



International
Labour
Office

CASE BRIEF:

INTERNATIONAL LIVESTOCK RESEARCH INSTITUTE (ILRI)

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microInsurance
Innovation facility
■ PROTECTING THE WORKING POOR



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INTERNATIONAL LIVESTOCK RESEARCH INSTITUTE (ILRI)

Product name: Index-based livestock insurance (IBLI)

Location: Kenya

Description: IBLI compensates pastoralists for loss of their livestock due to drought. Payments are made based on an index measuring the deterioration of grass-land, a good indication of cattle deaths as a result of drought. IBLI does not cover livestock mortality due to other causes such as predators and disease.

Farmers covered: 2,600 in total over 2011 and 2012

Farmers who received claims payouts: 638 in 2011, and 425 in 2012

In the last few years droughts have been increasingly severe in Kenya, with devastating results on the local population. During 2011 alone, livestock pastoralists lost on average a third of their animals due to severe drought. The International Livestock Research Institute (ILRI) has piloted a new way to protect them – livestock insurance using satellite technology. With evidence of the product's positive impact on pastoralists, ILRI is now working with new partners to extend the product into other regions of Kenya and into Ethiopia.

SATELLITE TECHNOLOGY

Insurance can provide important protection against disasters like drought. But most poor pastoralists could never afford traditional insurance. ILRI believed that it could make insurance affordable for Kenyan pastoralists, and in 2010 it began to pilot IBLI, a product which insures farmers against losing their cattle due to drought.

The key to its success is a new way to measure livestock losses – satellite technology. Traditionally livestock insurance provides pastoralists with a payment once it has verified the death of each animal. Verifying animal deaths is an expensive and difficult process for small-scale farmers in rural Kenya. Therefore, rather than responding to the deaths of individual animals, ILRI chose to make payments on the basis of an index measuring the deterioration of grassland.

When grassland deteriorates to a certain level, cattle generally begin to die. The state of the grassland is therefore a good indicator of cattle deaths. Satellite imagery is used to measure the state of the grassland, and farmers are paid depending on this index, regardless of how many of their animals actually die. ILRI found that the index was generally accurate, and claims decisions were largely accepted by pastoralists. Claims were paid out to 638 pastoralists in 2011 and to 425 pastoralists in 2012.

This is a completely new way of measuring livestock losses, and it has allowed small-scale pastoralists in this area to access insurance for the first time.

EXPLAINING SATELLITE-BASED INSURANCE

The insurance product and the index are not simple concepts to explain, especially to a population which has never had insurance before. It was vital to build trust and understanding in the local communities, and ILRI therefore decided to provide information to farmers face-to-face.

ILRI trained Master Trainers and Village Insurance Promoters (VIPs) to educate their communities. Master Trainers are older and respected individuals within the community who explain the product and engender trust in the product. VIPs are younger local people, recommended by the authorities in their towns. They provide further information and sell the



INSURED FARMERS COPE BETTER DURING DROUGHT

The impact of the product is tangible. Having this insurance is changing how much pastoralists have available to eat and how many animals they are forced to sell when a drought hits.

Research on the IBLI scheme suggests that insured households expect to deal with drought differently to uninsured households. They expect to receive a pay out in the near future and plan to spend this money on buying food and livestock. As a result, the study found that insured households are less likely to expect to reduce meals than those without insurance (by an average of 27-36 percentage points).

Insured households are also 50 per cent less likely to expect to sell livestock after a drought occurred. This is important, since their remaining livestock will allow farmers to make a living in the future.

You can find out more detail on the research in our Research Paper: <http://www.microinsurancefacility.org/publications/rp31>

product. Since the communities generally have poor infrastructure and low literacy, these local representatives provide a vital link to them.

This face-to-face communication was supported by an educational comic, posters, images and flyers, and a web-based platform. In addition, the central ILRI team visited the project to maintain a relationship with the communities, discuss problems, and explain claims payments.

However, ILRI needed to further build awareness about the product, and began to investigate less expensive way to increase its outreach. It therefore looked to mass media to support its second round of sales. It aired campaigns on local radio stations in two local languages. The campaigns educated farmers on the value of the product, explained the status of the index from the previous season, and provided an opportunity for questions through an interactive programme. ILRI found that radio was an effective way to raise awareness. The programmes got people talking about the product with their friends and neighbours afterwards, which in turn encouraged them to listen to the next programme.

Working with local radio stations certainly brought challenges. For example, their small scale operations were not able to collect simple statistics like the number of callers during interactive programmes, making it difficult to monitor impact. Nonetheless, it was important to work with these stations, since they are

much cheaper than national radio and far more popular with local people.

A video was also produced to explain the product in an entertaining and memorable way. It was shown in all the major towns in the area. ILRI found that the video increased viewers' understanding of the product, and that the comical nature of the video helped them remember what they had learnt. However, it was much more costly than radio, since ILRI had to procure and transport the equipment needed to show the video in each town.

Responses to the video also highlighted the complexity of communicating with rural communities. Viewers welcomed that fact that the video was in their local language. However, some ethnic groups still did not feel able to relate fully to the video, since it was shot in the main town and did not include members of their community in the cast.

ILRI's experience highlights the value of mixing face-to-face communication with mass media.

However, claims payments continue to be the most effective way to build trust and understanding. In 2011 and 2012 ILRI organized events to mark the beginning of claims payments. Some beneficiaries were paid in public, providing a tangible demonstration of how the product works and how it benefits farmers.

Based on the lessons learnt in this pilot, ILRI has expanded the product to seven more districts in Kenya and even across the border to Ethiopia



Housed at the International Labour Organization's Social Finance Programme, the **Microinsurance Innovation Facility** seeks to increase the availability of quality insurance for the developing world's low income families to help them guard against risk and overcome poverty. The Facility was launched in 2008 with generous support from the **Bill & Melinda Gates Foundation** to learn and promote how to extend better insurance to the working poor. Additional funding has gratefully been received from several donors, including the **Z Zurich Foundation** and **AusAID**.

See more at
www.ilo.org/microinsurance