



## Swiss Re provides innovative drought cover to smallholder farmers in Africa

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**Zurich, 6 September 2007 – Swiss Re, the Earth Institute at Columbia University and the Millennium Promise Alliance have pioneered weather derivative contracts protecting several villages in Kenya, Mali and Ethiopia against severe drought. The contracts protect smallholder farmers against drought-related livelihood shocks such as food shortages and famines. About 150,000 people will benefit from the coverage.**

Working off the ground-breaking climate modeling developed by the Earth Institute's International Research Institute for Climate and Society, Swiss Re, the Millennium Promise Alliance and the Earth Institute successfully designed and implemented innovative weather risk transfer solutions covering drought-related food shortages in three village clusters situated in Sauri (Kenya), Tiby (Mali), and Koraro (Ethiopia). Under the agreement Swiss Re provides up to USD 2m of financial protection in the case of extreme drought.

Tailored insurance or derivative contracts are becoming an increasingly important instrument for managing weather-related risks in emerging markets. In the case of the three African village clusters covered, for the first time ever, a non-profit organization complements its existing initiatives in its fight for sustainable development with financial risk transfer instruments designed to mitigate the consequences of weather variability. The payout of these financial instruments is based on information derived from a blend of satellite and weather data used as an objective proxy for staple crop production in the three village clusters.

Swiss Re is a leading player in the worldwide weather risk markets typically used to cover risks of northern hemisphere energy sector players. Broadening the scope of this technology, Swiss Re pioneers its transfer to emerging markets such as Asia and Africa.

Juerg Trueb, Head Environmental and Commodity Markets comments: "This project is an important milestone in our attempt to adapt and deploy advanced risk management and financial market instruments for the benefit of the agricultural sector in developing markets." Ivo Menzinger, Head Sustainability and Emerging Risk Management, continues: "Insurance and access to credit are crucial elements to lift

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smallholder farmers out of the poverty trap. With climate change expected to exacerbate weather risks going forward, particularly in developing countries, innovative financial instruments for rural communities are urgently needed.”

### **Notes to editors**

Swiss Re is the world’s leading and most diversified global reinsurer. The company operates through offices in more than 25 countries. Founded in Zurich, Switzerland, in 1863, Swiss Re offers financial services products that enable risk-taking essential to enterprise and progress. The company’s traditional reinsurance products and related services for property and casualty, as well as the life and health business are complemented by insurance-based corporate finance solutions and supplementary services for comprehensive risk management. Swiss Re is rated “AA-” by Standard & Poor’s, “Aa2” by Moody’s and “A+” by A.M. Best.