ROAD MAP

1. **Index insurance:**
   Something for everyone?

2. **What can the sociology of expectations teach us?**
   Patterns in technological innovations

3. **“Retrospecting” IBLI**

4. **Qualitative insights into IBLI expectations**
   Actors and imagined futures

5. **Lessons and outstanding questions**
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Index insurance: something for everyone?

Scaling up index insurance for smallholder farmers

What are the benefits of index insurance?

Increasing farmers' productivity

Protecting their assets

Offering disaster relief

Vegetation levels (a "satellite-based" index)

Evidence

The number of farmers covered by weather index-based insurance has more than doubled over the past few years.

India

Out of 4 of India's farmers are covered by index insurance linked to agricultural credit.

Ethiopia, Senegal

Over 16,500 farmers have bought insurance through their mobile phones, or through loan offers or purchases of specific bags of seed.

Kenya

Over 20,000 farmers exchanged labour for insurance based on rainfall.

Mongolia

Over 15,000 pastoralists were insured against harsh winters, either by the government against disaster or the insurance companies against a bad winter.

Creative insurance schemes are opening new markets, like Africa's first Islamic-compliant insurance product.
Livestock insurance, a cash cow?
02 March 2015

“New developments in technology bring areas of insurance that were previously not cost-effective into financial viability…

…Recent technology has allowed satellite imagery to assess weather damage… Over the last few years "index-based livestock insurance (IBLI)" has been able to provide insured pastoralists across Africa with a pay-out in times of drought, based on predicted rather than actual livestock deaths.
“Despite the celebrated promise of index insurance, uptake in pilot programs around the globe has been generally low, and there are as of yet no examples of clear success stories with demonstrable capacity for scalability or sustainability over the long run”

- Jensen, Mude, & Barrett 2014
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INSIGHTS FROM SOCIOLOGY OF SCIENCE

Expectations:

• Themselves as topic of research

• Generated through “promissory futures”: future-oriented narratives/visions that mobilize hopes (Brown and Michael 2003, Morrison 2012)

• Actively cultivated to raise funds, enroll actors into networks, encourage early adoption

• Ramifications on future project outcomes: “come to shape research questions, funding commitments, institutional orderings… and evoke future users” (Milne 2012, 291)
INSIGHTS FROM SOCIOLOGY OF SCIENCE

Expectations:

• Subject to boom-and-bust cycles of hope/hype and disappointment: “the past is littered with failed futures” (Brown and Michael 2003, 7)

  ➔ Initial enthusiasm and hope
  ➔ Elevating expectations
  ➔ Relapse, disillusionment

  “Limitations when practical and material considerations fail to play along.”

  ➔ Hope recycled into new expectations or old ones rebuilt in new ways

• Unfulfilled expectations create a collapse of trust in an envisioned future
INSIGHTS FROM SOCIOLOGY OF SCIENCE

Expectations:

• “Retrospecting prospects”: 5-10 years later, prospects appear naïve (Brown and Michael 2003)

• Retrospective explanations of success or failure overweight technological determinism, underweight contingencies

If “insurance is a promise” and contains its own promissory futures, then how might we retrospect IBLI’s prospects?

What were actors’ expectations of IBLI?
• Structured interviews with project partners (n=20)
• Field experience and observation of sales, trainings, community meetings, focus group discussions
• Project documents
• Sales data
• (tentative) Marsabit R2 household survey
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Some initial expectations
(Matsaert, Kariuki, and Mude 2011, 353-355):

- “Considerable potential for IBLI to be provided entirely through the private sector with no, or limited subsidies from government or donors”
- Private sector insurers will assume “responsibility for product development and distribution”
- “Awareness raising and education should be the role of the insurance companies and should be covered by their marketing budget”
CONTRACTS SOLD AND SUBSEQUENT PAYOUTS

- **Contracts sold**
- **Number of payouts in 6 mos following sales window**

- Missed sales window
- Commercial partner transition
- Expansion to 2 new counties

Yearly data from 2010 to 2014:
- 2010 JF: Missed sales window
- 2010 AS: Missed sales window
- 2011 JF
- 2011 AS
- 2012 JF
- 2012 AS: Commercial partner transition
- 2013 JF
- 2013 AS
- 2014 JF
- 2014 AS
CONTRACTS SOLD AND SUBSEQUENT PAYOUTS

- **Contracts sold**
- **Number of payouts in 6 mos following sales window**

![Chart showing contracts sold and subsequent payouts by year and season]

<table>
<thead>
<tr>
<th>Year</th>
<th>JF</th>
<th>AS</th>
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<tr>
<td>2010</td>
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FUTURE 1: The future of endless scale through technology

