

# Weather index insurance scale-up in Zimbabwe

## 1. DEVELOPMENT RELEVANCE

### Economic and poverty context

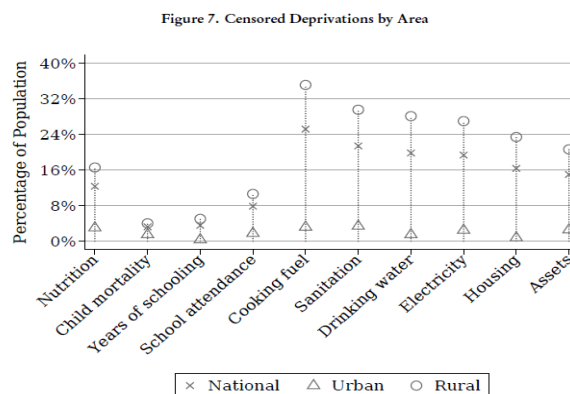
The economy of Zimbabwe rebounded in 2021, driven by a recovery of agriculture and industry as well as stabilisation of prices and exchange rates. The GDP grew by 5.8% in 2021 following a decrease by 6.2% in 2020.<sup>iii</sup> The impact of the COVID-19 pandemic disrupted livelihoods in Zimbabwe, resulting in 1.3 million more people becoming extremely poor and increasing extreme poverty to 49% in 2020.<sup>iv</sup> Agriculture is the backbone of Zimbabwe's economy, contributing 17% to the GDP. Agriculture provides employment and income for almost 70% of the population.<sup>v</sup> Poverty levels in Zimbabwe reduced after the bumper maize harvest in the 2021 season.<sup>vi</sup> Therefore, Blue Marble Microinsurance and Old Mutual Insurance aimed to scale up the weather index insurance initiative to better protect Zimbabwean smallholder farmers against low and erratic rainfall.

Table 1 <sup>i</sup> : Population and economic indicators	
Population in millions (2020)	14.9
GDP growth (2020)	-6.2%
Inflation (2020)	557.2%
Trade balance (% of GDP) (2020)	-1.6%
Foreign direct investment (net) (% of GDP) (2020)	0.8%
Net ODA received (% of GNI) (2019)	5.2%
Remittances received (% of GDP) (2020)	10.1%
Economic Freedom Index <sup>ii</sup> (Rank among 186 countries) (2022)	33.1
Poverty indicators	
GDP per capita (USD) (2020)	1,214.5
Gini Index (0= equality 100= inequality) (2019)	50.3
International poverty rate (2019; at 1.90 USD/day)	39.5%
National poverty rate (2019)	38.3%
National rural poverty headcount rate (year)	No data

Figure 1: Governance indicators chart<sup>vii</sup>, (Zimbabwe, 2021)



Figure 2: Multidimensional poverty index chart<sup>viii</sup>, (Zimbabwe, 2021)



### Financial sector context

The Reserve Bank of Zimbabwe launched the National Financial Inclusion Strategy in 2016 to have an inclusive financial system for target groups such as smallholder farmers.<sup>ix</sup> As per a 2014 study, overall only 30% of the Zimbabwe population have a bank account, and only 23% of people living in rural areas have access to banking services.<sup>x</sup> Of the adult population, only 70% have access to banking, insurance and risk markets. 55% of the adult population has access to credit, while 53% of the adult population has access to savings and investments.<sup>xi</sup> These services are provided by 21 banking institutions, 187 microfinance institutions,<sup>xii</sup> 38 insurance companies, 8 reinsurance companies, 31 insurance brokers and 7 reinsurance brokers.<sup>xiii</sup> Zimbabwean financial sector and the policies and regulations that affect it were rated as 2.5 out of 6 by the World Bank in 2020.<sup>xiv</sup>

### Financial sector partner(s)

The financial sector partner (FSP) is **Old Mutual Insurance Company Zimbabwe (OMICO)**. OMICO's vision is to be the customers' most trusted partner. OMICO's mission is to ensure they are competitive and relevant, and pursue a customer-led response as a future-fit business to minimise loss of value for customers and shareholders. OMICO's main business objective is to help its customers thrive by enabling

them to achieve their lifetime financial goals while investing their funds to create a positive future for them, their families, their communities, and the broader society. OMICO offers financial (personal and business insurance) and non-financial services (agronomy advisory). OMICO is a part of the Old Mutual Zimbabwe Group and has a market share of 14%. OMICO is one of the biggest short-term insurance companies in Zimbabwe, offering inclusive financial products such as road traffic act cover, weather index insurance, advisory services and underwriting of Old Mutual Finance loans. OMICO's target groups are people employed in the informal market, youth, individuals, corporates, and small and medium enterprises (SMEs).

