



InsuResilience
GlobalPartnership

**Enhancing Resilience by Closing the
Protection Gap in Climate Risk and
Nat Cat Insurance**



Outline

- ▶ The Protection Gap is Widening through Climate Change
- ▶ Climate Risk Insurance is one Building Block to Resilience
- ▶ CDRFI – A Contribution to Global Policy Frameworks
- ▶ Different Stakeholders and their Roles
- ▶ The InsuResilience Global Partnership



The Protection Gap is Widening through Climate Change

Increasing Risk

- Increased frequency and severity of extreme weather events over the last years
- 2004-2014: 89% of storm-related fatalities in low income countries

Economic losses

- Natural hazard-related disasters in 2017: US\$ 340bn (Munich Re, 2018)
- Disaster shocks in 2018: US\$ 165bn (Swiss Re, 2018)

Coverage

- Of the 2018 losses, US\$ 85bn covered
- US\$ 76bn due to disasters
- And of those, more than 60% of claims result from secondary peril events

Protection Gap

- In emerging economies, only 10% of climate risks are covered
- Gap is extremely high in emerging countries (about 90 – 100%)
- No change in protection gap over past years

Consequences

- Climate Change will push an additional 100m people into extreme poverty (World Bank)
- Impact of Climate Change could reduce the global GDP by 3.3% (OECD)



Climate Risk Insurance is one Building Block to Resilience

- Climate risk insurance is a vital instrument within a comprehensive climate risk management system, spanning a continuum of prevention, risk reduction, risk retention and risk transfer such as insurance schemes.

Risk Identification

- Understanding risk, hazard mapping, risk modelling, priority settings, social perception, etc.

Risk Reduction

- Prevention, mitigation, creation of culture of preparation, etc.

Risk Transfer and Retention

- **Insurance**, disaster risk financing, reserve mechanisms, budget planning, etc.

Risk Preparedness

- Early warning systems, alerts, response planning, training, response systems management, contingency plans, etc.

