Agricultural Insurance Training - Manual and Lesson Plans

September 2012
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Introduction to the Training Manual

About 75% of the Kenyan population earn their income from small-holder farming or related farm enterprises. The vast majority of these farmers do not generate sufficient income from agriculture to provide health, education or living conditions for their families, let alone to re-invest in their farms.

Through efforts such as providing smallholders access to credit to buy technologies, training on how to use these effectively, and helping to market the resulting produce, the cycle of poverty can be broken and a progressive transformation away from subsistence and towards commercial farming can begin. This transformation should result in income increases which enable smallholders to invest in their farms.

Farming as a business is a relatively new concept for small-scale farmers. Commercial farming was previously associated with industrial crops and large-scale farms. There should be a deliberate focus on choice of farm enterprises with an aim of maximizing on the benefits that farmers gain from their activities. It involves a change in the way smallholder farming is perceived. This is because farming is a profitable venture which provides gainful employment and a source of livelihood for many people.

The trainings conducted with this manual are intended to introduce smallholder farmers to the concept of farming as a business and in particular focus on how farmers can mitigate the risks that are associated with farming. Like any other business, the farmer needs to know what is required to get started, how the business will be conducted, risks that could make him lose his investment and how much he is expecting at the end of the growing season.

Record keeping is the starting point for farming as a business because it helps the farmer as a businessman or woman to know how the business is performing. The records also provide them with useful information for decision making. Besides farm records, during the planning stage the farmer will need to identify risks, consider available risk management options and make a decision on the best way of handling the risks.

Uncertainty and risk are characteristics inherent in agricultural activities, and one of the main sources of risk is weather. Smallholder farmers are most limited of all farmers in dealing with drought, floods, and disease when they occur. When shocks hit, households can lose their annual income or the ability to earn income. Overtime communities have devised ways like crop diversification, share cropping and risk pooling of managing many of the more frequent risks. Despite their best efforts to manage risk, farmers are still perceived as risky borrowers by banks. Traditional risk management arrangements are frequently inadequate in handling low frequency, highly covariate risks that affect many people simultaneously. It is against this background that agricultural insurance is promoted as financial instrument for weather risk transfer.

This manual will discuss index based agricultural insurance [the most appropriate agricultural insurance for smallholder farmers] as a tool for development which can help farmers protect their investment. Index insurance can play an important role in protecting productive assets thereby encouraging small holder farmers to pursue riskier but potentially more profitable farming strategies.
About the Manual

This manual was developed for extension officers engaged in educating farmers on agricultural insurance matters. It is a product of Adaptation to Climate Change and Insurance (ACCI) project, implemented by GIZ in partnership with the Ministry of Agriculture, Kenya. The manual was developed to address the issue of low insurance literacy levels among Kenyan farmers, mentioned as one of the challenges hampering the development of the agricultural insurance sector.

The manual is designed in a way that it can be used, with necessary local amendments, to provide agricultural insurance trainings to small-scale farmers also outside Kenya.

The training manual consists of six (6) modules: Module 1 provides guidance for trainers on how to prepare for the training. Module 2 to 5 takes the trainees through a process of appreciating the importance of understanding farming as business, risks involved in farming, risk transfer mechanisms, weather index insurance, the process of purchasing the products and basic consumer protection issues. Module 6 provides some exercises aimed at strengthening the farmers’ understanding of what is covered under Module 2 to 5.
Module 1: Pre-Training Instructions to Trainers

Module 1: Pre-Training Instruction to Trainers

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1.0 Learning Points

By the end of this chapter, the trainer should know:

✓ How to use this manual
✓ The goals of the farmer trainings
✓ How to identify an appropriate group for the course
✓ How to organize and prepare for trainings
✓ How to use the training aide

1.1 Manual Objective and Goals

The modules developed have the following objective:

- To build capacity to deliver training in the field of agricultural insurance and to develop manuals and relevant aides to support these trainings.
This is to achieve the following goals:

a. To enhance technical competence of government extension officers and other stakeholders in agricultural insurance and index insurance. Stakeholders include organizations such as NGOs, community based organisers, and community leaders. This will facilitate more effective farmer trainings and an increased acceptance and uptake of insurance.

b. To help farming communities understand how they can manage and mitigate their agricultural risks.

1.2 Using this Manual

This manual is a guide for agricultural insurance trainers. Trainers will be first trained in detail on the content of Modules 1-3. During the actual trainings of farmers the manual will serve as a guide and lesson plan.

The manual is organized into four modules:

- **Module 1** – Record Keeping and Agricultural Risk Management
- **Module 2** – Introduction to Insurance
- **Module 3** – Index Insurance and Benefits of Insurance
- **Module 4** – Case Study
- **Module 5** – Consumer Protection
- **Module 6** – Review Questions

Modules 1 through 3 are designed to be covered in 1 – 1.5 hour interactive sessions, but they can also be held over a longer or shorter time period.

Depending on the group you are training and the organisation the trainer is working for, you may have 40 minutes to train a group, 2,5 hours to train a group or a three 2 – 2,5 hours hour training sessions.

Below a suggestion is made which topics you may cover in each case.

### 40 Minutes Training

<table>
<thead>
<tr>
<th>Module</th>
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<th>Time</th>
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<td><strong>Module 2</strong></td>
<td>2A.2 Informational Bit: Farming as a Business</td>
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<td><strong>Module 3</strong></td>
<td>3.3 Interactive Activity: Recognizing Informal Insurance</td>
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<td><strong>Module 4</strong></td>
<td>4A.3 Informational Bit: What is Weather Index Insurance?</td>
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<td></td>
<td>4C.2 Informational Bit: Benefits of Insurance and weather index for a farmer</td>
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<td></td>
<td>4C.4 Informational Bit: Access to weather index insurance</td>
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<td><strong>Module 5</strong></td>
<td>5.1. Understanding consumer protection</td>
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<td>5.5 Understanding the complaint process</td>
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## 2.5 Hours Training

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<td>2A.3 <em>Informational Bit</em>: Why keep Records?</td>
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<td>2A.4 <em>Relatable story</em>: An example of record keeping: A household budget</td>
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<td>2A.5 <em>Interactive Activity</em>: Farm Budget Template</td>
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<td>2B.2 <em>Relatable Story</em>: Understanding Risk Better</td>
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<td>2B.4 <em>Interactive Activity</em>: Farmer Risk Identification</td>
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<td>2B.5 <em>Informational Bit</em>: Coping with Risks</td>
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<td><strong>Module 3</strong></td>
<td>3.2 <em>Interactive Activity</em>: Recognizing Informal Risk Management</td>
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### 3 Sessions: about 2 Hours each

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<td><strong>2A.6 Relatable Story: An Example of planning Using a Household Budget</strong></td>
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| Module 5 | 5.1. Understanding consumer protection | 5 min |
| 5.4 Understanding the procedure for recourse mechanism | 10 min |
| 5.5 Understanding the complaint process | 10 min |

The trainer should encourage discussion during and at the end of each module to evaluate understanding and recover points that were not mastered. Most of the manual is not meant to be simply read to the trainees; the trainer should prepare in advance and make note of when to refer to the manual. The training aide is provided as supporting material for quick reference for the trainer.
1.3 Manual Layout

Every chapter contains the following items:

1. **Trainer Background Information** – Background information for the trainer to provide him/her with the bigger picture of the topic. This part does not need to be read out to the farmers during the training.

2. **Lesson plan** - The table acts as a guide on time allotted to each subtopic and activity. It will help the trainer plan the lesson and ensure the maximum attention of the adult class. The timings set in each lesson plan are indicative of roughly how long each one should take.

3. **Learning points** - By the end of each lesson the trainees should be able to explain the outlined ideas. These should be shared at the beginning with the trainees to shape expectations.

4. **Understanding Key Terms** - definitions of important terms. The meaning in Kiswahili follows English definitions. Please note that during a farmer training the trainer is required to translate key terms into the vernacular language. See Appendix A for an exercise.

5. **Relatable Story** - a real world story to serve as an example to help trainees understand the new ideas covered in the module.

6. **Interactive Activity** - discussions led by the trainer to engage with the group on the new materials and to help farmers apply what they are learning.

7. **Informational Bit** - details about the topics that the trainer explains to provide more background knowledge for the farmers; this is reinforced with the activities.

8. **Conclusion** - a review of the main goals and learning points in the module to ensure farmers understood the new information.

1.4 The Training Aide

The training aide highlights key points to be discussed for each module. It can be used during the trainings by the trainer to show illustrations to the trainees and as a memory aide for the trainer to ensure the key points are covered.

The training aide generally provides a summary of the:

- **Learning points**
- **Key definitions**
- **Relatable story**
- **Interactive activity**
1.5 Planning Trainings

Before commencing any training, you should plan ahead AND communicate to the trainees. The questions below will guide you to plan.

1. Topic and lesson plan- What module(s) will you cover?
2. Who are the farmers you will train- what is their background?
3. Venue - where will you meet?
4. Time schedule - When, how often, and for how long will you meet?
5. Responsibilities - Who does what?

1.6 Adult Learning

Adults learn with an objective and purpose in mind. Lessons are best received when they are relevant and useful to the trainees' lives.

In the learning process, adults:

1. Expect respect and acknowledgement of what they know
2. Appreciate learning at their own pace at a convenient time and place
3. Learn better when they are able to share their knowledge and experience
4. Dislike being proven wrong
5. Enjoy practicing what they learn
6. Prefer learning with their peers

The below noted principles of adult learning can furthermore prove helpful in preparing and executing your training:

- Safety- guarantee a participatory learning environment
- Clear roles- there should never be role conflict between trainer/trainee
- Careful attention to sequence of content and reinforcement
- Accountability- How do they know that they know?
- Immediacy of learning so that learning is assured to take place

1.7 Identifying Target Trainees

Trainings are most effective when done with a small to medium size group of trainees with a common goal and a willingness to learn together. In addition to learning about insurance, the training facilitates the sharing of ideas, understanding of new concepts, the improving of skills, and personal development. These groups should ideally be willing to meet on a regular basis and to complete the three modules together.

General Characteristics of an appropriate group to train:

1. 20-30 farmers that are community members and can be clustered together for training. They do not have to be an existing group.
2. Willing to meet for a minimum of 3 trainings, each 1.5 hours.
3. An interest in learning more about insurance and risk mitigation, realising it can improve their daily lives.
4. Willing to share ideas and participate in activities.
5. Demonstrate democratic values that ensure effective communication and mutual respect.
As a trainer you will find that each group you train is different. Each group may require a different training approach and different insurance products might be relevant in each case. This manual is tailored to fit training to subsistence, smallholder farmers as well as middle holder farmers. Below we provide suggestion which modules to cover for each target group.

We differentiate four different levels of farmers:

1. **Subsistence farmers** who do not yet view their farming activities as business activities and invest very little or nothing in seed or fertilizers and do not manage to sell much of their produce. These farmers are likely to require government support and subsidies to take up such products.

2. **Smallholder farmers** whose main income is from the farm but who manage to grow at least part of their crop for a market and consider this part of their farm as a business. These are the majority of farmers in Kenya and will require to be taken through the various modules before they will be willing to take up insurance.

