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WESTERN CENTRAL ATLANTIC FISHERY COMMISSION (WECAFC)
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Insurance needs and opportunities in the Caribbean fisheries sector

Highlights of a study of insurance needs in the Caribbean fisheries sector and opportunities for better preparedness and responses to climate change related natural disasters¹

1. Background

Climate change related natural disasters pose serious threats and risks to livelihoods of fishermen and women as well as to food security in the Caribbean. The urgency of these issues was highlighted at the 8th Special Meeting of the Caribbean Regional Fisheries Mechanism (CRFM) Ministerial Council held in Barbados on 11 October 2018. The ministers approved a Climate Change Protocol to the Caribbean Community Common Fisheries Policy (CCCFP). The Protocol promotes cooperation and collaboration among Caribbean people, fishers and governments in conserving, managing and sustainably using fisheries and related ecosystems as well as improving the welfare and livelihood of fisherfolk in the region.

To respond to threats and risks posed by climate change, the FAO, the Department of State of the United States of America and the World Bank introduced an initiative on climate risk insurance for the Caribbean Fisheries sector as part of a global programme on Blue Growth. In support of this initiative, a study was conducted in 2015, to identify fisheries assets that could be insured, value these assets, identify climate smart fisheries investments and practices and to carry out an insurance needs and demand survey. The FAO Fisheries and Aquaculture Circular no. 1175 presents study findings from Antigua and Barbuda, Barbados, Grenada, St Lucia, St Kitts and Nevis and St Vincent and the Grenadines.

¹ The full report of the study is presently being published as FAO Fisheries and Aquaculture Circular.

Based on the findings of the assessment of insurance needs and opportunities, an organizational arrangement for a Caribbean Fisheries Risk Insurance Facility (CFRIF) was developed, presented at various regional fora and shared with interested stakeholders.

2. Study findings

Some of the key findings are that: 97 percent of the fishing vessels and fishing assets are not insured, while in each of the CARICOM countries there is at least one local insurer offering marine insurance; 83 percent of the fishers would purchase insurance coverage for their vessels if it would be more affordable; only 17 percent of the fishers have health insurance and 20 percent have life insurance. More than one-third of the fishers interviewed would be interested to invest in safe harbor, anchorage, haul out and vessel storage facilities, such as installation of bumper rails on piers and the use of fenders on boats and piers, if this would reduce insurance premiums.

The assessment of insurance needs and opportunities in the Caribbean fisheries sector shows that there is an expressed need for insurance, particularly third party liability, coverage of damage and loss of infrastructure, fishing craft and gear, including damage and loss caused by natural calamities, coverage of medical expenses for captain and crew in case of accidents, provided crew are not temporary, and possibly theft. The assessment further shows that the establishment of insurance services for the fisheries sector in the Caribbean would benefit from a dedicated insurance facility that could support the sector's insurance providers in case of natural disasters that impact the sector at a large scale.

The fisheries insurance arrangement preferred by most of the stakeholders would be based on the existing locally available insurance systems, where fishers can buy marine insurance services from local marine insurers and brokers. Through introduction of climate-smart practices, which would include preventive measures as well as best practices, the risks of damages and losses would be reduced. This, together with the insurance facility (called CFRIF in this study), would make it possible to reduce the current insurance premiums by about 50 percent, according to the local insurers.

Climate smart practices, such as preventive and mitigation measures related to natural calamities, advocated by fishers, include protected harbours and anchorages; proper, functional and easily accessible boat haul out and storage facilities; use of proper communication/navigation equipment; accurate weather forecast and safety at sea precautions as well as improved security/safety and reduced crime at landing sites through stricter laws and penalties and increased police controls. A reduced premium would be more in line with the risk levels assessed by the fishers and fisheries authorities, and combined with slight adjustments to the policy wordings and payment methods, this would result in sector-wide acceptance and an increased demand for insurance services.

Further benefits of the proposed arrangement would include that similar as in the case of vehicle insurance, the insurance companies can directly pay the compensation to the fishers, using their own loss and damage adjusters. Fisherfolk organizations could negotiate on behalf of their members with the insurers on the insurance conditions and policy wordings, and fisheries authorities as well as regional organizations would be able to promote the introduction of climate smart investments in the sector and monitor their application.

Fisheries and marine authorities would gradually introduce vessel insurance as mandatory, starting with the larger vessels, through introduction of regulations related to vessel registration and fishing licenses. Ministries of Finance would oversee the whole system and monitor the functioning of the dedicated insurance facility. This means that all relevant stakeholders involved would carry out those tasks that they are good at and have professional and competent staff for at hand.

The 2017 hurricane season in the Caribbean, with devastation caused by Hurricanes Irma, José and Maria to many islands (e.g. Barbuda, Cuba, Dominica, Puerto Rico and St. Maarten), and the fishing communities on these islands, once again provided evidence that insurance services are essential for mitigating the impact of these natural disasters. Insurance is key for rebuilding and repairing the fishing fleets and restarting fishing activities, so income of fishers, food security and livelihoods in the fishing communities can be restored rapidly after these natural disasters.

