

2022-06 | Weather index-based crop insurance for smallholder farmers, Uganda

Partner Financial Institution:	Jubilee Allianz General Insurance Company Ltd	SCBF Contribution:	CHF 123'880 (51%)
Grantee:	OKO Crop Insurance Distribution Ltd.	Matching Contribution:	CHF 52'000 (21%) – PFI CHF 67'202.9 (28%) - Grantee
Country:	Uganda	Theme:	Agriculture and climate
Duration:	May 2022 – December 2026	Product:	Index-based insurance
Potential Outreach:	10,000	Target Group:	Smallholder farmers
Thereof Women:	4,000 (40%)		

CONTEXT

The Ugandan economy is still struggling with the low rate of financial inclusion, with 80% of the adult population – residing mainly in rural areas - having no access to formal banking or financial services (Bank of Uganda, State of the Economy, 2020). According to the 2018 Finscope survey, adults who have no insurance (either formal or informal) are predominantly based in rural areas (73%), female (52%), under the age of 36 (62%), and relatively uneducated (70% have completed no education beyond primary school). These people rely on irregular sources of income, such as farming or fishing (41%), or casual labour (16%). Traditional insurance companies do not serve them, especially farmers, because the cost of distribution and claim verification per farm is too high compared to the potential payable premium. While there are new parametric insurance products created by the Ugandan Agricultural Insurance Consortium, they have not been widely adopted due to a lack of relevant distribution solutions.

OKO's solution brings several innovations: (1) Distribution and payment through mobile phones eases the outreach to the bottom-of-the-pyramid clients in a sustainable way, vastly reducing transaction and processing costs; and (2) Automated policy pricing and claim validation/pay-out is handled through the OKO online platform make it possible to monitor and cover plots owned by poor farmers, regardless of the farm size. To complement this, OKO Uganda utilises a network of trained regional managers together with commission-based local agents to spread the word and educate the rural farming communities.

CURRENT STATUS OF THE MFI

OKO Crop Insurance Distribution (U) Ltd. is a newly registered insurance agent operating in Uganda with the main aim of insuring smallholder farmers, especially women, and agents to enable their financial inclusion.

The tools and methodology developed by OKO have already proven efficient in Mali, with more than 10,000 farmers covered with insurance. Two pilots were undertaken to test the concept of mobile-based insurance distribution in Uganda and measure the ability to pay farmers, which resulted in successfully insuring 187 farmers (two crop value chains in two different locations) and a 65% conversion rate (farmers insured vs farmers approached). 26 farmers received claim payments and have expressed their satisfaction despite a down-graded customer experience as OKO was not yet partnering directly with the mobile operators. Currently OKO has a license to operate as an insurance agent for Jubilee Allianz which means that Jubilee Allianz will act as OKO's underwriter. Jubilee will also offer expertise in claims inspections and surveys. This partnership and the grant from SCBF will enable OKO scale-up its operations in Uganda and reach more farmers with insurance cover.

OBJECTIVES AND MAIN ACTIVITIES

The main goal of this project is to bring crop insurance directly to smallholder farmers to improve their income, and economic and climate resilience, thereby increasing their financial security. To do this, OKO will leverage the ubiquity of mobile phones and mobile payments. Farmers in the maize, coffee (*arabica* and *robusta*), beans and Irish potato crop value chains will be targeted, which combined represent approximately four million farmers in Uganda. OKO will distribute the state-approved weather index insurance products to cover against the perils of drought and excessive rainfall.

The main activities and objectives of this project include: (1) Finalising technical integration with mobile network operators MTN and Airtel Uganda on their mobile money platforms to make insurance accessible to all and providing a payment and distribution solution; (2) Scaling insurance distribution to other regions in Uganda, mainly eastern and central regions, with the objective of reaching 5,000 farmers of whom 40% are women; (3) Providing insurance to farmers for two seasons (Season B 2022 and Season A 2023) and evaluating the impact of insurance so far on the lives of farmers for the first year of the project period; and (4) Supporting employment of rural youth by recruiting at least 75 OKO agents (of whom 40% will be women) from the operational areas. Upon project completion, OKO should be in a position to have 10,000 farmers registered for crop insurance.

Partnering with:

