



Index-based agricultural insurance in West Africa



Capitalisation of projects

About ADA

ADA (Appui au développement autonome) is a Luxembourg non-governmental organization that since 1994 has been using inclusive finance to empower vulnerable populations in Africa, Central America, and Southeast Asia and to contribute to the Sustainable Development Goals.

ADA mobilizes its resources and expertise to innovate and support local partners. It implements technical support programs, carries out investment advisory activities, and uses knowledge management to create a lasting impact for target populations.

ADA's activities focus on three thematic areas: **youth entrepreneurship, agricultural and forestry value chains, and access to basic services**. They consider three cross-cutting dimensions: climate change, gender issues, and the use of digital technologies.

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About CASAI

CASAI is an inclusive insurance architecture firm, providing expertise in the conceptualization and implementation of inclusive insurance programs in Africa.

Founded in 2022, CASAI supports and assists public and private entities (government, development agencies, and the private sector) as a favored partner of insurance stakeholders in the design of sustainable and inclusive insurance programs. CASAI is responsible for the implementation of several inclusive insurance programs in West Africa.

About Microinsurance Master

Microinsurance Master empowers and inspires microinsurance leaders to reduce risks in low-income communities.

By accelerating microinsurance businesses and building a community of innovators, it contributes to a stronger sector and better-protected beneficiaries.

Its flagship program combines immersion, mentorship, and alumni networking. It has a 98% approval rate among 137 leaders and changemakers from 45 countries.

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Introduction

Agricultural insurance can play a crucial role in protecting farmers and livestock breeders.

Smallholder farmers face a range of shocks and challenges beyond their control, which can have a significant impact on their incomes and livelihoods. These shocks can be directly related to farming activities, such as market and price fluctuations or pest and disease outbreaks. They can also result from external factors, such as health problems. **Climate change is one of the main factors behind agricultural shocks.** The increased frequency of extreme weather events and the proliferation of pests and diseases are exacerbating the financial losses of farmers in developing countries.








ADA has carried out 7 projects in West Africa since 2020, in collaboration with 5 partners, to test **solutions aimed at strengthening the resilience of producers or breeders to climate shocks, by offering them affordable and accessible index-based agricultural insurance products.** These projects were carried out in partnership with various types of suppliers and distributors ([see table page 5](#)).



In order to learn from these different experiences, **ADA has capitalised on these projects.** The aim of this work is to strengthen its expertise in inclusive agricultural insurance, to integrate the most effective and relevant solutions into programmes that support agricultural value chains and to provide more effective support to project partners in this area.

The methodology applied to the capitalisation work was based on a qualitative and participatory approach, structured into a number of key stages. **Firstly, an in-depth review of project documentation** (activity reports, field studies, analyses and evaluations) was carried out. **Secondly, interviews were conducted** with the project teams and partners involved in monitoring the projects. The interviews were supplemented by **a workshop to exchange experiences** with a number of stakeholders. Lastly, **cross-cutting and comparative analysis** was carried out to identify the main points in common and the differences between experiences, in order to draw relevant lessons and recommendations.

