



CCRIF SPC
The Caribbean Catastrophe Risk Insurance Facility

Introduction to Disaster Risk Financing and CCRIF Parametric Insurance

Social Protection and Disaster Risk Financing

Prepared by: CCRIF SPC



Risk and Vulnerability

- The sources of risk are many, and all populations are susceptible to adverse shocks resulting from natural, health, social, economic, political, environmental and technological risks.
- Depending on the number of individuals or households that are simultaneously affected, risks are either idiosyncratic (individual) or covariate (aggregate).
- Idiosyncratic shocks are those that occur when only one or a few individuals or households in a community suffer losses – e.g. disability, old age, social shocks such as crime or domestic violence
- Covariate shocks affect a large number of households, entire communities, regions within a country or countries – e.g. natural disasters, health epidemics
- These risks are not evenly distributed among all men and women and hence people are not equally exposed.
- Certain individuals and groups have a much higher exposure to risk than others because of socio-demographic characteristics, economic status, physical or mental condition, age, lifestyle and so forth.
- Vulnerability = state of high exposure to certain risks, combined with a reduced ability to protect or defend oneself against those risks and cope with their negative consequences.





Identifying Some Vulnerable Groups



Identifying Some Vulnerable Groups

- Persons living in poverty – below the poverty line and immediately above the line
- Small scale farmers, fishers, seasonal tourism workers, day labourers, taxi drivers, construction workers etc...
- Micro and small business owners
- Women and girls
- Unattached youth
- Persons with Disabilities
- Rural populations
- LBGTQ+ Populations
- Children living in poverty, barrel children , children with disabilities, girls – including teenage girls, children in state care, unattached youth – including street children, and children living with HIV/AIDS
- Homeless persons



How can we support the most Vulnerable to cope with shocks?

- Making Social Protection Systems Shock Responsive and Adaptive
- Closing the Protection Gap – understanding the Role of Insurance in SP
- Making Microinsurance Mechanisms available to populations, and integrating it in national SP policy
- Using Sovereign Level DRF instruments

