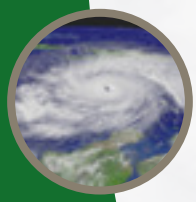
Climate Risk Adaptation and Insurance in the Caribbean



Providing Risk Management Tools to Help Vulnerable People Adapt to Weather Extremes

Unlocking Development Potential in the Caribbean

Overcoming Barriers to Managing and Transferring Weather-Related Risk

Providing Access to New Market Segments and Supporting Sustainable Development

Transforming Experience into Policy

At a Glance

Between 2011 and 2014 the Climate Risk Adaptation and Insurance in the Caribbean programme will design and implement products that combine risk reduction and insurance for low income groups such as small-holding farmers and day labourers in the Caribbean.

The products target medium-level weather extremes (e.g. hurricanes and droughts) which may increase in frequency and intensity due to climate change. The programme has five goals:

- Helping vulnerable people adapt to extreme weather events
- Unlocking development potential in the Caribbean
- Overcoming barriers to risk reduction and transfer
- Expanding access to new market segments
- Sharing learning with the policy community

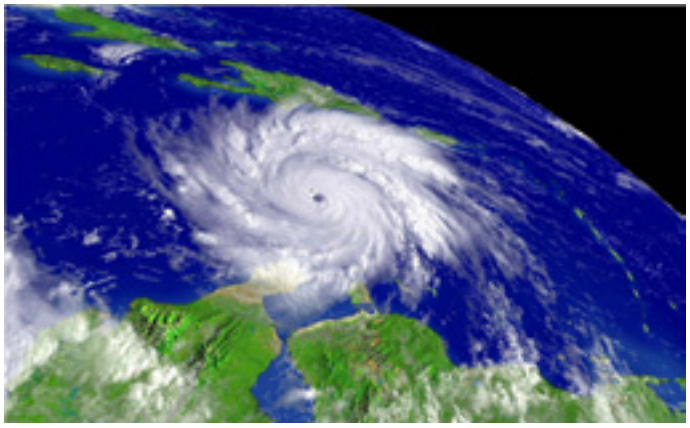
This is the first initiative to link a regional sovereign risk pool (Caribbean Catastrophe Risk Insurance Facility - CCRIF) with cutting-edge local level microinsurance support through MicroEnsure, and international reinsurance expertise with Munich Re. The Munich Climate Insurance Initiative (MCII) manages the programme. MCII is a non-profit think tank that bridges implementation of climate risk insurance solutions with the UNFCCC climate negotiations. The German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety intends to support this programme.

Providing Risk Management Tools to Help Vulnerable People Adapt to Weather Extremes

The projected impacts of climate change on the Caribbean region are expected to bring increased instances of weather-related extremes (e.g. tropical storms, heavy precipitation events, disruptions in rainfall and freshwater supply). Losses over the last 30 years have been estimated to amount up to US$3.3 billion from extreme weather events alone. Reducing or avoiding loss and damage from weather extremes is the bedrock of much of the adaptation that is needed for low-income communities. The programme helps vulnerable farmers and day labourers in the Caribbean adapt to the impacts of weather-related extreme events by linking loss avoidance and reduction (such as adaptive agricultural techniques, building safer structures, keeping flood drainage canals free of debris) with financial risk management tools.

Unlocking Development Potential in the Caribbean

Recurring impacts of weather-related risks can erode the resilience of low-income households, who in many cases are left with no other option than to sell or use productive assets in order to survive. Insurance and disaster risk reduction efforts against weather risks have the potential to significantly improve the security of families' and communities' livelihoods. Experience in other areas of the world shows that insurance unlocks the possibility for poor farmers to access productivity-enhancing credit to invest in drought-resistant seed, insecticides, herbicides and fertilizers. Access to insurance contributes to dramatic increases in yield, sometimes twofold or more. Farmers participating in such microinsurance and credit programmes often increase land under cultivation, invest in irrigation schemes, diversify their crops and invest or save to build more resilient livelihoods. The Climate Risk Adaptation and Insurance in the Caribbean programme will help participants to bridge the risk-and-development divide.



