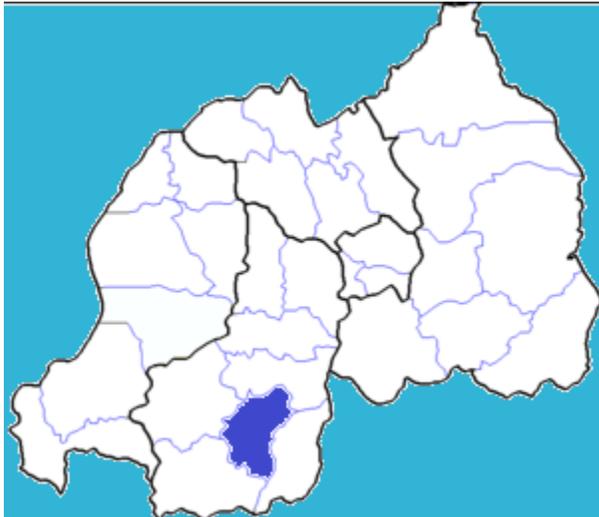


Fact Sheet on Kilimo Salama “Safe Agriculture”

Overview	
Total Number of Farmers Insured in Kenya and Rwanda in 2012	73,000 farmers
Number of Farmers Insured in Rwanda in 2012	13,000 farmers
Number of Farmers Receiving a Payout in Rwanda in 2012	1,600 farmers
Total Payout	10,348 USD 6,513,924 RWF
Number of Farmers Receiving Cash or Combination of Debt Forgiveness and Cash	800 farmers
Number of Farmers Receiving Debt Forgiveness	800 farmers
Average Amount of Payout and Debt Forgiven	3.76 USD 2,370 RWF
Number of Farmers to be Insured in Rwanda in 2013	15,000 farmers

Project Partners and Roles	
Kilimo Salama	Product Development
One Acre Fund	Administers Insurance Policies Evaluates Farm Losses Distributes Payouts
Swiss Re Corporate Solutions	Product Development Reinsurer
SORAS	Primary Insurer
Ministry of Agriculture and Animal Resources (MINAGRI)	Calculates Area Yield Provides Subsidized Farm Inputs

Map of Area That Received a Payout



1. Why do farmers need insurance?

Weather risks define the lives of smallholder farmers. Good years are remembered for their adequate rains, while bad years are defined by droughts or other adverse weather conditions. Traditionally, farmers minimize investment in farming inputs in order to reduce their exposure to these risks. As a consequence, farmers remain in a vicious cycle of low agricultural productivity and poverty.

Agricultural micro-insurance can effectively reduce the impact of severe weather and support increased investment in farm productivity. Insured farmers are able to buy certified seeds and invest in fertilizer instead of planting kept seed and forgoing investing in soil nutrients. In the years following droughts, insured farmers can continue farming as they had before the drought, while their uninsured neighbours continue to feel the negative impact of the loss for many more seasons. Therefore, agricultural micro-insurance can have a real impact on food security. For this reason, developing agricultural micro-insurance that is both affordable for and relevant to smallholders, is critical.

2. Index insurance is a method to insure farmers of any size.

Most smallholders in Sub-Saharan Africa do not have access to insurance for their farms since traditional agricultural insurance relies on on-farm monitoring of losses, evaluated through farm inspections. Since the transaction costs to insure one acre are similar to those of insuring a 1000 acre farm, the premiums from the one acre farm would never cover the related transaction costs.

Weather index based insurance offers a

Traditional insurance relies on farm visits

Large scale farm:
US\$ 1000 Premium
- US\$ 50 Visit Costs

+ US\$950, insure

Small scale farm:
US\$ 10 Premium
- US\$ 50 Visit Costs

- US\$ 40, can't insure



method to insure farms as small as one acre as well as larger farms by replacing costly farm visits with measurements from weather stations to approximate actual farm losses. The weather stations measure the rainfall within a particular area and these measurements are compared to an agronomic model specifying a particular crops' rainfall needs. If the needs are not met, all farmers insured under that station receive a payout.

3. Index insurance is a smart idea, but there are several barriers to reaching scale

Since the concept of weather index insurance for farmers was developed, several pilots have been launched around the world (Mexico, Morocco, India, Malawi, Rwanda, Tanzania, etc.) However, in order to create an impact similar to that of microfinance, the foremost challenge is to reach sustainable scale. Only in India has a commercial insurer reached some scale, selling some 40-50,000 policies per season. However, even after five years, the Indian insurer considers itself very much in the early stages of product development.