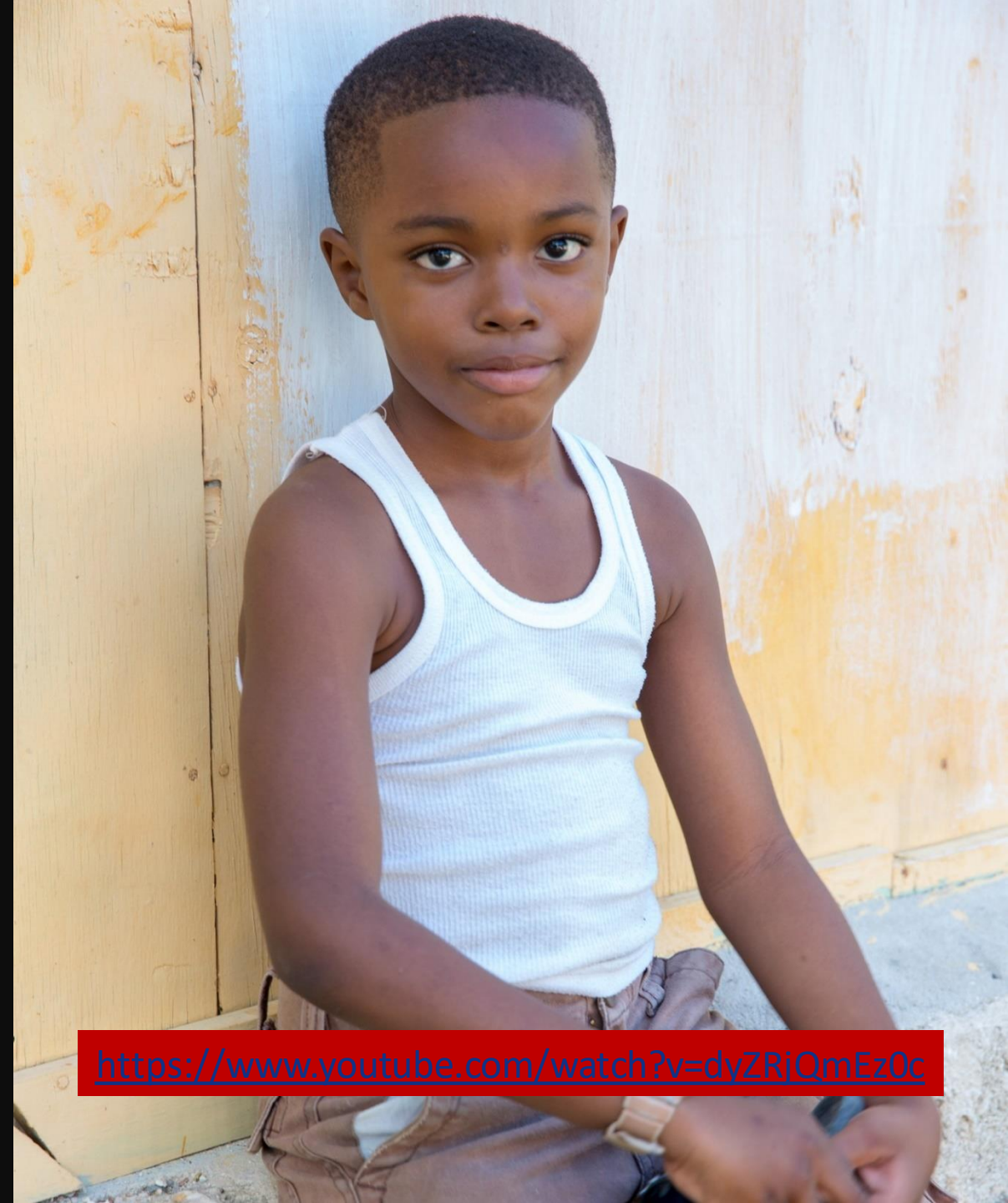
Understanding Social Protection



Understanding Social Protection



- A fundamental human right - Social protection is both an established human right and a central element in sustainable poverty reduction - it breaks the “vicious cycle” of poverty and vulnerability
- Social protection is a set of policies and programmes aimed at preventing or protecting all people against poverty, vulnerability and social exclusion throughout their lifecycle, with a particular emphasis towards vulnerable groups. (UNICEF)
- Social protection is defined by the ILO as the set of public measures that a society provides for its members to protect them against economic and social distress that would be caused by the absence or a substantial reduction of income from work as a result of various contingencies (sickness, maternity, employment injury, unemployment, invalidity, old age, and death of the breadwinner); the provision of health care; and the provision of benefits for families with children
- It encompasses a wide range of interventions – both contributory and non-contributory – serving different functions and objectives
- Social protection policies and programmes are most often designed to address typical risks faced by individuals and households along their lifecycle.
- Social protection systems enable societies to advance the well-being and security of their citizens by protecting them from vulnerability and deprivation so that they can pursue a decent life.
- Strengthening fiscal support for social protection also is key



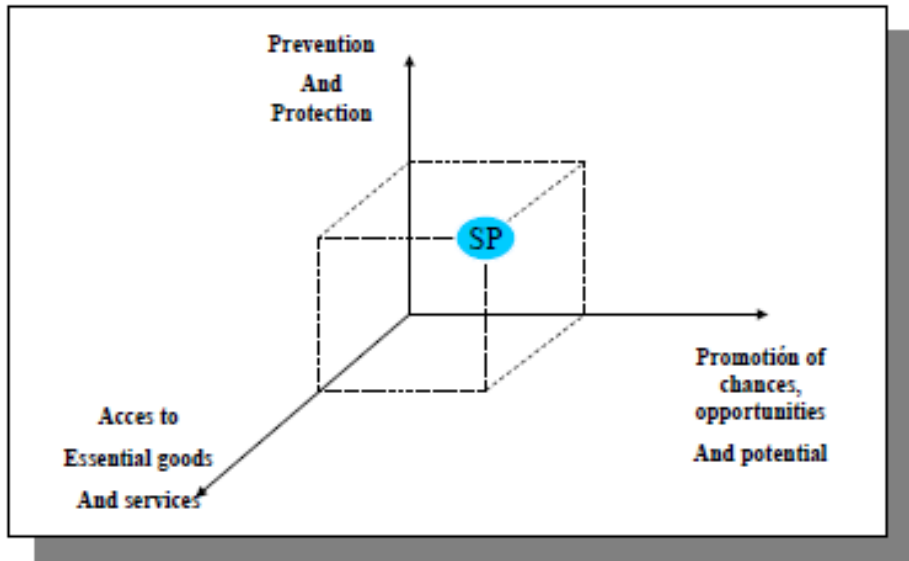
<https://www.youtube.com/watch?v=dyZRjQmEz0c>

Understanding Social Protection

- Social protection both reduces poverty and prevents people from falling into poverty.
- With political will, sound design, costing and fiscal space analysis, as well as inclusive social dialogue social protection systems, including social protection floors, can be progressively established and strengthened.
- Social protection can help people address the risks they face, such as poverty, social exclusion, inequality and food insecurity, and protect the most vulnerable from shocks and stresses throughout their lives.
- More than half of the world's population does not benefit from any form of social protection.
- Social protection is linked with the principle of dignity since it gives people the right to live a decent life whatever adverse events afflict them. Social protection is not charity – because it integrates individuals in a process of exchange, where they have the right to receive and the obligation to give. Their dignity is recognized by allowing people the possibility to contribute.



The 3 Dimensions of Social Protection



- **Essential goods and services** – all groups in society have basic social and economic security (concept of social justice) The concept of “minimum floor” or “social protection floor” or “package of essential goods and services” that a society is guaranteed.
- **Prevention and protection** – the concept of the social safety net – takes into account ex ante and ex post approaches to reduce and cushion the impacts of risks or to reduce risks altogether – insurance schemes, occupational health and safety policies, .
- **Promotion of chances, opportunities and potential** - fostering individual and social potential and opportunities with the aim to cushion risk or adversity and encourage individual and societal efforts to achieve autonomy and to improve an individual’s potential to contribute positively to society.

Main Benefits of Social Protection



- Social protection is much more than a risk management instrument for individuals. It is a comprehensive, collective tool to reduce poverty, inequality and vulnerability.
- It promotes equity and solidarity through redistribution.
- It provides fair access to education, healthcare, income security and basic social services.

