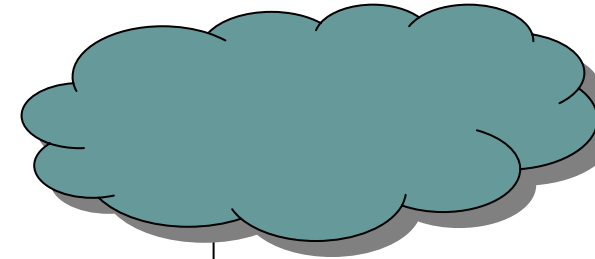
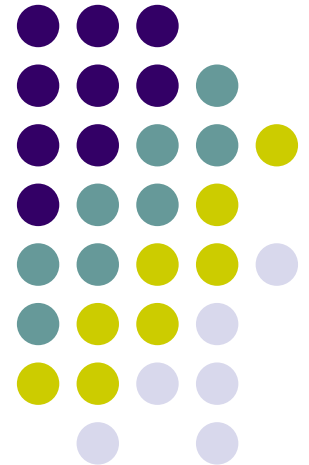


DROUGHT INSURANCE FOR FARMERS IN MALAWI

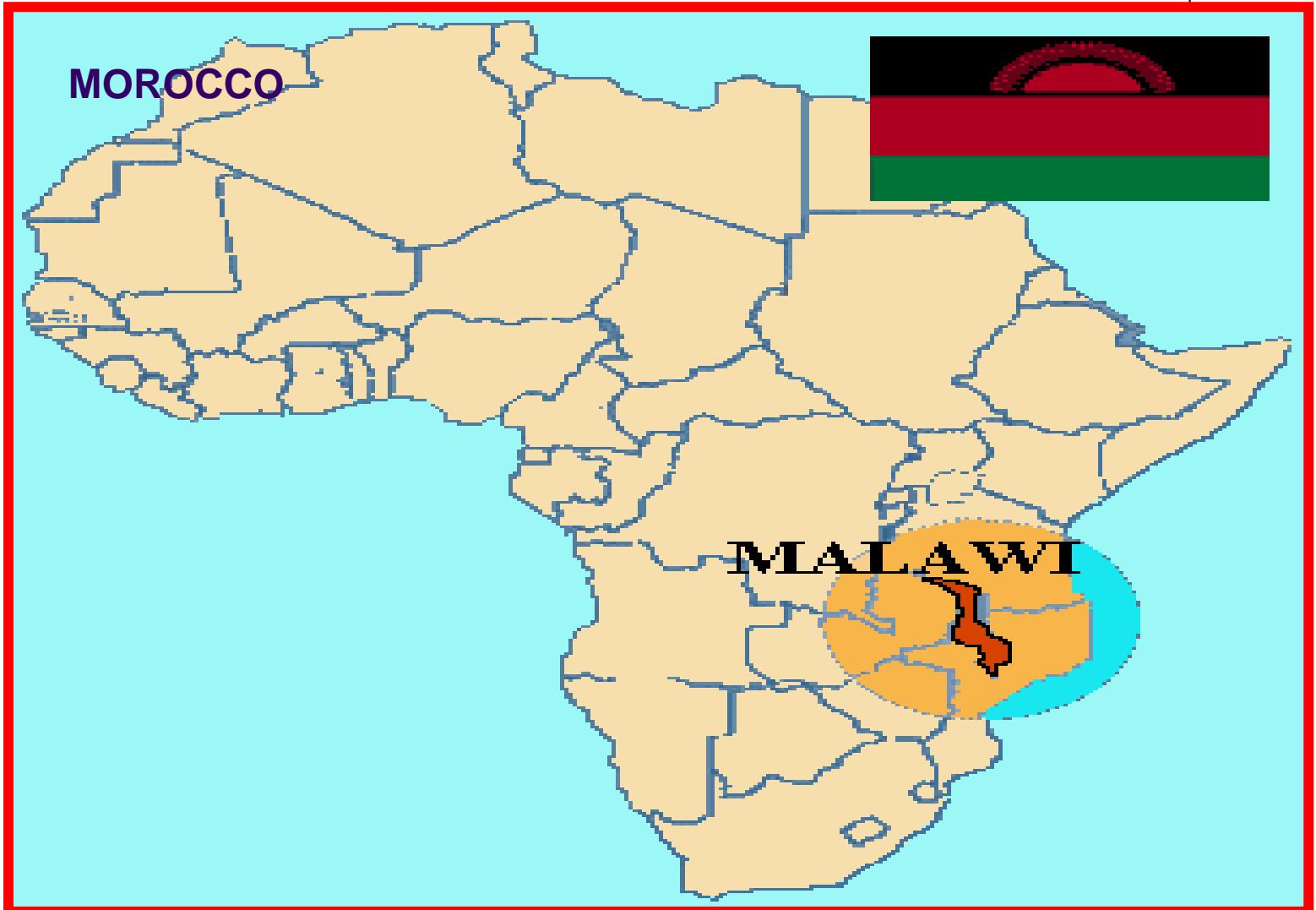


*PRESENTED TO THE CONFERENCE FOR
INSURANCE AND REINSURANCE FOR
NATURAL CATASTROPHES,
MOROCCO, NOVEMBER 2006*

CHRIS KAPANGA



WHERE IS MALAWI?



PRESENTATION SUMMARY



- BACKGROUND
- OBJECTIVE
- STAKEHOLDERS
- INSURANCE PERSPECTIVE
- COVER ON OFFER
- CHALLENGES
- WAY FORWARD



BACKGROUND

- PROLONGED FOOD SHORTAGES DUE TO DROUGHT
- UNWILLINGNESS BY FINANCIERS TO SUPPORT FARMERS DEPENDENT ON UNPREDICTABLE RAINFALLS
- GOVERNMENT'S POVERTY REDUCTION STRATEGY
- UNAVAILABILITY OF INSURANCE



