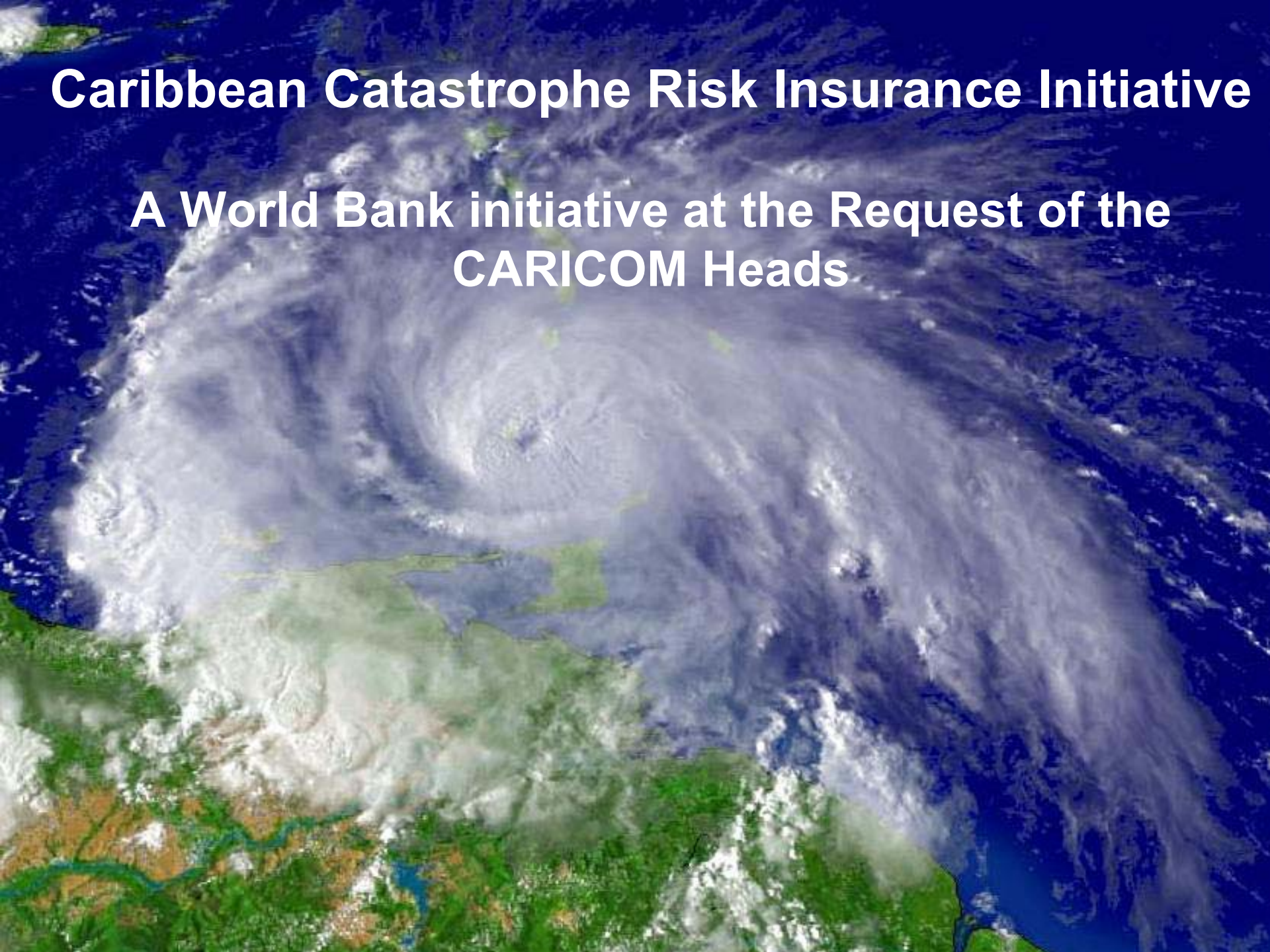


Caribbean Catastrophe Risk Insurance Initiative