Misconceptions about SP



Misconceptions about SP



- SP is the answer to poverty
- SP programmes lead to misuse and dependency and this causes them not to want to work
- Creates a dependency syndrome - people start to expect continued assistance, which in turn undermines their self-reliance and motivation, thereby breeding laziness
- Poor persons waste cash transfers on demeritous goods such as alcohol
- The economy will do better if SP programmes are cut
- Reducing government assistance benefits will make people get a job
- Certain demographics make social safety nets benefit one group and disadvantage the rest
- Women on SP programmes have more children



<https://www.youtube.com/watch?v=0GGxQ3hdACQ>

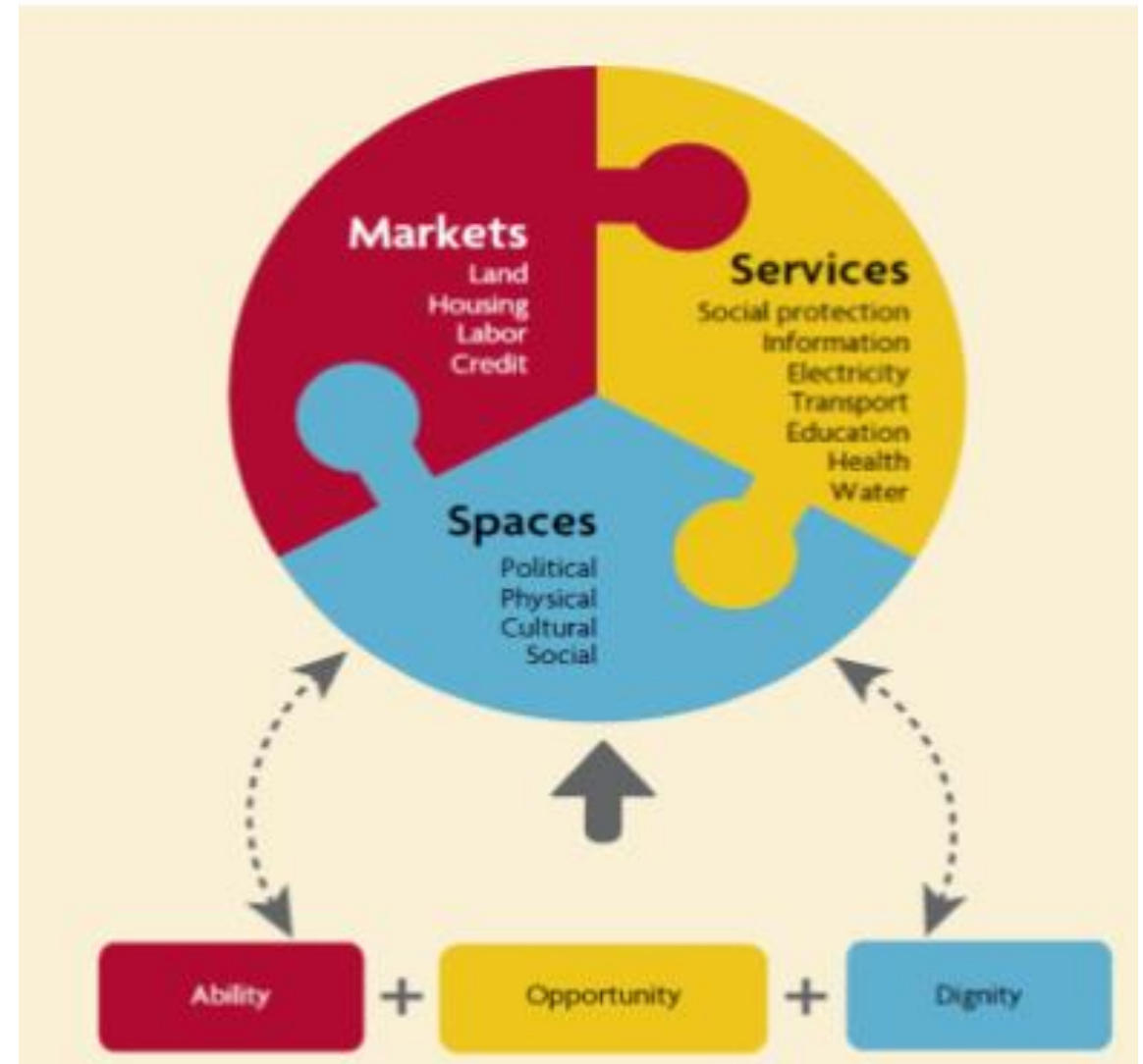
Concepts related to Social Protection



- **Social Security** - Article 22 of the Universal Declaration of Human Rights states: *“Everyone, as a member of society, has the right to social security”* .
- Social Security comprises social assistance and social insurance - Social assistance is defined as benefits in cash or in kind that are financed by the state (national or local). Social insurance is social security that is financed by contributions and is based on the insurance principle.
- **Social Inclusion**
- **Social Protection Floor**
- **Social Safety Net**
- **Social Justice**

Concepts related to Social Protection

- **Social Inclusion** – refers primarily to a “society for all” in which every individual, each with rights and responsibilities, has an active role to play. Promotes equal opportunities and resources between people with and without disabilities. Incorporates the concept of equality of opportunity,
- It is the process of improving the terms for individuals and groups to take part in society or more precisely “The process of improving the ability, opportunity, and dignity of people, disadvantaged on the basis of their identity, to take part in society” (World Bank)



A large, abstract red watercolor splash graphic on the left side of the slide, with various shades of red and pink, creating a textured, organic shape.

Concepts related to Social Protection

- **Social Protection Floor**

- Social protection floors are nationally defined sets of basic social security guarantees which secure protection aimed at preventing or alleviating poverty, vulnerability and social exclusion. These guarantees should ensure at a minimum that, over the life cycle, all those in need have access to essential health care and basic income security.

National social protection floors should comprise at least the following four social security guarantees, as defined at the national level:

- Access to essential health care, including maternity care.
- Basic income security for children, providing access to nutrition, education, care and any other necessary goods and services.
- Basic income security for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability.
- Basic income security for older persons.

