



DISCUSSION BRIEF

Enhancing Access to Climate Insurance in the Tourism Sector

Event title:	Enhancing Access to Climate Insurance in the Tourism Sector
Date:	February 20th, 2025, 9.00-10.30 am IST
Venue:	Cinnamon Grand Colombo
Participants:	See Annex II
Organisers:	SLYCAN Trust and the Sustainable Development Council of Sri Lanka

1. Introduction

Sri Lanka's tourism sector is highly vulnerable to climate-induced disruptions, posing significant risks to livelihoods and economic stability. The increasing frequency and severity of climate-related disasters threaten lives, food and water security, property, and overall economic prosperity. Climate change also undermines socioeconomic stability and hampers development efforts. Adaptation is therefore essential to building resilience, necessitating proactive risk reduction and financial protection mechanisms.

Financial resilience is crucial, with insurance playing a key role in disaster recovery and risk mitigation. Traditional insurance models may be insufficient, highlighting the need for innovative solutions like parametric insurance, index-based coverage, and risk-sharing mechanisms. Improving accessibility and affordability can strengthen economic resilience across the sector, particularly for micro, small, and medium-sized enterprises (MSMEs). A consultation conducted by SLYCAN Trust and the Sustainable Development Council assessed existing climate insurance mechanisms, identifying key challenges such as affordability, awareness, and policy gaps. This brief summarises the discussion, with a focus on integrating climate insurance into broader adaptation strategies to safeguard the tourism industry.

2. Climate risks and vulnerabilities in the tourism sector

The tourism industry is highly sensitive to climate change and its associated risks, with **extreme weather events, rising temperatures, and ecosystem degradation** threatening destination appeal, operational stability and sustainability. **Heavy rainfall, flooding, and rising sea levels** damage infrastructure, reduce visitor confidence, compromise safety and increase operational costs. **Higher temperatures** shorten peak seasons, raise cooling expenses, and pose health risks to workers and tourists.

Biodiversity loss diminishes the appeal of eco-tourism, while **unpredictable weather patterns** contribute to business interruptions and income instability. Informal workers in the sector are particularly vulnerable due to limited financial security. These challenges underscore the urgent need for climate adaptation measures to ensure the long-term sustainability of tourism.

3. The current landscape of insurance in the tourism sector

Despite regulatory requirements mandating comprehensive insurance coverage for registered accommodations, Sri Lanka's tourism sector faces significant challenges in accessing climate risk insurance. The Sri Lanka Tourism Development Authority (SLTDA) requires tourist establishments to obtain a **Comprehensive Hoteliers' Insurance Policy** covering public liability and workmen's compensation. However, these regulations primarily address physical infrastructure and employee safety, leaving critical gaps in climate-related coverage and disaster risk mitigation.

4. Gaps in climate risk insurance coverage

Many **eco-lodges and nature-based accommodations fall outside standard insurance policies**, leaving them vulnerable to extreme weather events. **Conventional insurance models do not adequately address climate-induced disasters** such as floods, storms, and heat waves, limiting their role in long-term adaptation efforts.

MSMEs in the tourism sector often lack awareness of insurance benefits or face difficulties navigating complex policy options, leading to low adoption rates. Even where coverage is available, **affordability and accessibility remain key barriers**. Businesses operating in disaster-prone coastal and mountainous regions encounter prohibitively high premiums, making insurance unaffordable for many operators. Moreover, the **absence of comprehensive climate risk assessments** results in inconsistent pricing, often failing to reflect actual exposure levels.

5. Emerging solutions and opportunities

During the consultation discussions, the following innovative climate risk insurance solutions were explored to create new opportunities for strengthening financial resilience in the tourism sector.

Parametric insurance for climate risks

- Provides payouts based on predefined climate triggers.
- Supports daily-wage tourism workers affected by extreme weather events.
- Triggers include:
 - Temperature thresholds impacting outdoor tourism.
 - Wind speeds and rainfall levels are linked to storm damage or flooding.

Expanding coverage beyond infrastructure

- Hybrid insurance models integrating:
 - Business interruption insurance to support enterprises during post-disaster recovery.
 - Health coverage to ensure medical support for employees and seasonal workers in climate-related emergencies.

Microinsurance and climate disaster recovery funds

- Tailored microinsurance options for MSMEs and eco-tourism operators to improve accessibility.
- Establishing a pooled fund supported by tourist contributions to provide rapid financial aid for climate disaster recovery.

Innovative financing models for climate insurance	<ul style="list-style-type: none"> • Public-private partnerships: Leverage government support to attract private-sector investment in climate adaptation through financial mechanisms. • Disaster risk reduction (DRR) financing: Supporting proactive risk reduction measures to reduce vulnerability and improve insurance affordability.
Technology-driven climate risk solutions	<ul style="list-style-type: none"> • Artificial Intelligence and satellite-based monitoring: Enhancing real-time risk assessment and optimising insurance payouts. • Early warning systems: Integrating with insurance mechanisms to improve preparedness and minimise losses.

