Ministry of Finance
GOVERNMENT OF SAMOA

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Samoa

Inclusive Disaster Insurance and Risk Financing Diagnostic Report

United Nations Development Programme

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Inclusive Disaster Insurance and Risk Financing Diagnostic Report

United Nations Development Programme

December 2024

Foreword

I am honoured to present the Samoa Inclusive Disaster Insurance and Risk Financing Diagnostic Report, a pivotal document that underscores our unwavering commitment to enhancing financial resilience and inclusive disaster insurance in Samoa. This report was prepared by the United Nations Development Programme in collaboration with the Ministry of Finance and the Central Bank of Samoa. It offers comprehensive insights and strategic recommendations crucial for mitigating the economic vulnerabilities caused by climate change and natural disasters.

The Diagnostic Report comes at a time when Samoa, like many other Pacific Island nations, faces increasing threats from climate-related events. Our geographic location, characterized by low-lying coastal areas, makes us particularly susceptible to the impacts of sea level rise, tropical cyclones and other natural hazards. These challenges highlight the importance of robust financial mechanisms that can provide timely and effective responses. They can help safeguard our economy, infrastructure and, most importantly, our citizens.

This report provides an in-depth analysis of Samoa's socio-economic factors, financial inclusion metrics and the current state of its insurance market. It demonstrates the critical roles inclusive insurance and risk financing have in achieving the Sustainable Development Goals. It also outlines strategic priorities to build financial literacy, boost data collection and strengthen public-private partnerships. Their implementation will be vital to ensure that Samoa not only recovers from disasters but also builds a resilient and sustainable economic future.

I extend my deepest gratitude to the United Nations Development Programme and all stakeholders in the insurance sector who have contributed to this significant endeavour. It is through our collective efforts that we can create a more resilient Samoa, equipping it to face the challenges of tomorrow.

Ma le fa'aaloalo tele.

Lautimuia Uelese Afoa Vaai

Minister of Finance

Preface

The Samoa Inclusive Disaster Insurance and Risk Financing Diagnostic Report stems from the United Nation Development Programme's core mandate to build resilient communities and economies. UNDP's Insurance and Risk Finance Facility was established to provide insurance solutions and risk transfers to help achieve the Sustainable Development Goals. It ensures the development and implementation of long-term financial resilience to protect countries and their people, livelihoods and assets from the risk and uncertainty of disasters.

The Diagnostic Report complements our programmatic work on environment and climate change resilience, especially the decarbonization of land and maritime transportation. It also supports our projects protecting livelihoods, accelerating economic empowerment and promoting digitalization. Further, it guides the Government of Samoa's National Social Protection Policy Framework and the Disaster Risk Financing Policy of Samoa (2022–2025) and is a basis for disaster-related social protection programmes. Finally, it provides overall support to the strategic outcomes of the Pathway for the Development of Samoa. This aligns with our big-picture approach to development in Samoa: delivering impact through a variety of complementary projects under a single portfolio.

The report looks into both the demand- and supply-sides of risk financing and insurance. It examines Samoa's environmental shocks and legislation issues as well as its social, financial, technological and digital capacity. Its broad but concise recommendations could not only improve access to disaster risk financing and insurance but also facilitate the legal and business environment for insurance companies and banks. This would foster the resilience of individuals, businesses and government in general during crises, while boosting private sector activities. It also provides reliable and useful data for policymaking and detailed information for the formulation and implementation of demand-driven insurance products.

Implementing the Diagnostic Report's recommendations would go a long way to creating more fiscal space for the Government of Samoa during disasters, building resilience for communities and individuals alike. We hope that the report will be seen as a beacon of economic development and become a definitive point of reference for positive change.

Aliona Niculita

UNDP Resident Representative

Acknowledgements

The Report preparation process benefited from expertise of different people and organizations. It received leadership, and overall guidance and direction from UNDP Resident Representative, Ms. Aliona Niculita and her able Deputy, Mr. Paolo Dalla Stella. Without their tenacity for pushing forward the preparation process, the report would not have come to fruition.

The commitment, technical direction and inputs of national counterpart colleagues are acknowledged. We profoundly thank the team leads from Ministry of Finance, Tofilau Luamanuvae Lae Siliva; and Central Bank of Samoa, Lanna Lome-Ieremia. Their direction and technical guidance have shaped the report greatly.

We thank the contributions of key private sector operators (insurance companies in Samoa and Chamber of Commerce of Samoa) during the report preparation process. Their participations at the inception and validation meetings as well as involvement in the consultations are greatly appreciated.

We acknowledge the coordination and technical direction provided by the Country Economist for UNDP Samoa MCO, Kordzo Sedegah, for his instrumentality, determination and technical diligence in shaping the report. We equally acknowledge UNDP colleagues in Bangkok Regional Hub (BRH) for their technical review of the report at various stages. We are grateful to Mizuho Okimoto-Kaewtathip, Fmr. Team Lead of Inclusive Growth for her support for the initiation of the project and technical inputs into the report drafting. We wish to thank Sanny Ramos Jegillos, Practice Coordinator (Disaster); and Yusuke Taishi, Senior Technical Advisor, for their invaluable comments and inputs made to enhance the quality of the report.

We thank Kieran Jones for his elaborate editorial work on the report, and Ms. Laufaleaina Lesa of UNDP for lending her communications support to the report development. We also thank MS. Lydwina Fruean-voigt of UNDP for her programme and finance support to the process.

Finally, we are thankful to the consultant and his team for undertaking the diagnostic report on Inclusive Disaster Risk Finance and Insurance. We are grateful to Aaron Silva, the team lead, and his technical staff – Gonzalo Tapia-Velasco, David Esaú López Campos, Cecilia Ramos, Oscar Valdivia, Fernando Cortés, and Carlos Fernando Reyes for their untiring efforts, openness and technical dexterity in drafting the report.

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Executive Summary

The United Nations Development Programme (UNDP) established the Insurance and Risk Finance Facility (IRFF) as a comprehensive initiative under which insurance solutions and risk transfer play an essential role in achieving the 2030 Agenda's Sustainable Development Goals (SDGs). The IRFF's primary focus is on sectors such as inclusive insurance, sovereign risk financing, insurance investments, natural capital, health, and the development of micro, small and medium-sized enterprises (MSMEs).

Within the IRFF's framework, the UNDP's Multi-Country Office (MCO) in Samoa, with support from the Ministry of Finance (MOF) and the Central Bank of Samoa (CBS), has produced the Samoa Inclusive Disaster Insurance and Risk Finance Diagnostic Report. The study was carried out with the support of A Silva Partners, an international consulting firm.

The objective of the study is to promote Samoa's financial resilience, help mitigate risk and enhance the long-term protection of the country and its assets, livelihoods and citizens. It provides information to partner institutions as well as public and private sector actors actively participating in climate and disaster insurance and risk financing.

The Diagnostic Report takes into consideration Samoa's geographical characteristics; socio-economic situation; financial inclusion; public infrastructure; private sector development; insurance market regulation, development and penetration; national policies for risk finance; and international aid.

The study covers the interrelated areas of insurance and risk finance policies. It analyses the latest developments on the supply side; considers a picture of the demand side; identifies the gaps and opportunities; and provides a country profile with information relevant to inclusive insurance. The study considers both academic research and the opinions and experience of relevant stakeholders.

Samoa gross domestic product growth dynamics have been notably influenced by climate-related events, particularly tropical cyclones but increasingly other natural hazards like earthquakes, droughts and floods. Approximately 70 per cent of Samoa's critical infrastructure is situated in low-lying coastal regions, accentuating the potential consequences of projected sea level rise such as intensified coastal erosion, land and property loss, and population displacement. More generally, Samoa remains vulnerable to other shocks like global financial crises and health-related epidemics and pandemics.

Estimates suggest that Samoa could incur on average an annual loss of about US$ 10 million due to earthquakes (including their resulting tsunamis) and tropical cyclone events, with the latter causing about 70 per cent of the total.

From 2013 to 2022, the Government of Samoa (GoS) accessed five major instruments to meet post-disaster needs:

1. The Catastrophe-Deferred Drawdown Option operated by the World Bank
2. The Pacific Disaster Resilience Program operated by the Asian Development Bank
3. The Pacific Catastrophe Risk Insurance Company's sovereign catastrophe risk insurance
4. The Contingency Emergency Response Component, included in several projects funded by World Bank Group member, the International Development Association
5. The GoS's own contingency financing

Collectively, these instruments provide liquidity and budgetary support in the event of a natural disaster.

Currently, the GoS is implementing the Disaster Risk Financing Policy 2022–2025, which includes strategic priorities to protect and safeguard its people and economy by identifying and quantifying disaster-related economic and fiscal risks; identifying a cost-efficient combination of disaster risk financing instruments; and building institutional capacity on disaster risk financing, among others.

The June 2023 Disaster Risk Finance Strategy, presented by the Pacific Climate Adaptation and Insurance Programme and the UN Capital Development Fund, notes various financial options available for countries to deal with disaster losses. These include risk reduction, risk retention instruments, risk transfer instruments, risk groups, international emergency financing and budget reallocation and realignment.

Regarding insurance instruments that manage risks from natural disasters, the Diagnostic Report analyses Samoa's insurance market and regulatory features as well as financial inclusion trends. Overall, 21 per cent of adults in Samoa have some type of insurance product; among them, the majority (69 per cent) have life insurance. This high proportion of life insurance policies could be driven by the fact that the main life insurance provider, the Samoa Life Assurance Corporation, is state owned, and it could be provided by employers. Along with insurance products, it is also necessary to implement education programmes to ensure that all stakeholders know how to respond to a hazard.

In recent years, the very nature of the business of insurance has been transforming, driven by technological advancements and socio-economic trends.

Samoa is developing Information and Communication Technology (ICT) policies to accelerate digital transformation. The Digital Readiness Assessment Tool helps the government take stock of their digital transformation pathways and identify priorities and gaps across government, business ecosystems and infrastructure, the regulatory environment, and human capacity. Nevertheless, while ICT is a vital tool to achieve sustainable human development, it has also widened the gap between those with and without access, especially in developing countries.

In Samoa, smartphones provide the majority of internet connections and enable most digital transactions. Fewer citizens have access to other digital devices, and this number is considerably lower outside of the Apia Urban area. Even among Samoans who engage with digital financial services, more information is required to ensure safe and efficient uptake as they become more widely available. Data clearly substantiate the need for comprehensive, multi-faceted digital and financial literacy programmes in Samoa.

Samoa is creating the conditions to strengthen the microinsurance sector but there are issues that need to be addressed. It is a small market, so strategic partnerships with both national and international institutions are key to successfully scale up and ensure sustainability. An example is promoting commercial partnerships among the Development Bank of Samoa (DBS) and insurance companies to expand the market. Giving DBS clients and group members access to microinsurance and parametric insurance products, as well as other property and agricultural insurance, would provide additional income for the development bank and create more volume for Samoan insurance companies.

Recommendations were divided into six areas: regulatory improvement and social policy; product improvement; financial and digital literacy; public/private partnerships; international cooperation; and technological innovation.

The recommendations of the Diagnostic Report cover the short, medium and long term considering Samoa's current state of development. They include the following areas:

- Public policies on climate change adaptation and mitigation efforts
- Active participation in multilateral initiatives
- Financial literacy efforts, as well as frequently communicating the relevance of acquiring affordable insurance products to beneficiaries of social actions and programmes
- Enhancing microinsurance demand and supply, promoting training for insurance companies and the development of new customer-centric insurance products
- Coordinating a task force of IRFF and UNDP experts and government officials to integrate risk finance and insurance products into social protection
- Promoting integral financial inclusion through the development of debit cards, basic savings accounts and e-wallets for each household and MSME, linked to the distribution of microcredit, microinsurance products and incidental disaster relief aid
- Modernizing the IT systems of government financial and service institutions such as DBS, Samoa Life and Samoa Accident Compensation Corporation, and developing a digital payment ecosystem

1

Introduction and Methodology

1.1 Objectives

The main objective of the Samoa Inclusive Disaster Insurance and Risk Financing Diagnostic Report is to provide relevant conclusions and recommendations to develop and implement a long-term plan to increase financial resilience in Samoa, a nation vulnerable to climate-related challenges. It takes into consideration the ongoing efforts of partner institutions such as the United Nations Development Programme (UNDP), the World Food Programme, the Pacific Catastrophe Risk Insurance Company (PCRIC) and other public and private-sector entities involved in climate and disaster insurance and risk financing. This initiative seeks to mitigate risks and uncertainties, thereby substantially improving the long-term protection of the country, its assets, livelihoods and population.

Potential financial support from the Global Shield Financing Facility of at least US $3 million is projected for 2024–25. Additionally, funding is expected from the private sector to support social protection schemes and the Sustainable Development Goals (SDGs) through UNDP channels.

The study proposes strategies to ensure coherence and coordination between Samoa's Social Protection Policy Framework and the Disaster Risk Financing Policy (2022–2025). It aims to lay the groundwork for the evidence-based implementation of policies related to disaster and risk financing (UNDP, 2023).

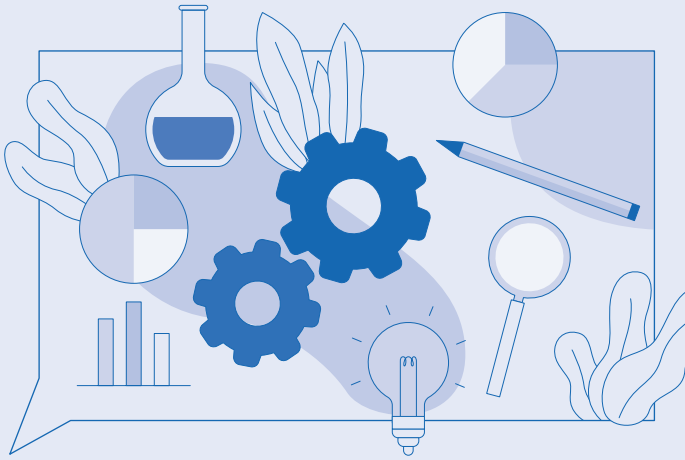
Additionally, the report will examine the implications of present and future risks on population, with the ultimate goal of addressing the socio-economic implications.

The study's Terms of Reference (ToRs) were set out by the UNDP's Multi-Country Office (MCO) in Samoa. They were guided by the UNDP Inclusive and Risk Finance Diagnostic Methodology issued by the Insurance and Risk Finance Facility (IRFF), an entity within the UNDP established in 2021. Operating across 34 countries, the IRFF serves as a comprehensive repository for insurance and risk financing solutions tailored to the needs of families, communities, businesses and nations struggling with escalating risks in an increasingly uncertain global landscape (IRFF, 2023).

The study will:

- Present a country profile with information relevant to inclusive insurance such as demographics, the socio-economic situation and sectoral context
- Analyse the latest developments on the supply side, and develop a picture of the demand side of the insurance and risk finance market
- Assess the financial status of insurance companies in the country
- Evaluate insurance companies' attitudes towards and approaches to developing new opportunities and markets
- Identify gaps and opportunities, for example in government attitudes and support, the current regulatory environment and regulators' ability and commitment to develop the market

The study was carried out with the support of A. Silva Partners, an international consulting firm based in Mexico.



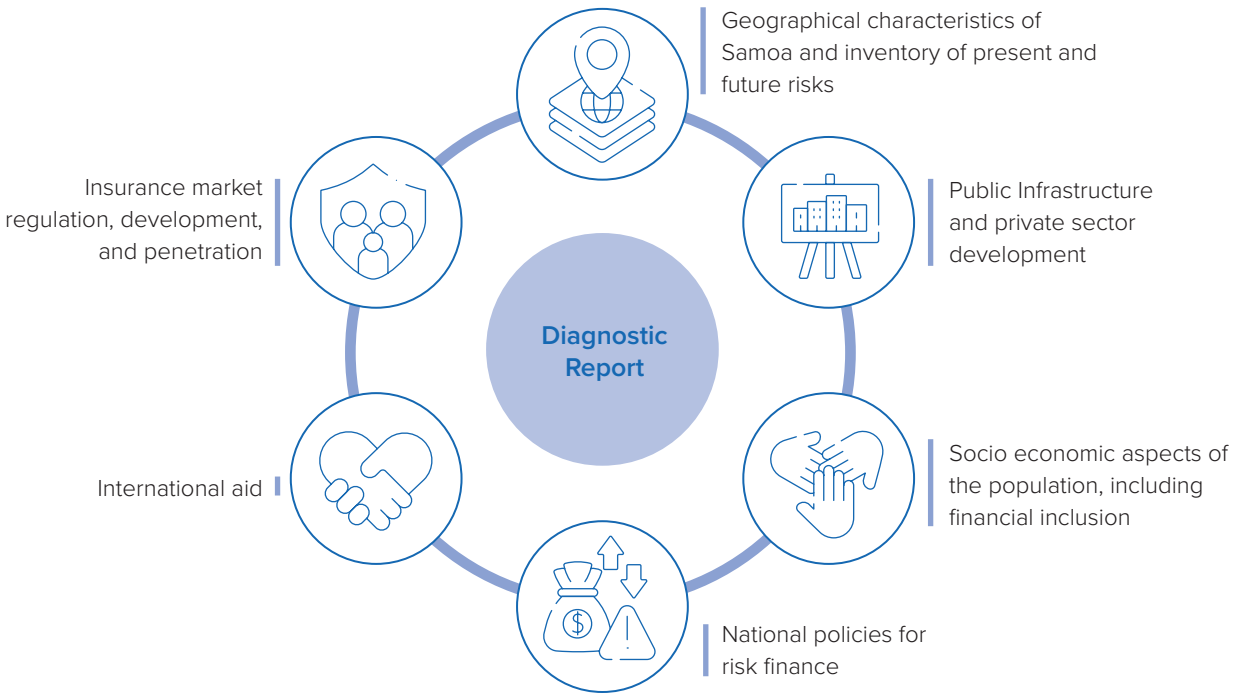
1.2 Methodology

According to the methodology issued by the IRFF, the Diagnostic Report will cover the following five areas:

- Underlying risk and development information
- Market conditions for inclusive insurance
- Market conditions for risk finance
- Insurance/risk finance and development integration
- Additional information for the Insurance and Risk Finance Team, specifically in the areas of investment and natural capital.

To comply with the objectives and areas of study, the consultant considered Samoa's current situation and the national and international instruments that could reinforce the GoS's capacity to prevent and face natural disasters (see Figure 1).

FIGURE 1.
Different aspects considered in the Diagnostic Report



Source: A. Silva Partners, 2023.

During the project, the following activities were performed:

TABLE 1.
Activities performed initially

Stakeholder identification	Construct a consolidated directory comprising contacts from key governmental agencies overseeing disaster management, national insurance associations, prominent insurance entities and international development programmes.
Initial workshop on insurance market and risk finance development	Design and develop an initial workshop with relevant public and private stakeholders to present the diagnostic objectives and importance of assessing the current capacity of Samoa to face natural disasters; and to consider market experts' vision on the main strengths, opportunities, weaknesses and threats for the development of the insurance market.
Reference framework	Briefly describe the work plan to be implemented, in alignment with IRFF methodology, and the ToRs, diagnostic rationale and objectives also in alignment with SDGs.
Country context	Briefly integrate into the diagnostic report information about land, population, economic development, present and future risk profiles, recent national/regional natural disasters and current risk finance models/instruments.
Financial sector and insurance sector development	Briefly integrate into the diagnostic report available information about presence of formal financial services providers and financial inclusion indicators according to national statistics.
Legal framework for insurance products and risk finance	Briefly integrate to the diagnostic report the legal and regulatory structure for insurance, inclusive insurance. Briefly integrate into the diagnostic report the legal instruments/regulations on catastrophic funds or any other national instrument for risk finance.
Insurance sector	Integrate data on organizational initiatives and associations within the insurance market: national insurers' roles; authorized insurance company indicators; distribution channel description and penetration; Insurance Technology or InsurTech presence company; strategic alliances between insurers and financial or commercial entities; and notable insurance products. Additionally, outline regional best practices for risk finance instruments as provided by the IRFF.
Insurance sector market	Study potential users and current situation of insurance market in the country (available information provided by financial authorities).
First set of conclusions	Draft document with preliminary conclusions and recommendations for the development of inclusive insurance and the risk finance market in Samoa.
Market analysis instruments	Design guides for structured interviews with relevant stakeholders. Review and complement demand-side studies that provide information about users and non-users of insurance products. Design a written survey for insurance companies to complement the semi-structured interviews.
Policy integration analysis	Analyse existing policy frameworks on social protection and disaster prevention and protection to find potential links between them, as well as among risk finance and insurance instruments and their market.

Source: A. Silva Partners, 2023.

Furthermore, the consultancy team collaborated with UNDP and the Ministry of Finance (MOF) to conduct fieldwork. This included semi-structured interviews with various public and private entities and an initial workshop involving stakeholders from the insurance sector and financial authorities. Additionally, semi-structured interview questionnaires were disseminated with assistance from UNDP's MCO in Samoa to obtain supplementary written responses.

The following documentation, information and databases were referred to during the integration of the Diagnostic Report:

- IRFF's Diagnostic Methodology
- The Sustainable Development Goals
- International actions and instruments to face climate change
- Samoa's public policy on disaster prevention and risk financing, specifically the Disaster Risk Financing Policy of Samoa (2022–2025)
- Samoa's public policy and social practices on social protection and programmes
- Samoa's legislation and regulations on insurance and risk financing
- Authorisation of insurance companies and registered insurance products
- Information provided by financial authorities and the insurance sector on the performance of insurance companies, insurance products and financial inclusion
- Official information on Samoa's geographical issues and its disaster history
- Official information on Samoa's environment, agriculture, health and education
- Academic studies on insurance best practices and supply-/demand-side studies
- Information and recommendations gathered from relevant stakeholders during semi-structured interviews, questionnaires and workshops
- Other material provided by the financial authorities, IRFF and/or UNDP's MCO in Samoa

In accordance with the IRFF's Diagnostic Methodology, the list of stakeholders consulted were:

- The Central Bank of Samoa (as the national insurance regulator)
- The Samoa Ministry of Finance
- Other government ministries and agencies responsible for disaster management
- Private sector participants in the insurance market including insurance associations
- Other relevant entities identified during consultation, such as international development programmes

The Diagnostic Report will refer to pertinent academic and institutional research conducted by both international and national entities, as well as other consultancy firms. This approach aims to integrate relevant insights and conclusions to enhance the comprehensiveness of the investigation for its readers. To streamline the analysis process, the consultancy team opted to utilise recent and comprehensive demand studies instead of performing new surveys or consultations with potential insurance product users.

Considering the previously explained methodology, the Diagnostic Report is structured as follows:

1. Executive Summary
2. Introduction
3. Overview of Samoa's Development Landscape, National Hazard Profile, and Crisis and Disaster History
4. Analysis of Market Conditions for Inclusive Insurance, including Financial Authorities Structure, Financial Inclusion Initiatives, Legislation Description, Supply and Demand Characteristics
5. Assessment of Market Conditions for Risk Finance
6. Integration of Insurance and Risk Finance within Development Framework

7. Opportunities and Barriers for Insurance Market Development in Samoa, based on Stakeholder Workshop Results, Expert Opinions from Semi-structured Interviews, and Analysis of Recent Demand Studies
8. Additional Information for Stakeholders and UNDP Team
9. Conclusions and policy recommendations, synthesising findings from the Diagnostic Report stages and proposing policy and market development measures, resulting from documental analysis and consultation activities conducted during the Study

1.3 Relevance of Financial Inclusion, Insurance and Risk Financing in a Changing Climate

The IRFF promotes the global development of the insurance and risk finance sector to protect people, communities, businesses and countries from crises and disasters (see Figure 2).

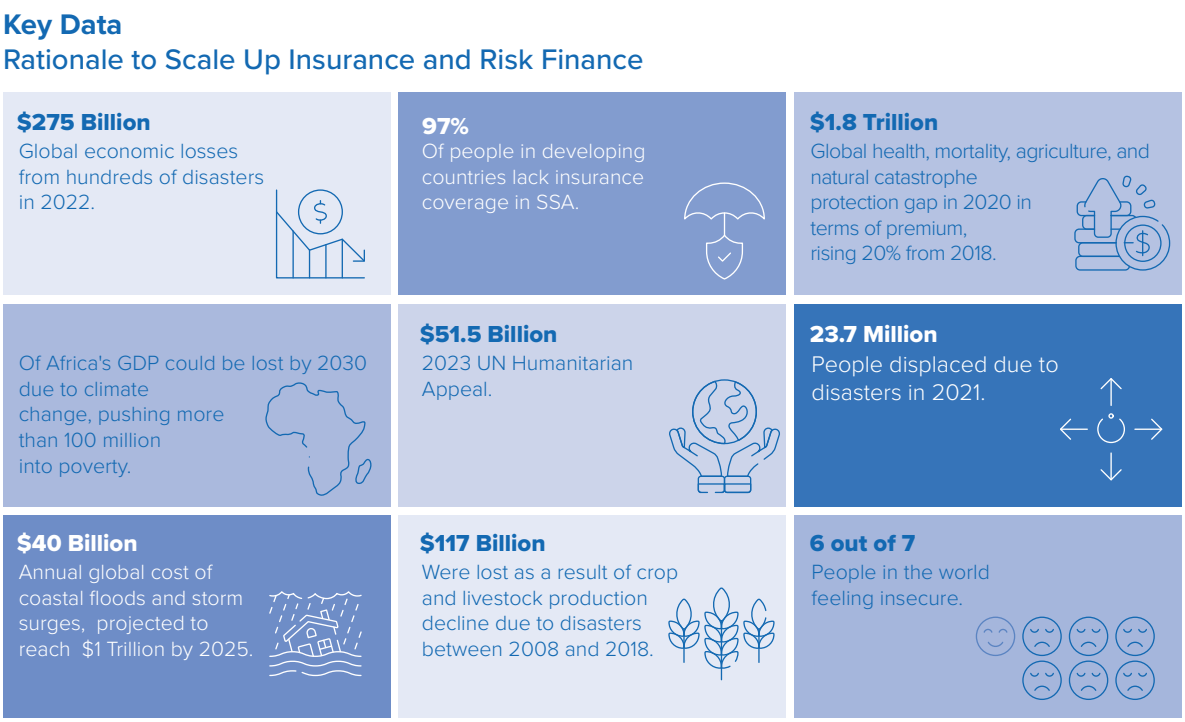
Global warming impacts economies disproportionately, particularly in tropical regions and developing nations with minimal carbon emissions, exacerbating global economic inequality (see Figure 3). Poorer countries or individuals bear a greater burden due to limited resources for climate protection and residence in warmer regions, negatively affecting productivity and health (Diffenbaugh, N. & Burkem, M, 2019).

According to the Insurance and Risk Finance Facility, development is under threat: “Changing climate undermines development progress and exploits entrenched vulnerabilities, while people continue to be left behind by growing poverty and inequality, technological disruption and environmental degradation” (IRFF, 2023a).

Access to essential financial services in this complicated environment provides individuals and businesses with crucial instruments for managing savings and investments; access to credit-facilitating resources and income growth; improved living standards; and enhanced productivity. Additionally, it establishes a safety net to prepare for and manage risks associated with natural disasters and unforeseen circumstances.

FIGURE 2.

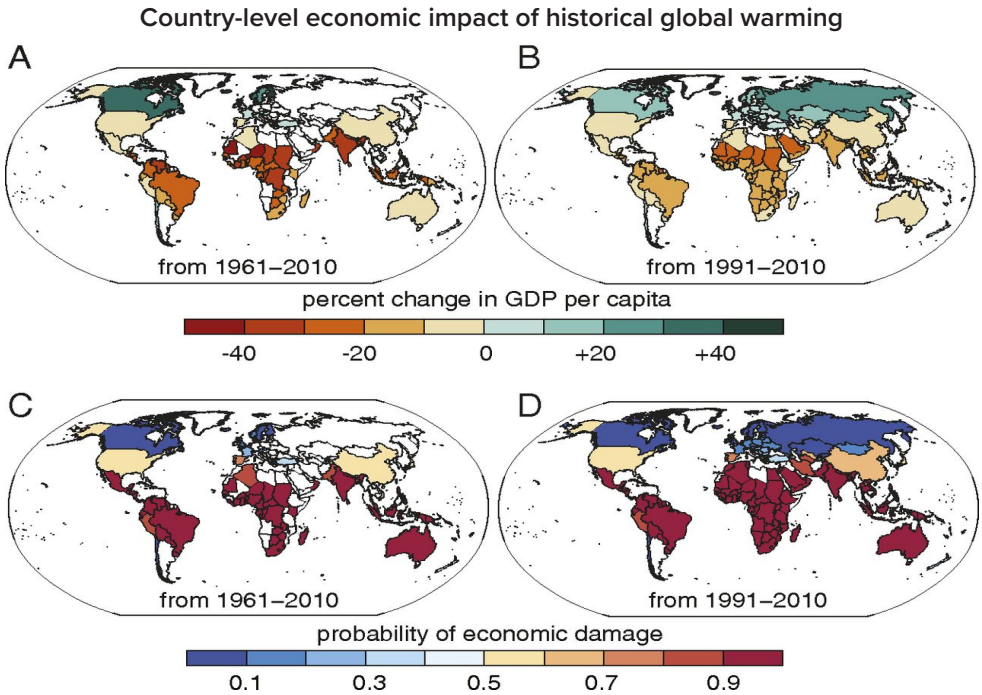
Rationale to scale up insurance and risk finance



Source: IRFF, 2023. UNDP Insurance and Risk Finance - 2023 Snapshot.

FIGURE 3.

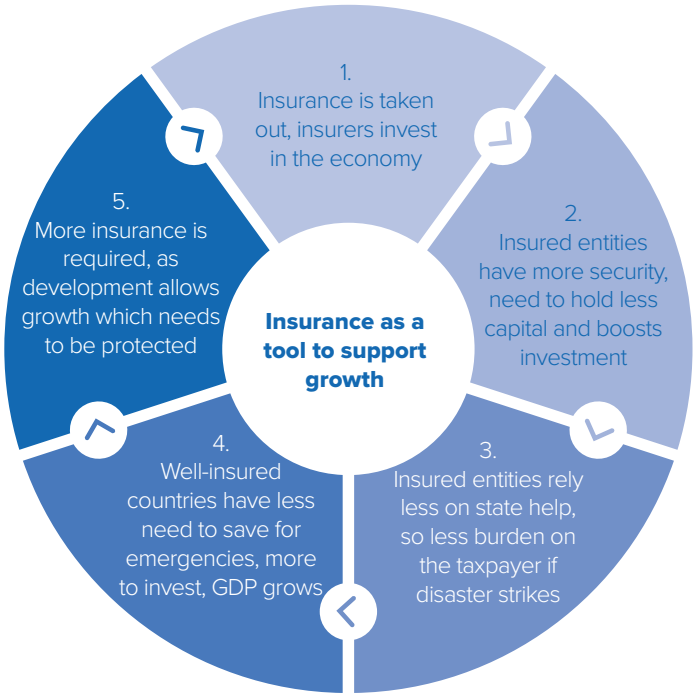
Evolution of probability and effects of global warming in national economies: 1961–2010 vs. 1991–2010



Source: Diffenbaugh, N. & Burkem, M., Stanford University, *Global warming has increased global economic inequality* (2019). Available at https://www.pnas.org/doi/full/10.1073/pnas.1816020116.

In particular, "scaling up insurance is not just about increasing financial protection; it creates a virtuous cycle of increased growth and standards of living" (IRFF, 2023). This positive process has a favourable effect in economy, increasing its resilience and that of the population in general (see Figure 4).

FIGURE 4.
Insurance as a tool to support growth



Source: Representation of slide included in IRFF's presentation "UNDP Insurance and Risk Finance Facility", 2022, based on Lloyd's.

1.4 Contribution of Insurance and Risk Financing to Sustainable Development Goals

The IRFF's Diagnostic Methodology notes that "insurance and risk financing has been increasingly recognized as having a critical role to play in delivering the SDGs and reducing the impact of climate change on development. Research has highlighted six SDGs where insurance plays a particularly key role" (IRFF, 2021) (see Figure 5).

Greater uptake of insurance instruments by individuals and businesses enhances social well-being and alleviates government expenditure burdens. This in turn frees up budget allocations for critical sectors like healthcare, education, social development, infrastructure and culture.

FIGURE 5.
SDGs where insurance plays a particularly key role

Source: IRFF, 2021. Inclusive and Risk Finance Diagnostic Methodology.

2

Development Information and Underlying Risk

2.1 Socio-economic Factors Reflecting Underlying Structural Vulnerabilities and Inequalities

The International Fund for Agricultural Development (IFAD) states that Samoa, like other Pacific Island nations, confronts challenges typical of small and remote island economies. This includes limited natural resources, narrow economic bases and susceptibility to external shocks, which contribute to economic volatility. Furthermore, these island nations rank among the world's most vulnerable to climate change and natural disasters. Samoa is classified as a country at high risk of debt distress (World Bank and IMF, 2021).

Despite these challenges, Samoa has a stable, healthy lower-middle-income economy. It has also made commendable progress in social development. This nuanced economic landscape highlights Samoa's resilience amid regional challenges but underscores the need for targeted interventions to address rural poverty disparities.

Further relevant findings from the Samoa Population and Housing Census 2021 can be found in **Annex 3**.

TABLE 2.
Samoa's relevant social and economic indicators

Indicator	Value	Most recent data
Poverty headcount ratio at $2.15 a day (2017 PPP) (% of population)	1.2	2013
Human Capital Index (scale 0-1)	0.5	2020
GDP growth (annual %)	8.0	2023
GDP (current $)	934,100,336	2023
GDP per capita (current $)	4,139.0	2023
Inflation, consumer prices (annual %)	8.1	2023
Total population	225,681	2023
Population growth (annual %)	1.5	2023
Women (%)	49	2023
Life expectancy at birth, total (years)	73	2022
Net migration	-1500	2023
Personal remittances, received (% of GDP)	28.4	2023
Unemployment, total (% of total labour force) (modelled ILO estimate)	9.7	2023

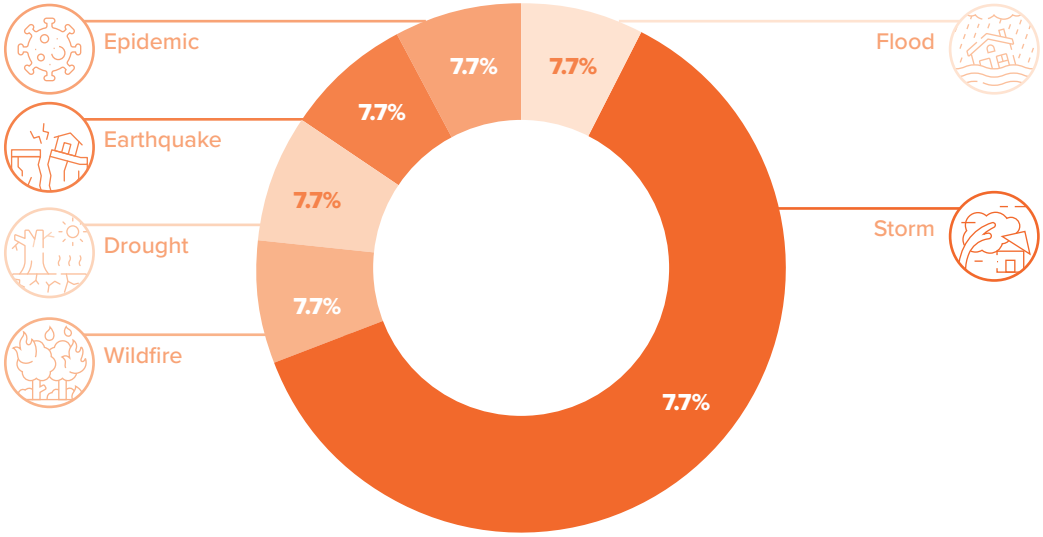
Source: The World Bank. Samoa Data, 2023. Available at Samoa | Data (worldbank.org).

2.2 Samoa's Hazard Profile: Geographical Conditions and Climate Risks

According to The World Bank's Climate Change Knowledge Portal, the main natural hazards for Samoa occurring from 1980 to 2020 were storms, followed by an almost equal chance of occurrence for floods, epidemics, earthquakes, droughts and wildfires (see Graph 1).

GRAPH 1.

Average Annual Natural Hazard Occurrence for Samoa, 1980–2020



Source: The World Bank. Climate Change Knowledge Portal - Samoa. Available at Samoa - Vulnerability | Climate Change Knowledge Portal (worldbank.org).

The ND-GAIN Index ranks 182 countries based on their vulnerability to climate change and their readiness to improve resilience; Samoa places 109th with a score of 45.8 out of 100 as of 2022 (see Graph 2).

The temperature in Samoa is tropical, ranging between 24°C and 32°C daily. The highest mean temperature occurs between December and March, and the lowest between July and September (see Graph 3).