Projects analysed: main characteristics

Country of implementation	Name (and type) of main partner	ADA contribution/ support	Duration (month)	Risks covered	Partners / Channels used			Crops/ units insured	Target	Number of policyholders	Number of claimants
					Insurers	Intermediaries	Distributors				
Mali	 OKO (insurtech)	<ul style="list-style-type: none"> • Increase in the number of smallholders insured in new regions • Putting OKO in touch with MFIs 	20	Climate index-based insurance for drought and floods	• Sunu Assurances	• Call center • Orange Mobile money	• Agents	Maize	Smallholders	1,815	1,339
Côte d'Ivoire, Mali, Uganda	 OKO (insurtech)	<ul style="list-style-type: none"> • Identifying a new distribution channel via the diaspora • Development of a digital diaspora payment solution 	6	Climate index-based insurance for drought and floods	• Different insurance companies in different countries	• Payment solution to be integrated into OKO's website	• OKO's website	Maize, rice and others	Farmers via their relatives (diaspora)	N/A	N/A
Senegal	 Ibisa (insurtech)	<ul style="list-style-type: none"> • Development of drought insurance in several regions in Senegal • Support with the operationalisation of the value chain 	12	Climate index-based insurance for drought and out-of-season rainfall	• CNAAS	• Ibisa platform	• Breeders' network (RBM)	Livestock	Pastoral breeders	464	0
Senegal	 Ibisa (insurtech)	<ul style="list-style-type: none"> • Improving an insurance product • Identifying new distribution partners 	6	Climate index-based insurance for drought, out-of-season rainfall and dry spells	• CNAAS	• Ibisa platform	• Breeders' network (RBM)	Livestock	Pastoral breeders	579	579
Senegal	 CNAAS (national agricultural insurance company)	<ul style="list-style-type: none"> • Raising awareness among F2.0 platform producers • Increasing their access to climate index insurance products 	11	Climate index-based insurance for drought	• CNAAS	• F2.0 platform	• MFIs • Farmers' organisations (FOs)	Peanuts, millet	Smallholders	1,102	443
Senegal	 Pula (insurtech)	<ul style="list-style-type: none"> • Integration of zone-averaged index insurance into an insurance product (trial) 	8	Average return index-based insurance	• CNAAS		• Farmers' organisations (FOs)	Rice	Smallholders	6	0
Senegal, Burkina Faso, Côte d'Ivoire	 Inclusive Guarantee (insurance broker)	<ul style="list-style-type: none"> • Risk reduction for 60,000 smallholders (including 20,000 women) 	24	Climate index-based insurance for drought and average return index-based insurance	• CNAAS	• Digital platform	• Agents • MFIs	Cotton, millet, rice, sesame, sorghum, soya	Smallholders	69,919	20,819



1. Achievements and findings of the projects

The development of hybrid products



Hybrid agricultural insurance products combining climatic and yield indices have been developed, covering crops such as rice and maize, which are essential for local farmers. This has resulted in **a greater number of smallholders being covered, as well as a wider range of risks.**

Weather index-based agricultural insurance products offer cover based on measurable climatic indices, such as rainfall, temperature or other weather parameters, rather than on a direct assessment of the losses incurred by the farmer.

Average yield index-based insurance is based on an index linked to the average yield performance of crops in a particular region rather than an assessment of the farmer's specific losses. The yield index is calculated based on the average yields for a geographical area or specific crop, often obtained using historical data or remote sensing measurements.



Improving distribution strategies by diversifying partnerships



The diversification of distribution channels via microfinance institutions (MFIs), digital platforms, mobile phone operators and other types of local players, such as community leaders, has facilitated access to products for farmers.



The F2.0 digital platform, created by ADA, facilitates the financing of agriculture in sub-Saharan Africa by putting MFIs in touch with smallholders and their cooperatives in remote areas. It enables small producers to become MFI customers and access credit to finance their inputs at the start of the season. It also offers cooperatives a means of obtaining credit to buy part of the harvest from farmers, build up a stock and sell it when agricultural prices rise.

A project has been carried out in partnership with the Compagnie Nationale d'Assurance Agricole du Sénégal (CNAAS) to integrate **index-based agricultural insurance based on rainfall shortages (drought)** into this platform in order to link insurance to producers' loans. In addition, the integration of CNAAS into the F2.0 platform has given it access to new partnerships with MFIs, broadening its customer base and covering a larger number of smallholders.

Adjusting insurance offers through experimentation



Some of the projects covered two agricultural seasons, which meant that the various partners involved were able to test an insurance offer and develop their collaboration during the first season. As a result of this test period, they were able to improve the offer during the second season, thanks to better knowledge of the product, a better mutual understanding and the fact that customers' opinions collected via satisfaction surveys were taken into account.

