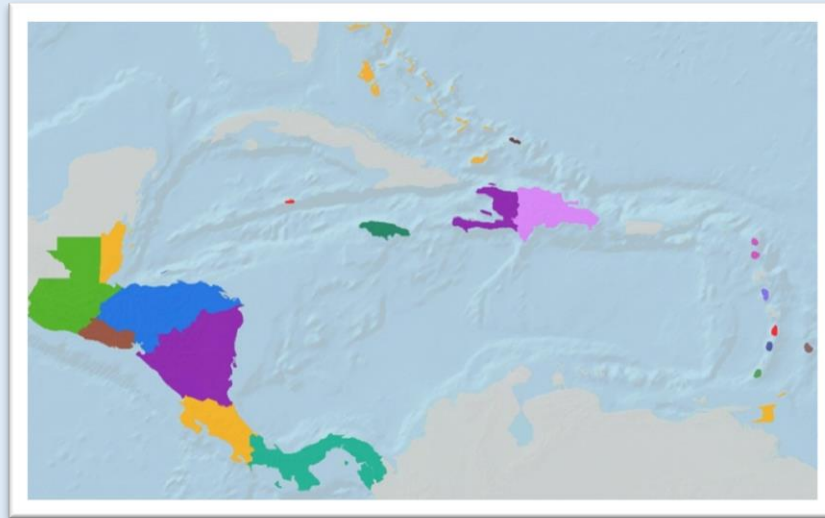


The Caribbean and Central American Partnership for Catastrophe Risk Insurance



The Partnership

Caribbean and Central American countries are partnering to reduce their vulnerability to the adverse effects associated with earthquakes and major hydro-meteorological events such as tropical cyclones and excess rainfall.

The objective of this partnership is to enable Central American countries access to affordable and high quality catastrophic risk insurance by transferring risk to international reinsurance markets via CCRIF and facilitating the uptake of the new excess rainfall product for Caribbean and Central American states.

Countries in both sub-regions will enjoy access to fast-disbursing liquidity for relief and recovery efforts in the aftermaths of disasters generated by natural events, which should enhance fiscal resilience and help reduce the long-term economic losses from these events.

About CCRIF

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. It was designed as a regional catastrophe

fund for Caribbean governments to limit the financial impact of devastating hurricanes and earthquakes by quickly providing financial liquidity when a policy is triggered – providing payouts within 14 days after an event when a country's policy is triggered.

In 2014, the facility was restructured into a segregated portfolio company (SPC) and is now named CCRIF SPC.

Through the partnership, CCRIF will offer earthquake, tropical cyclone and excess rainfall policies to Caribbean and Central American governments.

CCRIF was developed under the technical leadership of the World Bank and with a grant from the Government of Japan. It was capitalised through contributions to a multi-donor Trust Fund by the Government of Canada, the European Union, the World Bank, the governments of the United Kingdom and France, the Caribbean Development Bank and the governments of Ireland and Bermuda, as well as through membership fees paid by participating governments.

About COSEFIN

The Council of Ministers of Finance of Central America, Panama and the Dominican Republic (COSEFIN) is the

permanent forum of Ministers of Finance or Treasury of Central America, Panama and the Dominican Republic, formed in 2006 to discuss issues related to information, harmonisation, alignment, development and coordination of fiscal policies, under the protection of the provisions of the Central American Integration System (SICA).

Due to fiscal challenges associated with the impacts of natural hazards, in 2012, COSEFIN requested support from the United States Department of Treasury and the World Bank to explore alternatives for sovereign risk protection. After assessing various options, CCRIF was identified as the best alternative. Consequently, CCRIF and COSEFIN member countries agreed by consensus to sign a

Memorandum of Understanding that lays out the agreed governance and operational aspects of the arrangement between both parties for the provision of catastrophe risk insurance.

What Form Would the Partnership Take?

Central American states would partner with CCRIF through a segregated-cell approach. Caribbean and Central American states will be grouped into legally separated pools of risk (two 'segregated cells') allowing for separation of risk management operations for Central American and current CCRIF countries (e.g. pricing, policy format) but a bundled access to the reinsurance market.

Benefits of the Partnership

New and existing members are expected to significantly benefit from the partnership. Specific benefits include:

Lower Premiums: Central American countries would save approximately 36% of the total premium volume if countries approach the reinsurance market through CCRIF rather than independently.

Cost-Savings Associated with Efficiency Gains: Efficiency gains will result from the very nature of parametric insurance, partial sharing of capital as well as sharing of specific administrative and operating costs.

Increased Access: The CCRIF parametric model is a payout mechanism already accepted by international reinsurance markets. Applying this model to Central American states will enable greater access to reinsurance markets and help guarantee the most competitive pricing available.

Demonstrated Experience: CCRIF's extensive experience working as a regional insurance entity helps guarantee the quality of service required of new members. The Facility is licensed and operating – with institutional arrangements established, service providers in place, and parametric risk transfer instruments already active. New members will benefit from the time-efficiency associated with joining a mechanism which is tried and tested.

Increased Regional Cooperation and Collaboration: A CCRIF partnership joining Caribbean and Central American states could strengthen diplomatic and economic engagement throughout the greater Caribbean Basin at a time when countries are seeking new economic opportunities and markets in their own region

Role of Donors

Donors will play a critical role in enabling Central American states to join CCRIF and expanding a new coverage option for excess rainfall for CARICOM and COSEFIN states. Donors will also support the capitalisation of both cells in a similar fashion as when Caribbean countries established CCRIF.

As was the case at CCRIF's inception, capital would be placed in a multi-donor trust fund that would be used by the CCRIF to make payouts and cover reinsurance costs

until the trust fund is exhausted. In parallel, country premium payments would go to build the capital of the segregated cells, so that they are fully self-sustaining once the trust fund is finished. Part of the trust fund resources will be earmarked for technical assistance to enable countries to make effective use of payouts as well as integrate this insurance solution into comprehensive country frameworks for financial and disaster risk management.

**CCRIF currently has 16 Caribbean member countries
COSEFIN has 7 member countries**

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