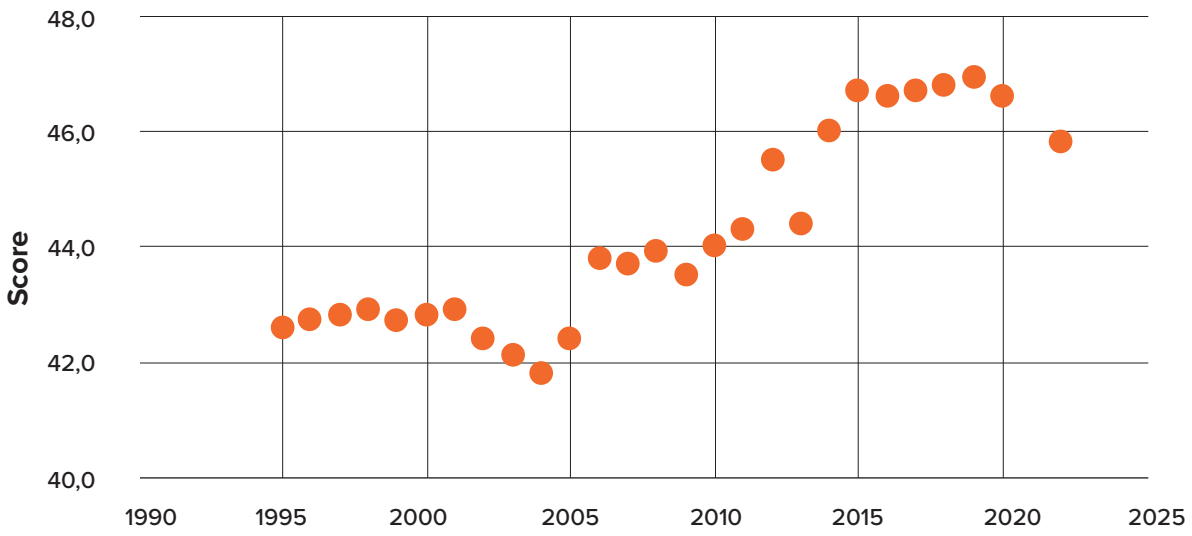
According to the World Bank's Climate Risk Country Profile, Samoa is vulnerable to climate change and the impact of deforestation on the islands. The country's economy depends heavily on international trade and overseas aid and remittances.

Samoa faces significant economic and social shocks during disaster years, impacting over 40% of the population and causing economic losses averaging 46% of GDP.

Key poverty-related data show rural-urban disparities, limited internet access affecting education and health in low-income communities. A rising unemployment rate particularly affects youth. As such, humanitarian organizations like IFAD play a vital role in supporting rural communities, implementing multi-million dollar projects to increase incomes and improve infrastructure.

GRAPH 2.

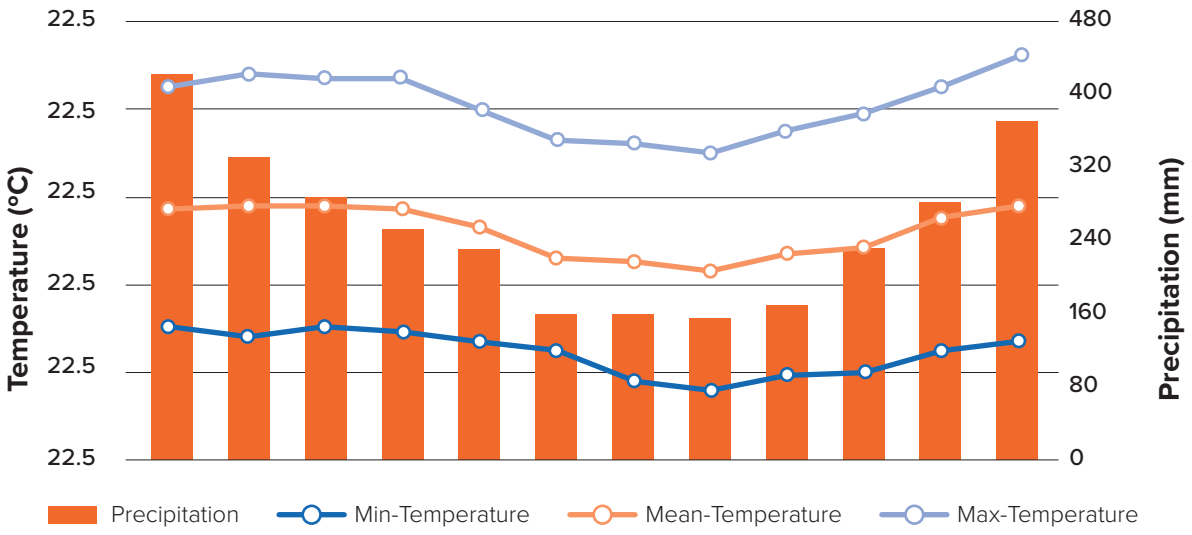
Samoa ND-GAIN index score



Source: University of Notre Dame, Notre Dame Global Adaptation Initiative, 2022.
Available at Samoa | ND-GAIN Index.

GRAPH 3.

Average monthly mean, max, min temperature and rainfall in Samoa, 1991–2020



Source: The World Bank. Samoa Country Profile, 2021.
Available at 15821-WB_Samoa Country Profile-WEB.pdf (worldbank.org).

2.3 Technology

Globally, technology has played an important role in the insurance sector's evolution and overall growth, for example the use of the internet, mobile devices, GPS and other technical applications. It has helped companies not only in market research, penetration and development and business promotion but also after-sales service and understanding customer satisfaction among others.

Emerging technologies like big data, the Internet of Things (IoT), artificial intelligence (AI), wearable devices and blockchain are improving mobile services, revolutionizing the insurance industry and changing consumer expectations and preferences.

As requirements change over time, technology not only adds value to the financial sector but also directs its future to some extent. The effects of innovation and technology range from influencing underwriting decisions to streamlining business processes, and digital platforms play important roles in selling and purchasing insurance. This can lead to notable efficiency gains, though these changes can initially cause some uncertainty and doubt. The GoS is currently standardizing its citizens' personal identification, a measure that can facilitate the adoption and spread of digital financial services (DFS) to support financial inclusion efforts and resilience. It will also encourage better risk identification and mitigation measures, which are referred to as "InsurTech".

According to UNDP's article "Samoa develops ICT policies to accelerate digital transformation", the Digital Readiness Assessment Tool (DRAT), coordinated by the Ministry of Communications and Information Technology and supported by UNDP, helps the GoS take stock of their digital transformation pathways. It identifies digital priorities and gaps across government, business ecosystems and infrastructure, the regulatory environment, and human capacity. The challenge is to make ICT available not only to those that can afford it but also to less advanced and marginalized communities in both rural and urban areas (UNDP, 2021).

According to World Bank data drawing on the World Telecommunication/ICT Indicators Database, 78 per cent of Samoans used the internet in 2021, the mobile phone subscriptions per every 100 people was 60 per cent for 2022, and the mobile connectivity rate was 59.47 per cent for 2022.

Another relevant report is the Financial Services Sector Assessment for Samoa, developed by the Pacific Financial Inclusion Programme (PFIP) and carried out by United Nations Capital Development Fund (UNCDF) in 2016. According to this assessment the financial services sector in Samoa, which are concentrated in urban areas, faces challenges of limited access outside of the capital Apia. While the Central Bank of Samoa (CBS) supports technology-driven services, regulatory improvements are necessary to keep pace with an evolving industry. This is particularly true for DFS, consumer protection and agency banking. Addressing these challenges requires collaborative efforts from the government, stakeholders such as commercial and development banking institutions, convenience stores, the World Bank and the CBS to enhance infrastructure, implement regulations, and implement the national strategy for financial inclusion.

2.4 Disaster Risk Factors in Economic Sectors

2.4.1 Agriculture, Livestock and Fishing

While agriculture in Samoa contributes to only about 10 per cent of its GDP, it employs around two-thirds of the workforce and remains a major source of income for local households.

Nevertheless, the sector is highly vulnerable to the adverse effects of natural disasters due to climate change. This includes more frequent and extreme rainfall, longer dry periods, sea level rise, intense winds and increased ambient and water temperatures. A resilient system of assessing agricultural damage and losses caused by natural disasters is required to help mitigate their consequences.

In the agriculture sector, strong winds may destroy planted crops such as coconuts, breadfruit, bananas, cocoa and other fruit trees. They may also cause harm to machinery, farming equipment and fertiliser and seed stocks.

In the livestock sector, disasters may result in increased cattle, swine and poultry mortality, as well as damage to agricultural equipment, animal housing and production infrastructure (e.g. fences, enclosures, corrals, water tanks and vehicles).

In the fishing industry, natural disasters may lead to the destruction of artisanal fishers' canoes, nets and other equipment. In commercial fishing, boats can be affected despite the warnings issued by the meteorological service. Commercial fishponds are often affected by flooding.

Subsistence farmers are generally more vulnerable as they often have no other source of income but crop production. Semi-commercial and commercial farmers can suffer the great losses if their agricultural assets and productive infrastructure are severely damaged. This can also result in loans taken out for farming activities not being repaid on time.

Some recommended support measures to assist in recovery in the event of a natural disaster event are:

- Provide social aid, food and emergency cash and voucher assistance for vulnerable households
- Produce and distribute seeds and vegetable planting materials, fertilisers and pesticides to restart agricultural production, and provide veterinary services for livestock producers
- Replace damaged agricultural equipment and tools, and provide technical assistance for improving community livestock breeding plans
- Defer loans or provide matching grants to rehabilitate damaged infrastructure repair or replace fishing vessels, and Repair commercial fishponds and food production infrastructure in general.

2.4.2 Manufacturing and Commerce

The manufacturing sector, including food and beverage production and other manufacturing activities, accounts for 8.9 per cent of Samoa's GDP. Trade contributes 18.7 per cent of GDP and consists of wholesale and retail activities.

Natural disasters lead to severe macroeconomic impact where total production is lowered, the availability of goods and services is disrupted, and economic growth diminishes. This leads to less value added tax revenues, weaker fiscal balance and worse balance of trade as more goods are imported. Moreover, employment generation is affected until productive activities recover.

To resolve these problems, it is essential to provide working capital to restore production, as well as reschedule loans. Implementing cash subsidy plans for microentrepreneurs and soft lines of credit are also important.

In rebuilding physical assets, the use of disaster-resistant materials and features and relocation to less vulnerable zones are crucial strategies. These challenges fall more on the private sector; however, the government must also participate to address the needs of microentrepreneurs in both the formal and informal sectors.

2.4.3 Tourism

The tourism industry is a major part of Samoa's economy with more than 160,000 visitors per year, according to the Statistical Abstract of 2023 issued by Samoa Bureau of Statistics the tourism earnings ratio to GDP in 2019 was 23.11% (SBS, 2024).

Samoa's tourism is highly seasonal, with accommodation occupancy rates ranging from 15 per cent in low season to 50 per cent minimum in high season. It is reliant on a narrow range of markets (mainly Australia, New Zealand and Japan) and products (e.g. snorkelling, diving, surfing and fishing, wellness and relaxation, hiking, immersive cultural and community-based activities in traditional villages). The country also relies on traditional hospitality to offer authentic experiences, emphasizing sustainability and local involvement.

The sector is directly affected by natural disasters, such as a decrease in the number of available hotel rooms caused by partial or total destruction. The decline in foreign tourists is accompanied by a decreased demand for hotel food services, resulting in a fall in employment opportunities because fewer workers are needed.

This financial loss has broader macroeconomic impact. It leads to a decline in GDP growth, which affects the balance of payments by reducing foreign exchange earnings and widening the current account deficit, as well as tax revenue losses in the fiscal balance.

Some recommended recovery and reconstruction measures include:

- Government aid to remove debris and mud from hotels and related buildings and structures, with rebuilding efforts focused on making the sector more resilient to weather events
- Establish soft-terms credit lines through the private banking system to restore working capital for hotels and restaurants
- Carry out special marketing campaigns abroad to restore demand amid the post-pandemic recovery
- Improve resilience and efficiency of water and electricity infrastructure in hotels and tourism facilities
- Update the National Tourism Climate Change Adaptation Strategy for Samoa (2012-2017) (STA, 2012)

To alleviate the overreliance on specific markets and prevent sharp fluctuations in demand, tourist attractions and recreational facilities could diversify to hold regional and international conferences throughout the year. The rapid recovery of rural tourism businesses is essential to restart the economy in more isolated areas and is integral to the GoS's poverty alleviation strategy.

2.4.4 Risk Factors in Residential Areas

The combined impact of strong winds, high water levels and flooding can cause major damage to housing and household contents across Samoa. Damage is classified into three categories: completely destroyed, partially damaged and minimal damage.

Displaced people usually take refuge in shelters or relatives' houses, requiring financial resources and technical assistance to repair their own homes with disaster risk reduction features.

A full housing recovery and reconstruction programme is more than just providing financial aid to homeowners. It requires strong organizational and technical frameworks as well as a system through which financial and technical assistance (e.g. engineers, architects, bricklayers and carpenters) can be provided to homeowners over defined timeframes. Employing best practices and ensuring quality standards are essential to successful reconstruction efforts.

2.4.5 Water Supply and Sanitation

Natural disasters often cause damage to water supply infrastructure and sanitation systems such as septic tanks and latrines. The main challenge is having the necessary funds to upgrade water infrastructure to improve water capture, storage and quality, as well to protect this critical infrastructure against climate change related physical risks, and repair and rebuild it in case it is affected by natural disasters.

Apply nature-based solutions, restoring mangroves along coastlines, which reduce erosion acting as natural barriers against storm surges, protecting freshwater resources from saltwater intrusion.

2.4.6 Transport

Natural disasters are a known risk to Samoa's main international airport, roads and bridges, mainly due to their related flooding, subsidence and obstructions caused by fallen trees. Hurricane-force winds, strong waves and heavy rain can also damage assets in the port area deposit debris on its docks due to flooding.

The initial response measures should seek to unblock and restore transport connections and services as they will form the basis of any comprehensive recovery assessment. This assessment can then be used to estimate reconstruction and development needs and timeframes more effectively.

2.5 Crisis and Disaster History

The World Bank's Climate Risk Country Profile and Climate Change Knowledge Portal give a comprehensive overview Samoa's multifaceted climate-change challenges, including sea level rise, coastal erosion and reef degradation. This emphasizes the urgent need for adaptive strategies and resilience-building measures for sustainable economic recovery.

The country ranks 70th in the Long Term Global Climate Risk Index 2000-2019 developed by Germanwatch, reflecting its exposure and vulnerability to extreme weather events (see Table 3) (Germanwatch, 2021).

TABLE 3.
Samoa crisis and disaster challenges due to climate change

Tropical Cyclones and Economic Impact	• Frequent tropical cyclones significantly affect Samoa between October and May • External shocks, including cyclones, have notably impacted GDP growth rates in recent years • Cyclones Ofa (1990), Val (1991) and Evan (2012) collectively caused damage estimated at $611 million
Climate Vulnerability and Global Rankings	• Samoa ranked 70th in the Long Term Global Climate Risk Index 2000-2019, indicating susceptibility to extreme weather events • Average long-term losses due to earthquakes and cyclones are estimated at $10 million per year • With 70% of the population in low-lying coastal areas, sea level rise poses risks to property and displacement
COVID-19 Pandemic and Resilience Opportunities	• Unprecedented social and economic impacts from the COVID-19 pandemic • Rapid government response and actions in recovery from a pandemic offer an opportunity to build more sustainable and resilient economies.
Climate Change and Water Resources	• Climate change poses threats to Samoa's fragile water resources • Water shortages, flooding and erosion impact water infrastructure and quality • Droughts and climate-related events have historically led to water rationing and depleted reservoirs

TABLE 3.
Samoa crisis and disaster challenges due to climate change *(cont.)*

Sea Level Rise and Coastal Threats	• Samoa experiences sea level rise of 5.2 mm per annum, impacting more than 75% of the population residing along coastal plains • Extreme sea level rise could result in increased coastal flooding and erosion, affecting infrastructure and agriculture • Fisheries, coral reefs and marine ecosystems face threats from ocean acidification and warming
Extreme Weather Impact on Population and Economy	• Over 40% of Samoa's population was affected during disaster years, with economic losses reaching 46% of GDP • The capital city, Apia, could face a 60% GDP loss from a cyclone with a 100-year return period • Historical cyclones Ofa, Val and Evan caused fatalities and extensive economic losses valued at $300–500 million
Agriculture, Food Security and Export Challenges	• Agriculture, crucial for subsistence and commercial purposes, faces challenges from climate-induced extreme weather events • Increased climate-related risks include droughts, soil fertility loss, cyclones and shifts in precipitation patterns • Limited arable land and vulnerability to climate variability affect Samoa's exports of agricultural produce and marine resources
Tourism Sector Vulnerability	• Tourism, a key economic contributor, faces threats from rising sea levels and coastal erosion • Coastal degradation could impact beach space, reducing Samoa's attractiveness as a tourist destination • The recreational diving sector is vulnerable to environmental degradation and loss of reefs
Social and Economic Inequality	• Samoa, despite progress in poverty reduction, faces the challenges of climate-induced economic impacts • Vulnerability disproportionately affects the poorest groups, impacting livelihoods and food supply • Gender disparities in vulnerability exist, with women and children at higher risk
Health Implications and Disease Risks	• Climate change increases the risk of heat-related medical conditions, impacting vulnerable populations • Vector-borne diseases, influenced by climate conditions, pose a threat to public health • Poor sanitation, flooding, and urbanisation contribute to health risks, particularly in coastal areas

Source: A. Silva Partners, 2024. Developed by authors using The World Bank's Climate Risk Country Profile and Climate Change Knowledge Portal, as well as in German Watch Global Climate Risk Index 2021.

Further details on Samoa's Climate Risk Profile can be found in **Annex 6**.

2.5.1 Cyclone Evan, 2012

In December 2012, Cyclone Evan ripped through Samoa leaving a trail of devastation in its wake. It caused total damages and losses of an estimated $203.9 million, affecting all economic sectors and levels of society and representing 28 per cent of the country's 2011 GDP. With its small economy, Samoa was expected to take two to three years to recover and rebuild. The GoS published a detailed study, "Post Disaster Needs Assessment – Cyclone Evan 2012", in March 2013.

The disaster caused extensive damage to both public and private sector properties and resources, and citizens experienced heavy rain, flash flooding and maximum sustained winds of up to 166.7 km/h. The cyclone killed at least five people and displaced 4,763, as well as destroying several electric power plants and cutting off communications. It uprooted trees from the ground, destroyed buildings and roads and damaged large crop areas. Additionally, water facilities and distribution systems were severely damaged and disrupted across the country.

The GoS declared a state of emergency 30 days after the National Disaster Council carried out an inspection of the affected areas. Support was requested using the World Bank's Damages and Loss Assessment methodology. It established financial needs of $206 million, with 21 per cent going to the immediate socio-economic recovery phase and the remainder set aside for risk-reduced reconstruction efforts. This amount was greater than the country's economic so international financial assistance was required.

The GoS exercised its leadership to share responsibilities during the recovery and reconstruction phase, initially focusing on the needs of the most affected sectors: transportation, agriculture, the environment, energy systems and tourism.

Without these recovery and reconstruction projects, Samoa's GDP growth would have slowed following lower tax revenues and increased emergency expenses. Income lost through tourism in post-disaster years would have also contributed to fiscal deficits.

Recovery and reconstruction activities require significant investments to ensure resources are available to restart production, meet urgent social needs and provide essential services. It is therefore necessary to establish detailed plans even if, combined with limited capacity, this can delay the start of activities.

Among the impacts caused by Cyclone Evan were job and income losses, especially in agriculture and tourism. Income and food assistance was required for the poorest and most vulnerable citizens until the productive sectors began to recover.

In the Post Disaster Needs Assessment, communities expressed the need to have plans, disaster prevention and damage control training and aid programmes that are accessible and transparent.

Some of the recommendations for short- and medium-term recovery were:

- Provide a one-time cash transfer for the most vulnerable people
- Facilitate debt relief measures for the most vulnerable households and people with loans
- Provide a credit plan with low collateral requirements for low-income people who were unable to obtain loans
- Establish a community-driven development programme to facilitate livelihood and community recovery
- Monitor food security and nutritional status of impacted communities
- Establish an overall natural disaster preparedness plan for the community, addressing multiple hazards
- Plan and manage evacuation centres and shelters in both urban and rural areas, acquiring non-food items, training staff and establishing contact with private-sector actors and aid groups
- Support social and psychosocial health service providers to re-establish their operations and respond to demand

- Release funds of 10% in the form of a grant to each participant of the Samoa National Provident Fund who suffered from the disaster
- According to the Samoa National Action Plan for Disaster Risk Management (DRM), the use of tools such as multi-hazard early warning systems and establishing building codes must be prioritized to promote disaster risk reduction in a context of climate change.
- Strengthen institutional capacity with a disaster risk management system to have the resources and capacity to mobilize institutions to address policy objectives.

At the time of the Post Disaster Needs Assessment, the legal framework in Samoa comprised of the Disaster and Emergency Management (DEM) Act 2007; The National Disaster Management Plan 2011–2014; the National Action Plan for DRM 2011–2016; and a variety of other related plans and policies. They are complemented by the National Sustainable Development Strategy 2012–2016 on climate and disaster resilience. More recently, there are updated documents for the National Disaster Management Plan for 2017-2020 and for the National Action Plan for DRM for 2017-2021.

The response to Cyclone Evan was immediate. Following the disaster, the GoS demonstrated its capacity and commitment to secure and lead emergency response and restoration before requesting international assistance. It is difficult to determine the effectiveness of coordination between different agencies, but the report from the key actors involved in the response helped to identify strengths, weaknesses, challenges and opportunities to improve the system.

Contingency funds, which consist of 3 per cent of the government budget, are not purely a disaster reserve for risk financing. They are used to cover various eligible and unforeseen expenses.

Samoa was one of five countries included in a feasibility study to establish a disaster risk fund in the region under the Pacific Disaster Risk Assessment and Financing Initiative. This programme aims to provide qualifying countries with immediate liquidity following a disaster, acting as a bridging fund while other post-disaster sources are mobilized.

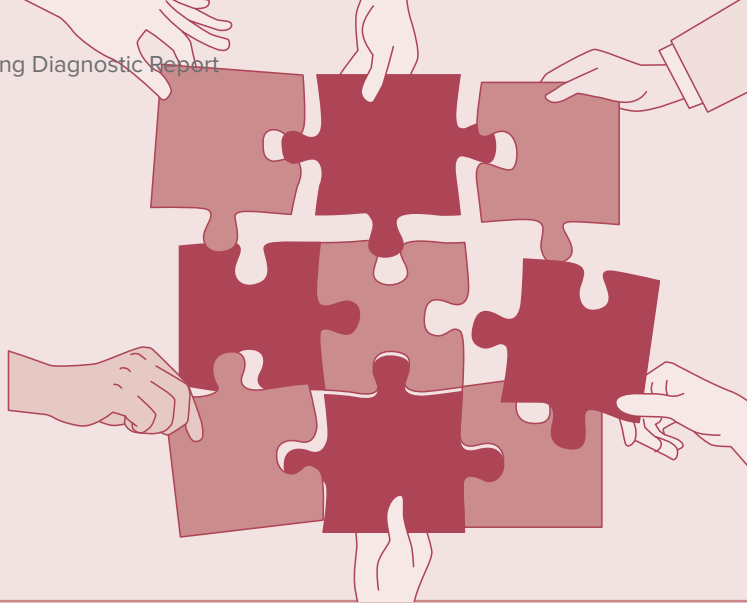
Relevant recommendations from the study include:

- Undertake a review of the DEM Act 2007, which primarily focuses on disaster management, to incorporate risk reduction as an integral part of a comprehensive legal framework for DRM
- Review the existing tropical cyclone plan and develop national flood management plans and guidelines to reflect the current situation, including new challenges related to climate change and trends in adaptation to climate change strategies
- Integrate comprehensive, high-resolution multi-hazard maps for cyclones, earthquakes, tsunamis, floods and other risk information into decision-making processes when planning for development, early warning, emergencies, recovery and reconstruction
- Complement Samoa's existing multimodal communication and dissemination network with a robust early warning system to allow timely information to flow effectively during crises
- Better understand how communities' risk perceptions shape their behaviour and actions to improve local disaster response

According to the PDNA report, economic recovery needs can be divided into three subprogrammes: personal or household income; basic services for the population; and production. They are grouped under the classification of the main social, productive and infrastructure sectors. Recovery in the social sectors includes housing, health and education. The reconstruction of production includes specific subprogrammes for the agricultural, livestock, fishing, manufacturing, commercial and tourism sectors. The reconstruction needs of the affected infrastructure sectors, transportation, electricity and water supply and sanitation, have also been estimated. Environmental reconstruction needs include replanting trees in natural forest areas; replanting in mixed-use areas; and reconstruction of infrastructure with sustainable criteria.

3

Market Conditions for Inclusive Insurance



3.1 Financial Authorities and Supervision

3.1.1 Financial Authorities Structure and Coordination

Samoa has a financial regulatory framework that involves multiple authorities overseeing different aspects of the financial system (see Figure 6). These institutions work together to maintain the stability and integrity of Samoa's financial system.

FIGURE 6.
Financial Authorities of Samoa

Central Bank of Samoa (CBS)	Samoa Ministry of Finance (MOF)	Samoa International Financial Authority (SIFA)
CBS serves as the country's central banking institution. It is responsible for monetary policy, currency issuance and the overall stability of the financial system. CBS plays a crucial role in regulating and supervising financial institutions, including banks, insurance companies and non-bank financial institutions, among others.	While not a regulatory authority of the financial system in the traditional sense, the MOF in Samoa is responsible for formulating and implementing fiscal policies. It plays a significant role in budgetary matters, government financial management and economic planning.	SIFA is responsible for regulating and supervising international financial services in Samoa. This includes offshore banking, insurance and other financial services provided to non-residents.

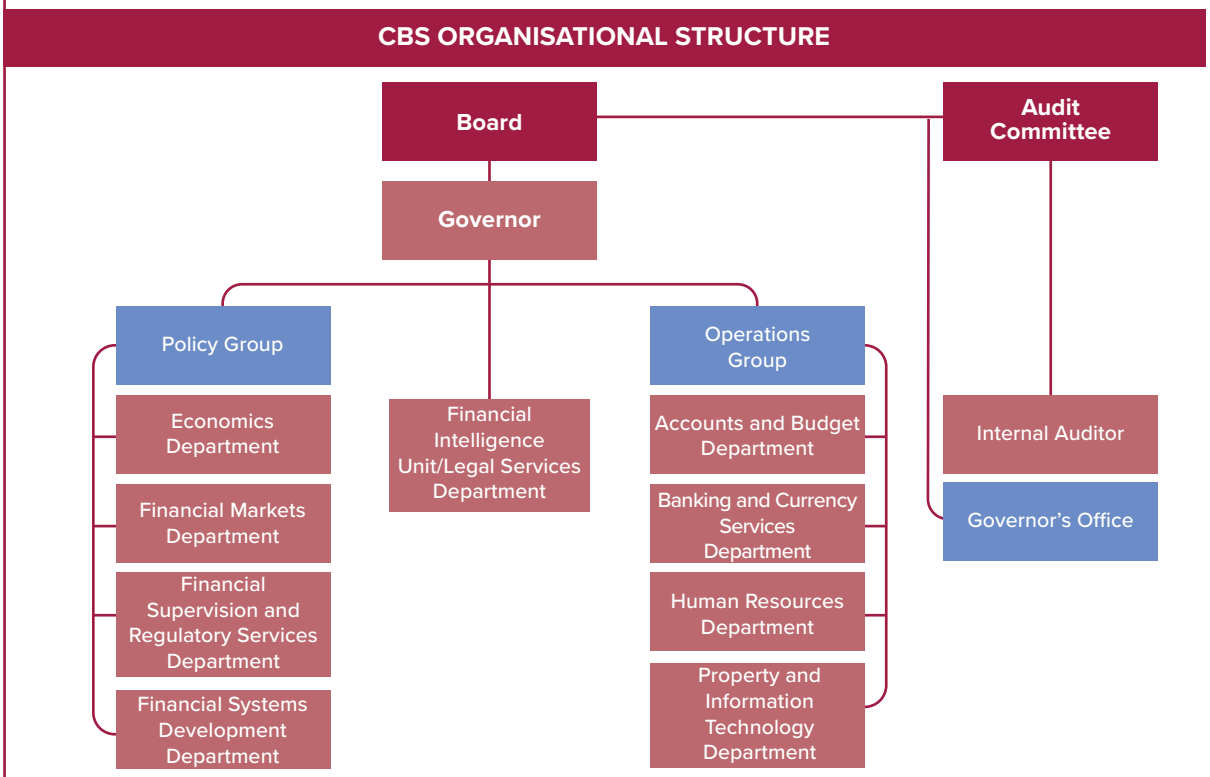
Source: A. Silva Partners, 2024. Developed by authors.

3.1.2 The Central Bank of Samoa

In 2024 the CBS will celebrate 40 years of advising on and implementing monetary policy for Samoa. The CBS's responsibilities were revised first in 2000 to include the Money Laundering Prevention Authority, and again to manage the licensing and supervision of insurance companies following the Insurance Act (IA) 2007.

The CBS has a compact structure including a Governor's Office; a Policy Group (monetary stability) and an Operations Group (financial soundness), each with four departments; a Financial Intelligence Unit; and a Legal Services Department (see Figure 7) (CBS, 2021a).

FIGURE 7.
Central Bank of Samoa Organisational Structure



Source: CBS, Organisational Structure, 2023. Available at https://www.cbs.gov.ws/assets/Uploads/CBS-Structure.pdf.

Within the Policy Group, the Financial Supervision and Regulatory Services Department is responsible for executing one of the Central Bank's Statutory roles regulating, licensing and supervising the financial system. It aims to safeguard the interests of depositors, creditors, policy holders and unit holders by monitoring and enforcing international standards and best practices. It also maintains market confidence by promoting a sound and stable financial system for customers and the public in general.

The Financial Intelligence Unit administers the Money Laundering Prevention Authority, collecting and analysing information to detect any illegally obtained funds.

The Financial Systems Development Department, also in the Policy Group, is responsible for promoting financial inclusion and literacy, functions recently mandated by the Central Bank of Samoa Act 2015 (CBS Act 2015) (CBS, 2021b).

It should be noted that the Governor of the CBS is the Insurance Commissioner appointed under section 4 of the IA 2007 (CBS, 2022).

3.1.3 The Ministry of Finance

The MOF, formerly the Treasury, is headed by a Chief Executive Office (Financial Secretary) who is the primary economic and financial adviser to Cabinet and GoS. Its mission is to "strengthen Public Finance Management through responsible fiscal management, and sound financial and economic advice, that is conducive to inclusive and sustainable growth".

3.1.4 Samoa International Finance Authority

The mission of the Samoa International Finance Authority (SIFA) is to "ensure Samoa remains a reputable and innovative international finance centre". For almost 20 years, it has administered one of the premier international finance centres in the South Pacific Region, the Samoa International Finance Centre. SIFA acts as a one-stop regulatory shop in accordance with accepted international standards for banking, insurance and trust & company service providers.

Established by the Samoa International Finance Authority Act 2005, SIFA provides wealth management solutions to prospective and current investors seeking to set up and maintain structures for their benefits. It also ensures Samoa is deemed compliant with international standards (SIFA, 2023).

The net profits of SIFA's operations for 2022 were Samoan Tala (SAT) 17.7 million, providing relevant support to GoS budget (SIFA, 2022).

At the end of financial year 2022, SIFA had a total of 55 registered companies, which include 2 International Insurance Companies, and 4 International Insurance Managers (SIFA, 2022).

3.1.5 Enabling and Promoting Financial Inclusion

Maiava Atalina Emma has been the Governor of the CBS since August 2011 and is the first woman to hold the position. She has extensive experience in the CBS, as well as macroeconomic policy development and implementation; monetary policy formulation and implementation; reserve and liquidity management; financial intelligence and enforcement; and banking and insurance supervision.

Ms. Ainuu-Enari is a Board Member of the Alliance for Financial Inclusion (AFI) and a Member of the United Nations Secretary General's Task Force on Digital Financing of the SDG's. Through both of these bodies, she champions the benefits of financial inclusion and modernisation of financial services at the local level. Globally, she contributes her expertise to AFI's Board, navigating Pacific Island Countries (PICs) towards financial inclusion for their citizens and businesses.

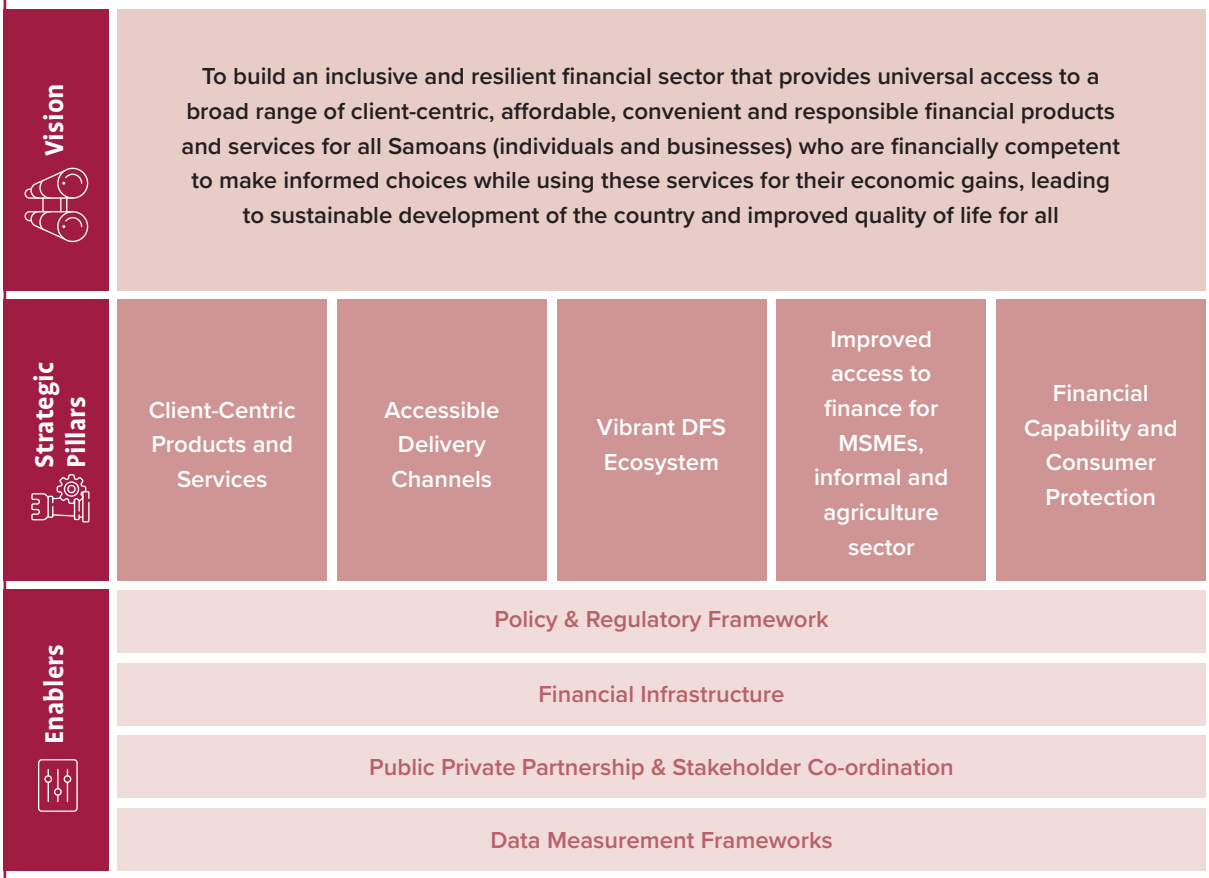
The CBS is mandated to promote financial inclusion and financial literacy in Samoa under the CBS Act 2015. Its vision for an inclusive financial system is one that best serves all members of society in their pursuit of economic sustainability and prosperity. This system should provide citizens with access to a full suite of quality financial services from a range of service providers.

Using this experience, the Governor and her team have promoted the adoption of the National Financial Inclusion Strategy (NFIS); the latest, NFIS 2, was published in November 2023. It charts a path to expand financial services centred on population needs and contribute to greater coordination between government institutions and the private sector.

NFIS 2 notes, among other issues, the relevance of promoting the digital transformation of financial services; the upcoming adoption of a new standardized means of identity for the Samoan population that will facilitate onboarding strategies; and the first draft under CBS leadership of guidelines for financial services consumer protection, even though the Ministry of Commerce, Industry and Labour has a larger mandate for this activity than the CBS.

The NFIS 2 framework (see Figure 8) provides direction for CBS, ministries, government agencies and private sector institutions to drive initiatives on the ground. It will enable policy makers and those responsible for implementing NFIS 2 to create an enabling environment to foster innovation, growth, fair practices, responsible finance, consumer protection and job creation in the economy. (CBS, 2023b)

FIGURE 8.
National Financial Inclusion Strategy 2 Policy Framework



Source: CBS, National Financial Inclusion Strategy 2, 2023. Available at https://cbs.gov.ws/media/NFIS-II-Final-v2.pdf .

The GoS has taken steps to integrate the importance of formal financial services in national policies, strategies and country development plans. This includes the characteristics they must have to complement the GoS's actions on the road to development.

NFIS 2's official definition of financial inclusion is "a state where all Samoans (individuals and businesses) irrespective of their status have equal and universal access to appropriate, useful, convenient, affordable and quality financial products and services, which they are able to use regularly to meet their life cycle needs based on informed choices".

