UNDP Insurance and Risk Finance Facility

Inclusive insurance and risk financing in Dominican Republic

Snapshot and way forward 2024

Why this report?

This report summarizes the key findings of an inclusive insurance and disaster risk finance country diagnostic carried out by the UNDP's Insurance and Risk Finance Facility (IRFF) and UNDP Dominican Republic. The objective of this summary report is to present a high-level overview of the following information for the Dominican Republic:

1. **Key risks**, especially climate risks
2. The current state of **inclusive insurance**
3. The current state of **disaster risk finance**
4. **Recommendations to advance** inclusive insurance, disaster risk finance and overall development.

This summary is a starting point for discussion and collaborative action planning on inclusive insurance and disaster risk finance between UNDP and critical stakeholders, including the insurance sector, government agencies and other development sector actors.

IRFF goals

Impacts: Reduced vulnerability, enhanced resilience of countries and communities and strengthened prospects for sustainable development.

Outcomes: Country and community long-term resilience improved by development and delivery of integrated insurance, risk finance and investment solutions, from products, tools and services all the way leading to market transformation.

Contact IRFF for questions:
If you wish to discuss the findings and recommendations of this report, reach out to:

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Key messages

1

Risks: The Dominican Republic is at high risk from natural disasters. As a Small Island Developing State in the Caribbean, it suffers frequent tropical cyclones and storms. Flooding has historically affected the most people, with the impact of heavy rains exacerbated by the country's topographical features. Located in a seismic zone, the country is also at risk from earthquakes. Drought impacts agriculture and is most severe at the north-west border with Haiti. The country's geographical location exposes it to hydrometeorological and geophysical disasters, but lack of urban planning is also a cause of environmental degradation and high exposure to human and material losses in natural and non-natural disasters.

2

Inclusive insurance: There is no official criterion to classify microinsurance in the country, which makes measuring its penetration challenging. Several insurers offer products for the low-income market, but only one insurer's primary target market is the low-income segment. Personal covers are available for life and health, and products also exist aimed at micro-, small and medium-sized enterprises (MSMEs) and the agricultural sector. Inclusive insurance penetration has been pushed mainly by microfinance institutions, which seek opportunities to offer insurance solutions to their credit clients in order to generate added value, differentiation and increased loyalty. Insurtechs have been a key enabler for distribution channels, since they have brought efficiency to processes in massive insurance. However, several challenges remain, especially informality and low banking penetration, which also present opportunities for further developing the market.

3

Risk finance: The Dominican Republic has a range of data, legal, institutional and political frameworks related to disaster risk management (DRM), but it currently does not have a disaster risk financing strategy and relies heavily on ex post financing mechanisms, such as state budget redistribution, credit and humanitarian aid. Current ex ante instruments are limited and include contingent credit and a dedicated budget line for public emergencies. In the event of relatively low severity events, contingent credit lines and contingent loans have been used, together with the State budget, to finance losses. However, for events of high severity, current financing mechanisms are insufficient, which poses a threat to public finance and growth and increases country risk.

4

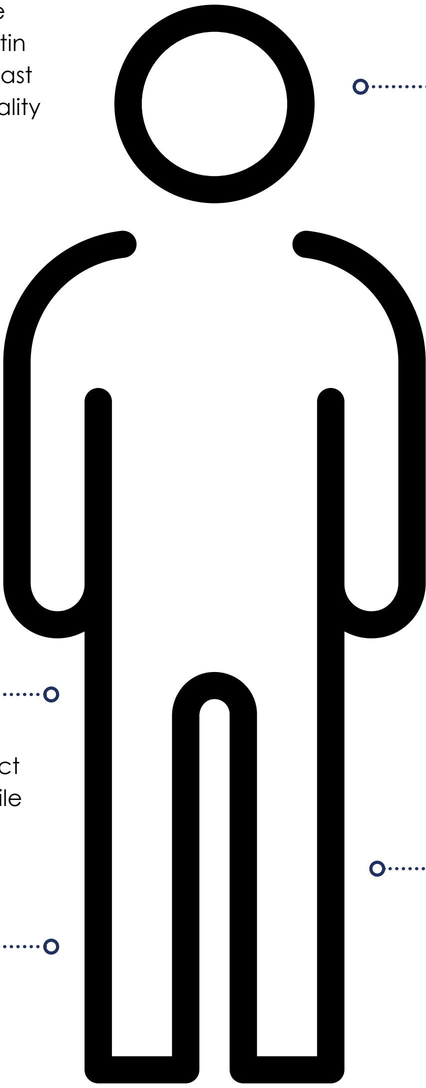
Key recommendations include: To support inclusive insurance development, interventions should include: developing an enabling microinsurance legislative and regulatory environment; improving product and distribution offerings for low-income people; providing education for consumers and capacity-building for the market; and developing a strategy for agricultural insurance that generates efficiency and competition.

