



DEMAND AND SUPPLY STUDY REPORT

SOLOMON ISLANDS

Climate and Disaster Risk Financing Insurance





This publication is brought to you by the Pacific Insurance and Climate Adaptation Programme (PICAP).

PICAP is jointly administered by the United Nations Capital Development Fund (UNCDF), the United Nations Development Programme (UNDP), and the United Nations University Institute for Environment and Human Security (UNU-EHS).

PICAP in Solomon Islands is supported by the Governments of New Zealand, Australia and the United Kingdom.

Author: Emerging Technologies with substantial input and contributions from the PICAP and UNU-EHS teams.

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November 2023

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What is this Report?

This demand and supply study report examines the growing impact of disasters caused by environmental hazards on individuals and households across Solomon Islands and explores financial gaps that could easily be filled through climate and disaster risk financing instruments (CDRFI) such as parametric insurance.

By shedding light on the intricate interplay between demand and supply, this study aims to provide valuable insights on the state of CDRFI in Solomon Islands, with the ultimate goal of enhancing resilience and adaptation in the face of an increasingly uncertain climate future through targeted solutions.

The study behind this report is based on:



604 Individual Surveys

37 Focus Group Discussions covering fishers, cash crop farmers, livestock and MSMEs

Interviews with Solomon Island's private and public sector agencies, financial regulator and donor and development partners.

Data was collected from Guadalcanal, Malaita and Western provinces.

SOLOMON ISLANDS

Country Profile¹



1 CONSISTS OF **6 LARGE ISLANDS** AND OVER **900 SMALL ISLANDS**



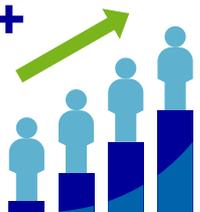
2 
30,407.3² km
LAND AREA

3 
POPULATION
721,455

4 
124,247
HOUSEHOLDS

5 **48.8%**
OF POPULATION
ARE FEMALES



6 **63.4%** 
RESIDE IN MALAITA,
GUADALCANAL, AND HONIARA
PROVINCE

¹ <https://www.statistics.gov.sb/sinso-documents>

Macroeconomic and Development Indicators²



US\$1.4 Billion

GDP
(Const. 2015)



US\$1,893.1

GDP per capita
(const. 2015)



Labour force
participation rate:

85.2%

of population
(ILO (est. 2021))



**HOUSEHOLDS' MAIN
INCOME SOURCE:**

- Formal employment
- Small business
- Agriculture
- Forestry
- Fishing
- Livestock



MICRO BUSINESSES

- Handicraft
- Home food processing

² <https://data.worldbank.org/country/solomon-islands>

Key Findings

Climate and Disaster Risks:

Extreme Rainfall

Based on the Demand Side Survey 53.2% of respondents reported extreme rainfall as the most impactful natural event.

Strong Winds

Based on the Demand Side Survey 38.3% of respondents reported strong winds as the most impactful natural event.



Flooding

Based on the Demand Side Survey 49.3% of respondents reported flooding as the second most impactful natural event.

Droughts

Based on the Demand Side Survey 3.9% of respondents reported a combination of the following hazards as most impactful.

Solomon Islands Risk Profile³

Classification	WorldRiskIndex	Exposure	Vulnerability	Susceptibility	Lack of coping capacities	Lack of adaptive capacities
Very Low	0.30 - 3.25	0.85 - 9.57	22.68 - 34.21	9.03 - 16.68	38.35 - 58.92	14.22 - 24.78
Low	3.26 - 5.54	9.58 - 12.04	34.22 - 42.02	16.69 - 21.56	58.93 - 71.19	24.79 - 34.10
Medium	5.55 - 7.66	12.05 - 14.83	42.03 - 48.32	21.57 - 28.16	71.20 - 77.87	34.11 - 40.66
High	7.67 - 10.71	14.84 - 19.75	48.33 - 61.04	28.17 - 44.85	77.88 - 85.50	40.67 - 52.59
Very High	10.72 - 47.73	19.76 - 82.55	61.05 - 75.83	44.86 - 70.52	85.51 - 93.17	52.60 - 70.13

Max Value = 100, classification according to the quintile method



National Disaster Risk Management Initiatives



National Climate Change Policy (2012-2017)

This laid out the initial pathway to integrate climate change policy into the National Development Strategy and strengthen capacity to mitigate and adapt to the negative impacts of climate change.

National Disaster Management Plan (2018)

Establishment of institutional arrangements for the Solomon Islands Government to address the management of disasters within the country. It includes elements of preparedness and early warning, response, and recovery.

Solomon Islands National Development Strategy (2016-2035)

Maps out a strategic direction for the future development of Solomon Islands and activities includes resilient and environmentally sustainable development with effective disaster risk management, response, and recovery as well as adaptation as part of resilient development in the Solomon Islands.

Solomon Islands National Climate Change Policy (2023-2032)

The Policy is intended to guide Government and its stakeholders including ministries, the private sector, donor partners, NGOs and Civil Society Organisations, Faith-Based Organisations, Interest groups and communities' present and future response actions on climate change.

Disaster Risk Financing (DRF) Mechanisms

Available only at the macro-level through government budget support managed by the National Disaster Management Office (NDMO).

Community Coping Mechanisms



45.4%

Respondents Depend on Family and Friends



44.2%

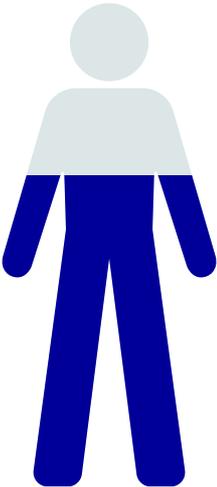
Respondents Depend on Savings



88.6%

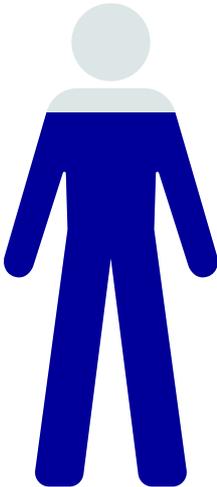
Respondents Preferred Utilizing A Combination of Savings, Loans, and Insurance as A Primary Recovery Method

Insurance Preference



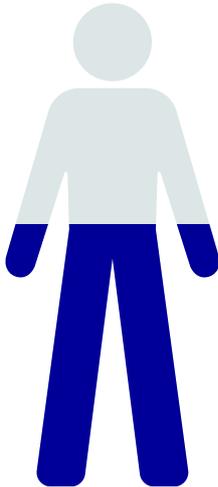
66.4%

Express Interest in Obtaining insurance through Associations or Cooperatives.



