Piloting IBLI in Marsabit: Building delivery infrastructure and fuelling knowledge-based adoption

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Project Basics

About the project

The International Livestock Research Institute (ILRI) seeks to reduce poverty and promote sustainable development for poor livestock keepers and their communities. One tool for managing the vulnerability of pastoralist households, particularly to drought, is index based insurance. ILRI, along with its partners Cornell University, the BASIS Research Program at the University of Wisconsin-Madison, and Syracuse University, have developed a research program that produces market-mediated index-based insurance products targeted at livestock keepers, particularly those in arid and semi-arid lands (ASALs).

ILRI received funding from the Facility to carry out a project to support three specific activities around the Index Based Livestock Insurance (IBLI) product and processes: marketing and communication, training and extension, and insurance operations and delivery channels.

The IBLI product was first launched in January 2010. It began with a pilot phase to test both the commercial viability of the product and the impact on the welfare of the target population. The project is designed to protect households from the economic shocks of livestock mortality due to drought. The product provides compensation in the event of drought-related livestock losses. However, IBLI does not cover livestock mortality due to non-drought related causes such as predators and disease.

ILRI’s commercial partners are Equity Insurance Agency, UAP Insurance Company and Swiss Re. If successful, the IBLI project could be replicated throughout similar districts in Kenya, the greater horn of Africa and the Sahel, and ASALs regions of southern Africa and south Asia.

The target population of the pilot project is the pastoralist population in the larger Marsabit district of Northern Kenya, made up of over 30,000 households with an average total herd of 120,000 cattle, 1 million sheep and goats, and 76,000 camels. In recent years the droughts in Kenya’s ASALs have become increasingly severe with devastating effects on the local population.

ILRI is also carrying out a research study on the determinants of insurance, as well as the impact of insurance on household’s economic decisions and welfare indicators. The evaluation is based on the randomized control trial concept and is conducted through a baseline survey of 900 households. The survey will be repeated annually for 3 years.
## Project Summary

**Project Name:** Piloting IBLI in Marsabit: Building delivery infrastructure and fuelling Knowledge-based adoption  
**Project Start Date:** October 2009  
**Duration:** 2 years  
**Country:** Kenya  
**Product:** Agriculture and livestock insurance – index insurance
Project Updates

Key Indicators

Date of Pilot Launch: 22 January 2010

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<td>638</td>
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<td>Total number of beneficiaries</td>
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<tr>
<td>Number of livestock insured</td>
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<td>1086 TLU</td>
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<td>Sheep &amp; Goats</td>
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<td>Camels</td>
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<td>Total value of livestock covered</td>
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<td>Incurred expense ratio</td>
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What is happening?

As of May 2010

The first round of sales was conducted from January to February 2010. The launch received extensive media coverage.

Equity and ILRI took the lead identifying a training and extension strategy and developed a training curriculum and training manual. All partners were responsible for the training of Master Trainers and Village Insurance Promoters (VIPs) to in turn train the local community. The partners reported having the most success in reaching Master Trainers and VIPs in the main towns. To further provide education and information regarding IBLI, the partners developed and launched a web-based information platform to disseminate information on IBLI.

Equity was responsible for identifying enrollment, sales, and reporting requirements for IBLI.

All partners helped to develop and test the point of sales (POS) software in the field. While this milestone was completed by the end of the first period, the POS setup was delayed forcing the use of vehicles to physically reach and collect premiums from the pastoralists, thereby increasing the distribution costs considerably.

A mobile phone information dissemination system was also set up. However, lack of network coverage from any local mobile service provider and poor reception in areas with limited coverage created challenges in reaching the milestone during the first reporting period. Testing of a system that operates offline is scheduled for the next sales period.
**As of November 2010**

The project experienced partnership challenges since the distribution partner was unable to set up the POS on time due to the cost as well as delays in programming the POS to collect premiums. Therefore, the sales could not be conducted from August to September.

However, to maintain their relationship with the community, all partners (ILRI, Equity and UAP) undertook a joint mission to the field area to meet with the target community and stakeholders in most of the major towns. During these meetings the partners explained to the pastoralist why there was no sale window and assured them that the project was still going ahead. The pastoralists were also informed of the upcoming sale window in January/Febuary 2011. In addition, the field visit also served as an opportunity to announce the status of the index for the first period. It served as a good link with the pastoralists, who responded well to the team, assuring them that they would be interested in the next round of sales.

The partners used this time to reflect on how to modify the sales arrangements and processes to maximize customer engagement, facilitate product communication, and keep costs low. Ways to overcome and lower the high costs of delivering the product, especially given the poor infrastructure in the area were discussed. The plans for the radio communication were reworked to that they could be effective in the next round of sales in Jan-Feb 2011.

