



InsuResilience
GlobalPartnership

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CONCEPT NOTE
Shaping the InsuResilience Global Partnership

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List of Abbreviations

A2R	Anticipate, Absorb, Reshape – UN Climate Resilience Initiative
APEC	Asia-Pacific Economic Cooperation
ARC	African Risk Capacity
ASEAN	Association of Southeast Asian Nations
CCRIF	Caribbean Catastrophe Risk Insurance Facility
CDRFI	Climate and disaster risk finance and insurance
CREWS	Initiative on Climate Risk Early Warning Systems
G7	Group of Seven
G20	Group of Twenty
GDP	Gross Domestic Product
GFDRR	Global Facility for Disaster Reduction and Recovery
HLCG	High Level Consultative Group
IDF	Insurance Development Forum
NGAG	Non-Governmental Advisory Group
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
PCRAFI	Pacific Catastrophe Risk Assessment and Financing Initiative
PSI	Principles for Sustainable Insurance
TA	Technical Assistance
UNISDR	United Nations Office for Disaster Risk Reduction
US\$	US-Dollar
V20	Vulnerable Twenty - Group of Ministers of Finance

Executive Summary

The vision of the InsuResilience Global Partnership (hereafter called the Partnership) is to strengthen the resilience of developing countries and protect the lives and livelihoods of poor and vulnerable people against the impacts of disasters. Global economic losses from disasters are now reaching an average of over US\$300 billion a year, with vulnerable countries, and particularly their poorest communities, experiencing an increasing burden from adverse impacts on household incomes and government balance sheets. Disaster related risks for lives and livelihoods further increase the challenge, particularly for the poor and vulnerable¹.

The central objective of the Partnership is to enable more timely and reliable disaster response through the use of climate and disaster risk finance and insurance solutions, reducing humanitarian impacts, helping poor and vulnerable people recover more quickly and strengthening local resilience over time. This complements ongoing efforts in countries to avert, minimize and address climate risks through efforts to mitigate climate change, adapt to the adverse impacts of climate and disaster risks and improve risk prevention measures.

The role of the Partnership is to promote and enable the adoption of disaster risk financing and insurance approaches as part of comprehensive disaster risk management strategies and integrated within preparedness, response and recovery plans that are anchored in country systems. It will do this through:

- ▶ Developing a global multi-stakeholder community that can generate and promote best practice in the use of climate and disaster risk finance and insurance (CDRFI).
- ▶ Facilitating efficient and coordinated global action to promote climate and disaster risk finance and insurance solutions.
- ▶ Empowering governments, businesses and households to become proactive risk managers through building capability and increasing access to knowledge and expertise, services, products and risk financing linked to disaster prevention, preparedness and response.
- ▶ Building a network across sustainable development, social protection, disaster risk reduction, climate services and climate change adaptation communities to ensure risk financing is embedded within a comprehensive disaster risk management approach – both with respect to international fora as well as to in-country systems.
- ▶ Taking a pro-poor approach, based on an agreed set of principles, that puts peoples' needs at the centre of risk financing.

The development of the Partnership was recommended in the World Bank report on Sovereign Climate and Disaster Risk Pooling² and welcomed by the G20 in its Climate and Energy Action Plan for Growth (Box 1). The V20, a forum of 48 developing countries vulnerable to climate change, has also requested capacity building and financial support to develop their institutional capacity as a part of their broader fiscal risk management agenda.³ The V20 and representatives of the G20 highlighted jointly the need for establishing strong insurance mechanisms,

¹ World Bank (2016) Unbreakable. Building the Resilience of the Poor in the Face of Natural Disasters.

² World Bank (2017). Sovereign Climate and Disaster Risk Pooling: World Bank Technical Contribution to the G20.

