



Strengthening Financial Resilience in the Pacific

16 Lessons Learned from Implementing Climate Risk Insurance Solutions





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The Pacific Insurance and Climate Adaptation Programme aims to improve the financial preparedness and resilience of Pacific Islanders towards climate change and natural hazards through the development and implementation of market-based meso- and microinsurance schemes. The programme will offer an option for the national and subnational governments to consider subscribing to a ‘macro to micro’ scheme, which allows government level insurance policies to pay out to individuals in order to support the most vulnerable segments. Fiji, Vanuatu, Tonga, Samoa, the Solomon Islands, Papua New Guinea and other Pacific Small Island Developing States will be covered under the multi-year programme.

Disclaimer: The views expressed in this publication are those of the author(s) and do not necessarily represent those of the United Nations, including UNCDF, UNDP, UNU-EHS, member states, and the Governments of Australia, India, Luxembourg and New Zealand.

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Abbreviations

CDRFI:	Climate and Disaster Risk Finance and Insurance
CRI:	Climate Risk Insurance
CRAIC:	Climate Risk Adaptation and Insurance in the Caribbean
DRF:	Disaster Risk Financing
DRM:	Disaster Risk Management
GESI:	Gender Equality and Social Inclusion Strategy
MCII:	Munich Climate Insurance Initiative
MSME:	Micro, Small and Medium Enterprises
PICAP:	Pacific Insurance and Climate Adaptation Programme
PSIDS:	Pacific Small Island Developing States
RBF:	The Reserve Bank of Fiji
SOP:	Standard Operating Procedure
TDB:	Tonga Development Bank
UNCDF:	United Nations Capital Development Fund
UNDP:	United Nations Development Programme
UNU-EHS:	United Nations University – Institute for Environment and Human Security
VAT:	Value Added Tax
WFP:	World Food Programme

About PICAP

The Pacific Small Islands Developing States (PSIDS) are highly vulnerable to climate-induced natural hazards. However, they have limited capacity to effectively manage the climate risks and overcome the significant economic losses and damages after a disaster. The average annual direct losses caused by natural disasters in the South Pacific regions are estimated at USD 284 million.¹ Extreme weather events disproportionately affect low-income individuals. To cope, they often have no choice but to reduce their food consumption, take children out of school, borrow money, withdraw money from their pension fund and sell assets. These strategies diminish people's ability to maintain or improve their well-being and economic prospects, as well as their ability to cope with future climate change impacts. Additionally, at a sovereign level, there are limited disaster risk financing solutions available in most Pacific countries. Hence, after disasters, financial resources are often reallocated from government budgets and supplemented with external and internal borrowing, or countries have to rely on donor assistance and international humanitarian aid that has to be mobilized.

Against this background, the Pacific Insurance and Climate Adaptation Programme (PICAP) was designed to improve the financial preparedness and resilience of Pacific households, communities, small businesses, organizations and governments towards the economic impacts of climate change-induced disasters through the development and deployment of market-based meso- and microinsurance products. Through a combination of stakeholder engagement, solution co-creation, awareness, capacity-building, innovative financing options and digital linkages, PICAP has been working on developing customized Climate and Disaster Risk Financing and Insurance (CDRFI) solutions in the Pacific region.

During the inception phase (2021-2022), PICAP developed affordable parametric microinsurance products, targeted at the agriculture, fisheries, retail and tourism sectors with a specific focus on women, youth, migrants and micro, small, and medium enterprise (MSME) segments. These insurance products are offered in the market through local private sector insurers and aggregated through intermediaries such as cooperatives, associations and development banks and also directly through digital distribution channels. PICAP used a cascading approach,

in which the activities that were conducted in the first year for the first country have been subsequently carried out in other countries during the following years. This approach allowed the programme to capture the lessons learned at each stage, and transfer this acquired knowledge to the next country for a more efficient and effective implementation. Currently, the insurance products and solutions are being piloted, tested and scaled in Fiji, Vanuatu and Tonga and will continue to expand both regionally and globally in the upcoming years.

The Pacific Insurance and Climate Adaptation Programme is jointly implemented by the United Nations Capital Development Fund (UNCDF) as the lead implementing agency, the United Nations Development Programme (UNDP) as the administrative agency and United Nations University - Institute for Environment and Human Security (UNU-EHS) through the Munich Climate Insurance Initiative (MCII) as a technical partner, thus providing the right blend of relevant expertise and experience that is required to address the market gaps and challenges for Climate and Disaster Risk Financing and Insurance (CDRFI) instruments in the Pacific.

