

OUR VISION

⇒ A WORLD WHERE DISASTERS DO NOT DEVASTATE LIVES ⇐

The number of PEOPLE AFFECTED by CRISES and in NEED of international assistance is RISING

50% of crises are somewhat PREDICTABLE, yet we ONLY PLAN for 2%

PROBLEMS WITH CURRENT APPROACHES:

Conflicts of interest

Low impact

ONE SIZE FITS ALL Groupthink

KNOWLEDGE GAP Siloed

OUR APPROACH

IMPARTIALITY
We provide IMPARTIAL GUIDANCE

QUALITY
We STRIVE for EXCELLENCE

CREATIVITY
We invite IMAGINATION

CHALLENGE
We CHALLENGE OURSELVES and seek to be a POSITIVE DISRUPTOR

WE PREVENT DISASTERS DEVASTATING LIVES, BY HELPING PEOPLE, COUNTRIES & ORGANISATIONS CHANGE HOW THEY PLAN & PAY FOR DISASTERS.



IMPACT
REDUCED IMPACT of DISASTERS for POOR and VULNERABLE PEOPLE and FASTER RECOVERY, safeguarding ECONOMIC DEVELOPMENT.

WE FOCUS ON POOR & VULNERABLE PEOPLE

WHAT WE DO



OUR GOALS:

EXCELLENT client outcomes & lasting DRF expertise

QUALITY EVIDENCE & LEARNING



A THRIVING ORGANISATION



IMPACTFUL COMMUNICATIONS & GLOBAL POLICY ENGAGEMENT



WE'RE HERE

CENTRE FOR DISASTER PROTECTION

Conor Meenan and Cristina Stefan, Lead Risk Financing Advisers

CCRIF Workshop on Disaster Risk Financing and
Sustainability – February 2024



AGENDA

- 1. Introduction to the Centre for Disaster Protection**
- 2. Overview of the current Pre-arranged Financing Landscape**
- 3. Caribbean advisory projects**

WHAT ROLE DO WE PLAY?

We focus on disaster risk financing to help ensure that money and plans are in place before a disaster strikes.

The Centre plays a unique role in the global risk management and crisis financing architecture. We were established to address major challenges to effective disaster risk financing and promote more impactful and more equitable disaster risk finance at scale, that leaves no one behind.

Our services are unique. Since 2017, with founding investment from the UK government, the Centre has established a reputation for providing independent, credible, evidence-based advice.

We provide impartial guidance, views and perspectives. We are rigorous about identifying any real or perceived conflicts of interest in our work. We will continue to ensure that our governance structure and funding streams support and protect our impartiality.



HOW DO WE WORK?

We help countries and international organisations make better risk financing decisions.

We deliver a wide range of advisory, quality assurance and training services, from helping to develop a national disaster risk financing strategy to supporting organisations in selecting suitable finance triggers or training practitioners on value for money approaches.

We work with national and sub-national governments, regional and multilateral bodies, development banks, international financial institutions, and governmental organisations, to support them in delivering high-quality, equitable disaster risk finance at scale.

We work to increase the quality of budgetary and financial mechanisms and tools and the quantity of finance available to countries to help manage and ultimately reduce their risks.

ADVISORY SERVICES

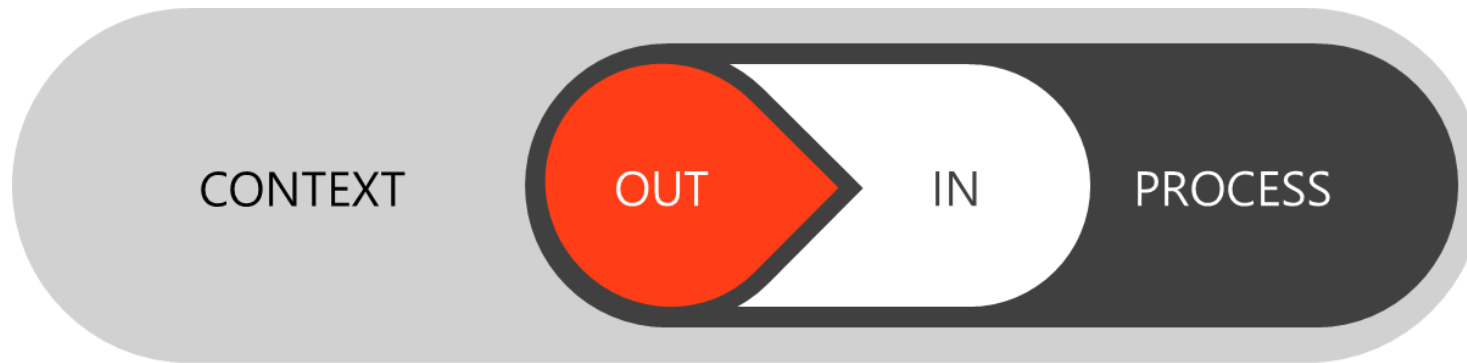
Our impartial expert advice means our clients gain the insight they need to manage and finance disaster risks.

We help clients understand what disaster risk financing best practice looks like and what works for them in risk ownership, financing and management.

- We promote a better understanding of disaster risks and options for financing and managing them.
- We provide specialist technical knowledge across a multidisciplinary expert pool.
- We advise on effective and efficient money-in and money-out procedures.
- We link evidence with action research and independent evaluations for deep engagement, analyzing where disaster risk financing has an impact.
- We complement our advice with research and learning support – through our quality assurance and training services.

QUALITY ASSURANCE

Well-designed disaster risk financing strengthens resilience, creates trust by providing a trusted guarantee, and protects people's livelihoods.



Our quality assurance methodology provides a flexible framework for assessing the design and implementation of disaster risk financing projects. The framework consists of four principal elements:

- **Context** — the underlying risk, need, and wider factors to consider when developing disaster risk finance-based approaches.
- **Money-out systems** — the systems and plans that use money to reduce the impact of disasters on people.
- **Money-in instruments** — the disaster risk financing instruments in place to supply the right amount of money at the right time.
- **Project management processes** — practical considerations including project implementation processes, costs, contingencies, and monitoring and evaluation.