³ V20 Ministerial Communiqué, 23 April 2017

including through collaboration with InsuResilience, by strengthening risk pooling, and leveraging private investment for developing countries.⁴

Box 1:



Annex to G20 Leaders Declaration
**G20 Hamburg Climate and Energy
Action Plan for Growth**

“Aiming to close the protection gap, we welcome the creation of a “Global Partnership for Climate and Disaster Risk Finance and Insurance Solutions”, inviting relevant partners from G20 and other countries, international organizations and, as appropriate, civil society and private sector to engage according to their respective capacities. The Global Partnership builds on the work of existing platforms, such as InsuResilience, and voluntary engagement of its partners, taking into account the key lessons of ongoing work by the World Bank on “Sovereign Climate and Disaster Risk Pooling”. The Global Partnership will develop synergies with other related initiatives, such as Climate Risks Early Warning Systems and the Global Facility for Disaster Reduction and Recovery. We encourage multilateral institutions to develop options for innovative climate and disaster risk finance solutions.”

The Partnership builds on and goes beyond the efforts of the G7 InsuResilience initiative on climate risk insurance, which was launched at the Elmau summit in 2015. The G7 will continue to deliver on its original goal: *“to increase by up to 400 million the number of people in the most vulnerable developing countries who have access to direct or indirect insurance coverage against the negative impact of climate change related hazards by 2020 and support the development of early warning systems in the most vulnerable countries” (Leaders Declaration, G7 Summit, 7 – 8 June 2015).* The Partnership will tackle a wider spectrum of challenges, broaden the reach to a wider set of actors and aim for new results.

⁴ V20 Chair’s Summary, V20 Dialogue with High Level G20 representatives, 23 April 2017

1. The case for the InsuResilience Global Partnership

Disasters threaten efforts to sustainably reduce poverty. Economic climate change impacts may cause up to 3.3% reductions in global GDP per year by 2020 according to an OECD study⁵, which will amplify economic inequalities and put the achievement of the 2030 Agenda for Sustainable Development at risk. Already, the total costs of disasters faced by developing countries are estimated at \$29 billion a year for 77 countries⁶; equivalent to one third of total global official development assistance.

Impacts on lives, livelihoods, assets and budgets are not evenly distributed. A recent World Bank study estimated that disasters force some 26 million people into poverty each year.⁷ Poor people suffer disproportionately due to their higher vulnerability and exposure and lower ability to cope and recover. For example, while in high-income countries almost half of all economic losses from disasters are covered by insurance, less than 5% of losses are covered in poorer countries, with the poorest people suffering the largest “protection gap”. Moreover, most developing countries do not dispose of other response systems e.g. scalable social protection systems that can quickly provide resources to the poorest or forecast-based financing that quickly release pre-agreed funding in the event of a hazard. International assistance absorbs, on average, only 8% of the loss.⁸ People, businesses and governments often absorb the financial impacts of disasters, which diverts public funds, slows investments and growth and forces people into poverty. This has long-term impacts on development.

Disaster preparedness, risk reduction and disaster risk solutions can help protect lives, livelihoods, businesses, infrastructure, and public finances, enabling resilient economic development. Risk *reduction* is critical to ensure that risk *transfer* is cost effective, with the greatest impact to be found through exploiting co-benefits and ensuring that risk transfer supports, incentivises and enables risk management and adaptation efforts. Without a transformational change in climate resilience, many climate risks in developing countries are already, or soon will be, uninsurable. A combination of solutions – preparedness, early warning systems, adaptation, risk reduction, safety nets, response, and recovery – is likely to be required with financing solutions being sought for all. The Partnership will actively seek to realise wider public goods and sustainable development benefits beyond financial risk transfer alone.

The Partnership contributes to the implementation of the post-2015 frameworks that widely recognize the importance of risk finance and insurance solutions: the **2030 Agenda** reinforces the goal of strengthening wider resilience through addressing cross cutting topics, like disaster risk reduction and combatting climate change. The **Paris Agreement** states the need to identify risks at an early stage, preventing climate risks and preparing targeted responses addressing loss and damage associated with climate change impacts. The **Sendai Framework** for Disaster Risk Reduction 2015-2030 recognizes that it is important to promote the development and strengthening of disaster risk transfer and sharing mechanisms and instruments. The Partnership also

⁵ OECD (2015) Economic Consequences of Climate Change, S. 39 & 47.

⁶ Risk Management Solutions (2017) Mapping the Role of Insurance in Managing Disaster Losses.

⁷ World Bank (2016) Unbreakable. Building the Resilience of the Poor in the Face of Natural Disasters.

