

# Insurance Innovation for Community Rural Water Projects

*Enhancing Sustainability of Rural Community Water projects*

## 1. What is this innovation about?

- This is a unique, one-of-a-kind product conceptualised by World Vision Kenya and serviced by Britam. It seeks to shield rural communities from inconveniences caused by the sudden failure of mechanised water projects through an insurance cover.
- When components of the water source (such as borehole pumps or generators) break down, the insurer will move in quickly to finance repairs or replacement of malfunctioning components. This shields the community from water shortages that pushes families to resort to non-improved water sources, such as unprotected wells or springs and surface water, which predispose them to a myriad of waterborne diseases. In addition, communities – especially women and children - are forced to walk over long distances to get alternative water sources.

## 2. What is the rationale for the innovation?

Sustainability of rural water systems has been a challenge for many years, particularly in sub-Saharan Africa. In Kenya specifically, research has shown that many of the water projects established for communities in rural areas, especially boreholes, fail after two to three years of operation. The nature of the failures is usually as a result of breakdown of hand pumps or powering systems, majorly generators.

## 3. How will this innovation benefit the communities?

As a result of prompt intervention by the insurer, it is envisaged that the communities will not be exposed to long periods of time without access to clean and safe water. The lack of access to clean tap water forces communities to travel long distances to access clean



water or resort to unsafe dirty water. This leads to poor hygiene hence resulting in diseases, loss of productive time for income generation activities and learning for school children.

## 4. What are the features of the water insurance product?

The product is designed to cover breakdowns or damages that may occur due to causes covered under the five sections of the policy: Fire, Burglary, Machinery breakdown, Electronic Equipment malfunction and damages due to political violence, as well as terrorism. Some of the major and costly components of the water projects include: solar panels, controller panels, generators, sinewaves, wiring, disconnect switch, surge protector, among others.

## 5. How will the water projects insurance work?

- After assessment of the project by the insurer, the community's water project management team - referred to as the Water Users Committee - will share the specific components of the project to be covered. The insurer will then give a quotation on the premiums to be paid, based on the cost of the components to be covered.
- Once the Water Users Committee pays the premium required, the insurer will share a generic policy document and cover with them. Should any one of the water projects' components fail, they will notify Britam who will send their assessor to look at the failure and recommend the remedy.





## 7. Are the insurance premiums affordable to rural communities?

The premium money will be generated from revenues that Water User Committees generate from selling water to members of communities they represent. Already, rural communities in Nakuru County that will be covered in the initial phase of the insurance innovation have expressed eagerness to have their water projects insured. They have confessed that premium rates are lower than what it normally costs them to finance repairs or replacement of malfunctioning components of water projects.

## 8. Why has World Vision Partnered with Britam in this initiative?

After conceptualising the unique insurance approach for enhancing sustainability of rural water projects, World Vision searched for an insurer who was willing to take the challenge of developing the product. Britam came through.

## 9. What are the roles of World Vision, Britam and the Community to ensure that the water insurance innovation works?

- After the launch, World Vision Kenya will work with Britam to create awareness among communities about the significance of water insurance on the sustainability of their water projects.
- Together with Britam, World Vision will carry out annual assessments on the implementation of the insurance innovation and its effect on the sustainability of the water projects established for the communities. The outcome will inform future project designs.
- The community will play their part in enhancing the effective management and security of their water projects. They will also make timely payments of premiums to continue benefitting from the cover.

- The Insurer (Britam) will then get a service provider specialised in the component that has failed and contract them to correct the system and restore it to normal operations.

- After the year ends (From the date of the policy), the community's Water Users Committee (The insured) then pays another premium for the year so that the policy is extended to the next year.

## 6. How much will the community pay as premiums?

The premium and the excess rates agreed on are as below:

- Premium – 0.75% of the sum insured (minimum Ksh.15, 000)
- Excess Rating – 10% of the claim amount (minimum Ksh.7, 500)

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### CONTACT

National Director

P.O.Box 50816 - 00200, Nairobi

Telephone: +254 (0) 732 126 100 or +254 (0) 711 086 000 | Email: [wv\\_kenya@wvi.org](mailto:wv_kenya@wvi.org)

 World Vision Kenya

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