MCII Workshop Report

Microinsurance in the Caribbean: challenges, implications for the regulation and development of index insurance

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1. Introduction

For many years traditional private insurers have focused on higher income and corporate segments. Accordingly, their business models, including products, cost structures, geographical presence, distribution networks, and servicing infrastructure, have been built with this focus.

Insurers were reluctant to serve the low-income market due to various reasons: individual premium sizes were perceived as too low given per-policy fixed costs; premium calculation was seen as more complicated due to limited data and risks of this segment was unknown. The traditional distribution agents and brokers were more familiar with the middle or higher income customers and did not see the business with the low-income persons as traditional remuneration structures provide incentives to focus on larger premium products.

Inclusive approaches include innovations in product design, coverage and service delivery. Consequently, what is often considered to be “microinsurance” addresses inclusive insurance markets. Protection mechanisms need to be tailored to a customer segment with low financial literacy, and little or no experience with insurance. While keeping transaction costs low and managing claims efficiently, it is important to address effective disclosure, simplicity of products, fair and accessible resolution of disputes and recourse options (consumer protection).

Traditional regulatory frameworks, including licensing procedures for products and agents, prudential norms and supervisory mechanisms, have been designed for products and services of higher-income customers. Intending to facilitate an ‘inclusive’ insurance growth, some jurisdictions are now developing policy frameworks for existing insurers targeting insurance for this market, or that motivate informal providers and intermediaries to integrate with the formal insurance sector. This requires cross-sector cooperation between public authorities including central banks, revenue authorities, telecommunications regulators, and departments of agriculture and social protection.\(^1\)

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\(^1\) International Association of Insurance Supervisors (IAIS), Application Paper on Regulation and Supervision supporting Inclusive Insurance Markets, (www.iaisweb.org), October 2012

Microinsurance within the context of ‘financial and insurance inclusion’ and index products are new concepts in the MCII partner countries, Jamaica, St. Lucia and Grenada. Without a legislative framework for both the product types in the region, the MCII organized the “Caribbean Insurance Regulators Workshop” bringing together regulators from eight Caribbean countries and from the Philippines (see list of participants, Annex 13) who shared common experience and discussed how an enabling environment for micro and index insurance can be created in the Caribbean. The objectives of the WS are:

- To improve understanding of microinsurance and to demonstrate the need for promoting insurance inclusion as part of a broader financial inclusion strategy within developing markets, such as participants’ jurisdictions;
- To enable participants to identify opportunities and barriers to the introduction of microinsurance, as well as potential legislative changes which would facilitate the development of a microinsurance market;
- To improve understanding of parametric/index-based insurance and its potential application within participants’ jurisdictions.

The short report is structured along the key sections of the agenda. The paper is not meant to cover the contents comprehensively but provides only selected issues covered by the speakers, added by information obtained from the IAIS. All presentations are documented in the Annex.

Sobiah Becker, Project Manager, Munich Climate Insurance Initiative, UNU-EHS provided an overview of the MCII project Introduction to the Climate Risk Adaptation and Insurance in the Caribbean and set the context for the workshop (see presentation Annex 1).

Risk transfer instruments such as climate risk insurance have a role to play in increasing social resilience in the face of a rapidly changing climate. The Climate Risk Adaptation and Insurance in the Caribbean project has the mandate to demonstrate this by developing and implementing parametric weather index insurance solutions that are aimed specifically at low income, vulnerable persons who have been overlooked by traditional insurance. The project seeks to work with local partners to deepen the financial inclusion agenda, create an enabling
environment for climate risk insurance in partner countries and inform the international policy discussion on Loss and Damage associated with climate change.

2. Policy environment for effective microinsurance practice

Increasingly, insurance supervisors are aware of the need to seek a healthy balance between regulation, enhancing access to insurance services and protecting policyholders. The International Association of Insurance Supervisors (IAIS) considers that the Insurance Core Principles (ICPs) apply to insurance supervision in all jurisdictions regardless of the level of development of the insurance markets and the type of insurance products or services being supervised. At the same time, it recognises that supervisors need to adjust certain supervisory requirements and actions in accordance with the nature, scale and complexity of risks posed by individual insurers (the principle of “proportionality”, IAIS 2012).

