

CARIBBEAN LAUNCH OF LIVELIHOOD PROTECTION POLICY

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. Over the last thirty year period, the region has suffered damages in excess of \$5 billion, with 1.5 million people being affected by extreme weather events. The expected increase in the frequency and intensity of extreme weather events brought on by climate change will further exacerbate the plight of vulnerable individuals in the Caribbean.

Continual exposure to weather-related risk reduces economic opportunity, exhausts financial resources and erodes the overall coping capacity of low-income individuals, leading to loss of livelihoods and poverty in the long-term.

The Livelihood Protection Policy (LPP) provides individuals, vulnerable to weather-related shocks, an effective mechanism to recover and recoup their losses arising as a result of heavy rainfall and high wind speeds. The 'Climate Risk Adaptation and Insurance in the Caribbean' project has partnered with the Jamaica Interna-



From L to R: Mr Don Wehby, HE Ambassador Josef Beck, Mrs Grace Burnett, Mr Courtney Campbell, Ms Sobiah Becker, Mr Isaac Anthony

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- Developing the capacities of local partners to administer weather index insurance.
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tional Insurance Company (JIIC) to offer the LPP in the country. This policy is currently available via the St Thomas Credit Union and the People's Cooperative Bank, in the parishes of St Thomas and Portland; LPP will be available island-wide by the end of the year. Speaking at the formal product launch of the LPP in Kingston earlier this month, Mrs Grace Burnett, Managing Director of JIIC remarked that the LPP product can make a significant contribution to the portfolio of risk management strategies employed by Jamaicans to cope with bad weather. She further stated "the core advantage for clients is the fact that they do not have to make a claim to the insurer...if weather thresholds are met, the policy is 'triggered' and an automatic payout is received."

The launch in Jamaica follows the official commencement of the programme in Saint Lucia in May 2013, with local partner EC Global Insurance. Saint Lucia was of first of three sites to implement the LPP with the policy having been progressively rolled out over the past five months.

"It gives me great pleasure to announce our engagement with the German funded Munich Climate Insurance Initiative (MCII). This is our way of seeking new ways to help our vulnerable farmers build resilience, specifically against rain and wind impacts."

- Hon. Minister Pickersgill, Jamaica.

**Munich Climate Insurance
Initiative (MCII) e.V.**

hosted at
United Nations University
Institute for Environment
and Human Security (UNU-EHS)

UN Campus
Platz der Vereinten Nationen 1
53113 Bonn
Germany

T +49 (0) 228 815 0234
F +49 (0) 228 815 0299
E info@climate-insurance.org
www.climate-insurance.org
<http://ehs.unu.edu>

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THE LIVELIHOOD PROTECTION POLICY

The Livelihood Protection Policy (LPP) is a weather-index based insurance policy designed specifically to help vulnerable, low-income individuals recover from the damage caused by strong winds and/or heavy rainfall during hurricanes and tropical storms. Targeted at all individuals irrespective of income level, the LPP provides timely cash payouts soon after a weather event, enabling policy holders to start rebuilding their lives in the wake of a natural disaster.

The simplicity and flexibility of the LPP makes it easier for people to get the level of coverage they need. In addition, the SMS-based warning system mitigates future losses by informing clients of approaching events so they can employ risk reduction strategies. Finally, insurance coverage will improve the credit worthiness of individuals in the long-term, giving them access to financial services that they previously may not have had access to.

VOICES FROM THE FIELD

Interview with Product Champion Severin Francois, Saint Lucia

What do you like about the Livelihood Protection Policy?

The product is outside of the traditional insurance basket, with vulnerable groups the target audience. The product is a simple one. It is easy to read and understand, there is a simple sign up process and the payment method is straight forward with no drawn out claims forms.

What are the businesses & community benefits?

From a corporate social responsibility perspective, we are proud to be behind this product. However, we are

About Severin Francois

Mr. Francois is Assistant Manager, Claims & Underwriting at EC Global Insurance Co Ltd. Severin has over 16 years of experience in the insurance industry, and is championing the rollout of the LPP in Saint Lucia. Severin's enthusiasm for the LPP stems from the fact that the LPP provides a measure of security to vulnerable people who have not been the focus of traditional insurance.



also now doing more in the community, which increases our exposure and visibility. The product is also unique, allowing us to gain market differentiation.