3. **Middle holder farmers**, who also have some other sources of income apart from the farm, generally from formal employment such as the civil service or teaching. These farmers are likely to be receptive of insurance as they already have some form of insurance but require separate trainings. They see their farm, as one part of their overall business and approach any input to the farm as an investment.

4. **Large scale farmers**, who run a mechanised large scale farming operation. Their whole farm is set up to be as profitable an enterprise as possible. These farmers may have some form of agricultural insurance and will be receptive to taking up insurance. They too need to be approached in separate trainings. This training manual is NOT tailored to their specific needs.

1.8 Ensuring Efficient Trainings

Trainers should take several measures to ensure meaningful and efficient trainings. A clear outline of each training session, made in advance, can help make this happen. The training aide provides a sample template that can be used as a reference.

This outline should include:

- Module to be covered
- Time allotted for each sub topic
- Needed training materials/aids
- Main content of the talk
- Concluding note
- Theme/topic leading to discussion
- Type of practical activities

During the actual presentation:

- Introduce the topic in a clear way
- Tie in the topic with the topic of the previous lesson
- Emphasize the importance of the theme and the purpose of the talk
- Give a summary along with review of main points
- Tie in to the topic of the next lesson
1.9 Mobilization of Trainees

- Schedule the training far enough in advance
- Mobilize positive farmers and group leaders, asking for their assistance in mobilizing other members.
- Get to know the farmers you’re training, ask questions about their lives and build a positive relationship
- Always review the training date, time and venue in advance

An Example Insurance Promotion Message

Use this message as a guideline if you only have one minute to stand up in a forum when mobilizing farmers for group training:

*Let me tell you a story. Say you are running a race. In the middle you come to some hurdles, and you realize that you might fall and injure yourself if you cannot jump over. It would have been helpful if you had thought of all the possible risks and solutions while preparing for the race. For example, a cushion could protect you from injury. Insurance is like that cushion.*

*How many of you have ever suffered from drought on your farm? To learn more about how you can get a cushion for the risks like drought that affect your farm, call me at 0712345678 [insert your mobile number] OR meet me at the chief’s office at 9AM this Saturday.*

Note for Trainer: You should change the contacts or the meeting details as per your planned meeting.
1.10 Training Materials Checklist

The illustration shows the items you will need for training. Make orders for any training materials required in advance. Prepare the materials early to avoid last minute rush. Check if all the materials are ready by putting a check against each.

Whenever possible ensure the attire you wear shows clearly the organisation you are representing, so as to avoid any confusion of your trainees as well as to prevent fraudsters from offering insurance training without the necessary qualifications or understanding.

1.11 Tips for a Successful Training

- Mobilize your group members before every meeting
- Check that you have all training materials ready before attending the meeting
- Review the Module the previous day and in the morning before the meeting
- Follow the lesson plan
- Start the meeting with energy (prayer and fun game)
- Prepare for anticipated questions
- Focus on building relationship with your weakest and newest farmers
- Make the meeting interactive.
## Module 2: Farming as a Business and Agricultural Risk Management

### Module 2 Farmer Training Lesson Plan

Depending on the time available for a training, use the below lesson plan to guide you in the topics to cover.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Time</th>
<th>40 Minute Training</th>
<th>2.5 hr Training</th>
<th>3 Trainings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Part A – Farming as a Business</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2A.0 Learning Points</td>
<td>5 min</td>
<td></td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>2A.1 Understanding Key Terms</td>
<td>10 min</td>
<td></td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>2A.2 Informational Bit: What is Farming as a Business?</td>
<td>5 min</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>2A.3 Informational Bit: Why keep Records?</td>
<td>5 min</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>2A.4 Relatable Story: An example of Record keeping: A Household Budget</td>
<td>5 min</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>2A.5 Interactive Activity: Farm Budget Template</td>
<td>15 min</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>2A.6 Relatable Story: An Example of Planning Using A Household Budget</td>
<td>5 min</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>2A.7 Informational Bit: Use and Benefit of Record Keeping</td>
<td>5 min</td>
<td></td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>2A.8 Informational Bit: Record Keeping and Risk Management</td>
<td>2 min</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>2A.9 Relatable Story: What Are Assets worth Protecting?</td>
<td>5 min</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td><strong>Part B – Agricultural Risk Management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2B.0 Learning Points</td>
<td>5 min</td>
<td></td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>2B.1 Understanding Key Terms</td>
<td>10min</td>
<td></td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>2B.2 Relatable Story: Understanding Risk Better</td>
<td>5 min</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>2B.3 Classification of risks</td>
<td>5 min</td>
<td></td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>2B.4 Interactive Activity: Farmer Risk</td>
<td>15 min</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
</tbody>
</table>
Module 2, Part A – Farming is a Business

Trainer Background Information – Part A: Farming is a Business and Record Keeping

This part functions as a background for the trainer: DO NOT read out during the training

Any farm, small or large has the capacity to be a productive unit. The more we invest in our units the more potential it can have to be profitable. Making the farm into a profitable enterprise requires investment.

Investments in the farm can come in the form of seeds, fertilizers, improved practises, irrigation or other modern methods. How much you invest in your farm should depend on the potential market and profitability.

As farmers look at farming as a business, one of the first steps in becoming a profitable farmer is to start keeping farm records. Keeping records helps farmers to understand:-

1. The financial health of the farm, and specifically if the crops and livestock are profitable
2. How much is spent on the farm in a season
3. Where costs can be better managed
4. Which inputs work better on the farm
5. The farm productivity over an extended period of time
6. When the best sale periods are in a season, to collect the best income
7. How much profits were collected and how they were utilised

Only farmers who see farming as a business enterprise are likely to take up insurance. Farmers who do not expect to get anything from their farm apart from food for their own subsistence are less likely to invest in their farm and they are less likely to take up insurance. Therefore it is important to first create the mindset of the trainees that farming should be approached as a business.

Once a farmer knows the optimal investments for the farming business he or she is interested in they should also consider the risks these investments bring with them.

This module will help you describe to farmers why farming is a business, how they can calculate the return on investment through records, and which risks they should take into account that may threaten the business.
2A.0 Learning Points

Read to farmers and explain that by the end of the lesson they should understand and be able to explain the points below.

- What is farming as a business
- What is a farm record
- How to create a basic farm record
- The benefits of keeping records and a budget

2A.1 Understanding Key Terms

Read and understand the following key terms yourself. As you go through the module help the farmers understand the terms.

**Farm Records** - A written account that tracks activities performed and results achieved at the farm.

**Budget** – A financial record we use to project future income and expenditure

**Inputs** - Resources such as seed, fertiliser, agrochemicals, or manure that are used or put into the farm to lead to production

**Investment** - Money committed to an asset or item that is purchased and operated with the intention of making a profit

**Expenditure** - An amount that has to be spent in order to get something

**Income** - Amount earned from an investment

**Profit** - A financial gain, the difference between the amount earned and the amount spent producing something

2A.2 Informational Bit: What is Farming as a Business?

**Goal: Have farmers understand what farming as a business entails**

While in our society we have farmed for generations to feed our families and community there is a difference between subsistence farming and farming as a business enterprise. When we farm simply to feed our own family with little investment in the farm, we know what harvests we may expect.

As we look to pay for our children’s education, and have other expenses in our households there is need for a larger income from our fields. We know this can be reached through investing in our farms, using inputs such as chemical fertilizers and hybrid seeds.

These investments should be repaid by the benefits of the increased income from harvests and require that we start looking at the farm as a business; a business where investments are made and income is earned.

To understand our farm as a business we should be able to identify the investments that we would need to make in our farm to make it more profitable, and outline the costs of these investments. Similarly we should look at the potential profit from these investments. This results in a cost-benefit analysis of our farm. If the benefits outweigh the costs, we can start to consider our farm as a business.
2A.3 Informational Bit: Why Keep Records?

**Goal:** Have farmers understand the value of keeping records

*Trainer explains why to keep farm records by reading text below.*

As we look at our farm as a business we need to identify our costs (expenditure) and our benefits. A key tool for this is a farm record.

On the cost side of our farm record we find buying seed, fertiliser, chemicals, land leasing, and land preparation labor costs, and planting labor costs (even when family members are providing labor we should cost it because they could as well be doing something else that bring income). As the season progresses we also spend on weeding and finally on harvesting the crop.

On the benefit side of our farm record we find the quantity and quality of harvests produced. Let’s put price tag to everything produced; whether it is sold or consumed at household level. With the records you now know how much you produced and earned last season.

Making a budget will help you to project your expenditure against expected income to make a decision whether it makes business sense to farm. Budget will help you to compare your projected and actual production at the end of the season.

2A.4 Relatable Story: An Example of Record Keeping: A Household Budget

When a woman goes on a trip to the market to buy food, first will consider how much money she has and make a list of what is needed in the kitchen. On this list she also estimates how much it will cost to see if the money she has is enough (if the money not enough she will prioritize what to purchase). These cost estimates are based on how much the items cost at the market last week. At the market she will see what the actual prices are, so she will either have money left to buy extras, or if the prices are high, she’ll have to reduce what she can afford.

This list with prices is a simple record. She wrote out what her kitchen needs were, and gave approximate costs based on what she last bought them for. This is the planning stage and it helps her make an informed decision on how much money to bring and how much you can afford to spend.

The same principles are applicable on your farm when planning at the start of the season. These plans should include how much of each input you need and how much cost you should expect, based on your past experiences with what input combination would work best for your farm.
2A.5 Interactive Activity: Farm Budget Template

Goal: For trainees to learn how to make a simple farm record

1. Trainer first draws the below table on the flip chart. Ask the trainees to tell you how much of the listed items they use to grow one acre of maize and how much each would cost.