Peter Wrede (Senior Insurance Specialist, World Bank) provided an overview of the regulation of microinsurance (see presentation Annex 2). He stressed on the need for the provision of innovation to be regulated but not overregulated. Microinsurance regulation should “make life easier for everyone” by creating an open framework and shift restrictions and barriers out of the law managing them more flexibly in subsidiary rules. According to the IAIS, regulation of microinsurance aims foremost at consumer protection.

Existing insurance regulation may be an obstacle because it has

- Too restrictive distribution rules;
- Too costly capital requirements;
- Caps on commission, premium payment requirements and operational constraints;
- Additional drawbacks in Saint Lucia, Jamaica and Grenada such as classification methods, existing accounting form or reporting, registration of products to be introduced for the low-income market.

A microinsurance regulation should be “suitable, necessary, and appropriate” to be defined in the respective country context. Given the multiplicity of stakeholders, regulators may need to cooperate with other (public) agencies which may result in amending their legal requirements and approach to information sharing and protection.

Defining “microinsurance” can be done by product ‘size’/premiums, socioeconomic target group, by intention or others characteristics – either in quantitative or qualitative terms. Experience reveals that a qualitative definition is preferred until a quantitative definition is absolutely needed for other reasons.

Innovations are important to improve access to insurance markets. Such innovations may include new or different providers, distribution and servicing approaches, or technology. According to the IAIS, all entities that act as insurers should be subject to licensing. Even pilot schemes should be licensed, at least at the level of registration, and be subject to conditions that protect the interests of policyholders during and, if relevant, beyond the pilot phase (having an exit strategy). If informal providers exist formalisation is needed which should be clear, transparent, and based on transition plans that provide incentives to be regulated and limit excessive risk taking before full transition. Although solutions can take account of the nature, scale and complexity of the entity and its risk profile, there is a minimum point below which it will not be possible to retain insurance risk. In this case entities should be limited to providing other support services than acting as risk carriers.

A limited risk on nature, scale and complexity of the insurance entity should be reflected in both the approach to and constraint on the entity to maintain the more limited profile but there are minimum requirements (see Box below).

Some universal requirements appear to be effective absolute minimum requirements that would apply to some of the ICPs and Standards in the smallest, simplest entities at least annually or on request, e.g.

- Registration either in a pilot or in a transitional system (for entities that were previously informal) should include requirements to identify the organisation, its form, and to report to the supervisor after registration.
- Minimum reporting systems securing the necessary supervisory objectives:

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income statement and balance sheet (or other information that is equivalent in terms of outcome) that
- identifies the effects of reinsurance on income statement and balance sheet items so as to facilitate the analysis of the insurance business on a “gross” and “net” or reinsurance basis; information such as customers experience (in this context the Microinsurance Network suggest to report on selected Key Performance Indicators, KPI (http://www.microinsurancenetwork.org/sites/default/files/KPI_MI_Handbook_v2_EN_0.pdf);
- relates to the insurance business specifically when the enterprise is involved in both insurance and non-insurance activities;
- separately identifies expenditure associated with claims payments from those of operating and other expenses.

Source: IAIS 2013

The general regulatory issues were complemented by microinsurance experience of the ILO Microinsurance Innovation Facility presented by Pranav Prasad. He highlighted the requirements for microinsurance operations and the implications for regulation. This implies for instance the use of delivery channels which differ from traditional insurance agents and the involvement of communities when developing products among other issues such as premium collection, improving client value of products (e.g. reducing out-of-pocket expenses for clients with health microinsurance), and enhancing viability through processes and tools (e.g. using smart cards as oppose to plastic cards).

- Role of technology vis-à-vis customers capabilities and limitations: The ILO Facility experienced successes with ‘high touch’ technology involving microinsurance agents in insurance awareness and product explanation. In contrast, ‘low touch’ mobile technology requiring the clients to register etc. themselves through mobile phones showed critical results.
- Alternate distribution channels such as retailers causing challenges pertaining to time when the insurance comes into effect (i.e. is the receipt from the shop keeper sufficient?), is a petrol station permitted to sell insurance (i.e. a distinction between ‘agent’ and ‘supporter’ could clarify the role)

The ILO Facility suggests further testing of solutions such as bundling microinsurance with financial services, using technology without losing client touch, and including value-added services (see presentation Annex 3).

