Insurers address urgent need for climate action in Asia

Dhaka, Bangladesh - 5 November 2019 Climate change and extreme weather events are exposing the poorest and most vulnerable to risk as never before. Delegates at the 15th International Conference on Inclusive Insurance 'Coping with Climate Risk', which kicked off today [5 November 2019] in Dhaka, Bangladesh were cautioned however, that despite staunch international humanitarian support being poured into bridging the protection gap through climate and disaster risk insurance, more must be done at the public and private sector levels to ensure sustainable solutions for millions of uninsured households and small businesses, who are dangerously exposed and prone to catastrophic losses.

Bangladesh is one of the most vulnerable countries in the world to the impact of climate change. Rising sea levels and shifting rainfall patterns cause crop losses and cyclones are becoming more devastating and more frequent: already, an average of 300,000 houses in Bangladesh are destroyed each year¹.

“Microinsurance is the best mechanism to bring the economically vulnerable people of the informal economy of a country under the insurance safety and security net and hence make them more resilient and strong.” said Mr. Sheikh Kabir Hossain, President of the Bangladesh Insurance Association (BIA). “Affordable, simple and innovative microinsurance products can provide succour and strengthen the poor to face the risks of climate change. To make the microinsurance mechanism effective, insurance companies should work jointly with all alternative distribution channels, namely microfinance institutions, banks, co-operatives, mobile phone operators and digital companies.”

The climate and disaster risk insurance (CDRI) landscape study, undertaken by InsuResilience Global Partnership, with support from GIZ Regulatory Framework Promotion of Pro-poor Insurance Markets in Asia (RFPI Asia) looked at 22 countries in the Asia-Pacific region. Initial insights and analysis of the study estimate that over the last six years about US$ 5 billion have been allocated for ex-ante disaster risk finance, which includes contingency funds and reserves together with ex-post instruments, such as national budgetary allocations and re-allocations. Depending on the type of risks that occur, the use of ex-ante disaster risk instruments, such as contingent funds, contingent credit lines and risk transfer increases post-disaster financial capacity, as these enable fast liquidity after an event. The study estimates that in the same period about US$ 9 billion was received in international aid to address post-disaster management. However, shrinking international aid efforts are threatening post-disaster relief. Practical experiences stated in a guidance note by the World Bank and Asian Development Bank² emphasise that putting ex-ante instruments in place, in combination with ex-post disaster relief, smooths disaster-related costs over time and can lead to better planning and processes for post-disaster expenditures at governmental level.

At individual level, agricultural insurance is the most common form of disaster risk solution in the region and is predominantly driven by private insurers in these markets, through the support of international donors and funding. The study showed that between 2015 and 2018, nine such pilot schemes were founded. However, despite these efforts the combined outreach of these pilot schemes was limited to 95,000 farmers, amounting to a total of US$ 1.3 million in collected premiums.

¹ https://undp-adaptation.exposure.co/bracing-for-climate-change-in-bangladesh
The analysis also found six programmes that offer disaster insurance coverage – one in Bangladesh (index-based flood insurance); one in Indonesia (index-based earthquake insurance); one in India (index-based flood insurance); and three in the Philippines (two indemnity-based, credit-bundled products and one product targeting MSMEs) – but these programmes are also still limited in outreach.

“Disasters like the recent Hurricane Dorian show the importance of building resilience against weather-related disasters,” said Dirk Reinhard, Vice Chairman of the Munich Re Foundation, co-organiser of the conference. “Insurance supplemented by disaster prevention measures play an important role for sustainable economic development. However, appropriate insurance solutions against climate risks are still not available for the most part. This conference aims at being an eye-opener for governments, insurers, donors and regulators to increase their efforts and not only develop appropriate insurance solutions, but also educate customers on what insurance can and cannot do, strengthen capacity building and learning to apply technological solutions that are key to reducing costs, as well as strengthen distribution channels.”

The analysis emphasises the need for a tailor-made and country-specific comprehensive disaster risk finance and insurance strategy and its integration into the larger disaster risk management framework. This reduces the human impacts of climate and disaster risk and prepares countries better for enabling more timely and reliable post-disaster response.

