Media Information

Swiss Re

Rising risks from hurricanes and extreme weather could cost Caribbean nations up to 9% of annual GDP by 2030, says a new study supported by Swiss Re analytics

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Zurich, 19 August 2010 – Climate change could significantly increase the risk of hurricanes and storms in the Caribbean and threaten future development in the region, concludes a new study released by the Caribbean Catastrophe Risk Insurance Facility (CCRIF). Damage from wind, storm surge and inland flooding already amounts to 6% of GDP per year in some countries, according to the study's preliminary results. Under a high climate change scenario, annual expected losses could rise by another 1 to 3% of GDP by 2030.

The latest study on the Economics of Climate Adaptation (ECA) in the Caribbean covers eight countries –Anguilla, Antigua and Barbuda, Barbados, Bermuda, the Cayman Islands, Dominica, Jamaica and St. Lucia. It was commissioned by the CCRIF to assess the growing risks that climate change poses to Caribbean economies and identify cost-effective ways to manage them.

Swiss Re provided analytical support to the project in collaboration with other public and private partners, contributing its expertise in natural catastrophe modelling and risk assessment to quantify climate risks and estimate their potential impact locally.

"The CCRIF study on the economics of adaptation exemplifies how climate adaptation works in practice," says Andreas Spiegel, Swiss Re's Senior Climate Change Adviser. "Developing countries can reduce local climate risks by combining prevention and risk transfer measures. CCRIF shows how climate risks can be transferred away from public budgets to the commercial insurance market, thus pre-financing disaster recovery efforts."

The study also shows that many affordable adaptation measures are available to decision-makers to address the effects of climate change. The Cayman Islands, for example, could cost-effectively avoid up to 90% of expected losses by implementing risk mitigation initiatives such as constructing sea walls and enforcing building codes.

Insurance - or risk transfer - plays a key role in helping communities to deal with the financial consequences of severe weather events and natural disasters. In Dominica, the study indicates, only 2% of the calculated loss can be averted cost-effectively using risk mitigation measures. To address the remaining risk, it is economically more effective to buy insurance than to build more physical defences.

"As a global reinsurer, we are already exposed to the effects of climate change. Projected climate patterns are likely to heighten the risks," says David Bresch, Swiss Re's Head Sustainability. "This is why climate adaptation is a core part of our business."

Swiss Re supports the CCRIF as the lead reinsurer and has developed innovative insurance solutions for countries in the Gulf and Caribbean region. Besides parametric hurricane and earthquake covers for Caribbean countries, Swiss Re has engaged in weather-related transactions with the Mexican government and the US State of Alabama.

The latest ECA results in the Caribbean are available on the CCRIF website at www.ccrif.org. Findings from the study will be featured along with additional ECA results in a forthcoming Swiss Re publication on climate adaptation (September 2010).

To read learn more about Swiss Re's transactions and the ECA methodology, first published in the ECA Working Group report "Shaping Climate-Resilient Development," please visit www.swissre.com or www.swissre.com/climatechange.

Notes to editors

About CCRIF: CCRIF is a risk pooling facility, owned, operated and registered in the Caribbean for Caribbean governments. It is designed to limit the financial impact of catastrophic hurricanes and earthquakes to Caribbean governments by quickly providing short term liquidity when a policy is triggered. It is the world's first and, to date, only regional fund utilising parametric insurance, giving Caribbean governments the unique opportunity to purchase earthquake and hurricane catastrophe coverage with lowest-possible pricing. CCRIF represents a paradigm shift in the way governments treat risk, with Caribbean governments leading the way in pre-disaster planning. CCRIF was developed through funding from the Japanese Government, and was capitalised through contributions to a multi-donor Trust Fund by the Government of Canada, the European Union, the World Bank, the governments of the UK and France, the Caribbean Development Bank and the governments of Ireland and Bermuda, as well as through membership fees paid by participating governments.

Sixteen governments are currently members of CCRIF: Anguilla, Antigua & Barbuda, Bahamas, Barbados, Belize, Bermuda, Cayman Islands, Dominica, Grenada, Haiti, Jamaica, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Trinidad & Tobago and the Turks & Caicos Islands

Swiss Reinsurance Company Ltd

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