### AT A GLANCE

<table>
<thead>
<tr>
<th>Name</th>
<th>Piloting Index Based Livestock Insurance (IBLI) in Marsabit</th>
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</thead>
<tbody>
<tr>
<td><strong>Duration</strong></td>
<td>January 2010 – April 2013</td>
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<tr>
<td><strong>Focus area</strong></td>
<td>Kenya</td>
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<tr>
<td><strong>Target group</strong></td>
<td>Pastoralists in Kenya's Marsabit District</td>
</tr>
<tr>
<td><strong>Funds available</strong></td>
<td>Confidential</td>
</tr>
</tbody>
</table>

**The project is jointly implemented by ...**
ILRI, along with its partners Cornell University, the BASIS Research Program at the University of California at Davis, and Syracuse University. The insurance product is commercialized by Equity Insurance Agency, UAP Insurance Company and Swiss Re.

**The core objective is ...**
to protect households from the economic shocks of livestock mortality due to drought
BACKGROUND

In recent years the droughts in Kenya’s arid and semi-arid lands (ASALs) have become increasingly severe with devastating effects on the local population. Livestock insurance is critical in drought-prone countries like Kenya. 2011, Kenya suffered one of the worst droughts in its history which killed up to 30% of the country’s livestock. Some divisions in Northern Kenya. In 2000, the Government of Kenya indicated that 60% of Kenya’s livestock are found in the pastoralist land, valued at approximately $6 billion, with an annual milk value of between $67 - $107 million.

APPRAOCH

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 in the Marsabit District of Kenya from the economic shocks of livestock mortality due to drought. Marsabit has a population of approximately 30,000 households and a livestock population of 120,000 cattle, 1 million sheep and goats, and 76,000 camels.

The availability of grasslands was estimated through satellite images and setting up and Normalized Difference Vegetation Index (NDVI) based on which and index for livestock mortality was established. This helped estimate mortality among livestock in times of drought and a quicker payout to the pastoralists.

Challenges

The point of sales (POS) set up was delayed due to 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 local mobile service provider and poor reception in areas with limited networks created challenges in mobile phone information dissemination system.

Lack of carrier fee from some agents hindered phone as a form of payment channel; additionally some agents forgot how to use the phones and some mistakenly deleted the software and the application designed to support the sales.

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.

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Opportunities

Prolonged drought from August 2010 to October 2011 triggered index and claims were paid out. This provided opportunity for the partners to create awareness about the insurance programme and to recruit more agents to sell the product.

Revised marketing strategy adapted to local context sustained pastoralists’ enthusiasm for the product even though previous two risk periods had not triggered the index and no claims were payable.

Livestock insurance changes households’ economic decisions and welfare: Insured households expect to receive a payout in the near future, and intend to use the bulk of this money to buy food and livestock. As a result they expect that they will not have to reduce their meals, unlike their uninsured counterparts. While uninsured households, on the other hand, expected to resort to selling their livestock and safe cost on meal.

LESSONS LEARNED

For a new concept like insurance, constant engagement with the target 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. Insurance simulation games were effective in helping pastoralists understand the concept of insurance.

More than 100 claims were paid out and there was widespread 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. ILRI worked with additional partners to extend IBLI products into other counties in Kenya and into other countries, including Ethiopia. Additional insurance companies participated to carry the risk and more distribution channels were engaged.

Drawing on lessons from the IBLI, Kenyan government, with support from the World Bank and other development organizations, developed a nationwide programme to support the pastoralists and launched the Kenya Livestock Insurance Programme (KLIP) with a consortium of 7 insurance companies.

In February /March 2017, the programme has paid out over USD 2 million to about 12,000 herders under the scheme.

It is critical to maintain continuous contact with the intermediaries and community leaders. Village elders have proven to be some of the most effective and insurance spokespeople, using the local languages to explain the benefits of the insurance product and selling the product.

In communities with poor communications infrastructure and low literacy, it is important to leverage rural communication within the community.

It is important to educate the pastoralists about the insurance products before the beginning of the sales period.

OUTCOME

It is important to try out different kinds of communication tools and low literacy, it is important to leverage rural communication within the community.

Expanding the reach of microinsurance requires heavy partner involvement and a high level of commitment from each partner. It is important to try out different kinds of partnerships when entering a new area or experimenting with a new concept.
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Websites
For more information on the project visit:
www.impactinsurance.org/projects/lessons/piloting-ibli-marsabit
For more information about implementing partner visit:
www.ilri.org

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