Macro, Meso, Micro: Practical Experiences at all Levels in Parametric Insurance

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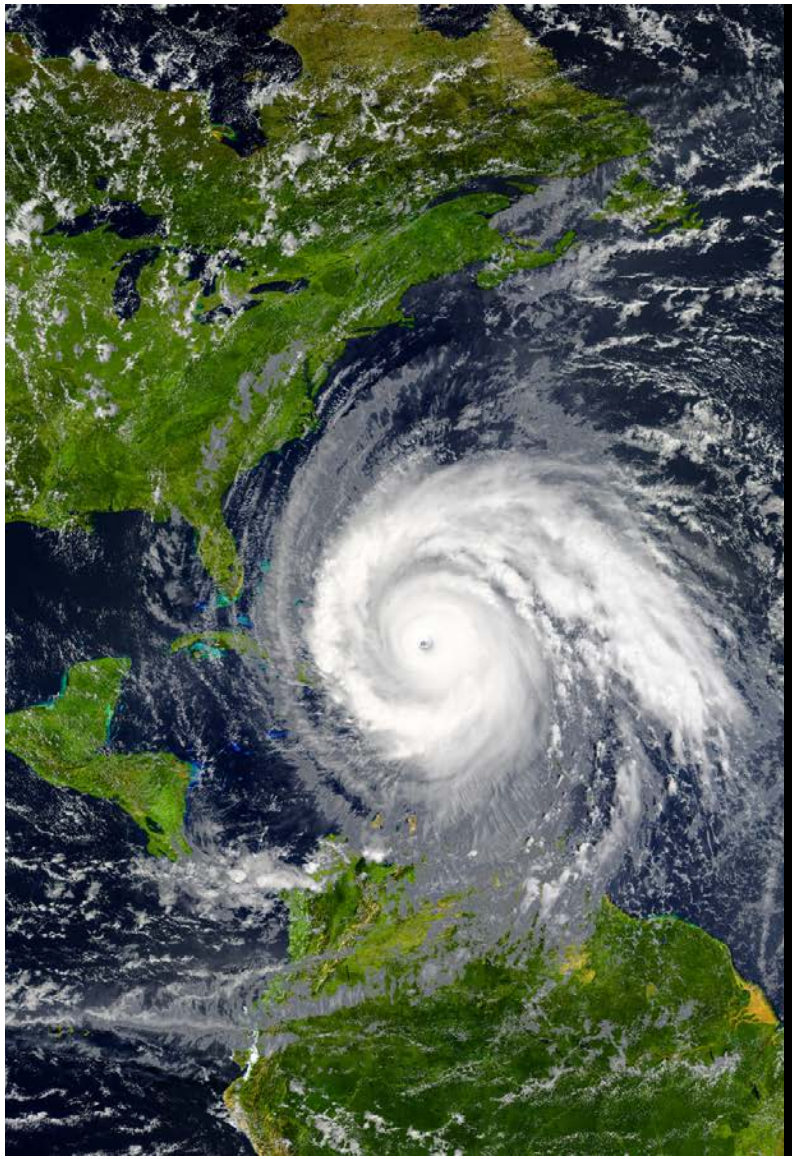


How CCRIF Got Started

- Prompted by Hurricane Ivan and request for assistance by Caribbean governments made to the World Bank
- The world's first multi-country risk pool providing parametric insurance
- Originally designed to limit the financial impact of catastrophic hurricanes and earthquakes
- Provides short-term funding to support relief in the immediate aftermath of a natural disaster

Rationale for Selecting Parametric Insurance instrument as a basis for CCRIF policies:

- **Parametric Insurance is:**
  - generally less expensive than an equivalent traditional indemnity insurance
  - allows for claims to be settled quickly and in the case of CCRIF, within 14 days of the event.
  - key to filling the liquidity gap
  - allows governments to reduce budget volatility after a natural disaster while not increasing their debt stock
  - offer diverse products for a range of perils and economic sectors and industries
  - allows CCRIF to offer products and services not readily available in traditional insurance markets

