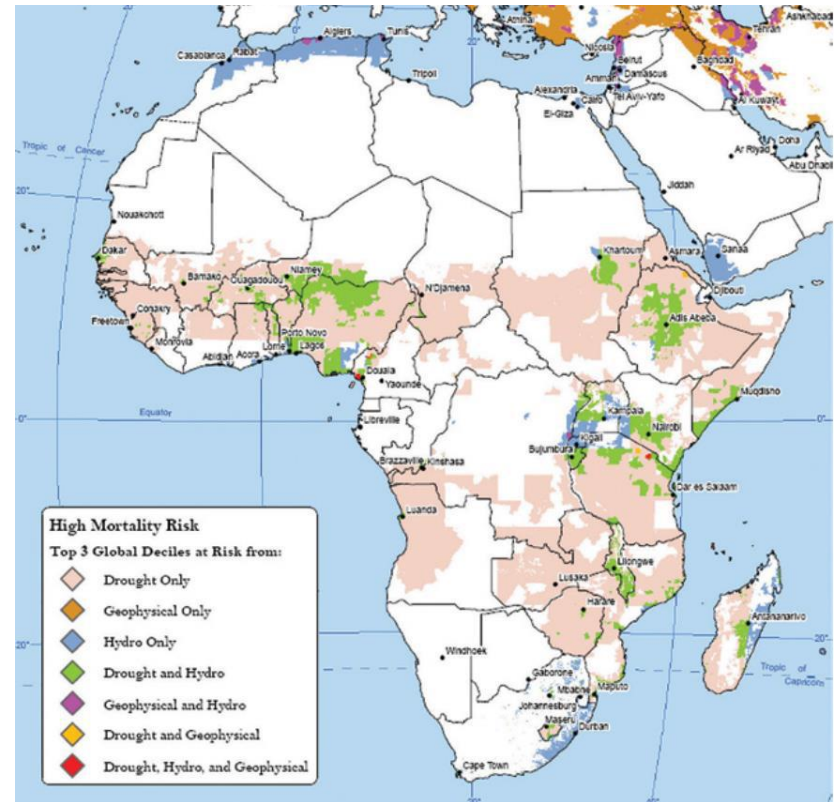
- Drought
- Flood
- Storm
- Hail
- Pest and diseases
- Frost (RSA)

Number of reported disasters, type and number of people affected in Sub-Saharan Africa



Source: WB, 2012.

Distribution of hazard risk hotspots in sub-Saharan Africa



Source: de la Fuente and Dercon, 2008.

