



The Insurance Development Forum (IDF) and its Sovereign Insurance Projects with Social Protection

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Agenda

I. Introduction to the IDF

II. The IDF-BMZ-UNDP Tripartite Programme

III. The Tripartite Mexico Project

The Protection Gap

\$ 163 bn

2023 INSURANCE PROTECTION GAP for NATURAL DISASTERS
– The difference between Global Economic Losses (USD 280 bn) and Insured Losses (117 bn).

Emerging economies account for a majority of this.

Swiss Re, 2024.

1%

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

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

\$ 4 tn

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

The role of insurance – How the IDF helps



Resilience

Communities with a higher insurance penetration **recover about 12 months faster on average**, than those without insurance protection. **Every 1% increase in insurance penetration reduces recovery times by further 6 months.** *

Adaptation

Policies that enable ***Building Back Better*** help drive adaptation.

Efficiency

A 1% increase in insurance penetration results in a **22% reduction** in taxpayer disaster recovery burden**

How the IDF helps

Central access to insurance industry

experts on risk modelling, underwriting, claims and other insurance capabilities, from its industry members.

Experience in **driving effective public-private programmes, with sound governance**, delivering **country-led results**.

USD 5 billion of underwriting risk capacity pledged by the IDF insurance industry members to tackle climate and disaster risks.

* ² Study conducted by the Cambridge Centre for Risk Studies (CCRS) in collaboration with AXA XL

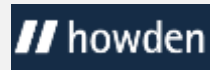
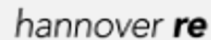
*Lloyd's Global Underinsurance Report 2012

The Insurance Development Forum

Steering Committee Member Organisations



The IDF Steering Committee gathers industry leaders, UN agency leaders, international institutions and others and is accountable for the overall strategy and direction of the IDF.



IDF Structure – A Balanced PPP



Steering Committee

Chair: Michel M. Liès, Chairman Zurich Insurance Group

Co-Chairs: Achim Steiner, Administrator, UNDP
Hiroshi Matano, CEO MIGA, World Bank

Operating Committee

Chair: Rowan Douglas, Howden

Co-Chairs: Ivo Menzinger, Swiss Re
Jan Kellet, UNDP
Olivier Mahul, World Bank

Working Groups – 200+ experts from more than 30 organizations

- Risk Modelling
Steering Group/
RMSG
- Legal, Regulatory
& Resilience
Policies/ LRRP
- Sovereign &
Humanitarian
Solutions / SHS
- Inclusive
Insurance
- Infrastructure
Task Force
- DRR
Task Force

Legal entity: Insurance Development Forum Limited

Secretariat

What differentiates the IDF?



A Focus on Implementation – Engagement – Advocacy

- **Goal:** Contributing to providing climate risk insurance for 500 million more vulnerable people by 2025, aligned to the G7 and G20 InsuResilience Vision 2025, to provide protection against climate and other disaster shocks with pre-arranged risk finance and insurance mechanisms.
- **Strategy:** To use insurance and risk management capabilities to enhance adaptation and resilience to address the effects of climate change and help achieve the objectives of the Sustainable Development Goals and related UN Agreements such as the Sendai framework, the Paris Agreement and others.
- **Guiding operating principles:** To be open, participatory, inclusive and transparent.

Sovereign & Humanitarian Solutions Working Group (SHS WG)



Co-Chairs: AXA, Swiss Re, Centre for Disaster Protection, UNDP

- Transaction focused.
- Oversees a portfolio of advisory engagements for national, regional and city governments.
- Initiated engagement on DRR and with humanitarians.
- Also provides expertise to other public/ private parties.
- Promotes collaboration with other IDF Working Groups.



IDF Practical Guide to
Insuring Public Assets

Inclusive Insurance Working Group (IIWG)




Co-Chairs: AXA Emerging Consumers, Global Shield Secretariat, MiN

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.



