An aerial photograph of a river valley. A large, dark, winding reservoir or lake is the central feature, surrounded by brown and tan earth. The terrain is rugged with visible erosion patterns. In the lower part of the image, there are patches of green vegetation and some white, possibly snow or salt deposits.

Natural Disaster Fund

Uninsurable? How the Natural Disaster Fund contributes to close the protection gap

International Conference on Inclusive Insurance

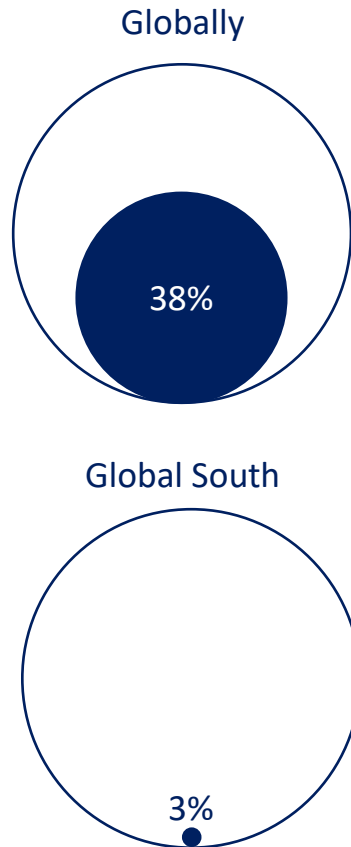
October 2024

Introduction

THE NATURAL DISASTER FUND

The NDF contributes to tackling the Global South protection gap

The protection gap



NatCat-related insured losses^{2,3}
in %

The NDF contribution

While the protection gap is a worldwide issue, countries in the Global South urgently require innovative solutions to address its impacts.

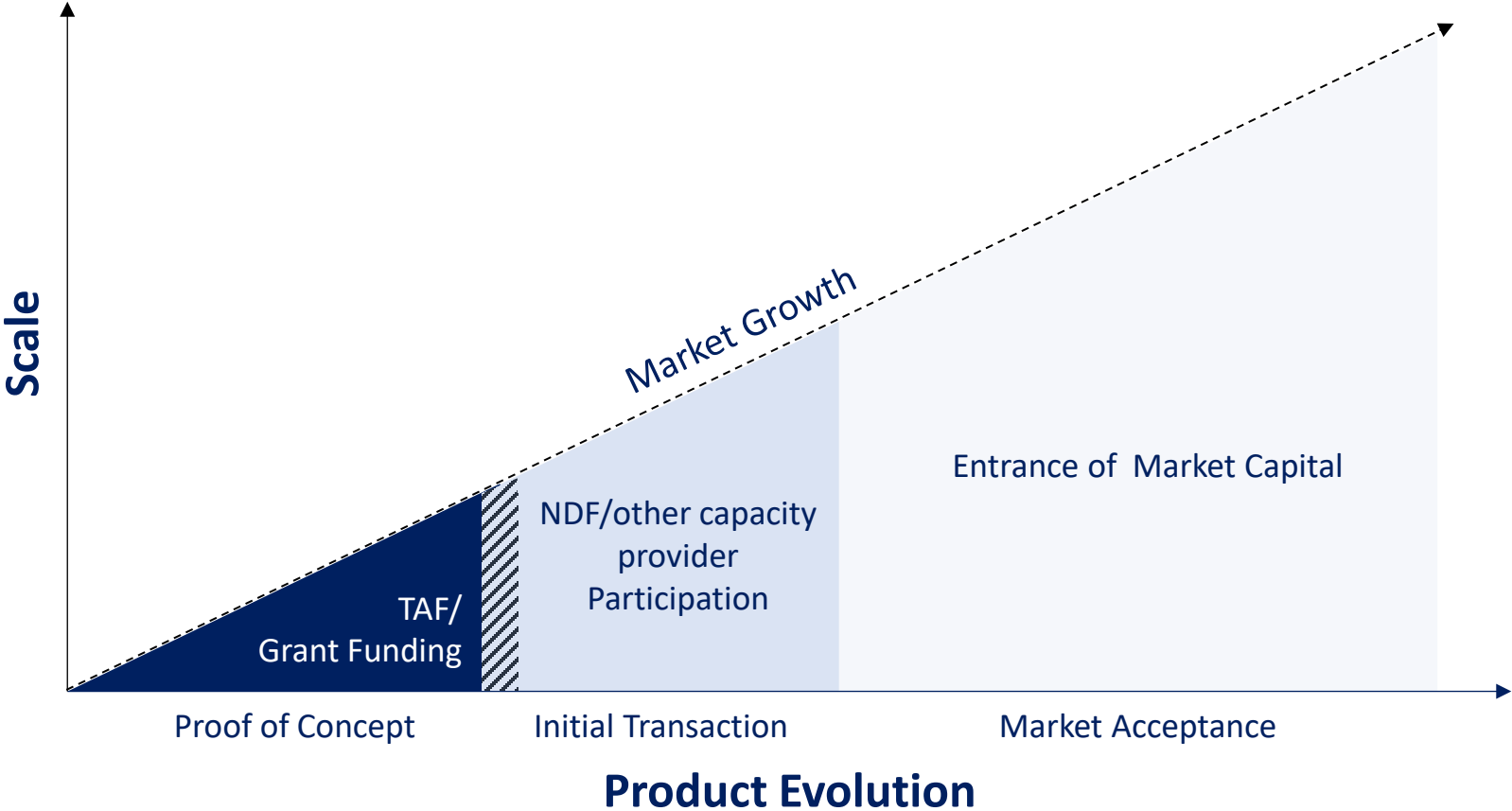
For this reason, the NDF:

- Provides risk capacity in markets where private risk capacity is not readily and reliably available.
- Offers the structuring of parametric risk transfer products for development institutions and other risk aggregators.
- Delivers capacity building activities to its partners, contributing to the raising of climate insurance awareness among the local end-beneficiaries.

The NDF is a Public Private Partnership to serve risk aggregators



The NDF has a catalytic impact for parametric insurance innovation



The NDF Impact in 2023

41.6M

Total beneficiaries covered

35.7M

Poor and vulnerable beneficiaries

23

Transactions at risk

71

Countries covered

+140%

Capacity deployment vs. 2022

11

Payouts

\$16.5M

Total payouts

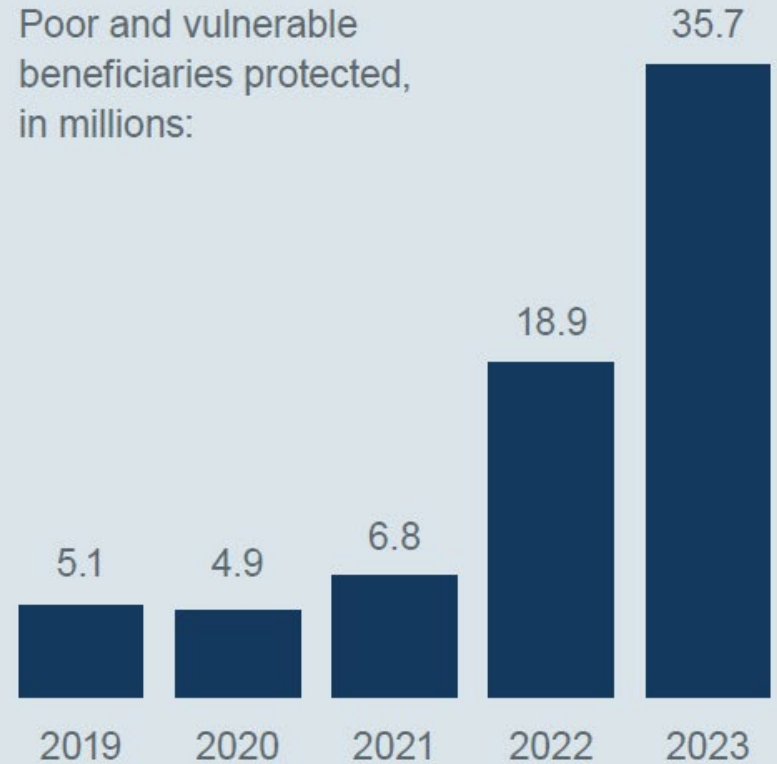
12

TA projects since 2021

\$2.5M

Grants since 2021

Poor and vulnerable beneficiaries protected, in millions:



Download our 2023 Impact Report



Project Example

EXCESS HEAT INSURANCE IN INDIA WITH MAHILA HOUSING TRUST

Climate Risk Insurance

Parametric (excess temperature) Insurance
for women members of credit cooperatives

Gujarat | India | April-July 2024



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About Mahila Housing Trust (MHT)

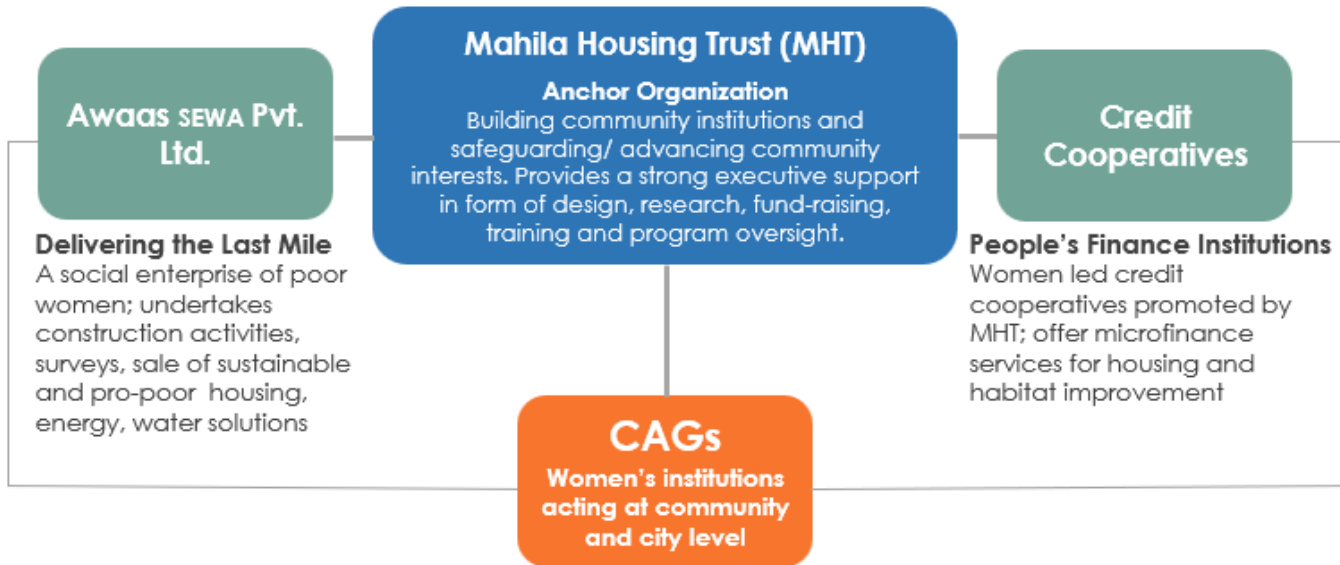


Invests in collectives of grassroots women; advances constructive dialogue with relevant actors; implements solutions towards equitable and responsible urban development