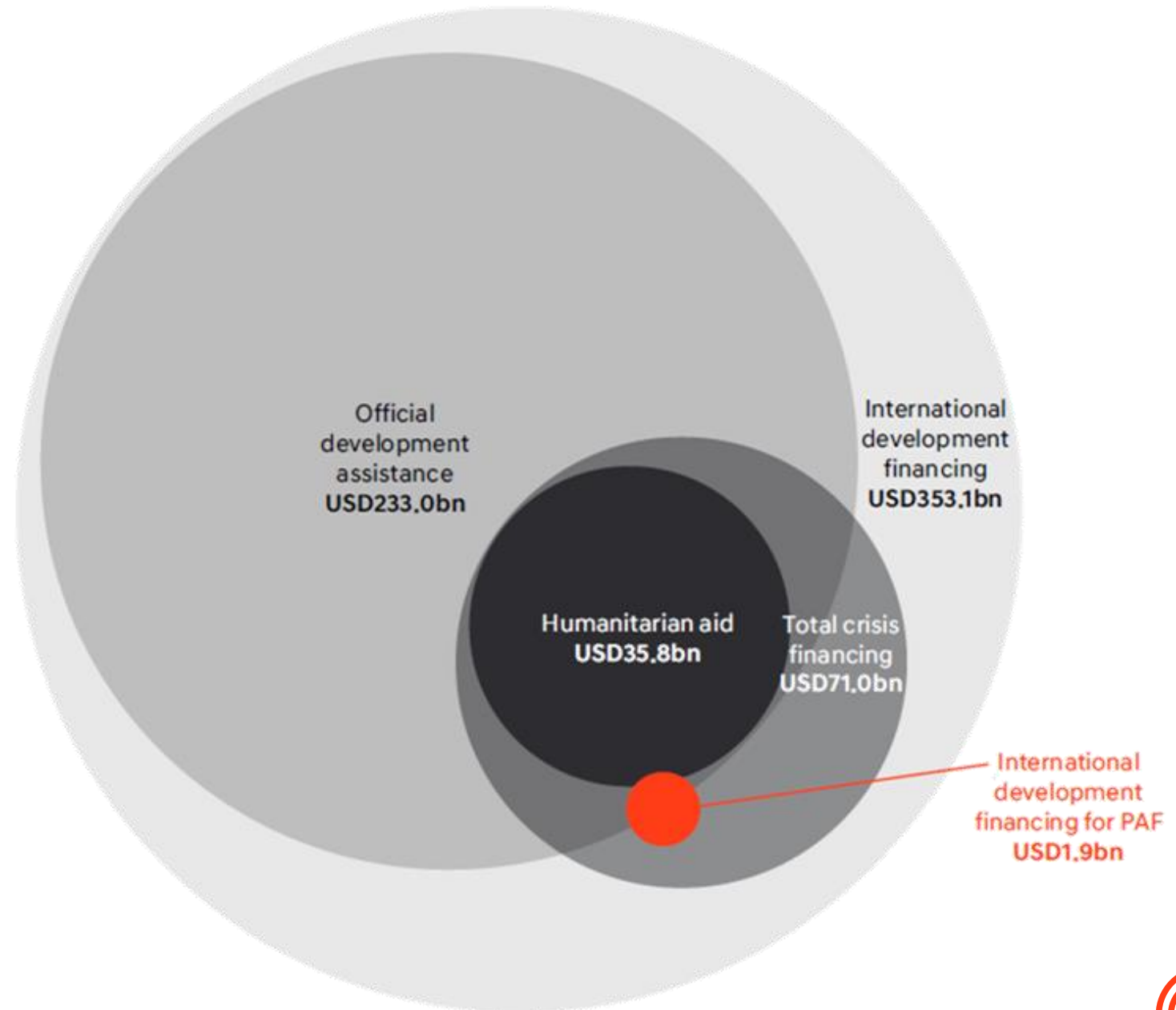
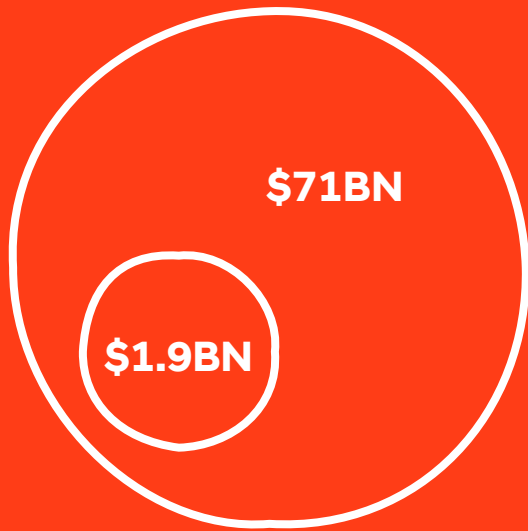
THE STATE OF PRE-ARRANGED FINANCING FOR DISASTERS: THE CARIBBEAN IN CONTEXT

Pre-arranged Financing (PAF)

Pre-arranged financing is financing that has been approved in advance of a crisis, and that is guaranteed to be released to a specific implementer when a specific, pre-identified trigger condition is met.

The trigger may be based on data or models related to impact, forecasts or projections of need, or a declaration of emergency (or similar) by the specified respondent. The funding may be used for anticipatory action or in response to a crisis, either linked to a clear plan for a very specific purpose or general budget support.

WHERE DOES FINANCING FOR PAF SIT WITHIN INTERNATIONAL DEVELOPMENT FINANCING?



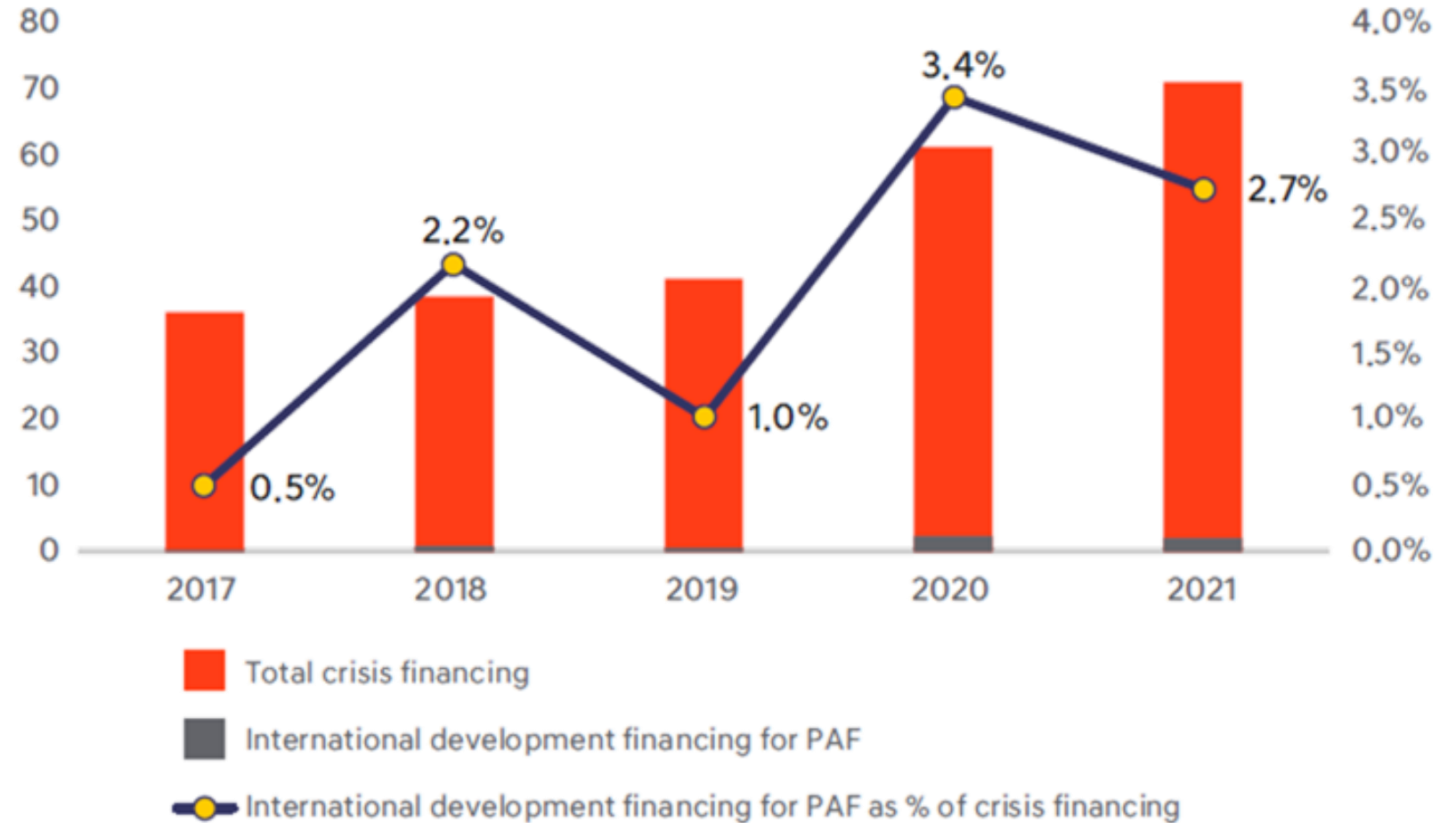
Notes: This figure is for illustrative purposes, hence the size of the circles do not accurately represent the relationship between the corresponding amounts.
Source: Centre for Disaster Protection, based on data from OECD (2023b).