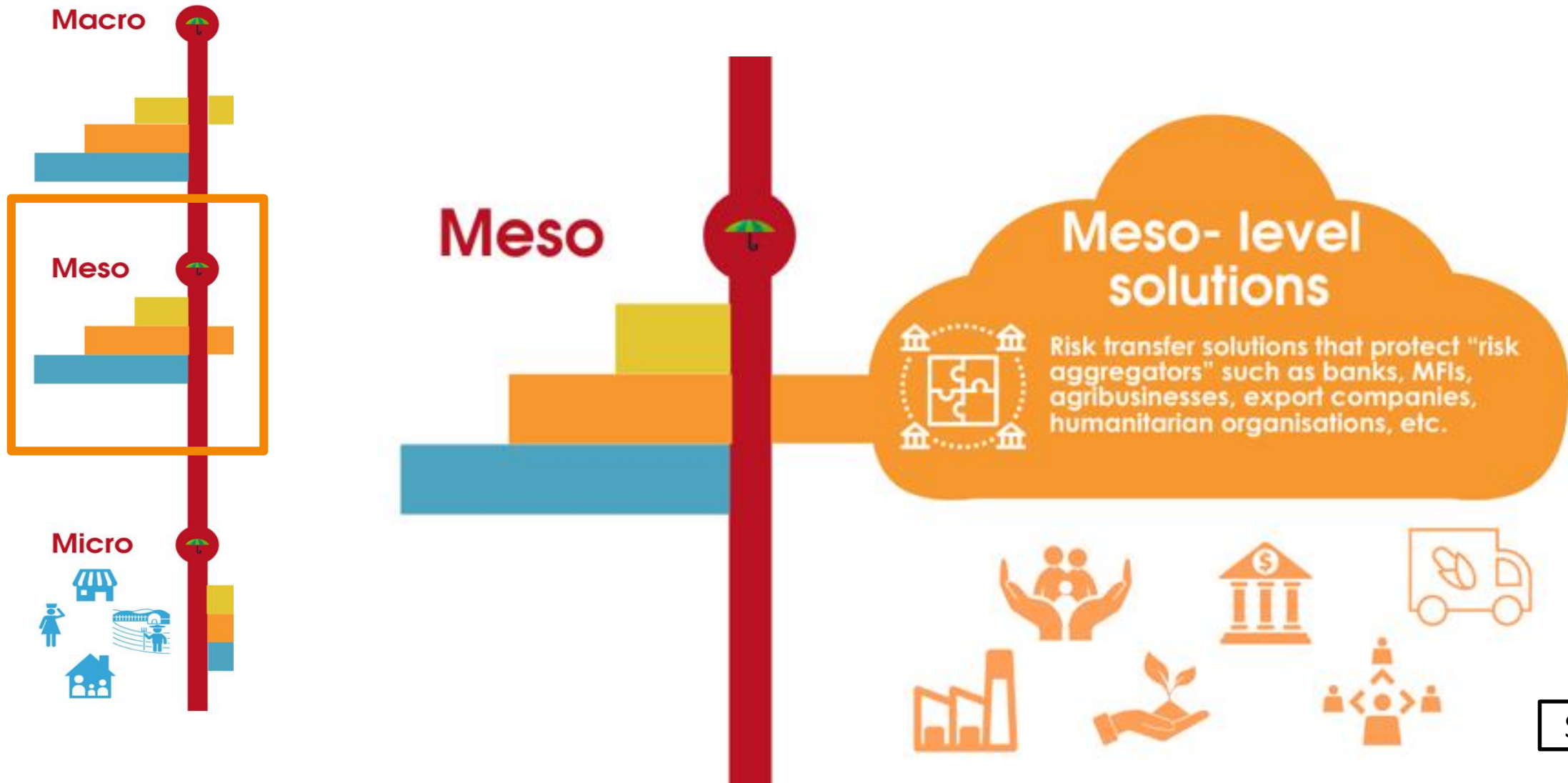
Post-disaster Response and Recovery

- Institutional planning, recovery, planning reconstruction policies, humanitarian actions, etc.



Macro









CDRFI – A Contribution to Global Policy Frameworks

- ▶ **Sendai Framework for Disaster Risk Reduction 2015 –2030:** While States have the overall responsibility for reducing disaster risk, it is a shared responsibility between governments and relevant stakeholders
 - Paragraph 36c of the Sendai Framework specifically asks the private sector financial institutions, including financial regulators to integrate disaster risk management, including business continuity, into business models and practices through disaster-risk-informed investments
- ▶ **SDGs and Sendai Framework** call for action to all – governments, regulators/supervisors and the industry
- ▶ The **Paris Agreement** for the first time brings all nations into a common cause to undertake ambitious efforts to combat climate change and adapt to its effects, with enhanced support to assist developing countries to do so.



Different Stakeholders and their Roles



Governments

- Promoting risk mitigation
- Coordination of stakeholders
- Provide public goods, in particular data and financial literacy/insurance awareness
- Providing public insurance programmes
- Risk financing (e.g. by facilitating access to reinsurance or acting as reinsurer of last resort)
- Providing support for market infrastructure



Regulators

- Provide clear guidelines
- Inform themselves about innovative insurance products
- Allow index-based insurance
- Facilitate digital solutions through an enabling environment



Industry

- Insurance companies need to understand and adapt products, processes and distribution channels to reach the large uninsured population
- Actively share risk knowledge to support risk understanding within the public sector
- Integrate into their business models ways to encourage the adoption of comprehensive disaster risk reduction approaches
- Ensure that reinsurance risk is diversified with strongly rated companies

The Case for the InsuResilience Global Partnership

Disaster Risk



Increase of **extreme weather events** in frequency and severity over the last decade. Disasters force 26 million people into poverty each year.