CCRIF Members

Our members by Population:
17 Million in Caribbean
33 Million in CA

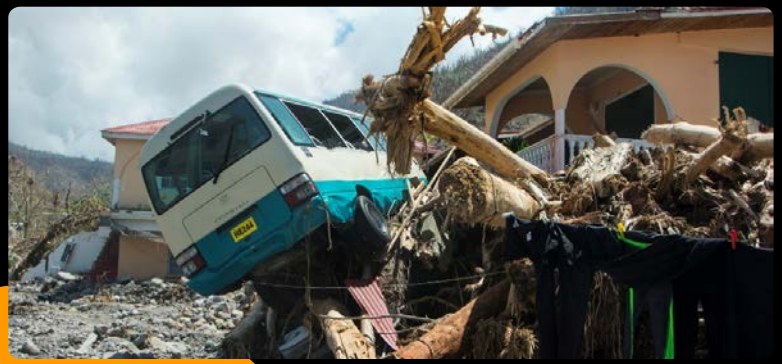
- **19 Caribbean members:**
- Anguilla
- Antigua & Barbuda
- Bahamas
- Barbados
- Belize
- Bermuda
- British Virgin Islands
- Cayman Islands
- Dominica
- Grenada
- Haiti
- Jamaica
- Montserrat
- St. Kitts & Nevis
- Saint Lucia
- St. Vincent & the Grenadines
- St. Maarten
- Trinidad & Tobago
- Turks & Caicos

