Hurricane Lisa triggers first pay-out of Mesoamerican Reef Insurance Programme to finance immediate reef response in Belize

The innovative solution, designed to protect the largest barrier reef in the Atlantic Ocean by financing rapid reef repair, demonstrates real-world impact of parametric insurance.

SHARM EL-SHEIKH, 11 November 2022 — The first ever pay-out by the Mesoamerican Reef (MAR) Insurance Programme was triggered on 2 November when the Turneffe Atoll, off the coast of Belize¹, was hit by Hurricane Lisa. The category 1 hurricane event triggered a $175,000 pay-out under the MAR Insurance Programme’s innovative parametric policy and will finance immediate reef recovery and restoration following damage from the hurricane.

Developed by the Mesoamerican Reef Fund (MAR Fund) and WTW’s Climate and Resilience Hub, and co-funded by the InsuResilience Solutions Fund, the ground-breaking programme launched in 2021 uses a pre-arranged, trigger-based financing approach to support rapid reef response following damaging hurricane events across the critically endangered 1,000km reef system.

Amplified by global climate change, hurricanes are now a leading driver of coral loss in the region; but without dedicated budgets, reef response is difficult to mobilise in the aftermath of extreme events. Despite their environmental, economic, and cultural value, reefs remain some of the most threatened ecosystems in the world.

The parametric policy, underwritten by AXA Climate and Munich Re and placed by WTW’s Alternative Risk Transfer team, covers seven key coral reef sites of the largest barrier reef in the Atlantic Ocean across Mexico, Belize, Guatemala and Honduras. When Hurricane Lisa passed through Belize’s Turneffe Atoll at Category 1 strength, calculations completed by WTW confirmed that wind intensity reached 70 knots, meeting the policy conditions and triggering the US$175,000 pay-out. The pay-out is expected to reach MAR Fund’s Emergency Fund within 14 days of the event.

Rowan Douglas, Head of the Climate and Resilience Hub at WTW, said: “WTW is proud to be a part of the team delivering this financial innovation to the MAR region. The MAR Insurance Programme ensures funding is available for reef restoration, supporting the long-term health of this crucial yet highly threatened piece of natural infrastructure. It also demonstrates the much wider role that insurance can play in ecosystem resilience, conservation financing and strengthening the economic opportunities of local communities in the face of loss and damage from both shock and slow onset climate hazard.”

María José González, Executive Director of MAR Fund, said: “As a private environmental fund, MAR Fund supports regional access to the right kinds of financial tools, which provide funding when it is most needed. This pay-out will fund reef repair and build long-term resilience of the ecosystem and the people it supports.”

¹ The execution of this Programme shall not have any effect with respect to, or in connection with, any sovereignty claims over any territory (land, insular and maritime) claimed by the Republic of Guatemala and/or Belize; nor shall it have any effect over the rights and/or claims of either country over such territory.
MAR Fund will rapidly distribute resources to support emergency reef restoration conducted by specially trained local partners, organized into ‘brigades’, which are governed and coordinated by the Fisheries Department and the Turneffe Atoll Sustainability Association (TASA) in Belize. These brigades will implement the pre-agreed local reef response plan, beginning with a rapid damage assessment and clean-up, followed by rehabilitation and repair efforts in the following weeks.

Valdemar Andrade, Executive Director of TASA, said: “The reefs of the Turneffe Atoll Marine Reserve, which are the base of our natural storm mitigation defence system, our economic backbone and our marine environment, took a direct hit from Hurricane Lisa. After such a mental, economic, and environmental shock, having parametric insurance facilitated by MAR Fund to finance our response and aid the recovery of our reefs created peace of mind and hope for rebounding and future resilience.”

The development of the innovative MAR Insurance Programme, and purchase of the parametric policy, has been made possible with financing from the InsuResilience Solutions Fund, building on the early support of Global Affairs Canada through the Ocean Risk and Resilience Action Alliance.

Dr Annette Detken, Head of the InsuResilience Solutions Fund, said: “We are pleased to see the mechanism working and seek to further strengthen the application and impact of pre-arranged, trigger-based financing, especially for fragile ocean and coastal ecosystems such as coral reefs. We hope that parametric disaster risk finance can help unlock resources to sustain the resilience of communities and economies against climate change.”

Antoine Denoix, CEO of AXA Climate, said: “Hurricane Lisa is an unfortunate reminder that climate change is devastating coral reefs worldwide. For AXA Climate, exploring parametric insurance solutions is crucial to enhancing the resilience and regeneration of our natural ecosystems. Today, we are pleased to take part in providing fast financial recovery for science-based restoration and maintenance of the Mesoamerican Reef. This innovative financial mechanism changes the way we care for and protect natural assets while supporting local communities and economies that depend on them.”

Michael Roth, Public Sector Practice Lead for Capital Partners at Munich Re, said: “The swift pay-out underscores the value proposition of parametric insurance. It will enable MAR Fund to finance immediate repair, thus minimising damage to the insured coral reefs. Munich Re is proud to show how insurance contributes to enhancing the resilience of crucial ecosystems.”

About MAR Fund
MAR Fund is a regional private environmental fund that carries out the Reef Rescue Initiative (RRI), with the mission to support the long-term ecologic and economic viability of the Mesoamerican Reef and the environmental services it provides. The RRI’s holistic strategy recognises the deep connection between ecological and economic wellbeing in the region and addresses the complex risk, response, and resilience landscape of the MAR. Working with government agencies and local conservation organisations, the RRI supports the formalisation of reef response protocols, plans, and governance frameworks; invests in local response capacities with The Nature Conservancy, providing training and equipment; and has pioneered the use of innovative financing mechanisms to incentivise and sustainably
fund the timely and reliable execution of emergency reef response to extreme events. MAR Fund manage two innovative risk financing mechanisms to support the effectiveness and sustainability of reef response in the region: the contingency reserves of the Emergency Fund are accessible for a range of natural and man-made events, and the MAR Insurance Programme scales the funds available through the Emergency Fund after hurricane events, leveraging risk markets to pre-arrange additional financing for post-storm reef rescue.

**About InsuResilience Solutions Fund**

The mission of the InsuResilience Solutions Fund (ISF) is to support innovative solutions to mitigate the negative impacts of climate change. Therefore, ISF fosters the development of needs-based and financially sustainable climate risk insurance products in developing and emerging countries. Support for the insurance placement has been provided by ISF, managed by Frankfurt School of Finance & Management and funded by KfW Development Bank on behalf of the German government, under the Mesoamerican Reef Insurance Programme, with co-funding from WTW, MAR Fund, and Global Affairs Canada through the Ocean Risk and Resilience Action Alliance.

**About WTW**

At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help organisations sharpen their strategy, enhance organizational resilience, motivate their workforce and maximise performance.

Working shoulder to shoulder with our clients, we uncover opportunities for sustainable success—and provide perspective that moves you.

Learn more at wtwco.com.

**About the Climate and Resilience Hub**

The Climate and Resilience Hub (CRH) is the focal point for our climate expertise and capabilities, pooling knowledge from across our people, risk and capital businesses and from our collaborations to deliver climate and resilience solutions in response to a range of regulatory, investor, consumer, employee and operating pressures. Under the Climate Quantified™ brand we deliver analytics, advice and transactions to enable corporate, finance and public sector institutions to embrace the climate decade ahead.

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Graphic: The Turneffe Atoll takes a direct hit from Hurricane Lisa on 2 November