

LIVELIHOOD PROTECTION POLICY LAUNCHED IN GRENADA

On Wednesday, January 22nd the Livelihood Protection Policy (LPP) was launched in Grenada. Trans-Newmil Insurance, the leading property and casualty insurer on the island, along with Grenada Co-operative Bank and Greenville Co-operative Credit Union have teamed up to help secure Grenadians livelihoods through the introduction of the LPP.



The launch event, held at the Grenada National Stadium, was well attended with speeches given by officials from the Grenadian Government as well as executives from Trans-Newmil, Grenada Co-operative Bank, Greenville Co-operative Credit Union, Caribbean Catastrophe Risk Insurance Facility (CCRIF), and representatives from MCII and UNU.

Managing Director of Trans-Nemwil Insurance (Grenada) Ltd., Mr. Ronald Hughes welcomed all attending guests by pointing out that the product offers low-income people the opportunity to provide cover for



themselves in the event of weather-related damage, allowing for an easier, more honourable and less stressful path to recovery. The LPP provides a positive alternative

to using savings or seeking assistance from a financially stressed government when recovering from extreme weather.

Mr. Angus Smith (Grenada Authority for the Regulation of Financial Institutions, GARFIN), spoke about how the development and launch of the LPP in Grenada has been a valuable learning experience for himself and his team. He also highlighted the fact that microinsurance regulation is to be given specific consideration in the new insurance legislation now being prepared for the region.

Mr. Isaac Anthony (CEO, CCRIF) emphasized, how in the face of changing hazards due to climate change, insurance products such as the LPP can build the knowledge and capacities of Grenadians towards livelihood protection and comprehensive disaster management.

MCII and our partners are thrilled with the success of our 3rd launch event and would like to thank all the participants and attendees.

LPP DELIVERS FIRST PAYOUTS IN SAINT LUCIA

In Saint Lucia, a low pressure trough from the 24th to 25th of December brought more than 17cm of rain in only 24 hours triggering payouts in both the north and south of the country.

Policy holders in the south received 100% pay-out and those in the north 40%, based on overall coverage purchased and in accordance with the rainfall trigger thresholds. Notification of the payouts was sent out via SMS and payments were received within 2 weeks. Policy holder Mr. Walter Edwin described himself as "extremely happy" with his first notification and payout. He also said that he,



“...will continue to encourage persons to purchase the policy.”

Such a heavy rainfall outside of the hurricane season is not a normal occurrence in Saint Lucia, but in the future the frequency and severity of such events may increase as a result of continued climate change.

Leathon Khan (CEO, EC Global) said that it is exactly extreme weather events like this Christmas Eve storm which the LPP was designed for. As a result of the timely notification and payout, customers like Walter Edwin, are glad they purchased coverage.

THE LPP AND FINANCIAL REGULATION: THE EXPERIENCE FROM SAINT LUCIA

Creating an enabling environment for the LPP or other microinsurance products often requires financial regulators amend existing policies to accommodate these non-traditional forms of insurance. Calixte Leon, the Director of the Financial Sector Supervision Unit (FSSU) for the Government of Saint Lucia, found that introduc-

About Calixte Leon

Calixte Leon is the Director of the Financial Sector Supervision Unit (FSSU) for the Government of Saint Lucia. The objective of the FSSU is to maintain the integrity of the financial sector through the efficient and effective administration of the financial services laws and regula-



tions and the application of best international practices and standards and to provide effective supervision and regulation of licensees operating in the sector. He also joined the MCII delegation to attend the 8th and 9th International Microinsurance Conferences in 2012 and 2013.

tions and the application of best international practices and standards and to provide effective supervision and regulation of licensees operating in the sector. He also joined the MCII

delegation to attend the 8th and 9th International Microinsurance Conferences in 2012 and 2013.

ing the LPP presented challenges in three areas: product review, the distribution channel, and pricing.