3 Central American members:

Guatemala

Nicaragua

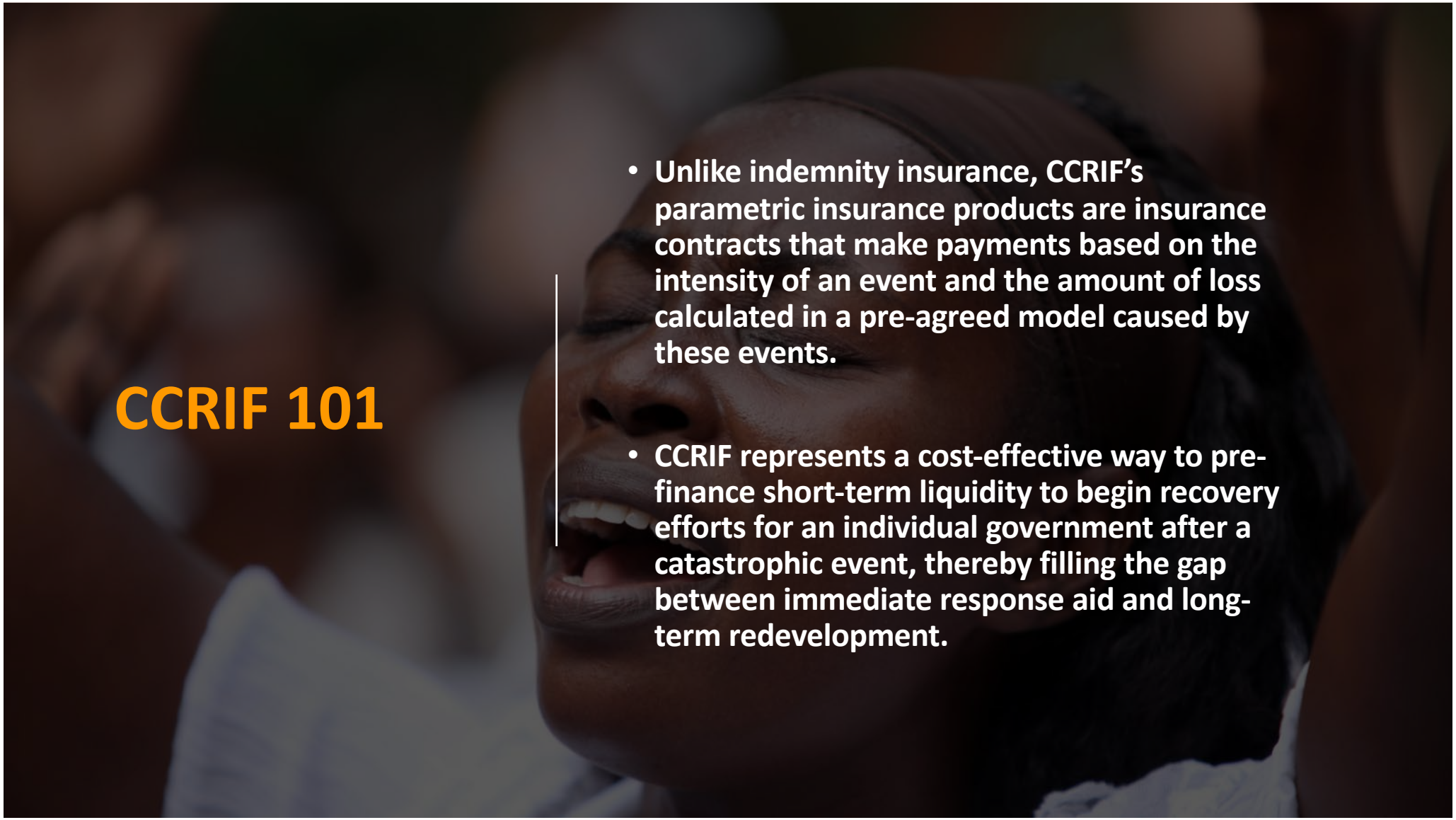
Panama



CCRIF 101

- CCRIF is the world's first multi-country multi-peril risk pool based on parametric insurance and provides parametric catastrophe insurance for Caribbean and Central American governments.

- CCRIF operates as a not-for-profit organization and currently provides its products and services to 19 Caribbean governments and 3 Central American governments – and one electric utility company.



CCRIF 101

- Unlike indemnity insurance, CCRIF's parametric insurance products are insurance contracts that make payments based on the intensity of an event and the amount of loss calculated in a pre-agreed model caused by these events.

- CCRIF represents a cost-effective way to pre-finance short-term liquidity to begin recovery efforts for an individual government after a catastrophic event, thereby filling the gap between immediate response aid and long-term redevelopment.

