Public Finance Management & Insurance in the face of Disasters

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Key Takeaways

- **Risk data** & information inform land use and development **standards**, along with risk management **solutions** such as insurance

- The protection gap exists – but the ways to bridge it are within reach, including lower-cost insurance and finance solutions to reduce risk before disasters strike and to support rapid, resilient recovery

- Insurance helps even if you never have a claim – pre-disaster mitigation, budgeting & risk communication
Indemnity v. Parametric Insurance

**Indemnity**
- Pays on actual loss
- High administrative costs
- Processing of claims to confirm loss takes time

**Parametric**
- Payment upon triggering event
- Simple, easy to understand
- Event trigger defined by independent agency data
Parametric Insurance Examples

• Caribbean Catastrophe Risk Insurance Facility (CCRIF)
  ▪ Coverages for government buildings, infrastructure, emergency costs, revenue loss (taxes & tourism)
  ▪ Covered perils include tropical cyclone (wind) and earthquake

• African Risk Capacity (ARC)
  ▪ Cover triggered by parametric index developed with World Food Programme
  ▪ Rainfall measured by a network of satellites

• Global Ecosystem Resilience Facility (GERF)
  ▪ Tourism tax used to fund coral reef restoration and parametric insurance protection