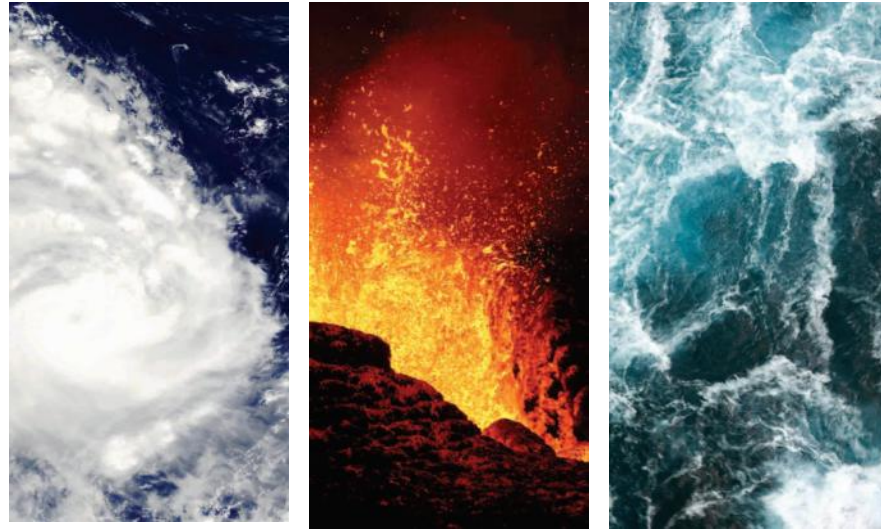


Exploring innovative climate risk management solutions in the Caribbean



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Introduction

- Caribbean is highly climate-exposed so provides a good starting point for testing and implementing innovative climate risk management (adaptation) solutions
- I will highlight in particular two initiatives currently under way in the region:
 - MCII/BMU insurance/adaptation project in which CCRIF is a key partner
 - MiCRO, a new public-private partnership implementing innovative catastrophe microinsurance solutions



Climate Risk Adaptation and Insurance in the Caribbean

- Project supported by German Environment Ministry (BMU) from their international climate fund (IKI) with MCII as executing agency
- CCRIF, MicroEnsure and Munich Re are operational partners
- Caribbean regional focus, multi-sectoral approach to protect vulnerable livelihoods
- Developed in response to enquiries from Parties to the UN-FCCC as to how insurance tools can be used to help protect those most vulnerable to weather risk in the developing world



Overall Aims

- The overall aims of the programme are to:
 - **overcome barriers** and **catalyse solutions** to address middle-level weather-related risks (return periods of 10-20 years) and facilitate public safety nets and public-private insurance solutions for vulnerable people;
 - find ways to **link these insurance solutions to disaster risk reduction** for catalytic adaptation benefits; and
 - demonstrate the **value of a regional facility** for achieving these aims.



Product Concepts

- We hope to be develop, test, and implement up to three products in the Caribbean. These might include:
 - a pure weather hedge (small scale farmers and day laborers);
 - weather index insurance facilitating access to credit (multi-cropping small scale farmers); and
 - lender-portfolio level insurance product working with microfinance/agricultural banks and other financial institutions that cater to low-income groups.
- Aiming to launch one or more products in some or all of Belize, Guyana, Jamaica, Grenada and Saint Lucia