Inclusive Insurance country workshops

A truly consultative process that gives voice to local players

 **More than 500 participants** reached in Indonesia*, Kenya, Senegal, and the Philippines

** virtual*

Supported by:



From design to implementation

Kenya Country Taskforce established by the national Supervisor in 2023

Priority areas:

- ✓ Insurance education
- ✓ Smallholder farmers
- ✓ MSMEs
- ✓ Climate-related risks



Recap of activities

Market-driven country roadmaps

Public sources featuring workshops outputs and country roadmaps encompassing initiatives for technical assistance, regulation, insurance education, reinsurance, smallholder farmers, MSMEs, small-scale fisheries and others



Supported by:



Insurance &
Risk Finance
Facility



Risk Modelling Steering Group



Co-Chairs: RenRe, UNDRR, Convex

The Risk Modelling Steering Group (RMSG) is dedicated to improving global risk insight for public good through the use, development and open sharing of the re/insurance sector's risk analytics capability



What is the Global Risk Modelling Alliance (GRMA) idea?



A unique technical assistance programme applying re/insurance risk knowledge and resources for public good.

Driven by public sector demand, the GRMA builds local expertise and empowers communities to become more climate and disaster-resilient.

The GRMA team works side by side with local officials and experts in ministries, departments, agencies and mayoral offices, to **co-develop and enhance access to climate and disaster risk insight**, using open data standards and best practices.

GRMA partners



Initiated by



Funded by



Hosted by



Managed by



Supported by IDF member companies:



Three elements of the GRMA

- Public and private sector expertise
- Co-defined risk projects
- Commissioning & advice for model development
- Capability development



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

- Designed for risk finance
- Open source, open data standards
- A community of model providers

Principles of the GRMA

AUTONOMY

Countries lead and manage strategies appropriate to their needs and create their own view of risk.

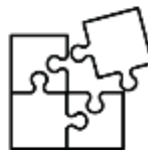


LOCAL KNOWLEDGE

Countries' risk insights are built on local knowledge, expertise and lived experience.

PARTNERSHIPS

To integrate local understanding with insights provided by global partners.



MULTI-SECTOR

Private sector risk analytics capability and finance combined with public sector programmes.

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IDF SHS – Tripartite Agreement Programme



Goal: To scale-up and accelerate the implementation of risk financing solutions to increase sub/sovereigns' resilience to climate risks, as part of global resilience and adaptation ambitions.



UNDP:

- Geneva, regional & local offices
- 100 officials
- Coordination & convening in support of IDF industry work
- Enabling environment:
 - Governance
 - Capacity building
 - Integration of risk finance into critical development processes

Commitment:

Technical assistance
&
risk financing solutions
for
20 climate-vulnerable
countries
by 2025.

20 IDF industry members / 100 experts:

- 1 Understanding risk
- 2 Solution structuring
- 3 Legal and regulation
- 4 Claims excellence
- 5 Capacity building

IDF SHS – Tripartite Country Project Status



Engaging with gov.

1. Bangladesh
2. Egypt
3. Ethiopia
4. Madagascar
5. Mozambique
6. Pakistan
7. Thailand



Preparing Concept Note (1st Applic.)

8. Nepal



Preparing FP for a Grant Agreement

9. Vietnam (approved)
10. Ecuador (approved)
11. Dominican Rep. (approved)
12. Tanzania (Feasibility Study)



In implementation

13. Argentina
14. Colombia I (*completed, will apply for premium*)
15. Colombia II (in review)
16. Ghana
17. Mexico
18. Nigeria
19. Peru
20. Uzbekistan

CN = Concept Note FP = Full Proposal

Based on local needs + insights:

- Co-selection with govt. of risks to be addressed; co-defined projects
- Involvement of local insurers, regulators, researchers, academia, etc.

Innovative and educative:

- Use of both indemnity and parametric solutions
- Involvement of insur-tech companies
- Inclusion of capacity building and open-source models

IDF SHS – Tripartite Programme: Strengths / Challenges

For Governments	For Donors	For Re/Insurers
Strengths		
<ul style="list-style-type: none"> • Broad view of risk (at least two industry companies in each project) • Global expertise combined with local input and data • Protection of national budgets as premium expense can be planned in advance 	<ul style="list-style-type: none"> • Direct access to insurance expertise at scale, in a transparent manner • Programmatic approach increases efficiency and reduces friction costs 	<ul style="list-style-type: none"> • Programmatic approach ensures long-term commitment and greater understanding of risk and subsequently better products • Market opening • Shared learning
Challenges		
<ul style="list-style-type: none"> • Data • Debt levels • Premium affordability 	<ul style="list-style-type: none"> • Political Instability • Economic constraints; debt levels • Lead time to develop governments' trust in the private sector 	