Overcoming Barriers to Managing and Transferring Weather-Related Risks

Low-income communities face daunting challenges in managing weather-related risks. Farmers and day labourers are among the first affected by weather variability. Few have access to financial back-up mechanisms for hard times. Few have sufficient weather information to inform their farming and investment decisions. Few have adequate resources to expand capacity to manage disaster risk. These gaps translate into a negative cycle of poverty.

The partners of the Climate Risk Adaptation and Insurance in the Caribbean programme turn this cycle around by providing data and financial risk management tools locally and regionally, and by improving disaster risk management capacity. The program will improve data, the capacity for risk management, and financial back-up mechanisms to help sectors most exposed to weather risks like the agriculture and tourism sectors in the Caribbean. These sectors are the greatest sources of employment for day labourers in the region.

Where every single workday counts, better data about the weather and access to financial tools make the critical difference for the income – and safety – of day labourers. This, in turn, can translate into keeping children in school, maintaining family health and preventing deepening poverty.

Providing Access to New Market Segments and Support of Sustainable Development

The unique partnership facilitates access to new market segments. Its partners include a company specialising in matching local needs with tailored risk management products, a regional facility with understanding of the regulatory environment and ability to serve as a regional risk aggregator with its member countries, a leading reinsurer with expertise in modelling, product structuring, and bridge to international practice and policy. These partners will enable the Climate Risk Adaptation and Insurance in the Caribbean programme to showcase a new way of sustainably managing weather-related risks at a regional level.

Transforming Experience into Policy

The Climate Risk Adaptation and Insurance in the Caribbean programme will share lessons learned with policy makers at the regional and international level. These lessons will inform decision makers about designing approaches that make loss avoidance and reduction a central aim, on how to overcome obstacles to expand the access of vulnerable people to these schemes and on the potential services and value addition of a regional facility for adaptation.

The Climate Risk Adaptation and Insurance in the Caribbean programme will demonstrate to leaders from Africa, the Pacific, and Latin America whether such an approach would be relevant for risk management in their regions. The programme partners will work with delegates to the UNFCCC to determine what role the international community might play in catalysing similar regional approaches to adaptation, reduction of loss and damage, and insurance.

The programme partners include:

The Munich Climate Insurance Initiative (MCII) manages the Climate Risk Adaptation and Insurance in the Caribbean programme. MCII bridges the implementation of the programme with policy processes such as the climate negotiations, where climate risk insurance measures are under active discussion. MCII monitors and reports on programme results and lessons learned to decision makers, adaptation practitioners, science, and insurance professionals.

The Caribbean Catastrophe Risk Insurance Facility (CCRIF) is the first and, to date, only multi-country risk pool in the world. CCRIF may serve as a regional risk management facility for the Climate Risk Adaptation and Insurance in the Caribbean programme. CCRIF has the capacity to aggregate risk or serve as a financial back up mechanism. CCRIF has close ties to national meteorological and disaster management authorities, and has extensive experience with regional weather data and modeling. Also, CCRIF has recently expanded its capacity development activities in the region. CCRIF will work with MicroEnsure, Munich Re and MCII to sustainably add risk management and transfer tools to the adaptation portfolio of the Caribbean.

MicroEnsure is the global leader in providing back-office service for microinsurance, helping microinsurance providers fill gaps that help bring products to market such as designing products and negotiating with the risk carrier, training the sales staff, educating the clients, client management systems (data and data entry, reporting, claims processing). MicroEnsure partners with a range of microfinance organisations (MFI's), global NGO's, faith based networks and mobile phone companies to reach low income communities in significant numbers.

Munich Re, the world's leading reinsurer, contributes its expertise in product structuring and risk modeling, the largest database on natural catastrophes, and understanding of regulatory issues to the Climate Risk Adaptation and Insurance in the Caribbean programme.

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