

THE CARIBBEAN CATASTROPHE RISK INSURANCE FACILITY

QUARTERLY PROGRESS REPORT

1 June 2009 – 31 August 2009

CCRIF, a not-for-profit company, is the first multi-country risk pool in the world





CCRIF Quarterly Report 1 June 2009 – 31 August 2009

The Caribbean Catastrophe Risk Insurance Facility (CCRIF) is the first multi-country risk pool in the world, and is also the first insurance instrument to successfully develop parametric policies backed by both traditional and capital markets. It is a regional catastrophe fund for Caribbean governments designed to limit the financial impact of devastating hurricanes and earthquakes by quickly providing financial liquidity when a policy is triggered. Sixteen governments are currently members of the fund: Anguilla, Antigua & Barbuda, Bahamas, Barbados, Belize, Bermuda, Cayman Islands, Dominica, Grenada, Haiti, Jamaica, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Trinidad & Tobago and Turks & Caicos Islands.

CCRIF website: www.ccrif.org

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Acronyms

AOSIS	Alliance of Small Island States
CCRIF	Caribbean Catastrophe Risk Insurance Facility
CDB	Caribbean Development Bank
COP15	15 th Conference of Parties - Copenhagen United Nations Climate Change Conference
OECD	Organisation for Economic Co-operation and Development
CaribRM	Caribbean Risk Managers Ltd.
CARICOM	Caribbean Community
CARILEC	Caribbean Electrical Utility Services Corporation
CDB	Caribbean Development Bank
CDERA	Caribbean Disaster and Emergency Response Agency
CDEMA	Caribbean Disaster and Emergency Management Agency
CIMH	Caribbean Institute for Meteorology and Hydrology
IMF	International Monetary Fund
Kinanco	Kinetic Analysis Corporation
MOU	Memorandum of Understanding
PAHO	Pan American Health Organisation
RTFS	Real Time Forecasting System
SEISM CARE	Seismic Mitigation in the Caribbean Region
UN-ECLAC	United Nations Economic Commission for Latin America and the Caribbean
UWI	University of the West Indies
UWI-DRRC	University of the West Indies Disaster Risk Reduction Centre



Vision Statement

CCRIF will be a key partner with the Caribbean region in its disaster risk management strategies to support long term sustainable development goals.

Mission Statement

Our Mission is to serve Caribbean governments and their communities in reducing the economic impact of natural catastrophes. We provide immediate liquidity through a range of affordable insurance products in a way that is financially responsible and responsive to their needs.

CCRIF

CARIBBEAN CATASTROPHE RISK INSURANCE FACILITY

The CCRIF is the first multi-country risk pool in the world, and is also the first insurance instrument to successfully develop a parametric policy backed by both traditional and capital markets. It is a regional catastrophe fund for Caribbean governments designed to limit the financial impact of devastating hurricanes and earthquakes to Caribbean governments by quickly providing financial liquidity when a policy is triggered. During 2008/09 the CCRIF paid out approximately US\$6.3M to the Turks and Caicos Islands in the aftermath of Hurricane Ike.

Members

Sixteen governments are currently members of the fund: Anguilla, Antigua & Barbuda, Bahamas, Barbados, Belize, Bermuda, Cayman Islands, Dominica, Grenada, Haiti, Jamaica, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Trinidad & Tobago and the Turks & Caicos Islands.

Board of Directors

- Milo Pearson, Chairman
- Isaac Anthony, CARICOM appointed board member
- Dr. Warren Smith, Caribbean Development Bank appointed board member
- Gary Wilkins, Board Member
- Ken Blakeley, Board Member

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CCRIF
The Caribbean Catastrophe Risk Insurance Facility



INTRODUCTION

The Caribbean Catastrophe Risk Insurance Facility (CCRIF), launched in June 2007, reached its second anniversary at the beginning of this quarter. This report, for the period 1 June – 31 August, 2009, is the first quarterly report in the 2009/2010 fiscal year. It aims to keep stakeholders and the public fully up-to-date with CCRIF's activities on a more frequent basis than our Annual Report allows. The report is designed primarily as an electronic document and we encourage you to utilise the hyperlinks to background information on our website and those of our partners.¹

During this reporting period, technical work focussed on two key products: continued research and development work on an excess rainfall product; and the commencement of a programme, in collaboration with the Caribbean Electrical Utility Services Corporation (CARILEC), to provide parametric hurricane coverage for electrical transmission and distribution systems. These are of considerable interest to our stakeholders, including countries that are not yet CCRIF members, as they provide an opportunity to enhance the coverage options available to a wider group of countries within the region.