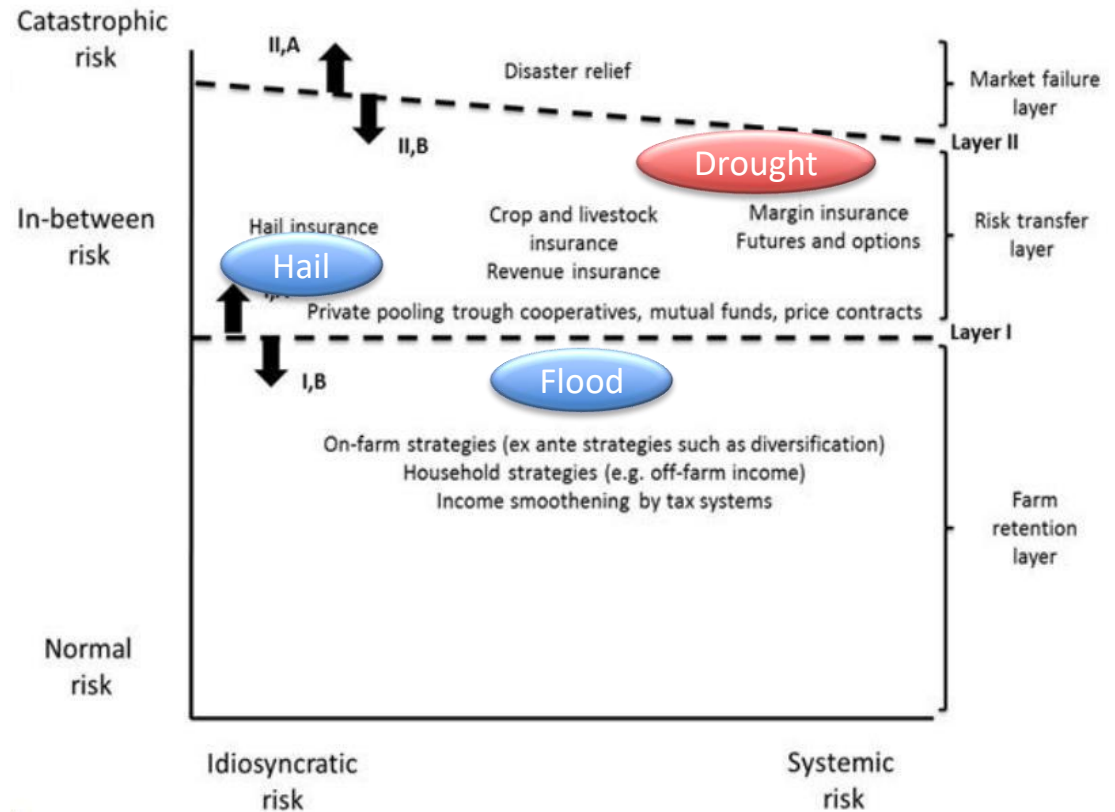
Classification of Risks

Risks can be classified according different dimensions based on:

- Intensity
- Frequency

Or based on their impact:

- Normal – Catastrophic
- Idiosyncratic – Systemic



IMPACT OF DROUGHT EXAMPLES

Ethiopia

- 2008 52% mortality
- 2011 23% mortality

Kenya

- 2008-2011 8.9 billion USD – 9% of livestock died
- long term loss 1 billion USD per year or 2% of GDP

Somalia
2017 3.3 billion USD loss

Uganda

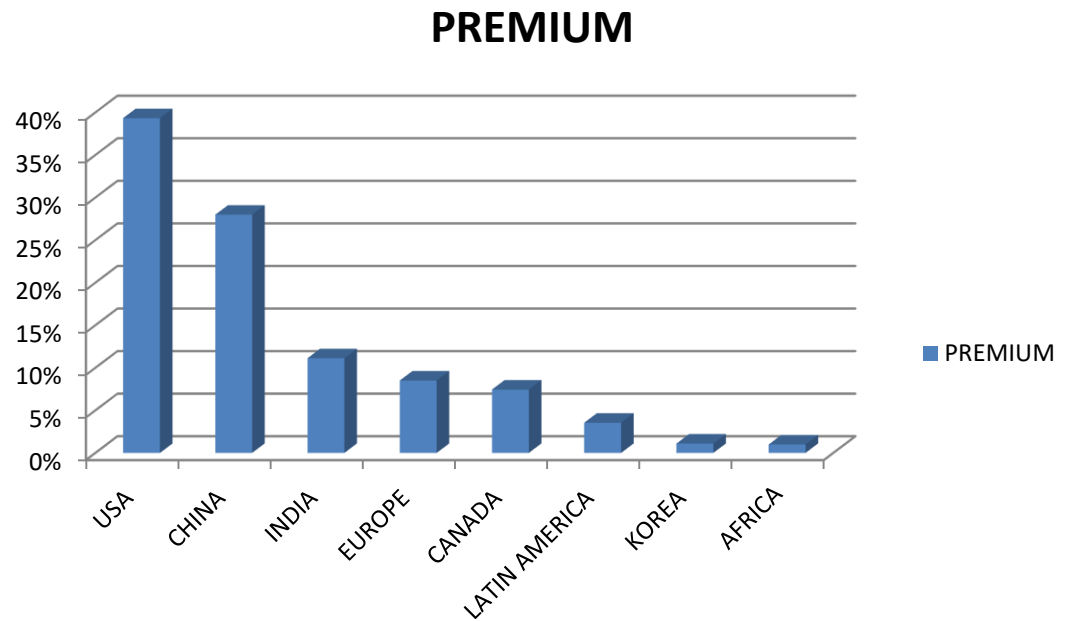
- 847 million USD
- 2011 907 million USD



