



# ZEP-RE (PTA Reinsurance Company)

## DRIVE INDEX BASED LIVESTOCK INSURANCE (IBLI) PRODUCT and SAVINGS BONUS TERMS AND CONDITIONS

### TERMS AND CONDITIONS

#### Product

This is a product that will provide asset protection cover that aims to keep the livestock alive and complement pastoralists savings during drought events.

The insured perils will be forage scarcity as defined by an index. The index will be based on readings from data collected from independent satellite data providers.

#### Index

This is a measure that compares the total amount of forage available across the contract season with the historic average forage availability of that season for that division. It measures the forage condition over a defined period, and it is calculated by using a measure of pasture availability that is recorded by satellites, called the Normalized Differenced Vegetation Index (NDVI). The index compares the observed NDVI over a particular season, with the observed NDVI over a given historical period.

#### Insurer

ZEP-RE is working with several insurers, who are approved financial services providers to underwrite the Benefits under this product.

#### Insured goods

The insured goods will be four livestock types standardized into one unit known as Tropical Livestock Unit (TLU). These are Camels, Cattle, Sheep and Goats. DRIVE IBLI sets the average value of livestock as the amount required to keep the livestock alive during the cover period as follows:

- Camel – 1.4 TLU -KSH 24,029
- Cattle – 1 TLU – KSH 16,820
- Goat – 0.1 TLU – KSH 1,682
- Sheep – 0.1 TLU – KSH 1,682

#### Tropical Livestock Units (TLU)

1 TLU = 1 Cow, 1TLU = 0.7 Camel, 1 TLU = 10 goats and 1 TLU = 10 sheep

#### Unit Area of Insurance (UAI)

UAI refers to the geographic region in which the IBLI product benefits will apply and will be determined by:

- The homogeneity of vegetation conditions.
- Pastoral migration patterns/extents.
- Rangeland Dominance.
- Forage availability.
- Seasonality and Drought history.

#### Premiums payment and Subsidy

Individuals are responsible for paying their premiums as calculated using the premium rate for the Unit Area of Insurance (UAI) they will select. The government is subsidizing a maximum of 5 TLUs insured per person per year, however pastoralists will be encouraged to insure as many TLUs as they can afford. The level of subsidy will change as advised by the government.

#### Geographical coverage of index

Generally, each UAI may have different levels of forage availability or scarcity in a given season. As a result, different payouts will be made in each UAI because the payments will be based on average forage scarcity for each individual UAI. Every pastoralist within the same UAI, however, will receive the same rate of payment (if the index is below the exit level in all the UAIs).

## Policy

The digital application form through USSD or agent mobile Application, the Terms and Conditions and any annexure, schedules or amendments will constitute the Policy. The DRIVE platform will digitally share important policy summary information that will constitute the proof of policy documentation. The insured can log in using USSD \*800\*8# through the registered mobile phone number and access the policy information digitally.

## Trigger level

The index threshold below which payouts must be made is called the trigger level. Supposing the forage conditions are ranked from 1-100 with 1 being the worst and 100 the best. The trigger level is then set such that if the forage conditions for the current contract season is ranked 25 and below, the contract will pay out. Therefore, the trigger level is set at the 25<sup>th</sup> percentile. In other words, IBLI will compensate if the forage condition falls below the worst 25 percentile of seasonal pasture levels in the contract area.

## Exit level

The index threshold below which the total sum insured is paid is called the Exit level. Supposing the forage conditions are ranked from 1-100 with 1 being the worst and 100 the best. The Exit level is then set such that if the forage conditions for the current contract season is ranked 5 and below, the contract will pay out in full. Therefore, the Exit level is set at the 5<sup>th</sup> percentile. In other words, IBLI will make full payment of the total sum insured if the forage condition falls below the worst 5 percentile of seasonal pasture levels in the contract area.

## Insured Events

The policy offers protection against prolonged forage scarcity ONLY because of drought.

## Cover

This product pays out a sum insured if the index falls below the level at which the forage conditions are scarce as determined by the set index.

## Coverage period

The coverage period is 12 months split into 2 seasons i.e., Long rains season and short rains season. This period will expire after one year. The contract period of the insurance cover cannot be changed and is non-refundable once bought. However, cover is renewable on an annual basis.

## Seasonal cover periods

Within each season there are two periods i.e.

Periods	Description
Early Dry Spell	Runs from the start of the season to mid-season.
Late Dry Spell	Runs from mid-season to the end of the season.

## Sum Insured

This is the total amount of money required to keep the livestock alive within the cover period. We calculate this by multiplying the average value of livestock by the number of livestock that the pastoralist has chosen to insure.

See example below.

