

CLIMATE RISK ADAPTATION AND INSURANCE IN THE CARIBBEAN (CRAIC)





ABOUT CRAIC

The Caribbean region is highly exposed to tropical storms, hurricanes, flooding, and naturally induced disasters. These hazards represent a significant risk to the inhabitants and economies of the Caribbean countries.

The Climate Risk Adaptation and Insurance in the Caribbean (CRAIC) project assists Caribbean countries in their efforts to increase social resilience and adapt to climate change by incorporating climate risk insurance within a broader framework of disaster risk reduction strategies. The project aims to refine and expand the index-based parametric Livelihood Protection Policy (LPP) to make it more affordable and accessible to all people in the Caribbean, especially individuals and communities vulnerable to climate risk.

Currently in its second phase, CRAIC is continuing in Jamaica, Saint Lucia, Grenada, Belize, and Trinidad & Tobago, and intends to serve all interested countries in the Caribbean. The project is funded by the International Climate Initiative (ICI) of the German Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety (BMU).

Supported by:



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PHASE I ACHIEVEMENTS

UNIQUE PRODUCT The LPP was uniquely and simply designed, targeting people of all incomes and sectors.

14-DAY PAYOUTS Payouts were made within 14 days, helping policyholders to quickly rebuild their livelihoods after an extreme weather event.

INCREASED AWARENESS Partner governments recognized the need for self-sustaining risk transfer instruments to reduce social vulnerability and introduced LPP-specific regulations.

AWARDS The project won the "Momentum for Change Lighthouse Activity Award 2017".

LESSONS LEARNED & BEING IMPLEMENTED

PRICE EFFECT High prices due to the high probability and severity of hurricanes, taxes, and additional transaction costs make the product unaffordable for the lowest income segments.

SCALING EFFORTS Intensive marketing efforts, alternative product distribution mechanisms, and consumer education are required to increase the uptake of LPP.

EDUCATION The need for awareness raising and capacity building of local insurers and distributors on parametric index insurance was recognized.

INTEGRATED CLIMATE RISK MANAGEMENT The LPP must achieve a closer alignment with national DRM strategies.

PHASE II ACHIEVEMENTS & WAY FORWARD

REVISED TRIGGERS Revised triggers for rain and wind have been developed to optimize payouts.

72-HOUR PAYOUT Technical feasibility identified to make claims payout within 72 hours.

DRM INTEGRATION Disaster risk management principles are to be integrated within the climate risk insurance product.

EXPANSION The LPP product is to be expanded to other Caribbean countries.

OVERALL APPROACH

- Working with policymakers, regulators, and ministries **to create an enabling environment to foster the growth of climate risk insurance**

- **Refining, developing, and upscaling an insurance product that provides individuals with access to innovative solutions** that pay out immediately, without claims-handling procedures, by applying digital solutions

- **Linking insurance to disaster risk management**, as insurance is one part of an integrated disaster risk management strategy: CRAIC, in partnership with regional and national disaster management agencies, is thus focusing on educating potential LPP holders about other necessary steps that should be taken before and after a natural hazard strikes. This information is transferred to the LPP holder through several methods, including:
 - Training: The CRAIC team provides Disaster Risk Management (DRM) educational materials for organizations, agencies, and cooperatives to use when talking about microinsurance to help potential buyers understand the importance of DRM.
 - Illustrated guides: With the purchase of an LPP, the buyer receives a guide outlining the importance of implementing certain preparedness measures to increase the effectiveness of the LPP.
 - Early warning alerts: Several days before a hurricane is forecasted, LPP holders receive a text message with advice on how to best minimize potential damage. Post event, policyholders are informed about the triggered event and payouts.

- Empirical analysis of the **impact of climate risk insurance on household resilience**

- **Awareness raising, outreach, and knowledge transfer on the local, national, regional, and international level**



THE LIVELIHOOD PROTECTION POLICY

The Livelihood Protection Policy (LPP) is a weather index-based insurance policy designed to help vulnerable people recover from the damage caused by strong winds and/or heavy rainfall during hurricanes and tropical storms. Targeted at all individuals irrespective of income level or sector, the LPP provides quick cash payouts after a weather event, enabling policyholders to start rebuilding their lives in the wake of a natural disaster. The product is ideal for farmers, fishers, crafts people, and tourism sector workers, whose livelihoods can be critically affected when a natural disaster strikes. Currently, the LPP is offered by GK General Insurance Company Limited, EC Global, and reinsured by Munich Re.

OUR AMBITIONS

To protect the livelihood of the **most vulnerable people**, regardless of their income, in the Caribbean

To provide community protection for governments, regions, cities, and associations available through **group insurance mechanisms**

To **upscale the insurance approach worldwide**, based on the experiences and lessons learned in the Caribbean

To integrate insurance into overall **Disaster Risk Management (DRM) Strategies**

To **utilize market mechanisms** and A-rated reinsurance capacity

ABOUT MCII

The Munich Climate Insurance Initiative was initiated as a charitable organization by insurers, research institutes and NGOs in April 2005 in response to the growing realization that insurance solutions can play a role in adaptation to climate change, as suggested in the UN Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol. This initiative is hosted at the United Nations University Institute for Environment and Human Security (UNU-EHS). It is focused on bringing solutions for the risks posed by climate change to poor and vulnerable people in developing countries. MCII provides a forum and gathering place for insurance-related expertise applied to climate change issues.

Website <http://www.climate-insurance.org>



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