



Kenyan Experience Product Approval for Agricultural Index Insurance



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Background



- Pilot Index-based Insurance (IBI) products have been sold in Kenya since 2010
- About 7 leading companies are involved in the pilot phase of IBI products
- IRA Kenya is very supportive of the development of pilot IBI products in the Kenyan market
- Kenyan Draft Index-based Insurance Regulations agreed discussed in the stakeholder workshop in 2017
- Pilot products may need to be redesigned once the formal regulations and product approval guidelines come into force. However most features of the current product

Proposed Product Approval Guidelines



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1. IBI products not to require a prescribed minimum premium
2. Submit premiums on file-and-use basis only, one month prior to taking effect
3. State eligibility criteria – determining insurable interest,
4. No waiting or grace period to be allowed for IBI products,
5. Sales, cover windows and any exclusions to be clearly specified
6. Must specify data sources and back-up sources or method to be used to approximate lost/inaccurate data
7. Explain design features included to **minimize basis risk** in an **actuarial report**
 - Specify how index will be measured and results used to calculate the pay-out
 - Interested 3rd party be allowed to receive data and calculate the pay-out themselves
8. Policyholders do not need to lodge a claim – insurer must provide a notice

Consumer Protection Requirements



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Marketing material should explain product and risks

-Explain that pay-out depends on the value of the index and not the actual loss

-**Explain which risks are covered** and which will not be; what index is used to calculate the pay-out and **expected frequency of payout**

-Explain the eligibility criteria for buying the policy

Insurer must specify a complaints resolution process prior to product launch

Pay-outs must be verified, communicated and paid within 30 days

If regulator requires independent validation of index data

-A service level agreement (SLA) is needed with the independent body

-Explain how to resolve conflicts over the data, index values and benefits

-Explain in the SLA the penalties independent body is liable for if it makes mistakes

Kilimo Salama Programme (since 2009)



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- Key providers
 - Acre Africa (insurance surveyor) (support from Syngenta foundation & GIIF)
 - UAP (insurer)
- Coverage against drought, excess rain and storms (maize, sorghum, coffee, sun -flower, wheat, and potato)
- Rain levels monitored using satellite data and automated weather stations
- Premium: 10% cost of inputs (US\$100) (50% subsidised by input manufacturer)
- Enrolment through MFIs, cooperatives, or agricultural dealers (using mobile phone applications), farmer received SMS when registered
- Claims payment automatically made into farmer's M-PESA account
- Kilimo Salama currently insures over 70'000 farmers, premium income over US\$ 2,100,000, average Loss ratio of 61%



Thank you

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