CCRIF

The Caribbean Catastrophe Risk Insurance Facility

A Range of Approaches to Address Loss and Damage at the Macro Level:

Experiences and Lessons Learned from the Caribbean Catastrophe Risk Insurance Facility (CCRIF)

9 – 11 October 2012
Bridgetown, Barbados

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CCRIF

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The Caribbean context

- Caribbean countries are highly vulnerable to natural disasters, which have caused them average losses amounting to 2% of GDP since 1970.

Vulnerability

- Only 3% of potential loss is currently insured in developing countries vs 45% in developed countries.

Low Coverage

- Immediate access to liquidity is critical for governments and individuals post disaster.

Liquidity

- Smaller nations with high debt burdens can no longer afford to self-finance disaster risk.

Debt Burden

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What is CCRIF?

- 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
- 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)

Original estimates of CCRIF savings and current estimated achieved savings

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 Paid out approximately US$33 Million to affected members to date***

Lessons Learned

- 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.