CCRIF participated in a number of regional and international fora to discuss climate change mitigation and adaptation strategies. These interventions were timely as all nations are in the final phases of preparing for COP15, the Copenhagen United Nations Climate Change Conference in December 2009. CCRIF's participation in these events provided an opportunity for enhanced discussions on how the CCRIF model can be further integrated into the wider comprehensive disaster management framework of the region and how similar mechanisms can be adapted to developing states and regions around the world that are exposed to increasing extreme event risks due to climate change.

FACILITY OPERATIONS

- All 16 CCRIF member countries renewed their catastrophe policies for 2009/10, although premium income was marginally down from last year. Most countries took advantage of a 10% decrease in premium costs by increasing coverage for hurricanes, earthquakes or both for the same premium as last year.
- The Reinsurance panel for CCRIF was expanded to include Partner Re, who joined Munich Re, Swiss Re, Paris Re and Hiscox in providing traditional risk transfer capacity.
- This year, the Caribbean Development Bank (CDB) joined the World Bank in providing premium financing support to some CCRIF participants as they faced budgetary tightening due to the global economic crisis.

¹Hyperlinks are indicated by underlined text. Click on this text to access the referenced online document or website.

- Due to delays in completion and processing of paperwork relating to financial assistance requested from the CDB in meeting premium payment commitments, CCRIF extended the Premium Payment Warranty on the relevant country Parametric Insurance Contracts. An extension of a further 60 days was applied on the original 90 day Premium Payment Warranty which expired on 28 August 2009.
- A full test run of CCRIF's claims procedures was undertaken on 3 and 4 August 2009. This was in conjunction with the World Bank, World Bank Treasury and Aon Benfield, who in turn included interaction with CCRIF's reinsurance panel. Such testing helps to ensure that CCRIF policy payouts, when triggered, can be paid over to countries in the shortest possible time and be put to work to assist in disaster recovery.

MANAGEMENT REVIEW

- The selection processes for an Insurance Manager and for a Corporate Communications Consultant for CCRIF were completed. Sagicor Insurance Managers (Cayman Islands) and Sustainability Managers (Jamaica), respectively, were the successful companies.
- The draft CCRIF *Communications Plan 2009-2011* was developed and will be presented to the Board for approval in September 2009.

CCRIF POLICY DEVELOPMENTS

Excess Rainfall Product

- Responding to stakeholder interest in catastrophic rainfall/flood coverage, CCRIF, in collaboration with the [Caribbean Institute for Meteorology and Hydrology](#) (CIMH) and [Kinetic Analysis Corporation](#) (Kinanco), engaged in studies aimed at developing a parametric insurance product for extreme rainfall. Research and development activity for the rainfall product is currently in the latter stages, with the focus concentrating on verifying the methodology, with an aim to have an operational system in place by the end of 2009.

CARILEC Product

- The CCRIF Board approved the work plan for the continued development of a parametric product for overhead electrical transmission and distribution systems for [CARILEC](#) members.