3. The regulatory environment in the MCII partner countries

J. Calixte Leon (Executive Director, Financial Services Authority) explained the Saint Lucia regulatory environment and outlined challenges for microinsurance (see presentation Annex 4).

The Insurance Act, Chapter 12.08 of the 2008 Revised Laws of Saint Lucia do not include any regulation on microinsurance and related non-licensed delivery channels as well as unofficial microinsurance product providers.

The following issues are particularly relevant for St. Lucia:
- Product: Whilst it is important that the price set for microinsurance products meet the objective of making the product affordable to the target market (low income persons) it has to be ensured that the product is sustainable for the insurer. For overcoming this challenge the regulator requested the Minister of Finance of granting a waiver of the premium tax on the LPP product - a response is awaited).
- Distribution Channel: The Insurance Act prohibits paying of commission to non-registered intermediaries. To facilitate ease of distribution, the Regulator’s Office permitted the insurer paying an administrative fee to the credit unions for their handling of the enrollment and renewal of beneficiaries’ accounts.
• Capacity of providers: In order to be registered for conducting insurance, the insurer must provide evidence that it has met the requirements to underwrite such class of business. Any new insurer wishing to sell this type of product must provide evidence that the staff/salespersons are duly trained in that class of business.

Gaby Ramm (MCII Member/Advisory Board) described the learnings on delivery channels based on the MCII review in March 2014 (see presentation Annex 5).

Insurance inclusion refers to a state in which all working age adults have effective access to insurance. “Effective access” involves convenient and responsible service delivery, at a cost affordable to the customer and sustainable for the provider. Barriers to access may relate to the purchase of the product, ongoing premium payments, claims management, or customer service complaint handling.

Microinsurance usually requires re-engineering to work on communication, distribution, enrolment, products, services and processes. As the reputation of insurance providers is generally low, microinsurance delivery channels such as credit unions or cooperatives are vital because

• People trust these (member-based) organisations;
• The organisations can create awareness (financial & insurance education);
• The organisations can link insurance to DRR measures-enhancing effectiveness;
• The organisations can assist in administrative processes (e.g. premium collection, documentation, payouts, renewal of policies).

Apart from the individual sales option (‘walk-in’ to insurance offices) most of the sales is assisted by cooperatives and credit unions who have to organize ‘sales events’ jointly with the insurance provider prior to selling the product. This process requires the insurance staff to travel to the venue whenever cooperative members are interested in the LPP – depending on the interest and the size of the group several times a year to various regions. Only after attending the event people can buy the product – a very expensive and time consuming process. As an additional complication, interested members have to wait for the next sales event until they can be enrolled causing the adverse effect that they could lose interest and the distribution channel would have to approach them again.

If they are not members of the cooperative/credit union, they first have to obtain membership which is an obstacle as not every person interested in insurance is willing to become a cooperative member. This is another factor for low take up (see box below).

The situation of microinsurance delivery channels – no regulation

The sales process could be enhanced through distinction of tasks which need licensing like microinsurance agents and non-licensing such as

• ‘Outsourcing’ awareness building, financial education, and information campaigns to organisations which do not require licensing for those tasks (e.g. national coffee board, RADA, credit union league);
• Disseminating factual product information (not related to insurance product advice);
• Using technology e.g. through mobile phones especially when providing insurance product information and have to be carefully assessed especially with regard to consumer protection (e.g. the Jamaica legislation does not permit selling insurance via phone). For administrative processes technology can result in time and cost efficient product operations.

4. Case study: The regulatory inclusive insurance framework in the Philippines

George Ferdinand Florendo (Deputy Commissioner, Insurance Commission of the Philippines) explained the development of microinsurance initiatives in the Philippines which has significant experience with all types of products covering 20 Mio. persons (see presentation Annex 6).

