

CCRIF

The Caribbean Catastrophe Risk Insurance Facility



MCII AND GIZ WORKSHOP

DEVELOPING A STRATEGIC CONCEPT FOR THE IMPLEMENTATION OF CLIMATE RISK INSURANCE IN AN INTEGRATED CLIMATE RISK MANAGEMENT APPROACH

EXPERIENCES AND LESSONS LEARNED FROM THE CARIBBEAN CATASTROPHE RISK INSURANCE FACILITY (CCRIF)

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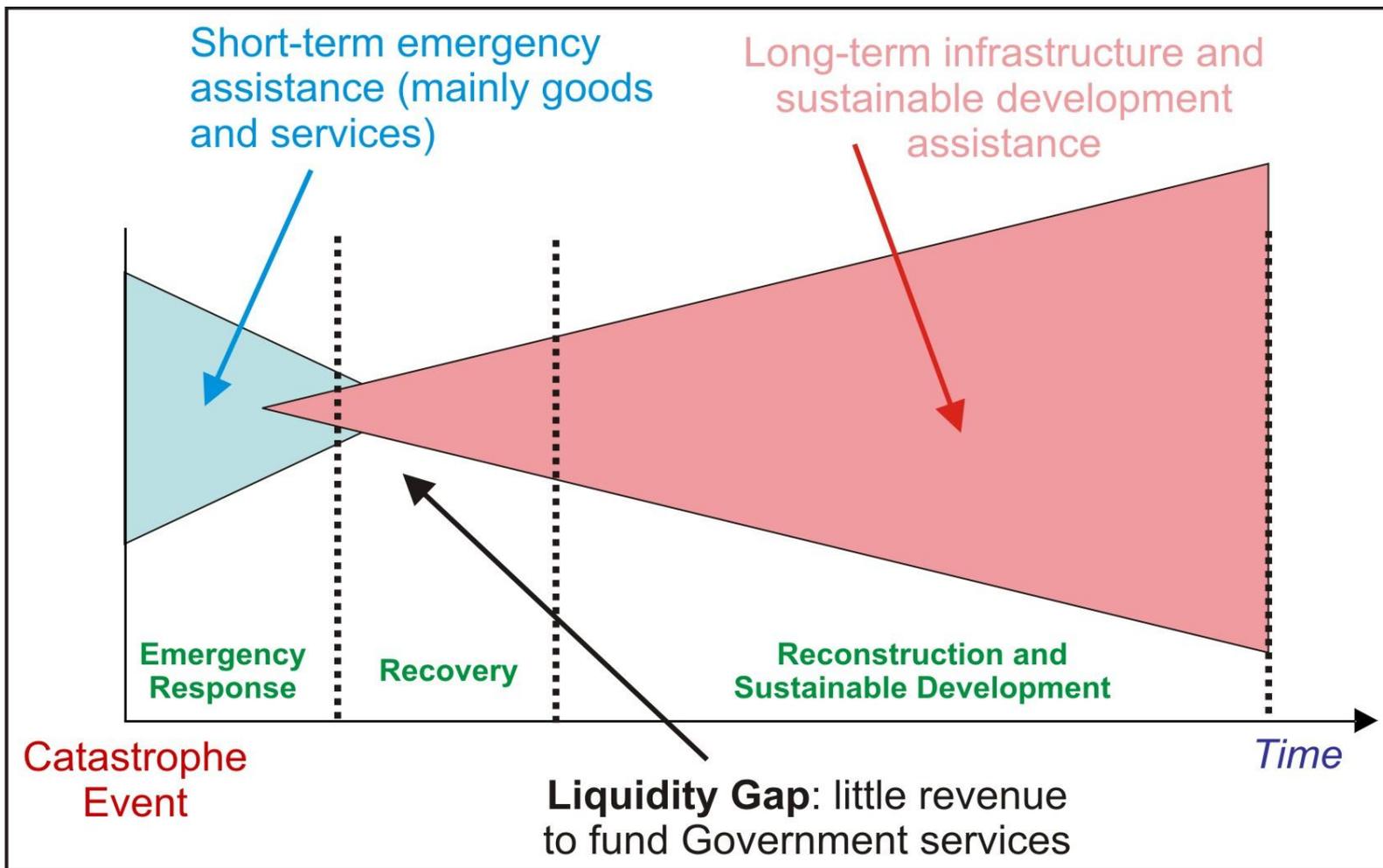
11 – 12 April 2013





- Launched in 2007 as a public-private partnership, World Bank's response to Caribbean Governments
- World's first multi-national risk pool and the first to cover sovereign risk via parametric insurance
- Designed to offset the financial impact of hurricanes and earthquakes by providing quick liquidity
- Capitalised by donors (Canada, EU, World Bank, UK, France, Caribbean Development Bank, Ireland and Bermuda) and the **16 member governments** (via initial membership fee)







- Operates as not-for-profit
- Each government pays a premium related to the quantum of risk it transfers to the Facility
- Payouts based on the coverage conditions and the parameters of the event
- CCRIF enhances claims-paying capacity through accessing traditional and alternative risk transfer markets





