



Index and Area Yield Agricultural Insurance

PROSPER Intervention Learning Brief

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February 2022

EXECUTIVE SUMMARY

As part of the Building Resilience and Adapting to Climate Change (BRACC) programme funded by the Government of the United Kingdom's Foreign, Commonwealth and Development Office (FCDO), Promoting Sustainable Partnerships for Empowered Resilience (PROSPER) offered various weather index and area yield insurances to farming beneficiaries in its four target Districts – Balaka, Chikwawa, Mangochi, and Phalombe. Agricultural microinsurance in various forms has been piloted in a number of contexts in sub-Saharan Africa and has been found in some cases to reduce the harms of weather shocks and promote increased investment in crops. However, in many cases, uptake has been low, and questions about the viability of such agricultural insurance products for smallholder farmers remain. PROSPER partner WFP (World Food Programme) has been a pioneer in bringing index insurance to Malawi, and area yield agricultural insurance was included in the package of interventions implemented by PROSPER in the 2020/21 growing season.

As part of the midterm evaluation of BRACC conducted by the BRACC Knowledge and Policy Hub, the effectiveness and impact of PROSPER's agricultural insurance programme was evaluated. The evaluation methodology utilised some data from the BRACC quantitative midterm survey, but drew largely from the midterm qualitative data, particularly focus group discussions with insurance programme participants in the four PROSPER districts.

Overall, the evaluation found that no respondents had received agricultural insurance payouts for the 2020/21 growing season at the time the survey took place, and although agricultural insurance is designed to address a key resilience challenge for smallholder farmers in Malawi, and programme participants have generally positive views of insurance, the agricultural insurance offered under PROSPER appears to have had little positive impact on household resilience among programme participants.

Insurance uptake was generally low. Those who chose to buy agricultural insurance mostly cited frequent crop production shocks as their motivation, although some mentioned feeling coerced or pressured into buying insurance. The most commonly cited barrier to buying insurance was lack of cash.

Respondents demonstrated a good general understanding of insurance but were often unclear on the details of the agricultural insurance products, including how eligibility for payouts was determined.

Programme participants cited a number of challenges with the design and implementation of the agricultural insurance programme, including:

-) Poor communication with communities and coordination among implementing partners;
-) Lack of structures or formal processes for accountability;
-) Delayed processes for assessing claims and making payouts;
-) Uncertainty related to BRACC programme closure.

Responses from participants suggested that the insurance programme had limited impact on households. Some participants reported increasing the amount of land cultivated, or intensifying investment in their crops, as a result of having insurance. One focus group reported receiving payouts in 2020, reflecting low harvests in the 2019/20 growing season, but no respondents reported receiving payouts in 2021, although some said they had been told they would be eligible for them. Many

respondents felt that poor harvests in the 2020/21 season meant they should have received payouts, and many respondents reported that they felt cheated due to the lack of payouts and lack of communication from the insurance provider regarding the status of payouts. In some cases, these feelings bled over into negative social impacts, such as participants reporting being ridiculed by others in their community for deciding to invest in insurance.

As a result of their negative experiences, few respondents indicated willingness to buy the agricultural insurance product again. However, many had nuanced perspectives on insurance and agricultural insurance more generally, and indicated willingness to buy other types of insurance, or would buy an agricultural insurance product if they were convinced the challenges they experienced were addressed. Respondents indicated that they would want to see better communication and accountability, prompter payouts, and a wider range of insurance products or products slightly better suited to cash constrained, food insecure households.

As a result of the challenges and negative experiences cited by insurance participants, future efforts to promote agricultural insurance or other insurance products in these communities may face headwinds. To be successful, they would need to address issues related to trust and ensure that the insurance products offered are well-designed and implemented to meet community needs. Recommendations for future projects promoting agricultural insurance include:

- J Recommendation 1: Ensure that products are well-designed to reflect the risks and vulnerabilities of communities;
- J Recommendation 2: Expedite assessment and payout processes, and provide clear communication on process and timelines;
- J Recommendation 3: Improve accountability for agricultural insurance products and agricultural insurance promotion and administration;
- J Recommendation 4: Consider offering a wider range of insurance products to address risks faced by households.

BACKGROUND

BRACC and PROSPER

PROSPER is a multi-stakeholder resilience programme supporting the Government of Malawi to reduce extreme poverty and end the recurrent cycle of crises and humanitarian assistance. With funding from the UKAID under the BRACC programme, and over the period from December 2018 to March 2023, the programme will target 950,000 vulnerable people in the districts of Balaka, Chikwawa, Phalombe, and Mangochi. PROSPER aims to build household resilience and livelihoods, strengthen market and government systems, reduce the impact of climate shocks, respond to seasonal consumption needs, support the design of social safety nets, and generate evidence and knowledge to inform government policy. The programme is implemented by a joint non-governmental organisation (NGO), private sector and United Nations (UN) consortium consisting of Concern Worldwide, CUMO Microfinance, the Food and Agriculture Organization of the United Nations (FAO), GOAL, Kadale Consultants, the United Nations Resident Coordinator's Office, the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), United Purpose, and WFP.

The BRACC Knowledge and Policy Hub provides knowledge management support to PROSPER and BRACC as a whole, and contributes to monitoring and evaluation, research, and communications and advocacy.

INDEX INSURANCE

“Index” insurance is an appealing alternative to traditional insurance products for the rural smallholder market. Unlike traditional insurance, in which payouts are based on ascertaining the losses experienced by each policy holder, index insurance products provide payouts based on more general and more easily observable variables, or “indexes”, that are expected to be correlated with losses. In the case of agricultural insurance, index insurance generally takes two forms: weather index insurance, in which payouts are based on weather data, and area yield insurance, in which payouts are based on average yield among a sample of farmers in the same area. Index insurance addresses two challenges with traditional insurance. First, because it is not based on individual crop outcomes, it removes moral hazard; payment is independent of actual crop performance, so policy holders have every incentive to try to achieve the best yield possible even in bad conditions. Second, it reduces the cost of collecting the data needed to confirm a payout is due; the cost of individually inspecting every claimant’s field would make traditional agricultural insurance prohibitively expensive for smallholders in low-income countries like Malawi.

Despite these advantages, index insurance has struggled to take off in low-income countries in Africa. Uptake among smallholders has been extremely limited unless insurance is heavily subsidised or bundled with other products more appealing to farmers, such as loans.¹ The key disadvantage to index insurance is basis risk – the risk due to the differences between the risks captured by the index, and the risks actually experienced by the farmer. For example, a farmer may have weather index insurance that pays out based on average rainfall in a five-square-kilometre area but may experience less rain than the average in the area, or different pests. Area yield insurance can better capture the range of different types of risk, but payouts are often based on average yields over a larger area than that in weather index insurance, so there may be greater basis risk related to geographic variability. Such basis risk, together with administrative costs that remain high relative to smallholders’ ability to pay, have been cited as barriers to adoption of index insurance.

IMPLEMENTATION OF AGRICULTURAL INSURANCE WITHIN BRACC

Crop index insurance was incorporated into the PROSPER component of BRACC to help support greater absorptive capacity related to shocks affecting agricultural outcomes. PROSPER implementing partner WFP has been a pioneer of crop microinsurance in Malawi, first including it in food assistance programmes in 2014.² In partnership with NICO insurance, WFP originally offered a weather index insurance product, but began piloting area yield insurance to address a wider range of crop risks.

Weather insurance products were included in activities implemented under PROSPER. Insurance was offered at subsidised rates through the Food for Assets programme implemented by WFP, and through CUMO; while these organisations facilitated access to the insurance policies, the insurance was provided by NICO. In the 2020/21 season, most of the policies were area yield insurance policies. Rates and payout schedules were designed by Pula, which also conducts crop cuttings used to estimate yields in each geographic area. The area yield insurance covered maize, groundnut, pigeon peas, and sorghum. Payouts were triggered when average yield fell below 75% of the benchmark for that geographic area, and payout amount increased the farther average yield was below the benchmark. The payout amount was the same regardless of area cultivated by the farmer, but varied

¹ See for example: “Make it Rain”, *JPAL Policy Bulletin*, February 2016, https://www.atai-research.org/wp-content/uploads/2016/02/Make-It-Rain-Weather-Index-Insurance_ATAI-Bulletin.pdf

² WFP. (2020). The Integrated Risk Management Programme (IRMP): LESSONS FROM MALAWI, <https://docs.wfp.org/api/documents/WFP-0000116945/download/>

by crop and geographic area, based on estimated cost of production. The area yield insurance also included an innovative “basis risk fund”, which acted as a more localised version of the area yield insurance: if a farmer reported a low yield but a payout was not triggered based on yield averages in the farmer’s geographic area, the farmer could receive a payout based on a random sample of farmers from among those who reported low yields.

PURPOSE OF THIS LEARNING BRIEF

This learning brief is part of a series of outputs produced as part of the BRACC Knowledge and Policy Hub’s midterm evaluation of the BRACC programme. It is one of four briefs focusing on specific interventions implemented under BRACC: the other intervention briefs address Livestock Pass-On, Cash for Inputs, and Access to Finance.

This brief, and the analysis in it, seek to address questions related to programme effectiveness, relevance and impact, including BRACC Midterm Evaluation Question 1: Which combinations of BRACC interventions contributed most to building food security and resilience? In which locations and contexts?

RESULTS

METHODOLOGY

The BRACC programme was evaluated using mixed methods, including both quantitative and qualitative data. The quantitative evaluation methods included a randomised control trial designed to measure the impact of PROSPER interventions, which was implemented in two Districts and utilised household survey data in a wide range of resilience and welfare outcomes. The same survey data were also collected for a sample of participant households in the two PROSPER Districts excluded from the impact evaluation. The qualitative methods included key informant interviews, case studies, and focus group discussions that collected data on intervention-level outcomes and impact, including insurance.

The findings in this brief draw primarily on the focus group discussion data related to insurance. Participants in PROSPER insurance interventions were selected for inclusion in the focus group discussions. Questions posed included what type of insurance the group had experience with, details of the insurance products they used, whether they had ever received an insurance payout, the impact of having insurance, challenges with insurance, and their perceptions of insurance and willingness to buy it in the future. The findings also include some data from the quantitative surveys conducted with participant households across the four PROSPER districts. BRACC Hub also reviewed insurance policy documents provided by PROSPER.

FINDINGS

Relevance of Agricultural Insurance to Resilience Challenges

Agricultural insurance has the potential to address serious, unaddressed barriers faced by BRACC participants. Crop damage due to climate-related shocks was cited as a major challenge to household resilience and welfare by a large number of participants in the qualitative interviews. Several respondents mentioned weather or pest shocks as a limiting factor for the impact of other PROSPER interventions, such as training farmers on improved seed spacing or other good agricultural practices, or the Cash for Inputs programme. Important for agricultural insurance product design, households

mentioned crops being affected by a large range of shocks, including droughts, flooding, heavy rainfall during the wrong crop growing stage, and different pests including fall armyworm and stalk borer.

I have learned about the alignment of ridges and single seed planting; I could have harvested 15 bags but because of armyworms I harvested seven bags. – Female agricultural insurance participant, Phalombe

Participants highlighted that they currently have few good options for addressing these challenges. Those experiencing drought early in the growing season may replant, at high cost in terms of seed inputs and time. Few farmers mention having access to pesticides; one reported that fall armyworm are removed manually in their community, and only one community member had the resources to afford this. For shocks such as cyclones, flooding and severe drought, the community may not be able to do anything to address these challenges.

In this context, participants recognised the potential of agricultural insurance to address these challenges, but also noted that prior to the PROSPER programme, agricultural insurance was not available in their communities.

Every year we experience drought and floods, and we lose crops every time, for example last year when we planted in November the plants were damaged by drought and we had to plant again, which made us spend more money on procuring seeds. So, when the insurance idea came, I thought, yes now these problems of uncertainty and loss will be over. – Female agricultural insurance participant, Phalombe

There have never been programmes to do with insurance, livestock pass-on or cash for inputs. – Male agricultural insurance participant, Balaka

Agricultural Insurance Uptake

Although agricultural insurance was promoted in all PROSPER districts, only a very small share of PROSPER participants in the quantitative survey reported participating in agricultural insurance. About 4% of households in Mangochi reported participating, and 3% of households in Phalombe. No households in the Balaka sample reported participating, and only one household in the Chikwawa sample reported participating. No households in the quantitative survey reported spending money on insurance products. Data from the focus group discussions also reinforced the finding of low uptake, with several groups noting that in their communities, only a few people chose to buy insurance.

Many community members refused to buy the products. Out of 399 community members who participate in watershed activities, only 11 bought the insurance. – Male agricultural insurance participant, Chikwawa

Acute awareness of the risks of climate-related shocks was a key driver of adoption of agricultural insurance among those who made the decision to buy it. Participants cited frequent drought and persistently low yields and food security as motivation for investing in insurance.