⁸ Risk Management Solutions (2017) Mapping the Role of Insurance in Managing Disaster Losses.

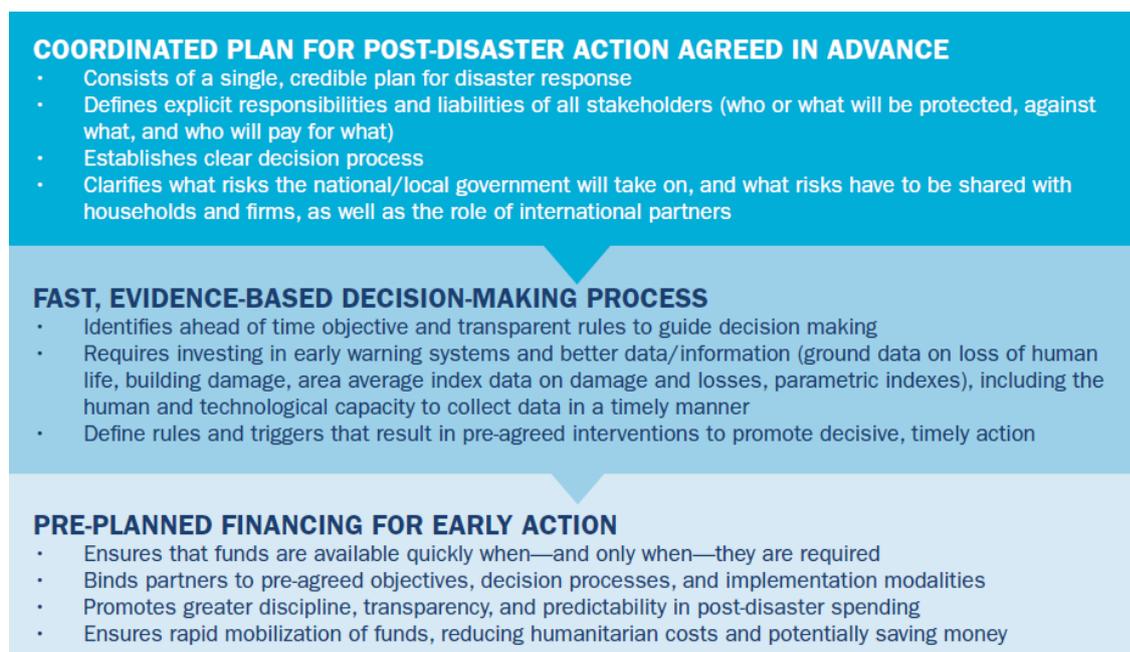
contributes to financing for development needs identified by the **Addis Ababa Action Agenda** from July 2015 and contributes to the 2016 **World Humanitarian Summit**'s goals, including commitments made to safeguard lives and livelihoods through CDRFI.

Sovereign disaster risk financing tools, including insurance, can strengthen rapid response to and recovery from climate and disaster shocks. Taking an ex-ante approach to disaster risk management, including the process of design and implementation of financing and insurance strategies can encourage countries to better understand, own and manage the risks they face. Developing effective disaster risk finance solutions, (Figure 1) requires 'risk layering' to identify which mechanisms are best suited for the different kinds of climate and disaster risks.

Delivery mechanisms to reach the poor and vulnerable are critical for faster, cost-effective and more reliable response. CDRFI can only be viewed as effective if the mechanism triggers assistance for those affected when they need it most. Therefore, it is important to link financing to pre-agreed contingency plans. This can be realized for example using systems that can scale up quickly, such as shock-responsive social protection. It thus ensures that assistance reaches the 'last mile' swiftly.

The potential is clear, but there is more to do and the Partnership will be an important part of building the evidence base on CDRFI. This is an emerging area of international expertise and as such, the Partnership will invest in evidence, learning, innovation and capacity building. It will have a strong focus on and commitment to building evidence, which will be manifested through a clear and influential learning and research agenda, and robust monitoring and evaluation of CDRFI programs in place. It will work towards increased financial protection that is embedded into disaster response and recovery planning and in-country systems to address climate and disaster shocks.

Figure 1: Pillars of an effective approach to financial risk management for disasters.



