InsuResilience
GlobalPartnership

Annual Report 2018

Working toward a Climate-Resilient Future

Our Members and Partners

61 members from different fields have joined the InsuResilience Global Partnership (as of December 2018).

12 Countries

15 Private-Sector Organizations

11 Multilateral Institutions

9 Civil Society Institutions

5 Academic Institutions

5 Implementing Partners

4 Initiatives & Networks

Annual Report 2018

Working toward a Climate-Resilient Future

List of Abbreviations and Terms

A2ii	Access to Insurance Initiative
A2R	UN Climate Resilience Initiative A2R: Anticipate, Absorb, Reshape
ARC	African Risk Capacity
BMZ	German Federal Ministry for Economic Cooperation and Development
CAH	Crédito Agrícola de Habilitación
CDRFI	Climate and Disaster Risk Finance and Insurance
CGDP	Centre for Global Disaster Protection
CNAAS	Compagnie Nationale d'Assurance Agricole du Sénégal
COP	Conference of the Parties to the UNFCCC
CRFIP	Climate Risk Financing and Insurance Program
DFID	United Kingdom's Department for International Development
FDRM	Financial Disaster Risk Management
GFDRR	Global Facility for Disaster Reduction and Recovery
GIIF	Green Innovation and Investment Forum
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
GRiF	Global Risk Financing Facility
G7	Group of Seven
G20	Group of Twenty
HLCG	High-Level Consultative Group
IDF	Insurance Development Forum
IMF	International Monetary Fund
IIF	InsuResilience Investment Fund
IPCC	Intergovernmental Panel on Climate Change
ISF	InsuResilience Solutions Fund
KfW	The German Development Bank (Kreditanstalt für Wiederaufbau)
MCII	Munich Climate Insurance Initiative
MDTF	Multi Donor Trust Fund
NITF	National Insurance Trust Fund
NNDIS	National Natural Disaster Insurance Scheme
ODA	Official Development Assistance
PCRAFI	Pacific Catastrophe Risk Assessment and Financing Initiative
PCRIC	Pacific Catastrophe Risk Insurance Company
PIC	Pacific Island Countries
PPP	Public Private Partnership
PROCADENAS	Promotion of a Diversified and Sustainable Livestock Production
R4	Rural Resilience Initiative
SICL	SANASA Insurance Company
TA	Technical Assistance
TC	Tropical Cyclone
UNFCCC	United Nations Framework Convention on Climate Change
UNSG	United Nations Secretary-General
UNU EHS	United Nations University's Institute for Environment and Human Security
V20	Vulnerable 20
VFI	VisionFund International
VMG	Vice Ministry of Livestock (Viceministerio de Ganadería)
WB	World Bank
WII	Weather Index Insurance

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Foreword
by the Co-Chairs of the High-Level Consultative Group: Republic of the Marshall Islands

Climate change poses increasing threats for our populations and economies. The recently launched IPCC Report shows that our V20 countries have the most to lose and urgent action is needed.

Earlier this year, at our 2nd V20-G20 Dialogue in Bali, the V20 renewed its commitment to promote ambitious efforts to address climate change and highlighted the InsuResilience Global Partnership as a key platform for collaboration.

The Partnership aims to protect the beating heart of our countries – our people. Our V20 membership spans more than one billion individuals who stand to lose their income, homes, or even lives. More than any other group, the V20 also faces the prospect of increasing costs of capital and economic losses due to climate change.

Going forward, we are committed to the Partnership and to supporting the successful implementation of disaster risk finance instruments, including insurance, to protect our people and create the long-term growth we need to survive and thrive.

Hon. Brenson S. Wase
Minister of Finance of the Republic of the Marshall Islands
and Co-Chair of the High-Level Consultative Group

Foreword
by the Co-Chairs of the High-Level Consultative Group: Germany

Climate change across the world is harming our planet, and its impacts put an additional burden on developing societies and emerging economies. Financial security strengthens resilience of people affected by extreme weather events. This is why G20 and V20 countries jointly launched the InsuResilience Global Partnership for Climate and Disaster Risk Finance and Insurance Solutions at COP23 in 2017.

The Partnership has achieved a lot in its first year. More than 60 governments, international organizations, and partners from the private sector, the world of academia, and civil society have become members of the Global Partnership. 25 solutions for financial security are up and running and implemented in more than 70 countries.

This first Annual Report highlights examples and provides compelling evidence for the value of the Global Partnership's efforts.

Let us continue to deliver solutions for poor and vulnerable people – and thereby contribute to the implementation of the Paris Agreement, the 2030 Agenda, and the Sendai Framework.

Dr. Maria Flachsbarth
Parliamentary State Secretary to the Federal Minister for Economic Cooperation and Development of Germany and Co-Chair of the High-Level Consultative Group

Foreword
by the Civil Society Representatives: Making InsuResilience work for the Poor

The harmful impacts of climate change and increasingly frequent natural disasters disproportionately affect poor and vulnerable populations, reducing their incomes and increasing financial insecurity. Our organizations, along with other civil-society members, are signatories to the InsuResilience Global Partnership as we believe that a multi-stakeholder effort is required to help the poorest and most vulnerable in building resilience to climate shocks and natural disasters. The work and experience of our organizations in Africa, the Middle East, Asia, and Latin America demonstrate that holistic risk-management approaches and solutions are required to reduce exposure to natural-disaster risks, and to better manage their unavoidable impacts on the poor. Insurance products designed for the poor, strengthened social protection systems, and the development of new financing solutions for the most vulnerable are needed to complement ongoing efforts in disaster risk reduction and adaptation. As with all well-designed programs and products, input from those affected by the disasters and benefiting from the changes must be part of any proposed solution.

The establishment of the High-Level Consultative Group creates a new forum of collaboration for the InsuResilience Global Partnership. Since COP23 in 2017, civil society has been collaborating within the Partnership to develop pro-poor principles, promote gender equality, and contribute its experience to the design of programs and new initiatives such as the Global Risk Facility (GRiF). This important groundwork creates a platform from which the Partnership can support the expansion of natural disaster risk-management solutions that benefit those who are most in need of protection. We look forward to representing civil society organizations engaged in the InsuResilience Partnership in support of this objective.

Beth deHamel
Chief Financial Officer,
Mercy Corps

Vitumbiko Chinoko
Advocacy and
Partnerships Coordinator,
CARE South Africa

Our Ambition

2018 was again a year of extreme weather events: Typhoon Mangkhut in South East Asia, Tropical Cyclone Josie in Fiji, the tsunami that followed the devastating earthquake in Sulawesi, Indonesia, and the recent floods that displaced thousands in Nigeria are just a few examples of natural disasters that impacted countries and people. These events demonstrate that there is a need for mechanisms to alleviate the effect they exert on countries and their populations.