We decided to buy agricultural insurance because most of the time we do not harvest our crops because of drought. So, when they explained that they brought agricultural insurance we decided to buy it with the hope that in case of erratic rain then they would compensate for it. – Male agricultural insurance participant, Chikwawa

What motivated me to buy agricultural insurance was that the climate is changing. Our area is prone to crop failure due to floods and drought. The insurance company/

organisation promised to compensate us in case of crop failure, so I had hope that if [my] crop production was very low because of drought, I could use the compensation to buy more food for my family. I would also use the same money to buy farm inputs and plant again. – Female agricultural insurance participant, Chikwawa

There were other factors that contributed to the decision to invest in agricultural insurance. Participants mentioned being reassured of the product's value because the PROSPER implementing partner promoting it had a reputation for implementing good programmes in the area. The hope that insurance would be accompanied by market access programmes was also cited. Worryingly, several participants mentioned feeling coerced to buy insurance to continue to participate in other PROSPER programmes. Some participants mentioned receiving inconsistent information, with some implementing partners portraying the product as compulsory, and others clarifying that it was voluntary. More subtle pressures may also play a role, as farmers may choose to try a product promoted by community leaders or organisations with good reputations without fully understanding the product.

We also bought agricultural insurance because they were threatening us that those that will not buy the agricultural insurance would be removed from the programme. We did not want to be removed from the programme because the money we were receiving from the programme was helping us in many ways. – Male agricultural insurance participant, Chikwawa

Agricultural insurance programme participation was voluntary, but it did not seem that way as we were told that if one was not going to take insurance, he or she will be removed from the FFA programme by our extension workers. As a result, many of us had to do it since we had no choice. On the day we took agricultural insurance, out of 200 people, 167 people took part. – Male agricultural insurance participant, Chikwawa

As rural farmers we follow whatever our village and community development leaders tell us to do, for example, if they say another insurance organisation wants us to buy insurance, we buy without asking any questions like how does their insurance work, their physical address or contacts. We are not thoroughly consulted by our community leaders but rather just informed and we end up just following blindly without understanding many things. – Female agricultural insurance participant, Chikwawa

We were also influenced by what we hear on the radio about insuring one's property against unforeseeable circumstances and compensation associated with it. – Male agricultural insurance participant, Chikwawa

Barriers to insurance uptake cited by programme participants largely focused on lack of cash. A few participants noted that other members of their community were interested in insurance, but not able to afford it. Debts and immediate consumption needs were listed as reasons that participants in the Food Assistance for Assets (FFA) programme would choose to keep all their earnings rather than investing these in insurance. In some cases, additional time to save the money may have been beneficial. In other cases, community members who did not buy insurance did not see it as good value or were simply not interested. Lack of general understanding of insurance was not seen as a barrier to uptake.

When they received the money, people pocketed the money to solve problems at their homes and forgot about insurance. They understood that insurance is good. – Male agricultural insurance participant, Chikwawa

Programme Understanding

Programme participant responses generally demonstrated a strong understanding of the concept of insurance, and the potential benefits of insuring farming investments. Participants drew parallels between agricultural insurance and more familiar insurance products like life insurance. Participants credit the PROSPER programme with broadening their awareness of insurance to understand that agricultural production can be insured, and that agricultural insurance products exist, as well as changing the perception that insurance is not just for urban people but can be a product for rural people like them.

Insurance is a good deal if it has worked well. If we are affected by the impacts of climate change after we had insured our crops, then we will be supported and then we can say insurance is good. For example, when our friend at Lazalo died, the insurance company supported [the family]. So, we can say insurance is good because they received what was promised by the insurance company. – Male agricultural insurance participant, Chikwawa

We are now insuring land. Before PROSPER came to our area we were just hearing about insurance from people who live in town. We did not know that here in the community we could also insure our crops. We had to change our behaviour from just staying without insurance to insuring our crops so that when uncertainties like drought, heavy rains, pests and diseases befall us, we should be covered by the insurance company and receive money for sustainability. – Female agricultural insurance participant, Balaka

Participants appeared to have a limited, and sometimes confused, understanding of the details of the agricultural insurance product. Each focus group's description of the organisations involved, cost of insurance, and insurance product is paraphrased in Table 1.

Table 1. Focus groups' descriptions of agricultural insurance products

FGD	District	Gender	Agricultural insurance provider	Cost	Paraphrased description of product	Any payout received?
1	Chikwawa	Female	CUMO and GOAL	MKW 3,000 by participants, MKW 9,050 by GOAL	Food compensation to be paid based on size of land farmed, with land measured by insurance staff; payout in case crops were affected by drought.	No
2	Chikwawa	Male	CUMO and PROSPER	MKW 3,000 by participants, MKW 12,000 by PROSPER	Full compensation for monetary value of incurred losses based on assessment of affected crop area.	No
3	Chikwawa	Female	GOAL and unknown company	MKW 3,000 by participants, MKW 9,000 by PROSPER	Compensation for crop failure due to floods, drought, pests or diseases; did not know amount or form of compensation.	No

4	Chikwawa	Male	CUMO, PULA and GOAL	MKW 3,000 by participants, MKW 9,000 by GOAL/government	Insurance money would be paid to them as compensation in case of crop failure.	No
5	Chikwawa	Female	CUMO and GOAL	MKW 3,000 by participants, MKW 9,500 by GOAL	Compensation to be paid for all incurred losses, based on assessment of damages.	No
6	Chikwawa	Male	CUMO	MKW 3,000 by participants, MKW 9,050 by GOAL	Compensation equal to the value of one tonne of insured crop to be paid in the event that the Ministry of Agriculture reports harvests are too low for food security. Also some mention of different payments based on land sizes.	No
7	Balaka	Male	UP and Find Your Feet, unknown insurance provider	MKW 3,000 paid by participants	Compensation of MKW 90,000 to be paid if insured crop does poorly due to drought, based on measurement of damage.	No
8	Balaka	Female	PROSPER and two unknown insurance providers	MKW 3,000 by participants, MKW 12,000 by PROSPER	Compensation to be paid in the case of crop failure due to pests, dry spells, or strong winds.	No
9	Balaka	Male	PROSPER and NICO	MKW 3,000 paid by participants	Compensation of MKW 90,000 to be paid if insured crop yield is below average.	No
10	Balaka	Female	CUMO	MKW 3,000 paid by participants	Compensation of MKW 90,000 to be paid in case of complete crop failure; lower amounts to be paid in proportion to partial crop failure.	No
11	Balaka	Male	CUMO	MKW 3,000 paid by participants	Compensation for any failure of any insured crop, based on inspection of farm at time of harvest and measurement of output.	No
12	Balaka	Female	CUMO and PULA	MKW 3,000 paid by participants	Compensation of MKW 90,000 to be paid in case of complete crop failure; lower amounts to be paid in proportion to partial crop failure.	No
13	Balaka	Female	CUMO and PROSPER	MKW 3,000 paid by participants	Compensation of MKW 90,000 to be paid if insured crop yield is below average.	No