WHAT IS THE TREND IN FINANCING FOR PAF AS % OF TOTAL CRISIS FINANCING?



INTERNATIONAL DEVELOPMENT FINANCING FOR PAF AS A PROPORTION OF TOTAL CRISIS FINANCING 2017-2021

USD billions



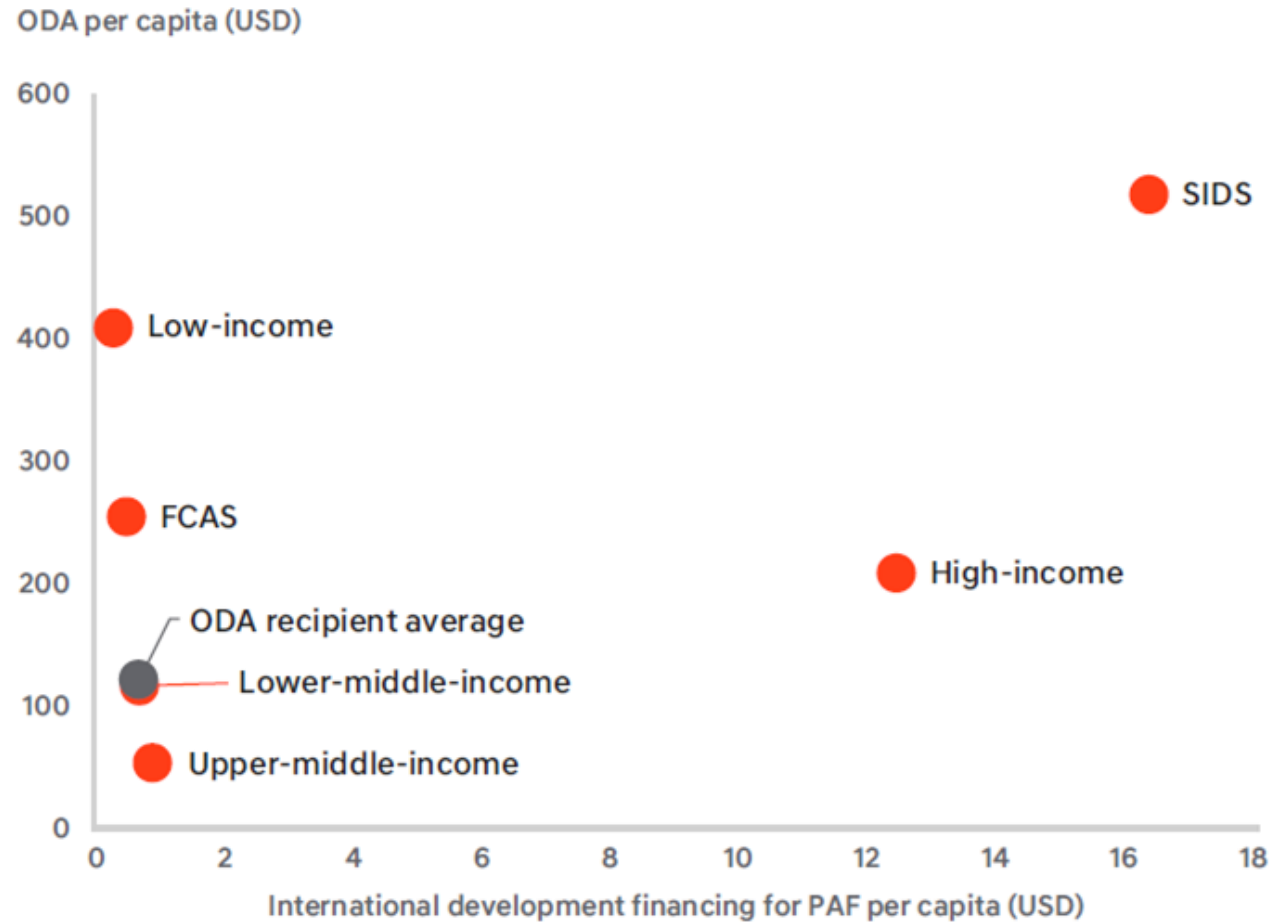
Source: Centre for Disaster Protection, based on OECD data (2023b).

PRE-ARRANGED FINANCING BY COUNTRY CLASSIFICATION

USD16.3 PER PERSON

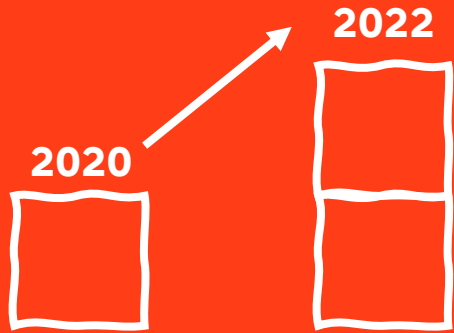
SMALL ISLAND DEVELOPING STATES RECEIVED 17.3% OF TOTAL INTERNATIONAL DEVELOPMENT FINANCING FOR PAF