Source of Financing Post-disaster

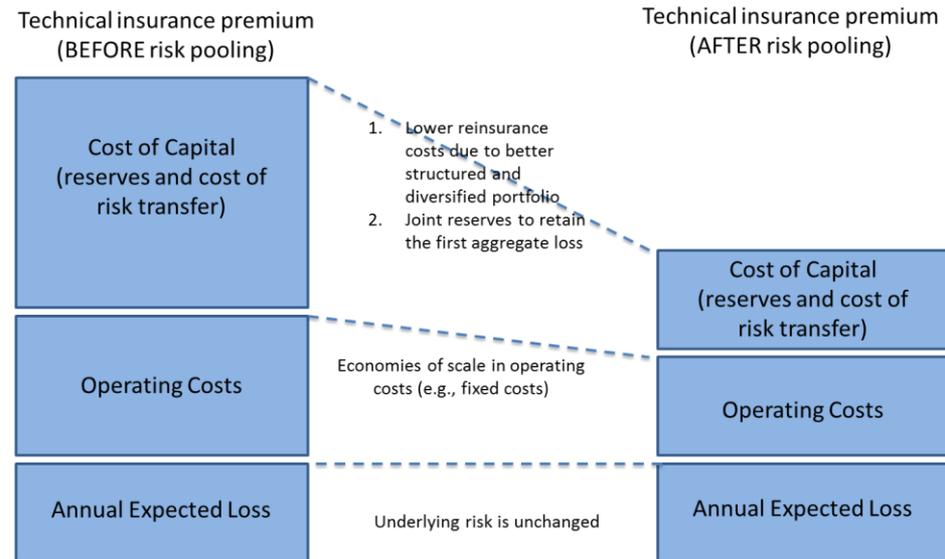
Instrument s	Availability of funds
Reserves	Immediate
Budget Reallocations	-
Contingent Lines of credit	Immediate
Emergency Loans	3-6 months
Donor contributions	3-6 months
Traditional Insurance	3-6 months
Parametric Insurance	Immediate
Catastrophe Bonds	Immediate



How do we combine these instruments to protect the fiscal balance of the state and improve its capacity to respond in case of a natural disaster



- Pooling of risk across a wide geographical area provides:
 - excellent diversification
 - pooling into a single reinsurance transaction improves access to and pricing from global markets
 - parametric policies allow total objectivity/transparency and rapid payouts (14 days after an event)
- Pricing based on technical risk avoids cross-subsidisation
- Parametric insurance avoids moral hazard, so can work in full synergy with risk reduction and other tools as part of a holistic catastrophe risk management programme





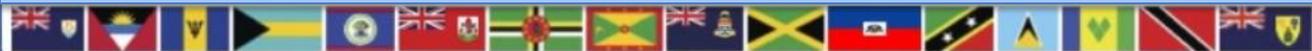
Coverage comparison	Pre-implementation estimation range	Current (actual) estimation range
Hurricane		
CCRIF savings vs Market	48-56%	54-59%
CCRIF savings vs Self-retention	65-71%	57-75%
Earthquake		
CCRIF savings vs Market	42-47%	54-62%
CCRIF savings vs Self-retention	49-53%	58-85%

Source: Pre-implementation estimates from World Bank (2007). Achieved estimates by World Bank Disaster Risk Financing and Insurance Program, with data from Caribbean Risk Managers Ltd (2012).





- CCRIF is a Cayman-domiciled insurance company owned by a special purpose trust
- It is governed by a trust deed, the board must ensure that the CCRIF operates within the trust's parameters
- The board has representation from participants (via CARICOM nominee) and donors (via CDB nominee), two technical experts (also nominated by CARICOM and CDB) and an Executive Chairperson
- CCRIF's operations are laid out in an Operations Manual and are executed by a Chief Executive Officer (CEO) and a number of service-provider companies (Facility Supervisor, Insurance Manager, Reinsurance Broker, Asset Manager, Communications/PR Advisor)



- Consultations with a wide range of experts and stakeholders are important in developing and successfully launching an innovative development instrument.
- Donor support can be essential for an innovative and untested development instrument.
- The private sector expertise and hands-on knowledge of relevant markets is vital to the success of a project that seeks to respond to a market failure. Local thought/leadership
- When public funds – e.g., capital contributions from donors and beneficiary governments, both ultimately provided by taxpayer – support an independently and commercially managed entity, it is important that those managing the entity have experience with stewardship of public resources.
- On-going communications with clients and other stakeholders are essential in piloting successfully an innovative development solution.
- A lean organisational structure can be very effective.
- In a highly innovative project, it is important to give the implementing agency scope for creativity and flexibility, while still ensuring compliance with operational/regulatory policies.





- Required many iterations of risk modelling
- Balancing donor commitments with reinsurance capacity (finding the sweet spot)
- Legal, regulatory constraints
- Long terms approach - Not simply about insurance
- Breaking down the door marked “never been done before”

Going forward

- Need to track use of funds after an event occurs to better make linkages with improved risk management
- Expectation management - Increasing complexity – greater familiarity
- Constant need for improvement of the financial mechanism to remain relevant to needs of countries
- Business continuity
- Climate risks not the only risk these countries face



