

Insurance Development Forum

Mobilizing the Private Sector to Reduce the Financial Protection Gap of Vulnerable Countries

**Protection Gap - the difference between total losses and
insured losses.**

The Protection Gap

\$4tn

The estimated figure lost to extreme natural disaster events globally over the past 40yrs, US \$2.9 trillion of which was uninsured.

Swiss Re database of natural catastrophes

A 1% increase

in insurance penetration results in a **22% reduction** in taxpayer disaster recovery burden**

1%

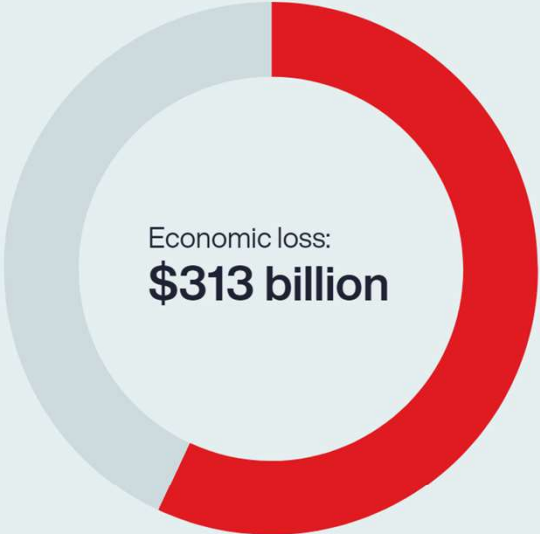
The percentage of natural disaster losses in developing countries 1980-2004 that were insured. This compares to c.30% in developed countries.

Dag Hammarskjöld Foundation and UNDP 2019
Financing the UN Development System: Time for Hard Choices

**Countries with high insurance cover
recover faster from disasters**

Economic Losses from Natural Disasters were Estimated at \$313 Billion in 2022

Approximately 42 percent of losses were covered by insurance. While the protection gap (58 percent) was the lowest on record, it remains a global challenge but also shows an opportunity to provide further protection