Tripartite Agreement Programme

The Tripartite Mexico Project

An Agriculture Product with Shock Responsive Social Protection

Tripartite Agreement Programme **MEXICO**

An Agriculture Product with Shock Responsive Social Protection

Project Participants:

Government side:

- Ministry of Finance
- AGROASEMEX and SADER

IDF side – UNDP:

- UNDP Mexico Office team
- UNDP Insurance & Risk Finance Facility (IRFF) team

IDF side – Insurance Industry:

- AXA: Project Co-Lead & last-mile distribution design
- Guy Carpenter (Head Office): Project Co- Lead
- Munich Re: Project Member
- Swiss Re: Project Member

Technology partner:

- Raincoat: Developed back-end and front-end interphases to facilitate portfolio management & last-mile delivery models

The Beneficiaries:

10,000 in 2022 pilot stage (11 municipalities), 220,000 in national level roll out in 2023* (240 municipalities) in Oaxaca, Tabasco and Chiapas.

PILOT:

Two loss events: Cintalapa and Centla

1,246 affected with minimum payout
and 184 affected with medium payout

Tripartite Country: **MEXICO**

INDUSTRY-LED RISK-TRANSFER (RT) PROJECT

Focus:

- Reduce the protection gap of climate change-related risks
- **Fast pay-outs directly to vulnerable smallholder farmers**
- **Effective implementation** through technology and field presence
- **Local insurance market development**
- **Strong collaboration** with Ministry of Finance and Ministry of Agriculture & State-owned agriculture company (Agroasemex)

Risk Transfer Solution: Sovereign parametric Agriculture Insurance Program

Hazards: Excess of rain and drought

Key elements of the Agriculture solution:

- The IT tool successfully facilitated enrollment, using a simple process, which also communicated with the Insurer and amounted to an average time of 2 min. per enrollment.
- As a result of Hurricane Agatha, there was an opportunity to truly test the claims process. This was overall effective although some improvements are now being implemented.

Key social dimensions:

Gender & inclusion lens across the project:

- Materials, processes and messages designed for inclusion (36% women, 37% >60 years old, 9% indigenous communities from registry)
- High participation of women in field staff members (49%).
- Adapted eligibility criteria to allow women to enrol their husbands.
- All project staff went through a gender and inclusion training (63 field staff)
- Training and support material in indigenous languages (otomi, nahuatl)

Last mile model design and implementation

- High level of participation (94% of registry enrolled)
- 3 waves of capillarity: 80% enrolled in town centres, 15% enrolled in “satellite communities” and 5% enrolled door to door.
- Enrolment via off-line application, protecting farmers data and capturing additional info (mobile phone, photo proof of enrolment).
- Awareness sessions explaining the insurance coverage, triggers and basis risk.

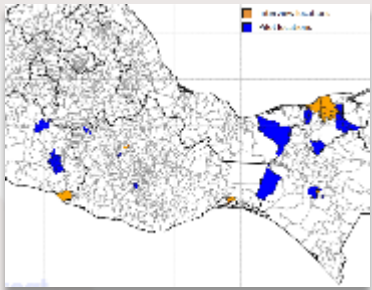
UNDP-LED WORK WITH GOVERNMENT

Focus:

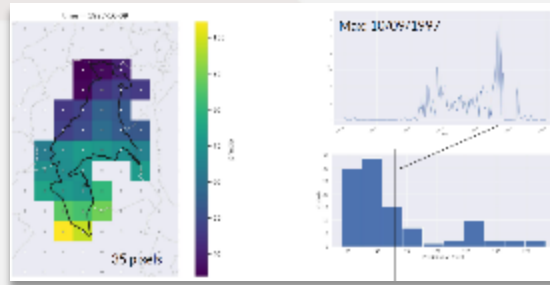
- Project escalation and continuity by its alignment to a sustainable development approach and the lobbying with national decision-makers.
- Capacity building for sustainable agriculture practices and associated financial mechanisms.

