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Land Bank Insurance Company

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Land Bank Insurance Company Pilots Index Insurance in South Africa

- Products developed in partnership with CelsiusPro, a global specialist in climate risk solutions headquartered in Switzerland.

Over the next two years, Land Bank Insurance Company (LBIC) will pilot index insurance in South Africa targeting smallholder producers to provide affordable drought-risk insurance for both crop and livestock farmers.

Index insurance products have proven to be a cost-efficient and administratively effective way to insure smallholder and semi-commercial farmers. Under these solutions, claim pay-outs are triggered when an objective and pre-agreed index, such as rainfall or soil moisture levels measured over a period of time, exceeds a certain threshold. Because index insurance doesn't require the services of claims assessors, it allows for the claims settlement processes to be quicker and more transparent.

The index insurance products have been developed in partnership with CelsiusPro, a group dedicated to assisting private and public organisations worldwide to understand and mitigate the financial impact of climate risks. This initiative has been backed by grant funding from Global Parametrics Limited, a UK based entity that supports solutions that build resilience against natural disasters and climate change.

Pascal Siphugu, Managing Director of LBIC, said that, “the pilot project to implement index insurance will be run in five provinces, namely Eastern Cape, Limpopo, North West, KwaZulu-Natal and Mpumalanga. Geographically these provinces constitute 75% of smallholder farmers”.

“Drought is the main risk affecting the vulnerable farming communities in South Africa, a semi-arid country. The country is also vulnerable to climate change and El Niño which can further exacerbate drought,” he says.

“As such, an insurance product of this nature is critically important for the sustainability of agriculture in South Africa, with approximately 250 000 smallholder farmers and a further 1.5 million subsistence farmers largely uninsured due to a lack of tailored agricultural insurance solutions for this market segment.”

He explains that the rollout of Index Insurance will begin in the last quarter of this year, with awareness and training for the livestock index product.

Under the terms of the partnership, CelsiusPro will use its proprietary White Label Platform technology to develop and implement a tailored digitised solution for LBIC. This solution will

automate the entire product distribution process and manage all aspects of administration—from pricing and policy management to monitoring and settlement.

Mark Rueegg, CEO of CelsiusPro Group, commented: “We are delighted to partner with Land Bank Insurance Company to accelerate the role of index insurance in strengthening climate resilience and food security in South Africa.”

“We look forward to deploying our platform technology to support LBIC in introducing innovative agricultural insurance products to the South African market. This project further underscores the scalable impact of the catalytic grants of the Natural Disaster Fund,” added Rueegg.

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