To improve disaster risk financing (DRF), key interventions are recommended in: supporting the creation of data coordination mechanisms and systems; increasing understanding of fiscal risk in the face of natural disasters; developing a national DRF strategy; providing technical assistance to build capacity and use of ex ante DRF instruments; and supporting municipalities to play a stronger role in DRM.

Dominican Republic's development and risk profile

Key macroeconomic and development indicators

The Dominican Republic is an upper-middle-income country. It has had one of the fastest growing economies in Latin America and the Caribbean over the last decade, but has higher income inequality than any other country in the region.[1]



23.2% of the country's 10.8 million people[2] lived in poverty (less than US$6.85 per day) in 2021 and 43.1% were classified as vulnerable (between $6.85 and $14 per day).[3]

54.4% of gross domestic product (GDP) in 2022 came from services,[8] while agriculture contributed 5.8% of GDP.[9]

45.5% of the income of the employed population in 2021 was accounted for by the informal sector.[4] The agriculture sector employs 9% of the Dominican Republic's workforce, but 85% of the country's farmers work informally.[5]

The Dominican Republic has the fourth lowest gender equality level in the region.[6] For working women living in poverty, the wage gap almost doubles compared to men.[7]

Approximately **50%** of the adult population (age 15+) held an account at a financial institution in 2021, of whom 48% were women and 52% were men.[10]

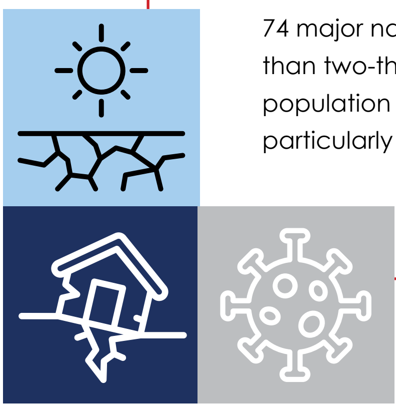
85% of the population used the internet in 2021,[11] while 88% of the population used mobile phones.[12]

Geographic context:

The Dominican Republic occupies three-quarters of the island of Hispaniola. The island is located between four different tectonic plates and is home to the highest and lowest altitudes in the Caribbean islands. Between the mountains and rivers, several valleys offer fertile agricultural land. The climate of the country is considered semi-tropical, with an average temperature of 25°C. A rainy season occurs every year approximately between May and November, during which most regions receive an average of 100mm to 200mm of water per month.[13] Rainfall is scarce near the border with Haiti.

Hazard context:

The Dominican Republic's geographical location exposes it to a wide range of natural hazards. It ranks 40th of 193 countries in terms of vulnerability to disaster risks.[14] Between 1980 and 2022, 74 major natural disasters affected 7.22 million people, more than two-thirds of the country's population,[15] and 25.1% of the population is very vulnerable to extreme phenomena, which particularly affect rural households.[16]

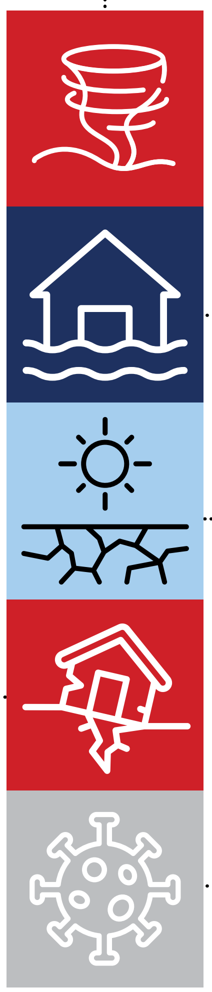


Key risks and hazards

Tropical cyclones

The Dominican Republic is heavily exposed to tropical cyclones and storms every year from 1 June to 30 November.[23] These storms are the country's most frequent natural hazard, with 36 taking place between 1980 and 2022. The Ministry of Agriculture has reported that a total of 139 tropical cyclones have impacted the Dominican Republic directly or indirectly between 1851 and 2021.[24]

The World Bank estimates average annual losses from hurricane winds[25] are $345 million (0.48% of GDP).[26] Recent severe storms have included Hurricane Fiona in 2022, which caused approximately DOP 20 billion ($375 million) of damage.[27] In 1998, Hurricane George caused the most damage and economic losses in absolute terms, representing 14% of GDP at that time.[28]



Earthquakes

Hispaniola is considered a seismic zone, which means the Dominican Republic is exposed to earthquakes and tsunamis. Several earthquakes of considerable magnitude have been recorded.[19]

According to the World Bank, average annual losses from earthquakes amount to $297 million (representing 0.41% of GDP), very similar to its estimate for hurricanes.[20] In 1946, the Dominican Republic was hit by the largest earthquake ever recorded in the Caribbean, with a magnitude of 8.1. The earthquake generated the country's only recorded tsunami.[21] The Ministry of Finance, in its Medium Term Fiscal Framework 2022–2026, estimated that if the same earthquake had occurred in 2016, it would have caused economic losses of more than $7.6 billion.[22]

Floods

Flooding has affected more people in the Dominican Republic than any other natural hazard, impacting 4.36 million people between 1980 and 2022 as a result of 29 major flooding disasters.[17] Flooding in the country is usually caused by a combination of heavy rainfall and topographic conditions, but can also be the result of, for example, hurricanes or tsunamis.

