

CARIBBEAN REGIONAL RESILIENCE BUILDING FACILITY



GFDRR
Global Facility for Disaster Reduction and Recovery



WORLD BANK GROUP

Expanding Financial Protection Against Disasters in the Caribbean Member Governments Through the Caribbean Catastrophe Risk Insurance Facility – Segregated Portfolio Company (SPC)

Countries

Antigua & Barbuda, Bahamas, Barbados, Belize, Bermuda, Dominica, Grenada, Haiti, Jamaica, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Trinidad & Tobago.

Caribbean Regional Resilience Building Facility Component

Expanding Financial Protection Against Disasters in the Caribbean Sovereign Countries

Amount Approved

€10,000,000 / \$11,841,000 (Recipient-executed activities)

€5,200,000 / \$5,598,580 (top-up funding)

Duration

09/2021 – 02/2024

Context and Objectives

The national economic and financial health of Caribbean countries are often compromised by recurring disaster and climate shocks. These economies are by themselves too small to absorb the impact of multiple disaster events and take on the heavy debt burdens that stem from recovery efforts, and as a result are forced to rely on calls for emergency disaster assistance from donors and ad-hoc budget reallocations within an already constrained fiscal space. The COVID-19 pandemic further intensified the fiscal pressure on Caribbean economies due to falling tourism revenues and increased the risk for other hazards to have a compounding effect on financial resources.

Securing viable insurance markets and products is thus a key element in building a sustainable disaster risk financing framework. In this regard, the Caribbean Catastrophe Risk Insurance Facility – Segregated Portfolio Company (CCRIF SPC) was formed in 2007 as a regional insurance instrument to limit the financial impact of hurricanes and earthquakes. As of April 2021, the CCRIF SPC has provided its member states with \$200 million in post-disaster payouts. CCRIF SPC is further scaling up its coverage and range of insurance products, including for specific sectors like fisheries and utilities, and expanding its membership.

The objective of this project was to finance the expansion of the CCRIF SPC and increase its membership and its range of products, giving governments more tools to reduce the impact of natural hazards on their societies and economies. The World Bank also provided technical assistance to reassess each member country's disaster risk financing strategy to ensure proper contingency planning, including for public health-related shocks. The project also strengthened CCRIF SPC's own technical assistance program which is aimed at providing continued capacity building for disaster risk management.

Main Activities

- Payment of reinsurance premia or swap premia to cover part of the risk associated with climate-related events.
- Payment to members when a tropical cyclone, excess rainfall or other climate-related event occurred, and such an occurrence constitutes a CCRIF SPC event.
- Provision of technical assistance, consultancy services and training to member governments by the CCRIF SPC for the development, modification and/or implementation of insurance products.
- Financing of the participation fee to become a CARICOM participating country.

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Results

Thanks to funding for the main costs associated with project activities, CCRIF SPC was able to retain more of the capital generated from premium payments, thereby generating a strong reserve base and contributing to the goal of providing participating countries with efficient access to catastrophe insurance.

This project was also set up to allow retroactive financing of activities implemented in the previous year. Consequently, the CCRIF SPC provided premium discounts to all its Caribbean members in light of the impacts posed by the COVID-19 crisis and of the 2020 and 2021 hurricane seasons. EU funds enabled the CCRIF SPC to provide a 26% discount on total gross premiums or an increase in policy coverage under their CCRIF parametric insurance policies. This is in addition to the discounts that were approved by the CCRIF SPC Board, namely a 5% discount on gross premium for Tropical Cyclone coverage, and a further discount of 15% on additional premium for increased Earthquake and Tropical Cyclone coverage for the 2020/21 policy year.

The €10 million CCRIF SPC-executed grant was approved by the World Bank in June 2021, signed in July 2021, and became effective in September 2021. By the end of December 2022, €9.85 million was disbursed to reimburse a portion of tropical cyclone and excess rainfall related reinsurance expenses. In October 2022, the EU Delegation to Barbados also approved a €5.2 million top-up to the existing recipient-executed grant.

The grant for Caribbean Overseas countries and Territories (OCTs), roughly €0.3 million, was successfully completed and while the grant amount was relatively small, it allowed CCRIF to consciously expand its reach to unique members who have very limited options when it comes to accessing the international market for risk financing instruments.

Partnerships and Coordination

The grant's activities were implemented by CCRIF SPC, in coordination with the World Bank and the EU Delegation to Barbados.

Furthermore, collaborative work programs have been established between CCRIF and several Caribbean institutions, including: the Caribbean Disaster Emergency Management Agency (CDEMA), Caribbean Institute for Meteorology and Hydrology (CIMH), Caribbean Community Climate Change Centre (CCCCC), Inter-American Development Bank (IDB), OECS Secretariat, the Seismic Research Centre (SRC) of the University of the West Indies (UWI), and the UN Economic Commission for Latin America and the Caribbean (UN-ECLAC).