CCRIF SPC: A Key Disaster Risk Financing Instrument

CCRIF …the world's first multi-country, multi-peril risk pool based on parametric insurance

CCRIF …the Caribbean and Central America parametric insurance facility and development insurer

#1 – Some key CCRIF updates since we last engaged…

Impact and Footprint

30 Members – 4 new members since we last met

78 payouts, totalling US$390 million

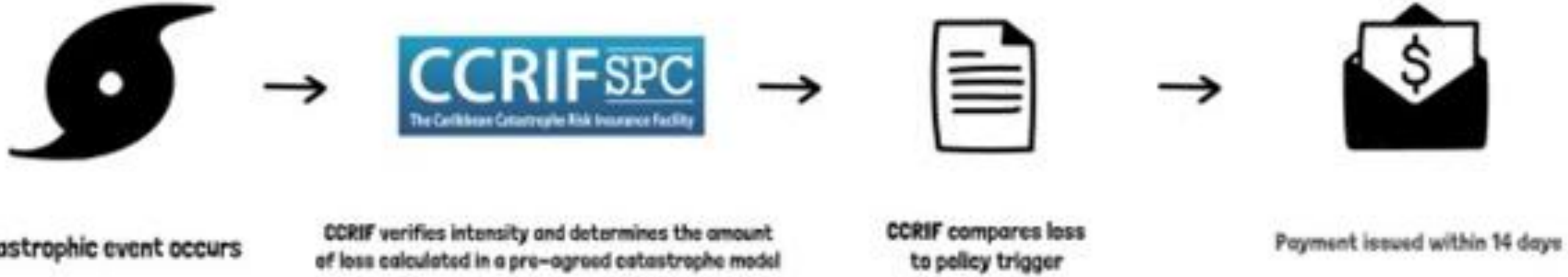
6 parametric insurance products – TC, XSR, EQ, and for the fisheries, electric utilities and water utilities sectors. The runoff product will be our 7th product.

Payouts have benefitted over 5 million persons in the Caribbean and Central America

All payouts are made within 14 days of an event once a policy is triggered

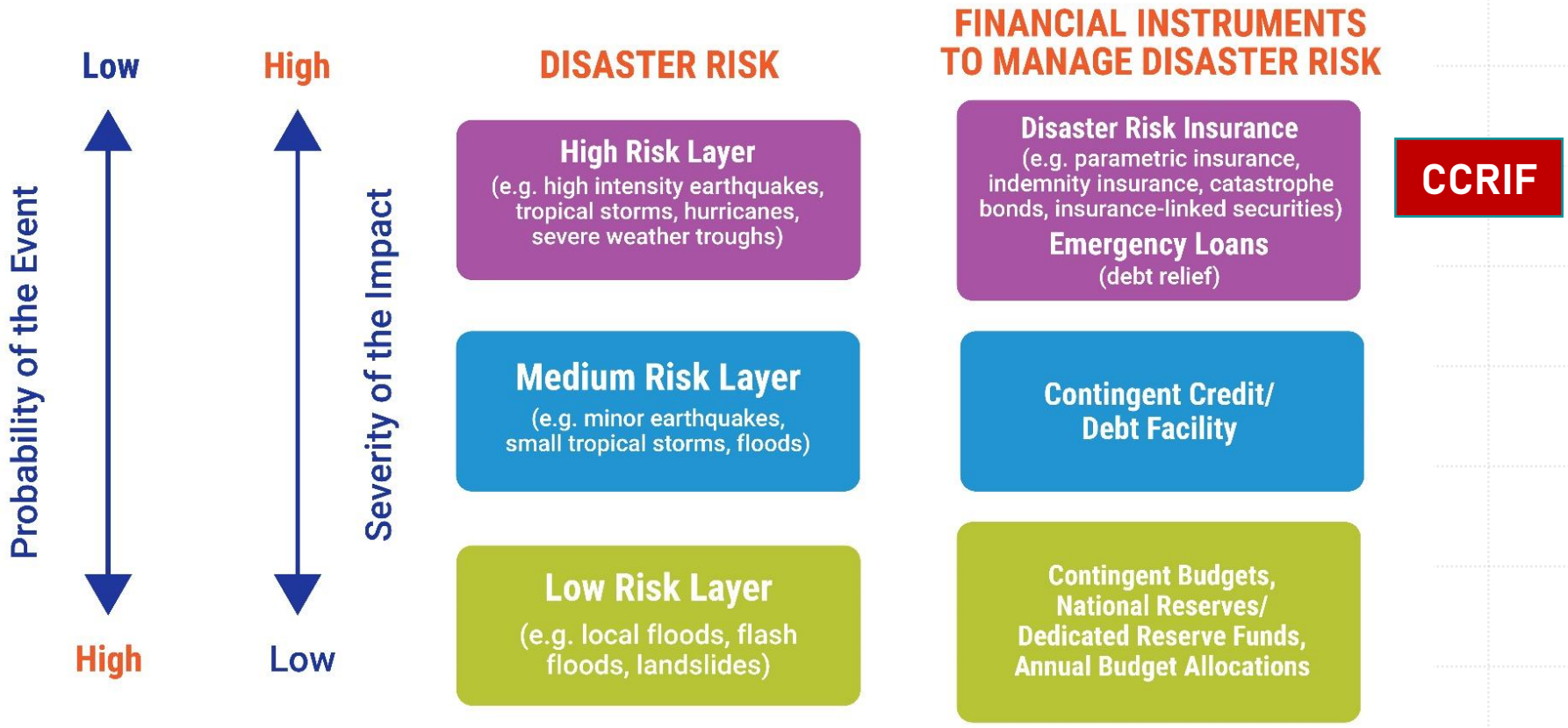
Total coverage purchased has been exceeding US$1 billion over the last 5 years

