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New Season for the Kenya Livestock Insurance Program

The State Department of Livestock of the Ministry of Agriculture, Livestock and Fisheries (SDL-MALF) in Kenya has introduced a large-scale pasture/forage scarcity drought index insurance program in selected counties of Northern Kenya. The insurance program was developed in partnership with the International Livestock Research Institute (ILRI) and the World Bank Group (WBG). The insurance product relies on the Normalised Difference Vegetation Index (NDVI) as reported by the US National Aeronautics and Space Administration (NASA). The raw NDVI images (250m spatial resolution) are aggregated for each insurance unit, corresponding to a county subdivision. The program is an insurance product supported by the Kenyan Government for pastoralists covering five Tropical Livestock Units (TLU) per pastoralist. The maximum payout of the policy is set to KES 14,000 (approx. USD 137) per TLU, which represents the amount needed to buy fodder for livestock in a severe drought situation. The government pays 100% of the premium for the base cover for selected vulnerable households and is expecting local insurers to up-sell the product as well as offer the product on a standalone basis for additional herders.

The Kenyan Livestock Insurance Program (KLIP) started last year with the first insurance period being the Short Rain Short Dry (SRSD) period from October to December. In the first cycle the program covered two Counties in Northern Kenya (Turkana and Wajir) with a total of 26 insurance units. A total of 5,012 farmers were covered during the first season. The vegetation conditions in the first season ranged from “good” to “considerable stress” but it did not reach the level “severe drought conditions”, which would have triggered an insurance payout.

The next insurance period is the Long Rain Long Dry (LRLD) that started on March 1st and will end in September 2016. Initially, the SDL-MALF planned to add two more districts to the scheme for this season. However, the regional extension of the scheme is now only planned for the upcoming SRSD season in autumn.

CelsiusPro was appointed by APA Insurance as the technical adviser for the program. APA Insurance is the lead insurer of the insurance consortium handling the governmental program. CelsiusPro is in charge of (a) processing the raw NDVI images and aggregating them at the insurance unit level, (b) tracking the NDVI records, (c) calculating the underlying indices to determine the payout based on the insurance product specifications from the State Department of Livestock and (d) generating the payout report. Those services are available via an online tool that can be used by all stakeholders of the KLIP to monitor the drought conditions during the policy period and access information on final payouts of the program should the insurance be triggered.

According to Mark Rüegg, CEO of CelsiusPro, the KLIP can be viewed as a great example of a governmental insurance safety scheme using both public-private partnerships and the modern technology to offer a transparent, state-of-the-art product with low administrative cost.

“The penetration of index-based insurance covers to the targeted areas has been slowed down by challenges such as poor infrastructure, illiteracy and the constant migration of livestock owners. The government having purchased Index Based Livestock Insurance Cover for pastoralists in these areas will go a long way towards encouraging inclusive development in the country”, said Ashok Shah, Group CEO of APA Apollo.

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About CelsiusPro:
CelsiusPro was founded in early 2008 and is specialized in structuring and originating tailored index solutions to mitigate the effects of adverse weather, climate change and natural catastrophes. By applying its index logic, CelsiusPro analyzes big data to design insurance products. CelsiusPro’s technology enables smart climate insurance and enhances climate smart behaviour. By reducing distribution, claims and administration cost lower premiums are achieved.