

Climate Risk Adaptation & Insurance in the Caribbean

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At a glance: Climate Risk Adaptation and Insurance in the Caribbean

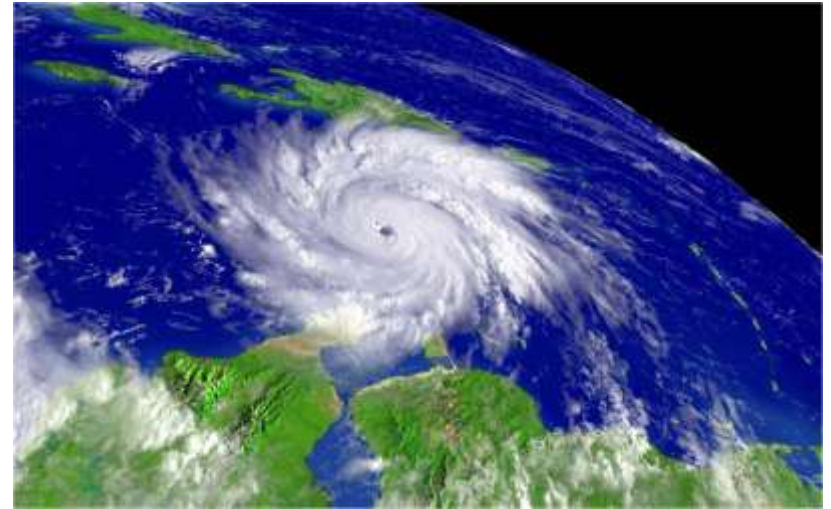
- **Time:** 2011 to 2014
- **Task:** Design and implement products that combine risk reduction & insurance to protect the livelihoods of low income groups in the Caribbean.
- **To-do:** Implement up to 3 index-based weather products in selected countries within the Caribbean in the next 3 years: Belize, Guyana, St. Lucia and Jamaica have been identified as amongst target countries
- **Team:** Munich Climate Insurance Initiative, Caribbean Catastrophe Risk Insurance Facility, Microensure, Munich Re
- **Support:** Germany's Federal Ministry for the Environment has approved funding for this unique project.

Overall aim: help vulnerable Caribbean states and their institutions address weather-related risks by linking insurance solutions to disaster risk reduction

- Some proponents advocate for a top-down international solution
- Practitioners pursue hundreds of pilots all over the world, but they struggle to get to scale
- Our big idea: Start in the middle with an established regional risk management pool

Need: High Risk Exposure to Weather-Related Extremes

- Developing countries located in disaster-prone regions – such as the Caribbean – are particularly hard hit by global climate change.
- Losses caused by weather-related natural catastrophes already account for up to 6% of the annual gross national product in the 5 target countries – this could increase 3% by 2030



Coping Strategies in Tourism and Agriculture in the Caribbean: Survey Results



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Experience of Extreme Weather Events

- 42% of the sample experienced some loss due to extreme weather (drought, flooding or wind damage) since 2000, with some experiencing multiple losses
 - 10% had experienced house damage due to flooding
 - 16% had experienced house damage due to high winds
 - 21% had experienced loss of customers due to a hurricane or tropical storm
 - 17% lost employment due to extreme weather
- The main ACTUAL coping mechanisms utilised from last event included using savings (36%), borrowing (12.4%) and governmental assistance (9%).
- Of concern: 23% did not repair or replace damaged or lost items
- In general the responses taken are considered medium level stressors (see next table)

Swift recovery from hazards protects livelihoods



- Recurring impacts of weather-related erode resilience
- Insurance helps unlock access to productivity-enhancing credit.

Linking risk reduction & insurance builds resilience



- Low-income communities face daunting challenges in managing weather-related risks. These gaps translate into a negative cycle of poverty.
- Turns this cycle around by improving disaster risk management capacity.

Bringing two products to market in 2012 linking risk reduction, livelihood protection, & insurance



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„Shock Absorber“

- Weather hazards affect livelihoods of low income day laborers & farmers
- Loss of income or livelihoods can deepen poverty
- Trigger-based insurance policy which is designed to help low income people cope with the severe impacts on their livelihoods following extreme weather events
- Quickly provides individuals money following an extreme weather event. Payout allows them to quickly rebuild livelihood.
- Such policies could serve as (conditional) collaterals for loans, reduce riskiness of banks to loan to low-income clients with insurance

„Loan Portfolio Cover“

- Weather hazards a principle cause of loan default
- Reluctance of financial institutions to give loans to low-income people with weather-risk exposure
- Trigger-based insurance policy which is designed to provide portfolio level protection against
- Feature of the LPC is an SMS-based warning system for bank clients. Simple way to inform bank clients about upcoming weather events via mobile phones



**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

Thank you!



Munich Climate Insurance Initiative

For more information, visit us at:

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