14	Mangochi	Male	Plan International	MKW 3,400 paid by participants	No detail.	No
15	Mangochi	Male	Plan International	MKW 3,400 paid by participants	Compensation in the case of poor crop performance; no further detail.	Yes, in July 2020; none in 2021.
16	Mangochi	Female	Plan International	MKW 3,400 paid by participants	Compensation in the case of an excess or deficit of rainfall.	No
17	Mangochi	Female	Plan International	MKW 3,400 paid by participants and MKW 10,000 paid by WFP	Compensation in the case of an excess or deficit of rainfall based on readings from rain gauges provided to participants.	No
18	Mangochi	Male	Plan International	MKW 3,400 paid by participants	Payment of a "loan" in the case of an excess or deficit of rainfall based on readings from rain gauges provided to participants.	No
19	Mangochi	Male	Plan International	MKW 3,377 paid by participants and MKW 10,130 paid by WFP	Compensation in the case of an excess or deficit of rainfall based on readings from rain gauges provided to participants and satellite weather data.	No
20	Phalombe	Male	PULA	MKW 3,000 paid by participants	Compensation in the case of poor crop performance based on visits by insurance staff to selected farmers.	No
21	Phalombe	Male	Concern and NICO	MKW 3,000 paid by participants	Compensation in the case of below normal crop yields.	No
22	Phalombe	Female	Concern and NICO	MKW 3,000 paid by participants	Compensation for poor crop performance due to any kind of disaster, proportionate to degree of loss and land area cultivated.	No
23	Phalombe	Female	CUMO and rumours of involvement by PULA	MKW 3,000 paid by participants	In kind crop compensation equal to the difference between the amount normally harvested and the amount harvested that year.	No
24	Phalombe	Male	Concern and World Vision	MKW 3,000 for Concern; MKW 13,000 for World Vision in the form of 10 days watershed management labour	Compensation for crops affected by shocks. Did not know details of compensation.	No

25	Phalombe	Male	PROSPER; other entities unknown	MKW 3,000 paid by participants	Compensation for poor harvest. No further details.	No
26	Phalombe	Female	PROSPER; other entities unknown	MKW 3,000 paid by participants	Compensation for poor harvest due to climate change. No further details.	No
27	Phalombe	Female	Concern, NICO and PULA	MKW 3,000 paid by participants	In kind crop compensation equal to the difference between the amount normally harvested and the amount harvested that year.	No

By their own admission, many programme participants did not have a thorough understanding of the product before buying. Respondents reported confusion as to whether the payouts would be based on the amount of land cultivated. One focus group describes being told by PULA that compensation would be paid based on area cultivated, and by GOAL and CUMO that everyone receiving a payout would receive compensation equal to the value of one tonne of the insured crop, regardless of land size; neither of these characterisations was correct. Participants were also unclear about details relating to the amount, form and timing of compensation. The basis for assessing claims is also a point of uncertainty, with some participants reporting that claims were to be paid based on data collected by insurance surveyors, and others that claims were to be paid based on government yield estimates; others expected claims to be paid based on an assessment of each community's or individual's crops. There was a great deal of confusion around the area yield measurement process. Many respondents appeared to believe that the area yield measurement exercise, which was used to ascertain yield estimates that determine whether a payout will take place in a given area, was for the purpose of measuring their crop area. Others expected that the area yield measurements would be conducted on all plots, not just a sample of plots. Finally, in a point that would become critical for communication between programme participants and programme staff, there was a high degree of confusion about exactly what entity was supplying the insurance product, and the nature of the relationship between the insurer and the other PROSPER implementing partners.

They did not inform us well enough or teach us anything about insurance, they only did a brief introduction, and we did not pay attention to the details. – Female agricultural insurance participant, Chikwawa

We were buying insurance on the same day that we were getting paid our money. They came with a police officer with a gun. People's interest was in receiving the money, therefore we did not fully understand about the insurance. – Male agricultural insurance participant, Chikwawa

The challenge with insurance for some of us is that we were not told in advance the exact amount of money that we are going to receive as compensation. – Male agricultural insurance participant, Balaka

They did not explain whether the compensation would be in monetary or food form. – Female agricultural insurance participant, Chikwawa

The arrangement was that if you usually harvest 20 bags of maize or pigeon peas per year, if there is drought or floods in that particular year and you have harvested less,

for example 10 bags, the insurance company is going to compensate you by giving you the remaining 10 bags. – Female agricultural insurance participant, Phalombe

On the day we were buying the insurance we did not know the organisation that would be providing the insurance. – Male agricultural insurance participant, Chikwawa

The quantity surveyors came but not to our area, they visited our friends nearby and measured their fields. Until today, we haven't been informed about their coming to measure our fields. When we experienced drought in March 2021, there was a company which came to do the calculations on affected crops at nearby villages but not in our village. We are still waiting to be visited. – Female agricultural insurance participant, Chikwawa

Product Design and Implementation Challenges

Several aspects of the design of the agricultural insurance product and the implementation of the product promotion, sale and payout process posed major challenges for programme participants and likely limited both the impact of the insurance product in the short term, and willingness to adopt insurance in the long term. Implementation staff describe challenges with confirming eligibility for payouts between the insurance company and its reinsurer as contributing to delays in verifying eligibility for payouts, communicating determinations to participants, and executing payouts.

Poor communication with communities and coordination among implementing partners

As described previously, many respondents reported confusion around which organisation was supplying the insurance product, and the relationship between the insurance company and other PROSPER implementing partner organisations. This lack of clarity resulted in challenges for communities trying to contact the insurance providers. A number of respondents also suggested that this confusion contributed to perceptions of lack of accountability and created issues of trust around the agricultural insurance product. Participants seeking to understand the parties involved in providing the insurance described a number of organisations, including PROSPER implementing partners, insurance providers, and organisations collecting money or performing survey visits.

The major challenge that we have seen is lack of communication right from the start. When these guys came, they promised us a lot of things but after we paid our money they disappeared. – Male agricultural insurance participant, Balaka

I discovered that there is poor coordination and communication among those who provide insurance services and local farmers. We have been working with Concern Worldwide as an implementing partner for the PROSPER programme. Among its interventions was insurance, but now at the same time that insurance service would be provided by another company called NICO, so if I critically look at the chain it's so long and needs some strong coordination to effectively bring good results. Communication is one of the elements which can contribute to that but there has been no communication since they left, and we don't even know where to go. – Female agricultural insurance participant, Phalombe

The day we were buying the agricultural insurance was the same day that GOAL Malawi was paying us our money. They would give us money at one desk and ask us that those that wanted to buy agricultural insurance should go to the next desk and buy the agricultural insurance. On this day we thought all of them were from GOAL Malawi,

therefore we thought we were buying agricultural insurance from GOAL Malawi. But when GOAL Malawi came to inform us that the PROSPER programme was phased out, we asked them about the agricultural insurance we bought, and they said they were not the ones that took our money. They said that COMSIP (Community Savings and Investment Promotion) was the one that took the money to an insurance company. NICO Insurance was the company that provided the insurance we bought under the FFA programme. They gave us cards with the following organisations on the card: NICO Insurance Company, WFP and World Vision. On the day we were buying the insurance [were not informed about] the organisation that would be providing the insurance, but because of the cards they gave us, that's how we knew that NICO was providing the insurance. – Male agricultural insurance participant, Chikwawa

A number of respondents also complained about infrequent communication or contact from insurance staff, leading to uncertainty about whether they would receive payouts, or when, which further contributed to confusion about the product and doubt regarding its credibility. Challenges with communication appeared to be pervasive across Districts.