Weather Securities

Front

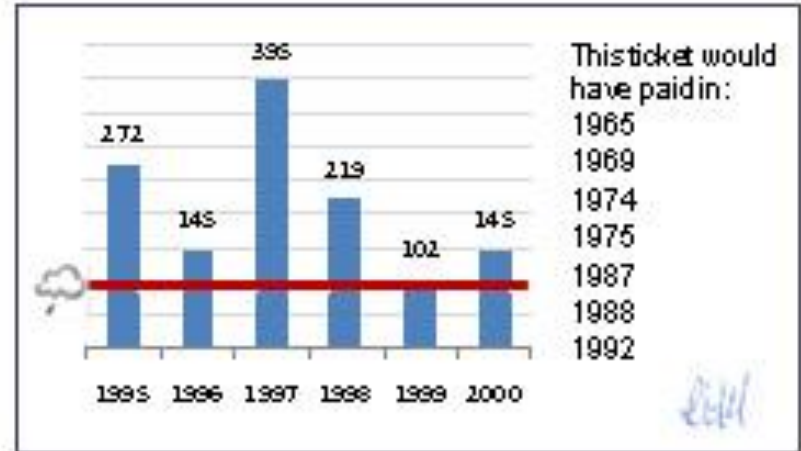
100

This ticket will pay **100 Birr** if the amount of rain that falls at Butajira weather station

