

# QUICK REFERENCE

## GUIDE ON INDEX-BASED LIVESTOCK TAKAFUL (IBLT) FEATURES



# QUICK REFERENCE

GUIDE ON INDEX BASED  
LIVESTOCK INSURANCE FEATURES

<b>CONTENTS</b>	<b>PAGES</b>
Risk Covered by ILBT	4
The Index	5
Prediction of Livestock Deaths	6
Trigger Point	7
Average market value of livestock in Wajir	8
Sum assured	9
Geographical coverage of index	10-11
ILBT Contract Contributions	12-13
Validity of Contributions	14
Sales Period for the ILBT contract	15
Potential payouts in the ILBT contract period	15
Conditions for the payouts to be made	16
Determination of Compensation	17
Historical index readings for reference	18
What are the benefits of the IBLI product to pastoralists	19



## RISK COVERED BY IBLT

IBLT(Takaful Livestock Cover) **only** covers livestock deaths that are caused by **drought**. In order to receive a payment, the index needs to be triggered at a level **above** the trigger point (see page 7). E.g. A trigger point of 15% means that the insurer pays livestock owners when more than 15% of the herd are predicted to have died.

## THE INDEX

The index predicts the number of livestock deaths caused by drought and if covered pastoralists will be paid. The number of livestock deaths is predicted by observing the condition of pasture.

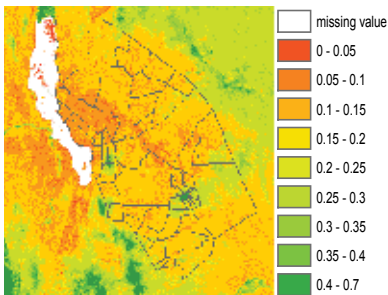
We use satellite images to find the amount of pasture today, which we then compare with pasture levels in previous years, and livestock deaths from drought in those same years. History shows how many livestock died from drought with the same pasture amounts we have today, and so we can predict that a similar number will die again.

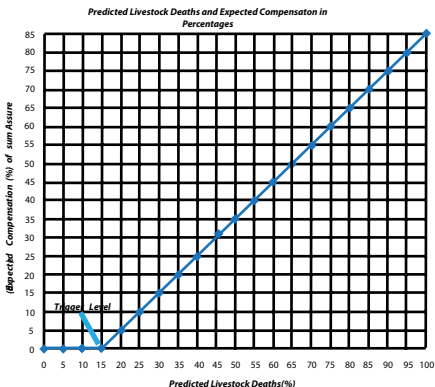
*Amount of pasture shown by satellite » Compared with historical amounts of pasture and corresponding livestock deaths (relationship) » Prediction of livestock mortality*

## PREDICTION OF LIVESTOCK DEATHS

The satellite takes pictures of pasture amounts every 16 days throughout the year. This data on available pasture helps to predict the chances of livestock dying from drought (see page 5). Satellite images and historical data are for entire divisions; therefore, the prediction of livestock deaths does not change from person to person and is applied to all livestock in the entire division.

**Typical Satellite Picture on Forage Availability**





## TRIGGER POINT

The trigger point is the percentage of predicted livestock deaths in the division after which Takaful Livestock Cover starts to pay insured pastoralists. The trigger point for IBLT is 15%. This means that IBLT can only pay pastoralists after 15 in every 100 livestock in the division are predicted to have died.

## AVERAGE MARKET VALUE OF LIVESTOCK IN WAJIR

IBLT sets the average value of the livestock in Wajir as follows, in Kshs:

- Camel – 35,000
- Cattle – 25,000
- Goat – 2,500
- Sheep – 2,500







8

## SUM ASSURED

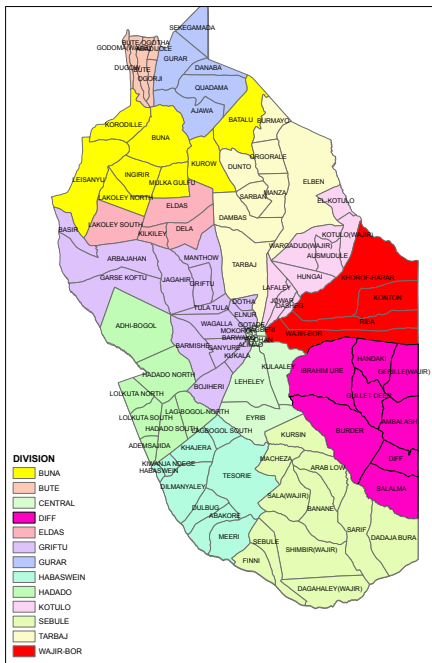
The sum assured is the total value of livestock insured. We calculate this by multiplying the average value of livestock (see page 8) by the number of livestock that the pastoralist has chosen to insure.