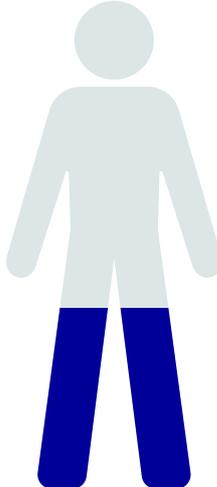
78.8%

Respondents Emphasize the Importance of Accessible Insurance Options that Align with their Specific Needs and Remain Financially Feasible.



55.1%

Respondents are Willing to Pay Premium for an Annual Cover of US \$500



37.6%

Respondents Willing to Pay Premium for an Annual Cover of US \$1,000

Financial Service Providers



BANKING INDUSTRY

- Australia New Zealand Bank Limited Solomon Islands Branch
- BRED Bank Solomon Islands
- Bank of South Pacific Financial Group Limited
- Pan Oceanic Bank Limited



CREDIT INSTITUTIONS

- BSP Finance Solomon Islands Limited
- Credit Corporation Solomon Islands Limited
- Solomon Finance Limited



NON-BANK FINANCIAL INSTITUTIONS

- South Pacific Business Development
- Development Bank of Solomon Islands
- Solomon Islands National Provident Fund



INSURANCE COMPANIES

- Capital Insurance Solomon Islands Limited
- Transpacific Assurance Limited
- QBE (International)



MOBILE WALLET SERVICES

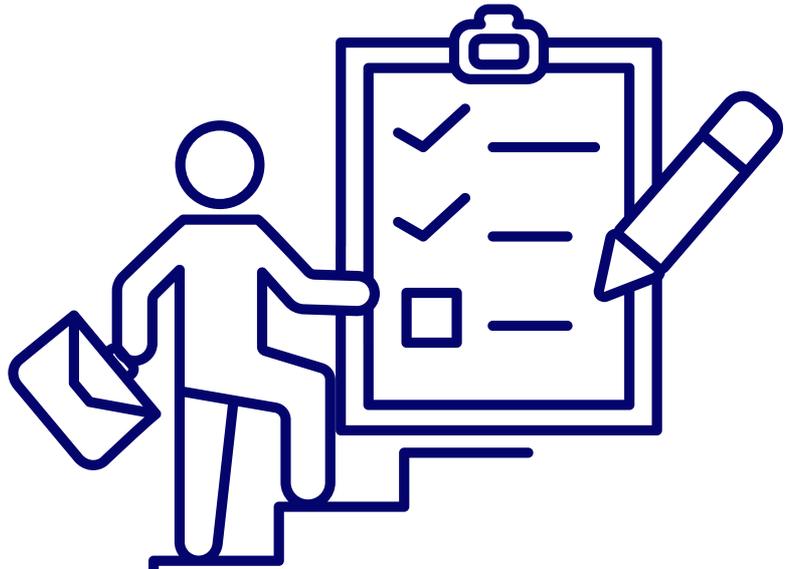
- Our Telekom (M-SELEN)
- Ezi Pei Mobile Wallet



REGULATOR

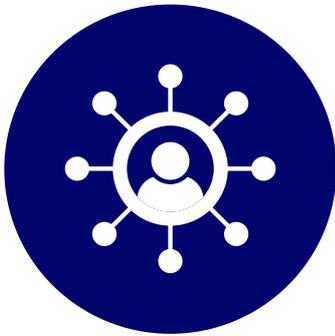
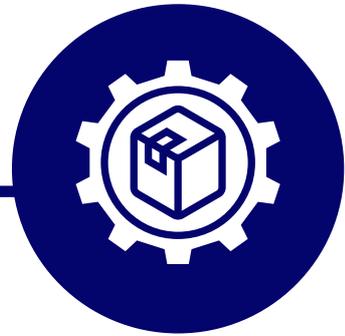
Central Bank of Solomon Islands (CBSI) is at the centre of the banking and financial system, performing several essential functions including formulation and implementation of the country's monetary policies and the primary regulator of financial institutions in the country.

Next Steps



PRODUCT DEVELOPMENT

1

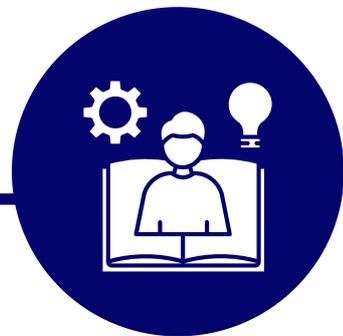


2

SUPPLY AND DISTRIBUTION CHANNELS

AWARENESS AND CAPACITY BUILDING

3



Contents

Abbreviations	1
Introduction	2
Climate Risk Profile	3
National Disaster Risk Management	4
Financial Sector	5
Demand Study: Data Analysis	6
Livelihood	6
Financial Decision Maker	7
Natural Hazards	7
Financial Services and Financial Risk Management	8
Coping Mechanisms	9
Preferred Financial Instruments for Disaster Recovery	10
Climate and Disaster Risk Insurance Preferences	11
Conclusion	12
Next Steps	15

Abbreviations

CBSI	Central Bank of Solomon Islands
CDRFI	Climate and Disaster Risk Financing Instruments
GDP	Gross Domestic Product
ILO	International Labour Organisation
MAL	Ministry of Agriculture and Livestock
MFMR	Ministry of Fisheries and Marine Resources
MSMEs	Micro, Small and Medium Enterprises
NCCP	National Climate Change Policy
NDM	National Disaster Management
NDMO	National Disaster Management Office
NEOC	National Emergency Operations Centre
NGO	Non-Government Organisation
PICAP	Pacific Insurance and Climate Adaptation Programme
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNU-EHS	United Nations University - Institute for Environment and Human Security

Introduction

Solomon Islands is an archipelago located south-west of the Pacific Ocean and is home to over 700,000 people. It has a landmass of 30,407.3 sq. km that extends over 900 islands and encircled by the Pacific ring of fire. It consists of nine provinces and six main island groups namely, New Georgia, Guadalcanal, Makira, Choiseul, Isabel and Malaita with 63.4 percent of the population residing in Malaita and Guadalcanal.

