Bundled insurance products for the tea industry -- APA Insurance

Country of Operation: Kenya
Region: Africa
Sub Topics: Other channels, Client interface, Product development, Savings-linked, Agriculture, Agriculture

Organizational Overview

APA Insurance is one of the leading insurers in Kenya with growing operations in neighboring countries. Being one of the first investees of Leapfrog (link), APA Insurance has been actively serving low-income markets since almost ten years. Its microinsurance portfolio includes life, accident and agriculture products.

Project Description

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Activities Overview

Weather risks affect adversely productivity of tea factories and livelihoods of tea farmers and pickers. Kenya has 80+ tea factories, 700,000 tea pickers and 560,000 tea farmers that provide for almost 5 million Kenyans. Tea farmers and pickers are affected by weather risks and have limited protection from these risks through insurance. The major weather risks are drought, hail and frost when less green leaf is produced, less workers are needed to work, less capacity is produced and factories are not able to stay afloat during that period. The market segment is large and has other needs for insurance products. But it has limited insurance literacy and trust.

The project proposes a hybrid solution sold to and through tea factories with a portfolio catastrophic insurance cover for tea factories and integrated savings accounts for tea farmers and pickers (unlocked in case of smaller weather risks; underpinned by mobile technology). This type of product can potentially impact the entire value chain, reduce the losses in the sector and build trust and open up upselling and cross-selling opportunities. The project will test the hybrid solution and get it to scale; and then also test a complementary offering to the same target segment.

Learning Agenda

- How to align the solution to the needs and preferences of tea factories, farmers and pickers?
- How to reach scale quickly? What is the most efficient distribution model (channel, training, incentives)?
- How digital technology can be used to facilitate customer journey and make operations more efficient?
- What are the most efficient options to make the solution more tangible? Can it be bundled with other services?
- Provided the base solution is successful, what are upselling and cross-selling options to increase insurance coverage in the segment?

Latest Updates

With the support from the Facility and fellow, the APA team and AB consultants conducted market research in April 2016. The product pricing is in the process with the support from Risk Shield consultants based on the weather, yield and price data collected so far for pilot areas. The savings platform is under development. The product pilot should be launched later this year.

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