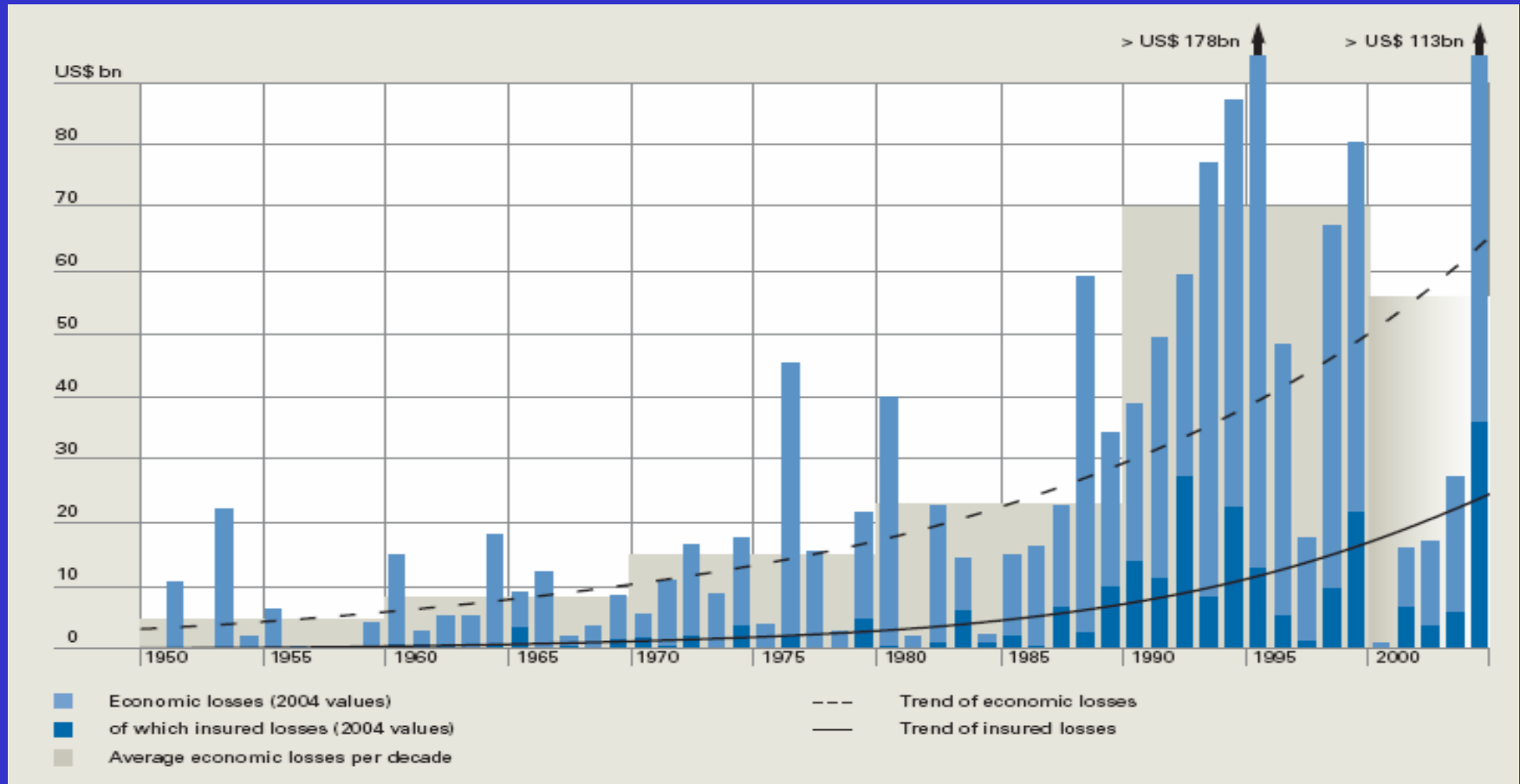
**A World Bank initiative at the Request of the
CARICOM Heads**



