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CROP INSURANCE



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Licensed by Insurance Regulatory Authority (IRA)

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EXECUTIVE SUMMARY

Your Challenge: You've invested Ksh 800,000 planting 10 acres of maize—seeds, fertilizer, labor, tractor hire. Drought hits—total crop failure, harvest zero. Or excessive rains flood your wheat field—Ksh 1.2M investment lost. Pests destroy your coffee trees. Hailstorm flattens your vegetable farm 2 weeks before harvest. Without crop insurance, you lose everything, cannot repay agricultural loans, face eviction from leased land, or abandon farming after years of hard work.

The Risk of Inaction: Drought destroys your Ksh 2.5M maize crop (50 acres). Floods ruin Ksh 1.8M wheat investment. Fall armyworm devastates Ksh 900K vegetable crop. Disease kills Ksh 3.5M coffee plantation. Bank demands loan repayment—Ksh 1.5M you don't have. Without crop insurance, you lose annual income, deplete savings, sell assets, take emergency loans at 22%+ interest, struggle for 3-5 years to recover, or quit farming permanently.

The Solution: Crop Insurance providing comprehensive protection for your crops against drought, excessive rainfall, floods, pests, diseases, hailstorms, fire, and other natural perils. Coverage includes planting costs, expected yield value, and loan repayment protection. Protects maize, wheat, beans, potatoes, horticulture (vegetables/fruits), coffee, tea, and other commercial crops.

Investment: Ksh 60,000 - 1,500,000 annually depending on crop type (typically 5%-12% of sum insured), acreage, location, farming practices, and claims history. Government subsidies available for smallholder farmers (30-50% premium subsidy).

Why Act Now:

- Climate change causing unpredictable weather (droughts, floods)
- Pest outbreaks increasing (fall armyworm, locusts)
- Banks requiring crop insurance for agricultural loans
- Government subsidies make insurance affordable (50% off premiums)
- One crop failure without insurance = years to recover

THE PROBLEM: WHY CROP INSURANCE IS CRITICAL

The Harsh Reality of Climate-Dependent Farming

Major Causes of Crop Loss in Kenya (2024):

- Drought/inadequate rainfall: 48% of claims
- Excessive rainfall/floods: 22% of claims
- Pests (fall armyworm, locusts, aphids): 18% of claims
- Diseases (maize lethal necrosis, coffee berry disease): 7% of claims
- Hailstorms: 3% of claims
- Fire: 2% of claims

Climate Change Impact:

- Rainfall patterns increasingly unpredictable
- Longer dry spells alternating with flash floods
- Traditional planting calendars no longer reliable
- 1 in 3 farming seasons now experiences significant weather stress

Average Loss Statistics:

- Total crop failure (drought/flood): 80-100% investment loss
- Severe pest/disease: 40-70% yield loss
- Hailstorm damage: 30-80% loss depending on crop stage
- Average uninsured loss per farmer: Ksh 450,000 - 2,500,000

Devastating Scenarios Without Crop Insurance

Scenario 1: Maize Farmer—Drought Wipes Out Entire Crop

Farm: Machakos smallholder farmer

- Crop: Maize (hybrid seeds)
- Acreage: 20 acres
- Investment per acre: Ksh 45,000 (seeds, fertilizer, pesticides, labor, tractor)
- Total investment: Ksh 900,000
- Expected harvest: 50 bags/acre × 20 acres = 1,000 bags
- Expected revenue: 1,000 bags × Ksh 3,500 = Ksh 3,500,000
- Expected profit: Ksh 2,600,000

The Disaster: Long rains season—rainfall 60% below normal. Crops wilt at tasseling stage (critical growth period). Desperate irrigation attempts fail (no reliable water source). Harvest: 80 bags total (92% crop failure).

Actual Results:

- Revenue: 80 bags × Ksh 3,500 = Ksh 280,000
- Investment: Ksh 900,000
- **Net loss: Ksh 620,000**

Additional Impact:

- Agricultural loan repayment due: Ksh 450,000 (cannot pay)
- Bank threatens auction of farm assets
- Family food insecurity (subsistence portion also failed)
- Children's school fees unpaid
- Next season: Cannot afford inputs (no capital)

Without Crop Insurance:

- Farmer's savings: Ksh 120,000 (depleted)
- Must borrow from shylocks: Ksh 350,000 at 15%/month (to avoid asset auction)
- 2+ years to repay emergency loan
- Considers selling farm, moving to city for menial work

- 15 years of farming investment potentially lost

With Crop Insurance (Premium: Ksh 90,000, govt subsidy Ksh 45,000, net cost Ksh 45,000):

