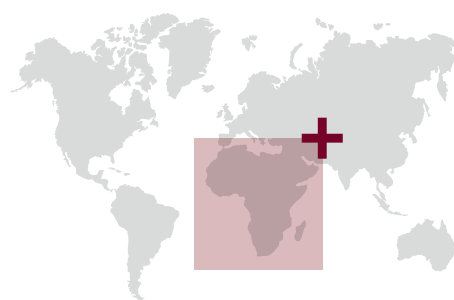


Piloting Index Based Livestock Insurance in Marsabit



AT A GLANCE

Name

Piloting Index Based Livestock Insurance (IBLI) in Marsabit

Duration

January 2010 – April 2013

Focus area

Kenya

Target group

Pastoralists in Kenya's Marsabit District

Funds available

Confidential

The project is jointly implemented by ...

ILRI, along with its partners Cornell University, the BASIS Research Program at the University of California t Davis, and Syracuse University. The insurance product is commercialized by Equity Insurance Agency, UAP Insurance Company and Swiss Re.

The core objective is ...

to protect households from the economic shocks of livestock mortality due to drought

BACKGROUND

In recent years the droughts in Kenya's arid and semiarid lands (ASALs) have become increasingly severe with devastating effects on the local population. Livestock insurance is critical in drought-prone countries like Kenya. 2011, Kenya suffered one of the worst droughts in its history which killed up to 30% of the country's livestock. Some of the divisions in Northern Kenya. In 2000, the Government of Kenya indicated that 60% of Kenya's livestock are found in the pastoralist land, valued at approximately \$6 billion, with an annual milk value of between \$67 - \$107 million.

APPROACH

The IBLI product was first launched in January 2010. It began with a pilot phase to test both the commercial viability of the product and the impact on the welfare of the target population. The project is designed to protect households in the Marsabit District of Kenya from the economic shocks of livestock mortality due to drought. Marsabit has a population of approximately 30,000 households and a livestock population of 120,000 cattle, 1 million sheep and goats, and 76,000 camels.

The availability of grasslands was estimated through satellite images and setting up a Normalized Difference Vegetation Index (NDVI) based on which an index for livestock mortality was established. This helped estimate mortality among livestock in times of drought and a quicker payout to the pastoralists.

Challenges

The point of sales (POS) set up was delayed forcing the use of vehicles to physically reach and collect premiums from the pastoralists, thereby increasing the distribution costs considerably.

A mobile phone information dissemination system was also set up. However, lack of **network coverage from local mobile service provider** and poor reception in areas with limited coverage created challenges in mobile phone information dissemination system.

Lack of carrier fee from some agents hindered phone as a form of payment channel; additionally some agents forgot how to use the phones and some mistakenly deleted the software and the application designed to support the sales.

ILRI received funding from the Facility to carry out a project to support three specific activities around the Index Based Livestock Insurance (IBLI) product and processes: marketing and communication, training and extension, and insurance operations and delivery channels.

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Lack of early preparation for local capacity building on the part of the commercial partners in January/February 2012 affected sales and distribution arrangements.

Liquidity problems reduce demand for the product: Most pastoralists do not keep cash, and would try to sell their livestock to raise the insurance premium. However, the sale windows coincide with the dry seasons when the price of livestock is very low. This discourages the pastoralists from selling their livestock in order to buy insurance.

Opportunities

Prolonged drought from August 2010 to October 2011 triggered index and claims were paid out. This provided opportunity for the partners to create awareness about the insurance programme and to recruit more agents to sell the product.

Revised marketing strategy adapted to local context sustained pastoralists' enthusiasm for the product even though previous two risk periods had not triggered the index and no claims were payable.

Livestock insurance changes households' economic decisions and welfare: Insured households expect to receive a payout in the near future, and intend to use the bulk of this money to buy food and livestock. As a result they expect that they will not have to reduce their meals, unlike their uninsured counterparts. While uninsured households, on the other hand, expected to resort to selling their livestock and save cost on meal.



OUTCOME

For a new concept like insurance, constant engagement with the targeted and insured community is important. Consistent engagement builds trust and understanding, and provides the opportunity to discuss how the index relates to the ground conditions. It also helps create a participatory atmosphere of mutual trust which was helpful when sale windows had to be missed. Insurance simulation games were effective in helping pastoralists understand the concept of insurance.

More than 100 claims were paid out and there was widespread agreement that the index and triggers were relevant in the sense that divisions which received payments were those which deserved it, even among those where there was no payout. The payments demonstrate to all clients and to potential clients that the product does pay out in the event of drought. ILRI worked with additional partners to extend IBLI products into other counties in Kenya and into other countries, including Ethiopia. Additional insurance companies participated to carry the risk and more distribution channels were engaged.

Drawing on lessons from the IBLI, Kenyan government, with support from the World Bank and other development organisations, developed a nationwide programme to support the pastoralists and launched the Kenya Livestock Insurance Programme (KLIP) with a consortium of 7 insurance companies. In February - March 2017, the programme has paid out over USD 2million to about 12,000 herders under the scheme.

LESSONS LEARNED

It is critical to maintain continuous contact with the intermediaries and community leaders. Village elders have proven to be some of the most effective insurance spokespersons, using the local languages to explain the benefits of the insurance product and selling the product.

Expanding the reach of microinsurance requires heavy partner involvement and a high level of commitment from each partner. It is important to try out different kinds of partnerships when entering a new area or experimenting with a new concept.



In communities with poor communications infrastructure and low literacy, it is important to leverage rural communication within the community.

It is important to educate the pastoralists about the insurance products before the beginning of the sales period.



CONTACT

ILO's Impact Insurance Facility

E impactinsurance@ilo.org

Index Based Livestock Insurance

Andrew Mude

E a.mude@cgiar.org

Websites

For more information on the project visit:

www.impactinsurance.org/projects/lessons/piloting-ibli-marsabit

For more information about implementing partner visit:

www.ilri.org

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