The challenge that we have faced so far is lack of updates and late payouts from the insurance company. There is need for improvement, the insurance company should improve on communication, they should give frequent updates on their doings so that we know the way forward. – Female agricultural insurance participant, Balaka

CUMO Insurance Company did not visit the community members to assess the impact and we are not very sure how we will receive [the payout, or] if we will be paid back our money, although it is doubtful because we haven't received any feedback from either GOAL Malawi or CUMO officials. – Female agricultural insurance participant, Chikwawa

Since the day they introduced insurance to us they have not come back to monitor our farms and check the challenges that we have faced this growing season despite submitting the report on the loss of crops due to armyworms. They are not transparent because they told us they will visit us soon after planting but they did not show up. – Female agricultural insurance participant, Phalombe

The insurance products can be improved by improving communication channels and responding to us quickly when we submit reports. It will be better for us to get feedback whether it is negative or positive. We will feel better if they respond and tell us we will not be giving you anything for the armyworms instead of just being silent –Female agricultural insurance participant, Phalombe

The challenge with insurance for some of us is that we were not told in advance the exact amount of money that we are going to receive as compensation. We have not yet received our payout and we are waiting in ignorance, not knowing the exact amount that we will get. They last visited us in May and up to now, we are still waiting for them to show up again. – Male agricultural insurance participant, Balaka

Lack of structures or formal processes for accountability

Some participants described lack of documentation, processes, and formal and accessible structures as contributing to uncertainty around the insurance products and lack of accountability, especially in a context where participants did not have clarity regarding the source of the insurance or clear lines of communication with the insurance company. Some participants noted that they did not receive

receipts, or that the purchases were documented only by the local Village Development Committee. Participants suggested the need for better structures for communication and accountability, such as a local insurance committee or use of extension agents to facilitate contact between the community and insurance providers.

After registration, we were not issued with any receipt or any document as proof that we have bought the agricultural insurance. Because we thought that the insurance company was GOAL Malawi, we were not bothered about not being issued with a receipt after buying the insurance. The Village Development Committee was there witnessing and writing down our names when we were buying the agricultural insurance. – Male agricultural insurance participant, Chikwawa

We do not have receipts to certify that we really paid for the insurance. The extension workers should be readily available in the community so they can be able to address issues because as a community we have so many questions in regard to what happened with our money. – Male agricultural insurance participant, Balaka

The main challenge is lack of an insurance committee. As people who were working at watershed and participated in insurance relied much on a watershed committee that will make a follow up. As an insurance group, we were supposed to have an insurance committee to follow up on payout. So, because there was no insurance committee with a chairman or secretary to make follow ups, everyone is waiting for the agricultural extension worker to make follow ups and come up with solution. It is true that even though I insured my crops, I don't have contact with CUMO. – Male agricultural insurance participant, Chikwawa

Delayed processes for assessing claims and making payouts

Across all Districts, participants reported long delays in hearing back regarding the status of insurance claims and payouts. Most reported that they had heard nothing up to the time that the focus group discussions took place in September, despite harvests being concluded around May in most areas. Some reported being told that determinations regarding payouts were delayed as a result of delayed data either from government, or from other Districts. These delays, coupled with lack of communication, appear to contribute to a sense of mistrust in the insurance product. In addition, late payment can mean that households do not receive compensation in time to mitigate the effect of shocks by investing in alternative crops or livelihoods. Where harvests are particularly poor, delays in payouts may mean that households run out of food before receiving compensation.

We have observed that the main challenges of insurance include late response to the situation especially when we talk of compensation... when our crops were attacked by worms we reported the matter, they came to assess after that what remained before harvesting. They came again [for] a second assessment soon after harvesting... but since that time we haven't seen any of those people coming here again while we are already running out of stock. As we speak food has finished, not even a single bag remaining, [we] expected that after getting that compensation timely we would easily adapt to our recovery plan but now there is nowhere to start from. – Female agricultural insurance participant, Phalombe

Another challenge is late payouts from the insurance company. We are running out of food and yet they told us that the aim of the insurance is to ensure food availability. The

maize prices are rising with each passing month; we will end up purchasing maize at high prices and instead of buying sufficient bags of maize we will not be able to do so. Even on purchase of farm inputs this could have been the right time for us to do that before the rains start. There is need for improvement – the insurance company should improve on the time of payouts, at least if they could give us the payouts in the month of August. – Female agricultural insurance participant, Balaka

They should be allocating more staff who go about checking the extent of damage in our fields. Only one person is responsible for checking the extent of damage of our crops and this takes long for us to receive the payouts. – Male agricultural insurance participant, Mangochi

We faced drought and we have not been compensated yet. It could have been better for us if we invested the money to do other things like business, maybe we could have benefited. The money was meant for us to buy food. Even if they give us the money now, we will not benefit much because maize prices have gone up, the money has little buying power now. – Male agricultural insurance participant, Balaka

Uncertainty related to BRACC programme closure

With BRACC and the PROSPER programme coming to an unexpected early end due to FCDO budget cuts, the combination of delays in payments, lack of communication, and lack of clarity with respect to the roles of different organisations involved in the promotion and provision of agricultural insurance has resulted in a large number of participants expressing confusion and doubt regarding the agricultural insurance programme. Across all Districts, participants report that they are still waiting for responses regarding payouts, and with the closure of PROSPER, they are unsure of how to get information about their insurance, or even whether their insurance contracts will be honoured.

