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Microinsurance and Social Protection Fiji Country Case Study

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Country context: overview of social protection main programmes and climate-change exposure

Fiji is located in the South Pacific Ocean, a region with substantial risk of climate shocks, especially tropical cyclones (TCs). Over the last two years, the country has been impacted by consecutive TCs – Harold in April 2020, Yasa in December 2020, and Ana and Bina just a month later, in January 2021 leading to the most significant climate-induced crisis in Fiji since 2016. The destructive impacts of cyclones and floods on crops, housing and infrastructure, combined with the COVID-19 pandemic which peaked in April 2021, just after the cyclones, affected living conditions and deteriorated livelihoods in the country, where one in every four people is living in poverty, considering the national poverty line^{4, 5}.

Fiji's Ministry of Women, Children and Poverty Alleviation (MoWCPA), and particularly its Department of Social Welfare (DSW), is the major national stakeholder implementing social protection programmes⁶. The National Social Security System is comprised of social transfers (non-contributory), social insurance (contributory) and labour legislations regulated by the government⁷. Importantly, coverage of social assistance has been growing significantly, as the country's flagship poverty reduction programme, Poverty Benefit Scheme (PBS), tripled in coverage over the last years. As of 2021, PBS provided cash transfers to over 23,000 households across the country⁸, compared to 8,000 households in 2015. The system also counts on other social assistance programmes, such as the Social Pension Scheme, the Care and Protection Scheme and the Disability Allowance⁹.

Importantly, the use of social protection as a major instrument to support families to cope with the effects of climate shocks has been increasingly adopted by the government and development partners. Since 2020, at least 45,000 households (totaling 310,000 individuals) in Fiji benefited from some sort of cash assistance, either through a government provided SRSP programme or a humanitarian cash scheme¹⁰.

However, as the frequency of extreme climate events affecting the Pacific Islands increases, it is crucial that the government and development partners work in coordination to improve resilience through an integrated climate risk management approach in the region.

Relevant linkages of microinsurance and social protection/programme features

WFP (World Food Programme) has a Pacific Multi-Country Office in Fiji, where it supports the government to strengthen its capacities for improved disaster risk management and the preparedness and response of the social protection system. WFP partnered with the MoWCPA to implement the first parametric insurance targeted at social protection beneficiaries living in Fiji high-risk locations.

The project was launched in 2021, and in close collaboration with the DSW and support from the United Nations Capital Development Fund (UNCDF), 274 social welfare beneficiaries were selected to

receive microinsurance coverage against cyclones and windstorms. During the pilot duration, WFP covered the premium costs for beneficiaries on behalf of DSW. Simultaneously, capacity building activities are underway to improve government protocols and information systems to enhance insurance for social protection beneficiaries. These are considered crucial for future scale-up of microinsurance solutions in the country⁸.

Social protection beneficiaries living in the Western and Central areas of the country (considered high-risk and disaster-prone locations) were insured for up to FJD 400 (USD 174)¹¹, the maximum payout per policy year in the previous 2021-2022 tropical cyclone season. The new insurance product for the 2022-2023 season will look at recipients from all four divisions in Fiji, based on the four main social welfare programmes being implemented in the country— social pension scheme, poverty benefit scheme, child protection scheme and disability allowance scheme.

2022-2023 Recipient Selection by Division

Divisions	Weightages (%)	Recipients
Central	40.5%	810
Western	40%	800
Easter	4.5%	90
Northern	15%	300
Total	100%	2000

Weightages are Tikina-wise population count for each of the divisions.

As of November 2022, the Government of Fiji is providing premium subsidy for 2,000 social protection beneficiaries. Investments and the government's attention to the sector are increasing, and a programme scale-up is expected in the coming years. As per existing projections reviewed by WFP and UNCDF, coverage shall benefit 10,000 participants in 2023 and 25,000 in 2024, with the goal to offer insurance solutions to up to 91,000 beneficiaries in 2025.

The premium amount costs FJD 32 (USD 14) per insured recipient and coverage is provided for 12 months, valid after a one month cool-off period¹². Beneficiaries are eligible to receive up to 100 percent of the total lump sum (FJD 400) in the 12-months coverage duration.