Concepts related to Social Protection – Social Safety Net

- Safety net programmes, as part of the broader social protection agenda, aim to address risks, vulnerability and social exclusion. Safety nets help vulnerable households be protected against livelihoods risks, maintain an adequate level of food consumption and improve food security. They also help prevent them from adopting damaging coping strategies and depleting their assets.
- The poor can escape extreme poverty because of social safety nets which include cash, in-kind transfers, social pensions, public works, and school feeding programmes etc targeted to poor
- Safety nets cash transfers not only help nations invest in human capital, but also serve as a source of income for the poor, improving their standard of living.
- Today, some 2.5 billion people are covered by safety net programmes around the world and some 650 million people or 56 percent of the poorest quintile.
- Social safety nets are a subset of the social protection floor
- Targeting is key and distributing the benefits quickly are also key
- Some examples in the Caribbean include: PATH Programme in Jamaica, National Social Safety Net Policy Framework, Grenada

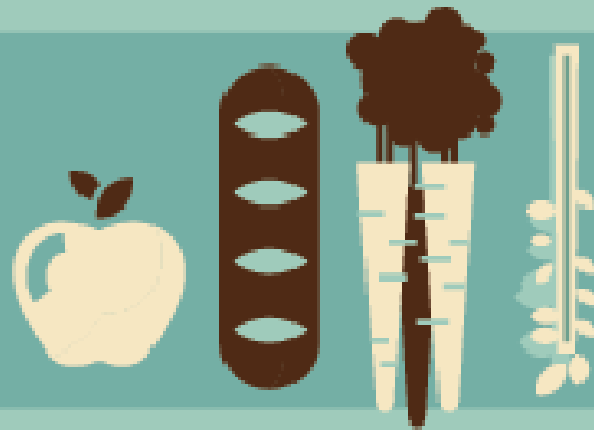


SOCIAL SAFETY NETS KEEP MILLIONS OUT OF POVERTY

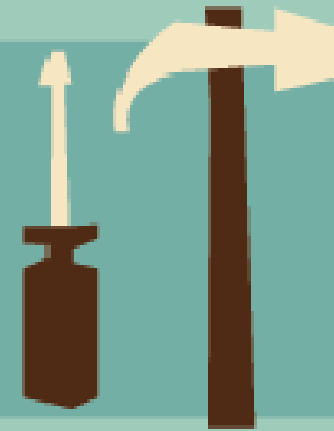
Social safety nets programs are targeted at poor and vulnerable households to protect them from economic shocks and natural disasters.



Conditional or unconditional cash transfers where families receive cash when their children attend schools and visit health clinics.



Nutritional feeding programs provide vitamin supplements for pregnant and nursing mothers, and school meals for children.



Public works programs generate temporary jobs and income.



Fee waivers assist with the costs of housing, health care and education.

Social Justice

Social justice is concerned with:

- Equal rights
- Equal opportunity
- Equal treatment

Social justice means equal rights and equitable opportunities for all.

- “Social justice may be broadly understood as the fair and compassionate distribution of the fruits of economic growth.”

[United Nations](#)

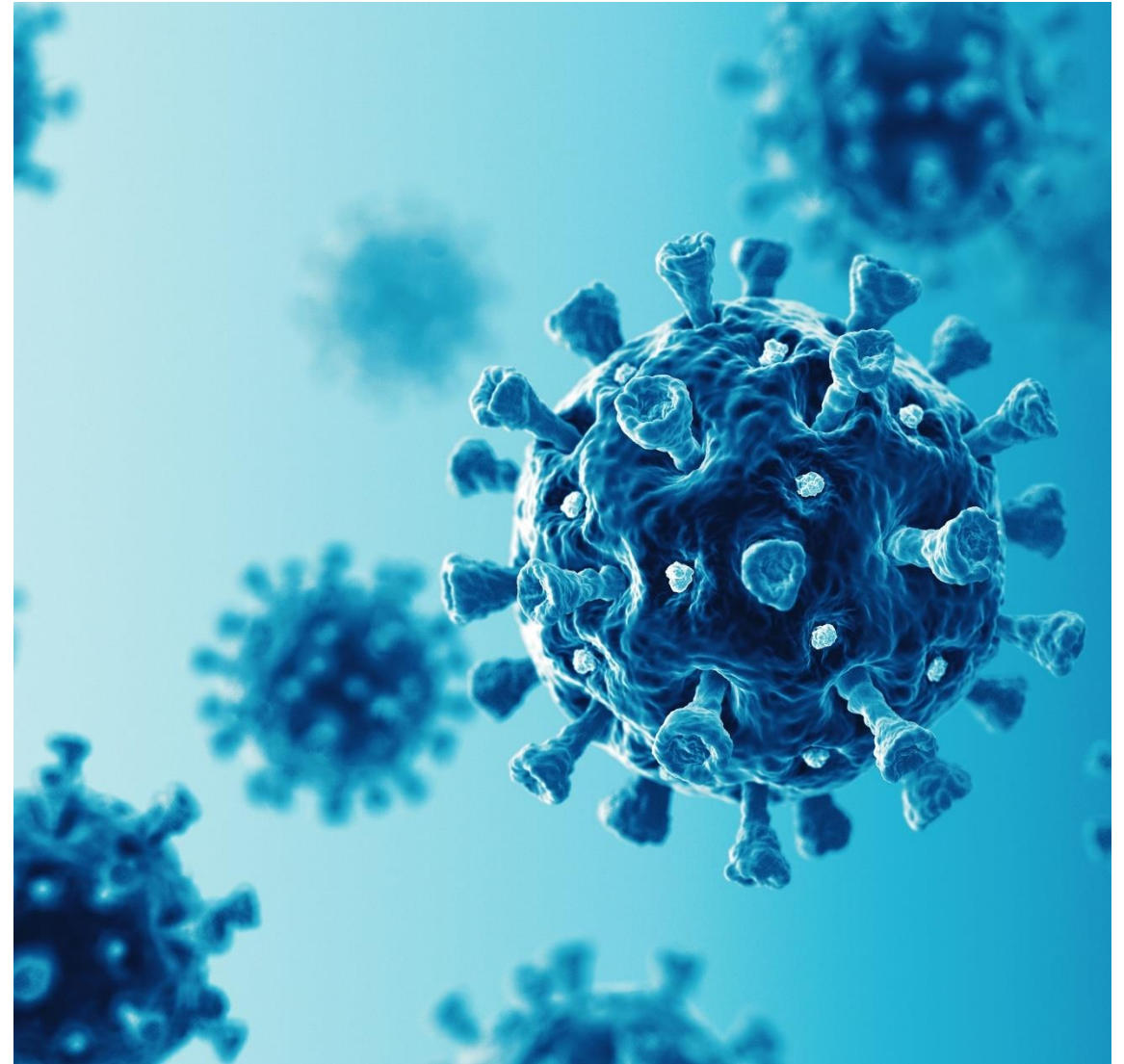
- “Social justice is the view that everyone deserves equal economic, political and social rights and opportunities. Social workers aim to open the doors of access and opportunity for everyone, particularly those in greatest need.”

