

IN FOCUS: INNOVATION & TECHNOLOGY



SUBJECT

The high transaction costs of serving low-income clients in developing and emerging market economies demand innovative approaches and technological advancements.

Challenges that inflate operational costs include data collection, processing and management, premium payment mechanisms as well as claims verification and settlement.

Index insurance products, mobile payment devices or more accurate weather and agricultural-yield information based on satellite data are examples for innovative approaches that can help to overcome these challenges.

CHALLENGES IN THE CARIBBEAN

Vulnerability to climate change can lead low-income communities deeper into poverty in the long run. Improving their ability to respond to, and cope with climate change related shocks can increase social resilience and decrease vulnerability. Therefore, by establishing a mobile phone text message that alerts insurance policy holders to approaching extreme weather events, the project has sought to improve the risk management capacities of target communities.

Challenges related to this objective are:

1. Close cooperation is required between the local insurers and national disaster management agencies as the information of an approaching extreme weather event is passed on by the disaster management agency to the insurer.
2. Lack of trust in the national disaster management agencies by the insurers; they are perceived to not be very reliable.
3. Insurers are wary of reputational risk if policy holders do not receive the extreme weather event information on time.
4. Insurers do not acknowledge the additional value-add of such a feature as they opine that there is enough information related to extreme weather events broadcast by the national authorities.



SOLUTION

Mobile Phone Text Messages

1. Workshops conducted for the staff of the national disaster management agencies to educate them about parametric index insurance and its role in managing weather related risks.
2. Facilitated dialogue between the local insurers, national disaster management agencies and regional disaster and emergency management organization.
3. Engaged ministries of climate change/sustainable development/local government to build consensus and gain momentum.

LESSONS LEARNED

1. Resistance can sometimes be hard to break down. Commitment needs to come from the highest levels of partner organizations; getting buy-in from different stakeholders can be a long drawn out process.
2. Product features and technical aspects should ideally be signed off by project partners owning the relevant experience.
3. Despite intensive efforts, there is a significant amount of resistance that the project continues to encounter from partner organizations. For the next project phase, other community based risk management approaches are being explored that would also be a value add for policy holders.

**Name:**

Climate Risk Adaptation and Insurance in the Caribbean

Duration:

March 2011 – March 2014

Name of component activity:

Linking the Livelihood Protection Policy to coherent Disaster Risk Reduction approaches to improve the social resilience of at-risk, low-income communities

Program Area:

Caribbean: Saint Lucia, Grenada, Jamaica

Cooperation:

Caribbean Catastrophe Risk Insurance Facility (CCRIF)
MicroEnsure, Munich Re

Local partner:

CCRIF

Target group:

Low-income, vulnerable communities exposed to climate change related shocks that would have a negative impact on livelihoods

Documentation:

www.climate-insurance.org

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