The frequency of extreme events will continue to increase as a result of climate change, and low-income countries with a large proportion of poor and vulnerable communities will be disproportionately impacted by their effects. These events represent a threat to global economic stability by undermining the growth of emerging markets and endangering the livelihoods of more than one billion poor and vulnerable people.

At the same time, 2018 was also a year of political initiatives with the goal of helping countries to cope with these disasters. Canada announced the investment of USD 100 million to support the expansion of coverage for climate risk insurance in climate-vulnerable countries at the G7 Summit in Charlevoix. The meeting of the V20 Finance Ministers in Bali highlighted its ambitious efforts to address climate change as an economic and humanitarian risk. The delegates underlined the importance of the InsuResilience Global Partnership as a concrete collaborative initiative between V20 and G20. The World Bank Group, Germany, and the UK launched the USD 145 million Global Risk Financing Facility (GRiF) that will help countries to manage the impacts of climate and disaster shocks. And the latest Special Report on Global Warming of 1.5 °C by the Intergovernmental Panel on Climate Change (IPCC) confirms that even if global warming were limited to 1.5 °C, the world would still experience substantially greater risks than we are currently prepared to cope with and the report put the associated risks in the media spotlight.

Just one year after its inception, the InsuResilience Global Partnership for Climate and Disaster Risk Finance and Insurance ("The Partnership") has brought together more than 60 members from G20 and V20 nations, civil society, international organizations, the private sector, and academia. The Partnership aims to strengthen the resilience of developing countries and to protect the lives and livelihoods of poor and vulnerable people against the impacts of disasters. The Partnership's strategy encompasses a three-pronged approach. Firstly, it aims to amplify the impact of ongoing initiatives. Secondly, it helps to develop new climate and disaster risk finance and insurance solutions. Thirdly, it aims to ensure that these solutions are well integrated within a broader dialogue on disaster risk management, resilience building and humanitarian relief efforts.

Our four country examples in this report come from different geographical regions and are subject to different types of perils. They will present the reader with a variety of solutions at the individual and governmental level.

The increased demand for relief after natural disasters shows that climate and disaster risk finance and insurance solutions are a necessary tool for comprehensive risk-management approaches. 25 programs are supported in 78 countries by the commitments made in the context of the Partnership. About half of the programs are operational and are forecast to reach half of the target beneficiaries by 2020 – a promising perspective. Some of this year's results are already exerting a significant impact. For example, CCRIF, ARC, and PCRAFI represent three regional risk pools in the Caribbean and Central America, Africa, and the Pacific. Over the past year, they provided substantial payouts after some of their member countries were hit by natural disasters.

The Partnership also seeks to develop an open and inclusive global multi-stakeholder community of countries, experts, and practitioners working on achieving financial protection at the political, operational, and strategic level. This community constitutes the Partnership Forum and exchanges experience, generates knowledge, promotes good practice, and raises awareness of risk finance and insurance. Some of these tools are described in the section "What else does the Partnership offer?" at page 44. This section also features Risk Talk, which is our interactive platform developed in collaboration with UNFCCC and the Fiji Clearing House for Risk Transfer. Only half a year after ist launch it already recorded 3500 activities with 350 registered people and hosts a lively conversation on risk finance and insurance topics. Furthermore, in Partnership with the UN Climate Resilience Initiative A2R, the Partnership developed a contest that supports the development and scaling up of two new microinsurance concepts.

All of these components align for the Partnership to ultimately work towards strengthening the following results:

Number of people protected and total risk covered by risk finance and insurance arrangements (building on the InsuResilience goal of facilitating access to climate risk insurance for an **additional 400 million poor and vulnerable people by 2020).**

Number of countries with comprehensive disaster risk finance strategies in place.

Number of countries adopting risk finance and insurance solutions integrated within prevention, preparedness, response and recovery plans that are anchored in a country's systems.

Increased cost-effectiveness / value for money of risk finance and insurance arrangements.

Development / human impact of these risk finance and insurance arrangements through increased resilience to disasters (reduced impact, faster recovery).

Increase in evidence relating to the most effective and most cost-efficient CDRFI solutions.

The Resilience Challenge: Importance of Increasing the Depth of Insurance Markets

The impact of climate change is an issue that we are all too aware of. We have witnessed an unparalleled increase in economic losses in recent years from more intense droughts, heat waves, hurricanes, floods, and other hazards. The number of registered weather-related loss events due to natural hazards has tripled since the 1980s and inflation-adjusted insurance losses from these insured events have increased from an annual average of around USD 10 billion in the 1980's to around USD 55 billion over the past decade[1].

The cumulative losses, however, are not limited to financial and economic aspects. There are also very real human impacts which we should all be concerned about and for which we need to drive forward our action urgently if we are to reach the goals and aspirations of the UN 2030 Agenda for sustainable development. For instance, between August and September 2017, heavy rainfall events flooded South Asia, killing over 1,200 people and displacing at least 2.5 million in Bangladesh, India, and Nepal[2]. During the same period, three devastating hurricanes battered the Caribbean and the United States, killing thousands of people, displacing over 2 million and costing hundreds of billions of dollars in economic losses[3]. These are just a few examples that demonstrate the scale of the losses being experienced.

In this context, the role and importance of risk reduction must be emphasized, and where possible, the underlying risks and associated drivers must be proactively reduced. Insurance and risk-transfer instruments become most effective and efficient when used to address residual risks that cannot be completely eliminated. More intensive risk-reduction efforts alongside risk finance strategies that also focus on expanding insurance markets in emerging economies are urgently needed. Indeed, there is growing evidence that countries with greater penetration of insurance coverage experience faster economic recoveries from disasters and rebuild with greater resilience to future disasters. A 1 % increase in insurance penetration reduces the disaster recovery burden on taxpayers by 22 %[4].

This is significant since, despite positive global economic growth, the global underinsurance gap remains at an unacceptably high level of USD 162.5 billion. Furthermore, this only presents a reduction in the insurance gap of only just over 3 % over the last six years (USD 168 billion in 2012)[5]. This corresponds with a situation in which the insurance penetration rate remains less than 1 % in some of the most populous nations in the world, including Bangladesh, India, Vietnam, the Philippines, Indonesia, Egypt, and Nigeria, all of which are among the countries most exposed to risks associated with climate change.

The issue of climate risk finance and insurance solutions took a prominent role on the agenda of the G7 Elmau summit in 2015 and the G20 summit in Hamburg in 2017. Support was expressed for the creation of a Global Partnership for Climate and Disaster Risk Finance and Insurance Solutions with the central objective of increasing the resilience of the poorest and most vulnerable people.