The Solomon Island's economy is narrowly based on forestry, agriculture, fisheries and a moderate service sector. The majority of its population are involved in the agricultural sector which contributes 34.3 percent of the country's overall GDP and employs about 75 percent of the total workforce. Reportedly, agriculture sustains 85 percent of the country's rural economy and 96 percent of rural households grow at least some of their own food.⁴ Women play a significant role in household production and selling of produce. The smallholder subsistence sector is dominated by yams, bananas, taro, sweet potatoes, vegetables, and livestock for cultural and social obligations. Commercial crops grown are coffee, cocoa, coconut and kava.⁵

Similar to other PICs, Solomon Islands is also a hotspot for natural hazards and have been affected by cyclones, flooding, strong winds, earthquakes, tsunamis, and volcanic eruptions in the past. As a low-middle income country that is heavily dependent on the agricultural sector, Solomon Islands remain highly vulnerable to these natural events particularly with strong winds and extreme rainfall that has become more frequent in the recent past resulting in loss of life and damage to infrastructure and livelihoods. For instance, in 2020, Tropical Cyclone Harold caused severe flooding in Solomon Islands and affected over 22,000 people. In 2021, Solomon Islands was ranked second in global vulnerability according to the World Risk Report, primarily due to the country's frequent exposure to natural hazards and lack of adaptive capacities.⁶

The primary objective of this demand and supply side study is to assess the economic impacts of natural hazards on the vulnerable populations of Solomon Islands by examining the fiscal repercussions of cyclones, flooding, earthquakes, tsunamis, and volcanic eruptions on lives and livelihoods and examine disaster risk financing instruments that are accessible with the public and private sector. The findings from this study will serve as a foundation for evidence-based policy recommendations, risk reduction strategies, and tailored financial mechanisms that can help address communities' climate vulnerabilities and strengthen resilience measures.

4 [Food Insecurity in the Oceania Region, 2022.](#)

5 [Climate Risk Country Profile, World Bank, 2021.](#)

6 [World Risk Report 2021.](#)

Climate Risk Profile

Climate-related hazards in the Solomon Islands include tropical cyclones, flash floods, droughts, sea level rise, and extreme events related to increasing sea surface temperatures. Sea-levels are rising faster than the global average. Submergence of the lowest-lying islands has already begun and threatens coastal communities. In some cases, nature-based adaptation such as coral reef and mangrove restoration may protect communities, in others hard defences or managed relocation may need to be considered. The temperatures are strongly tied to changes in the surrounding ocean temperature. Warmest months are January, February, April, May, October, November and December (31°C) while months with the lowest average temperature are July and August (29°C). There are two distinct seasons: a wet season from November to April and a dry season from May to October.

A summary of key natural hazards are listed below:

Floods and Cyclones: Solomon Islands generally go through two tropical cyclones per year, with the southern and eastern provinces more vulnerable. Cyclone season in the Solomon Islands extends from December to February and is driven by monsoonal rainfall and increased sea surface temperatures. Average monthly rainfall is also relatively consistent, ranging from 150–350 millimeters (mm), and usually peaking between January and March. Floods in the Solomon Islands are primarily caused by extreme rainfall events hitting steep and small catchments. Floods are particularly damaging in the southern islands of Guadalcanal, Makira, and Malaita. The average annual loss due to earthquakes and tropical cyclones in Solomon Islands is estimated at around USD20 million and is likely to increase as climate change impacts intensify. The Solomon Islands experiences significant risk driven by extreme rainfall, with notable events in 2002, 2008, 2010, 2014, 2017, 2018 and 2020 involving loss of life and damage to infrastructure and livelihoods.

Drought: Drought episodes are usually experienced during the warm phase of the El Niño Southern Oscillation. The 2015 El Niño drought disrupted food and water supplies in parts of the country for months, impacting communities recovering from previous floods and cyclones. The Solomon Islands were badly affected by droughts in the 1990s, with one dry spell lasting 21 months between 1991 and 1993. In 1998 Solomon Islands was hit by a drought which led to crop failures, and the government undertook humanitarian relief throughout the year in the worst-hit areas.⁷

Tsunamis and Earthquake Risks: Tsunamis and earthquakes are more common in Solomon Islands particularly with the island located just above a subduction zone where the Australia and Pacific tectonic plates meet. Their collision can cause forceful earthquakes and shifts in the ocean floor that generate tsunamis. The most recent event was in November 2022, a magnitude 7.0 earthquake that struck the Malango region, about 55km (34 miles) west of the Honiara, at a depth of 15km (9 miles). A second quake was recorded nearby about 30 minutes later. The tremor cut power to some areas of the capital and disrupted radio transmissions by the state broadcaster, however there were no major damages reported.⁸ Nevertheless, there have been past events where lives and livelihoods were affected. For instance, two earthquakes in 2010 struck close together and occurred around 55 miles (88 km) south to southeast of the island of Gizo which had respective magnitudes of 7.2 and 6.5, generated a tsunami that hit the southern and northern coast of the islands of Rendova and Tetepare damaging houses and boats. In 2007, a magnitude 8.1 earthquake resulted in a devastating tsunami that killed at least 34 people and displaced 5,000 in coastal areas of Western and Choiseul provinces. Other damaging events were recorded in 2013 and 2016.

⁷ <https://www.climatecentre.org/1119/inter-agency-collaboration-in-solomon-islands-holds-out-hope-of-better-warning-on-drought/#:~:text=The%20Solomon%20Islands%20were%20badly,months%20between%201991%20and%201993.>

⁸ <https://www.worldvision.org/disaster-relief-news-stories/solomon-islands-earthquakes-tsunamis-volcanoes-floods-facts.>

National Disaster Risk Management

Solomon Islands' National Climate Change Policy (NCCP) 2012–2017 laid out an initial pathway to integrate climate change policy into the National Development Strategy and strengthen capacity to mitigate and adapt to the negative impacts of climate change.⁹ The policy document was updated to NCCP 2023-2032 to guide the country's present and future response actions on climate change. Its policy directives include providing an enabling legislative and institutional framework to effectively coordinate and implement climate change actions, address loss and damage by advocacy and mobilization of resources externally and domestically and strengthen multi-stakeholder participation and their capacities to mobilize finance and technology and mainstream climate actions across all sectors.¹⁰

Moreover, Solomon Islands has its National Disaster Management (NDM) Plan 2018 that is informed by numerous government policy documents including its National Development Strategy 2016-2035 with the objective and medium-term strategy to effectively manage disaster risk reduction, preparedness, response and recovery as well as adaptation as part of its government's resilient development. The NDM includes elements of preparedness and early warning, response, recovery, disaster risk reduction and climate change adaptation. Institutional arrangements to address disaster risks are at the national, provincial, and local levels. It is supported by national level arrangements coordinated through the National Emergency Operations Centre (NEOC).¹¹

Disaster risk financing mechanism is only available at the national level under the National Disaster Council Recurrent Budget support that is managed by its National Disaster Management Office with an annual allocation of around SBD1M to SBD3M for disaster preparedness and relief. There are no climate and disaster risk financing instruments offered by the private sector.