**Blue Marble Microinsurance** is a social enterprise owned by five insurance entities (Aspen Insurance Holdings Limited, Grupo ASSA, Guy Carpenter & Company LLC together with Marsh & McLennan Companies Inc., Transatlantic Holdings Inc., and Zurich Insurance Company Ltd.). Blue Marble delivers socially impactful, commercially viable protection to two key groups – smallholder farmers (income stability and food security solutions), and individuals and SMES (income protection safety nets against health issues, business interruption and other threats).



*CABS is a subsidiary of Old Mutual Insurance Company Zimbabwe. Insurance services are available at any CABS branch countrywide.*

## 2. INTERVENTION APPROACH

### Capacity building needs

The project sought to remove the key up-scaling constraints encountered by OMICO:

- Smallholder farmers having little to no knowledge of agriculture insurance products, which meant addressing the need for extensive training and education to sensitise the farmers; and
- The increased frequency and severity of erratic climate conditions resulting in high premium prices for agricultural products and reducing demand from potential clients.

### Main activity areas (goals, targets, resources & time frame) and outputs

Ruzhowa/Uthango is a digitally-enabled weather index insurance product that uses satellite data to track weather patterns. The product reimburses farmers for the cost of inputs in the case of extreme weather. This is based on predetermined levels that are too severe for crops to grow as expected. For example, indices can be set for too much or too little rainfall.

The goal of this project was to support OMICO with customising and scaling-up the distribution of the product as well as digitising key steps in the insurance value-chain with a view towards building farmers' resilience against external shocks. Additionally, the project aimed to build a retail feature-phone mobile app to enable remote onboarding of farmers.

Target	Achievement
Year 1: reach 4,000 clients through insurance in the 2020/2021 season	Year 1: 6,906 farmers reached with insurance cover
Year 1: train 3 Old Mutual staff, 10 agents and/or officers	Year 1: 63 staff, agents and officers trained
By Year 2: reach 10,000 clients through insurance	Year 2: 11,401 farmers reached with insurance
Year 2: train 15 new agents and/or officers	Year 2: 48 new agents and officers trained

The staff, distribution officers and agents were trained were in 17 of the 65 districts in Zimbabwe (Sanyati, Gokwe South, Mhondoro, Zvishavane, Shurugwi, Chimanimani, Domboshava, Seke, Goromonzi, Beatrice, Murehwa, Mutare, Chimanimani, Buhera, Masvingo, Rushinga and Chiweshe).

The key outputs were expanding the aggregator distribution model, expanding the agent model by increasing the number of agents onboarded and reaching farmer groups, and piloting the mobile retail model by offering farmers the option to enrol directly with their phones. In addition, an unplanned output was developing an insurance product for excess wind coverage for farmers affected by cyclones.

### Additional funders

Blue Marble Microinsurance Inc., a UK-based social enterprise with a mission of providing socially impactful, commercially viable insurance protection to the underserved, contributed CHF 90,924 (30% of the overall cost) towards the intervention. Additionally, Old Mutual Insurance Company Zimbabwe, a financial services provider, contributed CHF 72,735 (24% of the overall cost).

## 3. RESULTS ACHIEVED AND NOT ACHIEVED

### Client-level

The product initially only covered drought. After an end of season assessment and feedback from farmers, excess rainfall and wind coverage was added. This was due to Zimbabwe being adversely affected by heavy rainfall during cyclones and farmers confirmed this damage following Cyclone Eloise, as well as damage from the uprooting of trees caused by Cyclone Idai. The cover was customised to the crop, seed variety, soil type and farming practices of the farmers.