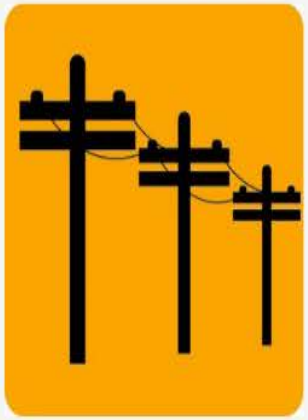
CCRIF Parametric Insurance Products

Earthquake Policies

Tropical Cyclone Policies

Excess Rainfall Policies

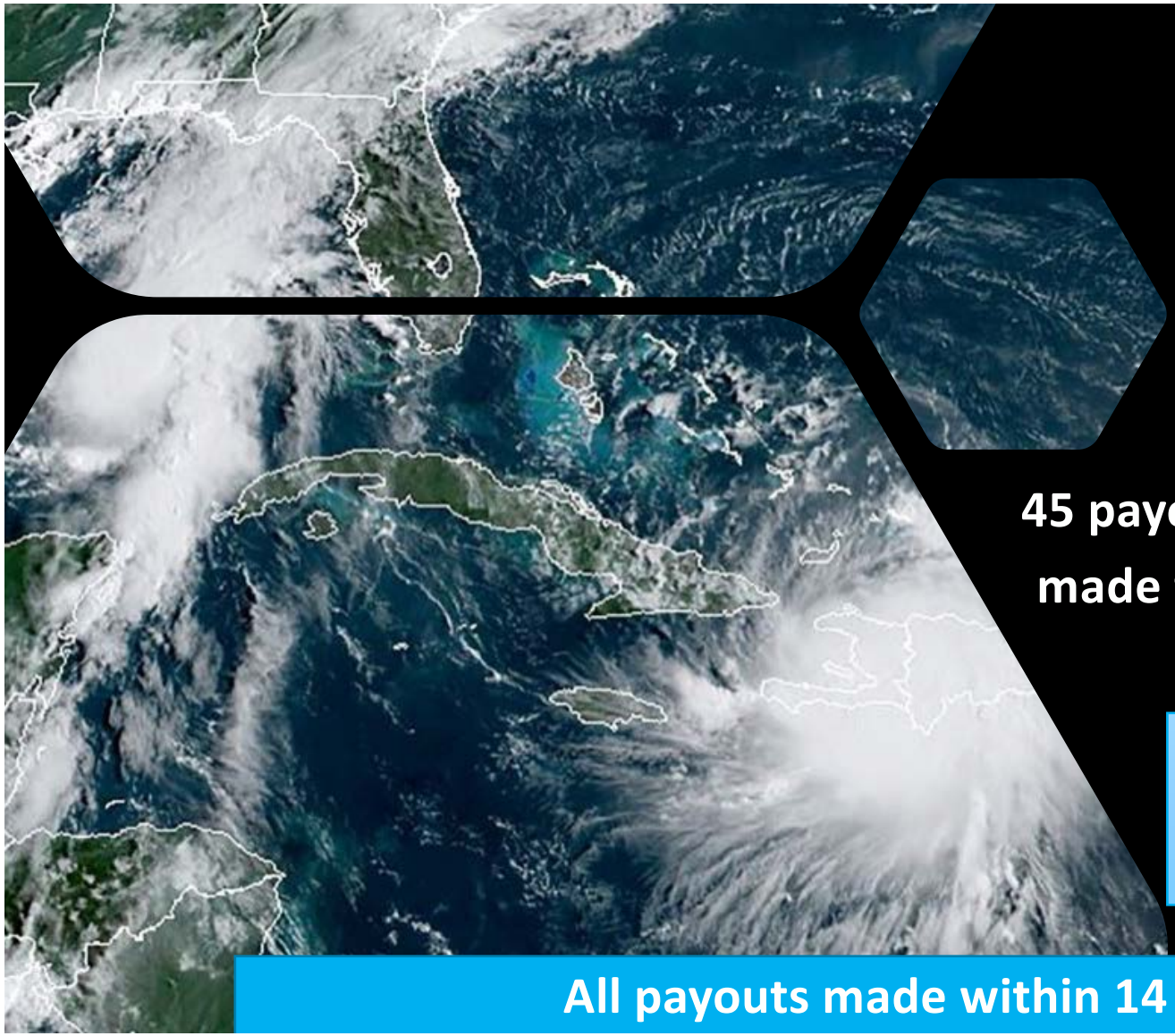
Fisheries Policy - COAST



Electric Utilities Policy

How CCRIF Policies Work

Parametric insurance disburses funds based on the occurrence of a pre-defined level of hazard and impact	Policy triggered on the basis of exceeding a pre-established trigger event loss
	Estimated based on wind speed and storm surge (tropical cyclones) or ground shaking (earthquakes) or volume of rainfall (excess rainfall)
	Hazard levels applied to pre-defined government exposure to produce a loss estimate
	Payout amounts increase with the level of modelled loss, up to a pre-defined coverage limit