9 [Solomon Islands' National Climate Change Policy \(2012-2017\)](#).

10 [Solomon Islands National Climate Change Policy \(NCCP\) 2023-2032 and Long-Term Low Emission Development Strategy \(LT- LEDS\) – My SIG Services Portal \(solomons.gov.sb\)](#).

11 [National-Disaster-Management-Plan-2018.pdf \(rcrc-resilience-southeastasia.org\)](#).

Financial Sector

The financial sector in Solomon Islands include four commercial banks namely Australia and New Zealand Banking Group Limited Solomon Islands Branch, BRED Bank Solomon, Bank South Pacific Financial Group Limited and Pan Oceanic Bank Limited. There are also three credit institutions - BSP Finance Solomon Islands Limited, Credit Corporation Solomon Islands Limited and Solomon Finance Limited. Other non-bank financial institutions include Solomon Islands National Provident Fund, the Development Bank of Solomon Islands and South Pacific Business Development.

The insurance industry consists of three general insurers - Capital Insurance Solomon Islands Limited, Transpacific Assurance Limited and QBE (International); a life insurer - Capital Insurance Solomon Islands Limited; two insurance brokers - Pacific Insurance Brokers Limited, United Risk Services Limited; and two insurance corporate agents - Bred Bank Solomon and Solinsure Limited.

Mobile Money operators, Credit Unions, Restricted Foreign Exchange Dealers; Money Changers; and a credit reporting agency are also regulated institutions.

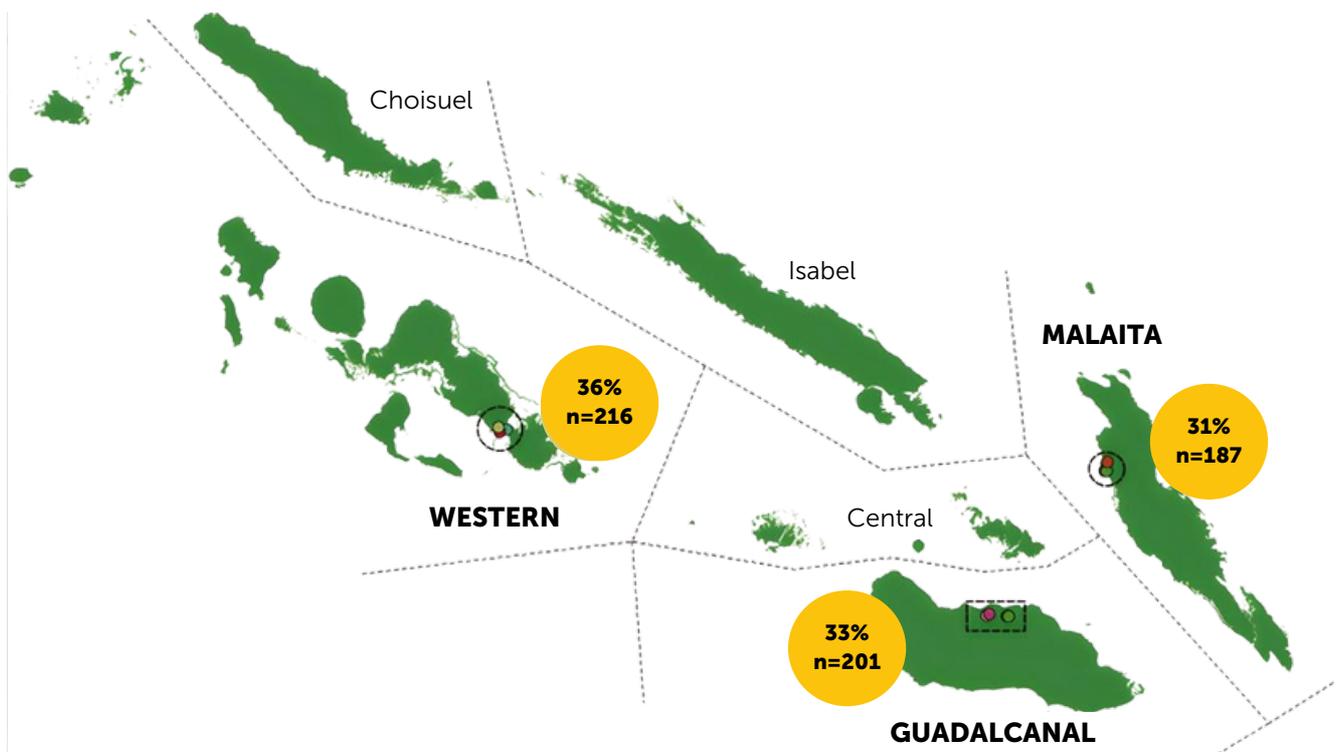
The Central Bank of Solomon Islands (CBSI) is at the centre of the banking and financial system, performing several essential functions including formulation and implementation of the country's monetary policies and the primary regulator of financial institutions in the country.

Demand Study Data Analysis

The survey covered 604 individuals and 37 focus group discussions to gain systematic understanding into the economic results of natural hazards on farmers, fishers and small business enterprises in Solomon Islands. The focus group discussions convened at the community halls while the individual surveys were conducted at their own residences and covered the three main provinces - Guadalcanal, Malaita and Western province.

Figure 1 presents a graphical representation of participants spread across the three provinces with 187 from Malaita, 201 from Guadalcanal, and 216 from the Western province. For effective data collection and analysis, participants were organized into units of 5-6 members, with multiple groups established in each province, varying in size from 2 to 14 individuals.