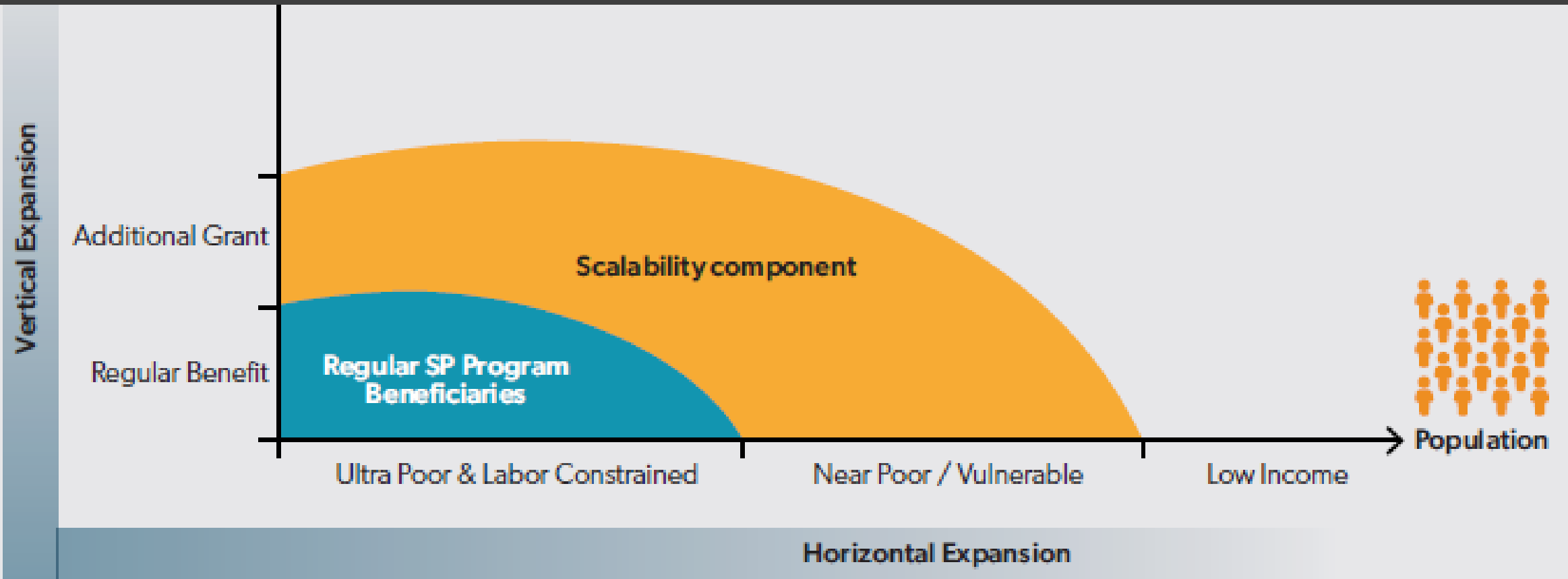
[National Association of Social Workers](#)



How has the Caribbean Incorporated Social Protection Strategies to Cope with COVID-19?

- Vertical expansion: Several countries have topped-up cash transfer benefits, including Anguilla, Argentina, Barbados, Belize (planned), Brazil, Colombia, Costa Rica, Dominican Republic, Guatemala, Jamaica, Paraguay, Trinidad and Tobago, and Uruguay.
- Horizontal expansion: Countries have expanded coverage of cash transfer programs in Anguilla, Brazil, Dominican Republic (DR), St Kitts and Nevis, and Trinidad and Tobago - Cash transfers to children with disabilities for examples
- Stimulus packages - Introduction of new cash transfer (one-off or temporary): New cash transfers have primarily been introduced to (i) support poor and vulnerable not receiving cash benefits (Belize, DR, Jamaica, Montserrat, St Vincent and the Grenadines (SVG)); or (ii) informal and/or formal workers who have lost their jobs or have reduced income due to the crisis (Bahamas, Belize, Bermuda, Dominica Jamaica, St Maarten, St Lucia, SVG, Trinidad and Tobago, Turks and Caicos. Anguilla, Barbados, Guatemala, Haiti,





**Understanding Vertical
and Horizontal
Expansion in SP**

How has the Caribbean Incorporated Social Protection Strategies to Cope with COVID-19?



