INTEGRATED SAFEGUARDS DATA SHEET
APPRAISAL STAGE

Report No.: ISDSA7871

Date ISDS Prepared/Updated: 26-Mar-2014

Date ISDS Approved/Disclosed: 04-Apr-2014

I. BASIC INFORMATION

1. Basic Project Data

Country:	Latin America	**Project ID:**	P149670
Project Name:	Central America & Caribbean Catastrophe Risk Insurance Project (P149670)		
Task Team Leader:	Ana Campos Garcia		
Estimated Appraisal Date:		**Estimated Board Date:**	01-May-2014
Managing Unit:	LCSDU	**Lending Instrument:**	Investment Project Financing
Sector(s):	Non-compulsory pensions and insurance (100%)		
Theme(s):	Other Financial Sector Development (50%), Other Private Sector Development (50%)		
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?			No
Financing (In USD Million)			
Total Project Cost:	53.01	Total Bank Financing:	0.00
Financing Gap:	0.00		

Financing Source	**Amount**
Borrower	0.00
Free-standing Single Purpose Trust Fund	53.01
Total	53.01

Environmental Category:	C - Not Required
Is this a Repeater project?	No

2. Project Development Objective(s)

The Project Development Objective (PDO) is to improve affordability of high quality sovereign catastrophe risk transfer associated with tropical cyclones, earthquakes, and/or excess rainfall for COSEFIN and CARICOM member countries.

3. Project Description

The Project has three components that have been identified in collaboration with COSEFIN and CARICOM countries and partners. As experience has shown with the Caribbean Catastrophe Risk Insurance Facility (CCRIF)'s tropical cyclone and earthquake insurance products, the structure provides standardization (which is increasingly requested by the market), limits operating costs, and takes advantage of the risk pooling benefits, which will contribute to lower premium rates for all participating countries. Importantly, all products offered are expected to be self-sustaining by the time of project close, as fully-capitalized risk retention ability within CCRIF will have been developed.

Component 1: Finance Parametric Earthquake Risk Insurance for COSEFIN countries within CCRIF

Component 1 will finance the following activities (until donor contributions to the Multi-Donor Trust Fund (MDTF) Component 1 have been exhausted): (a) coverage of all costs associated with reinsurance earthquake risk contracts and/or accessing capital markets, as well as (b) financing of all insurance payouts not covered by the reinsurance in the aftermath of an earthquake. By funding the main costs associated with providing COSEFIN countries with earthquake risk coverage, this component will enable the CCRIF to retain more of the capital it generates from premium payments. This, in turn, will help building its reserves to underwrite such coverage more quickly. As the CCRIF builds its risk-bearing capacity for the COSEFIN portfolio during project implementation, higher coverage price ratios for the earthquake product will be offered at Project closing.

Component 2: Finance Parametric Climate Risk Insurance for COSEFIN countries within CCRIF

Component 2 will enable the CCRIF to provide tropical cyclone (hazards related to wind speed and storm surge) and / or excess rainfall coverage to COSEFIN members as a measure to adapt to climate change. While the corresponding tropical cyclone models for COSEFIN countries are already available and the insurance coverage is ready to be offered for the 2014 hurricane season, technical design work needs to be completed for the excess rainfall product, including: (i) preparation of a country-risk assessment model; (ii) calibration of this model; (iii) actuarial analyses; and (iv) design of country-specific insurance based on these parameters. The CCRIF would lead and finance the technical and insurance design work to underwrite the potential excess rainfall losses in close collaboration with the interested countries.

This component will cover the main costs of the CCRIF's risk retention and transfer with regards to the tropical cyclone and excess rainfall perils of participating COSEFIN countries. Specific activities financed under this component (until donor contributions to the MDTF Component 2 have been exhausted) are: (a) coverage of all costs associated with reinsurance contracts and/or accessing capital markets, (b) financing of all insurance payouts not covered by the reinsurance in the aftermath of a tropical cyclone and excess rainfall event, as well as (c) consultancy services required for the technical work to develop the climate risk products. By funding the main costs associated with providing COSEFIN countries with tropical cyclone and excess rainfall coverage, this component will enable the CCRIF to retain more of the capital generated from premium payments, thereby building its reserves to underwrite such coverage more quickly.

Component 3: Finance Parametric Climate Risk Insurance for CARICOM countries within CCRIF

Component 3 will enable the CCRIF to provide excess rainfall coverage to CARICOM member countries as a measure to better adapt to climate change. The current tropical cyclone policy for

CARICOM countries is linked to wind and storm surge damage caused by an eligible hurricane. In response to strong interest expressed by CARICOM stakeholders, the CCRIF started working on the design of a new insurance product to cover disasters caused by excess rainfall, both due to hurricanes and non-hurricane systems, about three years ago. This product will function as a hedge rather than aim to replicate actual losses from the various hazards related to heavy rainfall. The CCRIF continues to develop a more sophisticated rainfall model to provide quality climate risk coverage, with the following technical preconditions still required for a country including: (i) refinement of country-risk assessment model; (ii) calibration of each model; (iii) actuarial analyses; and (iv) design of country-specific insurance based on these parameters. As of February 2014, the CCRIF has generated preliminary country-risk assessment models for excess rainfall and is advancing work on model calibration in collaboration with interested governments. It is expected that an excess rainfall product for some of the CARICOM states will become available during the 2014 hurricane season.