The DSW has a key role in implementation, as it is responsible for providing information on the social protection beneficiaries selected for the pilot extension and is entitled to the master policy contract. Two private insurance companies, Fiji Care and Sun Insurance, were contracted to provide policy coverage to pilot participants, who receive a certificate of insurance that proves their enrolment in the programme.

UNCDF and technical partners supporting the project have worked on enhancing the product features and benefits structure to offer a better value proposition



to the welfare recipients. Weather parameters are monitored using data from the Joint Typhoon Warning Center Tropical Cyclone which classifies TC category per its wind speed range. To ensure more extensive support to the most affected, insurance payouts are determined according to two criteria: (i) The distance between the household affected and the eye of the cyclone, based on the tropical cyclone categorical windspeed, and (ii) total rainfall on the day before, the day of the TC and the day after. Overall, payouts can range from FJD 30 (USD 14) to FJD 400 (USD 180), as detailed below¹³.

Payout Structure Windspeed - FJD (Fijian Dollar)

Max Wind Speed Range (km/hr) - TC Category	Distance to the eye of the Cyclone (km)			
	0-25	25-50	50-75	75-100
≥ 119 WS < 154 Cat 1	\$30	\$0	\$0	\$0
≥ 154 WS < 178 Cat 2	\$60	\$40	\$0	\$0
≥ 178 WS < 209 Cat 3	\$160	\$60	\$40	\$0
≥ 209 WS < 252 Cat 4	\$280	\$120	\$60	\$40
≥ 252 Cat 5	\$400	\$280	\$120	\$60

Payout Structure Rainfall - FJD (Fijian Dollar)

Sum RF Range (Day before, same day and day after sum RF) mm	Additional loss factor
≥ 150 RF < 200)	\$30
≥ 200 RF < 250)	\$60
≥ 250 RF < 300)	\$120
≥ 300	\$180

Importantly, once the criteria is met and insurance activated, families entitled to the transfer will receive their payouts within five days after the TC touches land, without filing a payment claim to the insurance company. Payments are provided by the insurance firm and can be made digitally, for instance through bank transfers, digital wallet transfers or telegraphic money order¹⁴, with the aim of providing a timely response to insured affected households.

Conclusion: opportunities for the integration of social protection and microinsurance

By partnering with the DSU to identify and target beneficiaries for insurance against the TCs' impacts in Fiji, WFP relies on the data management capacity of DSU and utilizes existing information on vulnerable households. This results in reduced operational and transfer costs for programme implementation.

By piggybacking on Fiji's national social protection system, WFP's microinsurance programme benefited from the government capacity to conduct beneficiaries' selection and registration. Importantly, the adoption of vulnerability criteria set by the government for social assistance is considered key for programme sustainability and the ongoing hand-over strategy to Fiji's public authorities.

To promote programme sustainability and pilot scale-up, it is imperative that WFP, together with Fiji's government authorities, invest in generating evidence and impact evaluations on the effectiveness of microinsurance solutions, as well as on their cost-effectiveness - in comparison to humanitarian/emergency responses or other social protection modalities that respond to crises.

Yet, a scale up will also require the increased participation of private actors and insurance providers with services tailored to low-income families. In this regard, the government can play a significant role by subsidising part or all the premium on behalf of vulnerable and shock-exposed families who cannot afford the entire amount¹⁵. Development partners can also contribute to microinsurance solutions by supporting the government with resources to promote subsidised premiums until the insured family reaches an income level that allows them to pay for the total premium amount.

Aligned with evaluation results, investments are needed to promote advocacy on microinsurance solutions to both government institutions and donors. Evidence and lessons learned from Fiji can also be used to support WFP to promote and scale-up microinsurance solutions in other countries in the Pacific Region, as well as to develop transition strategies to support gradual take-over of implementation by national stakeholders. These projects shall benefit from the experience of ongoing partnerships, such as with UNCDF.



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- 3 The authors are responsible for the choice and presentation of the facts contained in this publication and for the opinions expressed herein, which are not necessarily of, and do not commit, WFP. We are also thankful to WFP PRO-S, PRO-C, Country Offices and Regional Bureaus who provided inputs to this piece.
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