Insurance product | a parametric excess rain and drought coverage designed to mitigate risks and provide fast payout

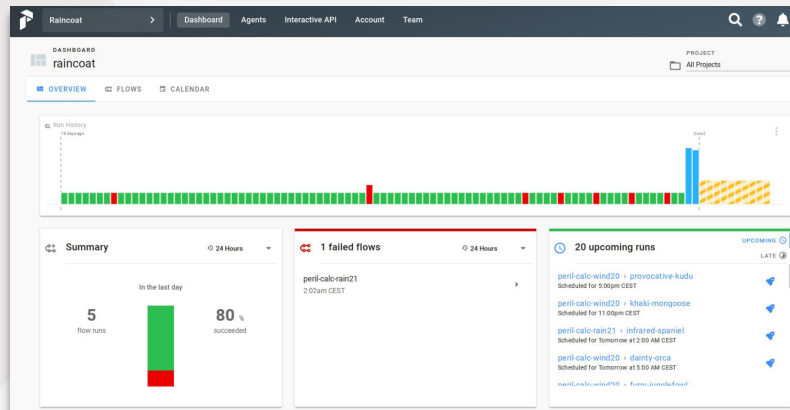
Precipitation based triggers for drought and excess rain



Municipalities identified



Triggers to be determined at kernel level

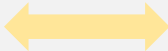
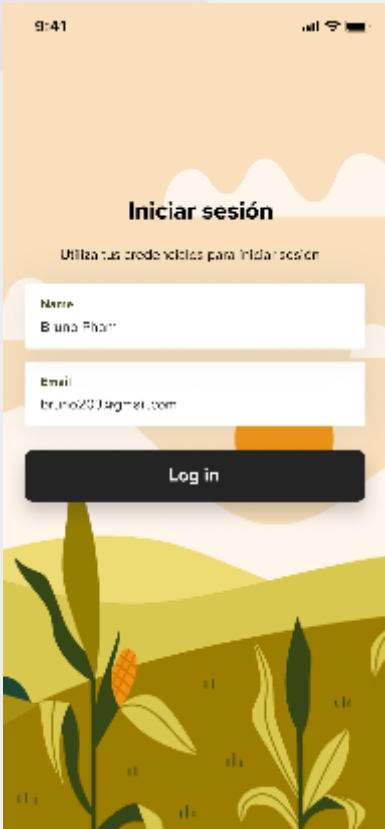
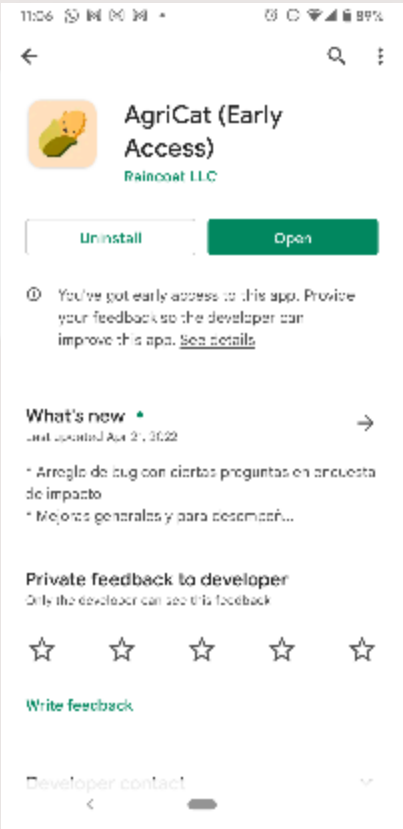


