Weather index, area yield index, and satellite-based index insurance -- Kilimo Salama

**Country of Operation:** Kenya  
**Region:** Africa  
**Sub Topics:** Other channels, Data analysis and processing, Client interface, Financial institutions, Subsidies, Premium collection, Claims, Enrollment, Product development, Retailers, Mobile network operators, Partnerships, Consumer education, Impact, Improving value, Demand, Agriculture, Transaction processing, Agriculture

### Organizational Overview

The Agriculture and Climate Risk Enterprise (ACRE), a private commercial company launched by The Syngenta Foundation in June 2014.

### Activities Overview

Kilimo Salama is the the largest agricultural insurance program in Kenya - and Africa ? and the first agricultural insurance program worldwide to reach smallholders using mobile technologies. Farmers can ?try out insurance? by insuring as little as one bag of seed. Insuring one acre of maize against drought costs a farmer ? 37 USD, or 10% of harvest value. Any payout is transferred to the farmer?s ?mobile phone wallet? at the end of the season.

In Kenya and Rwanda, where more than 96 percent of agricultural land is rain-fed and vulnerable to drought and erratic rain, mitigating weather-related risks for smallholder farmers is an important tool for unlocking credit.
Learning Agenda

- What factors can lead to a sustainable business model across the value chain in index insurance? What factors or inputs need to be invested upfront to ensure long-term viability?
- How to price index insurance products in a competitive scenario?
- How effective are farm input providers in distributing index insurance products?
- What factors can reduce spatial and temporal basis risk for index insurance products?
- With which other financial service (or non-financial service) can index insurance be bundled to increase voluntary purchases?

Latest Updates

As of 2014

ACRE has taken over all of Syngenta’s operations in East Africa. The Agriculture and Climate Risk Enterprise (ACRE) will continue the Foundation’s drive with ‘Kilimo Salama’ to reduce the burden of weather and other risks for small farmers.

Lessons

 offerings a holistic solution mitigates weather risks, not just insurance. Profound understanding of agricultural risk enabled the development of customized insurance products using mobile technology, bundled with agricultural advisory services, weather data, local access to quality inputs, and input credit. The project’s products have allowed credit institutions to enter agricultural lending by mitigating weather-related repayment risk.

Locally based knowledge hub of experts was another major success factor. Located in Nairobi, Kenya, ACRE’s team of 30 local and international specialists models crop risks, develops crop indices, manages climate data, develops insurance products, educates farmers, and creates distribution
channels for the insurance.

The differing insurance regulatory environment in each country presents a challenge for setting up index insurance markets. Laws and regulations on the role of agricultural insurance service providers and allowable fee percentages vary by country. New partnerships need to be set up in each country, including government institutions, farmer aggregators, and insurance companies who carry part of the risk.

The greatest barrier to expansion is access to reliable long-term data to base agricultural insurance indices on. For index insurance to be affordable and accurate, 10-20 years of historical rainfall or yield data is required. Collecting, verifying, and analyzing this data is the most time consuming process in product development. Where such data is not available, Kilimo Salama is investing in cutting edge satellite data and testing analysis techniques to generate the most accurate proxy for the farmer experience.

Contributors: The content of this page is from the project's page on the GIIF website.

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