In Mali, ADA has supported the insurtech work of OKO, which distributes index-based agricultural insurance products to small-scale maize farmers via their mobile phones. The aim of this support was to improve the products and services available in order to strengthen the resilience of smallholders to climatic hazards.

In particular, the project has led to the creation of a local server designed to better process requests and advise customers by telephone. It has also led to a satisfaction survey being carried out among a representative sample of customers.

The results of the survey showed that customers needed more information on how insurance works, and preferred direct and regular contact with agents. In response, OKO began working, as early as the following season, on improving its oral communication tools by integrating WhatsApp voice messages in the local language and by setting up a call centre.



Credit: Shutterstock



For more information on the lessons learned from the project:

<https://www.ada-microfinance.org/en/our-resources/media-center/lessons-learned-index-based-agricultural-insurance-oko-mali>

Coordination among partners remains complex



The development and distribution of insurance products requires the involvement of multiple parties, making coordination an essential factor. However, ensuring effective coordination between partners in the field remains a challenge.

The chain of players involved, from insurer to insurance intermediary, distributor to end customer, can sometimes be long. If communication between these different players is not fluid, the effectiveness of operations in the field can be affected, as can, ultimately, the image of the insurance industry.

The perceived value of insurance to be Improved



Understanding and acceptance of the products by smallholders sometimes remains limited due to insufficient or inappropriate training.

In addition, failure to settle claims or excessively long payment periods (30 days) can damage the perception of the value of insurance. As claims settlement is the 'moment of truth' for the customer, payments need to be made promptly at the right time in order to reinforce confidence in the product and in insurance in general.



2. Perspectives and Lessons learned

✓ Co-development of solutions with partners

Involving distribution partners and farmers in product development means that offers can be better tailored to real needs. In particular, identifying the most appropriate periods for communicating and promoting the insurance, as well as collecting the first subscriptions or premium renewals, is essential to ensuring the success of a product.

To achieve this, the involvement of distributors and farmers in defining these procedures is crucial. Accordingly, projects that have incorporated direct feedback from farmers have successfully adapted their offers and management processes to better meet the expectations and constraints of beneficiaries.

✓ Improvement of claims payment procedures

Improving the speed and transparency of payments is crucial. Projects could take advantage of digitisation and technologies such as remote sensing to speed up the claims assessment process. This would ensure that compensation arrives at the right time for farmers. For example, using a mobile phone operator to pay premiums and compensation would make it easier to reach customers.

In addition, the use of 'last mile' partners (such as money transfer points or supermarkets) into the claims payment process would reduce settlement times.

✓ Ecosystem of diverse partners

Working with different types of distributors, such as microfinance institutions and community leaders, increases the confidence of producers, means that **a large number of producers can be reached and facilitates the adoption of solutions.**

The partnerships set up in connection with the various projects have demonstrated that a well-structured ecosystem of partners is essential to achieving and maintaining the commitment of smallholders.

✓ Appropriate educational approach to raising customer awareness

The use of visual aids, local languages and a variety of channels to raise awareness is an effective way of reaching a diverse audience.

The projects have highlighted the importance of ongoing training for farmers on the benefits and procedures associated with insurance products, particularly in low-literacy environments.

✓ Increased product flexibility and inclusivity

Extending cover to other risks, beyond those related to farming, such as accidents and illness, would make insurance products more attractive and relevant to farmers. Although these risks are not directly linked to farming, they can have a significant adverse impact on smallholders and their productivity.

In Burkina Faso, Côte d'Ivoire and Senegal, ADA supported the insurance broker, Inclusive Guarantee, in the improvement, development and distribution of index-based insurance products for various crops. The aim was to help farmers manage risk in an affordable and effective way, using weather indices to automatically trigger compensation payments.