Figure 1: Sample Distribution by Province



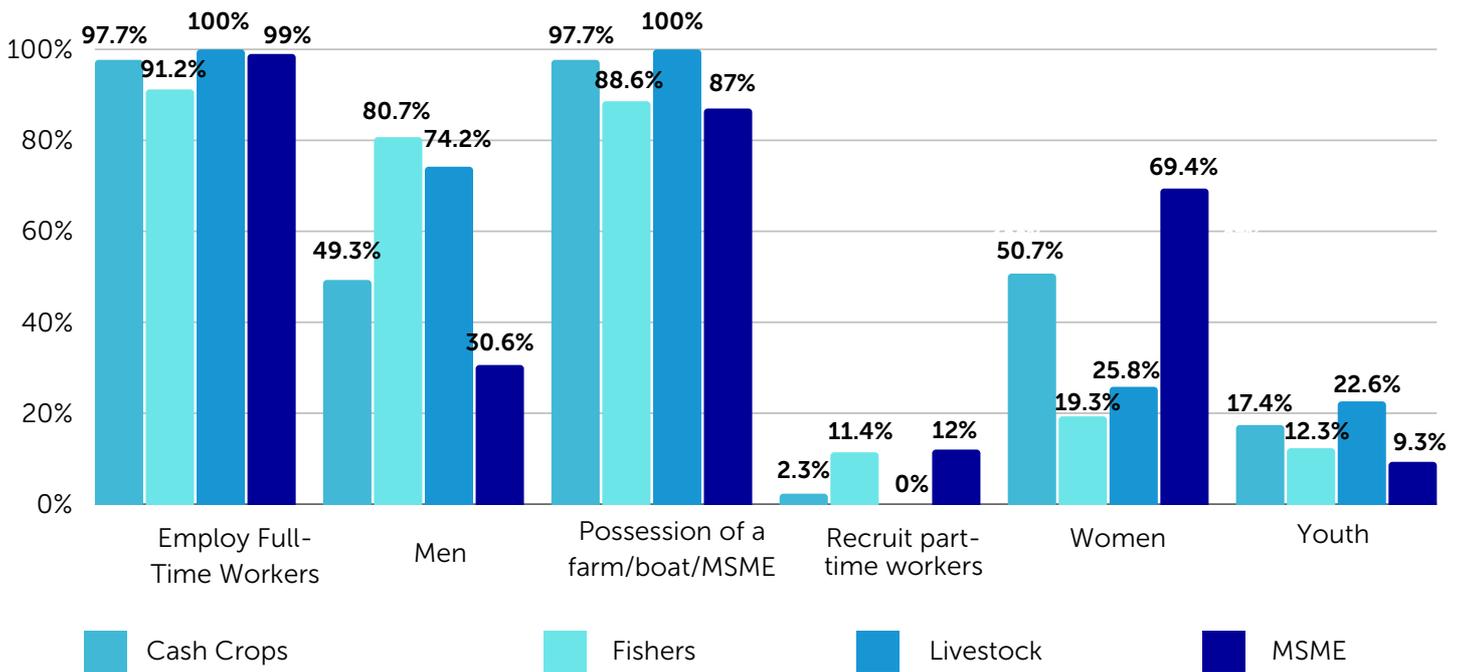
The proportion of female respondents were slightly below male respondents at 46.9 percent compared to 53.2 percent. Adult respondents (15-77 years) account for 84.0 percent of the sample while youths (14-27 years) made up 15 percent.

Livelihood

The majority of respondents (58.1%) reported cash crops as the main source of income while 18.9 percent reporting fishing, 5.1 percent generate income from livestock and MSMEs at 17.9 percent. Cash Crop farmers and MSMEs exhibit higher levels of female representation, accounting for 50.7 percent and 69.4 percent respectively. In contrast, fishers and livestock farmers show lower female participation rates at 19.3 percent and 21.8 percent respectively. This

variation is attributed to the type of physical activity involved and access to resources such as land and equipment. Interestingly, almost all respondents involved in income generating activities employ on average one full-time worker. While fishers and MSMEs tend to also employ part-time workers depending on local demand and seasonality. Youth participation across all farm groups, reveal varying degrees of engagement. Livestock exhibits the highest youth involvement at 22.6 percent, followed by fishing 12.3 percent and cash crops 17.4 percent. Youth involvement in MSMEs reported the lowest due to low level of entrepreneurship skills and highlighted by the respective respondents.

Figure 2: Comparative Distribution by Income Groups



Financial Decision Maker

The financial decision maker for households in Solomon Islands vary depending on the type of income generating activity and involvement of household members. For instance, in cash crop farming, husband and wife or family members collectively (34.9%) decide on how income is utilized especially when family members are involved to some extent in farming activity. Majority of the time, the head of the household (39.7%) – mainly male or husband (20.5%) decide on how household finances are spend. However, for MSMEs where the business is exclusively managed by female/wife, the decision rests purely with them as represented by a minor 4.8 percent.