6. Building a resilient climate insurance framework

Integrating climate risk considerations into tourism finance is essential for safeguarding livelihoods, ensuring sustainability, and maintaining industry stability. A robust insurance system, developed through collaboration among policymakers, insurers, and stakeholders, can drive adaptive and inclusive solutions.

During the consultation, the following mechanisms were explored to tackle the sector's existing gaps and challenges:

1. Develop tailored climate insurance products – Introduce flexible, sector-specific policies catering to the unique needs of tourism businesses, particularly in vulnerable regions.
2. Enhance data access and risk mapping – Strengthen collaboration with meteorological and disaster management agencies to improve climate risk assessments and ensure accurate insurance pricing.
3. Increase awareness and capacity-building – Provide targeted education and training programmes to help MSMEs understand and adopt climate insurance solutions.
4. Facilitate multi-stakeholder engagement – Establish working groups comprising financial institutions, policymakers, and tourism associations to co-develop comprehensive climate adaptation strategies.
5. Strengthen policy and regulatory frameworks – Integrate climate insurance into national tourism and disaster risk management policies to enhance resilience and sustainability in the sector.
6. Explore new funding approaches to improve the affordability and accessibility of climate insurance, such as:
 - a. **Establishing a National Climate Disaster Recovery Fund** – Funded by pooled tourist contributions, incentivising businesses in high-risk areas to adopt climate insurance.
 - b. **Subsidised insurance schemes** – Government-backed programmes to reduce the financial burden on businesses in disaster-prone locations.
 - c. **Group policies and microinsurance options** – Ensuring that small and community-based tourism enterprises have access to affordable coverage. Group insurance reduces costs by minimising administrative expenses for insurers and simplifying contract management. Strong associations are required to facilitate these policies on behalf of their members.
 - d. **Incentives for climate adaptation** – Providing discounts or premium reductions for businesses implementing proactive climate resilience measures.

By implementing these strategies, Sri Lanka's tourism sector can enhance its resilience to climate challenges, ensuring long-term sustainability and economic stability.

Organisational profiles

SLYCAN Trust is an international non-profit think tank working on climate change, sustainable development, risk management, finance, biodiversity and ecosystem conservation, animal welfare, and social justice including gender and youth empowerment. Our work spans the national, regional, and global levels from policy analysis and evidence-based research to capacity building and on-the-ground implementation. For more information, please visit our [homepage](#) or the [Adaptation & Resilience Knowledge Hub](#).



Sustainable Development Council is established in terms of Sri Lanka Sustainable Development Act, No. 19 of 2017, the Sustainable Development Council is the nodal government institution with responsibilities for coordination, facilitation, monitoring, evaluation and reporting on the implementation of 2030 Agenda for Sustainable Development in Sri Lanka.



Annex I: Agenda

Time (IST)	Agenda Item
9:00 am - 9:05 am	Opening remarks and brief overview of the session objectives
9:05 am – 9:15 am	Round of introductions (at each table)
9:15 am -9:30 am	Breakfast
9:30 am-10:20 am	<p>Group discussion</p> <p>1. How accessible are the existing (climate) insurance products for the tourism sector?</p> <p>2. How can the insurance sector innovate to offer better climate insurance products or models to the tourism sector?</p>
10.25 am - 10.30 am	Closing remarks

Annex II: List of participants

No.	Institution	Name & Designation
01.	Insurance Regulatory Commission of Sri Lanka	Ms. Deepika, Director - Market Development
02.	University of Colombo	Prof. Suranga De Silva, Sustainable Development Unit
03.	National Insurance Trust Fund	Mr. R. S. Gunawardena, Head - Research & Analytics
04.	Fairfirst Insurance	Ms. Lakmali Gunasekara, AGM, Actuarial
05.	Softlogic Life	Mr. Chandana Wijenayke, Assistant Vice President
06.		Mr. Rukesh Mario
07.	HNB Assurance PLC	Mr. Nirmal Mendis, Senior Manager
08.	SG Actuarial Consultancy	Ms. Saroja Gunathileke, MD - Actuary
09.	Sri Lanka Insurance Institute	Mr. Udeni Kiridena, CEO

No.	Institution	Name & Designation
10.	Travel Agents Association of Sri Lanka (TAASL)	Ms. Sonali Ranasinghe, President
11.	Sri Lanka Eco Tourism Association	Mr. Kelum Fernando, President
12.	Sustainable Development Council	Ms. Chamindry Saparamadu, Director General
13.		Ms. Nadeeka Amarasinghe, Assistant Director
14.		Mr. Hasith Sandaruwa, Sustainable Development Officer
15.	SLYCAN Trust	Mr. Dennis Mombauer, Director - Research & Knowledge Management
16.		Mr. Kavindu Ediriweera, Country Director - Sri Lanka
17.		Ms. Thamali Dilshani, Manager: Programmes
18.		Mr. Shifaz Ameer, Programmes and Communication Coordinator
19.		Ms. Thilini Gunathilake, Researcher and Junior Manager: Youth Programmes