Emerging Insight #:152
Date of Release:December 19, 2018
Subtopics:Agriculture
Source:The Facility

Why Kifiya redesigned its product to cover pests and diseases

Ethiopia’s agricultural sector is precarious and already feeling the effects of climate change. Rainfall is becoming increasingly erratic, with devastating consequences in a country in which 90 per cent of agriculture depends on rainfall rather than irrigation. Protecting smallholder farmers from this climate variability therefore became a priority for the Ethiopian government.

As a result, several insurers, the government’s Agricultural Transformation Agency, the Public Finance Enterprise Agency, Kifiya Financial Technology and the University of Twente joined together to offer a vegetative index crop insurance product to smallholder farmers. The product is based on satellite data that measures the greenness of crops and pays out to farmers in the case of drought.

After the first season, Kifiya carried out a survey with farmers to understand their impressions of the product and to assess the accuracy of the index – in other words, how closely the payment decisions correlated with farmers’ reported experiences of damage.

It found that the index was highly accurate. Only two per cent of farmers felt that the result of the index did not match their experience. However, the field assessment revealed a separate issue: although farmers generally agreed with the results of the index, in many cases they did not believe that the right triggers were being measured. Farmers appreciated the drought cover but were concerned that the insurance did not cover other perils, particularly pests and diseases. These risks are top of mind for many farmers and can happen any year, whereas droughts are perceived as cyclical, meaning that farmers may lose interest in the product during periods of good rain.

Kifiya therefore decided to redesign the product as a hybrid product to accommodate new perils. The new hybrid product uses both the original index, based on satellite imagery, to measure drought and excess rainfall, and a new area yield cover for pests and diseases. This has made the product more attractive and has encouraged other distribution partners to join the scheme.

Find out more about how Kifiya has adapted its product and distribution strategy to reach Ethiopian farmers in this case brief [1].

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