Natural disasters may become more severe and more frequent



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CARICOM Countries



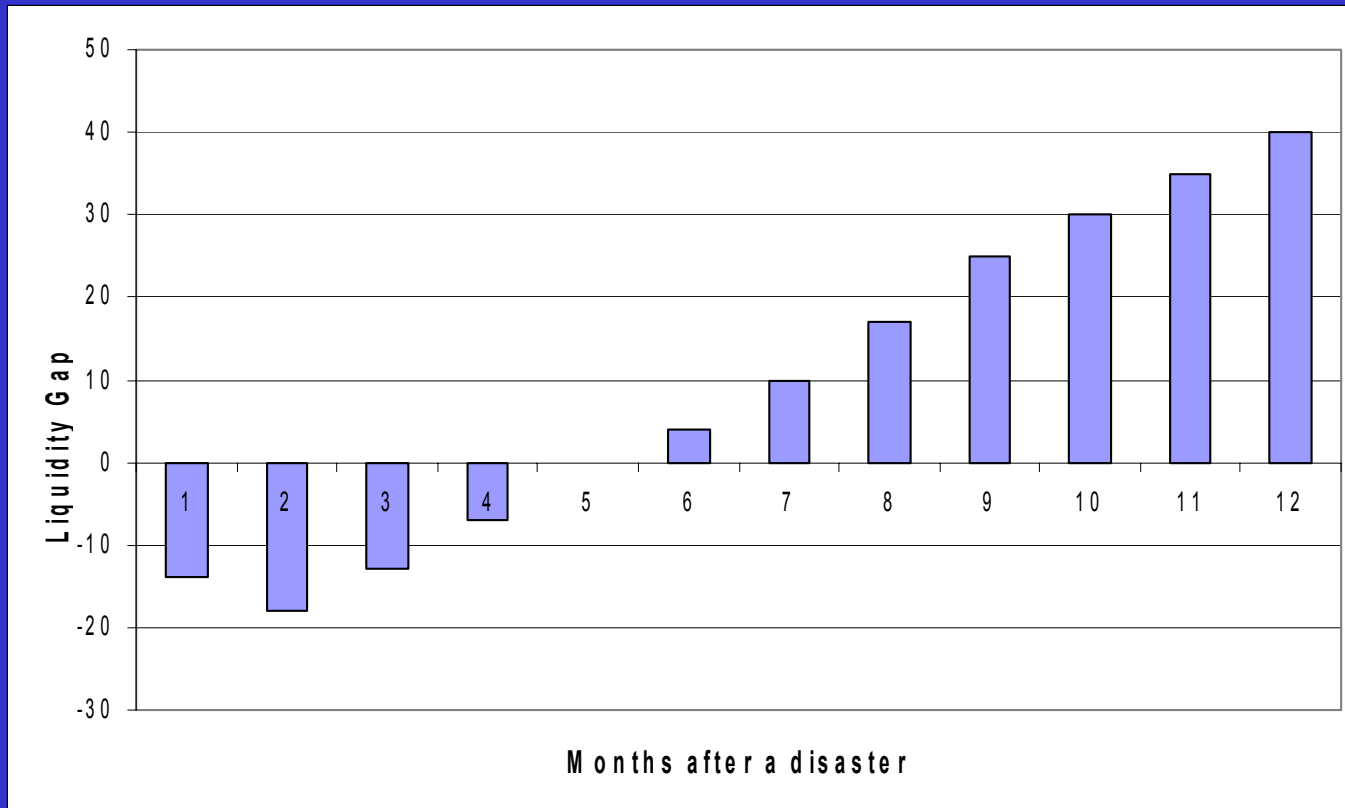
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- High exposure to a variety of adverse natural events
- Limited economic resilience to disasters because of small size and limited borrowing capacity
- Dependence on financing from international donors to finance post-disaster needs
- Limited access to insurance and reinsurance markets



