

Remarks – Mr. Isaac Anthony, CEO, CCRIF

**Launch of the Livelihood Protection Policy of the
Climate Risk Adaptation and Insurance in the Caribbean Project**

At

The National Stadium Conference Room, Grenada

January 22, 2014

Salutation.

On behalf of the Caribbean Catastrophe Risk Insurance Facility (CCRIF), our chairman and board of directors, I am pleased to have been invited to participate – along with our partners, the Munich Climate Insurance Initiative (MCII), MicroEnsure and MunichRe – in the launch of the Livelihood Protection Policy which will provide insurance coverage for Grenadians against extreme weather. Also, I would like to acknowledge the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety for their financial support of the project.

The launch of this product is very timely, following the heavy rains that occurred in the Eastern Caribbean on December 24th and 25th last year. CCRIF is acutely mindful of the loss of life, damage to public assets and infrastructure, wide-scale economic disruption, damage to homes and other property and dislocation of vulnerable communities as a result of this event across Saint Vincent and the Grenadines, Saint Lucia, Dominica and to a lesser extent this country. In fact, CCRIF will provide some level of support to these countries, particularly in areas that will reduce future vulnerabilities to rainfall and other natural hazards. I wish to add quickly that CCRIF recently signed an MoU with the Organization of Eastern Caribbean States and one of the key activities that we will be supporting

the OECS to implement this year is use of a Multi-Hazard Risk Reduction Methodology for vulnerable and low-income communities in OECS countries. This activity will undoubtedly contribute to heightening the resilience of the Eastern Caribbean Member States as well as increase capacity building and holistic country-level risk awareness in the National Disaster Offices and Ministries of Finance, in particular, with respect to assessment and quantification of risk.

The “Christmas” rainfall event has reminded us that we need to always be prepared for natural hazards – many of them such as earthquakes and excess rainfall can occur anytime. And for you, you have to be mindful of “Kick ‘em Jenny”, that active submarine volcano off your north coast. On December 24th, no one in the region was thinking of anything other than celebrating Christmas and preparing for this festivity that we look forward to each year. In fact, we had just ended a relatively quiet hurricane season, and then this extreme rainfall event hit us. This event has reminded the entire region that extreme rainfall can occur at any time and that it can also occur outside of the hurricane season and also outside of the so-called rainy seasons that we are accustomed to.

As a region, we were reminded of the value of preparing for natural hazards by taking proactive measures before these events occur. Throughout the Caribbean, countries are fully embracing the approach of integrating comprehensive disaster management into national sustainable development planning and have taken steps to advance a number of disaster risk management strategies. In Grenada this is evident in the fact that you do have a disaster risk management plan in place to manage selected hazards.

But as a region we need to do more. The hazard landscape of the region is changing. In fact, until 2004, Grenada was considered relatively safe from hurricanes owing to its location in the southernmost region of the hurricane belt. Prior to 2004, Grenada had seen a total of only 3 hurricanes since the

beginning of the 20th century – an unnamed storm in 1921, Janet in 1955, and Flora in 1963 .

However, in September 2004, nearly 50 years after the passage of Janet, Grenada was hit by Hurricane Ivan, a Category 3 storm. We remember how devastating the impacts were – Ivan resulted in an estimated US\$800 million (2004) in losses, 39 deaths, damages to infrastructure and agricultural losses estimated at twice Grenada's GDP for 2004. Adding to the economic impacts of the storm, we recall how the Government was severely crippled as the capital, St. Georges, sustained major damages, and how many persons suffered personal losses. Almost one year later, in July 2005, Grenada was hit yet again, by Hurricane Emily. Emily passed the island as a Category 2 storm, further impacting infrastructure already damaged by Hurricane Ivan.

But is this scenario only unique to Grenada? Not at all. This scenario is repeated year after year albeit at different levels as hurricanes and heavy rainfall affect the region. It is therefore not surprising that one of the main factors accounting for significant levels of indebtedness within the region is the Caribbean's vulnerability to natural hazards. Natural hazards continue to have inordinate impacts on the economies of the Caribbean region, many of which depend on tourism and agriculture as their main economic drivers.

This changing hazard landscape along with the potential impacts of climate change will require countries and small island states as ours to implement strategies and actions to effectively address and reduce vulnerabilities. Examples of these types of strategies include:

- Establishing appropriate mechanisms for increasing resilience of the poor and most vulnerable
- Implementing opportunities for private sector involvement in hazard risk reduction
- Climate-proofing our key economic sectors – agriculture and tourism

- Introducing economic and financial instruments for disaster risk transfer
- Implementing opportunities for individual and community involvement in hazard risk reduction
- Slowing down the growth of informal settlements in locations on steep hill-slopes and river banks
- Implementing dynamic development planning standards and building codes as well as improving the enforcement of regulations and standards.