NFIS 2 aligns with the Pathway for the Development of Samoa 2021/2022–2025/2026 (PDS), which identifies five key strategic outcomes:

1. Improved social development
2. Diversified and sustainable economy
3. Security and trusted governance
4. Secured environment and climate change
5. Structured public works and infrastructure

NFIS 2 also complements the Maya Declaration[1], signed by the Central Bank of Samoa in 2014; and the Money Pacific Goals 2025, an initiative to ensure all Pacific Islanders:

- ↗ Can meet their financial commitments and recover from unexpected crises
- ↗ Have control over their financial resources
- ↗ Can make financial choices and afford more than just basic needs

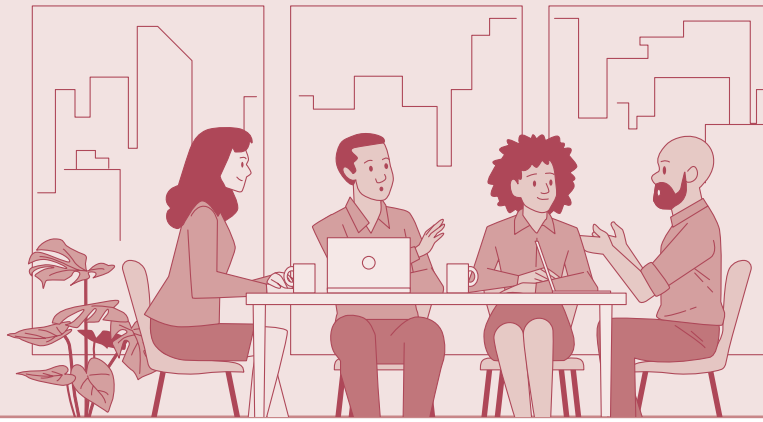
According to NFIS 2, the following Money Pacific Goals will be pursued over the next five years:

1. All citizens have access to and are regularly using a range of responsive and regulated digital financial products and services to fulfil their financial goals
2. Support the development of a vibrant digital finance innovation ecosystem to address prevailing and rapidly changing priorities and risks, health and climate ones
3. Implement curricula and training programmes to strengthen the financial and digital literacy capabilities of all children and adults
4. Strengthen consumer protection measures, including privacy and data protection, to address increasing risks associated with a rapidly developing digital economy
5. Improve the regularity and quality of digital and financial inclusion data to enable evidence-based policy and strategy formulation and to monitor national strategies

There is also interest from the international aid community to promote financial inclusion in the region, for example the joint UNCDF-UNDP project PFIP. Running from 2014 to 2020 and with an estimated budget of $33 million, it defined clear outcomes to promote better policies, regulation and coordination for financial inclusion and literacy; deepen financial access; improve market information and access to knowledge; and encourage informed and competent consumers (UNDP, 2014).

Given the above, the environment for financial inclusion is dynamic and favourable to national and regional initiatives promoted by local and international institutions.

3.2 Structure of the Financial System



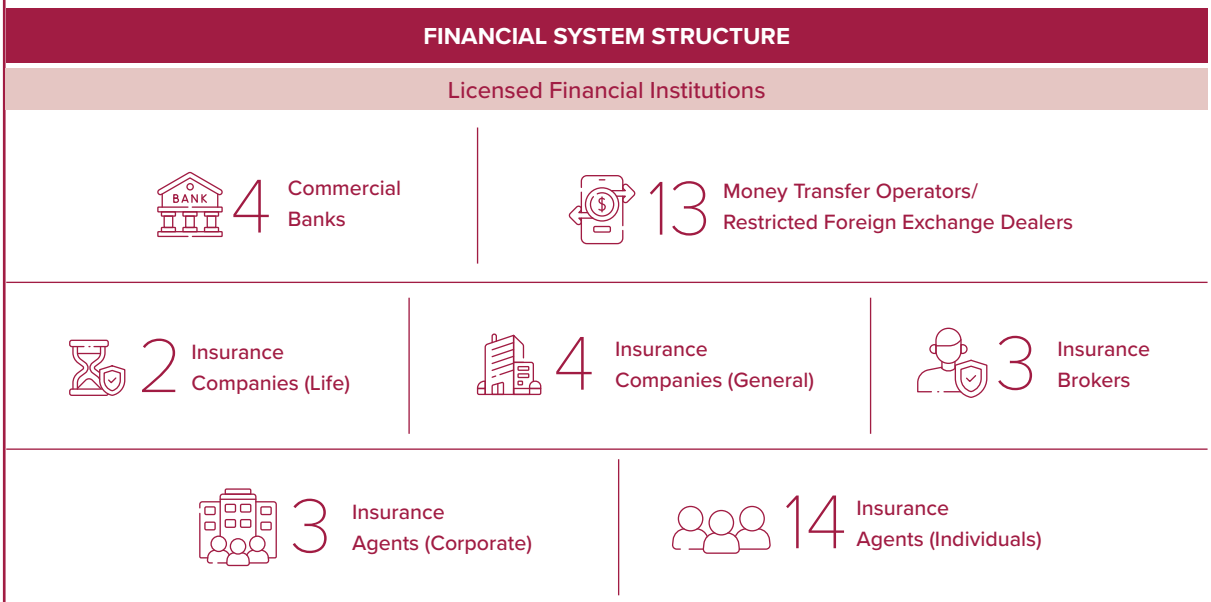
The formal financial system is made up of 49 licenced institutions including banks, money transfer operations and insurance providers (see Figure 9).

According to NFIS 2, there is also one microfinance institution registered under the Samoa's Companies Amendment Act 2006. Further, there are 13 credit unions registered by the Ministry of

1 The **Maya Declaration** is a global initiative for responsible and sustainable financial inclusion issued by the Alliance for Financial Inclusion that aims to reduce poverty and ensure financial stability for the benefit of all. It is the first global and measurable set of financial inclusion commitments by developing and emerging economies.

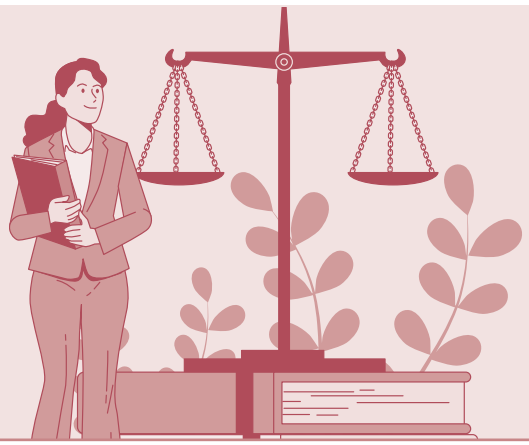
Commerce, Industry and Labour and 4 non-bank financial institutions, including DBS and Samoa Housing Corporation[2]. These sorts of institutions are relevant as they can distribute insurance products to low-income persons, MSMEs and microentrepreneurs living in areas not serviced by the formal financial providers.

FIGURE 9.
Structure of the Formal Samoan Financial System



Source: A. Silva Partners. Developed by authors using information from the CBS, Licensed Financial Institutions, 2023. https://www.cbs.gov.ws/media/Licensed-Financial-Institutions-2024-v2.pdf

3.3 Insurance Legislation, Regulation and Institutional Capacity (the Enabling Environment)



3.3.1 Authorization Requirements for Insurance Companies

The main regulatory features of the insurance sector in Samoa are based on the Insurance Act 2007 and the International Insurance Act 1988.

3.3.2 Insurance Act 2007

The Insurance Act (IA) 2007 (CBS, 2011) empowers the CBS to licence insurance entities and supervise the insurance industry. The specific regulation is summarized in the CBS Insurance Annual Report (CBS, 2022):

2 Number of credit unions and non-bank financial institutions taken from *Samoa, National Financial Inclusion Strategy 2*, (p. 13), 2023. Avalable at https://www.afi-global.org/wp-content/uploads/2023/11/Samoa_NFIS-II.pdf.

Section 9 of the Act requires all insurers and intermediaries conducting insurance business in Samoa to be licensed by the Commissioner.

Those who must obtain a Licence are a company registered in Samoa or, a body created by Law, to carry out insurance business activities in Samoa.

The types of licences that can be issued are:

- Insurance License (you can only obtain a licence for a single concept):
  - Life Insurance
  - General Insurance
- Broker or Broker License
- Insurance Agent License

Licences expire on December 31 of the year in which they were issued, as do renewals. Licences are renewed upon the payment of their licence renewal fees by the end of December of each year.

3.3.3 International Insurance Act 1988

The International Insurance Act (IIA) 1988 provides and controls the registration and regulation of persons establishing and carrying out offshore insurance business from within Samoa. (SIFA, 2021)

Offshore insurance business is any insurance business where each of the insured, the policy beneficiary and the owner of the policy are not domiciled nor ordinarily resident in Samoa. Only an international company or a foreign company registered under the International Companies Act 1987 may be authorized to carry out offshore insurance business. A registered insurer is not permitted to transact any insurance business other than offshore insurance business. An insurer registered under the IIA 1988 is exempt from any form of taxation and duty or exchange control in Samoa.

3.3.4 Authorization Requirements for InsurTech Companies

The CBS is supportive of technology-driven services. However, there is neither specific regulation for InsurTech companies nor specific approaches for providers wishing to initiate InsurTech services.

3.3.5 Legislation and Regulation for Insurance Products and InsurTech Services

Policy and claims registers

An insurer licensed under the regulatory framework is required to keep a register of policies issued by the insurer and a register of every claim made. If a licensed insurer carries on any insurance business outside of Samoa, the insurer is required to keep separate registers for local and foreign business.

Intermediaries are also required to have a register of policies placed, procured by or taken out through the intermediaries.

Premium rates for life insurance

An insurer authorized to carry out life insurance business shall not issue any life insurance policy unless the rate of premium chargeable under the policy is a rate that has been approved by the directors of the insurer, considering the written advice of an actuary, as reasonable for the type of policy.

3.3.6 Specific Legislation and Regulation for Inclusive Insurance

As of this writing, there have not been specific reforms to legislation or regulation that consider inclusive insurance standards. Financial authorities consider that regulation is wide enough to apply for the registration of specific figures like microinsurance, massive insurance products or FinTech products. During the Diagnostic Report consultations, authorities were willing to consider improvements to be included in the ongoing revisions of the IA 2007.

3.3.7 Financial Services User Protection

NFIS 2 states that, "Consumer protection for financial services is not regulated by the central bank. The Ministry of Commerce, Industry and Labor was given the larger mandate of ensuring consumer protection, but this law does not cover payment systems. This law also covers financial services, especially, credit and insurance. However, it does not cover payment systems" (CBS, 2023b).

3.3.8 Regional Regulatory Efforts

The size of Samoa's economy and population and its low level of participation in regional markets means it is essential to align its legislation and regulation with other PICs. This will help to attract more financial service providers that operate at a regional level.

The focus of these efforts concerns anti-money laundering and terrorist financing compliance standards, revised by the Asia/Pacific Group on Money Laundering and set by the Financial Action Task Force. However, taking a regional perspective could also bring certain aspects of FinTech (financial technology) and InsurTech services regulation together. This is equally true for other services provided by the financial system, such as internet cloud services, digital enrolment and identification and risk management solutions, among others.

The Caribbean region provides examples of governments implementing policies to facilitate the establishment and operation of financial service companies. They include tax incentives, reducing bureaucracy and improving legal and technological infrastructure. The annual Caribbean Group of Banking Supervisors Conference has also built a network to discuss and develop regional strategies for financial regulation and inclusion.

The Association of Southeast Asian Nations is another example of members working together on financial integration, harmonisation of regulations and enhanced cross-border financial services.

3.4 Suppliers and Providers of Insurance Services

3.4.1 National and Foreign Insurance Companies

The Samoan insurance industry is a compact but robust sector with six established companies. There are four general insurance companies and two life insurance companies (see figure 9).

3.4.2 Distribution Channels for Insurance Products

Samoa's insurance distribution channels are mainly through licensed insurers and intermediaries. In addition to its six insurance companies, there are four insurance brokers, two corporate insurance

agents and 17 individual insurance agents. These companies must renew their registry with the CBS every financial year.

Some of the insurance products offered by these insurers and intermediaries are accessible through smartphones. Further innovation in this area has the potential to expand the insurance market and improve customer service in the Pacific region.

The main challenge for these kinds of alliances between intermediaries is to generate sufficient business volume for insurance companies and their partners so that dissemination and distribution operational costs are covered by commissions. This helps to keep premiums lower for consumers while retaining the added value and credibility of insurance products.

3.4.3 InsurTech Providers

According to the US National Association of Insurance Commissioners, the insurance industry is experiencing a profound transformation fuelled by technological advancements such as big data, IoT, AI and blockchain. InsurTech, an innovative subset of FinTech, leverages these technologies to reshape insurance business models, streamline customer experiences, and attract significant investments. Deloitte estimates that over the past decade, InsurTech startups have secured $16.5 billion in investments, with the first three quarters of 2021 surpassing the combined investment of 2019 and 2020. InsurTech initiatives span the entire insurance value chain, impacting distribution, marketing, product design, underwriting, claims management and balance sheet management across property and casualty, life and health insurance lines (US National Association of Insurance Commissioners, 2024). InsurTech companies can improve reporting activities for insurance companies to simplify compliance requirements.

InsurTech companies could also offer services to the CBS generating insurance policy simulators. This would allow consumers to compare the conditions and benefits of different providers' products and make more informed decisions.

Insurance companies should make clear the services that InsurTech could provide the CBS while complying with strict norms of client and business confidentiality.

Technology Trends in the Regional Insurance Industry

The 2019 UNCDF report Embracing InsurTech in the Pacific showed digital technologies, including machine learning and blockchain, were transforming the global insurance industry. A survey of Pacific insurers conducted in Fiji, Samoa, Papua New Guinea, Tonga, Vanuatu and the Solomon Islands showed they were actively integrating these technologies. Sixty per cent identified "digital platform technology", particularly smartphones, as the most influential trend over the next three years. While mobile-based insurance is making strides, the rising prevalence of smartphones is also an opportunity to enable data-driven advances in risk modelling and profiling. InsurTech is also a gateway to new customer segments, including the MSME sector, the growing middle class and low-income populations, with technology facilitating efficient sales and administration for broader market inclusion.

According to Sensedia, an integration platform for the insurance business, key success factors for insurance providers are a better client experience; building trust and loyalty; rapid product innovation; identifying new income sources; and information analytics for precise risk evaluation.

According to Goldman Sachs, generative AI could push global economic growth by 7 per cent and increase productivity by 1.5 per centage points over the next 10 years. In the insurance industry, AI will transform risk evaluation and process automatization, as well as fraud prevention. It will also improve communication with consumers, contributing to an agile and satisfactory experience by reducing the subscription time for new clients, minimizing disruption caused by fraud checks and improving claim processing.

Big data and advanced analytics will improve informed decision-making, giving insurance companies a better understanding of risks,

automating underwriting and detecting tendencies. This will contribute to greater operational efficiency and offer of personalized insurance products according to individual consumer's needs.

Open insurance[3] will contribute to collaboration and service integration among insurance companies and InsurTech companies. Brazil was the first country to regulate open insurance to reach unserved segments and improve insurance inclusion.

IoT solutions will become relevant in measuring personalized risk, for example in the automotive insurance policies. Insurance providers could adjust policy costs according to usage of the vehicle, driving distance and speed as well as time spent driving at night (Latamfintech, 2024).

According to Scoop.market.us, the global AI insurance market value will increase from $5 billion in 2023 to approximately $91 billion by 2033. Globally, the AI market faces several challenges: regulation and compliance issues present considerable hurdles, as the use of AI must align with evolving global standards on data privacy and consumer protection; the inherent complexity and cost of implementing AI technologies, particularly for smaller insurers with limited resources; and the notable skills gap within the industry, as deployment of AI solutions requires specialized knowledge currently in short supply (Scoop.Market.us, 2024).

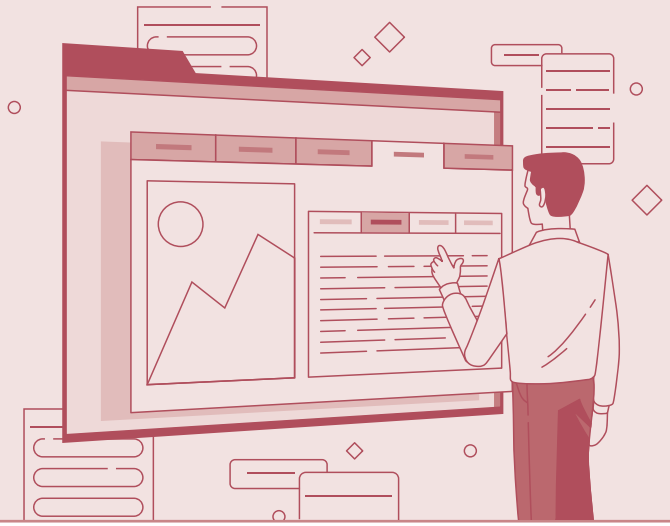
Because of these challenges, according to Capgemini's Non-Life Insurance Global Report 2024 only 8 per cent of non-life insurance companies are considered pioneering users of AI in underwriting, decision-making and risk evaluation. These companies keep clients at the centre of all business decisions by improving collaboration and transparency (Füture Inese, 2024).

Pacific Islands FinTech Innovation Challenge 2022

The Pacific Islands FinTech Innovation Challenge 2022 was a collaboration between the UNCDF, the Asian Development Bank (ADB) and Market Development Facility. This innovation project addressed digital payment challenges in PICs, including Samoa. Eleven FinTech firms from around the world competed, with five winning solutions each receiving a grant of $50,000. Over the next 9-12 months, they collaborated with implementing partners to deploy their digital solutions, marking a significant step towards enhancing DFS in the Pacific Islands.

Similar approaches could be launched for specific digital insurance products and insurance operation services to foster development in the sector.

3 Open insurance is a new way of doing business that enables insurers to boost revenues, increase efficiencies, gain business partners and reach many more consumers. It requires carriers to open their data resources to other organizations and to share and consume data and services from many sources and across lots of industries. This allows insurers to create new value propositions, generate fresh revenue streams and deepen their relationships with customers.



3.5 Overview and Results of the Samoan Insurance Market

3.5.1 Overview

This section was prepared with information provided in the CBS Insurance Annual Report July 2022–June 2023.

The Samoan insurance industry remained strong in 2022/2023, recording more than adequate solvency and liquidity positions as well as significant profits despite the COVID-19 pandemic. The absence of any other major catastrophe like flooding or cyclones during the year also contributed to this positive performance.

At the end of financial year 2022/2023, the insurance industry had the following results[4]:

- ↗ Total assets of SAT 141.4 million ($51.4 million)
- ↗ Solvency surplus of SAT 33.6 million ($12.21 million)
- ↗ Unaudited net profit after tax of SAT 5.6 million ($2.03 million)
- ↗ Underwriting surplus of SAT 8.6 million ($3.13 million)
- ↗ Liquid assets aggregated at SAT 38.0 million ($13.81 million)
- ↗ Combined gross premiums income of SAT 26.2 million ($9.52 million)
- ↗ Gross claims paid and policy payments of SAT 11.1 million ($4.03 million)

3.5.2 Domestic Insurance Industry Performance

At the end of financial year 2022/2023, the life and general insurance sectors achieved a combined underwriting surplus of SAT 8.6 million, down 10.1 per cent on the previous 12-month balance of SAT 9.5 million. The bulk of this amount, SAT 8.2 million, was produced by the general insurers while life insurance accounted for SAT 0.3 million (see Graph 4).

For the 2022/2023 financial year, total assets of the insurance industry recorded a growth of 8.3 per cent. This was primarily due to investments increases of 18.4 per cent, fixed assets (net) of 14.8 per cent, and loans and advances (net) of 2.9 per cent. Other assets decreased 7.4 per cent over the same year (CBS, 2023c).

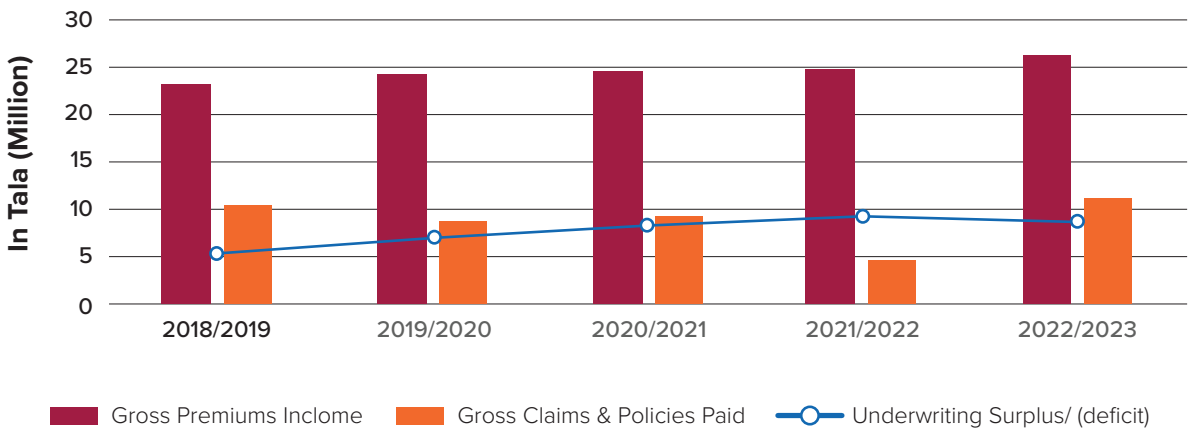
Operating results

For the financial year 2022/2023, the insurance industry registered an unaudited combined profit of SAT 5.6 million; this was a drop of 33.1 per cent compared to the profit of SAT 8.3 million achieved in June 2022. The general insurance sector accounted for 78.4 per cent (SAT 4.4 million) of total profit.

4 The exchange rate of the end of June 2023 (0.36) was considered for the equivalents in dollars.

GRAPH 4.

Insurance Industry Premiums, Claims & Underwriting Results



Source: Central Bank of Samoa, 2023. Insurance Annual Report July 2022–June 2023. Available at https://cbs.gov.ws/media/insurance-side-rpt-2022-23.pdf

3.5.3 General Insurance Industry Performance for Financial Year 2022/2023

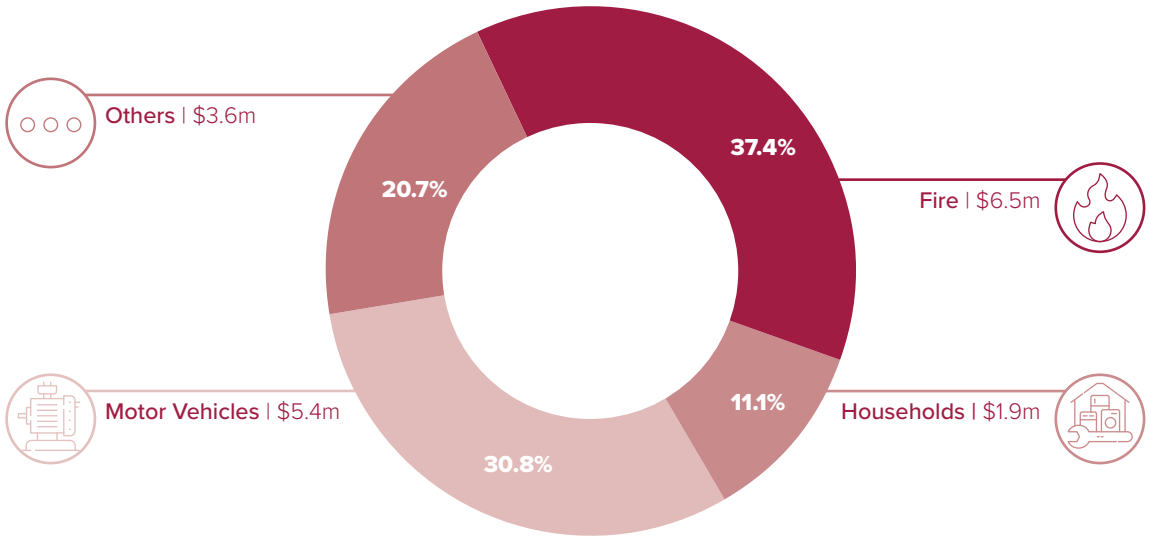
Underwriting operations

a. Gross premiums

Total gross premium income of the general insurance sector stood at SAT 17.4 million, an increase of 9.8 per cent compared to the financial year 2021/2022 balance of SAT 15.8 million. The distribution of gross premiums by class revealed that fire class dominated the gross premium pool, accounting for 37.4 per cent (SAT 6.5 million) (see Graph 5).

GRAPH 5.

Gross Premiums by Class (SAT million)



Source: Central Bank of Samoa, 2023. Insurance Annual Report July 2022–June 2023. Available at https://cbs.gov.ws/media/insurance-side-rpt-2022-23.pdf

b. **Reinsurance cessions/Outwards**

For the financial year 2022/2023, the general insurers reinsured SAT 5.2 million of total premiums to offshore reinsurance companies, the same level registered in June 2022. Fire continued to be the most heavily reinsured due to the nature of the risk it covered, accounting for 79.7 per cent of the total reinsurance costs.

c. **Net premiums income**

The general insurance sector reported a combined net premiums income of SAT 12.2 million, which was 15.0 per cent (SAT 1.6 million) more than the financial year 2021/2022 figure of SAT 10.6 million. Net premiums income represents the portion of premiums retained by the local insurers after deducting reinsurance outwards. The motor vehicles class dominated the net premium pool at 42.0 per cent (SAT 5.1 million).

d. **Claims**

Gross claims paid for the financial year 2022/2023 stood at SAT 3.4 million, increasing by 54.8 per cent (SAT 1.2 million) compared to June 2022. By class, motor vehicles dominated claims paid at 41.4 per cent (SAT 1.4 million).

e. **Solvency position**

For the financial year 2022/2023, the general insurance sector registered a consolidated solvency surplus of SAT 18.8 million. Compared to the same time FY2021/2022, it rose by 18.6 per cent (SAT 2.9 million), mainly due to stronger growth in assets as compared to liabilities.

The domestic insurance industry financial highlights for general insurers are presented in **Annex 8**.

It is important to mention that no publicly available data are present on the CBS web page for some relevant technical results for insurance companies. This includes:

- Penetration of private insurance
- Direct insurance premiums
- Comparison of policies, premiums and commission per type of distribution channel
- Composition of the insurance portfolio per type of operation (e.g. life, damages, vehicles, pension funds etc.)
- Average cost of claims per type of operation
- Real annual growth per type of operation
- Geographical distribution of insurance portfolio
- Portfolio information per type of entity insurance (e.g. GoS, private sector)

It is recommended that the CBS Policy Group use business intelligence technology information systems to design scorecards with the above indicators, along with disaster insurance indicators. The data could then be periodically published online for use by industry practitioners and experts, academic analysts and the public.

3.6 Market Demand

3.6.1 Enabling Environment for Inclusive Insurance

The CBS's mission to "foster a sound and vibrant financial system for Samoa's economic development" means it is committed to regulating and supervising the insurance sector efficiently. It currently allows the operation of different kinds of life and general insurance products, but does not specifically highlight figures in the regulation, such as microinsurance or parametric products, to encourage their promotion with specific regulations. Due to their inherent characteristics, these figures typically require special regulatory provisions.

The CBS has shown interest in considering the results of the Diagnostic Report and other development projects, like the recent creation of a parametric product, to assess potential modifications to the IA 2007. These changes could facilitate inclusive insurance activities and climate change protection products, considering that the revision of the IA 2007 is still in progress.

Derived from a recent voluntary exit of one general insurer from the insurance sector, some private practitioners have shown some concern and believe that the CBS should consider an improvement in the supervision capacities for the insurance sector.

The CBS also has institutional capacity to administer insurance market growth, and could improve collecting, reporting on and publishing data and indicators. This would set a baseline for the measurement of offer, demand, financial inclusion and literacy, as well as operational and transactional data of the insurance market.

NFIS 2 considers different objectives for the development and expansion of the insurance market. The indicators will be covered in other sections of the Diagnostic Report.

The international community is also promoting financial inclusion and sector development in the insurance market. Market-based financial instruments, such parametric insurance offered by the Pacific Insurance and Climate Adaptation Programme (PICAP), are being created, piloted and scaled up.

3.6.2 Financial Inclusion Results with an Emphasis on Insurance Products

Market Size in Terms of Number of Adult Population

According to data from the Samoa Bureau of Statistics (SBS):

- The population of Samoa is 205,557 as of 2021, and estimated to be 225,681 by mid-2023
- Adults make up 64.6 per cent of the population (35.4 per cent are children < 15 years)
- Samoa ranks 188 in the list of countries (and dependencies) by population
- The population density in Samoa is 80 people per km^2
- The size of the consolidated workforce is 19,899 employees, where 44% are women The average weekly earnings across all industry sectors are SAT 292.76 (SAT 166.03 for men and SAT 126.52 for women)
- The total land area is 2,830 km^2
- The urban population stands at 15.8 per cent (35,665 people in 2023)
- The median age in Samoa is 20.6 years
- Average life expectancy at birth is 72.75 years (75.5 years for females and 70.3 years for males)
- Infant deaths per 1,000 live births are 14.7

Insurance products consider the specific needs of different age groups, genders and economic activities. To serve this market, entry and service points should be expanded through digitalisation and physical partnerships between commercial units (for example retail) and government offices.

Key Findings of the 2023 Demand and Supply Study Report on Climate and Disaster Risk Financing and Insurance in Samoa

Objectives

In October 2023, the Demand and Supply Study Report on Climate and Disaster Risk Financing and Insurance in Samoa was jointly produced by PICAP, UNCDF, UNDP and the UN University Institute for Environment and Human Security (UNU-EHS).

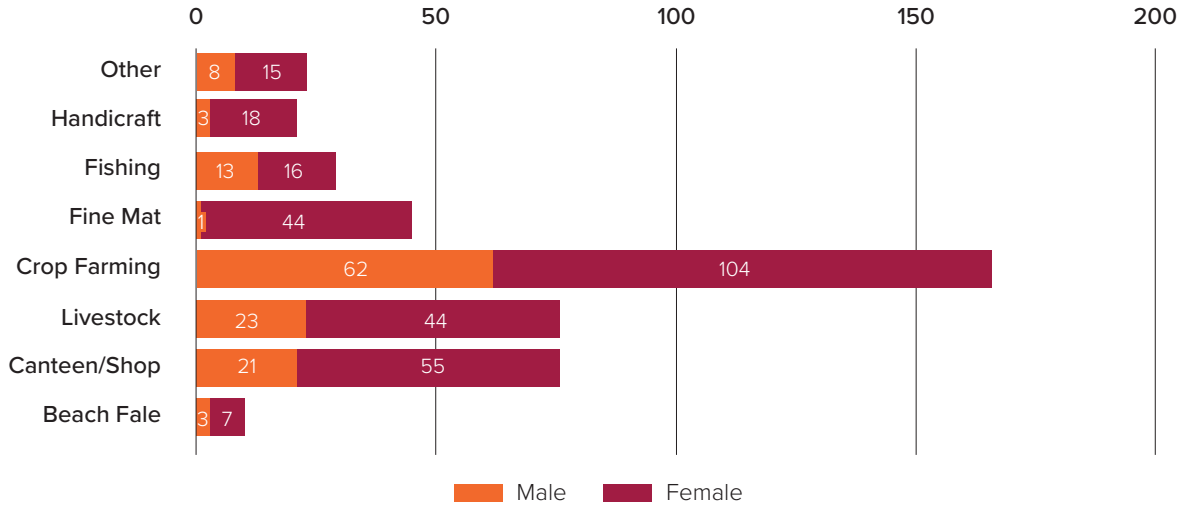
The report explored the financial gaps that could be filled through climate and disaster risk financing instruments in Samoa, with the goal of enhancing resilience and adaptation in an increasingly uncertain climate future.

Summary of relevant results

The survey covered Samoa's two main islands of Upolu and Savaii and included 25 Focus Group Discussions and 437 individual surveys as well as interviews with key stakeholders.

Samoa is a low-middle income country with a population heavily dependent on agricultural activity (see Graph 6).

GRAPH 6.
Source of Income by Gender



Source: UNCDF, PICAP, UNDP & UNU-EHS, 2023. Demand and Supply Study Report on Climate and Disaster Risk Financing and Insurance in Samoa. Available at Demand and Supply Study Report on Climate and Disaster Risk Financing and Insurance in Samoa - UN Capital Development Fund (UNCDF).

In Samoa, natural hazards have caused extensive damage to infrastructure, inflicted loss of lives and livelihoods, and increased public debt following the main response mechanisms. Samoa's National Disaster Management Plan 2017–2020[5] includes a sectoral approach to disaster risk management. The Finance Sector is responsible for integrating disaster risk considerations into the design of social protection programmes and complementing them with insurance principles and private sector products.

Samoa implemented the Pacific Resilience Project in 2015 as well as the Disaster Risk Financing Policy 2022-2025. They aim to reduce the socio-economic and fiscal vulnerability of the economy by prioritizing and combining specific financial instruments in the aftermath of a disaster.

Among the results found in the study, it stands out that the majority of the respondents were female; had an average age of 44 years; completed or attending secondary school education; and indicated that their income was based on agriculture (53.3%).

Respondents indicated that their small businesses are not their only source of income. They have multiple income streams such as other household members' employment wages and international remittances.

The vulnerability of respondents based on location was interesting to note. Those in rural areas, especially Savaii, would be at a higher risk of impact in the event of a natural hazard.

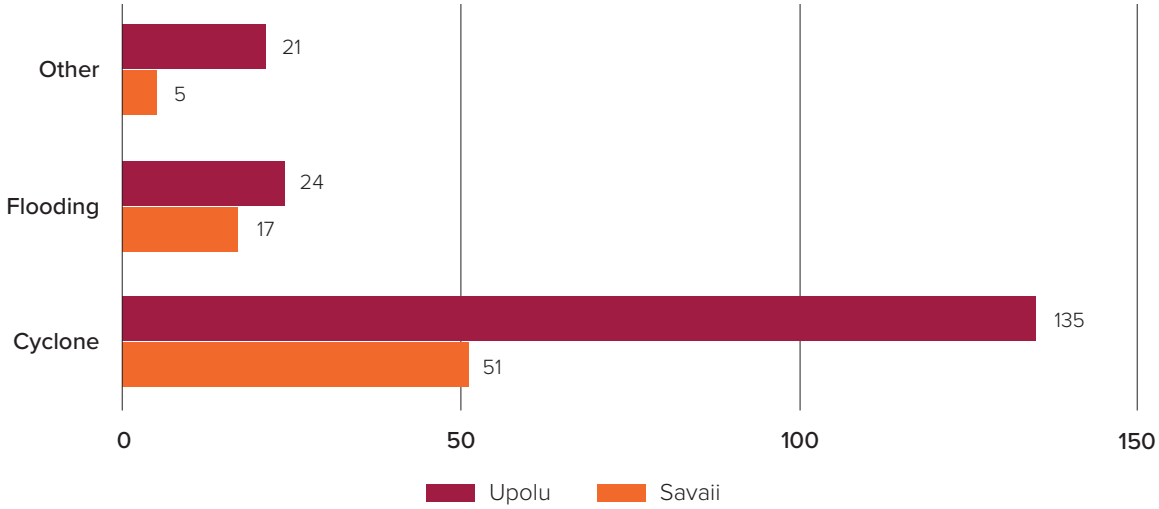
Of those surveyed, 9.8% reported having some type of insurance (mainly life and general). Overwhelmingly, 99.7% of respondents showed significant interest in buying insurance as a response mechanism for natural hazards, with strong preference for cyclone cover and crop insurance products.

More than half of respondents reported being affected by a natural hazard in the past (see Graph 7), and most reported selling assets, household items, seeking assistance from relatives or starting a new business to quickly generate income and finance recovery efforts.

5 https://samoa-data.sprep.org/system/files/Samoa-national-disaster-management-plan-2017-2020-final-web.pdf

GRAPH 7.

Natural Hazards Affecting Samoans

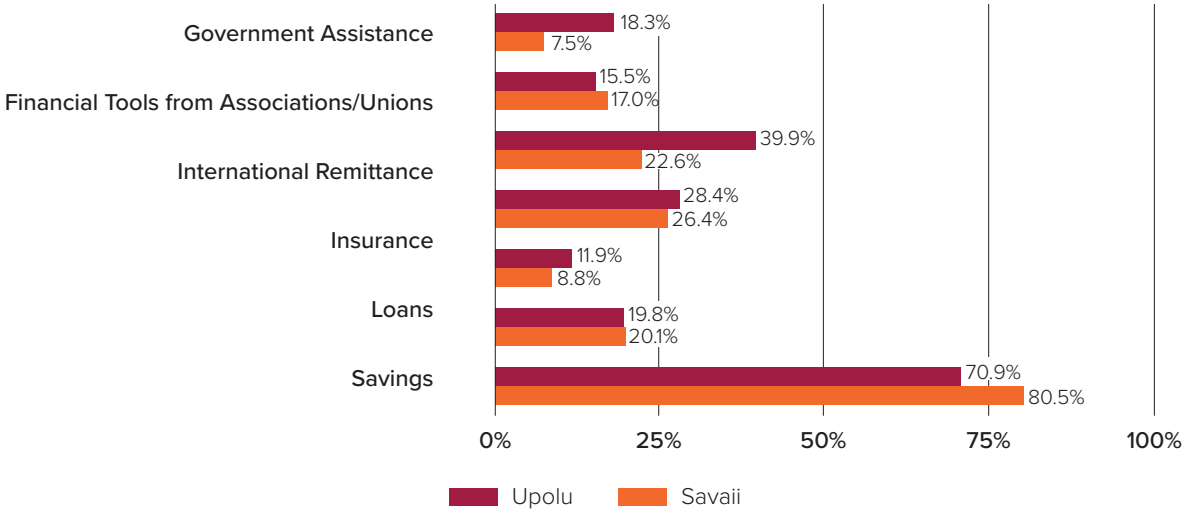


Source: UNCDF, PICAP, UNDP & UNU-EHS, 2023. Demand and Supply Study Report on Climate and Disaster Risk Financing and Insurance in Samoa. Available at Demand and Supply Study Report on Climate and Disaster Risk Financing and Insurance in Samoa - UN Capital Development Fund (UNCDF).