ODA AND INTERNATIONAL DEVELOPMENT FINANCING FOR PAF PER CAPITA BY COUNTRY CLASSIFICATION 2017-2022



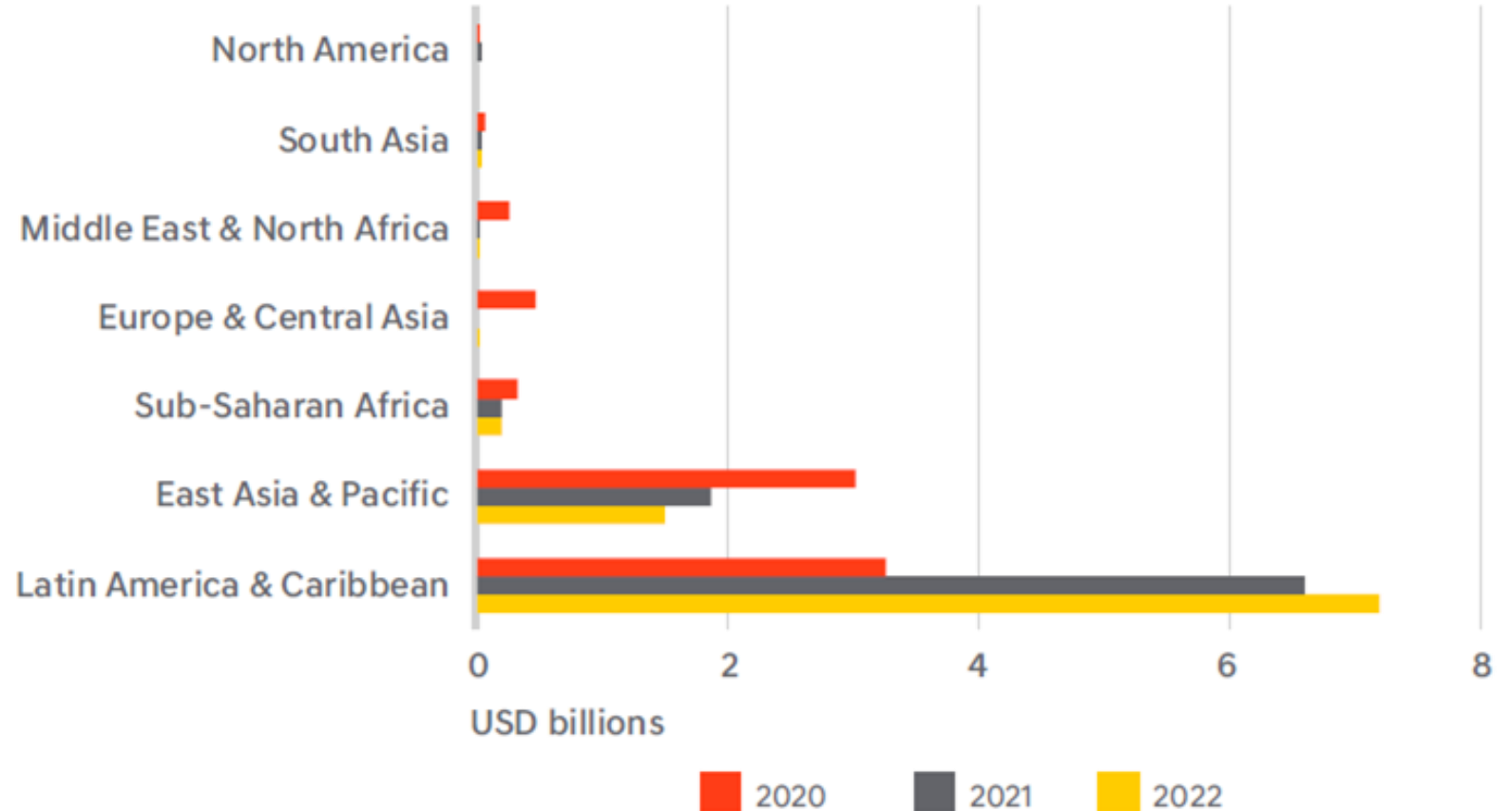
Source: Centre for Disaster Protection, based on data from OECD (2022, 2023b) and World Bank Group (2023b, 2023c). Notes: The per capita amount calculations are based on 2021 population figures. SIDS = small island developing states, FCAS = fragile and conflict-affected states.

WHAT REGIONS CURRENTLY HAVE THE LARGEST PAF COVERAGE?



**COVERAGE IN
LATIN AMERICA &
THE CARIBBEAN
DOUBLED FROM
2020-2022**

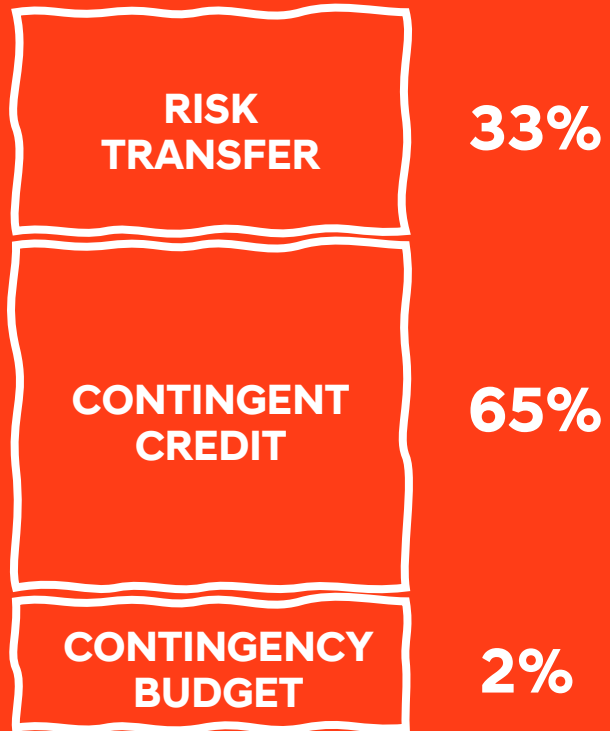
PRE-ARRANGED FINANCING COVERAGE VOLUMES BY WORLD REGION 2020-2022



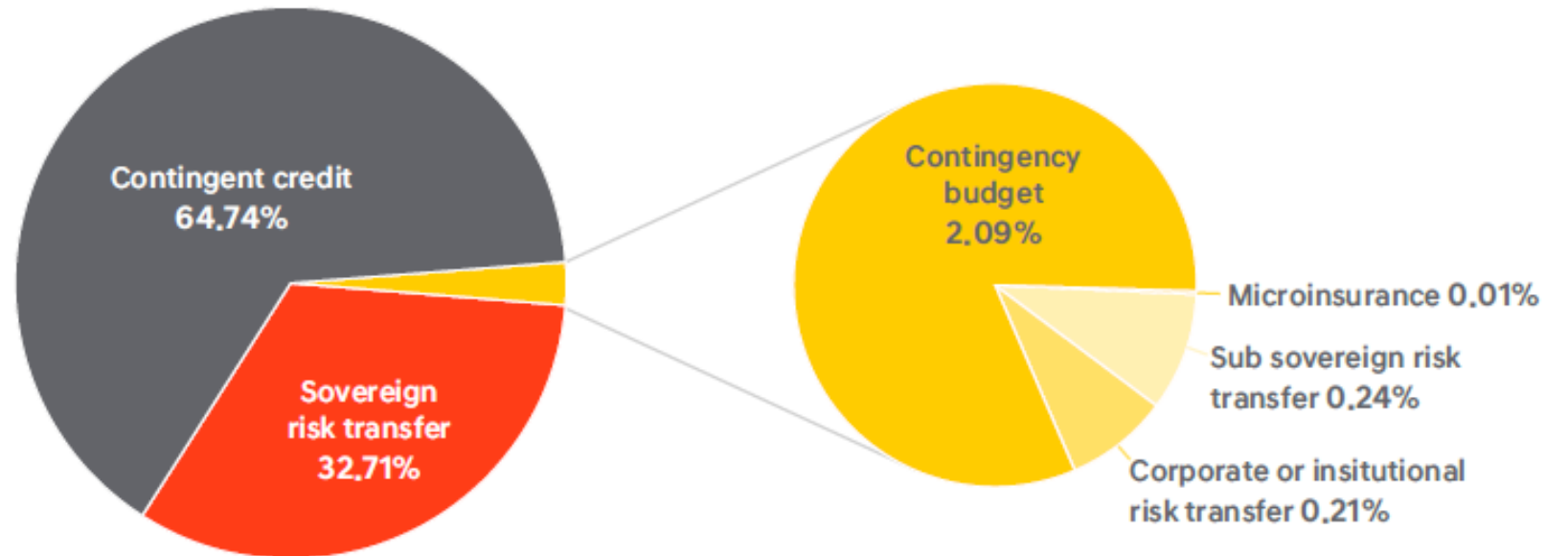
Source: Centre for Disaster Protection, based on data from the Global Shield Secretariat (2023b) and the World Bank Group (2023).

Notes: For USD114 million (0.5%) of the coverage volume, the region is not recorded.