The Philippines developed a microinsurance regulation, permitting (micro)insurance providers such as mutual benefit associations to offer products. Intermediaries like agents and brokers and community-based entities are delivery channels. This required the collaboration with various government agencies, as delivery institutions were regulated by others than the insurance supervisor resulting in a Memorandum of Understanding between the insurance regulator, the Ministry of Finance, the Central Bank, and the Ministry of Cooperatives. In the future, microinsurance should further complement and supplement government social insurance programs.

5. Weather insurance and index-based insurance - reflections

Weather risks often play a dominant role not only for many smallholders who engage in rain-fed agriculture but also causing damages and income losses for other sections of the population. After decades of expansion, many emerging economies have had to scale back their multi-peril crop insurance schemes due to their increasing costs and high inefficiencies. Traditional crop insurance products are now complemented by a multitude of parametric insurance products which emerged as a promising technique to overcome the practical challenges especially for small scale farmers.
Traditional crop insurance, in the form of single or multi-peril crop insurance, requires on-site inspections to assess losses. Parametric insurance does not require such visits at all, or, in case of area yield insurance involving crop-cutting experiments, limited to a relatively small sample size only.

As index insurance is a new concept in the Caribbean, Thomas Loster (Member of the Advisory Group to the MCII Caribbean Project, and Chairman of the Munich Re Foundation) provided an overview about different types of index products from various countries.

Although index products still face some challenges, improvements in data collection, better modelling (even without extended number of weather stations) and intensified stakeholder education have further improved the scope as this particular risk transfer mechanisms. However, index insurance offered as a stand-alone product to individual customers has limitations. Its scope is enhanced when embedded into integrated risk management, incl. risk layering at the micro, meso, and macro levels (see presentation Annex 7).

6. Regulatory environment with index products in the MCII partner countries

Rosemarie Henry (Senior Director Insurance, Financial Services Commission) explained Jamaica’s Insurance regulatory environment and its challenges for microinsurance (see presentation Annex 8).

Jamaica’s legislation does not accommodate microinsurance but the Financial Service Commission (FSC) has granted approval within the current legislative framework, for “quasi-microinsurance policies”. These insurance products are primarily sold as group policies to selected financial institutions:

- Policy covers payment of utility bills if the insured experience a loss of income which prevents the payment of his bills;
- Policy covers losses caused by weather events such as hurricane (LPP pilot project);
- Policy provides a personal accident coverage for selected group.

Index products are also a new concept in Jamaica. One general insurance company has been approved to sell index insurance in Jamaica. The LPP product was treated as a pilot project in collaboration with the MCII. Approval was also granted for another project to be undertaken by the Development Bank and CCRIF to cover their loan portfolio. The premiums are paid by the Development Bank who is the owner of the policy.

The challenges being faced for the implementation of microinsurance and index products:

- Legislation does not specifically address microinsurance or index insurance as a class of business nor are composite products permitted to be sold;
- Increasing the knowledge of all stakeholders on microinsurance and the benefits and opportunities that can be derived;
- The development of expertise and knowledge by the FSC to adequately assess the microinsurance products and supervise the companies offering, as well as, those distributing these products;
- Ensuring adequate measures are in place for consumer protection;
- Adoption of documentation e.g. KYC (‘know your client’) requirements could be relaxed for microinsurance;
- The development of the National Strategy on Financial Inclusion that will support the thrust for the development of microinsurance in Jamaica.

Angus Smith (Executive Director, GARFIN) from Grenada highlighted the need for financial and insurance education. Exposure to index insurance practices in Jamaica or St. Lucia could raise the demand for the LPP by potential customers and intermediary institutions. Current obstacles such as high marketing cost for the insurance providers have to be solved.

In contrast to the other MCII partner countries, Grenada has experience with (micro)insurance: funeral and credit life products are already sold as well as an ‘ambulance cover’. The Credit Union National Association (CUNA) is insuring their member unions (credit life product) without any insurance license.
Calixte Leon from St. Lucia added that the traditional qualifications in insurance do not cover parametric type of business and require special training. To overcome the current lack of regulation the following options could be considered:

- Classifying parametric insurance as a sub-class of property insurance could be a challenge as the product does not provide indemnification and basis risk is largely ignored;
- Include a definition for parametric insurance to the Act;
- Amend the accounting and reporting forms to capture parametric insurance.