Source: World Bank (2017). Sovereign Climate and Disaster Risk Pooling: World Bank Technical Contribution to the G20.

2. Vision and objective of the InsuResilience Global Partnership

The vision of the Partnership is to strengthen the resilience of developing countries and to protect the lives and livelihoods of poor and vulnerable people from the impacts of disasters. The Partnership will seek to (i) amplify the impact of ongoing initiatives, including regional catastrophe risk pools such as the African Risk Capacity (ARC), the Caribbean Catastrophe Risk Insurance Facility (CCRIF), and the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI); (ii) develop new climate and disaster risk finance and insurance solutions to help meet growing needs in developing countries across the world; and (iii) ensure risk financing is well integrated within a broader dialogue on and systems for disaster risk management and humanitarian financing – including in-country systems.

The Partnership will develop an open and inclusive global multi-stakeholder community of countries, experts and practitioners – from national and sub-national governments, international organizations, private sector, academia and civil society – **working on financial protection** at the political, operational and strategic level. It will engage key stakeholder groups and initiatives, including the Global Facility for Disaster Reduction and Recovery (GFDRR), the Insurance Development Forum (IDF), the Initiative on Climate Risk Early Warning Systems (CREWS), the UN climate resilience initiative A2R (Anticipate, Absorb, Reshape), the International Strategy for Disaster Reduction (UNISDR) and the Principles for Sustainable Insurance (PSI). This community will cover the following functions:

- a. Exchanging experience, generating knowledge, and promoting good practice as well as raising awareness of risk finance and insurance.
- b. Providing a platform for information sharing on common strategic issues, challenges and opportunities at a country or regional level to strengthen resilience and contribute to climate change adaptation.

The newly established InsuResilience Program Alliance will serve as the collaborative delivery vehicle of the Partnership, i.e. an alliance of operational entities and programs facilitating efficient and coordinated global action to support CDRFI delivering:

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

The Partnership aims to enable a substantial scale-up in the use of climate and disaster risk finance and insurance solutions and approaches by developing countries, ultimately contributing to strengthening resilience by enabling faster, more reliable and cost-effective responses to disasters. The specific results for the Partnership will be finalised on consultation with members, and are envisioned to include:

- ▶ Number of people protected and total risk covered by risk finance and insurance arrangements (building on the InsuResilience goal to facilitate 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 financing and insurance solutions integrated within prevention, preparedness, response and recovery plans that are anchored in country systems.
- ▶ Increased cost-effectiveness / value for money of risk finance and insurance arrangements.
- ▶ Development / human impact of these risk finance and insurance arrangements in terms of increased resilience to disasters (reduced impact, faster recovery).
- ▶ Increase in evidence around the most effective and most cost-efficient CDRFI solutions

3. Why join?

Membership enables countries and stakeholders to be part of shaping a growing community on building financial protection to disasters. This entails access to knowledge, expertise and services, and a contribution to shaping future policy, practice and investments. For example:

Governments can:

- ▶ Work with partners to identify financial mechanisms that are most appropriate and cost-effective for addressing risks in their own countries;
- ▶ Have access to customized technical as well as financial assistance as part of a comprehensive disaster risk management approach;
- ▶ Access and attend trainings and knowledge exchange.

Governments are expected to:

- ▶ **Share experiences and challenges around legal, institutional and operational design and implementation** of financial protection solutions, identify needs and areas for assistance;
- ▶ Influence a global community of development partners and practitioners;
- ▶ Contribute institutional capacity and support implementation by own capacity (technical contribution) for successful implementation.

International Development Partners can:

- ▶ Contribute to pooled financing to support financial resilience (e.g., capacity building, or financing of risk-sharing mechanisms);
- ▶ Better understand the needs and demands of financial disaster risk solutions on the ground;
- ▶ Access a global network of specialists.

International Development Partners are expected to:

- ▶ Support the delivery of strategic development priorities around protection of poor and vulnerable populations by leveraging and building on ongoing initiatives of mutual interest;
- ▶ Contribute technical expertise and knowledge to the community.