3. Follow-up from the study

The findings of the study and the above recommendations were shared with the fisherfolk organizations and fisheries authorities that participated in the study, as well as CNFO, local insurance companies, the World Bank, the Department of State of the United States of America, TNC, CCRIF and CRFM. The results were further presented at and discussed at a CRFM Fisheries Forum meeting in Guyana in 2016 and Jamaica in 2017 and presented to their Ministerial Council in the same years. A brochure was made for fisherfolk on the findings of the survey, which was distributed by CNFO among its membership in 2017. The information was further shared at the 16th session of the Western Central Atlantic Fishery Commission in Guadeloupe, France, in June 2016, as well as at the 8th session of the WECAFC Scientific Advisory Group (SAG) held in Merida, Mexico, in November 2017.

The information was well-received and many stakeholders considered the proposed arrangement suitable and that it would meet the needs of the fisheries sector in the Caribbean.

Fisheries insurance awareness raising activities in several Caribbean countries are currently being supported by the GEF Special Climate Change Fund (SCCF) financed Climate Change Adaptation in the Eastern Caribbean Fisheries Sector (CC4Fish) project, which also promotes the access of fishers to social protection programmes at national level. The CC4Fish project uses the outcomes of the survey in its awareness raising and capacity building materials.

The survey outcomes were further used in the design of the United States of America Department of State supported Caribbean Ocean Assets Sustainability (COAST) initiative. The proposed follow-up from the survey is currently (2018) receiving attention from various stakeholders active in the insurance and fisheries sectors.

4. Recommendations for the way forward and next steps

The SAG might want to consider the following next steps. It is proposed in this paper that a Caribbean Fisheries Risk Insurance Fund, to be capitalized by donors with contributions from governments of participating countries, would be placed with and managed by a regional financial or global financial institution such as the CCRIF, the Caribbean Development Bank, the Inter-American Development Bank or the World Bank.

The proposed arrangement would associate existing private and public sector insurance companies, which already offer marine policies and are willing to cooperate with the new risk insurance facility in the framework of Memorandums of Understanding and other legal instruments and agreements with the Ministries of Finance and Agriculture of the respective countries as well as the CFRIF.

The participating insurance companies would be eligible for payouts from the CFRIF, to be channeled through the respective Ministry of Finance of the participating country or directly from the CFRIF. The payouts would be triggered by a joint assessment of the national disaster/emergency management agency, the national fisheries authority and the national federation of fisherfolk organization plus the participating insurance company that (1) a natural calamity (hurricane, severe storm, rainfall, landslides, coastal erosion etc.) has taken place that (2) has seriously and negatively impacted the fisheries sector, the livelihoods of fisherfolk and the capacity of the sector to contribute to food security, and (3) has caused a sudden increase in insurance claims from the fisheries sector. The funds would be used by the insurance company to settle claims from the fishery sector caused by the natural calamity.²

In return for the support that the insurance companies will receive from the CFRIF, they would modify their marine policies for fisheries to make them more suitable and affordable for fisherfolk. This will possibly include lowering of premiums and incorporation of no-claim bonuses among others. With a view to promote climate smart practices as well as precaution and mitigation, insured parties/fishers need to comply with a number of requirements including those that might require regulatory action by fisheries authorities and others, in order to make these requirements mandatory.

Based on discussions with fishers during the field mission and on questionnaire responses, insurance policies should cover third party liability, damage and loss of infrastructure, fishing craft and gear including damage and loss caused by natural calamities, limited medical expenses for captain and crew provided the crew is not temporary, and possibly theft. It would be left to fishers and others, whether they would like to buy all of the possible insurance coverage or only part of it.

Regarding premiums, the study showed that on average, fishers considered 2.67 percent annually of the asset value to be insured as affordable. However, it depends very much on the insurance policies and what they cover. Also different types of vessels might qualify for different premiums, depending on where and how they operate, anticipated risks, qualification and experience of captains and other factors, which all justify a flexibility of rates.

However, it is suggested here that all insurance policies should include no claim bonuses, and that premium payments should be annually or semi-annually, rather than monthly as is presently the case with

² This is similar to the arrangements in the State of Florida, USA. The State has about 17 billion USD in a fund, to help private insurance companies pay hurricane claims, if they run into trouble.

some insurance companies. Group insurance schemes, common in health insurance in the Caribbean, should also be considered, particularly for members of fisherfolk organizations.

CRFM, CNFO, CDEMA and FAO should all play a role in promoting climate smart best practices, providing training and monitoring the functioning and performance of the CFRIF and suggesting adjustments as necessary.

Taking note of considerations in Jamaica and elsewhere to make insurance mandatory for the registration of commercial fishing vessels, these considerations are fully endorsed in this report. Such efforts would greatly contribute to mitigate/spread the risks faced by the fisheries sector, enhance the resilience of the fishery sector both economically and otherwise, and to make insurance more affordable, including lowering rates. However, it might be advisable to introduce an insurance mandate in a phased manner. The effort could start with making insurance mandatory for larger vessels first. Also, the mandate could be limited to third party insurance in the beginning.

With the purpose of getting the ball rolling and initiating a communication process between the concerned stakeholders, i.e. donors, global or regional financial institutions, private and public sector insurance companies, concerned government authorities and fisherfolk associations; special meetings could be organized, preferably at the national level, in countries where stakeholders show an interest in implementing insurance arrangements for the fisheries sector.

Also, a special session could be organized at a forthcoming WECAFC meeting, where above stakeholders could be invited to attend and to discuss how to proceed with the implementation of insurance arrangements.