His team found that the parametric aspects of LPP presented a new and unique product which first needed to be carefully examined and understood. “The regulatory office had to ensure that there was full appreciation and understanding of how the product would operate and the impact it could have on policyholders and the market in general”. While a challenge, this proved to be a valuable learning experience for the team.

There were also challenges within the distribution channel, due to the fact that the Insurance Act of Saint Lucia prohibits commissions being paid to non-registered intermediaries. This would mean that the credit unions distributing policies could not legally make money from the sale of policies. Mr. Leon says that to work around these restrictions, “we have permitted the insurer to pay an administrative fee to the distributors (credit unions) for the handling of enrollment and renewal of beneficiaries’ accounts”.

In order to support the profitability and sustainability of LPP for the insurance

providers, the FSSU has recommended that the LPP be given a premium tax waiver. This waiver would reduce the cost of the premium for the policy holder which would enable the insurance to reach more people and the remain a viable and profitable product. The decision of the Cabinet of Ministers on this recommendation is currently being awaited.

Despite these challenges Mr. Leon sees a positive future for LPP in Saint Lucia. Mr. Leon reports, “we believe the LPP can be a competitive product, satisfying a particular niche, and could gain significant market share”.





VOICE FROM THE FIELD: EVANS GOODING

About Evans Gooding

Evans Gooding is the President of the North East Farmers Organization in Grenada (NEFO). NEFO, established in 2005, currently has 45 registered members. NEFO's membership is currently 45 farmers, comprised of 19 female and 27 males. These farmers represent and live in five of the communities in the North Eastern region of Grenada. The goal of NEFO is to improve the quality of life for farmers, their families, and their communities. This is accomplished through capacity building and awareness raising on social and environmental issues and advocating for members' interests at various levels of government and business.

Mr. Gooding was kind enough, to take a break from planting pumpkin seeds, to give us a few minutes of his time and answer some questions from his perspective as a farmer on the LPP in Grenada.

Do you feel that there is a need and a desire for the Livelihood Protection Policy among farmers in Grenada?

Before I answer your question let me tell you of a decision I made recently. I looked at one of our vibrant farmers and he just started crumbling before me. Hard

working, family man, active member of our organization, and he just cannot do as much on his farm as he wants. I began to wonder, if this farmer, who depends on working in his field for his livelihood, had anything put away for moments like this when he can no longer work.

I did not ask this member if he had any insurance coverage or money put away. I realized that I had to do something for this member and for all of us in our organization (NEFO). I went to the National Insurance Scheme (NIS) and I asked about coverage for members of our farmers organization. What the officer said was this, "after your fiftieth birthday no insurance company will cover you". He told me that I should go to a credit union and find out about some form of a savings plan. I left that office very troubled, knowing that farmers who did not insure themselves while they were young have no coverage for themselves or their crops. For years now agricultural sector stakeholders and the government have talked about crop insurance but nothing has been put in place.

Now! The answer to your question is yes! Last night we had our general meeting and 20 farmers promised to each buy at least \$100 of LPP policies. They even made this promise without official documentation of the policy, just based on what they had heard about it from other people. That is evidence how badly this insurance is wanted!

How does the LPP add value for farmers? What aspects of the LPP are most appealing to them?

That is an interesting question. I think of value as a

plate of food. You add some rice and you have added value, you add a little meat and you have added some more value. What the LPP offers farmers is a way to protect their value.

The fact that no one has to come assess actual damage is an excellent feature of the LPP. The farmers are extremely happy that when a storm comes they don't have to wait and rely on someone else to inspect their property. With the LPP when independent measurements show that the wind has blown strongly or it has rained enough to trigger a payout, then it is made. There is no judgement by another person.

What risk management strategies did farmers have access to before the LPP?

Before insurance there was nothing. After a storm or a hurricane you had no help. This is why I have been working with the government for many years trying to get a crop insurance introduced.