This led to the birth of the InsuResilience Global Partnership. Its central mandate is to stimulate the creation of effective climate-risk insurance solutions and markets, and the smart use of insurance-related schemes for people and assets at risk in developing countries. The partnership's specific target build on the G7 Initiative of insuring 400 million people by 2020 through direct or indirect insurance is laudable and presents a key target we must all support.

The Insurance Development Forum (IDF) is very much aligned with the goals, aspirations and targets of the InsuResilience Global Partnership. It has sought to apply the strength of its public and private-sector members to this task through five critical priority areas which we deem essential for increasing the depth of insurance markets.

[1] Carney, M. (2018). 'A Transition in Thinking and Action', speech given at the International Climate Risk Conference for Supervisors, April 2018, available at: http://www.bankofengland.co.uk/speech/2018/mark-carney-speech-at-international-climate-risk-conference-for-supervisors.
[2] Global Displacement Report (2017) http://www.internal-displacement.org/global-report/grid2017/
[3] UNOCHA Hurricane Season Report (2017) https://www.unocha.org/hurricane-season-2017
[4] Lloyds (2018) A World at Risk: Closing the Insurance Gap https://www.lloyds.com/news-and-risk-insight/risk-reports/library/understanding-risk/a-world-at-risk
[5] Ibid

These priority areas are focused not only on increasing global insurance coverage and penetration rates, but are also fundamentally about addressing some of the deeper structural issues that must be overcome in order to facilitate and accelerate the growth and contribution of the sector to development and building resilience. These include:

Risk Modeling to improve global understanding and quantification of the risk of natural hazards turning to disasters through use, development, and sharing of the reinsurance and insurance sector's catastrophe risk modeling capability. One of the biggest challenges to increasing the depth of markets, particularly in emerging economies, is the need to cultivate risk understanding and increase access to relevant models and datasets in order to engender greater trust and improvements in these tools to match the realities on the ground. As emerging markets are largely underinsured and modeling data is often scarce, the IDF is aiming to make risk models available as a public good. Such improvements are essential to driving forward appropriate innovative solutions, which can also extend beyond core insurance products.

Development of **Sovereign and Humanitarian Solutions** at the "macro" level with a focus on the needs of sovereigns, sub-sovereigns, international institutions, and humanitarian agencies. The goal will be to foster information flow and coordination of interactions between industry, civil society, multi-laterals, and relevant government entities on developing solutions. This will involve active product and transaction development and capacity building that will be supported by the dissemination of accessible models to help governments understand the economics of insurance in a more comprehensive way.

Driving forward and enhancing coordination and collaboration on **Microinsurance** projects to maximize impact and efficiency – both in technical assistance and funding – of resilience-building programs which are operating in local communities vulnerable to climate change. This will involve bringing together local knowledge and networks, and the possibilities of Fintech. Microinsurance is particularly critical because of the focus on vulnerable populations and the role it can play as a catalyst for multi-aspect financial inclusion.

Increasing the depth of insurance markets necessitates the development of accessible insurance **Law, Regulation and Public Policy Frameworks** that enable and enhance sustainable development, and economic and social resilience to large-scale disasters. A stepping stone to the engagement of governments and civil society relates to cataloguing regulatory and policy issues that impact the use of risk-management tools in vulnerable nations and engaging with supervisors and governments to create a regulatory framework in insurance and beyond. Local governments will then be able to develop their legal and regulatory platforms and create a stable, fair and transparent environment for cross-border flows of insurance capital and payments.

Exploring how insurers can work with development banks and other organizations to support the requirements for **investment** in resilient and sustainable infrastructure in emerging economies and developing countries, and help to create new markets and robust risk-management solutions.

Powerful trends point to new growth opportunities for insurance over the longer term in emerging economies. These can result in significant insurance penetration across all types of coverage and also influence the available means of managing the risks posed by climate change, for example through:

A growing urban middle class in the fast-rising megacities across Africa and Asia which are quickly reaching a critical mass;

Rapid technological innovations that increase access to new consumers, including through tablet devices and cell phones that are quickly becoming ubiquitous features across the emerging-market landscape;

New insurance products that open up opportunities to markets that were once too burdensome to cover, i. e. development in weather index products;

The increasing awareness and appetite within the public sector for risk finance solutions and an understanding of the critical role of insurance and a desire to deepen risk markets.

Unlocking this potential is a social and economic necessity. It will, however, require considerable collaboration and long-term commitment between public and private-sector players and development partners to (i) achieve greater scale through aggregators and the leveraging of technology, and (ii) increase product choice and value. In addition, those who cannot afford to pre-finance disaster costs should receive financial support as a temporary measure to establish insurance schemes in order to stimulate market development in the long run.

The recent launch of the Global Risk Financing Facility (GRiF) by the World Bank Group, in partnership with the governments of Germany and the United Kingdom is a positive step aimed at helping vulnerable countries manage the financial impact of climate change and shocks created by natural hazards. Over the next five years, the GRiF will provide financing to set up mechanisms such as national disaster insurance programs that can help channel money to people affected by disasters when they need it.

The IDF is well positioned to support the GRiF, particularly in scaling up existing risk-pooling mechanisms and piloting new ones, testing insurance premium financing for the poorest countries, and deploying new types of contingent financing to complement insurance, including contingent investment loans.

Moreover, increasing investments in areas of natural capital and insurance, and microinsurance (core value elements of the United Nations Development Programme and the UN system) often building on existing targeted initiatives, will become particularly important as donors and national governments look for new avenues to meet the ambitious G7 target of 400 million people to benefit from climate-risk insurance by 2020.

The insurance industry recognizes the crucial role it must play in this endeavor given the urgent need to tackle the impacts of climate change and the need to reduce CO_2 emissions. Insurance can be a key driver of economic development, particularly in regions and countries that are increasingly affected by climate change. Ultimately, insurance is a key lever to increase society's resilience, allowing people, communities and countries to make choices they would otherwise not have made. They can make these choices in the knowledge that lives, livelihoods, and families are covered against risk. Since the insurance industry offers longer term products, insurance also assists in the pricing of emerging risks, including those related to climate change.

Partnerships such as the InsuResilience initiative in collaboration with the IDF, will be essential to ensure that efforts are focused, efficient, aligned, and structured so as to unlock the full potential of insurance in helping to address the resilience challenge – in particular for the benefit of the poor and most vulnerable.

Denis Duverne
Chairman AXA and
Chair of IDF Steering Committee

Joaquim Levy
Former Managing Director and
Chief Financial Officer,
World Bank Group / Co-Chair
IDF Steering Committee

Achim Steiner
Administrator, United Nations
Development Programme (UNDP) /
Co-Chair IDF Steering Committee

In the Spotlight: InsuResilience and A2R Contest for Innovative Proposals

Linking Insurance and Social Protection

In 2018, the UN Climate Resilience Initiative A2R and the InsuResilience Global Partnership launched the 'Absorbing Climate Impacts' contest in collaboration with the MIT Climate CoLab. The contest sought new innovative ideas and solutions that link climate-risk insurance with other forms of social protection to enhance the ability of vulnerable communities to absorb climate-change impacts more effectively.