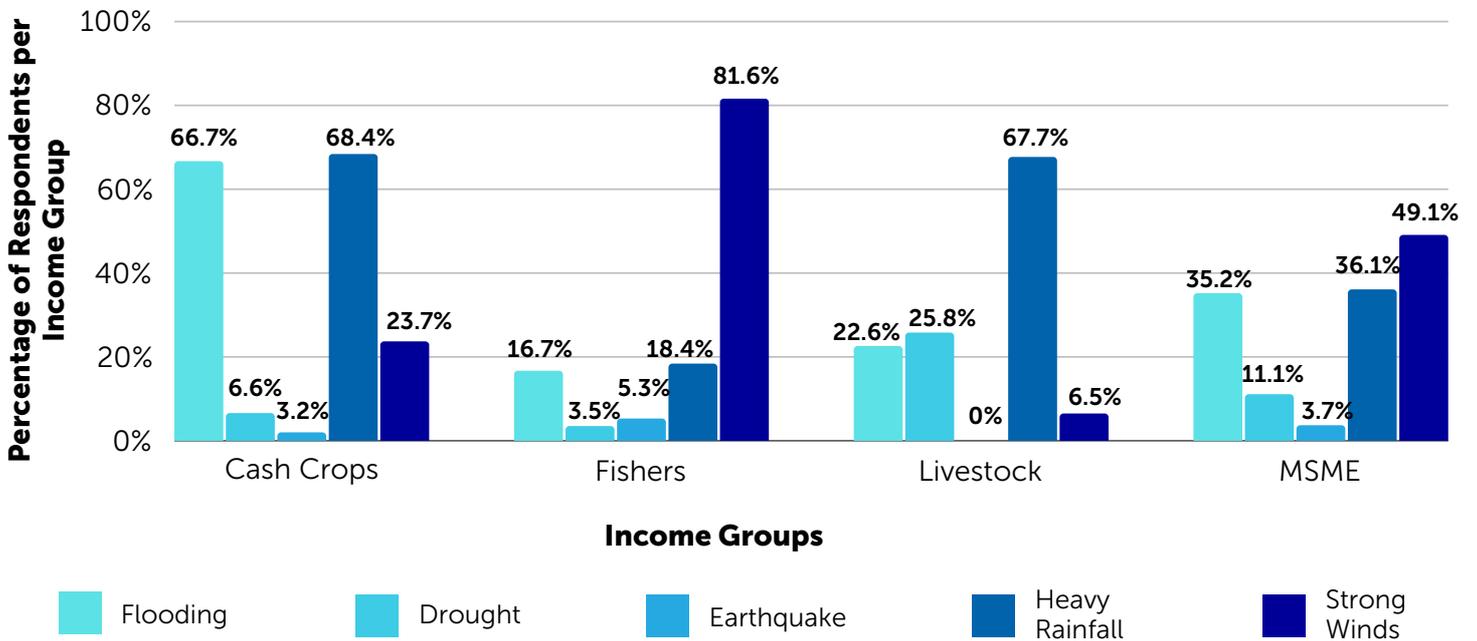
Natural Hazard

Heavy rainfall significantly affect farmers both crops and livestock, with proportions of 68.4 percent and 67.7 percent. This highlights the heightened vulnerability of these farmer groups to heavy rainfall-induced consequences in rural communities . The potential consequences include crop loss and structural damage. In a related context, the MSME group also faces an impact, though comparatively less pronounced at 36.1 percent. On the other hand, respondents

involved in fishing activities reported relatively lower susceptibility to heavy rainfall, registering a proportion of 18.4 percent particularly with reef fishing as heavy rain makes the waters more turbid and decreases visibility, hence affecting their catch.

Majority of fishers (81.6%) reported strong winds as more impactful. This elevated vulnerability can be attributed to the farmer's reliance on open waters, rendering fishing activities particularly exposed to the adverse effects of strong winds. Similarly, MSMEs reported strong winds at 49.1 percent. This impact is presumably linked to the potential for structural damage and resource impairment. Crop and livestock farmers reported a lower percentage yet remained significant at 23.7 percent and 6.5 percent respectively.

Figure 3: Impact of Natural Hazards on Income Groups



The threat posed by flooding is evident, significantly impacting the crops and livestock farmers – reported at 66.7 percent and 22.6 percent respectively. The prominence of these proportions highlights the susceptibility of these farm segments to flood-induced consequences, including crop damage and operational disruption. In contrast, the fishers and MSMEs exhibit comparatively lower vulnerability, reporting proportions of 16.7 percent and 35.2 percent respectively.

Drought and earthquakes were reported as less impactful across income groups due to its limited exposure although the frequency of earthquakes and damaging events in the past remains a concern.

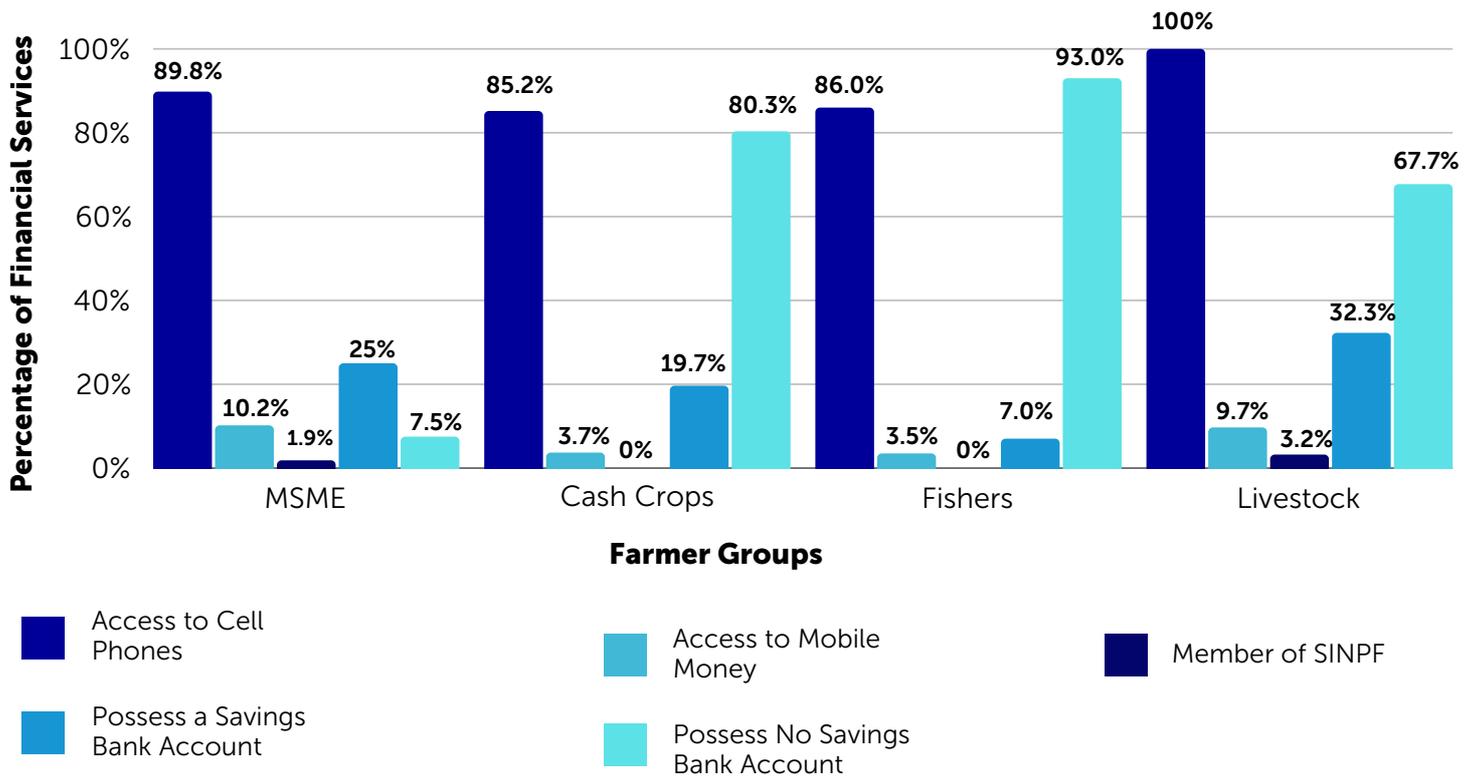
Financial Services and Financial Risk Management

The financial data also provides significant comprehensions into the financial landscape across all participants,

revealing limited access to formal financial services. This is evident through high percentages of individuals without formal savings bank account, particularly among fishers which recorded 93 percent, crop farmers at 80.3 percent, livestock 67.7 percent and MSME 11.4 percent. These figures highlight the need to improve access to banking services and enhance financial literacy in rural and remote areas.