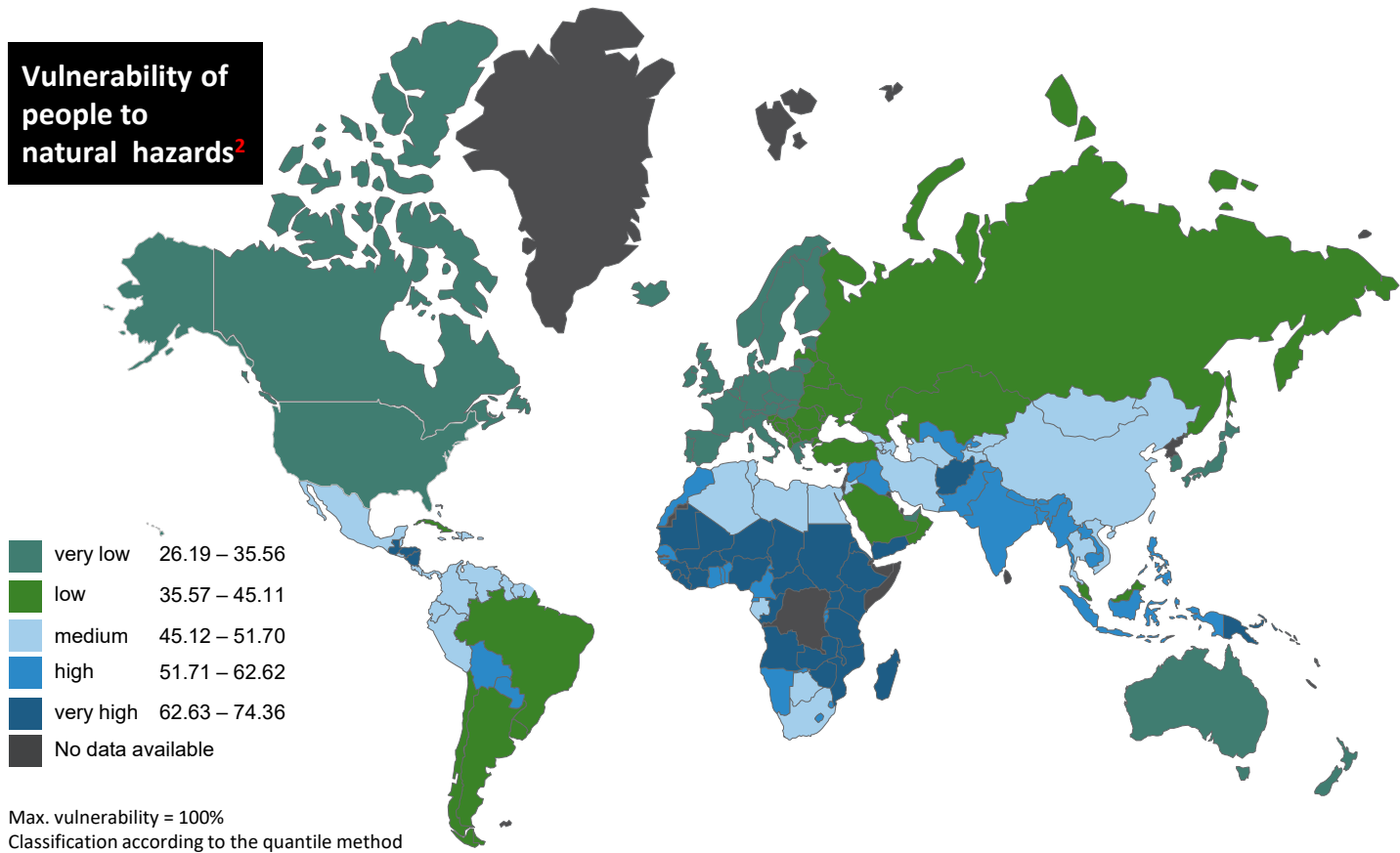


- 58% Global Protection Gap - \$181 billion
- 42% Insured Loss - \$132 billion

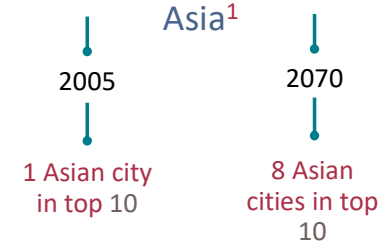
The global protection gap is the difference between total economic losses and what's covered by insurance. This remains a critical reference point as it highlights the vulnerability of communities and the opportunity for new solutions.

THOSE IN MOST NEED OF PROTECTION ARE UNINSURED

Vulnerability of people to natural hazards²



Coastal flooding exposure in Asia¹



What is driving the exposure?

- Socio-economic growth
- Urbanization
- Population growth

Africa very vulnerable

13 of the 15 countries with the highest vulnerability ratings are in Africa.²

1- Allianz Global Corporate & Speciality (2015), Storm exposures: The changing landscape in Asia (based on OECD analysis - 2008)
2- World Risk Index (2017)



Humanitarian Funding Gap (Global)

- 2022: Funding Requirement: \$51.5bn
- 2022: Funding received: \$28.7bn
- Funding coverage: 56%

Mismatch between commitment to protect and funding model

- Poor preparedness planning
- Underinvestment in data and systems for response
- Underinvestment in adaptation and risk reduction
- Slow, politicized, tactical decision-making process
- Fragmented, poorly coordinated response
- Limited learning

When covid-19 hit, just 2% of global funding was planned and arranged in advance.



What is the IDF



- **IDF is a unique public-private platform for coordination and collaboration, bringing together the insurance industry, the World Bank Group, the UN, civil society and multiple other actors to help address the Protection Gap.**
- **IDF's mission is to use insurance and risk management capabilities to enhance resilience to help achieve the objectives of Sustainable Development Goals and related UN Agreements such as the Sendai framework, the Paris Agreement and others.**
- **IDF's goal is aligned to the G7 and G20 InsuResilience Vision 2025, to provide climate risk insurance for 500 million more vulnerable people by 2025.**
- **IDF's guiding operating principles are to be open, participatory, inclusive and transparent.**

 **SUSTAINABLE DEVELOPMENT GOALS**

- 1 NO POVERTY**

- 2 ZERO HUNGER**

- 3 GOOD HEALTH AND WELL-BEING**

- 4 QUALITY EDUCATION**

- 5 GENDER EQUALITY**

- 6 CLEAN WATER AND SANITATION**

- 7 AFFORDABLE AND CLEAN ENERGY**

- 8 DECENT WORK AND ECONOMIC GROWTH**

- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE**

- 10 REDUCED INEQUALITIES**

- 11 SUSTAINABLE CITIES AND COMMUNITIES**

- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION**

- 13 CLIMATE ACTION**

- 14 LIFE BELOW WATER**

- 15 LIFE ON LAND**

- 16 PEACE, JUSTICE AND STRONG INSTITUTIONS**

- 17 PARTNERSHIPS FOR THE GOALS**


Working Groups



Risk Modelling

The Risk Modelling Steering Group (RMSG) is dedicated to improving global understanding and quantification of natural hazards and disaster risk through the use, development and sharing of the re/insurance sector's risk analytics capability.





