

CCRIF SPC

The Caribbean Catastrophe Risk Insurance Facility



USE of CCRIF Payouts 2007-2018



An analysis of how member governments have used
CCRIF payouts and the number of persons impacted
either directly or indirectly...

Revised October 2019

Introduction

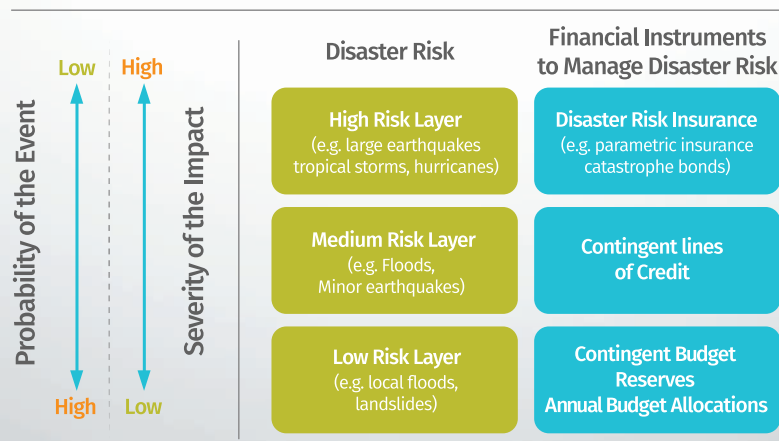
CCRIF SPC offers earthquake, tropical cyclone and excess rainfall policies to Caribbean and Central American governments. CCRIF helps to mitigate the short-term cash flow problems small developing economies suffer after major natural disasters. CCRIF's parametric insurance mechanism allows it to provide rapid payouts to help members finance their initial disaster response and maintain basic government functions after a catastrophic event.

Currently, CCRIF has 22 Member Governments:
19 from the Caribbean and 3 from Central America

CCRIF is a working example of a disaster risk financing instrument and one of a suite of instruments available to governments to assist in post-disaster recovery and to help close the protection gap. CCRIF and the parametric insurance products that it provides for tropical cyclones, earthquakes and excess rainfall is positioned at the high risk layer – or for those events that have a low probability of occurrence but a high severity of impact. Essentially, governments should build a financial protection strategy that combines a number of instruments that address different layers or types of risk. Such a strategy incorporates budget allocations and reserves, contingent credit, and risk transfer instruments – and ultimately

contributes to advancing debt and fiscal sustainability of countries.

Considering disaster risk in fiscal policy therefore provides an efficient way for countries to financially protect themselves against events that cannot be prevented. Integrated disaster risk financing strategies allow countries to increase their financial response capacity in the aftermath of disasters and reduce their economic and fiscal burden. Governments need to be encouraged to develop, make provision for, or participate in integrated disaster risk financing strategies as part of their overall risk management strategy.



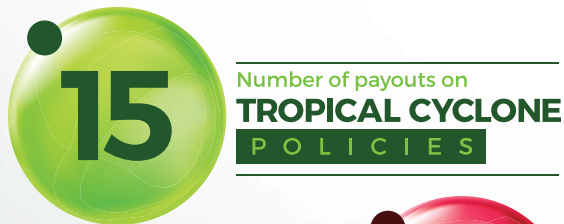
The diagram below shows the speed of payout of different risk financing instruments.

	Relief Phase (1-3 months)	Relief Phase (3-9 months)	Relief Phase (over 9 months)
Post-disaster Financing			
Donor Assistance (Relief)			
Budget Reallocation			
Domestic Credit			
External Credit			
Donor Assistance (Reconstruction)			
Tax Increase			
Ex-ante Financing			
Budget Contingencies			
Reserve Fund			
Contingent Debt Facility			
CCRIF Parametric Insurance			
CAT-Bonds			
Traditional Insurance			

CCRIF Payouts

Since its inception in 2007, CCRIF has made 41 payouts totalling US\$152 million to 13 member governments on their tropical cyclone, earthquake and/or excess rainfall policies for 20 different events – all within 14 days of the event. Also, CCRIF has made 12 payments totalling over US\$1 million under member governments' Aggregated Deductible Cover (ADC). The ADC is a new policy feature

for tropical cyclone and earthquake policies introduced in the 2017/2018 policy year. The ADC was designed to be akin to a dedicated reserve fund providing a minimum payment for events that are objectively not sufficient to trigger a CCRIF policy because the modelled loss is below the attachment point.



largest payout for a single event

US\$23,408,834



made to the Government of

Haiti

on its **Tropical Cyclone and Excess Rainfall** policies following TC Matthew in 2016



A Synopsis of How Member Governments Have Used their Payouts – 2007 to 2018



Governments have used payouts for a variety of purposes, including immediate recovery and repair activities; humanitarian aid for affected persons; stabilizing facilities such as water treatment plants; improving critical infrastructure such as roads, drains and bridges; mitigation activities to increase resilience against natural hazards and climate change; and to “keep the wheels of government turning”, for example by paying salaries of critical government personnel.