UNCDF has been at the forefront of increasing access and usage of appropriate and affordable market-based financial products and services in the Pacific for over a decade, engaging with financial services providers in developing, piloting and scaling innovative products and services like mobile and branchless banking, remittances, microinsurance, micropensions, savings and credit. UNCDF deploys strategic tools and instruments like performance-based grants, loans and guarantees to de-risk and stimulate private sector investments to deploy digitally last-mile solutions. In addition, UNCDF provides relevant technical advisory, data and insights through research and evidence-based approaches to develop products and services. UNCDF uses a market ecosystem development approach to bring together relevant public and private stakeholders. This approach allows UNCDF to play a catalytic role to enable delivery of innovative and sustainable solutions that address persistent development challenges.

UNU-EHS, through its cutting-edge research on risks and adaptation related to environmental hazards and climate change, brings technical expertise to the PICAP

¹ World Bank (2012): Pacific Islands: Disaster Risk Reduction and Financing in the Pacific. <https://www.worldbank.org/en/results/2012/04/01/pacific-islands-disaster-risk-reduction-and-financing-in-the-pacific>.



consortium. Through MCII, it brings more than 12 years of experience implementing market-based climate risk insurance across 5 countries in the Caribbean through the Climate Risk Adaptation and Insurance in the Caribbean project (CRAIC)².

UNDP, acting as an administrative agency of the programme, partners with people at all levels of society to help build nations that can withstand crises. UNDP also drives and sustains the kind of growth that improves the

quality of life for everyone. The UNDP Pacific Office in Fiji serves countries and territories in the Pacific, as part of the 177-country office UNDP network, and offers a global perspective and local insight to help empower lives and build resilient nations.

The unique combination of expertise of the consortium partners highlighted above enabled PICAP to accomplish numerous significant milestones and achieve positive outcomes that are listed hereafter.

² PICAP has greatly benefited from the experience and the lessons learned obtained through implementing the CRAIC project. For more insights see: UNU-EHS (2020): CLIMATE RISK INSURANCE IN THE CARIBBEAN: 20 lessons learned from the Climate Risk Adaptation and Insurance in the Caribbean (CRAIC) project. <http://collections.unu.edu/view/UNU:7894>.

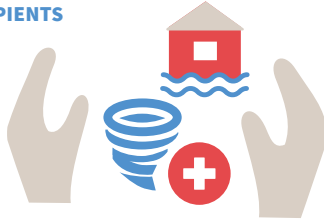
Key Accomplishments

THE PACIFIC'S FIRST MARKET-BASED PARAMETRIC MICRO-INSURANCE PRODUCTS



were launched in August 2021, and by the end of 2022, 15 products and digital services were piloted. These insurance products protect the policyholders from the impacts of the high windspeed and heavy rainfall related to tropical cyclones.

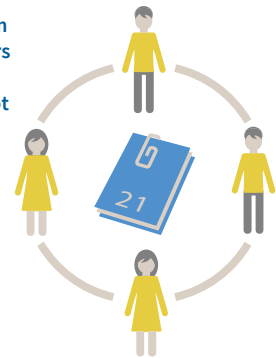
LAUNCHED THE PACIFIC'S FIRST SOCIAL PROTECTION PARAMETRIC MICROINSURANCE SCHEME FOR 2000 SOCIAL WELFARE RECIPIENTS



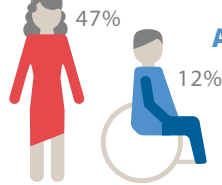
This was done in partnership with the UN World Food Programme (WFP) and the Fijian Ministry of Women, Children and Poverty Alleviation..

PARTNERSHIPS 21 ESTABLISHED

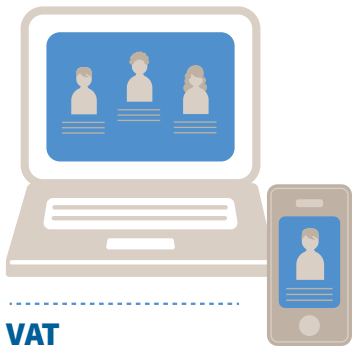
An ecosystem of 21 partners was established to pilot and scale market-based parametric microinsurance in Fiji, Tonga and Vanuatu.