The Global Risk Modelling Alliance, or GRMA, is a public-good service developed by the V20, IDF and the German Government.



Funded by



Hosted by

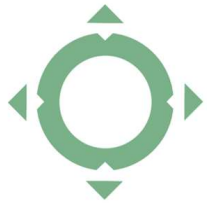


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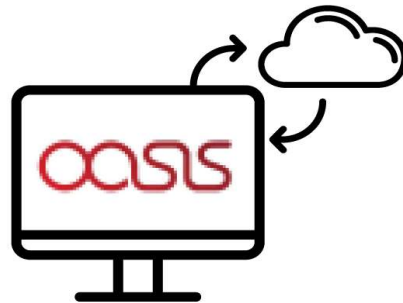


Supported by IDF member companies:



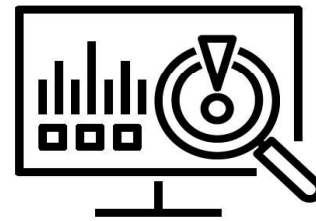
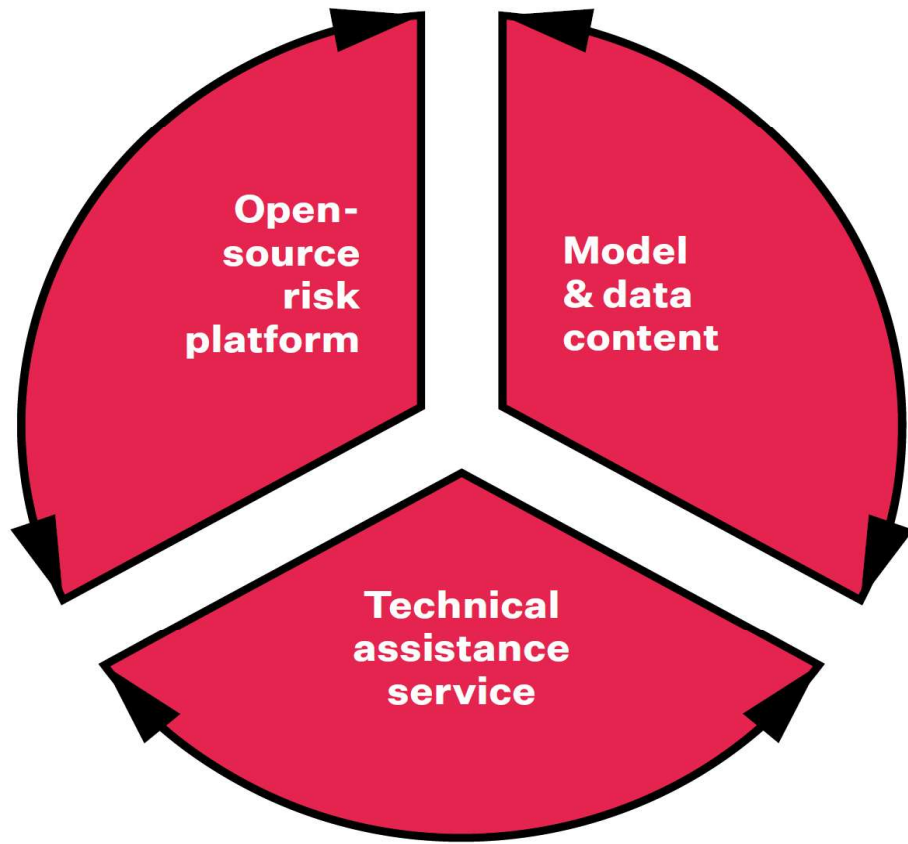
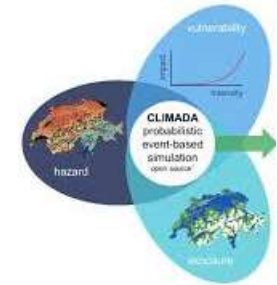


**Global
Risk
Modelling
Alliance**



Open risk modelling platform:

- › Free to use
- › designed for risk finance
- › Open-source, open data standards
- › A community of model providers



Models & data for public good:

- › Filling strategic model/data gaps
- › Translating existing research
- › Emphasis on local data



Technical assistance service:

- › Public and private sector expertise
- › Advice on model development
- › Co-defined risk projects
- › Commissioning & quality assurance

Current Working Groups



Sovereign and Humanitarian Solutions

The SHS is transaction focused, oversees a portfolio of advisory engagements and fosters information flow and coordination of interactions between industry, civil society, multi-laterals and relevant government entities on “macro” and public assets insurance solutions. It also provides a source of expertise to other public/ private parties and, as required, assistance to other IDF Working Groups.