Two winners were selected from a total of 72 submitted proposals. One of the winners was picked by a jury of seven international experts and one winner was chosen by the general public. The proposals were assessed according to feasibility, impact, innovation, and quality of presentation.

The winner of the Judges' Choice Vote was a proposal submitted by ClimateRe. This is a Swiss consultancy specialized in the development of innovative risk-management approaches in vulnerable communities. Its proposal involves enhancing climate resilience of rice smallholder farmers in Nepal by linking crop insurance to value-chain development and climate-change adaptation. The winner will receive seed funding for implementation of the proposal alongside mentoring, training, and technical assistance.

The winner of the Popular Choice Vote was a proposal submitted by the Mahila Housing Sewa Trust, an India-based association that aims to empower women in poor communities of India to upgrade their habitats. Their project seeks to tap women's habit of saving to manage climate-induced risks through an innovate fund combined with microinsurance.

The Governance Structure of the Partnership

The Partnership implements and expands climate risk finance and insurance solutions through its principal bodies: the High-Level Consultative Group, the Program Alliance, and the Partnership Forum.

HIGH-LEVEL CONSULTATIVE GROUP

The High-Level Consultative Group (HLCG) is the governing body of the Partnership. It provides strategic guidance for the Partnership, ensures effective coordination and sharing of information, and promotes alignment of the Partnership Forum and the Program Alliance. The HLCG is made up of representatives from all the member groups – countries, multilateral organizations, the private sector, civil society, and academia. Members of the HLCG are the ambassadors of the InsuResilience Global Partnership and its mission to protect the livelihoods of poor and vulnerable people against climate and disaster risk. The governing body reflects the diversity of the stakeholders involved in the Partnership. One V20 and one G20 member each co-chair the HLCG.

PROGRAM ALLIANCE

The Program Alliance is the collaborative delivery vehicle of the Partnership. It helps to coordinate the delivery of donor contributions to countries in line with the overarching goals of the Partnership. The focus is on driving forward the development, implementation, and financing of practical solutions.

PARTNERSHIP FORUM

The Partnership Forum is a platform for exchanging experience and knowledge. It is also intended to raise awareness about risk finance and insurance by engaging all stakeholders involved in the Partnership within an inclusive approach. The Partnership embraces different approaches to exchanging ideas and increasing communication between partners, such as the annual Partnership Forum, the interactive online platform RISK TALK, theme-based working groups, and further targeted activities such as regional workshops and webinars when requested by the members.

The annual Partnership Forum brings together all the members to exchange knowledge on lessons learned, best practices, and innovations. Throughout the year, regional workshops and events complement the Forum. The working groups aim to strengthen communication between the members on Partnership topics that require special attention. They develop guidelines, principles, and orientation for the Partnership and its High-Level Consultative Group.

Overview: What are Climate and Disaster Risk Finance Instruments?

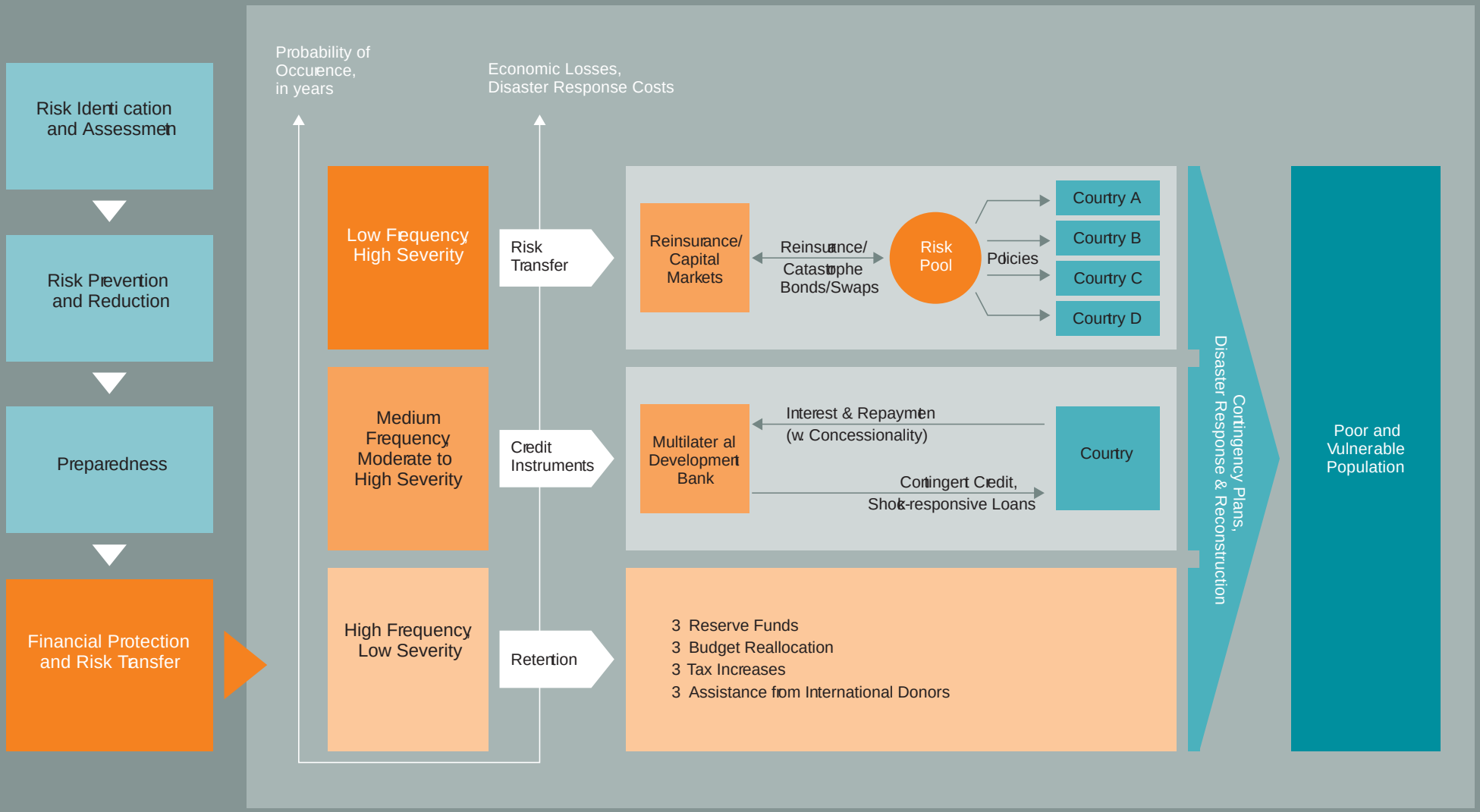
Risk finance and insurance instruments play an important role within a comprehensive climate and disaster risk-management framework. They provide support for an earlier and more reliable response to climate and disaster shocks, and give financial protection for people's livelihoods, businesses, infrastructure, and public finances in order to enable a more resilient economic development. These options empower countries as proactive risk managers and lend assistance in managing the residual risks by making use of pre-arranged risk transfer mechanisms. Risk reduction is critical to ensure that risk transfer is cost effective. The greatest impact is achieved through exploiting shared benefits and ensuring that risk transfer supports, incentivizes and facilitates risk-management and adaptation efforts.