TOTAL COVERAGE BY INSTRUMENT TYPE



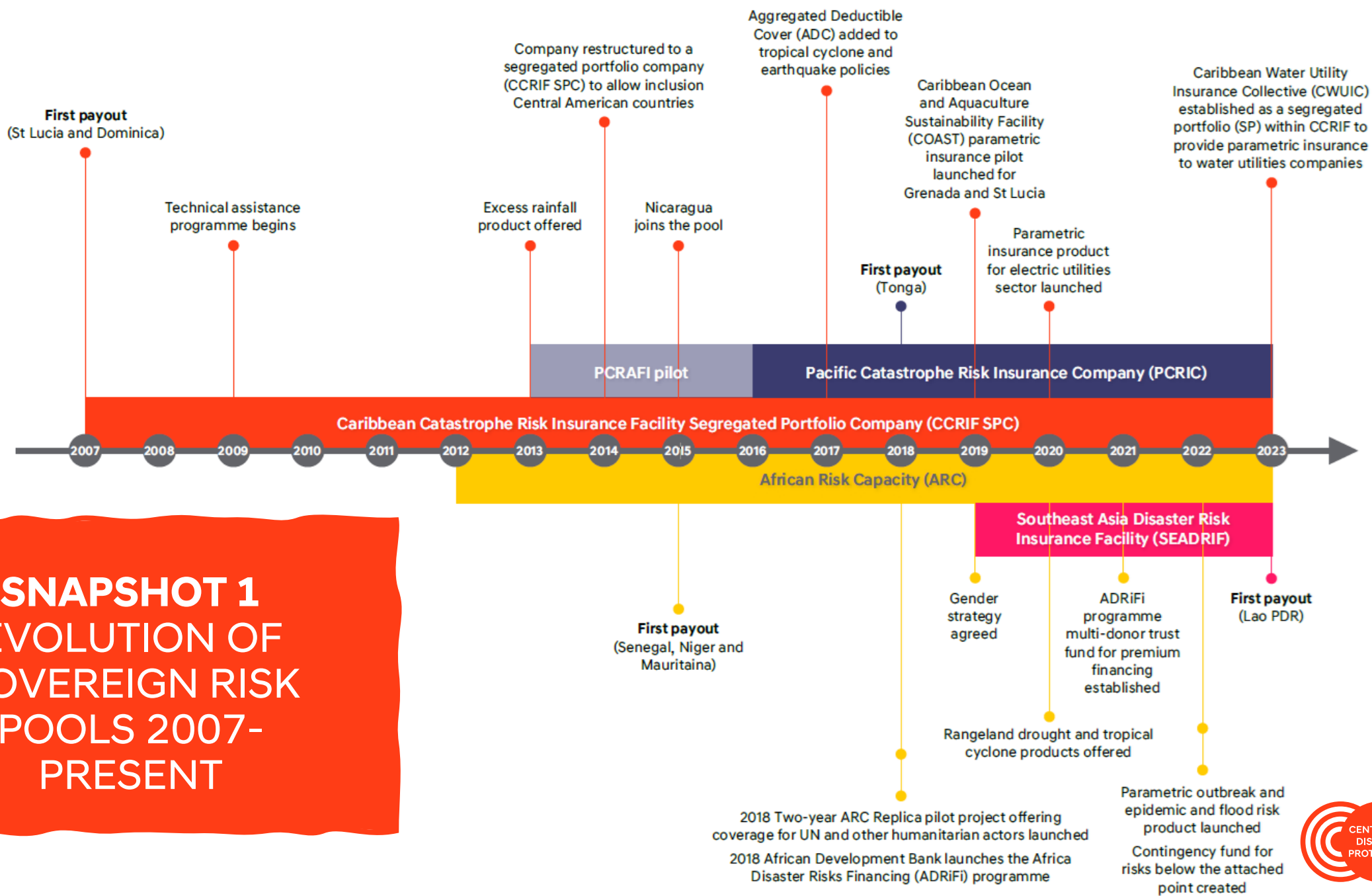
PRE-ARRANGED FINANCING COVERAGE BY INSTRUMENT TYPE 2020-2022



Source: Centre for Disaster Protection, based on data from the Global Shield Secretariat (2023b).

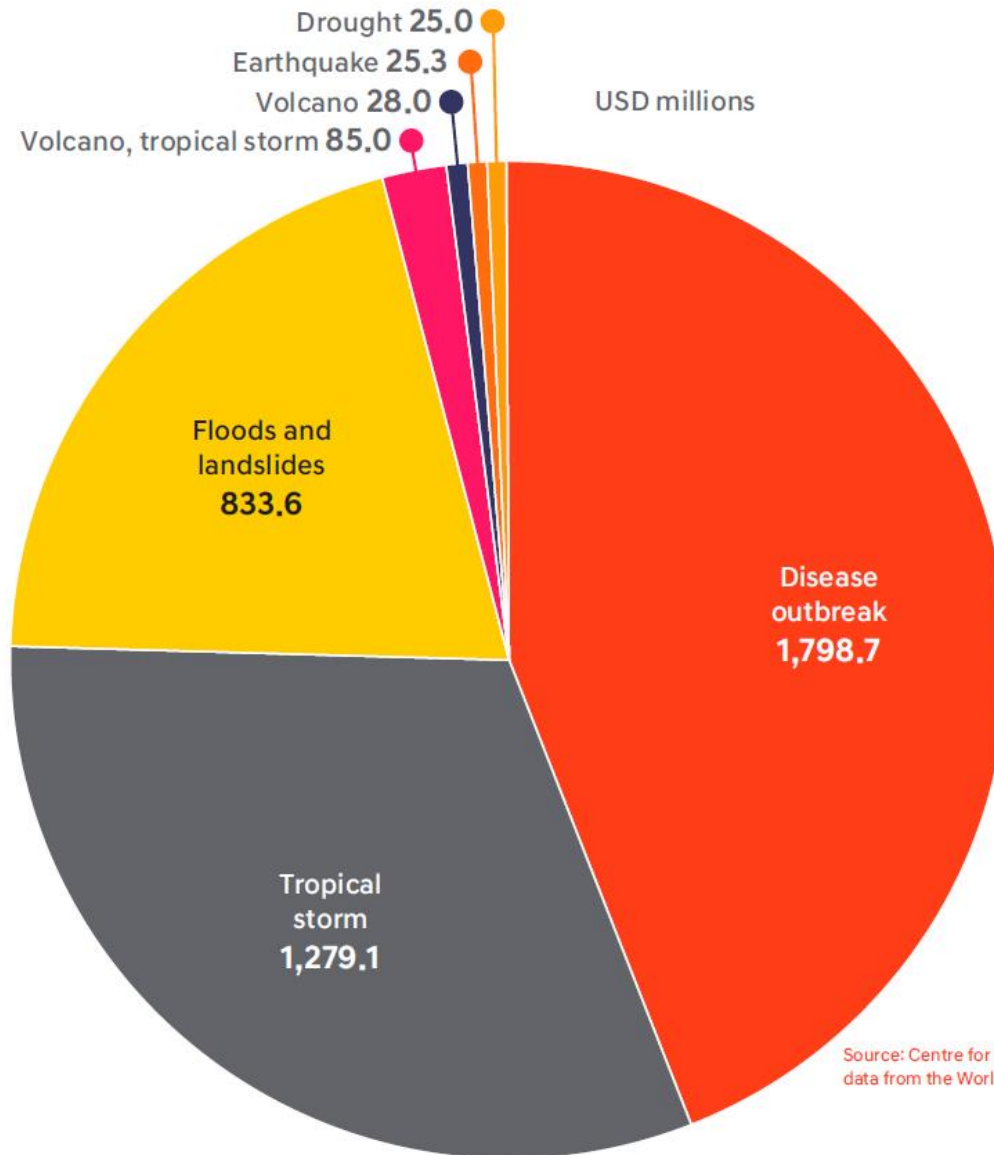
Notes: In 2022, there is a coverage volume of USD4,5 million (0,02%) for which the instrument type is not recorded.