We tried to follow up with GOAL Malawi because we were caught unaware about the phasing out of the PROSPER programme, so when the GOAL Malawi official came for exist meeting, we asked them about the product we bought, and their response was CUMO Insurance Company was the one responsible for the insurance process. The challenge is that CUMO officials doesn't give out their contacts, but they took ours. – Female agricultural insurance participant, Chikwawa

We only realised that GOAL Malawi had left without any information on what would happen to those of us that had paid for the insurance. – Female agricultural insurance participant, Chikwawa

No one has received any payout since we joined the insurance in 2020. We experienced some shocks, especially worms which attacked our maize at a very tender stage when crops were just about knee high. When the matter was reported to Concern Worldwide, representatives came for an assessment. They conducted the assessment and confirmed the situation being eligible for compensation through crop and weather insurance activity under the PROSPER programme. After a month another team came and did the same; then we were told that arrangements are in progress to make sure that all who were affected are compensated accordingly in regard to the standards of insurance for crops and weather. Surprisingly, since then none of them has ever visited us or shared any kind of update till date, until we got the news that the PROSPER programme implemented by Concern Worldwide has been phased out. We asked some

of the staff members what could be the way forward in respect to the compensation since we already paid our deposit or membership fee and crop assessments were already done, but we never received any tangible feedback on that until now we don't even know what happened. – Female agricultural insurance participant, Phalombe

Outcomes and Impact

Behaviour change in response to having insurance

Some evaluations of agricultural insurance have found that participants in agricultural insurance programmes increase their investments in their crops as a result of having insurance coverage. In the context of the PROSPER insurance programme, responses were mixed with respect to this effect. Several insurance participants noted that they had increased the area planted or would have increased the area planted had the insurance programme been implemented before they planted. In some cases, this was based on the understanding that they would be paid more compensation if they cultivated more crop area. Some respondents also reported investing more intensively, for example using more labour, or diversifying into new crops because of the security insurance provided.

I used to grow maize and sorghum but when they told us about insurance and how it works, having paid for it, I decided to grow sesame and beans too. – Female agricultural insurance participant, Chikwawa

I for instance increased the size of land that I used to cultivate. Knowing that my crops would be insured, I decided to cultivate two acres of land instead of one acre and I even employed people to help me with my farm work. – Male agricultural insurance participant, Chikwawa

Other participants did not view their cropping behaviours as changing in response to having insurance. They reported continuing the same farming practices as in prior years. This may have been in part due to insurance being a new product for many; one respondent mentioned this as a reason that behaviour had not changed.

We have not changed any of our behaviour because of the insurance because we have not experienced how the insurance works yet as this was our first time having an insurance. – Female agricultural insurance participant, Balaka

Respondents generally rejected the idea of behaviour change related to moral hazard, such as investing less in crops because they might receive a payout if the crop performed poorly. It is worth noting that both weather index agricultural insurance and area yield agricultural insurance products are specifically designed to minimise the incentive for this behaviour, since payouts are not based on the individual's own crop results. However, respondents also noted that they worked hard and invested in their crops because insurance only covers significant crop failure, and the payouts do not fully cover the losses that result from a poor harvest.

Since we insured our crops, we did not change anything in the way we do our farming. We worked as before since food is a necessity and we know the MKW 90,000 will just cover for a month or two, then we will have to look for other alternatives. – Male agricultural insurance respondent, Balaka

Insurance allows us to have peace of mind knowing that if anything happens to our crops, we will still have some money to fall back on and ensure that there is food in our

households. Since we insured our crops, we did not change anything in the way we do our farming. We just cultivated our crops the same way we do every year; we did not neglect our fields just because we insured them, neither did we put extra effort in them.
– Female agricultural insurance participant, Balaka

Lack of payouts

Only one focus group reported receiving an insurance payout, received in July 2020, reflecting the 2019/2020 growing season (see Table 1). No groups reported either receiving a payout in 2021 or hearing of another community receiving payouts in 2021. A large number of insurance participants reported being visited by insurance company assessors, but never hearing back regarding whether they would receive payouts. A few said that insurance company representatives had told them they would be eligible for a payout, but that there has been no subsequent follow up.

Lack of payout, especially in areas where respondents reported poor yields, appears to have led to hard feelings among many of the insurance programme participants, and poor perceptions of the companies and organisations involved. These feelings appear to be especially acute in Chikwawa, where poor rains late in the season led to widespread crop failure in the 2020/21 season. However, insurance participants in other Districts also reported disappointment at not receiving payouts, or even receiving a definitive response regarding payments.

We did pay for the insurance and our crops got hit by disaster, but they never compensated us for the failed crops. – Female agricultural insurance participant, Chikwawa

Based on our own experience, insurance companies sometimes do not honour or keep their promises. The crops we insured were hit by dry spells and no one harvested anything. Their officials came to assess the situation and take action, but up to now nothing has been done or an explanation given. We have now resorted to buying food using our own money. – Female agricultural insurance participant, Chikwawa

None of us has received a payout although they came to our community and told us that we will receive money since our crops did not do well. – Male agricultural insurance participant, Balaka

After paying the MKW 3,000 for the insurance they never came back to us, and we feel robbed. – Female agricultural insurance participant, Phalombe

The CUMO insurance scam has left a bad taste in our mouth about community development projects as many have decided to call it quits until the issue of their claims is resolved. – Male agricultural insurance participant, Chikwawa

Failing to receive payouts, or receive them promptly, has had a negative impact on households' ability to mitigate the impact of climate shocks affecting their rainy season production. Respondents noted that they are already experiencing food insecurity and observed that receiving the payout later means that they need to pay more for food, as food prices rise in the months following harvest. Some respondents noted that if they had received payouts promptly, they would have invested in replanting or winter season farming, or other income strategies. While unfortunate, these comments highlight the potential opportunity that insurance programmes with prompt payout have to help households respond to shocks.

We feel this payout was supposed to come now since we have run out of most of the produce we harvested and now we are buying food to sustain our households. Now we are relying on piece work to find money to buy food when we were supposed to be using the insurance payout. – Female agricultural insurance participant, Balaka

I had hope that if drought makes my crop produce to be very low, I would use the compensation to buy more food for my family. I would also use the same money to buy farm inputs and plant again. – Female agricultural insurance participant, Chikwawa

Negative social impacts resulting from lack of payouts

Some respondents described negative downstream social impacts as a result of the lack of payouts where insurance participants expected them; this was often exacerbated by poor or limited communication regarding the status of insurance payouts. Participants who made the decision to invest in insurance describe being ridiculed by community members who did not buy insurance. One woman who bought insurance described feeling like she had to explain to her husband why she had spent money on insurance and was not able to provide good justification. In other cases, community leaders such as lead farmers describe facing accusations of misappropriating funds from the community members they work with as a result of the lack of payouts and lack of response from the insurance providers.