CCRIF Payouts to Date

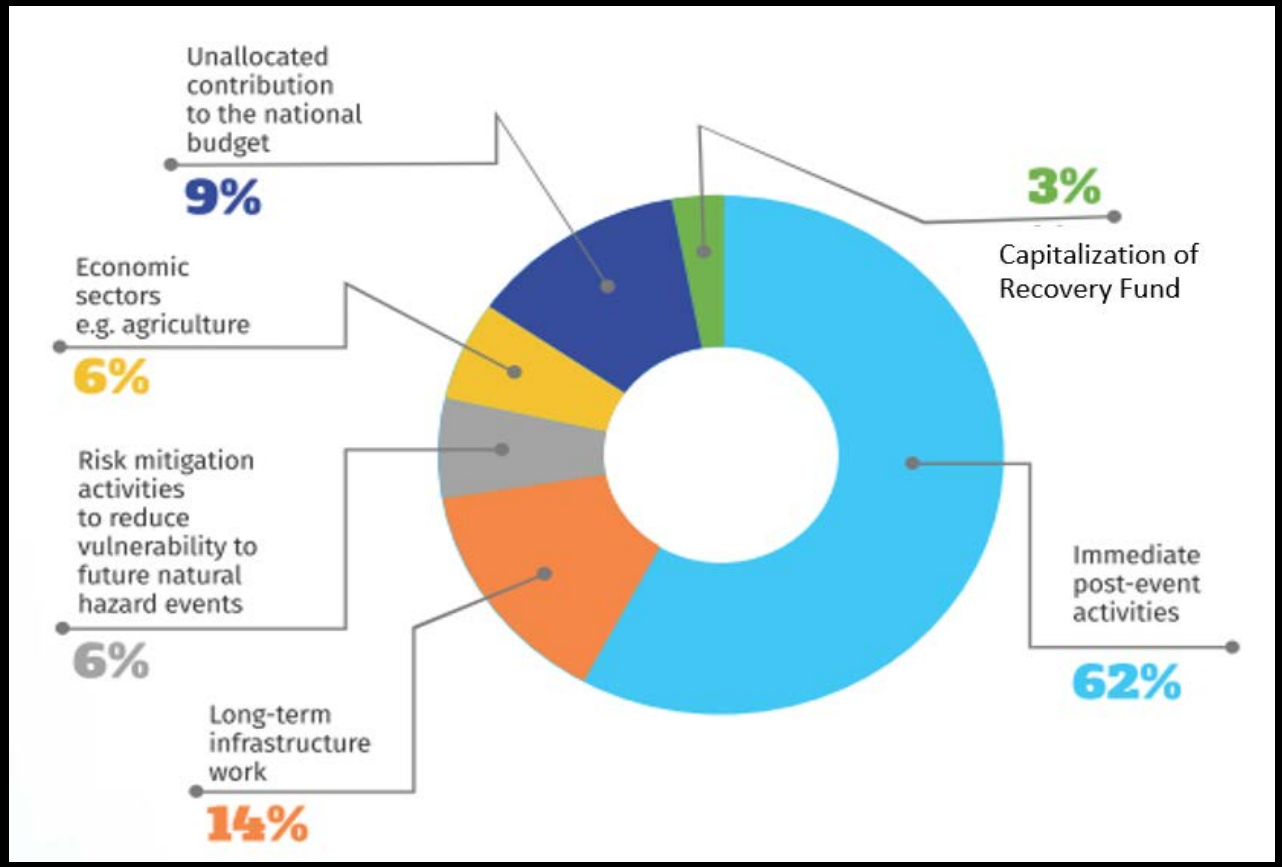
45 payouts totalling US$163 million made to 14 member governments