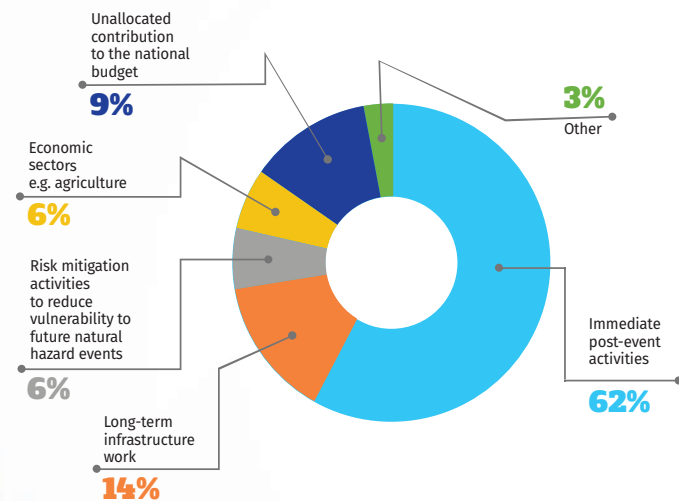
CCRIF requests that recipient governments provide information on how payouts have been used. Governments are requested to provide information on:

- How the funds were used
- When the funds were used
- The decision-making process used to determine the use of funds
- The number of persons who benefitted
- The benefit of receiving the funds within 14 days

In September 2018, this reporting requirement was formalized when countries' Participation Agreements were amended to include requirements to submit a report using a specified format within six months of the payout.

The figures below show how payouts have been used by recipient countries within six categories and the use of payouts for each country¹. The six categories are:

- immediate post-event activities
- risk mitigation activities to reduce vulnerability to future natural hazard events
- long-term infrastructure work (which could be considered a risk mitigation activity)
- unallocated contribution to the national budget
- assistance to specific economic sectors, e.g. agriculture
- other



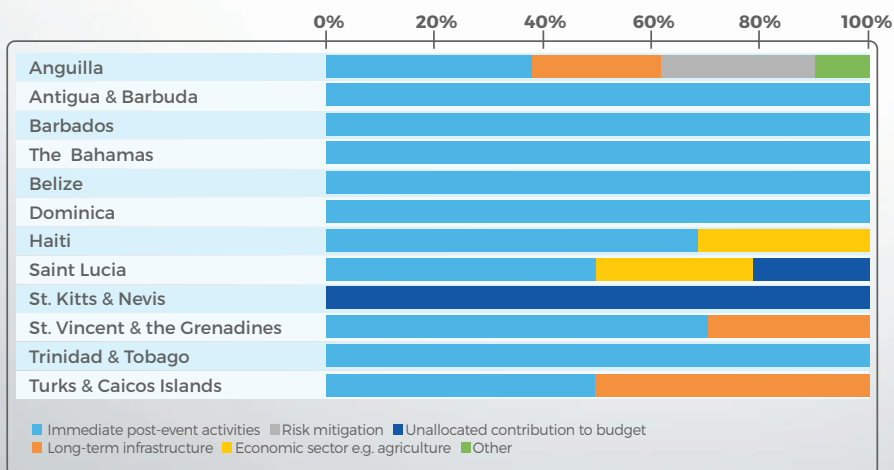
Uses of payouts by category for all countries 2007 - 2018

This figure shows that most payouts (62%) have been used partially or wholly for immediate post-event repairs. The 3% of payouts that have been used for “other” purposes were used for capitalizing a special recovery fund.

Five countries (Barbados, The Bahamas, Belize, Dominica and Trinidad & Tobago) have used all their payouts for immediate repairs; one country (St. Kitts & Nevis) has incorporated all of its payouts as an unallocated contribution to the national budget without identifying the specific use of funds. One country, Anguilla, has used the funds to implement risk reduction activities other than long-term infrastructure work: the country established an emergency warning system and upgraded communication for the National Emergency Operations Centre and also earmarked CCRIF funds for capitalizing a special recovery fund.

A Sample of Use of Payouts by Country and Approximate Number of Beneficiaries per Payout

CCRIF's internal calculations show that the approximate number of beneficiaries from payouts up to 2018 have been in the range of approximately 2.5 million persons – with these benefits including both direct and indirect.