<table>
<thead>
<tr>
<th>Farm Record for 1 Acre of Maize</th>
<th>Date</th>
<th>Item</th>
<th>Unit (fill)</th>
<th>Cost Ksh (fill)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>COSTS: Inputs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seeds</td>
<td></td>
<td></td>
<td>KG</td>
<td></td>
</tr>
<tr>
<td>Planting Fertilizer</td>
<td></td>
<td></td>
<td>KG</td>
<td></td>
</tr>
<tr>
<td>Top Dressing</td>
<td></td>
<td></td>
<td>KG</td>
<td></td>
</tr>
<tr>
<td>Crop Protection</td>
<td></td>
<td></td>
<td>ML</td>
<td></td>
</tr>
<tr>
<td><strong>Other items used</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ploughing</td>
<td></td>
<td></td>
<td>People</td>
<td></td>
</tr>
<tr>
<td>Planting</td>
<td></td>
<td></td>
<td>People</td>
<td></td>
</tr>
<tr>
<td>Weeding</td>
<td></td>
<td></td>
<td>People</td>
<td></td>
</tr>
<tr>
<td>Harvesting</td>
<td></td>
<td></td>
<td>People</td>
<td></td>
</tr>
<tr>
<td><strong>Calculations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Costs (total all items)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>BENEFITS: Harvest</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harvest (in 90kg sacks)</td>
<td></td>
<td></td>
<td>Sacks</td>
<td></td>
</tr>
<tr>
<td>Selling price per sack</td>
<td></td>
<td></td>
<td>KSH</td>
<td></td>
</tr>
<tr>
<td>Income (price * sacks)</td>
<td></td>
<td></td>
<td>KSH</td>
<td></td>
</tr>
<tr>
<td>Profit (Income - Costs)</td>
<td></td>
<td></td>
<td>KSH</td>
<td></td>
</tr>
</tbody>
</table>

Note: at the end of the activity, the table should look like the below ‘Complete Farm Record for 1 Acre of Maize.’ but with different units and costs.
## Complete Farm Record for 1 Acre of Maize

<table>
<thead>
<tr>
<th>Date</th>
<th>Item</th>
<th>Unit (fill)</th>
<th>Cost Ksh (fill)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.07.2012</td>
<td>COSTS: Inputs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.07.2012</td>
<td>Seeds</td>
<td>8</td>
<td>1,520</td>
</tr>
<tr>
<td>10.07.2012</td>
<td>Planting Fertilizer</td>
<td>50</td>
<td>2,600</td>
</tr>
<tr>
<td>10.07.2012</td>
<td>Top Dressing</td>
<td>50</td>
<td>1,800</td>
</tr>
<tr>
<td>10.07.2012</td>
<td>Crop Protection</td>
<td>100</td>
<td>580</td>
</tr>
<tr>
<td>15.07.2012</td>
<td>Labour</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15.07.2012</td>
<td>Ploughing</td>
<td>10</td>
<td>2,000</td>
</tr>
<tr>
<td>15.07.2012</td>
<td>Planting</td>
<td>10</td>
<td>2,000</td>
</tr>
<tr>
<td>19.10.2012</td>
<td>Weeding</td>
<td>5</td>
<td>1,000</td>
</tr>
<tr>
<td>19.10.2012</td>
<td>Harvesting</td>
<td>5</td>
<td>1,000</td>
</tr>
</tbody>
</table>

### Calculations

<table>
<thead>
<tr>
<th>Date</th>
<th>Item</th>
<th>Quantity</th>
<th>Cost (Ksh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>25.10.2012</td>
<td>Harvest (in 90kg sacks)</td>
<td>20</td>
<td>30,000</td>
</tr>
<tr>
<td>25.10.2012</td>
<td>Selling price per sack</td>
<td>1500</td>
<td></td>
</tr>
<tr>
<td>30.10.2012</td>
<td>Income (price * sacks)</td>
<td></td>
<td>30,000</td>
</tr>
<tr>
<td>30.10.2012</td>
<td>Profit (Income - Costs)</td>
<td></td>
<td>17,500</td>
</tr>
</tbody>
</table>
2A.7 *Informational Bit: Use and Benefit of Record Keeping*

Have you seen how proactive and aggressive business people are? Any business including farming requires thorough record keeping.

*Explain the benefits of record keeping:*

1. Records assist in decision making and are point of reference to analyse farm practices. They also assist the farmer in selecting the most efficient and profitable farm operations.
2. Better and more accurate budgets can be prepared for the next farm season. Keeping an account of materials used and their cost will assist the farmer in the next season when determining the capital necessary to plough back the farm and the best time to procure farm inputs.
3. Production records can be a method of verifying accountability for market planning. Marketers of produce are interested in supply continuity. Records help farmers give an accurate written account of farm production over the seasons.
4. Proof of income and revenue can help obtain and maintain farm financing. Lending institutions are more willing to give credit when there is proper documentation of expenses, revenue, and margins.

2A.8 *Informational Bit: Record Keeping and Risk Management*

Once you know what you have invested in your farm, you know what you need to protect. The protection can come in many ways. One of these ways is through insurance.
With your farm budget you can now estimate what the value you would like to protect. You will also learn in the next chapter what risks you can protect your farm investment from. With this information the insurer can then tell you what it will cost to protect this.

2A.9 Relatable Story: What Are Assets Worth Protecting?

If you had a house, that had nothing in it, just the walls, would you need a door or a padlock?

*Let the group comment.*

If you had a house with furniture, a TV, and a radio. Would you then need a door or a padlock?

*Let the group answer.*

Once you acknowledge what you have and its value, you realise the need to protect it. This is applicable in the farm, once you know how much you are spending on the farm, for example, on seeds, fertilizer, and chemicals, you are in a better position to protect it.

Module 2, Part B – Agricultural Risk Management

**Trainer Background Information – Part B: Agricultural Risk Management**

*This part functions as a background for the trainer: DO NOT read out during the training*

If farmers approach their farm as a business, they will have to often invest more in their farm than they are doing now. Before making this investment they should realise that no investment comes without risk. These risks can vary per sector and crop. This module helps you explain to farmers how to identify the risks and what are various options to manage these risks.

For farmers to properly manage their farm risks they should:

1. Identify the investment or asset that they would not want to lose (done in Part 1: Farming as a Business and Record Keeping)
2. Identify the value of this investment or asset
3. Identify the main risks that would lead to the loss of the investment or asset
4. Analyse the cost of managing the risk over time versus the loss of the entire investment or asset
2B.0 Learning Points

Read to farmers and explain that by the end of the lesson they should be able to identify their farm risks and explore risk management options.

✓ What are risks on the farm
✓ The classification of risks
✓ Management of farm risks

2B.1 Understanding Key Terms

Read and understand the following key terms yourself. As you go through the module help the farmers understand the terms.

Risk - risks are unforeseen events that can affect us and our investments negatively. For example, one common risk in farming is drought, when the rains come late or not at all.

Management Risk – risks, that can be managed by the farmer and are managed currently through various coping strategies. These risks are generally uninsurable.

Insurable Risks – risks, that are beyond farmers control and can be quantified. These could be risks that could be insured.

Loss - The result of costs being higher than the income.

Agricultural producer – an agricultural producer is anyone who farms as a business. This can include smallholder farmers with less than one area to large-scale farmers with 100+ acres. The key trait is that they use good agricultural practices to produce a quality harvest for the market.

2B.2 Relatable Story: Understanding Risk Better

The road next to your farm does not get very much traffic, just one car per day passes through it. Still, whenever you cross that road you still look right and left.

Why do you do this? You do this because you don't know at what time the car will be passing by. You recognize that you could still be at risk.

The car represents risk. A risk may not be there all the time, but you cannot foresee when it will be there, so you must always be cautious. You ‘insure’ is when you look left and right, this is what protects you.

2B.3 Classification of risks

There are many risks, some made by man, others natural. The below list provides an overview of some of the risks farmers can face and mentions whether they are insurable.

Natural risks – acts of God, diseases, pests, drought, excessive rain. These risks are generally insurable.

Social risks – theft, civil disturbances, terrorism, political violence. These risks are generally insurable.
**Economic risks** – price fluctuation, loss of investment made in crop production through change in prices of farm inputs. These risks could be insured (but currently no insurance company insuring them).

**Personal risks** – accident, sickness, old-age of farmer, death/disease of draught animal, injury to third party and property. These risks are generally insurable.

### 2B.4 Interactive Activity: Farmer Risk Identification

1. Trainer asks for 3 volunteers to tell about all risks observed in their farms. The trainer writes on a flip chart (make in below format).

<table>
<thead>
<tr>
<th>Identified Risk</th>
<th>Ranking</th>
<th>How to Cope</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Have each farmer rank the listed risks (greatest to least).
3. Have the rest of the trainees identify and explain currently available strategies they use to mitigate each of these risks.
4. Discuss with the trainees about weather risks (drought, excess rain) that have no available solutions. Have the farmers explain how weather risks have affected their production in the past, separating years of drought from years of excess rain.

**RISKS THAT COULD AFFECT THIS FARM**
2B.5 *Informational Bit: Coping with Risks*

**Goal:** Farmers understand how to use risk management tools to reduce or eliminate the risk before it occurs.

There is no single solution for all agricultural risks. A combination of solutions that avoid, reduce, and transfer the risk at the farm is available. Farmers have several options to manage farm risks which include:

1. **On-farm risk mitigation techniques**
   a. Irrigation
   b. Crop diversification
   c. Conservation agriculture techniques – zero tillage
   d. Crop protection/ pest control

2. **Self-insurance tools**
   e. Savings
   f. Income diversification
   g. Asset accumulation – e.g. buying a cow than can be sold
   h. Emergency informal credit - Family and Chamas

3. **Formal risk transfer tools**
   i. Insurance - Farmers often cannot manage the less frequent but more severe losses affecting their agricultural activities. Farmers can transfer these risks to other parties through financial mechanisms like insurance

2B.6 Conclusion of Module 2

**Goal:** farmers should now be able to relate farming as a business and record keeping to insurance as well as understand how insurance is part of agricultural risk management.

Through lessons and practice in simple record keeping, we now know how much we invest in our farms and that this is part of farming as a business. We have also learned from each other the many risks that can affect our investments and income. For some of the risks there are ways of preventing or reducing losses they cause on the farm. Some of the identified risks like drought and excess rain which cause big losses on the farm have no ready solutions. Because we are putting in money in our farms we need to protect our investments from risks. In the next module we will learn how you can protect your investments by transferring risks from you as the farmer to another person for a fee.

*Trainer asks trainees to briefly explain what they learned on each of the Learning Points:*

- What is a farm record
- How to create a basic farm record
- The benefits of keeping records and a budget
- What are risks on the farm
- The classification of risks
- Management of farm risks
Module 3: Introduction to Insurance

Depending on the time available for a training, use the below lesson plan as your guide

<table>
<thead>
<tr>
<th>Activity</th>
<th>Time</th>
<th>40 Minute Training</th>
<th>2.5 hr Training</th>
<th>3 Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.0 Learning Points</td>
<td>5 min</td>
<td></td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>3.1 Understanding Key Terms</td>
<td>10 min</td>
<td></td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>3.2 Interactive Activity: Recognizing Informal Insurance</td>
<td>10 min</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>3.3 Relatable Story: Medical Bill Harambee</td>
<td>5 min</td>
<td>√</td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>3.4 Interactive Activity: Formal Insurance</td>
<td>10 min</td>
<td></td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>3.5 Informational Bit: Determining Risks and Amounts to Insure</td>
<td>10 min</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>3.6 Interactive Activity: Insuring inputs v/s Insuring harvests</td>
<td>15 min</td>
<td>√</td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>3.7 Informational Bit: Explanation on the Insurance Contract</td>
<td>10 min</td>
<td></td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>3.8 Relatable Story: Compensation</td>
<td>5 min</td>
<td>√</td>
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<td>√</td>
</tr>
<tr>
<td>3.9 Informational Bit: Compensation</td>
<td>10 min</td>
<td>√</td>
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<tr>
<td>3.10 Informational Bit: Players in the Insurance sector</td>
<td>5 min</td>
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<tr>
<td>3.11 Interactive Activity: Role play- Understanding Insurance</td>
<td>10 min</td>
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<td>√</td>
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<tr>
<td>3.12 Conclusion to Module 3</td>
<td>5 min</td>
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</tbody>
</table>

3.0 Learning Points

Read to farmers and explain that by the end of the lesson they should understand and be able to explain the points below.

