

FSW-22 | Livestock Insurance for Smallholder Farmers in Southern Africa

Partner Financial Institution:	Hollard Moçambique	SCBF Contribution:	CHF 50'000 (73%)
Grantee:	CelsiusPro	Matching Contribution:	27%
Country:	Mozambique, Namibia, Botswana	Theme:	Agriculture
Duration:	December 2020 – April 2021	Product:	Insurance
Potential Outreach:	Short term: 4'000 Mid-term: 100'000	Target Group:	Smallholder Farmers
Thereof Women:	30%		

CONTEXT

For smallholder farmers across the semi-arid areas of Namibia, Botswana and Southern Mozambique (Maputo, Gaza, Inhambane), cattle are considered high-value investments, acting as a significant source of income and status symbols. Droughts negatively impact the animal's health, posing a systematic risk to the livestock farming communities. Most smallholder farmers in these countries only have minimal access to financial services, limiting the ability to increase resilience to climate risks. The introduction of an index-based livestock insurance product would allow rural segments of society to address their cattle-related drought risk and could act as an enabling factor to introduce other financial services to these communities. By utilizing remote-sensing technology, index insurance eliminates many operational hurdles that make indemnity-based livestock insurance for smallholder farmers economically unfeasible. By providing a pay-out based on a low vegetation density during the growing season, the product allows farmers to purchase additional fodder before their cattle suffer irreparable damages during the dry season. These measures help livestock farmers maintain their income-generating asset base and cope with droughts, averting further descent into poverty.

CURRENT STATUS OF THE INSURER

Hollard is the largest private insurance company in South Africa, with wholly-owned subsidiaries in Mozambique, Zambia, Botswana, Namibia, Ghana and Lesotho. The company offers commercial, corporate, retail, auto, funeral, pet, travel, and household insurance solutions across the markets it serves. The company has a dedicated strategy in place for smallholder farmers as well as companies that provide them with inputs and purchase their produce. In Mozambique, Hollard is aiming to provide 100'000 low-income individuals with financial protection by 2024. The project will build on Hollard's existing efforts related to agriculture insurance for commercial farmers and index-based pilot projects for smallholder crop farmers. The financial risk of independently establishing a new market for climate insurance is significant, especially when targeting low-income populations. Self-funding the entire effort would considerably increase the margin charged on the insurance product, which decreases the probability of establishing the product among livestock farmers.

OBJECTIVES AND MAIN ACTIVITIES

The feasibility study's overall objective is to gain a clear understanding of the market potential for livestock insurance in Mozambique, Namibia, and Botswana. The project aims to achieve this by addressing three main components; 1. Insurance Landscape and Key Partners, 2. Demand Assessment, 3. Insurance Product Prototype. The first component's key focus will be to identify the demographics of the target group and potential distribution partners, while the demand assessment will ensure feedback from approx. 300 smallholder farmers. The third component aims to design a well-structured livestock product adapted to the needs of the target population. Upon the completion of the study, Hollard should be in a position to approve the launch of a livestock insurance product across all three markets.

NEXT STEPS

CelsiusPro and Hollard aim to rapidly drive forward the upscaling of the product across the three target markets, should the feasibility study result in a positive outcome. Following internal approvals, both organizations will propose a detailed product upscaling proposal by April/May 2021. The implementation steps to launch the product are expected for June/July 2021, followed by marketing and sales efforts in August 2021. The inception of policies is targeted for October/November 2021, at the beginning of the region's growing season.