7. Regulatory considerations for index products

Peter Wrede (World Bank) provided an overview of regulation of index insurance (see presentation Annex 9).

Index insurance causes some challenges to regulators since the products do not indemnify the actual damages but correlate more generally with losses and hence could be defined as ‘derivative’ within financial instruments. Within the framework of ‘insurance’ the clients must have an ‘insurable interest’. Purchase of index products for speculative purposes will not be permitted.

Apart from the definition of ‘index products’ (see Kenya example in the box below) the following issues need to be addressed when regulating index insurance (not exhaustive) – ensuring that regulators and supervisors have a clear understanding of what is being sold, and make sure everyone else understands, too:

- **Product design**: While people demand coverage for high frequency but low severity events, insurance providers prefer products insuring low frequency but high magnitude events. Fair products ensure client value and reduce basis risk to acceptable levels – i.e. there will be a mismatch in expectation if the parameter does not trigger a payout despite suffered losses, customers must know the concept of index insurance incl. basis risk. Client value of meso-level index products requires careful analysis of the benefits for small farmers and low-income persons when they pay the premium for financial institution coverage.

  - **Occasional recalibration of trigger** is important for refining the index and enhancing product value – in this context, the ownership of data is important.

  - **Continuity and reliability of data**: The basis for weather data may not represent the geographical conditions for defining the index adequately. Regulators and customers voice concerns with data underlying the indices if integrity, reliability, and sustainability over time are inadequate and monitoring of trigger data are not managed by an independent party. The source of data for measuring the trigger should be identical with those used for product design. A backup data source is needed if the original data source fails. Different use of statistics can challenge supervisor’s technical capacity for product approval.

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Example Kenya Insurance Bill 2011 (draft):

"Interpretation: “index–based insurance contract” means an insurance contract (a) under which the liability of the insurer to make a payment to the policyholder is triggered by, and the amount of that payment is determined in accordance with, one or more indexes, rather than on an assessment of the policyholder’s actual loss; and (b) where the payment is designed to provide a level of compensation, although not necessarily an indemnity, to the policyholder in respect of either or both of the following (i) losses, including consequential losses, that the policyholder is expected to suffer, or (ii) costs, including mitigation costs, that the policyholder is expected to incur, in the event that payment is triggered by the index.”

The Authority shall, after consultation with the Cabinet Secretary, make Regulations for giving effect to this Act. The Regulations shall specify or provide for ... index-based insurance contracts. The Index Insurance Policy Paper objectives are to

- Reduce the legal and regulatory risk
- Increase the speed and reduce the costs for insurers to get approval and launch
- Ensure sufficient and accurate prudential provisioning and reporting
- Protect the interests of customers
After the conceptual introduction, Dante Portula (Senior Finance Adviser, GIZ RFPI Asia) specified index-based insurance initiatives in the Philippines with an emphasis on policy and regulatory challenges (see presentation Annex 10).

In the Philippines, several index products exist:

- NatCat Insurance for loan portfolio (excess wind speed, excess rainfall with sliding payouts) for financial institutions at the meso (municipality) level;
- Weather Index Insurance for rice farmers (excess rainfall measured through rain gauge stations) – distribution through agriculture input suppliers;
- Area-based Yield Index (ARBY) for Rice being enhanced into the Remote Sensing-powered ARBY RIICE project (in collaboration with the Alliance group and GIZ RFPI program).

These products are offered within the following Laws on Climate and Disaster Risks:

- Republic Act No. 10174: “Climate Change Act of 2009”, as amended in 2012 integrating People’s Survival Fund (PSF could be used among others “as a guarantee for risk insurance needs for farmers, agriculture workers and other stakeholders”);
- Republic Act No. 10121: “Philippine Disaster Risk Reduction and Management Act of 2010” (Local Disaster Risk Reduction and Management Fund or Calamity Fund);
- Republic Act No. 9520: “Philippine Cooperative Code of 2008” (established the Community Development Fund which “shall be used for projects or activities that will benefit the community where the cooperative operates”).