THE 9th INTERNATIONAL MICROINSURANCE CONFERENCE IN JAKARTA

The 9th International Microinsurance Conference, which took place in Asia for the third time, brought together some 400 participants from nearly 60 countries to discuss the challenges and opportunities in microinsurance. MCII is proud to, again, have been able to send delegates from the Caribbean to the three day conference.

Craig Churchill, Chairman of the Microinsurance Network, opened the conference by stating, "the extension of insurance to new markets represents a tremendous opportunity and a tremendous responsibility. Formal insurance does not come naturally to persons who have never had it before."

All of the Caribbean delegates reported that the event

"The experience was a rewarding one. The three days were very informative and educational to me personally and the knowledge gained will definitely be shared with my colleagues to ensure that this concept is embraced, given its many benefits"
~ Shane Regis

was a tremendous learning experience and provided new ideas and strategies for their role in microinsurance. This includes key learnings on achieving scale and driving insurance innovation, as well as attracting "emerging consumers" and maintaining profitability on small margins.

Another goal of the conference was to ensure that microinsurance develops and maintains a positive reputation across the globe. Churchill feels that a positive perception is crucial in order for low-income people to see microinsurance as a viable risk management strategy.

The 10th International Microinsurance Conference is scheduled to take place in Mexico in 2014. This event will address issues specific not only in the Latin American and Caribbean context but also far beyond.

VOICE FROM THE FIELD: RICHARD DUNCAN

About Richard Duncan

Richard W. Duncan is the Managing Director of Grenada Co-operative Bank Ltd. An Economist and Accountant, he joined the bank in 1996 as its Financial Manager. He previously worked in the Grenada Public Service in the areas of public policy analysis, debt management, public fi-



nance and public sector investment programming. He has held several directorships including the Grenada Model Farms Corporation, Grenada Postal Corporation, the Caribbean Credit Card Corporation (4Cs), and Chairman of the NIS Investment Committee. Currently he is vice-president of the Grenada Bankers Association.

What do you like about the Livelihood Protection Policy?

The thing that appeals to us at the Grenada Co-operative Bank is the LPP's simplicity. It provides a simple and cost effective option to its target group, vulner-



able individuals (farmers, fisherman, taxi drivers etc.), ensuring they are able to reduce their risk. The LPP provides a viable option for these groups, who had no access to insurance in the past, and fills an unmet need in the market.

How do you see the LPP making a difference for your customers and what do you expect the community response to be?

It will take a while before the product gains popularity and widespread acceptance because weather index based insurance is new to Grenada and product knowledge will grow gradually. That being said, we expect there to be a positive response to the policy. The lack of excess costs related to payment is a strong selling point of the LPP. Most farmers don't have proper insurance, so the LPP will give policy holders confidence that they can still provide for their families in the event of extreme weather.

What benefits do you see the Grenada Cooperative Bank getting from marketing this product?

I see there being several benefits that we can gain from marketing this product. Positive brand association with MCII and the local insurer Trans-Newmil will provide a boost for our brand. Being one of the prime distributors of the LPP, we can diversify our product offering, allowing us to market an additional product to our customer, creating a further source of income for the bank. We may also be able to draw additional customers to our business, through offering the LPP amongst our products, particularly amongst the small business sector. The LPP can act as a draw card for other prod-

ucts and services that we offer.

Where do you see there being opportunities for growth/innovation?

As Grenada is a small island, we have the opportunity to get on board early and grow and build the product. I see potential for the LPP to be combined with other products, like catastrophic risk insurance, with the payments from the LPP assisting to cover costs of 'excess' payment for catastrophe insurance. In that way the LPP can be a product for everyone, not just vulnerable individuals. This will help to build long term financial sustainability into the product.

Our bank is very happy to be a part of the program and I believe it is something that will grow into the future, helping our society, community, and our country. I am positive that when I look back in 10-15 years it will have been a fantastic success.

"I believe it is something that will grow into the future, helping our society, community, and our country"
~ Richard Duncan