



# THE (RE)INSURANCE INDUSTRY ROLES IN THE INTEGRATION OF NATURE-BASED SOLUTIONS (NBS) FOR PREVENTION IN DISASTER RISK REDUCTION (DRR)

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# Outline

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- ❑ Introduction
- ❑ Climate Change Risk to insurance Sector
- ❑ Reinsurance Industry's Climate change challenges.
- ❑ Reinsurance Industry's contribution to Eco-Disaster Risk Reduction (Eco-DRR).
- ❑ Reinsurance Industry's roles in supporting Eco-Disaster Risk Reduction.
- ❑ Conclusion

# Introduction

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- Insurance business is based on risk transfer mechanism
- When Insurance firms secure their assets, it is called reinsurance.



- Nature-Based solutions is the act of addressing a variety of environmental, social and economic challenges in sustainable ways, concurrently providing biodiversity benefits

# Climate Change Risk to Insurance Sector

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## ❑ **Three (3) distinct types;**

### ❑ **Physical risk**

Elements such as temperature changes, drought or extreme weather events.

### ❑ **Transitional risk**

Government and regulatory efforts to reduce physical changes which may include laws on carbon emissions etc.

### ❑ **Underwriting risk**

It can come in both Acute and Chronic form depending on the Frequency and Severity of the risk

# Climate change challenges

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- ❑ **Three (3) categories of Climate Change risk being integrated in the Insurance Industry scenarios**
  - ❑ Challenge for affordable insurance
  - ❑ Challenge for risk modelling
  - ❑ Potential opportunity to generate a range of innovative services
- ❑ **Challenge for affordable Insurance**
  - ❑ Internal research is ongoing to assess climate change impacts in combination with increasing exposure of assets and geographical concentration of wealth.

# Climate change challenges (Cont..)

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## ❑ **Challenge for risk modelling**

While some companies are relying on the development of in-house models using historical data, others are relying on models developed by private consulting companies.



## ❑ **Potential opportunity to generate a range of innovative services**

Sharing improved risk management expertise could help in addressing future physical risks and increase the knowledge on climate change potential impacts on institutional investments.

# (Re)Insurance Industry Contribution

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## Industry Contribution to Eco-Disaster Risk Reduction

- The insurance industry is moving to an early phase of the DRR cycle.
- The industry giants are presently coming together to look into their portfolios to limit the global warming to 2 degrees or less.
- For better risk management practices, healthy insurance product propositions have been made as an incentive based mechanism.
- By proffering several Eco-DRR covers, it is expected to deal with the heightened risk inherent in Climate change.

# Re(Insurance) Industry roles

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## Four (4) key industry roles for tackling the climate change

- ❑ Reinsurance as Investors.
- ❑ Reinsurance as partners
- ❑ Reinsurance as innovators
- ❑ Reinsurance as providers



## Addressing the roles

- ❑ Provision of financial development for Nature Based Solutions (NBS).



# (Re)Insurance Industry roles (Cont..)

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- ❑ Decreasing risk through diversification as a loss prevention mechanism.
- ❑ Subsidizing premium rates and sensitization of policy
- ❑ Instigating confidence in the minds of Reinsurance investors to put more finances towards NBS.
- ❑ Building up societies' resilience before and after a disaster
- ❑ Collaborations with needed institutions for loss prevention mechanisms
- ❑ Alignment of innovative tools to CCA and DRR objectives
- ❑ Prevention-advisor to help limit disaster impacts.
- ❑ Reduction of policy coverage cost.

# Conclusion

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- ❑ The Reinsurance industry is a major player for DRR
- ❑ The industry is in the mainstreaming of NBS as a useful and veritable tool towards the integration of DRR.
- ❑ High potentials are inherent to deliver knowledge and technologies through partnerships with major players.
- ❑ Mitigation of Natural disaster losses through New insurance products and services are been put in place
- ❑ Data that supports NBS can achieve objective forecasting.
- ❑ Development of new investment strategies through clear demonstration of the DRR benefits will instigate natural infrastructure solutions.

# Thank you!