In 2016 alone, after four weeks of heavy rains between October and November, floods affected 30,100 people and caused damage of 4.39 billion Dominican peso (DOP, $93.4 million) to public and private goods and services.[18]

Drought

Given its very arid environment, the north-west of the country is the most vulnerable to droughts. In 2019, an extreme drought in this region resulted in approximately 1,200 dead cows and a milk deficit in the country. As a result, the Ministry of Agriculture invested more than DOP 150 million ($2.7 million) to mitigate the effects of drought in the agricultural sector.[29] The estimated cost of damage caused by droughts classified as disasters from 1900 to 2011 was $5 million.[30]

Epidemics

The country is at risk from human epidemics such as cholera, dengue, influenza and typhus. EM-DAT data recorded 8 major epidemics between 1980 and 2022, affecting just over 65,000 people in total.[31]

Inclusive insurance:[32] Status

Enabling environment[33]

Highlights from the enabling environment for inclusive insurance in Dominican Republic

Regulations

Insurance Acts

- **Law No. 146-02 on Insurance and Bonds** regulates the insurance sector and sets out the framework within which insurance companies and intermediaries can operate.[34] The law is in the process of being reformed.
- The existing law does not include specific definitions or considerations for microinsurance, inclusive insurance, insurtech or mass insurance. However, according to statements made by the regulator and other professional associations, the new law will include a more comprehensive chapter on microinsurance and a new chapter on technologies that can be used in mass distribution.[35]
- **Law No. 157-09 on Agricultural Insurance in the Dominican Republic** created DIGERA and established a budget allocation of DOP 150,000,000 ($2.6 million) for the Dominican Fund for Agricultural Insurance Support, with the objective of providing a basic guarantee to producers whose operations are affected by natural disasters caused by uninsurable risks.[36]
- **Law 87-01** establishes the Dominican Social Security System covering the risks of old age, disability, unemployment due to advanced age, survival, health, and occupational risks.[37]

Inclusive insurance related regulations

- No specific regulatory framework for microinsurance exists, although the chapter on microinsurance being developed as part of the new Insurance Law seeks to define a framework for its regulation and criteria to classify microinsurance.[38]
- SIS has said that it has an open and flexible perspective with regard to supporting the development of the microinsurance market.[39]

Policies / Plans

Financial education initiatives

- The ENIF does not specifically refer to inclusive insurance education, but financial education is among its objectives.
- DIGERA conducts an awareness campaign about agricultural insurance called Juntas Solidarias [Solidarity Boards]. This helps people learn about the offerings, who qualifies and how to enrol.

The National Strategy for Financial Inclusion of the Dominican Republic (Estrategia Nacional de Inclusión Financiera, ENIF)

In August 2022, the Central Bank of the Dominican Republic (Banco Central de la República Dominicana, BCRD) published the **ENIF**.[40] The strategy outlines a series of actions to be carried out by 2030, including the following relevant to inclusive insurance:

- An objective to "enhance access, use and digital development of payment, savings, insurance and investment products".
- Specific actions assigned to SIS to "ensure adequacy of schemes and regulations for agricultural insurance; develop microinsurance regulations; and create an insurance school".

The ENIF also includes a chapter on insurance based on demand surveys conducted and promotes cross-cutting actions such as the creation of a financial innovation hub.

Superintendence of Health and Occupational Risks (Superintendencia de Salud y Riesgos Laborales, SISALRIL)

- SISALRIL regulates the Health Risk Administrators (Administradoras de Riesgos de Salud, ARSs) and the Occupational Risks Administrator (Administradora de Riesgos Laborales, ARL). ARSs are responsible for healthcare provision within the social security scheme and are also allowed to offer complementary and voluntary health insurance.[41]
- SISALRIL is also responsible for capturing information from various entities contributing to the social security scheme on behalf of their workers on beneficiaries and claims information (including, for example, type of service accessed, place of use and medications).

Dominican Association of Insurance Brokers (Asociación Dominicana de Corredores de Seguros, ADOCOSE)

- ADOCOSE is an association of the main insurance brokers with licences to operate in the Dominican Republic.
- It has 245 members[42] and has been a primary mover in the growth of the sector, working with other key stakeholders such as SIS, SISALRIL and CADOAR.