Mahila Housing Trust Supported Institutions



MHT supported Institutions



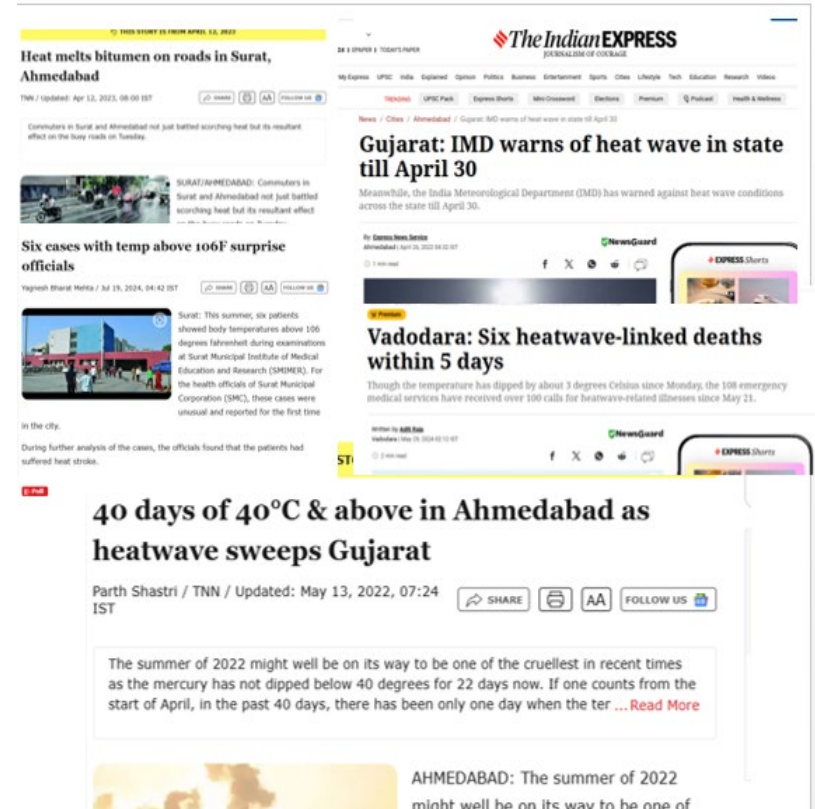
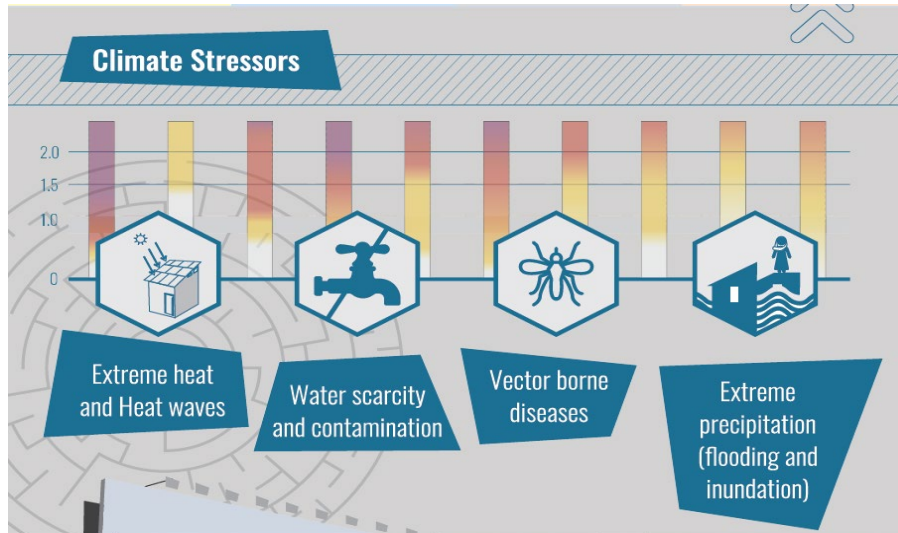
Mahila Housing Trust Informality, Women, and Excess Heat



Identifying a critical need

The informal sector contributes 50% to India's GDP. 90% women in paid jobs are in the informal sector. India had 7.3 million women home-based workers in urban areas, as of 2012.

As of 2020, 35% of India's population (377 million) lived in 310 cities and by 2030, the number of cities will be doubled to 600 and about 45% of the population (600 million) will live in urban centres.