Through this intervention, Zimbabwean farmers had cyclone coverage for the first time. Modelling cyclone risk was challenging because due to a lack of data on cyclones in south-eastern Africa, as monitoring efforts focus on coastal zones. Therefore the team had to leverage wind datasets, model them to derive a statistic for wind power, and customise the model to mimic the realities suffered by farmers on the ground with their input. This cover offered farmers a solution to adapt against the risk of cyclones. The product was well received by the farming communities as it translated into pay-outs triggered by tropical storms. This also created additional demand, especially in areas in eastern Zimbabwe that were hit hard by Cyclone Idai.

89% of all farmers appreciated the cover the insurance provided, especially after experiencing recurring droughts over the last few years that negatively impacted their harvest. The farmers who received pay-outs (representing 10% of all farmers) also remarked on the product efficiency. A majority of the farmers (90%) did not receive a pay-out, yet they were satisfied with the product as they had peace of mind. In general, the farmers expressed overall satisfaction with the product and appreciated how it was structured, the in-depth training and the detailed information provided. Most farmers indicated that they would buy the product in the following season.

Feedback from the trainings indicated that farmers understood the product well. Most of the farmers could explain the product structure and parameters with ease. Farmers were knowledgeable about basis risk, their understanding of satellite data was very good, and they could answer questions from other farmers. Farmers were able to explain the advantages of using satellite data over rain gauges and the accuracy of the measurements. The increased understanding of the product shows the value of repeating the education campaigns every season to improve farmers' financial literacy.

After experiencing the benefits of insurance and receiving pay-outs, the farmers have the confidence needed to increase the portion of land they farm. Farmers feel safer to know that they will receive a pay-out in case of an adverse weather event. The [impact study](#) undertaken in collaboration with SCBF provides more details on clients experiences.



**Nyarai Mazwi**

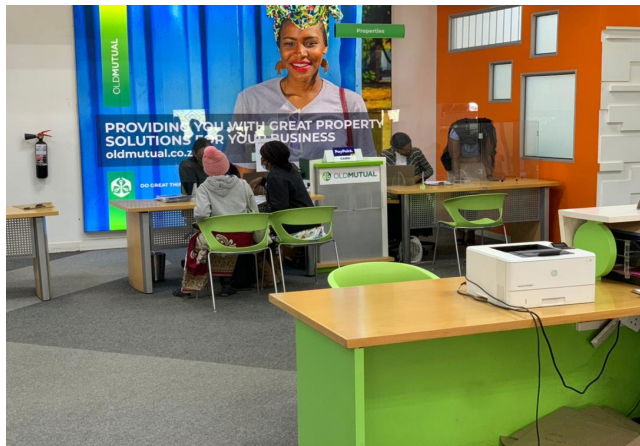
"We will keep buying the product because it helps us a lot, because it covers us a lot. It helps us forecast where we are likely to go. It helps us forecast our season through those allocated areas, advising us how things are."



**Noreen Mapfumo**

"What made me buy insurance now? As a farmer, you are uncertain about the climate so we were trying to protect ourselves from a deep fall, as the insurance would assist in these times."

### Financial sector partner(s)-level



The intervention contributed to strengthening the offering of OMICO by increasing the number of farmers reached and eventually protected, as well as expanding the scope of perils covered, from drought to excess rainfall and wind. The below table highlights the key results achieved:

	<b>Insurance Products</b>
<i>Total number of active clients</i>	11,401 (including 61% women)
<i>Total number of policies</i>	11,401
<i>Gross premium earned</i>	CHF 208,289
<i>Total Sum Insured</i>	CHF 1,392,836
<i>Growth Ratio<sup>1</sup></i>	0.5
<i>Incurred and reserved claims ratio<sup>2</sup></i>	0.69
<i>Promptness of claims settlement<sup>3</sup></i>	14 days
<i>Claims rejection ratio<sup>4</sup></i>	0
<i>Coverage ratio<sup>5</sup></i>	0.25

## 4. LESSONS LEARNT

### Conclusions

Collecting regular feedback from customers is key when it comes to designing good products. This was achieved through regular interaction with customers at crucial points in the product development process. As a result of this customer engagement, additional risks were incorporated to the offering to ensure customers were protected against the major weather risks they faced.

The COVID-19 movement restrictions required an adjustment to the implementation of the project. The intervention was designed flexibly to enable remote work given the restrictions on movement and gathering in groups in Zimbabwe. Therefore, training of trainers was conducted virtually, and field visits were postponed to later in the season. Additionally, products had to be tested through telephones. Another challenge during the project implementation was the economic impact and uncertainty driven by inflation and challenges emerging from the COVID-19 pandemic, which meant farmers and aggregators had less disposable income despite high interest in buying the insurance.