- **In-Kind Transfer Responses to COVID-19 in LAC**
- *Expansion of in-kind transfers (coverage or benefit):* Countries have scaled up provision of in-kind relief to additional categories of households and eligible groups. For instance, Jamaica is providing food and other relief items to persons in quarantine, elderly, and other vulnerable groups. Other countries that have scaled-up in-kind transfers include Antigua and Barbuda, Argentina, Dominican Republic, Montserrat, Paraguay, St Maarten, Trinidad and Tobago, and Uruguay.
- *Introduction of new in-kind benefit (one-off or temporary):* New in-kind benefits including food, utility waivers, and other in-kind relief have been introduced in Barbados, Belize, British Virgin Islands (BVI), Cayman Islands, Colombia, Costa Rica, Grenada Guatemala, Haiti, Honduras, Mexico Montserrat, St Lucia, St Kitts and Nevis and Turks and Caicos.
- Distribution of tablets and laptops for education
- Food packages

Costs of No Social Protection



- Costs and the impact of neglecting social protection are borne by society
 - Increasing poverty and vulnerability
 - Productive loss to the economy
 - Health related issues
 - Loss of human capital as a lack of investment in public benefits and services means a decrease in life expectancy, health, education and skills, and a lack of investment in the younger generation. Hence the current and future stock of a country's human capital is diminished.
 - Loss of social capital – social trust etc
 - Loss of political capital

Social protection is integral to the dynamic development of modern, open economies and societies; and it brings cumulative benefits through time. Social protection can be considered as an investment and consequently as a productive factor. Poor countries cannot afford not to invest in social protection if they want to break the vicious circles of poverty and underdevelopment and begin to contribute positively to local, national, regional and global development.

Linking Insurance & Social Protection

- **Microinsurance is a relatively new concept and instrument in social protection.**
- **Target different groups**
 - Safety net for most vulnerable
 - Insurance for those who can afford it
 - Understand the various roles of governments in linking social protection with microinsurance
- **Faster Cash Transfers**
 - Index-based insurance
 - Forecast based financing
- **Contingency financing mechanism for governments to temporarily scale up shock-responsive social protection in anticipation or response to a shock.**
 - Increase either the value or the duration of benefits (vertical expansion)
 - Increase the number of beneficiaries flexibly to include people affected by a crisis (horizontal expansion)
- **Hybrid products**
 - Combining macro-insurance solutions
 - Government pays all or a partial premium with social safety nets
 - May be appropriate when trying to target the 'bottom of the pyramid' poor
- **Risk Layering**

Microinsurance – A Risk Financing and Social Protection Mechanism at the Individual Level

- Microinsurance refers to insurance services offered primarily to clients with low income and limited access to mainstream insurance services and other means of effectively coping with risk.
 - Microinsurance is the protection of low-income people against specific perils/risks in exchange for premium payments proportionate to the likelihood and cost of the risk involved
 - Factors such as financial illiteracy, lack of education, poverty prevent many from properly mitigating this risk – making them perpetually poor.
 - Microinsurance helps to shield vulnerable people with inadequate earnings against certain risks such as death of family members, accidents, diseases and natural disasters.
 - Today, microinsurance is recognized as a means of providing financial security and enable lower income families to access insurance against natural disasters and other exogenous shocks
 - A key component of country's financial inclusion policy
 - Microinsurance can be considered as an effective risk transfer mechanism and an integral part of an overall disaster risk management strategy.
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Microinsurance Further Explained

- Microinsurance combines social protection and microfinance
- It is a financial service offered by different types of providers while also having an element of a social protection approach for protecting people against risks.
- It is an element of a social protection system that comprises public social protection programmes, like social insurance, community-based insurance (often in health insurance), and private/commercial insurers.
- These systems aim at providing coverage against risks to the entire population, but especially to the poor.
- Very few countries have formally discussed or even defined the role of microinsurance within their social protection system.



Importance of Microinsurance and Key Benefits

Often the only option available to protect against setbacks

- Example: Farmer has crop losses, smoothes consumption, prevents the sale of productive assets

