Remarks – Mr. Isaac Anthony, CEO, CCRIF

Launched of the Livelihood Protection Policy of the
Climate Risk Adaptation and Insurance in the Caribbean Project

At
Courtleigh Hotel
Kingston, Jamaica
10:00 am

October 8, 2013

Thank you Chair. Ambassador Beck, CEO Grace Kennedy Limited, Don Webhy, Mr. Courtney Campbell, CEO Grace Kennedy Financial Group, Sobiah Becker of the Munich Climate Insurance Initiative, other members of the head table, colleagues, members of the media, Ladies and Gentlemen, Good Morning to you all.

On behalf of the Caribbean Catastrophe Risk Insurance Facility (CCRIF), our chairman and board of directors, I am pleased to be here to participate – along with our partners, the Munich Climate Insurance Initiative (MCII), MicroEnsure and MunichRe – in the launch of the Livelihood Protection Policy which will provide insurance coverage for Jamaicans against extreme weather. Also, I would like to acknowledge the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety for their financial support of the project and would openly like to thank Ambassador Beck for the support of his Government to this initiative.

As a former Financial Secretary in Saint Lucia I fully appreciate the value of preparing for natural hazards by taking proactive measures before these events occur. In fact, it is clear that Jamaica has fully embraced the approach of integrating comprehensive disaster management into national sustainable development planning and has taken steps to advance a number of disaster risk management strategies. This is evident to me as I
read through your Vision 2030 Jamaica – National Development Plan which has an entire section focused on “Hazard Risk Reduction and Adaptation to Climate Change” – or Outcome # 14 of that Plan – and importantly stresses the need to implement strategies such as:

- Introducing economic and financial instruments for risk transfer
- Establishing mechanisms for increasing resilience of the poor and most vulnerable
- Implementing opportunities for private sector involvement in hazard risk reduction

This Livelihood Protection Policy being launched today represents aspects of the implementation of the national strategies I just mentioned. How, you may ask? It is a new and innovative risk transfer instrument, it is designed to help poor and vulnerable persons and it is being offered to Jamaicans by a private insurance company.

We know that there are other issues that all countries in the region need to address to reduce their vulnerability to natural hazards - for example, curbing rapid and unplanned urban expansion, slowing down the growth of informal settlements in locations on steep hill-slopes and river banks, increasing the use of strategic environmental assessments (SEAs) as well as implementing dynamic development planning standards and building codes as well as improving the enforcement of regulations and standards.

Both risk mitigation and risk transfer should be part of a country’s comprehensive disaster management (CDM) strategy. While reducing current and future risk must be a priority, there is a threshold at which investment in risk transfer is more cost-efficient than risk reduction. This threshold varies from country to country. For example, in some countries only a small share of the expected loss can be expected to be averted cost-effectively using risk mitigation measures. To address the risk beyond this level, it may be economically more effective to purchase a risk transfer solution than to implement further risk mitigation measures. Each country
must decide the proportion of its risk management portfolio which should be based on risk mitigation and on risk transfer.

I will quickly add here that Jamaica, since 2007 has been pursuing risk transfer as part of its comprehensive disaster risk management framework. Jamaica, since the launch of CCRIF, has purchased insurance coverage for hurricanes and earthquakes every year. CCRIF is the only multi-country risk pool in the world utilising parametric insurance – which allows payments to be made quickly, within 14 days, after a policy is triggered.

This pre-event planning is an example of the Government of Jamaica’s commitment to “taking a proactive, comprehensive and sustained approach to disaster management that encourages buy-in by all players and that is focused on risk and vulnerability reduction”.

We know too well that natural hazards continue to have inordinate impacts on the economies of the Caribbean region, many of which depend on tourism and agriculture as their main economic drivers. A case in point is Hurricane Ivan in 2004, which caused billions of dollars of losses across the Caribbean. In both Grenada and the Cayman Islands, losses were close to 200% of the national annual GDP and a further 7 countries were also severely impacted. Regional losses totaled over 6 billion US dollars for this event. This scenario is repeated year after year albeit at different levels as hurricanes and heavy rainfall affect the region. It is therefore not surprising that one of the main factors accounting for significant levels of indebtedness within the region is the Caribbean's vulnerability to natural disasters.

I feel heartened that I am here today to be part of the launch of a product – the Livelihood Protection Policy, or LPP – which is expected to provide direct benefits to the citizens of this country after an extreme weather event. While it is still early days, I will go so far as to say the LPP constitutes a breakthrough in weather-related risk transfer considering previous attempts in the region, particularly for the agricultural sector, to develop such risk transfer instruments.
Had this mechanism been here after Hurricane Sandy last year, those farmers (in Portland, St. Mary and St. Elizabeth) who had policies would potentially have had a source of immediate funding to enable them to undertake activities such as replanting, draining fields and reconstructing irrigation systems – enabling them to get back on their feet and realising concrete earnings as soon as possible.

This new and innovative insurance coverage is a clear example of proactive planning for disaster risk management at the individual level. This is an initiative that I would strongly encourage the Government of Jamaica to support, particularly in these times of severe fiscal challenges, for as we have seen in the past the bills for clean-up and restoration of farms after a weather event invariably land on the desk of the Ministry of Finance!

CCRIF welcomes this collaboration with the Munich Climate Insurance Initiative. While all Caribbean islands have always been vulnerable to hurricanes and storms, the effects of these natural hazards are expected to worsen as a result of global climate change.

In fact, in 2010 Jamaica participated in a study which demonstrated this – a study of the Economics of Climate Adaptation in the Caribbean was conducted by CCRIF and partners in eight Caribbean countries. The study found that annual expected losses from wind, storm surge and inland flooding currently amount to between 1.9 and 3% of Jamaica’s GDP and that, in a worst case scenario, climate change has the potential to increase these expected losses to 9% of your GDP by 2030. Therefore, it is clear that individuals need to take personal measures to reduce the impacts on their own livelihoods. The LPP will help Jamaicans to do this.

The offering of the new Livelihood Protection Policy would not have been possible without key stakeholders in the insurance, finance and disaster management communities. I would particularly like to salute JIIC for showing leadership and stepping up to the challenge to take the risk in bringing this new and innovative product to market. We urge you to use the marketing of this product as an opportunity to facilitate increased
knowledge and capacity building among Jamaican farmers and other workers such as those in the tourism sector, construction workers, household helpers, gardeners and even the young men and women I passed at the traffic lights selling your very tasty bananas about how to engage in effective disaster risk management to reduce their own vulnerabilities and to protect their livelihoods.

As a Caribbean national, I am proud that this region is the testing ground for this Livelihood Protection Policy. This is the second country in the region that the policy is being launched in. My own country Saint Lucia saw the launch of this product in May of this year.

To this end, I encourage everyone involved – from us at CCRIF and MCII to JIIC and even to EC Global in Saint Lucia (who is offering the product there) to the persons who will be purchasing the policies – to capture the lessons learned and to record our stories to share with other countries not only in the Caribbean but throughout the world.

In closing, as CEO of CCRIF, I look forward to working with our project partners on the ground to play a part in realising your national vision “Jamaica, the place of choice to live, work, raise families and do business”.

I thank you.