Ministry of Agriculture (MoA) and General Directorate of Agricultural Risks (Dirección General de Riesgos Agropecuarios, DIGERA)

- MoA is a key institution in the provision of agricultural insurance and is the representative of the Dominican Fund for Agricultural Insurance Support for the Dominican State.
- Within MoA is DIGERA, a unit created by **Law No. 157-09** on **Agricultural Insurance in the Dominican Republic**.[43]
- DIGERA coordinates, creates, monitors and controls agricultural insurance initiatives in the country and administers the annual agricultural insurance subsidy.

Dominican Agricultural Insurance Company (Aseguradora Agropecuaria Dominicana, AGRODOSA)

- AGRODOSA is the only insurance company serving agricultural producers in the country.
- It is a public limited company, with a State shareholding of 80%. It has about 65 shareholders in total, mainly linked to the agricultural sector.
- The Minister of Agriculture acts as Chairman of the Board of Directors of AGRODOSA.

Superintendence of Insurance (Superintendencia de Seguros, SIS)

- SIS is responsible for regulating and supervising the Dominican insurance market. All insurers, reinsurers and insurance brokers are under its supervision.
- SIS develops laws for the insurance sector and collects insurance market data, though no specific data are collected on inclusive insurance.

Dominican Chamber of Insurers and Reinsurers (Cámara Dominicana de Aseguradores y Reaseguradores, CADOAR)

- CADOAR brings together insurers and reinsurers operating in the Dominican Republic.
- It has 23 insurer and reinsurer members and has been fundamental in strengthening the sector, as well as in promoting necessary initiatives such as the reform of the Insurance Law.

Dominican Association of Fintech Companies (Asociación Dominicana de Empresas Fintech, ADOFINTECH)

- ADOFINTECH is a non-profit association that brings together fintech companies in the Dominican Republic. Among its membership are seven insurtech companies.
- The association seeks to promote the strengthening of the fintech ecosystem in the country.
- ADOFINTECH closely collaborates with SIS and sits on the technology subcommittee for the reform of the Insurance Law.

The Technological Institute of Santo Domingo (Instituto Tecnológico de Santo Domingo, INTEC)

- INTEC is the only university in the country that offers programmes related to actuarial sciences, one at undergraduate level and one postgraduate. Of graduates of the Bachelor of Science in Mathematics with a concentration in Statistics and Actuarial Science degree programme, an estimated 25% to 50% in each cohort leave the country.
- The country has very few actuaries with formal academic training and there is no professional actuarial association.

Supply-side snapshot

Overall insurance coverage (traditional and inclusive): Fast facts

33 insurance companies and 2 reinsurers make up the insurance industry in the Dominican Republic.[45]

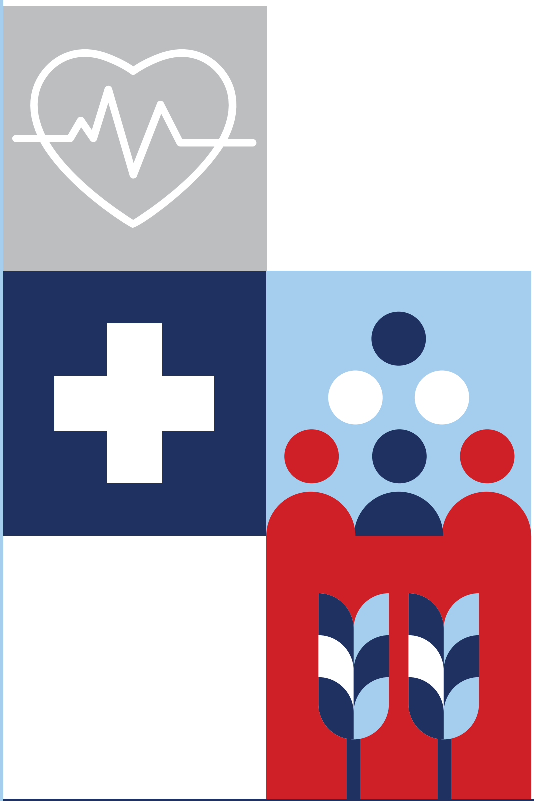
1.4% of GDP in 2022 was the country's insurance penetration, low compared to other countries in the region.[46]

DOP 86,020 million ($1.5 billion) were total net premiums in 2021.[47] Fire, health, motor and group life are the most significant product lines.

6 insurance companies account for more than 80% of net premiums (not including the ARS social security scheme).

Inclusive insurance: Fast facts

- No reliable data exist on microinsurance penetration in the country, a challenge exacerbated by the fact that the country has no strict criterion to classify microinsurance. The last available estimate from 2017 indicated that microinsurance penetration was 3.7% of the population, compared to 8.2% reported at the regional level.[44]
- Even though the market is relatively underdeveloped, several companies offer products aimed at lower income segments of the population. One insurer – ADEMI Insurance (Seguros ADEMI), which serves clients of ADEMI Bank (Banco ADEMI) – specializes in insurance for poor and vulnerable populations.