Respondents in Savaii use financial tools such as savings and loans more than their counterparts in Upolu to recover from the impacts of natural hazard. However, loans are unpopular because of the collateral requirements, and unsecured loans are often too expensive (see Graph 8).

GRAPH 8.

Financial Tools Used by Respondents to Recover from Natural Hazards



Source: UNCDF, PICAP, UNDP & UNU-EHS, 2023. Demand and Supply Study Report on Climate and Disaster Risk Financing and Insurance in Samoa. Available at Demand and Supply Study Report on Climate and Disaster Risk Financing and Insurance in Samoa - UN Capital Development Fund (UNCDF).

The respondents had little knowledge of insurance products and their benefits, and although some had received financial literacy training they didn't feel qualified to advocate for other villagers.

Of the respondents, surveyed, 37.1% were willing to pay a premium of 60 SAT per year for coverage of 1,500 SAT. The respondents expected the coverage amount for a natural hazard to be between 1,500 SAT and 2,500 SAT. The willingness to pay reduced as the insurance premium (expected cover) increased (see Table 4).

TABLE 4.
Willingness to pay for Climate and Disaster Risk Insurance

Respondents' willingness to pay (%)	Insurance Premium (SAT)	Preferred cover (SAT)
37.1	60	1,500
23.8	120	1,500–2,500
28.6	240	3,000
10.5	>240	Up to 50,000

Source: UNCDF, PICAP, UNDP & UNU-EHS, 2023. Demand and Supply Study Report on Climate and Disaster Risk Financing and Insurance in Samoa. Available at Demand and Supply Study Report on Climate and Disaster Risk Financing and Insurance in Samoa - UN Capital Development Fund (UNCDF).

As of the conclusion of the study report, there were no Climate and Disaster Risk Finance Instruments (CDRFIs) available in the country, and mobile phone payment system usage was relatively low.

For comparison, the main results of the CBS's 2015 Financial Services Demand Side Survey are presented in **Annex 10**.

Relevant Financial Inclusion Indicators

Financial Inclusion Reports from 2015 to 2023

In 2017, the CBS issued the National Financial Inclusion Strategy for Samoa 2017-2020, which included the Key Principle of Diversity: "Implement policy approaches that promote competition and provide market-based incentives for delivery of sustainable financial access and usage of a broad range of affordable services (savings, credit, payments and transfers, insurance), as well as a diversity of service providers (CBS, 2017).

To measure this objective, four indicators (disaggregated into male, female and combined total) were included in the Results Measurement Matrix:

- ↗ Number of Insurance Policies (life)
- ↗ Number of Insurance Policyholders (life)
- ↗ Number of Insurance Policies (non-life)
- ↗ Number of Insurance Policyholders (non-life)

However, the CBS Financial Inclusion Reports have not included the results of these indicators or others concerning the offer or use of insurance products. There are other relevant indicators of financial infrastructure (such as the distribution channels used to contract different types of products) that could complement the distribution of insurance products, for which information is not available (see Table 5).

TABLE 5.
Financial Inclusion Indicators 2020

Financial inclusion indicators	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020
Adult population	119,532	121,142	122,177	123,212	124,247	125,282
Bank branches	23	25	24	25	25	23
ATMs	50	56	64	67	73	74
Cash in-cash out bank agents	101	124	82	84	37	41
Cash in-cash out mobile money payment system agents	N/A	N/A	12	5	93	122
Cash in-cash out access points per 10,000 adults at a national level	1.20	1.39	1.04	9.90	12.48	14.85
Mobile financial services accounts/ mobile wallet accounts per 10,000 adults	5,225.04	3,708.95	3,654.37	4,148.22	4,630.70	4,556.12
Adults with at least one regulated financial product (%)	39%	N/A	N/A	N/A	N/A	N/A
Adult women with an active deposit account/deposit accounts held by women (%)	35.1%	N/A	N/A	N/A	N/A	N/A

Source: Central Bank of Samoa, Financial System Development Department. Samoa's Financial Inclusion Reports, 2018–2020. Available at https://cbs.gov.ws/financial-inclusion-report

The financial services considered in NFIS 2 are payments, savings, credit, insurance, pension, remittances and investments, among others. Considering all these services, the overarching goal of NFIS 2 is to increase the number of adults (those over 15 years old) who were previously excluded from having access to and using formal financial services by 40,000 between 2025 and 2026. At least 50 per cent of this increase should be accounted for by women.

Overall, the Samoan financial sector should focus on diversifying its product suite to **make the products relevant to people**. By **using digital technologies**, financial service providers can look at enhancing their outreach while ensuring efficiency and effectiveness.

For the insurance market specifically, NFIS 2 includes among others the following key focus areas:

- Promote the design of new and innovative products using customer-centric design principles
- Introduce and expand micro-insurance products
- Promote and encourage FinTechs/technology enabled businesses through a regulatory sandbox
- Leverage existing financial literacy training approaches and structures
- Improve customers' understanding of financial products and strengthen their capability to make informed financial decisions
- Strengthen public awareness of consumer rights

The main policy action areas concerning insurance are:

- Simplified/tiered know-your-client (especially for vulnerable segments and those located on remote islands with less telecom connectivity)
- Prescription of a definition and guidelines for microinsurance
- Development of guidelines on consumer protection in financial services

Among the activities to be executed as part of policy framework of NFIS 2, the following have larger repercussions in insurance market development:

- Map institutions who offer specialized products for focus segments (like women and youth)
- Conduct a comprehensive review of existing financial products and their processes (eligibility conditions, documentation requirements etc.) to identify gaps/challenges and, based on this study, refine and pilot simplified tailored products
- Conduct a study to assess the demand for parametric and bundled microinsurance in Samoa and identify regional best practices and innovative approaches
- Develop partnerships between insurance companies and digital finance providers to offer digital microinsurance and premium payment
- Provide technical and institutional capacity building support to insurance companies for design and pilot of suitable products
- Use innovative methods and campaigns to promote the uptake of insurance among the target population
- Engage with key stakeholders (ministry, policymakers, MSME financing institution and industry bodies) to agree on the agenda, methodology, mechanisms and set of data templates to periodically collect granular data on MSME access to finance from financing institutions and analyse the trends
- Build the capacity of financing institutions to institutionalize the system of data collection and reporting
- Regularly publish and disseminate the analysis of data on MSMEs' uptake of financial products and services to inform policy decisions
- Promote partnerships between financial institutions and digital technology providers such as e-commerce platforms to offer digital solutions like credit, payments and insurance etc. for informal sector enterprises, women and MSMEs etc.
- Provide support to institutions (financial and non-financial) that are willing to integrate financial literacy and product awareness into their programmes/financial services; identify and support innovative and cost-efficient channels for delivering financial literacy
- Develop step-by-step procedures and "how-to" booklets, videos, and other media resources for customers for using financial services offered through mobile and digital channels

Given the small size of the financial sector and limited number of actors, it is important for the players to collaborate to derive economies of scale and optimize the use of limited resources. NFIS 2 will **promote partnership between ministries and private sector players to create mechanisms, platforms and programmes to reach financial**

and non-financial services (such as financial education, financial literacy, consumer protection etc.) to people across the country. It will also promote collaboration between private sector players.

The most relevant NFIS 2 indicators for insurance market development are:

- ↗ (2) Percentage of adults financially included (formal)
- ↗ (6) Number of insurance policy holders (individuals) per 10,000 adults (total)
- ↗ (7) Number of insurance policy holders (individuals) per 10,000 adults (CDFRI)
- ↗ (8) Number of insurance policy holders (individuals) per 10,000 adults (non-life)
- ↗ (9) Number of pension policy holders per 10,000 adults
- ↗ (13) Percentage of women-owned MSMEs with a current account in a formal financial Institution
- ↗ (38) Percentage of adults who check terms and conditions of financial products before acquiring them
- ↗ (39) Percentage of adults who try to resolve conflicts with financial institutions
- ↗ (41) Percentage of adults with understanding of main purposes of insurance

A recommendation from the consultancy team is the relevance to also include, as part of the social indicators reported by the CBS and by insurers, gender representation and gender pay gap indicators and targets, also to close the gender gap in the labour side of the finance and insurance industry and not only in financial inclusion issues.

3.6.3 Assessing Digital and Financial Literacy in Samoa

"UNCDF conducted the Digital and Financial Literacy Survey in Samoa and six other Pacific Island countries (Papua New Guinea, Solomon Islands, Fiji, Vanuatu, Tonga, and Timor-Leste) to assess the current state of digital and financial literacy within each country. The research explores experiences with traditional and DFS to date, in addition to assessing basic competencies in the areas of digitization and finance. Took place between September and October 2022.

1,256 interviews were conducted with individuals aged 15-74 years. 65% of the interviews were face to face, and 35% via mobile telephones. A scoring system was applied to the questionnaire for the purposes of analysis, both in terms of comparing levels of digital and financial competencies between geographic and demographic subgroups and measuring changes in levels of digital and financial literacy over time.

The survey findings will be used to develop and implement targeted interventions for improving digital financial competencies among women, MSMEs, youth, migrant workers, and rural communities.

Samoans possess moderate levels of digital and financial literacy with significant room for growth around the uptake of DFS.

Samoans achieved a moderate mean score of 22.41 points out of a possible 52 points in the DFL Index scores, substantiating the need for comprehensive digital and financial literacy programs in Samoa.

Samoans aged 25 to 44 years, residents of the 'Apia Urban' region, higher-educated, and higher-income Samoans perform better on a number (but not all) measures than their older and lower-SES counterparts or Samoans outside of the Apia region. Gender differences are modest with regards to digital and financial competencies. However, in financial inclusion, particularly younger and rural women – remain excluded from the formal financial sector at higher rates than their male counterparts.

Internet access and most digital transactions are conducted on smartphones, with lower levels of Samoans having access to other digital devices. Four-in-five Samoan adults (79%) have access to a smartphone for personal or work use, either their own or belonging to someone else. Smartphones comprise the most accessible digital device by

a wide margin, with other digital devices – smart TVs (42%), smart watches or speakers (35%), tablets or computers (30%), or Internet routers or modems (15%) – accessible to fewer, though still substantial numbers of, adults.

Access to digital devices other than smartphones is considerably lower outside of the Apia Urban area with the lowest rates of access to digital devices other than smartphones occurring in the 'ROU' and Savai'i regions.

Despite most Samoans having access to a smartphone (79% access) and or having used the Internet (73% have gone online), 45% Samoans worry that technology is leaving them behind (45% agree, whereas 47% disagree, and 8% do not know).

Two in five Samoan adults learned something from an online video or course (39%). Just 13% of Samoans bought something online; 11% completed or submitted a government form online; and 16% searched online for information about money matters. This exhibits the untapped potential of digitizing public service delivery and expansion of e-commerce in the country, which needs to be complemented by digital and financial literacy initiatives for the citizens.

Financial Inclusion and Literacy

Samoa's economy remains largely cash-based despite some ownership, albeit limited, of traditional and digital payment services.

Three in ten Samoans overall (31%) do not have a bank account, electronic payment card, or digital financial service they can use to store money or make payments. Two in five Samoans have a current account (40%) – a majority of whom have a payment card associated with their current account (67% of current account owners; 27% of the adult population), – and 24% have a digital wallet. Two in five Samoans (39%) have a payment card of any sort (not just one associated with a current account), including public transport card or debit card.

Samoans are near universal in their use of cash to pay for commonly accessed household items and services (defined for the purposes of the survey as groceries, paid meals out, or utility bill payments). Almost all Samoans report having used cash for their most recent grocery purchase (96%), meal out (97%), or utility bill payment (96%). Just 2% to 3% of Samoans at most, used a payment card to pay for any of the transactions, and up to 1% paid with a digital or mobile wallet depending on the service.

Safe and efficient uptake of DFS across Samoa will require access, education, and repeated use. There is a need to increase access to and ownership of digital devices such as smartphones; educate around safe online behaviours; and promote regulated and reliable DFS and online financial management tools. At a minimum, individuals who lack access to digital devices or do not use the Internet most likely require basic, foundational skills given their inability to engage with DFS at the present time. Even amongst Samoans who engage with DFS however, more information is required to ensure safe and efficient uptake of digital financial services as DFS become more widely available and used across the whole of Samoan society. Data clearly substantiates the need for comprehensive, multi-faceted digital and financial literacy programs in Samoa". (UNCDF, 2023)

3.6.4 Pilot of a Climate and Disaster Risk Parametric Microinsurance Product

In 2023, the UNCDF partnered with local insurer Samoa Surety Insurance to pilot a climate and disaster risk parametric microinsurance product focused on low-income communities. Farmers, fishers, MSMEs, persons with disabilities and other climate-vulnerable groups in Samoa now have access to an innovative microinsurance product designed to protect them against the adverse impacts of tropical cyclones.

This product is a response to a market gap and a persistent development challenge: the lack of financial instruments available to Samoa's vulnerable groups in the immediate aftermath of a natural calamity. By providing quick access to payouts within 10–14 days following a tropical cyclone, Samoa's climate-vulnerable communities will have a financial tool to help them cope better and recover faster from such events.

The product has two options for cyclonic winds cover, SAT$1,000 and SAT$2,000, with an approximate annual cost of 7 per cent of the sum insured. Compensation is deposited directly into the policy holders' bank accounts or mobile wallets when established parameters are met, for example a particular category of cyclone. Damages and losses caused by these "trigger events" do not need to be verified for the payments to be made.

The Programme is jointly implemented by UNCDF, UNU-EHS and UNDP, and is funded by the Governments of New Zealand, Australia and the United Kingdom.

During the pilot phase, underwriters Samoa Surety Insurance aimed to sign up around 200 beneficiaries before the start of the cyclone season in November 2023. They also planned to scale up during 2024 to make the product available to more people.

Samoa Surety Insurance worked closely with and consult local communities, particularly those who belong to vulnerable groups to build awareness about the product. The objective was to educate them about parametric insurance, as well as financial and insurance literacy so they can reap the benefits of the product.

The Fiji Times recently interviewed the UNCDF Inclusive Insurance Solutions Hub Coordinator about their experience in other PICs where similar products have been offered for at least one year. Though policy holders did not receive compensation from parametric cyclone insurance because there were no major cyclones, they were affected by heavy rain and flooding. Following these circumstances, and to encourage policy renewal, the product was updated to cover loss and damage caused by excessive rainfall.

After this improvement, two trigger events occurring in Fiji between September 2023 and January 2024 released funds to policy holders. This has not only given credibility to the product but also enhances the risk modelling and monitoring methodologies performed by independent partners who also monitor the trigger points. There are already different parametric products being offered in the region that cover for excess rainfall, cyclone damage and wind speed, and competition among insurers is already present.

One parametric insurance product may not sufficiently cover the needs of all of Samoa's population, households, and MSMEs. The consultancy team recommends that IRFF develops a training workshop for strategy and product development divisions of insurance companies, in coordination with UNDP MCO, CBS and the Samoa Ministry of Women, Community, and Social Development (MWCSD). The objective would be to encourage customer-centric product development using "The Inclusive Insurance Navigator", a guide issued by IRFF for the development of insurance products and markets. This guide condenses 10 years of expertise into practical applications that can be used by practitioners with varying degrees of experience in inclusive insurance and research methods (IRFF, 2023).

4

Market Conditions for Risk Finance

PICAP's Disaster Risk Financing Strategy, published in June 2023 and jointly managed by UNCDF, helps PICs plan effective crisis responses. It develops ways to cover the costs associated with reducing and addressing the economic and social losses due to disasters and climate change.

Disaster risk financing (DRF) refers to strategies, products and instruments that increase the financial resilience of vulnerable countries to the impact of disasters. DRF measures also arrange access to post-disaster financing before an event occurs for rapid and efficient release of funds.

Disaster risk management plans only work when they are accompanied by financing and aligned with the interests of multiple stakeholders, including civil society and the private sector. Ensuring that financing is available in a timely manner after a disaster is crucial to reducing the human cost of disasters.

The key steps to a successful DRF strategy are:

1. Use a multi-stakeholder engagement approach and carry out an economic analysis to identify actions that can reduce risks in a cost-effective manner. The implementing sovereign body or designated government agency may establish partnerships with various groups, including civil society, business associations and individual private sector companies, and multilateral agencies and development banks.
2. Develop a solid understanding of the underlying risk, define risk exposure and the hazards that may affect it, quantify the expected frequency and severity of impact with probabilistic risk analysis. Risk models enable a quantified understanding of the probability and severity of a disaster impact using simulated events over thousands of possible years to capture the extent and probability of catastrophes for a given set of exposure and hazard types. Risk assessment is performed by analysing the potential frequency of hazardous events and evaluating the exposure/vulnerability conditions that together could potentially harm exposed people, assets and the environment.
3. Understand disaster risk financing and selecting the most appropriate disaster risk financing instruments. Risk stratification ensures that the cheapest sources of money are used first and that the most expensive instruments are used only in exceptional circumstances. A well-designed disaster risk financing tool can help with three important parameters: cost, timing and disbursement mechanism.
4. Strengthen the enabling environment for DRF from the highest levels of government, harmonize sectoral disaster management plans and develop the capacities of local actors to implement disaster risk reduction. Strong leadership and a strong commitment to quality data and insights are often critical to a DRF strategy.

The strategy must ensure that it helps build the resilience and well-being of people, especially those who are on the frontline of disaster impacts. The planning process for a DRF strategy should leverage and coordinate with existing national and sectoral development, adaptation and disaster risk reduction institutions and planning processes already underway in the country.

Some basic principles can provide a framework for evaluating policy decisions and financial instruments:

- ↗ **Financing opportunity.** When a disaster strikes, the priority is to quickly deploy disaster recovery equipment and resources to affected areas and save lives. Budget allocations and discretionary spending may not be sufficient in cases of extreme disasters. This increases the country's dependence on foreign aid, which is inconsistent and not immediate. After a disaster occurs, the nature and purpose of the funds needed for recovery and rehabilitation vary. The short-term goal is to provide "relief" to those affected and create safe spaces. In the medium term, the focus is on the "rehabilitation" of affected lives and infrastructure. In the long term, the focus is on "rebuilding" to build back better. Throughout these stages of disaster recovery, governments require financing in different forms.

- **Disbursement of funds.** Governments must implement specific mechanisms and expertise to effectively allocate, disburse and monitor recovery and reconstruction funds.
- **Disaster risk layers.** A tiered approach not only allows for the development of preparatory financial strategies and tools, but also the protection of the government's budget through a better understanding of future financial needs related to potential disasters.
- **Data and analysis.** Financial analysis of risk data and quantitative evidence enables governments to make risk-informed decisions regarding their financial protection against disasters.

5. Finalise the DRF strategy based on cost, cost bearer, beneficiary and means to reach the beneficiary, with implementation roadmap and monitoring and evaluation mechanism to ensure sustainability.

Carrying out routine monitoring and reporting will allow the Ministry or authority in charge of risk financing to assess whether the strategy is being implemented according to the plan and address any challenges that arise.

In terms of impact, monitoring and evaluation must also consider the reduction of the protection gap through indicators such as the number of homes insured; the number of SMEs/MSMEs insured against disasters; and the number of beneficiaries covered by the benefit of the DRF in case of disaster, among others.

The litmus test of a DRF strategy is its ability to ensure that the resources needed to respond are available, while ensuring that timely assistance reaches affected communities.

Ensuring adequate funding to support relief, recovery and reconstruction can play an important role in reducing the economic and social impacts of catastrophic events.

A DRF strategy can maximize the utilisation of financing capacity to meet spending needs that will materialize in the future.

4.1 Existing Legal and Institutional Framework

4.1.1 Disaster Risk Financing Policy of Samoa (2022–2025)

As previously explained, Samoa is vulnerable to several natural hazards, due to its geographical location and physical environment, as well as other shocks including global financial crises and health-related epidemics and pandemics.

Risks modelling suggests that Samoa could incur an average annual loss of about $10 million due to earthquakes (and any resulting tsunamis) and tropical cyclones, with the cyclones causing about 70 per cent of the total. Average annual losses caused by tropical cyclone damage to buildings and infrastructure are projected to increase by around 30 per cent by 2100; the proportion of the population affected by disasters will similarly increase.

The Disaster Risk Financing Policy of Samoa emphasizes the need to base decisions on four key principles to help the GoS prepare for and respond to a disaster:

1. Rapid mobilisation of funds
2. Effective delivery channels
3. A risk-layering approach, combining different instruments to ensure cost-effectiveness
4. Data and analytics

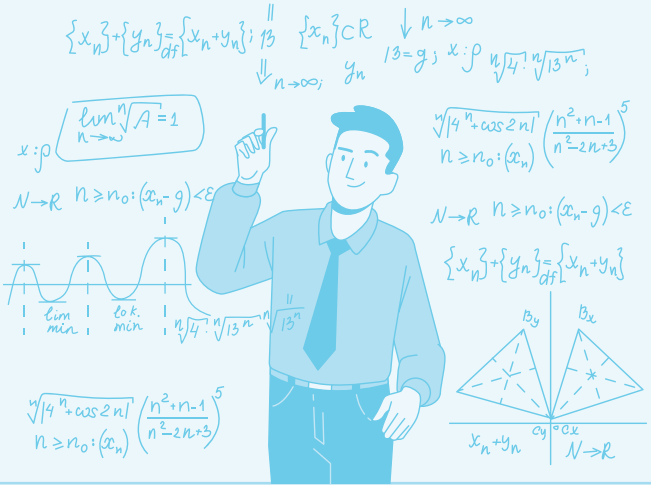
The Policy includes five strategic priorities to protect and safeguard the people and the economy:

1. Identify and quantify disaster-related economic and fiscal risks
2. Contribute to the National Budget and Planning to be informed by climate and disaster risk analysis
3. Explore options to transfer disaster risks to the private sector
4. Identify a cost-efficient combination of disaster risk financing instruments and report on these to the Cabinet and Parliament annually
5. Build institutional capacity regarding disaster risk financing

4.1.2 Implementing the Disaster Risk Financing Policy of Samoa (2022–2025)

The Policy will be implemented over a three-year period and includes two key outcome-oriented results:

- **Strengthened planning and oversight.** Budget documents should reflect post-disaster expenditure and the use of one or more instruments after a disaster; the costs to restore basic services; and planned expenditure (if known) for repair/rebuild of major assets.
- **Enhancement of the MOF's asset register.** This includes risk and vulnerability assessment of public assets, including schools and health facilities, to help prioritize maintenance and repair/rebuild decisions following a disaster (MOF, 2022).



4.2 Disaster Risk Finance Mechanisms, Instruments and Intervention Strategies

PICAP's Disaster Risk Financing Strategy provides various financial options for countries to deal with disaster losses. There are two high-level approaches to financing, as well as a range of specific measures:

- **Ex ante disaster financing.** Preventive action that is carried out before an event occurs to minimize possible economic losses.
- **Ex post event financing.** Implemented after an event has occurred. The funds are primarily used for rapid and sustainable recovery, rehabilitation, reconstruction and development activities.

In financial terms, risk reduction can be driven by investments that reduce catastrophe risks, through different instruments such as bank loans, micro-credits and bonds.

They are mainly used in high-probability and low-severity events.

- **Bank loans.** One of the most common instruments for channelling capital into risk-reducing and other types of investments.
- **Microcredits.** The distribution channel is important, and digital platforms are increasingly used to reduce costs.
- **Bonds.** Generally used to finance large-scale capital infrastructure, for either supporting preparedness by reducing risks before an event or less urgent asset reconstruction. Prudent regulation is required to protect investors and avoid systemic risks. In recent years, there has been significant growth in green bonds, which are issued to finance projects that are explicitly environmentally sustainable or that support climate change mitigation or resilience.

Risk retention instruments are pre-established mechanisms that provide risk holders with access to capital. Funds are raised from their own reserves or external capital, and they are responsible for repaying them.

Reserves are adequate to finance low-severity, high-frequency events.

- **Budget contingency.** Risk retention mechanisms by which a certain proportion of income is set aside within a budget to deal with contingencies. They generally amount to 2–5 per cent of the government's annual budget. They are used to deal with the immediate costs of response during and after a disaster event with a high frequency and low severity.
- **Reserve funds.** Annual budget allocations made by the government to respond to any disaster a country faces. It formalizes how money can be accessed and where it can be spent. The money is transferred to a reserve account outside the budget and the transfer of resources to the fund is recognized as an expense line in the budget. These funds have low operating costs and are available in case of emergency. It is important to issue the rules that govern how money can be spent in the reserve fund. Reserve funds are best suited to provide capital to deal with relatively frequent, low-intensity events.

- **Contingent loans.** Pre-arranged loans or lines of credit that are disbursed if the severity of the disaster meets or exceeds a certain threshold (trigger). They are organized ex ante but are disbursed quickly after the trigger occurs (a state of emergency or a parametric trigger, for example related to the wind speed of a tropical cyclone), providing instant liquidity. They are generally suitable for "medium" risks, in other words those with relatively low impact, but which occur quite frequently.

Risk transfer instruments oblige third parties to provide a certain amount of capital in the event of a disaster. The capital provider will receive a payment in exchange for accepting this risk.

1. **Microinsurance.** The provision of insurance to transfer risks associated with disasters from poor and vulnerable households who would not otherwise have access to insurance. Coverage and premium payments are low by design, with insurance payments intended to pay for losses of life and property. Within the larger-asset microinsurance ecosystem are agricultural insurance, livestock insurance and rural-asset insurance. Parametric triggers can pay out in less than two months, making them suitable to cover the response phase of a disaster. Compensation schemes may take around six months to pay out, but may be better for longer-term asset acquisition. The cost associated with these products can make them prohibitive, especially for individuals and households where traditional distribution channels and intense marketing efforts may be required.
2. **Catastrophe bonds (CAT).** Short-term bonds (three to five years) issued by a sponsor to investors in the capital markets and triggered by a catastrophe. The bond issuer can be a state (macro) or a large company (meso). Insurers, reserve funds or risk pools may also issue catastrophe bonds as an alternative to purchasing reinsurance to reduce their risk exposures. They can be used to cover short-term response costs or long-term reconstruction efforts.
3. **Risk groups.** Through sovereign catastrophe risk pools, countries can retain some risk and transfer excess risk to reinsurance and capital markets through a diversified portfolio. Risk pools are best suited for less frequent, high-severity events where relatively larger amounts of response costs must be covered. They generally use parametric triggers, allowing payment within one to two weeks, making them suitable instruments to provide liquidity during the response phase of a disaster.
4. **International emergency financing.** External disaster risk financing includes grants, loans (credits) and other external support that governments and their partners use to manage disaster risk. Some external risk financing (such as contingent credit) can be arranged ex ante. There are various forms of externally sourced emergency financing, in addition to ad hoc donor aid, which can be organized and disbursed during or after a disaster. Administrative requirements vary, and the level of contingent credit or grant amounts available will depend in some cases on prior eligibility conditions and/or the severity of the disaster.
5. **Budget reallocation and realignment.** When contingency funds are lacking, the government can also reallocate annual budget lines ex post to manage the impacts of an event. These reallocated funds can be directed to the contingency fund or disbursed directly to the relevant ministry.

The main disaster risk financing instruments available to the GoS are:

- **Sovereign risk transfer.** The GoS has purchased Sovereign Parametric Insurance from the PCRIC, which serves as a rapid-response financing instrument when a specified trigger is met.
- **Insurance of public assets**. Historically, the GoS purchased insurance for public assets; however, this insurance was not renewed as of 2020. The GoS has paid insurance premiums of approximately $14 million SAT over a three-year period (2017–2020) to cover several government-owned assets in the health and education sectors, as well as public buildings. Coverage for public roads, bridges and wharves is not locally obtainable.

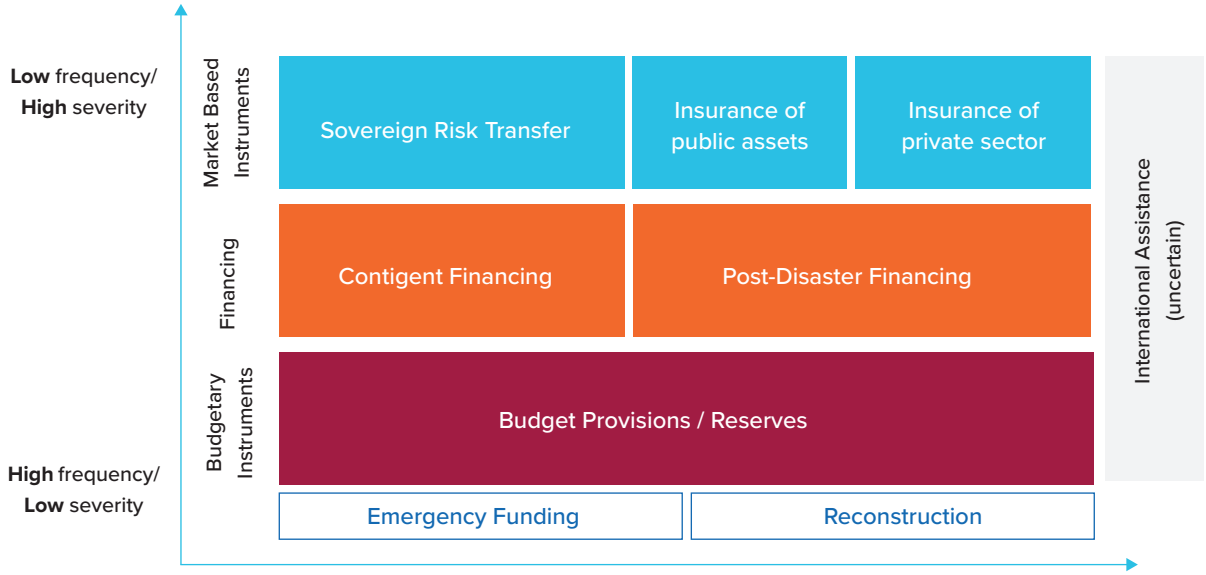
- **Private sector insurance**. Markets for property catastrophe insurance, agricultural insurance and disaster microinsurance are currently not well developed in Samoa. They could play a role in reducing the GoS's disaster-related contingently liability if appropriate products are offered to and taken up by the population, businesses and the public sector. However, challenges exist on the supply side such as product development, limited delivery channels, lack of technical capacity; and on the demand side such as limited financial literacy and low awareness of exposure to disaster risks. Legal and regulatory systems need to be strengthened to increase the resilience of private insurers and, in turn, policyholders' trust in insurance purchases.
- **Insurance products.** This includes insurance covering personal property, public liability, vehicles, medical expenses, travel, business and funerals, all of which can make Samoans more resilient to climate-related catastrophes. Insurance can also be structured in different ways to best meet the needs of the country, for example to cover certain events or losses in total.
- **Contingency Emergency Response Component (CERC).** Included in projects funded through the World Bank's International Development Association (IDA). The CERC is a financing instrument that ensures funds are available for urgent recovery needs in the aftermath of a disaster without the need for formal project restructuring.
- **World Bank Development Policy Operation with Catastrophe-Deferred Drawdown Option (CatDDO)**. Samoa was the first PIC to have the Development Policy Operation with a CatDDO approved in October 2018. CatDDOs enhance countries' capacity to plan for and manage crises by securing access to financing before disaster strikes. It is approved prior to the disaster and disbursed quickly once the drawdown trigger is met (i.e. proclamation of a state of emergency for natural disasters).
- **ADB Pacific Disaster Resilience Program Contingent Disaster Financing.** Contingent disaster financing is part of the ADB's policy-based lending. Like the CatDDO, it is a quick-disbursing and flexible source of financing for countries.
- **Post-disaster financing**. The GoS can finance post-disaster programmes both domestically and internationally, mainly to address infrastructure reconstruction, but runs the risk of increasing the national debt burden.
- **Budget provisions/reserves**. To ensure Samoa's readiness for disasters, including health emergencies, the GoS has included annual budgetary provisions for Emergency Response Operations under ministries and government agencies with frontline responsibilities.
- **Unforeseen expenditure.** Section 29 of the Public Finance Management Act (PFMA) 2001 stipulates that the annual estimates presented to the Legislative Assembly shall contain a vote for Unforeseen Expenditure, with an appropriation equivalent to 3 per cent of the total expenditure programme per annum.

The Disaster Risk Financing Policy of Samoa (2022–2025) has been developed to assist in understanding, assessing and planning for natural disasters. It provides a framework to protect and safeguard Samoa's people and economy from the adverse impacts of disasters using a set of disaster risk finance instruments. Collectively, these instruments provide liquidity and budgetary support in the event of a natural disaster. They contribute to improving the country's climate and disaster resilience response, as highlighted in the PDS. Building on the existing legal and institutional frameworks, the Disaster Risk Financing Policy of Samoa (2022–2025) brings together ongoing and planned efforts to quantify, reduce and manage disaster-related financial risk. It has been developed to facilitate decision-making in the aftermath of a disaster and under emergency conditions.

Between 2013 and 2022, the GoS accessed five of the major instruments detailed in the Disaster Risk Financing Policy of Samoa (2022–2025):

1. The CatDDO through the World Bank
2. The Pacific Disaster Resilience Program through the ADB
3. Sovereign catastrophe risk insurance through the PCRIC
4. The CERC, included in several IDA-funded projects through the World Bank
5. The GoS's own contingency financing, both included in the budget and through the ability to reallocate funds for response and recovery (see Figure 10)

FIGURE 10:
Financial Tools for Disaster Response: A Framework



Source: Government of Samoa - Ministry of Finance, 2023. Disaster Risk Financing Policy 2022–2025. Available at Microsoft Word - 20220907 Disaster Risk Financing Policy for Samoa Final (mof.gov.ws)

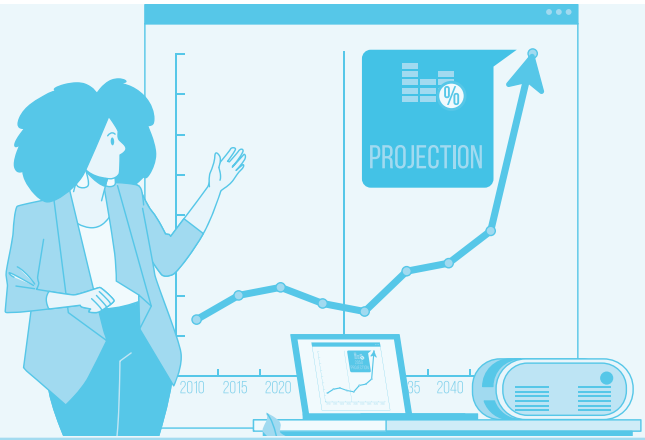
The GoS also launched the National Social Protection Policy Framework in 2023, which aims to better coordinate disaster prevention and attention across government services. By linking social protection with natural disaster policy, it hopes to promote equality and resilience among the population (MOF, 2023f).

4.3 Fiscal Impact

Limited resources hinder the PIC's capacity to effectively prepare for and respond to disaster risks, making financial protection crucial for swift disaster response and sustainable development. The ADB collaborates with PICs to enhance disaster resilience by climate-proofing assets, raising awareness and building capacity.

The toolkit for financial resilience in the Pacific includes instruments such as post-disaster budget provisions; offshore provident funds; contingent credit lines; sovereign insurance; catastrophe bonds; and early warning systems, all tailored to the region's specific challenges and opportunities.

4.4 Funding Gap Analysis



According to the World Bank, Samoa has received a combined total of $23.7 million (SAT 63 million) in grant funding to boost support for its recovery from natural disasters. The World Bank has committed $14 million (SAT 37.2 million) through the second tranche of a resilience development project and $9.7 million (SAT 25.8 million) disbursed in May 2022 under the Catastrophe Deferred Drawing Option (CatDDO) of the first resilience project[6].

Staff of the International Monetary Fund (IMF) have recently completed their 2023 Article IV Mission to Samoa[7]. They suggest that, in the medium term, Samoa needs considerable investments in infrastructure resilient to natural disasters and in development-related expenditures such as health and education. **Given Samoa's limited fiscal capacity, this underlines the importance of seeking increased grant funding.**

Italy is one of the largest contributors to the European Development Fund, which assists the development of community and water projects in Samoa. Their assistance also covers health, environment, sustainable development and training[8].

6 US$24 million boost for Samoa's economic recovery (worldbank.org)

7 IMF Staff Completes 2023 Article IV Mission to Samoa

8 The European Union and Samoa sign Financing Agreement to support civil society | EEAS (europa.eu)

5

Insurance, Risk Financing and Development Integration

5.1 Development Frameworks and Development Finance

5.1.1 Samoa 2040 and the National Social Protection Policy Framework

According to the Samoa 2040 development plan, despite a lack of a non-contributory social security system (except pension schemes), about 20 per cent of Samoans face hardship and extreme vulnerability to external shocks. Informal social protection mechanisms are strained even under normal circumstances and often fail during major shocks like natural disasters (MOF, 2021).

Historically, social protection policies in Samoa have included different formal and informal mechanisms. Mostly fragmented, they are implemented by the government, civil society organizations, faith-based organizations, non-governmental organizations and traditional support (see Figure 11).