4,799 BENEFICIARIES COVERED IN FIJI, VANUATU AND TONGA



LAUNCHED THE PACIFIC'S FIRST DIGITAL CLOUD-BASED ONBOARDING PLATFORM



GENDER EQUALITY AND SOCIAL INCLUSION STRATEGY (GESI) WAS MAINSTREAMED INTO PROGRAMME ACTIVITIES.



REGULATORY SANDBOX ENABLED



The Reserve Bank of Fiji (RBF) approved the application to pilot the parametric insurance products under RBF's regulatory sandbox for FinTech solutions. The FinTech regulatory sandbox experimentation stage has since been successfully completed, and RBF approved the exit of the parametric insurance solution from the regulatory sandbox. In Vanuatu and Tonga, the parametric insurance products piloted have received conditional approvals from the respective regulators.

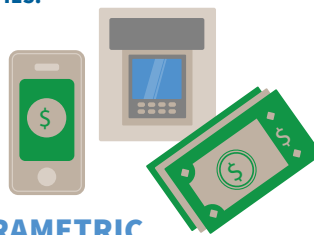
VAT EXEMPTION

To make parametric insurance affordable to the poor and the most vulnerable, the Fijian Government approved the programme's submission for VAT exemption. This made Fiji the first country globally to allow VAT exemption on parametric insurance product premiums.



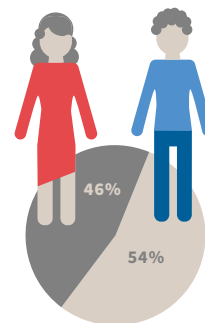
PARAMETRIC MICROINSURANCE PAYOUTS

During the first months of 2023, a total of 1097 beneficiaries have received microinsurance payouts after heavy rainfall in Fiji and two tropical cyclones in Vanuatu. The payment was sent directly to the recipients' mobile wallets, demonstrating the value of parametric insurance in delivering quick and timely payouts.



FINANCIAL COMPETENCY DEVELOPMENT

By the end of 2022, around **22,186** individuals (46% of which were women) participated in financial competency development activities conducted by the programme and its partners.



Index insurance best practices for regulators and practitioners' guidelines were published to build the capacities of insurance practitioners and to create market conditions that would enable successful inclusive insurance interventions.

The 16 Lessons Learned

The two-year inception phase of the Pacific Insurance and Climate Adaptation Programme ended in December 2022. Looking back, the Programme has laid a solid foundation for regional expansion. In addition to the major achievement of developing and launching the first parametric microinsurance products for extreme weather events in Fiji, Vanuatu and Tonga, PICAP managed to co-create evidence-based solutions and digital technologies with robust private sector engagement and collaborative partnerships with cooperatives and associations. These accomplishments contributed to increasing financial competency at the local community level.

Attaining all of these achievements in a short period of time has not been without challenges. Thus, as the programme prepares to expand to other countries in the region, it is important to reflect on the lessons learned to capture and share the knowledge and insights gained from the first two years of implementation. To strengthen continuous learning and knowledge-sharing, the programme team continuously made efforts to systematically capture the lessons learned which have been summarized below under six thematic categories: partnerships, innovative insurance product development, distribution, outreach and capacity-building, managing for impact and sustainability and evidence-based programming.



Partnerships

#1 Strategic Partnerships Are Key for Success, Scaling Up and Ensuring Sustainability

The rapid and successful implementation of PICAP was only possible through strong engagement, ownership and collaboration from a range of different private and public partners.

The programme has facilitated partnerships between national and regional private sector insurance providers to develop and offer affordable market-based climate risk insurance products for the most vulnerable populations in the Pacific region. It also worked towards enhancing the institutional capacity of insurance companies and other partners in the ecosystem to offer parametric microinsurance products and inspired change within companies' existing business models.

Furthermore, by partnering with a FinTech company, as well as developing and introducing a digital onboarding platform with related training conducted by app developers, the programme has not only strengthened the capacity of the insurers but also helped reduce the insurance premium.

Through partnerships with cooperatives and other aggregators, PICAP has been able to reach communities that may not have been accessible through insurance companies alone. Engaging through these aggregator partners with farmers, fishers and other vulnerable groups allowed the programme to have a wide reach at the community level and to learn from the partners' experiences.

Partnering with extension service providers, mobile network operators and input suppliers can bring better services to the same target community and develop innovative ways of offering smart subsidies for policyholders through these cooperative organizations.

