MALAWI FLOOD INSURANCE: SHIFTING FROM REACTIVE TO PROACTIVE RESPONSE

Project Snapshot

Project / Product Name
Malawi Flood Insurance

Implementing NS
Malawi Red Cross Society (MRCS)

Partner NS Project Lead
Danish Red Cross (DRC)

Region / Country
Africa / Malawi

Context
Stable, disaster prone

Geographic Scope
Phalombe District (insurance policy, and flood and trigger models are nationwide)

Humanitarian Theme
Disaster Preparedness

Financial Instrument
Insurance (parametric)

Private Sector Partners
African Risk Capacity (ARC) Ltd, JBA Global Resilience

Development Finance / Foundation
InsuResilience Solutions Fund

Project Lead
Karen Kisakeni Sørensen

Project Size (EUR)
Approx. EUR 913,000

Target Beneficiaries / Profile
< 88,000 people / poor and vulnerable households

Development Start
October 2024

Project Exit
September 2026

Stage
Pilot / Inception or Market Launch

Context

Climate Risks: Malawi is highly exposed to climate-related hazards, including **recurrent floods** that damage homes, crops, infrastructure, and livelihoods.

Insurance Gap: The country has growing experience with transferring risk for climate-related disasters, particularly drought insurance at micro and sovereign level. However, there has been **no equivalent nationwide flood insurance solution**, despite flooding being a recurring and high-impact risk.

Compounding Factors: At the same time, **high poverty levels, limited household coping capacity, and stretched humanitarian resources** make it difficult for communities and institutions to recover quickly after repeated shocks.

Problem, Solution & Innovation

Problem: Financing is often **mobilised only after disasters occur**, meaning support can arrive late, in insufficient amounts, or without being fully linked to available risk information.

Solution: This project tests a more predictable, pre-arranged **nationwide parametric flood insurance policy** designed to release funding quickly when pre-agreed thresholds are met. This enables MRCS to plan in advance and respond faster when severe floods occur.

Community Grounding: The financial mechanism is supported by **community preparedness activities in Phalombe District**, including contingency planning and hazard maps, to help communities better prepare for flooding.

Innovation: The breakthrough lies in the broader system built around the product. It combines a **tailored flood risk model, trigger-based financing, contingency planning, community preparedness, and improved use of data** to shift flood response from reactive to proactive and risk-informed.



How It Works: A Parametric Flood Insurance Policy

Parametric Trigger: Funding is released if a pre-agreed trigger is met, based on **satellite rainfall data and estimated population impacted**.

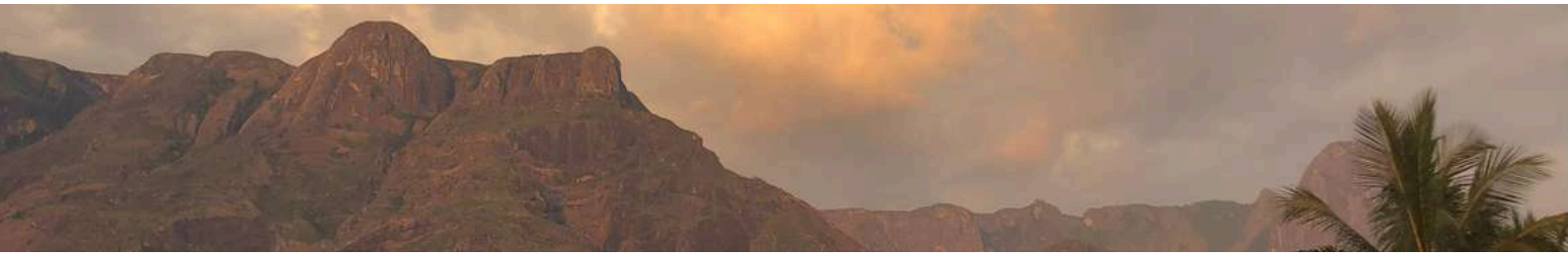
Local Verification: The trigger is confirmed or cancelled using local data, such as **rain gauge information** or a **state of emergency declaration** by the Government of Malawi.

Dual-Tranche Payout: When disbursed to MRCS, funds are split into **two tranches**: one for immediate response and one for early recovery.

Information Management: The **Malawi Risk Watch platform** (in final stages of development) brings together flood forecast, impact, and operational data to strengthen decision-making.

Operational Readiness: To ensure funding can quickly translate into action, contingency and operations plans, as well as payout processes, are prepared in advance.

The Consortium: Led by the **Danish Red Cross (policyholder)**, with **MRCS (implementing partner and insured party on behalf of communities)**. Technical and insurance expertise are provided by African Risk Capacity Ltd. (provides insurance product), JBA Risk Management (leads flood modelling), and the InsuResilience Solutions Fund (supports development and implementation). **The partnership has been effective** because it combines humanitarian experience, local disaster response capacity, technical modelling expertise and insurance know-how around a shared objective: strengthening resilience of vulnerable communities to anticipate, cope with and respond to flooding.



Impact & Key Insights

Coverage and model: A first-of-its-kind flood insurance policy for the 2025-26 rainy season, providing potential coverage for **up to 88,000 people**, and nationwide flood and trigger models have been developed, including localised data.

Community Reach & Data: Preparedness activities have also **reached over 13,000 direct and 30,000 indirect beneficiaries**, while the Malawi Risk Watch platform is aimed to **strengthen disaster risk information and decision-making** for MRCS and government stakeholders.

Broader Benefits: Success should be measured **beyond whether a payout occurs**. The project has strengthened operational readiness, partner coordination, innovative finance literacy, and disaster risk management systems.

Challenges: Data availability remains a constraint, lead times are long, and building a common language across technical and humanitarian partners takes time.

Scaling, Replication, and Future Plans

The project is currently moving from pilot implementation into **review and scale-up planning**.

Next Steps: Conduct an **internal review** of the model, insurance policy, and operational learnings alongside an external evaluation to identify the most feasible pathways for scale (e.g., geographic expansion, stronger national integration, and new partnerships).

Key Conditions for Scale-Up:

- Secure premium funding for the next rainy season
- Strengthen MRCS and DRC capacities
- Refine model and insurance policy
- Ensure continued government and partner engagement

Long-Term Ambition: Move towards a more **nationally owned and sustainable approach**, while also exploring how lessons from Malawi could inform similar work in other contexts.