- from **5th**, 2001 to **24th**, 2001
- is less than **100mm**

DMJ1XXX

Back



Weather Ticket

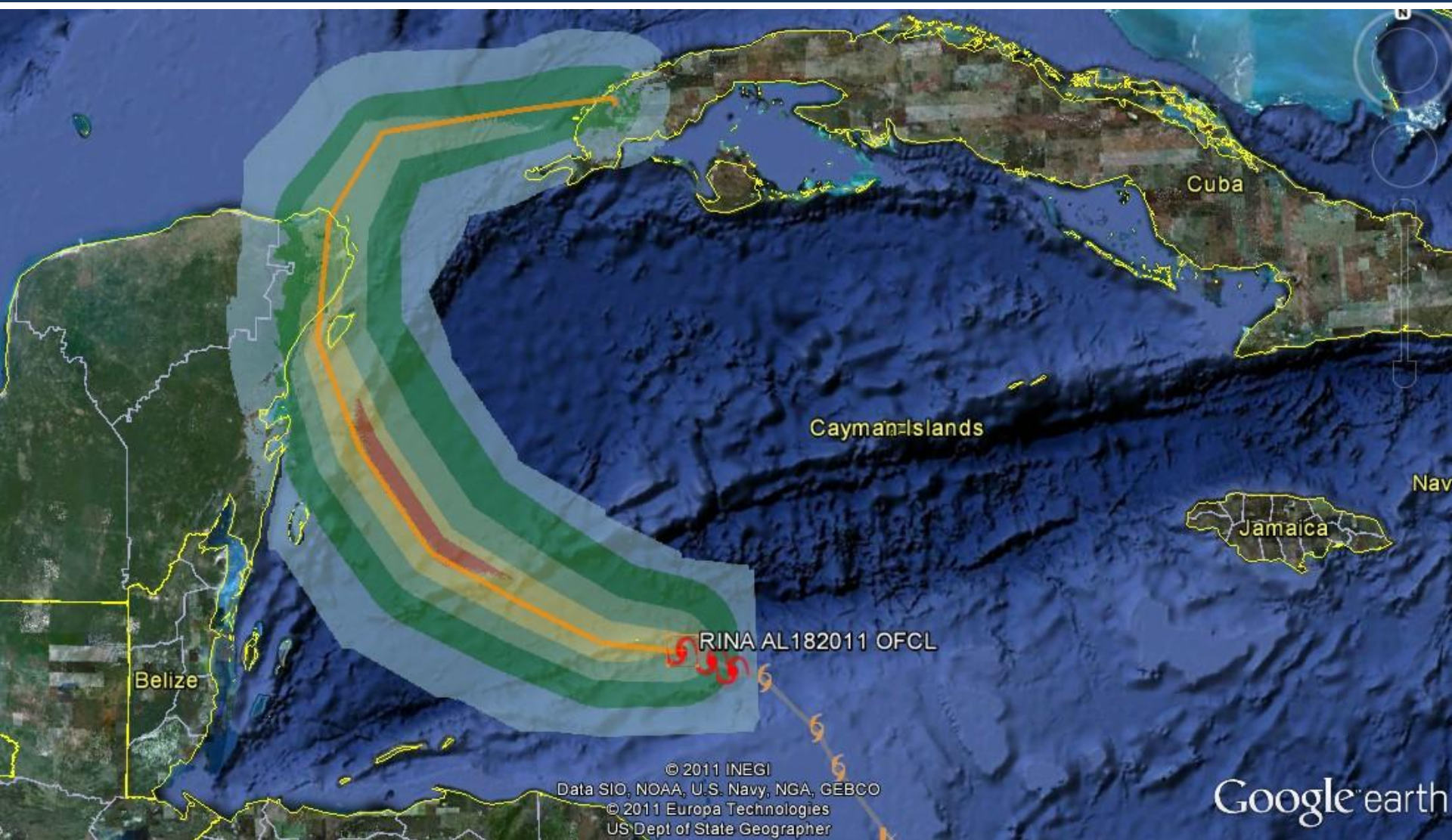


Additional Aspects

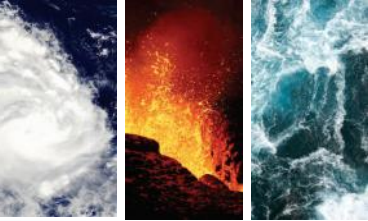
- Linking insurance products to disaster risk reduction is key aspect of project
 - Link to early warning systems (e.g. RTFS)
 - Provide DRR advice
 - Reward DRR
- Act as a lighthouse project to demonstrate use of insurance instruments at micro-level, and link to regional risk pool (CCRIF)



RTFS Outputs



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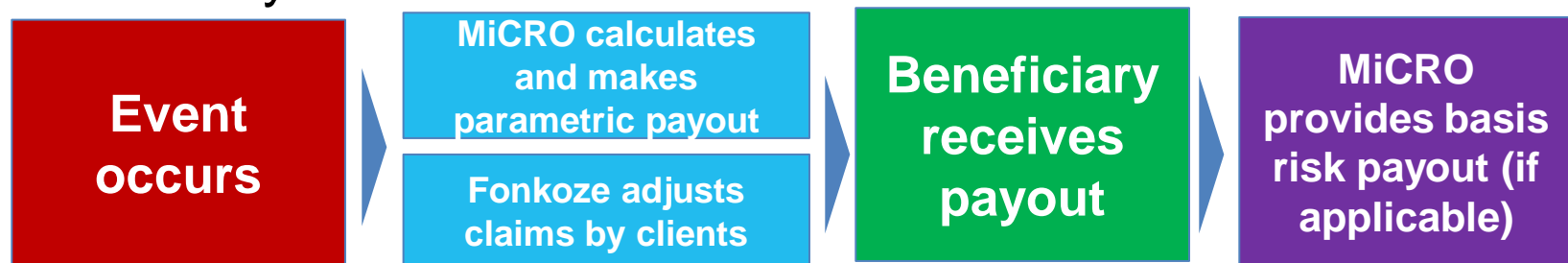
MiCRO

- Public-private partnership delivering catastrophe insurance to Haiti's micro-entrepreneurs
- Uses a hybrid risk transfer process to bring the efficiencies of parametric products (low per-risk cost and rapid payouts) while eliminating basis risk at the individual client level
- MiCRO offers a two-part, umbrella insurance programme for Fonkoze, the leading Haitian MFI, which then transfers the insurance benefits to its loan-holders
 - Parametric for wind, rain and earthquake
 - Basis risk coverage, subject to claims review, co-sharing and other mechanisms to align interests between insurer (MiCRO) and client (Fonkoze)



Fonkoze's Insurance Model

- All of Fonkoze's group-lending clients are covered by obligatory catastrophe insurance, which protects each client if their means of doing business is destroyed by a natural catastrophe event
- When a rain, wind or earthquake event occurs, clients submit their claims through their Solidarity centers
- Qualifying losses provide the following payout:
 - Reimbursement of the client's existing Fonkoze loan balance
 - A 5,000 HTG (~US\$125) cash payment
 - A new loan to recapitalise their business when the client is ready

