

Agricultural insurance gaining ground

By Benon Ojiambo

The previous year was not like any other in the recent past. It was a terrible year for those engaged in the agricultural sector as a prolonged dry spell hit the nation hard.

It resulted in low agricultural production to 1.3% in the last financial year compared to 2.8% in the financial year 2015/2016.

The decline in agricultural production was not only felt by farmers, but also the economy, at large as it registered a low growth rate of 3.9%, lower than the targeted 5.5%.

"Agriculture, the mainstay of the majority of Ugandans, is now at risk because of excessive reliance on rain-fed farming," finance minister Matia Kasatja says.

Alongside the dry spell are other numerous natural disasters, such as floods, pests and diseases that the sector has grappled with, leading to a fall in contribution to the country's gross domestic product (GDP) from 54% in 1989 to 24% in 2015.

According to Henry Mbaguta, the assistant commissioner for financial services at the finance ministry, the agricultural sector suffers losses amounting to between 10.6% and 14.08% of its total annual production, translating into between 2.3% and 3.1% of Uganda's GDP.

It prompted the Government through the finance ministry to forge a public-private partnership, with some insurance companies to introduce an agricultural insurance subsidy scheme that will offer farmers a fall-back position and earn guaranteed incomes, irrespective of the weather vagaries and price fluctuations.

It also aimed at increasing insurance uptake and farmers' resilience against natural disasters like drought, floods and diseases.

The sh5b insurance subsidy which kicked off in the 2016/17 financial year is expected to enable farmers access agriculture insurance at subsidised premiums and increase their productivity.

The scheme is implemented by 10 companies that have organised themselves into an Agriculture Insurance Consortium (AIC) to collectively underwrite these risks and they include APA Insurance (U) Ltd, CIC General Insurance Ltd and Goldstar Insurance Co. Ltd. Others are First Insurance Company Ltd, Lion Assurance Company Ltd, NIC General Insurance Co



A farmer clearing land using a tractor. Agricultural Insurance will help farmers become resilient towards natural disasters, such as drought, floods and diseases

THE FINANCE MINISTRY, HAS CREATED A PUBLIC PRIVATE PARTNERSHIP WITH SOME INSURANCE COMPANIES TO INTRODUCE AN AGRICULTURAL INSURANCE SUBSIDY SCHEME

Ltd, Pax Insurance Company Ltd, Phoenix of Uganda Assurance Company Ltd, The Jubilee Insurance Company of Uganda Ltd and UAP Insurance Uganda Ltd.

The scheme that is to run over a five-year period targets all farmers in the country, ranging from small to large scale.

The scheme defines a small scale farmer as one owning less than five acres of land whose seasonal income is less than sh20m while a large scale farmer as one who owns more than five acres of land with seasonal income worth over sh20m.

Under the arrangement, the Government will be paying between 30% and 50% of medium and small scale farmers' insurance premiums as well 80% of the premiums in highly risky areas prone to highly catastrophic risks, such as excessive rainfall, prolonged drought and landslides.

Those engaged in piggery

will get a 50% subsidy if they own less than 50 pigs, while those with more than 50 will get 30%. A 30% premium subsidy will be given to large-scale fish farmers.

However, a year later, the uptake of the scheme has registered low success as it failed to reach the targeted farmers.

"So far, about 23,000 farmers against a target of 50,000 farmers have been insured for the period between January and June this year," Munyaradzi Daka, the technical manager of the Agro Consortium at the Uganda Insurance Association says.

Daka explained that the consortium failed to hit the target because they started late due to delays in the scheme implementation timelines as companies had to first set up a framework, put in place the necessary policies and reinsurance arrangements.

"We started in January this

year, other than July last year, as it had been projected because we were putting in place structures to support

the scheme," Daka says. Coverage in the last financial year was 23,000 farmers but the number is

expected to grow to 40,000 farmers by the end of the 2017/18 fiscal year.

The scheme is targeting to reach a minimum of 40,000 farmers in the next two years.

Premiums written Daka says so far, sh2.25b worth of premiums have been underwritten by insurance companies.

According to Mariani Nalunkuuma, the communications officer at the Insurance Regulatory Authority (IRA), so far sh1.5b of the sh5b allocated in the last financial year budget has been absorbed by farmers from different parts of the country.

She notes that absorption of the subsidy is expected to pick up from the current sh1.4b to sh8.9b by the end of this financial year from both renewals and new businesses.

Sensitisation challenge Nalunkuuma says lack of sensitisation has been impeding the implementation of the scheme.

"It is easy to get large scale farmers, unlike the small ones who seem not to realise the importance of insurance and need to be highly sensitised," he adds.

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