#2 – Quick recap on parametric insurance, its benefits and applications



Positioning CCRIF Among other Disaster Risk Financing Instruments

Linking Fiscal Policies with CDRM



Risk Layers and Corresponding Disaster Risk Management Instruments

Parametric Insurance – Quick Recap

- Covers the probability (likelihood) of an event happening (e.g., a major hurricane or earthquake), instead of indemnifying the actual loss that is incurred from the event and pays out according to a predefined scheme/policy parameters (hence the name parametric); this makes scope of coverage broader compared to indemnity insurance.
- Insures a policyholder against the occurrence of a specific event by paying a set amount based on the magnitude of the event, as opposed to the magnitude of the losses in a traditional indemnity policy
- Makes a payment upon the occurrence of a triggering event and is detached from a specific underlying physical asset or piece of infrastructure. Parametric insurance can provide protection against the losses that traditional insurance can't, or won't, such as difficult to underwrite assets or financial exposure.
- Makes payments based on the intensity of an event (for example, hurricane wind speed, earthquake intensity, volume of rainfall) and the amount of loss calculated in a pre-agreed catastrophe model.

Benefits of Parametric Insurance

- Is generally less expensive than an equivalent indemnity insurance product.
- Can provide coverage in areas where indemnity insurance is not available.
- Calculation of payouts is totally objective.
- Enables payouts to be made very quickly after a hazard event.
- Represents a cost-effective way to pre-finance short-term liquidity to begin recovery efforts quickly – filling the liquidity gap – that is, the gap between immediate response aid and long-term redevelopment.

CCRIF's Base Parametric Insurance Models… Key to Developing Products for New Sectors

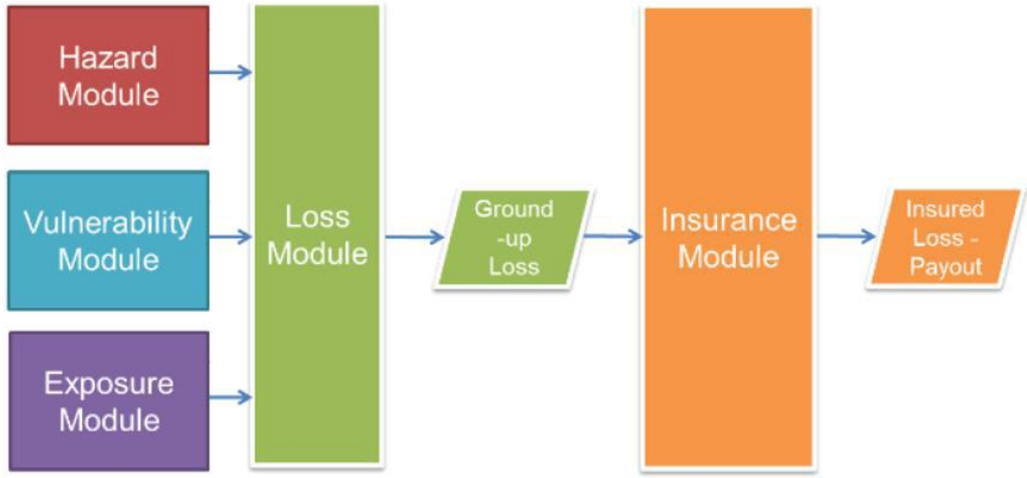
CCRIF is using its base products such as tropical cyclone and excess rainfall to create products for sectors that either had no insurance or limited insurance or for groups that needed insurance