4 cows = 4 x 1 x KSH 16,820 = 16,820

3 camels = 3 x (1/0/7) x KSH 16,820 = 72,086

35 goats = 35 x 0.1x KSH 16,820 = 58,870

The pastoralist can insure a different number of livestock in each sales window.

### **Contributions or premium**

Contributions are the price paid for insuring livestock. Contributions will be averaged at UAI level, each UAI will have a different contribution level. Contributions are priced as a percentage of the value of the Sum Insured. It is calculated as (Sum INSURED x Contribution rate (premium rate)). Contributions are non-refundable and will be payable annually in advance. The minimum contribution will be dependent on the premium rate calculated for each UAI per TLU. The payable contributions or premium will be net of the applicable premium subsidy.

### **Beneficiary**

A beneficiary is the person who owns and has INSURED livestock as specified and will receive the proceeds in the event of a claim.

### **Maximum number of policies**

A pastoralist cannot have multiple policies covering the same livestock. Each season a pastoralist will receive a new annual policy if they increase the number of animals insured.

### **Policy continuity**

The policy will cease at the end of each cover period but may be renewed upon payment of the required contributions.

### **Outstanding Contributions**

If there are any outstanding premiums when a benefit is due, the Company may deduct the arrears from the benefit payable. However, the pastoralist is covered after they pay premiums on or before the sales window closing (the last date provided to buy insurance before the insurance cover starts).

### **Contribution Rate Review**

Contributions are reviewed on an annual basis, with changes impacting the insured on their next policy anniversary.

### **Payouts**

The IBLI Index for the season determines whether a payout will be made and is the basis for calculating the percentage payout to the pastoralists.

Pastoralists can expect two payouts per season, i.e., early payout in the middle of the season and late payout after the end of the season.

### **Determination of payouts**

Pastoralists are paid when forage conditions are below the worst 25 percentile of the seasonal pasture levels in the contract area (UAI). It is important to note that pastoralists are paid based on the level of forage scarcity for the UAI and not on farm level basis.

### **Validity of payouts**

Insured pastoralists are only paid when the amount of forage falls below the trigger level and will not receive payments if the forage availability is more than the trigger level based on the NDVI readings. Pastoralists who have not paid a contribution are not covered by the IBLI product, and will not receive payments, even during a drought.

### **Exclusions**

Payouts are only made in relation to drought effect on pasture in the insured areas. Payouts will not be made based on actual loss of animals but the estimated effect of drought on pasture using NDVI indexes. Other types of losses are not covered. For instance,

- All risks not mentioned in the terms and conditions.
- Loss or death as a result of floods, predation, theft or disease.
- Loss directly or indirectly as a result of war, invasion, actions of foreign enemies, hostilities.
- Loss as a result of any act of terrorism.
- Nuclear or radioactivity among others.

**Enrolment / one-off savings bonus**

Only pastoralists who have paid the minimum contribution required for insurance will be eligible to participate in this. To qualify for this bonus a pastoralist needs to have insured a minimum of 3 TLUs. Pastoralists will be incentivized to save in a savings account rather than in cash and will be eligible for the enrolment bonus and ongoing savings bonus. The pastoralist is only eligible to enrollment bonus once during the project lifetime upon purchasing insurance for the required minimum TLUs. The pastoralist is required to open bank accounts from the approved banks where the bonus will be deposited. The bonus will be locked-in for 2 months and will not be accessible during this time as a way of creating a savings culture. This amount shall be reviewed annually and subject to the availability of the savings component incentive funds.

**Ongoing saving bonus**

Pastoralists will receive this ongoing bonus for any period the savings are held in the account. The 15% bonus is payable once per year and will be calculated based on the average account balances for the year (prorated balances in the account). The longer the money stays in the account, the higher the average savings will be. The enrolment bonus and claims amount will not be used in calculating this amount.

**Governing Laws**

The laws of Kenya, whose courts shall have jurisdiction in any dispute arising hereunder, will govern this, Policy. The Benefits payable and the contribution rates under this Policy may be changed if any legislation is changed. If these changes are made, the Beneficiary will be notified in writing.

**Territorial limits**

Pastoralists in Kenya.

**Surrender values.**

No surrender values are payable under this Policy.

**Currency**

Contributions and Payouts are expressed and payable in the legal tender of Kenya.

**Revocation, Alteration, Amendment**

The Insurer reserves the right to amend, revoke, vary or alter any Terms and Conditions of this Policy provided that the Beneficiary is given thirty (30) days' notice of such an amendment.

**Agreement**

The application form, the Terms and Conditions and any amendments thereto constitute the sole Agreement between the parties. No contrary representation or agreement shall be of any force unless reduced to writing and signed by both parties.

**Dispute Resolution /Queries**

In the event of a dispute or any queries, please contact the following:

Email: [drivekenya@zep-re.com](mailto:drivekenya@zep-re.com) | Telephone: + 254 709 973 301