CCRIF SPC: An Example of a Disaster Risk Financing Mechanism for the Caribbean and Central America

Elizabeth Emanuel
Technical Assistance Manager, CCRIF SPC

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Recap on CCRIF SPC

• 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

• The organization operates more like a developmental insurance company – as the provision of goods and services it provides is designed to enhance the overall developmental prospects of its members

• The Facility has 23 members – 19 in the Caribbean and 3 in Central America and 1 electric utility company

• CCRIF provides parametric insurance products to its members which is very different from indemnity insurance

• Parametric insurance 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 parametric insurance products are a key component in a country’s disaster risk financing strategy and is designed to pre-finance short-term liquidity or close the protection gap, allowing countries to begin recovery efforts immediately after a catastrophic event

• CCRIF payouts fill the gap between immediate response and long-term redevelopment
Rationale for Selecting Parametric Insurance instrument as a basis for CCRIF policies:

• Parametric Insurance – an example of a DRF instrument 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
After A Disaster: Sovereign Liquidity Gap

- Short-term emergency assistance (mainly goods and services)
- Long-term infrastructure and sustainable development assistance

Catastrophe Event

Emergency Response  \(\rightarrow\) Recovery  \(\rightarrow\) Reconstruction and Sustainable Development

Liquidity Gap: little revenue to fund Government services
CCRIF Members

19 Caribbean governments:
- Anguilla
- Antigua & Barbuda
- Barbados
- Belize
- Bermuda
- British Virgin Islands
- Cayman Islands
- Dominica
- Grenada
- Haiti

17 Million in Caribbean

33 Million in CA

Our members by population:

3 Central American governments:
- Guatemala
- Nicaragua
- Panama

1 electric utility company:
- ANGLEC, Anguilla
CCRF Parametric Insurance Products

- Earthquake Policies
- Tropical Cyclone Policies
- Excess Rainfall Policies
- Fisheries Policy - COAST
- Electric Utilities Policy
CCRIF Payouts to Date

47 payouts totalling US$173.4 million made to 14 member governments

Latest Payouts

to Haiti after Tropical Cyclone Laura: US$7.45 million
Nicaragua – after TC Eta – US$10.7 million

All payouts made within 14 days
Use of CCRIF Payouts

Approximately 2.5 million persons have benefitted from CCRIF payouts since 2007.

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.
CCRIF’s Work within the Context of the COVID-19 Pandemic
CCRIF 2020/21 Policy Renewal – Update

All member governments renewed their parametric insurance coverage for tropical cyclone, excess rainfall, earthquake and fisheries ahead of the 2020 Atlantic Hurricane Season, ceding over US$1 billion in risk to CCRIF and increasing overall coverage by 8%

But even as CCRIF was finalizing renewals with governments via its annual policy renewal meetings, we were meeting with our development partners to find resources and solutions to support our members especially within the context of the economic growth projections and analyses coming out of the WB, IMF and UNECLAC.

CCRIF as is its usual custom provided discounts on premium to members.
We were successful in receiving support for our members to offset their policy premiums for 2020/21 and 2021/22 as follows:

- **The European Union (EU)** under its Global COVID-19 Response, provided a grant of €10 million (US$11 million) to CCRIF for premium support or for increasing coverage for its Caribbean members.

- COSEFIN members also have received special benefits as part of CCRIF’s response to the COVID-19 pandemic. These benefits include a 50 per cent reduction in premium costs on their parametric insurance policies or a mutually agreed increase in CCRIF coverage at no additional cost or a combination of both. This effort is supported by the 2nd Multi-Donor Trust Fund (MDTF), administered by the World Bank (US$10 million).

- Nine countries in the Caribbean have benefitted from a total of US$12.4 million under the Canada-CARICOM Climate Adaptation Fund. Antigua and Barbuda, Belize, Dominica, Grenada, Jamaica, Saint Lucia, St. Vincent and the Grenadines – will be able to use their allocation to cover a portion of their premium costs for their CCRIF parametric insurance policies for policy year 2020/21 or 2021/22. Two countries – Guyana and Suriname – which are not yet members of CCRIF – will be able to use their allocations towards their participation fees as well as for premium support for policy year 2021/22.
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