- TC model was used to underpin a product for the electric utilities sector and specifically for overhead transmission and distribution
- TC and XSR model used to develop a product for the fisheries sector
- TC and XSR models were used to develop a product for the water utilities sector

We do this by making changes to the exposure module of the CCRIF model construct. Each model is made up of 3 modules. So, a specific model for a sector would require data for the exposure module specific to that sector

Currently working on a drought model which would become another base model, enabling us to develop a multi-peril product for the agriculture sector – that will cover tropical cyclones, excess rainfall and drought

Tropical Cyclone – TC	• SPHERA* model
Earthquake – EQ	• SPHERA* model
Excess Rainfall – XSR	• XSR 3.0 model



An Example of how CCRIF Uses its Base Models to Develop Sector-Related Products

A parametric insurance product providing quick payouts for the fisheries sector

Supports the livelihoods of fishers and others in the fisheries industry

Designed to support governments' efforts to rapidly put money into the hands of those impacted by extreme weather rainfall and tropical cyclones), providing them with **immediate** economic relief.

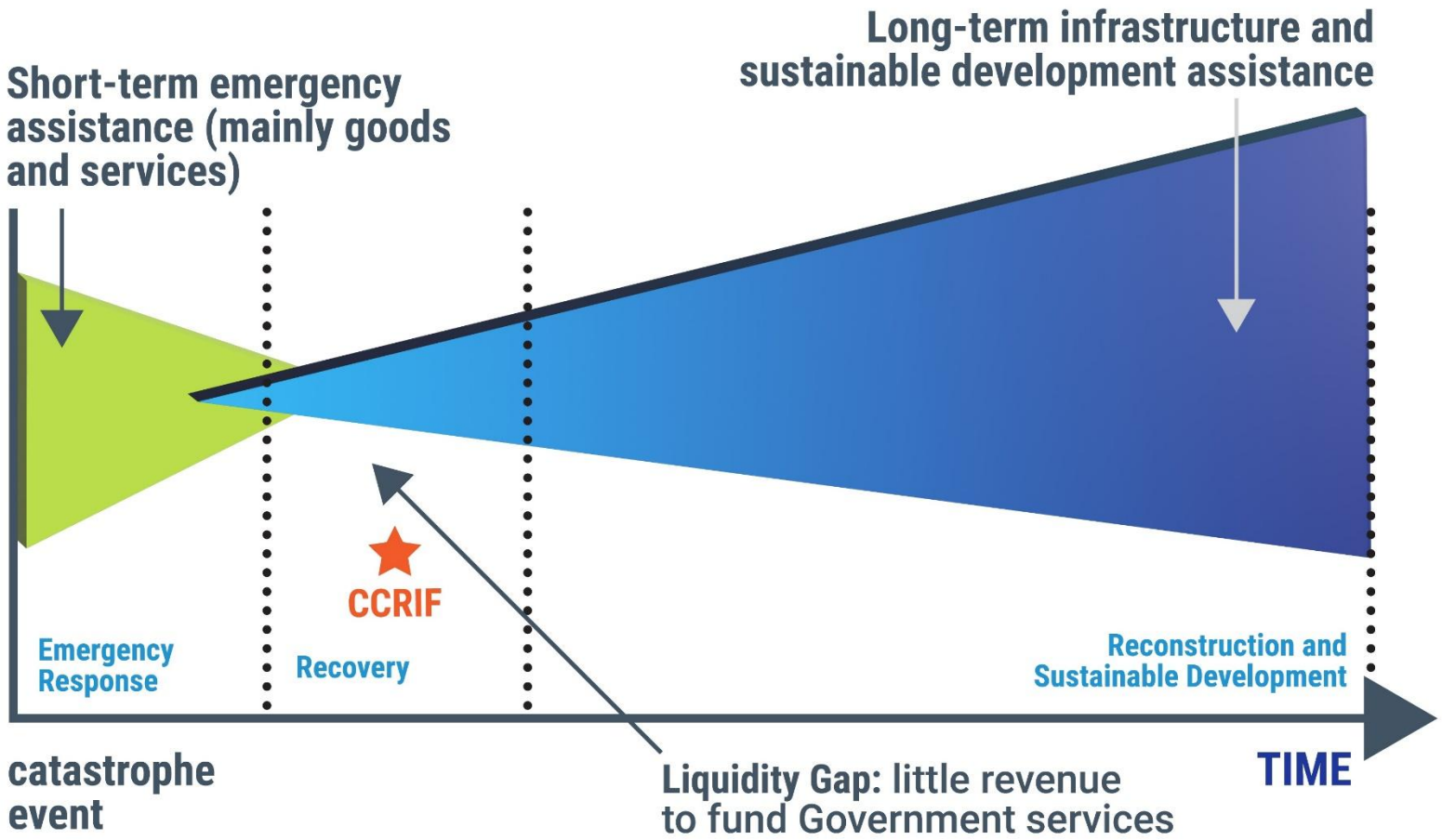
Includes a mechanism for disseminating payout to beneficiaries in the fisheries sector