Community benefits include, an affordable insurance product for vulnerable groups, reducing dependence and lengthy waiting periods for government support post-disasters. Farmers particularly can now access insurance for their crops/livestock, preventing the need to borrow money or stop production during recovery. The LPP helps to get people on their feet again quickly.

What role does EC Global have in delivering the LPP?

As the product underwriter and carrier in Saint Lucia we support the administrative process for claim payouts and all interface with local distribution networks (Cooperatives and Credit Unions). This network is the main direct service face for the LPP but individuals can also sign up for the product directly with us. We also have a strong role in stakeholder product training, and building community awareness to disaster risks and the role that the LPP can play in reducing that risk.



STRENGTHENING CAPACITY AND MARKET DEVELOPMENT

As the concepts of micro-insurance and weather index insurance were new for most stakeholders of the project, the Climate Risk Adaptation & Insurance in the Caribbean project invested significant resources into awareness raising activities. The workshops were aimed specifically at developing the organizational capacity of local stakeholders to administer the Livelihood Protection Policy. Through a series of training courses, using a highly participatory approach, insurers, the distribution channels as well as other relevant stakeholders from the public sectors in Saint Lucia and Jamaica have developed a firm grasp on the technical design and process mechanisms of the LPP.



"The training was very interesting and informative. I am confident I can advise my clients on weather risk insurance how the Livelihood Protection Policy can help them."

– Insurer from Saint Lucia



The project uses the partner-agent model for distributing the LPP, under which the insurer contracts an agent to deliver, and administer the product.

Thus, critical to the success of the LPP in the region is for all stakeholders to understand the technical aspects of the LPP; have a firm understanding of back office processes; manage expectations and equip at-risk individuals with this risk transfer tool that can help them cope with extreme weather events, and better respond to the threats they may face.

STRATEGIC PARTNERS

The LPP extends the financial safety net to vulnerable, low-income individuals who have been overlooked by traditional insurance. To ensure that the target communities are well served, it was critical to adopt a community-centric approach to the distribution of the product. This has meant partnering with grassroots organizations that understood the needs of the people. In both Saint Lucia and Jamaica where the Livelihood Protection Policy has been rolled out, this inclusive approach is being driven by the collective efforts of all partners, from governmental and civil society organizations, the disaster management agencies, right through to the local credit unions, associations and cooperatives.



"Over the last couple of days I have had the joy of championing the product introduction to credit unions, co-operatives and the media. I have honestly in all my years in this industry never experienced such immediate interest in a new product."

– Mr. Severin Francois, EC Global

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www.climate-insurance.org
<http://ehs.unu.edu>



INCREASING COMMUNITY RESILIENCE HAND IN HAND WITH NATIONAL DISASTER MANAGEMENT AGENCIES

Climate risk insurance can make a positive contribution to decreasing social vulnerability by helping people recover from natural disasters. One of the focal areas of the Livelihood Protection Policy is building resilience and enhancing adaptive capacity at the community level. The LPP integrates disaster mitigation into its product design through an Early Warning system that alerts all policy holders to approaching weather events. This enables policy holders to take precautionary measures to mitigate and minimise adverse impacts. Over time, the goal is to raise awareness among vulnerable communities so that they are cognizant of the risks they face, as well as actively manage these risks.

The project and its partners work closely with disaster management agencies in the target countries. The National Emergency Management Organisation (NEMO) in

Saint Lucia and the Office of Disaster Preparedness and Emergency Management (ODPEM) in Jamaica have participated in workshops, demonstrating the role of LPP and how it can be integrated into existing documentation and longer term adaptation strategies. The ODPEM in Jamaica has subsequently begun incorporating the LPP into parish level disaster management plans, building a holistic approach to managing risk.



"Often after certain events occur, people are displaced and are unable to put their lives back in order. A payout will give them cash they would not have otherwise had."

- Ms Elizabeth Chung, Manager, Jamaican International Insurance Company



VOICES FROM THE FIELD

Interview with Product Champion Elizabeth Chung, Jamaica

What do you like about the Livelihood Protection Policy?

The LPP is intended to provide a viable risk management solution of a large segment of our society who are unable to access the same products via traditional insurance.

What are the businesses & community benefits?