Risk finance and insurance can be implemented at different sociopolitical levels. On a **macro- and meso-level**, sovereign and sub-sovereign governments are able to use these tools to strengthen a rapid response to climate and disaster shocks, e. g. through contingency plans, and to bolster recovery and reconstruction by covering losses to public infrastructure and assets. Developing effective climate and disaster risk finance solutions requires 'risk layering' to identify which mechanisms are best suited – ideally building on sound risk identification and assessment procedures, risk-reduction efforts, and better preparedness within comprehensive risk management (see figure below). Insurance generally provides the most cost-effective cover against severe events, while risk retention, e. g. through reserve funds, is usually well-suited to cover more frequent and less severe events. Risk finance solutions like contingent credit or shock-responsive loans, may be more cost-effective for addressing risk with medium frequency and moderate to high severity. Each solution needs to be well designed and tailored to meet the resilience needs of each country. As an integrated package, they should provide faster and more reliable responses to protect the poor and vulnerable population from the negative impacts of disasters. These measures will also help countries to engage in better reconstruction, and will support their economic development.

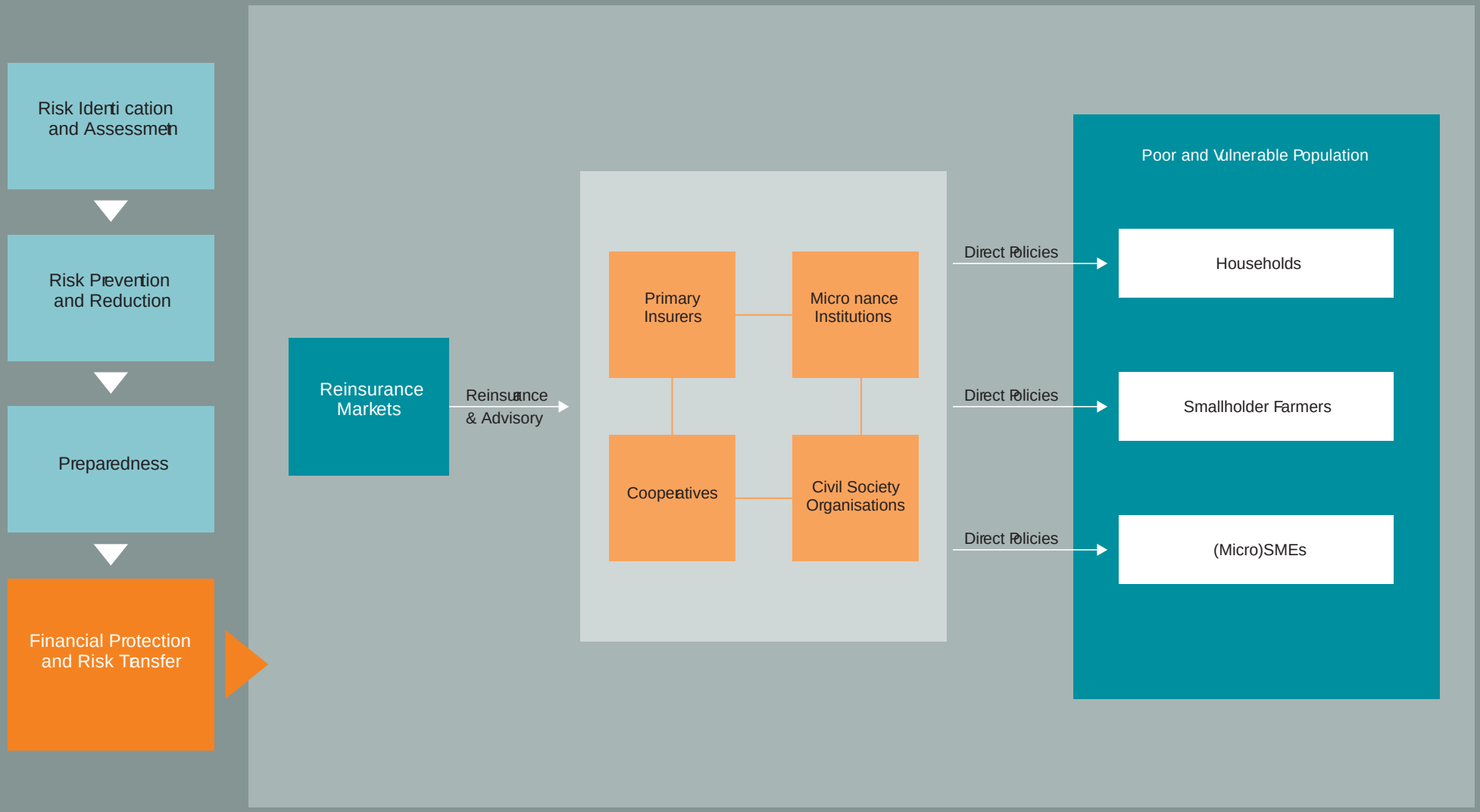
On a **micro-level**, risk finance and insurance provide direct financial protection for lives and livelihoods. While these tools should also be embedded in a comprehensive risk-management approach, they can be applied to different beneficiaries, either to cover property losses for households, climate-related agricultural losses for smallholder farmers, or losses suffered by small and mid-sized enterprises due to damage sustained by assets and business interruption caused by disasters. Different players can be involved, often in partnerships to bundle expertise, risk capital, or distribution channels, and to ensure the needs of the poorest and most vulnerable are optimally reflected in the design of the solution.

The combination of macro-, meso- and micro-level climate and disaster risk finance and insurance plays a vital role in strengthening the resilience of developing countries and protecting the lives and livelihoods of poor and vulnerable people against the impacts of disasters. Implementing programs can support these efforts by facilitating the necessary tools to assess the underlying risks, offering technical and financial assistance to implement appropriate sustainable mechanisms, and engaging with the insurance sector to secure the necessary risk capital and develop domestic insurance markets. This is why the InsuResilience Global Partnership is building on a variety of regional and national risk finance and insurance programs. The Program Alliance in particular, is a platform of operational programs that helps to coordinate donor contributions in line with the overarching goals of the Partnership.