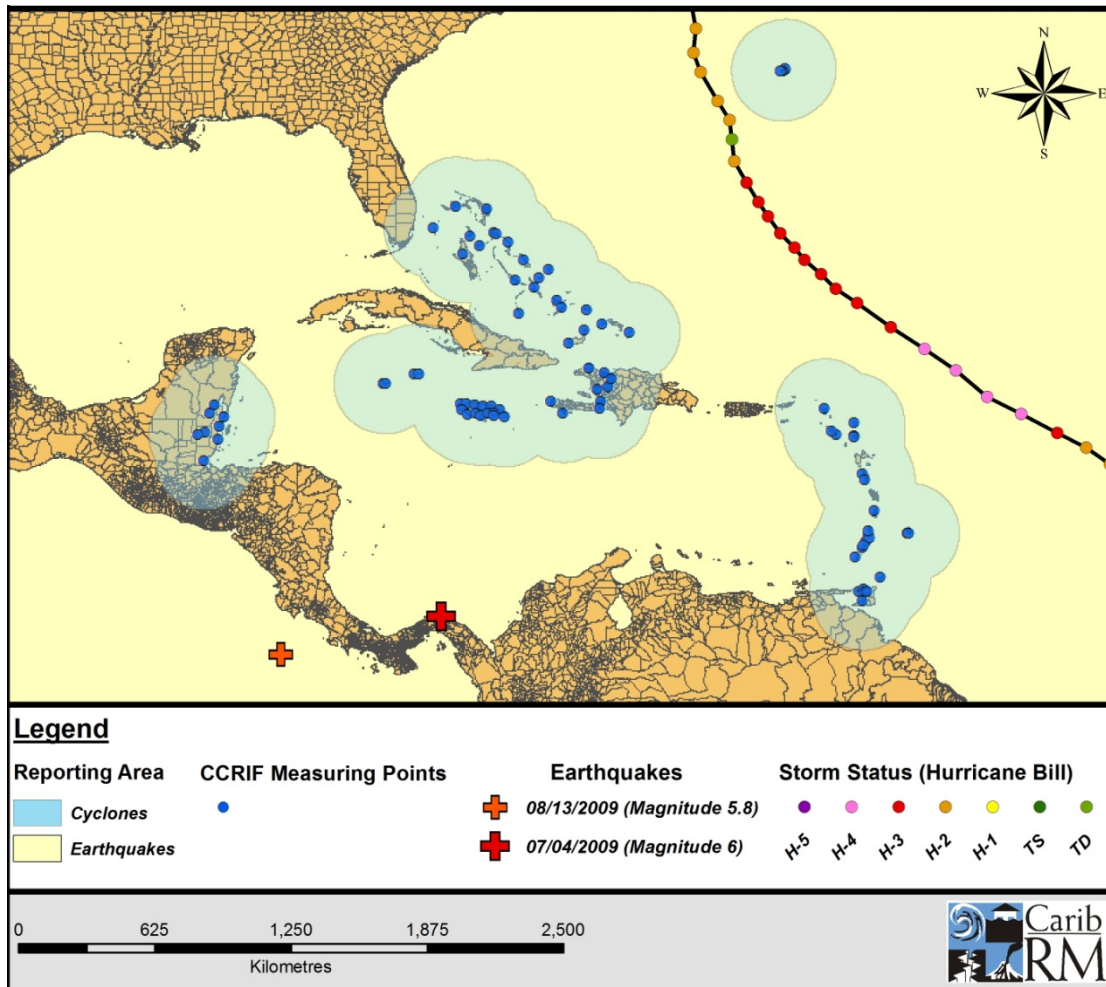
Real Time Forecasting Systems

- Approval was given for the continued provision of the RTFS (Real Time Forecasting System) product to all CCRIF member countries by the Board on 24 June 2009. The programming and testing of the automation process was completed for the retrieval and posting of RTFS data/maps from the Kinanco website to the CCRIF website. CIMH are providing technical support and outreach for national disaster management and meteorological agencies as well as for the [Caribbean Disaster and Emergency Management Agency](#) (CDEMA) – formerly the Caribbean Disaster and Emergency Response Agency (CDERA).

TROPICAL CYCLONE AND EARTHQUAKE REVIEW

- Hurricane Bill formed on 17 August and was the 2nd named system and first hurricane of the 2009 Atlantic hurricane season. Bill did not make landfall in any CCRIF member country and did not qualify as a 'reportable' event under the CCRIF event monitoring guidelines. A post-event [report for Hurricane Bill](#) was disseminated and can be found under "Reports" on the CCRIF website at www.ccrif.org/main.php?main=27.
- There were two reportable earthquake events in the CCRIF reportable geographical area. These events took place in Panama and off the south western coast of Costa Rica. They did not affect any CCRIF member country.

Figure 1 shows the track of Hurricane Bill and the locations of the two earthquake events.



*Figure 1 Track of Hurricane Bill through the Caribbean and Earthquake Events
Source: NOAA-NHC*

STRATEGIC ALLIANCES

- CCRIF and the [Caribbean Disaster and Emergency Response Agency](#) (CDERA) – now the Caribbean Disaster and Emergency Management Agency (CDEMA) – signed a [Memorandum of Understanding](#) on 19 August 2009. The MOU formalised a partnership to facilitate capacity building and to develop strategies for mitigating the physical and socio-economic impacts of natural disasters on countries in the region. The objectives of the MOU are to promote the use of catastrophe risk modelling tools, to introduce new products and initiatives to assist Caribbean governments in better understanding and financing catastrophe risk exposures and to share real time hazard and impact information.