Dr. Astrid Zwick, Head of InsuResilience Secretariat added, “The need to bring together global expertise and converge action on adaptation for a resilient future is more urgent than ever before. The InsuResilience Global Partnership has set the ambitious Vision 2025: to shape a unique platform that pushes for a substantial scale-up in the use of pre-arranged risk finance and insurance mechanisms, embedded within comprehensive disaster risk management, and complementing broader resilience and adaptation efforts. With a renewed focus on impact, it takes on a people-centred and needs-based approach to the design and implementation of financial solutions for climate and disaster risk.”

Insurance has an important role to play in mitigating some of these impacts, and in avoiding a reversal in the impressive gains made over the last 20 years. The insurance sector in Bangladesh is small, even by emerging Asian standards. According to Milliman, life insurance penetration represents approximately 0.4% of GDP only³.

“It is critical to improve access to responsible insurance by vulnerable households. We are proud to be launching our Landscape Study on Africa at the Conference, and pleased that in 2020, we will have the opportunity to focus on uptake of microinsurance in Bangladesh, along with other countries in Emerging Asia, Africa and Latin America and the Caribbean,” said Katharine Pulvermacher, Executive Director of Microinsurance Network, co-organiser of the conference. “The Landscape Studies provide a unique benchmark for tracking inclusive insurance trends and driving market development. We trust that this will, indeed, along with the 15th International Conference on Inclusive Insurance, assist as a catalyst for the inclusive insurance market in Bangladesh.”

Over 500 inclusive insurance experts from over 40 countries are expected in Dhaka for the 15th International Conference on Inclusive Insurance from 5-7 November 2019.

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³http://assets.milliman.com/ektron/Asia_e-Alert_Bangladesh_20190917.pdf
About the 15th International Conference on Inclusive Insurance #15thIMC

The 15th International Conference on Inclusive Insurance “Coping with Climate Risk” will take place in Dhaka, Bangladesh from 5-7 November 2019. Over 500 experts from around the world will discuss and identify ways of accelerating growth and economic viability in inclusive insurance for emerging markets. The conference will be hosted by the Bangladesh Insurance Association (BIA), in cooperation with the Munich Re Foundation and the Microinsurance Network.

About the Microinsurance Network

A not-for-profit membership-based association, the Microinsurance Network is driven by its vision of a world where people of all income levels are more resilient and less vulnerable to daily and catastrophic risks through improved access to effective risk management tools. Low-income consumers lie at the heart of our mission. We work with a broad range of stakeholders around the world to prioritise the needs, interests and well-being of our ultimate beneficiaries.

About the Bangladesh Insurance Association

Bangladesh Insurance Association (BIA) is a non-Profit organisation created with the vision of protecting and promoting the critical role of the insurance industry and enhancing its members’ interest for the development of the organisation. It is an association of all the insurance companies of Bangladesh, which prioritises the interest and need of the beneficiaries and is also committed to the development of the insurance sector. The main focus of BIA is to advocate for an optimistic legislative and regulatory environment, to augment business and professional skills and to uphold the ethical conduct of its members.

About the Munich Re Foundation

Munich Re has been handling global risks since 1880. Today, it possesses expertise and know-how in all fields of competence connected with the subject of risk. Acting responsibly means sharing that knowledge. The Munich Re Foundation enables Munich Re to fulfil this responsibility. People are ultimately at the core of what the foundation’s work is all about. The foundation’s task is to minimise the risks to which they are exposed. It clarifies issues and provides support, also in developing countries.

About the InsuResilience Global Partnership

The InsuResilience Global Partnership for Climate and Disaster Risk Finance and Insurance Solutions was launched at the 2017 UN Climate Conference in Bonn. Since its launch, more than 70 members have joined the Partnership. The Partnership aims to strengthen the resilience of developing countries and protect the lives and livelihoods of poor and vulnerable people against the impacts of disasters. The central objective of the Partnership is to enable more timely and reliable post-disaster response and to better prepare for climate and disaster risk through the use of climate and disaster risk finance and insurance solutions, reducing humanitarian impacts, helping poor and vulnerable people recover more quickly, increasing local adaptive capacity and strengthening local resilience. This complements ongoing efforts in countries to avert, minimise and address climate and disaster risks.
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