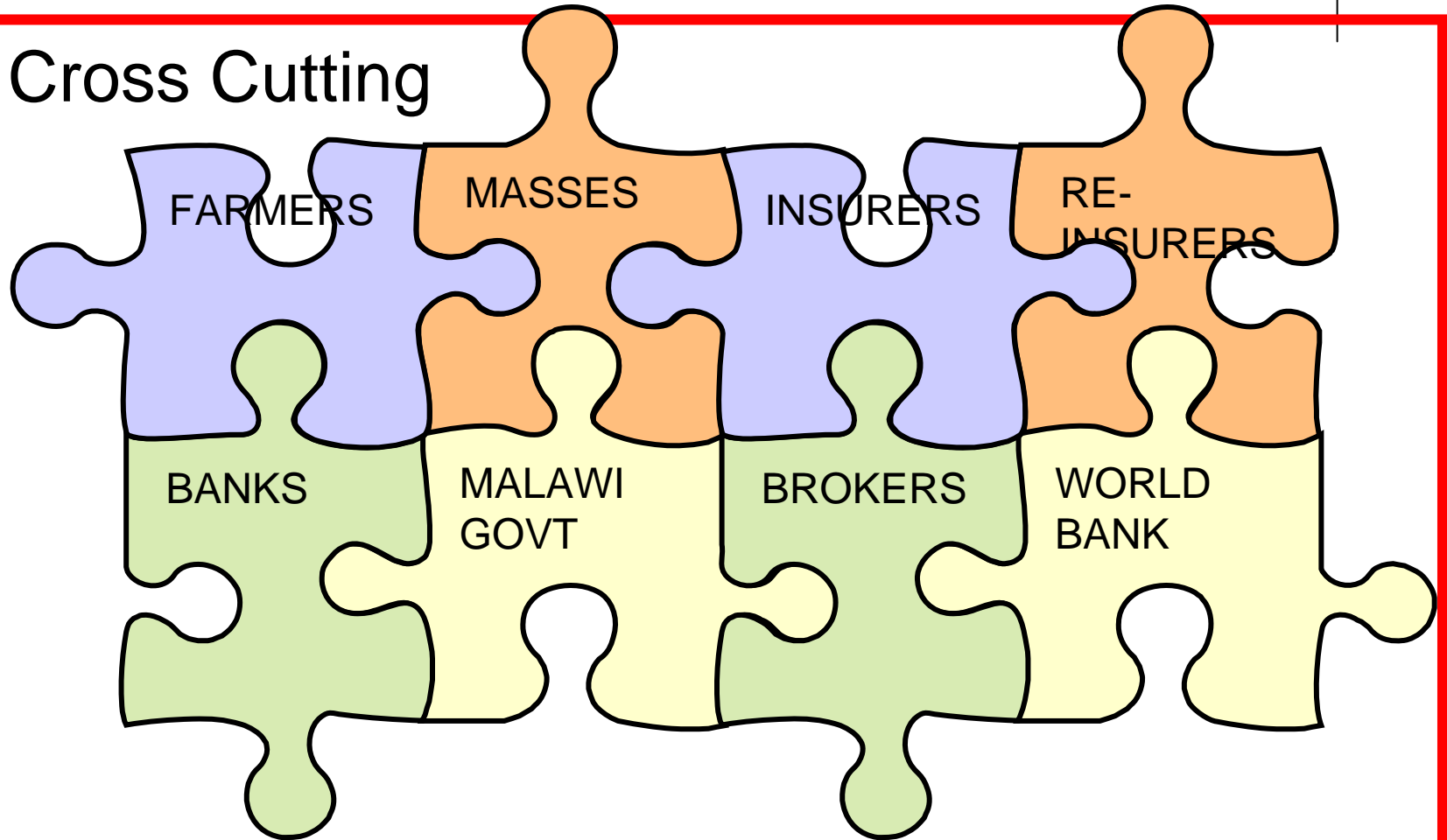
OBJECTIVES

- ASSIST SMALLHOLDER FARMERS TO RECOVER FROM DROUGHT
- PROVIDE FOOD SECURITY
- UNLOCK ACCESS TO LOANS FROM FINANCIAL INSTITUTIONS
- CREATE LOCAL INSURANCE CAPACITY FOR NON-TRADITIONAL RISKS

STAKEHOLDERS



Cross Cutting



INSURANCE PERSPECTIVE



- DROUGHT INSURANCE IS NON- TRADITIONAL
- REINSURANCE COVER NOT READILY AVAILABLE = POOLING
- ASSESSMENT OF RISK AND CALCULATION OF PREMIUM IS UNUSUAL
- COVER NEVER PROVIDED IN MALAWI BEFORE 2005

COVER OFFERED



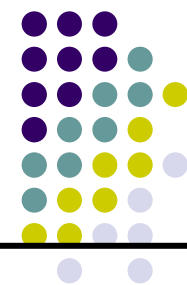
- WORLD BANK TECHNICAL ASSISTANCE UTILISED
- POLICY COVER RELATED TO RAINFALL INDEX
- CLAIMS SETTLED BASED ON RAINFALL INDEX
- STANDARD POLICY ISSUED TO ALL FARMERS
- PREMIUM BASED ON FARM SIZE

SAMPLE POLICY



Buyer	NASFAM/Opportunity International Bank of Malawi/ NBS Bank/
Farmer	Clubs as specified in Register
Seller	Malawi insurance association
Hectares insured	100 Hectares
Calculation period	1 st January 2006– 31 January 2006 (in phases)
Location	Lilongwe Weather Station
Index	Cumulative capped rainfall per station
Capped daily rainfall	Capped daily rainfall = $\min(60, \text{Daily rainfall total})$ measuring unit: mm

SAMPLE POLICY (CONTN'D)



Trigger	Cumulative capped rainfall < 25mm
Maximum payout	MK 3000 per Hectare insured
Settlement calculation	<ul style="list-style-type: none"> i) If Index is greater than the Trigger, no payment is made. ii) If Index is less than the Trigger but more than 15mm, the buyer receives a payout of KW 150 per hectare insured per mm below the Trigger iii) If the Index is less or equal to 15mm, the buyer receives a payout of MK 300 per hectare insured.
Maximum Risk	The maximum payout that can be made by seller to buyer is MK 300,000.
Premium	As calculated per hectare
Settlement data	Malawi Meteorological Office, Blantyre
Settlement date	Within 45 days of the end of the calculation period.

