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Land Bank Insurance Company Expands Innovative Risk Solutions for Farmers with the Launch of Area-Yield Index Insurance

Land Bank Insurance Company (LBIC), a leading provider of short-term agricultural insurance solutions, has announced the expansion of its pilot product, “index insurance” with the introduction of Area-Yield Index Insurance (AYII). This innovative offering is designed to safeguard farmers against significant crop yield losses caused by widespread climatic and environmental risks.

LBIC’s new AYII product complements the company’s pioneering Pasture Drought Index Insurance (PDII), which was successfully introduced to the market last year. While PDII targets livestock farmers by protecting them against the financial impacts of drought on grazing conditions, the new AYII product is tailored for crop farmers cultivating maize and soya beans in selected provinces.

Innovative Coverage Designed for Smallholder Farmers

The Area-Yield Index Insurance was 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, as well the IFC, a member of the World Bank Group.

IFC provided advisory support through its Africa Inclusive Insurance Program, which aims to increase access to climate and other inclusive insurance products for farmers and MSMEs in Africa. The program is funded by the Federal Ministry for Economic Cooperation and Development Germany (BMZ) and the Dutch Ministry of Foreign Affairs.

The Area-Yield Index Insurance is a seasonal insurance solution that compensates farmers when actual crop yields in a defined district fall below the district’s historical average. This approach is designed to address systemic risks such as drought, floods, or pest outbreaks, which can affect large areas and many farmers simultaneously.

Unlike traditional crop insurance, AYII eliminates the need for individual farm assessments. Instead, pay-outs are determined using official area-level yield data released by the Directorate of Agricultural Statistics and Economic Analysis of the Department of Agriculture. Claims are processed automatically within 30 days of data release, removing the need for farmers to submit claims notifications.

Coverage Areas and Crops

The AYII pilot will initially be rolled out to smallholder maize and soya bean farmers in the following provinces:

- Maize: Free State, KwaZulu-Natal, Mpumalanga, North West
- Soya Bean: Free State, KwaZulu-Natal, Mpumalanga, North West, Limpopo

Key Benefits of Area-Yield Index Insurance:

- No Individual Assessments: Pay-outs are based on verified district yield data

Mr SDC Masuku (NED), Ms M Bosman (NED), Ms D Subbiah (NED), Mr TP Siphugu (Managing Director),

Ms R Swanepoel (Acting Company Secretary)

- **Fast Pay-outs:** Settlements within 30 days after yield data release.
- **Affordable and Accessible:** Reduced administrative costs make the product more accessible to smallholder farmers.
- **Comprehensive Risk Protection:** Covers key perils such as drought, floods, and pest outbreaks.

Building on Past Success: Pasture Drought Index Insurance

The launch of AYII builds on the momentum of LBIC's Pasture Drought Index Insurance (PDII), which has already been launched in five provinces, namely Eastern Cape, Limpopo, North West, KwaZuluNatal and Mpumalanga. PDII provides livestock farmers with compensation during periods of severe drought when grazing conditions fall below established thresholds. Together, PDII and AYII form part of LBIC's broader strategy to expand tailored agricultural risk management solutions to underserved farming communities.

These index-based insurance products, mark a significant step in LBIC's ongoing efforts to strengthen resilience in the agriculture sector. By providing accessible and timely risk solutions, LBIC reaffirms its dedication to the growth, development and sustainability of South Africa's smallholder farming community.

This initiative is supported by a catalytic grant provided by the Natural Disaster Fund (NDF) through its Technical Assistance Facility. The NDF is a disaster risk financing vehicle managed by Global Parametrics and funded by the UK government's Foreign, Commonwealth and Development Office (FCDO) and by Germany's development bank KfW on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). The NDF shares risks with Hannover Re to provide risk capacity for parametric solutions that foster climate and NatCat resilience for poor and vulnerable communities in low-and-middle-income countries across the Global South.

For more information on the Area-Yield Index Insurance or Pasture Drought Index Insurance, visit www.landbank.co.za or contact LBIC at the details below.

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