Pacific Financial Inclusion Programme

Insuring Yourself against climate risk
Pacific Update 2019

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Why?

Pacific=Vulnerability

- Pacific island states are highly vulnerable to natural hazards, including tropical cyclones, earthquakes, volcanic eruptions, tsunamis, storm surges, drought, and associated hazards.

- The World Bank estimates that the average annual total direct losses caused by natural disasters in the South Pacific to be about **US$284 million**.

Rank	Country	Risk (%)
1.	Vanuatu	50.28
2.	Tonga	29.42
3.	Philippines	25.14
4.	Solomon Islands	23.29
5.	Guyana	23.23
6.	Papua New Guinea	20.88
7.	Guatemala	20.60
8.	Brunei Darussalam	18.82
9.	Bangladesh	17.38
10.	Fiji	16.58
11.	Costa Rica	16.56
12.	Cambodia	16.07
13.	Timor-Leste	16.05
14.	El Salvador	15.95
15.	Kiribati	15.42
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155.	Germany	2.42
...	...	...
158.	Singapore	2.31
159.	Norway	2.29
160.	Estonia	2.25
161.	Switzerland	2.23

World Risk Report 2018

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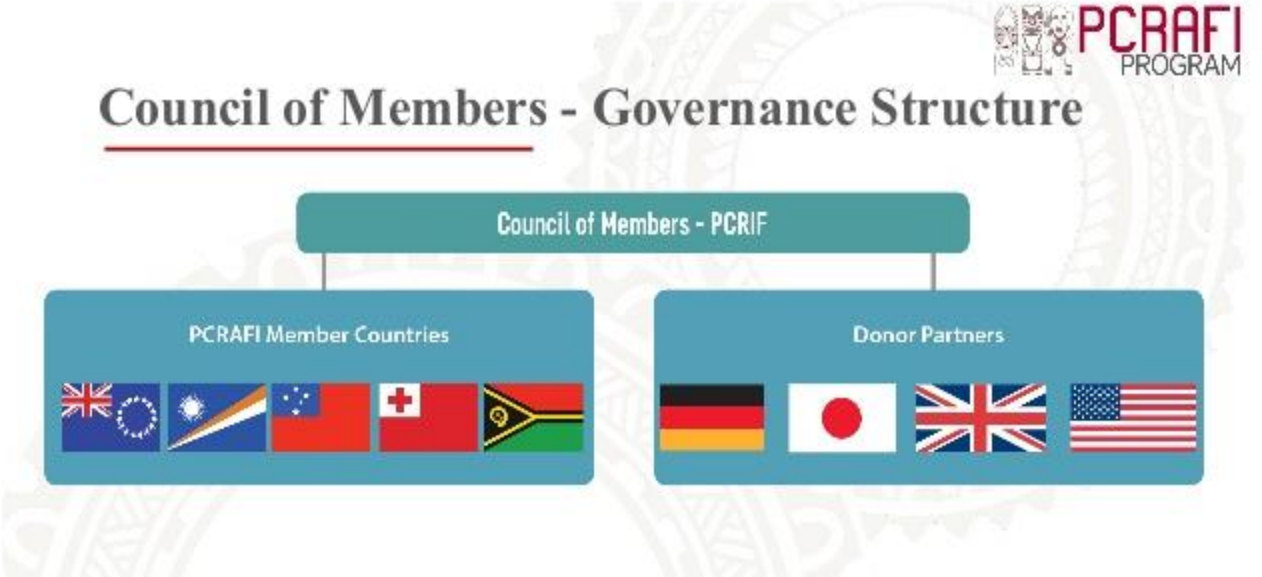
Disaster risk financing instruments

- Can be Ex Ante (Reserve funds, contingent credit and insurance) Or Ex Post (Borrowings and loans)

- Catastrophe Bonds and Weather derivatives are also increasingly being used, although it needs special management

- Our focus is presently on Insurance as an instrument for the Pacific given our experience of successfully deploying microinsurance and it is relatively easier instrument to administer

Market landscape



ADB

Asian Development Bank

IFC International Finance Corporation
WORLD BANK GROUP

Creating Markets, Creating Opportunities

PFIP

Market landscape

IFC has been actively collaborating with Fijian Government to develop a parametric index based climate risk insurance- target group is low-income social welfare recipients (around 27,000) and farmers around 10,000

A number of workshops, seminars have been held across the Pacific- led by WB, ADB- nothing concrete as implementation on the ground

PICAP Program:

- Headed by the Pacific Financial Inclusion Program (PFIP) and the Munich Climate Insurance Initiative (MCII).
- Expected to start with 6 countries- Fiji, PNG, Tonga, Samoa, Solomon Islands, Vanuatu and intends to federate 12 southern Pacific states in total.
- Tailored to country specific risks/perils and activities defined together with the local governments. Cyclones, droughts first followed by earthquakes, volcanic eruptions, landslides etc.

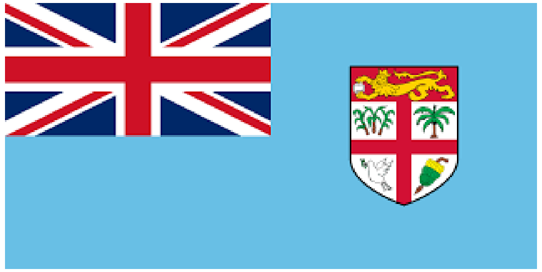
Munich Climate Insurance Initiative

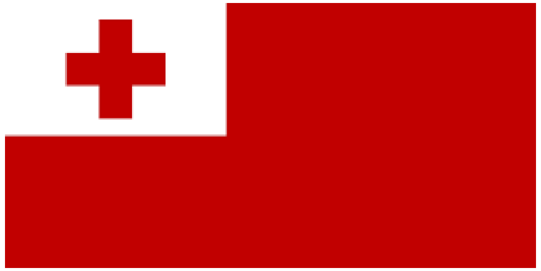
Successful Caribbean Risk Adaptation and Insurance deployed in St.Lucia and Jamaica, expanding to three more countries this year

Livelihoods Protection Policy (LPP) is a micro and meso level insurance product- not tied to any asset. Sold in multiples of $500 as units. Usually maximum 10 units

PFIP – MCII Initiative

- **3 country scoping - completed in Feb'19/March'19**
- **Type of interventions flushed out**
- **Plans for macro, meso and micro level interventions**
- **Macro Level- National or Provincial Governments can buy blocks or units. Premium as a percentage of ex post spending, budgetary provision (Subsidized)**
- **Exploring joint opportunity with UNCDF LoCAL**
- **Meso and Micro level- market driven not subsidized**





PFIP

PICAP workstreams includes

- Increasing resilience through integrated disaster risk management at National and sub-national levels
- Establishing a national disaster risk financing strategy. Insurance is one of the instruments in the mix (Ex-ante and ex-post)
- Insuring people and governments: The macro to micro scheme and covering meso level aggregation as well
- Developing market-based insurance solutions for sustainability, as against subsidized interventions

VINAKA!

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UNCDF · Australian Aid · EUROPEAN UNION · NEW ZEALAND · UNDP