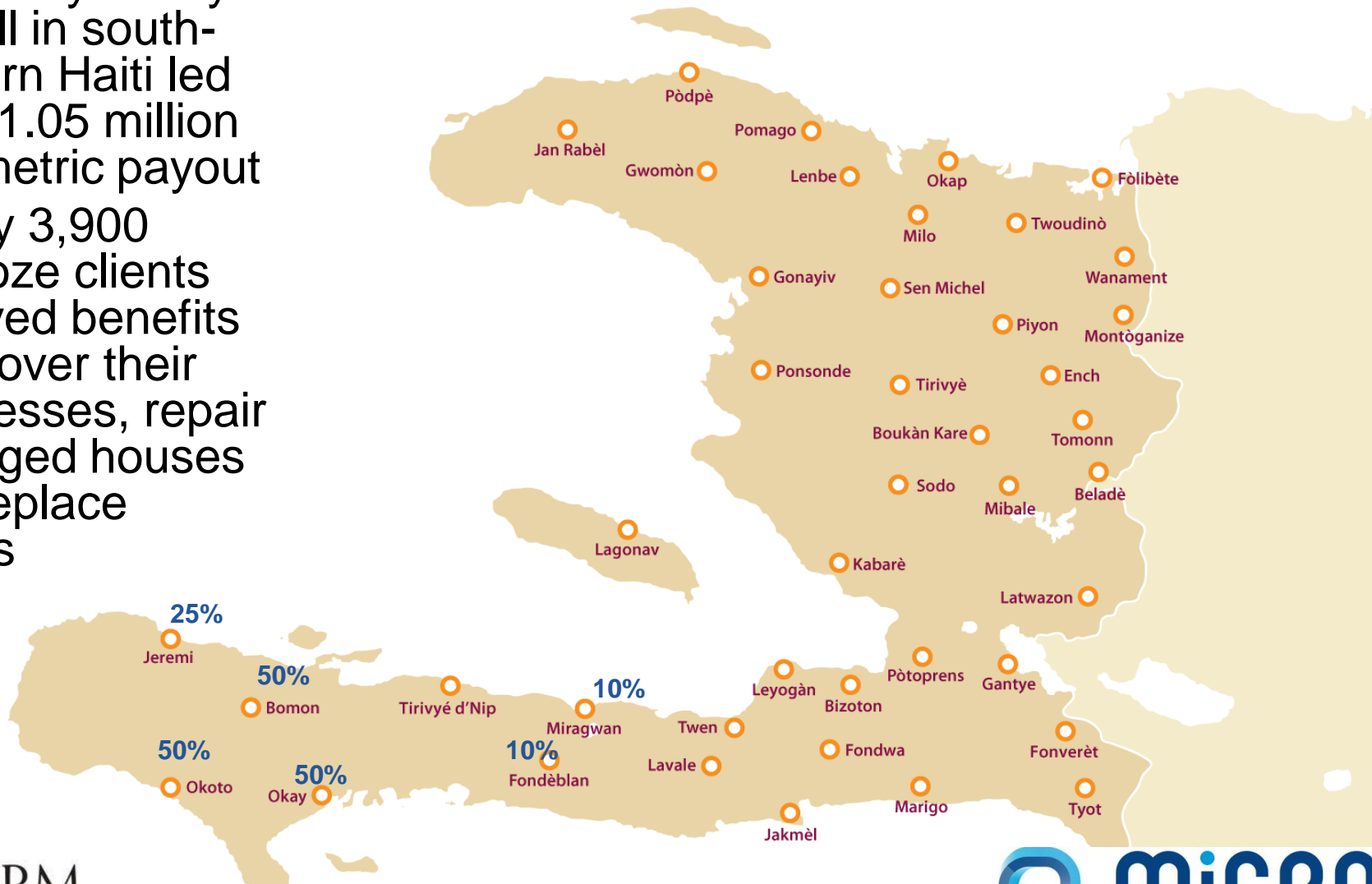


Total Time: 2-3 Weeks



Case Study

- Extremely heavy rainfall in south-western Haiti led to a \$1.05 million parametric payout
- Nearly 3,900 Fonkoze clients received benefits to recover their businesses, repair damaged houses and replace assets





Damage examples

