



Keynote Address by Dr. Luke Forau, Governor, Central Bank of Solomon Islands At the National Education Workshop on Parametric Insurance held at the Heritage Park Hotel on the 2nd of December 2024.

Acknowledgement

- The UNDP Deputy Resident Representative, Dr. Raluca Eddon
- The British High Commissioner to Solomon Islands, H.E. Thomas Coward
- First Secretary - Australian High Commission – Kellie Raab
- First Secretary - NZ High Commission - Marni Gilbert
- Honoured guests, private and public sector officials, members of the media, ladies and gentlemen

Good morning to you all.

It is a privilege to join you at this important National Workshop on Parametric Insurance for Solomon Islands. Let me first extend my gratitude to the organizers— the UN Capital Development Fund and UNDP— and our donor partners, the Australia, New Zealand and UK Governments.

The Solomon Islands thanks you for your unwavering commitment to building resilience in our country against natural disasters, which are a great threat to our economy and our communities.

This gathering is a critical first step in our journey towards building a financially resilient, a financially prepared and a financially secure Solomon Islands. The Central Bank of Solomon Islands (CBSI) plays a supervisory role in the insurance sector.

We see a role for insurance as a tool for protecting our communities and for insulating our economies and fiscal capacities against the worst impacts of these disasters, which are linked to climate change and expected to intensify.

The CBSI is committed to supporting innovative solutions, like parametric insurance, that enhance economic stability and sustainability in the face of climate challenges.

Now let's examine the context we are operating in: the Solomon Islands is among the most disaster-prone nations globally, with average annual losses of USD 2.5 million due to tropical cyclones and earthquakes. We are ranked 5th among the countries with the highest disaster risk in the world due to high exposure to extreme natural events

Events like Tropical Cyclone Harold have shown us how devastating such disasters can be, especially for vulnerable households reliant on subsistence farming, with limited ability to financially cope.

Parametric insurance offers us a breakthrough in this regard. Unlike traditional insurance, it provides fast and efficient payouts based on predefined weather triggers. The triggers can include the amount of rainfall recorded over a certain period or the strength of windspeeds.

There is no requirement to verify the losses, which is the case with your traditional fire or vehicle insurance product. This mechanism can be a game-changer: the quick release of funds can allow communities to recover quickly and avoid prolonged financial hardship and instability.

This workshop highlights the urgency of addressing the gap in disaster risk financing with parametric insurance in Solomon Islands. Climate-vulnerable populations, particularly women, individuals with disabilities, and informal workers, often bear the brunt of climate shocks.

Many lack access to financial safety nets due to social and cultural factors and are left at the mercy of recurring cycles of poverty, aggravated by the natural disaster.

Parametric insurance can fill this gap by providing immediate financial relief that farmers, market vendors, fishers and other vulnerable groups can use to re-build and return normalcy to their lives quicker.

As the insurance regulator, CBSI has a crucial role in facilitating the transition of parametric insurance from concept to full market deployment. Our priorities align closely with this initiative: Under the National Financial Inclusion Strategy 3, we aim to build resilience at the household and community levels by introducing accessible financial instruments.

Climate-responsive products like parametric insurance meet this exact criterion and supports sustainable economic growth, in line with our objective to promote green financial services

Today, only 26% of adults in the Solomon Islands having access to formal financial services. Parametric insurance provides an opportunity to extend coverage to low-income households and the informal sector. Not only does it improve financial inclusion, but it also strengthens the financial security of our people and consequently our country.

CBSI will work with all partners in this initiative to ensure robust regulatory oversight, consumer protection and empowerment, and a transparent ecosystem for parametric insurance.

Parametric insurance holds the potential to accelerate disaster recovery, reduce financial stress for households and businesses, boost confidence in our financial systems and grow insurance adoption.

I urge all stakeholders in the room to take ownership of this initiative. Collaboration between government, private sector, and development partners is key to scaling parametric insurance and embedding it within national strategies. This workshop is a vital platform for engaging with your colleagues across the development spectrum in the region and I hope you take full advantage of it.

The Central Bank remains steadfast in its commitment to driving financial innovation and financial inclusion. With your support, we can build a resilient Solomon Islands.

Let today be the start of something special – the journey towards parametric insurance becoming a key disaster risk resilience tool in the Solomon Islands, so that our people are better equipped to face the challenges of a changing climate.

Thank you, and I wish you a productive workshop.

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