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# Creating linkages between direct and indirect climate risk insurance in the Caribbean



# Agenda

- CRAIC scheme: An overview
- Success & challenges
- The way forward
- Lessons learnt: The case for creating cross-level linkages
- Conclusions

# CRAIC scheme: An overview

<b>Countries</b>	Jamaica and St. Lucia. Phase II will expand to Grenada, Belize and Trinidad & Tobago
<b>Perils covered</b>	High wind speed and excessive rainfall
<b>Type of insurance</b>	Trigger-based parametric index
<b>Data source</b>	Rain is monitored by DHI; wind is monitored by CCRIF (Until October 2017)
<b>Partner Organisations</b>	International: <ul style="list-style-type: none"> <li>- CCRIF, Munich Re, DHI, ILO Impact Insurance Facility</li> </ul> Local: <ul style="list-style-type: none"> <li>- Insurers, aggregators, ministries, regulatory authorities.</li> </ul>
<b>Distribution channels</b>	Local insurers and authorised agents
<b>Policyholders</b>	Above 500 → Aim for 10,000 in July 2018
<b>Payouts</b>	Five payouts \$112.774,00

# Success & Challenges

## Success

- LPP product introduced in the market without subsidies
- LPP can be sold to entire population (no specific sector)
- Prompt disbursement to policyholders (14 days)
- Project set-up as example of stakeholder platform
- Special provisions made to existing regulations to address parametric index and inclusive insurance
- Training on inclusive insurance and index insurance

## Challenges

- Market size and structure
- Clients' low willingness to pay affects scheme scale
- Distribution channels insufficient market outreach due to regulation
- Previous bankruptcies and low reputation in the sector
- Trigger: Overestimation
- Basis risk → exceptional payment below trigger allowed in Jamaica to reinforce product trust

# The way forward

## Increase scale

- Link LPP to social protection
- Insurance a part of the government agenda

## Enhance client value

- “Attachment point” payment
- Additional services based on customer needs assessment
- Build financial capacity

## Enhance resilience

- Link product to DRM policies

## Reduce basis risk

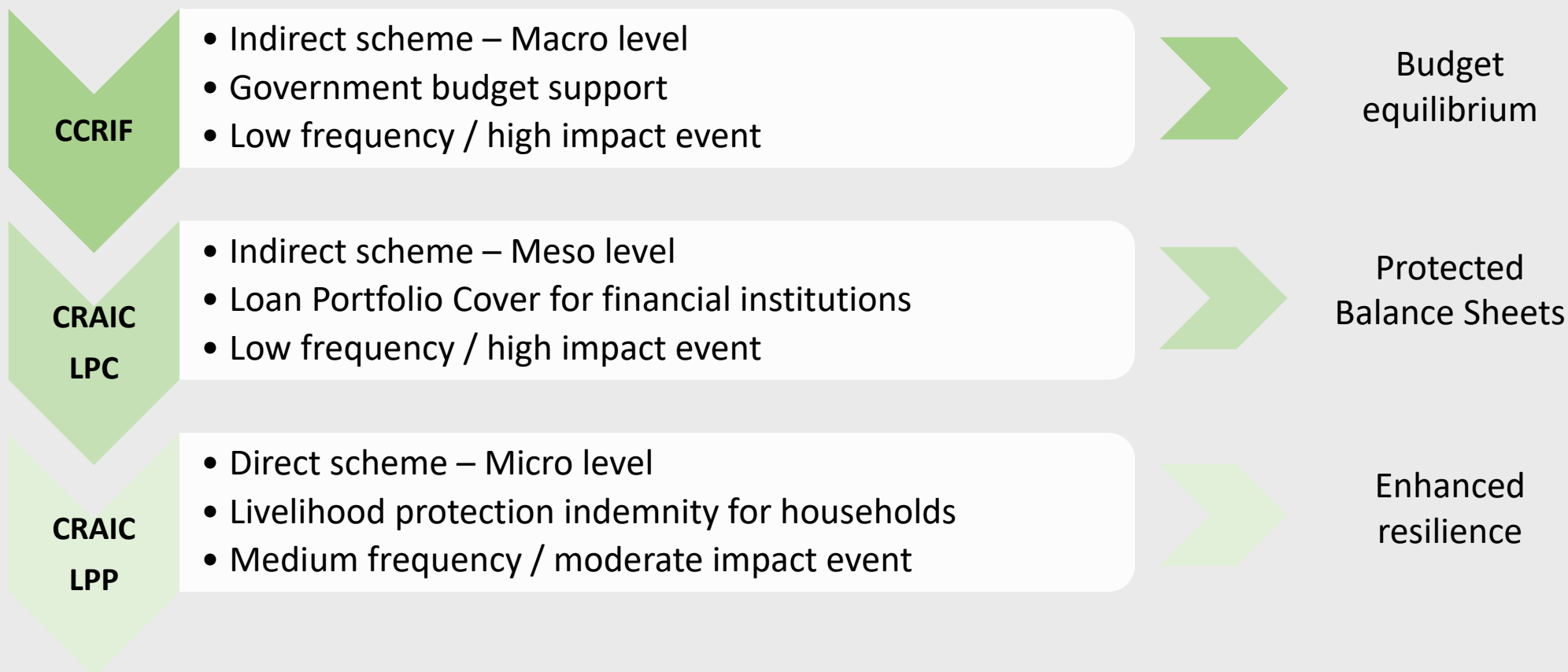
- “Hybrid payout” for member organisations

## How?

- Product refinement and marketing through broadened partnerships with insurance industry or government
- Promote demand side through horizontal channels and initiatives at the bottom (i.e. Coffee Boards or cooperatives)
- Deepen linkages with insurance sector (macro-level / indirect scheme)

# Lessons learnt: The case for creating cross-level linkages

## A multi-layer approach to ex-ante risk management funding in the Caribbean



# Lessons learnt: The case for creating cross-level linkages

## CCRIF-CRAIC Cooperation Rationale



# Conclusions

1. Direct schemes, like CRAIC-LPP, struggle to reach sufficient scale even though product demand in Caribbean is latent
2. CRAIC Phase II must upscale through strengthening private distribution channels and tailored marketing strategies - as well as exploring PPPs (e.g. DRM plans or social welfare) – and enhancing clients' value
3. Linkages to indirect schemes can enhance the feasibility and scale of direct schemes by:
  - Benefiting from institutional leverage
  - Fostering operational synergies





# Thank you!

For further questions on CRAIC  
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