The intervention surpassed its expectations by reaching 11,401 farmers and training 111 staff, agents and officers against the target of reaching 10,000 farmers and training 28 agents, officers, and staff. The SCBF intervention was crucial to achieve these targets and scale-up the product.

<sup>1</sup> Growth ratio = (number of insured *n* – number of insured *n-1*) / number of insured *n-1*.

<sup>2</sup> Incurred claims ratio = incurred claims / earned premium.

<sup>3</sup> Promptness of claims settlement is an analytical breakdown of service times taken to report and process a set of claims (refer to *Performance Indicators for Microinsurance. A Handbook for MicroInsurance Practitioners, 2<sup>nd</sup> edition, pp. 42-45*).

<sup>4</sup> Claims rejection ratio = number of claims rejected / number of claims in the sample.

<sup>5</sup> Coverage ratio = number of active insured / target population

## Recommendations

The critical success factor for this project was a team committed to achieving the goals with management support from all of the partners. Additionally, regular meetings to discuss tasks and projects facilitated effective communication within the team.

Following this project, OMICO will continue selling this insurance product, but without subsidies. They will increase awareness and product uptake by delivering insurance campaigns to target small-scale farmers and also engage with government authorities to explore collaboration opportunities and possible synergies.

To overcome the challenges arising from the economic impact of the COVID-19 pandemic and inflation, the recommended next steps are as follows:

- Exploring government subsidies for insurance and farming inputs (fertilizers, seeds etc); and
- A public-private partnership model for the sustainable offering of the microinsurance product. The partnership would involve stakeholders from the government, private sector and development organisations. For example, AGRITEX officers could support the training on the product.

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<sup>i</sup> The World Bank Group (2020). World Development Indicators database. Washington, DC. <http://data.worldbank.org>. Accessed (14 June 2022)

<sup>ii</sup> Heritage Foundation, (2022) Index of Economic Freedom, <http://www.heritage.org/index/ranking> Accessed (14 June 2022)

<sup>iii</sup> <https://www.worldbank.org/en/country/zimbabwe/overview>

<sup>iv</sup> <https://www.worldbank.org/en/country/zimbabwe/publication/zimbabwe-economic-update-covid-19-further-complicates-zimbabwe-s-economic-and-social-conditions>

<sup>v</sup> <https://www.fao.org/zimbabwe/fao-in-zimbabwe/zimbabwe-at-a-glance/en/>

<sup>vi</sup> <https://www.worldbank.org/en/country/zimbabwe/overview>

<sup>vii</sup> The World Bank Group (2021). Worldwide Governance Indicators database. Washington, DC. <http://databank.worldbank.org>. Accessed (30 May 2022)

<sup>viii</sup> Oxford Poverty and Human Development Initiative (2021). Global Multidimensional Poverty Index Databank. OPHI, University of Oxford.

<sup>ix</sup> [http://www.dataforall.org/dashboard/ophi/index.php/mpicountry\\_briefings](http://www.dataforall.org/dashboard/ophi/index.php/mpicountry_briefings) Accessed (30 May 2022)

<sup>x</sup> <https://www.rbz.co.zw/documents/BLSS/FinancialInclusion/FinancialInclusionStrategy.pdf>

<sup>xi</sup> [https://www.fsdafrica.org/wp-content/uploads/2020/03/Zim-Fintech-Report-25.03.20\\_FINAL.pdf](https://www.fsdafrica.org/wp-content/uploads/2020/03/Zim-Fintech-Report-25.03.20_FINAL.pdf)

<sup>xii</sup> [https://www.fsdafrica.org/wp-content/uploads/2020/03/Zim-Fintech-Report-25.03.20\\_FINAL.pdf](https://www.fsdafrica.org/wp-content/uploads/2020/03/Zim-Fintech-Report-25.03.20_FINAL.pdf)

<sup>xiii</sup> <https://www.rbz.co.zw/>

<sup>xiv</sup> <https://www.rbz.co.zw/documents/BLSS/2020/Financial-Stability-Report-2020.pdf>

<sup>xv</sup> <http://data.worldbank.org/indicator/IQ.CPA.FINS.XQ>