Use of payouts by category for each country

¹These figures do not reflect the allocation according to the value of the funds used for each category; countries have not provided sufficient data to make that determination.

A Sample of the Use of Payouts by CCRIF Members

Event	Country	Payouts (US\$)	Use of Payout(s)	Beneficiaries (Approximate) ²
Tropical Cyclone Ike, September 2008	Turks and Caicos Islands	6,303,913	Temporary feeding stations (food) for displaced and other affected persons	825 Vulnerable families
Earthquake, January 12, 2010	Haiti	7,753,579	Immediate reconstruction and stabilization of government processes and provision of civilian security	300,000 Vulnerable persons and persons requiring medical attention
Tropical Cyclone Earl, August 2010	Anguilla	4,282,733	Clearing of debris, repairing general damage, capitalizing a special recovery fund and purchasing upgraded weather monitoring data-capture technology and portable weather systems to improve early warning	14,000 Communities Disaster management and meteorology entities
Tropical Cyclone Tomas, October 2010	Barbados	8,560,247	Recovery efforts under direction of the environmental management agency and emergency repairs of key infrastructure, including a major road along the port	Communities Stakeholders in the business and commerce sectors – ensuring business continuity
Tropical Cyclone Tomas, October 2010	Saint Lucia	3,241,613	Capital expenditures, e.g., clearing silty rivers, unblocking major roads, stabilizing drinking water plants, and repair of a key government building	178,000 General population especially with respect to water treatment plant
Tropical Cyclone Tomas, October 2010	St. Vincent & the Grenadines	1,090,388	Acquiring building and other materials for persons whose homes or crops had been damaged	50,000 Communities and persons assessing public roadways
Tropical Cyclone Gonzalo, October 2014	Anguilla	493,465	Repairs to government buildings: library, NEOC, fire service, post office, Adrian T. Hazel Primary School Establish Emergency Warning System; acquire VSAT communication for NEOC	14,000
Trough System, November 7-8, 2014	Anguilla	559,249		
Tropical Cyclone Earl, August 2016	Belize	216,073	Immediate clean-up and recovery based on a Damage Assessment and Needs Assessment (DANA) Report	3,000
Tropical Cyclone Matthew, September 2016	Barbados	1,728,277	Repairing roads and doing remedial work in low-lying areas	
Tropical Cyclone Matthew, September 2016	Saint Lucia	3,781,788	Assistance to the agriculture sector	20,242
Tropical Cyclone Matthew, October 2016	Haiti	23,408,834	Provision of food and shelter to at least 1.4 million persons who were adversely affected and displaced by Matthew; purchase of medication especially for children; unblocking of main roads; assistance to the agriculture sector; purchase of tarpaulins for houses and replacement of roofs for schools, churches and court houses	> 1.4 million
Tropical Cyclone Irma, September 2017	Anguilla	6,687,923	Repairs to schools and hospital; securing clinics; temporary restoration of government offices	17,000

² Information on beneficiaries were either received by governments or taken from Damage and Loss Assessment reports or gleaned from the actual use of funds and should be viewed as approximate figures

Event	Country	Payouts (US\$)	Use of Payout(s)	Beneficiaries (Approximate) ²
Tropical Cyclone Irma, September 2017	Antigua and Barbuda	6,794,875	Important part of emergency funding to stabilize the situation on the ground and to evacuate residents from Barbuda etc.	100,963
Tropical Cyclone Irma, September 2017	The Bahamas	163,598	Assistance with the clean-up and restoration of the islands impacted	72,000
Tropical Cyclone Irma, September 2017	St. Kitts and Nevis	2,294,603	Allocation to consolidated fund	
Tropical Cyclone Irma, September 2017	Turks and Caicos Islands	14,864,634	Long-term infrastructure works in the Education Sector. Upgraded schools with stronger roofing structure material, reducing vulnerability to natural hazards; Repairs to hurricane shelters	17,985
Tropical Cyclone Maria, September 2017	Barbados	1,917,506	Fix roads and bridges	
Tropical Cyclone Maria, September 2017	Dominica	20,308,822	Clean-up and restoration work \$41.7M; Installation of temporary Bailey Bridges \$12.9M	73,000
Tropical Cyclone Maria, September 2017	St. Vincent and the Grenadines	247,257	Repairing roads; clearing debris; repairing homes and damages to disaster shelters (80%), purchase of basic supplies for affected families (20%)	
Rainfall event, October 18-20, 2017	Trinidad and Tobago	7,007,886	Emergency works; relief of flood damage to farmers; assistance (grants, relief items) to affected persons	10,631 Direct beneficiaries of grants and assistance
Rainfall event, October 18-20, 2018	Trinidad and Tobago	2,534,550		

Conclusion

CCRIF member governments value the flexibility of being able to allocate funds based on national priorities. Some notable comments from recipient countries are provided below.

