



Bridging the gap between risk and resilience in agriculture

Taking Stock of the Zambia Climate Insurance Project

In January 2023, the International Finance Corporation (IFC) - in collaboration with the Pensions and Insurance Authority (PIA) - engaged ZEP-RE (PTA Reinsurance) as the technical service provider for its inclusive insurance project in Zambia, with the following key objectives:

- Product Development Support for Insurance Companies
- Development of Partnerships and Distribution Channels to Support Insurance Companies
- Provision of Reinsurance Capacity and Support to Insurance Companies Seeking to underwrite Parametric Insurance
- Awareness Creation Support
- Capacity Building and Knowledge Transfer Support

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← The project focuses on supporting insurance companies in Zambia that are interested in establishing or expanding their parametric insurance business. The support is through training and capacity building, development and testing of suitable parametric insurance products, development of partnerships and distribution channels and creation of awareness among small-holder farmers.

The project implementation team—ZEP-RE and PIA—embarked on several activities aimed at delivering the mandate of the project. Zambia’s tremendous potential in Agriculture, which is the main economic activity for 58.5% of households, is highly threatened by the increasing frequency and severity of extreme weather events like droughts and floods.

The climate change threat underscores the importance of the IFC project in deepening the uptake of parametric insurance in Zambia as a powerful risk mitigation tool which strengthens the resilience of farmers, many who are dependent on rain water to grow their crops.

ZEP-RE, through its subsidiaries ACRE Africa and ZEP-RE Academy, started by conducting a gap analysis survey with eight prominent general insurance companies to assess training requirements before providing parametric insurance training to the agriculture insurance ecosystem in Zambia.

The survey found out that:

1. The insurance industry in Zambia has limited knowledge and availability of climate risk/parametric insurance products
2. Trainings on parametric insurance have been limited, inconsistent and with little follow-up.
3. 100% of respondents were interested in building their capacity in parametric insurance products
4. Current parametric insurance products faced challenges like lack of digital solutions, unreliable distribution part-



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ners, and limited understanding of the product.

The ZEP-RE findings from the needs assessment survey pointed to the need for support for training and capacity building in product design, pricing, and marketing in order to promote the growth of the parametric insurance market.

ZEP-RE then followed up with activities that primarily centred around training and capacity building of insurers, banks and microfinance institutions and other aggregators, agriculture extension service officers in the Ministry of Agriculture and other stakeholders. It also engaged in consultations for product enhancements and development. The activities also included building the capacity of var-

ious stakeholders within the agriculture insurance value chain. Some of the key trainings included:

I. May 3-4, 2023 training at Twangale Park Hotel in Chilanga district, Lusaka

The capacity building training workshop targeted life and non-life insurers, the Ministry of Agriculture, non- governmental organisations and aggregators such as banks, MFIs and seed companies. The overall objective of the workshop was to address the identified gaps in the needs assessment survey.

ZEP-RE Academy and ACRE Africa used this first training to offer foundational technical knowledge and →



← understanding of the concept of parametric insurance. The training also helped participants understand the distribution of parametric insurance to smallholder farmers and how the insurance can be bundled with other products. The role of intermediaries, such as agents and aggregators, in marketing and selling the insurance was also discussed.

II. June 5-7, 2023 Ministry of Agriculture training of trainers workshop

The training at Mika Convention Centre in Chongwe district of Lusaka saw the project implementation team collaborate with the World Food Programme in Zambia to train the Ministry of Agriculture provincial and district staff involved with Insurance on the Farmer Input Support Programme (FISP). The main purpose of the training was to enhance the knowledge and skills of Ministry of Agriculture staff regarding weather and area yield parametric insurance, specifically so as to improve the design, awareness and management of the insurance provided under FISP.

Their enhanced awareness and understanding of weather and area yield index insurance is expected to enable effective communication of the benefits and intricacies of these insurance products to farmers and in turn contribute to increased farmer participation.

One of the early wins from the training was the improvement of the FISP product to a hybridized insurance product introducing yield audits to the cover which is mainly weather index insurance. About 160,000 farmers in the Copperbelt and Northwestern Provinces of Zambia benefited from this product in the 2022/2023 season.

The product offers coverage to farmers against weather-relat-



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ed risks throughout the farming season and has customizations made to suit value chains of maize, soya beans, and ground nuts. The insurance coverage safeguards farmers from perils such as drought, excess rainfall, flooding, pests, and diseases.

III. Targeted training sessions for microfinance institutions

The sessions resulted in

promising discussions with two institutions— Microloan Zambia Foundation and Agora Microfinance Zambia— interested in covering their agriculture loan portfolios.

These potential partnerships offer a good indication of the appetite for initiatives that demonstrate innovation and dedication to addressing the unique challenges faced by smallholder farmers in Zambia.

IV. Farmer showcase events with Synergy Seed Company

ZEP-RE and ACRE Africa partnered with Synergy Seed Company to organise farmer showcase events in selected districts in Zambia where they interacted directly with over 350 farmers and gained insights into their climate change issues. They also presented the insurance options available and how

these farmers could access them, building on the success in reaching over 800 farmers in the 2021/22 season and subsequently 7,800 farmers in the 2022/23 farming season.

V. The April 20-22, 2023 AgriTech Expo

This was a synergy stand where ZEP-RE co-exhibited

AgriTech Expo Zambia is an exclusive business-to-business platform, whereby key stakeholders including retailers, agents and service providers from across the entire Agri value chain, can converge to discuss regional plans for development and agri-evolution. From live crop trials and demonstrations to livestock auctions, this is usually a must attend event for any company wishing to generate new business and dramatically increase their profitability.

Approximately 600 farmers visited the ZEP-RE stand specifically seeking information about insurance, demonstrating their growing interest in parametric insurance.

Developing partnerships and distribution channels

The implementing partners have also held various partnership discussions to offer pilot products to farmer organizations, enhance existing product offerings to current partners and create innovations for effective distribution.

One of the earliest partnerships was with aYo Zambia that offers life and health microinsurance products to mobile phone users subscribed to the MTN network.

ZEP-RE opened discussions with aYo on customization of their product menu to be able to offer a bundled product that allows for potential farmers to sign up for life and health insurance with option to bundle with climate risk insurance.



Looking ahead

The second year of executing the Zambia Climate Insurance Project is on and it promises to be another busy season. ZEP-RE and its partners will be executing the pilot insurance initiative and expanding reach to support more insurance underwriters. This will be by building their capacity in climate risk insurance and supporting pilot projects in climate risk insurance.

Also, of focus will be holding intensive training sessions for distribution channel identification and underwriting best practices for insurance companies as well as providing comprehensive support for product development and reinsurance for all insurance companies in Zambia.

Other activities lined up in 2024 include:

1. Pilot packaging of new insurance products, getting PIA approval and fully commercializing it
2. Setting up a dry-run product for non-FISP insurers and carrying out comparative analysis with existing products
3. Conduct trainings (At least 3 training workshops of 3 to 5 days duration) as part of capacity building
4. Offer reinsurance support through product design and approval support as well as cover placement and claim recovery
5. Support establishment of distribution channels and provide linkages to developmental organizations supporting farmers' production