*The project has led to the development of new index-based insurance products that provide cover against the risks of drought or yield loss, as well as **the creation of a new digital platform** for managing subscriptions, policies and claims. Farmers have been made aware of the benefits of agricultural insurance.*

*Training sessions for producers focused on climate risks and the importance of insurance, resulting in **nearly 70,000 producers taking out agricultural insurance for the first time.** Clear communication throughout the customer journey helped to improve understanding of how insurance works and to build trust.*



3. Summary of best practices for the development of inclusive insurance products



: 1 Setting up of a favourable framework

- Work with distribution partners **who are trusted by farmers**, have direct access to them and are familiar with the value chains. Partners can be selected based on the ecosystem of local players and their proximity to the target..
- Set a minimum number of active customers or members of a distribution channel, given that insurance needs to be provided on a large scale to be viable over the long term. Based on experience, one insurtech project partner recommends **a minimum of 10,000 customers or members**.
- Consider a **wider range of stakeholders**, such as government bodies and programmes, and external factors such as input subsidies. For example, insurance can be integrated alongside agricultural inputs in a wider range of services offered to producers.
- Adopt a long-term perspective (**recommended minimum of 3 to 5 years**) in order to experiment, adjust, evaluate and make insurance programmes sustainable.
- Ensure a **favourable regulatory framework** by contributing to initiatives in this area. Public Private Partnership (PPP) initiatives, for example, can contribute to the adoption of favourable regulations.



: 2 Solution design

- Identify the risks faced by smallholders, **beyond those associated with farming** (health, death and accidents).
- “**Co-design**” holistic solutions with the distribution partner, combined with other services of interest to producers, such as access to agricultural inputs or credit, to add value to the insurance product.
- Start with **automatic enrolment and/or grouped solutions**, allowing farmers to experiment with insurance before having to make an individual purchase decision.