Automatic monitoring via Raincoat

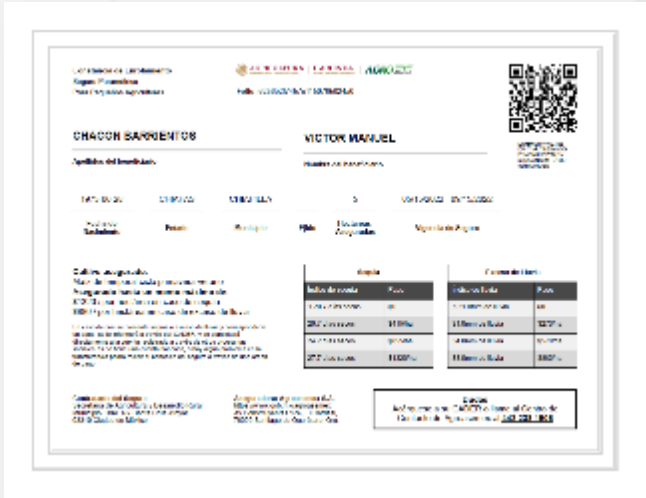
Product characteristics

1. Settled on CHIRPS data (higher resolution + shorter publication time)
2. Grid selection for index based on municipality or farmer location (when available) already loaded on Raincoat platform
3. Consideration of an aggregation period to more accurately reproduce damages caused by rainfall events
4. Stepwise payout function to mitigate basis risk
5. Determination of attachment and exhaustion points to approximate historic RoL metrics
6. Total sum insured per Ha of ~ 100 USD (max payout of ~500 USD per farmer)
7. Data correlation analysis between CHIRPS, CONAGUA and ERA5. CHIRPS was the selected dataset for the pilot test.

Enrollment App | designed to efficiently enroll the final beneficiaries of the developed risk transfer solution



Certificates generated using SADER database.

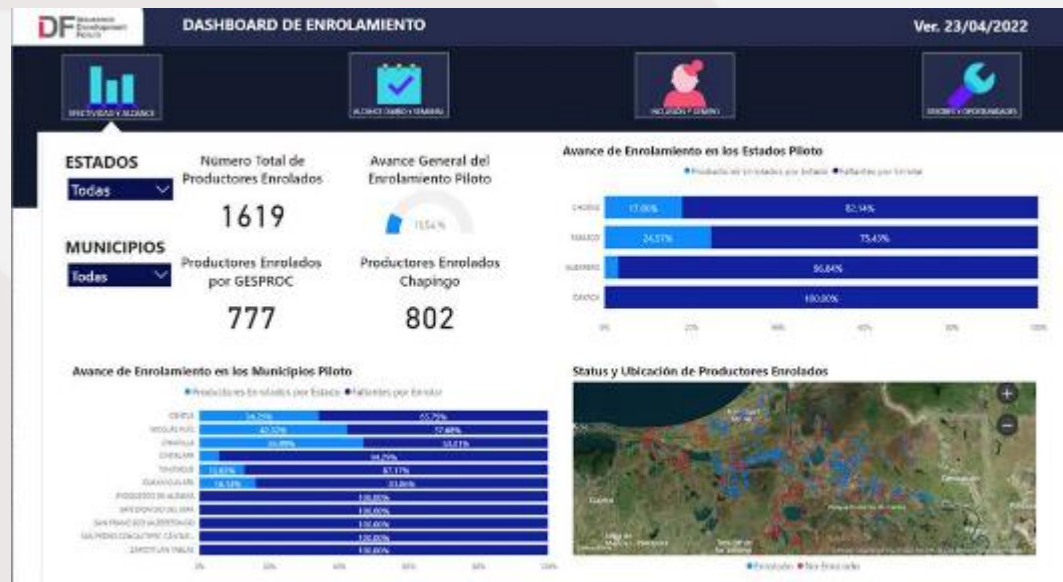


The information is encrypted on the device.

Enrollment Process | Massive events on the field and one-on-one approaches enabled by technology





Enrolment Dashboards | Designed to measure the performance of the pilot test in real time



IDF LRRP Working Group Engagement with Supervisors



 **More than 100 Supervisors** reached in the 2023 workshop series dedicated to insurance supervisors from emerging markets and developing economies introducing the use of catastrophe risk models for supervisory purposes.

