



Addressing climate related insurance protection gaps in the Caribbean

Evidence from Barbados, Jamaica, and Grenada



1. Introduction

In climate vulnerable regions, access to financial protection remains highly unequal. In these regions, when climate related risks occur, households, livelihoods, and public finances remain susceptible to shocks, slowing recovery and constraining long term development.

The Societal Resilience Research project, commissioned in 2025, responds to this challenge by identifying potential solutions to reduce inequality in access to risk sharing mechanisms, with a focus on communities excluded from insurance markets. Caribbean Small Island Developing States face repeated extreme weather events alongside widening protection gaps linked to inaccessible or unsuitable insurance products.

The UNU-EHS/MCII¹ conducted research on insurance protection gaps that communities face in the Caribbean. Focusing on climate vulnerable individuals and entrepreneurs in the farming, fishing, and tourism sectors as part of our Inclusive Futures programme. The study examines how climate risks are experienced, financed, and managed at the micro and meso levels. It draws on 99 interviews with community members and experts, an online survey with 58 respondents, and desk research. Primary data was collected in September and October 2025.

¹ The research was conducted by the Project Office of the Munich Climate Insurance Initiative (MCII), hosted at the United Nations University Institute for Environment and Human Security (UNUEHS).

2. Defining the Protection Gap Across Levels

Climate related insurance protection gaps persist across micro, meso, and macro levels. Initial solutions exist across these levels, creating a layered response in the Caribbean, but one that is weakly connected across the financial protection system.

Macro		At the macro level, sovereign risk pooling mechanisms provide valuable post disaster liquidity to governments but benefits often do not fully reach affected households or small businesses in a timely or sufficient manner, and public relief is frequently delayed and limited.
Meso		At the meso level, cooperatives, associations, and community organisations rarely hold or have access to collective climate insurance, despite their potential to pool risks and reduce costs for members.
Micro		Micro level protection gaps are the most pronounced, with communities bearing the majority of climate related losses themselves. Hurricanes, flooding, and droughts have a detrimental impact on the livelihoods of individuals, households, and entrepreneurs, yet the majority of their livelihoods and professional assets, including boats, engines, crops, livestock, and equipment, as well as financial risks, remain uninsured.

3. Country Specific Protection Gaps



Jamaica

Jamaica's insurance protection gap is shaped by frequent climate hazards interacting with poverty and informality, leading to repeated livelihood losses. Smallholder farmers, fishers, tourism workers, women, and rural communities are especially vulnerable. Access to financial protection, including insurance coverage across key livelihood sectors, remains limited. Barriers include affordability, low awareness, and weak understanding of insurance products. Trust in financial institutions remains low, and many people face administrative barriers to accessing services. As a result, recovery from climate related shocks relies heavily on informal finance, remittances, NGOs, and limited public support, while formal insurance solutions remain inaccessible, underdeveloped, and fragmented. These challenges were evident following Hurricane Melissa in October 2025, particularly in Hanover Parish, where farmers experienced severe crop and poultry losses alongside widespread property damage, including destroyed homes, broken fences, and damaged water tanks. While Jamaica received rapid financial support through sovereign risk financing mechanisms and agricultural insurance payouts for some insured farmers, coverage remained limited relative to the scale of impacts. Many affected households reported that available assistance remained insufficient, highlighting persistent gaps in accessible and adequate financial protection at the community level.

3. Country Specific Protection Gaps



Barbados

Barbados faces a significant climate insurance protection gap driven by high coastal exposure and dependence on fisheries, agriculture, tourism, and informal work. While the country benefits from sovereign level parametric coverage, access to financial protection at the household and livelihood level remains limited. For example, storm surge associated with Hurricane Beryl in July 2024 damaged more than 200 fishing boats in Bridgetown, severely disrupting small scale coastal livelihoods and exposing gaps in timely and accessible financial protection. Farmers, fishers, informal vendors, and women are among the most vulnerable groups. Microinsurance remains scarce, unaffordable, and poorly aligned with irregular incomes and seasonal livelihoods. Low awareness and persistent mistrust of financial institutions further constrain uptake. As a result, recovery relies largely on savings and government support. Demand for insurance exists but is conditional on clear value, trusted providers, and flexible delivery mechanisms.

3. Country Specific Protection Gaps



Grenada

Grenada experiences a pronounced insurance protection gap despite strong sovereign disaster risk financing systems. Farmers, fishers, tourism workers, women, and persons with disabilities are particularly vulnerable to repeated shocks. Access to financial protection at the household level remains constrained by affordability, low financial literacy, and limited trust in insurers. Available products are often poorly aligned with informal livelihoods, and delivery channels do not reach vulnerable groups effectively. While policy frameworks and pilot initiatives exist, the climate risk insurance market remains underdeveloped, leaving many households uninsured and dependent on external assistance and negative coping strategies when recovering from the effects of extreme weather. Hurricane Beryl had devastating effects on Grenada in July 2024, causing widespread destruction of homes, crops, boats, and critical infrastructure, particularly on Carriacou and Petite Martinique, where livelihoods and essential services were severely disrupted. The disaster exposed the fragility of household recovery capacity, as many affected communities lacked access to timely and affordable financial protection, increasing reliance on external assistance and negative coping strategies.

4. Factors Influencing the Persistence of Climate Risk Insurance Protection Gaps

Insurance product design and quality alone are insufficient: trust, delivery, and affordability also determine the value for policyholders. A clear value translates into increased demand and uptake.

Mistrust in insurance



Mistrust in insurance rooted in past institutional failures, slow or uncertain payouts, and poor communication leads insurance to be perceived as a cost rather than protection.

Affordability constraints



Affordability constraints, driven by irregular and seasonal incomes and inflexible payment schedules, restrict uptake even where need is acute.

Mistrust in financial intermediaries



Mistrust in financial intermediaries: trust in local intermediaries, including NGOs, cooperatives, and credit unions, consistently exceeds trust in insurers and banks.

5. Opportunities for Insurers to Close Climate Risk Insurance Protection Gaps

Product Design



- Codesign parametric micro & meso products with communities to ensure their needs are met
- Use simple and easy to understand triggers
- Ensure fast and accessible payouts (1421 Days)
- Offer bundled insurance and financial service solutions
- Design products with tiered premiums and sum insured

Delivery & Access



- Implement flexible premium payment solutions (seasonal, aligned with harvest cycles)
- Provide multiple payout channels and options
- Build trust in financial intermediaries
- Partner with community level organisations for outreach and distribution

Key Enablers



- Realistic communication about expected value from parametric insurance solutions
- Clear triggers and data sources
- Premium subsidies for vulnerable communities and clear communication about provided subsidies
- Visible post event payouts and communication

Impact



- Clear value proposition of climate risk insurance for vulnerable communities
- Easier access to insurance and higher uptake
- Faster recovery from climate shocks and reduced protection gap

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