Promotes a culture of building back better to enhance coastal community resilience after an extreme weather event

Insurance policy and payouts are based on full transparency and accountability

#3 – Closing the liquidity gap and CCRIF payouts

CCRIF payouts help to close the liquidity gap…

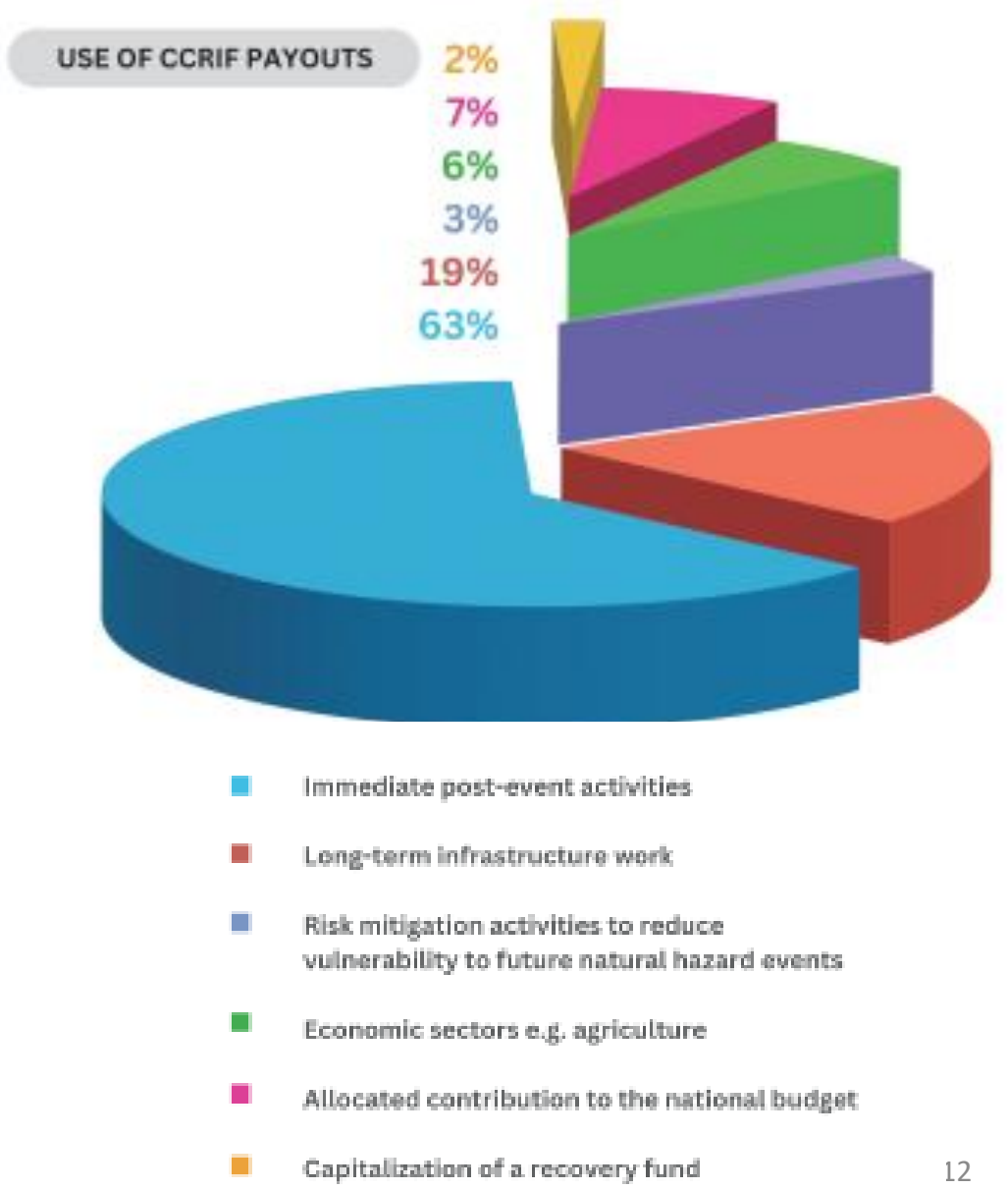


CCRIF Payouts and Use of Payouts

Since 2007, CCRIF SPC has made 78 payouts totalling US$390 million

- **Payouts in 2024 totalling US$122 million: to Guatemala, Grenada, Trinidad and Tobago, Jamaica, Cayman Islands, Panama, Honduras**

- Single largest payout: Grenada – US$42.4 million for Hurricane Beryl
- Member receiving the largest number of payouts: Trinidad and Tobago – 9 in total
- Member receiving the largest value in payouts: Haiti – US$78 million



#4 – Is parametric insurance a strategy for loss and damage or for climate change adaptation?

A Few Discussion Points on L & D in the Caribbean

- Climate change is changing the magnitude and frequency of extreme weather events, generating new threats, which the Caribbean and Central America region has limited experience in dealing with.
- **Loss and damage often is oftentimes referred to impacts of climate change that occur despite countries' adaptation and mitigation efforts. We know that there are limitations to mitigation and adaptation.**
- These two points makes a very strong case for parametric insurance to address loss and damage, which is now taking on even greater significance because of the intensity, unpredictability and frequency of hydrometeorological hazards caused by climate change.
- CCRIF has demonstrated that catastrophe risk insurance can effectively provide a level of financial protection for countries vulnerable to natural hazards and also to the increasing impacts of climate change.
- CCRIF's payouts within 14 days to is a key tool to help countries recover faster and also to help them build back stronger to reduce severe impacts of future climate-related events (we have a few examples of this)
- What about using insurance to increase the scale of funds for loss and damage?

CCRIF Policy Endorsements is Responsive in Part to Threats Posed by Climate Change

Reinstatement of Sum Insured Cover (RSIC): prevents a country from being exposed after a full payout in the policy year… with many more months to go in the policy year

For Tropical Cyclone Policies:

Localized Damage Index (LDI) for tropical cyclone events where losses are highly concentrated in small sections of the country.