Despite the various laws, developing an Index Insurance Policy and Regulatory Framework would set clear guidelines for the following:

- Definition of Index/Parametric Insurance;
- Insurers and distribution channels;
- Access to and management of data from government entities for product development;
- Access and use of the People’s Survival Fund for risk transfer mechanisms, incl. catastrophic pools, reinsurance;
- Public-private sectors partnership;
- Role of government and social protection programs;
- Financial Literacy;
- Consumer protection and Alternative Dispute Resolution (ADR) mechanism.

Daniel Osgood (Lead Scientist Financial Instruments, International Research Institute for Climate and Society, Columbia University) addressed issues of transparency in index insurance (see presentation Annex 11).

Facing increased climate change, adaptation can relax risks of bad years to unlock productivity options for farmers. Index insurance could help reduce risk but need to protect clients and enhance transparency by e.g. scientific analysis for better product design, participatory product development & evaluation, and clear information on payout structures. The ‘research game’ has proven to be useful for assessing the demand, discussing additional risk management mechanisms such as savings, and specifying key product features.

8. Case study: Microinsurance response to typhoon Haiyan – lessons learned from the Philippines

Antonis Malagardis (GIZ-RFPI Asia Programme Director) described the experience after the typhoon Haiyan in the Philippines (see presentation Annex 12).

In the event of weather-related catastrophes, the usual means of claims payments such as telecommunication, transportations, and branch offices are disrupted and documents and computer records lost. In this situation timeliness of approval of claims by insurance companies, reinsurers’ reimbursement of intermediaries poses a challenge to the actors which is further hindered by locating displaced persons and slowed identification of missing
insured. All this requires flexible responses, some of which need regulatory attention. In the aftermath of Typhoon Haiyan the actors responded in a constructive way by

- Establishment of Claims Action Center in strongly affected regions;
- Submission of Master List of Policy Holders in affected areas;
- Authorization of 50% initial payment of benefit;
- Premium payment moratorium for 90 days;
- Use of satellite images for crisis mapping and claims validation authorized by Insurance Commission;
- Public announcement of programs.

Some of the processes diverted necessarily from the ‘usual’ payment mechanisms and it is advised to anticipate such situations of crisis and incorporate adjusted claims management mechanisms into index insurance regulations.

9. The role of insurance in the context of integrated risk management

Low income people are exposed to many risks but weather-related risks create extreme challenges to the livelihoods of people in the Caribbean. Insurance can transfer weather-related risk to the insurance industry – but it is only one instrument of integrated risk management (IRM).

Gaby Ramm (MCII Member/Advisory Board) places insurance into the broader context of IRM thus enhancing the scope of index products when combining insurance with Disaster Risk Reduction (DRR) and other preventive measures of the agricultural value chain.

Apart from various risk reduction activities undertaken by communities and the private sector (e.g. the Coffee Board or the Banana Association), the governments of Jamaica and St. Lucia offer a number of preventive and mitigation programs (e.g. the Hazard Mitigation Grant Program (HMGP) or the Short Term Public Works Program (STEP)). Insurance will be most effective if integrated into the larger framework of IRM such as granting access to discounted fertilizer, the provision of extension services incl. market information and training, investments into improved infrastructure (e.g. roads, warehouses), incentives for organising farmers in cooperatives, and linkages to the market (see some options in the graph below).

### Transfer of weather-related risk to the insurance industry – only one instrument of IRM

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<th>RMS</th>
<th>Informal</th>
<th>Private</th>
<th>Public</th>
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<tbody>
<tr>
<td><strong>Prevention</strong></td>
<td>Business-related prevention (e.g. appropriate sewers)</td>
<td>Business-related prevention (e.g. protection of greenhouses)</td>
<td>Business-related prevention &amp; support (e.g. Caribbean Agricultural Research Development Institute/CADI; subsidized seeds)</td>
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<td>DRR preventive measures (e.g. cleaning private canals)</td>
<td>Information dissemination</td>
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<tr>
<td>Information dissemination</td>
<td>Information dissemination &amp; business training</td>
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<tr>
<td><strong>Mitigation</strong></td>
<td>Investment in social groups (e.g. cooperatives)</td>
<td>Access to finance (local banks)</td>
<td>Access to insurance (e.g. frame conditions - insurance)</td>
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<tr>
<td>Access to savings &amp; credit unions, insurance groups</td>
<td>Access to finance</td>
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<tr>
<td><strong>Access to markets</strong></td>
<td>Provision of markets (e.g. link to business associations)</td>
<td>Provision of credit through credit unions</td>
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<tr>
<td><strong>Coping</strong></td>
<td>Response &amp; recovery (e.g. provision of agricultural inputs &amp; credit)</td>
<td>Response &amp; recovery (e.g. Post Disaster Mitigation Grant Program, purchase of agri. products/fair prices &amp; provision of seeds/pesticides after disasters by RADA)</td>
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10. Conclusions and suggestions