STATUS OF AGRICULTURE INSURANCE IN AFRICA

Distribution of total written premium globally

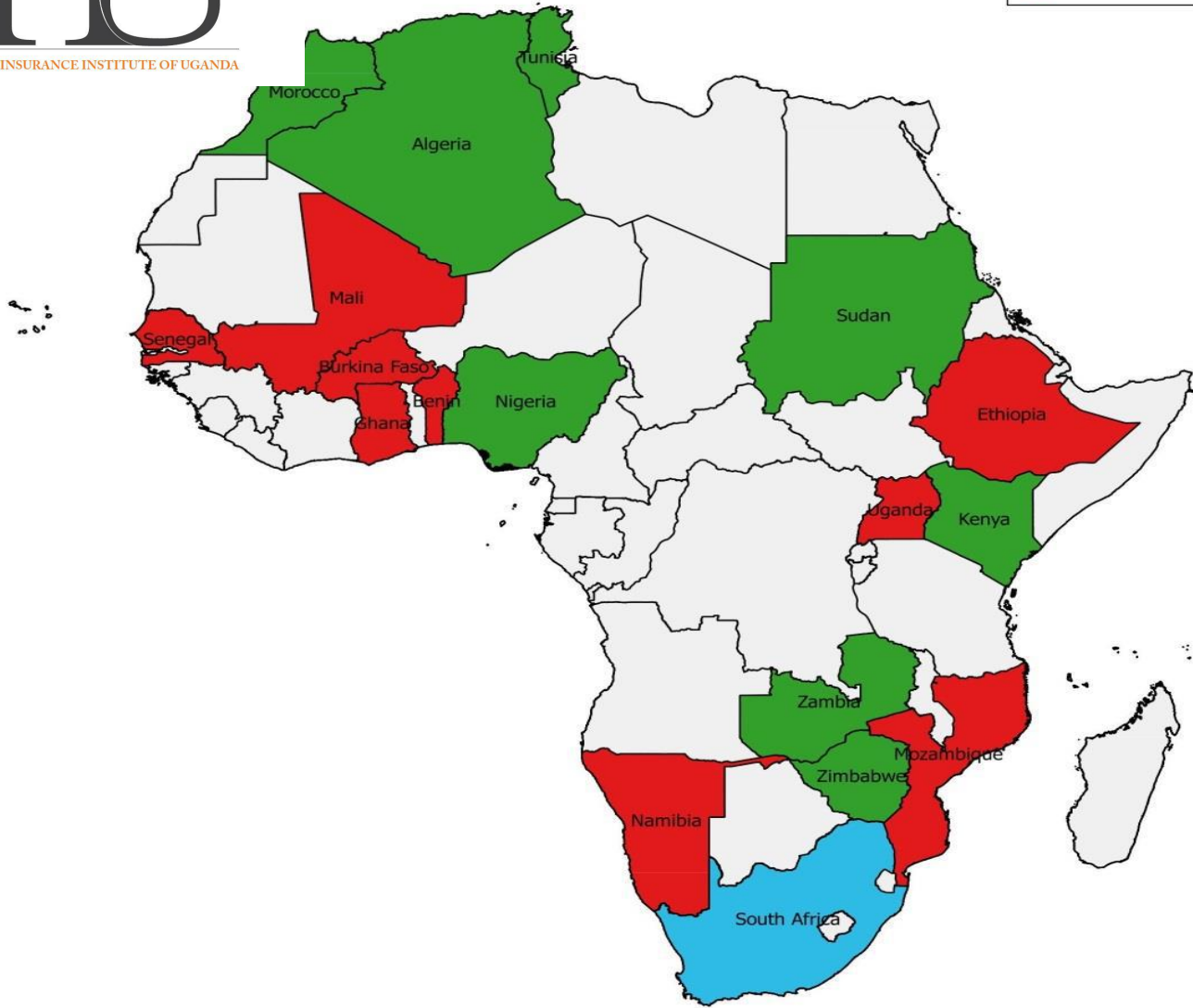
COUNTRY	PREMIUM (USD)
USA	11.1B
CHINA	7.9B
INDIA	3.14B
EUROPE	2.4B
CANADA	2.1B
LATIN AMERICA	1.0B
KOREA	310M



