



FEED THE FUTURE

The U.S. Government's Global Hunger & Food Security Initiative

INDEX-BASED LIVESTOCK TAKAFUL

The Problem

- Pastoralists in the arid and semi-arid lands (ASALs) of Northern Kenya constitute 13.2% of Kenya's estimated 39 million people (2009), with livestock as their major source of livelihood and food security. The sector is estimated to be worth at least USD 5 billion.
- Pastoralists are prone to adverse effects of climate variability and change, including drought.
- Until recently, the insurance market did not offer any cover to meet the risk transfer needs of resource poor pastoralists. Informal social arrangements have proven highly ineffective.
- The net result is that these risks contribute significantly to the level and persistence of poverty.

The Innovative Solution

Under the Innovation Engine program, Takaful will work to scale up the Index Based Livestock Takaful (IBLT) a product designed to protect against drought-related livestock mortality. The index is calculated using the Normalised Differenced Vegetation Index - a measure of pasture availability that is recorded by satellite every 15 days. This vegetation measure is fed into a response function that relates pasture availability with livestock mortality for analysis on whether it constitutes the trigger - known as "strike level" - and therefore payment to the communities.



Livestock at a ranch awaiting transportation for export

About the Award

Following an open and competitive process in 2015, Takaful Insurance of Africa Ltd was among three pilot roll-out innovations nominated for direct seed funding from USAID, under the Feed the Future Kenya Innovation Engine program.

Award duration: Feb 2016 - March 2017

Award Amount: KES 44.8million (\$439,604)

Technical Assistance: in-house satellite weather data interpretation capacity, business modelling, strategic business planning

Target Counties: Garissa, Wajir, Mandera, Tana River and Isiolo

Targeted Value Chain: the dryland economy

About the Innovator

Hassan Bashir is the founder and Group Chief Executive Officer of Takaful Insurance of Africa Ltd (TIA), a pioneering risk management and financial services group of companies. Founded in 2008, TIA is the first fully-fledged Islamic Insurer in the East & Central Africa region and is modelled on risk management and financial security based on ethical principles and values, and the principles of self-insurance, and risk and profit-sharing. The holder of a BSc in International Business and an MBA in Marketing, Hassan has held executive positions in the insurance and technology sectors in the Region for over 17 years. Since 2001, he has taught at USIU's Chandaria School of Business, in Nairobi. Hassan is currently pursuing a PhD in Global Management.



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KENYA INNOVATION ENGINE



Goals under the Award

- Strengthen the dry-land economy by providing insurance to livestock owners through the sale of 3,600 policies in the target counties.
- Develop in-house satellite weather data interpretation capacity.
- Analysis of weather satellite data and payout or no-payout determined and declared to policy holders.

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