

# Space tech provides Africa's first Islamic insurance for herders

April 1 2014, by Peter Martell

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The son of a camel herder, Hassan Bashir knows how tough traditional life in Kenya's arid north is, where pastoralists rely on livestock herds surviving boom and bust cycles of drought.

But Bashir is also an astute entrepreneur, developing Africa's first livestock insurance scheme to make payouts compliant with Islamic law, by bringing together Muslim scholars and number-crunching agricultural experts using NASA weather satellites.

"I've come from the community, and I understand its needs," said Bashir, a sharp-suited businessman respectfully greeting elders dressed in traditional flowing robes in his hometown of Wajir, where goats and donkeys wander the dusty streets.

Bashir, 48, set up Takaful Insurance of Africa three years ago, which unlike ordinary insurance schemes prohibited by Islam, takes only a management fee from clients.

"It is a fair and ethical way to protect pastoralist's livestock assets from [natural hazards](#)," said Bashir, whose 80-year old father was one of the first to receive a payout this week for his herd of 50 cows.

Payments are assessed not according to deaths of individual animals as it would be impossible to provide proof, but according to an index drawn up by experts at the Nairobi-based International Livestock Research Institute (ILRI), using satellites to measure vegetation coverage and thus

the severity of [drought](#).

## Community 'welfare basket'

The company is named after the Islamic concept of takaful, in which risks are shared among the community, rather than insurance where policy holders effectively gamble risks against the company.

Any surplus money after payments are made is distributed equally to remaining policy holders.

"It is a cooperative welfare basket for the community," Bashir added, who was inspired to switch from regular insurance broking to the Islamic system after "hot discussions" with his family who refused his "unethical" money.

"I wanted to do something to develop the people here," he said.

In 2011, fierce drought here in northeastern Kenya decimated herds with a devastating impact, and spiralled into famine in nearby war-torn Somalia.

Like elsewhere in the Horn of Africa, vast numbers of livestock are kept as a form of savings account. But these living investments face natural hazards.

"The animals are our lives," said 65-year old Abdi Aden Bulle, who lost some 40 of his 50 cows, and eight of his 10 camels in the 2011 drought, a key driver in his decision to join the scheme.

"We sell the animals to get food, to pay school fees, pay medical expenses."

Takaful made the first payouts this week in Wajir to 100 policyholders.

On the bottom end, one herder who had insured three goats and paid a premium of \$5 six months ago, received a payout of \$7.

At the higher end, a herder who paid some \$940 to insure 50 cows received \$720 in recompense, less than what he put in due to assessments of the severity of the drought suffered in that area.

Rains were several weeks late this year.

"It's been very, very dry," said herder Khalif Mohammed, who lost three of his 15 goats this year.

Once cash payouts are made, herders say they will use it to restock animals, pay school fees or daily domestic needs.

Animals hold enormous cultural and emotional value and underpin society here.

"People can be made almost crazy when they lose animals in the drought, they would be seen talking to themselves," said Wajir governor Ahmed Abdullahi.

## **Huge economic potential**

But the economic potential is also huge: here in Wajir country, a scrubland region where most live in traditional huts, government estimates value livestock at some \$550 million (400 million euros).

Across Kenya, the pastoral livestock sector is valued at around \$5 billion (3.5 billion euros).

Organisers—backed by some \$6 million (4.5 million euros) from Australia, Britain and the European Commission—hope it can strengthen the ability of fragile communities across the region to cope during droughts, and reduce reliance on food aid.

"It is an innovative product with the possibility to replicate it elsewhere in Kenya and other nations," Dominique Davoux from the European Commission said.

With few of the semi-nomadic people holding bank accounts, insurance premiums are even payable via mobile telephone money transfers using text messages.

Across the Horn of Africa, over 70 million people live in pastoralist areas, regional governments estimate, supplying some 90 percent of all meat.

The ILRI-designed system is already being taken up by insurers in other northern Kenyan regions and southern Ethiopia, totalling some 4,000 policyholders, with numbers growing.

Takaful is eyeing up possibilities in Somalia, especially the more stable self-declared Somaliland in the north.

But the scheme faces challenges ahead, as when drought hits, all members are paid.

The scheme will need to spread the risk by rolling it out to different areas to give it the size and geographical diversity needed "to create a stable insurance scheme", Bashir said.

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