The partners worked on producing a training manual for pastoralists, a quick reference guide booklet on IBLI features and pricing, and a cartoon based educational comic to be used by the village insurance personnel to explain to the pastoralists through pictures how they can cover their risks using insurance.

**As of May 2011**

A second round of sales activity with a revised marketing strategy took place from January to February 2011. Some of the features of this round of awareness creation and sales were:

- Radio campaigns aired on national radio (Kenya Broadcasting Corporation KBC) but in the local languages of Boran and Rendile, to educate the pastoralists on the importance of purchasing the product. The partners also developed radio messages to explain the status of the index from the previous season. This was done through a pre-recorded show followed by an interactive radio program.
- Posters with product information displayed in the chiefs’ offices, schools, the market, agent shops, the Equity Bank in Marsabit and elsewhere.
- Fliers with product information were also developed and distributed by the VIPs to people in all the towns in the district.
- A DVD on Index Based Livestock Insurance was produced to explain how the insurance programme works for pastoralist communities.
The training material developed by ILRI for the Master Trainers and VIPs were used to recruit and train village insurance promoters from each of the towns within the larger Marsabit district and a supervisor was appointed from amongst them. The partners selected VIPs who were literate but from the local towns. The VIPs were to be recommended by the local authorities from their local towns.

Sales were made via cell phones using a scanner, so that the documents with beneficiary’s details could be scanned and transmitted to the bank branch and the POS devices which were available in most of the major towns in the area. The scanner agents were recruited in the majority of the towns within the district. They paid for the phones before they began their sales activities, and were trained to use the phones. The agents were required to deposit 50,000 Kenyan shillings (KES) before they were able to collect premiums. However, some agents were unable to raise this amount and therefore could not transact. ILRI also encountered problems with other agents who forgot how to use the phones. Some of them mistakenly deleted the software and the application designed to support the sales.

Since the previous two risk periods had not triggered the index and no claims were payable, a lot of effort was put into explaining the “lack” of claims payment. Nevertheless, it still had an impact on the pastoralists’ enthusiasm for the product and sales were low.

**As of October 2011**

Following a prolonged drought from August 2010 to October 2011 the index was triggered and claims were paid out for the period. An event was held to mark the beginning of the payments. This was well attended by the top management of the partner organizations as well as stakeholders in Marsabit. Some of the pastoralists were paid out in public. All 638 beneficiaries received the payout, which helped create trust in the programme.

The claims payout also provided an opportunity for the partners to create awareness about the insurance programme and to recruit more agents to sell the product in the next period.

**As of August 2012**

Although the marketing strategy was prepared in time for the January/February 2012 sale window, adjusting the radio and video tools after an evaluation of their use in consultation with agents. However, the commercial partners were not ready on time, and it was not implemented. Similar partnership problems were experienced in recruiting and training new VIPs. In the end ILRI’s commercial partners were not ready in time and sales could not go ahead during the January/February 2012 sale window. This was particularly unfortunate given the high demand among pastoralists after the payouts of the previous year.

For the future ILRI is trying to tackle its partnership problems by including other commercial and non-commercial partners into the programme to carry the risk and distribute the product. Following the
missed sale in January/February 2012 because of a lack of early preparation on the part of the commercial partners, the exclusivity agreement was broken, allowing other commercial partners to participate in the project.

In March 2012 another 425 pastoralists received indemnity payments as drought triggered payments in two out of the five divisions in Marsabit. There was wide-spread agreement that the index and triggers were relevant in the sense that divisions which received payments were those which deserved it, even among those where there was no payout. The payments demonstrate to all clients and to potential clients that the product does pay out in the event of drought.

Following up on these, ILRI is working with additional partners to extend IBLI products into other districts in Kenya and into other countries, including Ethiopia.
Project Lessons

On the determinants of livestock insurance uptake

Provisional results from the surveys suggest the following:

- Price does not have a strong effect on demand. However, coupons giving discounts, encourage pastoralists to purchase the insurance and try the product
- Pastoralists who are more prepared to take risks are more likely to buy the product. This may reflect the fact that these people are more willing to adopt innovations, but this is not clear
- Pastoralists are more likely to buy the product as their expectation that their livestock will die increases
- Better understanding of the product is associated with uptake
- Those in riskier areas are more inclined to buy the product. This is seen in the patterns of uptake seen so far, rather than other possible factors such as marketing levels

Liquidity problems reduce demand for the product. Most pastoralists do not keep cash, and would try to sell their livestock to raise the insurance premium. However, the sale windows coincide with the dry seasons when the price of livestock is very low. This discourages the pastoralists from selling their livestock in order to buy insurance.