To provide affordable, accessible, and reliable solution:

- Invest in risk reduction (e.g. waste management, drain expansion, etc.)
- Improve risk awareness and attitude towards risk in general
- Public sector support/local ownership needed to implement these measures

- Lack of accessible historical loss data despite frequent floods.
- Patchy hazard and exposure data; flood risk not quantified.
- Out-dated public assets registry
- Challenges with waste management; blocked drains.



Challenging situation



- Updated public assets registry (geo-referenced).
- Hazard and exposure analysis with risk profile of all public assets.
- Cost-benefit analysis of identified risk reduction measures.
- Flood risk app to improve awareness and support for waste management awareness.



Understanding the risk

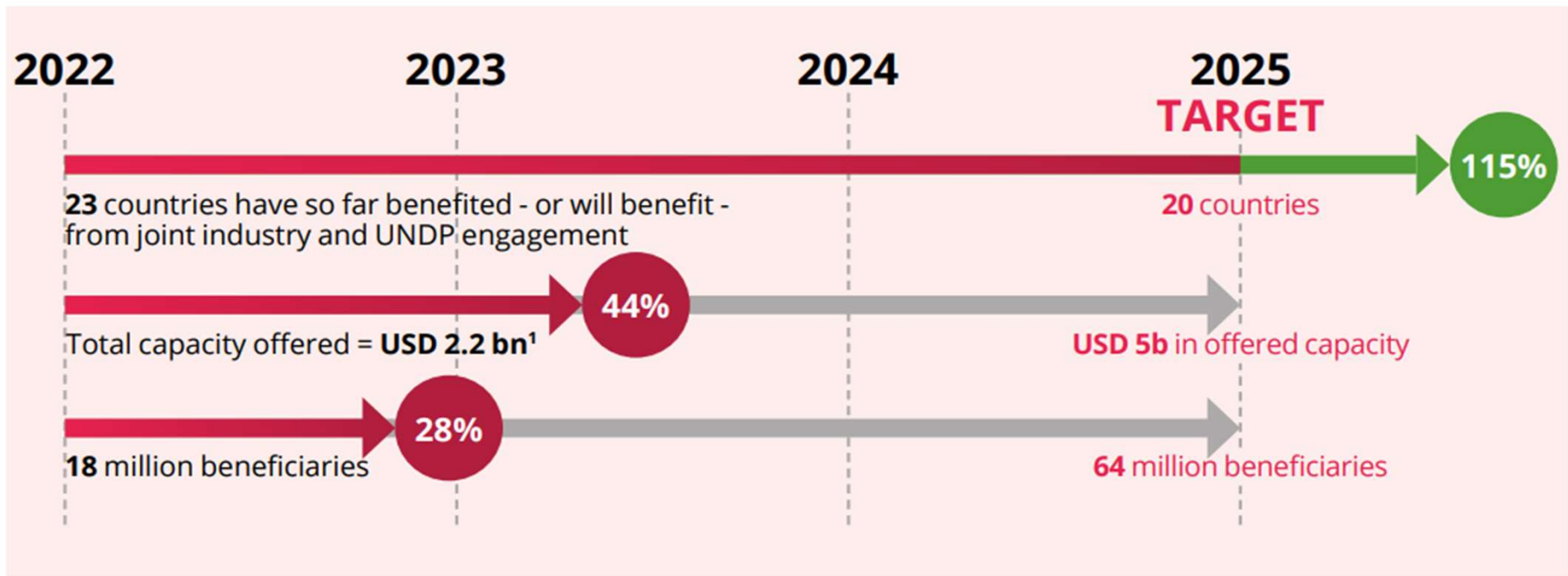


PPP REQUIRED IN CHALLENGING CONDITIONS

Tripartite Programme

- Commitment to provide technical assistance and risk solutions to 20 climate-vulnerable countries by 2025.
- To enable a substantial scale-up in the use of pre-arranged risk finance and insurance mechanisms as part of global resilience and adaptation ambitions.
- To accelerate implementation of risk management solutions to increase sub/sovereigns' resilience to climate risks, in alignment with the InsuResilience Vision 2025 goal to provide protection for 500 million individuals.





¹ As soon as the industry consortium involved in developing an insurance scheme has proposed a “realistic” solution to a government or government entity in writing, capacity is considered “offered”.

Innovative services and products to help governments understand natural hazard risks and design systems to protect their citizens and infrastructure.