Products offered

Life insurance and funeral assistance, which are offered under group life or as individual policies.[48]

Group life credit insurance.[49]

Health insurance, including:[50]

- Products covering healthcare expenses and offering a daily hospitalization benefit
- A product aimed at women, which offers a coverage package for consultations and medications associated with medical care, telemedicine, pediatrics, gynaecology and mental health
- Various products covering serious illnesses
- Products covering unemployment and disability plus telemedicine.

MSME insurance,[51] in which products include:

- An unemployment product aimed at MSMEs[52]
- An all-risk 'mini policy' for microenterprises and small businesses, such as grocery stores and beauty salons.

Agricultural insurance:

- AGRODOSA is currently the only insurer offering agricultural and livestock insurance in the country. The Government subsidizes 50% of the agricultural insurance premium for small and medium-sized producers. However, the budget assigned for the subsidy has proven to be insufficient, limiting the growth of the market.
- Only approximately 8% of agricultural producers are covered by insurance.[53] The premiums written in the agricultural sector made up just 0.7% of total net premiums in the insurance sector in 2022.[54]
- Crop and livestock insurance is available for different types of crops and livestock and for multiple hazards. Climate risks such as floods, hurricanes and drought are covered, among others. Payouts have been made as a result of tornadoes that affected bananas in the north-west, and other significant payouts have been made in relation to drought.
- Index insurance was first piloted in 2013 through USAID's cooperation with Rural Economic Development Dominicana (REDDOM), but premiums were unaffordable for small farmers, so the product was eventually withdrawn from the market.[55] More recently, some efforts have been made to create new parametric products, including for cattle ranchers and for meso-level loan portfolio insurance, but the products have not been implemented for reasons such as lack of reliable data and access to the subsidy by private insurers. DIGERA is currently working with several reinsurers and insurtech firms to evaluate the creation of a parametric product to cover the risks of cyclones, droughts, earthquakes and floods.[56]

Other insurance products for the agricultural sector offered by AGRODOSA include covers for infrastructure linked to production, such as rice factories, greenhouses and agricultural machinery and equipment, as well as life insurance for small producers who have financing with the Agricultural Bank (Banco Agrícola de la República Dominicana).

Distribution

Common channels

- Insurance distribution is dominated by **traditional insurance brokers**; insurance companies make few direct sales.
- Microinsurance has mainly been channelled through **microfinance institutions, banks, cooperatives** and **retail businesses**, driven by these institutions' recognition of their clients' need as well as their own potential business opportunity, after which they approached insurers for solutions.
- Agricultural insurance is almost exclusively compulsory and linked to loans. Informal lenders called 'assignees' account for 50% of the premium value of AGRODOSA's insurance portfolio, while the other half originates from loans made through the Agricultural Bank, and collectively services about 20,000 producers with agricultural insurance.[57]

Other potential channels

Insurtech. In recent years, several insurtechs have emerged in the Dominican Republic.[58] Of the seven insurtech companies in ADOFINTECH, one is a neoinsurer (a company that offers fully digitized insurance products and processes to consumers or businesses, exclusively through digital channels) and two are digital distribution platforms. Affinity International is a company that offers insurers and distribution channels the complete digitalization of their sales and collections processes, as well as also developing products. This model has the potential to grow in the Dominican Republic.

Agricultural insurance could be further integrated into the work of different institutions working in the sector, such as **cooperatives** – many of which have farming members – through the Institute for Cooperative Development and Credit (Instituto de Desarrollo y Crédito Cooperativo, IDECOOP).

Demand

As part of the development of the ENIF, a National Financial Inclusion Survey was conducted in 2019. The results indicated a demand for more health insurance and products that combine health insurance with other covers, such as vehicle, life, home and workplace accident insurance. The two main reasons given by people who had no insurance products were that they had never been offered one and that they had liquidity restrictions. The survey also showed that one of the main reasons vulnerable populations do not buy insurance is that they do not have time to buy it.[62]

One of the most interesting findings from the interviews conducted with stakeholders for this diagnostic study was the contrast between the experience of insurance companies (who typically do not connect directly with low-income segments) and the experience of microinsurance distribution channels, such as microfinance institutions.

Insurers believed:[59]

- There is low demand and a lack of insurance culture
- Limited channels exist to collect premiums; for example, banking penetration is low
- People do not have resources to pay premiums.

Microfinance institutions found:[60]

- Lower-income people value insurance once they understand it: people "want it and need it"
- Proximity and trust are essential; it is a relational market
- The keys to success are training and raising awareness among the sales force and customers
- Word of mouth can trigger exponential growth in lower-income communities due to high rates of interaction in these communities.

Voluntary purchase of agricultural insurance constitutes less than 10% of AGRODOSA's portfolio, reportedly because farmers believe that in the event of climate-related losses, they would receive government assistance, so insurance is perceived as an unnecessary expense.[61]

Disaster risk financing: Status

Disaster risk assessments and data systems

The **Basic Emergency Questionnaire (Ficha Básica de Emergencia, FIBE)** aims to identify household-level impacts of disasters. When a catastrophe occurs, an index of impact per household is prepared in order to best provide emergency recovery funds to affected families. More than 70% of households are mapped. The location of the home is overlaid with satellite data to measure climate vulnerability to certain events.