- ✓ Understand the meaning of insurance and how it is different from a loan
- ✓ Define basic insurance terms
- ✓ Understand different types of agricultural insurance
- ✓ Understand the elements of an insurance contract
- ✓ Be able to explain what are a sum insured and premium
- ✓ Know the roles of different players in the insurance industry
- ✓ Appreciate insurance as a solution to spreading farm risks
This part functions as a background for the trainer: DO NOT read out during the training

Insurance is risk pooling and has evolved as a response to the need for protection from risks. Some form of simple insurance always existed in our traditional societies. However, the key shortcoming of these traditional methods was that they only catered for a loss after it had occurred. Modern insurance predicts losses and creates a pool of funds upfront to compensate for those losses before they occur.

Several insurance companies exist in Kenya today to provide insurance services. Examples of the companies providing agricultural insurance products include Jubilee Insurance Co., UAP Insurance Co., APA Insurance Co., CIC Insurance Co. Among others.

In Kenya, insurance products for the agriculture sector are relatively new. Insurance products have existed in the past under the “guaranteed minimum return (GMR)” scheme that was set up in the colonial era. Little agricultural insurance has existed after GMR arrangement collapsed. However, things are changing now with agricultural insurance developing to reach both large scale, medium and small scale farmers. The demand for insurance comes hand in hand with the development of the agricultural sector, as it approaches farming as an enterprise like any other, risks are identified that need to be mitigated.

This chapter discusses which informal methods of insurance have been used in Kenyan society and how risks can be mitigated through formal insurance, as well as discussing the main principles of insurance.

3.1 Understanding Key Terms

Read and understand the following key terms yourself. As you go through the module help the farmers understand the terms.

**Insured risk** – the identified event that a person transfers to an insurance company by payment of a fee. Only loss from the occurrence of this event will lead to the insurance company paying the insured.

**Insurable risk**- a risk, for which the insurer can estimate its likelihood to occur through historical statistics and therefore will be willing to offer protection at certain cost.

**Coverage** - The time period over which the insured is protected by the insurer from the identified event

**Insurance** - a promise between two parties to protect against losses. It allows a person to pay a small amount of money in advance in exchange for a promise that when a bigger loss occurs, the insurance company will return the insured person to his initial financial position.

**Insurer** - a company selling insurance. These are companies specialize in pooling risks from individuals.

**Insured** - the person buying the insurance protection from the insurer.

**Sum Insured** - the total value of the property to be insured. The maximum amount agreed upon that can be compensated from insurer in the event of the identified risk.
**Contract** - a legally binding agreement made between two or more persons or companies.

**Premium** - a calculated fee that acts as a small contribution that each client of the insurance company contributes to the pool. The accumulated money from the pool is used to compensate the few who actually suffer losses.

**Risk pooling** – An insurance company gathers together people who want insurance protection and sets itself up to operate a pool. It takes contributions in the form of premiums from many people exposed to similar risks and pays the few who incur losses. In this way the financial burden is spread among all those who contribute to the pool. Risk pooling is based on the assumption that the losses of the unfortunate few will be compensated by the fortunate many. The total premium contributions are used to compensate the losses.
3.2. Interactive Activity: Recognizing Informal Risk Management

Goal: For trainees to realize that they are already using Informal Risk Management methods in their communities.

1. Trainer asks trainees to explain how they currently deal with unexpected events like sickness and death of family members. Trainer writes these responses on the flip chart.

2. For each of the unexpected events reported, the trainer relate how each is essentially pooling personal or community funds saved up over time (premiums) and then when an unexpected event (risk) occurs the needy person receives money (payout).

3. Divide the group into small groups. Each groups discusses amongst themselves how they would translate the below key terms into their local language. After 5 minutes each group reports on the agreed upon term or statement to the whole group.

1. Insured Risk
2. Loss
3. Insurance
4. Premium
5. Payout

Trainer Background Information – Part 2: Informal Risk Management

This part functions as a background for the trainer: DO NOT read out during the training.

A few examples of traditional forms of insurance are:

a) Extended family system: For example, if a house burned down, members of the extended family would assist in building another.

b) Harambee: People form a group to contribute money for personal or community expenses such as a high medical bills or school fees.

c) Welfare and burial societies: A group of people with a common interest agree to pay a certain sum of money to a fund used to help members of the group when they require cash to pay for emergencies such as funeral expenses or medical costs.

d) Herd shifting: A system where a percentage of one’s animals – mostly cows, sheep, and goats - are kept at a relative’s farm. This ensures that in the event of an outbreak of disease in one area, a part of the herd would be saved.
3.3 Relatable Story: Medical Bill Harambee

Mary is a small holder maize farmer whose main income is from the family’s 1 acre shamba. Mary’s husband became sick suddenly and had to be admitted to hospital. The hospital bill was high and the family were unable to raise the 50,000kes bill.

The members of Mary’s community held a harambee to assist with the bill where all the neighbours contributed to clear the bill. This harambee focused on medical needs. Here the neighbours pooled their small contributions together. These contributions are added together and given to members who are in urgent need of emergency funds (the person with the risk).

The Harambee is like insurance coverage in that the risk of an individual is transferred to the larger Harambee group. In the insurance we are talking to you about today, instead of transferring the risk to a group of your friends or family, you send the risk to an insurance company that compensates you in case you suffer from the insured a risk. With Insurance you pick the risks you want to insure, like sickness with medical insurance and drought with agricultural insurance.

Mary’s family with the high hospital bill and no outside support. It would be very difficult for them to pay

Mary’s family with the communal support of the Harambee. They are now able to pay the hospital bill because they had a kind of insurance through their community.
3.4. Interactive Activity: Formal Insurance

Goal: Introduce trainees to traditional insurance

1. Trainer asks trainees to list the various insurance products they have heard of. Trainer writes these responses on the flip chart.

2. Guide farmers to state which risks (from those identified in Module 1) can be managed by insurance.

3. Continue the discussion (after reading through 2.5 Informational Bit), focusing on trainees recognising which risks are insurable and how to determine the value to protect.

3.5. Informational Bit: Determining Risks and Amounts to Insure

Goal: Have trainees understand what can be insured

Farmers face many agricultural risks. For a risk to be transferred to an insurance company, the following must be true:

1) It is possible to calculate or predict likely losses in advance

2) Both the insured and the insurer should not be able to know whether the risk is going to happen or not

3) It is possible to measure the amount of the loss when it occurs
4) The losses must be unintentional or accidental
5) The insured must be responsible and do everything possible to avoid loss

For livestock, the sum insured will be the market value of the animal, considering breed and age.
For crops, a farmer has the option to insure the investment in inputs or the value of the expected harvest

3.6 Interactive Activity: insuring inputs or harvest

Ask the following questions in your group and allow for discussion:

Q. 1. Do farmers pay different premium rates to insure their inputs VS their harvests?
   A. No they do not. The risk that is insured – the production risk and its chance of occurring remains the same over the season and does not depend on whether inputs were insured or harvest

Q. 2. A farmer gets an insurance quote for 10% for agricultural insurance.
   • His inputs are worth 10,000 per acre.
   • His harvest is worth 30,000 per acre
   • He farms 5 acres
   • How much Ksh does he pay for input insurance?
     10% x 10,000= 1,000Kes*5 acres= 5000
   • How much Ksh does he pay for harvest insurance?
     10% x 30,000= 3,000Kes*5 acres= 15,000
   • Which one will he take? And why?
   A. Allow for discussion, there is no wrong answer here.
   Reasons for input insurance: From the example above, the total insured from the inputs 50,000 Ksh. Most farmers have only limited budgets and will choose to insure inputs.
   Reasons for harvest insurance: From the example above, the total insured from the harvest is 150,000 Ksh. Some farmers with a guaranteed market and premium financing can afford choose to insure their harvests.

3.7 Informational Bit: Explanation on the Insurance Contract

Goal: Have farmers understand the insurance contract as a legal document

So far farmers have pointed out the risks that can be insured and the value to insure. A document that shows that the identified risk has been transferred from the farmer to the Insurance Company is needed. This document is called an insurance contract.

For an insurance contract to be legal the following must be true:

1) The insured (Farmer) must have insurable interest- the farmer must be in a position where he or she would incur a financial loss if damage occurred to assets or property. For example, a farmer cannot insure a neighbour’s cow.
2) The fee (Premiums) have been paid
3) To have the capacity to sign a contract, farmer must be an adult of above 18 years and of sound mind

**Trainer Background Information – Part 4: Compensation**

**What happens when there is a loss?**

1. **Determination of the cause** - when there is a loss, the proximate cause, or the real cause, of the damage without interference of other events must be identified. An insurer can only compensate if the loss is directly caused by an insured risk and not any other risk.

2. **Compensation without profit** - the insurer returns the insured to the exact or a lower financial position *immediately* before the loss. This means that the insured should not get any extra benefit or profit from the compensation.

---

**3.8 Relatable Story: Compensation**

John has a Nissan Pickup that is insured against theft that he uses to transport his harvest from his farm and his neighbours Tom’s harvest to the market. If the Nissan Pickup is stolen, what will John ask from the insurance company? A Nissan, Pickup or a Pajero? – Answer: A Nissan Pickup, which was the insured item

If the Nissan Pickup caught fire, what will John ask from the insurance company? – Answer: Nothing, the insured risk did not cause the loss. He did not have insurance for fire.

Can Tom insure John’s car from theft? – Answer: No. Tom is not the owner of the car he has no insurable interest.

What can Tom insure? – Answer: The harvest value from his farm as it is transported, it could be protected against theft.

---

**3.9 Informational Bit: Compensation**

*Goal: Assist to manage trainees’ expectations by explaining what governs compensation*

The two common factors in insurance that can limit the amount one receives in compensation in agricultural insurance are:

1. **Sum Insured** - If the farmer insured 100,000 Ksh, but it is only part of the harvest value of his maize, if he suffers a loss of 120,000 Ksh, he would only be paid a maximum of 100,000 Ksh.

2. **Franchise** - This is where claims below a certain amount are not payable, but claims above the amount are compensated in full. This is used by insurers to avoid paying small claims that would increase the cost of the insurance. Usually when people suffer a small loss it is not enough to considerably disrupt their financial situation.
For example: Car and scratches— if you claim from an insurance company every small loss, that will drive the cost of the insurance up. If every time your car gets a scratch you asked for a payout from the insurance company, your premium would increase. The amount of every claim below which the insurance company will not compensate. The reason for this is that frequent small claims will lead to an increase in the premium, making insurance unaffordable to a farmer.

3.10 Informational Bit: Players in the agricultural insurance sector

In case there is a catastrophe and a large number of farmers are affected and require payout, the insurance company has in place a contract with a Reinsurance company that will step in and settle the claims.

3.11 Interactive Activity: Role play- Understanding Insurance

Farmers’ activity:
This exercise is to be carried out at the end of the insurance module to gauge understanding of key concepts.

Instructions;
- Ask 4 farmers to volunteer
- Allow for a conducive environment for free expression. Do not interrupt while the farmers speak.
- Ask fellow farmers to comment on the act, what did they learn from it?
- Do a recap ensuring to give the correct position in case of any incorrect answers by the farmers
Scenario 1- Payout
Assume the first sets of farmers are neighbours. They meet at the local market. The two role play a conversation they would have assuming one is insured and the other did not insure, after an insurance contract has compensated following drought last season.