FIGURE 11.
Samoa's social protection mechanisms

Family and Community Support Systems	Families and communities generally care for their members in need, including the elderly and those facing economic challenges.
Community Development Initiatives	GoS supports community development initiatives aimed at enhancing social cohesion, fostering community resilience and empowering local communities to address their own social protection needs.
Social Welfare Programmes	GoS operates social welfare programmes to providing support to vulnerable groups within society, such as the older population. These programmes may include cash transfers, food assistance and other forms of social assistance.
Pensions and Retirement Benefits	National pension scheme, which provides retirement benefits for eligible individuals, aiming to ensure income security for elderly citizens during their retirement years.
Healthcare Services	Samoa provides healthcare services through its public healthcare system, which includes hospitals, clinics and other medical facilities.
Education Support	To ensure access to education for all children, GoS provides scholarships, subsidies for school fees and other educational assistance aid.
Disaster Relief and Emergency Assistance	GoS has mechanisms in place to provide disaster relief and emergency assistance to affected communities, including shelter, food aid and other forms of support.
Social Inclusion and Empowerment	Through the MWCSD, GoS develops different policies and programmes to promote equal opportunities, inclusion and empowerment for marginalized groups such as women, persons with disabilities and indigenous communities.

Source: A. Silva Partners, 2023. Developed by authors.

To align these different mechanisms, the GoS launched the National Social Protection Policy Framework in 2023. It focuses on fostering equality through life-cycle social protection measures and building the resilience of individuals and households to withstand shocks. It recognizes that vulnerabilities are multifaceted and social protection policies and programmes need to cut across multiple policy areas to ensure that no one is left behind (MOF, 2023f).

The National Social Protection Policy Framework outlines the following focus areas for the finance sector:

- Finance sector planning
- Disaster Risk Financing Policy
- Senior citizen benefit funds
- Parliamentary pension fund
- National Financial Inclusion Strategy
- Samoa Multidimensional Poverty Index

Over the coming decades, Samoa 2040 will develop resilience to mitigate human and economic losses, unlock economic potential and generate social and environmental benefits. The plan also intends to establish mechanisms for targeted temporary social assistance post-disaster, including platforms to identify eligible recipients and distribute benefits. These measures could provide significant support to welfare nationwide following such shocks (MOF, 2021).

With the purpose of contributing to the implementation of the Samoa 2040 development plan, the consultancy team recommends creating partnerships between government institutions, such as the CBS and the DBS, and private financial services providers such as VISA or MasterCard. These partnerships could offer products like savings accounts that have limited maximum balances and forego complex anti-money laundering requirements. Heads of families or MSME representatives could then use them to distribute social aid transparently in times of economic crisis or natural disasters, through digital payment channels. The digitalization of Samoa's financial sector, and its economy more broadly, are also referred to as one of Samoa 2040's four areas of development.

VISA and MasterCard also struggle to provide debit cards to these hard-to-reach populations. It would be in their best interest to help the GoS develop the necessary networks and systems to digitize payments and government-to-person (G2P) transfers. In Mexico, MasterCard partnered with the National Savings and Financial Services Development Bank (now "Banco del Bienestar") to not only provide bankcards but also set up a trust fund to improve chips and biometrics; provide point-of-sale units; and develop financial literacy sessions for card holders. Between 2015 and 2018, the number of beneficiaries of social programs that were banked in Mexico increased significantly, mainly women. A similar partnership could be developed with one of these providers to offer basic savings services to the Samoan population.

For the development of this sort of programme, the CBS could also contact and receive technical assistance from the Better Than Cash Alliance. Hosted by UNCDF, this global partnership of 80 member countries, companies and international organizations accelerates the transition from cash to responsible digital payments to help achieve the SDGs. As part of the United Nations, BTCA is a neutral partner that could help define the best characteristics for a digital payments network for Samoa. Similar efforts have also been made in Latin America with support from the World Bank.

Once every family and MSME have a transactional savings account, it could then be linked to the distribution of other financial products. Microinsurance or microcredit could be offered through a competitive selection process of financial providers managed by the GoS, with products potentially subsidized by the government.

The GoS's new standardized identity card will be fundamental in scaling up savings accounts and other microfinancial services. It will simplify setting up accounts, and should include a name, address, photo and a QR code to verify the validity of the document.

This integral financial inclusion approach proposed by this document would build a minimum digital economy framework for Samoa. It would promote interoperability between financial services and the main components of social protection. A single, coherent policy, programme and planning response framework could then be formed, as established in the National Social Protection Policy Framework. It will help to make the provision of social assistance and adaptive social protection more effective and transparent. Such aid transfers will help protect the population against hardship, vulnerability and shocks that occur throughout their life course, especially low-income households.

Active savings accounts will also improve the provision of rapid, temporary emergency-focused support to vulnerable persons impacted by natural disasters, economic shocks, disease outbreaks or pandemics. Combined with the possible development and distribution of insurance products, these measures can enhance the population's safety net, improve well-being and create new opportunities for development.

This approach requires a concerted financial literacy drive to educate the population on the use of the savings accounts and debit cards. Any such initiative should also include information on different financial mechanisms and products, such as microinsurance and parametric insurance, to further reduce risks in the case of an unexpected event, crisis or disaster.

Coordinating with the CBS and MOF, the UNDP Samoa MCO could coordinate a partnership between IRFF experts and the National Social Protection Policy Framework implementing team. This collaboration could help make insurance and risk financing second nature to the GoS, integrating risk finance understanding, analysis and decision-making into all key development and financial processes. This policy recommendation aligns with the IRFF's mission to work with industry and governments to finance risk management and climate action and integrate insurance and risk financing into development (IRFF, 2021b).

5.2 Global Shield against Climate Risks

In addition to existing instruments, the Vulnerable Twenty Group (V20), Group of Seven and other supporting countries recently launched the Global Shield against Climate Risks. It aims to close protection gaps in climate-vulnerable countries using a toolbox of pre-arranged finance.

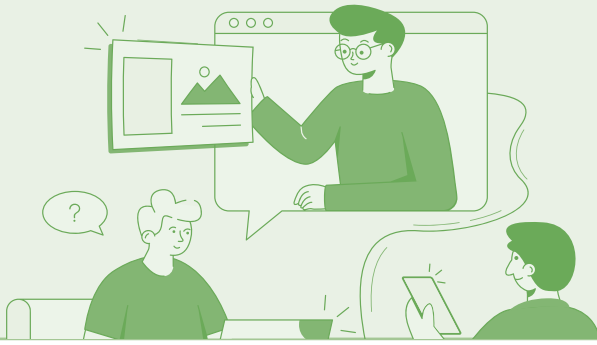
Locally led and prioritizing partner-country ownership, the Global Shield uses a needs-based approach and works closely with local stakeholders, building on existing financing structures and instruments. It consists of three financing vehicles: the Global Shield Solutions Platform; the Global Shield Financing Facility; and the Climate Vulnerable Forum & V20 Joint Multi-Donor Fund.

The Global Shield is currently active in eight pathfinder countries, namely Bangladesh, Costa Rica, Ghana, Jamaica, Malawi, Pakistan, The Philippines and Senegal; as well as one pathfinder region, the Pacific. Additional Global Shield partner countries will be selected in the future (Global Shield, 2023).

6

Insurance Sector Development Barriers and Opportunities

As part of this Diagnostic Report, an initial workshop and a series of meetings, semi-structured interviews and consultations were held. They included the main stakeholders in the Samoan insurance and risk finance sector from local authorities and private insurance companies and brokers.



6.1 Results of the Initial Workshop with Relevant Stakeholders

As a first step, the stakeholders' opinions and contributions were analysed to identify strengths, weaknesses, opportunities and threats (SWOT analysis) to obtain and review the factors inhibiting supply and demand for access and use of inclusive insurance.

This was to serve as a guide in the analysis of the different dimensions that affect the sector and support recommendations to promote the development of the inclusive insurance market in Samoa and risk financing (See **Annex 11**).

6.2 Preparation of Semi-Structured Interviews with Relevant Stakeholders

The consultancy team prepared a topic guide for each interview, referring to the sample questionnaires presented in the UNDP IRFF Diagnostic Methodology. These were sent to the UNDP Samoa MCO, which then invited several institutions to participate in the interview process during October 2023.

The consultancy team also prepared a qualitative and quantitative survey questionnaire for Samoan insurance companies to complement the Diagnostic Report. This survey was sent to the representatives of insurance companies with support from the CBS and the UNDP Samoa MCO.

To obtain relevant views both from public institutions and the private sector, and in agreement with the UNDP Samoa MCO, the consultancy team defined a group of key stakeholders to be considered for the semi-structured interview process (See Annex 12).

6.3
Results of Structured Interviews with Financial Authorities

These interviews provided a comprehensive overview of the Samoan insurance sector, offering insights into its current status, challenges and opportunities.

Discussions of the digitalization of insurance policy payments drew attention to the industry's challenges, particularly in consumers' current way of interacting and making decisions, which includes the search for immediacy and scepticism about products that are difficult to comprehend, as well as cybersecurity issues and the complexities posed by the COVID-19 pandemic. The acknowledgment that only one private institution has embraced digitalization indicated potential for improvement and collaboration.

Environmental and social factors, especially vulnerability to climate change, were identified as major challenges for the financial system and the insurance sector. The inadequate insurance coverage for a significant portion of the population was emphasized.

The efforts to address climate and environmental risks through risk management policies and the upcoming rollout of sustainable finance guidelines demonstrated a proactive approach. The acknowledgment of natural disasters as a significant risk to financial stability emphasized the ongoing need for strategic planning.

The interviews shed light on the lack of competition between inclusive products in the insurance market, with resource constraints and the need for staff capacity development highlighted. The ongoing implementation of parametric cyclone insurance raised the suggestion to have technical advisors for inclusive products in both the public and private sectors.

Regarding regulatory changes, the cautious approach taken by Samoa—reviewing international best practices and focusing on areas such as claims and capital at risk—was seen as a sensible strategy. The GoS's ongoing process of modernizing the IA reflects a commitment to creating an environment conducive to greater insurance participation.

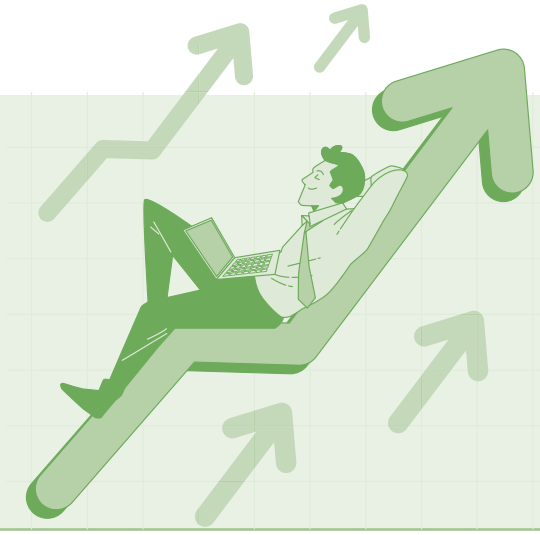
Affordability challenges and cultural norms were discussed, along with potential areas of opportunity such as subsidizing insurance to make it more accessible and the exploration of technology solutions to improve insurance understanding and affordability for consumers.

The inclusion of insurance awareness campaigns showed a commitment to promoting financial inclusion. The success of microinsurance products, introduced with the support of development financing, demonstrated how international cooperation can expand the range of insurance products available. Within this framework, there were some responses that highlighted Samoa's emerging efforts in managing environmental and social risks, especially in the face of natural disasters. Channeling government resources to various disaster funding instruments, collaboration with international aid agencies and emphasis on infrastructure resilience to address challenges, are aligned with this purpose.

The interviews also provided valuable insights into various facets of the Samoan insurance market's operations, challenges and dynamics, including:

1. Consumer protection and financial ombudsman
2. Challenges in the financial system
3. Impact of catastrophic events
4. Competition in the insurance sector
5. Regulatory changes for greater participation
6. Financial inclusion obstacles and opportunities
7. Technology solutions for insurance
8. Social and environmental risk assessment
9. Role of public administration and financial authorities
10. Inclusion initiatives
11. International cooperation and development financing
12. Government's role in protection schemes
13. Current situation of international reinsurance

Further details on the Samoan insurance market's operations, challenges and the dynamics can be found in **Annex 13**.



6.4 Results of Structured Interviews and Consultations with Financial Sector/ Insurance Sector Representatives and other stakeholders

In the case of insurance companies, the collaborative activities included interviews with an insurance company and one broker. The aim was to understand their perceptions of the current development of the sector and opportunities and barriers in the market. The analysis was complemented by the results of a larger qualitative survey of inclusive product consultation previously applied in other studies.

6.4.1 Results of Structured Interviews with Financial and Insurance Sector Representatives

The interviews with the insurance entities covered the evolving digital era, challenges stemming from the COVID-19 pandemic and the unique circumstances of PICs:

1. Digital transformation and pandemic challenges
2. Challenges and opportunities for Samoa's insurance industry
3. Competition in the insurance sector
4. Approach to policy, regulation and supervision
5. Impact of recent catastrophic events
6. Financial inclusion process
7. Financial inclusion initiatives and challenges
8. Adequacy of public policies for financial inclusion
9. Demand-side obstacles and opportunities

10. Potential of technological solutions
11. Culture of risk prevention and insurance
12. Financial literacy programmes
13. International cooperation and development financing

Further details on challenges and opportunities in Samoa's insurance sector can be found in **Annex 14**.

6.4.2 Results of Structured Interviews with Public and Private Stakeholders

These meetings collectively provided valuable insights into the relevant challenges and opportunities. Participants actively engage in addressing client education, exploring new technologies and advocating for regulatory improvements, positioning them as key players driving positive changes in the industry.

Interviews with financial authorities showed risks from natural disasters were the primary concern. They highlighted the relevance of developing additional insurance instruments to protect the population and the economy. More parametric insurance products need to be developed, and are currently offered by just one company.

The financial authorities did not identify any urgent regulatory issues in the insurance sector as parametric or other inclusive insurance products could be registered under the current system. Some efforts were being made to align local regulation with international best practices, for instance regarding capital adequacy. There is also a willingness to make regulatory reforms as required, with reference to this Diagnostic report or other justified requests by the industry. However, some private institutions thought that there could be regulatory modifications to promote the development of parametric insurance and to strengthen supervision within the sector.

The interviews with an insurance company and an insurance broker painted a nuanced picture of Samoa's insurance landscape. One key takeaway was the industry's responsiveness to the digital era and the challenges posed by the pandemic, while emphasizing the need for ongoing innovation. However, persistent challenges in financial inclusion, regulatory oversight, reinsurance activities and capacity issues after catastrophic events underscore the importance of targeted interventions and collaborative efforts

Recommendations

Considering these findings, recommendations include a renewed focus on financial literacy programmes; regulatory revisions to encourage inclusive insurance; and proactive collaboration to address climate-related risks. Strengthening reinsurance support, adopting technology for financial inclusion and fostering international engagement are also crucial steps towards a more resilient and accessible insurance sector in Samoa. Continuous learning and adaptation within the industry will be essential to navigate the evolving landscape and contribute to the overall economic well-being of the nation.

- ↗ **Attention to financial inclusion challenges.** Considers the review and improvement of the regulation, access, product development and distribution and financial literacy.
- ↗ **Digital transformation and innovation.** The Samoan insurance sector is shifting towards digitalization and innovative solutions. Companies are recognizing the importance of adapting to the digital era, which could be supported with international aid.
- ↗ **Climate risk management.** A wider offer of parametric insurance products should be developed to cover loss of income in case of a natural disaster. They should complement the public protection that the GoS provides to its population and businesses.
- ↗ **Enhanced financial literacy programmes.** Collaborative efforts between insurance companies and regulatory and commercial authorities should focus on expanding financial literacy programmes.
- ↗ **Regulatory revisions to improve financial inclusion and supervisory activities.** Specifying concepts and conditions for the provision of

microinsurance products, parametric insurance products and InsurTech services would provide a more explicit set of legislative rules. This could incentivize insurance companies and other related providers to offer additional products and solutions.

- **Cooperation agreements.** Cooperation agreements between private and public stakeholders could improve the quality and visibility of financial literacy programmes and split their costs. These efforts should be led by the CBS and integrate a specialized committee.
- **Aligning aid.** While international bodies such as UNDP and Global Shield can provide support, wider alignment is needed between government institutions and the private sector. This could be achieved through specific cooperation agreements or the integration of national committees. Financial authorities should also review the reinsurance market to promote the entrance of more players that could provide better conditions for Samoan insurers.
- **Tax incentives.** The consultancy team, referring to the case of Mexico[8], discussed with representatives of Samoa Life Assurance Corporation, the experience that insurance premiums or complementary pension plans could receive certain tax deductions to stimulate a wider demand for insurance.

6.4.3 Results of Insurance Company Interview

An interview of four of the main insurance companies in Samoa was carried out using structured questionnaires within the framework of the Diagnosis Report. The aim was to understand the current state of the inclusive insurance system and risk financing for natural disasters. The questionnaires considered regulatory aspects and the supply and demand of services, with the key findings presented here. All comments are unattributed for confidentiality.

The general insurance offer in Samoa was varied, depending on the insurance company. Multi-risk products were offered to people and businesses against personal accidents; theft; funeral expenses; land vehicles; homes or business establishments; and contents. Some companies recently are developing parametric insurance against cyclones and other natural disasters.

In the life insurance industry, a public insurer offered individual life insurance products; group life insurance for company employees; personal accident insurance; funeral expenses; content insurance; and insurance for homes and commercial establishments. In addition, it had multi-risk, health and disease and agricultural insurance products in development.

Despite this varied portfolio, companies had not modified their planning or policies to offer insurance tailored to underserved segments of the population. This was also the case regarding products specifically for women, except one which offered lower premiums to women.

Only two companies had developed products with specific cover against damage caused by natural disasters, one of which was parametric cyclone insurance. The high risk posed by a catastrophic loss due to natural disasters, the implicit development costs, promotion and operation, and difficulties reinsuring were among the reasons this type of product was not offered more widely.

There was no distinction in the insurance conditions for SMEs compared to large companies, except that the cost of the premiums differed based on the content of their buildings, the extent of coverage and any limits involved, they were calculated using the same risk rates. The companies provided various types of general and natural disaster damage insurance for buildings used by public bodies of the GoS. In two cases, they also offered group life insurance for employees.

Insurance industry marketing strategies typically included offering cheap premiums, advertising on social networks, sponsorships, agreements with

8 According to Article 151 of the Income Tax Law, individuals can deduct expenses for medical, dental, psychological, funeral expenses, donations, mortgage interest and health insurance, as long as these do not exceed 15% of income. In the case of contributions to Personal Retirement Plans, taxpayers can deduct up to 10% of their accumulated income for the year.

local banks and raising awareness of the benefits of insurance.

In general, there had been a slight increase in the number of individual insurance policies in response to the gradual post-COVID-19 economic recovery. However, this was not the case for the amount of business policies, which had either remained the same or decreased slightly.

Of the total number of individual clients, the percentage of women varied between 30 per cent and 75 per cent, depending on the insurance company in question. This reflected women's enthusiastic participation, despite not having gender-specific products. For its part, there is a high level of attention to micro, small and medium-sized companies, compared to large companies, although the service policies do not have great differentiation in the conditions and policies to promote their participation on a larger scale.

In order of importance, the main reasons stated by insurers as to why clients do not renew insurance were an inability to continue paying the premiums; changing insurance companies; and obtaining insurance not being a priority. It can be inferred that the cost of the product and proximity to the insured to explain the benefits were relevant to retaining clients.

To encourage more people to take out insurance, the companies highlighted the review of the IA, and specifically mandatory civil liability for all types of motor vehicles; a financial inclusion regime led by the CBS that promotes insurance literacy; the review of regulations regarding company transparency, which would provide certainty for risk analysis; and the establishment of a minimum percentage of mandatory deduction of any employee (social security fee).

On the customer side, the most common methods to pay insurance premiums were bank deposits, online bank transfers and direct payments to the insurance agent or broker; some had also recently begun using electronic wallets. In the case of employee life insurance, direct payroll deduction was used. Promoting wider use of digital payment methods would allow further flexibility regarding payments.

On the industry side, claims were paid out to clients mostly via bank transfers, cash payments and cashier's check for businesses. The use of electronic wallets was still being developed.

Insurance companies did not have specific financial literacy programmes. **As a recommendation, public-private financial literacy programmes could promote inclusive insurance to protect citizens from the risks of natural disasters**.

To inform policyholders about their products, insurers mostly relied on their websites, email, customer service call centres and postal services. However, it was clear that digital channels would continue growing as a key method of customer support. The importance of a rapid and personalized complaints process was recognized to improve customer confidence. Any comments should be logged for analysis, feedback and process adjustment as required.

The average time to resolve a claim varied between one and five days, depending on the company in question; whether all the necessary elements for the analysis were available; and the complexity of the claim. It was agreed that faster payments generated greater confidence among customers.

The increase in claims in the region due to natural disasters—and the knock-on effects to reinsurance market prices—has caused difficulties for some companies. The impact of this could be limited by identifying price movements earlier to pass them on to the clients' premiums accordingly. Multi-year contracts could also distribute impacts over longer periods of time. **The use of parametric natural disaster insurance would provide quick and simple payouts to policyholders in the event of an incident. Upgrading Samoan building stock to achieve cyclone certification would increase community resilience to natural disasters**.

It was important for companies to have environmental, social and governance strategies. Regular reporting improved and developed internal policies in accordance with each company's aspirations.

6.5

Conclusions on Opportunities and Barriers for the Development of Insurance Sector and Promoting Inclusive Insurance and Risk Financing in Samoa

Technology is the key to the insurance sector's evolution and overall growth. It has helped companies improve not only market research, penetration and development but also after-sales services and customer satisfaction, among others. Collecting and analysing insurance data in-depth and at scale has only become widely possible with advances in computer software and hardware.

The regulatory regimes across multiple regions will have to evolve to ensure that FinTech and InsurTech innovations will not be stifled by overly complex rules and regulations.

7

Additional Information for the UNDP Insurance and Risk Finance Facility Team

7.1 Parametric Insurance for Reefs and Beaches in Quintana Roo, Mexico

Reefs serve crucial functions, such as erosion prevention and wave attenuation, and provide effective protection against the effects of tropical storms.

Implementing post-storm response measures within 60 days significantly enhances coral colony survival and recovery, with full recovery potentially taking 2–5 years.

Insurance coverage is crucial due to the substantial expenses involved, estimated at $100,000–$150,000 for immediate response over a 20km area, with subsequent coral replenishment costs potentially reaching millions depending on damage extent.

Parametric insurance, based on predefined wind speed parameters, offers a potential solution, with a maximum contingent liability limit of approximately $3.8 million over 12 months. It is activated if a wind speed of 100 knots or greater is recorded within the predefined polygon.

The Quintana Roo State Government established the Coastal Zone Management Trust in March 2018 to finance an insurance policy and promote conservation in the Mexican Caribbean. The trust will oversee conservation investments for reef and beach maintenance, manage insurance payouts and ensure conservation objectives are met (SEMARNAT, 2018), (Secaira and others, 2019).

Considering this success in Mexico and other countries, similar parametric insurance products are already operating in the Pacific Region. This is exemplified by Hawaii, where the Nature Conservancy has secured an enhanced insurance policy, potentially offering up to $2 million to safeguard coral reefs across Hawaii's main islands from storm damage, expanding coverage to an additional 314,976 km^2. Activation requires tropical storm winds of 50mph or greater (The Fiji Times, 2024b).

7.2 Agricultural Programmes in Samoa

The Diagnostic Report indicates significant public interest in insurance products offering cyclone and crop protection. The consulting team therefore assessed GoS programmes supporting agricultural activities to determine if they included coverage for natural hazards.

The Ministry of Agriculture and Fisheries (MAF) has developed a four-component project called Samoa Agriculture & Fisheries Productivity and Marketing (SAFPROM), with support from the World Bank (see Figure 12). The objective is to "increase the productivity and access to markets by selected producers, to improve management of targeted productive natural resources and, in the event of an eligible crisis or emergency, to provide an immediate response to the eligible crisis or emergency" (MAF, 2023).

FIGURE 12.
Components of the Samoa Agriculture & Fisheries Productivity and Marketing (SAFPROM) Project

1. Strengthening national institutions ($10,660,000)

- To create an enabling environment to increase productivity and market access.
- Training and capacity development programmes.
- To integrate climate adaption into technical approaches to climate-resilient mixed tree-crop farming systems.
- To encourage more female farmers/fishers.

2. Strengthening the performance of selected value-chains ($9,530,000)

- To increase on-farm productivity of fruits, vegetables, tree crops and livestock.
- To promote productivity of households that wish to upgrade to semi-commercial status and promote sustainable fisheries options for fishing households and organizations.
    - Provide the platform to strengthen linkages between farming and fishing households and other value-chain actors.

SAFPROM

3. ASCD establishment and project management, M&E and communications ($3,360,000)

- Establishment of the Agriculture Sector Coordination Division (ASCD) within MAF, as responsible unit for the coordination of SAFPROM.
- Financial Management, Procurement, Monitoring & Evaluation and Safeguards.

4. Contingency Emergency Response Component ($0.00)

- To support a request for the re-allocation of funds to support the emergency response plan of the government should there be an emergency.
- To develop a Contingency Emergency Response Plan and a Project Operations Manual (POM).

Source: Samoa Ministry of Agriculture and Fisheries, 2023. Developed by authors based on the MAF's *Welcome to SAFPROM*. Available at https://www.maf.gov.ws/safprom/.

The Samoa Agriculture Census 2019[8] highlighted that of 28,516 households surveyed, 26,900 were engaged in agriculture, with an average size of 6.6 family members. Of these farming households, 17,600 cultivated crops primarily for subsistence (SBS, 2021). Targeting over 94 per cent of households—the majority of whom rely on agriculture for sustenance—the SAFPROM project is crucial for many Samoans.

7.3 Credit Products from the Development Bank of Samoa

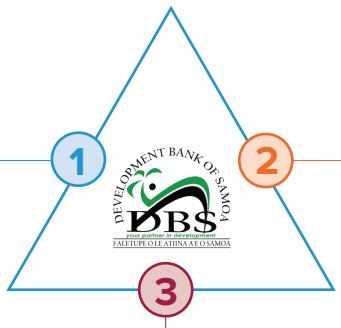
The DBS is mandated to provide credit financing to viable projects that can stimulate economic growth and social development. It gives loans to existing MSMEs; provides inclusive credit for new projects, with specific products for unemployed women and youth; and supports the agriculture value chain (see Figure 13).

FIGURE 13.
Development Bank of Samoa credit products

1. Small and Medium Business Loans

- **Target market:**
- Samoan nationals, companies or community groups
- Verified foreign investors or entities
- 18–60 years old

- **Main Features:**
- **Small development projects**
  - Amount from $1–$50,000
  - Term from 1–5 years
  - Annual Interest Rates from 8–12 per cent
  - Client must provide guarantee
  - **Life insurance with DBS interest noted**
- **Medium development projects**
  - Amount from $50–$250 thousand
  - Term from 5–15 years
  - Annual Interest Rates from 8–12 per cent
  - Client must provide guarantee
  - **Life insurance with DBS interest noted**



3. Agriculture value chain

- No target market or features published.
- **Pilots**
  - Taro: Ah Liki Investments, Ltd.
  - Cocoa: Savaii Koko
  - Coconut farmers and Copra producers

2. Inclusive Development Credit Facility

Inclusive development credit facility

- **Target market:**
  - Employed Samoan citizens with salaries deposited in a bank account
- **Main Features**
  - Maximum Amount $20,000
  - Maximum Term 5 years
  - Annual Interest Rates 12 per cent compound
  - Each member of the group jointly guarantees the rest of the group
  - **Life insurance of each group member held by DBS**

Inclusive development for women and youth

- **Objective market:**
  - Unemployed women and youth
  - Church/Aiga groups
  - 17–65 years old
- **Main Features:**
  - Amount per member: Tier 1 $2,500, Tier 2 $5,000, Tier 3 $7,500
  - Annual Interest Rates 8 per cent compound
  - Each member of the group jointly guarantees the rest of the group
  - **Life insurance of each group member held by CBS**

Source: Development Bank of Samoa, 2023. Developed by authors based on credit products described in "Our Products". Available at: https://dbsamoa.ws/our-product/.

8 https://www.sbs.gov.ws/images/sbs-documents/Economics/SAMOA-AGRICULTURECENSUS/SAMOA_AGRICULTURE_CENSUS_2019.pdf

Every credit product provided by the DBS requires all borrowers to take out one of their life insurance policies. **There is room for partnerships between the general insurance sector and the DBS to create additional insurance products for Samoan citizens and MSMEs.**

7.4 Proposals in line with Existing Agricultural Programmes of the MAF and Credit Products from the DBS

The consultancy team proposes that the CBS and the MOF collaborate with the World Bank, MAF's Agriculture Sector Coordination Division and private-sector insurance companies to integrate an insurance subcomponent into SAFPROM's Contingency Emergency Response Component. This proposal aims to enhance financial literacy efforts and promote insurance products that can help safeguard agricultural and fisher households against natural disasters. Aligning with the Agriculture and Fisheries Sector Plan 2022/23–2026/27[9], the proposal supports the development of insurance schemes for rural farmers and fishers. **The CBS, in partnership with MOF and MAF, could advocate for traditional and parametric crop insurance products to protect income sources in emergencies. Promotion and distribution of these products through the MAF is recommended to enhance accessibility.**

Furthermore, commercial partnerships between the DBS and insurance companies can facilitate the provision of microinsurance and other insurance products, fostering market expansion and creating additional revenue streams for the development bank.

9 FINAL-AFSP-2022_2023-2026_2027-1.pdf

8

Conclusions and Recommendations from the Diagnostic Report

8.1 Conclusions

The final conclusions of this Diagnostic Report are in line with much of the analysis and many of the policy frameworks, key areas and activities defined in NFIS 2. UNDP's objective with the development of this Diagnostic Report is to work together with GoS and the financial sector to fully integrate insurance into financial inclusion. It also complements existing local and international financial instruments and tools used to protect the population and economy against the risks of natural disasters.

Most of the stakeholders showed great enthusiasm and willingness to participate, resulting in an enriching consultative process. Samoa is highly exposed to climate risks that pose a real threat to its socio-economic development. Yet, the size of its population and economy can discourage the growth of domestic financial services, The country's susceptibility to natural disasters, especially tropical cyclones, leaves it in a precarious situation, with the need of highly efficient disaster risk financing and insurance solutions, Government-led initiatives, international aid and commitments from regional private companies are also required.

The analysis shows that following Tropical Cyclone Evan in 2012, Samoa has taken the necessary steps to protect the country against climate change hazards. It has well-defined policies for both disaster prevention and action (e.g. Disaster Risk Financing Policy 2022–2025) and financial inclusion (NFIS 2). While these instruments have driven progress, a more holistic and all-encompassing approach towards strengthening resilience is needed.

There is still much work required to promote the benefits of financial services to the public, and insurance in particular. The current focus of NFIS 2 on customer-centric approaches to financial services will generate more relevant products and services for the population and MSMEs. Special attention should be paid to developing insurance products specifically designed for women, youth and women-led businesses.

The best way to promote financial inclusion and literacy is through multi-stakeholder projects, with responsibility shared between the CBS and MOF as appropriate. Promoting and distributing microinsurance products requires working with institutions like the DBS or Samoa Housing Corporation, which are typically closer to vulnerable populations. Agricultural programmes also remain extremely relevant to these efforts of micro-insurance products.

International cooperation is essential for the modernization and digitalization of both the insurance sector and government institutions. This includes a wide range of areas, including regulation; product development; training; green finance solutions; crop production and fishing; construction policy in areas more vulnerable to cyclones and earthquakes; and natural capital protection. All international cooperation agencies must coordinate their activities with the MOF and CBS to integrate more of Samoa's own development plans and sectoral strategies.

The arrival of new competitors and providers of InsurTech and FinTech solutions will benefit the development of the financial sector. For each specific service provided to the population, the CBS must define standards for company financial solvency; technological risk control; cybersecurity; consumer protection; and transparency. Any regulations should be in line with the wider region, given that many insurance providers offer solutions in different countries.

8.2 Public Policy and Technical Recommendations

Focusing on the following areas and opportunities can help build a more resilient financial system in Samoa, one that adjusts to the impacts of climate change and helps achieve the SDGs. The following recommendations are consistent with NFIS 2 and the Disaster Risk Financing Policy of Samoa (2022–2025).

8.2.1 Short Term (0–1 year)

Financial Literacy and Public Awareness

- Develop a public-private partnership to run an integrated financial literacy and public awareness campaign, promoting a risk-prevention culture and greater understanding of insurance products, concepts and benefits. Sectors should coordinate with each other to effectively target their respective audiences and markets. Public awareness plans should also provide details on the specific communication channels and fiscal/financial aid referenced in any GoS risk finance instruments.
- The public awareness plan should also include the specific communication channels, and fiscal and financial aid that will be deployed thanks to risk financing instruments by the GoS institutions, in order that the population will know how to protect their life, household units and goods, and how to access those mechanisms in case of damage by a natural disaster.
- Coordinate efforts with the implementing teams of the Disaster Risk Financing Policy and the National Social Protection Policy Framework and with the MWCSD to frequently inform the beneficiaries of social protection actions and programs, on the relevance of complement GoS aid and emergency transfers with affordable risk reduction financial products like microinsurance and parametric insurance.
- Collaborate with community and opinion leaders on how they could help disseminate financial information and encourage participation in awareness campaigns.

Improving Data Collection and Analysis

- Invest in research to improve risk assessment methodologies.
- Improve integration and access to centralized databases and disaster risk information systems for risk analysis instruments, such as weather forecasts and risk atlases and maps. This will support data-driven decision-making in the GoS.

8.2.2 Medium Term (1–3 years)

Regulatory Environment and Social Policy

- Review current policies that regulate the insurance sector. Establishing rules that are clearer and more flexible would allow companies to improve their offers of inclusive products and multi-risk policies focused on financing catastrophic risks.
- It should be noted that the Consultancy Team consider the IA 2007 definitions of massive insurance, parametric insurance, inclusive insurance should be more specific and clearer, as well as their characteristics and conditions to be met. This will incentivize insurance companies to develop these types of products.
- However, the CBS's Financial Supervision and Regulatory Services Department noted during the revision of the Diagnostic Report that the IA 2007 is currently under review, with inclusive insurance being one of the new provisions

proposed. Despite the absence of a provision for inclusive insurance in the current IA 2007, this does not restrict insurers from introducing and launching inclusive insurance products in Samoa. As noted in the report, two local insurers launched parametric insurance late last year to assist people facing financial difficulties due to the adverse effects of cyclones. This demonstrates that insurers have the freedom to introduce new insurance products, including inclusive insurance, without intervention from CBS. CBS does not impose restrictions on the types of insurance products that insurers must implement. However, insurers are encouraged to notify CBS about any new products they plan to launch and must clearly explain to every policyholder the terms and conditions of the policy, including what is covered and what is excluded. Hence, whether (or not) inclusive insurance is included in IA 2007, it does not prevent insurers from offering such products for the benefit of the public and the involved parties.

- Regarding tax benefits, the Ministry of Revenue is the primary agency responsible for this matter. It is important to note that insurance is not compulsory in Samoa and is sometimes considered a luxury item. Therefore, despite efforts to enhance awareness and promote inclusive or traditional insurance, the success of these initiatives will depend on changing public's mindsets and prioritizing the long-term benefits of insurance.
- Provide temporary tax and legal benefits and facilitate in regulatory management for insurance companies developing inclusive insurance products.[9] Negotiate the reallocation of GoS budget funds to protect the agricultural population and productive activities in case of emergencies caused by natural disasters.
- Create trust funds to finance disaster recovery and climate change adaptation. This will provide a budgetary reserve for recovery actions and expedite the distribution of aid to citizens, enterprises and natural capital as well as GoS institutions and infrastructure in case of occurrence of natural disasters.
- Analyse the feasibility of implementing tax deductions on the cost that the population and companies pay to protect themselves or their employees in long-term life insurance, health insurance or complementary pension plans, to stimulate demand and use of these types of products.
- Establish protection mechanisms in the transfer and financing of risks for low-income and vulnerable populations. This could be done through public policies and/or the creation of specialized organizations, with funds focusing on target populations, premium subsidies and partnerships with private entities.
- Establish an entity responsible for protecting financial service consumers, such as a financial ombudsman.

Product Offerings improvement and Promoting Inclusive Insurance

- Establish regulatory incentives to streamline the registration of inclusive products. Examples include microinsurance, parametric insurance and InsurTech services with premium costs and coverage appropriate to the target population, which could also be combined with microcredit offers.
- Offer value-added services to insurance products, for example life insurance that provides comprehensive assistance to family members when the policyholder dies, including psychological assistance; home repair services; yearly dental check-ups; or discounts on medical laboratory analysis or medication.
- Develop a training workshop for strategy and product development divisions of insurance companies with support from the IRFF. Sessions should focus on customer-centric inclusive insurance product development and using the IRFF's Inclusive Insurance Navigator.

9 During the revision of the Diagnostic Report, the CBS's Financial Supervision and Regulatory Services Department noted that the Ministry of Revenue is the primary agency responsible for tax benefits, so they must coordinate with them. It is important to note that insurance is not compulsory in Samoa and is sometimes considered a luxury item. Therefore, despite efforts to enhance awareness and promote inclusive or traditional insurance, the success of these initiatives will depend on changing the public's mindset and prioritizing the long-term benefits of insurance.