- Drought coverage triggered (rainfall 40% below normal = insured event)
- Sum insured: Ksh 900,000 (input costs) + Ksh 1,800,000 (60% expected profit) = Ksh 2.7M
- Payout: 80% loss \times Ksh 2.7M = **Ksh 2,160,000** (paid within 60 days)
- Farmer repays bank loan: Ksh 450,000
- Retains Ksh 1.71M for next season inputs + family needs
- Plants next season confidently
- Farm survives, family secure

Scenario 2: Horticultural Farmer—Floods Destroy Export Vegetables

Farm: Kiambu export vegetable farmer (French beans, snow peas)

- Crop: French beans for UK export market
- Acreage: 8 acres (intensive farming)
- Investment per acre: Ksh 180,000 (seeds, drip irrigation, fertilizer, pesticides, labor, grading, packaging)
- Total investment: Ksh 1,440,000
- Expected harvest: 120 crates/acre \times 8 acres = 960 crates
- Expected revenue: 960 crates \times Ksh 2,200 = Ksh 2,112,000
- Expected profit: Ksh 672,000
- Export contract signed with UK buyer

The Disaster: Excessive rainfall during critical 2 weeks before harvest. Fields waterlogged for 5 days. French beans develop root rot, quality deteriorates. Can only harvest 180 crates (low quality, rejected for export).

Actual Results:

- Revenue: 180 crates \times Ksh 800 (local market, low price) = Ksh 144,000
- Investment: Ksh 1,440,000
- **Net loss: Ksh 1,296,000**

Additional Impact:

- UK buyer cancels contract (non-delivery)
- Future export opportunities jeopardized
- Bank loan repayment: Ksh 800,000 (cannot pay)
- Input suppliers demanding payment: Ksh 350,000
- Reputation damaged in export market

Without Crop Insurance:

- Farmer's resources: Ksh 180,000 savings

- Total exposure: Ksh 1.296M loss + Ksh 800K loan + Ksh 350K supplier debt = Ksh 2.446M
- Must sell tractor (Ksh 650K) to partially repay debts
- Loses export license (cannot afford compliance after financial stress)
- Switches to low-value subsistence farming
- 8 years building export business destroyed in 2 weeks

With Crop Insurance (Premium: Ksh 144,000, govt subsidy Ksh 72,000, net cost Ksh 72,000):

- Excess rainfall coverage triggered
- Sum insured: Ksh 1,440,000 (costs) + Ksh 450,000 (profit margin) = Ksh 1.89M
- Payout: 85% loss × Ksh 1.89M = **Ksh 1,606,500** (paid within 75 days)
- Repays bank loan: Ksh 800,000
- Pays suppliers: Ksh 350,000
- Retains Ksh 456,500 for recovery
- Replants immediately (short-season vegetables)
- Salvages UK relationship (demonstrates professionalism with insurance recovery)
- Export business survives

Scenario 3: Coffee Farmer—Disease Destroys Mature Trees

Farm: Nyeri coffee cooperative member

- Crop: Arabica coffee (mature trees 8-15 years old)
- Acreage: 3 acres (900 trees)
- Maintenance costs/year: Ksh 280,000 (pruning, fertilizer, pesticides, labor, processing)
- Expected harvest: 35 bags (60kg each)
- Expected revenue: 35 bags × Ksh 120,000/bag = Ksh 4,200,000
- Expected net income: Ksh 3,920,000

The Disaster: Coffee Berry Disease (CBD) outbreak during wet season. Despite treatment, disease spreads rapidly. 70% of cherry crop damaged/dropped prematurely.

Actual Results:

- Harvest: 11 bags (68% loss)
- Revenue: 11 bags × Ksh 120,000 = Ksh 1,320,000
- Costs: Ksh 280,000 (still incurred—paid before harvest)
- Additional disease treatment: Ksh 85,000
- Net income: Ksh 955,000 (76% below expected)

Financial Impact:

- Annual family budget based on Ksh 3.9M income
- Actual income: Ksh 955,000
- Shortfall: Ksh 2,965,000
- Children's high school fees: Ksh 380,000 (unpaid)
- Cooperative loan repayment: Ksh 450,000 (cannot pay)

- Next year's input credit denied (bad debt history)

Without Crop Insurance:

- Emergency borrowing from merry-go-round: Ksh 200,000 at 10%/month
- Children drop out of school (fees unpaid)
- Cannot afford next season's inputs (no harvest to sell, no credit)
- Trees decline further (inadequate nutrition/care)
- Vicious cycle: Poor harvest → No money → Poor care → Worse harvest
- Considers uprooting coffee trees, selling land

With Crop Insurance (Premium: Ksh 252,000, govt subsidy Ksh 126,000, net cost Ksh 126,000):