Anguilla

Previous payouts were used to put in place mitigation procedures and infrastructure to reduce flooding which resulted in reduced damage from Irma.

The Bahamas

We were able to effect clean-up on a timely basis to return communities to some degree of normalcy.

The Turks and Caicos Islands

The Government was able to focus its attention on the damaged areas and not be immensely consumed with its financial position.

Saint Lucia

The Government values this initiative and has embarked upon further strengthening its disaster risk financing strategy of which CCRIF is a main component.

Barbados

Every dollar in damage for a country that is in a tight fiscal situation is a dollar that we really would have preferred not to lose and therefore [we are pleased] to have this sum coming back to us to help us offset some of the damage as a result of Tropical Storm Kirk...we are trying to take a proactive approach and this money will help us to continue in that manner.

CCRIF SPC

The Caribbean Catastrophe Risk Insurance Facility

CCRIF SPC is a segregated portfolio company, owned, operated and registered in the Caribbean. It limits the financial impact of catastrophic hurricanes, earthquakes and excess rainfall events to Caribbean and Central American governments by quickly providing short-term liquidity when a parametric insurance policy is triggered. It is the world's first regional fund utilizing parametric insurance, giving member governments the unique opportunity to purchase earthquake, hurricane and excess rainfall catastrophe coverage with lowest-possible pricing.

In 2007, the Caribbean Catastrophe Risk Insurance Facility was formed as the first multi-country risk pool in the world, and was the first insurance instrument to successfully develop parametric policies backed by both traditional and capital markets.

In 2014, the Facility was restructured into a segregated portfolio company (SPC) to facilitate expansion into new products and geographic areas and is now named CCRIF SPC. The new structure, in which products are offered through a number of segregated portfolios, allows for total segregation of risk. In April 2015, CCRIF signed an MOU with COSEFIN - the Council of Ministers of Finance of Central America, Panama and the Dominican Republic - to enable Central American countries to formally join the facility.

CCRIF SPC is registered in the Cayman Islands and operates as a virtual organization, supported by a network of service providers covering the areas of risk management, risk modelling, captive management, reinsurance, reinsurance brokerage, asset management, technical assistance, corporate communications and information technology.

CCRIF offers earthquake, tropical cyclone and excess rainfall parametric insurance policies to Caribbean and Central American governments and fisheries policies to Caribbean governments. It is developing models and products for drought, agriculture and public utilities.

CCRIF helps to mitigate the short-term cash flow problems small developing economies suffer after major natural disasters. CCRIF's parametric insurance mechanism allows it to provide rapid payouts to help members finance their initial disaster response and maintain basic government functions after a catastrophic event.

Since the inception of CCRIF in 2007, the Facility has made 41 payouts to 13 member governments on their tropical cyclone, earthquake and excess rainfall policies totalling US\$152 million.

CCRIF was developed under the technical leadership of the World Bank and with a grant from the Government of Japan. It was capitalized through contributions to a Multi-Donor Trust Fund (MDTF) by the Government of Canada, the European Union, the World Bank, the governments of the UK and France, the Caribbean Development Bank and the governments of Ireland and Bermuda, as well as through membership fees paid by participating governments.

In 2014, an MDTF was established by the World Bank to support the development of CCRIF SPC's new products for current and potential members, and facilitate the entry for Central American countries and additional Caribbean countries. The MDTF currently channels funds from various donors, including: Canada, through Global Affairs Canada; the United States, through the Department of the Treasury; the European Union, through the European Commission and Germany, through the Federal Ministry for Economic Cooperation and Development and KfW. In 2017, the Caribbean Development Bank, with resources provided by Mexico, approved a grant to CCRIF SPC to provide enhanced insurance coverage to the Bank's Borrowing Member Countries, and in 2018, the Government of Ireland contributed funds to support CCRIF.

CCRIF currently has 22 members.

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OUR CARIBBEAN MEMBERS

Caribbean - Anguilla, Antigua & Barbuda, The Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Dominica, Grenada, Haiti, Jamaica, Montserrat, St. Kitts & Nevis, Saint Lucia, Sint Maarten, St. Vincent & the Grenadines, Trinidad & Tobago and Turks & Caicos Islands

Central America - Nicaragua, Panama, Guatemala