Initial commercial partners

- Expected short term expansion (2 years) from Marsabit to more profitable and proximate counties

“We expected to roll it out country-wide in two to three years...especially to districts where the cost of distribution and communication was lower, like Narok, Kilifi, and Kajiado...we expected trainings on how we could replicate the index to expand to [those] places ... When we saw that that was not happening, we were told “no more” by management.” (r01, 2013)

“We heard from ILRI that they would only move to Turkana and the other districts in Northern Kenya – so that changed our feeling. Pastoralists in the South would be more affluent and more educated.” (r02, 2013)
All commercial partners

• Expectation of commercial sustainability in “2 to 3” or “2 to 5” years, and/or transition to other product lines once geographic foothold established

“We expected to start breaking even in 3 years, give or take 2 years” (r02, 2013)

“The profit expectations are not in the present, they’re in the future…In the next five years it should be a commercial product.” (r06, 2013)

“If this business model is to break even … from a shareholder’s point of view, at the end of five years…we must have insured 10% of the animal value of [the county].” (r16, 2014)
FUTURE 2: The resilient pastoralist future

ILRI team, research partners, certain donors

• Expectation to reduce poverty traps

• Priorities on:
  - validating product design and index
  - impact assessment, improving welfare indicators

• Corresponds with donor focus on:
  - Northern Kenya as poorest and most vulnerable
  - Fulfilling climate change resilience programming imperatives
Some pastoralists (disillusioned)

- "Optimistic" expectations
  - Premiums are returned in case of no payout, or
  - clients receive compensation if they lost any animals, regardless of severity of drought or cause of loss
- Early misselling and misinformation disseminated by sales agents left legacy of mistrust
- Newly trained pastoralists replicate this expectation

IBLI/CARE GSL member questionnaire
If you did not receive indemnity payout (compensation) from the livestock insurance, would you expect to receive your premium back? (May 2013)
N=138

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</tr>
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</table>
FUTURE 3: The future of miraculous support

Some pastoralists (disillusioned)

“They have taken our money and never returned.”
“If you want us to buy, you must pay us every time!”
FUTURE 3: The future of miraculous support

Some pastoralists (disillusioned)

Tentative next step:
Were pastoralists’ mistaken expectations of the insurance product correlated with higher household uptake of IBLI in the JF 2010 sales window?

Propose developing a directional expectations score by weighting R2 answers to the following questions:

<table>
<thead>
<tr>
<th>Question</th>
<th>Expected Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>How often do you have to pay a premium in order to remain insured?</td>
<td></td>
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<tr>
<td>Based on your understanding of the livestock insurance, when do you</td>
<td></td>
</tr>
<tr>
<td>expect indemnity payout (compensation)?</td>
<td></td>
</tr>
<tr>
<td>Based on your understanding of the livestock insurance, what does</td>
<td></td>
</tr>
<tr>
<td>indemnity payout (compensation) depend on?</td>
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<tr>
<td>If you did not receive indemnity payout (compensation) from the livestock</td>
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<tr>
<td>insurance, would you expect to receive your premium back?</td>
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</tbody>
</table>
CONFLICTS BETWEEN FUTURES

• Conditions through which Futures 1 and 2 could be realized sometimes directly contradicted one another
• Complexity of IBLI contract made transfer of index construction to commercial partners untenable
• Commercial partners perceived conflict between ILRI’s research/donor priorities and their commercial objectives

“ILRI is a research organization, not a commercial or marketing organization…. if you want to run a commercial operation….the organization has to have an incentive to scale. And academic institutions don’t have an incentive to scale.” (r10, 2013)

“ILRI wanted it to remain donor funded, they didn’t want to let it expand.” (r01, 2013)
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LESSONS

1. Competing expectations about the technology of index insurance amplified the cycles of hype and disappointment that typify innovations in new technology.

2. Overestimating the congruence of interests risks ignoring the divergent organizational, institutional, and economic imperatives of actors that shape project outcomes.

3. Banking on convergent expectations can create lock-in, dependency, and vulnerability.
OUTSTANDING QUESTIONS

1. Regarding the present: Where do we stand in the “boom and bust” cycle of expectations in light of KLIP, ongoing IBLI operation/expansion and massive sales uptick in JF2015 sales?

2. How can these findings be used to “influence these processes …to avoid or minimize the social and legitimatory costs of exaggerated expectations or hype” (Borup et al 2006, 95)?

WAY FORWARD

• Crucial to anticipate and mitigate boom-and-bust cycles
• Frank inventories of expectations at outset of partnerships and at regular intervals thereafter
• Strategies for acknowledging conflicts and reducing dependency on single partners
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