

Weather Index-Based Parametric Insurance for Small-Scale Fishers

Rare and WTW, an insurance broker, are piloting a parametric insurance solution for fishers in the Philippines to combat income losses from prolonged periods of adverse weather which prevent safe fishing. The coverage is an affordable, scalable product that provides payments directly to fishers when the policy is triggered. Fishers must formally register and commit to sustainable fishing practices to benefit from this insurance protection.

This project advances key [Sustainable Blue Economy Finance Principles](#) objectives to utilise insurance tools to build more resilient coastal communities in the seafood sector.

Key facts:

- **Blue economy sectors targeted:** small-scale fishing; seafood
- **Project:** Weather Index-Based Parametric Insurance for Small-Scale Fishers
- **Timeline of the project:** Feasibility study took place in 2022. Pilot to take place in 2023-24
- **Geography:** Philippines
- **Key words:** climate change resilience; insurance; small-scale fishers

Who?

Rare and WTW lead this project, with the support of the Ocean Risk and Resilience Action Alliance (ORRAA). Financial support was provided by the United Kingdom’s Blue Planet Fund and the Government of Canada. At COP27, back in November 2022, the Government of Canada announced additional financial support to this project over 2023 and 2024.

What?

In the Philippines, 1.9 million registered small-scale fishers depend on the ocean for [income](#),

with fish and fish products making up 11.6% of the [average Filipino diet](#). Climate change is making it more difficult for fishers to safely access fishing grounds. High winds, agitated sea states, and heavy rain, which reduces visibility, all negatively impact the activities of small-scale fishers who use smaller vessels and navigate using visual cues. Seasonal winds and rains are also becoming increasingly unpredictable due to climate change. Ultimately, fishers suffer significant income losses when they are unable to work for a prolonged period due to adverse weather conditions. To combat these losses, support communities, and manage risks in the face of climate change, Rare and WTW are developing an index as a proxy for the aggregate number of lost fishing days each month to inform development of a commercially viable insurance product.

How?

The feasibility study and the corresponding actuarial analysis to demonstrate the technical viability of combining three identified weather parameters (wind speed, sea state and rain conditions which prevent safe fishing) into a single insurance product was conducted in 2022.

The insurance product is intended to be both affordable and scalable and will be piloted in the Philippines in 2023 and 2024, providing payments to fishers when the policy is triggered. The Government of the Philippines will be the policyholder and provide coverage to fishers as a benefit of vessel registration and a commitment to implement sustainable fishing practices.

Throughout 2023 and 2024, the pilot aims to test the insurance product with an estimated 50,000 fishers across 75-90 coastal municipalities as proof of concept. The maximum anticipated payout will be up to USD\$100 per policy cycle equivalent to a month of lost wages. If it proves successful, Rare will collaborate with the Government of the Philippines to expand the coverage nationally as a set benefit for fisher registration.