The LPP will provide many opportunities for businesses, individuals and communities to thrive and grow. The peace of mind that insurance provides will now be available to a wide cross section of our society. Businesses such as the Credit Unions and People's Cooperative Banks (our partners) can grow their lending portfolios, as they can now confidentially lend to clients with LPP knowing they can continue making repayments despite the occurrence of severe weather activities.

The community can also enjoy a greater sense of independence as they will no longer be entirely reliant on government agencies following such events. As families in Jamaica also provide significant support in times of hardship, access to the LPP will enable a transfer of some of that responsibility for the cost of a small monthly or weekly payment.

What role does JIIC have in delivering the LPP?

Jamaica International Insurance Company (JIIC) is the insurance company that underwrites the policy. We are

About Elizabeth Chung

Ms. Chung is the Manager of Customer Experience and Innovation at the Jamaica International Insurance Company. She is responsible for coordinating customer experience across the company; the growth and direction of the company's marketing initiatives, strategic partnerships, emerging media platforms, brand image, and customer acquisition and retention. As the leader for innovation and ideas (product and process improvement) within the company she is also responsible for the implementation of the Livelihood Protection Policy.



therefore responsible for the administration of sales and payouts. However, given the stage of the life cycle of the product we are working closely with our partners in marketing and sales. We are confident that in time we will be able to focus almost entirely on the back office administration as our partners are fully engaged in bringing LPP to their customers and community.

"I think this initiative has potential to benefit Saint Lucia and look forward to continue discussing ways to strengthen this initiative"

- Dr Reginald Darius, Permanent
Secretary for Finance, Govt. of Saint Lucia

STORIES FROM THE FIELD

Interview with Policy Holder

Elisia Marquis, Saint Lucian Banana Farmer

Has your experience of storms and hurricane changed in your lifetime?

The world has changed. When I was young we never heard much about these types of storms, now they are becoming an everyday thing. What is most surprising is that it is happening even when they say it isn't supposed to be happening.



How has this affected your income?

I used to make enough from my plantations, but lately I am earning less and less. Storms and heavy rains are impacting on my crops, causing them to become waterlogged and rot.

What have been the impacts for other farmers?

They are struggling a lot. Hurricane Tomas had a huge effect on banana farmers, with many losing their crops. Some have tried growing alternative crops, with others needing bank loans in order to replant.

How are you protecting yourself from future impacts?

When I found out about the Livelihood Protection Policy, I thought it sounded like a great idea and a good way to provide some extra assistance in times of need. Even having insurance I don't want a hurricane as they are devastating for our country. I also know there is still lots of preparation I need to do to protect my crops, but I am happy that I won't lose everything when the next big storm hits.

LIVELIHOOD PROTECTION POLICY IN THE MEDIA

Check out the small collection of stories about the Livelihoods Protection Policy in the media.

Protecting paradise against climate change - <http://knowledge.allianz.com/?2435/Protecting-paradise-against-climate-change>

New weather insurance policy may protect the 'small man' (Jamaica) - http://www.jamaicaobserver.com/business/New-weather-insurance-policy-may-protect-the-small-man-_15238966

JLIC makes big push into micro-insurance (Jamaica) - <http://jamaica-gleaner.com/gleaner/20131009/business/business2.html>

Weather index based livelihood protection policy launches in Saint Lucia - <http://microensure.com/news.asp?id=243>

Germany's international broadcaster DW features a clip about the LPP in Saint Lucia - <http://www.dw.de/insuring-a-caribbean-island-against-storms/a-17080935>



NEXT STEPS

Over the coming months the project will be expanding into Grenada, so stay tuned for further details.

ABOUT THE PROJECT

Developing countries located in disaster-prone regions such as the Caribbean are particularly hard hit by the consequences of global climate change. As extreme weather events increase in frequency and/or intensity, vulnerable populations are made even more vulnerable by the increased risk changing weather conditions place on their lives and livelihood.

The Climate Risk Adaptation and Insurance in the Caribbean project seeks to address climate change and social vulnerability in this region by developing weather-index based insurance solutions that help vulnerable populations cope with the adverse impacts of severe weather events. The project is implemented by the Munich Climate Insurance Initiative (MCII) and its partners, the Caribbean Catastrophe Risk Insurance Facility (CCRIF) and MicroEnsure, with reinsurance capacity provided by Munich Re. Funding for the project has been provided by the International Climate Initiative of the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU).

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