Scenario 2: No Payout
The other two farmers role play a conversation they would have between an insured farmer and non-insured farmer after a good season where the insurance contract did not pay out.

3.11 Interactive Activity: Role play- Understanding Insurance [continued]
Note for trainer:
Key points that should be demonstrated:
1. Compensation only occurs when loss experienced is from insured risk
2. The insurance contract is for a specified period for a specified number of risks
3. One does not expect compensation of premium itself
4. The insured risk is uncertain, it does not have to occur because one insured
5. In-case there was no loss by the end of the contract period, one is not deemed to have lost money, they paid premium to transfer risk in exchange for peace of mind

3.12 Conclusion of Module 3
Goal: Trainees should now understand types of traditional insurance.
Through lessons and practices to understand insurance, we now know how to determine risks and amounts to insure, what an insurance contract is, how compensation is determined and the players in agricultural insurance.

Trainer asks trainees to briefly explain what they learned on each of the Learning Points:
- ✓ Understand the meaning of insurance and how it is different from a loan
- ✓ Define basic insurance terms
- ✓ Understand different types of agricultural insurance
- ✓ Understand the elements of an insurance contract
- ✓ Be able to explain what are a sum insured and premium
- ✓ Know the roles of different players in the insurance industry
Module 4: Index Based Insurance and Benefits

Module 4 Farmer Training Lesson Plan
Depending on the time available for a training, use the below lesson plan to guide you in the topics to cover

<table>
<thead>
<tr>
<th>Activity</th>
<th>Time</th>
<th>40 Min Training</th>
<th>2.5 hr Training</th>
<th>3 Trainings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Part A – Index Insurance</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>4A.0 Learning Points</td>
<td>5 min</td>
<td></td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>4A.1 Understanding Key Terms</td>
<td>5 min</td>
<td></td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>4A.2 Relatable Story: Index Insurance in Action</td>
<td>5 min</td>
<td></td>
<td>√</td>
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</tr>
<tr>
<td>4A.3 Informational Bit: What is Weather Index Insurance?</td>
<td>5 min</td>
<td>√</td>
<td>√</td>
<td>√</td>
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<tr>
<td>4A.4 Informational Bit: Drought Index Example</td>
<td>5 min</td>
<td></td>
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<td>√</td>
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<tr>
<td>4A.5 Interactive Activity: Weather Stations</td>
<td>10 min</td>
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<td>√</td>
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<tr>
<td>4A.6 Informational Bit: Farmer Termsheet</td>
<td>10 min</td>
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<tr>
<td>4A.7 Interactive Activity: Assessing Understanding</td>
<td>10 min</td>
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<tr>
<td>4A.8 Informational Bit: Access to Weather index insurance</td>
<td>5 min</td>
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<tr>
<td><strong>Part B – Case Study of Index Insurance Product: Kilimo Salama</strong></td>
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<tr>
<td>4B.0 Learning Points</td>
<td>5 min</td>
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<td>√</td>
</tr>
<tr>
<td>4B.1 Informational Bit: Introduction to Kilimo Salama</td>
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<tr>
<td>4B.2 Registration Process</td>
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<tr>
<td>4B.3 Interactive Activity: Calculating Cost of Insurance</td>
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<td>√</td>
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<tr>
<td>4B.4 Payment of Compensation</td>
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<tr>
<td>4B.5 Interactive Activity : Farmer Testimonial from A Kilimo Salama Customer</td>
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</table>
Module 4, Part A – Index Based Insurance

Trainer Background Information – Part A: Index Based Insurance

This part functions as a background for the trainer: DO NOT read out during the training

Traditional Insurance versus Index Insurance:
As discussed in the last module, in traditional crop insurance the insurance company relies on farm visits to assess the losses. Index insurance defines itself by the fact that the insurance company does not need to visit a farmer’s field to determine premiums or assess damages. If the rainfall amount is below a pre-specified level, then the insurance company pays out to the client.

Since the compensation is not linked to the farm performance, the farmer always has an incentive to make the best decisions for crop survival. This method lowers the insurance company’s transaction costs, and makes insurance available to smallholder farmers.

Index Insurance can pay out when there are crop losses that can be measured through an objective proxy. Such a proxy could be lack of rainfall which would signal crop failure due to drought. Other examples could be too much rain causing flooding, very cold days causing losses due to frost, very hot days causing pests, high humidity or other weather that may cause diseases to increase intensity and subsequently lead to losses to crops.

Index insurance pays compensation based on the measurement of the proxy, i.e. it is not based on the actual damages on a farmer’s field, but rather pays out when specific weather events, are recorded by the reference weather station as the monitoring instrument. Measuring risk in this way allows the insurance to be affordable, but still cover crop losses the farmer may experience.

To determine how much needs to be paid, index based agricultural insurance products pay out based on the value of a “formula” which outlines how much rain equals a drought, or how much rain is “too much”.
There are various types of indexes, as there have been various ways developed to approximate farmers field losses. The below list are made up of indexes that have been developed and distributed globally.

**Types of indexes:**

1. **Rainfall Index** – measuring drought or excess rain. This is the most commonly used product and is available in Kenya through various companies.

2. **Temperature Index** – covering diseases and losses related to changes in temperature. This type of product is less widely available, but can be used to insure tea against frost for example. This product is currently not available in Kenya.

3. **Area Yield (district production) Index** - covering shortfalls in production from a range of events affecting an entire area, not just an individual farm. Rather than using weather data, yield data from an independent source, such as the MoA, is used. These products are currently under development in Kenya and not yet available.

4. **Satellite Index** – uses measures taken from satellites to approximate ground conditions, can be used for livestock mortality covers and to assess crop losses. There are various types of satellites that make observations and there are therefore also various types of satellite indexes. For example some satellites make observations that show the “green ness” or “brown ness” of the grass and can be used to insure livestock against drought related mortality. Alternatively, other indexes observe whether there are clouds that are likely to produce rain and use this as a way to insure crops against drought.

The below table provides an overview of the different index products and what coverage they provide.

<table>
<thead>
<tr>
<th>Index</th>
<th>Risks covered</th>
<th>Data used</th>
<th>Currently available in Kenya?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rainfall</td>
<td>Drought, excess rain</td>
<td>Daily rainfall</td>
<td>Yes</td>
</tr>
<tr>
<td>Temperature</td>
<td>Frost, diseases</td>
<td>Daily temperature</td>
<td>No</td>
</tr>
<tr>
<td>Area yield</td>
<td>All losses that can result in a drop in yield at district level</td>
<td>District yield data</td>
<td>No</td>
</tr>
<tr>
<td>Satellite</td>
<td>Drought, flood, excess rain, animal mortality</td>
<td>Satellite data from various satellites</td>
<td>Yes- livestock and drought</td>
</tr>
</tbody>
</table>
**Basis Risk:**

In index insurance the individual farms are not visited. This means that there can be a loss on a farm that is not paid. This is referred to as “basis risk” in insurance. In this case the farmer will not receive compensation even though they had a loss. The reverse is however also true. In case the weather station or satellite or other index source determines that there should be a payout all insured farmers are paid, even those that may not have suffered a loss.

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**4A.0 Learning Points**

Read to trainees and explain that by the end of the lesson they should understand and be able to explain the points below.

- Basic understanding of index insurance
- Explain the differences between weather index insurance and traditional crop insurance products
- Understand the challenges of index insurance and how it fits with risk management strategies
- Understand the rainfall index in the Kilimo Salama case study

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**4A.1 Understanding Key Terms**

Read and understand the following key terms yourself. As you go through the module help the farmers understand the terms.

- **Index** - An index is a mathematical formula that is used to estimate crop losses without carrying out field assessment. Since there are various types of indexes, the choice of index to use depends on how directly related crop loss is to the measurable indicator.

- **Drought** – prolonged period of rainfall deficit that causes losses on crops and livestock

- **Excess Rain** – condition when the available rainfall is more than the crops requires at that stage and causes losses. For example rotting and sprouting in maize when there is too much rainfall during harvesting period

- **Satellite** - instrument placed in orbit around the earth in order to collect information and for communication

- **Weather Station** – a monitoring instrument used to measure weather data
4A.3 Informational Bit: What is Weather Index Insurance?

*Goal: Have trainees understand the basics of weather index insurance*

Weather index insurance is a new type of insurance that can pay out when there are crop losses caused by bad weather. Bad weather can be too little rain, too much rain, very cold days, very hot days, high humidity or other weather that may cause losses to crops.

It is not based on the actual damages on a farmer's field, but rather pays out when specific weather events, are recorded by the reference weather station as the monitoring instrument. Measuring risk in this way allows the insurance to be affordable, but still cover crop losses the farmer may experience.

Index based agricultural insurance products pay out based on the value of a “formula”, not on losses measured in the field. The index is a variable that is highly correlated with losses and that cannot be influenced by the insured.
How does the weather index insurance work?

- Weather events are measured throughout the season at the nearest weather station.
- It is designed to cover specific risks. For example, if there are concerns about drought, a weather index insurance product covering too little rain can be created.
- The insurance payout is calculated using the information collected by the weather station.
- If the weather station shows there should be a payout in the area, the same percentage payout is made to all the farmers registered at that weather station, there is NO field visits or assessment.
- The payout is made automatically, which means that the farmer does not have to fill out any forms to get money from the insurance company.
- The worse the weather, the bigger the payout.
- To get the product you must pay a set amount to the insurance company. This is called the “premium”, premiums are not returned to you if there is no payout.
- With agricultural insurance you either get a harvest or a payout, not both.

4A.4 Informational Bit: Drought Index Example

Erratic rainfall is a problem for farmers. If the fields do not receive enough rainfall, then the crops will wither and die. If there is a drought, and this drought falls under the terms agreed to in the insurance contract, then the farmer will receive money to help make up for some of the loss.
It is important to note that the exact terms of the contract must be met for a payout. If there is no drought, the insurance company will not pay anything, even if you have a bad year due to other factors like floods or pests.

**How to choose a reference weather station**

Due to the importance of the weather station reading in determination of payout, a farmer should choose their reference station carefully.

The farmer should consider the following points;

1. **Similarity of climate** - how representative is the weather conditions around the weather station to the weather conditions on the farm?
2. **Proximity to the weather station** - a weather station normally covers a distance of 15 to 20km radius

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**4A.5 Interactive Activity: Weather Stations**

*Goal: For trainees to learn how index insurance works through the weather station and to understand that selection is about the similarity in weather conditions and the distances from the weather station.*

1. Trainer shows the trainees the illustration of a weather station and 3 different farms.
2. Trainer asks the trainees which farm should insure with the weather station and which should not.
3. Farmers are asked to give reasons to their responses (written on flipchart)
Trainer Background Information – Part B: Insurance Contract Components

Index insurance payouts are determined by a “formula”. This formula is based on the agronomic characteristics of the crop insured. Most crops follow a particular crop growth cycle and have different risks at the different phases in their growth cycle. The formula takes into account these differences by setting triggers accordingly. The below illustration provides an example of a crop growth cycle for maize.