Some of our friends who did not take part in the insurance policy are even having a field day laughing at us, considering we could even borrow the money just to deposit for insurance. – Female agricultural insurance participant, Balaka

People are saying we are fools for being duped this way. – Female agricultural insurance participant, Chikwawa

Since we paid for the insurance with the payment we received for the work we did, we have had to answer to our husbands on what the benefits of insurance are and they don't understand how we haven't been compensated yet. – Female agricultural insurance participant, Chikwawa

Myself as lead farmer, I would like if communication was also involving us because since the day we brought our group to get insured they have left us out of the loop. Our members keep accusing us that we took their money. – Male agricultural insurance participant, Phalombe

Willingness to adopt agricultural insurance

Predictably, insurance participants credit the challenges described with negatively affecting willingness to adopt insurance. Many respondents said they would not purchase insurance again. However, many other respondents were more nuanced in their willingness to buy insurance in the future. A number of respondents noted that they viewed insurance in general as a good thing but would be hesitant to try agricultural insurance again. For others, willingness to buy agricultural insurance was contingent on receiving the payouts they believed they were due from the last growing season.

Yes, we would [buy it], but many would not buy it because they have not been paid. The money that people paid, [they] struggled to source it. – Female agricultural insurance participant, Mangochi

We would not again. We have not been paid. People are regretting the money they

paid. – Female agricultural insurance participant, Mangochi

No [I would not buy insurance again], because they are not trustworthy, we can only insure again if they compensate us on the last year's shock. – Female agricultural insurance participant, Phalombe

Even if a different organisation came, we would not be convinced to insure our crops because we did not receive the compensation we anticipated. We faced armyworms, dry spells and stormy winds that affected our crops but we did not get anything as compensation. In the future the only insurance I would be willing to buy would be for assets like a bicycle and not agricultural insurance. – Male agricultural insurance participant, Chikwawa

A few respondents felt that in the future, they would know better the types of questions to ask when making the decision to invest in an insurance product.

I think we are wise/clever now, if another organisation/company comes with insurance we would ask them if they meet all the requirements for us to buy the agricultural insurance. We would make sure the Traditional Authority should know instantly before we buy the insurance so that the Traditional Authority can ask the government officials to come and bear witness. If they meet such requirements then we would buy insurance because we have evidence, we would know where to go in case they fail to compensate us. – Male agricultural insurance participant, Chikwawa

Improving the design of insurance programmes for rural farmers

I think the agricultural insurance has completely failed, there is nothing we can do to improve it. – Female agricultural insurance participant, Chikwawa

Anyone who is a serious farmer, and also supports the idea of insurance. – Male agricultural insurance participant, Mangochi

Insurance is a good deal because it gives you some money to lean on while you are looking for alternatives to problems brought on by climate change. We feel everyone should be able to insure things like crops, medical, funeral and housing insurance. – Male agricultural insurance participant, Balaka

Despite the fact that we were not compensated, I still think that every farmer needs agricultural insurance to insure against crop failure and every human being needs life insurance to receive compensation in case of death or illness. – Female agricultural insurance participant, Chikwawa

Although a few respondents did not believe that there was any future for agricultural insurance in their communities, a large number of respondents reported positive views of the idea of insurance, including the idea of agricultural insurance. However, most insurance programme participants believed that the insurance product and the way that insurance is administered needs to be improved to make it work for rural farmers in Malawi.

Reflecting the confusion around roles of the different organisations involved in promoting and providing the insurance products, a number of respondents thought that insurance could be improved by clarifying organisation roles and providing clear lines of communication between the insurance company and communities investing in insurance products. Respondents also saw a greater need for

accountability, perhaps through involvement of local governance structures, and for stricter documentation including issuing receipts.

I think when buying insurance, members from the district council should be aware of the insurance and should be sending their representatives when we are buying insurance. In addition, the insurance company should be giving us their name properly and we should be able to see their identification cards so that when we are not compensated, we should know exactly where to go and make follow-ups since we have the evidence. I doubt if the district council is aware of the GOAL insurance because our traditional authority is aware that we were not compensated; had it been that the district council is aware of this insurance we would have gotten feedback already. – Male agricultural insurance participant, Chikwawa

We should have a lot of witnesses when we are signing the contract, especially high-ranking officials like chiefs, district commissioners and agricultural officers, just to safeguard our interests when things go bad the way things are with CUMO now. We don't know where to take our grievances since we don't know how and are too poor to do anything about it. – Male agricultural insurance participant, Chikwawa

Several respondents also suggested that the process for assessing claims and delivering payouts should be expedited.

In the future, we will buy agricultural insurance if proper [should be] followed to avoid issues of delay in terms of feedback on crop assessment. The insurance company should do crop estimates and impact assessment the moment we have just experienced the drought or floods without delay to speed up the process of pay-out. – Female agricultural insurance participant, Chikwawa

Some suggestions for improving the agricultural insurance product centred on the design of the product itself and making it more responsive to the needs of cash constrained, food insecure households. A couple of respondents noted that they preferred the Food For Assets model, in which they could pay for insurance through labour, because they struggle to find the cash needed to make the insurance payment. One respondent noted that when paying cash, the psychological impact is greater than when the payment is deducted from earnings from labour. Another suggestion in this area was to index payments to the price of staple food at the time payouts are made, to help account for food price fluctuations.

With this GOAL Insurance, we feel pain because we bought with cash from our hands, yet there is no compensation. Had it been that they deducted the money (MKW 3,000) directly from the MKW 7,200 that we were receiving for participating in watershed management, we wouldn't have felt the pain. – Male agricultural insurance participant, Chikwawa

Lastly, several respondents were interested in having a wider range of insurance options.

We would have loved to also insure groundnuts and goats. This is because the goats are being affected by a disease called "chigodola". – Female agricultural insurance participant, Phalombe

As a solution to these challenges, we believe that there is need for more training and extension work on insurance so that many people should be aware of insurance

products that are out there and how one can go about buying insurance appropriate to one's needs and at a decent cost. CUMO only asked us to insure our crops instead of giving us more options to choose from. – Male agricultural insurance participant, Chikwawa

Review of Insurance Policy Details

BRACC Hub was provided with two insurance policy documents: Pula's Area Yield Index Insurance Product Note from 23 November 2020, and the contract for the Basis Risk Fund between Pula and CUMO.

Neither document contained comprehensive information about the details of the weather insurance product, such as the benchmark yield for each crop and geographic area. As such, the insurance product will not be evaluated in terms of its technical, actuarial properties. However, a few observations can be made. First, the amount insured is based on the value of inputs used, rather than the value of output lost. As a result, payouts may be small relative to the cost of replacing the food deficit caused by shocks. Second, the geographic areas used for the area yield calculations are quite large; Chikwawa has only one. While shocks like rainfall or temperature may be similar across these areas, shocks may also be more localised, particularly shocks like pests or flooding.