The active engagement of the programme with the financial sector regulators, Central Banks in this case, at all stages of product design and development ensured regulatory confidence and paved the way for novel approaches to fostering an enabling environment.

#2 Active Engagement of Both Public and Private Sector Partners Is Crucial

In order to successfully provide scalable protection for the most vulnerable segments of society through climate risk insurance products, active engagement with governments and public sector partners is crucial.

There are many ways how national governments' engagements can be beneficial for initiatives that aim to strengthen financial resilience using innovative risk transfer tools. For example, governments can promote climate risk insurance (CRI) products as part of their national policies and strategies on disaster risk management, as well as incorporate CRI into national social protection systems.

Moreover, governments can support behaviour change efforts towards disaster preparedness and resilience through raising awareness and education campaigns on parametric insurance. While many Pacific SIDS have

developed national and sub-national Disaster Risk Management (DRM) plans, only Tonga and Samoa have Disaster Risk Financing (DRF) strategies to better manage economic losses after a disaster.

Against this background, it is particularly significant to have a deeper engagement with the relevant ministries in the target countries that are working on disaster risk management or climate risk finance and disaster risk financing. Although PICAP's active engagement was one of the leading factors for the success of the programme in Fiji, there is an opportunity to engage more actively with public sector representatives in other countries as well. Such engagement would help sensitize them on issues such as financial resilience building and CDRFI instruments and would ensure more alignment with national and regional priorities.



Developing Innovative Insurance Solutions

#3 Strategic Selection of Weather Data Sources for Model Development and Payout Processing Is Needed

Parametric microinsurance offers several advantages over traditional indemnity insurance, including faster payouts and greater flexibility, making it an increasingly popular tool for managing climate and disaster risks. Parametric products simplify the payout process by basing payouts on an external, transparent indicator that is continually monitored by the modellers.

Parametric insurance relies on weather data (satellite and ground data) at two stages. First, historical data analysis is required to establish thresholds and triggers, and second, real-time monitoring of weather events is necessary for payout processing. Policyholders receive payouts when predefined parameter thresholds (based on rainfall or windspeed) are reached or exceeded in a particular location (e.g. a province or district).

The injection of quick liquidity following an extreme weather event is crucial to help vulnerable populations recover quickly and avoid forcing them deeper into poverty by taking out high-interest loans or selling income-generating assets. Quick payouts are dependent on the latency of the weather data product—latency meaning the delay between the time when the data is collected and the time when it becomes available for the users.

Low latency can mean a compromise in data quality. Therefore, it is important at the design phase of the parametric insurance product that different available data sets are considered. Uncertainties, advantages and disadvantages are assessed, and the data set that will be ultimately used to design the model is decided. This way, unexpected disruptions can be avoided if and when payouts are triggered.

#4 Flexible Payment Plans for Premiums Can Increase the Uptake of Parametric Insurance

PICAP has taken many steps to make products as affordable as possible. For example, the programme has adopted the utilization of digital tools and acquired a VAT exemption in Fiji. While these premiums can be affordable for some, other vulnerable groups may struggle to pay them all at once. Therefore, the issue for some customers is not that they cannot afford it, but that they cannot pay it at the time that it is due.

This issue can be especially true for seasonal industries that have unpredictable cash flow. Qualitative research studies conducted by the programme team provided insights on how the communities view the current products and how they can be more refined to the needs of the target populations. Findings showed that most of the policyholders, especially farmers whose income depended on the harvesting season, preferred payment plans structured to the crop season.

Some of the cooperatives that acted as aggregators have offered upfront payment for their members, allowing them to overcome temporary liquidity constraints faced by smallholder farmers.

Although this approach was not formalized, it demonstrates that flexible payment plans can help overcome barriers as they help customers to manage the cost of premiums and budget for the expense.

Going forward, formalizing this approach by the insurance providers can be a win-win for insurers and customers as it will lead to an increased uptake of parametric insurance by making it more accessible to customers who may otherwise have been unable to afford it.

Through PICAP, mobile money (e-wallets) for payments have been enabled. While this has only been tested for the claim payouts, the same mechanism can also be used for premium collections in instalments.

#5 Climate Risk Insurance Can Meaningfully Contribute to National Social Protection Systems

Adverse impacts of climate change threaten economic growth and increase poverty. Therefore, social protection schemes that can respond to climate shocks play a vital role for social and economic development of Pacific SIDS.

