



Creating Markets, Creating Opportunities

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Fiji Signs MOU for Cyclone Insurance to Cover Most Vulnerable Citizens

Fiji, October 17, 2019– IFC, a member of the World Bank Group, and the Fijian Government have signed an agreement that paves the way to help the country’s disadvantaged families and farmers gain access to an insurance payout in the event of a severe cyclone.

The Memorandum of Understanding (MoU) was signed at a meeting on the sidelines of the Annual Meetings of the World Bank Group-IMF in Washington DC, by Fiji’s Minister of Economy, Aiyaz Sayed-Khaiyum and IFC’s Vice President for Asia and the Pacific, Nena Stoiljkovic.

“The impacts of worsening cyclones are locking countries like Fiji in unsustainable cycles of rebuilding from climatic devastation. The solution lies in innovation. We need to expand the toolbox of financial products that help grant our economies greater buoyancy to rebound from these disasters,” said the Minister. “Our plan – in cooperation with IFC – is to offer vulnerable Fijian families and farmers quick access to insurance pay-outs in the aftermath of a severe weather event – bringing our people security in the face of a changing climate and keeping our economy on a sustainable pathway with built-in resilience.”

Under the plan, IFC is working on an insurance scheme for disadvantaged families and farmers, whose homes would normally be considered uninsurable. Depending on the severity of the wind speed striking a province, the aim is for registered households to receive a cash payout to their bank account, or a voucher to help them rebuild and recover quickly from the damage.

“Fiji is highly susceptible to natural disasters, particularly cyclones, and we know that 94 percent of homes in the Pacific Island nation are currently uninsured against tropical cyclones,” Stoiljkovic said. “There is clearly a case for a bigger insurance market in Fiji, and IFC sees this initiative as a significant first step in spurring new insurance products. We look forward to working with the government and the private sector on this important initiative.”

The initiative comes after an assessment of the devastation left by category five Cyclone Winston in 2016, which caused an estimated US\$900 million in damages and losses. Overall economic losses from Cyclone Winston, the most intense tropical cyclone ever experienced in the southern hemisphere, amounted to almost one third of the country’s GDP. The assessment showed 78 percent of damages and loss were borne by the households and agriculture sector, with less than three percent of those losses insured.

With the frequency and severity of climate related disasters continuing to rise in the Asia Pacific region, IFC has been working with the private sector to help combat the challenges and build up resilience through innovative and accessible insurance products. IFC’s work to date in Asia Pacific has seen policies and payouts for smallholder rice and corn farmers in the Philippines, as well as farmers in Bangladesh and Sri Lanka insured against drought and rural banks in Indonesia insured against earthquakes.

The IFC initiative is undertaken as part of the Fiji Partnership, supported by Australia and in partnership with the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI) supported by the World Bank. Support from the Global Index Insurance Facility (GIIF) trust fund was also instrumental in initiating this project.

The Bank is, in parallel, working on developing an insurance product to cover houses that would be eligible for indemnity insurance with some alterations done to secure the house against cyclones. It is hoped that the World Bank Group's plans for two insurance products will spur other private insurers in Fiji and the Pacific region to enter and expand the disaster risk insurance market.

About IFC:

IFC—a sister organization of the World Bank and member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. We work with more than 2,000 businesses worldwide, using our capital, expertise, and influence to create markets and opportunities where they are needed most. In fiscal year 2019, we delivered more than \$19 billion in long-term financing for developing countries, leveraging the power of the private sector to end extreme poverty and boost shared prosperity. For more information, visit www.ifc.org

About the Fiji Partnership:

The initiative is supported by Fiji Partnership. Through the Fiji Partnership, Australia and IFC are working together to stimulate private sector investment, promote sustainable economic growth and reduce poverty.

About GIIF:

The Global Index Insurance Facility (GIIF) is a multi-donor trust fund managed by IFC and jointly implemented with the World Bank. The donors include Japan, the Netherlands, the European Union/ACP and Germany. The facility's objective is to expand the use of index insurance as a risk management tool in agriculture, food security, and disaster risk reduction.



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