

# **European Commission and World Bank Sign Agreement on Catastrophe Risk Insurance for Caribbean and Central American countries**

European Union contributes Euro 14 million to Multi-Donor Trust Fund to facilitate access by Central American countries and the DR to insurance facility

WASHINGTON, April 15, 2016 – The European Commission and the World Bank signed today a Euro 14 million agreement to be executed by the Multi-Donor Trust Fund (MDTF) to facilitate access to low cost, high quality catastrophe risk insurance for the governments of Central American countries and the Dominican Republic.

This contribution will support these countries become formal members of CCRIF SPC, formerly the Caribbean Catastrophe Risk Insurance Facility, a multi-country program that allows its current 17 members to pool risk and access disaster insurance coverage at low cost, and better manage and finance disaster risk. Today's agreement was signed by Neven Mimica, European Union Commissioner for International Cooperation and Development, and Jorge Familiar, World Bank Vice President for Latin America and the Caribbean.

Milo Pearson, Chairman of CCRIF SPC. Ivan Acosta, Minister of Finance and Public Credit of Nicaragua, and Wilfredo Cerrato, Finance Secretary of Honduras, also participated in the signing ceremony. "The European Union's contribution to this Multi-Donor Trust Fund for Central America countries and the Dominican Republic is a reflection of our shared concern for the need to support partner countries towards building resilience to disasters and climate change; a concern that has led to an increase in funding for climate change in the EU's development priorities," said Mimica. "The urgency of the situation calls for action now, which is why we are particularly pleased to be able to make this announcement today." "For small economies, tackling climate and disaster risks effectively requires efforts at the regional level, since effective solutions call for risk pooling.

This is critical for Caribbean and Central American countries that are increasingly vulnerable to the effects of climate change," said Familiar. "The Facility is a good example of a regional public good where member countries will be able to benefit from insurance coverage at a more affordable rate." This engagement is part of renewed efforts from donors and the international community to address increasing global climate and disaster risks. As part of this engagement, countries have adopted new agreements during the last few months (such as the Sendai Framework for Disaster Risk Reduction, the Addis Ababa Agenda for Action of the Third International Financing for Development Conference, and Transforming Our World: Agenda 2030 –the global goals for sustainable development) to pledge priority

funds and support efforts to manage and finance disaster risk in developing countries.

In addition to the EU's contribution, the governments of Canada and the United States also have pledged funds to the MDTF, totaling approximately US\$24 million to date in support of COSEFIN[1] countries' participation in CCRIF SPC. Donor contributions play a critical role in enabling countries to benefit from CCRIF insurance coverage at more affordable rates. Membership fees paid by members also contribute to the facility's financial sustainability. Since 2007, CCRIF has offered parametric catastrophe insurance at affordable rates to Caribbean governments against tropical cyclones, earthquakes and –since 2013– excess rainfall.

Currently 16 Caribbean countries are members of CCRIF, and Nicaragua formally joined the facility in 2015. CCRIF's parametric insurance mechanism allows it to provide immediate financial resources in the aftermath of disasters, allowing governments to implement immediate emergency activities, better respond to the initial needs of their populations and continue to provide critical services. Since 2007, CCRIF has made 13 payouts totaling approximately US\$38 million to eight members. All payouts have been made within two weeks after each event.