Barriers to Resilience Action



Information
Barriers



Institutional
Barriers



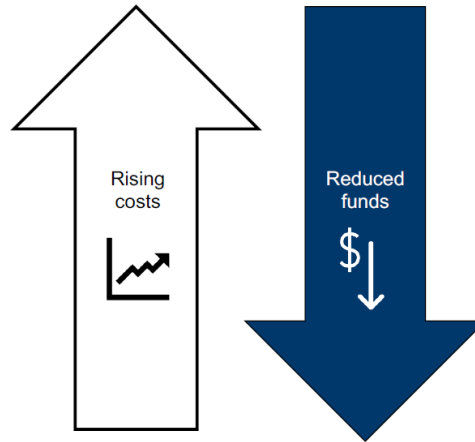
Technology
Barriers



Financial
Barriers

Extreme Urban Heat Vulnerability and resilience opportunities

- Heatwaves events are increasing in frequency and intensity globally.
- Higher exposure and vulnerability for those in densely-built, low-income urban areas with urban heat island effect
- Increased risk of heat stress leading to higher expenses.



- Negative impacts on income generating capacity, business disruptions, e.g. those in home workspace and entrepreneurs.
- Reduced productivity and income/wage loss affects the financial health of the family. Affects loan repayment ability.

Parametric solutions offer a mechanism to protect businesses and individuals in vulnerable contexts and provide economic resilience against effects of catastrophic extreme heat events.



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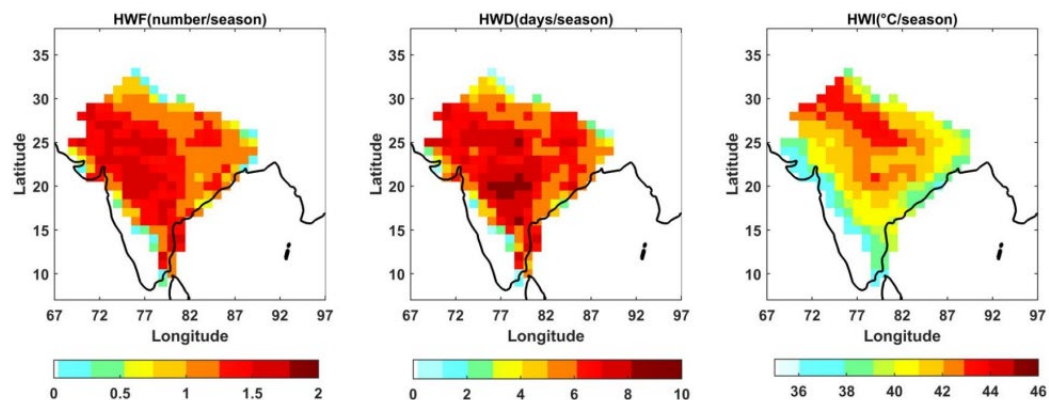
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Heat Wave a natural hazard India Perspective

“Climate Change needs Climate Action, as heat waves are becoming more intense and frequent across the country. Our continuous efforts are towards devising and improving strategies to mitigate the adverse impact of heat waves, particularly upon the poor and disadvantaged sections of the society”.

Shri Narendra Modi, Prime Minister of India, in his address to NDMA, 2019.



Mahila Housing Trust in partnership with Howden, Global Parametrics, Natural Disaster Fund and Go Digit General Insurance launched first-of-its-kind Climate Risk Insurance (CRI) specifically designed to protect women in the informal sector from the devastating impacts of extreme heat waves. In its first phase, it covered 26,000 working women/micropreneurs hailing from low-income households in Ahmedabad, Baroda and Surat districts of Gujarat (NW India).