Parametric microinsurance can protect against setbacks resulting from climate hazards for vulnerable populations and help avoid the poverty trap by facilitating quick liquidity after disasters strike.

Recognizing the need to support the most vulnerable more directly, PICAP, together with the Government of Fiji, introduced a specific climate risk insurance product for social welfare beneficiaries, which will gradually protect the entire population covered by the national social protection system through a macro-to-micro insurance

mechanism. International budgetary support and development assistance are used to purchase climate risk insurance for social welfare beneficiaries. The insurance certificates are then given to the identified social welfare participant individually. When payouts are triggered, they are directly transferred to the respective beneficiaries, avoiding the loss of time due to channelling the money through traditional social protection schemes.

This component of the programme demonstrated how microinsurance can be linked to social protection of lower income groups affected by extreme weather events and how shock-responsive social protection programmes can help people recover faster from the effects of natural hazards.





Distribution

#6 Employing Direct and Group Distribution Channels to Increase Outreach

At the programme design phase, it is important to identify which aggregation model is the most effective within a specific country to reach scale for climate risk insurance products. Each distribution model has its own inherent characteristics and product outreach challenges, strengths and limitations. Thus, choosing the appropriate channel is key to reaching the target segments of society effectively.

It is important to consider which organizations and groups can best act as aggregators in each country and cultural context. Such groups can be agricultural extension officers, banks, credit unions, cooperatives, vendor associations, shopkeepers, mobile network operators or others who already have existing relationships with their customers and members. These groups can be leveraged to have a wider outreach for climate risk insurance products.

If the group aggregation model enables insuring a large number of people with less effort, direct distribution is effective for reaching individuals who might not be part of a larger group, such as cooperatives.

During the inception phase, the programme team, together with partner insurance companies, decided which distribution models would be adopted in different Pacific Island Countries to reach the target segments. The experience shows that a combination of different distribution models can help maximize the outreach and impact of climate risk insurance products. While having cooperatives as distributors is especially convenient and gives its members the opportunity to pay for the premium in instalments, the programme learned that one model does not fit all.

#7 Utilizing Digital Tools for Outreach Makes Climate Risk Insurance More Affordable

Developing and introducing a digital platform (iOnboard) offers a new level of flexibility that transformed the ways the PICAP partners approached their work. Utilizing innovative technologies adds significant value by simplifying and streamlining processes, as well as reducing the insurance premium even further as they digitize processes such as registering members, collecting premiums and disbursing payouts, which normally would have been done manually.

While using digital tools in programming can greatly contribute to overall success, it is important to consider the country-specific context with regards to the national digital infrastructure and the level of digital literacy for establishing a sustainable open digital ecosystem.

Within PICAP, the iOnboard platform has proven very effective in terms of the accuracy and completeness of policyholder data. It has also helped improve the quality and timeliness of policyholder data-sharing by the partners. Nonetheless, despite the widespread appreciation and understanding of the online onboarding platform, the full potential of the digital database remains underutilized.

To fully harness the benefits of this technology, it is imperative to provide training and workshops to partners and policyholders to increase their digital literacy and enable them to make the most of such platforms' capabilities. By doing so, programmes can unlock the true potential of this technology and create a more efficient, effective and sustainable programme for all.



Outreach & Capacity-Building

#8 Product Communication Materials Should Be Created in a Digestible Format for All the Stakeholders

Clear communication of insurance benefits and payout conditions is a well-established industry and regulatory standard that is critical for both consumer protection and satisfaction. It is especially true in markets where climate risk insurance products are new and being introduced to industries, governments and target populations.

With parametric microinsurance products, there is a need to convey the nuances to the population in a digestible format—to clearly communicate basis risk, how triggers work and how long it takes for the payout. Above all, strengthening the level of understanding on eligibility for payouts is important.

Clear communication with all stakeholders can be facilitated by developing audiovisual, social media and story-based animation contents that are suited for different target groups. Additionally, using and leveraging diverse delivery channels are important.

Within this process, trained individuals with good knowledge of the insurance product should be closely engaged in the development of outreach materials and awareness-raising activities to avoid misunderstandings and communication of incorrect information. This can be achieved by having technical experts accompany the outreach and advocacy teams to deliver the more technical information to the target groups or by having a proper training certificate given to each person prior to going to the field.