SNAPSHOT 1 EVOLUTION OF SOVEREIGN RISK POOLS 2007- PRESENT



SNAPSHOT 2
CATASTROPHE
DEFERRED
DRAWDOWN
(CAT-DDO)
PAYOUTS BY
CRISIS TYPE

TOTAL WORLD BANK CAT DDO PAYOUTS BY EVENT TYPE 2009-2023



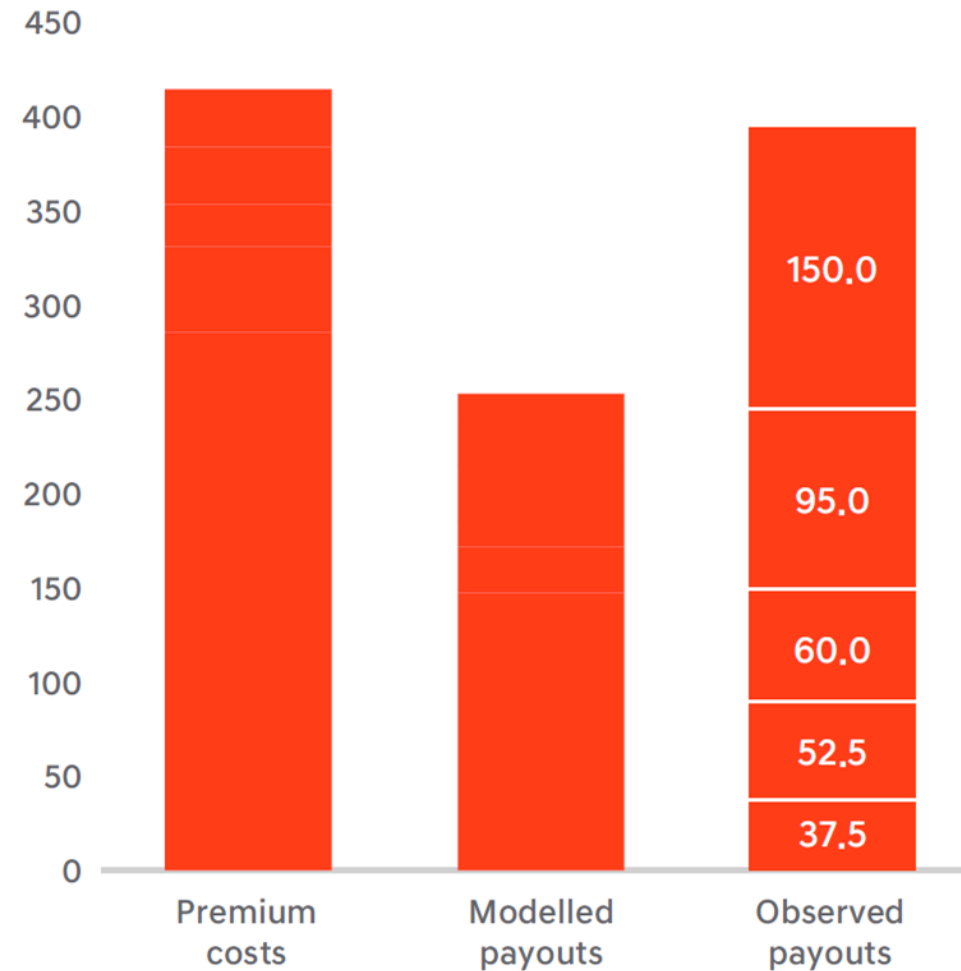
Source: Centre for Disaster Protection, based on data from the World Bank Group (2023d).

SNAPSHOT 3

TOTAL WORLD BANK-ISSUED CATASTROPHE BOND PREMIUM COSTS AND PAYOUTS

PREMIUM COSTS, MODELLED AND OBSERVED PAYOUTS FOR WORLD BANK-ISSUED CATASTROPHE BONDS SINCE 2017

USD millions



Source: Information is collated from World Bank press releases where available and supplemented by information from Artemis (2023).

Notes: Information for the CCRIF cat bond is not publicly available and has been excluded from this analysis. Exact details about the timing of payouts and associated reduction in premium costs are not available, so premium costs are approximated using available information.

HIGHLIGHT

- Pre-arranged financing is a small but growing part of the global crisis financing landscape.
- The Caribbean region has a long history of using PAF to support government crisis financing needs.
- Monitoring international development financing investments in PAF provides a key tool to drive change towards better outcomes for climate- and crisis-vulnerable people.

ADVISORY WORK THE CARIBBEAN

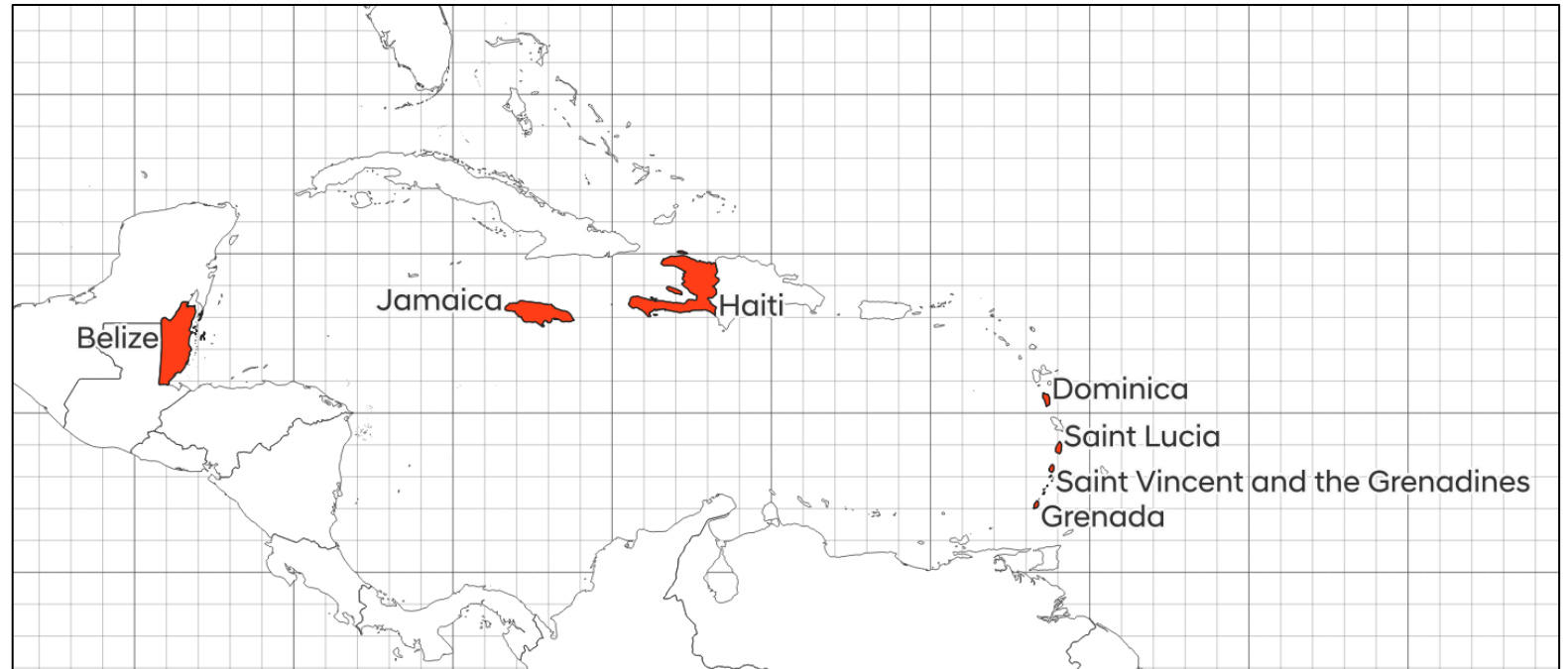
The Centre has been working for the past 3 years in different capacities advising CCRIF and their partners and also co-hosting 2 Risk Pools Summits.



