

# Finance Tools for Coral Reef Conservation: A Training Guide Reef Insurance

Developed by the Conservation Finance Alliance and Wildlife  
Conservation Society for the International Coral Reef Initiative

Content drawn from Finance Tools for Coral Reef Conservation: A Guide (2018)

Venkat Iyer, Katy Mathias, David Meyers, Ray Victurine and Melissa Walsh

Funded with the support of the Government of Sweden



Government Offices of Sweden  
Ministry for Foreign Affairs





# Reef Insurance - Overview

- Definition: A system where individuals or private organizations (including businesses) pay a regular premium to an insurance company or organization that guarantees compensation for specific losses or damages in order to minimize risks and generate funds for coral reef protection and/or restoration
- Insurance commonly pays out in the event of natural disasters, especially hurricanes, from which coral reefs provide important protection services for coastal regions (yet are damaged themselves and may require rapid restoration)
- Related concepts:
  - Parametric Insurance – insurance payouts contingent on specific metrics such as wind speed or wave height.
  - Reduced premiums for good environmental stewardship





# Reef Insurance - Pros & Cons

## Pros

- Can provide consistent year to year funds for preservation/protection of coral reefs, in addition to payouts in the event of disasters to support recovery and restoration efforts.

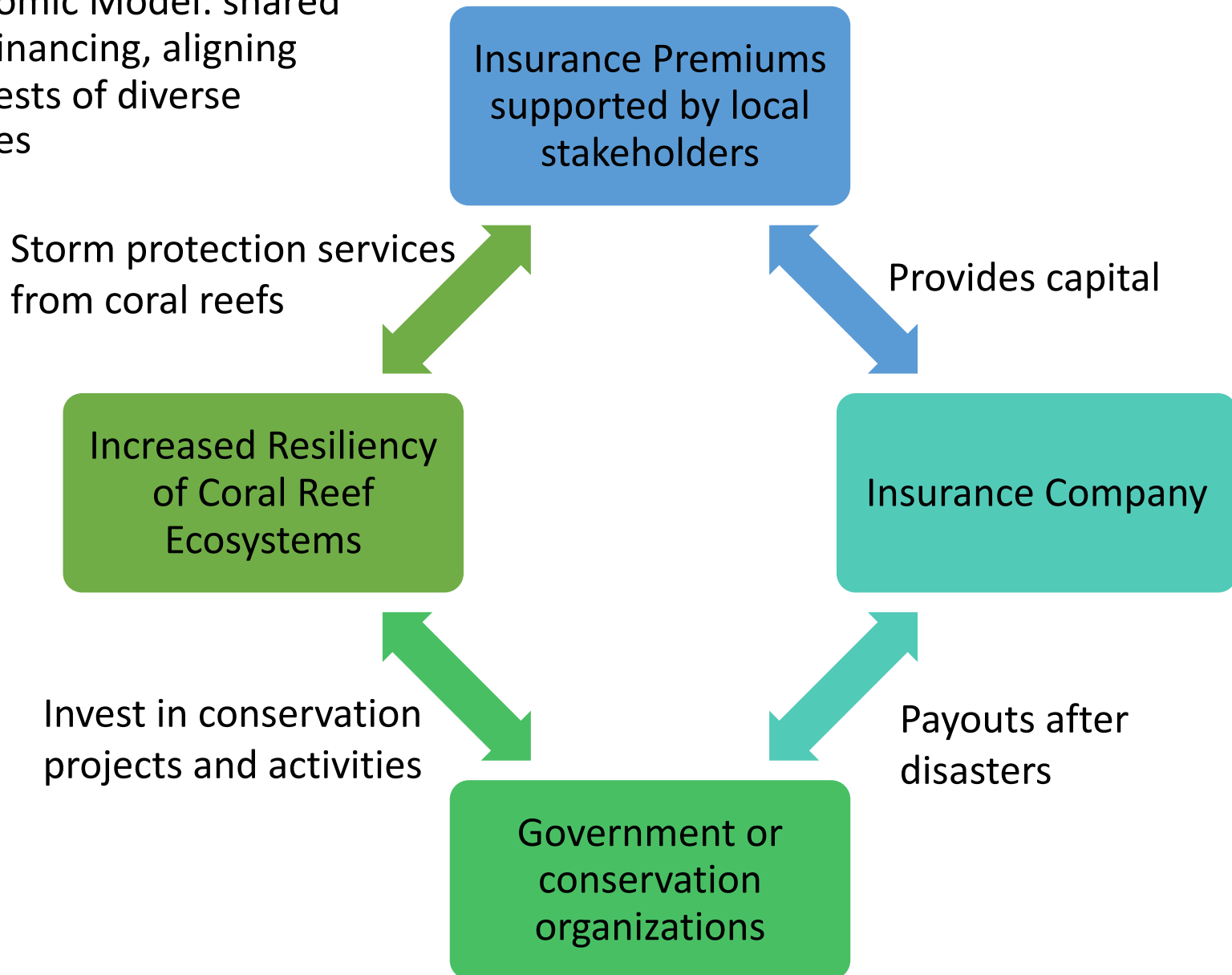
## Cons

- Insurance mechanisms like this have a high degree of technical complexity and transaction costs – i.e. Negotiations, monitoring, research etc.
- Require collaboration and agreement of multiple parties including local stakeholders, insurance companies, government, and non-profits.