The Basis Risk Fund is an innovative approach to addressing this limitation. However, several aspects of the fund appeared problematic or unclear. First, there were some discrepancies in the descriptions of the basis fund administration between the insurance product note and the basis fund contract; these inconsistencies, combined with the general complexity of the insurance product and the Basis Risk Fund may have contributed to confusion and lack of understanding around the product. The basis fund also does not appear to be well-targeted to addressing basis risk-related shocks so much as it addresses inequalities in outcomes, shocks aside. For the Basis Risk Fund to be triggered, at least 5% of farmers across the geographic zone must make a basis risk claim. According to the contract, basis risk payouts are then based on assessments of yield among a random selection of the basis fund claimants. This process would appear to address not risks particular to specific locations within the broader geographic area, but rather farmers with generally low outcomes. Since crop yields vary widely, reflecting soil health, input use, and agricultural practices, a sizeable number of farmers would likely be eligible for basis risk claims every year regardless of shocks. Another potential issue relates to the sequencing and timing of assessing basis risk claims. Given the time it takes to confirm whether a payout is warranted for each geographic area, it is unclear how it would be determined that a farmer was ineligible for a Basis Risk Fund payout in time for a field assessment to take place before harvest.

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

Overall, the agricultural insurance offered under PROSPER appears to have had little positive impact on household resilience among programme participants at the time data were collected. Either due to payouts not being triggered, or late payouts, no respondents reported that they had received payouts for the 2020/21 season, despite reportedly poor crop outcomes. Although agricultural insurance addresses a key resilience gap, and programme participants have generally positive views of insurance, poor communication around the details of the programme, status of payments, and roles of

the different organisations involved; lack of payouts communities perceive as being owed due to low yields; and confusion regarding accountability in light of the early closure of the PROSPER programme have contributed to negative views of agricultural insurance and lack of trust in agricultural insurance and the organisations involved in its delivery. As a result, future efforts to promote agricultural insurance or other insurance products in these communities may face headwinds. To be successful, they will need to address issues related to trust, and ensure that the insurance products offered are well-designed and implemented to meet community needs.

Recommendation 1: Ensure that products are well-designed to reflect the risks and vulnerabilities of communities

Details of insurance product design – a highly technical task – matter, especially with respect to payout triggers. Products that fail to pay out even when communities suffer from poor harvests are likely to erode community trust and lead to individuals who invest in insurance feeling that they have made a poor spending decision. Weather index insurance can fail to fully reflect the risk of individual farmers, who may experience different weather patterns than their general area or face non-weather risks such as pests. Even area yield insurance, which better captures risks beyond weather, may not reflect the risk faced by a particular farmer. This “basis risk”, or differences between the risks faced by the farmer and those covered by the insurance product, must be very well understood to have a sense of how often a farmer may experience loss, but not receive a payout. The Basis Risk Fund, while an important innovation that recognises these issues, lacks clarity and should be reviewed to ensure it meets its objectives and has realistic administration procedures. The methodology for determining whether someone is eligible for a payout, as well as the basis risk, must be very clearly communicated to insurance programme participants.

Not all agricultural activities may be practical to insure, such as growing crops vulnerable to drought in areas with irregular rains. In these cases, where payouts may be frequent, the cost of insurance may be very high relative to the size of payout that could be offered by an insurance company. To be viable, agricultural insurance for these activities may need to be subsidised. If a product cannot be designed that is both affordable and effective at addressing risks faced by households, alternative approaches to managing risk, such as subsidising drought-tolerant crops or varieties, irrigation, or non-agricultural activities, might be more effective. In some cases, complementary activities, such as providing access to drought-resistant varieties or teaching resilient agricultural practices, may make insurance more viable; in these cases, projects should work with insurance companies to develop insurance products designed to be combined with bundles of resilience-improving activities.

Recommendation 2: Expedite assessment and payout processes, and provide clear communication on process and timelines

Delays and lack of clarity around whether, and when, households would receive payouts, contributed to lack of trust in the programme and reduced households’ ability to mitigate the negative impact of shocks. Assessment of payout triggers should take place as quickly as possible; in the case of weather index insurance, payments could be made immediately after a trigger event (such as a set number of days with no rain) takes place. For area yield insurance, yield measurements necessarily must be done at harvest; determinations of payout eligibility should be made as soon as such measurements are completed for a crop and area, with payments following as soon as possible afterwards. Following completion of harvest, all insurance clients, regardless of agricultural insurance type, should receive notification of whether they are eligible for a payout or not. Timelines for assessment, notification of

payout eligibility and delivery of payouts should be included in insurance contracts; if these deadlines are regularly missed, compliance mechanisms such as paying interest on payouts paid late could be considered. All insurance clients should be provided with contact information for the insurance company, including a physical office location.

Recommendation 3: Improve accountability for agricultural insurance products and agricultural insurance promotion and administration

Agricultural insurance is often more difficult to design and price than insurance products such as funeral insurance or car insurance. Poorly designed or administered agricultural insurance products risk harming programme participants and reducing willingness of households to invest in potentially beneficial insurance products in the future. To ensure that agricultural insurance products in Malawi are good quality, future projects could work with organisations such as the USAID Markets, Risk and Resilience Innovation Lab, which have experience in evaluating agricultural insurance products, to set standards for agricultural insurance products and to assess individual products.

Protocols for insurance assessment should be clearly defined among all parties to the insurance product, including reinsurers. Because area yield index insurance is based on crop cuttings taken at harvest time, there is little scope for auditing findings later. Assessment quality assurance procedures should be in place at the time data are collected to ensure that assessment is fair, and that all parties have confidence in the results.

Standards should also be set for how agricultural insurance programmes are promoted and implemented in communities, to ensure accountability. These should include standards for documentation, safeguarding and grievance procedures, and involvement of local governance bodies who can serve as intermediaries.

Recommendation 4: Consider offering a wider range of insurance products

A number of respondents expressed favourable views towards insurance in general, and some specifically mentioned interest in insuring assets like their homes or livestock. Offering a menu of simple insurance products may both help to address a wider variety of risks faced by households, and build trust, understanding, and favourable views of insurance more generally.

Acknowledgements

This brief has been distilled out of the evaluation of the BRACC programme undertaken in 2021 by the BRACC Hub. The BRACC Hub is very grateful for all the support and assistance provided during the evaluation by the BRACC programme participants, implementing partners and funder. We would like to thank the team members who were involved in data collection, analysis, and particular studies that fed into the evaluation, including Gulden Bayaz, Nick Brooks, Khandan Danish, Catherine Gould, Obioma Egemonye, Merlin Hanauer, Ying-Syuan (Elaine) Huang, Zemira Humphrey, Jennifer Leavy, Emmillian Kasililika-Mlagha, Mackenzie Klema, Sarah Wilson Knight, Diana Mataya, Matthew McConnachie, Dylan Pyman, Bright Sibale and the Centre for Development Management team, Danny Smith, Kirsti Thornber, Liz Venable, Katharine Vincent and Lena Weingärtner. We would also like to thank Mitzi du Plessis for her help in copyediting and proofreading.