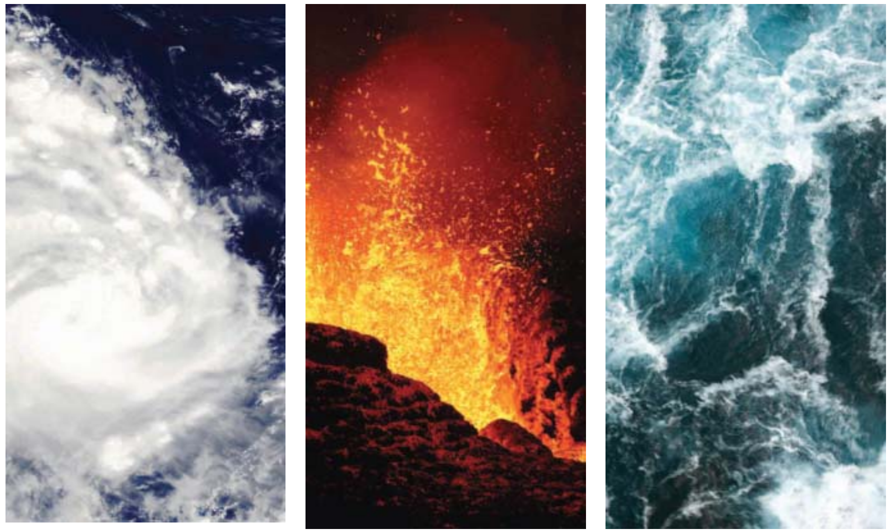
CCRIF: Sovereign climate risk management in practice



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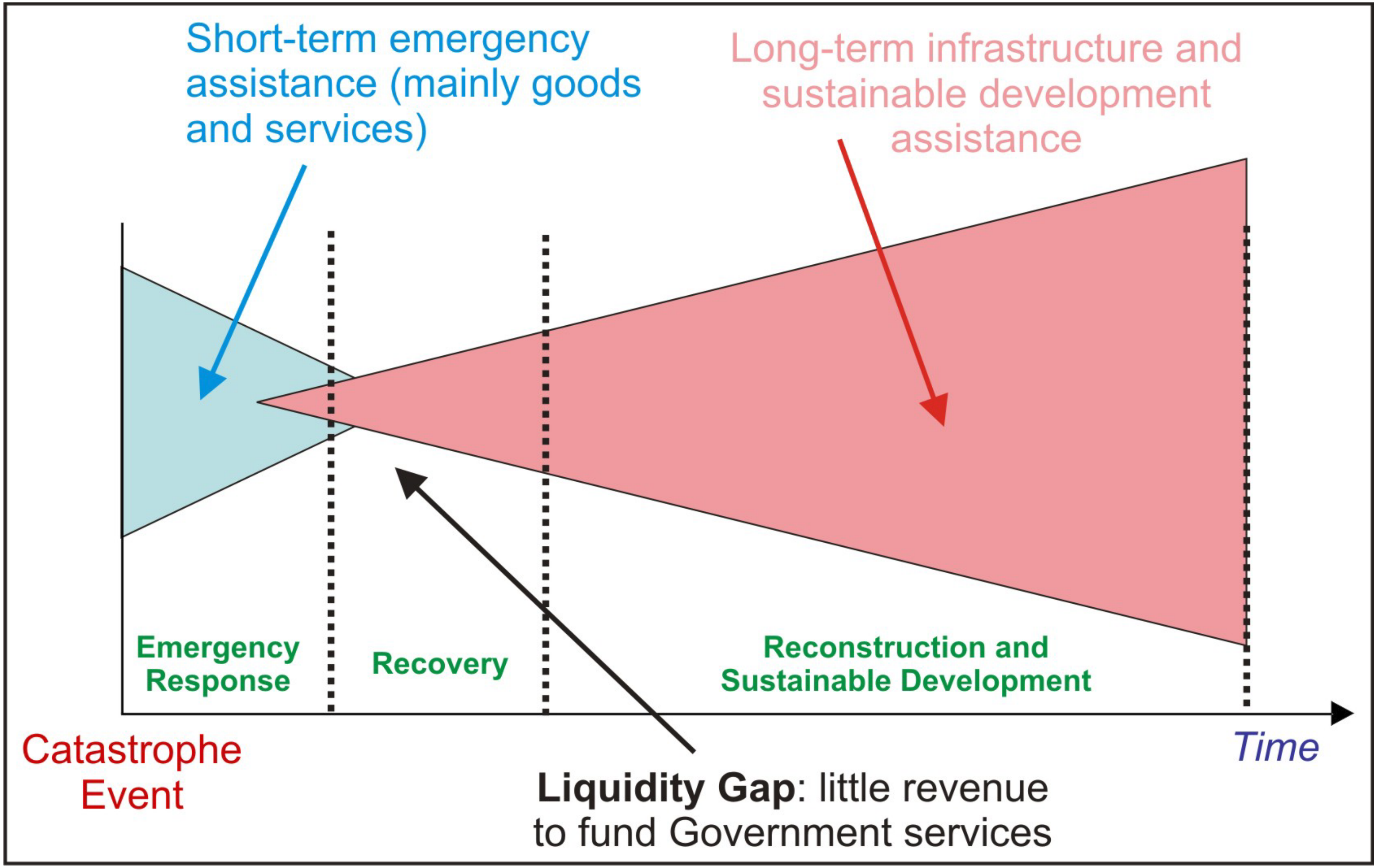
Brokers to the Caribbean