Macro-level Risk Finance and Insurance



Micro-level Risk Finance and Insurance



Driving Implementation

The commitments under the InsuResilience Global Partnership currently support and enhance 25 programs that will be active in 78 countries by 2020. The following pages will showcase some of the initiatives in different regions and on different levels that are part of the Partnership and contribute toward its objectives.

The Program Alliance

The Program Alliance is an association of programs that collaborate in helping to achieve the vision of the Partnership. It offers a universe of solutions to address the different resilience needs of vulnerable countries, taking into account different country risk profiles and corresponding gaps in financial protection mechanisms. The Alliance is the delivery vehicle of the Partnership, driving forward implementation of tailored climate and disaster risk finance solutions.

The Program Alliance pursues a collaborative approach to make use of synergies, increase efficiencies, and ensure coherence across services. Countries will be able to request support for the development and implementation of state- and hazard-specific risk finance and insurance solutions. The partner programs will invest in research, data, risk modeling, and risk assessments, will deliver technical assistance, design innovative risk finance and insurance solutions, and will develop concessional insurance tools.

Together the programs and their collaborations deliver:

a) Research, data, modeling, innovation, and learning;
b) Technical assistance (TA) to developing countries;
c) Solution design;
d) Concessional insurance;
e) Monitoring, reporting, and evaluation.

The InsuResilience Program Alliance enables countries to benefit from the activities of the following programs.

The Global Risk Financing Facility (GRiF):

During the Annual Meetings of the World Bank Group and the IMF in October 2018, the newly established Global Risk Financing Facility (GRiF) was launched with potential contributions of USD 145 million. The World Bank Group and the governments of the United Kingdom and Germany support vulnerable countries via the GRIF in managing the financial impacts of climate change and shocks induced by natural hazards. Further donors are invited to join the GRiF.

"Natural disasters push some 26 million people into poverty each year as people struggle with the economic fallout of earthquakes, hurricanes, floods, and other catastrophes," said **World Bank CEO Kristalina Georgieva**. "We can't stop all these terrible events, but we can help countries with insurance or other risk finance so people get faster help to rebuild."

The overall objective of the GRiF is to strengthen the financial resilience of vulnerable countries by enabling earlier and more reliable response and recovery relating to climate and disaster shocks. This will be extended over time to a wider range of crises. The objective can be achieved through **piloting and/or scaling up pre-arranged risk finance instruments**. The work will focus on helping poor and vulnerable people, and the economy, services, and infrastructure they depend on, to recover more quickly when a disaster strikes. The GRiF also aims to create incentives for disaster prevention, preparedness, response, and resilient reconstruction.

The GRiF will work with countries to scale up and strengthen existing risk finance initiatives. It will also provide a catalyst for pilot approaches not yet explored by other programs. This encompasses scaling up existing risk-pooling mechanisms and piloting new ones, testing insurance premium financing for the poorest countries, and trialing new types of contingent financing to complement insurance. It will also explore new financial structures, for example linking risk financing directly with scalable safety net systems, to disaster preparedness plans, or with financing for resilient infrastructure.

Centre for Global Disaster Protection (CGDP):

The Centre for Global Disaster Protection supports countries to take early, effective action to manage the risks of disasters and to stop climate shocks turning into crises. Working across the development humanitarian and financial sectors, the Centre offers analytics, innovative solutions, impartial advice and training. This helps countries put plans and financing in place to help protect people's futures. The Centre is funded by UK aid, and is based in London. It collaborates closely with the World Bank by supporting its Disaster Protection Programme, and is an Alliance Partner of the InsuResilience Global Partnership. More information on the Centre can be found in the interview on page 23.

The InsuResilience Solutions Fund

The InsuResilience Solutions Fund (ISF) is implemented by the German Development Bank (KfW) and funded by the Federal Ministry of Economic Cooperation and Development (BMZ) to catalyze joint initiatives between national public entities and the private insurance sector. The ISF is a specialized fund providing advice and partial grant financing for the development of innovative climate-risk insurance products. The ISF approach allows crowding in the insurance industries' expertise and capital, the commitment of partner countries seeking solutions and leveraging of expertise in the private insurance industry contributions by Civil Society Organizations to make solutions work for the poorest and most vulnerable. The collaborative approach of the ISF in the early stage of project development ensures demand for the innovative climate-risk insurance products and strengthens their sustainability. The climate-risk insurance products supported by the ISF will help to close existing insurance gaps and contribute to the goal of the InsuResilience Global Partnership.

Interview

with Dr. Daniel Clarke, interim Head of Analytics at the Centre for Global Disaster Protection

Dr. Clarke, what is the Centre for Global Disaster Protection?

The Centre for Global Disaster Protection works with developing countries to help them build their resilience by managing the risks of disasters and by delivering earlier, more cost-effective support for people when disasters occur. Working across the development, humanitarian and financial sectors, we offer analytics, innovative solutions, impartial advice, and training. As a result, we support countries to put plans and financing in place that help to protect people's futures.

The Centre is funded by UK aid from the UK Government. The World Bank's Disaster Protection Program (DPP) is a key implementing partner, especially in the delivery of technical assistance to countries. We will be co-located with the DPP's London Hub in a new office space in the City of London from next month[1].

The Centre is currently in an inception phase but we are fast ramping up our activities and resources; we'll have new staff in early 2019, and have various exciting activities in the pipeline, both working with country partners and delivering on innovation, learning, and capacity building activities.

You can find more information about our work, including the nine principles that underpin our work, on our interim webpage here: http://www.disasterprotection.org. A full website will be launched in January 2019.

What is the Centre's relation to the Program Alliance? Why is the Alliance important to the Centre?

The Centre is one of three implementing programs within the InsuResilience Program Alliance. The others are the Global Risk Financing Facility (GRiF) and the InsuResilience Solutions Fund. The idea is that these programs, while distinct in terms of specific objectives, approach, and scope of work, have a shared agenda of driving forward progress in risk financing for poor and vulnerable people. Therefore, they have much to gain from collaboration and sharing lessons. More broadly, collaboration can help to enhance the impact of these programs in terms of reducing the impacts of disasters upon poor and vulnerable people.

Risk financing is a fast-evolving area of work. Increasingly, institutions in different sectors and representing different constituencies are recognizing the potential relevance of risk financing to their own agendas and objectives. This includes humanitarian organizations, insurance and financial institutions, NGOs, and multilateral institutions. It's a very exciting space, and one in which we're all required to be nimble and adaptive. Platforms like the Alliance which support information-sharing, joint learning and collective adaptation are therefore really welcome.