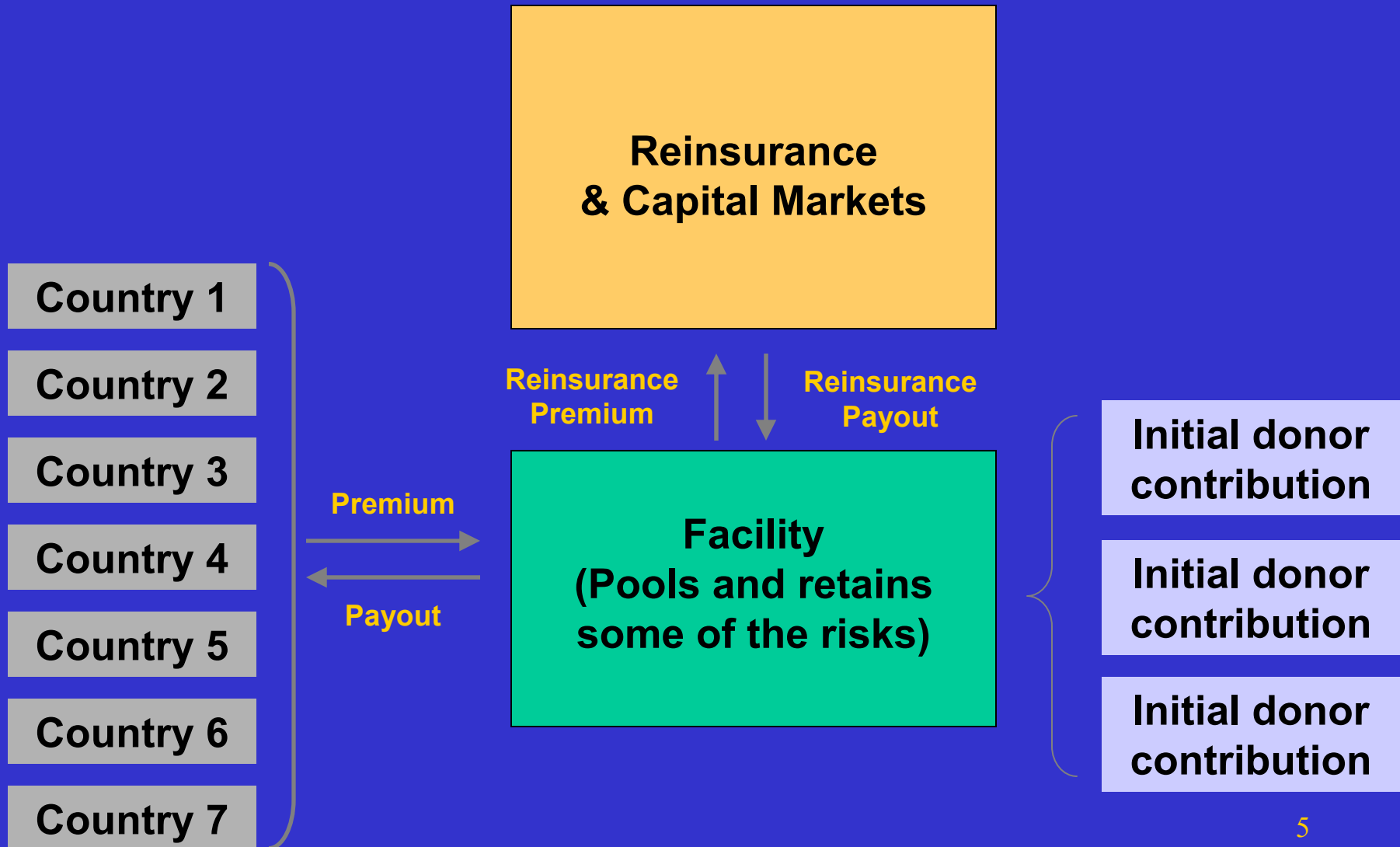
The liquidity Gap following a disaster

- The primary objective of this facility is to provide immediate liquidity to the affected country





