

Launch of the Livelihood Protection Policy by
Trans-Nemwil Insurance Company
January 22, 2014 – National Stadium, Grenada

Salutations

Sometime in August, 2011 I had my first meeting with officials from what I was told then was a “climate risk adaptation and insurance project” for the Caribbean region. At the meeting there were officials from the Munich Climate Insurance Initiative (MCI2), the Caribbean Catastrophe Risk Insurance Facility (CCRIF), MicroEnsure and Munich Re. The team explained that the aim of the Project was to design and implement tailored, weather related insurance products linked with disaster risk reduction for the Caribbean. St. Lucia, Jamaica and Grenada would be the pilot countries in the region for this project. I remember trying to understand exactly what was being presented and asking questions like – Was it some form of crop insurance? I was told – no it was not crop insurance. It would include index linked, weather related, products. So I asked – is it an insurance policy or not. The response was - Well, it is micro-insurance – a term we were not familiar with at the time. Payments would be made when a trigger was reached. At that stage the products were actually still being developed. That was our very first meeting and it was clear that there were many uncertainties on both sides. The project team also had questions for us like – Were those types of products feasible? Would GARFIN be interested in partnering in this programme and what role would GARFIN be willing to play with respect to the development and implementation of one or more of these products?

Our next meeting was in November 2011 and by then, following the receipt of some literature on the project, we were able to say clearly that this project entailed insurance products which must be sold by an insurance company. GARFIN could not be involved in the development and implementation or marketing of the products. The cooperatives could be used as agents or salesmen or distributors and GARFIN must approve the products as required by law. There must also be relevant reinsurance in place. So we were beginning to get an understanding of the project and the proposed products but there were still uncertainties. Like what exactly was being insured, how would claims be settled and how much would it cost. What are the triggers and how would it work. It took several more meetings and emails to fully appreciate what was being offered and to get us to where we are today.

I say all this to say that the Livelihood Protection Policy being launched here today is a micro insurance product and the concept of micro insurance is new, not only to Grenada and the Caribbean but also to the rest of world. It is my understanding that micro insurance has only been around, in a formal way, for about 15 years and the whole insurance industry including regulators, intermediaries, distributors and Governments are still very much on the learning curve. In Grenada we do have some micro insurance type products and services around but none are issued through insurance companies. In fact GARFIN has actually been reviewing some of these products in order to get an understanding of them and where they should properly fall since our role as the Regulator entails consumer protection.

Micro insurance is still actually hard to define, but one thing is clear is that it targets persons in the lower income levels and rural communities who might otherwise not have access to insurance. These persons need insurance just as

much, and probably more so, than traditional market segments. Policymakers around the world are beginning to realize that access to insurance plays a very important role in helping to reduce poverty. The sudden death or illness of the breadwinner in a family or the loss of one's business property or income earning capacity perpetuates poverty levels. Micro insurance products such as the one being launched here today can help to mitigate shocks which would otherwise worsen a financial situation. Financial inclusion and access to insurance will help, over time, to improve the welfare and protection of society thus contributing to poverty reduction.

We wish to commend all those involved in issuing this product locally (Trans-Nemwil Insurance Company, Grenada Co-operative Bank and Grenville Credit Union) for accepting the challenge of getting involved in this first for Grenada. I think there is another challenge or another opportunity now to develop more micro insurance products for the region. There are dozens (if not hundreds) of products internationally and while scale might be an issue in some cases, if the region is considered as a whole and with regional companies involved, there could be opportunities particularly if technology is utilized. While it must be a business decision to get involved the social benefits will be clear in time to come. We, as the Regulator, will play our role in monitoring the players, particularly their market conduct, which is one of our statutory responsibilities.

Our knowledge and understanding of micro insurance was strengthened by our attendance at the 8th and 9th International Micro Insurance Conferences held in Tanzania in 2012 and Indonesia in 2013. Our attendance was facilitated and sponsored by the Munich Climate Insurance Initiative for which we extend our appreciation. Those conferences were great learning experiences for us and our

regulatory colleagues from Jamaica and St. Lucia who also attended. Micro insurance is now being brought to the attention of regulators in the region because of this project to the extent that consideration is being given to including it as a specific topic at our annual meetings in Barbados June. We have also asked for it to be given specific consideration in the new insurance legislation now being prepared for the region. It is essential that we as regulators ensure that we are up to speed in providing regulatory and supervisory oversight of micro insurance entities and products.

Ladies and gentlemen, micro insurance is still evolving worldwide and Grenada is now formally a part of this process. It has been said that there is a need for micro insurance but not a demand, as insurance is not in the mind-set of low income people. The challenge now is to ensure that that need is met. I wish all the players involved with this new product success, the benefits of which will redound not only to the insurance company, the intermediaries and the consumer but also the country as a whole.

I thank you.

Angus Smith

Executive Director

Grenada Authority for the Regulation of Financial Institutions (GARFIN)