Civil Society and NGO representatives can:

- ▶ Provide information on community-based solutions;
- ▶ Contribute vital technical expertise and experience, for example on strengthening targeting and delivery mechanisms for financial protection;

- ▶ Exchange with country representatives, development partners, and practitioners at all levels;
- ▶ Contribute to the development of Working Groups in the guidance of strategic direction, monitoring, and implementation for the Partnership;
- ▶ Participate in implementation of activities financed through the Partnership.

Civil society and NGO representatives are expected to:

- ▶ Provide an understanding on risk from the perspective of those directly affected;
- ▶ Provide a bottom-up perspective on the priorities of the Partnership and whether it meets the needs of poor and vulnerable people, a ‘ground-truthing’ of the Partnership’s activities, and contribute in particular to standards around impact, gender and equality.

Private Sector representatives (e.g. insurers, brokers, banks, risk-modelling firms) can:

- ▶ Share applicable expertise, tools, products and innovative solutions for financial risk management contributing to the provision of public goods;
- ▶ Identify information gaps and show usability of existing solutions through access to a broad range of current and potential end-users of financial protection solutions;
- ▶ Contribute to public private partnerships.

Private sector representatives are expected to:

- ▶ Shape product innovation and support market development;
- ▶ Share experience.

4. How to join – membership details

The Partnership is inclusive and open to stakeholders aligned to the vision, objectives and pro-poor principles of the Partnership. Countries and organizations that share the vision and contribute to the objectives of the Partnership can become a member of the Partnership upon request. The Partnership will rely on core members and supporting members:

Core member: A country committed to advancing financial protection against natural and climate related disasters can become a core member of the Partnership. Well placed for core membership are countries that:

- a. already hold risk coverage policies of regional risk pools (e.g. ARC, CCRIF and PCRAFI) or use other mechanisms for climate and disaster risk finance and insurance,
- b. are a member of the G7 InsuResilience initiative, or
- c. any other committed developing or developed country including V20 or G20 members.

Core members are expected to sign up to the vision, objectives and pro-poor principles of the Partnership. In addition, multilateral organizations can become core members on request.

Supporting member: Private sector entities, non-governmental organizations, research institutions, implementing partners or other related institutions can become a supporting member of the Partnership. A supporting member expressly contributes to and promotes the objective and pro-poor principles of the Partnership and shares its vision. They are actively engaged in at least one of the core topics of the initiative and are encouraged to participate in the annual forum and working groups. They use the Partnership for knowledge sharing and information exchange.

Signatories of the Joint Statement of the Partnership's launch are considered to be core and supporting member, respectively.

5. Implementation arrangements

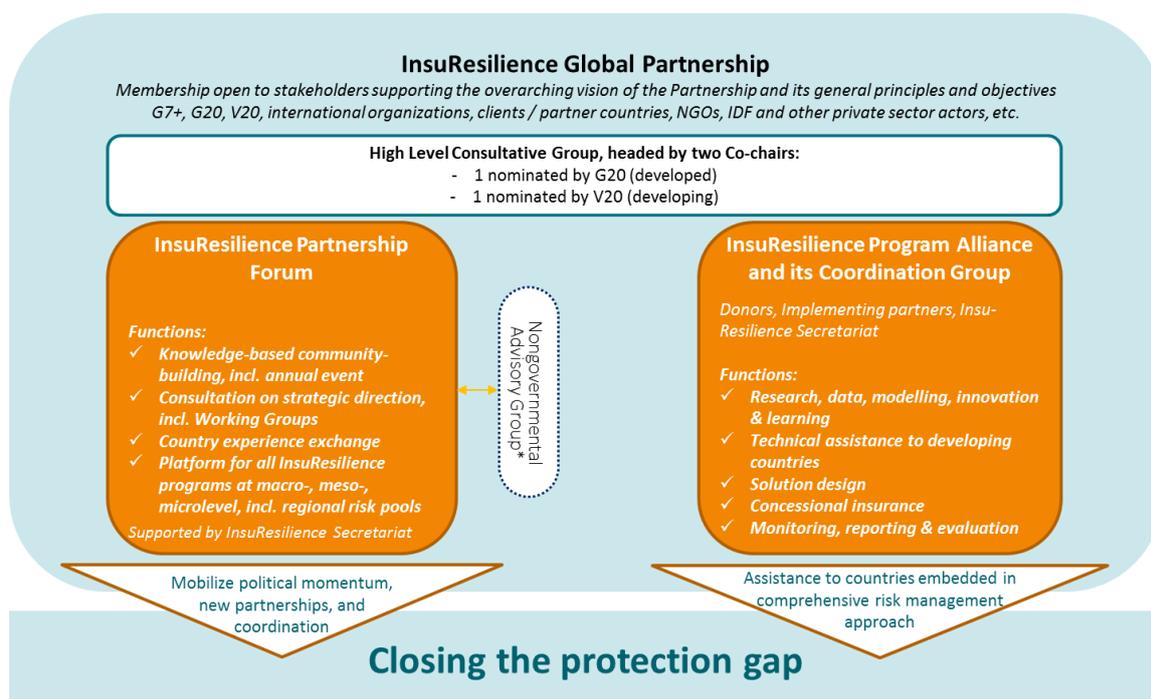
The Partnership will leverage existing efforts and structures where possible. Figure 2 provides the indicative governance structure. It includes the Partnership's members, convened through a platform for experience sharing and coordination, the Forum, and the Program Alliance geared to support countries with the full range of services.

