

# INTEGRATED SAFEGUARDS DATA SHEET CONCEPT STAGE

**Report No.:** ISDSC7787

**Date ISDS Prepared/Updated:** 26-Feb-2014

**Date ISDS Approved/Disclosed:** 11-Mar-2014

## I. BASIC INFORMATION

### A. Basic Project Data

<b>Country:</b>	Latin America	<b>Project ID:</b>	P149670
<b>Project Name:</b>	Central America & Caribbean Catastrophe Risk Insurance Project (P149670)		
<b>Task Team Leader:</b>	Ana Campos Garcia		
<b>Estimated Appraisal Date:</b>		<b>Estimated Board Date:</b>	01-May-2014
<b>Managing Unit:</b>	LCSDU	<b>Lending Instrument:</b>	Investment Project Financing
<b>Sector(s):</b>	Non-compulsory pensions and insurance (100%)		
<b>Theme(s):</b>	Other Financial Sector Development (50%), Other Private Sector Development (50%)		
<b>Financing (In USD Million)</b>			
<b>Total Project Cost:</b>	53.01	<b>Total Bank Financing:</b>	0.00
<b>Financing Gap:</b>	0.00		
<b>Financing Source</b>			<b>Amount</b>
Borrower			0.00
Free-standing Single Purpose Trust Fund			53.01
Total			53.01
<b>Environmental Category:</b>	C - Not Required		
<b>Is this a Repeater project?</b>	No		

### B. Project Objectives

The Project Development Objective (PDO) is to increase the fiscal resilience of the Central American countries, the Dominican Republic, and CARICOM member countries to catastrophic events resulting from tropical cyclones, earthquakes, and/or excess rainfall. This will be achieved by:

a) Establishing the necessary conditions for Central America and the Dominican Republic (the COSEFIN countries) to join the Caribbean Catastrophe Risk Insurance Facility (CCRIF) and purchase tropical cyclone and earthquake coverage from it;

b) Facilitating the up-take of CCRIF's excess rainfall product by supplementing the risk capital that it has allocated to that product so as to enhance its affordability to both the COSEFIN and CARICOM member countries.

### **C. Project Description**

The Project has two components that have been identified in collaboration with COSEFIN and CARICOM countries and partners and have been aligned with the World Bank Group's priorities.

Component 1: Establishment of Parametric Tropical Cyclone and Earthquake Products for COSEFIN countries within CCRIF

Under Component 1, CCRIF will pool the hurricane and earthquake risk of participating COSEFIN member states in a segregated portfolio. This will allow for separation of risk management operations for COSEFIN countries (e.g. pricing, insurance policy format, reinsurance strategy) from those of Caribbean countries. The COSEFIN insurance pool will mimic the existing CARICOM portfolio within CCRIF, which provides parametric insurance for earthquake and hurricane coverage to CARICOM member countries. CCRIF is exploring options for establishing a third segregated portfolio to combine the COSEFIN and CARICOM risk for purposes of securing reinsurance. This could capture nearly all of the diversification and cost benefits that would be achieved from combining the COSEFIN and CARICOM risk in a single, integrated pool.

Specific activities associated with this component will involve: (a) coverage of reinsurance costs, and (b) financing of insurance payouts not covered by the reinsurance in the aftermath of a hurricane or earthquake. By covering the main costs associated with providing tropical cyclone and earthquake coverage to the COSEFIN countries, the Project will enable CCRIF to retain more of its premium and other income from the coverage, thereby building its capital to underwrite such coverage more quickly than would otherwise be possible, and leaving a fully capitalized risk retention ability with the Central American portfolio at Project closing. As CCRIF builds its risk-bearing capacity, it is expected that it should be self-sustainable by the end of the Project.

Component 2: Establishment of an Excess Rainfall Product for CARICOM and COSEFIN countries

Component 2 will enable CCRIF to provide excess rainfall coverage to both CARICOM and COSEFIN members. The technical design work that needs to be completed for a country in order to launch the excess rainfall product includes: (i) preparation of a country-risk assessment model; (ii) calibration of this model; (iii) actuarial analyses; and (iv) design of a country-specific insurance based on these parameters. For the CARICOM countries, CCRIF has already generated the country-risk assessment models for excess rainfall and is advancing work on model calibration in collaboration with interested governments and actuarial analyses. In the case of the COSEFIN members, CCRIF would also lead and finance the technical design work to underwrite the potential excess rainfall losses in close collaboration with the interested countries. It is expected that the model work will be completed for both regions during calendar year 2015.

Sub-Component 2.1: Establishment of an Excess Rainfall Product for CARICOM members.

Specific activities associated with this component will involve: (a) coverage of reinsurance costs and (b) financing of insurance payouts not covered by the reinsurance in the aftermaths of an excess rainfall event. This sub-component will cover the main costs of risk retention and transfer for the CCRIF, with regards to the excess rainfall peril of participating CARICOM countries. It would enable CCRIF to accumulate the capital that is raised through income for the purpose of covering

excess rainfall events throughout the period of the Project, and thereby leave fully capitalized risk retention ability for CARICOM members with regards to excess rainfall at Project closing.

Sub-Component 2.2: Establishment of an Excess Rainfall Product for COSEFIN members. Specific activities financed under this component are: (a) coverage of reinsurance costs; and (b) financing of insurance payouts not covered by the reinsurance in the aftermaths of an excess rainfall event. This sub-component will cover the main costs of risk retention and transfer for the CCRIF, with regards to the excess rainfall peril of participating COSEFIN countries. It would enable CCRIF to accumulate the capital that is raised through income for the purpose of covering excess rainfall events during the period of the Project, and thereby leave fully capitalized risk retention ability for COSEFIN members with regards to excess rainfall at Project closing.

#### **D. 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.

#### **E. Borrowers Institutional Capacity for Safeguard Policies**

As 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, no safeguards policies will be triggered and there is thus no need to assess the Borrower's institutional capacity for safeguard policies.

#### **F. Environmental and Social Safeguards Specialists on the Team**

## **II. SAFEGUARD POLICIES THAT MIGHT APPLY**

<b>Safeguard Policies</b>	<b>Triggered?</b>	<b>Explanation (Optional)</b>
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.
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.

### III. SAFEGUARD PREPARATION PLAN

**A. Tentative target date for preparing the PAD Stage ISDS:** 04-Mar-2014

**B. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing<sup>1</sup> should be specified in the PAD-stage ISDS:**

No Social or Environmental Assessment is required beyond the initial screening.

### IV. APPROVALS

Task Team Leader:	Name: Ana Campos Garcia	
<b>Approved By:</b>		
Regional Safeguards Coordinator:	Name: Glenn S. Morgan (RSA)	Date: 06-Mar-2014
Sector Manager:	Name: Anna Wellenstein (SM)	Date: 11-Mar-2014

<sup>1</sup> Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.