ADVISORY WORK FOR THE CARIBBEAN

Analysis of
Caribbean
Sovereign Risk
Transfer Options
(ongoing project)

**Risk transfer instrument comparison and analysis –
what are the main instrument features and
considerations for using CCRIF insurance and
Catastrophe Bonds in select Caribbean countries?**



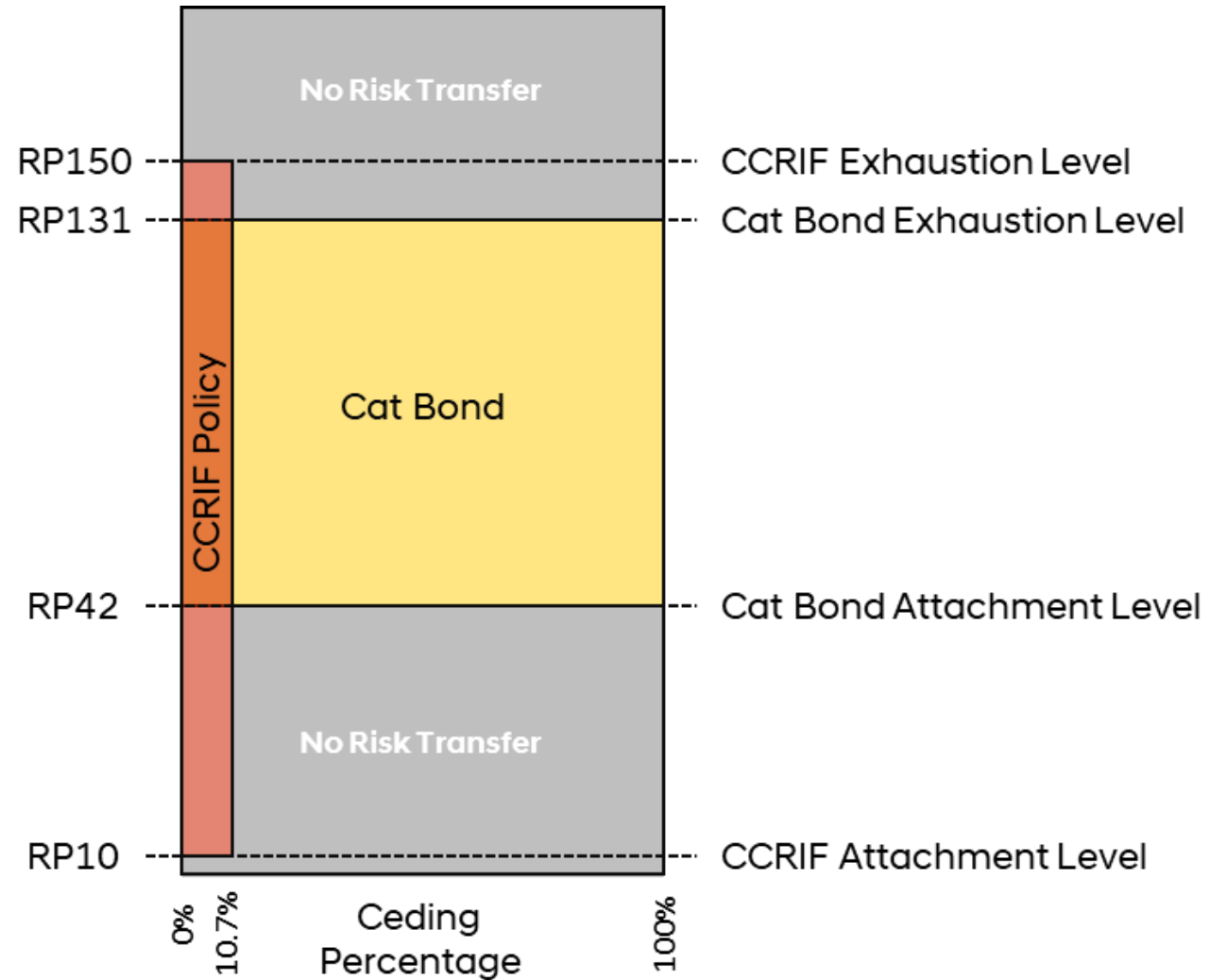
ADVISORY WORK FOR THE CARIBBEAN

Overview of instrument features

Feature	CCRIF Parametric Insurance Policy	World bank-issued Catastrophe Bond
Peril coverage	Tropical Cyclone (wind and storm surge), Earthquake (ground shaking), Excess Rainfall	Tropical Cyclone, Earthquake, options for other risks
Use of funds	General budget support, and specific utilities and sectors	General budget support
Trigger type	Modelled loss	Various, Cat-in-a-grid has been used in Caribbean
Speed of payout	Target within 14 days of triggering event	Varies on reporting source
Attachment Probability and Expected Loss	Attachment probabilities around 1-in-10 years plus	Various attachments, previous cat bonds range from 1-in-10 years to 1-in-90 years
Coverage Limits	Various, Maximum of \$150 million	Various, typically >\$50 million
Policy term	1-year	2-4 years
Basis risk protection/ secondary triggers	Aggregated Deductible Cover (ADC) option for Tropical Cyclone and Earthquake policies.	Various parametric structure design options. Secondary reporting sources
Reinstatements	Sum Insured Reinstatement (SIR) option.	No reinstatements