Index insurance needs to make the leap from the laboratory to become a product for the mass market.

To reach scale, there are many barriers, five of which are addressed by Kilimo Salama:

- First, **affordability**: insurance products need to be affordable for farmers, without reverting to subsidies.
- Second, **distribution networks**: distribution channels relevant to smallholder farmers need to be identified and developed.
- Third, **administrative costs**: administrative processes have to be streamlined in a way that costs are minimized while still reaching widely dispersed farmers.
- Fourth, **trust**: micro-insurance is a completely new type of financial service to most smallholder farmers, and it is not comparable to micro-credit. Farmers concerns must be addressed.

Fifth, **weather data infrastructure**: significant investment in automated weather stations and satellite technology that provide data on local weather patterns is key.

3.1 Distribution networks: Kilimo Salama offers farmers insurance through relevant distribution channels

- The cost of reaching out to farmers who live in widely dispersed rural areas can easily be higher than the amount of insurance premium collected. Establishing specialized outlets is not an option if the business is to keep costs down and offer affordable premiums.
- Kilimo Salama joins forces with 'aggregators' like farmer cooperatives, agribusinesses, agricultural NGOs, and microfinance institutions to reach farmers where they are. The farmers buy the insurance through a trusted source with which they already work.

- Working through established groups allows Kilimo Salama to keep distribution and administrative costs down, as well as sell the product through channels trusted by farmers.

3.2 Weather infrastructure: Weather stations are used for monitoring rainfall and estimating farm losses

- The insurance uses automated weather stations to monitor rainfall. Based on the stations' measurements and a predefined formula of crop rainfall needs over a growing season, payouts are made. This method of using measurements from weather stations in combination with a predefined crop growth formula is referred to as 'index based insurance.'
- Implementing Kilimo Salama in Rwanda required an investment in fully automated weather stations. Eight fully automated weather stations have initially been installed in the Southern and Western provinces in Rwanda. These stations transmit weather data every 15 minutes over the 3G mobile data network.
- These weather stations ensure timely collection and reporting of weather data. Having these fully automated weather stations means that both the insurer and the international reinsurer can feel comfortable with the measurements being taken and have the assurance that the data is available in time.
- Installing the weather stations furthermore means that up-to-date full climate data is available. This full set of weather data (which includes measurements on rainfall, temperature, wind speed, and sunlight) allows for the prediction of incidence of diseases, such as blight or aflatoxin, and other potential risks.
- The elimination of the claims process coupled with the full automation of weather data collection and of payout calculation has made the insurance premium affordable for smallholders.

4. The Kilimo Salama road map to scaling up

The launch of Kilimo Salama ("Safe Agriculture") marks the beginning of the roll-out of micro-insurance in Rwanda:

- Risks: Currently the insurance is designed so that farmers may insure their farm inputs against drought and excess rain and yield shortfall. Weather risks are measured through weather stations and yield shortfalls are measured through a yield index.
- Crops: It is currently offered for maize and beans. More crops will be covered in the future as well as more weather related risks, like certain diseases.
- Regions: Today, the product will be available to farmers in Southern and Western Province in the districts of Huye, Nyanza, Nyaruguru, Gisagara and Karongi.
- Insurance coverage: the insurance covers input loans provided to farmers by the agriculture service provider One Acre Fund/ Tubura.
- The average loan size insured is for 15 USD/ 9,600 RWF. This covers 1/10 of a Ha.

5. Institutional set up of Kilimo Salama

- Kilimo Salama insurance has been launched under a partnership between the Syngenta Foundation for Sustainable Agriculture, the Rwandan insurer SORAS, and international reinsurer Swiss Re.
- The product is currently being distributed in conjunction with agricultural loans from One Acre Fund/ Tubura.
- The project has a local team based in Kigali that manages operations in Rwanda and is supported by the Kilimo Salama management team in Nairobi, Kenya.

Kilimo Salama's design is based on the lessons learned from the project's operations in Kenya. The project has been offering agricultural insurance for the last three years through the "Kilimo Salama" product range that was first developed in Kenya. To date Kilimo Salama has insured 73,000 farmers in Kenya and Rwanda.

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