Dr. Warren Smith, Director of Finance and Corporate Planning at the CDB, looks on as Mr. Jeremy Collymore, Coordinator of CDERA and Mr. Milo Pearson, Chairman of CCRIF shake hands on the signing of the MOU between their two agencies

- On behalf of the [OECD Network on the Financial Management of Large Scale Catastrophes](#), CCRIF is coordinating a benchmarking exercise within CARICOM. This exercise involves administering a questionnaire in relation to the OECD's recently circulated [Draft Policy Handbook on Natural Hazard Awareness and Disaster Risk Reduction Education](#).
- Discussions continued with the [University of the West Indies Disaster Risk Reduction Centre](#) (UWI-DRRC) to finalise an MOU between CCRIF and UWI-DRRC. This MOU will highlight opportunities for working together and will enable UWI-DRRC to utilise CCRIF's Second Generation risk modelling platform. The draft MOU document is currently being reviewed by UWI.
- Discussions regarding MOUs are currently being held with [CARICOM](#), the Caribbean sub-regional office of [UN-ECLAC](#) and [CARILEC](#). These MOUs are aimed at facilitating greater transfer of information, efficiency and coordination between these institutions and CCRIF with respect to areas where there is an overlap of interests. The draft document for the MOU with UN-ECLAC is being reviewed by that organisation.

CONFERENCES AND FORA

CCRIF undertook several initiatives aimed at supporting wider disaster risk mitigation activities and climate change adaptation strategies during the quarter. These are presented below.

- CCRIF co-sponsored the [‘Safe Hospitals and Other Critical Facilities’ Conference](#), held in Barbados on 11 and 12 June 2009. This conference, hosted by the Caribbean Division of the Institution of Structural Engineers in partnership with the Pan American Health Organisation (PAHO), Council of Caribbean Engineering Organisations and the Barbados Association of Professional Engineers, focused on earthquake resistant design and construction, particularly in respect to hospitals and other critical facilities.
- CCRIF attended the [SEISM CARE](#) (Seismic Mitigation in the Caribbean Region) Assembly in Martinique between 22 and 24 June 2009. CCRIF provided a poster presentation entitled “Developments in Caribbean Seismic Hazards and Loss Modelling” which highlighted the second-generation earthquake model developed by Kinetic Analysis Corporation (Kinanco) for CCRIF.
- CaribRM, on behalf of CCRIF, participated in a [CDB Symposium on “Climate Change and Development”](#) held on 6 July 2009.
- CCRIF was represented by CaribRM at the [AOSIS](#) (Alliance of Small Island States) Negotiators’ Preparatory Workshop in Grenada during the period 23-25 July 2009. CCRIF’s presence was requested to review and provide recommendations into the AOSIS proposal for the creation of a Multi-window Mechanism to address loss and damage from climate change impacts.
- CaribRM, on behalf of CCRIF, participated in the Economics of Climate Adaptation Summit, hosted by the [Swiss Re Centre for Global Dialogue](#), in Rüslikon, Switzerland on 9 & 10 July 2009. CCRIF was presented as a unique risk transfer agent, offering instruments that can be a key part of a country’s risk management framework.

COMMUNICATION AND PUBLICATIONS

- CCRIF contributed a chapter entitled [“Innovative risk transfer options as adaptation strategies to growing hydro-meteorological risks in the Caribbean Basin,”](#) written by Simon Young and Ekhosuehi Iyehen, to the publication, *Climate Sense*. *Climate Sense*, published by the World Meteorological Organisation, was launched on 31 August, 2009 at the [World Climate Conference 3](#), held 31 August – 4 September 2009.