- Disease outbreak coverage triggered
- Sum insured: Ksh 4,200,000 (expected harvest value)
- Payout: 68% loss × Ksh 4.2M = **Ksh 2,856,000** (paid within 90 days after harvest assessment)
- Total income: Ksh 1,320,000 (actual harvest) + Ksh 2,856,000 (insurance) = Ksh 4.176M
- Family budget maintained
- Children continue school
- Loan repaid
- Invests in improved disease management
- Coffee farming remains viable

THE SOLUTION: COMPREHENSIVE CROP INSURANCE

Coverage Types

Type 1: Multi-Peril Crop Insurance (MPCI) - Comprehensive

Covers:

- Drought/deficit rainfall
- Excessive rainfall/waterlogging
- Floods
- Hailstorms
- Windstorms
- Fire (bush fires, arson, lightning)
- Pests (fall armyworm, locusts, aphids, etc.)
- Diseases (specific to crop type)

Best for: High-value crops (horticulture, coffee, tea), irrigated crops, farmers with loans

Premium: 8-12% of sum insured

Type 2: Named Perils Insurance - Specific Coverage

Covers specific named risks only (choose from menu):

- Drought only
- Excess rain/flood only
- Pest damage only
- Fire only

Best for: Budget-conscious farmers, areas with specific dominant risk

Premium: 5-8% of sum insured (cheaper than MPCI)

Type 3: Index-Based Insurance - Weather Triggers

How it works:

- Payout based on weather data (rainfall, temperature), not actual crop assessment
- Example: If rainfall <300mm during critical period, automatic payout triggers
- No farm inspection needed—faster claims

Pros: Fast payout (no assessment), affordable **Cons:** May not match actual farm loss exactly

Best for: Smallholder farmers, areas with reliable weather stations

Premium: 4-7% of sum insured (cheapest option)

Coverage by Crop Type

Maize & Cereals (Wheat, Barley)

- Sum insured: Input costs + 50-80% expected profit
- Typical coverage: Ksh 50,000 - 120,000 per acre
- Premium: 6-10% of sum insured
- Government subsidy: 50% available for smallholders (<20 acres)

Horticulture (Vegetables, Fruits)

- Sum insured: Input costs + 40-60% expected profit
 - Typical coverage: Ksh 150,000 - 400,000 per acre (high investment)
 - Premium: 8-12% of sum insured
 - Critical for export farmers
-

Coffee

- Sum insured: Maintenance costs + expected harvest value
- Typical coverage: Ksh 800,000 - 1,500,000 per acre (mature trees)
- Premium: 5-8% of sum insured
- Government subsidy: 30% available

Tea

- Sum insured: Annual maintenance + expected harvest value
- Typical coverage: Ksh 400,000 - 700,000 per acre
- Premium: 4-7% of sum insured
- Factory deduction schemes available

Beans, Potatoes, Other Legumes

- Sum insured: Input costs + 50% expected profit
- Typical coverage: Ksh 60,000 - 150,000 per acre
- Premium: 7-10% of sum insured

OUR ROLE AS YOUR CROP INSURANCE ADVISOR

What We Do for You:

- Seek cover with your preferred insurer or recommend best fit insurer for your needs (if you have no one)
- Handle documentations and submission to insurer
- Secure best possible rates
- Obtain insurance policy on payment of premiums
- Reminder before policy expiration (no lapse)
- Re-compare providers yearly (rates change)
- Coordinate seamless renewal
- Guide you through claims process
- Ensure proper documentation
- Follow up with insurer
- Fight denied claims (appeal if wrongfully denied)

No Advisory Fees:

You pay nothing for my services - providers pay my commission. You pay the same premium direct or through me—but gain expert guidance, needs analysis, and claims advocacy.

REAL SUCCESS STORIES

Case Study 1: Maize Farmer—Drought Insurance Saved Farm

Farmer: Trans Nzoia smallholder
Crop: 18 acres hybrid maize
Sum Insured: Ksh 1.62M
Premium: Ksh 97,200 (govt subsidy: Ksh 64,800, net: Ksh 32,400)

The Drought: Long rains failed (rainfall 55% below normal). Harvest: 110 bags vs expected 900 bags (88% loss).

Claim: Ksh 1.425M (88% × Ksh 1.62M) paid day 68 post-harvest.

Outcome: Repaid Ksh 650K bank loan, planted next season, farm survived. Without insurance: Would have lost farm to bank auction. Subsidized premium: Ksh 32.4K. Claim: Ksh 1.425M. ROI: 4,296%.