This Livelihood Protection Policy being launched today represents aspects of the implementation of the national strategies I just mentioned. How, you may ask? It is a new and innovative risk transfer instrument, it is designed to help poor and vulnerable persons and it is being offered to Grenadians by a private insurance company.

Both risk mitigation and risk transfer should be part of a country's comprehensive disaster management (CDM) strategy. While reducing current and future risk must be a priority, there is a threshold at which investment in risk transfer is more cost-efficient than risk reduction. This threshold varies from country to country. For example, in some countries only a small share of the expected loss can be expected to be averted cost-effectively using risk mitigation measures. To address the risk beyond this level, it may be economically more effective to purchase a risk transfer solution than to implement further risk mitigation measures. Each country must decide the proportion of its risk management portfolio which should be based on risk mitigation and on risk transfer.

I will quickly add here that Grenada has been pursuing risk transfer as part of its comprehensive disaster risk management framework. Grenada, since the launch of CCRIF in 2007, has purchased insurance coverage for hurricanes and earthquakes every year. CCRIF is the only multi-country risk pool in the world utilising parametric insurance – which allows payments to be made quickly, within 14 days, after a policy is triggered.

This pre-event planning is an example of the Government of Grenada's commitment to "taking a proactive, comprehensive and sustained approach to disaster management that encourages buy-in by all players and that is focused on risk and vulnerability reduction".

I feel heartened that I am here today to be part of the launch of a product – the Livelihood Protection Policy, or LPP – this is the 3rd country in the region that the product has been launched – prior to this in 2013, there were launches in my own country Saint Lucia and in Jamaica.

This micro-insurance policy will provide direct benefits to the citizens of this country after an extreme weather event. I hasten to add that persons in the agriculture sector who purchased LPP policies in Saint Lucia were collecting their cheques over a week ago following the Christmas rainfall event which triggered their policies.

In the past, when policies like the LPP were unheard of, many farmers would be sitting down wondering what would happen next... what were they going to do... Today, these farmers in Saint Lucia, with the monies received from their insurance policy are now able to undertake activities such as replanting, draining their fields and reconstructing irrigation systems – enabling them to get back on their feet and realize concrete earnings as soon as possible. But the truth is, we all benefit when these farmers can get back to work faster... How? Our market vendors will have produce to sell sooner and get back to market maybe within 6 to 8 weeks, we would not have to look at importing fruit and vegetables – a phenomenon which occurs many times when we are affected by natural hazards.

I can safely say today that the LPP constitutes a breakthrough in weather-related risk transfer considering previous attempts in the region, particularly for the agricultural sector, to develop such risk transfer instruments. As a Caribbean national, I am proud that this region is the testing ground for this Livelihood Protection Policy.

This new and innovative insurance coverage is a clear example of proactive planning for disaster risk management at the individual level. This is an initiative that I would strongly encourage the Government of Grenada to support, particularly in these times of severe fiscal challenges, for as we have seen in the past the bills for clean-up and restoration of farms after a weather event invariably land on the desk of the Ministry of Finance! This was my personal experience when I was a Permanent Secretary at the Ministry of Finance in Saint Lucia.

CCRIF welcomes this collaboration with the Munich Climate Insurance Initiative. While all Caribbean islands have always been vulnerable to hurricanes and storms, the effects of these natural hazards are expected to worsen as a result of global climate change.

In fact, in 2010 CCRIF and partners conducted a study which demonstrated this in eight Caribbean countries. The study found that annual expected losses from wind, storm surge and inland flooding currently amount to up to 6% of GDP in some countries and that, in a worst case scenario, climate change has the potential to increase these expected losses by 1 to 3 percentage points of GDP by 2030. Therefore, it is clear that individuals need to take personal measures to reduce the impacts on their own livelihoods. The LPP will help Grenadians to do this.

The offering of the new Livelihood Protection Policy would not have been possible without key stakeholders in the insurance, finance and disaster management communities. I would particularly like to salute Trans-Nemwil Insurance Limited, Grenada Co-Operative Bank Limited and Granville Co-Operative Credit Union for showing leadership and stepping up to the challenge to take the risk in bringing this new and innovative product to market.

We urge you to use the marketing of this product as an opportunity to facilitate increased knowledge and capacity building among farmers and other workers such as those in the tourism sector, construction workers, and market vendors about how to engage in effective disaster risk

management to reduce their own vulnerabilities and to protect their livelihoods and that of their families.

To this end, I encourage everyone involved – from us at CCRIF and MCII to Trans-Newwil, and Grenada Co-op Bank and Credit Union to the persons who will be purchasing the policies – to join with others in Saint Lucia and Jamaica to capture the lessons learned and to record our stories to share with other countries not only in the Caribbean but throughout the world.

In closing, as CEO of CCRIF, I look forward to working with our project partners on the ground to play a part in creating a Caribbean region with optimised disaster risk management and climate change adaptation practices that supports the long-term sustainable development of this Region.

I thank you.