CCRIF – brief overview

- Launched in 2007; ‘virtual’ insurance company owned by and operated on behalf of 16 CARICOM member governments
- Sells annual parametric wind and earthquake policies designed to offset immediate post-disaster liquidity needs of a treasury (rain coverage soon coming)
- To reduce premium costs (which are un-subsidised apart from Haiti), Donors provided initial capital and countries paid a membership fee, otherwise cost of capital required to secure a catastrophe programme would add significantly to annual premium
- Has paid out almost $33M in first 4 years after major disaster events

Liquidity Gap



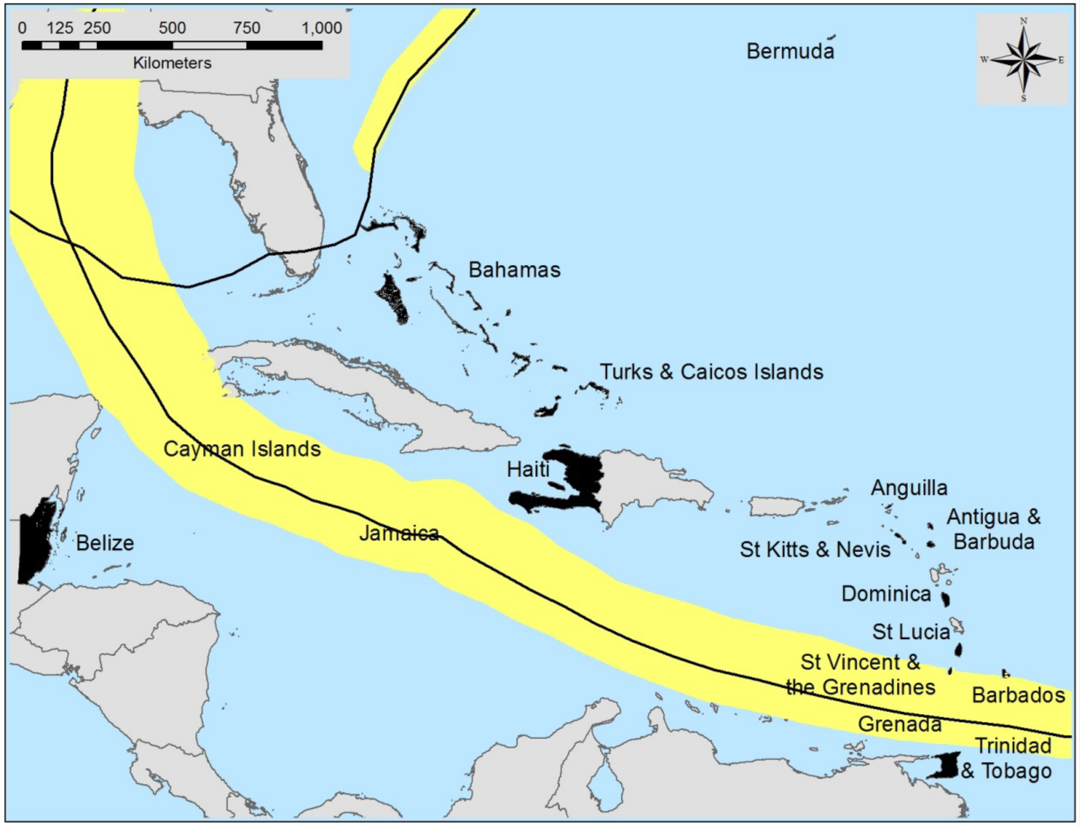
Parametric insurance

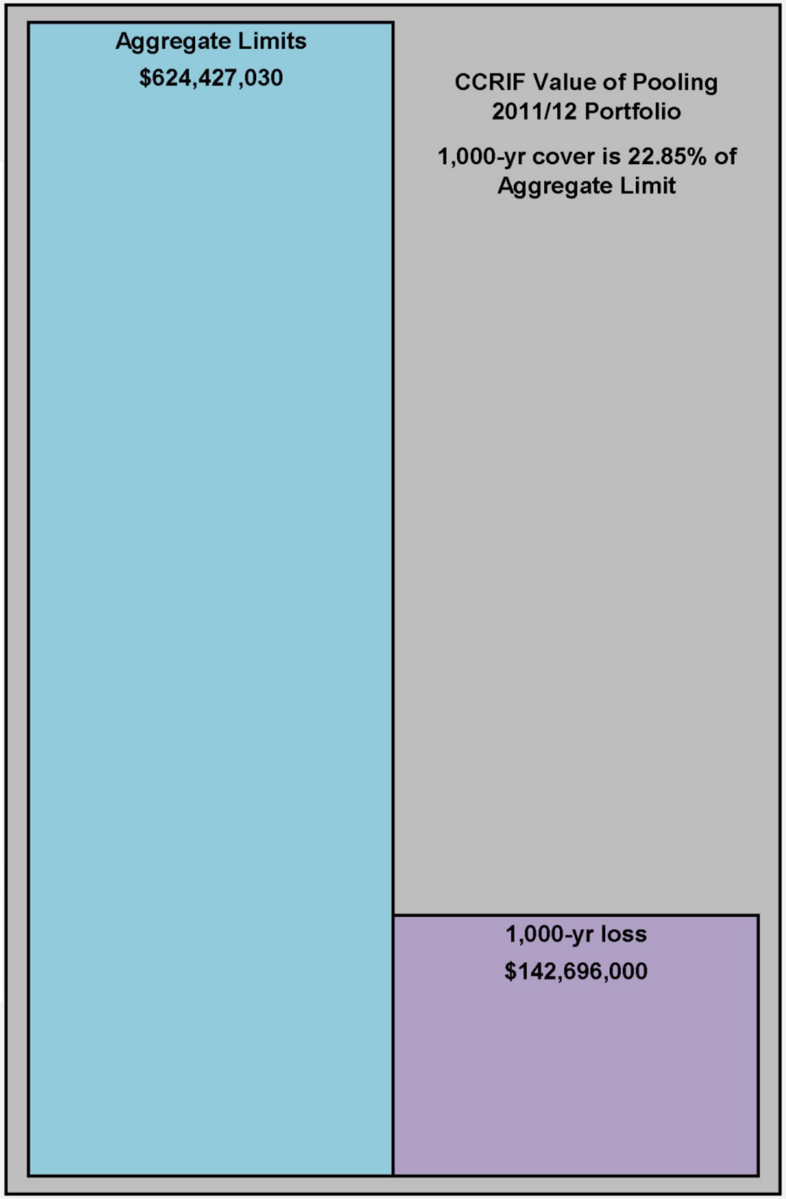
- Parametric contracts are beneficial in a number of key ways relevant to climate change adaptation:
  - They allow rapid claims settlement (2 weeks in CCRIF's case), with early flow of funds potentially reducing overall disaster impacts (true from macro to micro)
  - They do not require detailed knowledge of covered assets and funds can be used for current needs
  - They are flexible in terms of coverage conditions and limits, and can be used alongside traditional insurance programmes
  - They eliminate moral hazard and adverse selection
  - Risk-based pricing is easier to achieve, providing transparency
  - Cost of RT to international markets is cheaper

Cost-effectiveness

- CCRIF combines multiple design factors to reduce premium costs to clients:
  - Parametric product; you get what you pay for in terms of transfer of risk
  - Risk pooling value is passed directly to member countries
  - Reinsurers give good pricing for developing-world risk nicely packaged (plus capital allows for flexibility in buying reinsurance)
  - Virtual entity with low fixed costs and no shareholders requiring dividends

Value of pooling





Building regional capacity

- CCRIF funds a technical assistance programme from investment income to support regional capacity building, knowledge-gathering and disaster risk management projects
- CCRIF also utilises regional technical partners in its research and development work
- CCRIF’s communications team aims at broad dissemination of knowledge, with a stakeholder group of well over 500.