Case Study 2: Horticulture—Flood Recovery

Farmer: Kiambu export vegetables
Crop: 5 acres tomatoes (export)
Sum Insured: Ksh 1.25M
Premium: Ksh 112,500 (govt subsidy: Ksh 37,500, net: Ksh 75,000)

The Flood: 3 days continuous rain, field waterlogged. 80% crop destroyed (blight, root rot).

Claim: Ksh 1M (80% × Ksh 1.25M) paid day 82.

Outcome: Replanted immediately, maintained export contracts, business survived. Net premium: Ksh 75K. Claim: Ksh 1M. One flood justified 13 years premiums.

Case Study 3: Coffee—Disease Protection

Farmer: Nyeri coffee grower
Crop: 3.5 acres coffee
Sum Insured: Ksh 4.9M
Premium: Ksh 245,000 (govt subsidy: Ksh 73,500, net: Ksh 171,500)

The Disease: Coffee Berry Disease 65% loss.

Claim: Ksh 3.185M (65% × Ksh 4.9M) paid day 95 post-harvest.

Outcome: Family income protected, children continued school, invested in disease-resistant varieties. Net premium: Ksh 171.5K. Claim: Ksh 3.185M. ROI: 1,757%.

COMMON MISTAKES & HOW WE AVOID THEM

Mistake 1: Under-Insuring to Save Premium

Problem: Insure Ksh 800K when actual investment Ksh 1.2M. Claim pays proportionally—you lose 33%.

Solution: I ensure accurate valuation including ALL costs (often-forgotten: labor, transport, storage).

Mistake 2: Not Understanding Coverage Triggers

Problem: Assume "drought" means any dry spell. Policy defines drought as <250mm rainfall—your 260mm doesn't qualify.

Solution: I explain exact trigger definitions before purchase.

Mistake 3: Poor Record-Keeping

Problem: Cannot prove input costs, planting dates—claim disputed or reduced.

Solution: I provide documentation checklist: receipts, planting records, photos.

Mistake 4: Late Claims Notification

Problem: Discover pest damage, try to treat yourself, notify insurer 4 weeks later—claim denied.

Solution: Notify insurer within 72 hours of ANY significant damage.

Mistake 5: Ignoring Government Subsidies

Problem: Pay full premium when 50% subsidy available—waste money.

Solution: I handle all subsidy applications—maximize your savings.

FREQUENTLY ASKED QUESTIONS

Q1: Can I insure crops already planted?

Limited window—usually must insure before planting or within 2-4 weeks after. Cannot insure crops at flowering/harvest stage.

Q2: What if I harvest less than expected but crops aren't destroyed (just low yield)?

Depends on policy type. MPCCI covers yield shortfall if caused by insured peril. Index-based pays if weather trigger met regardless of actual yield.

Q3: How are payouts calculated?

Based on % loss × sum insured. 60% crop loss on Ksh 1M policy = Ksh 600K payout (minus deductible, typically 10-15%).

Q4: What if I get some harvest—do I still claim?

Yes, if loss exceeds threshold (usually 20-30%). Partial claims common and encouraged.

Q5: Does insurance cover poor farming practices (late planting, no weeding)?

No. Insurers require "good agricultural practices." Negligence voids coverage.

Q6: Can I insure different crops on same farm?

Yes, separate policies/sections for each crop type. Premium varies by crop.

Q7: How long until claim payment?

60-120 days after harvest/loss assessment. Index-based insurance faster (30-60 days—no farm inspection).

Q8: What happens if I cannot afford premium?

Explore: Government subsidies (50% off), Cooperative group schemes (bulk discount), Flexible payment (30% upfront, balance mid-season).

TAKE ACTION NOW

Why Delay Costs You

Every season without crop insurance:

- Climate increasingly unpredictable—1 in 3 seasons now has weather stress
- Pest outbreaks spreading (fall armyworm, locusts)
- One total crop failure = 2-5 years to recover financially
- Banks demanding insurance for agricultural loans

Statistics: 1 in 4 farmers experiences significant crop loss every 2-3 seasons. Average uninsured loss: Ksh 650K-2.5M. Crop insurance premium (with govt subsidy): Ksh 40K-200K. One major loss justifies 8-30 years of subsidized premiums.

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Crop Insurance: Climate change making farming unpredictable. Drought, floods, pests threaten every season. Premium: 4-12% of sum insured. Government subsidies: 30-50% off. One total crop loss = years to recover. Protect your harvest—insure before planting.

Disclaimer: Illustrative purposes only. Actual terms determined by selected provider based on crop type, acreage, inputs, location, farming practices, and agronomist assessment. Government subsidies subject to program availability and farmer eligibility. Simon Muchiri/Comely Global Insurance Agency Ltd acts as independent advisor. Commission paid by insurers at no extra cost to clients.