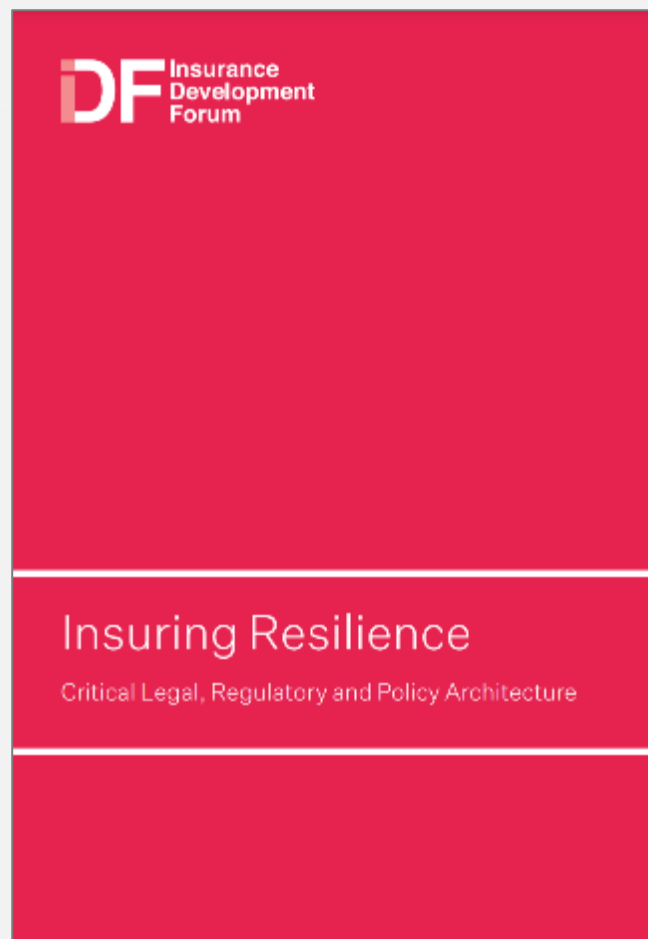
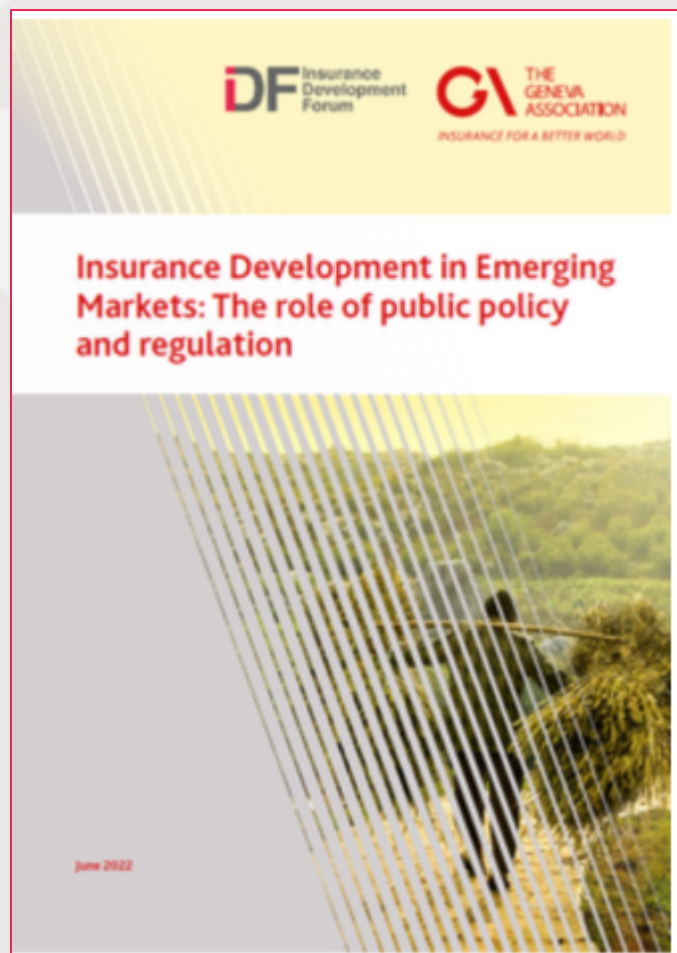
 **Assistance to International Association of Insurance Supervisors (IAIS)** Infrastructure Task Force in its consideration of the need for differentiated capital standards for certain infrastructure investments.

 **Country workshops** (see IIWG)



IDF LRRP Working Group

Sample Reports and Papers



Thank You.

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