**Crop growth cycle** - cycle of events through which a crop develops from planting to harvest

**Risk period or contract period** - the particular duration when the crop is most susceptible to a specified insured event occurring. A contract period is often divided into different phases.

**Contract Phases** - these are identified critical periods in the growing season in which a crop is vulnerable to a risk.

**Triggers** - used to determine payouts. During the contract period, we use rain gauges to count the rainfall. Each contract phase has what is called a ‘trigger’; for the case of a drought index if the total rainfall amount is more than the trigger, there is no payment. Any rainfall total below the trigger will result in a payout. Payments will increase for each millimeter (mm) of rainfall below the trigger, until a maximum payment is reached.

**Index Exit** – is the maximum payout point. Depending on the terms of the contract it could either be the maximum probable loss or the sum insured.

4A.6 *Informational Bit: Farmer Termsheet*

The termsheet outlines the specific contract components of an index insurance cover. It is tailored to fit the agronomic features of a crop in a particular area.

When farmers insure their crop, they should read through the farmer termsheet and make sure they understand it. The insurance company will ask them to confirm their understanding by signing the document.
Trainer goes through the sample Farmer Termsheet with trainees, clarifying any confusing points. Advice to the trainer: This exercise should be done in smaller groups of 10 to 15 people. The parameters should be laid out very clearly (what is being insured, how long the crop takes - crop cycle (germination, flowering, vegetative, harvesting- and how long each is), when the plant is ok and when it starts to die, show a calendar.
### PERIOD I

**Cover:** Drought Cover  
**Crop Stage:** Vegetative  
**Summary:**
- This stage begins when germination is triggered by the onset of the rains.  
- At this stage in the crop cycle the risk is the occurrence of a prolonged dry spell.  
- After a number of consecutive days without rainfall, the crop begins to wither and dry up. This leads to stunted growth which causes a drop in yield.  
- If the dry spell is continuous over a longer period the crop eventually dies.

### PERIOD II

**Cover:** Drought Cover  
**Crop Stage:** Flowering & Grain Filling  
**Summary:**
- This is the stage in which the flower forms, pollination occurs and filling up of the grains in the maize cob.  
- At this stage the risk is a lack of sufficient periodical rainfall. If there is a deficit of rainfall it leads to poor flower formation.  
- This in turn affects pollen grain formation which causes poor pollination.  
- Poor pollination results in the maize cob not having enough grains, hence a drop in yield.

### PERIOD III

**Cover:** Excess Rain Cover  
**Crop Stage:** Dry Down & Harvesting  
**Summary:**
- The maize now needs to dry for harvesting.  
- The risk at this stage is too much rainfall. Excess rainfall leads to water settling in the maize cob which leads to rotting, sprouting and germination of some of the grains.
4A.7 Interactive Activity: Assessing Understanding

1. Trainer asks the below questions to trainees and requests them to answer “True” if they agree with the following statement or “False” if they believe that the statement is incorrect.

2. When the group is finished, go over these statements together and correct the false sentences.

Questions
1. By purchasing weather index insurance, any kind of loss of my crops will be covered (FALSE)
2. To obtain insurance, one must agree to and sign a contract with an insurance company (TRUE)
3. If the terms of the insurance contract are fulfilled and the specific loss covered does occur, I will receive a payment (TRUE)
4. The terms of a contract must be met for a payout to occur (TRUE)
5. Insurance can help cover all my risks (FALSE)
6. Agricultural Insurance needs to be repurchased each season and covers only one crop cycle (TRUE)

Question 3 is for advanced groups ONLY:

3. With reference to the farmer termsheet answer the following questions with the use of a calculator and in small groups of 5.
   1. Identify in the drought cover the trigger (2 mm; 15 days)
   2. Identify in the drought cover the exit (36 days)
   3. How long is the total period of cover (240 days)
   4. How much in this example is the sum insured (5960)
   5. If a payout is recorded of 894 Ksh, will there be a payout? (No, it is lower than the deductible)
   6. If a payout is recorded of 16% of the sum insured, will there be a payout? (Yes, it is higher than the deductible)

4A.8 Informational Bit: Access to Weather Index Insurance

Goal: How an interested farmer can access agricultural insurance services after this training.

Where to purchase;

Agricultural insurance services in Kenya are available at insurance companies, authorised agents and Insurance brokers.

Weather index is a new class of insurance best suited to small and medium scale farmers. This service has developed as micro-insurance in Kenya and is often not available in regular places where insurance is sold.

Weather index can be assessed at selected agrovets selling farm inputs, some bank branches and local branches of insurance companies.
The procedure;
This varies from company to another. Normal procedure for application of agricultural insurance is by filling a proposal form. This is a form collecting all the details of the farmer, the crop, and risks to be insured. The document is to be filled with full disclosure and honesty since it forms basis of the insurance contract should the risk be accepted.

Once a proposal form is filled and returned to an insurance company, a process of underwriting the risk is completed. This means checking whether the risk is acceptable and how much premium should be charged. The insurance company will either request for more information, accept to cover or decline the business.

Methods of compensation;
In index insurance, compensation is determined by data recorded by weather stations. If the results show that there is a payout, all farmers insured under the same reference station are paid regardless of the situation on individual farms.

Methods of paying compensation vary with insurance company. Compensation methods available are Mpesa, direct bank transfer and cheque.

Module 4, Part B – Case Study 0f Index Insurance Product; Kilimo Salama

4B.0 Learning Points
Read to farmers and explain that by the end of the lesson they should understand and be able to explain the points below.

- An example of weather index products targeting small holder farmers
- To understand what it covers, risks and crops
- To understand how farmers register for the products
- When the products are available and how they are distributed
- How a farmers benefit from the weather index products.

4B.1 Informational Bit: Introduction to Kilimo Salama

Kilimo Salama is a weather index cover from UAP Insurance, against weather risks like drought early in the season and excess rains later on. We served 65,000 farmers in 2012.

Cover offered to farmers:
Kilimo Salama covers loss from drought, excess rain and for selected crops, disease related to weather events. Using weather stations installed in participating areas, Kilimo Salama collects rainfall information and inputs into an index that determines if extreme weather can impact on harvest that season.

If a station shows loss due to deficit rainfall or excess then all the insured farmers are paid regardless of on farm losses. No field assessment required.
Target crops:
1. Maize
2. Wheat
3. Beans
4. Sorghum
5. Soya
6. Irish Potatoes
7. Coffee

4B.2 Registration Process

**When to get registered:**
Farmers have adequate time to register for weather insurance every season. Kilimo Salama is available for two and half months in January-March and July-September before planting.

**Where to get registered:**
Farmers must farm within 15-20km from the weather station in order to be eligible. The protection is purchased in selected agrovets alongside inputs. Farmer groups also register directly through Kilimo Salama Field Officers using a mobile device. The farmer receives a policy confirmation by sms.

*Participating regions in Kenya:*
South Nyanza, Western Kenya, Eldoret, Kitale, Embu and Nanyuki

**Registration process- using mobile devices found at selected agrovets:**
- a) Choose weather station representing farm
- b) Choose amount or input to insure
- c) Premium is calculated by mobile device. Farmer pays premium to agrovet who then transfers later to the insurance company
- d) Input farmer’s phone number and ID
- e) Transaction complete
- f) Farmer receives contract details on sms confirming their insurance policy

4B.3 Interactive Activity; Calculating Cost of Insurance

**Goal:** The trainer should take farmers through an example of how to calculate premium using Kilimo Salama as practical application

Premium is calculated based on the drought risk of an area covered by a weather station. Under Kilimo Salama Plus (KSP) farmers can insure their total anticipated harvest value.

*Example:* 10% X sh.10, 000= sh.1, 000 in premium for a season
An Input insurance product is available. It is pegged on Syngenta, Seed Co and Mea fertilizer products only. The input companies share premium cost with the farmer purchasing their inputs.

Example:

If a 10kg packet of maize seed for an acre costs- SH. 5,000

Insurance premium from farmer = 5% X 5,000=SH. 250

Seed CO pays another 5% for the farmer = SH. 250

4B.4 Payment of Compensation

No claim forms required. If the weather station shows a payout, money is transferred directly from the insurance company to the farmer’s mobile number by M-pesa 3 weeks after the contract end date.

4B.5 Interactive Activity; Farmer Testimonial from A Kilimo Salama Customer

SERPHINA OTIENO

“It’s not easy being a farmer in Homabay with frequent droughts and low access to credit. But thanks to Kilimo Salama, I will be able to buy seed next season.”

Benefits that farmers derive from Kilimo Salama

a. Peace of mind- the transfer of financial risk encourages farmers to invest in their farms without worry. This is especially important for farmers taking agricultural loans.

b. Protection of farm assets- fast payment of compensation gives farmers cash for inputs at the time they are needed. Additionally, farmers receive agronomic training and advisory sms from input companies.

c. Access to credit- Some financial institutions require farmers to have insurance to access agricultural loans.

d. Linkage to market- As added value, we have linked farmer groups insured with us to market for their commodities

Where to get further information and assistance

For more assistance farmers can call Kilimo Salama free helpline
Insurance enabling linkages to markets - Traders buying produce, supermarkets stocking food and exporters buying food for the international markets are all interested in a stable supply of crops. If such a stable supply can be guaranteed, traders, supermarkets and exporters are willing to set up long term agreements with farmers that allow farmers to know their market price and income in advance. Some agribusinesses are willing to provide farmers with farm inputs in situations when farmers have supply contracts in place.

Farm risks can disrupt this continuity and will threaten long term price contracts made with buyers. Buyers may decide to buy from other regions, and will find that inputs forwarded were not repaid following the occurrence of farm risks.

Insurance enabling access to credit - Agricultural insurance and rural finance are linked. Farmers who borrow from formal financial institutions have more incentives to purchase agricultural insurance, either because the banks require their loans to be protected against climatic risks or because these products allow them to access credit at better terms.

Insurance gives farmers peace of mind to invest in their farm and treat it as a business. As farmers learn that insurance companies can cover certain risks that they face, they can make investments in their farm that they previously might have avoided because of the risks. This means that farmers can make the most productive use of their scarce resources and can make their farm as profitable as possible.

4C.0 Learning Points

Read to farmers and explain that by the end of the lesson they should understand and be able to explain the points below.

- How a farmer benefits from an insurance policy
- How a farmer can access weather index services after training

4C.1 Understanding Key Terms

Certified Products – inputs or products used in the farm that have been tested by an official organisation and recognized as meeting certain standards.

Market - any place where the sellers of a particular good or service can meet with the buyers of that goods and service

Financier - a person or financial institution engaged in the lending of money.
4C.2 Informational Bit: Benefits of insurance and weather index for a farmer;

1. **Peace of mind**: when individuals have insurance in place to deal with the financial burden of losses from insured risks, they are encouraged to invest more in their farms.

2. **Risk transfer**: Insurance does not prevent losses from occurring. The primary function of insurance is to transfer the financial consequences of an insured risk to an insurance company.

3. **Risk pooling**: Insurance gathers together people who want insurance protection and creates a pool from which contributions of the entire pool compensate the unfortunate few who suffer from loss.