Climatic changes will result in more frequent and extreme weather events. These events will increase both the need and the cost of risk management and put pressure on traditional risk coping mechanisms, as all members of the community will be affected by the adverse climate impacts. Insurance can transfer some of these risks to the insurance industry but instruments need to be carefully designed, appropriately regulated and embedded into integrated risk management strategies. The workshop focused on one aspect: the regulation (and supervision) of microinsurance and index products.\(^3\)

The participants (incl. the summarized remarks by Raoul Tribié, Haiti\(^4\)) appreciated the “wealth of information that was transmitted through the different presentations and following discussions showed the need for useful exchanges” and requested to “renew and even multiply this type of conference/workshops, where countries would share their experience in the field, expose their problems and explore common solutions”.

Despite the legal limits imposed by the existing laws in Saint Lucia, Jamaica and Grenada, there was the optimists that “once the level of awareness is raised and the message conveyed that microinsurance can be an inclusive financial tool, we will be able to move forward” – taking into account the experience of each of the countries as the market and consumer demands are expanding.

While the strategic questions how to create a conducive microinsurance framework, how to adjust the current regulations (incl. consumer protection and alternative dispute resolution), and supervise the various actors are (necessarily) still open, several issues became clearer which require further action:

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3 The Haitian insurance draft bill only mentions index-based insurance but does not consider micro insurance which was, so far, perceived as another product offered by insurance companies

4 Coordinator Unité de Contrôle et de Supervision des Assurances, Ministère de l’Economie et des Finances, Haiti

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- **Product development**
  - ‘Well packaged’ products especially for index insurance creating value to the customers
  - Regulation of microinsurance and index products: demand-based and affordable to a wide section of population (inclusive insurance)
  - Sustainable business model (especially for the small populace of the Caribbean countries) – affordable for the target population and viable for the insurance industry
  - Reinsurance required for covariant risks

- **Delivery channels and risk carriers**
  - Regulation of (trusted) microinsurance delivery intermediaries (microinsurance agents) – transparent marketing
  - Regulation of non-insurance organizations which offer microinsurance products – formalization of ‘informal schemes’
  - Adjustment of reporting requirements, capital adequacy, commissions for delivery channels, etc. – principle of ‘proportionality’ (IAIS)

- **Education and awareness**
  - More emphasis on financial & insurance education and development of national communication strategies
  - New approaches in microinsurance financial & insurance awareness (e.g. organizing community fairs, promoting products with Electricity and Water Utility companies)
  - Support of Local Training Providers (LTPs)

- **Stakeholder coordination**
  - Integration of all relevant stakeholders: insurer, government & regulators, non-institutionalized distribution channels, public - ‘buy-in’ and participation
of the relevant actors- learning from other countries such as the Philippines with its inclusive insurance road map

- Agreement between all relevant regulators (incl. FSRC)

During the discussion the following suggestions were presented:

- As the administrative microinsurance processes are similar across all MCII partner countries the development of an ‘operational package’ for all would enhance the efficiency (which could be adjusted to the local conditions, if required);

- For sharing experiences, an ‘open source’ knowledge sharing platform could speed up decision making processes and stimulate discussion on ‘best practices’ and critical issues;

- Establishing a national strategy for promoting microinsurance and index products with the support of the regulator and other relevant (public) agencies incl. agricultural extension services for awareness campaigns and training and national emergency offices for creating linkages to DRR and information dissemination.
Annexes