The **Vulnerability Index to Climate Shocks (Índice de Vulnerabilidad ante Choques Climáticos, IVACC)** calculates the probability that a home will be affected by climatic phenomena such as hurricanes or floods, given its socio-economic and geographic characteristics. The index is undergoing further development with the support of the World Bank.

Weather forecasts and statistics on rainfall and temperature are provided by the National Meteorological Office (Oficina Nacional de Meteorología, ONAMED).

Digital mapping and collection of statistical data on the levels of reservoirs and dams are provided by the National Institute of Hydraulic Resources (Instituto Nacional de Recursos Hidráulicos, INDRHI).

Data on economic, demographic, social, cultural, commercial, industrial, financial, environmental and agricultural issues, including **catastrophic events and the history of earthquakes and forest fires**, is collected by the National Statistics Office (Oficina Nacional de Estadísticas, ONE).

Seismic activity is monitored by the National Seismology Centre (El Centro Nacional de Sismología), which also maintains the National Seismic and Accelerograph Network.

Existing legal, institutional and policy frameworks

Legal

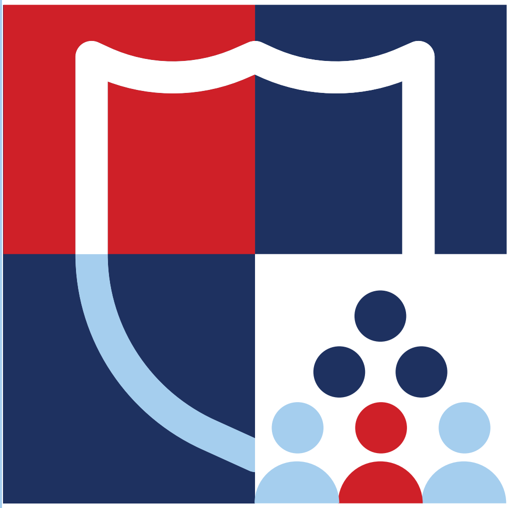
Law No. 147-02 on Risk Management and Draft Law on Risk Management created the National System for Disaster Prevention, Mitigation and Response (Sistema Nacional para la Prevención, Mitigación y Respuesta ante Desastre, SN-PMR) in 2002. Related guidelines were subsequently created, including the National Risk Management Plan in 2011 and the National Emergency Plan in 2018. Since December 2021, an updated Law on Risk Management has been under development. This law seeks to create a National System of Integral Disaster Risk Management, including risk financing as a fundamental axis of the country's risk management strategy.

Institutional

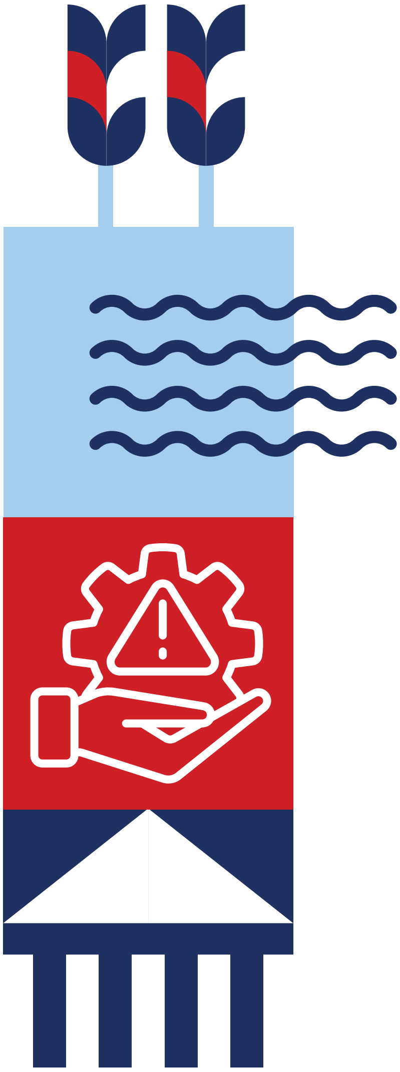
- The **Ministry of Economy, Planning and Development (Ministerio de Economía, Planificación y Desarrollo, MEPyD)** is a key actor in developing the new Law on Risk Management and in articulating a national strategy for disaster risk management. Under Law 1-12, the National Development Strategy 2030, MEPyD is responsible for a cross-cutting axis on risk management and resilience. MEPyD is also at the heart of international, inter-institutional and intersectoral cooperation on financial management in the face of catastrophic risk. MEPyD houses the **Directorate of Disaster Risk Management and Climate Change.**
- The **Social Policy Cabinet (Gabinete de la Política Social, GCPS)** develops programmes on conditional cash transfer, economic inclusion and human and social development. GCPS is made up of three institutions, one of which is the **Integrated System of Beneficiaries (Sistema Único de Beneficiario, SIUBEN)**, which administers the FIBE. When a climate disaster occurs, the Cabinet is activated and approves initiatives to be executed by its institutions. The Cabinet is currently working on an Adaptive Social Protection Strategy, which seeks to coordinate with the **National Commission for Disaster Prevention, Mitigation and Response,** whose member entities promote risk management policy throughout the country with the goal of avoiding or reducing negative impacts of natural or human disasters.
- **The Emergency Operations Centre (Centro de Operaciones de Emergencias, COE)** is a coordinating agency for disaster preparedness and response, through which institutions are coordinated for disaster preparedness and collective intervention is planned for emergency response.