4. **Objective measure of loss**: In Index insurance the weather is easy to observe and provides an objective trigger for the insurance payout. Since weather events mainly affect large areas simultaneously, index insurance is a good tool for helping small holder farmers farming in similar crops in a region.

5. **Fast claims process**: Payouts are calculated automatically for all insured farmers under one reference station – there are no claims to file.

6. **Preservation of source of income**: Payouts come quickly to provide compensation when you need it hence improving sustainability of crop production.

7. **Boost access to credit**: Financiers are more willing to offer credit because with weather index insurance their risk has reduced. Insurance may also enable contract farming. An agricultural marketing company contracting farmers would be interested in securing continuity of production for their farmers. They identify the crops key risks and would encourage their farmers to protect their inputs and potential harvests against the identified risks.
4C.3 Relatable Story: Insurance and Loans

Steve and Simon are neighbours that each plant maize on one acre. Steve uses certified products and protects his farm from risks using an insurance policy to protect his farm while Simon uses uncertified products and does not protect his farm from risks using insurance.

In the new season Steve and Simon both went to the bank to ask for a loan to lease more land to do maize farming.

Who would get the loan? Why would he get the loan?

Trainees should imagine they are the bank manager, who would you give the loan to and why?

4C.4 Conclusion of Module 4

Goal: farmer should now understand weather index insurance and how agricultural insurance can benefit them.

Key Points on Index Insurance:

1. The weather is easy to observe and provides an objective measurement for the insurance payout.
2. Weather insurance only covers losses related to a specific weather index such as excess or deficit rainfall, other non-weather risks like pests and disease are not covered.
3. Payouts are based on the weather observed at the local weather station, not at the farm.
4. If rainfall is different at the farm than at the weather station, the farmer may not receive a payout even if he experienced a drought or excess rain that damaged his crop. Payouts come quickly to provide compensation when you need it.
5. There is a cost, premiums. Premium is paid in advance and are non-refundable.
6. Typically, premium covers one season only and is not carried over to the next season if there is no payout.
7. Weather insurance can improve sustainability of crop production using the payout to purchase inputs after a poor season.
8. Financiers are more willing to offer credit because with insurance reduces their risk.

Trainer asks trainees to briefly explain what they learned on each of the Learning Points:

- Explain the differences between weather index insurance and traditional crop insurance products.
- Understand the challenges of weather index insurance and how it fits with risk management strategies.
- Understand the rainfall index in the Kilimo Salama case study.
- How insurance assists in marketing harvests.
- How insurance facilitates access to credit.
Module 5: Consumer Protection

Module 5 Farmer Training Lesson Plan

Depending on the time available for a training, use the below lesson plan to guide you in the topics to cover

<table>
<thead>
<tr>
<th>Activity</th>
<th>Time</th>
<th>40 Minute Training</th>
<th>2.5 hours training</th>
<th>1.5 hr Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.0 Learning Points</td>
<td>5 min</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>5.1 Understanding consumer protection</td>
<td>5 min</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>5.2 Understanding costumer rights and responsibilities</td>
<td>40 min</td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>5.3 Experience regarding rights and responsibilities</td>
<td>10 min</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>5.4 Understanding the procedure for recourse mechanism</td>
<td>10 min</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>5.5 Understanding the complaint process</td>
<td>15 min</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>5.6 Conclusion to Module 3</td>
<td>5 min</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

5.0 Learning points

The objective of this module is to help farmers to learn how to exercise their rights and responsibilities as users of agricultural insurance services.

Read to farmers and explain that by the end of the lesson they should understand and be able to explain the points below.

✓ What are your rights and responsibilities when entering an insurance contract?
✓ When my rights are violated, where and how can I raise my concerns?

5.1 Understanding Consumer Protection

trainer Background Information – Consumer Protection

This part functions as a background for the trainer: DO NOT read out during the training

IRA (Insurance Regulatory Authority) - Licenses and registers Insurance Companies, reinsurance companies and intermediaries (which include: insurance agents, insurance brokers, medical insurance providers, insurance investigators, motor assessors, loss adjusters, claim settling agents etc).
IRA main objective is to protect buyers of insurance services and ensure that they get the services they pay for. IRA is not an insurance company and its responsibilities include:

**Regulation** – Provide guidelines under which insurance players are supposed to operate.

**Supervision** – Supervises insurance service providers which entail enforcing rules and standards to ensure financial health of insurance service providers is maintained. The ability of insurance service providers to pay claims when required to do so is maintained.

**Consumer Education** – IRA (Insurance Regulatory Authority) enhances consumer financial literacy levels to enable them make informed choices on what products to purchase. Through consumer education, policyholders and potential policyholders are equipped with necessary material information; receive advice in a correct and meaningful manner in assessing their insurance requirements. They are also informed about their rights and obligations for the duration of the contract.

**Consumer Protection** – Focuses more on ensuring consumers get a fair deal from insurance companies. IRA ensures consumers receive correct and timely compensation in the event of a legitimate claim and in case of doubt be able to receive redress.

### 5.2 Interactive activity: The Concept of farmers’ rights and insurance providers’ responsibilities

**Case 1: Take the farmers through the case below to build their knowledge on their rights and responsibility as consumer of insurance products.**

**Scenario:** a farmer has gone to buy 2 kgs maize seeds for planting next season.

**Q:** Ask the participants how does the farmer ensure it is 2kgs of maize seeds he wanted to buy?

**A:** Farmers should be able to tell you that they check weight as recorded, labelling, package tampering, ask vendor questions etc.

**Q:** Ask the participants why they do all that?

**A:** Farmers should be able to tell that it is their right to get exactly 2kg of maize seed they wanted. It is their responsibility to ensure the seeds they are buying meet their expectations at price agreeable to them.

**Q:** Ask the participants what could be the responsibility of the seller?

**A:** Farmers should be able to know that it is seller’s responsibility to honour his part of the bargain which is to give the quality and quantity of maize seeds you have agreed to purchase.

**Information:** Inform the farmers that when buying the seeds they are clients and as a client they have rights and responsibilities. Discuss with them the meaning of rights and responsibilities.
The conclusion should be:

**Rights** – it is something one can ask for/ can claim, because it is good, proper or ethical (and sometimes even documented in form of a law).

**Responsibility** – is an obligation or duty one must honour, something that must be done as a result of a contract or agreement.

Inform the farmers that as customers they have rights and responsibilities. When one decides to purchase insurance with insurance company like (_______ give examples) s/he becomes a client with right and responsibilities. For example, the farmer has the right to correct information about the product and the insurance company has a responsibility to give correct information. Once an agreement has been made on the insurance product, it is the farmers’ responsibility to meet the agreement terms while it is right Insurance Company to enforce the contract. Once the insured event has occurred it is farmers to demand compensation (payout) while it is insurance’s responsibility to compensate as stipulated in the policy documents.

**Take the farmers through the table below to under their rights and responsibilities**

<table>
<thead>
<tr>
<th>Rights</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ It is farmers right to be told terms and conditions of services being offered and if contract is concluded to receive it in writing</td>
<td>✓ It is the farmers responsibility to seek information on terms of contract, price and risk coverage and documentation of contract</td>
</tr>
<tr>
<td>✓ It is farmers right to be treated with respect and dignity</td>
<td>✓ It is the farmers responsibility to demand to be treated with respect and dignified way</td>
</tr>
<tr>
<td>✓ It is farmers right to receive accurate, correct and timely information on the insurance services they are seeking</td>
<td>✓ It is the responsibility of farmers to seek right information and make decision</td>
</tr>
<tr>
<td>✓ It is farmers right to be listened to and his/ her opinion respected</td>
<td>✓ It is the farmers responsibility to express his/ her opinion</td>
</tr>
<tr>
<td>✓ It is farmers right to express dissatisfaction on the services he/ she is receiving</td>
<td>✓ It is the farmers responsibility to seek redress from relevant authorities if he/ she is not satisfied with service provided</td>
</tr>
</tbody>
</table>

5.4 Group work (if no time for group work, ask volunteers to give their opinion and experience regarding rights and responsibilities. Use the question below as a guide)

1. Why the participants think it is important to know their rights and responsibilities
2. Whether they already knew their right and responsibilities are before the training
3. Discuss the experience they have had with insurance service providers
Q: What happens if customer rights are violated?

Ask volunteers to share experience of an episode when they felt their rights are being violated and what steps they took.

5.5 Recourse mechanism when a dispute arises

Inform the farmers the government has put mechanism to ensure that there room for redress if their rights are violated by insurance service providers.

Inform the farmers that insurance service providers are obligated to respect their client’s rights. The government has made sure that insurance companies follow a code of ethics that protect consumer’s rights. It is the responsibility of the clients to seek redress when they feel their rights are being violated by service providers.

Inform the participants that in Kenya operations of insurance companies are regulated by Insurance Regulatory Authority (IRA).

Inform the farmers that it is their responsibility to know their rights and how and when to exercise them.

Inform: the farmers that IRA has set up a unit to handle issues related to consumer protection. Inform them that the consumer protection unit is grounded on the following aspects.

- Transparency – the unit ensure consumers are provided with full, plain, adequate and comparable information about the prices, terms and conditions (and inherent risks) of insurance products and services.
- Choice – ensure consumers are provided with opportunity to make a choice under fair, non-coercive and reasonable practices.
- Redress – Ensure consumers have the mechanism for redress. They have set up inexpensive and speedy structures of addressing complaints and resolve dispute.
- Privacy – ensure personal financial information is held in confidence

Information: inform farmers as you had discussed earlier, that IRA is supposed to step in and protect the policyholders from exploitation. In the case policyholder senses unfair practice on the side of insurance service providers s/he to launch complaint.

Points to note for raising complaints

✓ Any person may request IRA to intervene in matters relating to or arising from insurance policies issued by insurance companies.

✓ Complaints can be that the Insurance company complained against or other registered member bodies have behaved in a way which constitutes UNFAIR practice and that the act or course of conduct has caused injustice.

✓ Complaints can involve a disagreement concerning liability under policies issued, or amount offered for settlement. It can also be in respect of a delay in settlement of a payable claim.

Who can bring complaints to IRA?

A complaint can be brought to IRA attention by:-

✓ A policyholder
Any person not being a policyholder (third party) who seeks compensation from Insurance Company.

Insurers Brokers or Agents on behalf of the insured.

Beneficiaries of an insurance policy or their representatives.

Members of the industry registered with IRA.

**Who can the complaint be against?**

Complaints may be lodged against Insurance companies or any other Insurance industry actor registered with the Authority such as:

- Insurance Brokers
- Insurance Agents
- Insurance Investigators
- Loss Adjusters
- Insurance Surveyors
- Claim Settling Agents
- Risk Managers
- Reinsurance companies

### 5.6 Complaint process

**Step 1: before launching a complain**
- Write formally to insurance company or any other registered member thought to be at fault [IRA expect the insurance company in question to be given opportunity to make a decision]

**Step 2: launching a complaint**
- Check whether you are the person entitled to complain and whether your complaint is against the right people or organization.
- Launch your complaints using IRA's complaint form or simply writing and sending your complaints by post, fax or e-mail.
- You may report your complain through IRA hotline (00800724499 – you will not be charged) but should be confirmed in writing.
- Provide copies of supportive documents

**Step 3: Acknowledgement of complaints**
- IRA acknowledges the receipt of your complaint (and may seek more information from you).
  - IRA will acknowledge your complaint within 3 working days of receipt.
  - Advice if the matter cannot be dealt with.
- Resolution process will start when IRA has all necessary information and keep you informed through sending you a copy of all correspondences.