Current Working Groups



Inclusive Insurance

The Inclusive Insurance Working Group (IIWG) is dedicated to driving and enhancing coordination and collaboration on inclusive insurance projects to maximise their impact and efficiency, both in terms of technical assistance and funding of resilience-building programs which are operating in local communities vulnerable to climate change and other disasters. It also provides a source of expertise to other public / private parties and, as required, assistance to other IDF Working Groups.



Current Working Groups

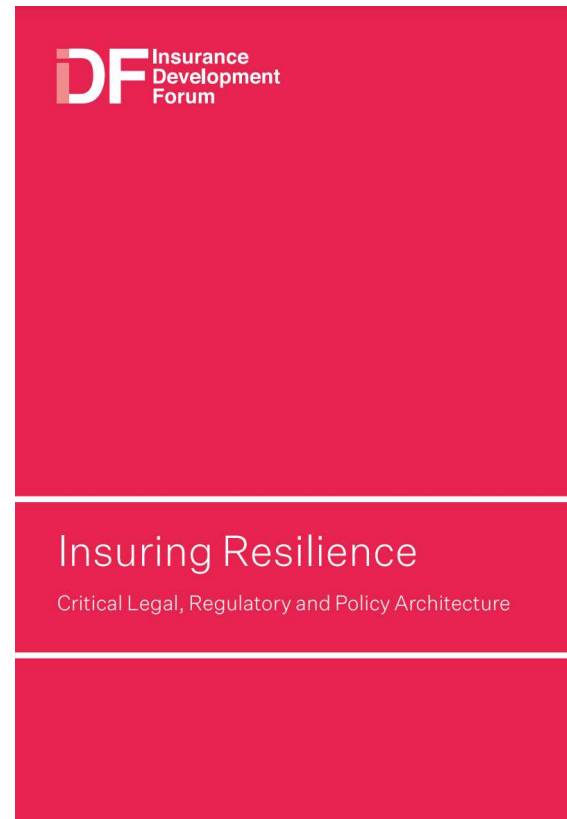
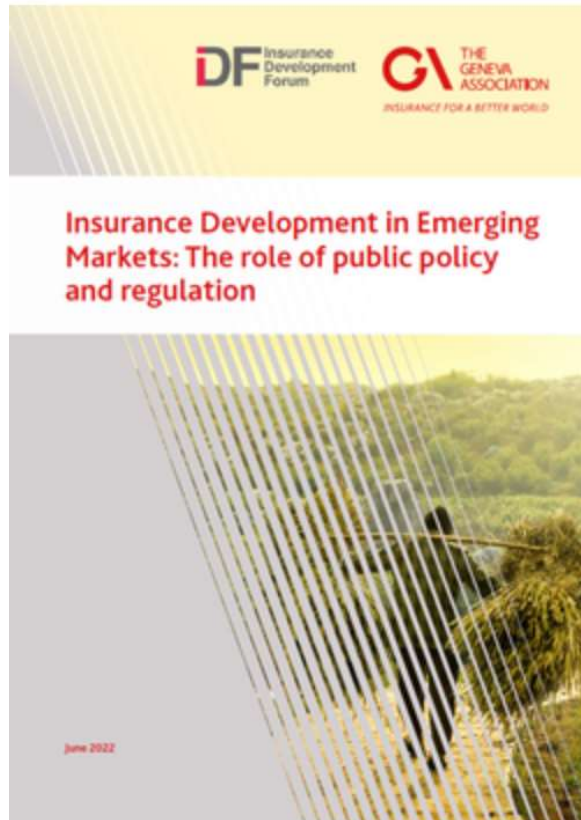


Law Regulation and Resilience Policies

The Law, Regulation and Resilience Policies (LLRP) Working Group is dedicated to developing accessible insurance laws, regulations and public policy frameworks that enable and enhance sustainable development and economic and social resilience to large scale disasters. It also provides a source of expertise for global regulators and other public/ private parties, and technical assistance to other IDF Working Groups.



Sample Reports and Papers



Current Working Groups



Infrastructure Taskforce

The Infrastructure Taskforce working group has the main objective of increasing the sectors and countries in which insurance investments can operate by exploring how insurers, working with development banks and others, scale up investment in resilient and sustainable infrastructure in emerging and developing countries.



Growth & Resilience: Building Effective Risk Management & Protection Systems



- Global challenge - Climate change
 - New risks + Complex / Inter-connected risks
 - Risk management in demand
 - Improving public financial management
 - Transition risks and opportunities
- Keeping pace with Innovation
 - Driving use of Risk information
 - Ensuring appropriate regulation development
 - New product development
 - Leveraging technology
- Fostering collaboration and coalitions
 - Drive greater scale through knowledge sharing
 - Improved systems
 - New structures
 - Focus on solutions
 - Public value

Thank You

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