PRESS RELEASE

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New insurance product available in Jamaica to protect against losses from extreme weather

The Caribbean island of Jamaica has launched the "Livelihood Protection Policy (LPP)" – an innovative insurance product to protect low-income people against extreme weather risks. Jamaica becomes the second country in the region – following Saint Lucia – to offer this new product, which was developed by the *"Climate Risk Adaptation and Insurance in the Caribbean"* project.

Recent events such as Hurricane Sandy last year, which affected Jamaica and other countries in the Caribbean, highlight the need for a safety net to protect vulnerable people engaged in sectors such as agriculture and tourism, which tend to be most affected by extreme weather events. "Due to difficult economic conditions, national budgets across the region are tight and are having increasing difficulty in accommodating growing expenditures for recovery after natural hazards. The LPP policy transfers some of the risks into the insurance market and thus providing relief for the national budgets", stated Prof. Peter Hoeppe, Chairman of the Munich Climate Insurance Initiative (MCII) who leads the project.

Like other people in the Caribbean, Jamaicans fully appreciate the value of preparing for natural hazards by taking proactive measures before these events occur. While these islands have always been vulnerable to hurricanes and storms, the effects of those events are anticipated to worsen due to expected intensification of such storms caused by global warming. In fact, Jamaica participated in a study which demonstrated this – in 2010, a study of the Economics of Climate Adaptation in the Caribbean was conducted in eight Caribbean countries with funding support from the Caribbean Catastrophe Risk Insurance Facility (CCRIF). The study found that annual expected losses from wind, storm surge and inland flooding currently amount to 6% of Jamaica's GDP and that, in a worst case scenario, climate change has the potential to increase these expected losses to 9% of the country's GDP by 2030. Therefore, it is clear that individuals need to take personal measures to reduce the impacts on their own livelihoods. The LPP will help Jamaicans to do this.

The LPP aims to protect low-income earners, including small-holder farmers as well as day labourers in other sectors, with the intention to cover losses to people's livelihoods caused by heavy rainfall and high winds. It enables affected people to recover more quickly after a damaging weather event. For example, farmers who have purchased the insurance cover will potentially have a source of immediate funding to enable them to undertake activities such as replanting, draining fields and reconstructing irrigation systems – enabling them to get back on their feet and realising concrete earnings as soon as possible. One Saint Lucian banana farmer, who has purchased ten policies, said "I don't want a hurricane, but if one comes, I appreciate that I will get something to help."

Because the LPP is a parametric insurance product, it provides a payment when extreme rainfall or wind speed reaches pre-determined thresholds. If one of these thresholds is met, policyholders automatically receive payment within 10 to 14 days without having to file a claim. The policy includes an information system using mobile text messages to inform clients quickly if their individual policy was triggered, but also by providing weather risk information such as storm warnings. The LPP is underwritten locally in Jamaica by the Jamaica International Insurance Company (JIIC) and reinsured by Munich Re. The product is sold via a number of distribution channels including credit unions and cooperative banks to better reach target clients.

The Climate Risk Adaptation and Insurance in the Caribbean project is implemented by the Munich Climate Insurance Initiative (MCII) in partnership with the Caribbean Catastrophe Risk Insurance Facility (CCRIF), insurance services provider MicroEnsure and global reinsurer Munich Re. The project is part of the International Climate Initiative (ICI) and supported by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) on the basis of a decision adopted by the German Bundestag.

Notes for Editors

About the Partners

The Munich Climate Insurance Initiative (MCII) was launched in April 2005 in response to the growing realization that insurance-related solutions can play a role in climate change adaptation, as advocated in the United Nations Framework Convention on Climate Change and the Kyoto Protocol. This initiative brings together insurers, experts on climate change and adaptation, civil society, and policy researchers, intent on finding solutions to the risks posed by climate change. MCII provides a forum and gathering point for insurance-related expertise on climate change impact issues. MCII is hosted by the United Nations University Institute for Environment and Human Security in Bonn, Germany. The Executive Board members come from Munich Re, Potsdam Institute for Climate impact Research (PIK), Germanwatch, Allianz, International Institute for Applied Systems Analysis (IIASA), Munich Re Foundation, RESULTS UK, and the World Bank.

The Caribbean Catastrophe Risk Insurance Facility (CCRIF) is the first multi-country risk pool in the world, and is also the first insurance instrument to successfully develop parametric policies backed by both traditional and capital markets. Designed as a regional catastrophe fund for Caribbean governments, it aims to limit the financial impact of devastating hurricanes and earthquakes by quickly providing financial liquidity when a policy is triggered and thereby helping to mitigate the short-term cash flow problems small developing economies suffer after major natural disasters.

MicroEnsure is a specialist provider of insurance to the low and middle-income market with more than four million active clients in 13 markets across Africa, and Asia. The company provides a range of life, health, property and weather index products via a range of distribution partners that include microfinance companies, co-operatives and mobile network operators.

Munich Re. stands for exceptional solution-based expertise, consistent risk management, financial stability and client proximity. This is how Munich Re creates value for clients, shareholders and staff. In the financial year 2012, the Group – which combines primary insurance and reinsurance under one roof – achieved a profit of €3.2bn on premium income of around €52bn. It operates in all lines of insurance, with around 45,000 employees throughout the world. With premium income of around €28bn from reinsurance alone, it is one of the world's leading reinsurers. Especially when clients require solutions for complex risks, Munich Re is a much sought-after risk carrier. Its primary insurance operations are concentrated mainly in the ERGO Insurance Group, one of the major insurance groups in Germany and Europe. ERGO is represented in over 30 countries worldwide and offers a comprehensive range of insurances, provision products and services. In 2012, ERGO posted premium income of €19bn. In international healthcare business, Munich Re pools its insurance and reinsurance operations, as well as related services, under the Munich Health brand. Munich Re's global investments amounting to €214bn are managed by MEAG, which also makes its competence available to private and institutional investors outside the Group.

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