**Step 4: complaint conclusion**
- IRA aims to conclude addressing the complaints within a period of not more than 90 days.
5.7 Conclusion of Module 5

Goal: Trainees should now be aware that they have rights as a consumer and can claim these rights.

We know now, that we have to fully understand the terms and conditions of an insurance contract and in case our consumer rights are violated, how and where we can raise a complaint.

Trainer asks trainees to briefly explain what they learned on each of the Learning Points:

- Rights and responsibilities of consumers
- Understand where to claim consumer rights for insurance contracts
- Understand the claim process
Module 6: Review Questions for Trainers

Test your understanding of the concepts covered in this manual by answering the following questions:

Agricultural Risk Management:
1. How can you describe the term risk to a farmer?
2. What type of farmer should purchase insurance? Why?
3. What are the three major options farmers have to manage farm risks? And what is an example of each?

Record Keeping:
1. Why should farmers keep records?

Insurance:
1. Baraza owns a dairy cow worth a total of 7,000 Ksh. He purchases 5,000 Ksh of insurance coverage for the cow and pays a 10% premium of 500 Ksh. What is the sum insured?
2. Why is cash from a shylock NOT an example of insurance?
3. What is the main drawback of informal insurance (like the harambee) that formal insurance does not have?
4. Mary owns a 15,000 Ksh dairy cow and has insured the cow for 9,000 Ksh against disease and natural death. The cow is hit by lightening. How much can Mary collect from the insurance company?
5. Simon owns a Probox that he insured against theft for 600,000 Ksh. He takes his Probox to the market with his neighbor John's maize harvest worth 2,000 Ksh. On the way to the market Simon is caught in a flood and the car and the maize are ruined. How much can John collect for the lost maize harvest?
6. Wangari, a wheat farmer, gets an insurance quote for 10%. Her inputs are worth 6,000 Ksh per acre. Her harvest is worth 18,000 per acre. She farms 3 acres. How much does she pay for input insurance? How much does she pay for harvest insurance?
7. Name the four types of indexes and the risks they cover. Describe a situation where a farm is within 20 kilometers of a weather station but experiences different weather conditions. What should the farmer do?

Index Insurance:
1. A Maize drought cover starts on day 1 and goes on till day 100. The farm received the required 15mm of rain during the planting window to start off the insurance cover.

Background information:
- Amount insured 10,000 Ksh.
- Payouts triggered by rain 3mm or less, after day 14.
• Maximum payable loss = 100% is reached when there are 35 consecutive dry days

• Each dry day beyond the loss point is paid for by 476 Ksh

• We receive less than 3mmdry from day 1 to 19.

How many consecutive dry days beyond the loss point are there?
How many payable dry days are there?
What is the payout for this period?

Answers:

Agricultural Risk Management:
1. There is no one right answer. The term needs to be discussed, often in the local language to be completely understood. The definition of risk is an unforeseen event that can affect us and our investments negatively. For example, one common risk in farming is drought, when the rains do not come for a long period.

2. Farmers practicing farming as a business; who invest in their farms which they want to protect.

3. There are several example of each of the options.
   i. On farm mitigation, examples include irrigation and crop diversification.
   ii. Self insurance, examples include asset accumulation, savings…]
   iii. Formal risk transfer, insurance being the main example in this manual

Record Keeping:
1. There are many reasons, some include:
   i. to know the value of their investments,
   ii. to secure loans and buyers for their produce as banks will want to see such records
   iii. to keep track of their farm’s productivity,
   iv. to keep track of the market prices throughout the year.

Insurance:
1. 5,000 Ksh.

2. A Shylock gives a LOAN. There is no premium payment and no risk pooling involved in a loan.
3. In informal risk management, the premium is pooled (money is collected) only AFTER the risk has occurred. In formal insurance the occurrence of the risk is predicted ahead of time, and the premium is collected and pooled ahead of time.

4. Nothing. The cow was not insured against lightening.

5. Nothing. Simon's car is insured against theft, not weather or flood damage, and John's maize did not have insurance.

6. For input insurance: 1,800 Ksh. For harvest insurance: 5,400 Ksh.

7. rainfall [drought, excess rain], temperature [frost, diseases], area yield [all losses that can result in a drop in yield at district level], satellite [drought, flood, excess rain]

8. The farmer should choose another weather station that has the same weather as that of his farm.

**Index Insurance:**

There are 5 consecutive dry days beyond the loss point.

There are 5 payable dry days.

The payout is 476 Ksh * 5 days = **2,380 Ksh**
# Appendix A

## Trainer Activity

Translate the below words in simple local language that farmers can easily relate to. Fill in the table.

<table>
<thead>
<tr>
<th>Module</th>
<th>Local Language Translation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Module 1A.1</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Farm Records</td>
</tr>
<tr>
<td>2</td>
<td>Budget</td>
</tr>
<tr>
<td>3</td>
<td>Inputs</td>
</tr>
<tr>
<td>4</td>
<td>Investment</td>
</tr>
<tr>
<td>5</td>
<td>Cost</td>
</tr>
<tr>
<td>6</td>
<td>Income</td>
</tr>
<tr>
<td>7</td>
<td>Profit</td>
</tr>
<tr>
<td>Module 1B.1</td>
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<tr>
<td>1</td>
<td>Risk</td>
</tr>
<tr>
<td>2</td>
<td>Management Risk</td>
</tr>
<tr>
<td>3</td>
<td>Catastrophic/Insurable Risks</td>
</tr>
<tr>
<td>4</td>
<td>Loss</td>
</tr>
<tr>
<td>5</td>
<td>Agricultural producer</td>
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<tr>
<td>Module 2.1</td>
<td></td>
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<tr>
<td>1</td>
<td>Insured risk</td>
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<td>2</td>
<td>Coverage</td>
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<td>3</td>
<td>Insurance</td>
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</tr>
<tr>
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</tr>
<tr>
<td>6</td>
<td>Sum Insured</td>
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<td>7</td>
<td>Contract</td>
</tr>
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<td>8</td>
<td>Premium</td>
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<td>Module 3A.1</td>
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</tr>
<tr>
<td>1</td>
<td>Index</td>
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<td>2</td>
<td>Drought</td>
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<td>3</td>
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<td>4</td>
<td>Satellite</td>
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<tr>
<td></td>
<td>Weather Station</td>
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<td>---</td>
<td>-----------------</td>
</tr>
<tr>
<td>5</td>
<td>Module 3B.1</td>
</tr>
<tr>
<td>1</td>
<td>Certified Products</td>
</tr>
<tr>
<td>2</td>
<td>Market</td>
</tr>
<tr>
<td>3</td>
<td>Financier</td>
</tr>
</tbody>
</table>
## Appendix B

An example of a filled table translating key terms into swahili

<table>
<thead>
<tr>
<th>Module</th>
<th>Translation in swahili</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Module 1A.1</strong></td>
<td></td>
</tr>
<tr>
<td>1 Farm Records</td>
<td>Kumbu Kumbu ya shamba</td>
</tr>
<tr>
<td>2 Budget</td>
<td>Bajeti inayo orodhesha matumizi ya pesa na mapato</td>
</tr>
<tr>
<td>3 Inputs</td>
<td>Pembejeo zinazotumika shambani ilikupata mazao</td>
</tr>
<tr>
<td>4 Investment</td>
<td>Uwekezaji</td>
</tr>
<tr>
<td>5 Cost</td>
<td>gharama</td>
</tr>
<tr>
<td>6 Income</td>
<td>Mapato</td>
</tr>
<tr>
<td>7 Profit</td>
<td>Faida</td>
</tr>
</tbody>
</table>

| **Module 1B.1** | |
| 1 Risk | Adhari ama hatari zinazoweza kutokea lakini wakati haujulikani |
| 2 Management Risk | Hatua za kujikinga dhidi ya adhari |
| 3 Catastrophic/Insurable Risks | Janga/ adhari zinazowekewa bima |
| 4 Loss | Hasara |
| 5 Agricultural producer | Mkulima anayelima na lengo la biashara |

| **Module 2.1** | |
| 1 Insured risk | Adhari zilizo wekewa bima |
| 2 Coverage | Eneo linalo pimwa na kituo cha hali ya hewa |
| 3 Insurance | Bima |
| 4 Insurer | Kampuni inayotoa bima |
| 5 Insured | Ananye jisajili au kuwekeza bima |
| 6 Sum Insured | Idadi maalum ya mali iliyowekezwa bima |
| 7 Contract | Kandarasi inayothibitisha mkataba kati ya wawili |
| 8 Premium | Ada ya bima inayo lipwa kwa kampuni ya bima |

<p>| <strong>Module 3A.1</strong> | |
| 1 Index | Hesabu zinazo wezesha kampuni ya bima kusajili wateja kwenye bima isiyi hitaji uthitisho mashambani |
| 2 Drought | kiangazi |</p>
<table>
<thead>
<tr>
<th></th>
<th>Excess Rain</th>
<th>Mvua nyungi kwa wakati usiofaa kataika hatua za ukuzaji mmea</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Satellite</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Weather Station</td>
<td>Kituo cha hali ya hewa</td>
</tr>
</tbody>
</table>

**Module 3B.1**

<table>
<thead>
<tr>
<th></th>
<th>Certified Products</th>
<th>Pembejoe zilizo dhibitishwa</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Market</td>
<td>Soko</td>
</tr>
<tr>
<td>3</td>
<td>Financier</td>
<td>Anaye kopesha fedha</td>
</tr>
</tbody>
</table>
ACCI Project Brief

Seizing opportunities in a changing climate

Climate change is a reality and is taking place around us. Communities are compelled to adapt to this situation. Therefore we must understand and plan for the potential impact of a changing climate, which is already visible in shifting weather patterns and extremes in droughts or floods. Recognizing the positive opportunities that climate change can offer, and making the most of them, will, contribute to successful adaptation.

Adaptation to Climate Change and Insurance (ACCI) is a bilateral project between the Kenyan and German Governments, funded by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) and the Government of Kenya. It is implemented by the Kenyan Ministry of Agriculture and GIZ – Deutsche Gesellschaft für Internationale Zusammenarbeit.

The goal of the ACCI project is to enable farmers and small-scale enterprises to increase their capacity to adapt to climate change in Homa Bay and Busia County.

ACCI through its partners supports

- Systematic collection, analysis and dissemination of information about climate change and related risks
- Dissemination of adapted site specific good agricultural practices
- Promotion of insurance products as measures to mitigate climate risks
- Monitoring of local adaptation capacity to climate change

ACCI collaborates with public and private sectors to provide these services to farmers. The extension structure of the Ministry of Agriculture is the main implementing partner. In addition, local NGOs, CBOs, insurance companies and financial institutions are involved in implementation. The project started at the beginning of 2011 and will run until the end of 2013.