

Govt agricultural insurance plan posts slow start

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The Government agricultural insurance subsidy scheme, introduced in the ending financial year to guard against losses that normally arise from disaster and price fluctuations, has so far attracted modest interest from farmers across the country.

Figures from the Uganda Insurers' Association (UIA) indicate that so far sh1.4b of the sh5b allocated in the 2016/17 financial year budget, has been absorbed by farmers from different parts of the country.

The UIA chief executive officer, Miriam Magala said although the scheme was rolled out on July 1, 1st year, actual operation began in January because players needed first set up a framework, put

in place the necessary policies and reinsurance arrangements and conduct sensitisation of farmers across the country.

Sensitisation was done by UIA in partnership with the Insurance Regulatory Authority and the finance ministry.

Why insurance?

Government introduced the agricultural insurance subsidy to help farmers access agricultural insurance so as to increase investment in the sector, boost agricultural productivity and facilitate increased access to bank credit.

Despite about 80 per cent of Uganda's population being employed in the agriculture sector, the uptake of agricultural insurance has been low due

to high premiums, which most farmers cannot afford.

If not subsidised, agricultural insurance premiums range between 2% and 15% of the sum of the crop insured, depending on acreage of the produce. This is because the sector is considered to be too risky.

This has seen farmers incur huge losses for years, resulting from various uncertainties ranging from unpredictable weather patterns to diseases and commodity price fluctuations.

With the subsidy, however, farmers are expected to access agriculture insurance policies at lower premiums, with subsidies ranging from 30% to 50%, depending on acreage or annual incomes, or number of animals or birds.

The Government premium subsidy covers risks such as excessive rains, fire, flooding, drought, epidemics, crop pests and diseases.

The scheme is offered by a consortium of six insurance companies including Lion Assurance, APA, UAP, FICO, NIKO and NIC.

Magala noted that absorption of the subsidy is expected to pick up from the current sh1.4b to sh8.9b by June 2018, from both renewals and new businesses.

Coverage in the ending financial year was 23,000 farmers but the number, according to sources, is expected to grow to 100,000 by the end of the 2017/18 fiscal year.

Premium projections in the new financial year are estimated at about sh14b.