Similarly, there is a limited membership in Solomon Islands National Provident Fund (SINPF), with participation rates close to zero among crop farmers and fishers. However, a small but notable percentage of membership is observed within livestock farmers and MSMEs at 1.9 percent. This highlights a lack of national provident fund coverage and retirement savings for the remote rural farmers and those in informal sector.

Figure 4: Access to Formal Financial Services



On a positive note, the data reveals a growing access to mobile technology, with significant percentage of individual income groups reported having cell phone access. This trend presents an opportunity to leverage mobile-based services, including mobile money, for facilitating financial transactions and aid distribution in disaster-affected areas, particularly in rural and remote areas.

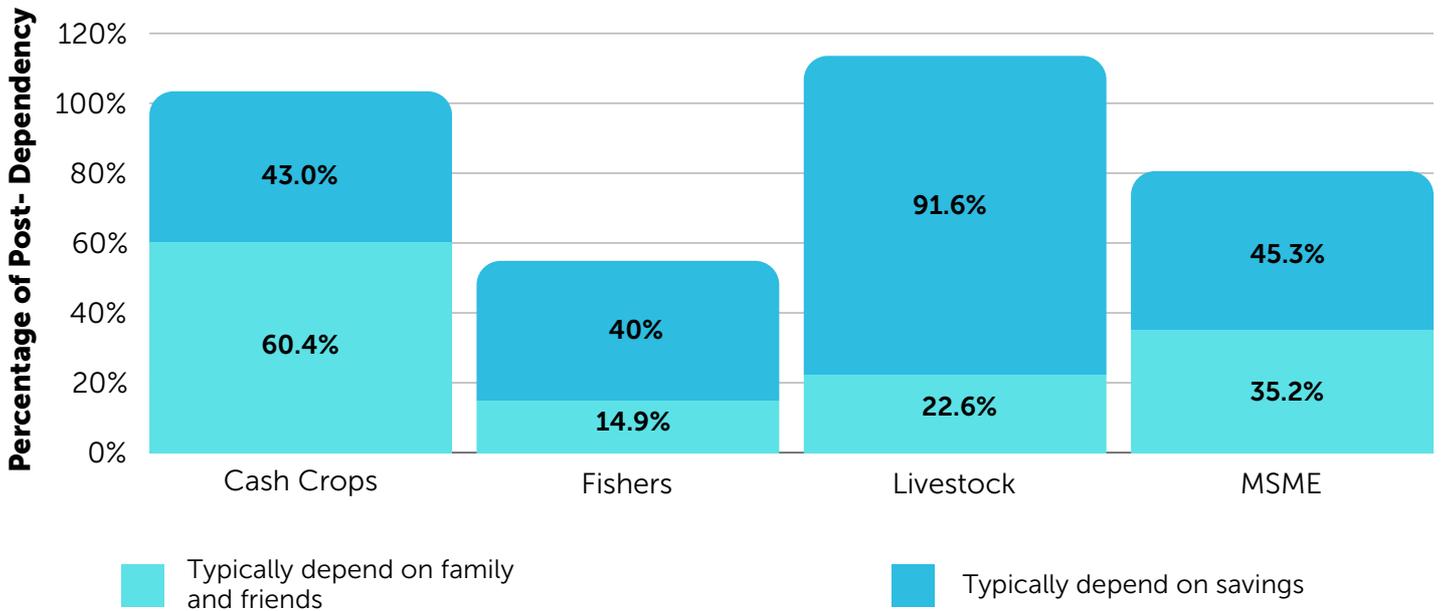
Moreover, varying levels of access to mobile money across the farming groups indicate low adoption rates across all the farmer cohorts. MSMEs reported the highest access to mobile money with only 10.2 percent, followed by livestock farmers at 9.7 percent, cash crop farmers at 3.7 percent and fishers at 3.5 percent. These percentages feature the potential of mobile money platforms to promote financial inclusion, particularly in remote areas with limited traditional banking services in Solomon Islands.

Coping Mechanism

Interestingly all income groups reported relying on either their personal savings or family and friends to cope with natural hazards. None of the respondents reported relying on loans. Remarkably, government support is not typically

depended upon across all farmer groups, indicating potential gaps in the government disaster relief strategies and the evident need for improved support and efficient mechanisms even in the absence of donor partners. However, respondents highlight that in the event of an extreme event government often provides some relief assistance to the affected communities through the NDMO.

Figure 5: Coping Mechanism



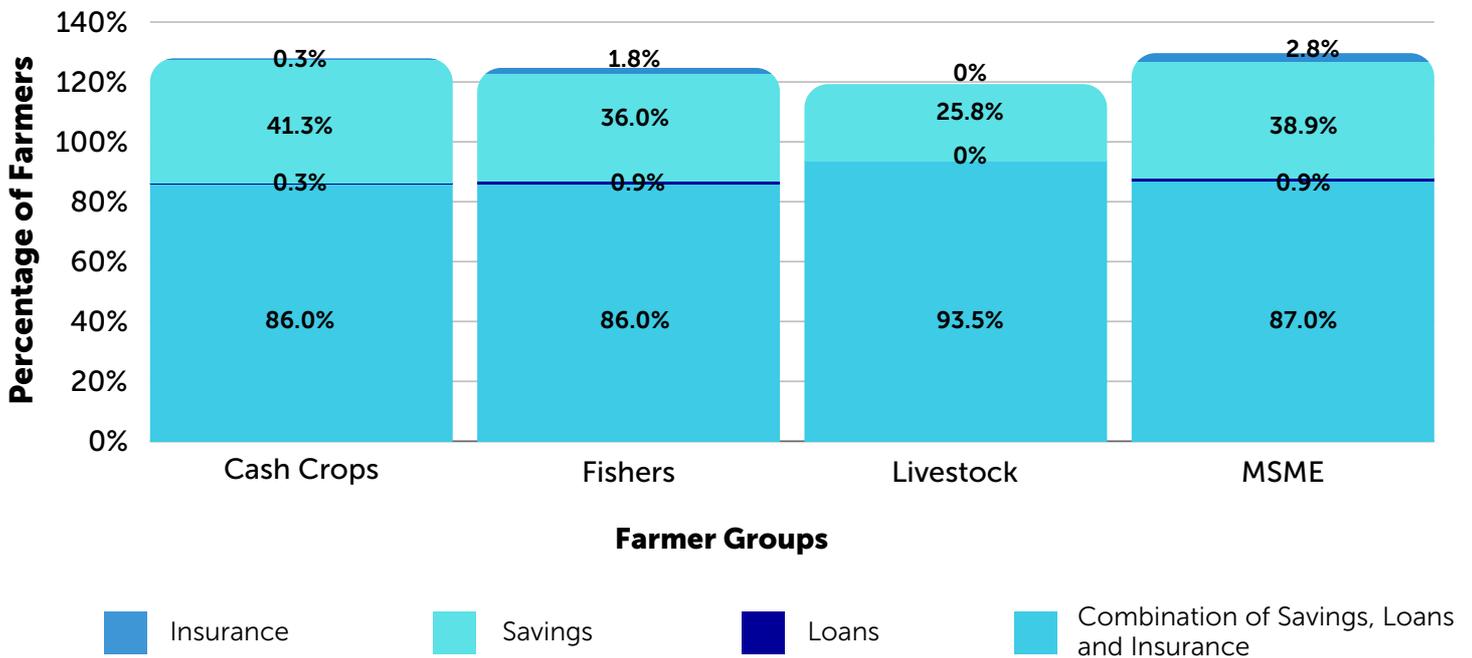
Preferred Financial Instrument for Disaster Recovery