Impact on Vulnerable People

GDP p.c. development in countries with different levels of insurance penetration.
x 100 % trent deviation after a weather related catastrophe

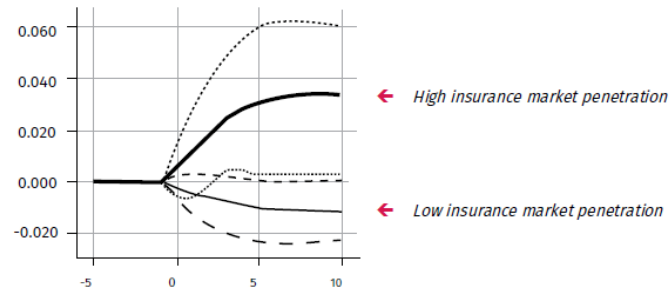


Figure 9: Insurance and GDP development
Source: Modified from Melecky and Raddatz (2011).

Impacts on lives, livelihoods and assets not evenly distributed: **less than 5% of disaster losses are covered by insurance in poorer countries** (~50% in high-income countries)

Financial Resilience



Sovereign disaster risk financing tools, including insurance, can **strengthen rapid response to disaster shocks and finance disaster recovery**

ONLY TOGETHER, WITH COMBINED EFFORTS WE CAN BUILD RESILIENCE AGAINST CLIMATE CHANGE

What we want to achieve – our ambitious Vision 2025

Vision & Central Objective

Vision: Strengthen the resilience of developing countries and protect the lives and livelihoods of poor and vulnerable people against the impacts of disasters

Objective: Enable more timely and reliable disaster response through the use of climate and disaster risk finance and insurance solutions

Role of the Partnership: Promote and enable the adoption of disaster risk financing and insurance approaches as part of comprehensive disaster risk mgmt. strategies; 72 members: V20/ G20, international organizations, private sector, CSOs, academia

Four workstreams

Strategic Guidance &
Convergence

Action & Implementation

Capacity Building &
Knowledge Management

Collaborative Network

Two cross-cutting objectives:
Pro-poor Approach & Gender Mainstreaming



The Partnership – Our targeted Outcomes by 2025

- ▶ **500 million poor and vulnerable people covered against disaster and climate shocks by pre-arranged risk finance and insurance mechanisms, including the InsuResilience G7 goal.**
- ▶ **150 million people covered by microinsurance, including the InsuResilience G7 goal.**
- ▶ **10% of average annual climate and disaster losses in V20 and other vulnerable countries covered by pre-arranged risk finance and insurance mechanisms.**
- ▶ **80 V20 and other vulnerable countries with comprehensive disaster risk finance strategies in place.**
- ▶ **60 V20 and other vulnerable countries with new or enhanced (sub-) sovereign pre-arranged risk financing and insurance mechanisms for critical infrastructure and/or rapid funding for disaster response.**
- ▶ **70 V20 and other vulnerable countries have developed property and agricultural microinsurance solutions.**
- ▶ **5 billion of risk capital offered by the insurance industry to provide the necessary risk capacity for the above targets (on the basis of IDF private sector commitment).**



Key Messages

- ▶ In order to bridge the protection gap for the poor and vulnerable there is a need for stakeholders to contribute to a **comprehensive risk management approach**
- ▶ **Insurance is an important tool** to support increased climate/disaster resilience but its potential tends to be underestimated
- ▶ Efforts to boost disaster resilience in a country should not be developed in silos, but in a way that is **mutually reinforcing without leaving gaps** in coverage

72 members from different fields have joined the InsuResilience Global Partnership

12 COUNTRIES



22 PRIVATE-SECTOR ORGANIZATIONS



13 MULTILATERAL INSTITUTIONS



9 CIVIL SOCIETY INSTITUTIONS



6 ACADEMIC INSTITUTIONS



5 IMPLEMENTING PARTNERS



5 INITIATIVES & NETWORKS