$$4 \text{ cows} = 4 \times 25,000 = 100,000\text{KSH}$$

The pastoralist can insure a different number of livestock each sales window – Takaful Livestock Cover does not need proof of actual herd sizes.

## GEOGRAPHICAL COVERAGE OF INDEX

Generally, more livestock will die if there is less pasture available. Each division has different amounts of pasture; therefore the predicted livestock mortality varies by division. This means that Habaswein, Bute, WajirBor, Kutulo, Eldas, Hadado, Giriftu, Sabuli, and Wajir Central may all have different levels of predicted livestock deaths. As a result, different payouts will be made in each division because the payments are based on the predicted livestock deaths for each individual division.



## IBLT CONTRACT CONTRIBUTIONS

Contributions are the price for insuring livestock. Since livestock are more likely to die in divisions with less pasture, pastoralists in those areas pay more for Takaful Livestock Cover because they are more likely to get a payment.

Contributions are priced as a percentage of the value of the livestock. We calculate the contribution in KSH by multiplying the sum assured (total value of livestock insured) by the contribution percentage.

E.g. To cover 4 cows in Buna =  $4 \times 25,000\text{KSH} = 100,000\text{KSH} \times 6.71\% = \mathbf{6710\text{ KSH Contribution}}$



District	Division	Contri- bution	Contribu- tion for 1 camel	Contribu- tion for 1 cow	Contribu- tion for 1 shoat
		at 15% trigger			
WAJIR	BUNA	5.32%	1,863 KSH	1,331 KSH	133 KSH
	BUTE	4.56%	1,596 KSH	1,140 KSH	114 KSH
	CENTRAL WAJIR	7.91%	2,768 KSH	1,977 KSH	198 KSH
	DIFF	5.77%	2,021 KSH	1,444 KSH	144 KSH
	ELDAS	6.03%	2,111 KSH	1,508 KSH	151 KSH
	GRIFTU	6.31%	2,207 KSH	1,576 KSH	158 KSH
	GURAR	4.90%	1,714 KSH	1,225 KSH	122 KSH
	HABASWEIN	7.52%	2,633 KSH	1,881 KSH	188 KSH
	HADADO	6.91%	2,419 KSH	1,728 KSH	173 KSH
	KOTULO WAJIR	5.40%	1,890 KSH	1,350 KSH	135 KSH
	SEBULE	6.10%	2,135 KSH	1,525 KSH	153 KSH
	TARBAJ	5.83%	2,040 KSH	1,458 KSH	146 KSH
	WAJIR-BOR	6.25%	2,188 KSH	1,563 KSH	156 KSH

## VALIDITY OF TAKAFUL LIVESTOCK COVER CONTRIBUTION

Takaful Livestock Cover expires after one year. There are two sales windows. Coverage bought in January/February protects livestock from the March 1st of that year to February 28th/29th of the next year. Coverage bought in August/September protects livestock from October 1st of that year to September 30th the next year. E.g. If a pastoralist purchases coverage in January/February 2014, their policy is valid from March 1st, 2014 through February 28th, 2015.

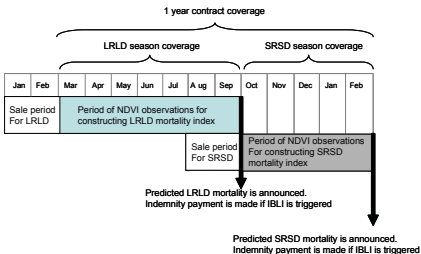
The contract period of the livestock cover cannot be changed and is non-refundable once bought.



# SALES PERIOD FOR THE IBLT CONTRACT

Takaful Livestock Cover can be bought in January/February and August/September.

## *Temporal structure of IBLT contract*



## POTENTIAL PAYOUTS IN THE IBLT CONTRACT PERIOD

Pastoralists can be paid in October after the long rains/long dry season, and in March after short rains/short dry season.