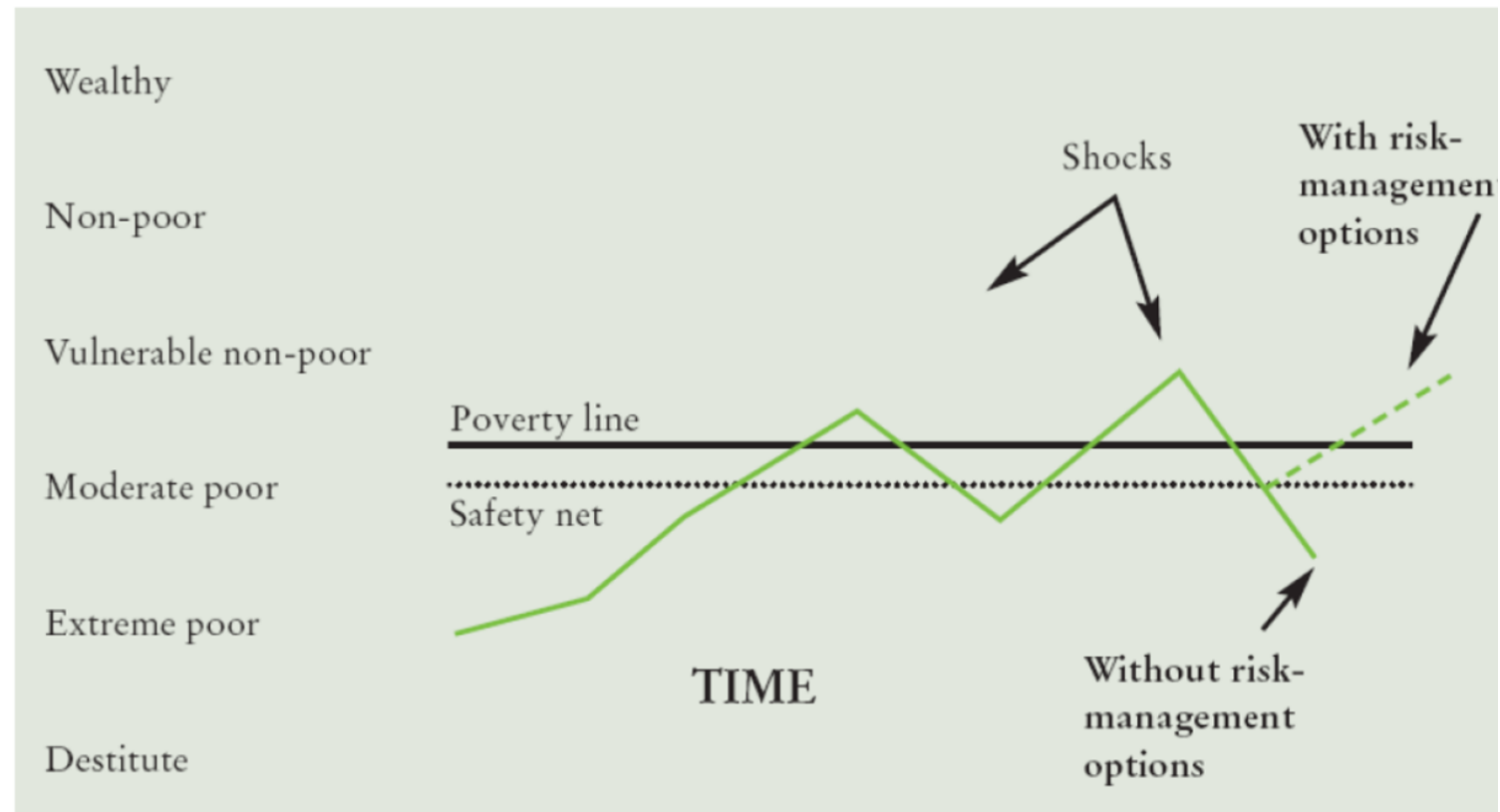
Opens up investment opportunities

- Insured entrepreneurs are able to better manage their financial situation and can take riskier productive decisions
- Example: Tourist operators can expand their business via a loan knowing that if something unexpected were to occur and impact their income, the insurance will provide a safety net

Importantly – it helps avoid the poverty trap

Role of Insurance for Low Income Groups

Role of Microinsurance (inclusive insurance) Impacts of shocks on household income and assets



Source: Protecting the poor – A microinsurance compendium, edited by Craig Churchill, Munich, Geneva, 2006, page 25

Microinsurance can be effective in shielding the poor against financial hardships resulting from medical emergencies and natural disasters. Not having adequate insurance coverage not only increases the vulnerability of the poor households to financial losses but also causes them mental anxiety.

Thus microinsurance gives them greater confidence in facing such exigencies. Given the high proportion of people living below the poverty line in the Caribbean, microinsurance holds much potential. Microinsurance schemes are meant to enable the poor and marginalized population to buy insurance at affordable rates.

Some Examples of Linking Social Protection and Insurance in the Caribbean and Central America

- Sovereign product with microinsurance features developed for fishers under COAST Project with support from governments – CCRIF
- Climate Risk Adaptation and Insurance in the Caribbean (CRAIC) Project (Livelihood Protection Policy - LPP) – CCRIF, MCII, ILO
- MiCRO – The Microinsurance Catastrophe Risk Organisation



Microinsurance - Climate Risk Adaptation and Insurance in the Caribbean project

The Livelihood Protection Policy

- Targeted at individuals, the LPP is designed to help protect the livelihoods of vulnerable low-income individuals such as small farmers, tourism workers, fishers, market vendors and day labourers, by providing quick cash payouts following extreme weather events (specifically, high winds and heavy rainfall).
- Essentially, the livelihood protection policy is designed to reduce vulnerability and sustain the livelihoods of low-income communities... towards closing the protection gap



International Labour Organization's Impact Insurance Facility, DHI with support from the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU).

Pilot countries: Belize, Grenada, Jamaica, Saint Lucia, and Trinidad & Tobago

The LPP

It is a parametric weather index-based insurance product

It combines risk reduction and insurance for low-income groups

It covers high rainfall and high winds

It is intended to provide policy holders with funds within a short period of time – 10 to 14 days

It provides individual payouts that are tied to a series of thresholds for wind speed and rainfall

It uses an information system that uses mobile text messages to inform clients quickly if a policy is triggered

How the LPP Works

You don't
Have to use savings
wait for handouts,
or borrow money!