Public-private Partnerships

- Encourage collaboration between the GoS and the private sector to form a monitoring and innovation taskforce. The objective would be to develop inclusive insurance and risk finance solutions in public sector organizations, insurance companies, insurance agents and reinsurers. This permanent working group should be assisted by the UNDP Samoa MCO and IRFF experts to promote risk financing and insurance in all social protection schemes and natural disaster policies.
- Strengthen low-cost distribution channels through strategic partnerships with local banks and commercial and microfinance networks with a social vocation. They could offer mass insurance products, with appropriate incentives for distributors, which would provide additional income lines for the DBS and create more volume for general insurance companies.
- Explore opportunities for cofinancing and risk-sharing mechanisms between international community members, the GoS and civil society organizations to spread the financial costs of disasters. Consider other risk management tools like reinsurance.
- Strengthen data collection for insurance products, types of risk covered, frequency of events, accidents, insurance premiums and claims. Any information should be publicly available for use in decision-making by insurance sector members. Several loss databases exist to collate international disaster impact information. They are essential tools for building resilience and reducing impacts on lives and economies, as well as assigning the right pricing to the risks covered.

8.2.3 Long Term (3–10 years)

Regulatory Improvement

- Establish a working group with PIC's financial regulators and hold annual meetings to align requirements and reduce bureaucracy in the insurance industry. This could include regulations for insurance companies, InsurTech and Fintech companies and internet cloud providers as well as inclusive products and cross-border operations. This could encourage more solid international private companies interested to participate in the region's financial market.
- During the revision of the Diagnostic Report, CBS's Financial Supervision and Regulatory Services Department noted that CBS, through FSRD, is a member of the Association of Financial Supervisors of Pacific Countries. Important issues related to the supervision of financial institutions, including insurance, are discussed in this forum during its annual meetings. Nonetheless, the Consultancy Team considers it relevant to develop a specific group or taskforce, either within this association or independently. This could help to reach agreements on characteristics, requirements and conditions that regulators must consider regionally to incentivise financial inclusion and to define similar legal and regulatory requirements for providers in the region.
- FSRD also noted that the introduction of InsurTech and FinTech companies as competitors in the insurance market presents significant supervisory challenges. In smaller markets like Samoa, the regulatory framework may be underdeveloped and insufficient to tackle the complexities and risks associated with these technology-driven companies, potentially leading to gaps in oversight and increased systemic risks. The presence of global InsurTech and FinTech firms could disrupt the local insurance sector, resulting in unfair competition and adversely affecting domestic insurers that lack the resources to compete with these well-funded international players.
- Additionally, maintaining adequate consumer protection in the context of new, technology-based insurance models can be difficult. The absence of a physical presence and localized oversight complicates the enforcement of consumer rights and the resolution of complaints. Furthermore, a small market like Samoa may lack the technological infrastructure needed to support advanced digital solutions, impeding the effective adoption of new InsurTech and FinTech services. In markets with weaker data protection regulations, there is a higher risk of data breaches and privacy issues, which is particularly concerning when dealing with international firms that may not be bound by the same stringent data protection laws as local

businesses. Lastly, ensuring the financial stability and ongoing viability of these companies is crucial for meeting their primary obligation of timely claim settlement.

- Considering these statements, the consultancy team reclassified this recommendation from medium term to long term (3-10 years) because the presence of FinTech and InsurTech is a global reality and an irreversible trend. It is also an opportunity for financial inclusion of underserved or unserved populations; while recognizing that it is a challenging issue, technology-based financial providers can simplify on-boarding, products and operations for the population and MSMEs and establish lower insurance premiums and fees. Given all the reasons provided by FSRD, these kind of activities must be adequately regulated to define requirements to be authorized as a provider of services in Samoa; provide users with certainty regarding who is operating the products; demand providers meet state-of-the-art cybersecurity requirements; define clear resolution of complaints; and recognize Samoa's jurisdiction and supervision when providing services to Samoan population and companies. Some countries, for instance Brazil, have limited the kind of products that InsurTech providers can offer to the population, with certain limits on the insured sums. This allows companies to operate under reduced capital requirements for a period of 10 years with a limited licence and, after this period, they have to increase their capital, reserves and be certified as a complete insurance company. Local traditional providers can develop and open an InsurTech limited company or establish partnerships with other InsurTech companies to avoid unfair competition.

Develop a Universal Bank Account or E-wallet with Links to Other Financial Products and Services

- To implement some of the objectives of NFIS 2 and develop digital and financial tools, CBS should coordinate with DBS on the following:
- The creation of an integral financial inclusion programme, beginning with the development of a low-balance basic savings account or e-wallet for all households and MSMEs, including a debit card by an established private sector company.
- The development of this account would be linked to the standardized ID card that is being implemented in Samoa to speed up the opening of the accounts through a digital banking app.
- This basic savings account should be accepted in most commerce establishments, considering PoS unit adoption or digital payment service, FinTech and mobile services.
- The digital ecosystem to facilitate cash deposits and withdrawals should be developed, allowing some commercial establishments to participate as bank agents, as well as installing ATMs in government offices present in different regions of the country.
- The basic savings account can also be linked to the acquisition and use of other financial services, such as microcredit and microinsurance, as well as with the transfer of incidental emergency aid by the GoS in the occurrence of a natural disaster.
- International organizations such as ADB, World Bank, UNCDF and BTCA could assist in the design and deployment of a digital payment ecosystem to facilitate savings, credit, investment and insurance services adoption and use at a micro level, for the benefit of all households and MSMEs. This ecosystem will also be relevant for the distribution of G2P aid transfer in times of crises and after the occurrence of natural disasters.

Technological Innovation (5–10 years)

- More and better suppliers in the telecommunications sector to promote wider adoption of mobile phone subscriptions and low-cost internet access.
- Strengthen telecommunications infrastructure to protect it from natural disasters and improve coverage among rural zones and populations.
- Promote the use of digital platforms and FinTech services to boost penetration in the most vulnerable populations, facilitating regulatory regimes and access to internet services and social networks.
- Improve the IT systems of GoS institutions that provide financial services, such as the DBS, Samoa Life Assurance Corporation, Samoa Accident Compensation Corporation and SIFA. Support could come from international funds from UNCDF, the World Bank or other multilateral financial institutions.

9

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ANNEXES

Annex 1.
Acronyms and Glossary of Terms

Acronym or term	Definition
Actuaries/ Actuarial science	Actuarial science converges knowledge and skillsets from probability, financial theory, and computer science. Actuarial science professionals (known as actuaries) assess the financial risk of a particular situation to determine the pricing of various (re)insurance policies. Public and private institutions rely heavily on actuarial science to determine the relative risk of various decisions. As such, actuarial science can help identify and encourage risk-reducing behaviours that would result in lower premiums.
Adaptation	Adjustments in ecological, social or economic systems in response to actual or expected climatic stimuli and their effects. It refers to changes in processes, practices and structures to moderate potential damages or to benefit from opportunities associated with climate change.
ADB	Asian Development Bank
AFI	Alliance for Financial Inclusion
AI	Artificial intelligence
Average Annual Loss	The long-term expected loss per year averaged over many years, used to model the losses for e.g. parametric insurance. It is an indication of the amount of savings a nation needs to set aside each year to cover the cost of long-term losses from that hazard. While there may be few or no losses over a short period of time, Average Annual Loss accounts for much larger losses that may occur more infrequently.
Beneficiary	Those who benefit from protection under a (re)insurance coverage scheme. Beneficiaries may be the policyholders themselves (e.g. individual smallholder farmers and their household members); or benefit indirectly (e.g. an insurance policy held by a national or sub-national entity protecting a community against coastal flooding).
BTCA	Better Than Cash Alliance
Broker	An intermediary who negotiates (re)insurance contracts between the (re)insured and (re)insurer on behalf of the (re)insured. Brokers can be involved at various stages of the insurance value chain, providing services in risk modelling, (re) insurance programme structuring, programme placement, capital management and alternative risk transfer.
Catastrophe bond (CAT bonds)	Financial instruments that allow insurance and reinsurance companies to transfer risks related to natural disasters to capital market investors.
CatDDO	Catastrophe-Deferred Drawdown Option
CBS	Central Bank of Samoa
CDRFI	Climate and Disaster Risk Finance Instrument
CERC	Contingency Emergency Response Component

Acronym or term	Definition
Claim	A demand by a (re)insured entity for indemnity under a (re)insurance contract. A claim will be met if the injury, damage or liability at issue was caused by a (re) insured peril that is not excluded and is within the limits of the contract. Depending on the type of (re)insurance model and contract, making a claim can be more or less cumbersome for beneficiaries. In the interest of providing immediate disaster relief to poor and vulnerable communities, which may have less technical capacity to submit a claim after such an event, index-based insurance can ease the process of making a claim, as payouts are issued automatically upon the triggering of specific parametric indicators (e.g. wind speed, rainfall, earthquake magnitude, etc.). Some (re)insurance providers may still require post-payout proof of loss to avoid from losses through unnecessary payouts.
Climate and disaster risk financing and insurance	Pre-arranged financial arrangements and instruments aimed at strengthening financial resilience or providing financial protection for climate and disaster risks, including non-climate-related disaster risks such as earthquakes. Their central goal is to assist more rapidly and reliably those in need when a disaster strikes by using an array of fast-disbursing financial instruments. In addition, financial instruments like insurance can also strengthen long-term reconstruction after disasters by covering physical damages to both public and private assets, including climate-related crop losses. Beneficiaries of these schemes may include sovereign and sub-sovereign governments' disaster-related contingent liability and individuals, households and MSMEs. Common examples include budget ex ante instruments such as reserves, contingency reserves, contingent credit, shock-resistant loans and risk transfer in all forms (Sovereign Risk Pools, Sovereign Cat Bonds, insurance for agriculture, MSME income and property losses), but can also include ex post instruments such as budget reallocations or post-disaster borrowing.
Climate resilience	The ability of individuals, societies, ecosystems and countries to withstand and recover from climate change and hazard impacts. This includes the ability to adapt to, cope with and protect themselves from the effects of climate change.
Climate risks	Climate risks in a narrow sense include adverse, sudden onset, extreme weather events such as tropical storms, floods or droughts. While these risks are expected to be exacerbated by climate change, they are not primarily caused by climate change. In a broader sense, climate risks also include slow onset events such as sea level rise, glacier melting and ocean acidification, which are a direct effect of climate change. However, these risks are generally not addressed via climate risk insurance, as their slow onset character calls for different adaptation measures. Climate risks are highly complex and multifaceted and are accordingly difficult to measure regarding where, to what extent and how frequently losses and damages will occur. Providing insurance for climate risks therefore requires sound risk models to assess and price the respective risks.
Climate risk insurance	A financial risk management instrument used to transfer economic losses caused by extreme weather events from individuals/organizations to insurers or other risk-pooling entities.

Acronym or term	Definition
Complementarity	The presence of complementary (rather than duplicative) Climate and Disaster Risk Finance Instrument solutions, which collectively manage risks comprehensively, build on existing institutional frameworks and address pre-existing vulnerabilities to lower overall costs and maximize resilience. This specifically includes fostering combinations of adaptation and risk finance measures, which reduce the overall cost of both, while avoiding maladaptation. It also aims to make use and build on existing institutions embedded within national policy frameworks or socio-economic contexts on the sub-national and communal levels. Doing so also necessitates the promotion of stakeholder collaboration and coordination.
Contingent liability	A liability that may occur depending on the outcome of an uncertain future event. A contingent liability is recorded if the contingency is likely, and the amount of the liability can be reasonably estimated. The liability may be disclosed by insurers or a government with a footnote on the financial statements unless both conditions are not met.
Contingency funds	Funding put aside by governments or households for disasters.
Contingent credit	A donor or bank pre-commits to provide credit when a disaster threshold is triggered, usually to a government and often on concessionary terms.
Coverage	The scope of protection provided under a contract of insurance, and any of several risks covered by a policy.
COVID-19	Coronavirus disease caused by the SARS-CoV-2 coronavirus.
Crop insurance	Insurance coverage designed to protect farmers, processors and wholesalers from climate risks that threaten harvests. Payouts by such schemes can be delivered directly to farmers or the community more broadly depending on the mechanism's design. Crop insurance in climate-vulnerable contexts is usually implemented via index-based insurance mechanisms.
DBS	Development Bank of Samoa
DEM	Disaster and Emergency Management Act 2007
DFS	Digital financial services
Direct insurance	Insurance schemes that operate on a micro or mesoscale, where (re)insurers have contracts directly with the people or parties receiving coverage. For example, direct climate risk insurance schemes provide coverage directly to smallholder farmers instead of operating through a contract with the government.
Disaster	A serious disruption to the functioning of a community or a society causing widespread human, material, economic and/or environmental losses that exceed the ability of the affected community or society to cope using its own resources.

Acronym or term	Definition
Disaster response	Actions taken directly before, during or immediately after a disaster to save lives, reduce health impacts, ensure public safety and meet the basic subsistence needs of the people affected. Disaster response is predominantly focused on immediate and short-term needs and is sometimes called disaster relief. Effective, efficient and timely response relies on disaster risk-informed preparedness measures developed through the response capacities of individuals, communities, organizations, countries and the international community. The institutional elements of response often include the provision of emergency services and public assistance by the public, private and community sectors, as well as community and volunteer participation. "Emergency services" are a critical set of specialized agencies that have specific responsibilities in serving and protecting people and property in emergency and disaster situations. They include civil protection authorities and police and fire services, among many others. The division between the response stage and the subsequent recovery stage is not clear-cut. Some response actions, such as the supply of temporary housing and water supplies, may extend well into the recovery stage.
Disaster risk financing	The field of practice that focuses on managing the financial shocks due to natural hazards with the aim to increase the financial resilience of governments and to protect the livelihoods of the most vulnerable population. It helps minimize the costs to finance related expenditures and optimize the timing to meet post-disaster funding needs without compromising development goals, fiscal stability or well-being.
Disaster risk management	The systematic process of using administrative decisions, organizations and operational skills and capacities to implement policies and strategies to reduce the impacts of disasters on society.
Disaster risk reduction	A series of interconnected actions to minimize disaster vulnerability by avoiding (prevention) or limiting (mitigation and preparedness) the adverse effects of hazards within the broad context of sustainable development.
Distribution channel	A method of insurance delivery to a target market.
DRAT	Digital Readiness Assessment Tool
DRF	Disaster Risk Financing
DRM	Disaster Risk Management
Exclusions	Risks, perils or classes of insurance that are not covered under a contract and for which a reinsurer will not issue a payout. These risks, perils or types of insurance may be excluded for a variety of reasons—including cases where potential losses are too catastrophic to be financially feasible for the (re)insurer, risks cannot be appropriately modelled and priced, or where losses can stem from easily-avoidable behaviour or exposure. In the context of climate and disaster risk financing and insurance, exclusions in a coverage policy can be minimized by adequately embedding these mechanisms within a broader risk management approach to reduce the likelihood and severity of these risks.

Acronym or term	Definition
Expected loss	The average loss occurring for a particular (re)insurance contract, expressed in probabilistic terms (estimated likelihood), as computed by a risk model. For catastrophe risk insurance, this is usually the average loss a risk layer is expected to have on an annual basis, expressed by a percentage of the layer's limit. The expected loss is directly related to the return period: for example, a 1-in-100-year flood may equal a 1% expected loss, while a 1-in-5-year flood may correspond to a 20% expected loss. In the context of disaster risk financing, expected loss refers to the total loss to the government in infrastructure, disaster response costs, humanitarian costs etc. that a country, seeking insurance protection, is estimated to experience due to a specified peril. The total loss can be layered into different risk layers with individual expected losses to separate the risk the government wants to retain vs. the risk it wants to transfer out to insurers or capital markets.
Exposure	The total sum of human life and physical infrastructure at risk of loss resulting from the occurrence of a particular hazard or peril. In the context of an insurance contract, it refers to the total of insured assets (or the sum insured) at risk of loss resulting from the occurrence of the peril insured against at any one time.
Extreme weather events	Hazards that surpass the average weather conditions in a particular region or season, such as storms and storm surges, tornadoes, tropical, cyclones, extreme rainfall, snowfall and hail and very long periods of heat and drought. Such events are difficult to predict.
Financial inclusion	Financial inclusion means that individuals and businesses have equal access to useful and affordable financial products and services that meet their needs—transactions, payments, savings, credit and insurance—delivered in a responsible and sustainable way and offered in a well-regulated environment. There is growing evidence that increased levels of financial inclusion—through the extension of savings, credit, insurance and payment services—contribute significantly to sustainable economic growth.
Financial protection	Financial protection enables countries, policy makers and non-governmental organizations to effectively manage the cost of disaster and climate shocks while protecting fiscal balances and the welfare of businesses and households through the application of Climate and Disaster Risk Finance Instruments.
Financial system	A country's financial institutions (banks, insurance companies and other nonbank financial institutions) and financial markets (such as those in stocks, bonds and financial derivatives). It also includes the financial infrastructure, which includes, for example, credit information-sharing systems and payments and settlement systems.
GDP	Gross Domestic Product
GoS	The Government of Samoa
Hazard	A potentially damaging physical event, phenomenon or human activity that may cause the loss of life or injury, property damage, social and economic disruption or environmental degradation.
IA	Insurance Act 2007
ICT	Information and Communication Technology
IDA	International Development Association

Acronym or term	Definition
IFAD	The International Fund for Agricultural Development
IIA	International Insurance Act 1988
IMF	International Monetary Fund
Indemnity	Financial compensation that is sufficient to place the (re)insured in the same financial position after a loss as they were immediately before. This amount is generally calculated based on the ultimate net (i.e. net of any other inuring insurance) loss of the beneficiary.
Indemnity insurance	An insurance policy that pays claims based on the actual economic losses incurred by the policyholder.
Insurable risk	The conditions that make a risk insurable are a) the peril insured against must produce a definite loss not under the control of the insured; b) there must be a large number of homogeneous exposures subject to the same perils; c) the loss must be calculable and the cost of insuring it must be economically feasible; d) the peril must be unlikely to affect all insureds simultaneously; and e) the loss produced by a risk must be definite and have a potential to be financially serious.
Insurance	A financial mechanism that aims to reduce the uncertainty of loss by pooling many uncertainties so that the burden of loss is distributed. The insurer uses these funds to pay the losses (indemnities) suffered by any of the insured.
Insurance payout	The sum of money an insurance company pays to a policyholder.
Insurance premium	The monetary amount charged to an insured individual, organization or country for insurance protection. The terms of payment (i.e. payment due dates, frequency and amount to be paid) are indicated in a contract known as an insurance policy.
Insurance products	Different types of insurance agreements or policies sold by an insurer. For example, an insurer may sell car and home insurance, liability insurance, health care coverage etc.
IoT	Internet of Things
IRFF	The United Nations Development Programme's Insurance and Risk Finance Facility
Loss and damage	The adverse effects of climate variability and climate change that remain after climate mitigation and adaptation efforts to which people are not able to cope with or adapt to. Loss and damage stems from cases where 1) coping or adaptation efforts are not sufficient to avoid losses and damages; 2) coping or adaptation measures have associated costs that are not retained or compensated; 3) the gains of coping or adaptation measures are short term but do not remain long term; or 4) coping or adaptation measures are not possible.
MAF	Samoa Ministry of Agriculture and Fisheries
Market penetration	The level of uptake a particular policy or the insurance industry in general enjoys. Penetration rate is measured as the ratio of a premium underwritten in a specific year to the gross domestic product. (Re)insurers increase market penetration to promote uptake of their products and increase premium income. Generally, a high market penetration should lead to a reduced protection gap, so supporting an increased uptake of insurance can be a viable approach to strengthening the financial resilience of vulnerable people.

Acronym or term	Definition
MCO	Multi-Country Office
MCIL	Samoa Ministry of Commerce, Industry and Labour
Mitigation	Structural and non-structural measures, such as land use policies, undertaken to limit the adverse impact of natural hazards, environmental degradation and technological hazards.
MOF	Samoa Ministry of Finance
MSME	Micro, small, and medium-sized enterprises
MWCSD	Samoa Ministry of Women, Community and Social Development
ND-GAIN	The Notre Dame Global Adaptation Index (ND-GAIN) is a project of the University of Notre Dame Global Adaptation Initiative that ranks countries based on their vulnerability to climate change and other global challenges, as well as their readiness to improve resilience.
NFIS 1	National Financial Inclusion Strategy for Samoa 2017–2020
NFIS 2	National Financial Inclusion Strategy for Samoa 2022/2023–2025/2026
OECD	Organisation for Economic Co-operation and Development
Parametric insurance	A type of insurance product for which payment is based on a parametric index, triggered by the occurrence of a specific measured hazard event, such as certain magnitude of earthquake or category of cyclone. This parametric approach is common to catastrophe risk insurance to cover against major hazard events and is an alternative to traditional indemnity Insurance.
Parametric trigger	A parametric trigger is an integral component of an index-based insurance mechanism, which defines when a contract is to pay out to the policyholder. This trigger is typically based on parameters directly related to the risk that the policyholder is seeking to protect against, such as hurricane wind speed or total rainfall. These triggers must be carefully chosen to correspond accurately to specific expected losses and damages arising from the risk against which the policyholder seeks to protect themselves. The contingent nature of a parametric insurance contract—meaning that it pays out only when defined parameters are recorded or experienced—makes the payout mechanism predictable and rapid. This ensures both values for the policyholder and accurate pricing and formation of a risk management strategy for the (re)insurer.
PCRIC	The Pacific Catastrophe Risk Insurance Company
PDS	Pathway for the Development of Samoa 2021/2022–2025/2026
Peril	The possible types of climate and disaster risks i.e. wildfire, flooding, drought, tropical windstorm, earthquake etc.
PFIP	Pacific Financial Inclusion Programme
PFMA	Public Finance Management Act. The PFMA provides a framework for the management of public finances in Samoa, including provisions for budgeting, expenditure and financial accountability.
PICs	Pacific Island Countries
PICAP	Pacific Insurance and Climate Adaptation Programme

Acronym or term	Definition
Policyholder	A person or party who enters into insurance contract(s) wherein an agreed-upon person or party receives financial protection against agreed-upon events or losses in return for the payment of a premium. Policyholders may be separate from the beneficiaries of a policy if they are acting as an intermediary between the insurers and the recipients.
Preparedness	The knowledge and capacities developed by governments, response and recovery organizations, communities and individuals to effectively anticipate, respond to and recover from the impacts of likely, imminent or current disasters.
Prevention	Activities and measures to avoid existing and new disaster risks. As an element of climate adaptation and disaster risk management, preventive measures can help to avert expected losses from climate and disaster risk. By minimizing residual risk and associated costs, prevention measures can contribute to making risk financing products affordable and more cost-efficient.
Protection gap	The protection gap for (climate-related) disasters is defined as uninsured losses as a share of total losses. Two methods are usually considered: (i) actual uninsured losses as a share of actual total losses based on recent disaster events; or (ii) modelled (potential) uninsured losses as a share of modelled (potential) total losses.
Readiness	The ability to quickly and appropriately respond (to a disaster) when required.
Reconstruction	Activities to repair and restore a disaster-damaged built environment, and which can also offer opportunities to develop disaster risk-reduction measures.
Reinsurance	When the total exposure of a risk or group of risks presents the potential for losses beyond the limit that is prudent for an insurance company to carry, the insurance company may purchase reinsurance. Reinsurance has many advantages including (i) balancing the financial results of the insurance company over a period; (ii) limiting the exposure of individual risks and restricting losses paid out by the insurance company; and (iii) increasing an insurance company's solvency margin (per cent of capital and reserves to net premium income), hence the company's financial strength.
Resilience	Resilience in the context of disasters is the ability of countries, communities and households to manage change by maintaining or transforming living standards in the face of shocks or stress such as earthquakes, drought or flood without compromising their long-term prospects.
(Resilient) Recovery	The restoring or improving of livelihoods and health, as well as economic, physical, social, cultural and environmental assets, systems and activities, of a disaster-affected community or society, aligning with the principles of sustainable development and "build back better" to avoid or reduce future disaster risk.
Residual risk	Risk remaining after risk treatment. In the context of climate and disaster risk financing and insurance, this means the risk of asset or livelihood loss that remains after risk transfer options are in place.
Response costs	Total costs incurred for undertaking immediate emergency response activities required to save lives, reduce suffering, protect property and implement other immediate objectives to reduce impacts of emergencies.

Acronym or term	Definition
Return period	The probabilistic frequency at which a loss event is expected to occur expressed in years, for example, a 1-in-5-year flood or a 1-in-100-year flood. The return period is also inversely related to the severity of an event. For example, a 1-in-100-year flood is expected to have a higher severity than a 1-in-5-year flood.
Risk	The probability of harmful consequences or expected loss of lives and people injured and property, livelihoods and economic activity disrupted (or environment damaged). This is the result of interactions between natural or human-induced hazards and vulnerable conditions.
Risk assessment	A methodology to determine the nature and extent of risk by analysing potential hazards and evaluating conditions of vulnerability that could pose a potential threat or harm to people, property, livelihoods and the environment on which they depend.
Risk layering	The process of separating risk into tiers to allow for more efficient financing and management of risks.
Risk mitigation	Actions taken to reduce the probability or impact of a risk event or to reduce exposure to them.
Risk pool	From an insurer's perspective, a risk pool is a collection of sold insurance contracts with similar risk characteristics and grouped together as one financial account. It can also be used to describe a fund that has been set up between two or more insurers to co-share risk. At a community level, a risk pool is a fund to which several persons contribute regularly and seek compensation for certain types of losses, in other words a self-insured programme.
Risk retention	An individual's, party's, company's or country's decision to take responsibility for a particular risk it faces (i.e. to retain the risk), as opposed to transferring the risk over to a (re)insurance company. Risks are often retained if it is believed that the cost of doing so is less than the cost of fully or partially insuring against it. If a particular risk is retained, losses from that risk must be paid out of an individual's/party's/company's/country's reserve funds. For this reason, it is essential to ensure that they can properly afford to pay for potential losses before they decide to retain particular risks.
Risk transfer	A contractual process whereby the burden of financial loss is shifted to another party, via the use of insurance or other financing instruments, in return for a payment or premium.
SAFPROM	Samoa Agriculture & Fisheries Productivity and Marketing Project
SBS	Samoa Bureau of Statistics
SDGs	Sustainable Development Goals
SIFA	Samoa International Finance Authority

Acronym or term	Definition
Social protection	A wide set of policies and programmes that aim to reduce the impacts of shocks and stresses on members of society over the lifecycle. Social protection includes safety nets or social assistance, social insurance, labour market interventions and social services. Social protection programmes have been shown to effectively support communities and households in dealing with chronic vulnerability and poverty. Shock-responsive social protection programmes can respond flexibly in the event of an emergency and be scaled up rapidly.
SWOT Analysis	Strengths, Weaknesses, Opportunities and Threats Analysis
TALA	The tālā is the currency of Samoa. It is divided into 100 sene. The terms tālā and sene are the equivalents of the English words dollar and cent in the Samoan language. Its symbol is $, SAT$ or SAT$ to distinguish it from other currencies named dollar.
ToRs	Terms of Reference
UN	United Nations
UNCDF	United Nations Capital Development Fund
Underwriters	Refers to a) a company that receives the premiums and accepts responsibility for the fulfilment of the policy contract; b) the company employee who decides whether the company should assume a particular risk; or c) the agent who sells the policy.
Underwriting	The process of assessing risks and potential losses to negotiate an insurance contract, including which risks will be covered, under what conditions, at what value and for what premium.
UNDP	United Nations Development Programme
UNU-EHS	United Nations University Institute for Environment and Human Security
US	United States of America
Vulnerability	Characteristics and circumstances of a community, system or asset that make it susceptible to the damaging effects of a hazard.
Vulnerable countries	Countries that are particularly susceptible to climate impacts due to both exposure and adaptive capacity due to economic development levels.

Sources for Glossary of Terms

- Asian Development Bank, Natural Catastrophe Risk Insurance Mechanisms for Asia and the Pacific
- Disaster Risk Financing and Insurance Program, Glossary of Commonly Used Terms in DRF
- InsuResilience Global Partnership, Glossary
- UNDP, IRFF Methodology
- World Bank, Global Financial Development Report

Annex 2.
Web Pages Consulted

Institution	Web page
Access to Insurance Initiative	https://a2ii.org/en/home
Alliance for Financial Inclusion	https://www.afi-global.org/
Asia-Pacific Economic Cooperation	https://www.apec.org/
Asian Development Bank	https://www.adb.org/where-we-work/samoa
Asian Development Bank Institute	https://www.adb.org/adbi/main
Asia Regional Integration Center	https://aric.adb.org/
Bank for International Settlements	https://www.bis.org/search/index.htm?globalset_q=insurance
Center for Financial Inclusion ACCION	https://www.centerforfinancialinclusion.org/
Central Bank of Samoa	https://www.cbs.gov.ws/
Central Banks and Supervisors Network for Greening the Financial System	https://www.ngfs.net/en
Consultative Group to Assist the Poor (CGAP)	https://www.cgap.org/
COP26 The Glasgow Climate Pact	https://webarchive.nationalarchives.gov.uk/ukgwa/20230401054904/https://ukcop26.org/
Country Reports	https://www.countryreports.org/country/Samoa/geography.htm
The Commonwealth of Nations	https://www.commonwealthofnations.org/country/samoa/
ESCAP Economic and Social Commission for Asia and the Pacific	https://www.unescap.org/search?search_api_fulltext=samoa
Financial Access Initiative	https://www.financialaccess.org/
Global Development Research Center	http://www.gdrc.org/
FinDev Gateway	https://www.findevgateway.org/country/financial-inclusion-samoa
Global Federation of Insurance Associations	https://gfiainsurance.org/publications
Global Shield Financing Facility	https://www.globalshield.org/
Impact Insurance Program - International Labour Organization	https://www.ilo.org/global/topics/employment-promotion/social-finance/impact-insurance/lang--en/index.htm
The International Fund for Agricultural Development	https://www.ifad.org/en/web/operations/w/country/samoa
International Monetary Fund, Financial Access Survey	https://data.imf.org/?sk=e5dcab7e-a5ca-4892-a6ea-598b5463a34c

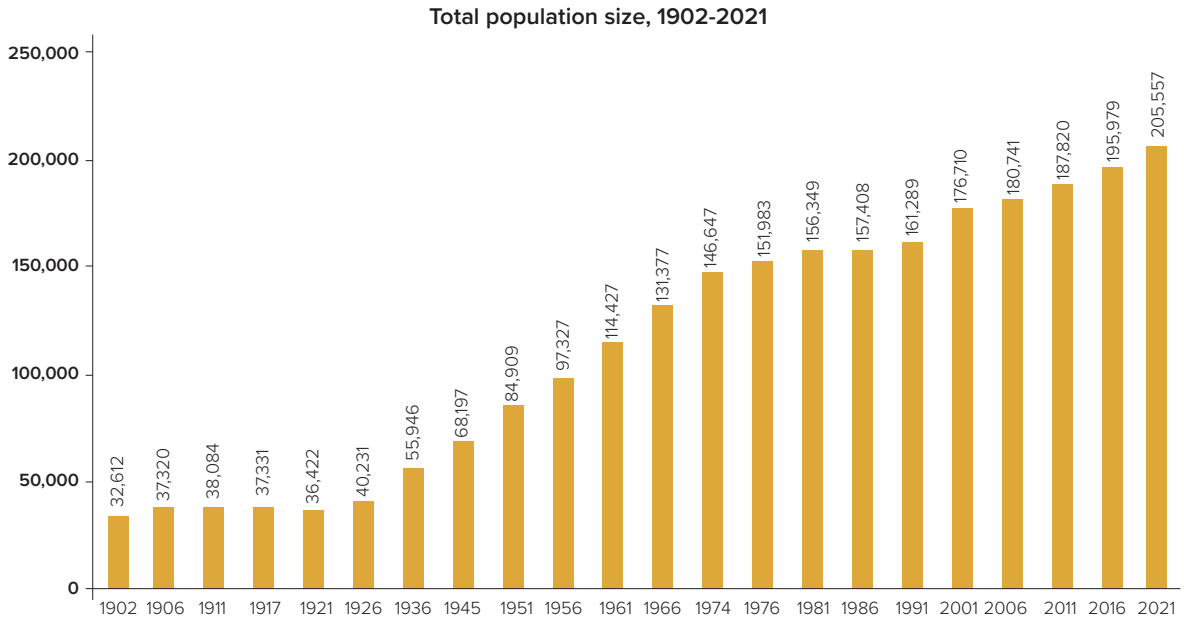
Institution	Web page
International Sustainability Standards Board	https://www.ifrs.org/groups/international-sustainability-standards-board/
Insurance and Risk Finance Facility - UNDP	https://irff.undp.org/
Insurance Development Forum	https://www.insdevforum.org/
InsuResilience Global Partnership for Climate and Disaster Risk Finance and Insurance Solutions	https://www.insuresilience.org/knowledge/
Microinsurance Network	https://microinsurancenetwork.org/resources
Munich Climate Insurance Initiative	https://climate-insurance.org/
MunichRe Foundation	https://www.munichre-foundation.org/en.html
Ocean Risk and Resilience Action Alliance	https://oceanriskalliance.org/resources/
Pacific Catastrophe Risk Insurance Company	https://pcric.org/
Samoa Bureau of Statistics	https://www.sbs.gov.ws/
Samoa Ministry of Finance	https://www.mof.gov.ws/
Samoa Ministry of Natural Resources and Environment	https://www.mnre.gov.ws/
Samoa Ministry of Justice	https://www.mjca.gov.ws/
Samoa Ministry of Women, Community, and Social Development	https://www.mwcsd.gov.ws/publication.html
Sustainable Insurance Facility - V20	https://v20sif.org/
United Nations Capital Development Fund	https://www.uncdf.org/
United Nations Development Program	https://www.undp.org/
United Nations Office for Disaster Risk Reduction	https://www.undrr.org/
United Nations Framework Convention on Climate Change	https://unfccc.int/gcse?q=samoa
United Nations University, Institute for Environment and Human Security	https://ehs.unu.edu/
The World Bank	https://www.worldbank.org/en/home
World Economic Forum	https://www.weforum.org/
The World Food Programme	https://www.wfp.org/

Annex 3.
Samoa Bureau of Statistics Population and Housing Census 2021

According to the Population and Housing Census 2021 (SBS, 2022), the total population of Samoa was 205,557 individuals. The main period of population growth was registered from 1945 to 1971 (see Graph 9), during which it increased from 68,100 to 146,600 people.

GRAPH 9.

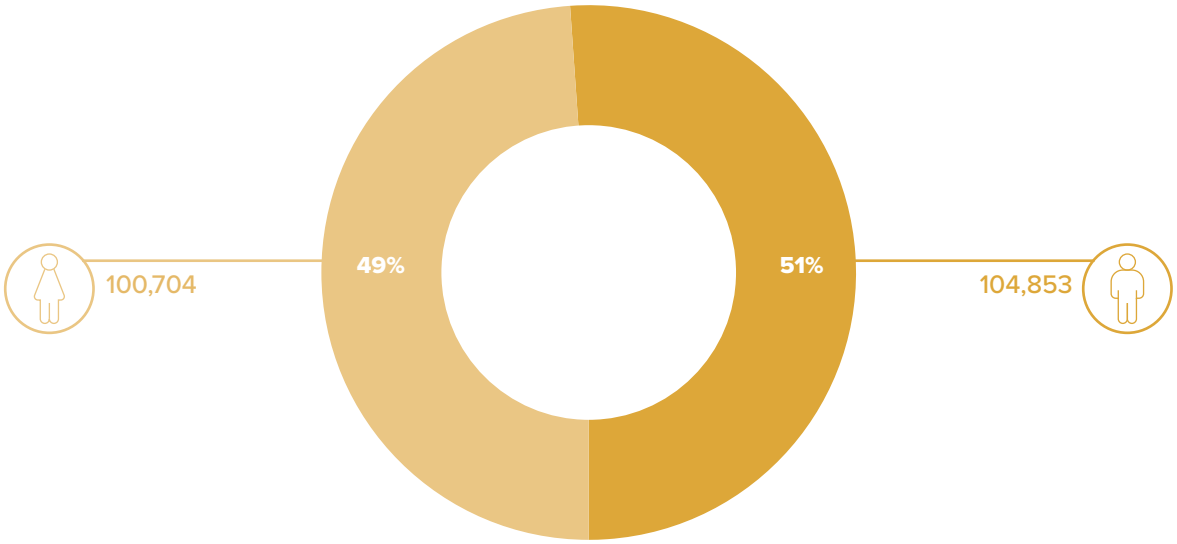
Samoa's population by size (1902–2021)



Source: SBS, 2022. Samoa Population and Housing Census 2021. Available at https://sbs.gov.ws/documents/census/2021/Factsheet-Samoa-PHC2021SBS_21112022_v4FINAL.pdf

The distribution of the population by sex is very homogeneous (see Graph 10).