Clear communication is especially relevant if there are several products offered in the market that are similar but not the same. This situation could lead to confusion and dissatisfaction in the market when one person receives a payout and another person does not. It must be recognized that constant repetition of key messages, using simple languages and relatable examples, is required to facilitate a gradual transformational shift in the knowledge and understanding of the training participants.

#9 Basis Risk Must Be Well Understood by All the Stakeholders

While there are a number of advantages for using parametric insurance as a disaster risk financing tool, basis risk remains a challenge. Basis risk refers to the possibility that the payout triggered by the extreme weather event may not match the actual loss suffered by the policyholder.

It is also important to mention that basis risk works both ways. An insured person may experience loss but no payout if predetermined trigger levels are not met. Alternatively, an insured person may not experience any type of loss (for instance, their property was not damaged) but is awarded a payout because the trigger in the area was met. Both scenarios can create uncertainty for policyholders and are damaging for the popularity of parametric insurance in the long run.

Although the products offered by PICAP partners are specifically designed to minimize basis risk by setting the trigger levels so that they are closely aligned to the likely losses incurred on the ground, there is a need to continue working on monitoring and strengthening the understanding of basis risk for all stakeholders involved—not only policyholders but also aggregators and government officials.

As such, it is of high importance that the correct information is clearly communicated during the outreach and awareness activities conducted by the programme and its partners. It is crucial to be transparent about this inherent risk. Transparency can be achieved by sharing the data captured after an extreme weather event with the respective stakeholders to explain why a payout has or has not happened.

#10 Continuous Outreach and Awareness-Raising Activities Are Essential to Build In-Depth Understanding of Parametric Products

There is still a limited understanding of the product offerings amongst the policyholders despite the significant financial and insurance literacy initiatives undertaken by PICAP and its partners.

This fact is especially true for the finer terms and conditions of the products. If the policyholders do not have a clear understanding of the product they have signed up for, they may believe that they have been cheated or that the product does not work when they experience losses and/or damages but do not receive a payout. In addition to being a potential disincentive for the beneficiaries to keep paying the premium for the products, this misunderstanding can also become a reputational risk for all actors involved.

Through PICAP, communities were introduced to the concept of parametric insurance for the first time. Because

it is a novel concept, there is a need for ongoing education to clearly explain the product, the payments process, the payout eligibilities and related processes in order to ensure sustainability of the project.

One way PICAP partners actively use to build in-depth understanding of the products amongst the beneficiaries is revisiting policyholders and conducting refresher education campaigns to solidify the understanding of products and services offered. It is also crucial that going forward, insurance companies have expertise, build adequate risk assessment models in-house and train their employees so they are able to conduct outreach and awareness-raising activities with the local communities as well. It is also important to have the awareness and educational material in simple language and vernacular.

#11 Social Norms Can Affect Access and Inclusion of Women and Other Vulnerable Groups

A key challenge in rural communities is breaking the glass ceiling in terms of gender equality. Despite the efforts by the PICAP team and its partners, further work is needed to breach the sociocultural barriers that are excluding women and other groups from financial activities.

Apart from insurance literacy, awareness campaigns should also be considered to address these traditional values and perceptions that limit women's participation in household financial decision-making—the literacy efforts need to include educating men on the importance of women in household financial decision-making.

By conducting gender assessments, the programme learned that some women are excluded from participating in the outreach and awareness sessions (despite both women and men being invited) because their husbands, fathers or brothers would typically participate instead. In addition, many women felt more comfortable speaking openly when only among other women in awareness

sessions. Having a gender balance among training facilitators can alleviate this challenge.

It is crucial to devise a plan to reach out to sectors where women are more present, such as market vendors. In the first year of the climate risk insurance roll-out, products were mostly sold through the cooperatives in which members were mostly male, which means women were excluded by design.

In an effort to prevent the exclusion of women, programmes can engage in advocacy work that addresses and combats the traditional values and perceptions preventing the inclusion of women in the decision-making processes in regards to household finances. Additionally, programmes can form partnerships with agencies that foster transformative change and promote empowerment of women and other socially excluded groups at the community level.





Managing for Impact and Sustainability

#12 Clarity of Roles Among All Partners Is Key for the Long-Term Viability of Climate Risk Insurance

Since its inception, PICAP has been successfully working on building networks with and assisting the work of public and private stakeholders (such as (re)insurers, modellers, aggregators, and FinTech companies) to develop and deploy the first parametric climate risk insurance product in the Pacific.

