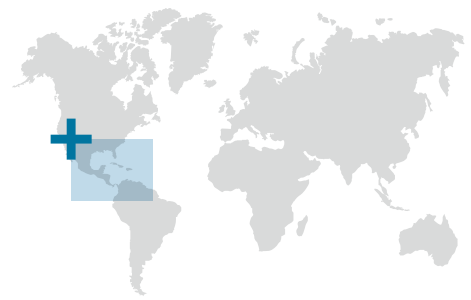


# IN FOCUS: MARKET DEVELOPMENT & INNOVATION



## SUBJECT

Over the past 30 years in the Caribbean, floods and tropical storm damage affected 1.5 million people directly and caused over USD 5 billion in damage. The increasing frequency and intensity of extreme weather events stresses societies and natural systems.

On behalf of the International Climate Initiative of the German Ministry for the Environment, Nature, Conservation, Building and Nuclear Safety, the Climate Risk Adaptation and Insurance in the Caribbean (CRAIC) II project aims to upscale, refine and integrate climate risk insurance (CRI) solutions (launched in phase I) within a broader framework for disaster risk reduction (DRR) strategies and facilitate public safety nets and public private insurance solutions for vulnerable people.

### The project addresses:

1. National Policy and Insurance Regulation
2. Product Refinement, Market Development and Expansion for the Livelihood Protection Policy (LPP)
3. Linking Community Resilience with Livelihood Protection
4. Awareness Raising and Outreach.

## CHALLENGES

1. Affordability issues for the target low income segment. Additional transaction cost and taxes. Also, even with this cost structure insurers and distributors are not sufficiently incentivized to push the product.
2. Intensive marketing efforts and consumer education is needed to increase the scale of LPP. Technology interventions are capital intensive.
3. The long time gap in between the two project phases affects the interest level and engagement of local stakeholders.
4. Low agility in product refinement and longer response time towards market dynamics.



## Linking community resilience with livelihood protection, awareness raising and outreach

1. Creating an evidence base through empirical analysis of the impact of insurance on household resilience and capacity building with local communities on linking insurance with disaster risk reduction strategies.
2. Education of beneficiaries through intensified awareness raising at local, national and international level.
3. Knowledge exchange and dissemination of lessons learnt into relevant policy processes, such as the United Nations Framework Convention on Climate Change and Caribbean Community.

## SOLUTION

### Innovation in products refinement, market development and expansion

1. Refinement and revival of LPP .
2. Capacity development of insurers and aggregators.
3. Liaising closely with regulatory authorities on policy regulatory matters. Creating a Working Group of regional insurance regulators to further develop and refine CRI products. Capacity development of regulators on parametric index insurance is essential.

### Name of programme:

Climate Risk Adaptation and Insurance in the Caribbean II

### Duration:

November 2016 – October 2019

### Name of component activity

Making the Livelihood Protection Policy (LPP) launched in Phase I affordable, accessible and understandable for all people at climate risk in the Caribbean.

### Programme area

The Caribbean (Jamaica, Saint Lucia, Grenada, Belize and Trinidad and Tobago)

### Implemented by

Munich Climate Insurance Initiative e.V. (lead), Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company (CCRIF SPC), International Labor Organization Impact Insurance facility (ILO), Munich RE, GK Insurance, EC Global, DHI (formerly Danish Hydraulic Institute).

## LESSONS LEARNED

1. Technical reviews can be complicated and are time consuming.
2. The use of digital channels and group insurance can facilitate quick expansion of the products.
3. The long time gap between the two project phases affects the interest level and engagement as well as capacity development of aggregators and local partners.
4. A continuous exchange with regulatory authorities (e.g. regional insurance regulators) can foster capacity development of parametric index insurance.
5. Empirical evidence-based analysis is key to understand the effect of insurance on household resilience and capacity building within local communities.
6. The education of beneficiaries is essential for further and future up take of insurance products. It is pivotal to avoid technical details (e.g. actuarial elements) and simplify wording and language according to the target audience.

### Funds available

The project is funded by the International Climate Initiative (ICI) of the German Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) with EUR 2.6 million

### Target group

All income people at climate risk with special focus on highly exposed low-income individuals, rural small holding farmers and day wage laborers whose livelihoods are very sensitive to weather-related extreme events in the Caribbean, development finance sector and the international and national-level policy sector.

### Documentation

<http://www.climate-insurance.org/projects/climate-risk-adaptation-and-insurance-in-the-caribbean/>

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