



## CLIMATE RISK ADAPTATION AND INSURANCE IN THE CARIBBEAN

### FINANCIAL LITERACY

**SUBJECT** Low levels of financial literacy lead to low numbers of people accessing financial services – financial inclusion – necessary for economic activity and ultimately social welfare and growth.

1. “Knowledge” means having an understanding of personal financial issues;
2. “Skills” means being able to apply that knowledge to manage one’s personal finances; and
3. “Confidence” means feeling sufficiently self-assured to make decisions relating to one’s personal finances. People who are financially literate are able to make sound financial decisions for themselves and their families, to make informed choices between different financial products and services, to budget and to plan ahead, to build up some savings, to protect themselves against financial risks, to invest prudently and to understand their rights and responsibilities.

#### FINANCIAL LITERACY INITIATIVES DO NOT INCLUDE:

1. Financial product marketing – promoting a brand or specific products or services; or
2. Commercial financial advice – that is advice which may result in the recommendation of a specific financial product or service from a particular provider.

**CHALLENGES IN THE CARIBBEAN** Insurance – though no panacea for climate change related extreme weather events – can serve as a measure for adaptation of vulnerable populations to climate change. People that are especially vulnerable to climate change predominantly rely on traditional coping mechanisms, such as the use of savings. However, these traditional measures are often insufficient and can lead to a negative impact on their overall resilience in the long term. Insurance could serve as one measure to cover losses occurring from an extreme weather event but the vulnerable population are often not familiar with insurance or might have had bad experiences with insurance companies and/or found the products to be too complex.

1. A general lack of understanding of index insurance among most stakeholders.
2. Widespread lack of trust in traditional insurance companies among the population linked to financial crisis.
3. Lack of investigation and research with respect to financial risk management products and insurance in the country.

## SOLUTION

### Capacity Building, Marketing and Training

*Campaigns to build awareness amongst the population, producer associations and regional governments were carried out in all three islands.*

1. Organizing Train-the-Trainer workshops in the target areas engaging partner institutes to educate relevant stakeholders on index insurance and train them on administrative/back office procedures for the product.
2. Engaging local credit unions and cooperatives as these grassroots organizations can serve as the first point of contact with target groups to inform them about the insurance solutions and become part of a distribution channel
3. Engaging with farmer's cooperatives and groups to inform and educate them on climate risk insurance and to create demand among end users.
4. Finding "product champions" (e.g., dedicated insurance focal points within the organization) who helped drive national and regional policy processes to create an enabling environment for index insurance.
5. Innovative marketing strategies such as a local theatre play in the local language explaining the benefits of the insurance product.

## REPORTING BACK TO POLICY MAKERS

1. Publications based on the project outcomes aimed at policy makers in the UNFCCC process.
2. Close collaboration and coordination with policy makers to include text on climate insurance in high level decisions (Warsaw International Mechanism COP 19).
3. Active presence at COP with side events on the role of insurance in climate risk management. (The National Delegates of Jamaica, Saint Lucia and Grenada to the Conference of the Parties are strong supporters of the project's activities and are active participants in project events.).

## LESSONS LEARNED

1. Development of a consistent marketing strategy, in which appropriate individual activities take place, is crucial for all stakeholders.
2. Comprehensive knowledge building campaign on the connections between Disaster Risk Reduction (DRR) and weather index insurance must be undertaken at the micro, meso, and macro level.
3. Open dialogue with national and international decision makers result in recognition of the role of insurance in managing climate risks.
4. Design publications with clear and concise language aimed at informing policy processes.
5. Develop institutionally light business models to help ensure efficient and effective delivery channels.

### 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

### LOCATION:

Saint Lucia, Grenada, Jamaica

### TARGET GROUP:

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

### DOCUMENTATION:

[www.climate-insurance.org](http://www.climate-insurance.org)

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