On the extent to which livestock insurance changes households’ economic decisions and welfare

Provisional results of the impact analysis are available in an Index Insurance 4 Innovation Initiative brief, *Coping with Drought: Assessing the Impact of Livestock Insurance in Kenya*.

The findings suggest that insured households expect to deal with drought differently to uninsured households. Insured households expect to receive a pay out in the near future, and intend to use the bulk of this money to buy food and livestock. By doing so, most insured households expect that they will not have to reduce their meals, unlike their uninsured counterparts. Similarly, fewer insured households intend to rely on food aid or assistance from others. Although insured households were more likely to have sold livestock in the last few months, they were less likely to expect to do so in the future, once they received their pay out. More uninsured households, on the other hand, expected to resort to selling their livestock in the next few months.

On marketing and client education

For a new concept like insurance, constant engagement with the targeted and insured community is important. Consistent engagement builds trust and understanding, and provides the opportunity to discuss how the index relates to the ground conditions. It also helps create a participatory atmosphere of mutual trust which was helpful when sale windows had to be missed. When this happened the project partners undertook a joint mission to the field area to meet the target community. They met with stakeholders in most of the major towns to explain the circumstances and the community largely responded that they would still be interested in buying the product in the next sale window.
**It is also critical to maintain continuous contact with the intermediaries and community leaders.** These people are the link to the insured and, being from the community, are constantly asked questions by the insured. Up to date information helps them to respond to queries clearly and fully, making the insured feel more involved and satisfied.

**In communities with poor communications infrastructure and low literacy it is important to leverage aural communication within the community.** Given the unsuitability of written material and the high costs and practical problems disseminating information directly, it is important to encourage the spread of information aurally through the community.

Radio proved an effective medium despite the low spread of radio signal, because the radio programmes got people talking about the product with their friends and neighbours afterwards. This in turn encouraged more people to listen to the next programme. The programmes reached pastoralists from throughout the wider district and even outside of it, which was demonstrated by the number of calls received from these areas after the programmes.

**A mixture of pre-recorded and interactive radio shows is effective in generating understanding of the product.** The pre-recorded radio skit appealed to the audience as it was translated into local languages. The interactive elements of the programmes allowed people to seek clarity on elements of the product that they did not understand.

However, there were challenges with the radio programmes, and with monitoring their impact, since the local radio stations were very small and new with outdated equipment. It was therefore difficult to collect simple statistics like the number of callers during the interactive sections. Sometimes problems with the local cell-phone reception stopped calls from getting through. Nonetheless, the local radio stations, not national ones, are listened to by the majority of the population, and are a much cheaper option.

**Audio visual extension tools that are in the local language can be effective in getting information through to the pastoralists, but are costly.** An edutainment video was recorded in the different local languages and was shown in all major towns. The level of product awareness increased after viewing this video, and it seems that the comical nature of the video helped pastoralists remember the product features. It did involve significant investment, however, to procure and transport durable equipment to display the video at each location.

It is important that the videos are localised enough for pastoralists to be able to identify with them. They welcomed the fact that they were in the local language, but some ethnic groups felt that there were still barriers as the video was shot in the main town and did not include members of their community in the cast.

**Insurance simulation games were effective in helping pastoralists understand the concept of insurance.** The game was particularly effective because it used some of the pastoral systems to explain foreign concepts regarding insurance. A challenge regarding the widespread use of the game is that they are resource intensive, so it is not feasible to play the games with all the households in the area. But if the areas and the households are carefully chosen there is the potential of a diffusion effect that might justify the cost of games.
Simple tools like promotional t-shirts can be used to create greater awareness. Branded t-shirts were effective in identifying Master Trainers and VIPs to the pastoralists. The t-shirts increased awareness of the product and identified individuals that pastoralists could speak with to receive more information about insurance products. The spread of information was increased in a simple way by also giving the t-shirts to members of the public. However, this method is difficult to control, and ILRI found that people were wearing their t-shirts when they travelled outside the community, rather than within it, so the information was not being spread to the correct target market.

A printed cartoon can help to explain the product, but must be carefully adapted for the local population. The cartoon was a simple way to explain the product among communities with low literacy. The cartoon was based on a pastoral setting, which helped pastoralists to relate to it. However, some community members did not relate to the cartoon, either because they felt that it was meant for children, or because they felt that the pictures represented ghosts.

Printed material is important to support VIPs. A quick reference guide was produced, and provided a useful reference to ensure that they passed on the correct information to the pastoralists. They were pocket-size so that VIPs could easily carry them with them everywhere they went.