1. When a storm system hits Jamaica



2. Our dedicated satellites measure the local rainfall and wind speed.



3. We collect the data for each parish and compare the information to your trigger levels.



4. If a trigger is met, we pay you!



Challenges of Offering Index-based Microinsurance

- **Pricing the product**
 - Providing affordable risk-transfer for individuals and commercially viable to insurers
 - High frequency events such as excessive rainfall result in disproportionately high insurance premiums
- **Limits to insurance as a tool to manage climate risk**
 - Lowest income groups often unable to access market-based insurance, unless premiums are subsidized or other supporting measures are provided
 - Non-weather related risks are not covered
- **Education is needed on insurance**
 - Need to explain the premium/trigger/payout mechanism and the basis risk.
 - Frequent payouts vs. meaningful payouts & cost
- **Distribution and Scaling up**
 - Relatively small populations
 - Reaching target market in rural areas and who do not participate in financial systems
 - Requires commitment by private, local insurers to increase risk awareness and overcome the reluctance to buy insurance
- ✓ **Governments can play a key role –**
 - ✓ Link to reducing poverty and vulnerability and social protection strategy



**CLIMATE RISK INSURANCE IN
THE CARIBBEAN:**

**20 lessons learned from the Climate
Risk Adaptation and Insurance
in the Caribbean (CRAIC) project**

20 Lessons Learned in Microinsurance in the Caribbean

<http://www.ccrif.org/publications/technical-paper/20-lessons-learned-craic-project>

The Microinsurance Catastrophe Risk Organisation (MiCRO)

- The Microinsurance Catastrophe Risk Organisation (MiCRO) is a specialized reinsurance company providing coverage for business interruption losses from excess rainfall, severe drought and earthquakes.
- It is a socially oriented commercial enterprise focused on Latin America. Countries available – Nicaragua, Guatemala, El Salvador, Colombia, Mexico
- The catastrophic risk index insurance policy is triggered automatically by predetermined events that are verified by objective data sources, including NASA satellites. The stronger the event, the greater the payout to the beneficiaries.
- Main target group – agriculture and small business sector
- Policyholders also receive disaster risk reduction training through national coordinating bodies.





MiCRO – Payouts

- Products designed by MiCRO triggered more than 36,769 individual payouts in 2020
- Tropical storm Amanda and hurricanes Eta and Iota, caused payouts in several locations in Nicaragua and Honduras, Guatemala, El Salvador and Colombia – for rainfall
- In the case of TC Amanda, policyholders in 153 municipalities in El Salvador received compensation of up to 100% of the insured amount. almost 90% of insured clients received payments of 35-40 % on average, with payments of up to 100% of the sum insured in the most affected areas. In Guatemala, the level of rainfall registered was lower, so that in the areas of greatest impact, payments of up to 50% of the insured amount were registered, benefiting 15% of the total portfolio
- In Guatemala, Eta also triggered payments, although without reaching the maximum, since a large part of the damages were caused by a combination of factors and not just the extreme rainfall.



- A parametric insurance product providing quick payouts
- 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, providing them with **immediate** economic relief.
- Policy includes 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
- The insurance policy and payouts are based on full transparency and accountability



C|O|A|S|T



In force since July 1st, 2019

In Grenada and Saint Lucia

Resources on Linking Social Protection and Climate Resilience

- <http://www.ccrif.org/en/publications/technical-paper/policy-brief-linking-social-protection-climate-resilience>

Supported by:

Federal Ministry for the Environment, Nature Conservation and Nuclear Safety

POLICY BRIEF

Linking Social Protection with Climate Resilience & Adaptation

An Example of how Weather-based Sovereign Risk Insurance and Microinsurance can Contribute to Effective Social Protection

MCII CCRIF SPC
International Labour Organization IMPACT INSURANCE
Munich RE DHI

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Closing the Protection Gap... The Role of Inclusive Insurance for Vulnerable Groups... Shock Responsive SP Strategy

- **The protection gap = Economic losses - Insured losses**
= Uninsured losses
- The protection gap is getting wider due to varying exogenous shocks
- “Inclusive insurance” encompasses many different approaches to reaching the unserved, underserved, vulnerable, or low-income populations in emerging markets with appropriate and affordable insurance products.
- These range from microinsurance for people with very little disposable income to new products and services for an emerging middle class around the globe who have not been served by traditional insurance (e.g. for housing).
- Most are parametric based as opposed to being indemnity based insurance products

Alignment of Insurance to Agenda 2030 – Sustainable Development Goals (SDGs)





2022 Caribbean Regional Risk Conference

**Introducing Country Risk Management to Advance
Sustainable Development**



MY NAME IS RISK
CYNDI CELESTE

<https://www.youtube.com/watch?v=2ChxmWbMqQg&t=310s>

Panel 3: Demystifying Climate Risks

MODERATOR: Mrs. Therese Turner Jones, International Development Consultant

- **Case Study on Dominica:** Building Resilience and Progress to becoming the World's First Resilient Small Island State. How an Unfortunate and Tragic Event has Shaped Our Future Development Prospects. Our Experience in Building Forward Stronger
- Mrs. Gloria Joseph - Permanent Secretary, Ministry of Planning, Economic Development, Climate Resilience, Sustainable Development and Renewable Energy, Dominica
- **The Rise of ESG Factors** and the Implications for Small Island Developing States
- Ms. Anu Jogesh - Associate Director, Climate and Resilience Hub, WTW
- **Emerging Risks: The Growing Threat of Extreme Heat** to Vulnerable People Worldwide
- Ms. Kathy Baughman McLeod - Director, Adrienne Arsht-Rockefeller Foundation Resilience Center
- How **Risk Transfer** and Facilities such as CCRIF SPC are Playing Key Roles in Advancing the Sustainable Development of Small Island Developing States
- Mrs. Gillian Golah - Chief Operations Officer, CCRIF SPC
- **Comprehensive Disaster Management in the Region** – Assessing the Caribbean Region's Status with Respect to the Development and Implementation of CDM Policy and Legislation and Reducing the Vulnerability of People and Infrastructure
- Ms. Andria Grosvenor - Deputy Executive Director, CDEMA
- **New Financing Instruments**, Financing Vehicles, Products and Services Available to Small Island Developing States
- Dr. Simon Young - Co-Head: Disaster Risk Finance / Parametrics, Climate and Resilience Hub, WTW