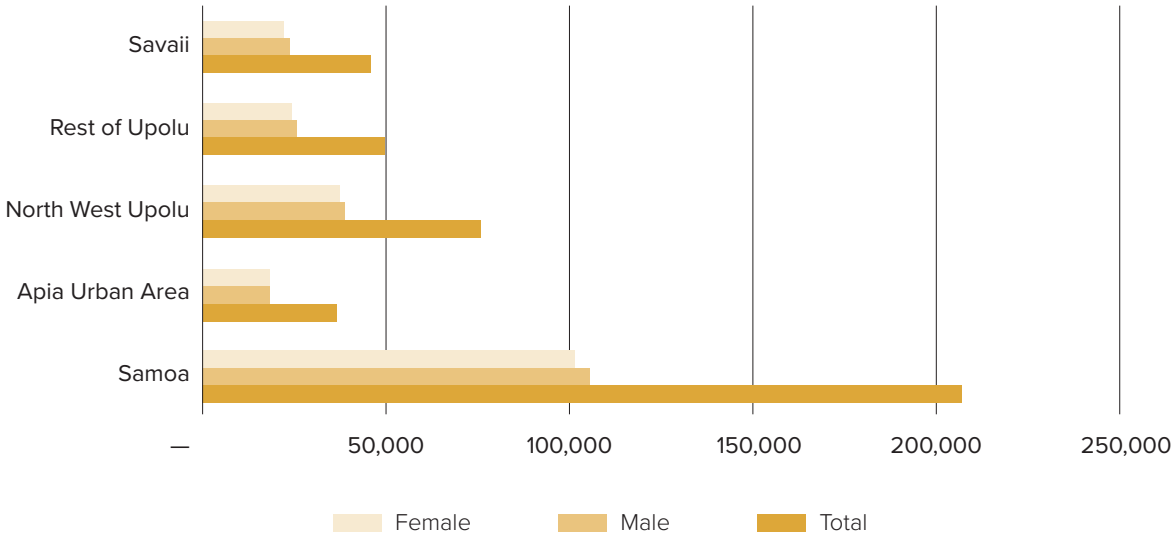
GRAPH 10.
Samoa's population by sex (2021)



Source: SBS, 2022. Samoa Population and Housing Census 2021. Available at https://sbs.gov.ws/documents/census/2021/Factsheet-Samoa-PHC2021SBS_21112022_v4FINAL.pdf

Most of the population resides in the North West Upolu region (see Graph 11).

GRAPH 11.
Samoa's population by place of residence and sex (2021)

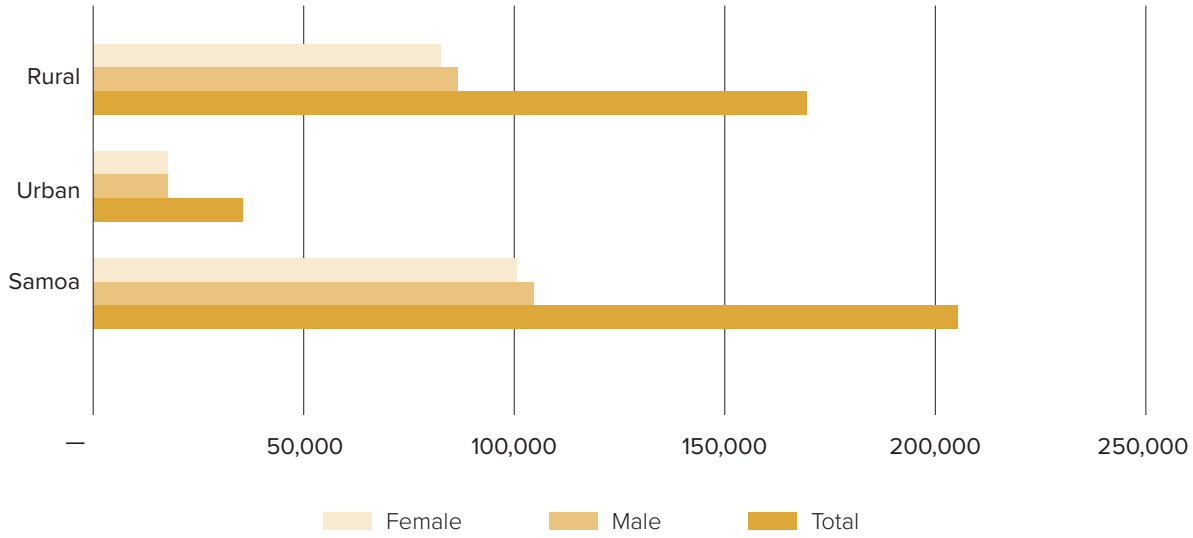


Source: SBS, 2022. Samoa Population and Housing Census 2021. Available at https://sbs.gov.ws/documents/census/2021/Factsheet-Samoa-PHC2021SBS_21112022_v4FINAL.pdf

The majority of Samoa's population (82 per cent) lives in rural areas, with a total of 169,600 people; the rest lives in urban areas, with a total of 36,000 thousand people (see Graph 12).

GRAPH 12.

Samoa's rural and urban population by sex (2021)

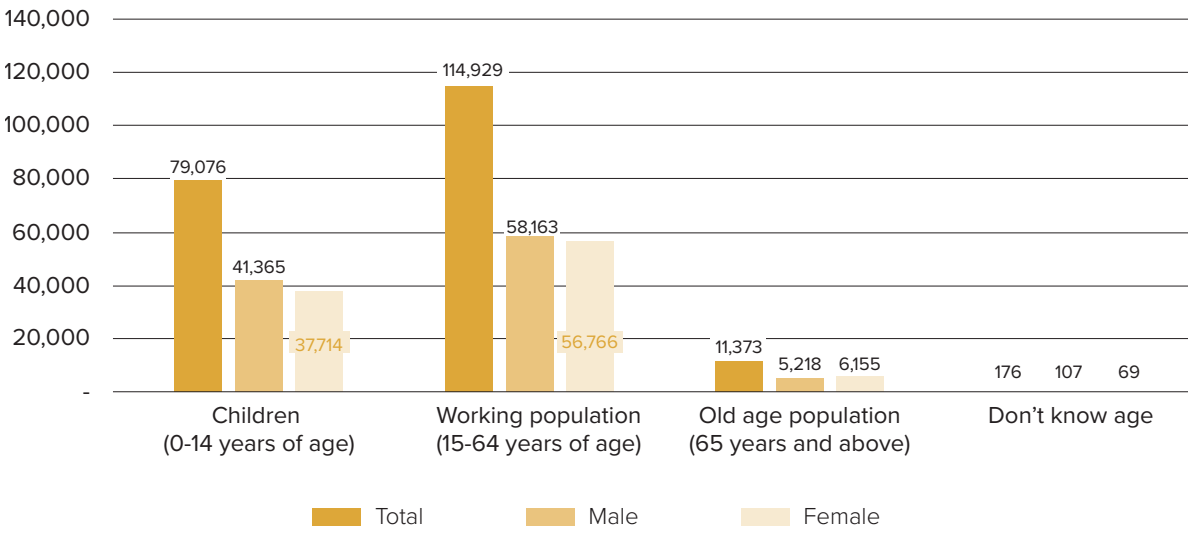


Source: SBS, 2022. Samoa Population and Housing Census 2021. Available at https://sbs.gov.ws/documents/census/2021/Factsheet-Samoa-PHC2021SBS_21112022_v4FINAL.pdf

The majority of Samoa's population is of working age, with 114,929 people divided between 58,200 male and 56,800 female individuals (see Graph 13).

GRAPH 13.

Samoa's population structure by age group (2021)

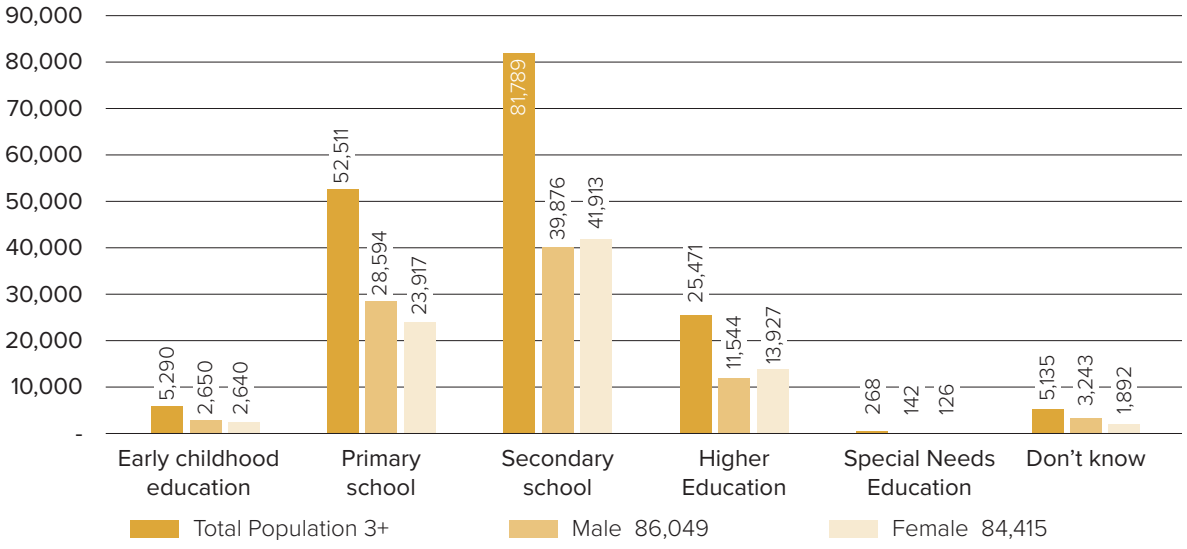


Source: SBS, 2022. Samoa Population and Housing Census 2021. Available at https://sbs.gov.ws/documents/census/2021/Factsheet-Samoa-PHC2021SBS_21112022_v4FINAL.pdf

In terms of education level, the majority of Samoans attended secondary school, with a total of 81,800 individuals divided between 41,900 females and 39,900 males. Only 14.9 per cent of the population had higher education (see Graph 14).

GRAPH 14.

Samoa's school attendance (2021)



Source: SBS, 2022. Samoa Population and Housing Census 2021. Available at https://sbs.gov.ws/documents/census/2021/Factsheet-Samoa-PHC2021SBS_21112022_v4FINAL.pdf

Annex 4.
Poverty in Samoa

UNDP Samoa Multidimensional Poverty Index 2022

The UNDP Samoa Multidimensional Poverty Index 2022 (UNDP, 2023) is based on the country's health, education and living standards dimensions. The study highlights regional disparities, emphasizing the need for targeted policy interventions. It reveals that:

- Of Samoa's population, 24.9 per cent is multidimensionally poor, experiencing an average intensity of deprivation of 43.9 per cent.
- In terms of the percentage share of each of the 12 indicators used, the following three indicators contribute the most to national poverty and deprivation:
  - Food security (18.4 per cent),
  - Main source of drinking water (16.2 per cent) and
  - Internet connection (12.1 per cent).

In terms of dimensions, multidimensional poverty is mainly due to living standards (41.7 per cent), followed by health (37.9 per cent) and education (20.5 per cent).

Borgen Project Analysis

According to an analysis performed by the Borgen Project in 2021, there are eight key issues that contribute to inequality and poverty in Samoa:

1. Imbalance of education, opportunities and social benefits among people living in urban and rural areas (approximately 18 per cent and 82 per cent, respectively)
2. Rural households have a greater risk of infectious diseases spreading
3. While the national literacy rate for the country of Samoa is at a high 97 per cent, there is a disparity in the quality of education between rural areas and urban areas of the island
4. Nearly 72 per cent of the Samoan population does not have access to the internet
5. Natural disasters threaten Samoa's agriculture
6. The unemployment rate in Samoa is only 8.4 per cent; however, among youth between the ages of 15 and 29, it is 16.8 per cent
7. The high rates of domestic violence in Samoa can lead to more poverty for its victims, which can be especially disadvantageous to lower-income women
8. Jobs lost and suspended business operations during COVID-19 pandemic, increasing poverty rates

To contribute to the solution of these key issues, various organizations are addressing poverty in Samoa. Such as IFAD through Samoa Agriculture & Fisheries Productivity and Marketing Project (October 2019), providing $30 million to help increasing the incomes of rural families and infrastructure. Through the work of humanitarian organizations in the country, Samoa can address poverty and create a more economically and socially empowered population.

Social indicators

Education

The educational system in Samoa is inspired by the New Zealand model, with the GoS, particularly the Ministry of Education and Culture (MEC), undertaking the responsibility for public education. According to the 2021 Population and Housing Census of 2021 results, (the adult literacy rate (population 15 years and over), reached 87.4 per cent in English language and 96.9 per cent in Samoan language.

According to the Education Digest issued by MEC in 2023, Samoa's education system comprises of four main levels (ECE, Primary, Secondary, and Tertiary). Every child in Samoa with equal access opportunity for both males and females, must attend school from early childhood education at ages four until age sixteen. Samoa has 215 registered public, missionary and private primary and secondary schools, while the total number of colleges is 42.

Labour and health system access

Labour

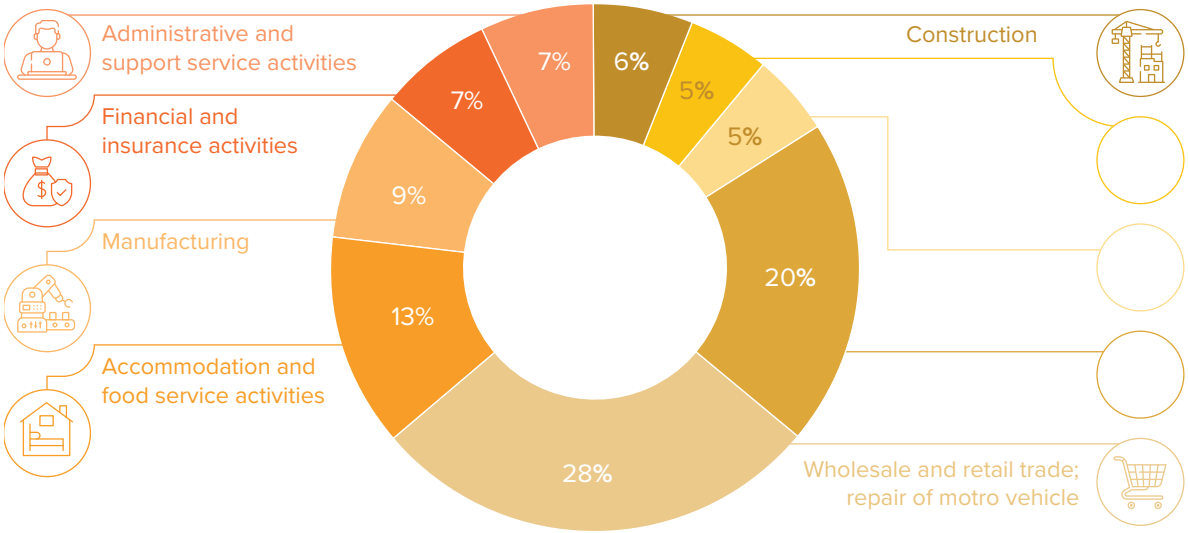
The Samoan Ministry of Commerce, Industry and Labour's 2022 Labour Market Survey analysed answers from 1,072 employers (82 per cent of total invitees). A summary of the results is provided below.

Formal private sector staff

There were 14,044 employees, of whom 46 per cent were women, where 46 per cent were in the age range between 30 and 49 years. They were primarily employed in wholesale and retail trade; accommodation and food services activities; manufacturing; and financial and insurance activities (see Graph 15).

GRAPH. 15.

Formal private sector workforce by major industries (2022)



Source: Samoa Ministry of Commerce, Industry and Labour, 2022. Samoa Labour Market Survey – Private Sector Employers Report 2022. Available at https://www.mcil.gov.ws/wp-content/uploads/2024/02/LMS-2022-FINAL-REPORT.pdf.

Regarding occupation, those employed as service and sales workers stand out with 26 per cent; 14 per cent were employed as managers; 13 per cent were employed as basic workers; 12 per cent were employed as technicians and associate professionals; and 10 per cent were employed as administrative support workers.

Regarding wages, 3,321 employees (23 per cent of the workforce) earnt the lowest wage payable by employers. Of these, 1,475 employees (44 per cent) received the mandatory minimum wage of SAT 3 per hour; 1,766 employees received between SAT 3.01 to 6.61 per hour; and 80 employees (2 per cent) received a salary lower than the mandatory minimum wage.

Of the employers surveyed, 63 per cent offered other forms of remuneration to their employees in addition to their normal salary such as bonuses, commissions or vouchers.

Public sector staff

There were 5,855 public-sector employees, of which 40 per cent were women. The average age was 30 years old.

Consolidated workforce (private and public sector)

The size of the total formal workforce was 19,899 employees, of which 44 per cent were women. The average weekly earnings across different industrial groups were SAT 292.76 (SAT 166.03 for men and SAT 126.52 for women).

Of those surveyed, 92 per cent agreed that they receive fair compensation; 86 per cent agree that there is no gender pay discrimination.

Healthcare in Samoa

Climate change can have direct and indirect effects on health in Samoa, including shortages of drinking water and food and an increase in communicable diseases.

The healthcare system is centralized, with the Ministry of Health providing primary, secondary and specialized care. It includes subsidized basic healthcare with potential out-of-pocket costs. According to the Ministry of Health Corporate Plan FY2020/21 – FY 2022/23, the Ministry of Health (MOH) commits to ensure accessible, equitable, and affordable health services in hospitals and community health centres to all people in Samoa with fairness. The MOH delivers comprehensive people-centred preventative, promotive, curative and rehabilitation services through district and community health services, national health programs wellness, health, education and health promotion, and health protection and enforcement services

Samoa's healthcare system is public but not always accessible, and private healthcare providers are more expensive. Access can be particularly challenging in remote areas, where transportation to health facilities and the availability of medical professionals can be limited.

According to the World Bank's Samoa Health System Strengthening Program, climate change presents a significant threat to healthcare facilities. Extreme weather events not only increase the demand for emergency health services but can also damage health care facility infrastructure and disrupt service provision.

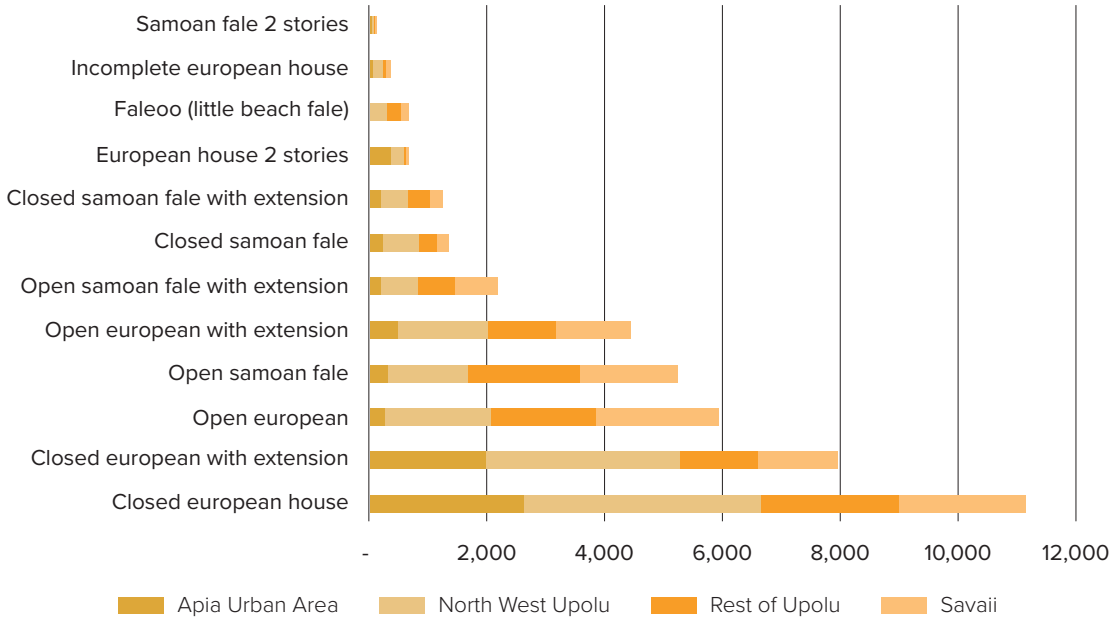
Since 2016, the World Bank, the Ministry of Health in Samoa and the Samoan Disaster Management Office having been collaborating to assess hospitals' disaster resilience. A range of factors are reviewed, including structure, proximity to hazard zones, hospital accessibility, backup power and water, and communication. Recommendations from these assessments emphasize the importance of disaster plans and continuous risk assessments for all health facilities. Resource disparities between the main referral hospital and primary healthcare facilities were notable, which can lead to challenges in managing chronic non-communicable diseases (World Bank, 2019).

Housing quality

In the 2021 SBS Census of Population and Housing, of a total of 41,176 reported houses, closed European houses represented 27 per cent of the total (see Graph 16).

GRAPH 16.

Total houses by type (2021)



Source: SBS, 2022. Samoa Population and Housing Census 2021. Available at https://sbs.gov.ws/documents/census/2021/Factsheet-Samoa-PHC2021SBS_21112022_v4FINAL.pdf

Most houses are built with galvanized iron sheets or thatch/palm leaves for roofing and wooden planks; only 2.6 per cent have cement roofs. The materials used for roofs and walls represent a hazard in case of extreme winds during tropical cyclones, and could be renovated using metal and concrete roofing, or at least improved thatched roofs using resilient binding materials. Walls could be built with reinforced concrete or masonry, fibre cement boards, cross laminated timber or compressed earth blocks, using designs that minimize wind exposure and consider cost-effective materials, flexibility, cross-bracing structures and strength under cyclonic forces.

Access to water and quality nutrition

Access to water

According to a UN Resident Coordinator blog entry in UN News called Water, source of Samoa's 'cultural identity and national wealth, published in March 2023, despite abundant rainfall, challenges in waste management and infrastructure severely limit access to clean water in Samoa. Only 55 per cent of PIC's populations have basic drinking water, with merely 30 per cent having access sanitation services—the world's lowest rate. Improving water quality is a central, cross-cutting priority that helps protects communities and prevent disease.

Improving the quality of this critical resource begins by integrating all relevant policies and strategies on climate change into one overarching framework. This includes ocean management, socio-economic development, waste management and biodiversity conservation.

The Triple Planetary Crisis Response Plan in Samoa and across the Pacific uses targeted interventions to improve water quality. It includes the Vai O Le Ola ("water of life") Trust Fund and Knowledge Crowdsourcing Platform, as well as programmes on Innovative Climate and Nature Financing; Social Entrepreneurship for Climate Resilience; Community Access to Clean Energy; and Zero Plastic Waste. (https://www.ungeneva.org/en/news-media/news/2023/03/79327/water-source-samoas-cultural-identity-and-national-wealth-un-resident)

As part of the Ocean 2030 Strategy, the GoS has also committed to investing in a healthy ocean with a Marine Protected Area expanding to 30 per cent of its Exclusive Economic Zone (UN News, 2023).

Quality Nutrition

The UN Food and Agriculture Organization's report Samoa - Food and Nutrition Security Profiles of 2012 noted that Samoa witnessed an increase in per capita GDP and Dietary Energy Supply. This led to a decrease in undernourishment, with only 1 per cent of young children being underweight. However, there was public health concern regarding obesity due to the rising consumption of animal source foods, vegetable oils and sugars. (FAO, 2012)

According to Samoa's Food System Pathway 2030 issued by GoS in September 2021, the country is currently self-sufficient in several food groups. However, current and future trends, vulnerability to climate change and susceptibility to shocks and other threats—as well as the inherent limitations of an island and small economy—present Samoa with many challenges in ensuring sustainable food systems that can cater for its growing population.

The Samoan diet is not nutritionally balanced and falls short of the required micronutrients. The consumption of fruits and vegetables is low. The majority (61 per cent) of food consumed at home is purchased, with only 37 per cent of the top 30 food items (by share of expenditure) locally produced. This suggests a large consumption of food imports. Prices influence consumption, and preferences for (mostly imported) modern foods over traditional cuisine are influenced by lower costs and convenience.

Most local people rely on domestic farming to cope with the strain on finances and to ensure food security. Building the resilience of local people and the economy is about building the food systems that can withstand and recover from shocks and stressors. The adoption and implementation of effective social protection measures is needed to provide contingent responses to and safety nets for the impacts of shocks on food supply and consumption (MAF, 2021).

Annex 5.
Samoa's Economic Outlook

According to the CBS, Samoa's political stability is projected until at least 2026, when the next general elections will take place.

The 2023 Organisation for Economic Co-operation and Development report "Samoa's ocean economy: economic trends, impact of recent crises and sustainability stressors" highlights that Samoa's economy relies heavily on tourism, fishing and shipping. However, it faces challenges from natural disasters and external shocks, for example a measles outbreak in 2019.

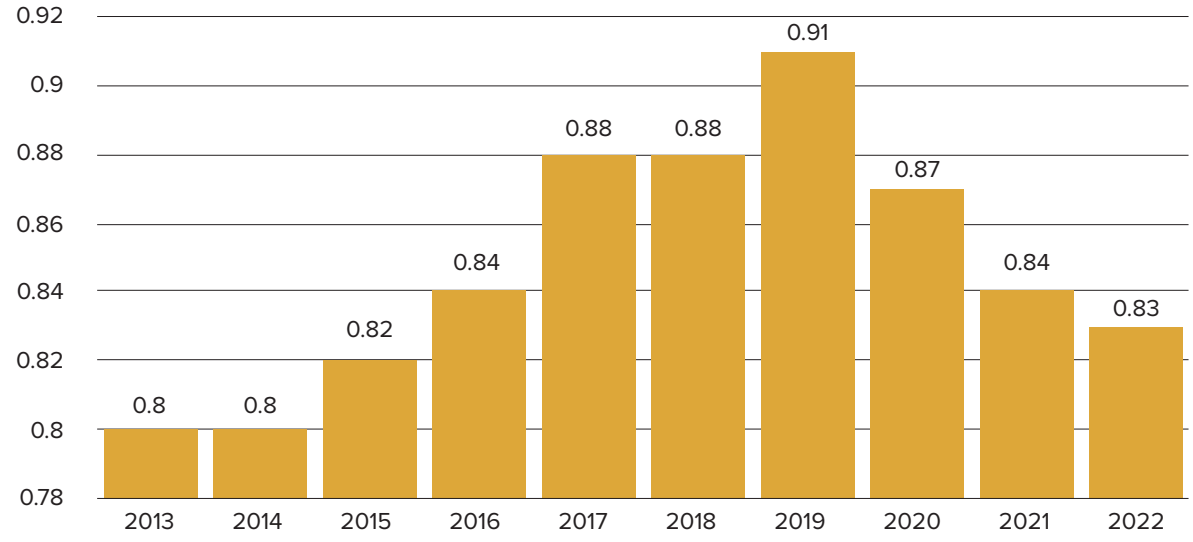
Samoa's ocean economy is growing, but it needs to balance economic growth with social and environmental considerations for sustainable development. The long-term development strategy prioritizes tourism and fisheries, recognizing their interdependencies with other sectors for job creation and income generation (OECD, 2023).

The GDP of Samoa was worth $0.83 billion in 2022 (see Graph 4), according to data from the World Bank. Inflation was 11.3 per cent in October 2022. Economic challenges, rooted in a prolonged recession, stem from the measles outbreak (2019) and COVID-19, impacting GDP negatively.

The reopening of international borders in 2022 initiated an economic recovery, but uncertainties linger due to the Russia-Ukraine conflict. Policy options include tightening monetary measures for price stability or adopting an expansionary approach to foster economic growth. Balancing inflation concerns with supporting local businesses is crucial, emphasizing the importance of coordinated fiscal and monetary policies to navigate Samoa's recovery path. The CBS will closely monitor economic indicators for adaptive responses in the evolving landscape (CBS, 2023a).

GRAPH 17.

Gross Domestic Product in Samoa Billions, US Dollars



Source: Trading Economics Samoa GDP - 2023 Data - 2024 Forecast - 1982-2022 Historical - Chart - News (tradingeconomics.com)

The closure of Samoa's international borders in March 2020 resulted in a complete loss of visitor earnings, as well as loss of employment opportunities for many working in the tourism industry. However, this was offset by a pickup in remittances and seasonal workers income due to more opportunities offered by New Zealand and Australia. In addition, Samoa received large inflows of aid grant funds for

its COVID-19 Response. There were also general budget support funds from its usual development partners, like the World Bank and the ADB, and its bilateral partners Australia, Japan, New Zealand and the People's Republic of China.

Similarly, the domestic financial system was relatively resilient and sound despite the negative impact of the COVID-19 pandemic on employment and production. The commercial banks remained well-capitalized and offered relief assistance to their various clients during the pandemic (IMF 2023a).

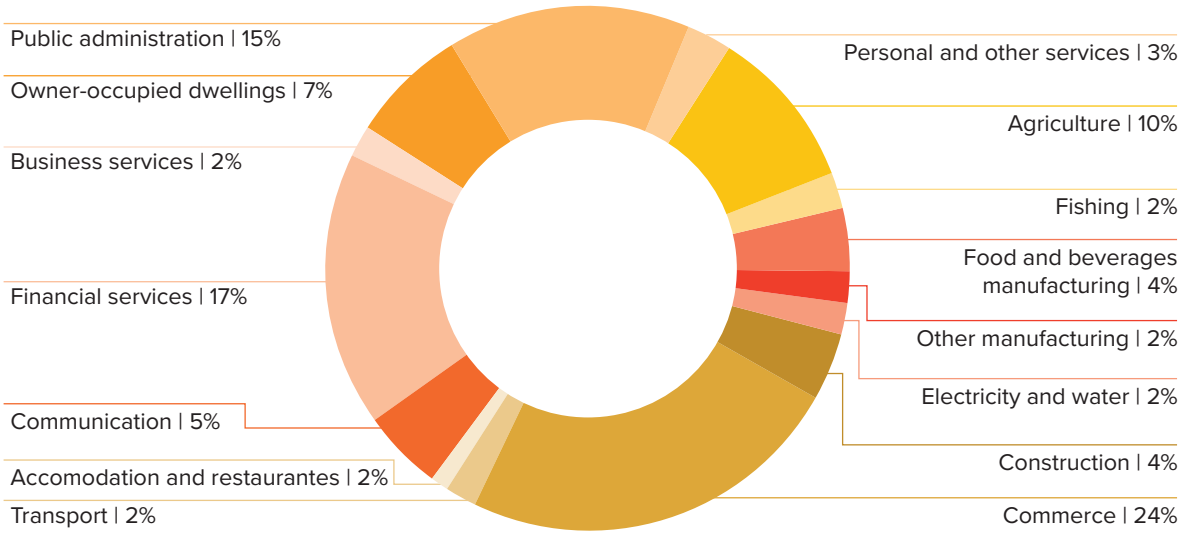
Composition and trends of Samoa's ocean economy

Increasing investments is essential to ensure Samoa's long-term future resilience and growth. However, government´s budget limitations mean that the viability of these investments depends on access to additional grant funding.

Samoa's economy relies heavily on external transfers, including official development assistance and remittances from Samoans living abroad. Tourism is an increasingly important sector of the economy.

The tertiary sector represents 70 per cent of Samoa's GDP, and within it trade and financial services are the leading industries. Agriculture and fishing contribute to a lesser extent to the economy, and the personal and other services represents a relatively modest 3 per cent of the country's GDP (see Graph 18).

GRAPH 18.
Sectors by branch of activity (2022)

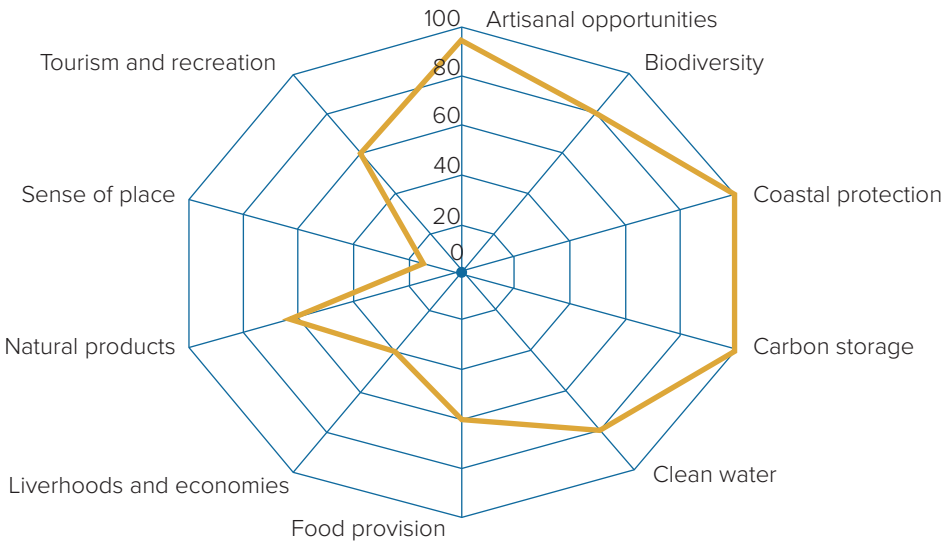


Source: Samoa Statistics Office, 2022. National Accounts 2022. Available at https://www.sbs.gov.ws/national-accounts/

Samoa's ocean economy can drive improvements in environmental, economic and social outcomes. It performs well on coastal protection, carbon storage, clean water and biodiversity, but worse on livelihoods and economies, food supply, sense of place and tourism (see Graph 20).

GRAPH 19.

Samoa's Ocean Health Index Performance



Note: A higher score indicates better performance along the dimensions measured (100 = highest, 0 = lowest).
Source: Halpern and others, *An index for assessing the health and benefits of the global ocean* (2012). Available at https://doi.org/10.1038/nature11397.

Samoa's long-term government development strategy identified tourism and fisheries as two priority areas for economic development. These sectors have important links with other economic sectors and can generate additional jobs and income.

Despite its socio-economic importance, Samoa's fishing industry is limited by structural factors. However, several emerging sectors could open new economic opportunities.

The ADB's 2023 report Skilled Labor, Finance, Data Support are Key for Micro, Small, and Medium-Sized Enterprise Development in Samoa emphasizes the determining role of MSMEs in Samoa's post-COVID-19 recovery and growth, underscoring the need for policy and data support. The ADB has provided substantial support for the country's infrastructure development, and its recommendations include formalization of small businesses, worker reskilling, digital integration, economic diversification and enhanced financing access.

Samoa's MSMEs account for over 96 per cent of all enterprises, and are mostly in wholesale and retail trade, transportation and communications and tourism-related businesses. Finance is key to boost MSME dynamism.

Samoa's MSME Development Policy and Strategy 2020 sets strategic goals for regulatory framework development, business advisory, access to finance, enabling infrastructure, skilled labour and entrepreneurship and innovation.

The re-opening of international borders on 1 August 2022 has provided the much-needed pickup in domestic economic activities across all sectors. However, the current rise in outlook on inflation levels, coupled and a modest recovery in economic activity (as measured by real GDP), are factors to take into consideration for the CBS's monetary policy. Two alternatives are proposed:

1. Ensure price stability, which would mean the CBS tightening monetary policy to raise interest rates to cut commercial bank lending and reduce the level of money supply in the economy. Theoretically, this will reduce domestic demand and ultimately bring down inflation. However, tightening monetary policy can also have a negative impact on economic growth.
2. Support the CBS's economic growth objectives by loosening or expanding monetary policy. On one hand, this could encourage commercial banks to lend to businesses so that production and employment can expand, growing the

Samoan economy at the same. On the other, it may result in more money circulating in the economy and drive up inflation.

Fiscal policy measures can be considered and implemented to address the problem of rising cost of living. Targeted fiscal assistance to the most vulnerable and hardest-hit sectors of the economy (e.g. low-income families, pensioners) can provide some relief from the high cost of living. This includes applying differentiated tax rates; temporary exemption from tax payments; providing partially subsidized inclusive microinsurance; and strengthening government social assistance programmes for the most vulnerable population.

For now, the CBS will maintain its expansionary monetary policy stance to push and support Samoa's economic recovery. It will continue to coordinate with the GoS on alternative measures, such as potential targeted fiscal assistance for vulnerable groups, to relieve the current high costs of living and inflationary pressures. It will, however, continue to closely monitor all available information and economic indicators as they become available and will take the appropriate actions within its mandate should circumstances change (CBS, 2023a).

The IMF expects that tourism will resume, remittances will increase, public investment will increase and construction activity will revive, supporting GDP growth of over 3 per cent in 2025 (IMF 2023a).