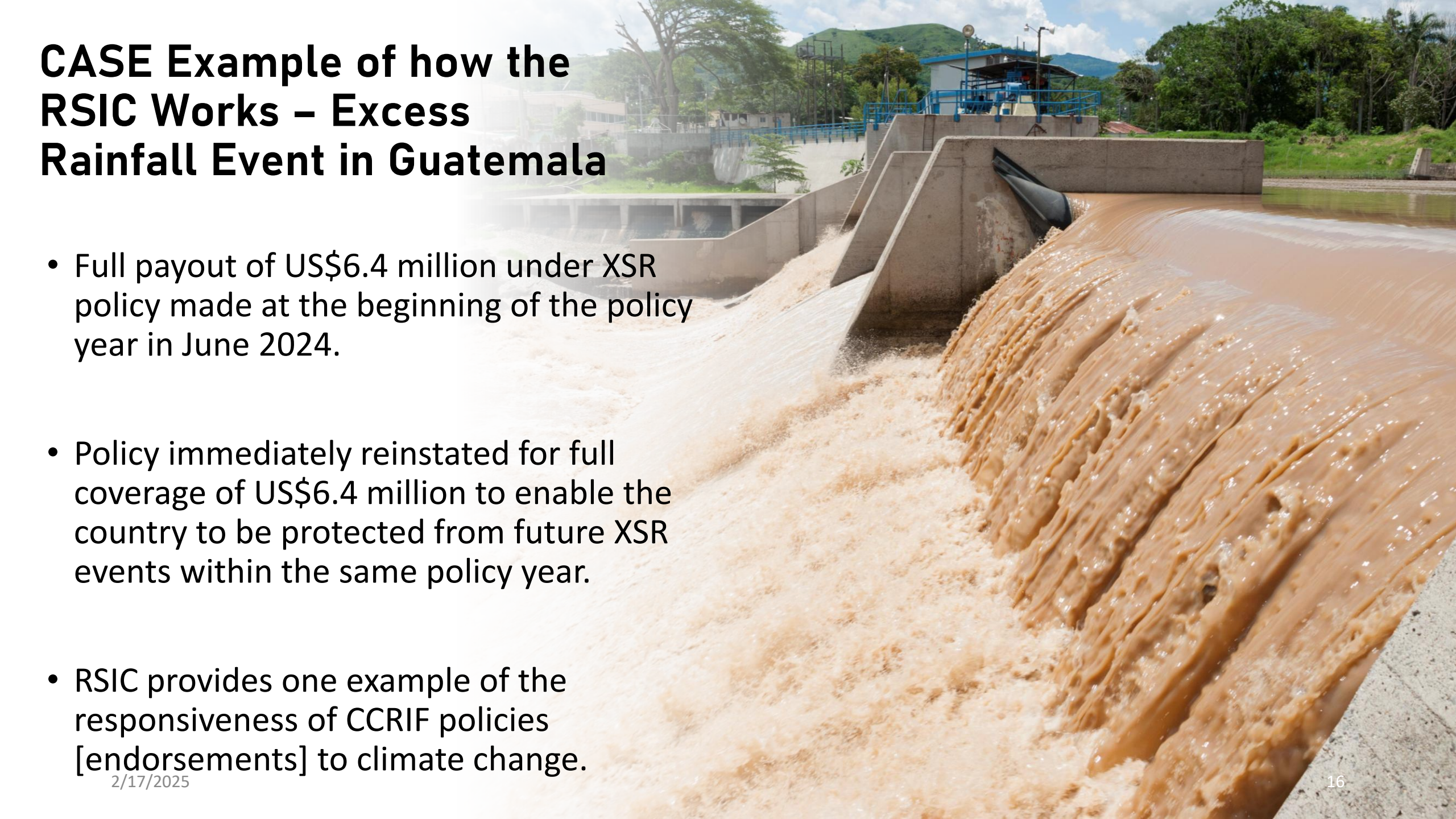
For Excess Rainfall Policies:

Wet season trigger (WST), which introduces the ability to detect excess rainfall events that occur when the soil is saturated

Localized event trigger (LET) for extreme localized events.

These endorsements are aimed at improving CCRIF's ability to identify and provide coverage for events that occur under very specific conditions that contribute to the negative impacts from the event.

CASE Example of how the RSIC Works – Excess Rainfall Event in Guatemala



- Full payout of US$6.4 million under XSR policy made at the beginning of the policy year in June 2024.

- Policy immediately reinstated for full coverage of US$6.4 million to enable the country to be protected from future XSR events within the same policy year.

- RSIC provides one example of the responsiveness of CCRIF policies [endorsements] to climate change.

The CCRIF Technical Assistance Programme… Supports Climate Change Adaptation Efforts across Member Countries

By supporting activities related to:

- Ecosystem rehabilitation
- Use of nature-based solutions and soft engineering solutions
- Small engineering projects (sea walls, etc)
- Research Work (e.g. Integrating Soil Properties Data into Flood Risk Assessments)
- Development of Apps using AI – Letzfarm
- Education, training and capacity building
- Application of techniques and tools to support climate smart agriculture etc.

https://www.ccrif.org/ta-programme

Learn more about CCRIF: Scan the Code

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