## CONDITIONS FOR THE PAYOUTS TO BE MADE

Insured pastoralists are not always paid when there is drought. They are only paid when drought is so severe that the amount of estimated livestock death exceeds the trigger point (see page 7). Insured pastoralists will not receive payments if the number of deaths is less than the trigger point. Pastoralists who have not paid a contribution are not covered by the Takaful Livestock Cover, and will not receive payments, even in severe drought.





## DETERMINATION OF COMPENSATION

Pastoralists are paid when livestock deaths are greater than the trigger point of 15%. This means payments start at 15%; for example, if livestock losses are 25%, then the payment will be for 10% ( $25\% - 15\% = 10\%$ ).

In this case, the 10% will be multiplied by the sum assured (total value of livestock insured). For example, if the sum assured is KSH100,000 the payment would be KSH 10,000.

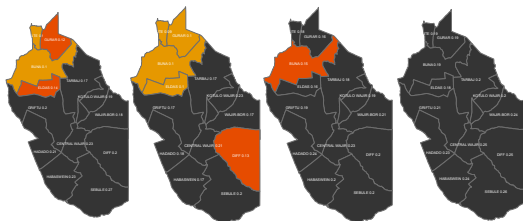
$$10\% \times \text{KSH}100,000 = \text{KSH}10,000$$

It is important to note that pastoralists are paid based on the predicted livestock deaths for the division and not on an individual basis (see page 6).

# Index announcement for March 2013

- » Recall that insurance Payouts are made when the index is above 15%
- » For the March 2013 payout period, payouts are triggered in 9 out of the 13 divisions: Tarbaj, KotuloWajir, Griftu, Wajir-Bor, Central Wajir, Hadado, Diff, Habaswein, and Sebule. Eldas, Buna, Gurar, Bute will have no payouts.

Green	Good Regime Stable: Forage conditions are above normal and are either improving or at least have not worsened over two consecutive months.
Yellow	Good Regime Worsening: While the division in question is characterized by better than average forage cover over the past year, the situation has been consistently worsening within the past two months.
Orange	Bad Regime Moderate: The sum of forage available over the past year has dropped below the long-run average.
Red	Bad Regime Acute: Average livestock deaths predicted to be between 10 and 15%.
Black	Bad Regime Severe: The drought is now severe. Forage scarcity has been pronounced over a long period and greater than 15% of livestock in the area are predicted to have died. Insurance payments have been triggered.



## WHAT ARE THE BENEFITS OF THE IBLI PRODUCT TO PASTORALISTS

I. Economic stability and protection from poverty. You can support your family with Takaful Livestock Cover even if drought has killed your livestock.

II. Affordable. You can protect your family at a low-cost and still have enough income to live well.

III. Social Status. Even if your livestock die, people will still respect you because you still have income thanks to the Takaful Livestock Cover.



# ILRI

INTERNATIONAL  
LIVESTOCK RESEARCH  
INSTITUTE



**TAKAFUL**  
INSURANCE OF AFRICA

A bond beyond insurance

**HEAD OFFICE** ► CIC Plaza, 3<sup>rd</sup> Floor,  
Mara Road, Upper Hill ► Tel: +254 (20) 2725134/5

**NAIROBI CBD BRANCH** ► Rehani House, 2<sup>nd</sup> Floor,  
Koinange Street ► Tel: +254 (20) 2222744/5

**GARISSA BRANCH** ► Savannah Building, Ground Floor,  
P.O. Box 1356, Garissa ► Tel: +254 (46) 2102612

**EASTLEIGH BRANCH** ► Madina Mall, 1<sup>st</sup> Floor,  
General Warunge Street ► Tel: +254 703281148

**MOMBASA BRANCH** ► Oriental Building, Ground Floor,  
Nkurumah Road ► Tel: +254 (41) 2313435/6

**WAJIR BRANCH** ► Muhlal Plaza, Army Street,  
P.O. Box 355, Wajir ► Tel: +254 (46) 421253

P.O. Box 1811 - 00100, Nairobi, Kenya

[info@takafulafrica.com](mailto:info@takafulafrica.com)

[www.takafulafrica.com](http://www.takafulafrica.com)



Takaful Insurance of Africa



@Takaful\_Africa