

INSURANCE FOR SUSTAINABLE WATER SYSTEMS



LOCATION: Nakuru county in Kenya and Mwinilunga and Pemba districts in Zambia

PARTNERS: Britam General Insurance Company and Professional Insurance Corporation, Zambia

Overview

Over the past five decades, community-managed water systems have become very common in Sub-Saharan Africa. Sustainability of these systems is of great importance and a significant challenge because communities often lack resources to repair complex water system components and procure expensive replacement parts. There is growing recognition that supplemental financial and governance tools are needed for long-term sustainability. Organizations like World Vision are developing and testing new approaches in the Sustainable Development Goal era to empower and enable communities to sustain and expand drinking water systems.

To build water system resiliency and reduce the financial burden on communities in Kenya and Zambia, one of the ways World Vision is helping enable communities to sustain water systems is by leading development of private insurance policies for mechanized water systems. This innovation aims to help strengthen water system governance, reduce downtime, and shield communities from water shortages that cause families to use unsafe water.

World Vision took initiative in 2017 to begin educating insurance companies on the need for water system financial sustainability solutions. It provided opportunities for companies to meet with communities to understand their water systems and helped to define the terms of insurance policies. Annual policy costs must be advantageous for the consumers to sustain a willingness to pay, and they also need to have a low risk of financial loss for the insurance company. World Vision is monitoring the success of insurance coverage to help ensure communities have functional water systems that provide reliable access to clean water.

Roles and Responsibilities

- » Community members finance repairs to the water systems by paying for water service.
- » Water-user associations (WUAs) ensure financial systems are in place to generate revenue by selling water to community members, which pays for insurance premiums and co-pays. WUAs are responsible for daily operation and maintenance of the water systems. They also ensure the infrastructure is secured with a fence and staffed with a security guard to reduce overall risk. They pay insurance premiums annually and notify insurance companies of repairs needed by filing a claim.
- » The insurance company responds to claims within 24 hours by assessing nonfunctioning systems and contracting service providers to restore the systems to normal operation. They provide WUAs with documentation of policy coverage and payments.
- » World Vision brings insurance companies and communities together, trains the insurance companies, and works with them to create awareness among community members about how the insurance policy works to repair systems.

BY THE NUMBERS

KENYA

Water systems insured: 4

Average system insured for: \$38,000

Average annual premium: \$285
(0.75% of insured amount)

Average community co-pay: 10% of total claim

ZAMBIA

Water systems insured: 14

Average system insured for: \$3,105

Average annual premium: \$200

Number of claims: 2

Average claim: \$1,833

Average pay out by insurance company: \$1,475

Average community co-pay: \$358



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Next Steps

World Vision is already expanding the insurance innovation in Kenya. It is investigating the viability of insurance coverage to increase functionality of mechanized water systems and to validate whether overall risk for insurance companies is manageable. If results are positive, there is an opportunity to

expand insurance coverage to additional countries, particularly for water systems in institutions such as healthcare facilities. One path for expansion is through collaboration with VisionFund, which offers insurance policies as one of their financial products.

Water System Insurance in Kenya

World Vision began researching water system insurance coverage options in Kenya in 2018 and found this type of coverage was not available. It developed the insurance innovation by consulting with insurance companies and bringing them to meet directly with the customers to understand the specific needs related to insuring water systems in rural Kenya. BRITAM General Insurance Company saw this as a viable business opportunity with potential for expansion. The insurance innovation was fast tracked to support sustainability of water systems where World Vision is closing out program areas. The goal is to expand insurance policies to all appropriate water projects in Kenya.

Policy Coverage

Insurance policies cover high-cost components of piped water systems, including solar panels, pumps, and water tanks. The policies pay for claims related to fire, theft, equipment breakdown or malfunction, and violence or terrorism.

Claims and Lessons Learned

To date, insurance claims have been made for two mechanized systems in Kenya to replace a solar panel and motor. One system is functioning at a lower yield, and the other is not operational. There have been delays in settling these claims, initially because the communities did not fill out the claim form, then COVID-19 related restrictions prohibited field work. Additionally,



Schoolchildren collect clean water from an automated AQTAP kiosk in World Vision's Wema program area, in Nakuru county, Kenya.