For this purpose, and to increase the partners' capacities and expertise in climate and disaster risk financing tools, various activities have been planned and implemented at all levels by the programme team. In Fiji, where the group aggregation model was used, aggregators, such as cooperatives, have been playing a key role in awareness-raising activities and registering their members for the insurance policy. While this model was helpful for increasing the number of policyholders, it inhibited the engagement between the policyholder and local insurance companies, causing a disconnect and confusion about who was actually offering the product.

Generally, involvement of the programme team during the initial phases of the implementation is important to ensure that goals are achieved. However, in the long run, it is essential that all of the different actors involved in serving the policyholders take ownership of their activities. For instance, insurance companies offering the CRI product should play a prominent role in raising awareness and product marketing activities to sustainably penetrate the market and avoid misconceptions about the CRI product provider.

Having clear roles and a well-informed policyholder is also critical for the complaint process. Without clarity and division of roles, there can be a long chain of communication that results in delays and confusion until the concern reaches the right person. One of the lessons learned from the inception phase of PICAP is the importance of establishing a direct relationship between the policyholder and the insurance company, as this builds trust and a long-term relationship between the two.



#13 It Is Essential to Set and Communicate Realistic Time frames for Product Sign Up and Payout Processes

Setting realistic time frames ensures successful project implementation and enables effective communication with stakeholders. It also helps manage their expectations and prevents misunderstandings or unrealistic demands.

During PICAP's inception phase, one important lesson learned was the significance of establishing a realistic timeframe for communicating payout information to the stakeholders, especially to the policyholders. It is essential to consider technical factors, such as data availability and coordination processes amongst stakeholders, before announcing the exact number of days for policyholders to receive their payouts.

Communicating time frames that cannot be guaranteed is a reputational risk. Setting realistic timelines can also help to establish trust and confidence in the insurance provider and contributes to the sustainability of project outcomes.

Another lesson learned from PICAP's inception phase,

related to setting the time frames, is the opening of a sign-up period for the insurance product. Opening an onboarding period closer to the activation date of the insurance policy can create challenges, especially in the case of group aggregation.

Having a tight schedule before the cut-off date can leave aggregator partners with little time to conduct awareness-raising sessions of the products and signing their members up before the cyclone season. Additionally, this can cause partners to face difficulties in achieving their targets.

Taking these potential challenges into consideration, it is important to make sure that products are launched farther in advance of the cyclone season to give partners ample time to conduct awareness sessions and to sign their members up before the intended cut-off date. On the policyholders' side, giving them enough time for considerations can also help them budget accordingly, ensuring they have the premium ready for purchase.

#14 Engaging Local Community Leaders Is Vital

In many Pacific communities, there is a misconception that insurance is only affordable for those who are well-off financially. This misguided belief can prevent individuals and families from accessing important financial protections. To combat this issue, it is crucial to increase financial literacy in these communities through outreach and education.

One effective way to do this is by enlisting the help of a local awareness champion. This individual should be someone who is well-respected and trusted in the community and can serve as a bridge between the community and financial service providers (for example: retired school teachers, civil servants, agriculture extension officers). Engaging local awareness champions is especially important in the Pacific small island developing countries where cultural norms and beliefs can sometimes hinder the uptake of financial products and services.

To ensure that all members of the community are reached, it is important to include vulnerable groups, such as women, in these awareness-raising sessions. One approach is to identify, within the community, male champions who are supportive of women's economic empowerment and invite them to participate in workshops and share what they learn with other male members of the community. Male church leaders or community leaders can also be engaged to advocate for women's roles in their respective communities.

Various advocacy tools and approaches can be used to spread the word about these initiatives, including news articles, media platforms, talk shows, brochures and outreach efforts. By working together and using these tools, PICAP can help empower communities and ensure everyone has access to the financial protections they need.



Evidence-Based Programming

#15 Conducting Comprehensive Country Diagnostic Studies (Including Gender Analyses) Is Important before Programme Launch

Country diagnostic studies are comprehensive assessments of a country's economic, social and political conditions which aim to identify the main constraints and challenges a programme could face and which stands in the way of achieving its goals.

During PICAP's inception phase, focus was more on the demand studies targeting the specific sectors—agriculture, fisheries and retail (small businesses). The programme performed demand-side surveys across five predominant farmer groups to identify key information such as hazard exposure, losses suffered, coping methods and product preferences.

The findings from these studies were compiled into a report which was used to inform the product development. Whilst there is wide appreciation for the currently available CDRFI products, there is also a need for additional product iterations.