CHALLENGES

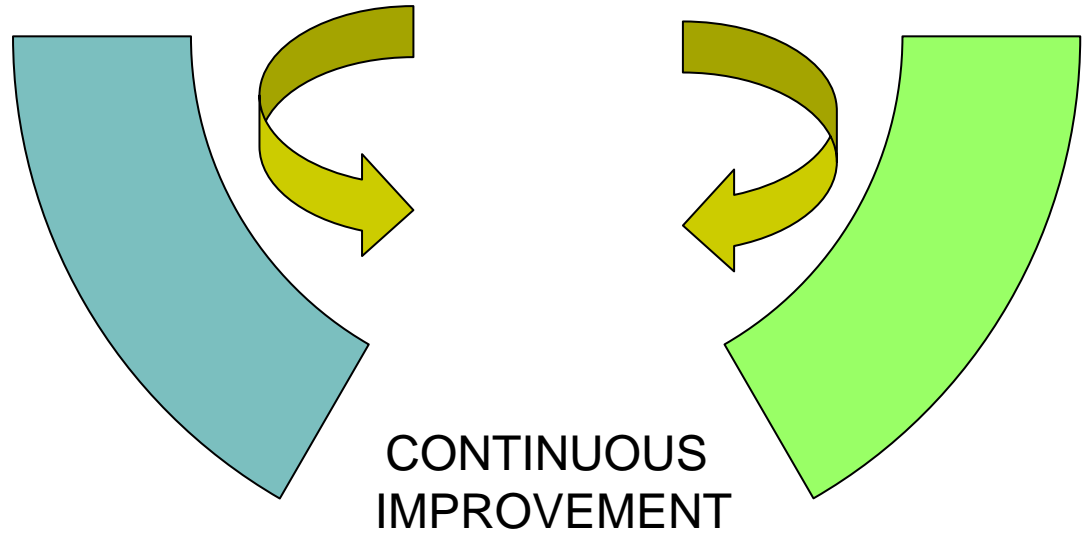
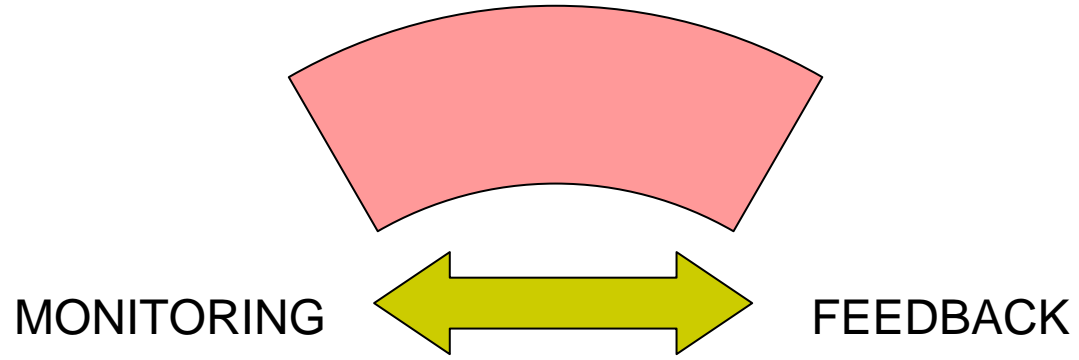


- RAINFALL PATTERN UNPREDICTABLE
- GENERAL LACK OF RELIABLE STATISTICS
- HARVEST MAY NOT YIELD ENOUGH TO PAY BACK LOANS
- CUSTOMER AWARENESS OF MATTERS INSURANCE LACKING / HIGH ILLITERACY LEVELS
- MORE PERILS BEING SOUGHT

WAY FORWARD



- MONITORING AND CONTINUOUS IMPROVEMENT
- ADDITION OF OTHER PERILS LIKE HAIL STORM DAMAGE
- INCREASE PENETRATION BEYOND BANKS



CONCLUSION



- THANK YOU!
- Q & A