BRITAM did not have a specific team employed to handle this new insurance product, and they are still setting up their team.

World Vision is advocating on behalf of the communities for clarity from BRITAM on when the systems will be repaired. On the other hand, there are now other insurance companies in Kenya that have expressed interest to insure water systems because they see this as a good business opportunity. As competition improves, communities will have more choice between insurers, and responsiveness by insurance companies will improve as they seek to retain business.



BRITAM GENERAL INSURANCE COMPANY

BRITAM is a leading financial services group and is listed on the Nairobi Securities Exchange. The group has interests across Eastern and Southern Africa regions, with operations in Kenya, Uganda, Tanzania, Rwanda, South Sudan, Mozambique, and Malawi. The group offers a wide range of financial products and services in insurance, asset management, banking, and property.

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Water System Insurance in Zambia

After engaging with several companies to explore insurance for community water systems, World Vision began collaborating with Professional Insurance Corporation Zambia (PICZ) in Zambia in 2017. PICZ showed interest in supporting community projects and agreed to insure water systems as part of their expansion plans. Insurance policies are currently covering water systems built by World Vision across the Southern and North Western provinces. These areas were selected based on the high number of mechanized water systems there and an eagerness locally to implement the insurance coverage innovation.

Policy Coverage

Insurance policies cover high-cost components of piped-water systems, including solar panels, pumps, and water tanks. The policies pay for claims related to: theft, vandalism, and accidental damage.

Claims and Lessons Learned

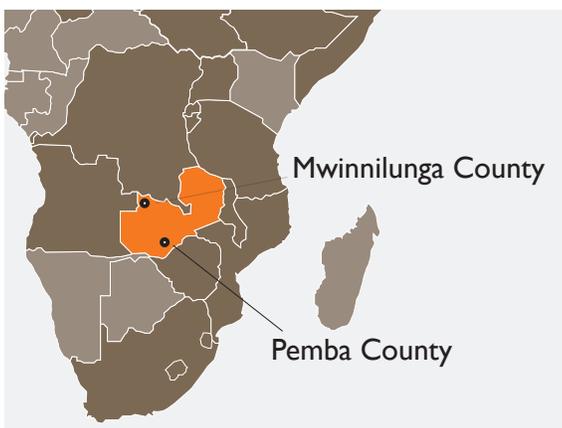
In Zambia, two claims to repair water systems have been made to date. Initial learnings demonstrated that there were delays in communities making claims to the insurance company, but once the claims were made, there were significant cost savings.

Challenge with delayed claims

One challenge was that community members did not know how to make a claim to the insurance company and they did not believe the company would pay for water system repairs, which led to four months of delay. In the end, the insurance company did pay for repairs, and now the systems are fully functional.

Cost savings for communities

There were significant cost savings for the communities that made claims for repairs. For example, in one community, the cost to replace a stolen water pump was \$1,600; PICZ paid \$1,300 and the community contributed \$300.



Piped-water system gains versus hand pumps

A preliminary case study in Zambia by Stanford University examined a small sample of piped-water systems from World Vision program areas to learn about the gains from mechanized systems versus hand pumps. Time spent collecting water, water consumption, and water use were measured. In total, 434 household surveys were conducted in four villages over three periods of data collection.

The study found that providing reliable piped-water service:

- Reduced time spent collecting water by 80% (3.8 hours per week), with benefits accruing almost entirely to women and girls
- Increased consumption of water by 32% per person
- Increased water-user fee collection from 11% to 80%
- Increased the likelihood of households having a garden by four times, with gardens being 140% larger

PROFESSIONAL INSURANCE CORPORATION ZAMBIA

PICZ is the largest general insurance company on the Zambian market, with a market share of 27%. The company opened its doors in 1992 and has expanded over the years to offer underwriting for all classes of general insurance business, including fire, accident, motor, engineering, marine, aviation, and incidental risks. PICZ has maintained an A+ credit rating by the Global Credit Rating Company for the tenth year in a row.