Policies

- **Law 1-12 National Development Strategy 2030 (END) and its implementing regulation, Decree 134-14** include among their objectives the aim of achieving effective risk management to minimize human, economic and environmental losses; reduce vulnerability; and encourage climate adaptation and mitigation. One of the strategy's planned actions is to promote the adoption of insurance mechanisms as well as access to financial resources to mitigate the effects of emergencies and disasters at national, regional and local levels.
- A **DRF strategy** has not yet been defined, but the country is taking steps towards creating one. These include the quantification of contingent liabilities, which was included for the first time in the Medium-Term Fiscal Framework 2022–2026.



Disaster risk finance mechanisms and instruments



Existing instruments:

Ex ante instruments:

- **State budget:** 1% of current revenues are allocated for public emergencies.[63]
- **Parametric contingent credit line:** $194 million with the Inter-American Development Bank (IDB).

Ex post instruments:

- **State budget:** Up to 0.5% of GDP if necessary is made available in the event of a force majeure calamity.[64] The limitations in the use of the budget are important to highlight, since established allocations and unavoidable commitments represent approximately 95% of the budget.[65]

Instruments in process:

- **Catastrophe Deferred Drawdown Option (Cat-DDO)**, a contingent credit line of $230 million with the World Bank to support the Government's budget in case of disaster. It has been approved and signed by the World Bank and is awaiting approval by the Congress of the Dominican Republic.
- **Investment Project Financing (IPF)** for $200 million with the World Bank to support rehabilitation and reconstruction after Hurricane Fiona, in order to continue serving the affected areas, reduce the fiscal and economic impact of disasters and improve the country's response capacity for future weather events.
- **Contingent loan** of $300 million with IDB to support the 2024 budget in the event of a disaster.
- **Parametric agricultural insurance** at a micro/meso level with IDB through the Agricultural Bank and AGRODOSA to strengthen the agricultural insurance sector.

Way forward for inclusive insurance and risk financing

The following recommendations support the development of inclusive insurance and disaster risk financing in the Dominican Republic.

1 Recommendations for the development of inclusive insurance

1.1 Inclusive insurance and microinsurance lack definitions and regulation.

Provide technical assistance to develop an enabling legislative and regulative environment for microinsurance.

- SIS should be provided with technical support to ensure that the new Insurance Law is developed with an inclusion lens that leads the country towards an ideal enabling environment for the development of microinsurance, including the definition and characteristics needed to classify insurance as inclusive.

1.2 Products and distribution channels for low-income market needs are underdeveloped.

Support the development of new pilots.

- New pilots should be developed using non-traditional products and/or distribution channels, focusing first on the potential and scope of the channel.
- These pilots should be used to build capacity and share lessons learned across the public and private sector.

1.3

The country has a limited number of academically trained actuaries to support the development of new inclusive products and the profession.

Develop the in-country actuarial profession.

- Support should be provided to educational institutions/government bodies to promote the creation of a career path and/or master's degree in actuarial science.
- An association of actuaries should be created to regulate the profession and establish guidelines and requirements for practising in the profession.
- The Superintendencies should be supported in regulatory matters related to activities that require the intervention of professionals in actuarial sciences.
- In consultation with the insurance industry and the public sector, international support should be provided to hold workshops and to assess needs for the creation of actuarial capacities.

1.4

Access to sufficient data to develop products for new segments is limited.

Strengthen data collection and sharing relevant to microinsurance.

- SIS should be supported to strengthen its insurance data requirements related to the low-income market and to provide databases and market analytics in an aggregated manner.
- The insurance market, including insurtechs, should be assisted in linking with government institutions that handle valuable and robust data sources of relevance for inclusive insurance, mainly SIUBEN, SISALRIL, the Central Electoral Board (Junta Central Electoral), the General Directorate of Internal Taxes (Dirección General de Impuestos Internos) and the National Institute of Transit and Land Transportation (Instituto Nacional de Tránsito y Transporte Terrestre).

1.5

Consumer insurance awareness and education initiatives are lacking.

Support awareness and education initiatives to improve consumer understanding.