As at 2018, the total premium volume for Africa stood at approximately USD 280million out of which estimates show USD 150million was from South Africa and the rest from the other countries i.e. Morocco, Zambia, Zimbabwe, Algeria, Tunisia, Kenya, Ethiopia as some of the key contributors

Agri Business in Africa

- >30mn EUR
- 5-30mn EUR
- 1-5mn EUR



Source: Allianz

AGRICULTURE INSURANCE IN DEVELOPING WORLD



80%

OF FOOD CONSUMED IN
LOW INCOME COUNTRIES
IS PRODUCED BY
SMALLHOLDERS

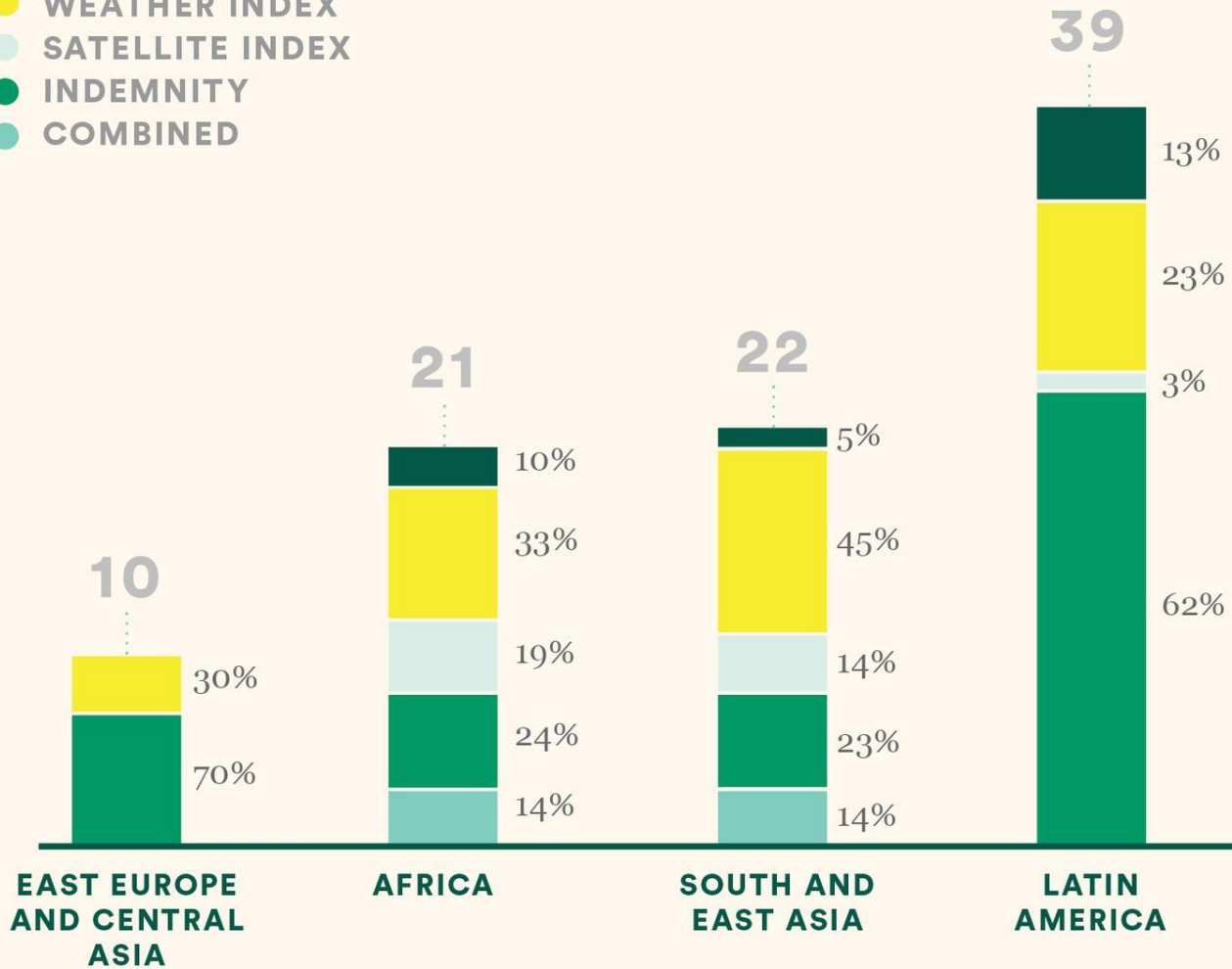


Source: InsuResilience Solutions Fund 2018

IT IS ESTIMATED THAT THERE ARE ~100+ AGRICULTURE INSURANCE SCHEMES THAT ARE BEING TRIED ACROSS THE DEVELOPING WORLD

PROFILED AGRICULTURE INSURANCE SCHEMES BY REGION

- AREA YIELD
- WEATHER INDEX
- SATELLITE INDEX
- INDEMNITY
- COMBINED



INSIGHTS

- Regions with a strong background in public welfare have seen multiple indemnity backed insurance schemes such as in Latin America, Europe and Central Asia
- Lack of suitability of indemnity-based insurance schemes in countries in Asia and Africa has led to pilots of weather and satellite index being tried
- Area yield, has generally been an expensive product and has seen limited global uptake

Source: InsuResilience Solutions Fund 2018