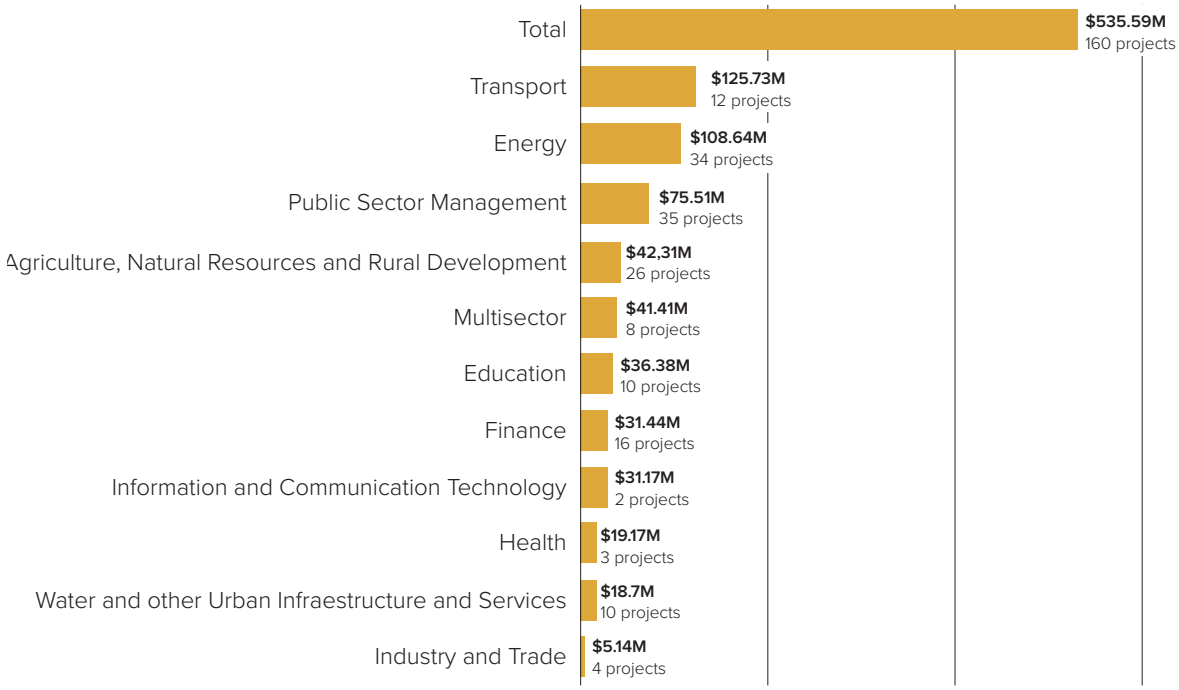
Annex 6. ADB Commitments in Samoa

The ADB's role is crucial in fostering economic growth and resilience in Samoa. It has committed a total of $496.89 million as of 31 December 2023 through public sector loans, grants and technical assistance, with $327.11 million disbursed. The focus of the ADB's assistance includes renewable energy, transport, health and disaster resilience, with particular attention to addressing the economic impact of health crises like measles outbreak of 2019 and COVID-19 (ADB, 2023b). From this total, a sum of $31.44 has been destined to Finance and Microfinance projects.

"The ADB assistance to Samoa focuses on land and maritime transport, health, agribusiness, and disaster resilience. The dual health crises [measles and COVID-19] significantly impacted Samoa's economy. In response, the ADB provided $20 million for the Health Expenditure and Livelihoods Support Program and another $1.5 million through the Asia Pacific Disaster Response Fund financed by the Government of Japan" (ADB, 2023b).

GRAPH 20.

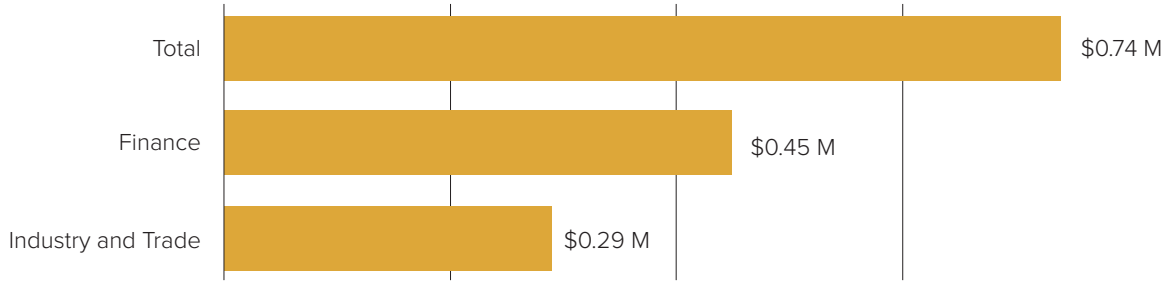
Cumulative Asian Development Bank Commitments (2023)



Source: Asian Development Bank, 2023. ADB and Samoa: Fact Sheet (April 2023). Available at https://www.adb.org/countries/samoa/overview

GRAPH 21.

Short-term Asian Development Bank-financed commitments (f) (2023)



Source: Asian Development Bank, 2023. ADB and Samoa: Fact Sheet (April 2023). Available at https://www.adb.org/countries/samoa/overview

a. Grants and technical assistance (TA) include ADB-administered cofinancing.

b. Include loans, grants, TA, and private sector programs.

c. Using the primary sector in reporting of commitments

d. From 2020, financing for TA projects with regional coverage is distributed to their specific developing member countries where breakdown is available.

e. Numbers may not sum precisely because of rounding.

f. Short-term ADB financed commitments from private sector programs with maturity of less than 365 days.

Annex 7.
Samoa's Climate Risk Profile

Overview

Post-disaster recovery can impose multiple levels of liability on the public sector, which can lead to deterioration of a government's fiscal position. Understanding immediate reconstruction and recovery costs is essential for selecting appropriate financial instruments to recover from disasters. The most cost-effective method to finance disaster recovery is to leverage a range of tools, designed to address different levels of risks; these include insurance policies, contingent credit lines and national disaster funds (ADB, 2018).

The World Bank Group's Regional Partnership Framework aims to strengthen resilience to natural disasters and climate change. It does this through interventions such as vulnerability assessment and disaster risk planning, financing and insurance initiatives and support to resilience building interventions. Short- and long-term recovery efforts should prioritize investments that boost jobs and economic activity; have positive impacts on human, social and natural capital; protect biodiversity and ecosystems services; boost resilience; and advance the decarbonization of economies (The World Bank Group, 2021b).

Green, inclusive and resilient recovery

Samoa is highly vulnerable to climate change impacts, ranking 109th out of 182 countries in the 2022 ND-GAIN Index. To reduce this vulnerability, investments in job creation, natural capital, biodiversity protection and decarbonization should be made.

Samoa's climate is characterized by high rainfall and humidity, near-uniform temperatures, south-easterly trade winds and tropical cyclones, with two seasons marked by differences in rainfall.

Precipitation

Mean rainfall has increased in Samoa since 2006. Extreme rainfall events are expected to become more frequent and intense due to global warming.

Heat waves and heat-related mortality

Samoa is projected to experience more heat waves, with serious implications for marine ecosystems and livelihoods. Climate change is also expected to cause an increase in heat-related deaths among the Samoan population, particularly the most vulnerable.

Flood, cyclones and storm surge

Samoa is at risk of tropical cyclones, tsunamis and floods, and economic losses have reached up to 46 per cent of GDP during major events. Climate change is projected to decrease overall cyclone frequency but increase the intensity and frequency of the most extreme events.

Samoa's water resources are vulnerable to climate change, and droughts and flooding can cause shortages and damage to infrastructure: water rationing can be enforced to compensate for inconsistent rainfall; higher temperatures cause rapid water evaporation; and salt water can contaminate ground water and coastal springs as sea levels rise.

The effect of flooding upon water quality and quantity in the urban areas is exacerbated by extensive forest clearance within the uplands of the watersheds to the south of the capital, Apia.

The coastal zone

Sea level rise is projected to affect Samoa's coastal zones causing erosion, flooding and infrastructure damage. This will have a negative impact on public health, as well as access to fresh water.

Samoa is already experiencing sea level rise of 5.2 mm per annum, and this is projected to increase over the course of the 21st century.

Coral reefs and fisheries

Calcium carbonate is essential for marine organisms such as plankton, coral reefs and shellfish. However, rising carbon dioxide levels can

reduce its saturation, leading to damage to coral and fisheries. Ocean acidification and warmer sea surface temperatures are also serious issues. Each of these risks is expected to worsen because of climate change.

Island ecology

Sea level rise threatens humans residing on Pacific islands, as well as their unique ecosystem functions and ecology. In an island environment, the capacity for species to adapt is extremely limited and as such loss and extinction are becoming increasingly likely.

Agriculture and food

Climate change is negatively impacting Samoa's agricultural sector, which is already challenging due to increased incidence of pests and pestilence, reduced yields and damage to crops. This threatens food security and the health and productivity of workers.

The projected impacts of climate change include extended periods of drought and loss of soil fertility, which will seriously affect agriculture and food security, and tropical cyclones bringing flooding and winds that will damage crops.

Samoan exports are limited to agricultural produce and marine resources, and the country faces major barriers realizing its export potential. The susceptibility of the agriculture sector to climate variability and change is further exacerbated by limited arable land and vast distances from mainland markets.

Tourism

Tourism has grown significantly in Samoa, being the largest source of foreign exchange, but climate change may affect visitor arrivals. For example, research is needed to better understand the potential impacts of rising sea levels, loss of reefs and coastal erosion on recreational diving.

Poverty, inequality and vulnerability to climate-related disasters

Samoa is considered a developing country, and the impacts of climate change are likely to disproportionately affect the poorest groups in society. For instance, poorer farmers and communities are least able to afford local water storage, irrigation infrastructure and adaptation technology. This is primarily due to differences in time use, access to assets and credit and treatment by formal institutions.

Disease and general health

Socio-economic development and health interventions are driving down burdens of several infectious diseases. However, through more frequent and severe flooding or cyclonic activity, climate change is projected to indirectly increase the prevalence of infectious, water or vector-borne diseases such as typhoid, diarrhoea and gastroenteritis.

Annex 8.
Core Characteristics of Financial Inclusion

FIGURE 14.
Core characteristics of financial inclusion

Access	Quality	Informed choices
• Presence of a physical touch point (bank branch, ATM, agents, POS etc.) in **close proximity to the user of financial services.** • **Simple, easy to understand and customer friendly terms and conditions** around customer identity, documentation and eligibility that enable higher enrolment and uptake of products and services.	Encompasses AFI's **core set of indicators**: • Affordability • Transparency • Convenience • Fair treatment • Consumer protection • Choice	• Choices of financial products and services made by **financially capable consumers.**

Source: CBS, 2023. Developed by authors based on NFIS 2.

Annex 9.
Samoa Domestic General Insurance Industry Financial Highlights

TABLE 6.
Domestic insurance industry financial highlights (consolidated)

Domestic Insurance Industry - Financial Highlights
Consolidated Table (Life and General)
In Tala Thousands

	jun-19	jun-20	jun-21	jun-22	jun-23
Assets					
1.Total Assets	102,357	108,997	119,502	130,656	141,448
2. Outstanding Premiums	7,626	11,110	9,068	8,458	8,825
3. Due from reinsurers[1]	8,196	3,279	6,593	4	146
4. Loans & Advances (net)	30,249	36,461	35,798	39,494	40,631
5. Investments	36,253	41,445	45,811	50,009	59,202
6. Fixed Assets (net)	6,652	6,196	6,089	10,279	12,317
7. Other Assets	13,381	10,506	16,143	21,962	20,327
Liabilities					
1. Total Liabilities	63,514	62,935	66,436	65,081	72,006
2. Unearned Premiuns Provision[1]	11,307	11,684	12,154	12,669	12,429
3. Outstanding Claims Provision	5,436	4,553	6,815	5,687	7,068
4. Policy Liabilities[2]	39,898	39,508	39,766	39,972	41,561
5. Other Liabilities	6,873	7,190	7,701	6,753	10,947
Shareholders Funds & Reserves					
1. Total Shareholders Fund & Reserves	38,843	46,062	53,066	65,576	69,444
2. Paid-up Capital[1]	15,000	15,000	15,000	15,000	15,000
3. Cumulative Profits	19,968	23,699	30,276	34,932	40,188
4. Other Funds & Reserves	3,875	7,363	7,790	16,644	15,256
Profitability					
1. Net Profit / (Loss) after Tax[3]	3,146	5,438	5,749	8,420	5,578
a. Total Operating Income	20,123	21,111	21,428	23,136	22,399
b. Total Operating Expenses	15,666	13,726	14,245	12,926	15,032

TABLE 6.

Domestic insurance industry financial highlights (consolidated) (cont.)

Domestic Insurance Industry - Financial Highlights
Consolidated Table (Life and General)
In Tala Thousands

	jun-19	jun-20	jun-21	jun-22	jun-23
Underwriting Account					
1. Underwriting Sueplus / (deficit)	5,731	7,180	7,724	9,520	8,561
2. Gross Premiums Income	23,016	23,771	24,157	24,453	26,179
3. Net Premium Income / Insurance Premiuns	17,823	18,215	19,500	19,235	20,996
4. Gross Claims Paid	10,223	860	9,518	8,745	11,100
5. Net Claims Paid & Policy Payments	9,379	8,289	9,403	8,721	11,091
6. Reinsirance Inwards[1]	844	571	115	24	9
7. Reinsurance Outwards	5,193	5,556	4,653	5,218	5,183
8. Net Earned Premiums[1]	17,767	17,895	79,458	19,766	21,390
9. Net Claims Incurred	10,566	8,841	9,521	8,704	11,286
Solvency					
1. Solvency Surplus / (Deficit)	13,350	15,577	22,108	33,263	33,624
2. Required Solvency Margin	6,111	6,214	6,246	6,498	6,545
3. Ajusted Net Assets	19,461	21,791	28,354	29,761	40,169
Liquidity					
1. Total Liquid Assets	25,494	25,311	31,759	39,064	38,015
a. Cash on hand	9,592	7,066	11,812	17,543	14,842
b. Bank deposits	15,902	18,245	19,947	21,511	23,173

Source: General and Life Companies
Note:
1. Figures relate to general Insurers' only
2. Figure relates to life insurer only
3. Insurers' have different financial periods (i.e. March, June, September & December).

Source. Central Bank of Samoa, 2023. Office of the Insurance Commission. Insurance Annual Report Jul 2022 – Jun 2023 https://cbs.gov.ws/media/insurance-side-rpt-2022-23.pdf.

TABLE 7.

Domestic insurance industry financial highlights (general insurers)

Domestic Insurance Industry - Financial Highlights
General Insurers' Financial Highlight
In Tala Thousands

	jun-19	jun-20	jun-21	jun-22	jun-23
Assets					
1.Total Assets	53,886	58,759	66,965	68,942	78,162
2. Outstanding Premiums	6,224	9,804	7,882	6,988	7,174
3. Due from reinsurers[1]	8,196	3,279	6,593	4	146
4. Loans & Advances (net)	5,568	11,572	11,732	14,957	16,119
5. Investments	20,320	23,772	26,316	28,852	34,566
6. Fixed Assets (net)	2,167	2,044	2,155	2,182	3,796
7. Other Assets	11,411	8,288	12,287	15,959	16,361
Liabilities					
1. Total Liabilities	22,527	22,053	25,131	23,267	26,076
2. Unearned Premiuns Provision	11,216	11,018	11,368	11,709	11,208
3. Outstanding Claims Provision	4,987	4,227	6,296	5,140	6,492
4. Other Liabilities	6,324	6,808	7,468	6,418	8,376
Shareholders Funds & Reserves					
1. Total Shareholders Fund & Reserves	31,359	36,706	41,834	45,675	52,086
2. Paid-up Capital	15,000	15,000	15,000	14,000	14,000
3. Cumulative Profits	15,202	19,515	24,433	29,811	34,502
4. Other Funds & Reserves	1,157	2,191	2,401	1,864	3,566
Profitability					
1. Net Profit / (Loss) after Tax[1]	2,994	3,396	4,417	4,981	4,372
a. Total Operating Income	7,476	8,250	8,340	8,836	9,174
b. Total Operating Expenses	3,462	3,206	2,763	2,369	3,309

TABLE 7.

Domestic insurance industry financial highlights (general insurers) (cont.)

Domestic Insurance Industry - Financial Highlights

General Insurers' Financial Highlight

In Tala Thousands

	jun-19	jun-20	jun-21	jun-22	jun-23
Underwriting Account					
1. Underwriting Sueplus / (deficit)	6,645	6,318	7,586	8,210	8,223
2. Gross Premiums Income	14,976	15,419	15,836	15,836	17,391
3. Net Premium Income / Insurance Premiuns	9,928	10,079	10,618	10,618	12,208
4. Gross Claims Paid	2,104	2,373	2,177	2,177	3,369
5. Net Claims Paid & Policy Payments	1,260	1,802	2,153	2,153	3,360
6. Reinsirance Inwards	844	571	24	24	9
7. Reinsurance Outwards	5,048	5,340	2,215	5,215	5,183
8. Net Earned Premiums	9,872	9,759	11,149	11,149	12,602
9. Net Claims Incurred	2,447	2,354	2,136	2,136	3,555
Solvency					
1. Solvency Surplus / (Deficit)	8,128	8,435	13,122	15,860	18,811
2. Required Solvency Margin	4,000	4,000	4,000	4,000	4,000
3. Ajusted Net Assets	12,128	12,435	17,122	19,860	22,811
Liquidity					
1. Total Liquid Assets	16,989	14,597	18,866	22,966	23,721
a. Cash on hand	8,763	5,705	8,955	12,467	11,683
b. Bank deposits	8,226	8,892	9,911	10,499	12,038

Source: General Insurance Company

Note:

1. General insurers' have different financial periods (i.e. March, June, September & December)

Source. Central Bank of Samoa, 2023. Office of the Insurance Commission. Insurance Annual Report Jul 2022 – Jun 2023 https://cbs.gov.ws/media/insurance-side-rpt-2022-23.pdf

TABLE 8.

General insurance industry consolidated quarterly trends

Samoa General Insurance Industry Consolidated Quarterly Trend													
		Amounts in Tala Miilion Main Balance Sheet Items							Ratios				
	End of Period	Total Assets	Total Liabilities	Total Sahareholders Funds	Net Earned Premiums	Net Claims Incurred	Net Profit/ (Loss) after tax	Underwriting Surplus/ (Deficit)	Claims %	Expense %	Return on Equity	Return on Assets	Underwriting income/ (Loss)
2019	Mar*	54.2	22.1	32.1	7.6	4.1	0.2	3.0	54.1%	40.4%	0.8%	0.4%	39.3%
	June*	53.9	22.5	31.4	9.9	2.4	3.0	6.6	24.8%	43.0%	10.7%	5.7%	67.3%
	Sept*	54.5	21.0	33.5	22.8	4.2	2.8	5.8	35.9%	37.6%	9.2%	5.4%	49.8%
	Dec*	57.7	21.8	35.9	13.3	3.7	4.9	6.9	28.2%	35.6%	15.3%	9.1%	51.7%
2020	Mar*	58.1	21.2	36.9	8.0	3.1	2.2	4.4	38.3%	31.5%	6.3%	3.9%	55.2%
	June*	58.8	22.1	36.7	9.8	2.4	3.4	6.3	24.1%	43.3%	10.0%	6.0%	64.7%
	Sept*	59.6	21.1	38.4	10.0	2.0	3.7	6.4	19.9%	37.3%	10.4%	6.5%	63.7%
	Dec*	61.9	22.6	39.3	11.4	3.6	3.7	5.4	31.9%	35.5%	10.0%	6.3%	47.9%
2021	Mar*	63.4	23.2	40.2	8.0	2.2	2.1	5.2	27.0%	43.2%	5.5%	8.5%	64.9%
	June*	67.0	25.1	41.8	11.3	2.4	4.4	7.6	21.6%	35.8	11.2%	7.0%	67.0%
	Sept*	62.4	23.8	38.6	10.2	2.5	3.8	6.3	24.2%	35.6%	10.0%	6.0%	62.1%
	Dec*	62.3	20.4	41.9	12.1	2.5	6.4	7..2	20.4%	30.6%	13.2%	8.0%	59.5%
2022	Mar*	65.5	21.5	44.0	6.7	0.8	2.7	5.2	12.1%	39.4%	6.5%	4.0%	78.0%
	June*	68.9	23.3	45.7	11.1	2.1	5.0	8.2	19.2%	27.8%	11.4%	7.3%	73.6%
	Sept*	68.9	22.6	46.3	9.2	1.6	3.7	6.3	17.6%	37.5%	8.6%	5.6%	68.7%
	Dec*	73.6	24.9	49.4	10.4	2.0	3.7	6.7	19.6%	38.5%	8.0%	5.6%	64.7%
2023	Mar*	72.9	22.0	50.9	9.3	2.8	2.6	6.0	29.8%	39.9%	6.3%	3.8%	64.5%
	June*	78.2	26.1	52.1	12.6	3.6	4.4	8.2	27.1%	37.1%	8.8%	6.0%	65.3%
	Sept*	67.8	23.5	53.3	13.3	1.2	8.7	11.0	9.0%	29.6%	17.9%	12.0%	83.1%
	Dec*	78.3	23.9	53.2	10.0	3.3	3.1	4.9	25.3%	39.2%	9.5%	4.1%	49.3%
2024	Mar*	80.1	23.3	56.8	6.0	1.6	1.8	3.8	27.4%	41.3%	3.3%	2.3%	63.2%
	June*	89.4	33.9	55.5	8.1	3.4	7.0	3.5	42.3%	43.4%	13.0%	8.4%	43.6%

Source: CBS, 2022. Samoa General Insurance Industry - Consolidated Quarterly Trend.
Samoa-General-Insurance-Industry-for-Website-Jun-22-2.pdf (cbs.gov.ws)

Annex 10.
Financial Services Demand Side Survey Samoa, 2015

As mentioned in NFIS 2, until 2015 there was no credible data on the extent and coverage of financial inclusion in Samoa. In early 2015, the CBS, in agreement with the Pacific Islands Regional Initiative participants, undertook a Demand-Side Survey (DSS 2015) supported by the AFI and the PFIP. The DSS 2015 provided the first set of data on the level of financial inclusion in the country. It also sought to establish baseline information on access, usage and quality of financial services and products available to Samoans.

This survey provided relevant financial inclusion indicators, including financial access and usage of relevant financial services: remittances, bank accounts, savings accounts, credit, insurance products and mobile financial services.

Some of the main results of the DSS 2015 are given here, focusing on general financial inclusion and insurance financial inclusion.

The survey showed that 39 per cent of Samoan adults had a bank account, while 12 per cent used other financial services such as credit unions, microfinance, insurance, or finance companies. This survey also showed that 34 per cent of Samoan adults were excluded from both formal and informal financial services.

Contrary to global trends, the financial inclusion strand by gender showed that 40 per cent of the female adult population had a bank account compared to 38 per cent of the male population. It also showed that 13 per cent of the female population used other financial services, compared with 11 per cent of male adults.

The survey found there were statistically significantly more men (39 per cent) who were excluded entirely from financial services than women (30 per cent). While it is important to investigate the reasons for higher exclusion among men, it is likely that bank account ownership among Samoan women may be driven by remittance income. A statistically significantly higher proportion of women (48 per cent) received remittances than men (39 per cent) and receiving remittance income is positively associated with the likelihood of being banked.

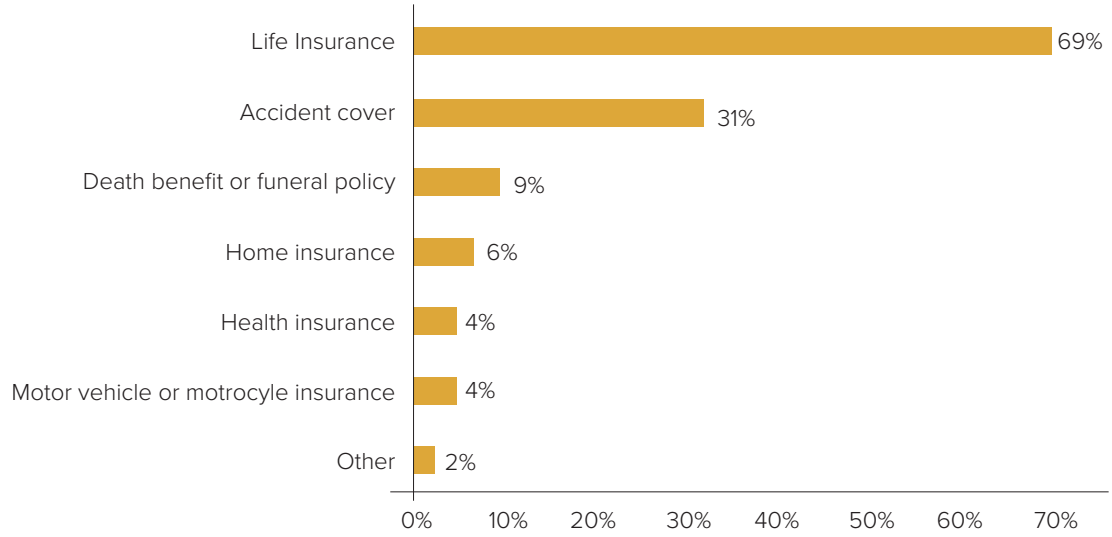
Half of formerly banked adults were then excluded completely from financial services. Twenty-one per cent of Samoan adults used to have bank accounts but no longer did in 2015, and half of these were then excluded entirely from financial services. The majority of these (83 per cent) adults were in rural Samoa. Most (69 per cent) of these respondents were male and closed their accounts due to low usage (47 per cent) or no longer needing one (33 per cent); the most common responses for closing accounts were due to low usage (48 per cent) and a lack of need (37 per cent). Of these adults, 59 per cent received remittances in the previous year.

The chapter focusing on insurance stated that 21 per cent of the adult Samoan population had some type of insurance; 66 per cent of insurance owners were also banked; and 14 per cent had previously been banked, compared to 20 per cent that have never been banked. Samoa had higher insurance coverage than Fiji and the Solomon Islands.

The main insurance product owned by the population was life insurance (69 per cent), followed by accident coverage (31 per cent). The higher proportion of life insurance and accident coverage could be driven by the fact that these coverages are provided by public institutions, Samoa Life Assurance Corporation and Accident Compensation Corporation. Other insurance products accounted for between 2 per cent and 9 per cent (see Graph 22).

GRAPH 22.

Types of insurance owned (2015)



Note: Multiple answers allowed.

Source: Central Bank of Samoa, 2015. Financial Services Demand Side Survey Samoa. Available at https://www.cbs.gov.ws/assets/Uploads/DMS-5/5407Demand-Side-Survey-for-Samoa.pdf.

The rate of insurance ownership was significantly higher among the employed population (45 per cent) than unemployed adults (11 per cent). Among adults with life insurance, one third received formal wages, which suggests that they may have received insurance through an employer. Additionally, a higher percentage were female (59 per cent) than male (41 per cent), with 58 per cent having life insurance followed by 41 per cent with accident insurance.

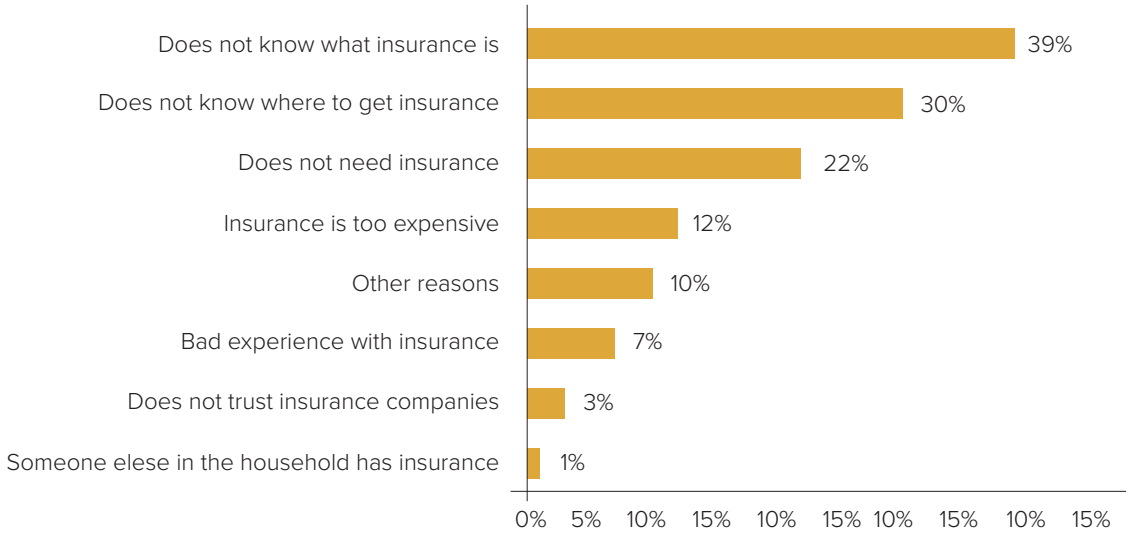
Depending on the location of insurance owners, 25 per cent of the urban population owned insurance products, compared to 20 per cent of the rural population.

Considering income quintiles, insurance ownership was significantly higher in the top 20 per cent quintile, with 38 per cent of ownership, compared with the bottom 20 per cent where only 14 per cent owned insurance products.

The main self-reported reasons for not using any type of insurance were that 39 per cent of uninsured adults did not know what insurance is. Thirty per cent responded that they did not know where to get insurance, 22 per cent responded that they did not need insurance and 12 per cent responded that insurance was too expensive. It is also relevant to mention that 7 per cent responded that they had bad experiences with insurance, while only 3 per cent mentioned that they did not trust insurance companies (see Graph 23). Given that more than one third of respondents do not know what insurance is, an insurance component could be included in ongoing financial education efforts.

GRAPH 23.

Self-reported reasons for not having any type of insurance



Note: Multiple answers allowed.

Source: Central Bank of Samoa, 2015. Financial Services Demand Side Survey Samoa. Available at https://www.cbs.gov.ws/assets/Uploads/DMS-5/5407Demand-Side-Survey-for-Samoa.pdf.

Annex 11.
Strengths, Weaknesses, Opportunities and Threats Analysis of the Insurance Sector

S
Strengths

Offer

- Government interest in promoting insurance to expand the financial inclusion of the population.
- Experience of the commercial structure of local and international insurance companies (four general local insurers and two for life, and several brokers that can access international markets for insurance cover).

Regulatory

- Risk insurance transfer mechanism from the individual to insurance company and then to reinsurance company.
- Government measures to reactivate the country's economy.
- Review of the current insurance law for its update.

Resources

- Access to international funds against natural disasters.
- High volume of international remittances.

W
Weaknesses

Demand

- Rural population's distrust of and disinterest in insurance.
- Lack of knowledge and understanding of products and their benefits.
- Reliance on government subsidies.

Offer

- Restriction in insurance capacity due to the increase in natural disasters.
- Low technological development and few digital channels.
- Limited product design, complex and expensive.
- Insufficient distribution channels and high costs.

Regulatory

- High taxes on international providers that increase the cost of insurance.
- Insurance/legal jargon in insurance documents.

Market conditions

- Low level of financial education and preventive culture.
- Low profitability, limited market size and depth of the insurance market.
- Delay in processing of product claims (confidence).
- Insufficient financial education programmes for insurance.
- Difficulty in carrying out claim procedures.

O	T
Opportunities	**Threats**
Offer ↗ Market potential according to target population. Increase the number of insurance companies. ↗ Development of innovative and gender-specific products, mainly for vulnerable communities. ↗ Strengthen marketing channels with trade organizations. ↗ Commercial partnerships for distribution. **Regulatory** ↗ Use of digital media (Insurtech) and TIC, for easy access. ↗ Update regulatory framework to encourage the placement of insurance. ↗ Streamline documentation and claims processes. ↗ More coverage available. Parametric insurance. ↗ Compulsory Motor Insurance (regulatory and compliment). **Market conditions** ↗ Public-private coordination of financial literacy programmes on insurance. **Resources** ↗ Subsidize (support from government).	**Country profile** ↗ Country highly exposed to natural hazards such as cyclones, earthquakes and floods. ↗ Increase in frequency of natural disasters due to climate change. ↗ Concentration of the population in rural areas. ↗ Unemployment and low income (inhibits acquisition). **Market conditions** ↗ Damage to economic growth (economy). ↗ Risk financing market restriction to new coverage against earthquakes or natural disasters, due to their increase and higher impact. **Offer** ↗ Labour shortage. Find the right skills to fill open positions (insurance has its own language). ↗ No reinsurance company in Samoa, so insurance companies need to find it overseas (regulatory/offer). ↗ Lack of/low technological infrastructure in locations with vulnerable populations.

Source: A. Silva Partners, 2023. Developed by authors to represent SWOT Analysis performed during the Diagnostic Report Initial Workshop.

Annex 12.
Stakeholders Considered for the Semi-structured Interviews

TABLE 9.
Key stakeholders & scope considered for the semi-structured interview process

Public institutions	Private institutions
↗ **The Central Bank of Samoa.** Development of the insurance sector; legislation, regulation and supervision processes; insurance companies' authorization; InsurTech companies' authorization; product registration. ↗ **Ministry of Finance**. Budgeting; risk financing instruments; financial literacy. ↗ **Samoa International Finance Authority**. Regulation and supervision of international services. ↗ **Ministry of Natural Resources and Environment.** Natural capital protection; natural disaster prevention; natural disaster attention procedures. ↗ **Accident Compensation Corporation.** Accident protection for Samoa's population; participation in natural disaster attention procedures. ↗ **Samoa Life Assurance Corporation.** Life insurance products.	↗ **At least one general insurance company**. Development of the insurance sector; legislative and regulatory areas of opportunity for operating insurance products; participation in insuring natural disaster risks for the population and enterprises. ↗ **At least one broker or agent**. Development of the insurance sector; legislative and regulatory areas of opportunity for operating insurance products; participation in insuring natural disaster risks for the population and enterprises.

Source: A. Silva Partners, 2023. Developed by authors using UNDP IRFF Diagnostic Methodology.

Annex 13.
Key Insurance Market Operations, Challenges and Dynamics

1. **Consumer protection and financial ombudsman.** The absence of a defined strategy for the insurance sector and a financial ombudsman was noted.
2. **Challenges in the financial system.** Environmental and social factors, centred on catastrophic insurance. A regional common fund is planned.
3. **Impact of catastrophic events.** While catastrophic events in Oceania were acknowledged, their impact on Samoa's insurance sector were not addressed.
4. **Competition in the insurance sector.** Specific regulatory approaches and challenges faced by the Ministry of Finance were not thoroughly outlined.
5. **Regulatory changes for greater participation.** There is a need for regulatory changes to encourage greater insurance participation in Samoa. Authorities showed special interest in proposals to improve insurance service legislation and regulation.
6. **Financial inclusion obstacles and opportunities.** Perspectives on obstacles and opportunities for advancing financial inclusion in insurance were sought.
7. **Technology solutions for insurance.** The potential for technology solutions to enhance insurance accessibility was acknowledged.
8. **Social and environmental risk assessment.** There is a need for tools and resources used by financial institutions to identify and assess social and environmental risks.
9. **Role of public administration and financial authorities.** The role of public administration, financial authorities and the CBS in the insurance market was touched upon, but there was a lack of specific actions or strategies.
10. **Inclusion initiatives.** The Ministry of Finance's activities for achieving financial inclusion in insurance were discussed, specifically a financial inclusion task force with the Ministry providing feedback and support.
11. **International cooperation and development financing.** The interview explored the potential impact of international cooperation and development financing on specific issues, but detailed areas of impact were not explicitly outlined.
12. **Government's role in protection schemes.** The potential for government promotion and financing of protection schemes or alliances with the insurance sector was raised, but specific plans or considerations were not provided.
13. **Current situation of international reinsurance.** The current situation of international reinsurance was not explicitly addressed in the responses.

Annex 14.
Challenges and Opportunities in Samoa's Insurance Sector

1. **Digital transformation and pandemic challenges.** There was acknowledgment of the challenges posed by the COVID-19 pandemic. Both entities were actively addressing issues through the development of new technology and products. There was an emphasis on climate risk management and a shift in the industry's focus towards innovative solutions.
2. **Challenges and opportunities for Samoa's insurance industry.** Challenges included a lack of client product knowledge; difficulties in finding markets for larger property risks; and limited financial ratings for local companies. Opportunities could come from the development of parametric insurance; new technologies; and efforts to address awareness and affordability issues.
3. **Competition in the insurance sector.** Market presence was through personal and commercial insurance, with a focus on parametric insurance. Differentiation among local companies was shown through competitive pricing with notably low premiums.
4. **Approach to policy, regulation and supervision.** Emphasis was on the importance of regulation, financial ratings and regulatory support for reinsurance to ensure companies have adequate funds; and advocacy for government and insurance commission intervention to ensure regulatory compliance, strengthen supervision activities and support awareness programmes. There were concerns regarding the recent exit of an insurance company from Samoa's insurance sector.
5. **Impact of recent catastrophic events.** Highlighted challenges included capacity issues; struggles with international support for traditional insurance; and low premiums in the Pacific region. Stakeholders were actively seeking new opportunities and noting changes in reinsurance responses after catastrophic events in Oceania. When catastrophic events take place, there was room for additional awareness from the public of the relevance of insurance.
6. **Financial inclusion process.** Some stakeholders were currently in the early stages of developing parametric cover, addressing challenges in trigger points for claims. They expressed uncertainty about the financial inclusion process, particularly the support available for insurance companies.
7. **Financial inclusion initiatives and challenges.** Stakeholders were actively conducting awareness programmes and introducing inclusive insurance products. Challenges included a lack of awareness and affordability for collaborative programmes with external entities.
8. **Adequacy of public policies for financial inclusion.** Improvements in regulatory criteria for financial inclusion were suggested, with a call for increased government-led financial awareness programmes.
9. **Demand-side obstacles and opportunities.** Challenges included a lack of specialized reports, education and understanding. Both entities underscored the challenge of making insurance products affordable for the general market.
10. **Potential of technology solutions.** Recognition of opportunities for technology to provide all-inclusive products. There was emphasis on the need to digitize insurance for quicker access and response, as well as to reduce insurance premiums.
11. **Culture of risk prevention and insurance.** Interest in insurance often arising after losses occur was noted, particularly in areas with evident risks.

12. **Financial literacy programmes.** Stakeholders were actively participating in financial literacy programmes, collaborating with organizations and communities to improve awareness.
13. **International cooperation and development financing.** The need for better coordination between government entities, regulatory bodies and the insurance industry was stressed. Government institutions providing services to the community proposed international support/ aid to modernize their databases, IT equipment and systems; provide better training to their personnel; and update service centres.


Ministry of Finance
GOVERNMENT OF SAMOA


FA'AVAE I LE ATUA SAMOA


UN
DP