Technical Assistance Programme

Scholarship/Prof. Dev. Programme

- Students across the region to benefit
- Scholarships for BSc and MSc programmes
- Continued professional development

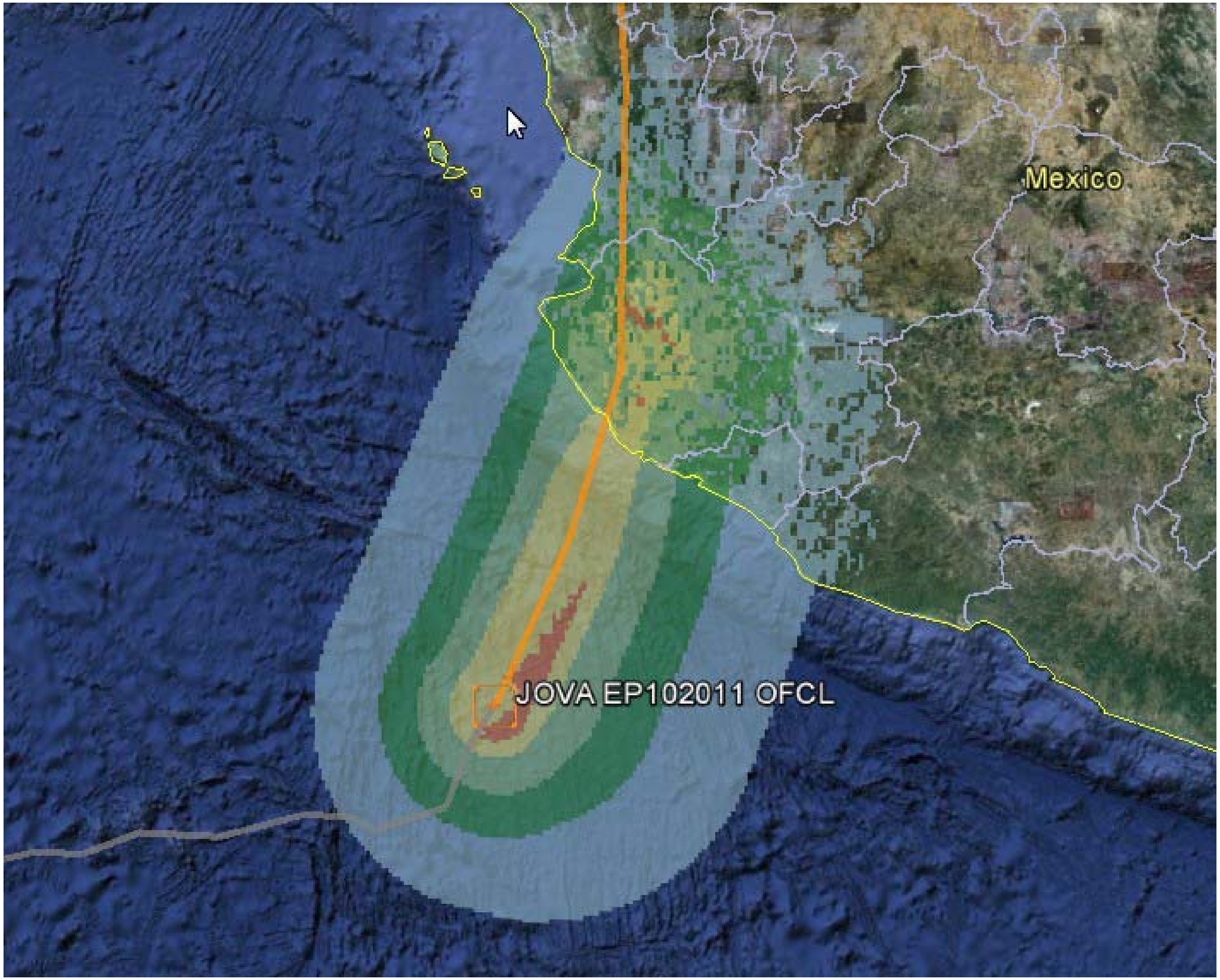
Regional 'Strategic' Knowledge Building

- Partnerships with regional institutions
- Funding for regional technical projects in natural hazards/risk science

Support for Local DRR Initiatives

- Support for NDCs, NGOs and other community-based organisations in local hazard risk management and climate change initiatives

Real-time impact forecasting



Catalysing innovation

- CCRIF is actively fostering development of insurance mechanisms at meso and micro levels as part of a comprehensive climate change adaptation framework
- Positive experience of CCRIF, the development of regional expertise, and the refining of a ‘killer application’ (parametric formulation)
- Collaborating on MCII-led, BMU-funded lighthouse project
- CaribRM, DFID and Swiss Re brought CCRIF experience to bear when developing MiCRO, an innovative catastrophe microinsurance programme recently launched in Haiti

Questions?