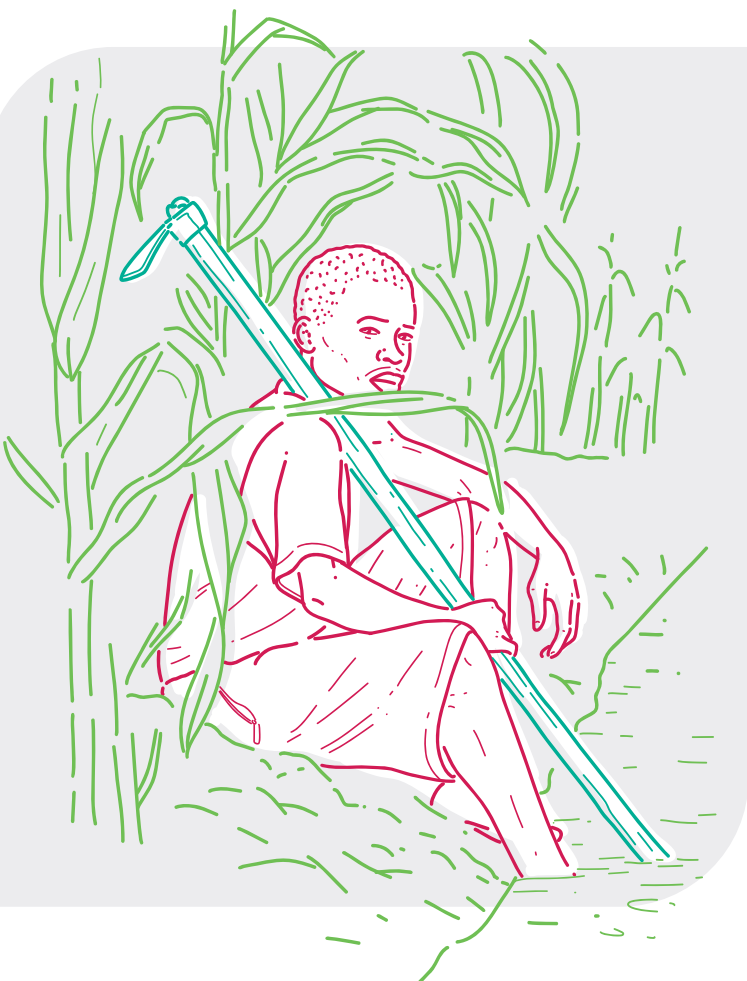
: 3 Deployment of the solution

- Ensure **adequate funding and a shared interest** for all project stakeholders.
- Ensure that all **stakeholders are able to properly use the solution** through training on insurance for partners who are not familiar with it, followed by regular group meetings to monitor deployment
- Reinforce a “**develop-measure-learn**” approach throughout the implementation process, and continue to adjust the solution in line with customer feedback and changes in behaviour.
- Demonstrate the value of insurance by **paying claims as quickly as possible**.
- Give certain **distribution partners** a key role in the delivery of solutions, particularly in claims settlement.



: 4 Monitoring and evaluation of the solution

- Ensure that **customers’ views** are regularly taken into account at every stage, for example by carrying out customer satisfaction surveys at the half-way stage or by conducting small qualitative studies.
- Carry out **impact analysis** at the end of each project cycle, for example at the end of the agricultural season.



4. Role envisaged for donors and support organisations



To ensure that the agricultural insurance market develops in a manner that meets the needs of stakeholders while maximising its potential for viability, the contribution of donors and development support organisations is essential. This contribution can take different forms and relate to various aspects.

Financing the cost of developing and distributing insurance products

- 1 Providing, over a set period, the funds needed to cover the costs of developing and distributing insurance products enables these products to be tested and adapted in order to make them accessible to smallholders. The initial aim is to raise awareness of this type of financial product among the various stakeholders and to **demonstrate its relevance through experience**. After that, of course, an exit strategy needs to be devised.

Awareness-raising support

- 2 One of the main obstacles to the adoption of insurance is the lack of information and understanding of this type of product by potential customers. It is therefore important to carry out awareness-raising campaigns to inform and educate smallholders about the advantages and procedures associated with insurance solutions. To that end, it is essential that clear and varied materials be produced that meet the **specific needs of the various target audiences** (image box, simple language and use of local languages).

Portfolio cover guarantee

- 3 Offering portfolio coverage guarantees to microfinance institutions could enable them to **finance more smallholders** by facilitating their access to agricultural loans. Part of this funding could be used to take out agricultural insurance to secure these loans. This would also generate additional income for MFIs via commission payments from insurers, while guaranteeing an income for smallholders in the event of a claim.

Support for new collaborations

- 4 Encouraging and facilitating partnerships between different stakeholders, such as financial institutions, insurers and farmers' organisations, can also facilitate the development of the insurance market. This can take the form of support in identifying partners and establishing **fluid and effective communication** for the implementation of activities.





Impact assessment and evaluation

- 5** Regular impact studies and evaluations can be used to **measure the effectiveness of insurance solutions** and identify areas for improvement.

Reputational support between microfinance institutions and insurers

- 6** Taking action to improve the reputation of insurers by working with microfinance institutions through awareness-raising campaigns or **testimonials from satisfied customers** would help strengthen the confidence of smallholders in the insurance solutions on offer.

Longer-term support for partners

- 7** Supporting partners over the long term would help to consolidate partnerships and establish the conditions required for a **lasting impact on the ground**. Support for less than 3 years does not seem to be enough to ensure the long-term viability or stability of the activities put in place.



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The projects supported by ADA in West Africa have highlighted the importance of an inclusive and collaborative approach to developing index-based agricultural insurance solutions that meet the needs of smallholders.

These projects have provided a series of valuable lessons and concrete recommendations on improving the impact of future initiatives.

To maximise the impact and ensure the long-term viability of this type of project, particular attention needs to be paid to the establishment of long-term partnerships, the ongoing adaptation of products (including beyond agricultural insurance), the engagement of diverse stakeholders and clear and regular communication with beneficiaries. These are fundamental factors in strengthening the resilience of smallholders and encouraging the wider adoption of agricultural insurance solutions in the region.



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