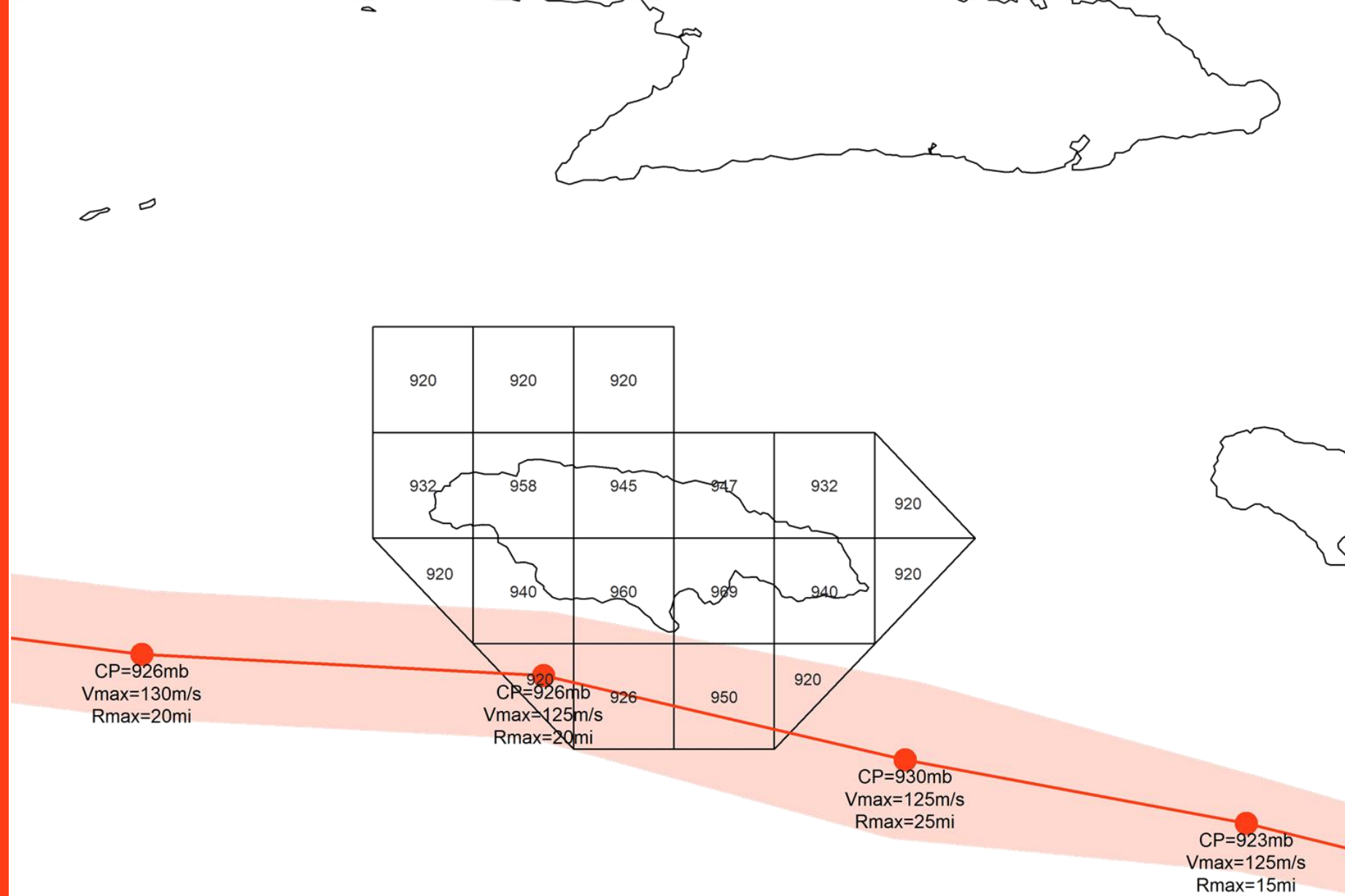
ADVISORY WORK FOR THE CARIBBEAN

Additional
considerations:
Combining risk
transfer
instruments



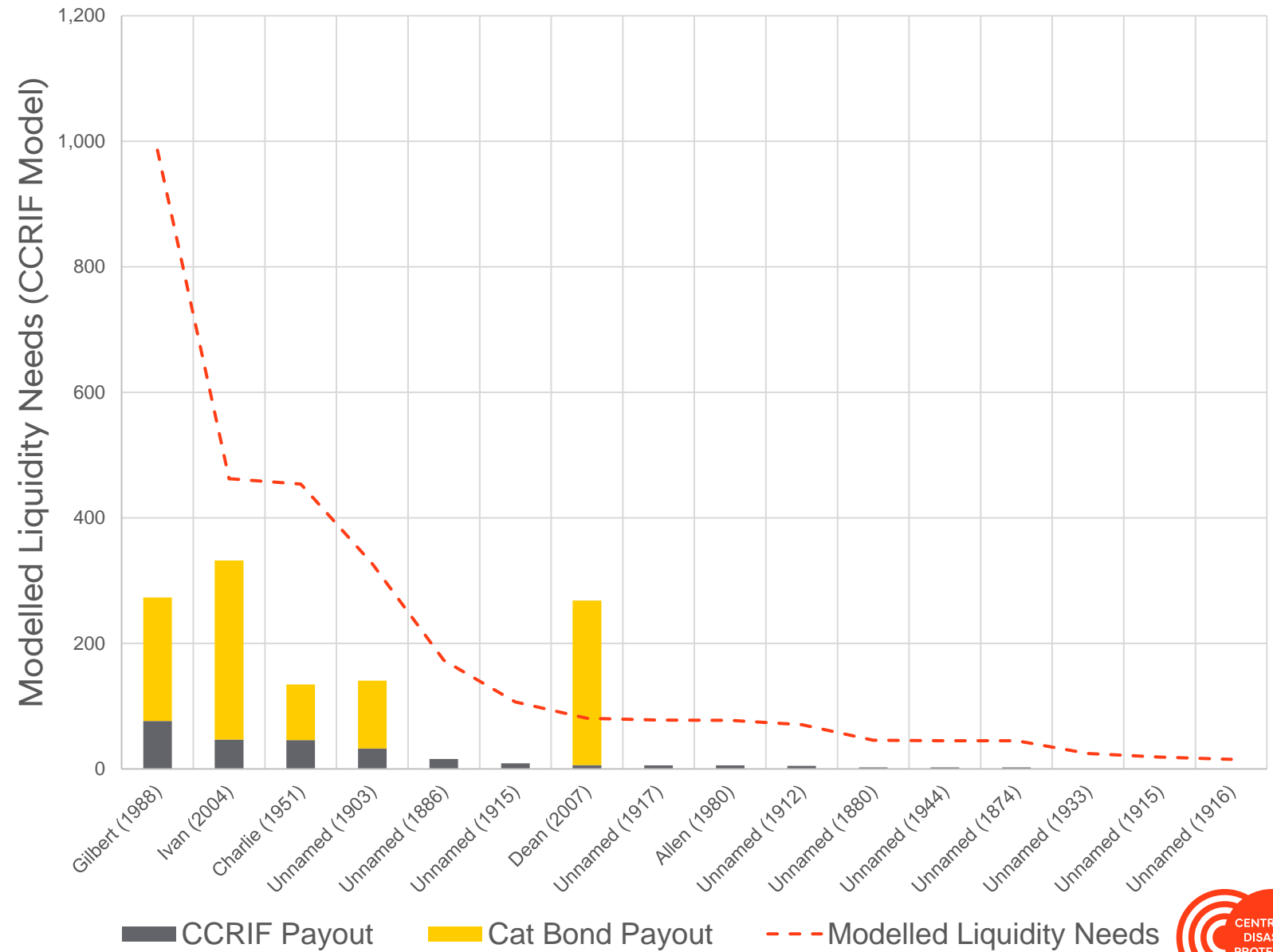
ADVISORY WORK FOR THE CARIBBEAN

Additional
considerations:
Analysis of trigger
structures



ADVISORY WORK FOR THE CARIBBEAN

Additional
considerations:
Analysis of
historical
combined payouts



ADVISORY WORK FOR THE CARIBBEAN

Support during
the design and
launch of the
CWUIC SP cover

CDP acted as an impartial partner for Component 2 of the CWUIC SP, providing advisory Services for the Review of the risk models as well as capacity building support for the member utilities

CWUIC SP COMPONENTS AND DRF

Component 1: support for early recovery assistance

- Risk analytics and profiling
- Anticipatory / early action
- Emergency / contingency plans
- Reporting: Post disaster needs assessments (PNDAs)

Component 2: Insurance vehicle for catastrophic losses

- Risk analytics and profiling
- Diversification of risk

Component 3: Infrastructure resiliency investment

- Risk analytics and profiling
- Alignment with wider climate planning (e.g. NAPs, NDCs)
- Access to climate finance (e.g. (GCF, GEF)
- Loss control measures and reduced premia



A VISION FOR DEVELOPMENT INSURERS

What

In 2024 the Centre for Disaster Protection is convening a High-Level Panel that will set out an ambitious vision and roadmap for operationalising development insurers.

When

The HLP will meet throughout the year, with the first meeting at Wilton Park at the end of March and a number of regional consultations to follow. The Centre will support the HLP with a comprehensive programme of research. A report and suite of recommendations will be published before the end of the year.

Why

There is an urgent need to scale up finance to address the losses and damages facing the most climate vulnerable people and places. Pre-arranged financing in the form of insurance is a potential tile in the mosaic of solutions required and it's time to understand and unlock its full potential.

Learn more

Follow the Centre's social media channels to receive updates about the progress of this work.