Financial Flows





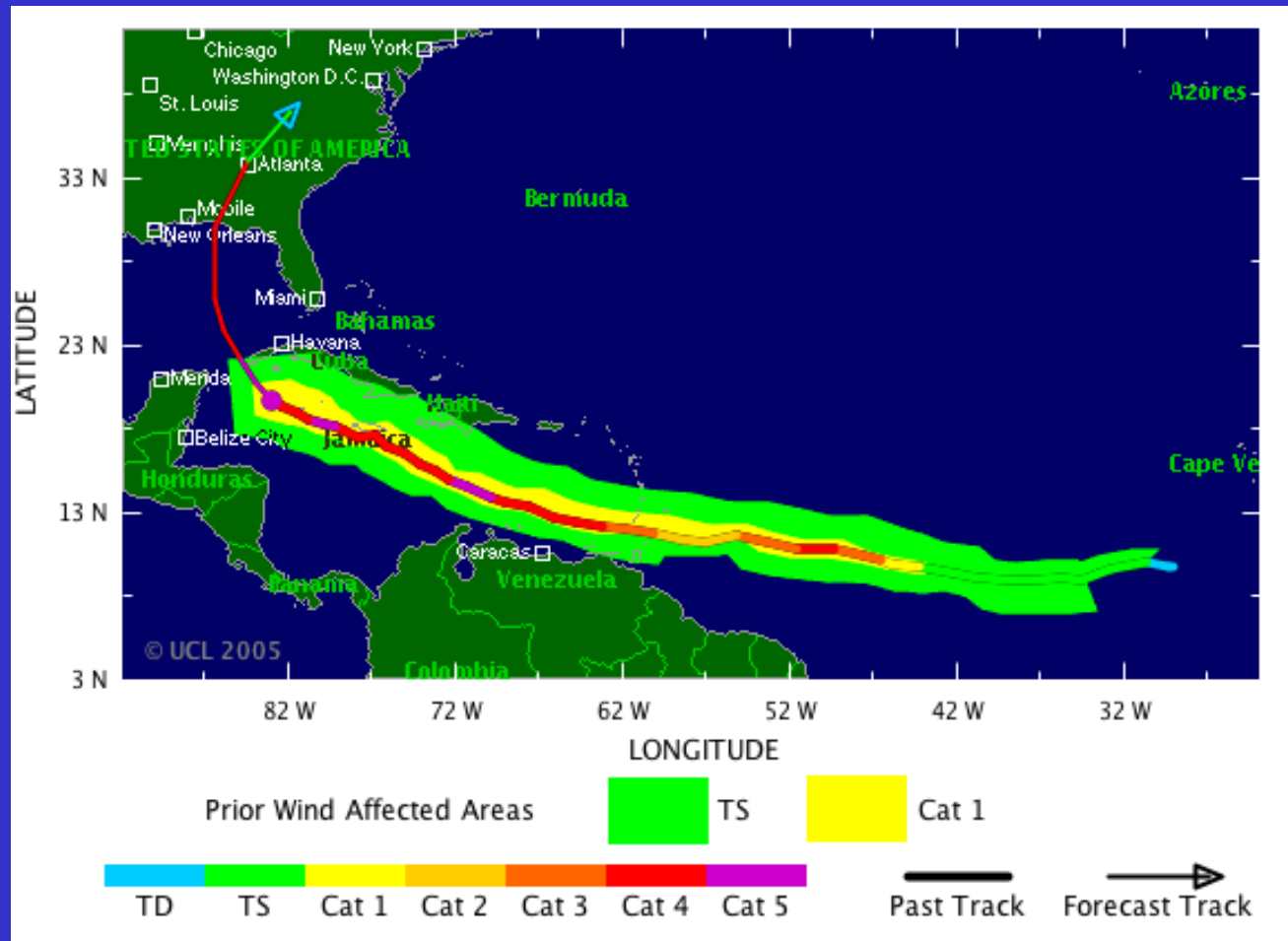
CCRII: An Insurance Instrument

- A captive (proprietary insurance vehicle), owned by the members of the pool and international donors, is created to act as the primary insurer
- Pooling of risk among the CARICOM states to create a diversified portfolio and benefit from economies of scale
- Risk capital provided by member countries and international donors would help reduce reliance on the international reinsurance market
- Payouts would be based on calculated indices (e.g., wind speed, ground shaking, etc.) to reduce transaction costs and allow for immediate payout