A High Level Consultative Group (HLCG) ensures effective coordination and sharing of information, promotes strategic alignment of the forum and the program alliance and provides strategic guidance to the Partnership. The members of the HLCG reflect the diversity of the Partnership (G20 / V20, global north and global south, across all regions, including members from different stakeholder groups). It holds seats for up to 24 members. **It will be chaired by two Co-chairs representing developing and developed countries.** The Co-chairs will set the overall direction for the Partnership Forum, including preparing the agenda and guiding through the annual meeting, with the support of the InsuResilience Secretariat. Meetings take place at least once a year.

The Partnership Forum is a platform to exchange experience and knowledge, and raise awareness about risk finance and insurance by engaging all stakeholders of the Partnership in an inclusive way. The Partnership Forum encompasses different ways for exchange between partners, such as an online platform, an annual conference, and at the request of members other targeted activities and workshops, e.g., linked to existing groups and bodies with formal mandates such as the African Union, ASEAN, APEC, or the annual meetings of multilateral development banks. Working groups will be set up on a demand-driven basis to focus on key issues around the development of the Partnership and themes that warrant more in-depth attention (for example, concessional insurance, monitoring, reporting and evaluation), drawing on the membership as well as individual experts. It is important that inclusive work on issues such as pro-poor principles, monitoring and evaluation will start as soon as possible, to ensure that these are embedded in the Partnership. The annual Partnership Forum provides a key opportunity to further shape this work.

A Nongovernmental Advisory Group (NGAG) of representatives from civil society, private sector, and academia can be established at the request of supporting members. These groups are already represented in the HLCG. However, the NGAG may be convened to increase coordination among non-state actors in collaboration with the forum and working groups if required.

Figure 2: Proposed framework and functions of the InsuResilience Global Partnership



*Only if requested by members

The Partnership also works alongside a new alliance that brings together several major operational programs. This InsuResilience Program Alliance will help to coordinate donor contributions to countries, in line with the overarching goals of the Partnership. These programs working together deliver a full package of services related to climate and disaster risk finance and insurance including: capacity building; research, data, modelling and innovation; technical assistance; and solutions design and implementation.

The InsuResilience Program Alliance will initially focus on providing sovereign risk finance and insurance solutions embedded into a comprehensive risk management approach. Where requested and relevant, the InsuResilience Program Alliance will also support meso- and micro-level solutions. It will be a collaborative delivery vehicle for risk finance and insurance solutions, including: i) sharing existing and developing new cutting-edge research and data for partner countries; ii) designing and implementing financial solutions on the ground; iii) providing smart support for concessional risk financing and insurance. It will complement the efforts and build on the experience of existing programs, such as the World Bank’s Disaster Risk Financing and Insurance Program and the regional risk pools ARC, CCRIF and PCRAFI.

The Program Alliance coordinates its work through regular meetings of its members to ensure coherence and effectiveness. The Program Alliance will take into account the strategic recommendations by the HLCG and will interact with the members of the wider Partnership.