- A press conference was held for the signing of the Memorandum of Understanding between CCRIF and CDERA (see above). The event was chaired by Dr. Warren Smith, with Mr. Milo Pearson signing on behalf of CCRIF and Mr. Jeremy Collymore on behalf of CDERA. This was attended by members of the print and electronic media and the news reported in over 40 regional and international newspapers, online journals and news portals and on Barbados radio.
- CCRIF contributed an article to the 2009 issue of *Disaster Digest* magazine published by the [Virgin Islands Department of Disaster Management](#). The article, entitled "Risk Management as part of a Comprehensive Approach to Climate Change Adaptation," written by Ekhosuehi Iyehen and Simon Young, describes the CCRIF model as a way to reduce uncertainty of potential natural disaster impacts, thereby enabling more efficient disaster mitigation strategies in the face of increased risks due to climate change. This issue, also supported financially by CCRIF, will be published in late 2009.
- The following press releases were issued and disseminated during the quarter:
 - [Caribbean Governments Renew Catastrophe Cover](#) (2 June 2009)
 - [CCRIF Contributes to Discussion on Economics of Climate Adaptation](#) (24 July 2009)
 - [CCRIF Contributes to AOSIS Climate Change Negotiating Strategy Preparation](#) (30 July 2009)
 - [Caribbean Agencies Create Partnership for Natural Disaster Management](#) (19 August 2009)
- The following CCRIF publication was produced this quarter:
 - *Flyer, Caribbean Catastrophe Risk Insurance Facility*
- Approximately 1,900 persons from the Caribbean, USA, Canada, the UK, Europe, Japan, China and other countries accessed the CCRIF website about 1.8 million times during this quarter (see Figure 2).

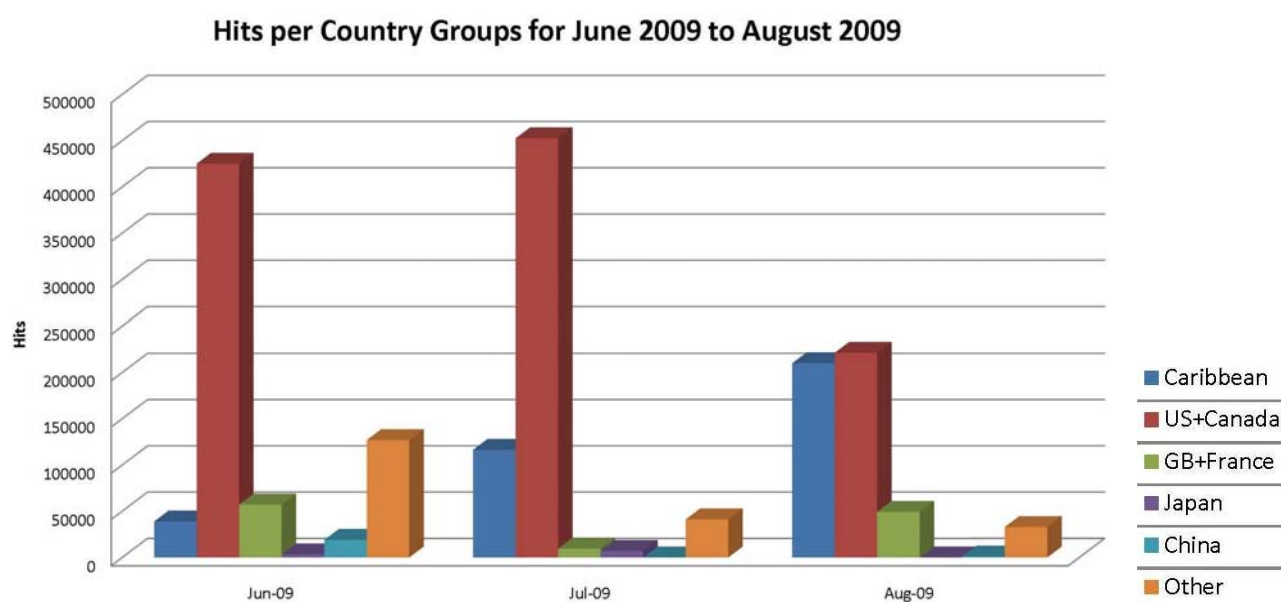


Figure 2 CCRIF Website Hits per Country Group – June to August 2009

NOTABLE MENTIONS

CCRIF is increasingly being recognised in the government, insurance and disaster management sectors as an important mechanism to reduce financial risks due to natural hazards and as a key component of comprehensive disaster management in the Caribbean which can be used as a model for other regions in the world.

Mention of CCRIF appeared in several publications and websites during this quarter. Some of these are presented below.