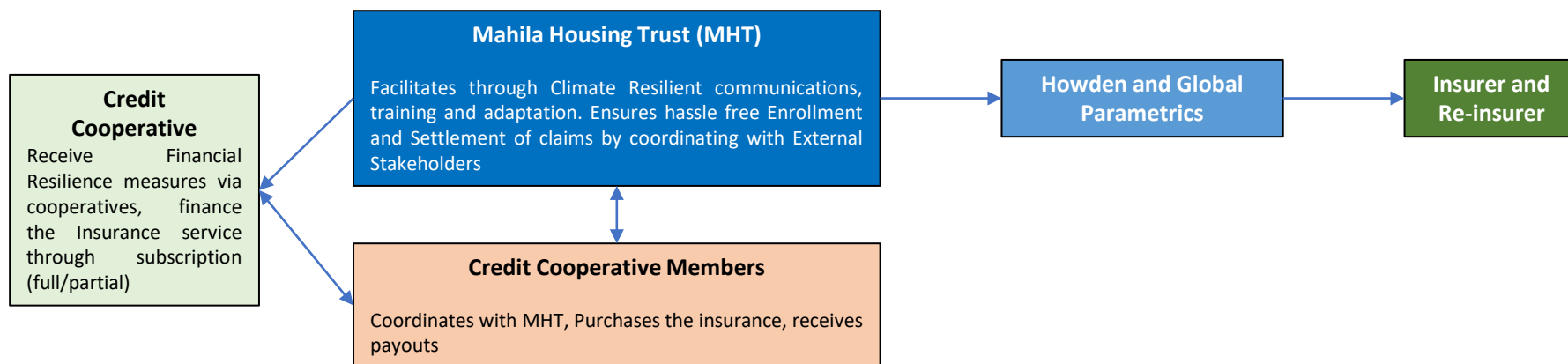
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Climate Risk Insurance Risk transfer product framework



- MHT coordinated with Global Parametrics & Howden to develop Climate Risk Insurance Coverage to identified group of female micropreneurs
- MHT also ensured proper training & awareness programs in sync with Credit Cooperatives and helps in ensuring the subscription/enrolment by Women Beneficiaries
- Howden and Global Parametric designed the Coverage structure by identified the appropriate Temperature Threshold keeping the nature of outdoor activities and the profile of these beneficiaries. In addition, they also ensure securing proper Reinsurance capacity through reinsurer and a Local Insurance carrier to implement the program.



Climate Risk Insurance Overview, Features and Impact

Overview

- 26,000 families in Western India (a heatwave prone zone), primarily women who are the backbone of their households and local economies
- Integration of various Stakeholders to ensure proper training, enrolment./subscription and implementation of the program throughout the cover period and during claims settlement
- Direct benefit Transfer, payouts directly to be settled in the bank account of beneficiaries

Features

- Coverage provided compensation in case extreme temperature persists two consecutive days
- A Premium of ~INR 300 per member to protect during the entire heat Season i.e. April to July
- Sum Insured equivalent to 2-4 days of wage/earning for respective temperature layers.

Impact on the community

- Financial Security: Provides a safety net, helping families cope with heatwaves and associated costs (e.g., healthcare, electricity etc.)
- Empowerment of Women: Women, often primary caregivers and earners, benefit from financial security that allows them to focus on their health and livelihood.
- Infrastructure Resilience: As families are protected, local economies can better withstand the impacts of climate change.



Excess temperature cover | Product Design | Learnings

- 2-year product development process
 - Mutual learning journey for all parties
 - Meso structure with Micro impact
 - Market vs solidarity based
 - Index and Database
 - Dual Trigger
- Drivers of success:
 - Readiness investments: Community Action Groups
 - Education and trust building
 - Premium Support
 - External Advisory



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From Pilot to Expansion the next steps

- Learn from first payout, observe performance of the structure
- Work on continued premium support
- NDF stands ready to provide risk capacity for pilot phase and beyond
- Collaboration with Howden and GP to ensure hassle free expansion of the coverage to broader base.
- Look into different, more catastrophic risk layers



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Discussion

STAKEHOLDER PERSPECTIVES ON THE NDF

Panel Discussion

UNINSURABLE? HOW CAN PUBLICLY SUPPORTED RISK CAPACITY CONTRIBUTE TO CLOSE THE PROTECTION GAP?

Natural Disaster Fund

An aerial photograph of a tropical island. The water is a vibrant turquoise color, transitioning to a deeper blue further out. The island is densely covered with palm trees and other tropical vegetation. Several small, simple houses with light-colored roofs are scattered across the land. A narrow path or road winds through the trees. In the foreground, a small, sandy beach area is visible, with a few people standing near the water's edge. The overall scene is peaceful and idyllic.

Kay Tuschen

Head Climate Resilience Solutions, CelsiusPro
kay.tuschen@celsiuspro.com