

# Parametric Insurance

An Interview with Isaac Anthony, Chief Executive Officer, CCRIF SPC

**EDITORS' NOTE** Isaac Anthony was appointed CCRIF SPC Chief Executive Officer on January 1, 2013. He has over twenty-five years of senior management experience spanning the areas of public finance, financial sector supervision and economic planning having held key positions with the Government of Saint Lucia including Permanent Secretary, Finance, Economic Affairs & National Development. Anthony was instrumental in the establishment of the Caribbean Public Finance Association and served as its first chairman. He has served on several boards, including those of CCRIF, the Caribbean Development Bank, and the Eastern Caribbean Central Bank, and is the current Chairman of the National Insurance Corporation in Saint Lucia and a Commissioner of the Eastern Caribbean Securities Regulatory Commission.



Isaac Anthony

**COMPANY BRIEF** CCRIF SPC ([ccrif.org](http://ccrif.org)) is a segregated portfolio company, owned, operated and registered in the Caribbean. It limits the financial impact of catastrophic hurricanes, earthquakes and excess rainfall events to Caribbean and Central American governments by quickly providing short-term liquidity when a parametric insurance policy is triggered. It is the world's first regional fund utilizing parametric insurance, giving member governments the unique opportunity to purchase earthquake, tropical cyclone and excess rainfall catastrophe coverage with lowest-possible pricing. CCRIF SPC is registered in the Cayman Islands and operates as a virtual organization, supported by a network of service providers covering the areas of risk management, risk modeling, captive management, reinsurance, reinsurance brokerage, asset management, technical assistance, corporate communications and information technology.

## Will you provide an overview of CCRIF SPC and how you define its mission?

The impacts of Hurricane Ivan in the Caribbean in 2004 brought into focus the need for quick liquidity following a natural disaster. CCRIF and the introduction of parametric insurance in the Caribbean were born out of

Hurricane Ivan which resulted in regional losses totaling over \$6 billion.

The Caribbean Catastrophe Risk Insurance Facility (CCRIF) was established in 2007, and in 2014 was officially renamed CCRIF SPC. CCRIF SPC is the world's first multi-country risk pool based on parametric insurance. Parametric insurance is generally less expensive than an equivalent traditional indemnity insurance product as it does not require a loss assessment procedure after a disaster, allowing for claims to be settled quickly and in the

case of CCRIF, within 14 days of the event. This is an important feature considering the urgent need for quick liquidity after a natural disaster. CCRIF SPC is owned, operated and registered in the Caribbean and our mission is to assist our member governments and their communities in understanding and reducing the socio-economic and environmental impacts of natural catastrophes.

We currently offer four parametric insurance products – for tropical cyclones, earthquakes, excess rainfall and for fisheries, and have 22 members: 19 Caribbean governments and 3 Central American governments. Since 2007, we have made 43 payouts totaling about \$156 million to 14 member governments.

## How have CCRIF SPC's efforts and focus evolved since its creation?

In 2014, the Facility was restructured into a segregated portfolio company (SPC) to facilitate offering new products and expansion into new geographic areas. Since then, CCRIF welcomed Central American countries to the pool and also introduced two new products, the excess rainfall product in 2014 and COAST (Caribbean Ocean and Aquaculture Sustainability Facility) for the fisheries sector in 2019, the first such product in the world.

But beyond insurance, we are also working with our members in other areas of disaster risk management. In 2010, CCRIF launched a technical assistance (TA) program to provide an ongoing mechanism to support efforts that build resilience, thereby contributing to the long-term sustainability of the region. Under this TA program we provide scholarships and internships to young persons. We have in place a Small Grants Programme, through which CCRIF finances disaster risk reduction projects being implemented by NGOs, CBOs, and academic institutions in local communities. We also are providing training to build the capacity of our member governments in disaster risk financing and parametric insurance, and have signed MOUs with regional and international organizations to undertake activities to advance

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the resilience of the Caribbean and COSEFIN member countries. Up to 2019, CCRIF invested more than \$3 million under its TA Program.

**How has your work to provide financial resilience through insurance for CCRIF member countries evolved?**

Our current strategic plan covering the period 2018–2021 has a strong focus on scaling up, driven in part by the demand of our members, donors and our own sustainability assessments. Scaling up has involved rolling out new and improved parametric insurance models to underpin our products for tropical cyclones, earthquakes and excess rainfall, and developing new products. This year we will be bringing new products to market for drought, electric utilities and a rainfall run-off model. We also are exploring providing parametric insurance to sectors such as health, education and housing. Scaling up is an absolute necessity since we know that less than 5 percent of losses due to natural disasters are covered by insurance in low-income countries compared to more than 40 percent in developed countries.

**How do you define resilience and how critical is resilience to CCRIF SPC’s work?**

We are committed to improving the resilience of the Caribbean and Central America to climate change and natural hazards. By this we mean increasing the ability of governments to

reduce the negative impacts of natural hazards on their economies and societies. The Facility views comprehensive disaster risk management (CDRM) as an integral component of regional development and views its parametric insurance products as a critical part of countries’ CDRM strategies. This commitment is explicit in CCRIF’s vision statement which is, “A resilient Caribbean region and beyond with optimized disaster risk management and climate change adaptation practices supporting long-term sustainable development.”

**How do you describe your leadership style and what do you see as the keys to effective leadership?**

I do not like to categorize my leadership style by one type but rather I think I have a unique leadership style that draws from many conventional leadership styles. I see myself as a coach, a visionary, a servant, and highly democratic and strategic. For example, I always like to involve my colleagues in decision-making but will make decisions when needed. I like to set targets so as a team we know where we are going and can clearly mark our milestones. I live by the notion of continuous improvement and employ this in leading. I am a diplomat at heart but also a visionary and risk-taker and therefore can easily create an environment to usher in change and innovation which has been a hallmark of CCRIF’s successes.

**How does risk pooling benefit countries with multiple hazards and financial stress as many Caribbean and Central American countries experience?**

Risk pooling is key to making CCRIF’s insurance products more affordable for its members. Similar to a mutual insurance company, CCRIF operates on behalf of its member states, each of which pays a premium directly related to the amount of risk transferred to CCRIF. Caribbean and Central American states are grouped into legally separated pools of risk allowing for separation of risk management operations (e.g. pricing, policy format) but with bundled access to the reinsurance market. Pooling the overall risk into diversified portfolios makes the portfolios more stable. Covering diverse risks implies that payments will trigger with more regularity and there will be less uncertainty with regards to the timing and amount of capital that needs to be available for payouts. The underlying risk of each country is unchanged in the risk pooling mechanism. The risk therefore is more attractive to the reinsurance market, thereby reducing the cost of reinsurance. Empirical evidence based on studies undertaken by the World Bank illustrates that insurance obtained through CCRIF could be as low as half the cost of coverage a member country could obtain on its own.

**What are the key characteristics of building a resilient organization?**

A resilient organization is one that can quickly adapt to change and new circumstances which means that these organizations have:

1. Dedicated and motivated staff that are empowered
2. Strong leadership
3. An organizational culture underpinned by innovation and continuous improvement
4. A dynamic operating environment that fosters trust, transparency and accountability

**Do you feel that resilience is something a person is born with or can it be taught?**

I am not sure I would say that we are born resilient, I would rather like to say that our life experiences play a key role in building our resilience. In the Caribbean, which is where I am from, I think that we believe that our family background, economic and social circumstances, beliefs and customs shape who we are and are partly responsible for our resilient nature, allowing us to use our intuition to respond to almost any adversity that we meet along life’s way. I also think that our everyday experiences shape our ability to respond to and manage stressors. ●

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