

BRITAM PAYS 300 TANA RIVER FAMILIES KSHS. 15 MILLION FLOOD INSURANCE: THE FIRST EVER IN KENYA

Report based on interview with Britam's Director for Emerging Consumers, Saurabh Sharma; and Head of Innovation for Microinsurance Company, Liza Maru, and select residents of Mororo, Ziواني, Makenyu and Deri Villages in Musala Ward, Tana North Sub-County.

As hundreds of flood-affected families in Kenya planned their recovery from the unusually heavy short rains of October to December 2023, 300 households in Tana River County were budgeting with their flood insurance pay-outs from Britam Insurance Kenya. The families were part of the 546,000 Kenyans who had been displaced from their homes, losing at least 170 relatives, according to a February 2024 USAID report.

“The Britam payments came when we needed them most,” states 29-year-old Sailencer Rukia Kale, a widowed mother of three children. The resident of Mororo Village is also the guardian of her two sisters and a niece. “The first disbursement helped me to replace our beddings while we were still living in a rescue camp at Garissa Police Post. I used the second payment for my daughter’s school fees. She’s in form two. With the last disbursement, we shifted back to Mororo and repaired our house.” The payments were made in four batches: Kshs.12,100 in November, a similar amount in December, Kshs. 22,800 in February 2024 and the last Kshs. 3,000 in April 2024.

For more than two years, Britam with the support of FSD Africa developed the insurance product aimed at reducing flood risk across the country. The first phase of the project involved a feasibility study to gauge the risks that flood-prone communities face, the stakeholders already involved in tempering the risks, and whether insurance could play a role in mitigating flood risk. Some 251 households and over 16 stakeholders from different sectors participated in the study that was conducted between 2022 and 2023 in flood-prone Tana River, Kilifi and Kisumu Counties. Situated in the arid and semi-arid lands (ASAL) area, Tana River and Kilifi Counties are also prone to drought, pests, diseases and human conflicts.

The study revealed that the communities needed an insurance product to boost efforts by humanitarian organizations like Oxfam Kenya and Kenya Red Cross. The product is a financial solution that humanitarian organizations and county governments can invest in. More than 70% of the respondents expressed willingness to invest in insurance or a scheme that

compensates them in case of flood, and nearly all were willing to pay up to Kshs.500 monthly for such a scheme. Many of the respondents had experienced tremendous losses caused by floods including homes and household assets being destroyed or swept away, business stock being spoilt or washed away, livestock being killed or washed away, and crops dying from being washed away or swamped.

Tana River County

Phase two of the project was proof of concept, that is, applying the product in a live setting to gauge its effectiveness. Of the three, Tana River County was the most affected by floods. The county experiences floods every two to three years, with the months of April and November being the peak flood months. The most affected population are farmers who grow their crops next to River Tana due to water availability, as the hinterlands have low moisture content. During rainy seasons, swollen rivers, especially River Tana which is the biggest, burst their banks and cause floods which affect communities and businesses. The flooding is also attributed to the release of water from Kiambere Dam by Kengen.

Besides, 62% of the population of about 350,000 people live in abject poverty, with an average monthly household income of Kshs.11,758. They mainly depend on the business of running small shops, which generate a monthly income of Kshs.10,756. Because of the low income and high expenses, coupled with being set back by frequent flooding, most households cannot afford to save money for unexpected expenses.

With an arm that focuses primarily on adaptation to climate change, Oxfam Kenya already had a strong presence in Tana River County. Through Arid Lands Development Focus (Aldef) it not only helped FSD Africa to mobilize key stakeholders for the research, but in September 2023, Oxfam also bought one-year Britam flood insurance policy cover for 300 families in the county. Because they were subsidised, 75% of the families that benefitted from the Kshs.7,000 insurance premium were headed by females, youth and persons with disability.

Families received pay-outs

Between November 2023 and February 2024, each insured family received a Kshs.47,000 pay-out. This was based on the trigger levels, and the magnitude of El Nino and other intervening weather phenomena which necessitated 94% of the pay-out value. “The results indicate that the risk is real, and the product is relevant for the needs,” notes Sharma. While the pilot is ongoing, Britam has reached the contracted maximum pay-out limit, but intends to demonstrate that flood risk is a valued insurance. “Our reinsurance partner, Swiss

Re, reinsured 80% of the business we received for the pilot flood insurance program, which helped to limit the magnitude of loss on our side,” states Maru. Swiss Re is a shareholder of Britam Insurance and its business model includes climate insurance.

Due to the success of the pilot project, Britam has partnered with the Tana River County Government to help enrol up to 20,000 families in the county. The county government will also connect Britam with relevant local community-based organizations. “We view the project as a concerted effort. That will enhance its success,” explains Maru.

The core of the problem

Britam has now moved to the scale-up phase, drawing from its key learnings. While insurance plays a role in mitigating flood risk, there’s need for an integrated approach that includes other measures such as strengthening the riverbanks to avoid flash floods. Britam also seeks to collaborate with the county government and other financiers to subsidize the product for the residents, and to popularize the project for households to see its benefit. “We just need the Tana River population to relate this project to *Pesa ya ukame* (the drought insurance programme Britam is already running in the area). If we can get them to understand it as *Pesa ya mafuriko* (flood insurance funding) then they will see the value of paying for it,” adds Maru.

The residents who participated in the pilot project are willing to pay for the insurance policy at rates that range between Kshs. 1,000 and Kshs. 3,000. Rukia is among the few families willing to pay Kshs. 3,000 premium per year. A majority requested for continued support. “Remember the project was piloted among the most vulnerable members of the community. The feasibility study included families that are better off, and most were willing to pay up to Kshs. 500 monthly premiums,” explains Liza.

Britam is also working with the county government to change land use patterns from the unsustainable nomadic farming habits of the Tana River population. The interventions include constructing reservoirs and dredging, land-use planning and early warning systems. Resettling the affected families away from the river will also reduce their vulnerability. “When these measures are implemented, insurance will only take care of residual risk, and only after very catastrophic floods. Annual insurance payments will make insurance cover very expensive and unsustainable for the insurance company,” explains Sharma.

Beyond Tana River County, Britam is seeking a partner that's already on the ground to help pilot the flood risk insurance in Kisumu. Being urban, flood risk is different hence harder to model against Tana River. This demands a different proof of concept. Britam is also working on product designs that can be scalable in other flood-prone regions, and which accommodate the two rainy seasons in Kenya, to enable pay-outs in case of heavy rains in the two seasons.

The motivation

While floods are prevalent in Kenya, no private-sector insurance product targeting floods has ever been designed. This is because making a business case for such hard to reach and underserved areas is complicated, and the private sector is reluctant to invest in such vulnerable communities. Britam Micro Insurance started a property insurance project to assess whether there was need and demand for property insurance in the low to middle-income segments. It targeted businesses, retailers and MSMEs (micro, small and medium enterprises). It was through this project that the need for a flood specific project emerged. FSDA's support was therefore very instrumental in kick-starting the project. Britam had the dream but needed a partner like FSDA to catalyse the development of a solutions in such a new and underserved risk area.

Britam's approach to inclusive insurance, particularly micro-insurance (for targeted segments) involves providing value through a sustainable product. However, there is no commercial viability at this level, which means the project must be scalable to a large population, e.g., county level for commercial viability. That is what the company has currently embarked on.