



## **Expanding Financial Protection Against Disasters in the Caribbean member governments through the Caribbean Catastrophe Risk Insurance Facility – Segregated Portfolio Company**

### **Context and Objectives**

The national economic and financial health of Caribbean countries are often compromised by recurring disaster and climate shocks. These economies are by themselves too small to absorb the impact of multiple disaster events and take on the heavy debt burdens that stem from recovery efforts, and as a result are forced to rely on calls for emergency disaster assistance from donors and ad-hoc budget reallocations within an already constrained fiscal space. The COVID-19 pandemic has further intensified the fiscal pressure on Caribbean economies due to falling tourism revenues and remittances and increased the risk for other hazards to have a compounding effect on already stretched financial resources, such as recurring hurricane seasons.

Securing viable insurance markets and products is thus a key element in building a sustainable disaster risk financing framework. In this regard, the Caribbean Catastrophe Risk Insurance Facility – Segregated Portfolio Company (CCRIF SPC) was formed in 2007 as a regional insurance instrument to limit the financial impact of hurricanes and earthquakes. As of April 2021, the CCRIF SPC has provided its member states with \$200 million in post-disaster pay-outs. Driven by demand from members and donors, the CCRIF SPC is scaling up its coverage and range of insurance products, including new risk information management tools, and expanding its membership.

The European Union-funded Caribbean Regional Resilience Building Facility, managed by the Global Facility for Disaster Reduction and Recovery (GFDRR), is funding a grant to finance the expansion of the CCRIF SPC to increase its membership and its range of products, giving governments more tools to reduce the impact of natural hazards on their societies and economies. The World Bank will also continue providing technical assistance to reassess each member country's disaster risk financing strategy to ensure proper contingency planning, including for public health-related shocks. This grant is also strengthening CCRIF SPC's own technical assistance program which is aimed at providing continued capacity building for disaster risk management.

### **Main Activities**

- Payment of reinsurance premia or swap premia to cover part of the risk associated with climate-related events;
- Payment to members in the event that a tropical cyclone, excess rainfall or other climate-related event occurs, and such occurrence constitutes CCRIF SPC event;
- Provision of technical assistance, consultancy services and training to member govts. by the CCRIF SPC for the development, modification and/or implementation of insurance products; and
- Financing of the participation fee to become a CARICOM participating country with access to climate-related coverage.

### **Results**

By funding the main costs associated with the activities listed above for climate-related coverage, CCRIF SPC is able to retain more of the capital generated from premium payments, thereby generating a strong reserve base and contributing to the goal of providing participating countries with efficient access to catastrophe insurance.



This project was also set up to allow retroactive financing of activities implemented in the previous year. Consequently, the CCRIF SPC provided premium discount to all its Caribbean members in light of the impacts posed by the COVID-19 crisis and of the 2020 and 2021 hurricane seasons. The EU funds enabled the CCRIF SPC to provide a 26% discount on total gross premium or an increase in policy coverage under their CCRIF parametric insurance policies. This is in addition to the discounts that were approved by the CCRIF SPC Board, namely a 5% discount on gross premium for Tropical Cyclone coverage, and a further discount of 15% on additional premium for increased Earthquake and Tropical Cyclone coverage for the 2020/21 policy year.

### **Partnerships and Coordination**

The grant's activities, which are implemented by CCRIF SPC, are coordinated with the World Bank and the EU Delegation to Barbados.

Furthermore, collaborative work programs have been established between CCRIF and several Caribbean institutions, including: the Caribbean Disaster Emergency Management Agency (CDEMA), Caribbean Institute for Meteorology and Hydrology (CIMH), Caribbean Community Climate Change Centre (CCCC), Inter-American Development Bank (IDB), OECS Secretariat, the Seismic Research Centre (SRC) of the University of the West Indies (UWI), and the U.N. Economic Commission for Latin America and the Caribbean (UN-ECLAC).

### **Useful links**

A CCRIF SPC Press Release is accessible at: <https://bit.ly/2BuLEnI>.

A GFDRR Feature story on the EU-funded support to CCRIF SPC is accessible at: <https://bit.ly/2CvHkFo>.

#### **Countries**

CCRIF-SPC member states eligible under the Caribbean Regional Resilience Building Facility: Antigua & Barbuda, Bahamas, Barbados, Belize, Bermuda, Dominica, Grenada, Haiti, Jamaica, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Trinidad & Tobago.

#### **Caribbean Regional Resilience Building Facility component**

Expanding Financial Protection Against Disasters in the Caribbean Sovereign Countries

#### **Amount approved**

EUR 10,000,000 (Recipient-executed activities)

EUR 250,000 (Bank-executed activities) - These expenses are planned for carrying out enhanced supervision of the Recipient-executed activities

#### **Duration**

06/2020-06/2022