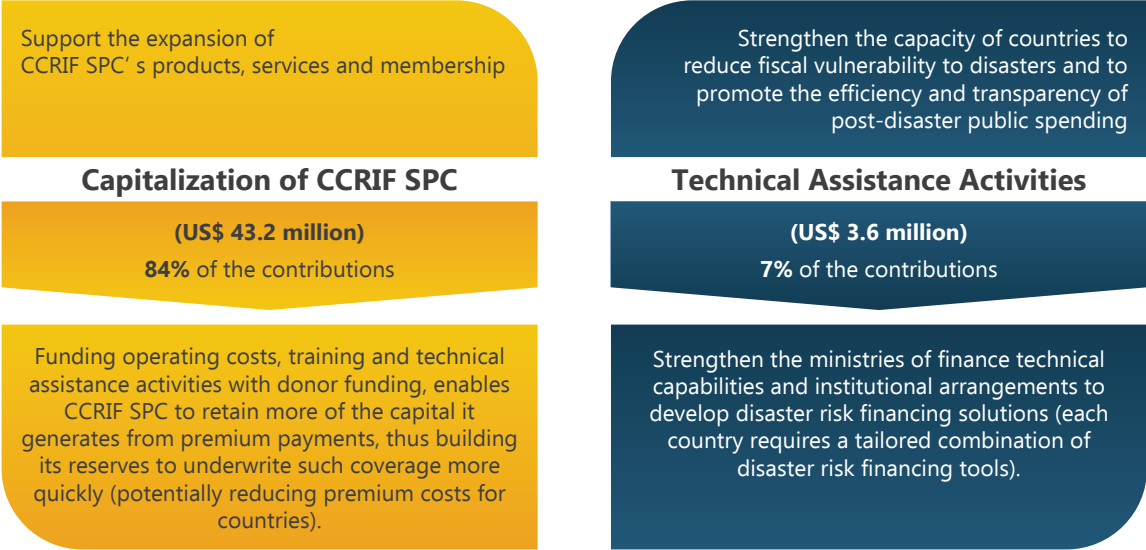


# Catastrophic Risk Insurance Program in Central America and the Caribbean

The Central America and Caribbean Catastrophe Risk Insurance Program was developed to improve affordability of high quality sovereign catastrophe risk transfer for countries, and to enhance the capacity of Ministries of Finance for developing and implementing disaster risk financing and insurance strategies.

**About CCRIF SPC.** Regional insurance mechanisms such as CCRIF SPC take advantage of risk pooling to provide affordable sovereign catastrophe risk transfer to governments. CCRIF SPC’s parametric insurance mechanism provides rapid payouts to help member countries to finance their initial disaster response, mitigating the short-term cash flow problems in the wake of major natural disasters, allowing governments to better respond to the initial needs of its populations and continue providing critical services. Currently, 16 Caribbean countries and Nicaragua are members of the CCRIF SPC.

### Program Activities and Allocation of Funding



In addition, funding has been allocated to (i) support knowledge management activities and supervision (implementation support) of recipient executed activities; and (ii) overall program management and administration of the MDTF.

### Development Partners and Funding

The Central America and Caribbean Catastrophe Risk Insurance Program Multi-Donor Trust Fund (MDTF), administers resources from the United States, Canada and Germany, and the European Union totaling US\$51.2 million. The World Bank is the administrator of the MDTF.



## Progress to Date

**Payment of Participation Fees:** In September 2016, the donors approved the payment of participation fees for Central American members of CCRIF SPC. The payment of the one-time participation fee will reduce the initial cost of joining CCRIF by 50 percent, thus providing an incentive for countries to join CCRIF by putting less financial burden on their fiscal situation.

**New Products:** CCRIF SPC is currently working on updating the earthquake and tropical cyclone models and developing a new drought model. All products are expected to be available to countries for the policy year 2018/19.

**Training Activities:** It remains a priority to ensure that countries understand CCRIF SPC' models, features, benefits, and limitations. As such, training activities and technical discussions will continue to take place in preparation for the new policy year 2018/2019.

**Model Performance:** Since 2007, the facility has made payouts to 13 member governments for hurricanes, earthquakes and excess rainfall for over US\$124 million. In 2017, CCRIF made payouts in an amount of \$ 55 million to 10 member countries after the passage of Hurricanes Irma and Maria. All payouts were transferred to the respective governments within 14 days after the event.

**Geographic Expansion:** In April 2015, CCRIF SPC signed a memorandum of understanding (MOU) with COSEFIN enabling its member countries to join CCRIF SPC. During the same year Nicaragua became the first country to join CCRIF SPC and to acquire coverage. Currently, Nicaragua benefits from earthquake, tropical cyclone and excess rainfall coverage and has received two payouts. Additional countries, including Panama, El Salvador, Guatemala, and Dominican Republic have indicated interest in joining CCRIF.

**Improving the Management of Fiscal Risks.** Results from these engagements are already translating into improved management of fiscal risks related to disasters, such as the inclusion of contingent liabilities in the medium-term fiscal framework in El Salvador and the deepened interest for implementing financial instruments for disaster risk management in the region.

**Understanding of Financing Instruments.** The technical assistance has strengthened the capacity of ministries of finance to understand their financial gaps and the use of financing instrument such as the sovereign parametric insurance offered by CCRIF.

**Capacity Building.** Diagnostics of fiscal resilience to disasters for Guatemala and El Salvador have been completed. The disaster risk financing strategies for Panama and Nicaragua are under development.

## Moving Forward in the Implementation of the Program

The World Bank recognizes **the importance of CCRIF SPC's offering of a key disaster risk financing instrument in the Region.**

The World Bank continues working closely with Governments to strengthen governments' capacities to take informed decisions on which financial instruments to adopt to protect themselves against the adverse fiscal impacts of catastrophic events.

Donor support and financing, as a complement to country premium payments, play an essential role in helping CCRIF SPC build up its own reserves at an accelerated pace, thus contributing to the sustainable continuation of its operations.