Newspaper Reports and Articles

- [Shaw Calls for Intensified Role of CDB in Caribbean Development](#) Jamaica Minister of Finance and the Public Service speech at 39th Annual Conference of the CDB, on Jamaica Information Service website (29 May 2009)
- [CCRIF policyholders say no to premium reduction, opt for higher coverage](#) Article in the *Jamaica Gleaner* (17 June 2009)
- Articles in the *Barbados Advocate* (August 2009):
 - [MOU strengthens CDERA's ability to implement the Hyogo Framework for Action](#)
 - [CCRIF may offer utility companies hurricane coverage](#)
 - [Working Together for Disaster Safety](#)
 - [Focus on hazard insurance in the region](#)
- [Caribbean Agencies Create Partnership for Natural Disaster Management](#) Article in the *Jamaica Observer* (20 August 2009)
- [BARBADOS - Disaster agencies unite to provide relief](#) Article in the *Jamaica Gleaner* (21 August 2009)
- [Regional agencies ink disaster management pact](#) Article in *Staebrok News* (25 August 2009)
- Articles in *Insurance Day* newspaper (June – August 2009):
 - [CCRIF and CDERA team up to develop cat strategies](#)
 - [Caribbean agencies sign cat MoU](#)
 - [The CSR dimension to Swiss Re's ART](#)
 - [Caribbean pool reduces price again](#)
 - [Caribbean cat pool costs fall to lowest level in three years](#)
 - [CCRIF gains more cover through reinsurance](#)
 - [Caribbean Cat Fund renews at 10% discount](#)
 - [Road to Copenhagen \(June update\)](#)
- Articles in *Insurance Journal* (July & August 2009)
 - [CCRIF Assists AOSIS Climate Change Negotiating Strategy Preparation](#)
 - [Caribbean Agencies Create Partnership for Natural Disaster Management](#)

Journals, Publications and Reports

- [*A Proposal for an Asian Rice Insurance Mechanism*](#) Academic paper by Ronald U. Mendoza in *Global Economy Journal* Vol. 9 Issue 1
- [*The insurance industry and climate change – Contribution to the global debate*](#). Report No. 2 in series *The Geneva Reports. Risk and Insurance Reports* published by The Geneva Association. July 2009
- [*Debt Sustainability Under Catastrophic Risk: The Case For Government Budget Insurance*](#) Academic paper by Eduardo Borensztein, Eduardo Cavallo and Patricio Valenzuela in *Risk Management and Insurance Review*, 2009, Vol. 12, No. 2
- [*Practice Review on Innovations in Finance for Disaster Risk Management*](#) Contribution for the 2009 *ISDR Global Assessment Report on Disaster Risk Reduction* prepared by the ProVention Consortium
- International Monetary Fund (IMF) reports have reinforced the critical role of CCRIF in helping Caribbean countries to access disaster insurance in order to meet immediate liquidity gaps in the aftermath of a natural disaster. The relevant IMF reports include:
 - [*Eastern Caribbean Currency Union: 2009 Discussion on Common Policies of Members Countries*](#) [IMF Country Report No. 09/175](#) June 2009
 - [*Eastern Caribbean Currency Union: Selected Issues*](#) [IMF Country Report No. 09/176](#) June 2009
 - Country reports for Grenada ([IMF Country Report No. 09/200](#)), St. Kitts and Nevis ([IMF Country Report No. 09/180](#)), St. Vincent and the Grenadines ([IMF Country Report No. 09/181](#)) and Dominica ([IMF Country Report No. 09/293](#))
- [*Natural Catastrophe Risk Insurance Mechanisms for Asia and the Pacific*](#) Main report, published 2009, for conference supported by the Asian Development Bank and the Ministry of Finance, Government of Japan held 4-5 November 2008

Articles on Websites

- [*Caribbean Agencies Create Partnership for Natural Disaster Management*](#) on World Forum of Catastrophe Programmes website (20 August 2009)
- [*Caribbean risk facility contributes to discussion on economics of climate adaptation*](#) on Shridath Ramphal Centre - UWI Cave Hill (Barbados) website (1 August 2009)
- [*Caribbean cat fund members renew policies*](#) on Business Insurance website (9 June 2009)
- [*CCRIF's 16 members renew for 2009-10 policy year*](#) on Business News Americas website (9 June 2009)
- [*Climate change and Caribbean economies: Implications, adaptation and risk management*](#) Briefing document prepared by Ekhosuehi Iyehen and Simon Young, on Knowledge for Development website
- [*CCRIF & CDERA Unite to Protect Caribbean*](#) on Grenada Broadcasting Network
- [*Caribbean Catastrophe Risk Insurance Facility to be funded through CDB loan*](#) on St. Lucia Government website (27 August 2009)