Latest Payouts

to Haiti after Tropical Cyclone Laura: US$7.45 million

All payouts made within 14 days

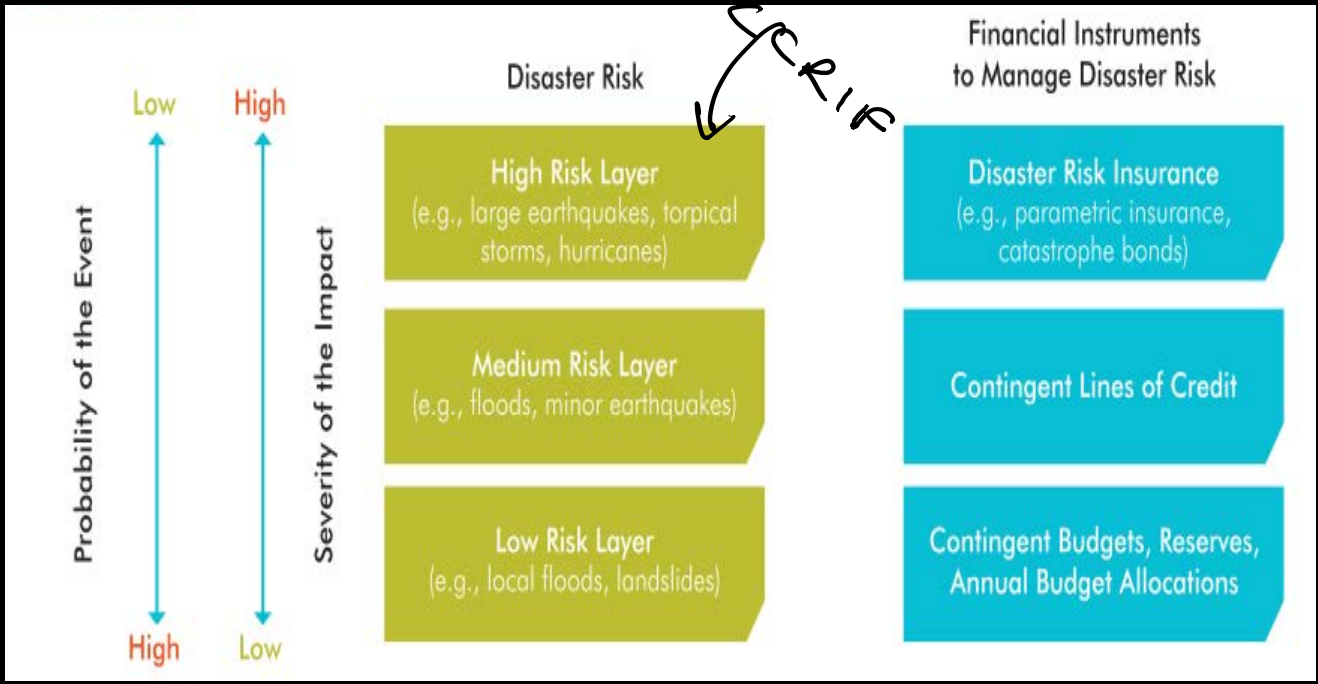
Use of CCRIF Payouts



While these payments are relatively small compared to the overwhelming cost of rebuilding, all recipient governments have expressed appreciation for the rapid infusion of liquidity, which they are able to use to address immediate priorities.

Approximately 2.5 million persons have benefitted from CCRIF payouts since 2007

Disaster Risk Financing Layering Approach



Governments should build a financial protection strategy that combines a number of instruments that address different layers or types of risk. Such a strategy incorporates budget allocations and reserves, contingent credit, and risk transfer instruments.

CCRIF and Microinsurance – Two Examples of Linking Social Protection and Insurance

Two main products supported and/or developed by CCRIF:

- **Sovereign Product with microinsurance features developed for fishers called - COAST – developed in partnership with the World Bank and US State Department**
- **Key partner in the Climate Risk Adaptation and Insurance in the Caribbean (CRAIC) Project (Livelihood Protection Policy - LPP)**

Microinsurance - Climate Risk Adaptation and Insurance in the Caribbean project

The Livelihood Protection Policy

- Targeted at individuals, the LPP is designed to help protect the livelihoods of vulnerable low-income individuals such as small farmers, tourism workers, fishers, market vendors and day labourers, by providing quick cash payouts following extreme weather events (specifically, high winds and heavy rainfall).
- Essentially, the livelihood protection policy is designed to reduce vulnerability and sustain the livelihoods of low-income communities… towards closing the protection gap

Implemented by partners Munich Climate Insurance Initiative, CCRIF SPC, and International Labour Organization's Impact Insurance Facility, DHI with support from the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU).