This component will cover the main costs of the CCRIF's risk retention and transfer with regards to excess rainfall perils of participating CARICOM countries. Specific activities financed under this component (until donor contributions to Component 3 of the MDTF have been exhausted) are: (a) coverage of all costs associated with reinsurance contracts and/or accessing capital markets, (b) financing of all insurance payouts not covered by the reinsurance in the aftermath of an excess rainfall event, as well as (c) consultancy services required for the technical work needed to develop the excess rainfall product. By funding the main costs associated with providing CARICOM countries with excess rainfall coverage, this component will enable the CCRIF to retain more of the capital generated from premium payments, thereby generating a strong reserve base, which contributes to the goal of providing participating countries with efficient access to catastrophe insurance.

4. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The proposed Project does not contemplate any physical investments, but rather will finance parametric insurance payouts and coverage of reinsurance costs for catastrophic events resulting from tropical cyclones, earthquakes and/or excess rainfall. The Project therefore does not have any safeguards implications.

5. Environmental and Social Safeguards Specialists

6. Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	No	The proposed Project will finance parametric insurance payouts and coverage of reinsurance costs for catastrophic events resulting from tropical cyclones, earthquakes and/or excess rainfall. Since none of the payments are linked to carrying out any specific investments or physical works, the Project is not expected to cause any adverse environmental impacts.
Natural Habitats OP/BP 4.04	No	The proposed Project will finance parametric insurance payouts and coverage of reinsurance costs for catastrophic events resulting from tropical cyclones, earthquakes and/or excess

		rainfall. Since none of the payments are linked to carrying out any specific investments or physical works, the Project is not expected to have any impacts on natural habitats.
Forests OP/BP 4.36	No	The policy is not triggered as the proposed Project will only finance parametric insurance payouts and coverage of reinsurance costs for catastrophic events resulting from tropical cyclones, earthquakes and/or excess rainfall that are not linked to any specific investments or physical works. It will not finance any activities that could affect the welfare of forest dependent communities or the management of forests.
Pest Management OP 4.09	No	This policy is not triggered as the proposed Project will not finance any activities that involve the procurement or significant use of pesticides, but rather will only finance parametric insurance payouts and coverage of reinsurance costs for catastrophic events resulting from tropical cyclones, earthquakes and/or excess rainfall that are not tied to any specific physical investment
Physical Cultural Resources OP/ BP 4.11	No	The proposed Project will finance parametric insurance payouts and coverage of reinsurance costs for catastrophic events resulting from tropical cyclones, earthquakes and/or excess rainfall. Since none of the payments are linked to any specific investments or physical works, the Project is not expected to have any impacts on physical cultural resources in client countries.
Indigenous Peoples OP/BP 4.10	No	The proposed Project will finance parametric insurance payouts and coverage of reinsurance costs for catastrophic events resulting from tropical cyclones, earthquakes and/or excess rainfall. Since none of the payments under the proposed Project are linked to any specific investments or physical works, the project activities will not have any impacts on indigenous people.
Involuntary Resettlement OP/BP 4.12	No	Since the proposed Project will only finance parametric insurance payouts and coverage of reinsurance costs for catastrophic events resulting from tropical cyclones, earthquakes and/or excess rainfall that are not linked to any specific investments or physical works, it will not cause any involuntary resettlement as defined by the policy.

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Safety of Dams OP/BP 4.37	No	This policy is not triggered as the proposed Project will neither support the construction or rehabilitation of dams nor will it support other investments which rely on services of existing dams.
Projects on International Waterways OP/BP 7.50	No	This policy is not triggered as the proposed Project will only finance parametric insurance payouts and coverage of reinsurance costs for catastrophic events resulting from tropical cyclones, earthquakes and/or excess rainfall and will not affect any international waterways.
Projects in Disputed Areas OP/BP 7.60	No	The proposed Project will exclusively finance parametric insurance payouts and coverage of reinsurance costs for catastrophic events resulting from tropical cyclones, earthquakes and/or excess rainfall. Since none of the payments are linked to carrying out any specific investments or physical works, the policy on disputed areas is not triggered.

II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:
The proposed Project does not contemplate any physical investments or works, but rather will finance parametric insurance payouts and coverage of reinsurance costs for catastrophic events resulting from tropical cyclones, earthquakes and/or excess rainfall. The Project therefore does not have any safeguards implications.
2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
The proposed Project does not contemplate any physical investments or works, but rather will finance parametric insurance payouts and coverage of reinsurance costs for catastrophic events resulting from tropical cyclones, earthquakes and/or excess rainfall. The Project therefore does not have any safeguards implications.
3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
Not applicable as the proposed Project does not trigger any safeguards policies.
4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.
Not applicable as the proposed Project does not trigger any safeguards policies.
5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.
Not applicable as the proposed Project does not trigger any safeguards policies.

B. Disclosure Requirements

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/ Audit/or EMP.
If in-country disclosure of any of the above documents is not expected, please explain why:
N/A

C. Compliance Monitoring Indicators at the Corporate Level

The World Bank Policy on Disclosure of Information	
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [ ] No [ ] NA [×]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [ ] No [ ] NA [×]
All Safeguard Policies	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [ ] No [ ] NA [×]
Have costs related to safeguard policy measures been included in the project cost?	Yes [ ] No [ ] NA [×]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [ ] No [ ] NA [×]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [ ] No [ ] NA [×]

III. APPROVALS

Task Team Leader:	Name: Ana Campos Garcia	
Approved By		
Sector Manager:	Name: Niels B. Holm-Nielsen (SM)	Date: 04-Apr-2014

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