



PRESS RELEASE

Caribbean and Central American countries formalize partnership for catastrophe risk insurance

Nicaragua is the first Central American country to sign up to the insurance

WASHINGTON, April 18, 2015 - The Council of Ministers of Finance of Central America, Panama and the Dominican Republic (COSEFIN) and CCRIF SPC (formerly the Caribbean Catastrophe Risk Insurance Facility) signed today a memorandum of understanding that enables Central American countries to formally join the facility to access low cost, high quality sovereign catastrophe risk insurance.

During the ceremony, CCRIF SPC and the Government of Nicaragua also signed a Participation Agreement for Nicaragua to become the first Central American country to formally join the facility. Other member nations of COSEFIN are expected to join CCRIF SPC later this year and in 2016.

“For Nicaragua, it is an honor to be the first member of COSEFIN countries to join the CCRIF. This insurance will allow us to strengthen financial resilience to natural disasters and continue our efforts to reduce poverty and respond to climate change challenges as part of our National Human Development Plan,” said **Ivan Acosta, Minister of Finance of Nicaragua**.

Nine countries in Central America and the Caribbean experienced at least one disaster with an economic impact of more than 50 percent of their annual gross domestic product (GDP) since 1980. The impact of Haiti’s earthquake was estimated at 120 percent of GDP. The same year, tropical cyclone Agatha, in Guatemala, had devastating consequences and poverty rates increased by 5.5 percent. Climate change also represents a significant development challenge, with average annual economic losses due to weather-related disasters amounting to 1 percent or more of GDP in ten Caribbean countries and four Central American nations, including Nicaragua.

Established in 2007, CCRIF is the world’s first multi-country catastrophe risk pooling mechanism which offers sovereign insurance at affordable rates to its members against hurricanes, earthquakes and excess rainfall. Currently, 16 Caribbean countries are members of CCRIF.

The facility enhances the fiscal resilience of its member countries to catastrophes caused by natural hazard events by providing immediate financial resources in the aftermath of a disaster, allowing governments to better respond to the initial needs of their populations and continue providing critical services. Since its inception, CCRIF has made twelve payouts totaling US\$35.6 million to eight member governments. All payouts were transferred within two weeks after each event.

“After exploring options for engaging in sovereign disaster risk financing, Central American countries concluded that joining the CCRIF SPC facility was the most efficient and cost-effective insurance mechanism to pool our risk,” said **Martín Portillo, Executive Secretary of COSEFIN**. *“This will allow us to reduce our countries’ fiscal vulnerability to the adverse effects associated with earthquakes, tropical cyclones, excess rainfall and other events.”*

This new 23-nation partnership will benefit both existing and new CCRIF members, providing low prices due to more efficient use of capital and insurance market instruments. New members will be able to take

advantage of CCRIF's low premium costs and existing members could realize premium reductions due to the increased size of the CCRIF portfolio. This partnership between Caribbean and Central American countries could strengthen economic engagement throughout the greater Caribbean Basin.

*"We foresee a range of benefits to both regions emanating from this partnership," said **Milo Pearson, Chairman of CCRIF SPC**, "including the creation of a strategic mechanism in which Caribbean and COSEFIN countries can share best practices in disaster risk management and learn lessons from each other in advancing collaborative approaches to reducing vulnerabilities to hazards, alleviating poverty, enhancing debt and financial sustainability and creating a framework for the sustainable prosperity of the countries of both regions."*

The World Bank provided the initial finance and technical advisory services to establish CCRIF in 2007 and in 2014 the Bank supplied resources to finance entrance fees to CCRIF for Honduras and Nicaragua, as well as annual insurance premiums for four years.

"This a real example of a regional public good where collective action has clear financial benefits and can help countries tackle the adverse impacts of climate change," said **Jorge Familiar, World Bank Vice President for Latin America and the Caribbean**. *"We look forward to deepening our engagement with COSEFIN, CARICOM and CCRIF as part of this ambitious regional initiative."*

About CCRIF SPC

CCRIF was developed under the technical leadership of the World Bank and with a grant from the Government of Japan. It was capitalized 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.

Contacts:

CCRIF: Gina Sanguinetti Phillips, (876) 999-6315, pr@ccrif.org;

World Bank, Washington: Christelle Chapoy, (202) 361-4255, cchapoy@worldbank.org;

World Bank, Central America: Cesar Leon, (502) 2329-8000, cleonjuarez@worldbank.org

For more information about CCRIF: www.ccrif.org

Learn more about the work of the World Bank in Latin America and the Caribbean: www.worldbank.org/lac