



Climate Risk Adaptation and Insurance in the Caribbean

ABOUT THE PROJECT

The Climate Risk Adaptation and Insurance in the Caribbean project seeks to address climate change, adaptation and vulnerability by promoting *weather-index based insurance as a risk management instrument in the Caribbean*. The project has developed two parametric weather-index based risk insurance products *aimed at low-income individuals and lending institutions exposed to climate stressors*.

PROJECT GOALS

The objective of the Climate Risk Adaptation and Insurance in the Caribbean project is to help target countries increase *social resilience and incentivize sustainable adaptation measures* by incorporating climate risk insurance within a broader framework of disaster risk reduction strategies. The overarching goals of the project are:

- To support the development of weather-related risk management solutions, including insurance;
- To support the development of public-private insurance solutions so that financial support is extended to the most vulnerable groups;
- To demonstrate the value of a regional risk pooling instrument in climate change adaptation and risk management.

TIME-FRAME:	Phase 1 2011–2014; Phase 2 2016–2019
COUNTRIES:	Jamaica, St. Lucia, Grenada, Belize, Trinidad & Tobago
BENEFICIARIES:	Low-income individuals, financial institutions
GOAL:	Managing and transferring risks associated with extreme weather events

Losses caused by weather-related natural catastrophes already account for up to 6% of the annual GNP in some Caribbean countries.

UN ECLAC. 2011. Caribbean Development Report Volume III: The Economics of Climate Change in the Caribbean.

FOCAL REGION: THE CARIBBEAN

The Caribbean is susceptible to a number of natural disasters including droughts, floods and hurricanes, which due to climate change have been increasing in both frequency and intensity. These disasters severely impair economic growth in the Caribbean because of its *reliance on climate vulnerable sectors such as tourism and agriculture*.

POLICY IMPLICATIONS

Central to the project's agenda is its role in the transfer of learning and experience to further North-South, as well as South-South exchange by:

- Informing policymakers on approaches to loss avoidance and reduction;
- Highlighting the role of international organizations in promoting regional approaches to adaptation; and
- Deepening the debate within the international climate policy negotiations on addressing loss and damage and the role of insurance in this regard.

PROJECT CONSORTIUM

The Climate Risk Adaptation and Insurance in the Caribbean project is led by the Munich Climate Insurance Initiative (MCII) – hosted at the United Nations University Institute for Environment and Human Security (UNU-EHS). The project is implemented by MCII together with its partners, the Caribbean Catastrophe Risk Insurance Facility (CCRIF), DHI, Munich Re and ILO's Impact Insurance Facility. Funding for the project has been provided by the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB) under the International Climate Initiative.

www.climate-insurance.org

Over the last 30 years, 1.5 million people were affected by floods and tropical storms in Jamaica, Saint Lucia, Grenada and Belize, causing over US\$ 5 billion in damage.

Lashley, J. 2012. Weather-related insurance and risk management. A demand study in the Caribbean. Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Munich Climate Insurance Initiative (MCII) e.V. Eschborn, Bonn

INSURANCE PRODUCTS

THE LIVELIHOOD PROTECTION POLICY (LPP):

Targeted at individuals, this product helps protect the livelihoods of vulnerable low-income individuals by providing swift unbureaucratic cash payouts following extreme weather events (i.e. high wind speed and heavy rainfall). This crucial support will reduce poverty and vulnerability by enabling these groups to recover quickly following a disaster.

THE LOAN PORTFOLIO COVER (LPC):

Targeted at lending institutions, this product is a loan portfolio hedge that can help create a space of certainty for institutions with credit portfolios exposed to natural disaster risk. As loan portfolios are insured against climate risk, investment can reach areas previously considered too risky for traditional lending. In the short run, this creates a win-win situation for the lender and the borrower, while also contributing to economic development in the region in the long run.