Hurricane Tracks and Catastrophe Risk Modeling



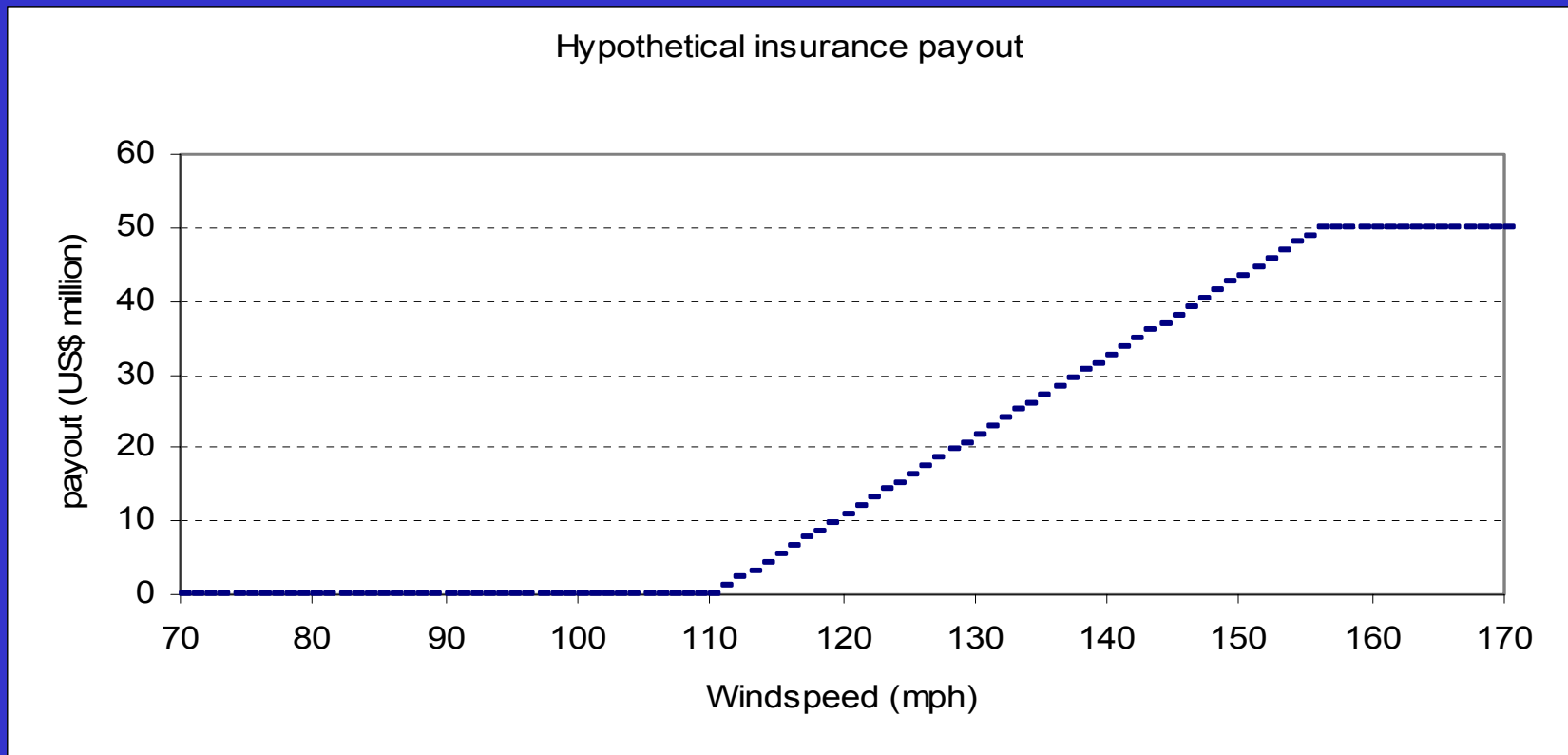
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Parametric Insurance

- Payouts triggered by a calculated index (e.g., wind speed, ground shaking, etc.)