Remarkable trends emerge among the farmer groups surveyed, wherein a notable majority express preference to use a combination of savings, loans, and insurance as their primary recovery method following a disaster. This comprehensive approach is evident across all respondents, with 86.0 percent reported for crop farmers, 86.0 percent among fishers, 93.5 percent with livestock farmers, and 87.0 percent among MSMEs. This collective preference highlights a widespread acknowledgment of the efficacy of a strategy that incorporates various financial tools to effectively alleviate the impacts of natural disasters.

Loans are not popular among respondents due to lack of collateral to access the service with financial institutions but also respondents do not want to be burdened with repayments following a disaster and particularly during times of hardship.

Similarly, interest in taking up insurance among respondents were relatively low as it is perceived as a product for those with formal employment or high income. Additionally, lack of insurance literacy among respondents were low resulting in the low percentage reported. However, there is strong interest from respondents when insurance is bundled with other financial products.

Figure 6: Farmers' Preferred Financial Tool



Climate and Disaster Risk Insurance Preferences

There is limited knowledge and understanding among participants on climate and disaster risk insurance such as parametric insurance. However, upon explaining to the participants about similar products offered in other Pacific markets to address natural hazards, respondents expressed keen interest. The majority of fishers prefer to purchase insurance through an association or trusted cooperative at 83.3 percent. A substantial proportion of respondents (55.1%) expressed interests for insurance products with a total cover of SBD 4,000 (~USD 500) while 37.6% reported preference for SBD 8,000 (~USD 1,000). This highlights the potential for tailored insurance solutions that align with the financial capacities of these diverse groups.

Moreover, the data also highlights the significance of affordable insurance products catering to essential risks. Notably, 78.8 percent of respondents emphasize the importance of accessible insurance options that align with their specific needs and remain financially feasible.

Conclusion

It is evident that Solomon Islands are vulnerable to climate events particularly extreme rainfall, strong winds and flooding. High reliance on other family members and friends following the aftermath of a natural hazard highlights the vital need for appropriate and affordable risk management financial solutions for rural communities.

The widespread use of savings among these farmers and communities provides a strong foundation for developing insurance solutions. Focusing efforts on harnessing savings groups can effectively extend insurance coverage to a broader spectrum for farming communities. There is strong interest to bundle insurance products with more familiar savings products available with groups for convenience and suitability.

Additionally, the positive attitude towards mobile money usage presents an opportunity to market insurance products through the digital platform. The recent launch of M-SELEN, a mobile money application by Solomon Telekom, offers an opportunity to leverage mobile connectivity for enhanced insurance accessibility. By directing efforts towards savings groups, understanding farmer preferences, aligning with enabling policies, and embracing technological innovations, a resilient framework for improved financial risk management at the micro and meso level can be established. This approach ensures that insurance's protective umbrella extends to all, promoting prosperity and security within the rural farming communities of the Solomon Islands.

Farmers show a preference for purchasing insurance through associations and cooperatives hence, partnering with producer organizations and agri-businesses, may be more relevant especially when banks and MFIs generally have collateral requirements which is a barrier for farmers and those in rural areas. There may be scope to partner with the Development Bank of Solomon Islands, as they intend to develop a loan product specifically for farmers and could also bundle with agriculture insurance with subsidies for farmers.¹²

The survey results indicate that farmers are ready to invest in climate and disaster risk insurance products, with more than half expressing preference for an annual cover of SBD 4,000. Balancing coverage and affordability will be key to safeguard farmers' livelihoods without financial strain. Enabling policies for microinsurance in the Solomon Islands will be crucial in promoting insurance access and usage, encouraging tailored solutions for vulnerable communities.

Next Steps

The following steps are proposed in developing a climate and disaster risk insurance solution in the Solomon Islands:

1. Product Development

- a. The demand study validates the need for climate insurance products that address cyclones and heavy rainfall leading to flooding.
- b. Provide local insurance companies with the necessary support to develop appropriate and affordable parametric insurance products to address climate vulnerabilities in Solomon Islands.
- c. Link insurance companies with risk modelling agencies and global reinsurance providers to support the development and implementation of parametric microinsurance products in the country.

2. Supply and Distribution Channel

- a. Digital platform: Enable partnerships with FinTech firms to reach new underserved market segments and help keep premium costs low.
- b. Corporates: Establish partnerships with cooperatives and savings clubs to act as either an aggregator to onboard employees to the parametric insurance product, bundle insurance with existing savings accounts, or to add parametric insurance as an employee benefit, e.g Kastom Gaden Association and Virgin Coconut Oil Producers Association.
- c. Central Bank of Solomon Islands: Establish partnership with the Central Bank to strengthen the resilience and coping capacities of the most vulnerable segment of the community.
- d. Ministry of Agriculture and Livestock (MAL) and Ministry of Fisheries and Marine Resources (MFMR): Reach larger groups of farmers and fishers through partnership with MAL and MSSIF - principal ministries charged by the Government of Solomon Islands to provide the policies, regulation and technical support to agriculture and fisheries production.

3. Awareness and Capacity Building

- a. Build capacity of local insurance providers to deepen their understanding of parametric microinsurance concepts, applications, effective claims management, benefits, and challenges.
- b. Support local insurance providers in awareness-raising and marketing campaigns to help Solomon Islanders better understand what parametric microinsurance is and how it works. Awareness materials to clearly explain product features, the risks covered and excluded, eligibility for the product, cost structures, and consumer rights and feedback mechanisms.
- c. Joint awareness campaigns with community associations and savings clubs will be crucial in reaching wider audience and building customer trust.

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 crisis, 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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