Mesoamerican Coral Reef Insurance

Critical transitions:

A Healthy & Productive Ocean

Stronger Rural Livelihoods

Innovation:	Nature-linked insurance
Geographic focus:	Mexico
$:	$3.8 million

The Mesoamerican Coral Reef Insurance is a parametric insurance scheme devised to protect the health of a part of the Mesoamerican reef, in order to maintain both its ecosystem services and storm mitigation function.

In 2017, the Nature Conservancy partnered with Swiss Re and the state government of Quintana Roo to develop the first parametric insurance product pilot that is aimed at enhancing the resilience of coral reefs and the communities that depend on them, both as a source of coastal protection and for economic livelihoods.[176] This pilot is now being taken over by Global Parametrics, to fully commercialise and replicate the pilot scheme across the whole Mesoamerican reef.

In the pilot, the insurance scheme is applied to a precise area of the Mesoamerican reef, identified based on the occurrence of extreme weather events. The insurance will pay out 40 percent of the total when wind speeds reach 100 to 110 knots within the designated area, and in full when the wind speeds reach 160 knots. A fund was set up as the beneficiary for the insurance, with the requirement to only use the pay-out funds for the restoration and rehabilitation of the reef (50 percent of pay-out) and coastal ecosystems restoration (50 percent).[177] The establishment of the beneficiary fund allows for the swift reparation of the reef after a damaging storm event, which is critical to ensure the reef's continued ecological functioning. The reef not only provides livelihoods to fishers and the tourism industry, but also serves as a natural storm buffer protecting the Riviera Maya, which provides $10 billion per year to the national GDP.[178]

The State Government of Quintana Roo has purchased the insurance product using tourism tax revenues. The $3.8 million insurance policy is provided by Afirme Seguros Grupo Financiero, a Mexican-based insurer.

Stakeholders:

The Nature Conservancy; Swiss Re; Global Parametrics

Status:

🟡 Pilot / In development