CIC GROUP

# Agriculture Insurance, Innovations & Challenges

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GENERAL •LIFE •HEALTH • ASSET

# Benefits of Agri-insurance

- Insurance is one way of risk mitigation. It gives the farmer some peace of mind when deciding to invest in livestock and crop farming.
- Farmers will invest more in agriculture, thus improving their net-worth. This will increase demand for financing.
- Scarcity and high prices of good dairy animals/heifers and increase in input costs means that a farmer needs to protect what they already have in the farms.

# Continuation….

- Increased lending to agro based enterprises by financial institutions, saccos, co-ops & MFI's.

- Farming is a business-risk associated hence it protects farmer against financial losses due to uncertainties that may cause agricultural losses arising from named or unforeseen perils beyond farmer's control

# Livestock insurance

Livestock insurance covers all animals that are reared in the farm/ranch, these include:

1. Dairy breeds
2. Beef breeds
3. Breeding stock- horses
4. Poultry
5. Pigs
6. Sheep and goats (shoats)

# What is covered

The Policy covers **DEATH** of insured livestock as a result of:

- Uncontrollable diseases, including epidemics
- Complications of calving down (at birth)
- Emergency slaughter on medical grounds-due to pain and suffering or incurable conditions
- Accidents in the farm/ ranch
- Fire & related perils
- Theft in paddock (must be in a zero grazing unit)
- Animals on transit (at an additional premium loading)
- Snake bite poisoning

# Requirements for cover

1. **Animal identification**: The animal must be identified through tagging, boluses etc.

**2. Health Certificate:** animals to be insured must be seen by the vet doc who treats them for the general health examination before start of cover.

**3. Selection**: All animals of the same species have to be insured; there should be NO selection of animals.

3. **Waiting period**: A waiting period of 30 days in respect to diseases for cattle, 14 days for pigs and 7 days for poultry. Losses due to other perils covered from the first day

4. **Age**: Animals over 3 months up to 8yrs for dairy and bulls, Pigs: 14 days to maturity, Poultry: Day old to maturity

# Other notable aspects

**Experience of the farmer**-better terms for experienced farmers, well managed farms.
**Loss history-**the lesser the losses, the better the terms
**Rearing method**-better terms for controlled methods(zero, semi zero grazing, paddocking)
**Livestock numbers**-the larger the herd, the lower the premiums
**Rates**: Depending on all the above aspects livestock rate range as from 3% to 6% of the total sum insured per farm.
However our standard rate is 4% of TSI

# Notable exclusions

1. Mysterious  disappearance of insured livestock
2. Famine and drought
3. Poor animal husbandry, mistreatment of animals
4. Intentional slaughter, culling
5. Fertility, productivity complication.
6. Feed poisoning
7. Tick borne diseases
8. Mastitis

# Cover for poultry

- Poultry can be in three classes-broilers, layers or confined indigenous/ kienyeji
- Birds are covered from day old to maturity on annual basis.
- Rate is 4% of the total value of birds in the farm min ksh 5,000.00 per farm
- Excess: 1-5% of the total sum insured each and every loss.
- Some exclusions include  feed complications, culling, wild animals and other predators

*NB: The scope of cover is similar in all livestock policies*

# Cover for pigs

Pigs farms have pigs in different growth stages, sows, boars, gilts, breeding stocks, piglets etc.

Pigs are covered from 14 days old to maturity on annual basis.
Rate is 4% of the total value of pigs in the farm min Ksh 10,085.00 per farm

Excess: 1-5% of the total sum insured each and every loss.
*NB: The scope of cover and exclusions is similar in all livestock policies*

# Insured responsibility

- Good animal husbandry & management practices
- Proper feeding of the animals
- Offer security for your animals
- Ensure adequate pests & diseases control plus vaccinations
- Adherence to local legal requirements
- Keeping of relevant farm records
- Reporting losses and diseases within the specified deadlines in the policy.

# Claims procedure

The claimant should do the following;

1. Inform CIC office within 24 hrs of loss
2. Call a vet doctor to inspect the carcass immediately and carry out a Postmortem Report
3. Take clear photos of the unopened carcass, clearly showing the animal name/tag number.
4. Complete the relevant claim forms

# Crop insurance

- Started gaining ground in Kenya from year 2007
- More farmers are realizing the need to take insurance for their crops due to risks involved – risk mitigation
- High costs of production, persistent droughts, unpredictable weather & new strains of crop diseases
- Early adopters were large scale farmers doing cereals like wheat, maize & barley but also mall scale farmers are coming in plus green house farmers under horticultural production

# Continuation....

- Currently, only about 8 insurance companies are involved in agriculture insurance in Kenya
- It's relatively new & growing business in Kenya
- In the year 2015 alone, gross premium collected cumulatively by the 8 insurance co. for crops was Kes 215m while the total claims paid by all was Kes 62m
- During the same period, gross premium collected for livestock was Kes 150m while the total claims paid by all was Kes 56m
- Since inception in 2009, CIC alone has paid over Kes 150m in claims over the 6 years

# Perils covered

Yield Losses caused by:

- Drought
- Uncontrollable pests & diseases
- Hail Damage
- Flooding
- Fire & lightening
- Malicious Damage
- Earthquake
- Riot & strike
- Explosion & bursting of irrigation pipes
- Windstorm
- Frost Damage

# Exclusions

**Policy does not cover losses arising out of:**

- Defective Seed
- Management related losses
- Wild animals and birds
- Loss of market and degradation
- Delayed planting and/or harvesting
- Destruction of crops by applying wrong fertilizers, chemicals & pesticides

# Crop Inspections

- Emergence Inspection- to confirm cover
- Midseason Inspection- to monitor the season, preliminary yield estimates
- Pre-harvest Inspections-precise yield estimates
- Loss assessment inspections- on a need basis, as soon as the insured advises after an event

# Cover Computation

- Crop is covered on a yield guarantee(YG) basis(60-70%) of the average long term average yield

- Therefore; Crop cover = Number of acres * Yield Guarantee * Price per bag

# Challenges Involved

- It is a very risky venture; unpredictable trends of weather plus new strains of diseases.
- Very slow uptake of agriculture insurance by Kenyan farmers; few farmers understand it's importance
- Fraudulent claims; forced to spend more on investigations
- Coverage is limited to number of crops
- Difficult to sell since it's optional and not mandatory like motor insurance

# Innovations

- Introduction of Weather Index based Insurance; like the KLIP project by Kenyan govt to insure livestock in Turkana, Wajir, Isiolo, Tana River, Mandera & Marsabit counties

- Introduction of Area Yield Index Insurance; Kenyan govt is providing 50% premium subsidy for maize farmers in Bungoma, Nakuru & Embu counties for up to 5 acres (to be rolled out to other counties)

# Thank you very much

*We keep our word*