Behavioral Themes
Salience / Simplicity;
Credibility / Endorsements;
Herding / Broader Norms

Sector
Financial inclusion,
agriculture

Project Type
Field and lab experiments

Sample Size
320,000 participants

Kenya

Increasing smallholder uptake of seed insurance

Photo credit: CIAT

BUSARA
CENTER FOR
BEHAVIORAL
ECONOMICS

fsd Kenya

acre AFRICA

How do we make adoption of insurance easier for farmers using behavioral science?

About ACRE

ACRE Africa, the brand name of Agriculture and Climate Risk Enterprise Ltd. (ACRE), links farmers to insurance products so they can confidently invest in their farms. ACRE Africa is a service provider working with local insurers and other stakeholders in the agricultural insurance value chain. Their team undertakes risk assessment, product development and risk monitoring to facilitate access to insurance products for smallholders. Through ACRE Africa, farmers can confidently invest in quality inputs, increase their productivity and access agricultural loans.

ACRE has developed the Replanting Guarantee Product (RGP), an innovative micro-insurance product designed to provide maize farmers with the means to productively participate in the planting season. As such, RPG allows farmers to re-invest in another bag of Duma 43 Maize Seeds within the planting period should his/her crops be affected by a lack of rain. The RPG insurance registration card is available inside the Duma 43 Maize Seeds pack, where a farmer is given instructions on how to register. If there is no rain for 21 days, ACRE will automatically enable the farmer to purchase another packet of Duma 43 Maize Seeds.

ACRE's micro-insurance: "Replanting Guarantee Product" (RGP)

Buy seeds

Get card from bag

Activate card with phone

No rain in 21 days

Get your money back

Design and Results

Intervention

ACRE partnered with Busara to understand and test what was driving the low uptake of the RGP. Specifically, ACRE and Busara wanted to understand ways in which to increase identification, improve understanding and clarify the valuation of the product, as these three avenues were found to be key in unlocking higher registration levels of the RPG. A total of 16 different interventions were tested, using a range of behaviorally informed insights.
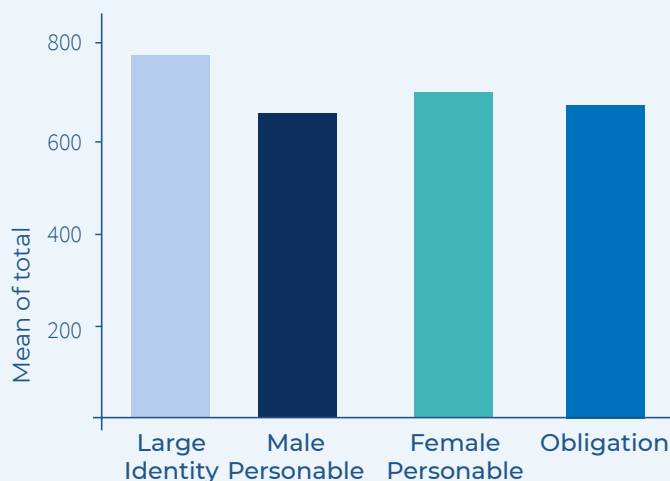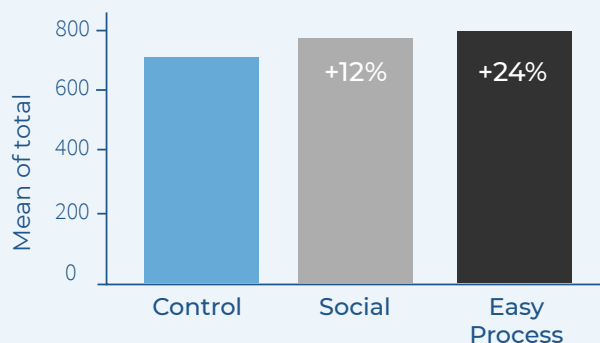
Theme 1 - Herding

Theme 2 - Targeted Risks

Theme 3 - Simplicity and Ease

Most effective behavioral experiment designs

Social framing and simplified processes increased registration rates between 12-24%

Discussion

Mechanics of inducing norms

In this study we found that the cards that signalled herd behavior ("200,000+ people have already registered"), were more effective than the personalized endorsement of the successful farmer. This may suggest that for specific behaviors where there is a prior belief of low adoption (e.g. insurance), these benefit from communication of large adoption, whereas behaviors where there is a prevailing acceptance of adoption (e.g. digital credit) may do better by endorsements or identity primes (Karlan et al, 2010[1]).

Further analysis: The psychological impact of insurance

Related research suggests that having insurance carries a so-called "peace of mind" effect (Haushofer et al, 2017[2]) meaning that people who have insurance show reduced levels of self-reported stress as well as reduced levels of the stress hormone, cortisol. Interestingly, while people who have insurance are also likely to rate insurance companies as more trustworthy, their willingness to pay for insurance is similar to that of uninsured people.

For a product such as the replanting guarantee, where the economic impacts may be small, there could be significant psychological impacts that have knock-on effects for consumer loyalty, risk-taking, and other on-farm behaviors. While we didn't measure these in this project, we would be interested to understand this effect further.

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1   Bertrand, M., Karlan, D., Mullainathan, S., Shafir, E., & Zinman, J. (2010). What's advertising content worth? Evidence from a consumer credit marketing field experiment. The quarterly journal of economics, 125(1), 263-306.
2   Haushofer, J., Chemin, M., Jang, C., & Abraham, J. (2017). peace of mind: health insurance reduces stress and cortisol levels–evidence from a randomized experiment in kenya. JEL.