The Role of PPP in the Growth of Agricultural Insurance

Country	Type of Agricultural Insurance market	Government Premium Subsidies	Total Agri-insurance premiums (USD Million)	% of Total Global Premium Volume	Agricultural GDP (US\$ Million)	Agricultural Insurance penetration (% of Ag GDP)
USA	PPP (MPCI); Private (Hail)	7,410	11,400	49%	175,699	6.49%
China	Public-Private Partnership	2,034	2,543	11%	918,138	0.36%
Canada	Public	690	1,379	6%	n.a	n.a
Japan	Public-Private Partnership	600	1,200	5%	71,568	1.68%
Spain	Public-Private Partnership	602	926	4%	n.a.	n.a.
India	Public-Private Partnership	437	673	3%	320,458	0.19%
Russia	Public-Private Partnership	276	552	2%	78,856	0.98%
Argentina	Private	0	450	2%	n.a.	n.a.
Brazil	Public-Private Partnership	215	430	2%	129,382	0.35%
Turkey	Public-Private Partnership	150	300	1%	69,693	0.43%
Mexico	Public-Private Partnership	133	260	1%	n.a	n.a
South Africa	Private	0	153	1%	n.a.	1.77%
Australia	Private	0	150	1%	61,682	0.24%
Rest of World		617	3,084	13%		
World		13,164	23,500	100%		

Sources: Brexit countries SwissRe 2013; Boissonade 2015; Authors. Authors estimates of Government premium subsidies (2011 figures)

Support to agricultural insurance is critical and could be in a variety of ways:

Data collection and management

Premium subsidies

Registration & awareness raising for beneficiaries/ policy holders

Training for distributors

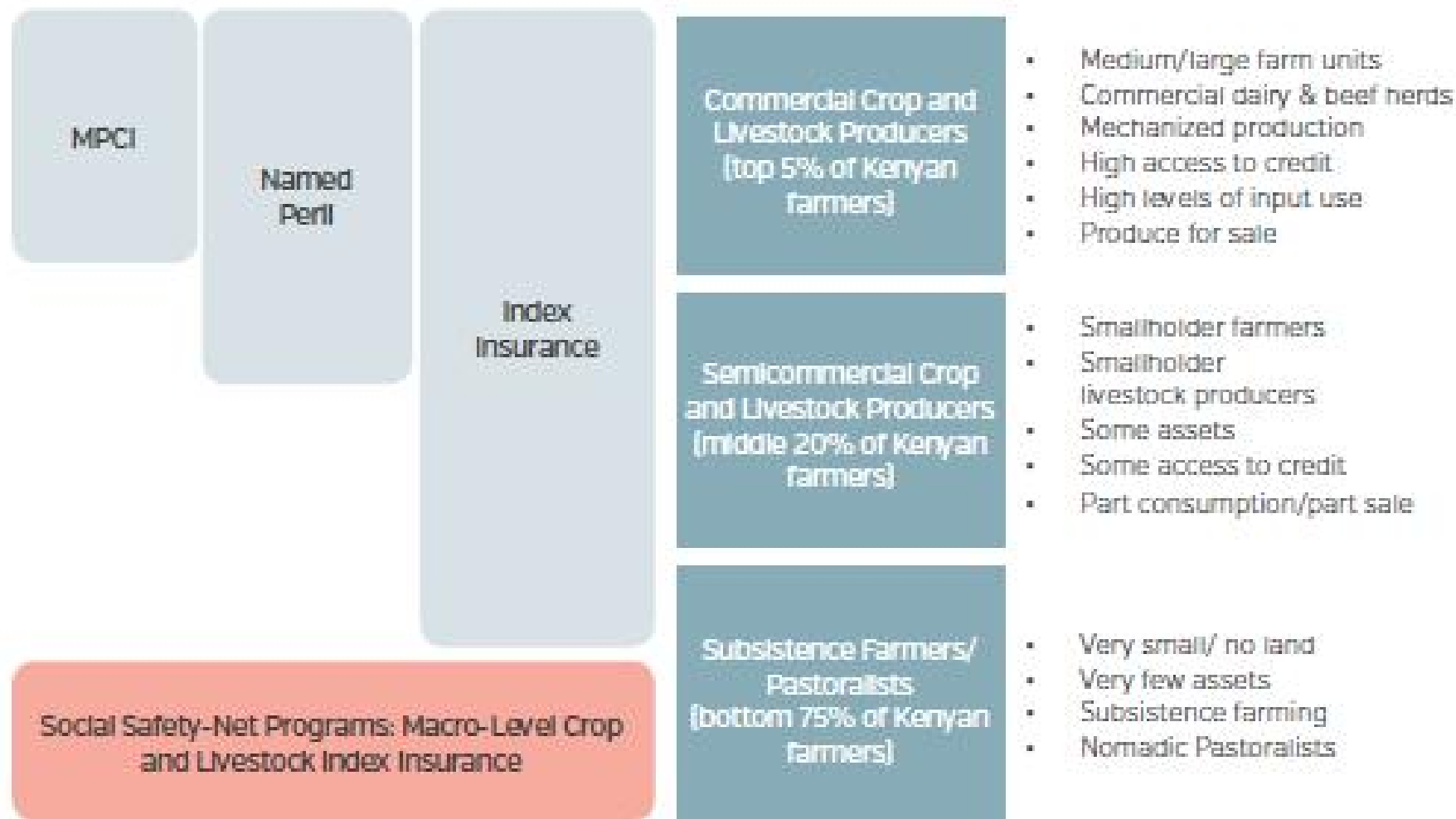
Capacity building for insurance industry

Product research and development

Administrative & operating expense reimbursement

Catastrophe loss protection

Policy objectives inform the choice of appropriate products



Source: World Bank



CASE STUDY: INDEX BASED LIVESTOCK INSURANCE

THE CASE FOR IBLI

Piloted in 2010 in Marsabit Kenya by the International Livestock Research Institute after 3 years of **research activities**.

Later expanded to other regions in Northern Kenya and Southern Ethiopia (Borana region)

Product initially offered to predict livestock mortality and compensate pastoralists based on the predicted mortality

After continuous monitoring and surveying the product was changed and is now being offered as a pasture Vegetative Index Insurance that protects pastoralist against lack of pasture as a result of drought

Impact Result Study evidence:

- Increased investments in maintaining livestock through better feeding and vet care services
- Increase in milk productivity per animal
- 36% reduction in likelihood in distress livestock sales
- 24% reduction in likelihood of reducing meals as a coping strategy especially with those who have small herds



THANK YOU!

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