- Awareness campaigns on financial education in insurance matters should be developed in cooperation with relevant actors from the public and private sectors with a philanthropic and strategic interest. A "territorial development approach" should be taken to ensure that campaigns reach rural areas of the country.
- Existing and planned educational and awareness programmes on insurance carried out by insurance sector institutions such as SIS should be supported.
- The experience of DIGERA's Juntas Solidarias education campaign on agricultural insurance in rural communities should be assessed and lessons should be shared.

1.6 Limited functional strategies exist at the national or subnational level for generating efficiency and competition in agricultural insurance.

Support the development of an articulated strategy for agricultural insurance that generates efficiency and competition.

- The private insurance sector should be encouraged to participate in agricultural insurance, especially inclusive insurance, by supporting national and subnational governments in the consolidation of agile agricultural insurance schemes, which could help to develop a competitive market.
- Demand studies for agricultural insurance should be conducted to help understand farmers' lack of interest in acquiring voluntary agricultural insurance, to ascertain what they need from products and to consider alternative distribution channels not related to loans.
- The Ministry of Agriculture should be supported to carry out an actuarial study of agricultural risks in order to help inform fair pricing.
- All institutions and individuals providing credit to the agricultural sector should be identified, the financing gap should be assessed, and ways to involve more private sector actors should be considered, accompanied by a diversified offer of agricultural insurance.

2 Recommendations for the development of disaster risk financing

2.1 Data and information on risks and their impacts are disjointed, limiting their usefulness.

Support data collection, management, access and analysis.

- The methodologies and tools used by authorities in charge of monitoring meteorological variables at the national level should be identified and strengthened.
- Monitoring and analysis of meteorological variables should be better connected and integrated with 1) vulnerability studies and climate projections (e.g. studies conducted by MEPyD or the Humid Tropics Water Center for Latin America and the Caribbean, Centro del Agua Trópico Húmedo para América Latina y el Caribe), 2) loss and damage assessment systems (MEPyD) and 3) existing vulnerability indices.
- Existing information from different data sources should be aggregated centrally under the National Statistics Office (ONE) and ONE's technical, technological infrastructure and research capacities for data management should be strengthened.

2.2

Limited knowledge is available on the impact of natural disasters on fiscal risk.

Increase understanding of fiscal risk in the face of natural disasters.

- An infrastructure vulnerability assessment should be carried out, considering schools, hospitals, informal housing, etc.
- Practical training should be conducted for key actors (in government and the private sector) to facilitate understanding and articulation of risk. Risk measurement and modelling should be strengthened to assist informed decision-making in disaster financial planning.
- Exchanges between different government actors should be facilitated.
- Existing instruments used in catastrophic events should be mapped and monitored and protection gaps should be identified, taking into account that some instruments may take a long time to go from concept to approval, so as to avoid some periods not being covered, as happened with Hurricane Fiona which took place while Cat-DDO 2 was still in process.
- A predictive model should be developed for the main climatological and geological events to which the Dominican Republic is exposed.
- The system for estimating direct losses should be improved and a methodology should be created to systematically calculate indirect losses associated with disaster risks.
- The Government's efforts to develop a methodology for calculating estimates of government contingent liabilities associated with natural disasters in the country should be supported, including an analysis of the implicit contingent liability, or costs assumed by the Government in the past towards affected populations that are expected to recur in future events.

2.3

DRM approaches are not integrated at the local level.

Support municipalities to play a stronger role in DRM.

- Disaster risk management mechanisms and approaches should be better integrated at the sectoral and local levels.
- Municipalities' capacity should be built in data capture, management and analysis to implement strategies aimed at strengthening resilience.

2.4

No national DRF strategy exists.

Develop a national DRF strategy.

- A fiscal impact analysis should be carried out, taking into account the available information, the temporal dimension of financing needs and event modelling to understand the adequacy of different financing and risk transfer instruments by virtue of the frequency and severity of events.
- A DRF strategy should be designed, together with an action plan for its implementation.
- A methodology should be developed to calculate the coverage of any combination of financial instruments based on updated information on threats and vulnerabilities, in the short, medium and long term, including ex ante and ex post instruments.

2.5 There is limited use of financial instruments for disaster risk financing and a reliance on ex post mechanisms.

Provide technical assistance to build capacity and use of ex ante DRF instruments.

- Options for parametric disaster risk transfer instruments should be explored, as well as catastrophe bonds for high severity and low frequency events.
- Capacity-building should be conducted on DRF and DRM within ministries and decentralized autonomous governments.

2.6 The insurance sector could play a greater role in disaster risk financing.

Support the involvement of the insurance sector in DRF.

- Support and training should be provided to national organizations interested in incorporating insurance into disaster risk management.
- Innovation in and expansion of private disaster-related insurance, especially to underserved populations, should be supported.
- Opportunities should be identified for alignment between public programmes and insurance.

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