Reducing the gap between commercial premium and pure premium



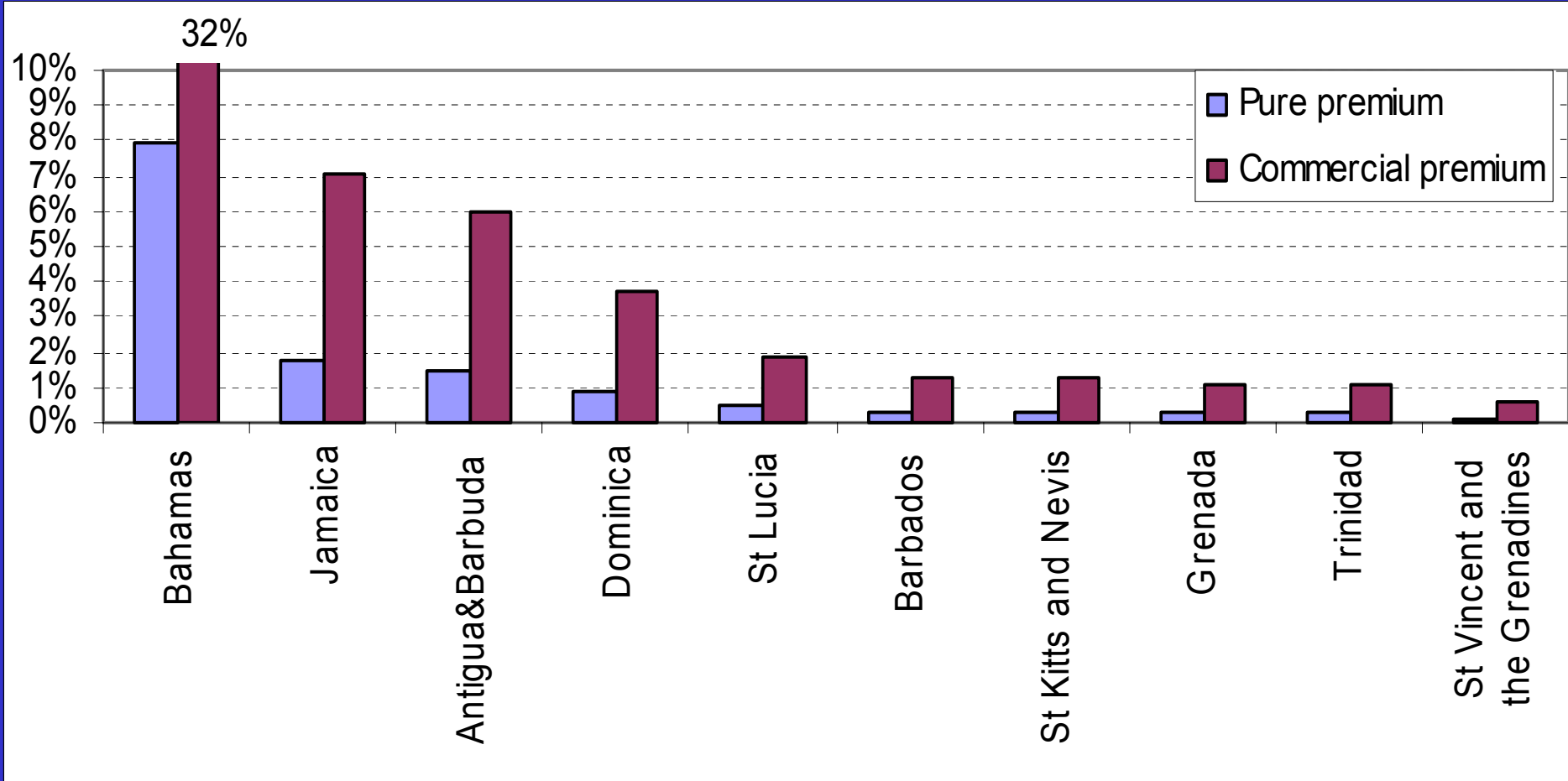
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Insurance Premium	Benefits of the Facility
= Pure Premium	Better understanding of risk exposure by the countries
+ Operating costs	Use of parametric instrument Economies of scale within the Facility
+ Catastrophe load	Seed capital provided by donors reduces cost of capital More diversified portfolio reduces reinsurance costs
+ Return on equity	Public entity

The insurance premium can be more than 4 times higher than the pure premium



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For illustrative purpose only



Next Steps and Timeframe

■ April 28, 2006

- ◆ Regional Introductory Workshop
- ◆ Tailoring of coverage for each country
- ◆ Discussion on operational and legal features of the Facility

■ Summer 2006

- ◆ Commitments of member countries
- ◆ Pledges from donors
- ◆ Selection of the Facility manager
- ◆ Reinsurance placement

■ Tentative start date: January 2007

■ Extension to other risks/products/regions



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Thank you

■ Questions?