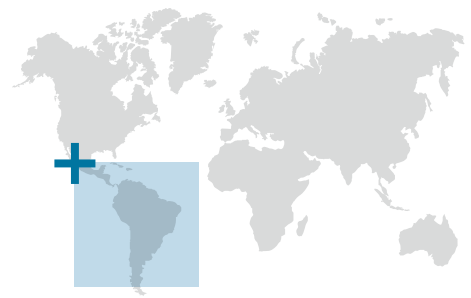


IN FOCUS:

FINANCIAL LITERACY



SUBJECT

The term “financial literacy” means having the knowledge, skills and confidence to manage your finances well, taking into account your economic and social circumstances, where:

- “knowledge” means having an understanding of personal financial issues;
- “skills” means being able to apply that knowledge to manage one’s personal finances; and
- “confidence” means feeling sufficiently self-assured to make decisions relating to one’s personal finances.

People who are financially literate are able to make sound financial decisions for themselves and their families, to make informed choices between different financial products and services, to budget and to plan ahead, to build up some savings, to protect themselves against financial risks, to invest prudently and to understand their rights and responsibilities.

Financial literacy initiatives do not include:

- financial product marketing – promoting a brand or specific products or services; or
- commercial financial advice – by which we mean advice which may result in the recommendation of a specific financial product or service from a particular provider.

CHALLENGES IN PERU

The Peruvian agricultural sector, which is fundamentally important to the national economy, is particularly affected by natural hazards caused by climate change. Insurance as a possible risk management strategy has received only little attention so far (both by clients and by the industry) due to the following reasons.

1. Limited experience with financial products including insurance.
2. Overall lack of understanding of and interest in (climate) insurance among most stakeholders.
3. Widespread lack of trust in insurance companies amongst the population.
4. Lack of investigation and research with respect to financial risk management products and insurance in the country.
5. Lack of qualified brokers/experts/actuaries.
6. Lack of prevention and risk management strategies amongst the population and governments with respect to the “El Niño” phenomenon and climate risks.



SOLUTION

Financial literacy campaign

Campaigns to create awareness amongst the population, producer associations and regional governments were carried out in rural areas.

1. Theatre “el Niño viene?” (“Is el Niño coming?”) raised awareness of insurance against climate risks. Video of the theatre, Radio announcement, and Interviews were also used.
2. Development of three radio micro-programs (radio spots) provides information about index-based insurance and has been transmitted through 10 rural radio stations in the region.
3. Publication of several comics that explain the insurance concept in simple language and how insurance can protect against natural phenomena.

Dissemination of Knowledge

1. Publication of several technical papers on index insurance for climate change adaptation in English and Spanish.
2. Expansion of the availability of technical information regarding insurance products for climate change adaptation due to the project’s website, international workshops and capacity-building events. Event calendar, International Workshops 2012, 2013.
3. Provisions of specific training of brokers and insurance staff by GlobalAgRisk using a model of the extreme El Niño insurance product for protecting the portfolio of financial institutions. The model facilitates the seller in showing the benefits of the insurance and in determining possible insurance sums.
4. Development of an online diploma course on Index Insurance for Risk Management and Adaptation to Climate Change in collaboration with the University for International Cooperation of Costa Rica.

Name:

Insurance for Climate Change Adaptation

Duration:

November 2010 – October 2013

Name of component activity:

Analysis and strengthening of the regional demand for insurance products associated with natural hazards

Program Area:

The Regions La Libertad, Lambayeque, Piura on the northern coast of Peru

Cooperation:

Peru’s Superintendence SBS

5. Under Peru’s superintendence an online course on agricultural insurance was developed. It reflects the Peruvian reality and is directed by Peruvian professionals in cooperation with the Inter-American Institute for Cooperation on Agriculture (IICA) in Uruguay and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

LESSONS LEARNED

1. Capacity training and awareness building at all levels is crucial when introducing a new type of insurance, like an index-based product. Intermediaries like microfinance institutions need training that enables them to explain advantages of the product to their clients in simple language.
2. Development of different materials and selling strategies according to the clients’ needs (local and national government, financial institutions, big agricultural companies, associations of producers or for a distribution channel for small producers).
3. Contact to leaders of agricultural associations can be crucial in reaching other members and creating trust.
4. Financial literacy campaigns are cost and time intensive and it is difficult to measure the impact of these strategies in the short and long term.
5. It is not possible to develop a market for insurance against climate risks with only one specific insurance product.
6. All capacity-building materials and information about the project must be available in the local language.
7. There is a strong need for qualified staff who constantly monitor the performance of each campaign and capacity building measure.
8. The Virtual Diploma experience has proved to be an effective capacity-building and knowledge dissemination mechanism in reaching a large number of people in different countries. This diploma educates on the topics of risk management, climate change adaptation and insurance.
9. The international workshops have presented an excellent dialogue space amongst technical experts and public and private staff which has in turn generated very valuable strategies and guidelines for implementing climate risk insurance in Latin-America.

Local partner:

Insurance Company La Positiva Seguros

Target group:

Small business, producer organizations, sub-national governmental institutions

Documentation:

www.seguros.riesgocambioclimatico.org

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