

**Livelihood Protection Policy supported by the Climate Risk Adaptation and Insurance in the Caribbean (CRAIC) project**

**Submission by:** UNU-EHS, MCII

**Submission date:** Feb 2024

**Country:** Small Island Developing States in the Caribbean

**Climate hazard:** tropical cyclone and flooding

**Specific loss(es) or damage(s) experienced**

Small Island Developing States (SIDS) in the Caribbean have typically suffered more damage than others, with storms severely affecting local communities and yearly losses accounting for as much as 17% of their GDP. Moreover, there has been an increasing trend in recorded weather and climate hazards, exacerbating their existing vulnerabilities. Given that Caribbean economies rely heavily on sectors sensitive to weather, such as agriculture and tourism, and have limited resources to manage risk, recurrent weather-related issues such as hurricanes, droughts, floods, and rising sea levels pose a threat to livelihoods in these sectors.

Pilot countries of the Climate Risk Adaptation and Insurance in the Caribbean (CRAIC) project (Belize, Grenada, Jamaica, St. Lucia and Trinidad & Tobago) have experienced systematic loss and damage associated with climate variability and change. One such example is Hurricane Elsa in Saint Lucia, which in 2021 caused significant damage to the tourism, agricultural and energy-telecommunications sectors due to strong winds. Another example is the extreme rainfall event in Jamaica which in 2022 resulted in loss of crops and livestock and damages to road infrastructure in two major parishes.

**Actions taken and/or planned to holistically manage losses relevant to comprehensive risk management**

To address the losses and damages caused by extreme weather events in the Caribbean, the CRAIC project developed the Livelihood Protection Policy (LPP), a parametric climate risk insurance product which was piloted in Jamaica, Grenada, and Saint Lucia in 2013 and 2014. This innovative solution was refined in the year 2019 with the new product set to launch in Belize and Trinidad and Tobago as well as the other initial pilot countries in 2024.

At its core, parametric climate risk insurance operates on predetermined triggers, providing payouts after an event, once these measurable parameters are met. The LPP product provides cover for the perils of rain and wind in the event of an extreme weather event. If trigger 1 is met, the policyholder would receive 20% of the sum insured, and if another event occurs and trigger 2 is met a further 10% payout would be made resulting in the policy reaching a coverage of 30%. Any further events that meet the first two trigger levels would not be compensated. If, however, another event meets the last trigger level, 70% of the sum insured will be paid as 30% has already been compensated for in the previous events. The payments would be paid out to the bank account of the policyholder within 10 business days of the event.

Existing social protection systems in the Caribbean do not have the flexibility to respond to climate-related shocks and their associated losses and damages – both, expanding support ‘vertically’ - in their ability to increase support to current beneficiaries and expanding support ‘horizontally’ - in the number of persons they can support. It is therefore vital that governments recognize the risks arising from climate change by addressing the related factors as part of a

holistic and sustainable effort to reduce vulnerability to climate-induced extreme weather events.

By linking the weather index-based insurance product with social protection policies and strategies, Caribbean governments can reduce the burden of publicly financing post-disaster activities and ensure access to resources by the most vulnerable to help them better cope with climate impacts.

Engagements with individual governments and wider regional bodies such as CARICOM has provided the platform for additional interest and adoption of parametric products, it has also created discussions surrounding the addition of parametric insurance into legislation and local insurance acts which is a step towards modernizing and enhancing financial protection in the region.

**Supporting link(s) with additional relevant information**

<https://climate-insurance.org/news/mcii-wins-the-momentum-for-change-award-2017/>

<https://climate-insurance.org/projects/climate-risk-adaptation-and-insurance-in-the-caribbean/>