Going forward, a comprehensive diagnostic covering supply, demand, policy and economic environment has to be done in each country before deciding on the implementation plans and strategy. The findings of each country's diagnostic study can help the programme implementation team and partners to design and implement more effective policies and products that are tailored to each SIDS' specific circumstances and needs.

#16 Create Feedback Loops That Assess Whether Solutions Meet the Needs of the Most Vulnerable

The perspectives and suggestions of policyholders are of utmost importance in ensuring that the developed climate risk insurance products and complementary services meet the needs of the people they serve. Therefore, it is essential to plan activities to gather feedback from policyholders and other stakeholders on an ongoing basis to understand whether their expectations and needs are being met. This information can be added to the evidence base, allowing for adjustments and iterations of the product to better meet the needs of the community.

For instance, during the initial phase, PICAP partners conducted a field survey with the policyholders in rural areas in Fiji to gain a deeper understanding of their risk perception and attitude towards climate and disaster preparedness, CDRFI product usage, satisfaction with the product and gaps in information and education on CDRFI among beneficiaries. The research outcomes fed into the refinement process of existing products, the development

of new products to meet the specific needs of the target groups, as well as the planning of specific outreach activities. It is especially critical that comprehensive assessments are carried out before and after extreme weather events to gain a better understanding of policyholders' satisfaction.

Additionally, feedback based on the user experience of the iOnboard platform demonstrated that further improvements are necessary to optimize its potential. The programme team learned that some issues that required attention included frequent SIM card changes, verifying active mobile money accounts and determining who should access which data, when, and in what format to expedite payouts. Based on the feedback, tailoring the platform to capture critical information such as land lease expiration dates and asset ownership proof can make it more efficient and effective.



Conclusion

The Pacific Insurance and Climate Adaptation Programme is entering a new phase in its implementation. Currently, demand and supply side feasibility studies are underway in Kiribati, Solomon Islands, Samoa and Papua New Guinea. Along with the results of these studies, the lessons learned highlighted above will make a significant impact on the decisions and implementation plans for the rest of the programme countries.

Moreover, lessons presented here will not only be applied to inform future PICAP engagements, but will also be

shared with the stakeholders and partners in the Pacific region and beyond to facilitate and foster South-South learning and collaboration. These findings will contribute to the wider dialogue and knowledge-sharing on climate change adaptation and resilience building in the small island developing state's context. The lessons learned from the Pacific programme will also feed into the team's ambition of expanding its climate disaster risk insurance portfolio to other markets in Asia, Africa and the Caribbean.



About UNCDF: The UN Capital Development Fund makes public and private finance work for the poor in the world's 46 least developed countries (LDCs). UNCDF offers “last mile” finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF's strategy ‘Leaving no one behind in the digital era’ is based on over a decade of experience in digital financial inclusion in Africa, Asia and the Pacific. UNCDF leverages digital finance in support of the Sustainable Development Goals (SDGs) to achieve the vision of promoting digital economies that leave no one behind. The goal of UNCDF is to empower millions of people by 2024 to use services daily that leverage innovation and technology and contribute to the SDGs. To achieve this vision, UNCDF uses a market development approach and continuously seeks to address underlying market dysfunctions that exclude people living in the last mile. <https://www.uncdf.org>

About UNU-EHS: The United Nations University – Institute for Environment and Human Security is based in Bonn, Germany and conducts research on risks and adaptation related to environmental hazards and global change. The institute's research promotes policies and programmes to

reduce these risks, while taking into account the interplay between environmental and societal factors. Research areas include climate change adaptation by incorporating insurance-related approaches, environmentally induced migration and social vulnerability, ecosystem-based solutions to adaptation and disaster risk reduction and models and tools to analyse vulnerability and risks linked to natural hazards, with a focus on urban space and rural-urban interfaces. UNU-EHS also offers the joint Master of Science degree programme “Geography of Environmental Risks and Human Security” with the University of Bonn and hosts international PhD projects and courses on global issues of environmental risks and sustainable development. <http://ehs.unu.edu>

About UNDP: UNDP partners with people at all levels of society to help build nations that can withstand crises, and drive and sustain the kind of growth that improves the quality of life for everyone. The UNDP Pacific Office in Fiji serves 14 countries and territories in the Pacific, as part of the 177-country office UNDP network, and offers global perspective and local insight to help empower lives and build resilient nations. www.pacific.undp.org

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