Could you give us an example of an activity that the Program Alliance has facilitated this year which has been beneficial to members including the Centre?

The regular Program Alliance meetings have provided extremely valuable opportunities for us to reflect on what we've been doing, and openly discuss options for future focus. This kind of face-to-face interaction is really useful given the fast-changing landscape and rapid pace of innovation in this space.

[1] December 2018.

Developing Insurance Markets:
The InsuResilience Investment Fund

The InsuResilience Investment Fund (IIF) has been set up as a Public-Private Partnership (PPP) by the German Development Bank (KfW) on behalf of the Federal Ministry of Economic Cooperation and Development (BMZ). This forms part of the G7 InsuResilience Initiative and G20 InsuResilience Global Partnership, which aims to increase the resilience of poor and vulnerable people to extreme weather events and natural disasters. The Fund aims to protect more than 100 million of the most vulnerable people living in developing countries against the impacts of climate change by giving them the opportunity to take advantage of commercial insurance offerings. The goal is to improve the resilience of poor and vulnerable households, as well as micro-, small and medium-sized enterprises.

The IIF connects up the value chain and provides Technical Assistance and funding for the development of markets in climate insurance. The Fund finances qualified corporates along the value chain of insurance (e. g. insurers, brokers, aggregators) and has its principal operations in ODA recipient countries.

An example of the holistic investment approach adopted by the IIF is provided by support for a comprehensive product called ARDIS that has been designed for Financial Disaster Risk Management (FDRM) on behalf of VisionFund International (VFI). The Fund enables VFI to provide its microfinance clients with rapid and efficient assistance in the event of a disaster. The innovative FDRM approach is a combination of financing and insurance components, and it allows for cost-efficient protection of clients in developing countries. ARDIS helps VFI's microfinance clients to cushion the worst effects of weather catastrophes, maintain or restart economic activities, and complement relief aid required for survival needs in disaster situations.

The IIF supports this three-staged FDRM solution through the following measures: (1) greenfield investment in the structurer of the scheme through a high-tech start-up called Global Parametrics, (2) commitment of contingent credit lines to VFI's affiliates currently in six countries, and (3) linkage to another InsuResilience program, the Natural Disaster Fund. ARDIS will effectively meet one per cent of the G7 goal to increase access for up to 400 million uninsured people in developing countries to provide insurance products that protect against climate risk.

InsuResilience World Map

Global Implementation Programs within the Program Alliance:

Global Risk Financing Facility (GRiF)

The GRiF will scale up and strengthen existing risk financing initiatives as well as act as catalyst to pilot new approaches. The aim is to strengthen financial resilience of vulnerable countries by enabling earlier and more reliable response and recovery to climate and disaster shocks.

Centre for Global Disaster Protection (CGDP)

The London based Centre for Global Disaster Protection strengthens pre-disaster planning, embeds data-driven early action, and uses risk financing tools like insurance and contingent credit to finance more cost-effective, rapid and reliable response to emergencies.

InsuResilience Solutions Fund (ISF)

The ISF supports the development of innovative and sustainable climate risk insurance products in developing and emerging countries to improve the resilience against extreme weather events. The ISF is based in Frankfurt am Main.

Caribbean Catastrophe Risk Insurance Facility (CCRIF)

Regional risk pool providing insurance against tropical cyclones and earthquakes for Caribbean and Central American countries.

ProCadenas

Integrated risk management for the promotion of non-traditional livestock value chains.

FortaleceRES

Implementation of insurance aimed at strengthening the resilience of the vulnerable rural populations in Eastern Paraguay

Selected solutions and country cases

Countries covered by solutions contributing to the Partnership's vision.

Mongolia
Philippines
Vietnam
Lao PDR
Cambodia
Indonesia
Myanmar
Bangladesh
Thailand
Pakistan
India
Armenia
Sri Lanka
Mauretania
Senegal
The Gambia
Mali
Niger
Guinea
Chad
Sudan
Djibouti
Burkina Faso
Ethiopia
Côte d'Ivoire
Benin
Togo
Ghana
Nigeria
Central African Republic
Cameroon
Uganda
Kenya
Gabon
Rwanda
DR Congo
Tanzania
Comoros
Malawi
Madagascar
Zambia
Mozambique
Zimbabwe
Lesotho
Southeast Asia Disaster Risk Insurance Facility (SEADRIF)
A regional catastrophe risk pool providing rapid response financing in the immediate aftermath of a disaster
Insurance Market Development India
Implementation of innovative technology driven insurance solutions.
African Risk Capacity (ARC)
Regional risk pool providing drought insurance for members of the African Union.
Insurance Market Development Zambia
Scaling up contract farming based weather insurance.
PrAda
Improved access to climate risk insurance products for actors of agricultural value chains.

This map showcases selected examples of programs that contribute to the Partnership's vision.

Global Implementation Programs:

Global Index Insurance Facility (GIIF)

Multi-donor trust fund offering advice on insurance solutions to insurance companies, policyholders and partner countries.

InsuResilience Investment Fund (IIF)

Fund that promotes the development of climate risk insurance products.

Remote Sensing-based Information and Insurance for Crops in Emerging Economies (RIICE)

The rice crop monitoring initiative 'RIICE' helps governments and farmers to make rice harvest forecasting more reliable.

Wider resilience:

Asia-Pacific Climate Finance Fund (ACliFF)

Climate finance facility supporting the implementation of NDCs and of climate risk insurance. ACliFF is based in Manila, Philippines.

Climate Risk and Early Warning Systems (CREWS)

The Climate Risk and Early Warning Systems (CREWS) initiative finances weather stations, radar facilities, and early warning systems in poor and vulnerable countries.

