



InsuResilience
GlobalPartnership

Co-Chairs' conclusions on the 4th meeting of the InsuResilience High-Level Consultative Group

The InsuResilience High-Level Consultative Group convened on 1 June 2021 for the fourth time to discuss two key topics. The meeting was centered around a discussion on how to make Climate and Disaster Risk Finance and Insurance solutions more affordable and sustainable through smart premium and capital support.

The G20+ and V20-led InsuResilience Global Partnership (IGP) unites more than 100 members with diverse backgrounds behind the Vision 2025. One of the goals in the Vision is to protect 500 million poor and vulnerable people against extreme weather events by 2025 through pre-arranged risk finance and insurance mechanisms. The Partnership has made substantial progress in this direction. Currently, IGP is active with 22 programmes in more than 100 countries worldwide. Further, 137 million people were protected against risks by insurance and other financial solutions in 2020. The implementation of the reaffirmed Vision 2025 is supported by G20 members of the High-Level Consultative Group (HLCG) including through Germany's commitment of an additional 120 million euros commitment in January 2021.

The HLCG is the IGP's main governing body, setting the strategic direction and outlining a global vision for the Climate and Disaster Risk Finance and Insurance (CDRFI) agenda. On 1 June 2021, the HLCG convened for the first time in its new composition, bringing together 23 high-level representatives from V20 and G20+ countries as well as representatives from multilateral organisations, the private sector, academia and civil society. The meeting was chaired by H.E. Minister Alfred Alfred Jr., Minister of Finance of the Republic of the Marshall Islands, and Dr. Maria Flachsbarth, Parliamentary State Secretary to the Federal Minister for Economic Cooperation and Development, Germany.

As the main agenda item of this meeting members discussed **ways to improve the sustainability, affordability and effectiveness of CDRFI solutions** considering the aggravated fiscal pressures in vulnerable countries and tightened development budgets due to the COVID-19 pandemic. Although CDRFI solutions have the potential to provide substantive resilience benefits, their uptake by vulnerable countries is often limited by their cost and limited experience with CDRFI-solutions. While cognizant of the importance of other measures and their impact on affordability, including risk reduction, the enhancement of distribution channels, improved access to open data and risk modelling, and strengthened financial and climate risk literacy, there are two instruments that help to make CDRFI solutions and specifically risk transfer mechanisms more affordable and accessible: Premium financing and the capitalization of risk carriers. While initial experiences with both approaches exist, there is a lack of quantitative and qualitative research to provide guidance on the conditions under which affordability, sustainability, and effectiveness concerns regarding premium and capital support are best addressed.



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The discussion on smart premium and capital support was launched with keynote speeches by the President for COP26, The Rt. Hon Alok Sharma, and the Hon. Carlos G. Dominguez, Secretary of Finance, Philippines, who highlighted the urgency of financial stability for vulnerable countries.

The Rt. Hon Alok Sharma highlighted the important role of CDRFI for increasing resilience against climate change, referred to the G7 work on CDRFI under the UK Presidency, and encouraged the IGP to come up with principles for supporting CDRFI by COP26.

The Hon. Carlos G. Dominguez, Secretary of Finance of the Philippines stressed that the cost of managing the growing numbers of calamities is proving to be more and more challenging each year. He further underlined that the pandemic is highlighting even more the importance of using smart climate and disaster risk financing.

Subsequently, three other speakers offered their perspective. Ibrahima Cheikh Diong (Director-General, African Risk Capacity Group), Ute Klamert (Assistant Executive Director, World Food Programme), and Delphine Traoré (Regional Chief Operating Officer & Regional Executive Board Member, Allianz Africa) shared their insights as developers and implementers of CDRFI solutions.

In her statement, Ute Klamert, Assistant Executive Director of the World Food Programme pointed out that “we are in the middle of the three Cs – conflict, Covid and climate. The demand for humanitarian funding is escalating. Over the last eight years, we have learnt that there are both demand- and supply-side barriers. The barriers need to be addressed concurrently. [ARC Replica](#) can be viewed as a smart form of capital support to African Risk Capacity member states.”¹ Ute Klamert also emphasized that direct premium subsidies are necessary, but not sufficient on their own.

Delphine Traoré, Regional Chief Operating Officer & Regional Executive Board Member of Allianz Africa further enriched the discussion by suggesting that the IGP should look at alternative and innovative ways of supporting the most vulnerable. “We need to drive home the value of insurance. Premium support should not just cover up risk and introduce moral hazard. Insurance companies should also look at premium support. Premium financing should also build scale and diversity of the risk pool.”

¹ ARC Replica coverage is an insurance product offered by ARC Ltd to the Replica Partners to complement the insurance policies purchased by sovereign African states (currently Burkina Faso, The Gambia, Mali, Mauritania, Senegal and Zimbabwe). Replica partners can increase the ARC insurance coverage of eligible ARC Member States by purchasing a ‘Replica Policy’.



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Thanks to the rich contributions by all HLCG members, the discussion highlighted various perspectives on smart premium and capital support reflecting the priorities and needs of different stakeholders. Members from the private sector, civil society, multilateral institutions and governments emphasized considerations and experience from different world regions on success factors for premium and capital support. In particular, discussants emphasized critical aspects relating to transparency and consistency of support provision, the resilience impact of support in terms of “value for money”, and the sustainability of impacts for those population segments targeted by support for both micro- and macro-level products. In view of the discussion, HLCG members mandated the InsuResilience Secretariat to coordinate the drafting of a Policy Note for approval at the next HLCG meeting. The Policy Note could include a set of joint principles, on the basis of the Background Note and the views of all HLCG members and their constituencies expressed prior to, at, and after the 4th HLCG meeting.

As a second item on the agenda, the Meeting foresaw the review of InsuResilience’s Vision 2025, as mandated during the HLCG meeting in June 2019 when representatives endorsed the Vision 2025 as the strategic roadmap for the Partnership. In order to accommodate the comprehensive contributions provided by all members on the first agenda item, the Co-Chairs referred the Vision 2025 review to written procedure. Therefore, the InsuResilience Secretariat will facilitate a review of the target indicators of Vision 2025 in writing in the period up to 30 June 2021.