# Reef Insurance

Economic Model: shared risk financing, aligning interests of diverse parties





# Reef Insurance - Conservation Activity Relevance

- Funds can support the creation, development, and management of MPAs as a tool for preserving coral reefs
- Funds, when necessary, can support the restoration of coral ecosystems in order to ensure continuation of storm protection services after incurring damage from hurricanes
- Increase in reef resilience
- Sustainable tourism – protection and restoration of the reef can support local tourism activity





# Reef Insurance - Stakeholders

- Beneficiaries/insured entity/party – individuals, businesses, or other entities that receive the pay out in the event of a qualifying disaster, and typically also pay the monthly premiums.
- Government/regulators.
- Insurance/reinsurance industry – companies that design and provide the insurance products. Reinsurance refers to companies that insure the insurance companies.
- Donors/facilitators – NGOs or individuals that provide support to raise awareness and implement these schemes.





# Reef Insurance – Feasibility Assessment

- Is there a high degree of stakeholder engagement in local coral reef conservation efforts?
- Would stakeholders be willing to buy into conservation of coral reefs for the long term?
- Is there consistent demand for reduction of storm damage among local stakeholders?
- Do local stakeholders have the financial means to pay insurance premiums?

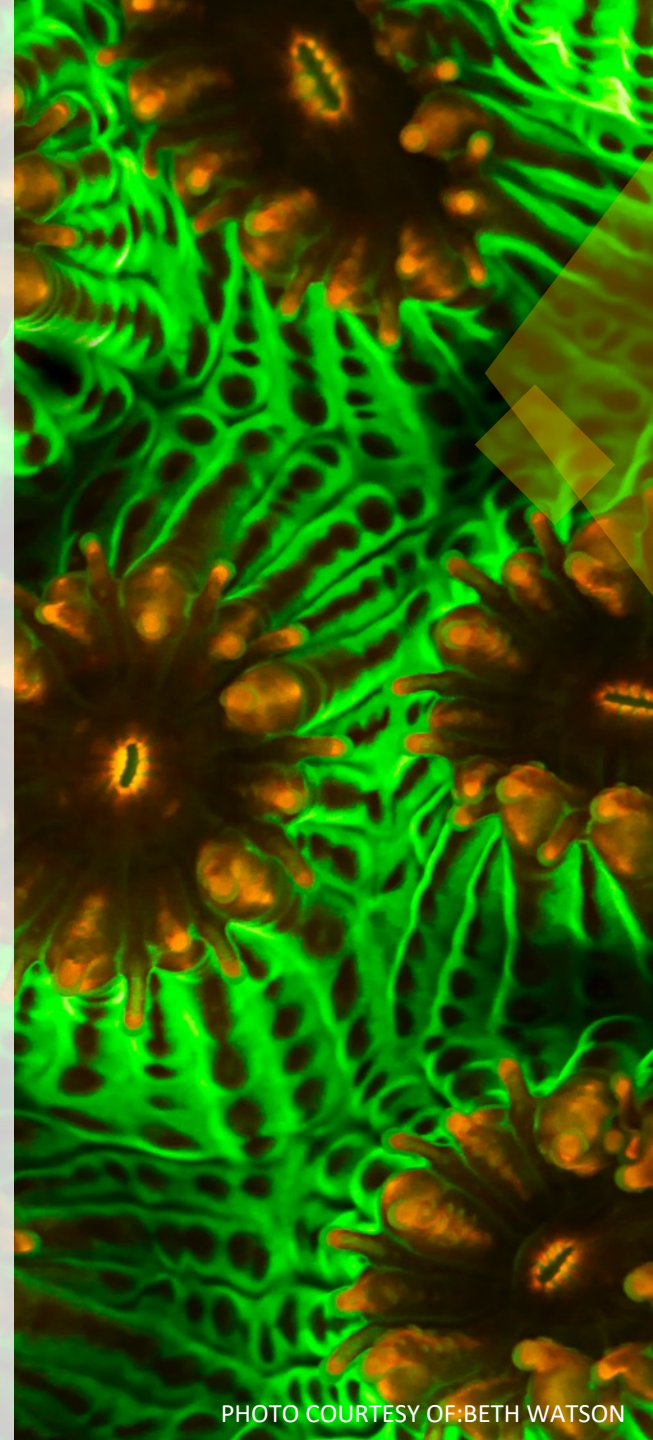


PHOTO COURTESY OF: BETH WATSON



# Reef Insurance – Case Studies

## Quintana Roo, Mexico

- Area badly affected by hurricanes, billions in damage in recent decades, but areas protected by coral reefs suffered less damage
- The region includes popular tourist areas Cancun and Tulum, \$10 billion dollar tourism industry, to which coral reefs are also an important attraction
- Hotel owners in Quintana Roo grouped together and partnered with the state government, The Nature Conservancy, and insurance company Swiss Re to create the Coastal Zone Management Trust (CZMT)





# Reef Insurance – Case Studies

## Quintana Roo, Mexico (Continued)

- Hotel owners transfer funds to the CZMT to pay insurance premiums to Swiss Re.
- In the event of a storm (parametric insurance), Swiss Re makes payout to CZMT to be used for coral reef restoration.
- CZMT also makes smaller annual payments to local nonprofits and National Park association for monitoring the reef and pollution reduction efforts.
- Insurance scheme covers a 40 mile section of the Mesoamerican reef and is the first of its kind for coral reefs.



PHOTO COURTESY OF: UMEED MISTRY