Village elders have proven to be some of the most effective VIPs. If the VIP is a village elder, he or she is better able to convince the other village elders of the validity of the insurance product and to reduce the skepticism of the local population. ILRI discovered that the division of roles between Master Trainers and VIPs worked well. The older men, who were trusted by the pastoralists, relayed information while the younger men finished the transaction. Master Trainers and VIPs were particularly effective when using the local languages to explain the benefits of the insurance product and selling the product.

It is important to educate the pastoralists about the insurance products before the beginning of the sales period. It is also important that the village chiefs be trained on the insurance product prior to the beginning of a sales window or launch of a product so as to endorse the product to the rest of the community. In addition, the chiefs and assistant chiefs can organize bazaars and public forums for Master Trainers and VIPs to educate the community about the insurance product.

Women are important influencers. Though women rarely attend public meetings (bazars) or even the elders meetings, where most of the information was disseminated, they bought more cover than men. This points to their role in financial decisions, and a need to target women more effectively through women’s’ groups and associations.

There must be a separation of extension and sales. Previously, Equity hired VIPs to both educate potential clients about the product and to sell it, and incentivized sales through commissions. With the sales incentive in place, VIPs did not pay as much attention to product awareness, and, in some cases, attributed a wide variety of product features to the product just to encourage sales. In some areas there seems to have been poor understanding of the terms of the product and the situations in which it pays out.

Based on this experience, there are now separate agents to close the sales, whereas promotion and awareness are carried out by VIPs. This provides a “checks and balances” mechanism, since pastoralists can validate what they had heard from the VIPs when they buy the product from the agents.
On distribution partnerships and sales agents

Expanding the reach of microinsurance requires heavy partner involvement and a high level of commitment from each partner. To achieve this all partners should receive adequate levels of compensation for their efforts, and the costs being incurred by each partner should be monitored constantly. Since the costs of distribution and of setting up the POS in the first round of sales were high, Equity Bank could not sell in its planned round of sales from August to September 2010, and the round of sales had to be postponed.

It is important to try out different kinds of partnerships when entering a new area or experimenting with a new concept. An organization’s successes in an urban scenario, for example, might not work in a rural setting. It is therefore useful to try out different partnerships so that alternatives are available in case one does not work well.

The initial exclusivity of the distribution arrangement was a challenge. This agreement has now been modified and ILRI hopes that increased competition will compel the commercial companies to offer better service to keep clients. Some companies are already planning to introduce value-added services like free deworming and animal health consultations.

Requiring investment by agents helps maintain their commitment, but can be prohibitive. Agents have to purchase the cell phones in order to carry out transactions, either at a cash price of KES 20,000 or in installments. Additionally, the agents have to deposit KES 50,000 with UAP Insurance Company though the M-Pesa mobile phone-based money transfer system. However, some interested agents were unable to raise the KES 50,000 deposit, meaning that they could not transact.

Higher remuneration for agents may be necessary. ILRI changed its remuneration strategy to offer agents a 3 per cent commission on each sale made. The system has been designed so that agents are required to submit the money to the insurance company net of their commissions. This helps guarantee that they receive the commissions due to them.

ILRI now pays VIPs through a commission related to the value of sales they initiate. There is also a provision to pay VIPs their commissions up front if requested. The VIPs additionally receive a bonus based on their performance. Those who sell more than 300 contracts receive a cash bonus.

On using appropriate technology and the importance of training the channel on technology use

It is important for the beneficiaries to get a receipt or confirmation that the payment has been recorded. Pastoralists are keen to know that the premium they have paid has been recorded and cover is available. Since the SMS facility was not being used due to connectivity issues, a lack of payment confirmation caused concern and may have impacted sales.
Any system must also function offline, when working in an area with unreliable phone reception. ILRI has now decided to develop an open-source ICT based transaction platform that will be used for both sales and information dissemination. The system will use mobile phone technology to collect premiums and provide indemnity payments. Since the phone reception in the area is patchy, the system will be able to operate offline but with the capacity to store a lot of data for a long time. The sales agents will be required to take their phones to an area with reception to upload the data.

The system will also be used to send messages to the insured clients and the sales agents on the status of the index as well as other product related information like upcoming sales or payouts.
Next Steps

Following up on the lessons learnt from the implementation of the pilot project in Marasbit, ILRI is now working with additional partners, both with insurers for carrying risk and with distribution channels. The IBLI programme is now being extended into 7 more districts in Kenya and into other countries, including southern Ethiopia. ILRI hopes to keep learning more interesting lessons as more and more pastoralists gain experience on insurance.