The following 25 programs are currently active or being set up and are contributing towards the goals of the Partnership:

African Risk Capacity (ARC)
ARC Replica
Global Index Insurance Facility (GIIF)
Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI)
Agricultural Insurance in Armenia
InsuResilience Investment Fund (IIF)
develoPPP.de project "Alliance on Climate Risk Transfer Solutions" with Swiss Re (Africa, South-East Asia, China)
Kenya Hunger Safety Net Programme
Remote Sensing-based Information and Insurance for Crops in Emerging Economies (RIICE)
Adaptation of Agricultural Value Chains to Climate Change (PrAda)
InsuResilience Solutions Fund (ISF)
Asia Pacific Climate Finance Fund (ACliFF)
Global Risk Insurance Facility (GRiF) (incl. SEADRIF)
Natural Disasters Fund
Rural Resilience Initiative (R4) Ethiopia
Centre for Global Disaster Protection (CGDP)
Climate Risk and Early Warning Systems (CREWS)
develoPPP.de project "Microinsurance Disaster Risk Insurance for MSMEs" with Charter Ping An (Philippines)
Caribbean Catastrophe Risk Insurance Facility (CCRIF)
Advancing Climate Risk Insurance (ACRI+)
Strengthening Resilience of Vulnerable Rural Population in the East Region of Paraguay (FortaleceRES)
Insurance Market Development (implemented by GIZ in Zambia)
Insurance Market Development (implemented by GIZ in India)
Promotion of a Diversified and Sustainable Livestock Production (ProCadenas)
eveloPPP.de project "Developing Risk Management Approaches for Climate and Health Risks" with Allianz (Africa, South Asia)

PROFILE

The Partnership on the Ground: Senegal

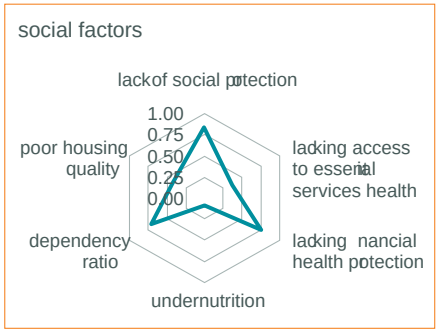
Senegal has long been one of the most politically stable countries in West Africa and its economy has grown significantly over recent years, with an annual GDP per capita growth of 2.0 % in the period of 2010-2015. By contrast, 34 % of the population were still living below the national poverty line in 2013. The population itself has more than doubled since 1990 to a total of 16.3 million. Large numbers of people are moving to the urban areas of Senegal, and infrastructure and food supply are consequently subject to increasing stress. Two thirds of the country are located within the Sahel zone where some of the most extreme rainfall variability worldwide results in periodic droughts and seasonal floods. Rising mean temperatures are likely to exacerbate the frequency and intensity of these extreme weather events. This may severely affect Senegal's journey toward sustainable economic growth since the agricultural sector, which hosts around 75 % of the labor force and contributes 20 % of the country's GDP, is especially vulnerable to climate-change impacts and the majority of farmers are only living at the level of subsistence agriculture. Since most of it is rainfed, extreme weather events can exert devastating consequences on the livelihoods of large sections of the population and economic development alike.

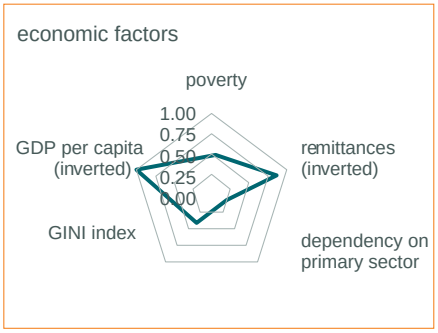
According to the 2018 analysis of the InsuRisk Assessment Tool, Senegal is characterized by very low residual risk and medium readiness for insurance solutions[1]. The country has a very low hazard exposure, but high overall vulnerability.

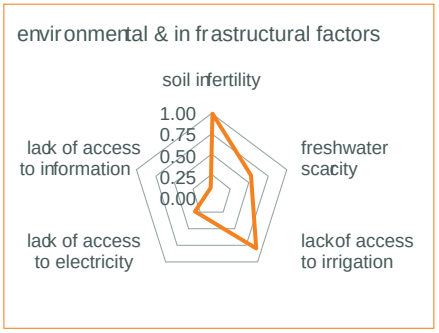
Continued on page 29

POPULATION (2018): 16,294,270 (+2.96 %)[2] // **WORLD BANK INCOME CLASSIFICIATION:** LOWER MIDDLE INCOME[3] // **GDP PER CAPITA, PPP (CURRENT INTERNATIONAL $) (2017):** $2,712 (+ 3.8 %)[4]

VULNERABILITY







[1] For a detailed description, please refer to the InsuRisk 2.0 methodology on page 44 // [2] UN Statistics // [3] World Bank 2017A // [4] World Bank 20172

Very low GDP per capita, poverty, a high percentage of the urban population living in informal urban dwellings, lack of access to electricity, lack of social and financial health protection and associated reduced access to essential health services, as well as low fertility of soils and scarcity of fresh water are key drivers of vulnerability. If hazards become more frequent and severe in the future, risk could increase due to the country's high overall vulnerability.

The Government has decided to increase measures to enhance its resilience. It has for example been part of the African Risk Capacity (ARC) since its inception and has implemented more measures to increase the country's resilience in this key sector.

SOLUTIONS

How Implementation Programs contribute to the Partnership's vision:

ARC Replica

In 2018, Senegal became one of the first countries to pilot the newly introduced African Risk Capacity (ARC) Replica instrument for the agricultural season from 2018 to 2019. ARC Replica allows humanitarian players to match the drought insurance coverage of countries that have already bought policies from ARC. The Start Network is a humanitarian aid network that signed the new insurance policy against drought events for Senegal. The network is also collaborating with various implementing partners on the ground. The Start Network and the Senegalese Government will receive separate payouts as soon as rainfall levels fall below pre-agreed threshold values. This allows all the parties involved to immediately launch coordinated emergency aid. That helps people to protect their livestock and other assets, before the full effects of a drought are able to unfold. Emily Montier, Manager of Start Network Labs, calls the insurance "a potential game-changer for the sector".

R4 Rural Resilience Initiative

Senegal also joined the Rural Resilience Initiative (R4) introduced by the World Food Program and Oxfam America in 2012. The R4 Initiative aims to increase the food and income security of vulnerable rural families by managing climate-related risks. This involves taking an integrated approach to risk management using four components: 1. Risk reduction, 2. Risk transfer with Weather Index Insurance, 3. Risk taking (livelihood diversification and microcredit), and 4. Risk reserves.

Since 2011, R4 has distributed total payouts amounting to USD 2.4 million to participants in Ethiopia, Kenya, Malawi, Senegal, and Zambia following weather-related losses. At the beginning of 2018, 57,000 farming households involving some 300,000 people, had been reached in five countries. In Senegal, the R4 product has paid out around USD 418,000 to some 10,000 farmers since the policy was launched. In 2018, 9,000 farming households (about 45,000 people) were insured.

Natural disasters, including droughts, are increasingly impacting on vulnerable populations and their live-lihoods. African Governments bear a significant responsibility, both explicit and implicit, in the management of these events, which are often associated with heavy additional budgetary costs. This is the whole point of creating the Pan-African Disaster Risk Management Mutual (African Risk Capacity – ARC). It is a specialized institution with 34 member countries from the African Union that have decided to set up innovative, efficient and reliable financing methods by using parametric climate insurance."

AMADOU BA, SENEGALESE MINISTER OF ECONOMY, FINANCE AND PLANNING

GIIF Drought Index Insurance for Groundnut Farmers