Pilot countries: Belize, Grenada, Jamaica, Saint Lucia, and Trinidad & Tobago

- A parametric insurance product providing quick payouts within 14 days to fisherfolk
- Supports the livelihoods of fishers
- Designed to support governments' efforts to rapidly put money into the hands of those impacted by extreme weather, providing them with **immediate** economic relief.
- Policy includes mechanism for disseminating payout to beneficiaries in the fisheries sector
- Promotes a culture of building back better to enhance coastal community resilience after an extreme weather event
- The insurance policy and payouts are based on full transparency and accountability

C|O|A|S|T

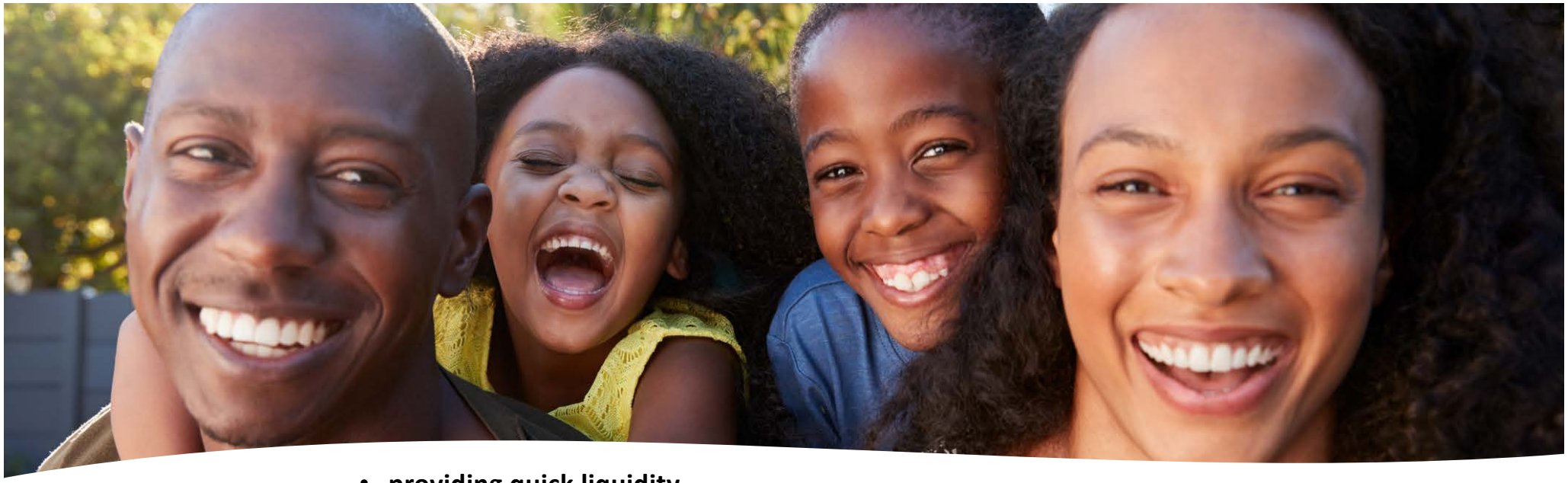
NEW

In force since July 1st, 2019

In Grenada and Saint Lucia

Members Confidence in CCRIF based on:

- Access to high quality, tested catastrophe insurance
- Lower premiums – 35 to 50% less than if territory approaches market on its own – outside of risk pool – for coverage
- Increased access to reinsurance markets
- Demonstrated experience – CCRIF provides high quality service and fulfils customer proposition – payouts within 14 days
- Innovativeness – new products and state of the art models underpinning products
- Increased regional cooperation and collaboration
- Cost savings associated with efficiency gains



CCRIF is essentially about…

- providing quick liquidity
- allowing governments to quickly support the most vulnerable in their population immediately after a natural disaster
- reducing budget volatility
- not increasing the debt stock of countries – parametric insurance will not result in an increase in debt stock as it is not a form of disaster relief as are credit facilities or other forms of DRF
- offering diverse products for both a range of perils and economic sectors and industries
- offering products and services not readily available in traditional insurance markets

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